Achieving goals together

Allianz Group

Annual Report 2013

Allianz

Content

A_To Our Investors

B_Corporate Governance

C_Group Management Report

D_Consolidated Financial Statements

E_Further Information

To go directly to any chapter, simply click on the headline or the page number

Allianz at a glance

ANNUAL RESULTS

		2013	Change from previous year	2012	2011	2010	2009	2008	2007	More details on page
Income statement[1]										
Total revenues[2]	€MN	110,773	4.1%	106,383	103,560	106,451	97,385	92,568	97,689	67
Operating profit[3]	€MN	10,066	7.8%	9,337	7,764	8,243	7,044	7,455	10,320	68
Net income from continuing operations[4]	€MN	6,344	14.1%	5,558	2,853	5,209	4,650	4,268	7,991	69
Net income (loss) from discontinued operations, net of income taxes[4]	€MN	–	–	–	–	–	(395)	(6,373)	723	–
Net income (loss)	€MN	6,344	14.1%	5,558	2,853	5,209	4,255	(2,105)	8,714	69
thereof: Attributable to shareholders	€MN	5,996	14.6%	5,231	2,591	5,053	4,207	(2,363)	7,966	69
Balance sheet as of 31 December[1]										
Total assets	€MN	711,530	2.5%	694,447	641,322	624,945	583,717	954,999	1,061,149	93
Investments	€MN	411,015	2.3%	401,628	350,645	334,618	294,252	258,812	285,977	168
Total liabilities	€MN	658,681	2.7%	641,484	595,575	578,383	541,488	917,715	1,009,768	93
thereof: Reserves for insurance and investment contracts	€MN	404,072	3.3%	390,985	361,956	349,793	323,801	298,057	292,244	187
thereof: Reserves for loss and loss adjustment expenses	€MN	66,566	(8.2)%	72,540	68,832	66,474	64,441	63,924	63,706	182
Shareholders' equity	€MN	50,084	(0.6)%	50,388	43,457	44,491	40,108	33,720	47,753	92
Non-controlling interests	€MN	2,765	7.4%	2,575	2,290	2,071	2,121	3,564	3,628	195
Share information										
Basic earnings per share[1]	€	13.23	14.4%	11.56	5.74	11.20	9.33	(5.25)	18.00	230
Diluted earnings per share[1]	€	13.05	13.7%	11.48	5.58	11.12	9.30	(5.29)	17.71	230
Dividend per share	€	5.30[5]	17.8%	4.50	4.50	4.50	4.10	3.50	5.50	22
Total dividend	€MN	2,419[5,6]	18.6%	2,039	2,037	2,032	1,850	1,580	2,472	69
Share price as of 31 December	€	130.35	24.4%	104.80	73.91	88.93	87.15	75.00	147.95	22
Market capitalization as of 31 December	€MN	59,505	24.5%	47,784	33,651	40,419	39,557	33,979	66,600	23
Other data										
Return on equity after income tax[1,7,8]	%	11.9	0.8%-p	11.1	5.9	11.9	12.5	9.9	15.0	23
Conglomerate solvency[9]	%	182	(15)%-p	197	179	173	164	157[10]	158	92
Standard & Poor's rating[11]		AA	–	AA	AA	AA	AA	AA	AA	106
Total assets under management as of 31 December	€MN	1,769,551	(4.5)%	1,852,332	1,656,993	1,517,538	1,202,122	950,548	1,009,586	82
thereof: Third-party assets under management as of 31 December	€MN	1,360,759	(5.4)%	1,438,425	1,281,256	1,163,982	925,699	703,478	764,621	83
Employees		147,627	2.5%	144,094	141,938	151,338	153,203	182,865	181,207	61

1 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements. Figures prior to 2011 have not been adjusted retrospectively.
As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation. Figures prior to 2011 have not been adjusted retrospectively.
Figures prior to 2008 have not been restated to reflect the change in the Allianz Group's accounting policy for fixed-indexed annuities, effective 1 July 2010.

2 — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

3 — The Allianz Group uses operating profit as a key financial indicator to assess the performance of its business segments and the Group as a whole.

4 — Following the announcement of the sale on 31 August 2008, Dresdner Bank was classified as held for sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on 12 January 2009. The results from these operations are presented in a separate net income line "Net income (loss) from discontinued operations, net of income taxes".

5 — Proposal.

6 — Total dividend based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.

7 — Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity as of 31 December.

8 — Based on net income from continuing operations after non-controlling interests.

9 — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2013 would be 173% (2012 (as published): 188%). The conglomerate solvency ratio decreased by approximately 16 percentage points as of 1 January 2013 due to amendments to IAS 19.

10 — Pro-forma after sale of Dresdner Bank completed.

11 — For further information about insurer financial strength ratings of Allianz SE, please refer to page 106.

Allianz Group Annual Report 2013

Multichannel reporting

Print

Download as PDF

www.allianz.com/
annualreport

iPad[1]

1 — You can also scan the QR-Code to get directly to the specific Allianz App you wish to download from the Apple App Store.

Orientation guide

This sign indicates where additional information in this Annual Report or on the internet can be found.

On pages 249 to 252, you will find a glossary of selected accounting, insurance and financial market terms used in this report.

Allianz is a GLOBAL COMPANY that operates in MORE THAN 70 COUNTRIES. Our experience and expertise in insurance and asset management make us one of the WORLD'S STRONGEST FINANCIAL COMMUNITIES. With our broad portfolio of products and first-class service, we create tailor-made solutions for a changing world.

€ BN 50.1

Shareholders' equity — page 92
AA Standard & Poor's rating since 2007

€ 5.30

Dividend per share (proposal) — page 22

€ BN 110.8

Total revenues — page 67

€ MN 10,066

Operating profit — page 68

€ MN 5,996

Net income attributable to shareholders — page 69

182 %

Conglomerate solvency — page 92

Our approximately 148,000 EMPLOYEES do their utmost every day to make the most of financial opportunities and assess and safeguard against risks both to the benefit of our customers and to protect the company. Thanks to our global reach, expertise and financial strength, we are a trusted partner for over 83 MILLION CUSTOMERS insured by Allianz all around the world.

ACHIEVING GOALS TOGETHER.

1 perlindungan

untuk keluargaku,
tak peduli jarak
yang memisahkan kami.*

Bapak Faisal,
Field Officer,
Allianz Customer,
Indonesia

* ONE PROTECTION FOR MY FAMILY, NO MATTER HOW FAR AWAY I AM.

Our customers are at the heart of everything we do. Our in-depth knowledge of the markets and the variety of our products enable us to find the best solutions for their individual needs. We safeguard our customers and take advantage of global financial opportunities with them.

A – TO OUR INVESTORS

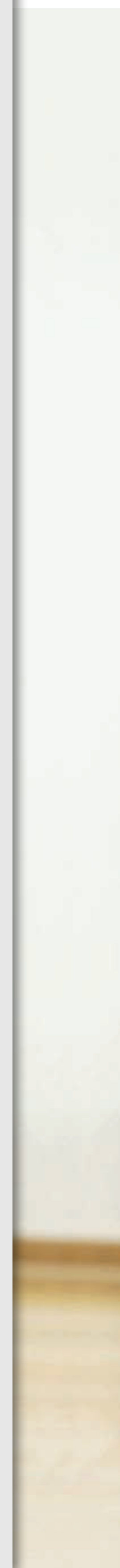
Pages **4–24**

Dear Investors,

I am pleased to report very good results once again this year. Allianz posted revenues of more than €110 BN for the first time ever, while at the same time considerably increasing profitability. At €10.1 BN, our 2013 operating profit was one of the highest in our history. We increased our net income by 14.1% to €6.3 BN. Net income attributable to shareholders amounted to €6.0 BN. Therefore, we will propose a dividend of €5.30 per share.

With these results we held up very well not only against our international competitors. We also continued to further improve our financial strength as evidenced by one of the best ratings of all insurance companies from the rating agency Standard & Poor's. Furthermore, our AA rating outlook was updated to "stable" by the same rating agency. This represents an outstanding assessment of our capital strength and solidity. The message is that your money is well invested in Allianz shares.

This strong performance in such a challenging business environment is once again the impressive result of the efficiency and skill of our employees around the world – and of our distribution partners. I would like to thank them for their remarkable efforts last year. And I think that I also may offer these words of praise on your behalf, as the owners of Allianz.



It was a difficult year for all regions of the world, with growth hampered by the need for structural adjustments, the fiscal consolidation in the Eurozone, the fiscal gridlock in the United States and sizeable political risks – especially in the Middle East. As a result, global economic growth in 2013 was even slightly lower than in the previous year. While central banks have supported growth by making an almost unlimited supply of liquidity available, the impact of persistently low interest rate levels represents a challenge for all savers and, in turn, for us as an insurer. In addition, severe hail, storms and floods in 2013 had an adverse effect on our results, in particular in Germany and Eastern Europe.

Even so, we succeeded in making positive headlines for the second year in a row. The Property-Casualty business posted an increase in operating profit of 14.2%, despite considerable losses from natural catastrophes. We were more than able to make up for these losses with a big improvement at our U.S. Property-Casualty subsidiary Fireman's Fund and an excellent contribution to operating profit from Allianz Italy.

Meanwhile, our Life/Health revenues grew by 8.5%, supported by strong growth in particular in Germany and Italy, despite the general uncertainty among clients caused by the low interest rate environment, while operating profit declined by 8.0% from the high level in the previous year. In Germany, we launched a new life insurance product in 2013 with separate guarantees in the savings and payout phases, which results in much less stringent capital adequacy requirements. In return, the client can expect higher returns. This innovation met with a good response in the market.

The Asset Management business managed to post a record operating profit in 2013, with growth of 7.0% despite a challenging environment in the second half. Our asset manager PIMCO recorded outflows of funds following the debate in the United States on a gradual reduction of asset purchases by the Federal Reserve Bank.

We continued to pursue our investments in future growth in a systematic manner. This year, we made an acquisition in Turkey, which makes us the market leader in one of the most attractive growth markets. We bought the company – multi-line insurer Yapı Kredi – in July, at the same time securing a 15-year exclusive distribution agreement with Yapı Kredi Bank. Thanks to the acquisition of Yapı Kredi, our market share in Turkey is now almost comparable with our position in Germany.

For the coming year, we believe that Allianz is well equipped to further boost its competitive position despite the challenges we face.

Although the economies in Europe and the United States are continuing to stabilize, interest rates in both regions are likely to remain low for the foreseeable future. The Euro has meanwhile staged a strong recovery, despite the European debt crisis being far from over. While this is a welcome development in one sense, it also has an adverse impact on exports and on the foreign revenues of European companies with international operations. However, without further diversifying our investment portfolio we won't achieve a satisfying investment performance on new investments. In this context, we also have to be attuned to currency fluctuations.

A further challenge is the need to tackle difficult detailed aspects of regulation – supervisory legislation, solvency rules and the consequences of Allianz's systemic relevance. This ties up a lot of resources and could potentially lead to higher capital adequacy requirements for Allianz. In our opinion, our strong capital position already covers such higher capital adequacy requirements today.

Alongside regulation, another increasingly important theme is the digitalization of our business models. New technologies are enabling us to meet the evolving needs of our clients, develop new products and tariffs and become more efficient and competitive. In this context, keeping our clients' and company's data secure has been given top priority. Digitalization is a long-term project. We have already achieved a great deal in recent years, but there is still a lot of work to do if we are to take full advantage of the potential available to us.

We are pleased to note that our shareholders have also benefited from our success. We see the increase of 24.4% in Allianz's share price in 2013 as a sign that the markets agree with our strategy and our earnings stability. For 2014, we are aiming for an operating profit of €10.0 BN. Due to ongoing market volatility, however, we believe that this result may ultimately rise or fall by up to €500 MN. We will continue to work hard to justify your trust in us.

Sincerely yours,

Michael Diekmann
Chairman of the Board of Management

Supervisory Board Report

Ladies and Gentlemen,

During the 2013 fiscal year, 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 and advised the Board of Management regarding the conduct of business.

OVERVIEW

Within the framework of our monitoring and advisory activities, the Board of Management informed us on a regular basis, and in a timely and comprehensive manner, both verbally and in writing, on the course of business, as well as on the economic and financial development of Allianz Group and Allianz SE, including deviations in actual business developments from existing plans. Further key areas the Board of Management reported on were business strategy, capital adequacy, the challenges facing life insurance due to persistent low interest rates, the effects of the sovereign debt crisis in Europe and Allianz SE's classification as a Global Systemically Important Insurer by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS), as well as any potentially resulting regulatory requirements.

In addition, we were extensively involved in the Board of Management's planning for both the 2014 fiscal year and the medium term. At various meetings, the Chief Executive Officers (CEOs) of Euler Hermes, Allianz Lebensversicherungs-AG and PIMCO presented the performance and strategic positioning of their entities.

The Board of Management's reports were supplemented by documents which each member of the Supervisory Board received in preparation for each meeting. Likewise, the annual financial statements of Allianz SE, the consolidated financial statements and the auditor's reports were also made available to us in time for the relevant meeting. The half-yearly and quarterly financial reports, and the results of the auditor's review were provided in advance to members of the Audit Committee.

In the 2013 fiscal year, the Supervisory Board held six meetings. The meetings took place in February, March, May, August, October and December.

The Board of Management also informed us in writing of important events that occurred between meetings. The chairmen of the Supervisory and Management Board also had regular discussions about major developments and decisions. 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 27.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In all of the Supervisory Board's 2013 meetings, the Board of Management reported on Group revenues and results, developments in individual business segments, and on the capital, financial and risk situation. We were regularly informed by the Board of Management on the impact of natural catastrophes, the status of major legal disputes and other essential developments.

In the meeting of 20 February 2013, the Supervisory Board dealt comprehensively with the provisional financial figures for the 2012 fiscal year and the Board of Management's recommended dividend. It also discussed the intended closure of Allianz Bank's business operations and the planned purchase of Turkish insurer Yapı Kredi. The appointed audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported in detail on the provisional results of their audit. The Supervisory Board also reviewed the extent to which individual members of the Board of Management had achieved their targets and set their variable remuneration for the 2012 fiscal year and their 2010 – 2012 mid-term bonus.

In the meeting of 14 March 2013, 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 2012 fiscal year. KPMG confirmed there were no discrepancies to their February report and issued an unqualified auditor's report for the individual and consolidated financial statements. The Supervisory Board also dealt with the agenda for the 2013 AGM of Allianz SE and approved the Supervisory Board's proposals for resolution. In addition, we resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the 2013 fiscal year as well as for the auditor's review of the 2013 half-yearly interim report. By way of a presentation the Supervisory Board was also informed in detail about the performance of global credit insurer Euler Hermes.

On 7 May 2013, just before the AGM, the Board of Management briefed us on the first quarter 2013 performance and on the Group's current situation, particularly the capital adequacy. We further used this meeting to prepare for the subsequent AGM. The Supervisory Board adopted a resolution regarding the extension of Manual Bauer's appointment until 31 December 2014, the year in which he will turn 60.

In our meeting on 1 August 2013 the Board of Management reported in depth on the half-yearly results. We examined Allianz Turkey's business activities and the security of client data in the wake of the NSA disclosures. We also dealt with the issuance of Allianz Shares to employees of Allianz Group. We were given a presentation on the performance of Allianz Lebensversicherungs-AG and had a thorough discussion about the challenges posed by persistently low interest rates and about product initiatives featuring a new guarantee concept. In the executive session, we agreed to a reduction in the thresholds regarding transactions in equity holdings which require our approval as well as to the respective amendment of our Rules of Procedure.

At the meeting of 2 October 2013, we dealt extensively with the strategy of the Allianz Group, including risk strategy and risk management, capital management and digitalization. We were also given a presentation on the business performance and further development of the business model at PIMCO and discussed the outflows of funds from fixed income investments. The meeting was followed by a separate information session for members of the Supervisory Board where Allianz managers gave presentations on current topics.

At the 12 December 2013 meeting, the Board of Management informed us of the third-quarter results, further business developments, the situation of the Allianz Group, and several other issues. We then discussed the planning for the 2014 fiscal year and the three-year period 2014–2016, as well as the remuneration structures within the Allianz Group and the Declaration of Conformity with the German Corporate Governance Code (Code). On the recommendation of the Personnel Committee, the Supervisory Board adopted a resolution to adjust the remuneration of the Board of Management with effect from 1 January 2014, to set the yearly premiums for pension schemes for members of the Board of management, and set out their targets for 2014. We also reviewed and approved the appropriateness of the remuneration of the Board of Management by means of a vertical and horizontal comparison. In line with a new recommendation of the Code, the "upper management" and "relevant workforce" groups were defined for the vertical comparison. In addition, we intensively discussed the Supervisory Board's efficiency review, which we carried out for the first time in 2013 with the aid of an external advisor, and we discussed potential improvements in the way the Supervisory Board operates.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

The Supervisory Board dealt with the new version of the Code dated 13 May 2013.

On 12 December 2013 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 Commission made in the Code's version of 13 May 2013 with one exception. Deviating from Item 5.3.2 of the Code, the Supervisory Board's Risk Committee – rather than the Audit Committee – will be responsible for monitoring the risk management system.

Further explanations of corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on PAGE 27 and the Statement on Corporate Management pursuant to § 289a HGB starting on PAGE 32. More information on corporate governance can also be found on the Allianz website at WWW.ALLIANZ.COM/CORPORATE-GOVERNANCE.

COMMITTEE ACTIVITIES

The Supervisory Board has formed various committees in order to perform its duties efficiently: the Standing Committee, the Personnel Committee, the Audit Committee, the Risk Committee and the Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary sessions. Furthermore, in appropriate cases, the authority to adopt resolutions has been delegated to the committees. There is no Conciliation Committee because the German Co-Determination Act ("Mitbestimmungsgesetz") which provides for such a committee does not apply to Allianz SE as a European Company (SE). Please find the composition of the committees at the end of the reporting period on PAGE 15.

The *Standing Committee* held five meetings in 2013. These related primarily to corporate governance issues, the preparation for the AGM, the Employee Stock Purchase Plan, and a review of the Supervisory Board's efficiency conducted by an external advisor. During the fiscal year the committee passed resolutions requiring approval on the use of Authorized Capital 2010/II for the issue of shares to employees and to approve loans to senior executives.

The *Personnel Committee* met four times over the fiscal year 2013. The committee dealt with personnel matters for both active and former members of the Board of Management, including succession planning and top management development. It also reviewed the extent to which members of the Board of Management had achieved their annual targets for fiscal year 2012 and the targets for the 2010-2012 mid-term bonus. The committee prepared the review of the Board of Management's remuneration system, including the setting of targets for variable remuneration in 2014. In addition, the committee dealt with the mandates held by Board of Management members in the interests of the Allianz Group. In relation to this, resolutions were also adopted by written procedure in April and July 2013.

The *Audit Committee* held five meetings in 2013. 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. In addition, the committee reviewed the half-yearly and quarterly financial reports and, together with the auditors, went through the details of the auditor's review of these financial statements. After carrying out these reviews, the Audit Committee saw no reason to raise any objections. The committee also reviewed the auditor's engagement and established priorities for the annual audit. In addition, assignments to the auditors for services not connected to the audit itself were discussed. An upper limit for "non-audit services" by KPMG was agreed upon, requiring approval from the Audit Committee if it is to be exceeded. The committee also dealt with the compliance system, the internal auditing system as well the accounting process and internal financial reporting control mechanisms, including the appropriateness of the respective systems and processes. The committee received regular reports from the Head of Group Audit, from the General Counsel and from the Chief Compliance Officer on material audit results and their status as well as on legal and compliance issues. The committee approved the audit plan by Group Audit for 2014.

The *Risk Committee* held two meetings in 2013. In both meetings, the committee discussed the current risk situation of the Allianz Group with the Board of Management. The risk report as well as other risk-related statements in the annual Allianz SE and consolidated financial statements and management and group management reports, were reviewed with the auditor and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system in Allianz was also discussed. In the August meeting, the committee looked in detail at the effectiveness of the risk management system, including an examination of its compliance with minimum supervisory requirements. Other matters considered were the risk strategy and market and credit risk.

There was no business requiring a meeting of the ***Nomination Committee*** during fiscal year 2013.

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

Chair and committees of the Supervisory Board – as of 31 December 2013
Chairman of the Supervisory Board: Dr. Helmut Perlet
Deputy Chairmen: Dr. Wulf H. Bernotat, Rolf Zimmermann
Standing Committee: Dr. Helmut Perlet (Chairman), Dr. Wulf H. Bernotat, Prof. Dr. Renate Köcher, Gabriele Burkhardt-Berg, Rolf Zimmermann
Personnel Committee: Dr. Helmut Perlet (Chairman), Christine Bosse, Rolf Zimmermann
Audit Committee: Dr. Wulf H. Bernotat (Chairman), Igor Landau, Dr. Helmut Perlet, Jean-Jacques Cette, Ira Gloe-Semler
Risk Committee: Dr. Helmut Perlet (Chairman), Christine Bosse, Peter Denis Sutherland, Dante Barban, Franz Heiß
Nomination Committee: Dr. Helmut Perlet (Chairman), Prof. Dr. Renate Köcher, Peter Denis Sutherland

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 and not by the AGM. The Supervisory Board has 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. 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 and quarterly financial reports.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from KPMG for the 2013 fiscal year on schedule. The provisional financial statements and KPMG's audit results were discussed in the Audit Committee on 25 February 2014 and in the plenary session of the Supervisory Board on 26 February 2014. The final financial statements and KPMG's audit reports were reviewed on 13 March 2014 by the Audit Committee and in the Supervisory Board plenary session. The auditors participated in these discussions and presented the main results from the audit. 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.

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 company's financial statements are therefore 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.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Dr. Gerhard Cromme resigned as a member of the Supervisory Board effective 14 August 2012. Christine Bosse was initially appointed to the Supervisory Board by court order as his successor. On 7 May 2013, the AGM elected Ms Bosse to the Supervisory Board. The current term of the Supervisory Board will expire following the 2017 AGM.

On 1 January 2013, Board of Management members Mr. Oliver Bäte and Dr. Dieter Wemmer exchanged their responsibilities. Mr. Bäte took over responsibility for Insurance Western & Southern Europe. Dr. Wemmer took over responsibility for Finance, Controlling, Risk.

Munich, 13 March 2014

For the Supervisory Board:

Dr. Helmut Perlet
Chairman

Supervisory Board

DR. HELMUT PERLET
Chairman
Former Member of the Board of Management of Allianz SE

DR. WULF H. BERNOTAT
Vice Chairman
Former Chairman of the Board of Management of E.ON AG

ROLF ZIMMERMANN
Vice Chairman
Employee of Allianz Deutschland AG

DANTE BARBAN
Employee of Allianz S.p.A.

CHRISTINE BOSSE
Former Group Chief Executive Officer of the Executive Management of Tryg

GABRIELE BURKHARDT-BERG
Chairwoman of the Group Works Council of Allianz SE

JEAN-JACQUES CETTE
Chairman of the Group Works Council of Allianz France S.A.

IRA GLOE-SEMLER
Chairwoman of the federal insurance group of ver.di Germany

FRANZ HEISS
Employee of Allianz Beratungs- und Vertriebs-AG

PROF. DR. RENATE KÖCHER
Head of Institut für Demoskopie Allensbach (Allensbach Institute)

IGOR LANDAU
Member of the Board of Directors of Sanofi S.A.

PETER DENIS SUTHERLAND
Chairman of Goldman Sachs International

Board of Management

MICHAEL DIEKMANN
Chairman of the Board of Management

DR. WERNER ZEDELIUS
Insurance German Speaking Countries,
Human Resources

DR. DIETER WEMMER
Finance, Controlling, Risk

GARY BHOJWANI
Insurance USA

DR. CHRISTOF MASCHER
Operations

DR. HELGA JUNG
Insurance Iberia & Latin America,
Legal & Compliance, M & A

OLIVER BÄTE
Insurance Western & Southern Europe

MANUEL BAUER
Insurance Growth Markets

DR. MAXIMILIAN ZIMMERER
Investments

CLEMENT BOOTH
Global Insurance Lines & Anglo Markets

JAY RALPH
Asset Management Worldwide

International Executive Committee

MICHAEL DIEKMANN
Chairman, Allianz SE
Germany

AMER AHMED
Allianz Re
Germany

SOLMAZ ALTIN
Allianz Sigorta A.S.
Turkey

OLIVER BÄTE
Allianz SE
Germany

MANUEL BAUER
Allianz SE
Germany

GARY BHOJWANI
Allianz SE
Germany

CLEMENT BOOTH
Allianz SE
Germany

BRUCE BOWERS
CEEMA
Germany

ELIZABETH CORLEY
Allianz Global Investors
Germany

JON DYE
Allianz Insurance PLC
United Kingdom

MOHAMED EL-ERIAN
PIMCO
USA

ROBERT FRANSSEN
Allianz Benelux
Belgium

RÉMI GRENIER
Allianz Global Assistance
France

DOUG HODGE
as of 18 March 2014
PIMCO
USA

HELGA JUNG
Allianz SE
Germany

WOLFRAM LITTICH
Allianz Elementar
Austria

CHRISTOF MASCHER
Allianz SE
Germany

SEVERIN MOSER
Allianz Suisse
Switzerland

NIRAN PEIRIS
Allianz Australia
Australia

JAY RALPH
Allianz SE
Germany

JACQUES RICHIER
Allianz France
France

MARKUS RIESS
Allianz Deutschland AG
Germany

KLAUS-PETER RÖHLER
Allianz S.p.A.
Italy

GEORGE SARTOREL
Allianz SE – Asia-Pacific
Singapore

VICENTE TARDÍO BARUTEL
Allianz Compañía de Seguros y Reaseguros
Spain

AXEL THEIS
Allianz Global Corporate & Specialty
Germany

ANDREW TORRANCE
Fireman's Fund Insurance Company
USA

WILFRIED VERSTRAETE
Euler Hermes
France

DIETER WEMMER
Allianz SE
Germany

WALTER WHITE
Allianz Life Insurance Company of North America
USA

WERNER ZEDELIUS
Allianz SE
Germany

MAXIMILIAN ZIMMERER
Allianz SE
Germany

Allianz Share

– Allianz shares gain 24.4% as stock markets rally.
– Dividend rises to €5.30.

Bullish equity markets

After a lackluster start to the year 2013, European share prices started to fall in the spring, prompted by the financial crisis in Cyprus and the difficult political situation in Italy. As these economies started to heal, and with markets expecting central banks to stick to their expansionary monetary policies, share prices started to pick up considerably – before coming to an abrupt stop in June. This was triggered by hints made by the Federal Reserve Bank that it might start scaling down its bond purchase program before the end of 2013. Investors reacted by pulling considerable amounts of money out of the stock and bond markets – particularly from emerging markets. After further comments by the Federal Reserve Bank then suggested that an end to – or a restriction of – bond purchases was not looming on the horizon after all, share prices rallied during the second half of the year.

Allianz price significantly up

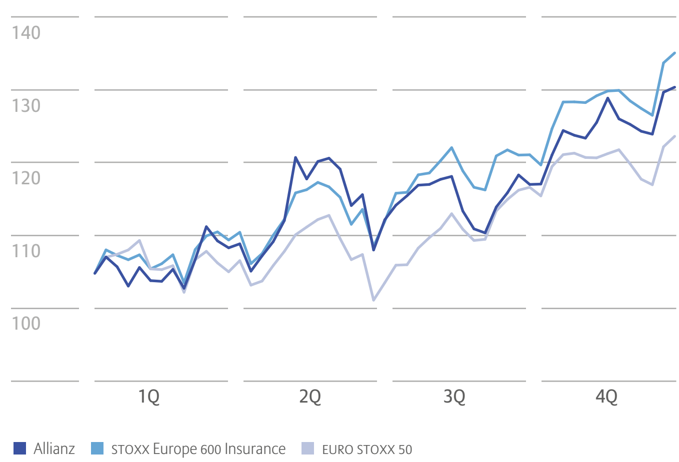
The gains made by Allianz shares in the previous year continued in a dynamic fashion in 2013, climbing by 24.4% to €130.35. Assuming that the dividend was reinvested in Allianz shares, total shareholder return amounted to 29.1%. This rising share price reflects the company's encouraging business development. The increase of our share price, however, was somewhat less than the STOXX Europe 600 Insurance (+28.9%) as market fears intensified during the course of the year that rising interest rates in the United States would slow down growth of our asset manager PIMCO. Allianz shares did, however, clearly outperform cross-industry indices like the EURO STOXX 50 (+17.9%).

Following the publication of the 2013 results, 59% of analysts issued a "buy" recommendation for Allianz shares – with an average price target of €140. For analysts' current recommendations and earnings estimates, please refer to WWW.ALLIANZ.COM/ANALYSTSRECOMMENDATIONS.

Rising share prices in 2013 also confirmed Allianz shares as an attractive investment for the longer term. For example, investors who have held our shares in their portfolios for five years and opted to reinvest their dividends in Allianz shares will have earned an average annual total shareholder return of 17.1%.

DEVELOPMENT OF THE ALLIANZ SHARE PRICE VERSUS STOXX EUROPE 600 INSURANCE AND EURO STOXX 50

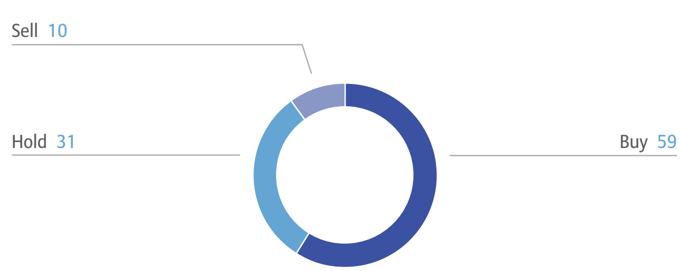
indexed on the Allianz share price in €



Source: Thomson Reuters Datastream

ANALYSTS' RECOMMENDATIONS

as of 28 February 2014 in %



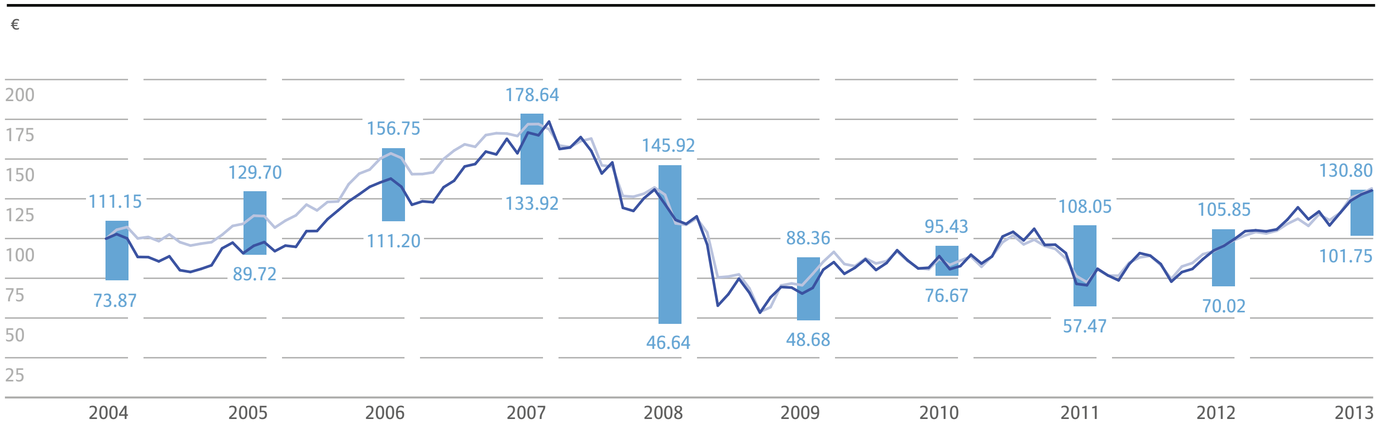
Source: Bloomberg

ALLIANZ SHARE PERFORMANCE IN COMPARISON

average annual performance in %	1 year 2013	5 years 2009–2013	10 years 2004–2013
Allianz (excl. dividends)	24.4	11.7	2.7
Allianz (incl. dividends)	29.1	17.1	6.4
STOXX Europe 600 Insurance	28.9	11.1	2.8
EURO STOXX 50	17.9	4.9	1.2
DAX	25.5	14.7	9.2

Source: Thomson Reuters Datastream

SHARE PRICE DEVELOPMENT AGAINST STOXX EUROPE 600 INSURANCE



Source: Thomson Reuters Datastream

Higher dividend

Given our positive business development, we will propose to increase the dividend by €0.80 to €5.30 to the Annual General Meeting. Based on the year-end share price, this corresponds to a dividend yield of 4.1%. The payout ratio, based on net income [1] for 2013, is 40%[2].

High weighting in major indices

Allianz is one of the most highly valued financial services providers in the world, with our strength reflected in the weighting of Allianz shares in major German, European and global indices. In the STOXX Europe 600 Insurance, which includes 37 insurance companies, our shares carry the greatest weight. In the MSCI World Financials index we are among the top firms.

WEIGHTING OF ALLIANZ SHARES IN MAJOR INDICES

as of 31 December 2013	Weighting in %	Ranking	Index members
DAX	7.3	5	30
EURO STOXX 50	3.1	10	50
STOXX Europe 600 Insurance	13.4	1	37
MSCI World Financials	1.2	14	340
MSCI World	0.3	73	1,610

Source: Deutsche Börse Group, STOXX Limited, MSCI

Allianz shares as a sustainable investment

Our sustainable entrepreneurial approach has long been recognized and resulted in our stock's listing in major sustainability indices such as the Dow Jones Sustainability Index and the FTSE4Good. This is just one of the reasons why we are considered one of the most sustainable financial services providers worldwide.

With our Environmental, Social and Governance Board we demonstrate our commitment to sustainability. We believe the Allianz Group's focus on and clear commitment to environmental, social and governance issues in all our business activities enhances the attractiveness of Allianz shares for investors.

For further information on sustainability in the Allianz Group, please refer to the Progress in Sustainable Development chapter starting on PAGE 59 and to WWW.ALLIANZ.COM/SUSTAINABILITY.

Shareholder structure

With around 430,000 shareholders, Allianz is one of the most widely held publicly-owned corporations in Europe. Apart from approximately 0.6% of Allianz shares held in treasury, all of our shares continue to be held in free float. At the end of the year, 86% were held by institutional investors and 14% by private investors. The breakdown by region shows that 69% of Allianz shares were owned by Europeans and 31% by non-Europeans.

For up-to-date information on our shareholder structure, please refer to WWW.ALLIANZ.COM/SHAREHOLDERS.

1 — Based on net income after non-controlling interests.
2 — Total dividend based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.

ALLIANZ SHARE KEY INDICATORS AT A GLANCE

		2013	2012	2011	2010	2009
Total number of issued shares as of 31 December		456,500,000	455,950,000	455,300,000	454,500,000	453,900,000
Weighted average number of shares outstanding		453,297,832	452,666,296	451,764,842	451,280,092	450,845,024
Share price as of 31 December	€	130.35	104.80	73.91	88.93	87.15
High of the year	€	130.80	105.85	108.05	95.43	88.36
Low of the year	€	101.75	70.02	57.47	76.67	48.68
Share price performance in the year	%	24.4	41.8	(16.9)	2.0	16.2
Beta coefficient[1]		1.3	1.1	1.5	0.9	1.4
Market capitalization as of 31 December	€BN	59.5	47.8	33.7	40.4	39.6
Average number of shares traded per day (Xetra)	MN	1.7	2.4	3.1	2.5	3.0
Basic earnings per share[2]	€	13.23	11.56	5.74	11.20	9.33
Price-earnings ratio		9.9	9.2	13.1	7.9	9.3
Dividend per share	€	5.30[3]	4.50	4.50	4.50	4.10
Total dividend	€MN	2,419[3,4]	2,039	2,037	2,032	1,850
Dividend yield as of 31 December	%	4.1[3]	4.3	6.1	5.1	4.7
Payout ratio[2,5]	%	40[4]	39	79	40	40
Return on equity after income tax[2,5,6]	%	11.9	11.1	5.9	11.9	12.5

1 — In comparison with EURO STOXX 50, source: Bloomberg.
2 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements. Figures prior to 2011 have not been adjusted retrospectively.
3 — Proposal.
4 — Total dividend based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.
5 — Based on net income from continuing operations after non-controlling interests.
6 — Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity as of 31 December.

BASIC SHARE INFORMATION

Share type	Registered shares with restricted transfer
Security codes	WKN 840 400
	ISIN DE 000 840 400 5
Bloomberg	ALV GR
Reuters	0#ALVG.DEU

Service and Contact

Allianz Investor Line
Mon – Fri: 8 am – 8 pm CET
Phone: +49.89.3800-7555
Email: investor.relations@allianz.com

Find out online

www.allianz.com/investor-relations
Allianz Investor Relations App

Important dates for shareholders and analysts

See financial calendar (back cover)

1 truth about risk:

you can't predict the future, but you can prepare for it.

Sital Bhambra,
Senior Motor Fleet Underwriter,
Allianz Employee,
United Kingdom

Our employees are key to our success. We promote their development intensively and help them expand their knowledge and gain new experiences on a continual basis. This enables us to consistently improve our performance and minimize the business risks facing our community.

B — CORPORATE GOVERNANCE

Pages 26 – 46

Corporate Governance Report

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE attach great importance to complying with the recommendations of the German Corporate Governance Code (referred to hereinafter as the "Code"). Allianz SE complies with all but one of the current Code's recommendations and with all its suggestions. The Declaration of Conformity issued by the Board of Management and Supervisory Board on 12 December 2013 and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to §289a of the HGB starting on PAGE 32.

Corporate constitution of the European Company

As a European Company, Allianz SE is subject to special European SE regulations and the German SE Implementation Act (SE-Ausführungsgesetz) in addition to German stock corporation law. The main features of the 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. For further details on the differences between a German stock corporation and a European Company with a registered office in Germany, please refer to WWW.ALLIANZ.COM/ALLIANZ-SE.

Function of the Board of Management

The Board of Management manages Allianz SE and the Allianz Group. It currently comprises eleven members. Its responsibilities include setting business objectives and the strategic direction, coordinating and supervising the operating entities, as well as implementing and overseeing an efficient risk management system. In this context, the Board of Management is responsible for monitoring adherence to statutory provisions and official regulations. The Board of Management also prepares the quarterly and half-yearly financial reports, as well as the Group's consolidated financial statements and the annual financial statements of Allianz SE.

The members of the Board of Management are jointly responsible for management. Notwithstanding this overall responsibility, the individual members of the Board head the departments they have been assigned independently. There are divisional responsibilities for business segments as well as functional responsibilities. The latter include the Chairman's division, the Finance-, Risk Management- and Controlling-Function, Investments, Operations – including IT –, Human Resources, Legal and Compliance, and Mergers & Acquisitions. Business division responsibilities focus on geographic regions or operating segments, such as Asset Management. Rules of procedure specify in more detail the work of the Board of Management. Such rules set out for the specific responsibilities of Board members, matters reserved for the whole Board and other procedures necessary to pass resolutions.

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

BOARD OF MANAGEMENT AND GROUP COMMITTEES

In the financial year 2013, the following Board committees helped to improve the efficiency of the work done by the Board of Management.

BOARD COMMITTEES

BOARD COMMITTEES	RESPONSIBILITIES
GROUP CAPITAL COMMITTEE Michael Diekmann (Chairman), Dr. Dieter Wemmer, Dr. Maximilian Zimmerer	Proposals to the Board of Management concerning risk strategy, strategic asset allocation and risk capital allocation within the Group.
GROUP FINANCE COMMITTEE Dr. Maximilian Zimmerer (Chairman), Dr. Helga Jung, Jay Ralph, Dr. Dieter Wemmer, Dr. Werner Zedelius	Deciding on material investments, preparing and monitoring the Group's investment policy, financing and capital management.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Jay Ralph, Dr. Dieter Wemmer, Dr. Werner Zedelius	Developing, implementing and monitoring a Group-wide IT strategy, approval of relevant IT investments.
GROUP RISK COMMITTEE Dr. Dieter Wemmer (Chairman), Clement Booth, Jay Ralph, Dr. Maximilian Zimmerer	Establishing and overseeing a Group-wide risk management and monitoring system.

as of 31 December 2013

Besides Board committees, there are also Group committees whose job it is to prepare decisions for the Board of Management of Allianz SE, submit proposals for resolutions and ensure the smooth flow of information within the Group.

GROUP COMMITTEES

GROUP COMMITTEES	RESPONSIBILITIES
GROUP COMPENSATION COMMITTEE Board members and executives reporting to the Allianz SE Board of Management	Designing, monitoring and improving compensation systems, annual submission of a report on the results of its monitoring, along with proposals for improvements.
GROUP UNDERWRITING COMMITTEE Members of the Board of Management, executives below Allianz SE Board level and Chief Underwriting Officers of Group companies	Monitoring of the underwriting business and related risk management, developing an underwriting policy and strategy.
INTERNATIONAL EXECUTIVE COMMITTEE All members of the Board of Management of Allianz SE and Managing Directors of the major subsidiaries of Allianz Group	Discussion of overall strategic issues for the Allianz Group (for composition, see page 20).

The responsibilities and composition of the Board of Management and Group committees are set out in the respective Rules of Procedure, which require the approval of the Board of Management. In December 2013, the Board approved certain changes to the responsibilities of the Board and Group committees to harmonize them with the responsibilities of Board members. These changes come into force in financial year 2014.

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 performance-based remuneration of the members of the Board of Management (for details, please see the Remuneration Report starting on PAGE 37). When filling managerial positions, the Board of Management takes diversity into consideration. For example, 30% of managerial positions in the Allianz Group in Germany are targeted to be filled by women by 2015.

The Board of Management reports regularly and comprehensively to the Supervisory Board on business development, the financial position and earnings, budgeting and achievement of objectives, business strategy and risk exposure.

Certain important decisions of the Board of Management require approval by the Supervisory Board. Some of these requirements are stipulated by law or by decisions of the Annual General Meeting (AGM). These include approval for the Board of Management to increase the share capital (Authorized Capital), acquire treasury shares or issue convertible bonds or bonds with warrants. In addition, the Statutes also provide approval requirements for certain transactions, such as intercompany agreements and the launch of new business segments or closure of existing ones, insofar as such actions are material to the Group. Approval is also required for acquisitions of companies and holdings in companies as well as divestments of Group companies which exceed certain threshold levels. The Agreement concerning the Participation of Employees in Allianz SE 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). The size and composition of the Supervisory Board are instead determined by general European SE regulations. These regulations are implemented in the Statutes and by the Agreement concerning the Participation of Employees in Allianz SE dated 20 September 2006. The agreement can be found on our website at WWW.ALLIANZ.COM/ALLIANZ-SE.

The Supervisory Board comprises twelve members appointed by the AGM. Six of these twelve members are appointed on the basis of proposals from employees, which the AGM is bound to accept.

In accordance with the Agreement concerning the Participation of Employees in Allianz SE, the seats for the six employee representatives are 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 Italy. The last regular election of the Supervisory Board took place in May 2012 for a term lasting until the end of the ordinary AGM in 2017.

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 2013 financial year are described in the Supervisory Board Report starting on PAGE 10.

The Supervisory Board held six regular meetings in financial year 2013 and is scheduled to meet three times each half calendar year in the future. Extraordinary meetings may be convened as needed. The committees also hold regular meetings. The Supervisory Board takes all decisions based on a simple majority. The special requirements for appointing members to the Board of Management contained in the German Co-Determination Act and the requirement for 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 deputy chairperson from the shareholder side. A second deputy chairperson is elected on the proposal of the employee representatives.

The Supervisory Board regularly reviews the efficiency of its activities. The plenary Supervisory Board discusses recommendations for improvements and adopts appropriate measures on the basis of recommendations from the Standing Committee.

SUPERVISORY BOARD COMMITTEES

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

SUPERVISORY BOARD COMMITTEES

SUPERVISORY BOARD COMMITTEES	RESPONSIBILITIES
STANDING COMMITTEE 5 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **Two further shareholder representatives** (Prof. Dr. Renate Köcher, Dr. Wulf H. Bernotat) – **Two employee representatives** (Gabriele Burkhardt-Berg, Rolf Zimmermann)	– Approval of certain transactions which require approval of the Supervisory Board, e.g. capital increases, acquisitions and disposals of participations – Preparation of the Declaration of Compliance pursuant to § 161 Aktiengesetz (German Stock Corporation Act) and control of corporate governance – Preparation of the self-evaluation of the Supervisory Board
AUDIT COMMITTEE 5 members – **Chairman:** appointed by the Supervisory Board (Dr. Wulf H. Bernotat) – **Three shareholder representatives** (Dr. Wulf H. Bernotat, Igor Landau, Dr. Helmut Perlet) – **Two employee representatives** (Ira Gloe-Semler, Jean-Jacques Cette)	– Initial review of the annual Allianz SE and consolidated financial statements, management reports (incl. Risk Report) and the dividend proposal, review of half-yearly and quarterly financial reports – 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 discussion of key issues related to the external audit
RISK COMMITTEE 5 members – **Chairman:** appointed by the Supervisory Board (Dr. Helmut Perlet) – **Three shareholder representatives** (Christine Bosse, Dr. Helmut Perlet, Peter Denis Sutherland) – **Two employee representatives** (Dante Barban, Franz Heiß)	– Monitoring of the 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 on the results of such reviews
PERSONNEL COMMITTEE 3 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **One further shareholder representative** (Christine Bosse) – **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, taking diversity into account and, in particular, aiming for adequate representation of women – Approval of the assumption of other mandates by Board of Management members
NOMINATION COMMITTEE 3 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **Two further shareholder representatives** (Prof. Dr. Renate Köcher, Peter Denis Sutherland)	– 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

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 PERCENT
PLENARY SESSIONS OF THE SUPERVISORY BOARD		
Dr. Helmut Perlet (Chairman)	6/6	100
Dr. Wulf H. Bernotat (Vice Chairman)	6/6	100
Rolf Zimmermann (Vice Chairman)	6/6	100
Dante Barban	6/6	100
Christine Bosse	6/6	100
Gabriele Burkhardt-Berg	6/6	100
Jean-Jacques Cette	6/6	100
Ira Gloe-Semler	4/6[1]	66.67
Franz Heiß	6/6	100
Prof. Dr. Renate Köcher	4/6[1]	66.67
Igor Landau	6/6	100
Peter Denis Sutherland	5/6[1]	83.33
STANDING COMMITTEE		
Dr. Helmut Perlet (Chairman)	5/5	100
Dr. Wulf H. Bernotat	5/5	100
Gabriele Burkhardt-Berg	5/5	100
Prof. Dr. Renate Köcher	3/5[1]	60
Rolf Zimmermann	5/5	100
PERSONNEL COMMITTEE		
Dr. Helmut Perlet (Chairman)	4/4	100
Christine Bosse	4/4	100
Rolf Zimmermann	4/4	100
AUDIT COMMITTEE		
Dr. Wulf H. Bernotat (Chairman)	5/5	100
Jean-Jacques Cette	5/5	100
Ira Gloe-Semler	4/5[1]	80
Igor Landau	5/5	100
Dr. Helmut Perlet	5/5	100
RISK COMMITTEE		
Dr. Helmut Perlet (Chairman)	2/2	100
Dante Barban	2/2	100
Christine Bosse	2/2	100
Franz Heiß	2/2	100
Peter Denis Sutherland	2/2	100

1 — Excused.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

In order to implement a recommendation by the Code, the Supervisory Board specified the following objectives for its composition at its meeting on 12 December 2012:

OBJECTIVES OF THE 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. To promote additional cooperation among Supervisory Board members, care should be taken in selecting the candidates to ensure that adequate attention is paid to ensuring diversity in occupational backgrounds, professional expertise and experience.

Employee representation within Allianz SE, as provided for by the SE Agreement concerning the Participation of Employees dated 20 September 2006, contributes to diversity of work experience and cultural background. Pursuant to §6 (2) sentence 2 of the Act on the Participation of Employees in a European Company (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:[1]

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

1. General selection criteria

- Managerial or operational experience
- General knowledge of the insurance and financial services business
- Willingness and ability to make sufficient commitments in time and substance
- Fulfillment of the regulatory requirements:
  - Reliability
  - Knowledge of the field of corporate governance and supervisory law[1]
  - Knowledge of the main features of accounting and risk management[1]
- Compliance with the limitation on the number of mandates as recommended by the German Corporate Governance Code and required by §7a (4) of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz – VAG").

2. Independence

At least eight members of the Supervisory Board should be independent as defined by No. 5.4.2 of the Corporate Governance Code, i.e. they may not have any business or personal relations with Allianz SE or its Board of Management, a controlling shareholder or an enterprise associated with the latter, which may cause a substantial and not merely temporary conflict of interests. In case shareholder representatives and employee representatives are viewed separately, at least four members should be independent within the meaning of No. 5.4.2 of the Corporate Governance Code, respectively. Regarding employee representatives, however, the mere fact of employee representation and the existence of a working relationship with the company shall not itself affect independence.

In addition, at least one member must be independent within the meaning of §100 (5) of the German Stock Corporation Act.

It must be taken into account that the possible emergence of conflicts of interest in individual cases cannot, as a general rule, be excluded. Potential conflicts of interest must be disclosed to the Chairman of the Supervisory Board and will be resolved by appropriate measures.

3. Retirement age

According to the Supervisory Board's Rules of Procedure, its members may not, in general, be older than 70 years of age.

II. Requirements relating to the composition of the Board as a whole

1. Specialist knowledge

- At least one member must have considerable experience in the insurance and financial-services fields
- At least one member must have expert knowledge of accounting and auditing as defined by §100 (5) AktG
- Specialist knowledge of, or experience in, other economic sectors.

2. International character

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.

Since the establishment of Allianz SE as a Societas Europaea (European Company), Allianz employees from different Member States of the EU are considered in the distribution of Supervisory Board seats for employee representatives, according to the Agreement concerning the Participation of Employees in Allianz SE dated 20 September 2006.

3. Diversity and appropriate representation of women

The members of the Supervisory Board shall complement one another regarding their background, professional experience and specialist knowledge, in order to provide the Supervisory Board with the most diverse sources of experience and specialist knowledge possible.

The aim is for at least 25% of the Supervisory Board members to be women. The representation of women is generally considered to be the joint responsibility of the shareholder and employee representatives."

1 — See the BaFin notice on the monitoring of members of administrative and supervisory bodies pursuant to the German Banking Act (KWG) and the German Insurance Supervision Act (VAG) dated 3 December 2012.

The composition of the Supervisory Board of Allianz SE reflects these objectives. It has an appropriate number of independent members with international backgrounds. With a current complement of four female members, the goal of ensuring that women are adequately represented on the Supervisory Board is being met. The current composition of the Supervisory Board and its committees is described on PAGE 15.

Shares held by members of the Board of Management and the Supervisory Board

The total holdings of members of the Board of Management and the Supervisory Board of Allianz SE amounted to less than 1% of the company's issued shares as of 31 December 2013.

Directors' dealings

Members of the Board of Management and the Supervisory Board are obliged by the German Securities Trading Act (Wertpapierhandelsgesetz) to disclose any transactions involving shares of Allianz SE or financial instruments based on them to both Allianz SE and the German Federal Financial Supervisory Authority should the value of the shares acquired or divested by the member or a person closely associated to the member, amount to five thousand Euros or more within a calendar year. Such disclosures are published on our website at WWW.ALLIANZ.COM/MANAGEMENT-BOARD and WWW.ALLIANZ.COM/SUPERVISORY-BOARD.

Annual General Meeting

Shareholders exercise their rights at the AGM. When adopting resolutions, each share carries one vote. In order to facilitate the exercise of shareholders' rights, Allianz SE allows shareholders to follow the AGM's proceedings on the internet and be represented by proxies appointed by Allianz SE. These proxies exercise voting rights exclusively on the basis of instructions given by the shareholder. Shareholders are also able to cast their votes by postal voting. This option is also available via the internet in the form of online voting. Allianz SE regularly promotes the use of email and internet services.

The AGM elects the members 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 and the approval of intercompany agreements, as well as 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 policies and audit of financial statements

The Allianz Group prepares its accounts according to §315a of the German Commercial Code ("Handelsgesetzbuch – HGB"), on the basis of IFRS international accounting standards 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 and 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 of the company's situation on a regular basis and in a timely fashion. 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 quarterly and half-yearly financial reports, which are reviewed by the auditor. Information is also made available at the AGM, at press conferences and analysts' meetings, 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, quarterly and half-yearly financial reports and AGMs.

The financial calendar for 2014 can be found on our website at WWW.ALLIANZ.COM/FINANCIALCALENDAR.

Outlook

As it sets about implementing the regulatory requirements of the future Solvency II supervisory regime, the Allianz Group will continue to develop its existing governance system – particularly in the areas of risk management and control systems.

Statement on Corporate Management pursuant to § 289a of the HGB

The Statement on Corporate Management pursuant to § 289a of the German Commercial Code ("Handelsgesetzbuch – HGB") forms part of the Group Management Report. According to § 317 (2), sentence 3 of the HGB, this Statement does not have to be included within the scope of the audit.

Declaration of conformity with the German Corporate Governance Code

On 12 December 2013, the Board of Management and the Supervisory Board issued the following Declaration of Compliance of Allianz SE with the German Corporate Governance Code:

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

"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 fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code Commission (Code Commission) in the version of 13 May 2013, published by the Federal Ministry of Justice in the official section of the Federal Gazette (Bundesanzeiger), with the following exception:

   According to Item 5.3.2. of the German Corporate Governance Code, the Audit Committee of the Supervisory Board shall be responsible for the monitoring of the risk management system. The Supervisory Board of Allianz SE has additionally established a specific Risk Committee, which is, inter alia, responsible for the monitoring of the risk management system instead of the Audit Committee.

2. Since the last Declaration of Conformity as of 12 December 2012, Allianz SE has fully complied with the recommendations of the Code Commission in the version of 15 May 2012.

Munich, 12 December 2013
Allianz SE

For the Board of Management:
Signed Michael Diekmann | Signed Dr. Helga Jung

For the Supervisory Board:
Signed Dr. Helmut Perlet"

In addition, Allianz SE follows all the suggestions of the German Corporate Governance Code Commission in its 13 May 2013 version and also followed all suggestions in the previous version of 15 May 2012.

The Declaration of Conformity and further information on corporate governance at Allianz can be found on our website at WWW.ALLIANZ.COM/CORPORATE-GOVERNANCE.

The listed Group company Oldenburgische Landesbank AG issued its own Declaration of Conformity in December 2013, which states that Oldenburgische Landesbank AG complies with all of the recommendations of the German Corporate Governance Code in its version of 13 May 2013.

Corporate governance practices

INTERNAL CONTROL SYSTEMS

Effective internal control systems for our internal and external financial reporting are essential in order to gain the confidence of the capital market, our customers and the public. Consequently, the Allianz Group has implemented a comprehensive risk management system that involves regular assessments of the effectiveness of internal controls as well as a quantitative limit system that helps the company avoid unwanted risks. The internal requirements regarding the control of financial reporting refer to accounting, the reporting of Market Consistent Embedded Value (MCEV), and risk capital. For further information on the risk organization and risk principles, please refer to PAGE 119. (For further information on the internal controls over financial reporting and risk capital, please refer to PAGE 123.)

The quality of the internal control systems is assessed by internal audit staff of the Allianz Group who are independent of the activities which are audited. Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve our organization's operations. It helps us to accomplish our objectives by introducing a systematic, disciplined approach and thus contributing 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 as well as further assist in strengthening its governance processes and structures.

COMPLIANCE PROGRAM

The sustained success of the Allianz Group is based on the responsible behavior of all Group employees, who embody trust, respect and integrity. By means of the global compliance program coordinated by its independent central compliance department, Allianz supports and follows internationally and nationally recognized guidelines and standards for rules-compliant and value-based corporate governance. These include the principles of the United Nations (UN) Global Compact, the Guidelines of the Organization for Economic Co-operation and Development (OECD) for Multinational Enterprises, and European and international standards on combating corruption and bribery, combating money laundering and terrorism financing, data protection, consumer protection, and economic and financial sanctions. Allianz counteracts the risks that might arise from non-compliance with legal regulations and provisions (compliance risk) through its support for and acceptance of these standards. The central compliance department is responsible, in close cooperation with local compliance departments, for ensuring the effective implementation and monitoring of the compliance program within the Allianz Group as well as for the investigation of potential compliance infringements.

The standards of conduct established by the Allianz Group's Code of Conduct for Business Ethics and Compliance are obligatory for all employees worldwide. 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, Allianz 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. (For further information on the Anti-Corruption Program, please refer to Progress in Sustainable Development starting on PAGE 59.)

A major component of the Allianz Group's compliance program is a whistleblower system that allows employees to alert the relevant compliance department confidentially about irregularities. Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the concerns turn out to be unfounded at a later date.

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 15 AND 17 of the Annual Report. On PAGES 18 AND 19, reference is made to the composition of the Board of Management and a description of the composition of the Board of Management's committees can be found on PAGE 27 of the Corporate Governance Report. The information can also be found 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 27 and on our website at WWW.ALLIANZ.COM/CORPORATE-GOVERNANCE.

Takeover-related Statements and Explanations

Statements pursuant to § 289 (4) and § 315 (4) of the German Commercial Code ("Handelsgesetzbuch – HGB") and explanatory report.

COMPOSITION OF SHARE CAPITAL

As of 31 December 2013, the share capital of Allianz SE was €1,168,640,000. It was divided into 456,500,000 registered and fully paid-up shares with no-par value and a corresponding share capital amount of €2.56 per share. 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. The Company may withhold a duly applied approval only if it deems this to be necessary in the interest of the Company 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 in some cases be up to five years. In some countries, in order to ensure that the lock-up period is observed, the employee shares are held throughout that period by a bank, another natural person or a legal entity acting as a trustee. 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 contribute to the Employee Stock Purchase Plan's aims of committing employees to the Company and letting them benefit from the performance of the stock price.

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

No direct or indirect interests in the share capital of Allianz SE that exceed 10% of the voting rights have been reported to Allianz SE; nor are we otherwise aware of any such interests.

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 (Article 9 (1), Article 39 (2) and Article 46 of the SE Regulation, §§ 84, 85 of the German Stock Corporation Act and § 5 (3) of the Statutes). Reappointments, in each case for a maximum of five years, 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 sentence 2 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 Deputy Chairperson shall have the casting vote, provided he or she is a shareholder representative. A Deputy Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). If a required member of the Board of Management is missing, in urgent cases the courts must appoint such member upon the application of an interested party (§ 85 of the German Stock Corporation Act). The Supervisory Board may dismiss members of the Board of Management if there is an important reason (§ 84 (3) of the German Stock Corporation Act).

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

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 (§§ 121a, 7a of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz", VAG)). The Federal Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht") must be notified about the intention of appointing a Board of Management member pursuant to §§ 121a, 13d No. 1 of the German Insurance Supervision Act.

Amendments to the Statutes must be adopted by the General Meeting. § 13 (4) sentence 2 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 sentence 1 of the SE Implementation Act ("SE-Ausführungsgesetz") which is based upon Article 59 (1) and (2) of the SE Regulation. A larger majority is, inter alia, required for a change in the corporate object or the relocation of the registered office to another E.U. member state (§ 51 sentence 2 of the SE Implementation Act). The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 of the German Stock Corporation Act 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 4 May 2015, 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 2010/I). The shareholders' subscription rights for these shares can be excluded, 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, (iii) in the event of a capital increase against cash contribution of up to 10% if the issue price of the new shares is not significantly less than the stock market price, (iv) within certain limitations, if the shares are issued in connection with a listing of Allianz shares on a stock exchange in the People's Republic of China, and (v) in the event of a capital increase against contributions in kind.

- Up to a total of €8,344,000 (Authorized Capital 2010/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). This conditional capital increase will only be carried out to the extent that conversion or option rights resulting from bonds issued by Allianz SE or its subsidiaries on the basis of the authorization of the General Meeting of 5 May 2010 are exercised, or that conversion obligations tied to such bonds are fulfilled.

The Board of Management may buy back and use Allianz shares for other purposes until 4 May 2015 on the basis of the authorization of the General Meeting of 5 May 2010 (§ 71 (1) No. 8 of the German Stock Corporation Act). Together with other treasury shares that are held by Allianz SE or which are attributable to it under §§ 71a et seq. of the German Stock Corporation Act, 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, and 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) of the German Stock Corporation Act) under an authorization of the General Meeting valid until 4 May 2015. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71a et seq. of the German Stock Corporation Act, 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 provision under which both parties to the contract have an extraordinary termination right in the case where the other party to the contract 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.

- The exclusive bancassurance distribution agreement between Allianz and HSBC for life insurance products in Asia (China, Indonesia, Malaysia, Australia, Sri Lanka, Taiwan, Brunei, Philippines), includes a provision under which both parties have an extraordinary termination right in case there is a change of control of the other party's ultimate holding company.

- The exclusive bancassurance distribution agreement between Allianz SE and HSBC for life insurance products in Turkey includes a provision under which both parties have an extraordinary termination right in case there is a change of control of the other party's ultimate holding company.

- The framework agreements between Allianz SE and the subsidiaries of various car manufacturers (FCE Bank plc, Volkswagen Financial Services AG, respectively) relating to the distribution of car insurance by the respective car manufacturers each include a provision 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 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 12 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 his or her office because the 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, however, this basis being limited 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 is coming 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 after 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. In addition, under the Group Equity Incentive (GEI) scheme, Stock Appreciation Rights (SAR) – i.e. virtual options on Allianz shares – were also granted until 2010. Some of these are still outstanding. The conditions for these RSU and SAR contain change of control clauses which apply if a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties which do not belong to the Allianz Group and which provide for an exception from the usual exercise periods. The RSU will be exercised, in line with their general conditions, by the Company for the relevant 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 be at least the price offered per Allianz share in a preceding tender offer. In case of a change of control as described above, SAR will be exercised, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period. By providing for the non-application of the blocking period in the event of a change of control, the terms take into account the fact that the conditions under which the share price moves are very different when there is a change in control.

Remuneration Report

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

The report is prepared in accordance with the requirements of the German Commercial Code (HGB) and the International Financial Reporting Standards (IFRS). It also takes into account § 64b Law on the Supervision of Insurance Undertakings ("Versicherungsaufsichtsgesetz – VAG"), the requirements of the German Ministry of Finance's Insurance Remuneration Regulation ("Versicherungs-Vergütungsverordnung – VersVergV"), and the recommendations of the German Corporate Governance Code.

Allianz SE Board of Management remuneration

GOVERNANCE SYSTEM

The remuneration of the Board of Management is decided upon by the entire Supervisory Board. Such decisions are 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 members of the Board of Management. 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 section. The remuneration system for the Board of Management was presented and approved at the 2010 Annual General Meeting.

REMUNERATION PRINCIPLES AND MARKET POSITIONING

The key principles of Board of Management remuneration are as follows:

- *Support of the Group's strategy:* Performance targets reflect the Allianz Group's business strategy.
- *Alignment of pay and performance:* A significant performance-based, variable component.
- *Variable remuneration focused on sustainability:* Two thirds of the variable remuneration reflect longer-term performance. One third is a deferred payout after three years based on a sustainability assessment covering the three-year period. The other third rewards sustained performance through share price development with a deferred payout after five years.
- *Alignment with shareholder interests:* 25% of total target direct remuneration is dependent upon share price performance.

The structure, weighting and level of remuneration is decided by the Supervisory Board. Remuneration survey data is provided by external consultants. The peer group consists primarily of other DAX 30 companies. Compensation levels usually vary between the median and around the third quartile of this group. The structure of Allianz Group's total remuneration is more strongly weighted to variable, longer-term components than in other DAX 30 companies. Remuneration and benefit arrangements are also periodically compared with best practices. The Supervisory Board takes remuneration levels within the Group into account when assessing the appropriateness of the remuneration of the Board of Management.

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

There are four main remuneration components. Each has approximately the same weighting within annual target remuneration: base salary, annual bonus, annualized mid-term bonus (MTB) and equity-related remuneration. The target compensation of each variable component does not exceed the base salary, with the total target variable compensation not exceeding three times the base salary. In addition Allianz offers pensions/similar benefits and perquisites.

Base salary

Base salary is the fixed remuneration component and is expressed as an annual cash sum, paid in twelve monthly installments.

Variable remuneration

Variable remuneration aims to balance short-term performance, longer-term success and sustained value creation.

Each year, the Supervisory Board agrees on performance targets for the variable remuneration with the members of the Board of Management. These are documented for the upcoming financial year. Every three years the MTB sustainability criteria are set for the following mid-term period.

All variable awards are made under the rules and conditions of the "Allianz Sustained Performance Plan" (ASPP) which consists of the equally weighted components below. The grant of variable remuneration components is related to performance and can vary between 0% and 165% of the respective target values. For a regular member of the Board of Management with a base salary and target variable compensation of €700 THOU for each variable remuneration component the minimum payout is €700 THOU if the performance was rated with 0% and no variable component was granted. The maximum total direct compensation (excluding perquisites) is €4,165 THOU if the performance reached the 165% cap: base salary €700 THOU + 165% of €2,100 THOU (= total of the three variable compensation components at target).

Variable compensation components:

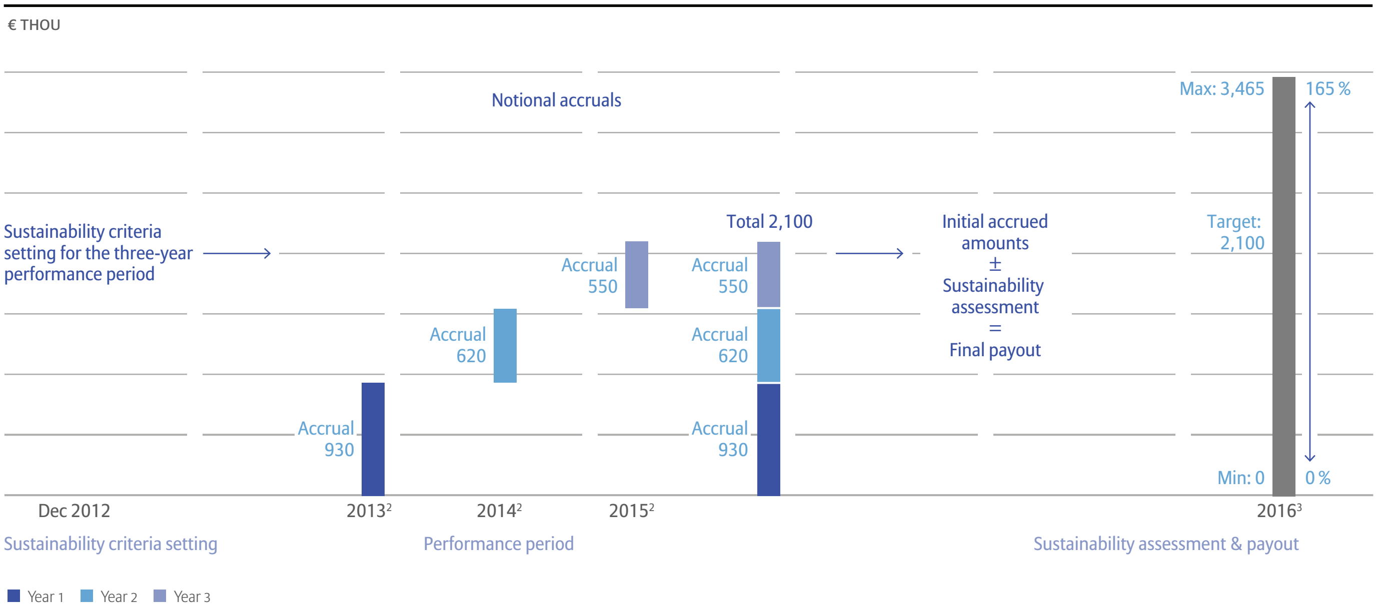
- Annual bonus (short-term): A cash payment which rewards the achievement of quantitative and qualitative targets for the respective financial year and is paid the year following the performance year. Quantitative targets represent 75% and consist of 50% Group targets (equally split between annual operating profit and annual net income) and 25% divisional targets. For the divisional targets a new split was introduced for 2013: 10% annual operating profit, 10% annual net income and 5% dividend. Quantitative targets for board members with a functional focus are determined based on their key responsibilities. Qualitative targets reflect the specific individual priorities for 2013 per member of the Board of Management.

  The performance of the Chairman is determined by the average target achievement of the other Board of Management members and can be adjusted by the Supervisory Board based on the Chairman's personal performance.

- MTB (mid-term): A deferred award which reflects the achievement of the annual targets by accruing an amount identical to the annual bonus. The actual award is subject to a three-year sustainability assessment and is paid at the end of a three-year performance cycle. The following criteria are considered:

  - adjusted capital growth vs. planned development in light of risk capital employed (adjusted capital essentially represents the fair value of the shareholders' equity)
  - balance sheet strength, i.e. development of solvency capital
  - comparison with peers
  - "partner of choice" for stakeholders
  - extraordinary events.

ILLUSTRATION OF THE PROCESS AND THE UNDERLYING TIMELINE OF THE MTB CYCLE, FROM TARGET SETTING TO FINAL PERFORMANCE ASSESSMENT[1]



1 — Example based on target values of a regular member of the Board of Management with an annual target of €700 THOU for the MTB. Accrual is only a notional indication.

2 — Actual accrual for the MTB (mid-term) usually equals the annual bonus payout of the respective financial year. Since the performance assessment and the final payout occur after completion of the performance cycle this value is only a notional indication.

3 — Final payout is subject to the sustainability assessment of the Supervisory Board and may vary within the full range between 0% – 165% of the cumulative target values independent of the notional accruals.

— Equity-related remuneration (long-term): A virtual share award, known as "Restricted Stock Units" (RSUs). RSUs are granted after the end of the financial year with the annual bonus performance determining the value of the equity grant. The 165% cap of the annual bonus also applies to the RSU grant value, which must not exceed €1,155 THOU for a regular member of the Board of Management with a €700 THOU target. The number of RSUs granted results from dividing the grant value by the value of an RSU at the time of grant. Following the end of the four-year vesting period, the company makes a cash payment based on the number of RSUs granted and the market price of the Allianz share at that time. To avoid extreme payouts, the RSU payout is capped at 200% above grant price.[1]

  In accordance with the RSU rules, outstanding holdings are forfeited should a Board member leave at their own request or be terminated for cause.

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

Pensions and similar benefits

To provide competitive and cost-effective retirement and disability benefits, since 1 January 2005 Board of Management members participate in a contribution-based system. Prior to this date, Board members participated in a defined benefit plan that 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 participate in the Allianz Versorgungskasse VVaG (AVK), a contribution-based pension plan and the Allianz Pensionsverein e.V. (APV), which provide pension benefits for salaries up to the German social security ceiling.

Company contributions to the current pension plan depend on the years of service on the Board of Management. They are invested in a fund with a guaranteed minimum interest rate per year. On retirement, the accumulated capital is converted into a lifetime annuity. Each year the Supervisory Board decides whether, and to what extent, a budget is provided, also considering the targeted pension level. This budget includes a risk premium paid to cover death and disability. The earliest age a pension can be drawn is 60, except for cases of occupational or general disability for medical reasons. In these cases it may become payable earlier on; an increase by projection may apply. In the case of death, a pension may be paid to dependents. Surviving dependents normally receive 60% (surviving partner) and 20% (per child) of the original Board member's pension, with the aggregate not to exceed 100%. Should Board membership cease prior to retirement age for other reasons, the accrued pension rights are maintained if vesting requirements are met.

Perquisites

Perquisites mainly consist of contributions to accident and liability insurances and the provision of a company car. Where applicable, expenses are paid for the maintenance of two households. Perquisites are not linked to performance. Each member of the Board of Management is responsible for the income tax on these perquisites. The Supervisory Board reviews regularly the level of perquisites.

1 — The relevant share price used to determine the final number of RSUs granted and the 200% cap are only available after sign-off by the external auditors.

2013 REMUNERATION AND LINK TO PERFORMANCE

Total remuneration: The following table shows individual remuneration for 2013 and 2012, including fixed and variable remuneration and pension service costs. To provide comparable disclosure to previous years, the remuneration table includes the annual accrual of the MTB.

INDIVIDUAL REMUNERATION: 2013 AND 2012

Total might not sum up due to rounding
€ THOU

		Fixed		Variable			Total	Pensions	Total incl. Pensions
Board members		Base salary	Perquisites	Annual bonus (short-term)[1]	MTB (mid-term)	Fair value of RSU award at date of grant (long-term)			
Michael Diekmann	2013	1,280	291[2]	1,581	1,581	1,581	6,315	914	7,229
(Chairman)	2012	1,280	23	1,498	1,498	1,498	5,798	824	6,622
Oliver Bäte	2013	750	53	1,003	1,003	1,003	3,811	350	4,161
	2012	750	58	946	946	946	3,646	277	3,923
Manuel Bauer	2013	700	16	927	927	927	3,497	298	3,795
	2012	700	16	899	899	899	3,412	272	3,684
Gary Bhojwani[3]	2013	700	70	942	942	942	3,597	196[4]	3,793
	2012	700	68	793	793	793	3,146	210[4]	3,356
Clement Booth	2013	750	85	945	945	945	3,670	410	4,080
	2012	750	137	926	926	926	3,664	394	4,058
Dr. Helga Jung	2013	700	14	904	904	904	3,426	279	3,705
	2012	700	11	857	857	857	3,281	267	3,549
Dr. Christof Mascher	2013	700	27	899	899	899	3,423	304	3,727
	2012	700	23	841	841	841	3,247	286	3,533
Jay Ralph	2013	700	28	948	948	948	3,571	236	3,807
	2012	700	36	943	943	943	3,566	234	3,800
Dr. Dieter Wemmer	2013	700	14	978	978	978	3,649	230	3,879
	2012	700	18	958	958	958	3,592	205	3,797
Dr. Werner Zedelius	2013	750	16	910	910	910	3,497	527	4,024
	2012	750	172[5]	896	896	896	3,611	485	4,096
Dr. Maximilian Zimmerer	2013	700	150[6]	924	924	924	3,622	369	3,991
	2012[7]	408	8	543	543	543	2,044	257	2,301
Total[8]	2013	**8,430**	**764**	**10,961**	**10,961**	**10,961**	**42,078**	**4,113**	**46,191**
	2012	**8,495**	**595**	**10,547**	**10,547**	**10,547**	**40,731**	**4,006**	**44,737**

1 — Actual bonus paid in 2014 for fiscal year 2013 and in 2013 for fiscal year 2012.
2 — Michael Diekmann received an anniversary payment of €267 THOU.
3 — Gary Bhojwani's base salary and variable compensation is denominated in USD, the contractually agreed USD/€ exchange rate of 1.347910 (2011 fourth quarter average) was applied.
4 — Gary Bhojwani does not receive pension contributions into the Allianz SE pension plans but only under his Allianz of America employment agreement.
5 — Dr. Werner Zedelius received an anniversary payment of €156 THOU.
6 — Dr. Maximilian Zimmerer received an anniversary payment of €146 THOU.
7 — Dr. Maximilian Zimmerer joined Allianz SE Board of Management on 1 June 2012 and received a pro-rated remuneration for 2012.
8 — The total remuneration reflects the remuneration of the full Board of Management in the respective year, Dr. Paul Achleitner left the Board of Management of Allianz SE on 31 May 2012.

Below we discuss the 2013 remuneration results and the link to performance against targets for all key remuneration elements and the total remuneration of each member of the Board of Management.

- *Base salary:* Base salaries for 2013 were maintained at their existing levels.
- *Annual bonus:* The 2013 target achievement for the Group, the business division/corporate functions and the qualitative performance was on average assessed at 134% and ranged between 128% and 143%. Consequently, total annual bonus awards ranged between 128% and 143% of the target with an average bonus award of 134% of the target. This represents 83% of the maximum payout.
- *MTB 2013–15:* An accrual mirroring the annual bonus was made.
- *Equity-related remuneration:* In accordance with the approach described earlier, a number of RSUs were granted to each Board member in March 2014 which will vest in 2017 and be distributed/settled in 2018. At the time of grant, each award had the same value as the award for the 2013 annual bonus.

GRANTS, OUTSTANDING HOLDINGS AND EQUITY COMPENSATION EXPENSE UNDER THE ALLIANZ EQUITY PROGRAM[1]

	RSU[2]		SAR[3]		
Board members	Number of RSU granted on 3/13/2014[2]	Number of RSU held at 12/31/2013	Number of SAR held at 12/31/2013	Strike Price Range €	Equity Compensation Expense 2013 € THOU[4]
Michael Diekmann (Chairman)	15,479	64,070	53,879	87.36–160.13	3,628
Oliver Bäte	9,816	39,799	22,642	87.36–117.38	2,215
Manuel Bauer	9,076	23,935	12,789	87.36–160.13	1,225
Gary Bhojwani[5]	9,135	41,360	21,028	87.36–160.13	2,115
Clement Booth	9,250	39,748	36,075	87.36–160.13	2,353
Dr. Helga Jung	8,848	17,830	8,117	87.36–160.13	917
Dr. Christof Mascher	8,798	35,972	18,616	87.36–160.13	2,151
Jay Ralph	9,277	38,566	16,493	87.36–117.38	2,442
Dr. Dieter Wemmer	9,576	11,135	–	104.65	488
Dr. Werner Zedelius	8,913	44,708	39,414	87.36–160.13	3,394
Dr. Maximilian Zimmerer	9,048	24,787	16,780	87.36–160.13	1,621
Total	**107,216**	**381,910**	**245,833**	**–**	**22,549**

1 — 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 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17).

2 — The relevant share price used to determine the final number of RSUs granted is only available after sign-off by the external auditors, thus numbers are based on a best estimate as well as the maximum amount distributed after the RSU portion has vested. As disclosed in the Annual Report 2012, the equity-related grant in 2013 was made to participants as part of their 2012 remuneration. The disclosure in the Annual Report 2012 was based on a best estimate of the RSU grants. The actual grants, as of 7 March 2013, deviated from the estimated values and have to be disclosed accordingly. The actual RSU grants as of 7 March 2013 under the Allianz equity program are as follows: Michael Diekmann: 17,415, Oliver Bäte: 10,995, Manuel Bauer: 10,446, Gary Bhojwani: 9,573, Clement Booth: 10,760, Dr. Helga Jung: 9,958, Dr. Christof Mascher: 9,778, Jay Ralph: 10,962, Dr. Dieter Wemmer: 11,135, Dr. Werner Zedelius: 10,419, Dr. Maximilian Zimmerer: 8,302.

3 — 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. For SARs granted from 2009, the vesting period is four years. SARs can be exercised on condition that the price of the Allianz SE stock is at least 20% above the strike price at the time of grant. Additionally, the price of the Allianz SE stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period.

4 — Grants of equity-related remuneration are accounted for as cash settled awards. The fair value of the granted RSUs and SARs is remeasured at each reporting date and accrued as a compensation expense proportionately over the vesting and service period. Upon vesting, any subsequent changes in the fair value of the unexercised SARs are also recognized as a compensation expense.

5 — Gary Bhojwani's RSU grant will be based on his annual bonus amount of €942 THOU. The number of RSUs will be calculated in line with the process for other USD participants by application of the 2013 fourth quarter USD/€ exchange rate of 1.36138.

- *Pensions:* Company contributions in the current plan are 27.98% (2012: 28.35%) of base salary, increasing to 34.98% (2012: 35.44%) after five years and to 41.98% (2012: 42.53%) after ten years service on the Board of Management. These are invested in a fund and have a minimum guaranteed interest rate of 2.75% each year. If the net annual return of the AVK exceeds 2.75% the full increase in value is credited in the same year. For members with pension rights in the frozen defined benefit plan, the above contribution rates are reduced by an amount equivalent to 19% of the expected annual pension from that plan.

The Allianz Group paid €4 MN (2012: €4 MN) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2013, reserves for pensions and similar benefits for active members of the Board of Management amounted to €41 MN (2012: €36 MN).

INDIVIDUAL PENSIONS: 2013 AND 2012

Total might not sum up due to rounding
€ THOU

Board members		Defined benefit pension plan (frozen)[1]			Current pension plan		AVK/APV[2]		Transition payment[3]		Total	
		Annual pension payment[4]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]
Michael Diekmann	2013	337	285	7,527	585	4,867	9	192	35	1,114	914	13,699
(Chairman)	2012	337	226	7,297	561	3,861	6	186	31	1,053	824	12,397
Oliver Bäte	2013	0	0	0	318	1,839	3	16	29	194	350	2,049
	2012	0	0	0	248	1,367	3	14	26	163	277	1,544
Manuel Bauer	2013	57	54	1,261	234	1,306	9	120	0	1	298	2,688
	2012	57	43	1,216	223	970	6	160	0	1	272	2,347
Gary Bhojwani[7]	2013	243[8]	0	109[9]	196[10]	0	0	0	0	0	196	109
	2012	243[8]	0	128[9]	210[10]	0	0	0	0	0	210	128
Clement Booth	2013	0	0	0	325	2,655	3	19	82	693	410	3,367
	2012	0	0	0	315	2,101	2	17	77	594	394	2,712
Dr. Helga Jung	2013	62	40	806	231	1,099	9	152	0	0	279	2,057
	2012	62	29	786	232	824	6	149	0	0	267	1,759
Dr. Christof Mascher	2013	0	0	0	253	2,035	3	19	49	337	304	2,392
	2012	0	0	0	249	1,619	3	17	34	283	286	1,919
Jay Ralph	2013	0	0	0	233	1,086	3	10	0	1	236	1,096
	2012	0	0	0	231	765	3	8	0	0	234	773
Dr. Dieter Wemmer	2013	0	0	0	228	509	2	3	0	1	230	513
	2012	0	0	0	204	245	0	0	1	1	205	246
Dr. Werner Zedelius	2013	225	157	4,128	346	2,866	9	194	15	522	527	7,709
	2012	225	119	4,041	344	2,287	6	189	16	500	485	7,017
Dr. Maximilian Zimmerer	2013	161	108	2,759	212	1,877	9	188	39	522	369	5,346
	2012	161	48	2,704	103	1,511	4	184	102	476	257	4,875

1 — For Gary Bhojwani the frozen Allianz Retirement Plan (ARP) and the frozen Supplemental Retirement Plan (SRP).
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.
7 — Gary Bhojwani only holds pension plans subject to his Allianz of America employment agreement, denominated in USD. All amounts in the table are € amounts derived by applying the contractually agreed USD/€ exchange rate of 1.347910. The Allianz Retirement Plan (ARP) and the Supplemental Retirement Plan (SRP) are two completely frozen DB-plans, i.e. there are no future accruals in these plans. Current pension plans for Gary Bhojwani include the Deferred Compensation Plan (DCP) and the 401(k) plan. Both current plans are Defined Contribution plans. Their contributions are included in the table.
8 — In the ARP he can choose between a lump sum payment or an annuity. The lump sum benefit amount projected with actual interest rates is USD120 THOU (2012: USD120 THOU) and likely to change when he retires at age 65. In the SRP he will get three annual installments of USD69.4 THOU (2012: USD69.4 THOU) at the age of 65, which – as we have shown in the table – total USD208 THOU (2012: USD208 THOU).
9 — The DBO for the ARP is USD54 THOU (2012: USD 58 THOU) and for the SRP USD93 THOU (2012: USD115 THOU).
10 — The contribution to the DCP is USD246 THOU (2012: USD266 THOU) and to the 401(k) plan USD18 THOU (2012: USD17 THOU). There is no DBO as both plans are DC plans.

In 2013, remuneration and other benefits totaling €9 MN (2012: €7 MN) were paid to retired members of the Board of Management and dependents. Reserves for current pension obligations and accrued pension rights totaled €100 MN (2012: €105 MN).

– *Perquisites:* For 2013, the total value of the perquisites amounted to €0.8 MN (2012: €0.6 MN).

– *Total remuneration:* The total remuneration for 2013 excludes the notional annual accruals of the MTB 2013 – 15. The figures for 2012 (in parentheses) include the actual payout of the MTB 2010 – 12. Both figures exclude the pension service cost:

Michael Diekmann €4,734(8,404) THOU
Oliver Bäte €2,808(5,282) THOU
Manuel Bauer €2,570(3,923) THOU
Gary Bhojwani[1] €2,655(3,146) THOU
Clement Booth €2,725(5,155) THOU
Dr. Helga Jung €2,522(3,281) THOU
Dr. Christof Mascher €2,524(4,724) THOU
Jay Ralph €2,623(4,936) THOU
Dr. Dieter Wemmer €2,671(3,592) THOU
Dr. Werner Zedelius €2,587(5,007) THOU
Dr. Maximilian Zimmerer €2,698(2,044) THOU.

1 — Gary Bhojwani's total remuneration is denominated in USD. The contractually agreed USD/€ exchange rate of 1.347910 (2011 fourth quarter average) was applied.

The sum of the total remuneration of the Board of Management for 2013, excluding the notional accruals of the MTB 2013 – 15, amounts to €31 MN (2012 including the payment of the MTB 2010 – 12: €53 MN[1]). The corresponding amount, including pension service cost, equals €35 MN (2012 including the payment of the MTB 2010 – 12: €57 MN[1]).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2013, 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, in compliance with the German Corporate Governance Code, a shorter period is typical.

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 term of at least 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 an early termination comply with the German Corporate Governance Code.

3. Special terms, also compliant with the German Corporate Governance Code, apply if service is terminated as a result of a "change of control". This requires that a shareholder of Allianz SE, acting alone or together with other shareholders, holds more than 50% of voting rights in Allianz SE. Termination as a result of a change of control occurs

   if within twelve months after a change of control

   a. the Management Board appointment is unilaterally revoked by the Supervisory Board, or

   b. the Board member resigned due to a substantial decrease in managerial responsibilities and without giving cause for termination, or

   c. a Management Board appointment is terminated by mutual agreement

   or if the mandate expires and is not renewed within two years of the change of control.

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

1 — For joining or leaving members of the Allianz SE Board only the pro-rated MTB relating to their service as Board members is disclosed.

Board members who were appointed before 1 January 2011 are eligible to use a company car for a period of twelve months after their retirement.

Termination of Service – details of the payment arrangements

Transition payment (appointment before 1 January 2010)

Board members receiving a transition payment are subject to a six months non-compete clause.

The payment is calculated based on the last base salary (paid for a period of six months) and 25% of the target variable remuneration at the date when notice is given. A Board member with a base salary of €700 THOU would receive a maximum of €875 THOU.

An Allianz pension, where immediately payable, is taken into account in adjusting transition payment amounts.

Severance payment cap

Payments to Board members for early termination with a remaining term of contract of more than two years are capped at two years' compensation:

Whereby the annual compensation

1. is calculated on the basis of the previous year's annual base salary plus 50% of the target variable remuneration (for a Board member with a fixed base salary of €700 THOU the annual compensation would amount to €1,750 THOU; hence he/she would receive a maximum severance payment of €3,500 THOU); and

2. shall not exceed the latest year's actual total compensation.

In case 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 a three years' compensation (annual compensation as defined above) and shall not exceed 150% of the severance payment cap (a Board member with a base salary of €700 THOU would receive a maximum of €5,250 THOU). Consequently, the payout is less than two years' total remuneration at target (which would be €5,600 THOU).

MISCELLANEOUS

Internal and external Board appointments

When a member of the Board of Management holds an appointment in another company within the Allianz Group, the full remuneration amount is transferred to Allianz SE. In recognition of the benefits to the organization, Board of Management members are supported if they 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. A Board member retains the full remuneration only when the Supervisory Board qualifies the appointment as a personal one. Remuneration paid by external organizations is shown in the annual reports of the companies concerned. The remuneration relating to the external appointment is set by the governing body of the relevant organization.

OUTLOOK FOR 2014

The Supervisory Board approved the following changes to the remuneration of the Board of Management in December 2013:

- The base salary of all regular members of the Board of Management has been harmonized for 2014. Those base salaries at €700 THOU for 2013 will be adjusted to €750 THOU.

- For all Board members, the respective target amounts for each of the variable components (annual bonus, MTB and equity-related) were aligned with the applicable base salary to ensure a pay split at target of 25% fixed and 75% variable compensation. From 2014, a regular Board member has a target amount of €750 THOU per variable component resulting in a total direct compensation at target of €3,000 THOU, the Chief Executive Officer a target amount of €1,280 THOU per variable component resulting in a total direct compensation at target of €5,120 THOU.

- The overall cap on the total variable compensation has been lowered from 165% to 150%, the cap for the single targets (quantitative Group targets, quantitative divisional targets, and qualitative targets) remained unchanged at 165%.

Overall, for a Board member with a current base salary of €700 THOU, the three measures lead to a reduction of €40 THOU at cap: the maximum direct compensation decreased from currently €4,165 THOU to €4,125 THOU. For the Chief Executive Officer this reduction equals €81 THOU at cap (from €7,121 THOU down to €7,040 THOU).

The pension contributions as a percentage of base salary paid by the company to the contribution-based pension plan remain unchanged.

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 respect to German, European and international corporate governance recommendations and regulations.

REMUNERATION PRINCIPLES

- Set total remuneration at a level aligned with the scale and scope of the Supervisory Board's duties and appropriate to the company's activities and business and financial situation.

- Set a remuneration structure that takes into account the individual functions and responsibilities of Supervisory Board members, such as chair, vice-chair or committee mandates.

- Set a remuneration structure to allow for proper oversight of business as well as for adequate 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 2011 and is laid down in the Statutes of Allianz SE. It became effective for the financial year 2011.

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. A regular Supervisory Board member receives a fixed remuneration of €100 THOU per year. Each deputy Chairperson receives €150 THOU and the Chairperson €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	40	20
Audit Committee	80	40
Nomination Committee	–	–

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 in person. Should several meetings be held on the same or consecutive days, the attendance fee will be paid only once. Allianz SE reimburses the members of the Supervisory Board for their out-of-pocket expenses and the VAT payable on their Supervisory Board activity. For the performance of his duties, the Chairman of the Supervisory Board is furthermore entitled to an office with secretarial support and use of the Allianz carpool service. In the financial year 2013, Allianz SE reimbursed expenses totaling €67,433.

REMUNERATION FOR 2013

The total remuneration for all Supervisory Board members, including attendance fees, amounted to €2,018 THOU in 2013 (€2,089 THOU in 2012). The following table shows the individual remuneration for 2013 and 2012:

INDIVIDUAL REMUNERATION: 2013 AND 2012

Total might not sum up due to rounding
€ THOU

	Committees[1]									
Members of the Supervisory Board	A	N	P	R	S		Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Dr. Helmut Perlet[2]	M	C	C	C	C	2013	200.0	160.0	6.0	366.0
(Chairman)	M	C	C	C	C	2012	133.3	106.7	4.5	244.5
Dr. Henning Schulte-Noelle[3]						2013	–	–	–	–
(Chairman)	M	C	C	C	C	2012	83.3	66.7	2.2	152.2
Dr. Wulf Bernotat	C				M	2013	150.0	100.0	6.0	256.0
(Vice Chairman)[5]	C				M	2012	120.9	100.0	5.2	226.1
Dr. Gerhard Cromme[4]						2013	–	–	–	–
(Vice Chairman)		M	M		M	2012	100.0	26.7	1.5	128.2
Rolf Zimmermann			M		M	2013	150.0	40.0	4.5	194.5
(Vice Chairman)			M		M	2012	150.0	40.0	3.0	193.0
Dante Barban[2]				M		2013	100.0	20.0	4.5	124.5
				M		2012	66.7	13.3	2.2	82.2
Christine Bosse[5]			M	M		2013	100.0	40.0	4.5	144.5
			M	M		2012	41.7	16.7	1.5	59.9
Gabriele Burkhardt-Berg[2]					M	2013	100.0	20.0	4.5	124.5
					M	2012	66.7	13.3	2.2	82.2
Jean-Jacques Cette	M					2013	100.0	40.0	6.0	146.0
	M					2012	100.0	40.0	5.2	145.2
Ira Gloe-Semler[2]	M					2013	100.0	40.0	4.5	144.5
	M					2012	66.7	26.6	3.0	96.3
Geoff Hayward[3]						2013	–	–	–	–
				M		2012	41.7	8.3	1.5	51.5
Franz Heiß				M		2013	100.0	20.0	4.5	124.5
				M		2012	100.0	20.0	3.0	123.0
Prof. Dr. Renate Köcher		M			M	2013	100.0	20.0	3.0	123.0
		M		M[4]	M[5]	2012	100.0	21.7	3.0	124.7
Peter Kossubek[3]						2013	–	–	–	–
					M	2012	41.7	8.3	1.5	51.5
Igor Landau	M					2013	100.0	40.0	6.0	146.0
	M					2012	100.0	40.0	5.2	145.2
Jörg Reinbrecht[3]						2013	–	–	–	–
	M					2012	41.7	16.7	1.5	59.9
Peter Denis Sutherland		M		M		2013	100.0	20.0	3.7	123.7
		M[5]		M		2012	100.0	20.0	3.0	123.0
Total[6]						2013	**1,400.0**	**560.0**	**57.8**	**2,017.8**
						2012	**1,454.0**	**585.0**	**49.7**	**2,088.7**

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.
2 — Since 9 May 2012.
3 — Until 9 May 2012.
4 — Until 14 August 2012.
5 — Since 15 August 2012.
6 — The total remuneration reflects the remuneration of the full Supervisory Board in the respective year.

Remuneration for mandates in other Allianz companies and for other functions

Mrs. Gabriele Burkhardt-Berg was a member of the Supervisory Board of Allianz Deutschland AG until 10 April 2013 and received a pro rata remuneration of €20 THOU for this membership. All current employee representatives of the Supervisory Board except for Mrs. Ira Gloe-Semler are employed by Allianz Group companies and receive a market aligned remuneration for their services.

Loans to members of the Supervisory Board

On 31 December 2013, there was one outstanding loan granted by Allianz Group companies to members of the Supervisory Board of Allianz SE. One member received a mortgage loan of €80 THOU from Allianz Bank in 2010. The loan has a duration of 10 years and was granted at a normal market interest rate.

1 main tendue où que vous soyez.*

**Catherine Porte Arondelle,
Allianz Global Assistance Doctor,
France**

* ONE HELPING HAND WHEREVER YOU ARE.

The expertise of our employees and partners who support us all around the world is a key factor in our success which we can rely on at all times. Our commitment to help people whenever and wherever they need us ensures optimum results for our customers.

C – GROUP MANAGEMENT REPORT

Pages 48 – 124

Business Operations and Markets

Allianz offers a comprehensive range of insurance and asset management products and services and has more than 83 million insured customers.

Allianz Group structure

Allianz SE and its subsidiaries (the Allianz Group) offer Property-Casualty insurance, Life/Health insurance and Asset Management products and services in over 70 countries, with the largest of its operations in Europe. Allianz SE, as the parent company of the Allianz Group, has its headquarters in Munich, Germany.

The Allianz Group structure reflects both business segments and geographical regions. Our business activities are first organized by product and type of service based on how these are strategically managed: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into Property-Casualty and Life/Health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into regional reportable segments. Corporate and other activities are divided into three different reportable segments in order to differentiate between the respective products, risks and capital allocation. In total, the Allianz Group has 17 reportable segments.

ALLIANZ GROUP STRUCTURE – BUSINESS SEGMENTS AND REPORTABLE SEGMENTS

PROPERTY-CASUALTY	LIFE/HEALTH	ASSET MANAGEMENT	CORPORATE AND OTHER
– German Speaking Countries	– German Speaking Countries	– Asset Management	– Holding & Treasury
– Western & Southern Europe	– Western & Southern Europe		– Banking
– Iberia & Latin America	– Iberia & Latin America		– Alternative Investments
– USA	– USA		
– Global Insurance Lines & Anglo Markets	– Global Insurance Lines & Anglo Markets		
– Growth Markets	– Growth Markets		
– Allianz Worldwide Partners			

Insurance operations

We offer a wide range of property-casualty and life/health insurance products to both private and corporate customers. We are the leading property-casualty insurer globally and rank among the top five in the life/health insurance business. Our key markets based on premiums are Germany, France, Italy and the United States.

Most of our insurance markets are served by local Allianz companies. However, some business lines – such as Allianz Global Corporate & Specialty (AGCS), Allianz Worldwide Partners (AWP) and Credit Insurance – are run globally. Based on premiums, the split between private and corporate clients is approximately 50%/50% for our Property-Casualty business segment, and about 80%/20% for Life/Health.

SELECTED PRODUCT RANGE INSURANCE

PROPERTY-CASUALTY	
Private Clients	**Corporate Clients**
– Motor (liability/own damage)	– Property
– Liability	– Liability
– Property	– Motor fleets
– Accident	– Directors' and Officers' liability
– Travel and assistance	– Credit
	– Marine, aviation and transport
LIFE/HEALTH	
Private Clients	**Corporate Clients**
– Endowment	– Group life products
– Annuity	– Group health and disability products
– Term	– Pension products for employees
– Disability	
– Investment-oriented products	
– Private health insurance	

Asset Management

Our two major investment management businesses, PIMCO and AllianzGI, operate under Allianz Asset Management (AAM). With €1,770 BN assets under management (including those of the Allianz Group), we are one of the largest asset managers in the world handling third-party assets with active investment strategies. 63% of third-party assets are from institutional investors, while 37% are from retail clients. Our core markets are the United States, Germany, France, Italy, the United Kingdom and the Asia-Pacific region.

SELECTED PRODUCT RANGE ASSET MANAGEMENT

	RETAIL AND INSTITUTIONAL CLIENTS	
Equity	– Systematic – Sector/theme funds – Region/country funds	– Style funds – Small cap funds – Stocks plus
Fixed Income	– Money market – Low duration – Real return – Global – Investment grade	– Diversified income – High yield – Emerging markets – Convertible bonds
Alternatives	– Structured products – Commodity funds – Certificate funds – Currency funds	– Equity long/short – Relative value – Infrastructure debt/ equity
Solutions	– Life-cycle concepts – Multi-asset solution – Variable annuity solutions	– Asset/liability management – Risk management concepts

Corporate and Other

The Corporate and Other business segment's activities include the management and support of the Allianz Group's businesses through its central holding functions, as well as Banking and Alternative Investments.

HOLDING & TREASURY OPERATIONS

Holding & Treasury includes the management and support of the Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions.

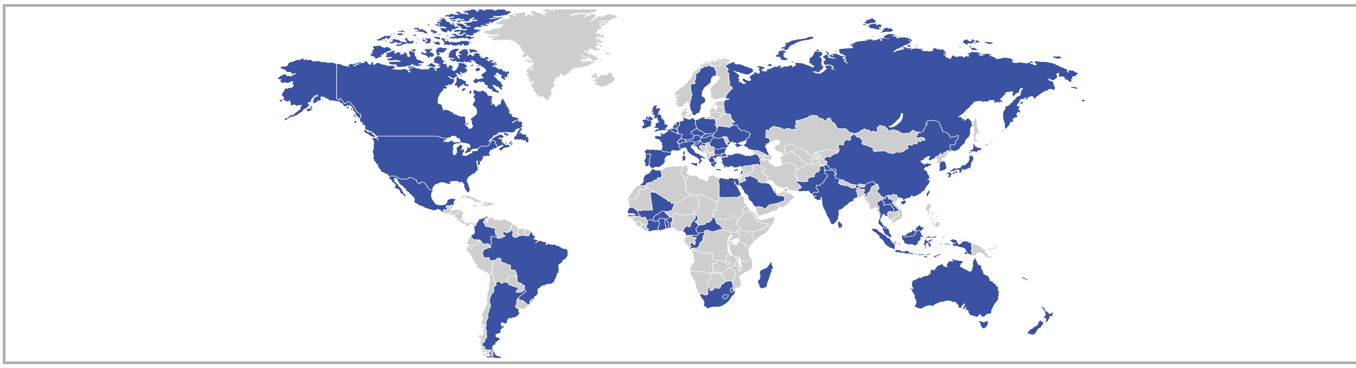
BANKING OPERATIONS

Our banking operations support our insurance business and complement the products we offer in Germany, Italy, France, the Netherlands and Bulgaria. As a division of Allianz Deutschland AG, Oldenburgische Landesbank AG (OLB) is Allianz's main own banking product and service provider in Germany. OLB, Germany's largest private regional bank, covers the northwest of Germany and focuses on retail and corporate clients.

ALTERNATIVE INVESTMENTS OPERATIONS

Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of our insurance operations. The Alternative Investments reportable segment also includes a fully consolidated private equity investment.

Worldwide presence and business segments



MARKET POSITIONS OF OUR BUSINESS OPERATIONS

INSURANCE GERMAN SPEAKING COUNTRIES

Property-Casualty	Life/Health	Banking	Country
■ I.	■ I.	■	Germany
■ II.	■ III.		Austria
■ II.	■ II.		Switzerland

INSURANCE WESTERN & SOUTHERN EUROPE

Europe

Property-Casualty	Life/Health	Banking	Country
■ II.	■ II.	■	Italy
■ III.	■ III.		Greece
■ II.	■ III.		Turkey[1]
■ II.	■ III.	■	France
■ III.	■ III.		Belgium
■ II.	■ III.	■	The Netherlands
■ II.	■ III.		Luxembourg

Africa

Property-Casualty	Life/Health	Banking	Country
■ II.			Benin
■ II.	■ II.		Burkina Faso
■ II.	■ I.		Cameroon
■ I.			Central Africa
■ II.			Congo Brazzaville
■ IV.			Ghana
■ II.	■ II.		Ivory Coast
■ II.	■ II.		Madagascar
■ II.			Mali
■ II.	■ II.		Senegal
■ II.			Togo

INSURANCE IBERIA & LATIN AMERICA

Property-Casualty	Life/Health	Banking	Country
■ II.	■ III.		Spain
■ II.	■ III.		Portugal

Latin America

Property-Casualty	Life/Health	Banking	Country
■ IV.			Argentina
■ II.	■ –		Brazil
■ II.	■ II.		Colombia
■ IV.	■ III.		Mexico

GLOBAL INSURANCE LINES & ANGLO MARKETS

Property-Casualty	Life/Health	Banking	Country
■ III.			United Kingdom
■ II.	■ –		Australia
■ II.			Ireland
■ II.			Allianz Global Corporate and Specialty
■ I.			Credit Insurance
■ IV.	■ –		Reinsurance

ALLIANZ WORLDWIDE PARTNERS

Property-Casualty	Life/Health	Banking	Country
■ –	■ –		Allianz Worldwide Partners

INSURANCE GROWTH MARKETS

Asia

Property-Casualty	Life/Health	Banking	Country
■ –			Brunei[2]
■ II.	■ IV.		China[3]
■ –			Hong Kong[2]
■ II.	■ II.		India[3]
■ IV.	■ II.		Indonesia
■ –			Japan[2]
■ I.			Laos
■ I.	■ III.		Malaysia
	■ –		Pakistan
■ –			Singapore[2]
	■ IV.		South Korea
■ III.	■ III.		Sri Lanka
	■ III.		Taiwan
■ IV.	■ III.		Thailand

Central and Eastern Europe

Property-Casualty	Life/Health	Banking	Country
■ I.	■ I.	■	Bulgaria
■ II.	■ I.		Croatia
■ II.	■ III.		Czech Republic
■ I.	■ II.		Hungary
■ II.	■ III.		Poland
■ II.	■ II.		Romania
■ III.	■ III.		Russia
■ I.	■ I.		Slovakia
■ IV.			Ukraine

INSURANCE GROWTH MARKETS

Middle East and North Africa

Property-Casualty	Life/Health	Country
■ III.	■ II.	Egypt
■ III.	■ II.	Lebanon
■	■ III.	Saudi Arabia

INSURANCE USA

Property-Casualty	Life/Health	Country
■ IV.	■ III.	United States

ASSET MANAGEMENT

America

Retail Asset Management	Institutional Asset Management	Country
■	■	United States
■	■	Canada

Europe/Middle East

Retail Asset Management	Institutional Asset Management	Country
■	■	Germany
■	■	France
■	■	Italy
■	■	Portugal
■	■	Spain
■	■	Switzerland
■	■	Austria
■	■	The Netherlands
■	■	United Kingdom
■	■	Nordics
■	■	Middle East

Asia-Pacific

Retail Asset Management	Institutional Asset Management	Country
■	■	Japan
■	■	Hong Kong
■	■	Taiwan
■	■	Singapore
■	■	South Korea
■	■	China
■	■	India
■	■	Australia

■ Property-Casualty ■ Life/Health ■ Banking ■ Retail Asset Management ■ Institutional Asset Management
Insurance market position by gross premiums written:[4] I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. Not in the top 10

1 — Reflecting our acquisition in 2013, Turkey Property-Casualty and Life/Health ranked in category I. and II., respectively.
2 — Property-Casualty business belongs to Allianz Global Corporate and Specialty.
3 — Based on total market ranking (including domestic competitors), China Property-Casualty ranked in category IV. and India Property-Casualty in category III., respectively.
4 — Source: Own local estimations as of 2012 (the Netherlands as of 2011).

Our markets

The following sections provide an overview of our business operations in certain insurance markets by business division and of our Asset Management business. We focus on our operations in insurance core markets and comment on material developments in selected insurance markets as well as on our asset management market, since these account for the major developments in our operating results.

INSURANCE CORE MARKETS

INSURANCE CORE MARKETS

Core markets			Statutory/gross premiums written € MN	Operating profit € MN	Number of customers MN
Germany	I.	I.	29,525	1,724	20.0
France	II.	III.	12,685	822	4.9
Italy	II.	II.	12,462	1,342	6.0
United States	IV.	III.	9,375	641	1.2

Market position ■ Property-Casualty ■ Life/Health

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

Germany

We provide our customers in Germany with a full range of insurance and financial services through Allianz Deutschland AG. Our products are mainly provided by Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). They are mostly distributed through a network of full-time tied agents. Allianz Beratungs- und Vertriebs-AG serves as our distribution company.

As the market leader in the German property-casualty market, we offer a wide variety of insurance products for private and commercial customers. Germany is a rather mature market for property-casualty business, with intensive competition. 2013 showed premium growth mostly in motor business and commercial non-motor business. Although high natural catastrophes and large losses impacted the operating profit heavily, our combined ratio remained below 100%. Since the second half of 2013, PrivatSchutz product components have grown considerably. PrivatSchutz is a new modular tariff combining householder, houseowner, legal protection and personal general liability insurance and takes into account customer demands for flexibility and individual insurance cover. It has reduced the erosion of our portfolio in the non-motor personal business significantly. Although the property-casualty market continues to be competitive, our ongoing strategic focus on strengthening sales, improving our claims management and reducing the expense ratio has already led to premium growth and improved profitability. Furthermore, we will continue to extend our cooperation with the automobile industry and increase our position in the direct market under the brand of AllSecur.

For our life insurance business, we are active in private and commercial markets and provide a comprehensive range of products. The main classes of coverage offered include annuity, endowment, term, disability and nursing care insurance. A lot of customers are currently rethinking risk and return factors in their old-age provision. For years we have been successfully enlarging our product range and in summer 2013 we launched our new Perspektive offering. This has separate guarantees in the savings and payout phases, from which our customers can expect higher returns as a result of much less stringent capital adequacy requirements. This life insurance product meets customer needs very well. In the fourth quarter of 2013, new business for Perspektive through our tied agents channel accounted for 24% of our old-age provision retail business.

In our commercial lines, we serve our customers with group life insurance and provide companies with services and solutions in connection with defined benefit pension arrangements and defined contribution plans.

In total, we increased our market share in terms of revenues in 2013 by 1.4%. After the single premium business reached a new record level in 2013, we expect, however, that the exceptional growth will not recur in 2014.

Through Allianz Private Kranken, we provide a wide range of health insurance products, including full private health care coverage, supplementary health and long-term care insurance as well as foreign travel medical insurance. After a reluctant demand in 2013, we still expect growing demand for both full private health care coverage and supplementary insurance in the future. This should be supported by the very good external ratings we received recently for our full private health care coverage and by our well-positioned long-term care insurance offerings.

Italy

Our Italian insurance entity Allianz S.p.A. is strongly dedicated to the agent channel. We also offer our products through Genialloyd (one of the leading companies in direct business), the broker channel, Allianz Bank Financial Advisors S.p.A. and via bancassurance, with UniCredit as our main distribution partner.

In our property-casualty business, Allianz Italy significantly outperformed its market in terms of premium growth and profitability. In a market that experienced a contraction of 3.7%[1], Allianz premium volume declined by only 0.3%, which allowed us to increase our market share for the second consecutive year. In terms of profitability, the combined ratio reached a historical low, which reflects the strong

1 — Based on the first nine months of 2013.

technical capabilities achieved through continuous investment and innovation.

This achievement was strongly supported by the performance of our agent network, which was merged in 2013 after operating as three separate entities in the past. This marks a milestone in the history of Allianz Italy and was accompanied by the introduction of the common digital platform Digital Agency. This new platform supports simple, mobile and paperless processes, allowing for significant increases in service quality, agent efficiency and customer satisfaction. Another driver of innovation has been the introduction of Modular Offer, which provides family coverage against the most serious risks. It is a single contract with protection modules from all insurance lines and affordable pricing on a monthly subscription basis. The success of our initiatives is reflected in a net promoter score for our agents of +21%, which stands out against a market average of (11)%.

The growth of Genialloyd in terms of pure direct premiums reached 19% and contributed to our strong performance in Property-Casualty.

In our life business, we increased our premium volume by 33%, raising our overall life market share by approximately one percentage point. This growth was particularly supported by our bancassurance cooperation with UniCredit and our proprietary financial advisors network. Our unit-linked product market share increased significantly to 20%[1], leading to an improved new business mix. Sales of unit-linked products accounted for over 70% of new business, compared to a market average of approximately 34%. Progetto Reddito, our innovative decumulation product, has generated €1.3 BN of new business since its launch at the beginning of 2013.

Looking ahead, we aim to further gain market share in the property-casualty business despite the challenging market conditions, and to preserve our combined ratio advantage by accelerating our digital transformation. In our life business, we strive to further rebalance our portfolio by improving our new business mix.

France

Allianz France S.A. is a major provider of insurance and financial services in the French retail and commercial markets, offering a broad range of property-casualty and life/health products for individuals and corporate customers. These include liability insurance, disability cover as well as investment and savings products. We distribute these offerings mostly via agents, life and health consultants, brokers and independent financial advisors, as well as selected external partners. In addition, our customers can research and buy products online, either through eAllianz or via our direct sales channel AllSecur.

The French property-casualty market has seen limited growth in recent years and remains highly competitive. Competition is likely to remain tough, with expected higher customer churn due to local regulatory changes regarding cancellation rules. In this business environment, we continue to concentrate on increasing the efficiency of our company structures, simplifying our product range and processes and rebuilding our IT platform, with a view to delivering state-of-the-art digital solutions and high-quality claims services. This constant focus allows us to grow our customer base, for example in motor insurance. Thanks to the full integration of Gan Eurocourtage in 2013, which specializes in distributing its products via brokers, we are now one of the leaders in the midcorp market.

Concerning the life market in France, we anticipate a continued period of low interest rates, reinforcing the need to focus on technical margins and cost optimization to maintain the attractiveness of our offer. We have responded to the needs of our clients with a range of traditional and unit-linked products in both group and individual business, combining financial strength with the opportunity for more attractive yields. As an example, our new offer of a discretionary mandate is a successful illustration of this approach.

We also hold a strong position in the health market, often combining elements of life, health and casualty insurance as comprehensive solutions for individual and commercial customers. Recent regulatory changes have created new opportunities for the development of our group business. Our historic know-how will allow us to adapt our offer and positioning rapidly.

Our retail insurance activities are complemented by Allianz Banque, which allows us to offer one-stop solutions, in particular for our life customers.

United States

Our property-casualty insurance business in the United States is conducted through Fireman's Fund Insurance Company (FFIC). Our life and annuity business is managed through Allianz Life Insurance Company of North America (Allianz Life).

Through FFIC, we underwrite personal and commercial lines, selling these products through independent agents and brokers. We also participate in a crop insurance program through a reinsurance arrangement. Our personal business unit focuses on affluent and high-net-worth individuals while our commercial business unit offers specialized property-casualty coverage for small and medium-sized businesses. FFIC is one of the few carriers in the United States that has a nationwide personal and commercial lines presence.

During 2013, catastrophe activity was relatively light and we saw a stabilization of the U.S. property-casualty insurance market, leading to modest market growth. At FFIC, a restructuring of the reinsurance program for crop insurance business reduced our premiums for this business line in 2013. While ongoing portfolio action to address profitability concerns and change the business mix unfavorably impacted our premiums, we saw improving results in 2013. The low interest rate environment, however, continues to put pressure on profits. In 2014, we remain focused on niche markets, enhancing customer service and improving FFIC's core underwriting strengths. This should

1 — Based on the first nine months of 2013.

allow us to better position ourselves in this competitive market over time.

Our life and annuity business primarily underwrites fixed index and variable annuities, and fixed index universal life insurance products – all of which are sold through independent distribution channels, as well as large financial institutions such as banks and wire houses. In 2013, we expanded our product portfolio by introducing a hybrid product offering both variable investment allocation options and index-linked investment allocation options. In 2013, competitiveness increased in the fixed index annuity space due to aggressive products offered by competitors that started to enter the industry two years ago. Despite a more competitive market environment we continue to be the market leader in the fixed index annuity market. In the wake of better market conditions and product changes in 2012, product profitability of new business significantly improved in 2013. As a result, our life and annuity insurance business performed well overall. We anticipate continued economic uncertainty, equity market volatility and a low interest rate environment in the long term. On the upside, we continue to believe that U.S. demographic trends present us with an excellent opportunity in the retirement market. In order to reap these benefits, we will continuously strengthen our distribution network and value proposition to our customers through product innovation and high-quality services.

SELECTED INSURANCE MARKETS

Turkey

We serve the Turkish market mainly through our subsidiaries Allianz Sigorta S.A., Allianz Hayat ve Emeklilik S.A. as well as the recently acquired Yapı Kredi Sigorta S.A. and Yapı Kredi Emeklilik S.A., which was rebranded to Allianz Yasam ve Emeklilik.

Through our subsidiary Allianz Sigorta, we continued to accelerate our business in Turkey, with organic premium growth of 34% compared to a market average of 22% in property-casualty in 2013. While this growth was mainly driven by motor business, we are also a leading provider of health insurance in Turkey.

Our operational success is based on a large and growing agent distribution network, sophisticated pricing, robust underwriting and high efficiency. Allianz is the market leader in terms of property-casualty profits. Supported by a continuous focus on customer experience management and quality assurance, Allianz in Turkey succeeded in increasing its customer base by over 50% in 2013.

In addition to organic growth, the acquisition of Yapı Kredi Sigorta and its life and pension insurance subsidiary Yapı Kredi Emeklilik, rebranded as Allianz Yasam ve Emeklilik, fueled our expansion in Turkey. Through this transaction, which closed on 12 July 2013, Allianz became the market leader in the property-casualty segment and a top-3 player in life and pension solutions. This acquisition allows us to accelerate our growth through strong strategic relationships in an insurance market with significant long-term potential.

An important part of the agreement between Allianz and Yapı Kredi is a 15-year bancassurance agreement which will provide Allianz with exclusive access to the fifth-largest banking network in Turkey, comprising more than 900 branches and 6.5 million customers. A further part of our profitable growth story is the successful launch of a 10-year exclusive distribution agreement with HSBC on 23 August 2013 for the sale of Allianz life and pension products through HSBC's widely spread branch network in Turkey. Both partnerships will strengthen our presence in the Turkish market for life and long-term provisions, which is currently dominated by bank distribution.

Based on the still very low levels of insurance penetration and the young demographic profile, our outlook for insurance in Turkey remains very optimistic. While we expect competitive pressure to further increase, Allianz in Turkey benefits from its strong and diversified market position to generate further profitable growth.

Allianz Worldwide Partners

In 2013, our global entities active in the B2B2C space – Allianz Global Assistance, Allianz Worldwide Care and Allianz Global Automotive – started to collaborate closely as Allianz Worldwide Partners (AWP). The set-up of this division will be further enhanced during 2014 with the reclassification of our International Health business in France from Life/Health to the Property-Casualty business segment. Allianz Global Assistance is the world leader in travel insurance, assistance and personal services and has the operational platforms to offer support services on a 24/7 basis around the globe, handled by strong local units providing on-site care. The combined activities of Allianz Worldwide Care and Allianz France International Health will form one of the biggest players in international health insurance, selling and servicing health products to expatriates and high-net-worth individuals around the globe. Allianz Global Automotive, as the leading strategic insurance partner in the automotive industry, combines sales expertise around the car dealer point-of-sale with product know-how embedded into the value chain of the automotive industry. Based on premiums, we are the worldwide market leader in this segment, serving over 40 car brands across more than 25 countries.

Based on the combined strengths of these businesses, AWP can provide a comprehensive product and service range.

AWP has seen strong growth in 2013, building on the continued growth of its components and adding growth synergies from increased collaboration on sales and products.

ASSET MANAGEMENT MARKET

For the asset management industry as a whole, 2013 was a favorable year, although it was a further year of uncertainty in capital markets with volatility remaining at elevated levels. The announcement of the Federal Reserve in May that it would start to take a reduction of its asset purchases into consideration led to an increase in interest rates. The yield on 10-year U.S. government bonds increased from 1.6% at the end of May 2013 to around 3% at the end of the year. As a result of the interest rate increase, valuations for fixed income assets declined, while equities recorded a strong performance. On a global basis, equities rose by 29% last year.

Market flows into equity and fixed income strategies were particularly strong in the first half of 2013. During the second half of the year, flows into traditional fixed income strategies were to a certain extent impacted by the rise in interest rates. Flows into both shorter-term and floating-rate strategies continued to be strong, while certain investors found the higher yields presented new opportunities in longer-term strategies. Flows into equity assets, however, mostly continued throughout the year, reaching levels not observed in the recent past.

Allianz's Asset Management operations recorded strong inflows in areas such as non-traditional fixed income and multi-asset. The overall flow development, however, was impacted by the general market trend of outflows in the traditional bond space.

Throughout 2013 both PIMCO and AllianzGI reflected market developments in their portfolio allocations and continued to deliver outstanding client service. From a strategic perspective, PIMCO as well as AllianzGI went ahead with the implementation of their longer-term development plans. In 2013, AllianzGI engaged in further complexity reduction by combining entities, while at the same time further expanding its product offerings, e.g. in the infrastructure debt space. PIMCO continues to focus on delivering returns and managing risk on behalf of clients across a growing range of investment solutions, and took additional steps with regard to their longer-term development plan to broaden its product offerings into such areas as the alternatives platform, income solutions, equities and ETFs.

Strategy and Steering

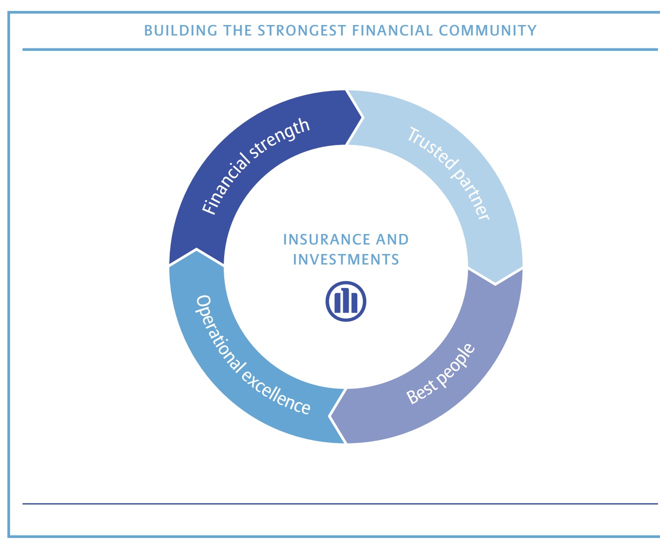
Our longer-term strategic ambition is to be the world's strongest financial community: the leading property-casualty insurer in terms of revenue and profitability, one of the three most profitable life and health insurers among our global peer group and the number one active wealth manager by assets and operating margin. In 2013, we stayed on target to meet this goal, achieving one of the best operating results in our history. We remain the global number one in property-casualty insurance, are among the top five global life and health insurers and defended our position as the world's most profitable and second largest active asset manager.

In an uncertain and volatile business environment, we will protect the pillars of our business strategy – our integrity, financial strength, operational excellence and talent base – and leverage our size to offer outstanding products and services to our customers and business partners.

OUR UNIQUE STRENGTHS

Our three business segments Property-Casualty, Life/Health and Asset Management all contribute significantly to our operating profit. As a result, we provide our shareholders with a high level of diversification, while offering our customers truly global reach in practically all business lines of insurance and asset management. We hold leading market positions in the mature economies as well as in several of the world's preeminent growth markets. We are one of the leading insurers of multinational corporations and large infrastructure projects. At the same time we are the biggest provider of microinsurance solutions to low-income households in developing economies. Our capital base is one of the strongest in the industry, while Allianz is one of the world's most valuable brands in financial services.

THE FOUR PILLARS OF OUR STRATEGY



OUR OPERATING ENVIRONMENT

The 2013 insurance and asset management environment was characterized by the ongoing depression of interest rates, suppressed economic growth in mature economies, excess capital and risk capacity and a resulting margin pressure across our lines of business. In addition, we witnessed a further evolution of the regulatory framework we operate in:

- In July 2013, Allianz was designated by the Financial Stability Board as a Global Systemically Important Insurer and has, as a consequence, become subject to additional regulatory requirements. Allianz continues its active engagement with supervisory bodies and is preparing for the additional requirements announced – for example, the implementation of a recovery plan.
- In November 2013, the European Union agreed on the timeline for the implementation of Solvency II, which will come into effect from 2016 onwards. Allianz has supported Solvency II from the beginning, convinced it will provide the Union with one of the most advanced regulatory regimes in the world, for the benefit of insurers and their stakeholders.

Natural catastrophes were again a major feature of the year, with Europe witnessing the highest ever losses due to flooding and hail. Our diversification and size helped us to absorb those risks but we will continue to monitor closely our overall exposures and to stay at the forefront of developments in the securitization of risks for the capital markets. Economic growth continues to differ markedly between our European core markets and the emerging economies. At the same time the Euro's appreciation against most relevant currencies impacts our financial results. Consumer behavior is creating new channels and markets, challenging an industry still working largely on paper and face-to-face. Public scrutiny of the financial services industry is at an all-time high, with record fines being passed to banks and ongoing discussions in the public and within our industry on how to best ensure good advice, particularly for life and pension insurance.

OUR FOCUS GOING FORWARD

In this environment we will continue to protect the pillars of our business strategy – our integrity, financial strength, operational excellence and talent base. Together with other leading financial institutions we are investing time and talent to define sustainable insurance and investment (more information on our Progress in Sustainable Development starting on PAGE 59). We are continuously monitoring the nature of our customer relationships and our investment and insurance product portfolio to understand the potential implications and impact of our actions for society and the environment.

We are pleased to be rated one of the strongest financial institutions in terms of capital: In March 2013, Standard & Poor's raised the outlook for our AA rating to "stable". It allows us to offer our clients outstanding security in a volatile global business environment. We intend to maintain our strong capital position through prudent management of our balance sheet, an ongoing focus on operating profitability and a cautious stance on large-scale acquisitions. We will be looking out for further consolidation opportunities in attractive markets and segments where we see a clear complementary fit with our portfolio and capabilities. In this context we expect to generate significant value through disciplined allocation of capital to businesses and markets promising sustainable returns at or above our hurdle rate.

To secure our leadership in the world's preeminent markets for insurance and asset management, we will focus on growing with our existing customers. We will continue to drive best practice in underwriting, investment management and client service between our operating entities globally. At the same time we will further increase the pace of investments in our digital offering and processing capabilities.

In each of our business activities we strive to reach the scale necessary to offer an unparalleled development platform for our employees and ensure an outstanding product offering and service for our customers and business partners. Consequently, we are evolving our structures to ensure that we capture the full potential of our global organization. For example, as of 1 January 2014, a new holding named "Allianz Worldwide Partners" (AWP) will steer the activities of Allianz Global Assistance, Allianz Global Automotive, Allianz France International Health and Allianz Worldwide Care. AWP thus coordinates our activities in the B2B2C business, where we develop products with corporate clients which they offer to their own customers or employees.

Safeguarding the strategic pillars of our business and focused on growth and scale, we are confident that over the coming years we will build what we aim to be – the world's strongest financial community.

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Allianz SE has a divisional Board structure that is further split into functional and business responsibilities. The business-related divisions reflect our business segments Property-Casualty, Life/Health, Asset Management and Corporate and Other. These are overseen by seven board members, with six members concentrating on the insurance business segments and one on Asset Management as a standalone segment. The remaining four divisions (i.e. Chairman of the Board of Management, Finance, Investments and Operations) focus on Group functions, along with business-related responsibilities.

MEMBERS OF THE BOARD OF MANAGEMENT AND THEIR RESPONSIBILITIES IN 2013[1]

BOARD MEMBERS	RESPONSIBILITIES
Michael Diekmann	Chairman of the Board of Management
Dr. Dieter Wemmer	Finance, Controlling, Risk
Dr. Maximilian Zimmerer	Investments, Global Life/Health
Dr. Christof Mascher	Operations, Allianz Worldwide Partners
Oliver Bäte	Insurance Western & Southern Europe, Global Property-Casualty
Gary Bhojwani	Insurance USA
Dr. Werner Zedelius	Insurance German Speaking Countries, Banking, Human Resources
Manuel Bauer	Insurance Growth Markets
Jay Ralph	Asset Management Worldwide
Clement Booth	Global Insurance Lines & Anglo Markets
Dr. Helga Jung	Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions

1 — For further information about the remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on page 37.

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. This starts with the definition of a business-specific strategy and goals, which are discussed and agreed between the Holding and operating entities. According to this strategy, a three-year plan is prepared by the operating entities and aggregated to form the financial plans for the business divisions and the Allianz Group. The Supervisory Board then 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-, mid- and long-term targets to ensure effectiveness and emphasize sustainability. For further details, please refer to the Remuneration Report starting on PAGE 37. This plan also forms the basis for our capital management.

We continuously monitor our business performance against these targets through monthly reviews to ensure that appropriate measures can be taken in the event of negative developments. During these reviews, we monitor key operational and financial metrics. Operating profit and net income are the main financial performance indicators across all business segments for the Allianz Group. In addition, we also use segment-specific figures such as the combined ratio for Property-Casualty, in-force and new business margins and margin on reserves for Life/Health and the cost-income ratio for Asset Management. For a comprehensive view of our segment performance, please refer to the Management Discussion and Analysis starting on PAGE 64.

Besides performance steering, we also have a risk steering process in place, which is described in the Risk and Opportunity Report starting on PAGE 105.

Non-financial key performance indicators (KPIs) are mainly used for the sustainability assessment of the mid-term bonus – under the category "partner of choice" mainly the following KPIs are considered: Allianz Engagement Survey and Net Promoter Score results, brand performance (measured by the Funnel Performance Index), diversity development, organizational transparency (as measured by the Transparency International Corporate Reporting ranking) and sustainability development (as measured by widely recognized indices and rankings).

Progress in Sustainable Development

We take our responsibility for the environment and societal issues seriously and focus on activities relevant to our business and stakeholders. Over the course of 2013 we made good progress in further embedding environmental, social and governance aspects into our business. Our positive performance was also recognized by the Dow Jones Sustainability Index, which named us the leading sustainable insurer.

At the same time, Allianz is receiving more attention from non-governmental organizations (NGOs). As a major insurer and asset manager, we have business relationships with companies worldwide. Critics of some of these companies are increasingly turning to us. We take their concerns seriously. Engagement is a key tool in understanding the expectations of our stakeholders, and also as a means of starting a discussion. Our strong commitment to integrating environmental, social and governance aspects into our core processes supports our business strategy, ensures we live up to our values and demonstrates responsibility in our decision-making. As signatories to the United Nations Environment Programme Finance Initiative's (UNEP-FI) Principles for Sustainable Insurance (PSI) and the Principles for Responsible Investment (PRI), we want to drive sustainability across the board.

This chapter highlights Allianz's sustainability performance and presents major developments in the areas of Business, Environment, People and Ethics in 2013.[1]

Business[2]

ALLIANZ BRAND

The Allianz brand[3] plays a key role in driving sustainable business growth. Altogether, we work with more than 600,000 Allianz ambassadors such as employees, agents and partners towards creating a One Allianz experience for our customers. In line with this goal, our Allianz branded revenues stood at approximately 82% (2012: 83%) of total revenues in 2013. Our one-brand vision leaves room for our renowned specialty brands such as PIMCO and Euler Hermes that use Allianz as their reference and build brand equity transfer for our mutual benefit. Allianz is one of the most successful financial services brands in the Interbrand 100 Best Global Brands Ranking 2013: Our brand again demonstrated growth in value, increasing by 8% to approximately USD 6.7 BN (2012: USD 6.2 BN).

1 — A full presentation of our sustainability strategy, approach and progress can be found online at www.allianz.com/sustainability.
2 — More information can be found online at www.allianz.com/sustainability/business.
3 — Our Allianz trademark is registered and protected worldwide, as are our domain names. Furthermore, we have registered our corporate design and brand claim "Allianz. With you from A–Z." in all relevant countries worldwide. With our rebranding activities we are extending the scope of our business under the Allianz brand beyond the core area of insurance and asset management. In order to maintain the distinctiveness and strength of our Allianz brand, we continuously monitor possible infringements of our trademark applications and registrations by third parties.

Authentic brand experience for trusted relationships

In 2013, we continued our global brand communication framework ONE. Rolled out in over 30 countries, ONE supports our global positioning as a Trusted Partner and establishes a consistent and authentic brand message. We further evolved our global sponsoring platforms. With a stronger focus on digital and social media, and in close alignment with our distribution strategy, our premium sponsorships now offer a new quality of customer experience and engagement with our brand and our business. Furthermore, we anchor corporate responsibility as a vital component in our strategic sponsorship approach. More than 25 Allianz entities, for example, are engaged in our Road Safety Program.

Overall, we continue to invest in our strong global brand, with increased focus on strategic growth markets and a clear emphasis on digital media. In 2013, for example, the overall share of digital spending in our local markets reached almost 25% of our media expenditures worldwide.

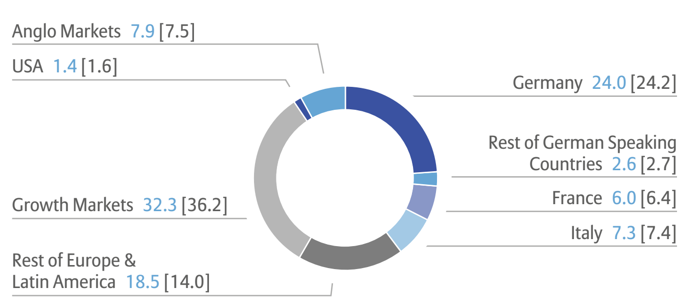
Our customers expect free choice across a variety of different access channels to Allianz. Therefore, we invest in real-time customer interaction and corresponding technology to stay connected to consumers and improve our customer service. One particular focus in our retail business is on making Allianz products and services easy to find and to purchase, be it from Allianz agents and partners or online. For example, offer innovations such as FastQuote from Allianz Italy allow customers to receive a competitive motor quote simply and quickly based on only two data feeds.

CUSTOMER BASE

Overall, our customer base has grown from approximately 78 million customers insured by Allianz worldwide in 2012 to more than 83 million customers in 2013. The increase was mainly due to the acquisition of Yapı Kredi in Turkey with around 3 million customers and an organic growth of approximately 2 million customers.

CUSTOMERS BY REGION/COUNTRY[1]

as of 31 December 2013 [31 December 2012] in %



1 — Customer figures exclude microinsurance and pension funds clients.

CUSTOMER FOCUS

The loyalty of our customers is a key factor for sustainable growth. As part of our customer-focused activities, we use key feedback tools, such as the Net Promoter Score (NPS). NPS is a measurement of customers' willingness to recommend Allianz and has been established as our key global metric for customer loyalty in about 40 Allianz companies worldwide representing around 90% of gross premiums written.

Top-down NPS is measured annually according to global cross-industry standards and allows benchmarking against competitors in the respective markets. Despite shortfalls in some markets versus local peers, we increased our global NPS performance by two percentage points overall in 2013. Compared to our competitors, 50% of Allianz businesses significantly outperformed their local peer average and 27% have achieved loyalty leadership in their market. In 2014, we expect the positive global trend to continue and more markets to outperform their local peers.

To steadily improve our customer service, we apply bottom-up NPS: asking our customers for direct feedback after key interactions with Allianz – such as claims handling or sales – helps us to identify areas for improvement and continuously monitor the impact of our measures taken.

SUSTAINABILITY IN CORE BUSINESS AND PRODUCTS AND SERVICES

Established in 2012, the Group ESG Board, a committee with Board Member leadership, is responsible for further promoting environmental, social and governance (ESG) aspects in our insurance and investing activities. Strengthening the governance and integration of ESG aspects in our core business processes was a priority in 2013. We identified sensitive business areas for both underwriting and investments, developed a global ESG business screening process and also established an ESG dialogue format which continually engages a group of NGOs. The dialogues allow NGOs to directly address Allianz with their concerns and give us the opportunity to listen, understand and respond to their different perspectives. We can also tap into the expertise of NGOs when formulating ESG positions and guidelines, incorporating their direct, on-the-ground experience on various topics.

Sustainability in proprietary investments

We strive to invest sustainably across all asset classes over time. The practical implementation of sustainability in proprietary asset management involves integrating ESG factors into our investment process through research, corporate and country analysis, asset manager selection, monitoring and risk management. Moreover, concerns about climate change are changing the way assets are managed and are giving rise to new and alternative asset classes:

- As large institutional investors, insurance companies are important players in the financing of a low-carbon economy. We are one of the leading investors in renewables with a strong portfolio in wind energy and solar power amounting to €1.7 BN in 2013 (2012: €1.3 BN). Renewables have an attractive risk-return profile that fits well with our long-term investment strategy. We are gradually expanding our investments in this sector with a planned investment volume of around €400 MN per year.

- Allianz Real Estate (ARE) has a comprehensive sustainability program, with a focus on environmental factors. We apply specific sustainability metrics in investment and property management processes and actively engage with tenants.

- As part of Allianz's Climate Change Strategy, we are an early investor in the carbon market. The Rimba Raya project in Borneo (Indonesia), which will prevent the emission of 90 million tons of CO_2 over a 30-year period, is Allianz's third carbon investment in emerging markets. We are also using the credits from these direct investments to offset our own carbon footprint.

Sustainability in third-party asset management

Allianz manages a growing portfolio of Sustainable and Responsible Investments (SRI). At the end of 2013, assets under management in our SRI funds for PIMCO totaled €78.2 BN (2012: €49.1 BN) and AllianzGI €17.5 BN (2012: €15.3 BN), bringing the total to €95.7 BN, which is 6% of our total third-party assets under management. At the heart of our ESG strategies lay strong ESG research capabilities, engagement with the companies we invest in and pursuit of active share ownership through proxy voting.

Sustainability in underwriting

As a leading industrial insurer globally and one of the world's top life insurers, it is important that we demonstrate leadership to our customers, the industry as a whole and wider society in embedding ESG issues into our insurance business. Effective research and risk management are crucial to mitigating ESG risks. To support our local insurance entities in assessing ESG risks, we have agreed to establish an ESG Impact Desk. Entities will be required to consult this Desk in the event that their transactions trigger key ESG issues within our sensitive business areas. We will continue to work on integrating ESG issues into our insurance business in 2014.

Green solutions

We offer our private and commercial customers over 150 green products and services that mitigate the negative effects of climate change or take its environmental impact into account. We are able to report on their contribution to our overall financial performance for the first time and in 2013 revenues totaled more than €1.1 BN.

Microinsurance

Many low-income families in developing countries lack access to financial services which could help them manage the risks associated with natural disasters, accidents and illness. Allianz offers micro-insurance products in eleven countries in Asia, Africa and Latin America. Our products range from life insurance and savings plans to crop index insurance. 2013 saw strong growth again; we now insure 24.9 million people (2012: 17.1 million) with revenues of €86.1 MN (2012: €78.6 MN)[1]. For more information please refer to the chapter Risk and Opportunity Report from PAGE 105 onwards.

Environment[2]

CARBON REDUCTION STRATEGY

We are committed to reducing our environmental impact. We have a target to reduce our carbon emissions per employee by 35% by 2015 against a 2006 baseline. Since 98% of the Group's emissions come from energy, travel and paper, we are focusing our activities on these three areas. Because energy use is the largest contributor to our carbon footprint, we also have a specific energy target: to reduce energy consumption per employee by 10% by 2015 against a 2010 baseline.

BREAKDOWN OF CO_2 EMISSIONS[1]

as of 31 December 2013 in %	2013
Energy	57.3
Travel	37.1
Paper	3.9
Water	0.2
Waste	1.5

1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2013 environmental performance information. For further information, please refer to www.allianz.com/sustainability.

In 2013, we continued to reduce our carbon footprint, cutting CO_2 emissions from our business. Our overall CO_2 reduction since 2006 now stands at 37.2%[3] per employee and, whilst we have also exceeded our energy reduction target (status minus 18.1% per employee), as the economy continues to improve the challenge for us will be controlling our consumption and emissions over business cycles.

ENVIRONMENTAL FOOTPRINT[1]

as of 31 December		2013	2012[2]	2011[2]
Total emissions	in metric tons CO_2e	342,724	344,776	361,398
Per employee emissions	in metric tons CO_2e	2.35	2.40	2.55
Total energy consumption	in GJ	2,901,457	3,079,897	3,124,973
thereof: Renewables	in %	41.7	39.2	33.4
Total travel – plane, train, car	in TKM	967,210	931,356	953,717
Total paper	in metric tons	20,894	20,193	19,525

1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2013 environmental performance information. For further information, please refer to www.allianz.com/sustainability.
2 — 2012 and 2011 figures have been adjusted reflecting a methodology change for reporting on energy from renewable sources and 2012 figures were adjusted for error corrections.

As part of our overarching climate change strategy and in addition to our carbon reduction target, we have been a carbon neutral business since 2012, by offsetting our emissions through our own carbon investment projects.

People[4]

OUR EMPLOYEES

Our employees' exceptional commitment and ambition to provide excellent service to our customers are crucial to our success. We place great emphasis on fostering employee engagement, strong leadership and technical expertise among an increasingly diverse workforce of 147,627 employees as of 31 December 2013 (31 December 2012: 144,094 employees)[5].

Diversity

Allianz recognizes the importance of having a diverse, inclusive workforce that is made up of employees from different backgrounds. We understand that promoting diversity is necessary for Allianz as a global company to be successful and we have implemented a number of initiatives to support this. Consistent with our Code of Conduct, Allianz has a zero-tolerance policy against discrimination and harassment in the workplace. As part of the effort on the advancement of women at Allianz, in 2008 we set ourselves the global target of increasing the share of women in the talent pools for executive positions to 30% by 2015. A top management sponsorship program for women and flexible work-life programs, such as part-time employment or job sharing, are part of supporting actions taken in several

1 — Figures include non-consolidated entities (i.e. India).
2 — More information can be found online at www.allianz.com/sustainability/environment.
3 — The Allianz Group's total reported carbon footprint already considers the compensation activities of some of our subsidiaries.
4 — More information can be found online at www.allianz.com/sustainability/people.
5 — Total number of employees with an employment contract of all consolidated companies (core and non-core business).

countries. We are also committed to having 30% of management positions in Germany held by women by the end of 2015.

WOMEN ACROSS THE ALLIANZ GROUP[1]

in %

	2013	2012	2011
Women in executive positions[2]	21.2	19.4	19.2
Female managers[3]	35.5	33.9	33.3
Share of women in overall workforce	52.8	52.5	52.3

1 — Figures based on the number of employees in Allianz's core business. Excluded are fully consolidated companies which are considered as pure financial investments and companies classified as held for sale.
2 — Including women at all executive positions below the Board of Management.
3 — Including women functionally responsible for other staff, regardless of level, e.g. division, department, and team managers.

Talent management

We take a common and systematic approach to developing talent across all Allianz companies. To ensure the quality and performance of our employees, we focus on managing and developing talent and careers by assessing performance and potential, providing appropriate development actions and ensuring robust succession plans. We develop both leadership and functional skills to ensure our employees can achieve current and future business goals. In order to meet future staff needs, we promote the necessity of lifelong learning. Also, our Strategic Workforce Planning proactively supports strategic human resources decision-making by supplying forecasts on economic, demographic and socio-cultural trends.

Remuneration

The Allianz Group paid a total of €9.1 BN (2012: €8.9 BN) to its employees worldwide in 2013. Of this, approximately 32% was for performance-related (variable) remuneration elements. €2.4 BN (2012: €2.3 BN) was spent on social security contributions, pensions and other social benefits.

Employee engagement

Allianz annually collects feedback from employees, managers and board members to measure the overall level of engagement and identify its drivers through the Allianz Engagement Survey. 119,230 employees from 72 Allianz companies were invited to participate in 2013. The global response rate of 84% was 3 percentage points up compared to 2012. The Employee Engagement Index is a key measure of employee satisfaction, loyalty, advocacy and pride. Scores on this index have improved continuously every year since the launch of the Group-wide survey in 2010. The survey results are factors in the remuneration of the Group's Board of Management.

EMPLOYEE ENGAGEMENT INDEX

	2013	2012	2011
Employee Engagement Index	73	70	67

Further employee figures

FURTHER EMPLOYEE FIGURES[1]

	2013	2012
TENURE[2]		
Tenure Allianz Group	10.8	10.7
AGE STRUCTURE IN %		
Average age – Allianz Group	40.1	39.8
EMPLOYMENT RELATIONSHIP IN %		
Permanent employees	93.3	93.5
Temporary employees	6.7	6.5
Full-time employees	88.5	87.6
Part-time employees	11.5	12.4
EMPLOYEE QUALIFICATION IN %		
University degree	45.3	44.5
Vocational training	31.6	31.3
Other qualification	23.1	24.2
EMPLOYEE TURNOVER		
Total external recruitment	23,477	21,324
Total external leavers	21,115	19,815

1 — Figures based on the number of employees in Allianz's core business. Excluded are fully consolidated companies which are considered as pure financial investments and companies classified as held for sale.
2 — Tenure represents the period of employment in Allianz companies starting from the date of the first entry into an Allianz company.

COMMUNITY ENGAGEMENT

We donate money to address social, environmental and cultural issues relevant to Allianz and the societies in which we operate. In 2013 we donated €18.6 MN (2012: €20.4 MN) to support local communities. We also offer our employees the possibility to donate in the event of natural catastrophes. Furthermore, we have an international network of 13 Allianz affiliated corporate foundations.

We offer a number of employee volunteering opportunities in local communities, for example My Finance Coach, which fosters financial literacy among youth and reached more than 150,000 students in Germany alone in 2013, and the leadership development program Social OPEX, in which 59 employees from 21 Allianz subsidiaries shared their expertise with 24 socially-committed organizations.

Ethics[1]

Our integrity calls upon us to make only promises we can keep and take only risks we can manage. Good corporate governance and transparency are key to gaining and keeping the trust of our stakeholders.

COMPLIANCE MANAGEMENT

In 2013, we continued with measures to further strengthen the effectiveness of compliance management by enhancing quality assurance, global reporting on compliance risks and independent reviews of key elements of our compliance program. Allianz applies its general operational risk management approach to assess corruption and fraud risks. Additional assessments and on-site reviews are combined with the new Compliance Quality Assurance Program. Rolled out in 2012, the program consists of self-assessments, on-site reviews and monitoring via reporting. It verifies the implementation and effectiveness of Allianz's Compliance Management System, which includes the Anti-Corruption Program, across the Group.

The implementation and maintenance of the Allianz Anti-Corruption Program, which is compulsory for all employees, continued in 2013. It aims to inform employees about Allianz's main anti-corruption and anti-fraud rules, the essentials of our anti-corruption and gifts and entertainment policies, and our anti-fraud principles. Training about anti-discrimination and anti-harassment procedures is also offered, in alignment with local legal requirements.

TRUST AND TRANSPARENCY

One of the aftereffects of the banking and European sovereign debt crisis is that the insurance industry has been confronted with an increasing degree of regulation. All-time low interest rates and market insecurity and volatility remain critical factors for our business and particularly for our customers. Our main goal when interacting with governments is to contribute solutions to socio-political issues and create a stable political and economic landscape that will benefit our customers and us over the long term. For example, we are engaging in discussions on the impact of low interest rates on savings and old-age provisions and facilitating investments in a low-carbon economy.

Headquartered in Germany, Allianz SE is committed to the country's long lasting democracy. Thus, we contribute to democratic political parties in the German Parliament (Bundestag) representing a variety of views within the political spectrum and supporting the social market economy. Our policy governing corporate donations to political parties in Germany rules that all contributions are made annually on 1 July to ensure that they are in no manner connected, or perceived to be connected, to any legislative initiative or elections. In 2013, we contributed a total of €150,000.

1 — More information can be found online at www.allianz.com/sustainability/ethics.

Business Environment

Economic environment 2013

BRIGHTER ECONOMIC CONDITIONS DURING THE YEAR

After a subdued start to 2013 the world economy gained momentum starting in the second quarter, thanks mainly to an improved picture in industrialized countries. Particularly encouraging was the return to positive economic growth in the Eurozone following six negative quarters in a row. In the United States and the U.K., overall output picked up again after only tepid growth at the start of the year. In addition, the economic recovery in Japan continued on a broader footing thanks to expansionary monetary and fiscal policies. By contrast, economic growth in most emerging markets remained fairly subdued, taking their pre-crisis growth rates as a yardstick. All in all, global economic output is likely to have grown by 2.3% in 2013, well below the 10-year average of close to 3%.

Gross domestic product (GDP) in industrialized countries increased by about 1.1% on average last year. While both the United States and Japan registered fairly solid growth of close to 2%, real GDP in the Eurozone contracted on average by 0.4% in 2013. As in previous years, economic performance varied widely within the currency area. Countries like Greece and Italy experienced a strong contraction, while Austria, Belgium and the Slovak Republic registered positive, albeit weak, growth. The economic impact emanating from the European debt crisis continued to exert a dampening effect on the German economy. Following an already moderate expansion of 0.7% in 2012, real GDP grew only 0.4% in 2013. Emerging markets expanded by 4.4% on average, with economic growth in emerging Asian markets coming in at 6.2%.

The primary drivers on the financial markets in 2013 were once again the ultra-loose monetary policy of major central banks and the gradual easing of the European sovereign debt crisis. The financial markets took a hefty knock in the summer months after the Federal Reserve sketched out a possible timetable for a gradual phasing-out of its bond-purchasing program. This not only pushed up yields in the United States, but above all exerted downward pressure on the currencies of those emerging markets with a poor economic scorecard. Countries with yawning current account deficits like India and Turkey proved particularly vulnerable. In December, the Federal Reserve finally announced the first step towards a gradual normalization of its monetary policy – a reduction in the volume of its monthly bond purchases by USD 10 BN to USD 75 BN from January 2014. On the other side of the Atlantic, the European Central Bank lowered its key interest rate in two steps from 0.75% to 0.25% over the course of 2013 and continued to signal its readiness to lower key interest rates further and even offer, yet again, exceptionally long terms for financing operations. Yields on 10-year German government bonds ended the year at 1.9%, an increase of about 60 basis points compared with a year earlier. Despite this increase, spreads on debt-ridden Economic and Monetary Union (EMU) countries narrowed considerably. Buoyed not least by the ongoing low interest rate environment, stock markets rallied. Following an initial depreciation against the U.S. Dollar in the first quarter of 2013, the Euro gained in strength over the remainder of the year. Progress in solving the European sovereign debt crisis and the economic stabilization of the Eurozone have been key factors in shoring up confidence in the Euro.

Business environment 2013: insurance and asset management industry

2013 was another challenging year for the insurance industry. With economic growth remaining subdued, overall premium growth was more or less stagnant. But this stability conceals considerable differences between markets. For example, German premiums strengthened, along with moderate improvements in economic activity, whereas parts of southern Europe were still in the doldrums. Emerging markets, too, witnessed a rather turbulent year, with highly volatile capital flows and exchange rates. But despite the economic slowdown in many of these markets, overall premium growth proved remarkably resilient, mainly driven by an increase in life growth.

Low interest rates and financial market volatility were still a major challenge. As a result, investment returns stayed rather low, putting the sector's profitability under pressure. Furthermore, regulatory developments continued to have a significant impact. Most importantly, the final agreement on Solvency II in November 2013 paved the way for its introduction on 1 January 2016 and reduced somewhat the regulatory uncertainty that has beleaguered the industry in recent years.

Although 2013 had its fair share of natural disasters, from typhoons and earthquakes in Asia to flooding in Europe, catastrophe losses remained rather low for a second consecutive year – at least in a global context – due to the weak penetration in many of the markets that were hit by natural catastrophes. This bolstered underwriting profitability. The big exception was the German market, which had to contend not only with floods in June but with big storms thereafter, triggering large insurance losses.

In the *property-casualty* sector, overall market conditions were basically unchanged from the previous year. Stable premium growth in advanced markets was underpinned by moderate rate increases and the gradual improvement of economic activity, for example in the United States and Germany. On the other hand, many markets in southern Europe, for example Italy and Spain, remained in reverse gear with continuous declines in premium income. Premium growth in emerging markets generally proved robust, despite turbulent financial markets. In particular, premium increases in China and Latin America recorded double-digit growth rates. Overall, according to our own market estimates and based on preliminary figures, global premiums grew around 4.5% in 2013 (adjusted for foreign currency translation effects).

Underwriting profitability improved slightly in 2013, reflecting the general positive pricing momentum and the low level of natural catastrophes. But overall profitability was restrained by the challenging investment environment. Despite small increases in the wake of the assumed change in U.S. monetary policy ("tapering"), interest rates remained at low levels and investment returns were therefore subdued.

In the *life* sector, global premium income growth recovered slightly in 2013. This improvement was mainly led by emerging markets, which benefited from relatively strong increases in China and South-East Asia. Latin America continued to post double-digit growth as well. The performance of advanced markets was more mixed, with some – notably the U.S. market – under pressure and others recovering rather strongly, for example Germany, France and Italy. In total, according to our own market estimates and based on preliminary figures, global premiums grew by around 3% in 2013 (adjusted for foreign currency translation effects).

The persistent low-yield environment coupled with modest economic growth depressed new business profitability for traditional life business. Insurance savings products continued to suffer from weak demand against a backdrop of reduced guarantees. However, risk protection products fared better. These included not only traditional mortality, but also health insurance products such as disability and long-term care insurance – which benefited from rising consumer awareness of a "protection gap" in these fields.

For the *asset management* industry as a whole, 2013 was a favorable year, although it was a further year of uncertainty in capital markets with volatility remaining at elevated levels. The announcement of the Federal Reserve in May that it would start to take a reduction of its asset purchases into consideration, led to an increase in interest rates. The yield on 10-year U.S. government bonds increased from 1.6% at the end of May 2013 to around 3% at the end of the year. As a result of the interest rate increase, valuations for fixed income assets declined, while equities recorded a strong performance. On a global basis, equities rose by 29% last year.

Market flows into equity and fixed income were strong in the first half of 2013. During the second half of the year, fixed income flows were to a certain extent impacted by the rise in interest rates. Flows into equity assets mostly continued throughout the year, reaching levels not observed in the recent past. These equity flows were not only driven by passive products. Active equity managers were also able to capture a portion of the organic growth. The flow development, as well as rising asset valuations, drove revenues and profits higher. Industry efficiency generally improved, despite the continuing growth trend in expenses – due to higher compensation or marketing costs, for example.

Executive Summary of 2013 Results

- Revenues increased to €110.8 BN.
- Operating profit grew 7.8% to €10,066 MN.
- Net income increased to €6,344 MN.
- Solvency ratio remained strong at 182%.[1]

Allianz Group overview

Allianz SE and its subsidiaries (the Allianz Group) have operations in over 70 countries. The Group's results are reported by business segment: Property-Casualty insurance operations, Life/Health insurance operations, Asset Management and Corporate and Other.

Key figures

KEY FIGURES ALLIANZ GROUP

€ MN

	2013	2012
Total revenues	110,773	106,383
Operating profit[2,3]	10,066	9,337
Net income[2]	6,344	5,558
Solvency ratio[1] in %	182	197

Earnings summary

ECONOMIC AND INDUSTRY ENVIRONMENT IN 2013

The world economy gained momentum in 2013, mainly due to a pick-up in industrialized countries. The primary drivers of the financial markets in 2013 were once again the ultra-loose monetary policy of major central banks and the gradual easing of the European sovereign debt crisis. While equity markets recorded a strong performance, persistent low interest rates continued to put pressure on the insurance industry's investment returns. The announcement by the Federal Reserve that it would start to consider a reduction of its asset purchases not only pushed up yields in the United States but also exerted downward pressure on the currencies of emerging markets such as Turkey and Brazil. The Euro strengthened against the U.S. Dollar and selected emerging market currencies over the course of the year.

In the property-casualty insurance industry, overall market conditions were basically unchanged from the previous year. Underpinned by a positive pricing momentum, the industry saw stable premium growth in advanced markets globally, while southern European countries in particular saw continued declines. On the other hand, premium growth in emerging markets generally proved robust. Claims from natural catastrophes remained rather low for a second consecutive year, at least in a global context, as weak penetration in many of the markets hit by natural catastrophes limited insurers' losses – except for Germany with higher losses from floods and big storms thereafter.

In the life insurance industry, global premium income growth recovered slightly in 2013. This was mainly driven by premium increases in emerging markets, while there was a mixed picture in advanced markets with Germany, France and Italy recovering and the U.S. market remaining under pressure. Insurance savings products continued to suffer from weak demand against a backdrop of reduced

1 — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2013 would be 173% (2012 (as published): 188%). The conglomerate solvency ratio decreased by approximately 16 percentage points as of 1 January 2013 due to amendments to IAS 19.

2 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.

3 — As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation.

guarantees in the persistent low interest rate environment. By contrast, risk protection products fared better due to a rising awareness of a protection gap.

For the asset management industry as a whole, 2013 was a favorable year, although there was continued uncertainty on capital markets with volatility remaining high. Following the tapering announcement of the Federal Reserve, interest rates increased and thus valuations for fixed income assets declined, while equities recorded a strong performance. These developments adversely impacted fixed income flows but continued to support favorable flows into equity assets.

MANAGEMENT'S ASSESSMENT OF 2013 RESULTS

We recorded growth in *total revenues* of 4.1% – to €110.8 BN – reaching an all-time high, despite the challenges of operating in a persistently low interest rate environment. On an internal basis[1], revenues increased by 4.7%. Our Life/Health and Asset Management business segments generated strong revenue growth, while premiums in the Property-Casualty business remained rather stable.

Our *operating profit* increased 7.8% to €10,066 MN. This was mainly due to the remarkable underwriting performance in our Property-Casualty business segment despite a higher burden from natural catastrophes. Our Asset Management business segment contributed positively due to higher average assets under management and higher related margins. The operating result from the Corporate and Other business segment improved, mainly due to a higher net fee and commission result. However, our Life/Health business was impacted by a lower investment result. Overall, our group performance developed favorably and we significantly exceeded our original operating profit target of €9.2 BN plus or minus €0.5 BN.

Our *net income* increased 14.1% to €6,344 MN, driven by the strong operating performance as well as a slightly improved non-operating result. *Net income attributable to shareholders* and *non-controlling interests* was €5,996 MN (2012: €5,231 MN) and €348 MN (2012: €327 MN), respectively.

Our *capitalization* remained strong and *shareholders' equity* decreased slightly by €0.3 BN to €50.1 BN compared to 31 December 2012. Our conglomerate solvency ratio strengthened by one percentage point, after reflecting the negative impact of a change in accounting for pensions[2].

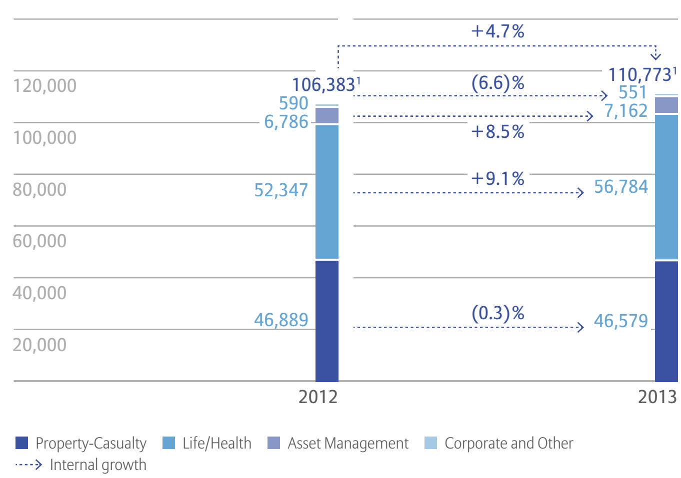
1 — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 104 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

2 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.

Total revenues[3]

TOTAL REVENUES – BUSINESS SEGMENTS

€ MN



1 — Total revenues include €(303) MN (2012: €(229) MN) from consolidation.

Property-Casualty gross premiums written amounted to €46.6 BN, down 0.7%. On an internal basis, gross premiums written decreased by 0.3%, reflecting the expected reduction in our U.S. crop business. Excluding this reduction, our internal growth was positive at 2.5%. We experienced solid growth mainly in Latin America, Turkey, at Allianz Global Assistance and in Germany.

Life/Health statutory premiums amounted to €56.8 BN, an increase of 9.1% on an internal basis. Strong single premium increases from unit-linked and savings products more than compensated for the premium declines in selected markets where we were impacted by regulatory changes or took further profitability and risk management actions.

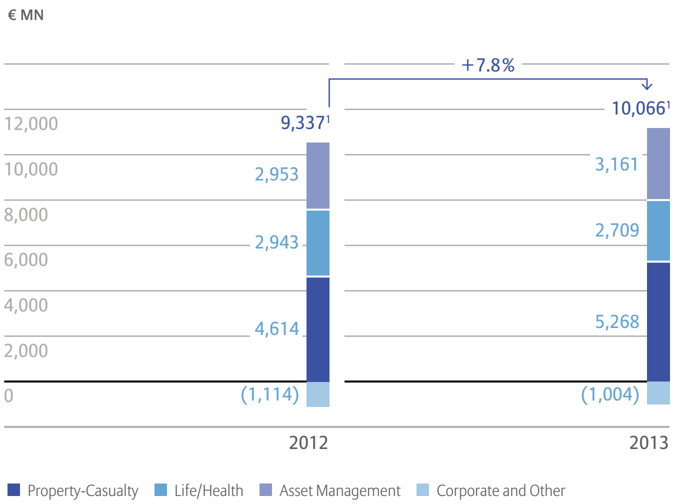
Asset Management operating revenues grew by 8.5% on an internal basis. This was mainly driven by higher average assets under management and higher related margins. Our performance fees reached an impressive level of €510 MN but remained €256 MN below the record level of €766 MN in 2012. Once again our overall investment performance was excellent. However, higher interest rates and volatile capital markets led to third-party net outflows of €12 BN.

Total revenues from our Banking operations (reported in our *Corporate and Other* business segment) decreased by €39 MN to €551 MN, mainly as a result of a lower net interest result.

3 — Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

Operating profit

OPERATING PROFIT – BUSINESS SEGMENTS



1 – Total operating profit includes €(68) MN (2012: €(59) MN) from consolidation.

Our *Property-Casualty* operating profit went up by €654 MN, or 14.2%, to €5,268 MN. The underwriting result increased by €728 MN to €2,170 MN, largely driven by an improvement in our loss ratio. Reflecting the low interest environment, however, our operating investment income (net) decreased by €181 MN to €3,048 MN.

The *Life/Health* operating profit decreased by €234 MN to €2,709 MN, mainly as a result of the decline in the operating investment result, which was burdened by the net of adverse foreign currency and financial derivatives impacts.

Asset Management recorded a strong operating profit of €3,161 MN – growth of 7.0%. On an internal basis, operating profit grew by 10.1%. This was mainly driven by higher operating revenues and to a lesser extent by lower restructuring charges compared to 2012. The cost-income ratio improved by 0.6 percentage points to 55.9%.

Our operating result in *Corporate and Other* improved by €110 MN to a loss of €1,004 MN. An improvement in Holding & Treasury was partly offset by a deterioration in Banking due to restructuring charges, while the operating result in Alternative Investments remained almost stable.

Non-operating result

Our *non-operating result* improved by €196 MN to a loss of €422 MN. This was mainly due to lower amortization of intangible assets and lower interest expenses from external debt.

Our *non-operating investment result* decreased from €809 MN to €663 MN. This was driven by a decline in our income from financial assets and liabilities carried at fair value through income as well as lower realizations, which was partly offset by lower impairments.

Non-operating income from financial assets and liabilities carried at fair value through income (net) fell by €186 MN to €24 MN, as the previous year's figure benefited from the positive valuation effects of The Hartford warrants, which were sold in April 2012.

Non-operating realized gains and losses (net) dropped from €1,112 MN to €952 MN. This was mainly due to lower realizations on equities.

Non-operating impairments of investments (net) decreased by €200 MN to €313 MN in 2013. This was mainly due to lower equity impairments, driven by favorable equity market developments. Lower impairments on debt securities in 2013 further contributed to the improvement.

Non-operating interest expenses from external debt declined by €90 MN to €901 MN due to the low interest rate environment. New issuances have had lower funding costs compared to bonds that matured or were redeemed.

Non-operating acquisition-related expenses improved by €68 MN to €33 MN, mainly due to lower PIMCO B-unit expenses.

Non-operating amortization of intangible assets was down by €123 MN to €136 MN, largely due to higher impairments in the previous year. For further information, please refer to note 15 to the consolidated financial statements.

Income taxes

Income taxes rose by €139 MN to €3,300 MN, driven by a €925 MN higher income before income taxes in 2013 compared to 2012. The effective tax rate improved by 2.1 percentage points to 34.2% (2012: 36.3%), mainly due to lower tax charges from prior year taxes in 2013 compared to 2012.

Net income

Net income increased by €786 MN – from €5,558 MN to €6,344 MN – driven by our strong operational performance, a lower effective tax rate and an improved non-operating result. *Net income attributable to shareholders* and *non-controlling interests* amounted to €5,996 MN (2012: €5,231 MN) and €348 MN (2012: €327 MN), respectively. Our largest non-controlling interests in net income related to Euler Hermes and PIMCO.

Basic earnings per share rose from €11.56 to €13.23 in 2013 and *diluted earnings per share* increased from €11.48 to €13.05. For further information on earnings per share, please refer to note 50 to the consolidated financial statements.

Proposal for appropriation of net earnings

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of €3,068,573,879.31 for the 2013 fiscal year shall be appropriated as follows:

- Distribution of a dividend of €5.30 per no-par share entitled to a dividend: €2,404,893,952.80
- Unappropriated earnings carried forward: €663,679,926.51

The proposal for appropriation of net earnings reflects the 2,746,424 treasury shares held directly and indirectly by the Company at the time of the publication of the convocation of the Annual General Meeting in the Federal Gazette. 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 €5.30 per each share entitled to dividend.

Munich, 24 February 2014

Allianz SE

TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

€ MN	2013	2012
Total revenues[1]	**110,773**	**106,383**
Premiums earned (net)	66,628	66,045
Operating investment result		
Interest and similar income	20,918	21,084
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,866)	(721)
Operating realized gains/losses (net)	3,333	3,215
Interest expenses, excluding interest expenses from external debt	(421)	(486)
Operating impairments of investments (net)	(298)	(421)
Investment expenses	(905)	(876)
Subtotal	**20,761**	**21,795**
Fee and commission income	10,492	9,812
Other income	209	214
Claims and insurance benefits incurred (net)	(47,802)	(48,873)
Change in reserves for insurance and investment contracts (net)[2]	(13,990)	(14,360)
Loan loss provisions	(86)	(111)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(22,832)	(21,945)
Fee and commission expenses	(3,038)	(2,895)
Restructuring charges	(170)	(268)
Other expenses	(106)	(94)
Reclassification of tax benefits	–	17
Operating profit (loss)	**10,066**	**9,337**
Non-operating investment result		
Non-operating income from financial assets and liabilities carried at fair value through income (net)	24	210
Non-operating realized gains/losses (net)	952	1,112
Non-operating impairments of investments (net)	(313)	(513)
Subtotal	**663**	**809**
Income from fully consolidated private equity investments (net)	(15)	(59)
Interest expenses from external debt	(901)	(991)
Acquisition-related expenses	(33)	(101)
Amortization of intangible assets	(136)	(259)
Reclassification of tax benefits	–	(17)
Non-operating items	**(422)**	**(618)**
Income (loss) before income taxes	**9,644**	**8,719**
Income taxes	(3,300)	(3,161)
Net income (loss)	**6,344**	**5,558**
Net income (loss) attributable to:		
Non-controlling interests	348	327
Shareholders	5,996	5,231

1 — Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
2 — Includes expenses for premium refunds (net) in Property-Casualty of €(162) MN (2012: €(292) MN).

Events after the balance sheet date

ALLIANZ ISSUED A CHF 500 MN UNDATED SUBORDINATED BOND

In January 2014, Allianz SE issued a subordinated bond in the amount of CHF 500 MN with no scheduled maturity, but with ordinary call rights of Allianz beginning in July 2019. The coupon of 3.25 % p.a. is fixed until July 2019.

Changes in segment structure, presentation and accounting policies

In 2013, we experienced material changes in our presentation and accounting policies due to the amendments to IAS 19 and the application of IFRS 13, which came into effect on 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements. In addition, all restructuring charges have been presented within the operating profit effective 1 January 2013. For further information, please refer to note 6 to the consolidated financial statements. The applicable requirements of the German Accounting Standard 20 ("Deutscher Rechnungslegungs Standard – DRS") are incorporated in the Group Management Report 2013.

In 2013, the reportable segment "Global Assistance" was renamed "Allianz Worldwide Partners". For further information, please refer to Business Operations and Markets starting on PAGE 49.

There were no changes to the Board of Management in 2013. For further information on the current composition of the Board of Management, please refer to PAGE 58.

Other parts of the Group Management Report

The following information also forms part of the Group Management Report:

- Statement on Corporate Management pursuant to § 289a of the HGB starting on PAGE 32,
- Takeover-related Statements and Explanations starting on PAGE 34 and the
- Remuneration Report starting on PAGE 37.

Property-Casualty Insurance Operations

- Gross premiums written at €46.6 BN.
- Operating profit up 14.2% to €5,268 MN, driven by a strong underwriting result.
- Combined ratio at 94.3%.

Business segment overview

Our Property-Casualty business offers a wide range of products and services for both private and corporate clients. Our offerings cover many insurance classes such as motor, accident/disability, property and general liability. We conduct business worldwide in more than 50 countries. We are also a global leader in travel insurance, assistance services and credit insurance. We distribute our products via a broad network of agents, brokers, banks and other strategic partners, as well as through direct channels.

Key figures

KEY FIGURES PROPERTY-CASUALTY

€ MN	2013	2012
Gross premiums written	46,579	46,889
Operating profit[1,2]	5,268	4,614
Net income[1]	3,818	3,505
Loss ratio in %	65.9	68.3
Expense ratio in %	28.4	27.9
Combined ratio[1] in %	94.3	96.2

Gross premiums written[3]

On a nominal basis, we recorded *gross premiums written* of €46,579 MN, down €310 MN or 0.7%. Unfavorable foreign currency translation effects were €1,100 MN, largely due to the depreciation of the Australian Dollar, the Brazilian Real, the U.S. Dollar, and the British Pound against the Euro.[4] Consolidation/deconsolidation effects were positive and amounted to €949 MN. These mainly stemmed from our acquisitions of the activities of Gan Eurocourtage in France, Yapı Kredi Sigorta in Turkey and Mensura in Belgium.

Adjusted for foreign currency translation and (de-)consolidation effects, our gross premiums written decreased by 0.3%. The positive price effect of 0.8% was more than offset by the negative volume effect of 1.1%, mainly driven by the changed structure in our crop business in the United States. Excluding the reduction in our U.S. crop business, our internal growth was positive and amounted to 2.5%. We experienced solid growth in Latin America, Turkey, at Allianz Global Assistance and in Germany.

Analyzing internal premium growth in terms of price and volume, we use four clusters based on 2013 internal growth over 2012:

Cluster 1:
Overall growth – both price and volume effects are positive.

Cluster 2:
Overall growth – either price or volume effects are positive.

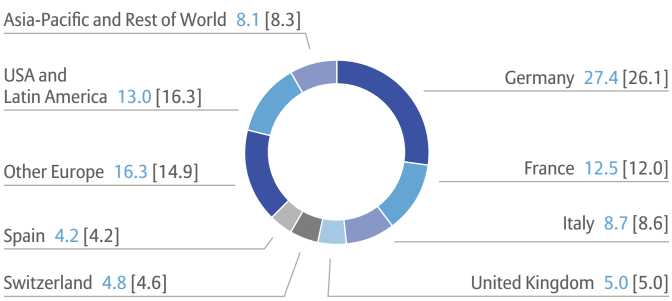
Cluster 3:
Overall decline – either price or volume effects are negative.

Cluster 4:
Overall decline – both price and volume effects are negative.

1 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.
2 — As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation.
3 — We comment on the development of our gross premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
4 — Based on the average exchange rates in 2013 compared to 2012.

GROSS PREMIUMS WRITTEN BY REGION/COUNTRY[1]

Year 2013 [2012] in %



1 — After elimination of transactions between Allianz Group companies in different countries and different reportable segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

CLUSTER 1

In *Turkey* gross premiums amounted to €978 MN. Our strong internal growth of 37.2% was primarily driven by our motor business through tied agents.

In *Latin America* we recorded gross premiums of €2,350 MN, up 11.0% on an internal basis. The main driver was Brazil with all lines of business contributing to our growth.

In *Allianz Global Assistance* gross premiums increased to €1,972 MN. Our internal growth of 10.0% stemmed from higher volumes mainly in our Brazilian, French, U.S., Spanish, and German business, as well as price increases primarily in our Australian and U.S. subsidiaries.

In *Australia* gross premiums grew to €2,847 MN. The increase of 4.6% on an internal basis benefited from new customers and higher tariffs in our motor and property business.

In the *United Kingdom* we generated gross premiums of €2,274 MN. On an internal basis, we expanded by 2.8% with volume growth mainly driven by our commercial motor line and tariff increases across all commercial lines, in particular in our liability and motor business.

In our *Credit Insurance* business, gross premiums increased to €2,092 MN. The growth of 2.3% on an internal basis stemmed from the acquisition of new customers.

CLUSTER 2

In *Asia-Pacific* we recorded gross premiums of €667 MN. The 17.8% increase on an internal basis was mainly driven by the strong growth in our Malaysian motor business. The overall price effect was slightly negative.

In *Central and Eastern Europe* gross premiums stood at €2,477 MN, up 6.3% on an internal basis. The growth was largely attributable to higher volumes in our motor, personal accident and health business in Russia, which outweighed a negative price effect.

In *Germany* gross premiums totaled €9,261 MN. The internal growth of 1.6% was due to price increases mainly in motor, property and liability lines. It was partly offset by negative volume effects, particularly in our accident and motor business.

In *Switzerland* gross premiums went up to €1,489 MN. Our internal growth of 1.1% was supported by higher volumes, mainly in our motor and commercial property business. However, this was partly offset by an overall negative price effect.

In *France* gross premiums amounted to €4,174 MN – up 0.5% on an internal basis. This was driven by tariff increases across all lines of business, which more than compensated for volume losses.

In *Spain* gross premiums rose to €1,958 MN. Despite the difficult market conditions we recorded internal growth of 0.3%. We generated higher volumes in our motor, property and liability lines, which offset the effect of declining tariffs.

CLUSTER 3

In the *United States* gross premiums decreased to €2,058 MN. On an internal basis, gross premiums dropped by 39.7%, largely due to the expected reduction in our crop business and, to a lesser extent, declines in our commercial lines, which continue to be impacted by our strict underwriting discipline. The overall price effect was positive.

In *Italy* gross premiums amounted to €4,032 MN. The decrease of 0.3% on an internal basis was largely attributable to falling prices, mainly in our motor business. Although regulatory changes weighed on volumes, they were supported by increases in our motor business – particularly in our direct channel – resulting in a slightly positive volume effect.

CLUSTER 4

At *AGCS* gross premiums dropped to €4,999 MN, down 4.7% on an internal basis. This was mainly due to lower volumes in our property, marine and Allianz Risk Transfer (ART) business. The overall price effect was also slightly negative.

Operating profit

OPERATING PROFIT

€ MN

	2013	2012
Underwriting result	2,170	1,442
Operating investment income (net)	3,048	3,229
Other result[1]	50	(57)
Operating profit	**5,268**	**4,614**

1 — Consists of fee and commission income/expenses, other income/expenses and restructuring charges.

Operating profit amounted to €5,268 MN, up €654 MN and driven by a strong underwriting result.

Our *underwriting result* grew by €728 MN to €2,170 MN. This increase was largely due to an improvement in our accident year loss ratio of 1.3 percentage points, supported by the continued positive price momentum, and a more favorable run-off, despite higher claims from natural catastrophes.

The *combined ratio* improved by 1.9 percentage points to 94.3%.

UNDERWRITING RESULT

€ MN

	2013	2012
Premiums earned (net)	42,047	41,705
Accident year claims	(29,402)	(29,698)
Previous year claims (run-off)	1,689	1,207
Claims and insurance benefits incurred (net)	(27,713)	(28,491)
Acquisition and administrative expenses (net)	(11,942)	(11,634)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(222)	(138)
Underwriting result	**2,170**	**1,442**

1 — Consists of the underwriting-related part (aggregate policy reserves and other insurance reserves) of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 34 to the consolidated financial statements.

Our *accident year loss ratio* stood at 69.9%, down 1.3 percentage points compared to the previous year. However, net losses from natural catastrophes were up from €715 MN to €1,218 MN, increasing their impact by 1.2 percentage points to 2.9%. While 2012 was burdened primarily by Storm Sandy, 2013 was severely impacted by floods in Central and Eastern Europe and hailstorms in Germany.

Excluding natural catastrophes, our accident year loss ratio was 67.0%, a 2.5 percentage point improvement on 2012. This was mainly because of the continued positive price momentum and a favorable development in claims frequency and severity.

The following operations contributed positively to the development of our accident year loss ratio:

United States: 1.2 percentage points. This was largely driven by the absence of the negative impacts of 2012 – the high natural catastrophe losses recorded from Storm Sandy and the severe drought in the crop business.

Italy: 0.5 percentage points. This was mainly driven by the recovered profitability in our non-motor business, particularly in our general third-party liability line, and supported by lower claims frequency and severity in our motor business. Additionally, the burden from natural catastrophes in 2012, such as the earthquake in Emilia Romagna, was above the 2013 level.

AGCS: 0.2 percentage points. The positive impact primarily resulted from fewer large losses and a reduced burden from natural catastrophe claims, despite higher attritional claims.

Credit Insurance: 0.2 percentage points. This was driven by sound risk management that resulted in lower claims activity despite increasing business volumes and still-high insolvency levels in European markets.

France: 0.1 percentage points. This was supported by a favorable pricing environment, particularly in retail lines, as well as by a slightly lower impact from large claims.

The following operations contributed negatively to the development of our accident year loss ratio:

Germany: 0.9 percentage points. The negative impact was due to higher losses from natural catastrophes. However, the attritional claims ratio was lower than in 2012 due to a favorable price momentum – particularly in our motor business.

Reinsurance: 0.2 percentage points. This was entirely driven by higher losses from natural catastrophes. Adjusted for these, the underlying loss ratio was lower than in 2012.

Our *run-off result* grew by €482 MN to €1,689 MN, resulting in an increase of 1.1 percentage points in the run-off ratio. This was partly due to a more favorable previous year claims development, but primarily attributable to the absence of some negative effects reported in 2012. These included the additional reserve strengthening in the United States and the increase in the estimated ultimate loss for the 2011 Thailand floods.

In 2013, total expenses stood at €11,942 MN, compared to €11,634 MN in the previous year. Our *expense ratio* increased slightly by 0.5 percentage points to 28.4%. This increase mainly reflects the effects of structural changes in our portfolio in the United States (reduced crop business), the negative impact from regulatory changes on our business in Brazil (policy collection fee) and the acquisition of the activities of Gan Eurocourtage in France.

OPERATING INVESTMENT INCOME (NET)[1]

€ MN	2013	2012
Interest and similar income (net of interest expenses)	3,543	3,723
Operating income from financial assets and liabilities carried at fair value through income (net)	(76)	(46)
Operating realized gains/losses (net)	69	168
Operating impairments of investments (net)	(11)	(17)
Investment expenses	(315)	(307)
Expenses for premium refunds (net)[2]	(162)	(292)
Operating investment income (net)	**3,048**	**3,229**

1 — The operating investment income (net) for our Property-Casualty business segment consists of the operating investment result – as shown in note 6 to the consolidated financial statements – and expenses for premium refunds (net) (policyholder participation) as shown in note 34 to the consolidated financial statements.

2 — Refers to policyholder participation, mainly from UBR (accident insurance with premium refunds) business, and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 34 to the consolidated financial statements.

Operating investment income (net) amounted to €3,048 MN, down by €181 MN. This was mainly due to decreased interest and similar income (net of interest expenses).

Interest and similar income (net of interest expenses) dropped by €180 MN. This was driven by lower income on debt securities – mainly due to lower yields. The average asset base[1] grew by 1.7% from €100.9 BN to €102.6 BN.

Operating income from financial assets and liabilities carried at fair value through income (net) fell by €30 MN to a further loss of €76 MN. The decline was mainly because of an unfavorable foreign currency result.

Operating realized gains and losses (net) decreased by €99 MN to €69 MN as last year's result benefited from gains related to portfolio adjustments.

OTHER RESULT

€ MN	2013	2012
Fee and commission income	1,226	1,165
Other income	47	35
Fee and commission expenses	(1,141)	(1,088)
Other expenses	(21)	(23)
Restructuring charges	(61)	(146)
Other result	**50**	**(57)**

1 — Including the French health business, excluding fair value option and trading.

Net income

Net income increased by €313 MN to €3,818 MN, reflecting our better operating performance and the effect of the slightly lower non-operating realized gains and losses (net).

PROPERTY-CASUALTY BUSINESS SEGMENT INFORMATION

€ MN	2013	2012
Gross premiums written[1]	46,579	46,889
Ceded premiums written	(3,982)	(4,727)
Change in unearned premiums	(550)	(457)
Premiums earned (net)	**42,047**	**41,705**
Interest and similar income	3,595	3,770
Operating income from financial assets and liabilities carried at fair value through income (net)	(76)	(46)
Operating realized gains/losses (net)	69	168
Fee and commission income	1,226	1,165
Other income	47	35
Operating revenues	**46,908**	**46,797**
Claims and insurance benefits incurred (net)	(27,713)	(28,491)
Change in reserves for insurance and investment contracts (net)	(384)	(430)
Interest expenses	(52)	(47)
Operating impairments of investments (net)	(11)	(17)
Investment expenses	(315)	(307)
Acquisition and administrative expenses (net)	(11,942)	(11,634)
Fee and commission expenses	(1,141)	(1,088)
Restructuring charges	(61)	(146)
Other expenses	(21)	(23)
Operating expenses	**(41,640)**	**(42,183)**
Operating profit	**5,268**	**4,614**
Non-operating items	296	328
Income before income taxes	**5,564**	**4,942**
Income taxes	(1,746)	(1,437)
Net income	**3,818**	**3,505**
Loss ratio[2] in %	65.9	68.3
Expense ratio[3] in %	28.4	27.9
Combined ratio[4] in %	**94.3**	**96.2**

1 — For the Property-Casualty business segment, total revenues are measured based upon gross premiums written.

2 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

3 — Represents acquisition and administrative expenses (net) divided by premiums earned (net).

4 — Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Property-Casualty insurance operations by reportable segments

PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
			internal[1]					
	2013	2012	2013	2012	2013	2012	2013	2012
Germany[2]	9,261	9,158	9,261	9,115	7,611	7,421	661	828
Switzerland	1,489	1,501	1,518	1,501	1,422	1,450	194	192
Austria	966	938	966	938	814	788	62	76
German Speaking Countries[3]	**11,748**	**11,630**	**11,777**	**11,587**	**9,861**	**9,674**	**916**	**1,102**
Italy	4,032	4,045	4,032	4,045	3,950	3,893	1,126	881
France[4]	4,174	3,538	3,557	3,538	3,804	3,200	401	411
The Netherlands	700	714	700	705	659	684	27	15
Turkey[5]	978	611	838	611	753	412	69	34
Belgium[6]	465	397	374	364	427	355	50	62
Greece	111	108	111	108	87	90	17	19
Africa	87	83	87	83	55	49	11	9
Western & Southern Europe[7]	**10,547**	**9,496**	**9,699**	**9,454**	**9,735**	**8,683**	**1,712**	**1,447**
Latin America	2,350	2,389	2,651	2,388	1,737	1,607	133	126
Spain	1,958	1,953	1,958	1,953	1,804	1,810	236	239
Portugal	312	317	312	317	269	265	26	38
Iberia & Latin America	**4,620**	**4,659**	**4,921**	**4,658**	**3,810**	**3,682**	**395**	**403**
United States	2,058	3,550	2,141	3,550	1,988	2,654	154	(546)
USA[8]	**2,058**	**3,550**	**2,141**	**3,550**	**1,988**	**2,654**	**154**	**(546)**
Allianz Global Corporate & Specialty	4,999	5,314	5,063	5,314	2,926	3,299	427	415
Reinsurance PC[2]	3,345	3,460	3,305	3,460	2,880	3,124	317	357
Australia	2,847	3,018	3,158	3,018	2,235	2,235	378	394
United Kingdom	2,274	2,318	2,382	2,318	2,122	2,165	201	215
Credit Insurance	2,092	2,034	2,043	1,998	1,435	1,344	407	409
Ireland	412	433	412	433	372	397	62	69
Global Insurance Lines & Anglo Markets[9]	**15,969**	**16,577**	**16,363**	**16,541**	**11,970**	**12,564**	**1,785**	**1,854**
Russia	808	678	857	678	598	603	(38)	–
Poland	427	421	428	421	345	355	12	14
Hungary	268	307	274	307	230	233	27	27
Slovakia	321	336	321	336	266	273	53	70
Czech Republic	276	280	285	280	228	225	44	32
Romania	186	181	185	181	150	143	5	–
Bulgaria	82	90	82	90	63	66	19	17
Croatia	93	90	94	90	77	75	13	15
Ukraine	16	13	17	13	7	7	–	3
Central and Eastern Europe[10]	2,477	2,393	2,544	2,393	1,964	1,980	127	171
Asia-Pacific	667	596	702	596	377	320	67	56
Middle East and North Africa	67	68	73	68	46	48	8	5
Growth Markets	**3,211**	**3,057**	**3,319**	**3,057**	**2,387**	**2,348**	**202**	**232**
Allianz Global Assistance	1,972	1,800	1,980	1,800	1,842	1,745	96	99
Allianz Worldwide Care	452	384	452	384	419	355	30	24
Allianz Worldwide Partners[11]	**2,507**	**2,186**	**2,515**	**2,230**	**2,296**	**2,100**	**102**	**122**
Consolidation and Other[12]	(4,081)	(4,266)	(4,041)	(4,224)	–	–	2	–
Total	**46,579**	**46,889**	**46,694**	**46,853**	**42,047**	**41,705**	**5,268**	**4,614**

1 — This reflects gross premiums written on an internal basis, adjusted for foreign currency translation and (de-)consolidation effects.

2 — The combined ratio 2013 at Germany and Reinsurance PC was impacted by a one-off effect related to the commutation of internal reinsurance resulting in a 0.9 percentage point improvement in the combined ratio for Germany and an increase of 2.3 percentage points in Reinsurance PC. This had no impact at Group level.

3 — Includes "Münchener und Magdeburger Agrarversicherung AG" with gross premiums written of €32 MN, premiums earned (net) of €14 MN and operating loss of €1 MN for 2013, and gross premiums written of €33 MN, premiums earned (net) of €15 MN and operating profit of €6 MN for 2012.

4 — Effective as of 1 October 2012, Allianz France acquired the property-casualty brokerage portfolio-related activities (excluding transport) of Gan Eurocourtage.

5 — On 12 July 2013, Allianz Turkey acquired Yapı Kredi Bank's shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta.

6 — Effective as of 1 August 2012, Allianz Belgium acquired the assets and assumed the liabilities related to the insurance activities of Mensura.

7 — Contains €11 MN and €16 MN operating profit for 2013 and 2012, respectively, from a management holding located in Luxembourg.

%	Combined ratio		Loss ratio		Expense ratio	
	2013	2012	2013	2012	2013	2012
Germany[2]	99.5	96.8	73.4	69.2	26.1	27.6
Switzerland	91.1	92.4	67.9	68.9	23.2	23.5
Austria	96.5	96.1	70.5	71.4	26.0	24.7
German Speaking Countries[3]	**98.0**	**96.0**	**72.3**	**69.3**	**25.7**	**26.7**
Italy	78.2	85.0	53.1	60.3	25.1	24.7
France[4]	97.6	96.9	68.9	69.1	28.7	27.8
The Netherlands	99.8	103.1	70.2	74.7	29.6	28.4
Turkey[5]	96.1	98.3	71.4	71.5	24.7	26.8
Belgium[6]	94.0	93.9	65.4	62.0	28.6	31.9
Greece	83.9	82.4	50.1	37.7	33.8	44.7
Africa	95.7	94.7	52.1	48.9	43.6	45.8
Western & Southern Europe[7]	**89.4**	**91.8**	**62.3**	**64.9**	**27.1**	**26.9**
Latin America	98.3	98.4	66.4	67.4	31.9	31.0
Spain	90.9	91.0	70.0	70.1	20.9	20.9
Portugal	95.0	92.0	72.6	68.5	22.4	23.5
Iberia & Latin America	**94.6**	**94.3**	**68.6**	**68.8**	**26.0**	**25.5**
United States	103.6	129.4	69.2	101.1	34.4	28.3
USA[8]	**103.6**	**129.4**	**69.2**	**101.1**	**34.4**	**28.3**
Allianz Global Corporate & Specialty	95.0	96.2	67.3	68.7	27.7	27.5
Reinsurance PC[2]	92.8	92.7	61.2	65.5	31.6	27.2
Australia	93.5	95.2	68.1	68.7	25.4	26.5
United Kingdom	96.0	95.6	64.5	64.3	31.5	31.3
Credit Insurance	79.3	79.7	50.4	51.9	28.9	27.8
Ireland	90.1	91.0	59.2	61.0	30.9	30.0
Global Insurance Lines & Anglo Markets[9]	**92.5**	**93.2**	**63.3**	**65.2**	**29.2**	**28.0**
Russia	112.0	103.2	69.7	61.1	42.3	42.1
Poland	100.9	100.5	65.8	66.9	35.1	33.6
Hungary	100.4	101.3	60.0	60.4	40.4	40.9
Slovakia	86.2	81.4	54.8	51.4	31.4	30.0
Czech Republic	84.5	90.5	56.6	63.7	27.9	26.8
Romania	102.9	105.8	72.6	77.7	30.3	28.1
Bulgaria	72.1	75.9	44.8	47.4	27.3	28.5
Croatia	89.3	88.0	50.1	50.6	39.2	37.4
Ukraine	124.8	85.2	59.9	33.5	64.9	51.7
Central and Eastern Europe[10]	99.5	96.9	62.9	61.3	36.6	35.6
Asia-Pacific	91.2	91.3	60.1	59.7	31.1	31.6
Middle East and North Africa	95.6	105.1	61.5	70.1	34.1	35.0
Growth Markets	**98.2**	**96.3**	**62.5**	**61.3**	**35.7**	**35.0**
Allianz Global Assistance	96.1	95.3	61.0	59.6	35.1	35.7
Allianz Worldwide Care	93.3	93.8	73.5	74.5	19.8	19.3
Allianz Worldwide Partners[11]	**96.7**	**95.1**	**63.5**	**62.1**	**33.2**	**33.0**
Consolidation and Other[12]	–	–	–	–	–	–
Total	**94.3**	**96.2**	**65.9**	**68.3**	**28.4**	**27.9**

8 — The reserve strengthening for asbestos risks in 2012 at Fireman's Fund Insurance Company of €71 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.
9 — Contains €7 MN and €5 MN operating loss for 2013 and 2012, respectively, from AGF UK.
10 — Contains income and expense items from a management holding and consolidations between countries in this region.
11 — The business division Allianz Worldwide Partners includes the legal entities of Allianz Global Assistance and Allianz Worldwide Care as well as the reinsurance business of Allianz Global Automotive and income and expenses of a management holding. The set-up of this division will be further enhanced during the following quarters. The reinsurance business of Allianz Global Automotive contributed with gross premiums written of €83 MN, premiums earned (net) of €35 MN and an operating loss of €24 MN for 2013 and with gross premiums written of €2 MN, premiums earned (net) of €0.3 MN and an operating loss of €1 MN for 2012. The operating profit of Allianz Worldwide Partners includes Global Automotive central costs. Operating profit slightly up on an underlying basis.
12 — Represents elimination of transactions between Allianz Group companies in different geographic regions.

Life/Health Insurance Operations

- Statutory premiums rebounded 8.5% to €56.8 BN.
- Operating profit solid at €2,709 MN, but impacted by a lower investment result.

Business segment overview

Allianz offers a broad range of life, health, savings and investment-oriented products, including individual and group life insurance contracts. Via our distribution channels – mainly tied agents, brokers and bank partnerships – we offer life and health products to both private and corporate clients. As one of the worldwide market leaders in life business we serve customers in more than 45 countries.

Key figures

KEY FIGURES LIFE/HEALTH

€ MN	2013	2012
Statutory premiums	56,784	52,347
Operating profit[1,2]	2,709	2,943
Net income[1]	1,941	2,034
Margin on reserves (BPS)[3]	58	67

Statutory premiums[4,5]

In 2013, *statutory premiums* amounted to €56,784 MN, an increase of €4,437 MN. Excluding unfavorable foreign currency translation effects of €562 MN and consolidation/deconsolidation effects largely from our acquisition of the activities of Yapı Kredi in Turkey, premiums increased by 9.1% – or €4,741 MN – on an internal basis[5].

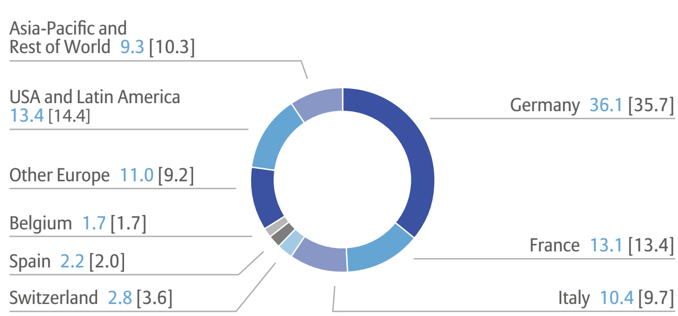
We saw mixed premium growth reflecting our overall product strategy with double-digit growth in several markets – where we achieved strong growth in targeted segments – and double-digit declines in other markets, where we reduced business for profitability reasons or regulatory changes.

The growth in premiums was predominantly driven by strong single premium unit-linked product sales in Italy and Taiwan. It was supported by an increase in single premium business with savings products including traditional endowment and annuity products in Germany. This was partly offset by sizeable declines in South Korea and Switzerland where profitability and risk management actions limited volumes, and in Poland due to regulatory changes.

Overall, we recorded a higher proportion of single premiums over recurring premium business compared to 2012.

STATUTORY PREMIUMS BY REGION/COUNTRY[1]

Year 2013 [2012] in %



1 — After elimination of transactions between Allianz Group companies in different countries and different reportable segments.

1 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.
2 — As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation.
3 — Represents operating profit divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

4 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
5 — In the following section, we comment on the development of our statutory gross premiums written on an internal basis, i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

Premiums in *Italy* increased 32.5% to €8,430 MN. Sustained by a favorable market environment, this remarkable growth was driven by our financial advisors and bancassurance channel, with a continued focus on unit-linked products in order to reduce our risk capital consumption. The continued strong growth of unit-linked premiums was largely due to a successful product launch via our financial advisors channel in late 2012 as well as a recovery of the bancassurance sales channel from the low level in 2012.

In *Latin America,* premiums were up 31.0% to €329 MN. This growth was driven by Mexico, where we recorded increased premiums from a large annuity contract and higher sales of investment-oriented products with single premiums. In Colombia, premiums decreased as several large contracts were not renewed.

Premiums in *Spain* increased 14.0% to €1,225 MN. This was mainly driven by strong sales of investment-oriented and unit-linked products distributed through the bancassurance and agent channels. Increased premiums in the traditional business also contributed to this growth.

In our *German* life business, premiums grew 12.0% to €17,000 MN. This growth was largely driven by a strong increase in single premium business with savings products including traditional endowment and annuity products, while our business with recurring premiums was stable. Premiums in our German health business remained broadly unchanged at €3,264 MN. The strong business in supplementary coverage compensated for decreased business in full health care coverage.

In *France,* we recorded a premium increase of 6.7% to €8,511 MN. This growth was largely driven by our employee benefit products, individual health business and the strong performance of the partnerships business in individual life. France experienced a beneficial shift of its traditional life business towards unit-linked products.

In *Asia-Pacific,* we recorded premiums of €5,092 MN. The growth of 3.9% was largely driven by the increase in unit-linked premiums in Taiwan through the bancassurance channel. This more than compensated for the decrease of single premium investment-oriented business in South Korea, where we stopped selling one of our major products in the third quarter of 2012.

Premiums in the *United States* increased to €7,317 MN, representing growth of 3.9%. This was primarily driven by stronger fixed-indexed annuity sales, where we gained positive momentum partially as a result of distribution and product promotions starting in the third quarter of 2013. This was partly offset by a decline in the variable annuity business. Both business lines were impacted by product changes in reaction to low interest rates in mid-2012 that initially resulted in a considerable drop in sales.

In *Belgium/Luxembourg,* we recorded premiums of €2,049 MN, an improvement of 1.5%, after very strong growth in the previous year. This improvement was supported by our bancassurance partnership in Belgium.

In *Switzerland,* premiums totaled €1,602 MN. The decrease of 14.1% was largely the result of lower single premiums in our group life business where we have maintained a more selective growth focus. While recurring premiums in our group life business remained relatively stable, recurring premiums in our individual life business increased slightly.

Premiums in *Central and Eastern Europe* declined to €913 MN, representing a drop of 21.0%. This largely relates to Poland where regulatory changes led to a significant decrease in deposit business. In Hungary, the increase in single premium unit-linked products as a result of a sales campaign partly offset this decline.

Operating profit

Operating profit decreased by €234 MN to €2,709 MN, mainly as a result of the €899 MN decline in the operating investment result, which was burdened by the net of adverse foreign currency and financial derivatives impacts. However, this decline was partly offset by lower allocations to policy reserves.

Interest and similar income (net of interest expenses) decreased by €63 MN to €16,685 MN. We recorded lower interest income from debt securities, mainly due to the low interest rate environment, derisking activities and as a result of foreign currency translation effects of our business in the United States. This decrease was largely compensated for by higher income from dividends and real estate.

Operating income from financial assets and liabilities carried at fair value through income (net) decreased by €1,102 MN to a loss of €1,829 MN. This was mainly due to losses from the net of foreign currency effects and financial derivatives in Germany. The appreciation of the Euro against selective emerging markets currencies and the rise in interest rates were the main drivers. Derivatives are used to manage duration and other interest rate-related exposures as well as to protect against equity and foreign currency fluctuations.

Operating realized gains and losses (net) amounted to €3,293 MN. The increase of €249 MN was driven by higher realized gains on debt securities and equities.

Operating impairments of investments (net) decreased from €428 MN in 2012 to €331 MN. This represents an improvement of €97 MN as the previous year was burdened by higher equity impairments, mainly on our investments in financial sector assets.

Claims and insurance benefits incurred (net) amounted to €20,096 MN, a decrease of €290 MN. This was mainly due to lower payments for maturities in Germany and was partly offset by higher maturities in France and Thailand.

Changes in reserves for insurance and investment contracts (net) decreased by €415 MN to €13,556 MN. This was largely driven by a lower change in reserves for deferred premium refunds due to the negative revaluation impact of decreased investment income in Germany and the more favorable impact from the change in annuitization and guaranteed benefit reserves in the United States. This was partly offset by a higher increase in aggregate policy reserves in Germany due to higher premiums, premium refunds due to the favorable development of financial income in France and the set-up of a premium deficiency reserve in South Korea.

Investment expenses went up by €80 MN to €839 MN, mainly following slightly higher management fees for direct and equity investments.

Acquisition and administrative expenses (net) amounted to €5,603 MN, an increase of €287 MN. This was mainly driven by higher amortization of deferred acquisition costs.

Margin on reserves decreased from 67 to 58 basis points, driven by the direct and indirect effects of continued market volatility.

Overall, reserve-driven fees were moderately higher, while the decrease in our operating profit was largely driven by the investment margin drop (i.e. investment income net of hedged item movements and policyholder participation) in several locations. This margin was lower in Germany as a result of hedging and foreign currency related losses as well as higher reserve allocations. The establishment of a premium deficiency reserve in South Korea as well as lower fair value results related to annuity and guaranteed benefit features and lower realized gains in the United States increased this negative impact. However, in part due to these investment margin effects, the United States recorded lower amortization of deferred acquisition costs, which partly compensated for the adverse investment margin impact; partly offsetting this effect was a deferred acquisition cost write-down in South Korea.

Net income

Net income decreased by €93 MN to €1,941 MN, consistent with our operating performance, while a slightly improved effective tax rate contributed positively.

LIFE/HEALTH BUSINESS SEGMENT INFORMATION

€ MN	2013	2012
Statutory premiums[1]	**56,784**	**52,347**
Ceded premiums written	(648)	(693)
Change in unearned premiums	(332)	(248)
Statutory premiums (net)	**55,804**	**51,406**
Deposits from insurance and investment contracts	(31,223)	(27,013)
Premiums earned (net)	**24,581**	**24,393**
Interest and similar income	16,766	16,832
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,829)	(727)
Operating realized gains/losses (net)	3,293	3,044
Fee and commission income	646	534
Other income	157	154
Operating revenues	**43,614**	**44,230**
Claims and insurance benefits incurred (net)	(20,096)	(20,386)
Changes in reserves for insurance and investment contracts (net)	(13,556)	(13,971)
Interest expenses	(81)	(84)
Operating impairments of investments (net)	(331)	(428)
Investment expenses	(839)	(759)
Acquisition and administrative expenses (net)	(5,603)	(5,316)
Fee and commission expenses	(251)	(228)
Restructuring charges	(50)	(27)
Other expenses	(98)	(88)
Operating expenses	**(40,905)**	**(41,287)**
Operating profit	**2,709**	**2,943**
Non-operating items	84	92
Income before income taxes	**2,793**	**3,035**
Income taxes	(852)	(1,001)
Net income	**1,941**	**2,034**
Margin on reserves[2] in basis points	58	67

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
2 — Represents operating profit divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

Life/Health insurance operations by reportable segments

LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN

	Statutory premiums[1]				Premiums earned (net)		Operating profit (loss)		Margin on reserves[2] (BPS)	
			internal[3]							
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Germany Life	17,000	15,179	17,000	15,179	11,538	11,282	862	1,026	48	61
Germany Health	3,264	3,269	3,264	3,269	3,264	3,268	201	197	80	83
Switzerland	1,602	1,903	1,634	1,903	488	686	78	79	60	62
Austria	385	407	385	407	282	288	33	31	77	78
German Speaking Countries	**22,251**	**20,758**	**22,283**	**20,758**	**15,572**	**15,524**	**1,174**	**1,333**	**53**	**64**
Italy	8,430	6,364	8,430	6,364	483	543	216	237	45	54
France	8,511	7,977	8,511	7,977	3,401	3,056	421	353	56	50
Belgium/Luxembourg	2,049	2,019	2,049	2,019	400	416	61	64	59	69
The Netherlands	277	276	277	276	140	135	28	58	66	144
Greece	90	95	90	95	53	57	2	5	65	158
Turkey[4]	419	114	184	114	81	37	3	5	25	110
Africa	54	52	54	52	25	24	4	5	185	238
Western & Southern Europe	**19,830**	**16,897**	**19,595**	**16,897**	**4,583**	**4,268**	**735**	**727**	**53**	**57**
Latin America	329	255	334	255	145	123	9	11	109	158
Spain	1,225	1,075	1,225	1,075	457	495	128	107	196	177
Portugal	232	190	232	190	83	86	21	5	403	111
Iberia & Latin America	**1,786**	**1,520**	**1,791**	**1,520**	**685**	**704**	**158**	**123**	**201**	**171**
United States	7,317	7,289	7,571	7,289	883	848	487	457	70	69
USA	**7,317**	**7,289**	**7,571**	**7,289**	**883**	**848**	**487**	**457**	**70**	**69**
Reinsurance LH	515	484	515	484	430	425	23	47	111	208
Global Insurance Lines & Anglo Markets	**515**	**484**	**515**	**484**	**430**	**425**	**23**	**47**	**111**	**208**
South Korea	1,354	1,871	1,357	1,871	494	580	(129)	31	(130)	33
Taiwan	1,745	1,352	1,810	1,352	152	129	–	9	–	18
Indonesia	686	760	789	760	247	305	60	54	505	454
Malaysia	381	330	403	330	200	211	18	17	167	174
Japan	–	1	–	1	6	5	7	3	39	13
Other	926	789	945	789	636	622	80	49	230	140
Asia-Pacific	5,092	5,103	5,304	5,103	1,735	1,852	36	163	16	73
Poland	127	411	127	411	40	125	16	17	270	298
Slovakia	245	244	245	244	209	206	29	32	243	267
Hungary	165	147	168	147	46	53	9	4	244	115
Czech Republic	172	171	178	171	77	66	17	20	303	377
Russia	84	94	90	94	83	90	–	(3)	–	(185)
Croatia	62	55	63	55	61	52	4	3	132	125
Bulgaria	35	31	35	31	30	27	4	7	302	541
Romania	23	23	23	23	14	13	1	1	221	213
Central and Eastern Europe[5]	913	1,176	929	1,176	560	632	78	79	228	247
Middle East and North Africa	163	170	185	170	131	139	17	15	304	300
Global Life	6	4	6	4	2	1	–	(1)	–[6]	–[6]
Growth Markets	**6,174**	**6,453**	**6,424**	**6,453**	**2,428**	**2,624**	**131**	**256**	**49**	**99**
Consolidation[7]	(1,089)	(1,054)	(1,091)	(1,054)	–	–	1	–	–[6]	–[6]
Total	**56,784**	**52,347**	**57,088**	**52,347**	**24,581**	**24,393**	**2,709**	**2,943**	**58**	**67**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 — Represents operating profit (loss) divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 — Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.

4 — On 12 July 2013, Allianz acquired Yapı Kredi Bank's 93.94% shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta, including its life and pension insurance subsidiary Yapı Kredi Emeklilik.

5 — Contains income and expense items from a management holding and consolidations between countries in this region.

6 — Presentation not meaningful.

7 — Represents elimination of transactions between Allianz Group companies in different geographic regions.

Asset Management

- Strong operating profit of €3.2 BN.
- Cost-income ratio improved to 55.9%.
- Third-party net outflows of €12 BN in 2013.
- Total assets under management at €1,770 BN.

Business segment overview

Allianz offers Asset Management products and services for third-party investors and the Allianz Group's insurance operations. We serve a wide range of retail and institutional clients worldwide with investment and distribution capacities in all major markets. Based on total assets under management, we are one of the largest asset managers in the world that manages third-party assets with active investment strategies.

Key figures

KEY FIGURES ASSET MANAGEMENT

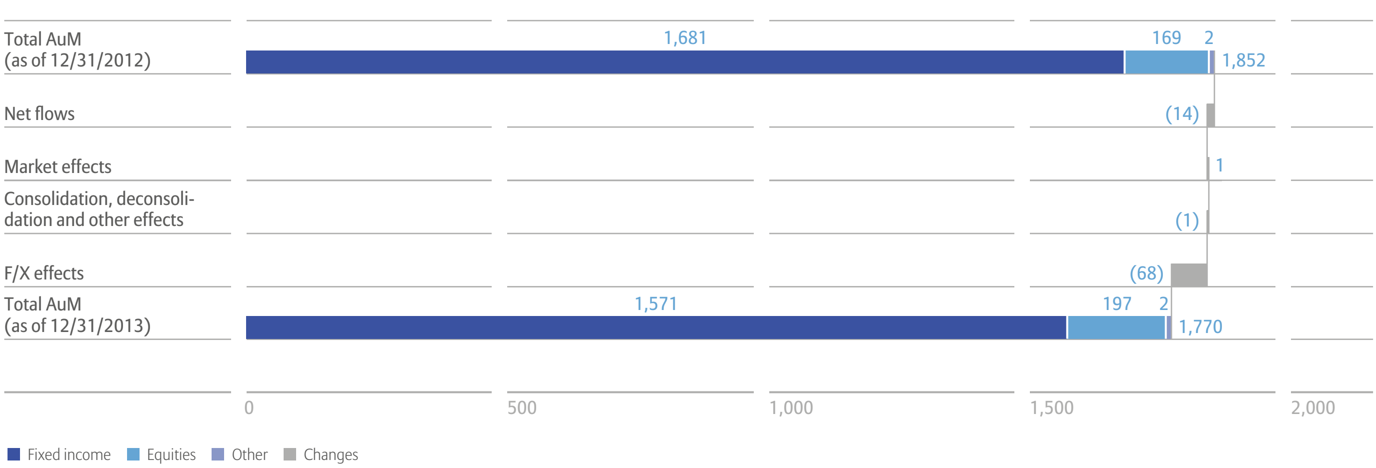
€ MN

	2013	2012
Operating revenues	7,162	6,786
Operating profit[1,2]	3,161	2,953
Cost-income ratio[1,2] in %	55.9	56.5
Net income[1]	1,925	1,810
Total assets under management as of 31 December in € BN	1,770	1,852
thereof: Third-party assets under management as of 31 December in € BN	1,361	1,438

Assets under management

DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT

€ BN



1 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.

2 — As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation.

As of 31 December 2013, total assets under management amounted to €1,770 BN. Of this, €1,361 BN related to our third-party assets under management and €409 BN to Allianz group assets. We show the development of total assets under management based on asset classes as they are relevant for the business segment's development.

In 2013, we recorded net outflows of total assets under management of €14 BN. Of these, €12 BN were related to third-party assets under management and €2 BN to Allianz group assets. In the second half of 2013 the rise in interest rates, especially in the United States, led to a decline in valuations for fixed income assets, while equities globally recorded a strong performance. These developments and the respective volatile global bond markets resulted in fixed income net outflows especially in the second half of 2013, which more than offset the strong fixed income net inflows in the first half of the year. Overall, net outflows stemmed from the United States and related to traditional fixed income products, while our non-traditional fixed income products and equities recorded net inflows in 2013.

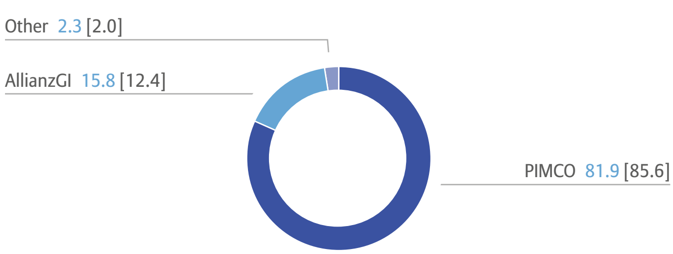
The major driver behind the development of total assets under management was unfavorable foreign currency translation effects of €68 BN due to the strong depreciation of the U.S. Dollar against the Euro.[1]

Favorable market effects accounted for an increase of €1BN in total assets under management. This was entirely driven by a strong positive market return of €27 BN on equities and was mostly offset by a negative impact of €26 BN on fixed income.

In the following section, we focus on the development of third-party assets under management.

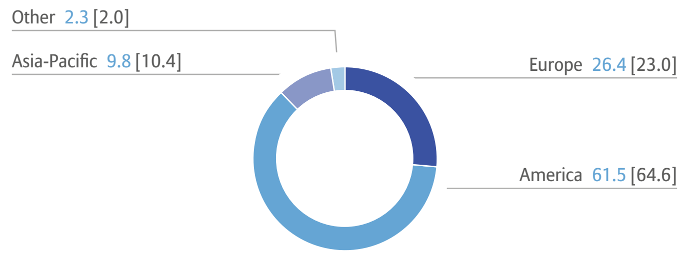
THIRD-PARTY ASSETS UNDER MANAGEMENT BY BUSINESS UNIT

as of 31 December 2013 [31 December 2012] in %



THIRD-PARTY ASSETS UNDER MANAGEMENT BY REGION/COUNTRY[1,2,3]

as of 31 December 2013 [31 December 2012] in %



1 — Based on the location of the asset management company.
2 — "America" consists of the United States, Canada and Brazil (approximately €823 BN, €11 BN and €3 BN third-party assets under management as of 31 December 2013, respectively).
3 — "Other" consists of third-party assets managed by other Allianz Group companies (approximately €32 BN as of 31 December 2013 and €28 BN as of 31 December 2012, respectively).

The regional allocation of third-party assets under management shifted slightly. Europe's share rose by 3.4 percentage points, mainly due to a reallocation of some third-party assets under management from the United States to Europe and a positive market return driven by equities. America's share decreased by 3.1 percentage points, due to the strong depreciation of the U.S. Dollar against the Euro, net outflows, the negative market return on fixed income assets and the reallocation of assets.

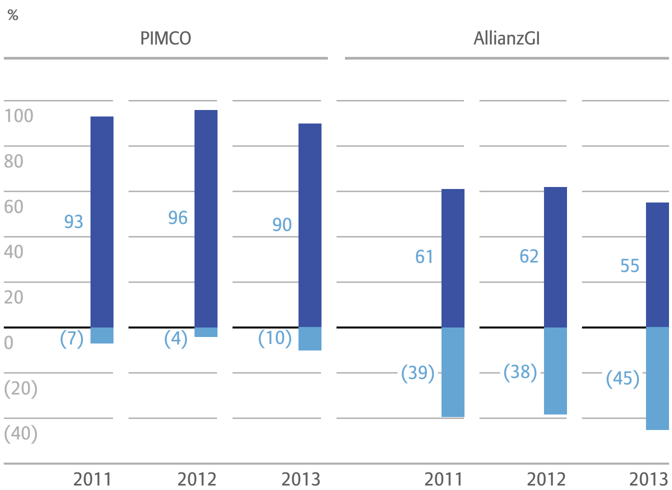
Mainly due to the impact of market return, the share of equities in our third-party assets under management increased by two percentage points in favor of equities, compared to 31 December 2012 with 87% attributable to fixed income and 13% to equities.

The split of third-party assets under management between our retail and institutional clients[2] shifted slightly – up one percentage point for retail clients (37%) and down one percentage point for institutional clients (63%).

1 — Based on the closing rate on the respective balance sheet date.

2 — Client group classification is driven by investment vehicle types.

THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI[1]



■ Outperforming third-party assets under management
■ Underperforming third-party assets under management

1 — The investment performance is based on Allianz Asset Management account-based, asset-weighted three-year investment performance of third-party assets versus the primary target including all accounts managed by portfolio managers of Allianz Asset Management. For some retail funds, the net of fee performance is compared to the median performance of the corresponding Morningstar peer group (first and second quartile mean outperformance). For all other retail funds and for all institutional accounts, the gross of fee performance (revaluated based on closing prices) is compared to the respective benchmark based on different metrics.

The overall investment performance of our Asset Management business was on a high level, with 85% of our assets outperforming their respective benchmarks (31 December 2012: 92%). An outstanding 90% of PIMCO assets outperformed their respective benchmarks. 55% of AllianzGI assets outperformed their respective benchmarks.

Operating revenues

Despite unfavorable foreign currency translation effects in 2013, our *operating revenues* rose by €376 MN, or 5.5%, to €7,162 MN. On an internal basis[1], operating revenues grew by 8.5%.This was mainly driven by an increase in management and loading fees due to higher average assets under management and higher related margins.

Net fee and commission income increased by €396 MN, or 5.9% to €7,127 MN, benefiting from the increase in management and loading fees. Our *performance fees* reached an impressive level in 2013. However, compared to the record year 2012, with its exceptionally high performance fees, these decreased by €256 MN to €510 MN, mainly as a result of lower performance fees from private funds and traditional products.

Our *income from financial assets and liabilities carried at fair value through income (net)*, was down by €3 MN due to reduced levels of seed money in 2013.

Operating profit

Driven by higher operating revenues, our *operating profit* went up to €3,161 MN, an increase of €208 MN or 7.0%. Excluding the unfavorable impact of foreign currency translation effects[2] our operating profit rose by approximately 10.0%. This result was mainly due to higher operating revenues and to a lesser extent the comparative benefit of lower restructuring charges (€57 MN) versus those incurred in 2012.

Administrative expenses rose by €225 MN to €3,995 MN, which was generally in line with our business growth.

Our *cost-income ratio* improved by 0.6 percentage points to 55.9%, reflecting our continued expense discipline. Furthermore our cost-income ratio benefited from lower restructuring charges in 2013 compared to 2012 but was burdened by lower performance fees in 2013 in contrast to the record high in 2012. Excluding these two effects the cost-income ratio improved by 1.0 percentage point – from 58.8% in 2012 to 57.8% in 2013.

Net income

Our *net income* increased by €115 MN, or 6.4% to €1,925 MN. This was largely consistent with our strong operating performance.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN	2013	2012
Management and loading fees	8,032	7,163
Performance fees	510	766
Other	69	112
Fee and commission income	**8,611**	**8,041**
Commissions	(1,403)	(1,243)
Other	(81)	(67)
Fee and commission expenses	**(1,484)**	**(1,310)**
Net fee and commission income	**7,127**	**6,731**
Net interest income[1]	12	24
Income from financial assets and liabilities carried at fair value through income (net)	13	16
Other income	10	15
Operating revenues	**7,162**	**6,786**
Administrative expenses (net), excluding acquisition-related expenses	(3,995)	(3,770)
Restructuring charges	(6)	(63)
Operating expenses	**(4,001)**	**(3,833)**
Operating profit	**3,161**	**2,953**
Income taxes	(1,181)	(1,029)
Net income	**1,925**	**1,810**
Cost-income ratio[2] in %	55.9	56.5

1 — Represents interest and similar income less interest expenses.
2 — Represents operating expenses divided by operating revenue.

1 — Operating revenues adjusted for foreign currency translation and (de-) consolidation effects.

2 — Based on average exchange rates in 2013 compared to 2012.

Corporate and Other

Operating loss decreased by €110 MN to €1,004 MN, driven by Holding & Treasury.

Business segment overview

Corporate and Other encompasses the reportable segments Holding & Treasury, Banking and Alternative Investments. Holding & Treasury includes the management of and support for Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. Our banking products offered in Germany, Italy, France, the Netherlands and Bulgaria complement our insurance product portfolio. We also provide global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group.

Key figures

KEY FIGURES CORPORATE AND OTHER[1]

€ MN	2013	2012
Operating revenues	1,631	1,632
Operating expenses[2,3]	(2,635)	(2,746)
Operating result[2,3]	(1,004)	(1,114)
Net income (loss)[2]	(1,334)	(1,854)

KEY FIGURES REPORTABLE SEGMENTS

€ MN	2013	2012
HOLDING & TREASURY		
Operating revenues	362	286
Operating expenses[2,3]	(1,301)	(1,387)
Operating result[2,3]	(939)	(1,101)
BANKING		
Operating revenues	1,096	1,189
Operating expenses[2,3]	(1,187)	(1,223)
Operating result[2,3]	(91)	(34)
ALTERNATIVE INVESTMENTS		
Operating revenues	175	169
Operating expenses[2,3]	(151)	(147)
Operating result[2,3]	24	22

1 — Consolidation included. For further information about our Corporate and Other business segment, please refer to note 6 to the consolidated financial statements.
2 — Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.
3 — As of 1 January 2013, all restructuring charges are presented within operating profit and all prior year figures have been adjusted to conform to the current accounting presentation.

Earnings summary

Our *operating result* in Corporate and Other improved by €110 MN to a loss of €1,004 MN. The €162 MN improvement in Holding & Treasury was partly offset by a €57 MN deterioration in Banking. The operating result in Alternative Investments remained almost stable at €24 MN.

Our *net loss* decreased from €1,854 MN to €1,334 MN. This improvement was supported by a higher non-operating investment result, lower interest expenses from external debt and a decline in amortization of intangible assets. Our reduced operating loss also contributed to this development.

Earnings summaries by reportable segments

HOLDING & TREASURY

Our *operating loss* improved by €162 MN to €939 MN. This was driven by a recovery of our net interest result and a better net fee and commission result.

Our *net interest result* increased from €(169) MN to a net loss of €63 MN. *Interest and similar income* increased by €33 MN to €278 MN due to the resumption of interest payments on our silent participation in Commerzbank, but partly offset by lower interest income from other debt instruments. Our *interest expenses, excluding interest expenses from external debt,* decreased by €73 MN to €341 MN as rates and internal borrowing diminished.

Our *net fee and commission result* advanced by €54 MN to a loss of €178 MN. This reduction was mainly due to the higher revenues of our internal IT service provider.

Administrative expenses (net), excluding acquisition-related expenses, grew by €93 MN to €684 MN, mainly due to higher pension costs as a result of lower discount rates.

During the second half of 2013 we reduced *restructuring provisions* mainly related to our data center consolidation project by €34 MN.

Investment expenses were down by €22 MN to €79 MN due to increased cost recovery from other group companies.

BANKING

Our *operating loss* worsened by €57 MN to €91 MN due to higher restructuring charges and a decrease in the net interest result.

In 2013, we incurred restructuring charges of €88 MN almost completely related to the closure of the Allianz Bank's business operations. In this context, it is worth mentioning that our restructuring charges have been presented within the operating profit since the beginning of 2013. Excluding the restructuring charges, the operating result in Banking would have improved from 2012 by €31 MN to a loss of €3 MN in 2013.

Our *net interest, fee and commission result* decreased by €33 MN to €545 MN due to a lower net interest result. Because of the low interest rate environment and a reduction in our exposure to government bonds, the *net interest result* was down by €37 MN to €332 MN. Our *net fee and commission income* increased by only €4 MN to €213 MN as the effects of growth in sales of insurance and investment-oriented products in Italy and the closure of Allianz Bank's business operations in Germany essentially offset each other.

Administration expenses were reduced by €43 MN to €468 MN, mainly as a result of the closure of the Allianz Bank's business operations.

Our *loan loss provisions* decreased by €25 MN to €86 MN. The previous year was burdened by increased loan loss provisions due to financial guarantees within certain unit-linked products related to peripheral sovereign bonds (which matured or were sold by the end of 2012). However, we recorded higher loan loss provisions related to our ship financing business in 2013.

Our *operating income from financial assets and liabilities carried at fair value through income (net)* dropped by €6 MN to €8 MN.

ALTERNATIVE INVESTMENTS

Our *operating result* remained stable at €24 MN (2012: €22 MN). Lower interest income and slightly increased investment and administrative expenses were more than compensated for by a €14 MN rise in our *net fee and commission income.*

Outlook 2014

- Global economic activity poised to pick up in 2014.
- Allianz Group operating profit outlook in the range of €10.0 BN, plus or minus €0.5 BN.

Overview: 2013 results versus previous year outlook[1]

2013 RESULTS VERSUS PREVIOUS YEAR OUTLOOK FOR 2013

	OUTLOOK 2013 – AS PER ANNUAL REPORT 2012	RESULTS 2013
ALLIANZ GROUP	Operating profit of €9.2 BN, plus or minus €0.5 BN.	Operating profit of €10.1 BN.
	Maintenance of strong capital and solvency ratios.	Regulatory solvency ratio of 182% (2012 (as published): 197%; 2012 (pro forma restated): 181%)."AA" Standard & Poor's rating with "stable" outlook (revised upward from "negative" in March 2013). Allianz remains one of the highest-rated insurance groups.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends (dividend payout ratio of 40%).	Return on equity, after income taxes, of 11.9% (2012 (as published): 10.5%; 2012 (restated): 11.1%). Proposed dividend at €5.30 (2012: €4.50) per share. Payout ratio of 40%.
	Profitable growth.	We recorded growth of 7.8% in operating profit compared to the previous year, driven by improvements in the Property-Casualty and Asset Management business segments and partially offset by a lower Life/Health contribution.
	Investment strategy focused on generating attractive returns and minimizing vulnerability to price fluctuations.	Operating investment result decreased by €1.0 BN (4.7%) mainly as a result of the low interest environment and unfavorable foreign currency effects. Non-operating investment result fell by €0.1 BN.
PROPERTY-CASUALTY	Growth in gross premiums written between 2.5% and 3.5%.	Gross premiums written decreased by 0.7% due to negative internal growth of 0.3% and unfavorable foreign currency translation effects.
	Operating profit in the range of €4.3 BN and €5.1 BN.	Operating profit of €5.3 BN above the higher end of our range, driven by a strong underwriting result.
	Combined ratio of 96% over the cycle.	Combined ratio improved by 1.9 percentage points to 94.3%.
	Pressure on investment income due to reinvestments in a low interest rate environment.	Operating investment income (net) declined by 5.6% to €3.0 BN.
	Overcompensation of the underlying claims inflation by the aggregate effect of improvements in pricing, claims management and productivity gains.	Accident year loss ratio excluding claims from natural catastrophes improved from 69.5% to 67.0%. Expense ratio increased slightly from 27.9% to 28.4%, mainly driven by the change in the crop business structure in the United States, the regulatory changes in Brazil (policy collection fee) and the acquisition of the activities of Gan Eurocourtage in France.
LIFE/HEALTH	Revenues at 2012 level.	Statutory premiums of €56.8 BN, compared to €52.3 BN in 2012. Growth driven by strong sales in the unit-linked business without guarantees.
	Operating profit in the range of €2.5 BN and €3.1 BN.	Operating profit of €2.7 BN.
	Margin on reserves between 50 and 70 basis points.	Margin on reserves at 58 basis points.
	Pressure on investment income due to low interest rates and normalization of net harvesting result.	Although net harvesting result was up, operating investment result declined by 5.0% to €17.0 BN, driven by lower income from assets and liabilities carried at fair value.
	Prioritizing profitability over growth, taking further product and pricing actions as necessary.	New business profitability improved from the previous year as a result of continued product and pricing actions and a more favorable economic environment.
ASSET MANAGEMENT	Moderate growth in total assets under management and continued net inflows, especially into fixed income products.	Net outflows from total assets under management of €14.0 BN, entirely out of fixed income products as a result of the sharp increase in interest rates during the second half of 2013.
	Operating profit in the €2.7 BN to €3.1 BN range.	Operating profit of €3.2 BN due to higher average assets under management and higher related margins.
	Cost-income ratio at or below 60%.	Cost-income ratio improved by 0.6 percentage points to 55.9%.

1 — For more detailed information on the previous year outlook for 2013, please see the Annual Report 2012 starting on page 157.

Economic outlook[1]

The improvement in the global purchasing managers' index for the manufacturing sector during the second half of 2013 has raised hopes that the pickup in economic activity will continue or even intensify well into 2014. It is particularly encouraging that the more upbeat mood is now broadly spread across all regions. Given the expected acceleration in growth in the industrialized world, global output is likely to expand by slightly more than 3% in 2014, following an increase of 2.3% in 2013. Fears that economic development in emerging markets would deteriorate substantially now look unfounded. Nevertheless, they have lost steam since 2012 and will not return to their pre-crisis growth rates. However, with an expected real GDP increase of 4.6% in 2014, growth in these countries will still be considerably higher than in the industrialized world. In the Eurozone, the economy is also starting to get back on its feet in crisis-ridden member states, narrowing the "north-south divide". Both sentiment indices and hard economic indicators such as industrial production data suggest the economic recovery is set to continue, albeit at a moderate pace. For 2014 as a whole, we expect real GDP growth of 1.5%. Supported by brighter economic conditions in the Eurozone, the German economy could expand by about 2% in 2014. Inflation is likely to remain subdued on a global level, not least due to the dire unemployment situation in many industrialized countries, which keeps the lid on wages.

Financial markets will probably remain under the spell of monetary policy in 2014. We expect to see a gradual exit from crisis mode, led by the U.S. central bank reining in its asset purchases. Nevertheless, given its concerns about money market rates, banking liquidity and lending growth, the European Central Bank might actually slightly ease further – despite the recovery in the Eurozone – before eventually starting to exit from its very expansionary policy stance in late 2014. Even though monetary policy would still remain highly accommodative, the first steps towards an exit could well be accompanied by pronounced swings in the equity, bond and currency markets. Although the sovereign debt crisis in the Eurozone is not yet over, we expect it to continue to gradually abate.

With short-term rates close to zero, there are limited prospects of markedly higher yields on longer-term bonds. We expect yields on 10-year German and U.S. government bonds to climb only modestly to 2.4% and 3.3%, respectively, by the end of 2014.

With growth in the United States set to outpace that in the Eurozone, the U.S. Dollar is likely to appreciate against the Euro.

1 — The information presented in the sections Economic outlook, Insurance industry outlook and Asset management industry outlook is based on our own estimates.

Insurance industry outlook

Global economic expansion is set to accelerate over 2014. Therefore, the macroeconomic environment will be supportive of world premium growth. As in previous years, premium growth in emerging markets will outpace that of advanced markets, although the latter's recovery will be more pronounced. On the other hand, the outlook for profitability remains challenging, as investment returns are expected to stay low and the regulatory environment continues to become more demanding in terms of capital and reserve requirements.

In the ***property-casualty*** sector, we anticipate higher premium growth in 2014 as the increase in economic activity bolsters demand for insurance coverage. In particular, the expected recovery in Europe should pave the way for a return to positive premium growth in all parts of the region. Emerging markets should display stable growth rates – although against the backdrop of a tougher economic environment in some of these markets, the expansion might be moderate by their historical standards. The increase in premium rates on the other hand may rather slow down in 2014. Overall, we expect global premium revenue to rise in the 4.5% – 5.0% range in 2014 (adjusted for foreign currency translation effects).

Overall profitability for the property-casualty sector – although benefiting from a continuing gradual market hardening – is expected to remain stable in 2014, with low yields working their way through to earnings, prices increasing modestly and reserve releases dwindling somewhat but helped by the benign inflationary environment.

In the ***life*** sector, we expect premium growth to recover, too. In mature markets, better economic prospects and a new product mix will help to lift top-line growth. In emerging markets strong growth will be mainly driven by rising incomes and social security reforms. All in all, we expect that global premium revenue will rise in the 3.5% – 4.5% range in 2014 (adjusted for foreign currency translation effects).

With interest rates remaining at low levels, companies will continue to adapt their business models to the challenging environment. Besides a stronger focus on the protection business – including health – new and more flexible guarantee concepts are set to come to the forefront in the savings business. At the same time, insurers will continue to look for new, long-term investment opportunities, paying special attention to infrastructure investments. But despite progress on these fronts, profitability will remain under pressure, not least because of more stringent capital and reserve requirements.

Asset management industry outlook

Increasing asset valuations for equities, as well as growing optimism about growth in certain developed markets, provide a potential tailwind for the *asset management* industry in 2014. Nevertheless, considerable downside risks remain and could materialize if global growth fails to meet expectations. A reduction of the currently highly supportive monetary policy may also put the positive trends in financial markets at risk. The further development of regulatory activities – particularly in the consumer protection and transparency fields – is an additional source of uncertainty for the asset management industry.

Throughout 2013, investors demonstrated a growing risk appetite by, among other actions, shifting their asset allocation towards equities, multi-asset or solutions-oriented fixed income strategies. Although equities may remain vulnerable to setbacks in the near future due to the rising valuations, higher interest rates and global demographic trends on the other hand, will increase the attractiveness of bonds. This holds true in particular for liability-driven investors or for the growing number of retirees in the developed world looking for a stable stream of income.

Improving economic conditions in certain developed markets as well as trends in client demand represent a positive environment for further asset management industry growth. At the same time, industry profitability is expected to remain challenged as asset flows into passive products and growing expenses from higher distribution or marketing costs put pressure on operating margins, and the effects of increased regulatory oversight and reporting take their toll.

In such an environment a money manager's ability to grow is dependent on providing innovative client-focused investment solutions, delivering above-benchmark investment results, offering comprehensive investment products and services, its ability to prudently and holistically respond to client needs and upping the scale and efficiency of operations.

Outlook for the Allianz Group

As discussed earlier, the world economy is poised to pick up in 2014 and we look set to enter a period of moderate growth. Despite signs of a global recovery, however, there are clear risks for 2014. Geopolitical tensions, a renewed flare-up of the European sovereign debt crisis in large industrialized countries and currency or trade wars all have the potential to send the world economy into a tailspin. However, the outlook provided here assumes the absence of such shocks.

Overview: outlook and assumptions 2014

OUTLOOK 2014

ALLIANZ GROUP	Operating profit of €10.0 BN, plus or minus €0.5 BN.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.
	Selective profitable growth.
PROPERTY-CASUALTY	Growth in gross premiums written by more than 3.0%.
	Operating profit in the range of €5.1 BN to €5.7 BN.
	Combined ratio below 96% over the cycle.
	Pressure on operating investment income (net) due to reinvestments in a low interest rate environment.
LIFE/HEALTH	Revenues in the range of €52.0 BN to €56.0 BN.
	Operating profit between €2.7 BN and €3.3 BN.
	Margin on reserves between 50 and 70 basis points.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.
	Prioritizing profitability over growth, taking further product and pricing actions as necessary.
ASSET MANAGEMENT	Slight growth in total assets under management due to positive equity but subdued fixed income product inflows.
	Operating profit in the €2.5 BN to €2.9 BN range.
	Cost-income ratio at or below 60.0%.

ASSUMPTIONS

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

- Accelerated global economic growth.
- Continued low interest rate environment.
- No dramatic interest rate movements.
  - A 100 basis point increase or decrease in interest rates would, respectively, either raise or lower operating profits by approximately €0.1 BN in the first year following the rate change. This does not include fair value changes in interest rate sensitive positions that are reported in our income statement.
- 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 1.35.
  - A 10% weakening or strengthening of the U.S. Dollar versus our planned exchange rate of 1.35 to the Euro would have a negative or positive impact on operating profits of approximately €0.3 BN, respectively.

We expect our business mix and profitability contributions to remain largely unchanged compared to 2013. Our Property-Casualty business will carry on making up the majority of our operating profit. We anticipate that the Asset Management business segment will continue to be a significant source of operating profit, even though at a lower level mainly due to lower expected performance fees and lower average assets under management. In the Life/Health business segment, operating profitability will remain under pressure due to low yields. However, we expect an increase compared to the 2013 results, which were burdened by negative one-off effects.

Although the global economy is showing signs of a recovery, investment results are likely to remain under pressure due to low interest rates and the continued uncertainty surrounding the European sovereign debt crisis. These results will be partly offset by a better operational performance in the business segments and a growth-driven increase in our operating asset base.

Management's assessment of expected revenues and earnings for 2014

In 2013, our total revenues amounted to €110.8 BN, representing a 4.1% and a 4.7% increase on a nominal and internal basis, respectively, compared to last year. We expect a rather flat development in 2014, with Property-Casualty experiencing positive internal growth, while Life/Health volumes and Asset Management revenues are likely to be under pressure due to our selective focus on profitable growth and the uncertain financial market outlook, respectively.

As our product and service offerings differ from country to country, information about the development of our sales markets and modifications to our product portfolio also varies. Overall, we expect our market and product mix to remain relatively unchanged in 2014. In the Life/Health business segment, in line with expected market trends, we could see a fall in premiums from life insurance products with guarantees.

In 2013, we exceeded our operating profit target, reaching €10.1 BN. In 2014, we envisage operating profit of €10.0 BN, plus or minus €0.5 BN, as we expect a lower level of performance fees and lower average assets under management in the Asset Management business segment, partially compensated for by an expected increase in the Life/Health business segment.

Our net income increased substantially, reaching €6.3 BN in 2013. Consistent with our disclosure practice in the past and given the susceptibility of our non-operating results to adverse capital market developments, we do not provide a precise outlook for net income. However, since our outlook presumes no major disruptions of capital markets, we anticipate a rather stable net income for 2014.

PROPERTY-CASUALTY INSURANCE

We expect our revenues to increase by more than 3.0% in 2014 (2013: (0.7)%) on a nominal basis. We believe this moderate growth will be supported by favorable price and volume effects, the impact of our recent acquisition of Yapı Kredi Sigorta in Turkey and the reclassification of our International Health business in France from the Life/Health to the Property-Casualty business segment, which combined will add approximately €0.8 BN to our top line.

Premium growth in 2014 will be mainly driven by our global insurance lines, the Anglo markets, emerging countries in Latin America and Asia, as well as by improvements in some of our core markets such as Germany, Italy and France.

We believe the overall slow rise in prices we witnessed in 2013 to continue in 2014, contributing to the expected growth in our gross premiums. However, as in previous years, we will keep focusing on achieving outstanding underwriting results by adhering to our strict underwriting discipline and will be willing to accept a lower top line if target margins cannot be achieved.

For 2014, we anticipate keeping the combined ratio below 96% over the cycle (2013: 94.3%). This rests on our expectation that the aggregate effect of improvements in pricing, claims management and productivity will more than compensate for underlying claims inflation. Despite the high volatility of natural catastrophes in recent years, we assume such claims will be in line with their expected average level in 2014.

As the low interest rate environment is likely to persist, investment income will remain under pressure due to the rather short duration of investments in the Property-Casualty business segment. We will continue to take measures to adapt our investment strategy to ongoing market conditions.

Overall, we expect our 2014 operating profit to be in the range of €5.1 BN to €5.7 BN (2013: €5.3 BN).

LIFE/HEALTH INSURANCE

We will continue to prioritize profitability over growth in 2014. We expect revenues to be in the range of €52.0 BN and €56.0 BN, slightly below the 2013 level of €56.8 BN, which represented significant growth compared to the prior year and included revenues of €0.5 BN from our International Health business in France, which will be moved to the Property-Casualty business segment in 2014. Ultimately, volumes will be dictated by our ability to write profitable business, but are also dependent upon interest rate developments and the competitive landscape.

In 2013, our operating profit of €2.7 BN was within our target range of €2.5 BN to €3.1 BN. For 2014, we expect operating profit in our Life/Health business segment to be between €2.7 BN and €3.3 BN, supported by growth in our underlying asset base along with the transfer of some small asset management entities from the Asset Management to the Life/Health business segment.

Our outlook equates to a margin on reserves ranging between 50 and 70 basis points.

As in 2013, we will continue to actively work on mitigating the impacts of the difficult market conditions, particularly low interest rates. This includes product and distribution actions, expense and asset/liability management as necessary, while exploring options to further optimize the use of capital. Still, it must be noted that market and accounting volatility along with the level of net harvesting can significantly affect the Life/Health business segment results and make precise predictions difficult.

ASSET MANAGEMENT

Economic conditions improved in the course of 2013 and growth expectations have been revised upwards. Nevertheless, uncertainty in the financial markets is likely to persist in 2014. Although we do not anticipate market movements and flows to have a major impact on the overall level of our assets under management, we expect them to increase only slightly in 2014. (As of 31 December 2013, our total assets under management decreased by 4.4% compared to 31 December 2012.) While equity flows are envisaged to make a positive contribution, fixed income flows are likely to remain subdued.

After the strong profit growth recorded in previous years, we do not anticipate this development continuing in 2014 – mainly due to a lower expected level of performance fees and a lower expected average U.S. Dollar. Asset driven revenues are also likely to remain under their 2013 level as a result of the expected lower average assets under management. Additionally, the transfer of certain asset management entities from the Asset Management to the Life/Health business segment and Banking reportable segment will negatively impact our profitability. Therefore, we envisage our operating profit to be in the range of €2.5 BN and €2.9 BN in 2014 (2013: €3.2 BN).

We expect to maintain a cost income ratio of 60% or below in 2014 (2013: 55.9%), supported by our focus on expense discipline and operational excellence.

CORPORATE AND OTHER

Our Corporate and Other business segment recorded an operating loss of €1.0 BN in 2013. Due to improving results from our banking activities and slightly deteriorating operating results of the Holding & Treasury reportable segment – mainly driven by our technology investments – we predict an operating loss in the range of €1.0 BN to €1.2 BN for Corporate and Other (including consolidation) in 2014.

Financing and liquidity development and capitalization

The Allianz Group maintains a healthy liquidity position combined with superior financial strength and capitalization well above what supervisory authorities currently require.

We expect to have steady access to financial markets at reasonable costs in order to maintain our strong financial flexibility. This is supported by prudent steering of our liquidity resources and a maturity profile focusing on a long-dated average remaining term. Based on current interest rate expectations, our average capital market financing costs in 2014 should be broadly in line with 2013.

We closely monitor the capital positions of the Group and at the operating entity level. Additionally, we will continue to optimize our interest rate and spread sensitivities through asset/liability management and life product design.

Expected dividend development

As we continuously strive to protect our investors' capital and provide attractive returns and dividends, we aim to strike a balance between payout, solvency and sustainability when determining our dividend proposal. For 2013, we consider a payout ratio of 40% of net income attributable to shareholders to allow us to retain the capital needed to support our growth and provide an attractive dividend. This policy is reflected in our proposed dividend of €5.30 per share.

In 2014, we will reevaluate our target payout ratio of 40%.

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

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

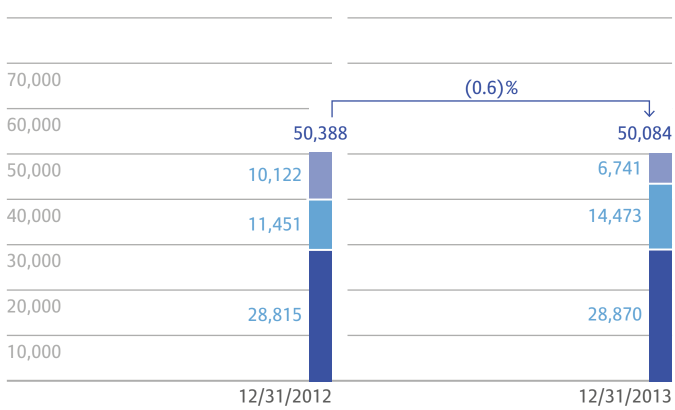
Balance Sheet Review

– Shareholders' equity remained stable at €50.1 BN.[1]
– Solvency ratio strong at 182%.[2]

Shareholders' equity[1,3]

SHAREHOLDERS' EQUITY

€ MN



Paid-in-capital · Retained earnings (includes foreign currency effects)
Unrealized gains/losses (net)

As of 31 December 2013, ***shareholders' equity*** amounted to €50,084 MN, a decrease of €304 MN compared to 31 December 2012 (as restated).[1] The net income attributable to shareholders of €5,996 MN substantially offset €3,381 MN lower unrealized gains, our €2,039 MN dividend payout in May 2013 and an additional €1,239 MN drop in equity from negative foreign currency translation adjustments. The significant decline in unrealized gains, predominantly on sovereign and corporate debt securities, was driven by a rise in interest rates and – to a much lesser extent – realizations. The unfavorable development of foreign currency translation adjustments was mainly due to the strengthening of the Euro against the U.S. Dollar, the Turkish Lira and the Australian Dollar.

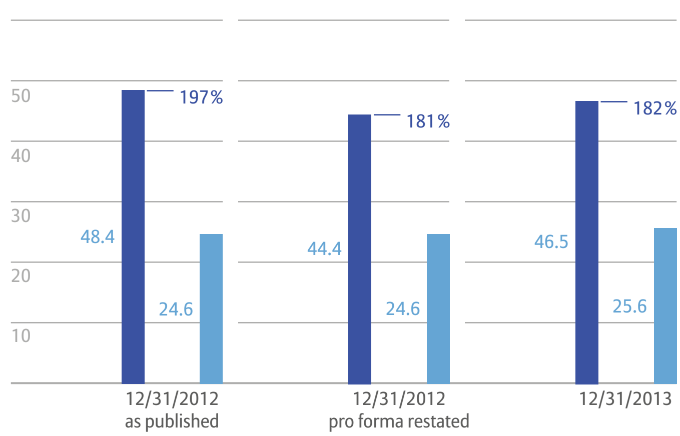
1 — As of 1 January 2013, our shareholders' equity decreased by €3.2 BN due to the amendments to IAS 19. Prior year figures have been restated to reflect the retrospective application of the amended standard IAS 19 – Employee Benefits, effective as of 1 January 2013. For further information, please refer to note 4 to the consolidated financial statements.
2 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2013 would be 173% (2012 (pro forma restated): 171%; 2012 (as published): 188%).
3 — This does not include non-controlling interests of €2,765 MN and €2,575 MN as of 31 December 2013 and 31 December 2012, respectively. For further information, please refer to note 25 to the consolidated financial statements. Retained earnings include foreign currency translation adjustments of €(3,312) MN and €(2,073) MN as of 31 December 2013 and 31 December 2012, respectively.

Regulatory capital adequacy

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and the related German law in force since 2005. The law requires that financial conglomerates calculate the capital available to meet their solvency requirements on a consolidated basis, which we refer to as "eligible capital".

CONGLOMERATE SOLVENCY[1]

€ BN



Solvency ratio · Eligible capital · Requirement

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2013 would be 173% (2012 (pro forma restated): 171%; 2012 (as published): 188%).

After reflecting the negative impact of a change in accounting for pensions (pro forma restated), our ***conglomerate solvency ratio*** strengthened by one percentage point despite the redemption of a subordinated bond. Compared to year-end 2012 (as published), our conglomerate solvency ratio dropped by 15 percentage points to 182%. This was mainly due to amendments to IAS 19,[4] which reduced the Group's eligible capital for solvency purposes by €4.0 BN as of 1 January 2013. In 2013, negative currency translation adjustments and the above-mentioned redemption of a subordinated bond further decreased our eligible capital by €1.0 BN and €1.5 BN (converted

4 — For further details on the amendments to IAS 19, please refer to note 4 to the consolidated financial statements.

value), respectively. These effects were only partly offset by our net income (net of the proposed dividend). In total, our eligible capital was down from €48.4 BN to €46.5 BN, including off-balance sheet reserves of €2.3 BN (31 December 2012: €2.2 BN). The required funds increased by €1.0 BN to €25.6 BN, mainly due to higher aggregate policy reserves in Life/Health and growth in our Asset Management business. As a result, our eligible capital exceeded the minimum legally stipulated level by €20.9 BN.

Total assets and total liabilities

In the following sections, we show the asset allocation for our insurance and banking portfolio and analyze important developments in the balance sheets of our business segments.

As of 31 December 2013, total assets amounted to €711.5 BN and total liabilities were €658.7 BN. Compared to year-end 2012, total assets and total liabilities increased by €17.1 BN and €17.2 BN, respectively.

This section mainly focuses on our financial investments in debt instruments, equities, real estate and cash and other – as well as our insurance reserves and external financing – since these reflect the major developments in our balance sheet.

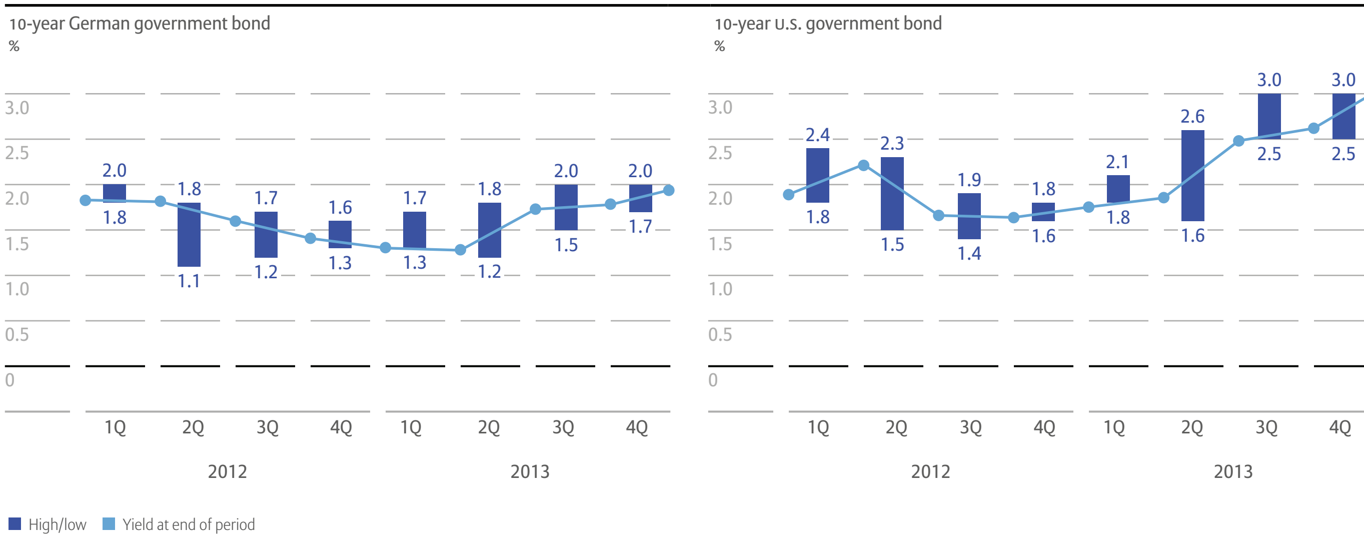
MARKET ENVIRONMENT OF DIFFERENT ASSET CLASSES

The *financial markets* showed a mixed picture in 2013. Equity markets rallied, in particular during the second half of the year, fueled by the low interest rate environment. In contrast, selected major bond markets faced increasing government bond yields as the market anticipated an attenuation of the ultra-loose monetary policy of the Federal Reserve.

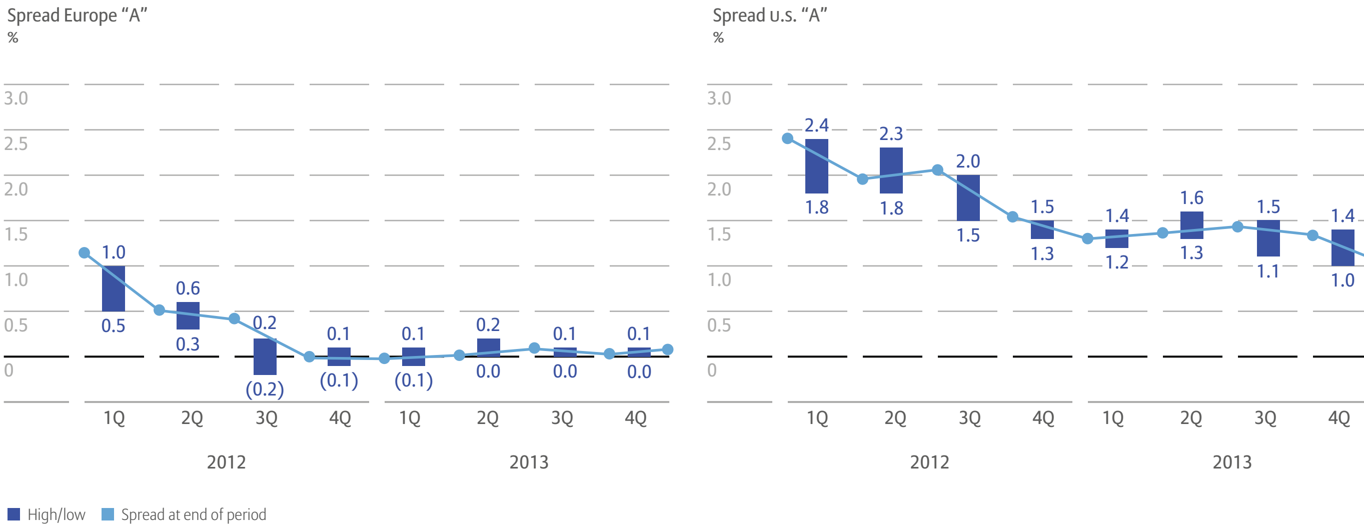
German and particularly U.S. *government bond yields* considerably increased in 2013 – although starting from very low levels. In contrast, Italian and Spanish government bond yields decreased compared to 2012, with Spanish government bond yields showing the higher movement.

Corporate *credit spreads* for A-rated debtors remained on a very low level in Europe and narrowed slightly in the United States during 2013.

INTEREST RATE DEVELOPMENT IN 2012 AND 2013



CREDIT SPREAD DEVELOPMENT IN 2012 AND 2013

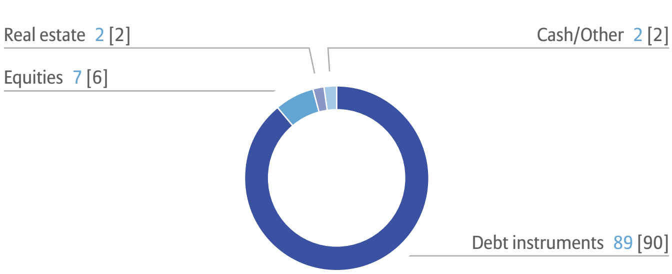


STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

Effective from this annual report, we changed the presentation of our investment portfolio in our Group Management Report. From now on, we also include investments of banking and asset management, which were excluded in the former presentation. We believe this will simplify a comparison with the figures presented in the notes to the financial statements. As a result, the following portfolio review covers all Allianz Group assets held for investment. The previous year's figures have been adjusted accordingly. Due to this change, our total investment portfolio was up by €24.0 BN as of 31 December 2012 to €531.5 BN (previously published: €507.5 BN).

ASSET ALLOCATION

Investment portfolio as of 31 December 2013: €536.7 BN
[as of 31 December 2012: €531.5 BN] in %



Compared to the adjusted figures of 31 December 2012, our investment portfolio increased by €5.2 BN to €536.7 BN. This increase was primarily driven by a larger gross exposure to equities and, to a lesser extent, by higher real estate investments. It was partly offset by lower net cash investments.

Our gross exposure to *equities* of €35.5 BN (31 December 2012: €29.7 BN) increased by one percentage point and accounted for 7% of our investment portfolio. This increase was mainly attributable to positive equity market developments but also to new investments. In line with this growth, our equity gearing[1] increased by one percentage point to 25%.

Our exposure to *real estate* held for investment grew from €9.7 BN to €10.8 BN due to new investments and still accounted for 2% of our investment portfolio.

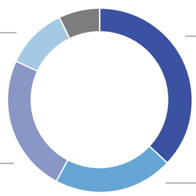
Our *cash and other investments* decreased from €11.7 BN to €9.8 BN, primarily as a result of new investments. Please refer to Liquidity and Funding Resources from PAGE 99 onwards for further information on our liquidity position.

The vast majority of our investment portfolio comprises diversified *debt instruments*, which remained almost unchanged at €480.6 BN (31 December 2012: €480.4 BN). Reinvested interest flows offset declines in the fair value of our bonds, which were triggered by rising interest rates and adverse currency effects as well as realizations. Given the growth of our total investment portfolio, the share of debt investments decreased by one percentage point to 89%.

1 — Equity gearing is defined as the ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reserves less goodwill.

FIXED INCOME PORTFOLIO

Total fixed income portfolio as of 31 December 2013: €480.6 BN
[as of 31 December 2012: €480.4 BN] in %



The allocation of our fixed income portfolio remained stable, with a slight increase in corporate bonds and a minor reduction in bank and covered bonds. About 95% of this portfolio of debt instruments was invested in investment-grade bonds and loans.[1]

Our *government bond exposure* remained almost flat at €179.6 BN (31 December 2012: €177.4 BN), representing 37% of our fixed income portfolio. During 2013 we increased our exposure to supranational bonds and decreased our exposure to Italy. Our sovereign exposure in Italy and Spain equaled 6.0% and 0.6% of our fixed income portfolio, respectively. The corresponding unrealized gains (gross) amounted to €1,922 MN in Italy and €144 MN in Spain. Our government bond exposure in Portugal remained limited and we reduced substantially all our remaining exposure in Greece and Ireland at the beginning of the year.

Our *covered bonds* portfolio decreased from €107.1 BN to €102.5 BN as the proceeds from matured covered bonds – mainly in Germany – were only partially reinvested in this fixed income class. 47% of this portfolio was German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 16% and 9% of the covered bonds were allocated to France and Spain, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and over-collateralization.

Our *corporate bond* portfolio increased from €107.1 BN to €116.3 BN as new investments exceeded fair value declines.

We reduced our exposure to subordinated securities in banks by €1.9 BN to €4.8 BN in both Tier 1 and Tier 2 shares.

Our fixed income portfolio also includes 4% of asset-backed securities (ABS), which amounted to €18.4 BN, down €1.1 BN. This decrease was driven by a reduction of mortgage-backed securities (MBS) issued by U.S. agencies, which are backed by the U.S. government. Their share declined from 21% to 13% of our ABS securities. Overall, 73% of our ABS were related to MBS and 97% of the ABS portfolio received an investment grade rating, with 87% rated "AA" or better (31 December 2012: 88%).

INVESTMENT RESULT

INVESTMENT INCOME (NET)

€ MN

as of 31 December	Group 2013	2012	Delta
Interest and similar income (net)[1]	20,497	20,598	(101)
Income from financial assets and liabilities carried at fair value through income (net)	(1,842)	(511)	(1,331)
Realized gains/losses (net)	4,285	4,327	(42)
Impairments of investments (net)	(611)	(934)	323
Investment expenses	(905)	(876)	(29)
Investment income (net)	**21,424**	**22,604**	**(1,180)**

1 — Net of interest expenses (excluding interest expenses from external debt).

Our *investment income (net)* decreased by €1,180 MN to €21,424 MN. This was mainly due to the decline in our net income from financial assets and liabilities carried at fair value through income.

Income from financial assets and liabilities carried at fair value through income (net) worsened from a loss of €511 MN to a loss of €1,842 MN. This was primarily driven by the net of negative foreign currency effects and financial derivatives that are used to protect against equity and foreign currency fluctuations as well as to manage duration and other interest rate-related exposures, in particular in our German Life/Health business. The appreciation of the Euro against selected emerging markets currencies and the rise in interest rates were the main drivers. In addition, the drop also includes the absence of income from The Hartford warrants, which were sold in April 2012.

Our *interest and similar income (net)*[2] decreased only 0.5% to €20,497 MN. Lower income from debt investments, which was impacted by the low interest rate environment, was partly offset by higher income from equity-related investments and real estate. Overall, our interest and similar income (net) held up very well in this low-yield environment. The net interest result also benefited from reduced interest expenses.

1 — Excluding self-originated German private retail mortgage loans. For 2%, no ratings were available.

2 — Net of interest expenses (excluding interest expenses from external debt).

Impairments (net) decreased by more than one third to €611 MN as the previous year had a high burden of impairments on our equity investments in the financial sector.

Realized gains and losses (net) remained almost stable at €4,285 MN as lower realizations on equities and real estate were almost offset by higher realizations on debt securities.

Investment expenses increased by €29 MN to €905 MN, driven by new real estate investments.

ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY BUSINESS SEGMENT

Property-Casualty assets

Compared to year-end 2012, our asset base in Property-Casualty decreased by €4.3 BN to €101.0 BN. This decrease, which primarily affected debt securities and loans and advances to banks and customers, was driven almost equally by net flows, market and foreign currency effects.

COMPOSITION OF ASSET BASE – FAIR VALUES[1]

€ BN as of 31 December	2013	2012
Financial assets and liabilities carried at fair value through income		
Equities	0.4	0.3
Debt securities	0.1	0.2
Other[2]	–	–
Subtotal	**0.5**	**0.5**
Investments[3]		
Equities	5.0	3.9
Debt securities	67.0	69.8
Cash and cash pool assets[4]	4.9	5.1
Other	7.5	7.7
Subtotal	**84.4**	**86.5**
Loans and advances to banks and customers	**16.1**	**18.3**
Property-Casualty asset base	**101.0**	**105.3**

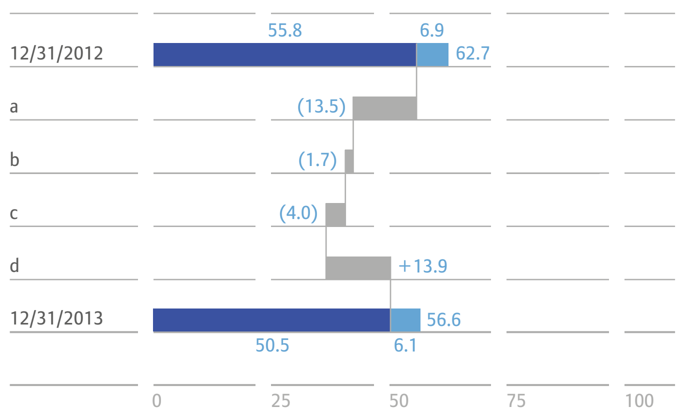
1 — Loans and advances to banks and customers, held-to-maturity investments and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending on – among other factors – our ownership percentage.
2 — This comprises assets of €0.1 BN and €0.1 BN and liabilities of €(0.1) BN and €(0.1) BN as of 31 December 2013 and 31 December 2012, respectively.
3 — These do not include affiliates of €8.9 BN and €8.8 BN as of 31 December 2013 and 31 December 2012, respectively.
4 — Including cash and cash equivalents, as stated in our business segment balance sheet of €2.8 BN and €2.7 BN and receivables from cash pooling amounting to €3.4 BN and €2.8 BN, net of liabilities from securities lending and derivatives of €(0.3) BN and €(0.2) BN, as well as liabilities from cash pooling of €(1.0) BN and €(0.2) BN as of 31 December 2013 and 31 December 2012, respectively.

The business segment's asset base comprised ABS of €3.7 BN, representing 3.7% as of 31 December 2013.

Property-Casualty liabilities

DEVELOPMENT OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES[1]

€ BN



a Loss and loss adjustment expenses paid in current year relating to previous years
b Loss and loss adjustment expenses incurred in previous years
c Foreign currency translation adjustments and other changes, changes in the consolidated subsidiaries of the Allianz Group and reclassifications
d Reserves for loss and loss adjustment expenses in current year

■ Reserves net ■ Reserves ceded ■ Changes (net)

1 — After business segment consolidation. For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 19 to the consolidated financial statements.

Compared to year-end 2012, the gross reserves for loss and loss adjustment expenses for our Property-Casualty business decreased by €6.1 BN to €56.6 BN. On a net basis, our reserves were down from €55.8 BN to €50.5 BN over the same period. Effective from 1 January 2013, the Allianz Group changed its presentation of discounted loss reserves in the consolidated balance sheet from the line item "Reserves for loss and loss adjustment expenses" to the line item "Reserves for insurance and investment contracts", which led to a reclassification effect of €(2.9) BN.[1] Foreign currency translation adjustments and other changes amounted to €(1.2) BN. Excluding both effects, the net reserves decreased by €1.2 BN.

1 — For further information on changes in presentation, please refer to note 4 to the consolidated financial statements.

ASSETS AND LIABILITIES OF THE LIFE/HEALTH BUSINESS SEGMENT

Life/Health assets

Our Life/Health asset base increased by €14.7 BN, or 3.1%, to €487.0 BN. This was primarily driven by higher financial assets for unit-linked contracts and equities as a result of positive market developments and new investments, but also by higher debt securities and cash investments.

COMPOSITION OF ASSET BASE – FAIR VALUES

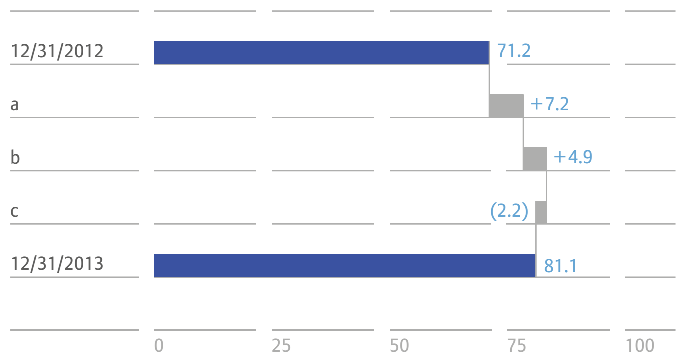
€ BN as of 31 December	2013	2012
Financial assets and liabilities carried at fair value through income		
Equities	2.3	2.1
Debt securities	2.2	2.3
Other[1]	(4.2)	(3.5)
Subtotal	**0.3**	**0.9**
Investments[2]		
Equities	28.8	24.1
Debt securities	269.3	266.4
Cash and cash pool assets[3]	7.6	5.7
Other	10.0	9.9
Subtotal	**315.7**	**306.1**
Loans and advances to banks and customers	**89.9**	**94.1**
Financial assets for unit-linked contracts[4]	**81.1**	**71.2**
Life/Health asset base	**487.0**	**472.3**

1 — This comprises assets of €1.7 BN and €1.7 BN and liabilities (including the market value liability option) of €(5.9) BN and €(5.2) BN as of 31 December 2013 and 31 December 2012, respectively.
2 — These do not include affiliates of €0.8 BN and €0.7 BN as of 31 December 2013 and 31 December 2012, respectively.
3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of €5.8 BN and €5.6 BN and receivables from cash pooling amounting to €3.5 BN and €2.6 BN, net of liabilities from securities lending and derivatives of €(1.7) BN and €(1.5) BN, as well as liabilities from cash pooling of €(0.0) BN and €(1.0) BN as of 31 December 2013 and 31 December 2012, respectively.
4 — Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

As of 31 December 2013, ABS of €13.8 BN represented 2.8% of the business segment's asset base. Compared to year-end 2012, this exposure decreased by €1.5 BN as a result of the previously mentioned reduction of MBS issued by U.S. agencies.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS[1]

€ BN



a Change in unit-linked insurance contracts
b Change in unit-linked investment contracts
c Foreign currency translation adjustments
Financial assets for unit-linked contracts | Changes

1 — Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

Financial assets for unit-linked contracts increased by €9.9 BN, or 13.9%, to €81.1 BN. Unit-linked insurance contracts increased by €7.2 BN to €55.4 BN due to good fund performance (€5.5 BN) and premium inflows exceeding outflows by €3.6 BN. Unit-linked investment contracts were up by €4.9 BN to €25.7 BN, with premium inflows significantly exceeding outflows (net €3.0 BN). The main drivers of currency effects were the weaker U.S. Dollar (€(1.0) BN) and Asian currencies (€(0.9) BN).[1]

Life/Health liabilities

Life/Health reserves for insurance and investment contracts grew by €9.9 BN, or 2.6%, to €390.9 BN in 2013. The €15.7 BN increase in aggregate policy reserves was mainly driven by our operations in Germany (€9.3 BN), the United States (€2.5 BN before currency effects), Luxembourg and Italy (€0.7 BN each). Reserves for premium refunds decreased by €2.2 BN due to lower unrealized gains to be shared with policyholders. The currency impact of €(3.6) BN mainly resulted from the weaker U.S. Dollar (€(2.3) BN) and Asian currencies (€(0.9) BN).[1]

1 — Based on the closing rate on the respective balance sheet dates.

ASSETS AND LIABILITIES OF THE ASSET MANAGEMENT BUSINESS SEGMENT

Asset Management assets

The Asset Management business segment's results are derived primarily from third-party asset management. In this section, we refer only to the business segment's own assets.[1]

The main components of the business segment's asset base were cash and cash pool assets and debt securities. Overall, the Asset Management asset base increased from €3.8 BN to €4.4 BN, entirely driven by higher cash and cash pool assets.

Asset Management liabilities

Liabilities in our Asset Management segment decreased by €0.4 BN to €4.0 BN.

ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER BUSINESS SEGMENT

Corporate and Other assets

Our Corporate and Other asset base slightly decreased from €42.0 BN to €41.3 BN. An increase in debt securities and loans and advances to banks and customers was more than offset by a drop in cash and cash pool assets.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN as of 31 December	2013	2012
Financial assets and liabilities carried at fair value through income		
Equities	–	–
Debt securities	–	–
Other[1]	(0.2)	(0.2)
Subtotal	**(0.2)**	**(0.2)**
Investments[2]		
Equities	1.7	1.7
Debt securities	26.3	23.8
Cash and cash pool assets[3]	(5.0)	(0.4)
Other	0.3	0.2
Subtotal	**23.3**	**25.3**
Loans and advances to banks and customers	**18.2**	**16.9**
Corporate and Other asset base	**41.3**	**42.0**

1 — This comprises assets of €0.3 BN and €0.2 BN and liabilities of €(0.5) BN and €(0.4) BN as of 31 December 2013 and 31 December 2012, respectively.
2 — These do not include affiliates of €75.4 BN and €74.3 BN as of 31 December 2013 and 31 December 2012, respectively.
3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of €1.5 BN and €4.2 BN and receivables from cash pooling amounting to €0.7 BN and €0.2 BN, net of liabilities from securities lending and derivatives of €(0.2) BN and €(0.1) BN, as well as liabilities from cash pooling of €(7.0) BN and €(4.7) BN as of 31 December 2013 and 31 December 2012, respectively.

Within our Corporate and Other asset base ABS increased from €0.4 BN to €0.9 BN due to new investments. Accordingly, the ABS share of the business segment's asset base increased from 0.9% to 2.2%.

Corporate and Other liabilities

As of 31 December 2013, subordinated liabilities remained almost unchanged at €11.5 BN (31 December 2012: €11.6 BN) as the repayment of a subordinated bond with a nominal amount of U.S. Dollar 2.0 BN and a coupon of 8.375% was approximately offset by the issuance of a perpetual subordinated bond with a nominal amount of €1.5 BN and a coupon of 4.75%. Other liabilities went up from €21.8 BN to €23.6 BN, whereas certificated liabilities decreased by €1.5 BN to €13.2 BN.[2]

Off-balance sheet arrangements

In the normal course of business, the Allianz Group may enter into arrangements that do not lead to the recognition of assets and liabilities in the consolidated financial statements under IFRS. Since the Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue or financing, our off-balance sheet exposure to loss is immaterial relative to our financial position.

The Allianz Group enters into various commitments including loan and leasing commitments, purchase obligations and other commitments. Please refer to note 46 to the consolidated financial statements for more details.

The Allianz Group has also entered into contractual relationships with various types of special purpose vehicles. They have been designed in such a way that their relevant activities are directed by means of contractual arrangements instead of voting or similar rights. Typically, special purpose vehicles have been set up in connection with asset backed financings, certain investment fund products, commercial mortgage loans and collateralized debt obligations. For more details on our collateralized debt obligations, please refer to note 44 to the consolidated financial statements.

Please refer to the Risk and Opportunity Report from PAGE 105 onwards for a description of the main concentrations of risk and other relevant risk positions.

1 — For further information on the development of these third-party assets, please refer to the Asset Management chapter.

2 — For further information on Allianz SE debt as of 31 December 2013, please refer to notes 22 and 23 to the consolidated financial statements.

Liquidity and Funding Resources

Organization

The Allianz Group bases its liquidity management on policies and guidelines approved by the Board of Management of Allianz SE. It is the primary responsibility of Allianz SE and each of the operating subsidiaries to manage their respective liquidity positions while Allianz SE provides central liquidity pooling for the Group. Furthermore, capital allocation is steered by Allianz SE for the entire Group. This organization enables the efficient use of liquidity and capital resources and allows Allianz SE to ensure that the Group and its operating entities achieve the desired liquidity and capitalization levels.

Liquidity management of our operating entities

INSURANCE OPERATIONS

The principal sources of liquidity for our operational activities include primary and reinsurance premiums received, reinsurance receivables collected, as well as investment income and proceeds generated from the maturity or sale of investments. Those funds are mainly used to pay property-casualty claims and related expenses, life policy benefits, surrenders and cancellations, acquisition costs as well as operating costs.

We generate strong cash flows from our insurance operations as most premiums are received before payments of claims or policy benefits are required, allowing us to invest these funds in the interim. This enables us to generate investment income.

Our insurance operations also carry a high proportion of liquid investments which can be converted into cash to pay for claims. Generally, our investments in fixed income securities are sequenced to mature when funds are expected to be needed.

The overall liquidity of our insurance operations depends on capital market developments, interest rate levels and our ability to realize the market value of our investment portfolio to meet insurance claims and policyholder benefits. Additional factors affecting the liquidity of our Property-Casualty insurance operations include the timing, frequency and severity of losses underlying our policies as well as policy renewal rates. In our Life operations, liquidity needs are generally influenced by trends in actual mortality rates compared to the related assumptions underlying our life insurance reserves. They are also affected by the impact of market returns or crediting rates and by the behavior of our life insurance clients, for example regarding the level of surrenders and withdrawals.

ASSET MANAGEMENT OPERATIONS

Within our Asset Management operations, our primary sources of liquidity include fees generated from asset management activities. These funds are primarily used to cover operating expenses.

BANKING OPERATIONS

The primary sources of liquidity in our Banking operations include customer deposits, interbank loans and interest and similar income from our lending transactions. The major uses of funds are the issuance of new loans and investments in fixed income securities. The liquidity of our Banking operations is largely dependent on the ability of our private and corporate customers to meet their payment obligations arising from loans and other outstanding commitments. Equally important is our ability to retain our customers' deposits.

Liquidity management and funding of Allianz SE

Allianz SE is responsible for managing the funding needs of the Group, maximizing access to liquidity sources and minimizing borrowing costs. Restrictions on the transferability of capital within the Group result mainly from the capital maintenance rules under applicable company laws and the regulatory solvency capital requirements applicable for regulated group companies.

LIQUIDITY RESOURCES AND USES

Allianz SE ensures adequate access to liquidity and capital for our operating subsidiaries. The main sources of liquidity available for Allianz SE are dividends received from subsidiaries and funding provided by capital markets. We define liquidity resources as assets that are readily available – namely cash, money market investments as well as highly liquid government bonds. The major uses of funds include paying interest expenses on our debt funding, operating costs, internal and external growth investments as well as 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 in the capital markets for short-, mid- and long-term funding needs are described below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds or ordinary shares.

Equity funding

As of 31 December 2013, the issued capital registered at the Commercial Register was €1,168,640,000. This was divided into 456,500,000 registered shares with restricted transferability. As of 31 December 2013, Allianz SE held 2,761,795 (2012: 2,777,438) own shares.

Allianz SE has the option to increase its equity capital base according to authorizations provided by our shareholders. The following table outlines Allianz SE's capital authorizations as of 31 December 2013:

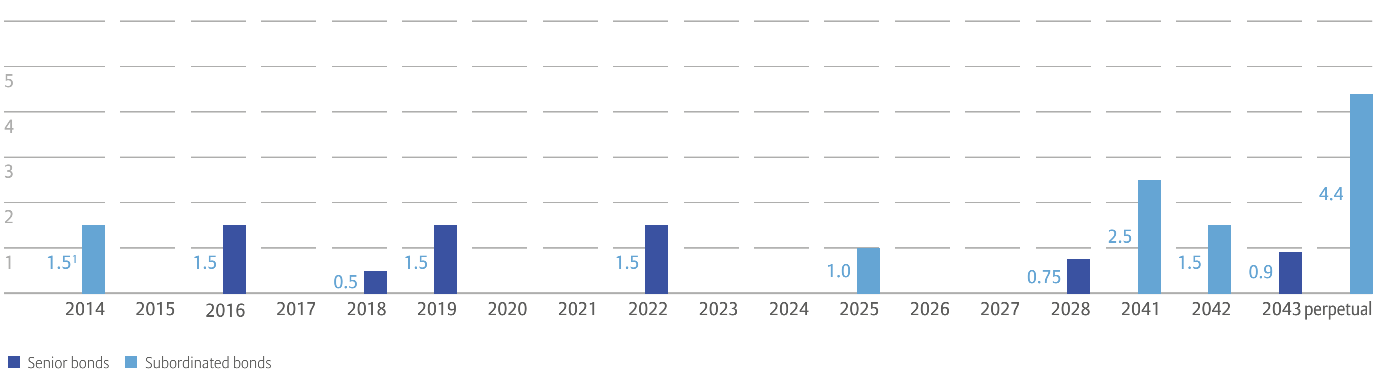
CAPITAL AUTHORIZATIONS OF ALLIANZ SE

CAPITAL AUTHORIZATION	NOMINAL AMOUNT	EXPIRY DATE OF THE AUTHORIZATION
Authorized Capital 2010/I	€550,000,000 (214,843,750 shares)	4 May 2015
Authorized Capital 2010/II	€8,344,000 (3,259,375 shares)	4 May 2015
Authorization to issue bonds carrying conversion and/or option rights	€9,500,000,000 (nominal bond value)	4 May 2015 (issuance of bonds)
Conditional Capital 2010	€250,000,000 (97,656,250 shares)	No expiry date for Conditional Capital 2010 (issuance in case option or conversion rights are exercised)

Please refer to PAGE 35 regarding authorizations to issue and repurchase shares.

MATURITY STRUCTURE OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS AS OF 31 DECEMBER 2013

nominal value in € BN



1 — €1.5 BN subordinated bond called for redemption effective January 15, 2014.

Long-term debt funding

As of 31 December 2013, Allianz SE had senior and subordinated bonds in a variety of maturities outstanding reflecting our focus on long-term financing. As the cost and availability of external funding may be negatively affected by general market conditions or by matters specific to the financial services industry or the Allianz Group, we seek to reduce refinancing risk by actively steering the maturity profile of our funding structure.

Interest expenses on senior bonds decreased to €261.1 MN (2012: €306.8 MN). This was primarily driven by lower funding costs on new issuances compared to the bonds that matured in 2013. For subordinated bonds, interest expenses declined to €610.0 MN (2012: €614.1 MN). This was mainly due to the redemption of a U.S. Dollar bond with a high coupon and the issuance of a new Euro bond with a lower coupon in 2013.

SENIOR AND SUBORDINATED BONDS ISSUED OR GUARANTEED BY ALLIANZ SE[1]

as of 31 December	Nominal value € MN	Carrying value € MN	Interest expense € MN	Weighted average interest rate[2] %
2013				
Senior bonds	6,651	6,581	261.1	4.0
Subordinated bonds	10,926	10,856	610.0	5.9
Total	**17,577**	**17,437**	**871.1**	**5.2**
2012				
Senior bonds	6,000	5,942	306.8	4.6
Subordinated bonds	10,976	10,895	614.1	6.2
Total	**16,976**	**16,837**	**920.9**	**5.6**

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2013, please refer to notes 23 and 24 to the consolidated financial statements.
2 — Based on nominal value.

The table below details the long-term debt issuances and redemptions of Allianz SE during 2013 and 2012:

ISSUANCES AND REDEMPTIONS OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS

€ MN

as of 31 December	Issuances[1]	Redemptions[1]	Issuances net of redemptions
2013			
Senior bonds	2,151	1,500	651
Subordinated bonds	1,500	1,517	(17)
2012			
Senior bonds	1,500	900	600
Subordinated bonds	2,259	2,000	259

1 — Based on nominal value.

Funding in currencies other than the Euro enables us to diversify our investor base or to take advantage of favorable funding costs in those markets. Funds raised in non-Euro currencies are incorporated in our general hedging strategy. As of 31 December 2013, approximately 9.3% (2012: 13.4%) of long-term debt was issued or guaranteed by Allianz SE in currencies other than the Euro.

CURRENCY ALLOCATION OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS

nominal value in €MN as of 31 December	Euro	Non-Euro	Total
2013			
Senior and subordinated bonds	15,950	1,627	17,577
2012			
Senior and subordinated bonds	14,700	2,276	16,976

Short-term debt funding

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. As of 31 December 2013, Allianz SE had money market securities outstanding with a carrying value of €869 MN: a €311 MN decrease in the use of commercial paper compared to the previous year-end. Interest expenses on money market securities decreased to €3.7 MN (2012: €11.4 MN) due to a lower level of short-term interest rates on average in 2013.

MONEY MARKET SECURITIES OF ALLIANZ SE

as of 31 December	Carrying value € MN	Interest expense € MN	Average interest rate %
2013			
Money market securities	869	3.7	0.4
2012			
Money market securities	1,180	11.4	1.0

The Group maintained its A-1+/Prime-1 ratings for short-term issues. Thus we can continue funding our liquidity under the Euro Commercial Paper Program at an average rate below Euribor and under the U.S. Dollar Commercial Paper Program at an average rate below U.S. Libor.

Further potential sources of short-term funding allowing the Allianz Group to fine-tune its capital structure are letter of credit facilities and bank credit lines.

ALLIANZ SE BONDS[1] OUTSTANDING AS OF 31 DECEMBER 2013 AND INTEREST EXPENSES IN 2013

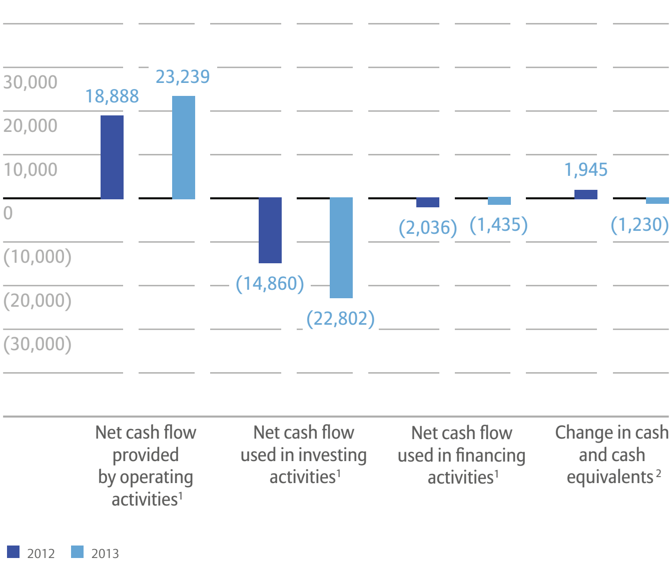
1. SENIOR BONDS[2]		
4.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expenses		€62.1 MN
1.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€0.5 BN	
Year of issue	2013	
Maturity date	3/13/2018	
ISIN	DE 000 A1H G1J 8	
Interest expenses		€5.7 MN
4.75% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2009	
Maturity date	7/22/2019	
ISIN	DE 000 A1A KHB 8	
Interest expenses		€73.6 MN
3.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2012	
Maturity date	2/14/2022	
ISIN	DE 000 A1G 0RU 9	
Interest expenses		€54.0 MN
3.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€0.75 BN	
Year of issue	2013	
Maturity date	3/13/2028	
ISIN	DE 000 A1H G1K 6	
Interest expenses		€19.1 MN
4.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	GBP 0.75 BN	
Year of issue	2013	
Maturity date	3/13/2043	
ISIN	DE 000 A1H G1L 4	
Interest expenses		€33.1 MN
Total interest expenses for senior bonds		**€247.6 MN**
2. SUBORDINATED BONDS[3]		
6.5% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.0 BN	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expenses		€66.3 MN
5.75% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€2.0 BN	
Year of issue	2011	
Maturity date	7/8/2041	
ISIN	DE 000 A1GNAH1	
Interest expenses		€116.4 MN
5.625% bond issued by Allianz SE		
Volume	€1.5 BN	
Year of issue	2012	
Maturity date	10/17/2042	
ISIN	DE 000 A1RE1Q3	
Interest expenses		€86.2 MN
5.5% bond issued by Allianz SE[4]		
Volume	€1.5 BN	
Year of issue	2004	
Maturity date	PERPETUAL BOND	
ISIN	XS 018 716 232 5	
Interest expenses		€84.5 MN
4.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.4 BN	
Year of issue	2005	
Maturity date	PERPETUAL BOND	
ISIN	XS 021 163 783 9	
Interest expenses		€63.5 MN
5.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€0.8 BN	
Year of issue	2006	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A0G NPZ 3	
Interest expenses		€43.0 MN
5.5% bond issued by Allianz SE		
Volume	USD1.0 BN	
Year of issue	2012	
Maturity date	PERPETUAL BOND	
ISIN	XS 085 787 2500	
Interest expenses		€42.5 MN
4.75% bond issued by Allianz SE		
Volume	€1.5 BN	
Year of issue	2013	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A1Y CQ2 9	
Interest expenses		€13.6 MN
Total interest expenses for subordinated bonds		**€516.0 MN**
3. ISSUES REDEEMED IN 2013		
8.375% bond issued by Allianz SE		
Volume	USD 2.0 BN	
Year of issue	2008	
Maturity date	PERPETUAL BOND	
ISIN	US 018 805 200 7	
Interest expenses		€62.6 MN
4. ISSUES MATURED IN 2013		
5.0% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€1.5 BN	
Year of issue	2008	
Maturity date	3/6/2013	
ISIN	DE 000 A0T R7K 7	
Interest expenses		€13.5 MN
Sum of interest expenses[1]		**€839.7 MN**
Interest expenses from external debt not presented in the table		€61.3 MN
Total interest expenses from external debt		**€901.0 MN**

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2013, please refer to notes 23 and 24 to the consolidated financial statements.
2 — Senior bonds provide for early termination rights in case of non-payment of amounts due under the bond (interest and principal) as well as in case of insolvency.
3 — The terms of the subordinated bonds do not explicitly provide for early termination rights in favor of the bondholder. Interest payments are subject to certain conditions which are linked, inter alia, to our net income, and may have to be deferred. Nevertheless, the terms of the relevant bonds provide for alternative settlement mechanisms which allow us to avoid an interest deferral using cash raised from the issuance of specific newly issued instruments.
4 — €1.5 BN subordinated bond called for redemption effective January 15, 2014.

Allianz Group consolidated cash flows

CHANGE IN CASH AND CASH EQUIVALENTS FOR THE YEARS ENDED 31 DECEMBER

€ MN



1 — The Allianz Group has changed the presentation of policyholders' account deposits and withdrawals in its consolidated statements of cash flows from cash flow from financing activities to cash flow from operating activities. The change in presentation has been applied retrospectively. For further information please refer to note 4 to the consolidated financial statement.
2 — Includes effect of exchange rate changes on cash and cash equivalents of €(232) MN and €(47) MN in 2013 and 2012, respectively.

Net cash flow provided by operating activities amounted to €23.2 BN, up by €4.4 BN compared to the previous year. Net cash flow provided by operating activities is comprised of net income plus adjustments for non-cash charges, credits and other items included in net earnings and cash flows related to the net change in operating assets and liabilities. Net income after adding back non-cash charges and similar items increased by €0.2 BN to €8.8 BN in 2013. Additionally, operating cash flows from net changes in operating assets and liabilities, including other items, grew by €4.1 BN to €14.4 BN. This was driven by higher reserves for insurance and investment contracts in our Life/Health business, mainly in Germany and the United States. We also recorded net cash inflows from financial assets and liabilities held for trading as well as higher positive net changes from our operating receivables/payables. Lower reserves for losses and loss adjustment expenses in particular in our Property-Casualty business in the United States – as a result of the changed structure in our crop business – partially offset these effects.

Net cash outflow used in investing activities increased by €7.9 BN to €22.8 BN in 2013. This rise was mainly attributable to higher net cash outflows for available-for-sale investments at our Banking business in Italy and our Life/Health operation in the United States.

Moreover, we recorded lower net cash inflows from loans and advances to banks and customers especially in our Life/Health business in Germany.

Net cash outflow used in financing activities amounted to €1.4 BN in 2013, compared to €2.0 BN in 2012. Contributing to this development were net cash inflows from liabilities to banks and customers (after net cash outflows in 2012), mainly attributable to our Banking operation in Italy. This increase was partially offset by lower net cash inflows from our refinancing activities[1].

Cash and cash equivalents decreased by €1.2 BN to €11.2 BN as of 31 December 2013, mainly stemming from our Banking operation in Italy and Allianz SE. The decrease was partially offset by higher cash inflows at Allianz Life Insurance Company of North America due to maturities of investments.

CASH AND CASH EQUIVALENTS

€ MN as of 31 December	2013	2012
Balances with banks payable on demand	6,574	7,295
Balances with central banks	449	2,277
Cash on hand	202	223
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	3,982	2,642
Total cash and cash equivalents	**11,207**	**12,437**

1 — Refers to cash flows from certificated liabilities and subordinated liabilities.

Reconciliations

The previous analysis is based on our consolidated financial statements and should be read in conjunction with them. In addition to our stated figures according to the International Financial Reporting Standards (IFRS), the Allianz Group uses operating profit and internal growth to enhance the understanding of our results. These additional measures should be viewed as complementary to, and not as a substitute for, our figures determined according to IFRS.

For further information, please refer to note 6 to the consolidated financial statements.

Composition of total revenues

Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).

COMPOSITION OF TOTAL REVENUES

€ MN	2013	2012
Property-Casualty		
Gross premiums written	**46,579**	**46,889**
Life/Health		
Statutory premiums	**56,784**	**52,347**
Asset Management		
Operating revenues	**7,162**	**6,786**
consisting of:		
Net fee and commission income	7,127	6,731
Net interest income	12	24
Income from financial assets and liabilities carried at fair value through income (net)	13	16
Other income	10	15
Corporate and Other		
Total revenues (Banking)	**551**	**590**
consisting of:		
Interest and similar income	613	719
Income from financial assets and liabilities carried at fair value through income (net)	8	14
Fee and commission income	475	456
Interest expenses	(281)	(350)
Fee and commission expenses	(262)	(247)
Consolidation effects (Banking within Corporate and Other)	(2)	(2)
Consolidation	**(303)**	**(229)**
Allianz Group total revenues	**110,773**	**106,383**

Composition of total revenue growth

We believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or "changes in scope of consolidation") are analyzed separately. Accordingly, in addition to presenting nominal total revenue growth, we also present internal growth, which excludes these effects.

RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH

%	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
2013				
Property-Casualty	(0.3)	2.0	(2.4)	(0.7)
Life/Health	9.1	0.5	(1.1)	8.5
Asset Management	8.5	(0.1)	(2.9)	5.5
Corporate and Other	(6.6)	0.0	0.0	(6.6)
Allianz Group	**4.7**	**1.1**	**(1.7)**	**4.1**
2012				
Property-Casualty	2.5	0.3	1.9	4.7
Life/Health	(2.6)	(0.2)	1.8	(1.0)
Asset Management	15.4	0.2	7.7	23.3
Corporate and Other	3.0	1.1	0.0	4.1
Allianz Group	**0.5**	**0.1**	**2.1**	**2.7**

Risk and Opportunity Report

– The Allianz risk management approach is designed to add value by focusing on both risk and return.
– The Allianz Group is well capitalized and its solvency ratios are resilient.

Allianz risk profile and management assessment

RISK PROFILE

Allianz is exposed to a variety of risks through its core insurance and asset management activities. These include financial market, credit, insurance, operational, business and strategic risks. The three largest risks in terms of their contribution to Allianz's internal model risk capital results are:

- Financial market risk, especially interest rate risk, due to the duration mismatch between assets and liabilities for long-term savings products;
- Credit and credit spread risk, again driven by assets backing long-term savings products;
- Property-casualty premium and reserve risk, resulting from natural and man-made catastrophes as well as accident year claims uncertainty.

Allianz's risk profile is relatively stable over time as it is driven by Allianz's risk appetite and steered by risk management practices and limits – which are described later in this report.

However, Allianz continues to be exposed to two external forces which affect its risk profile and would not normally be associated with its core operating activities: the European sovereign debt crisis and regulatory developments – especially the European solvency directive, Solvency II.

The European sovereign debt crisis

The European sovereign debt crisis continues to have an impact on markets and has kept interest rates at low levels. Despite the stabilization of financial markets in 2013, many of the root causes of the crisis remain unresolved and markets could fluctuate widely again in the future, having adverse implications for Allianz's balance sheet.

In addition to continuously monitoring these developments, our management has responded decisively to these external events. During 2013, we continued to execute a derisking program focused primarily on peripheral European sovereign exposures and our exposure to global financial institutions. This is supported by operational contingency planning for Allianz SE and its operating entities, with scenario analysis being conducted regularly for both the United States and Europe. In addition, we further adjusted our product design and pricing in the Life/Health business segment with respect to guarantees and surrender conditions. Looking forward, our robust action to deal with the various crisis scenarios has bolstered our financial and operational resilience to strong shock scenarios. Continuous monitoring remains a priority to ensure the sustained effectiveness of our contingency measures.

Regulatory developments

In July 2013, the Financial Stability Board designated Allianz as one of nine G-SII companies (Global Systemically Important Insurers). In November 2013, the European Trialogue process involving the Council of the E.U. and the European Parliament came to an agreement on the Solvency II "Omnibus II" directive, allowing the new risk-based solvency capital framework for Europe to proceed with a planned introduction date of January 2016.

Although details of future regulatory requirements, especially Solvency II and those applying to G-SIIs, are becoming clearer, the final rules are still evolving. This creates some uncertainties for our business and in terms of the ultimate capital requirements for Allianz. In addition, due to the market value balance sheet approach, the Solvency II regime will lead to higher volatility in regulatory capital requirements compared to Solvency I. Finally, the potential for a multiplicity of different regulatory regimes, capital standards and reporting requirements will increase operational costs.

MANAGEMENT ASSESSMENT

The Allianz Group's management feels comfortable with the Group'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 day-to-day business needs. This confidence is based on several factors which are outlined in more detail in the sections that follow and are summarized here:

- The Allianz Group is well capitalized and is comfortably meeting its internal and regulatory solvency targets as of 31 December 2013. In March 2013, Standard & Poor's not only reconfirmed Allianz's "AA" rating, but also improved the outlook back to "stable". With this rating, Allianz remains one of the highest-rated insurance groups in the world.

– The Group's management also believes that Allianz is well positioned to deal with potential future adverse events, in part due to our strong internal limit framework defined by the Group's risk appetite and risk management practices.

– The Group has a conservative investment profile and disciplined business practices in the Property-Casualty, Life/Health and Asset Management business segments, leading to sustainable operating earnings with a well-balanced risk/return profile.

– Finally, the Group has the additional advantage of being well diversified, both geographically and across a broad range of products.

Capitalization

For the benefit of shareholders and policyholders alike, our aim is to ensure that the Allianz Group is adequately capitalized at all times and that all operating entities meet their respective capital requirements. Furthermore, risk capital and cost of capital are important aspects for making business decisions.

Our internal risk capital model plays a significant role in the management of capital. In addition, we take into account the external requirements of regulators and rating agencies. While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements and maintaining strong credit ratings are strategic business objectives of the Allianz Group. We closely monitor the capital positions of the Group and operating entities and apply regular stress tests based on standard adverse scenarios. This allows us to take appropriate measures to ensure our continued capital and solvency strength. Due to our effective capital management, the Allianz Group is well capitalized and met its internal and regulatory solvency targets as of 31 December 2013.

REGULATORY CAPITAL ADEQUACY

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and the related German law in force since 1 January 2005. The law requires that a financial conglomerate calculates the capital available to meet its solvency requirements on a consolidated basis, which we refer to as "eligible capital". Currently, the requirements for our insurance business are based on Solvency I. These capital requirements, as well as the definition and calculation of eligible capital, will be replaced by the Solvency II rules once the new regulation becomes binding.

CONGLOMERATE SOLVENCY[1]

€ BN as of 31 December	2013	2012
Requirement	25.6	24.6
Eligible capital	46.5	48.4
Solvency ratio	182%	197%

1 — Off-balance sheet reserves are included in the calculation but accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2013 would be 173% (2012 (as published): 188%).

The conglomerate solvency ratio decreased by 15 percentage points to 182%, mainly due to the retrospective application of the amendments to IAS 19.[1]

EXTERNAL RATING AGENCY CAPITAL ADEQUACY

Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. An assessment of capital adequacy is usually an integral part of the rating process. Following a review in March 2013, the Allianz Group's "AA" rating was affirmed by Standard & Poor's. In addition Standard & Poor's revised the outlook from "negative" to "stable", recognizing our capital strength, diverse business profile and very strong Enterprise Risk Management.

Allianz Group has one of the highest ratings amongst its peers. The following table provides evidence of the sustainable financial strength of Allianz SE and our ability to meet ongoing obligations.

RATINGS OF ALLIANZ SE

Ratings[1]	Insurer financial strength rating		Counterparty credit rating		Commercial paper (short-term) rating	
	2013	2012	2013	2012	2013	2012
Standard & Poor's	AA Stable outlook (affirmed November 2013)	AA Negative outlook	AA Stable outlook (affirmed November 2013)	AA Negative outlook	A–1+ (affirmed November 2013)	A–1+
Moody's	Aa3 Negative outlook (affirmed December 2013)	Aa3 Negative outlook	Aa3 Negative outlook (affirmed December 2013)[2]	AA Negative outlook[2]	Prime–1 (affirmed December 2013)	Prime–1
A.M. Best	A+ (affirmed September 2013)	A+	aa– (affirmed September 2013)	aa–	Not rated	Not rated

1 — Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.
2 — Rating reflects senior unsecured debt.

1 — For further details on changes in eligible capital and solvency requirement, please refer to the chapter Balance Sheet Review from page 92 onwards.

As part of the long-term financial strength rating, Standard & Poor's has a rating for Enterprise Risk Management (ERM). In 2013, Standard & Poor's assigned Allianz its highest possible rating – "very strong" – for the ERM capabilities of our insurance operations. This indicates that Standard & Poor's regards it as "unlikely that Allianz Group will experience major losses outside its risk tolerance". Standard & Poor's stated that the assessment is based on our strong risk management culture, strong controls for the majority of key risks and strong strategic risk management. In addition, Standard & Poor's reviewed our internal capital model in 2012 and has given further credit to the capital position of the Allianz Group since 4Q 2012 by taking our internal model results into account when determining the capital requirements in order to meet specific rating classes.

INTERNAL CAPITAL ADEQUACY

The Allianz Group's available capital is based on shareholders' equity adjusted to reflect the full economic capital base available to absorb unexpected economic losses.[1] Our objective is to maintain available capital at the Group level that is significantly above the minimum indicated requirements as determined by our internal risk capital model. We consistently steer the risk at the operating entity level based on the same internal model framework.

AVAILABLE CAPITAL AND INTERNAL RISK CAPITAL

€ BN as of 31 December	2013	2012
Available capital	52.4	49.3
Internal risk capital	23.6	24.8
Capital ratio	222%	199%

Overall, our internal model solvency ratio increased from 199% to 222%. This strong growth was attributable to two effects. First, an increase in our available capital – which was mostly driven by accumulated net income and the increasing present value of future profits. Second, to a decrease of €1.2 BN in our required internal risk capital. This was mainly due to positive market effects, in particular, rising interest rates, rating improvements as well as reduced credit risk exposure.

This Risk and Opportunity Report provides the Group's internal risk capital results based on pre-diversified risk capital and diversification effects. Pre-diversified internal risk capital reflects the diversification effect within each risk category (i.e. market, credit, underwriting, business and operational risk) but does not include the diversification effect across categories. Group-diversified internal risk capital also captures the diversification effect across all risk categories. Pre-diversified internal risk capital is used to measure concentration risks.

As of 31 December 2013, the Group-diversified internal risk capital before non-controlling interests of €23.6 BN (2012: €24.8 BN) represented a diversification benefit of approximately 32%[2] (2012: 33%) across risk categories and segments. Group-diversified internal risk capital is broken down as follows:

ALLOCATED INTERNAL RISK CAPITAL (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS)

€ MN	Pre-diversified (before tax)										Group-diversified			
	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
as of 31 December	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Property-Casualty	3,669	3,933	1,881	2,144	9,627	9,848	992	1,020	1,268	1,287	(6,437)	(7,319)	11,000	10,913
Life/Health	11,653	13,404	3,591	4,127	801	1,089	3,743	3,424	917	914	(6,448)	(7,084)	14,257	15,874
Asset Management	685	559	169	119	–	–	–	–	586	576	(1)	–	1,439	1,254
Corporate and Other	1,987	1,519	277	671	191	180	–	–	385	249	(532)	(512)	2,308	2,107
Total	**17,994**	**19,415**	**5,918**	**7,061**	**10,619**	**11,117**	**4,735**	**4,444**	**3,156**	**3,026**	**(13,418)**	**(14,915)**	**29,004**	**30,148**
											Tax impact		(5,367)	(5,386)
											Total Group		**23,637**	**24,762**

Detailed discussions of risk capital movements are provided in the sections that follow.

1 — Available capital is calculated under consideration of liquidity premium and yield curve extension for the Life/Health business segment as described in the section Yield curve and liquidity premium assumptions. on page 108.

2 — Diversification before tax.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses. On a quarterly basis, we calculate and aggregate internal risk capital across all business segments – providing a common standard for measuring and comparing risks across the wide range of different activities that we undertake as an integrated financial services provider.

GENERAL APPROACH

We utilize an internal risk capital model for the management of our risk and solvency position and are working towards meeting the forthcoming Solvency II internal model requirements. Our model is based on a best practice technical platform with an up-to-date methodology covering all modeled sources of quantifiable risks. This forms an integral part of our internal risk capital framework. The model framework is regularly assessed by the European College of supervisors in the course of the internal model pre-application process of Solvency II.

INTERNAL RISK CAPITAL MODEL

Our internal risk capital model is based on a Value-at-Risk (VaR) approach using a Monte Carlo simulation. Following this approach, we determine the maximum loss in the portfolio value of our businesses in the scope of the model within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). We assume a confidence level of 99.5% and apply a holding period of one year. In the risk simulation, we consider market, credit, insurance and other business events ("sources of risk") and calculate the portfolio value based on the net fair value of assets and liabilities under potentially adverse conditions.

The required internal risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions dependent on the 99.5% confidence level. Because we consider the impact of a negative or positive event on all sources of risks and covered businesses at the same time, all 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. In addition, for market risks we analyze several pre-defined stress scenarios based either on historically observed market movements or on hypothetical market movement assumptions. The modeling approach we apply therefore enables us to identify scenarios that have a positive impact on our solvency situation.

Yield curve and liquidity premium assumptions

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial in determining future cash flows and how to discount them. We apply the methodology as provided by the European Insurance and Occupational Pensions Authority (EIOPA) based on the latest guidance for the extension of the risk-free interest rate curves beyond the last liquid tenor. In addition, we adjust the risk-free yield curves for the Life/Health business segment to make allowance for a liquidity premium.

Valuation assumption: replicating portfolios

Since efficient valuation and advanced, timely analysis is desired, we replicate the liabilities of our Life/Health insurance business. This technique enables us to represent all options and guarantees, both contractual and discretionary, by means of standard financial instruments. Using the replicating portfolio we determine and revalue these liabilities under all potentially adverse Monte Carlo scenarios.

Diversification and correlation assumptions

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

We strive to diversify the risks to which we are exposed in order to limit the impact of any single source of risk and help increase the chances that the positive developments outweigh the negative. The degree to which diversification can be realized depends in part on the level of relative concentration of those risks as well as the joint movement of sources of risk.

Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical market data, considering weekly observations over several years. In case historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined, Group-wide process. Correlations are determined by the Correlation Settings Committee, which combines the expertise of risk and business experts. In general, we set the correlation parameters to represent the joint movement of risks under adverse conditions. Based on these correlations, we use an industry-standard approach, the Gaussian copula approach, to determine the dependency structure of quantifiable sources of risk within the applied Monte Carlo simulation.

Actuarial assumptions

Our internal risk capital model also includes non-market assumptions on claims trends, inflation, mortality, longevity, morbidity, policyholder behavior, expense, etc. We use our own internal historical data for actuarial assumptions wherever possible 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 those assumptions.[1]

1 — For additional information regarding our internal controls over financial reporting, please refer to the chapter Controls over Financial Reporting and Risk Capital from page 123 onwards.

SCOPE

By design, our internal risk capital model takes into account the following risk categories: market risk, credit risk, underwriting risk, business risk and operational risk whenever these risks are present. A further breakdown of the risk categories can be found in the section Quantifiable risks in the internal capital model. With the exception of the Asset Management business segment all business segments are exposed to the full range of stated risk categories. By contrast, the Asset Management business segment is mainly exposed to market, credit and operational risk.

Our internal risk capital model covers:

- All of our major insurance operations.
- Our assets (including bonds, mortgages, investment funds, loans, equities and real estate) and liabilities (including the cash flow run-off profile of all technical reserves as well as deposits and issued securities).
- For the Life/Health insurance products, options and guarantees embedded in insurance contracts including policyholder participation rules.[1]

For our Asset Management business segment we assign internal risk capital requirements based on the sectoral regulatory capital requirements envisaged in Solvency II. The capital requirements of smaller insurance operating entities, that have an immaterial impact on the Group's risk profile, are based on local regulatory requirements. We allocate these requirements to the risk categories of our internal risk capital model, thereby allowing a consistent aggregation of internal risk capital for all business segments at Group level.

Internal risk capital related to our European banking operations is allocated to the Corporate and Other business segment, based on the approach applied by banks under the local requirements with respect to the Basel regulation (Basel II/III standards). It represents an insignificant amount of approximately 1.7% (2012: 1.6%) of total pre-diversified internal risk capital. Therefore, risk management with respect to banking operations is not discussed further.

LIMITATIONS

Our internal risk capital model expresses the potential "worst-case" amount in economic value that we might lose at a certain confidence level. However, there is a statistically low probability of 0.5% that actual losses could exceed this threshold at Group 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 too difficult to predict. In order to mitigate reliance on historical data we complement our VaR analysis with stress testing. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.5%, the one-year holding period, as well as only limited data for some insurance risk events – such as natural catastrophes – being available. Furthermore, as historical data is used where possible to calibrate the model, it cannot be used for validation. Instead, we validate the model and parameters through sensitivity analyses, independent internal peer reviews and, where appropriate, external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our validation efforts are effective and that our model adequately assesses the risks to which we are exposed.

As described previously, insurance liability values are derived from replicating portfolios of standard financial market instruments in order to allow for effective risk management. This replication is subject to the set of available replicating instruments and might therefore be too simple or restrictive to capture all factors affecting the change in value of liabilities. Nevertheless, we believe that the liabilities are adequately represented by the replicating portfolios due to our stringent data and process quality controls.

Since internal risk capital takes into account the change in the economic fair value of our assets and liabilities, it is crucial to accurately estimate the market value of each item. For some assets and liabilities, it may be difficult, if not impossible – notably in distressed financial markets – to obtain either a current market price or to apply a meaningful mark-to-market approach. For certain assets and liabilities, where a market price for that instrument or similar instruments is currently not available, we apply a mark-to-model approach. Non-standardized derivative instruments – such as derivatives embedded in structured financial products – are represented by the most comparable standard derivative types, because the volume of non-standard instruments is not material at either the local or Group level. For some of our liabilities, the accuracy of fair values depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

MODEL UPDATES IN 2013

In 2013 we kept the central risk capital models for all risk categories stable and performed only the regular exposure and assumption updates. The only local model update with material impact at Group level is the introduction of Surplus funds together with a Going Concern Reserve at Allianz Lebensversicherungs-AG in line with Solvency II and BaFin methodology. The introduction increases the Group's capital requirement by €0.4 BN, mainly affecting equity and credit spread risk.

1 — For further information about participating life business, please refer to note 20 to the consolidated financial statements.

Internal risk assessment

CONCENTRATION OF RISKS

As we are an integrated financial services provider offering a variety of products across different business segments and geographic regions, diversification is key to our business model. Diversification helps us manage our risks efficiently by limiting the economic impact of any single event and by contributing to relatively stable results and risk profile in general. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risks.

At Group level, we identify and measure concentration risks consistently across business segments in terms of pre-diversified internal risk capital and in line with the risk categories covered by our internal risk capital model. In the following sections, all risks are presented on a pre-diversified basis and concentrations of single sources of risk are discussed accordingly.

With respect to investments, top-down indicators – such as strategic asset allocation benchmarks – are defined and closely monitored to ensure balanced investment portfolios. Limits on financial risk are in place for the Life/Health and Property-Casualty business segments at Group level. They are based on the internal risk capital model, complemented by stand-alone interest rate and equity sensitivity limits, in order to protect the economic capital position. In addition, the Group's policy is to require each operating entity to match liabilities in congruent currencies with assets – as far as possible – and take local currency risks only within pre-defined limits.

We also closely monitor concentrations and accumulation of non-market risks already on a stand-alone basis (i.e. before the diversification effect) within a global limit framework in order to avoid substantial losses from single events (e.g. natural catastrophes, credit events).

In order to manage counterparty concentration risk, we run a Group-wide country and obligor group limit management framework (CRisP[1]), which covers credit and equity exposures and is based on data used by the investment and risk experts at Group and operating entity levels. This limit framework forms the basis for discussions on credit actions and provides notification services with a quick and broad communication of credit-related decisions across the Group. Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed.

The setting of country and obligor exposure limits from the Group's perspective (i.e. the maximum concentration limit) takes into account the Allianz Group's portfolio size and structure as well as our overall risk strategy.

1 — Credit Risk Platform.

It is the ultimate responsibility of the Board of Management to decide upon limit budgets. The Board of Management delegates authorities for limit setting and modification to the Group Risk Committee and Group Chief Risk Officer by clearly defining maximum limit amounts. All limits are subject to annual review and approval according to the delegated authorities.

QUANTIFIABLE RISKS IN THE INTERNAL CAPITAL MODEL

The quantifiable risks that are considered in the risk model refer to market, credit, underwriting, business and operational risk. In the following sections, the evolution of the risk types in 2013 is explained.

Market risk

As an inherent part of our insurance operations, we collect premiums from our customers and invest them in a wide variety of assets. Therefore, the Allianz Group holds and uses many different financial instruments. The resulting investment portfolios ultimately cover the future claims and benefits to our customers. In addition, we invest shareholders' capital, which is required to support the risks underwritten. As the fair values of our investment portfolios depend on financial markets, which may change over time, we are exposed to market risks.

In order to limit the impact of any of these financial market changes and to ensure that assets adequately back policyholder liabilities we have several measures in place. One of these, for example, is asset/liability management linked to the internal model framework incorporating risks as well as return aspects stemming from our insurance obligations. In addition, we are selectively using derivatives to either hedge our portfolio against adverse market movements or to reduce our reinvestment risk, e.g. by using forwards or swaptions. Furthermore, we have a limit system in place comprising global indicators like strategic asset allocation benchmarks, as well as more detailed limits, in order to operatively manage and limit risks. The limit system is defined at Group level separately for the Life/Health and the Property-Casualty business segments and is based on a variety of different risk measures including Financial VaR, equity and interest rate sensitivities as well as investment limits around a benchmark portfolio approved by the Board of Management. Our limit-setting process ensures that prevailing statutory restrictions regarding the composition of investments are taken into account. This means that in case certain investments are restricted by statutory requirements to a certain amount – e.g. a given percentage of total investments – our internal limit referring to those investments cannot exceed the required percentage. Most statutory restrictions apply at local level, where processes ensure bottom-up that the statutory restrictions are binding constraints. Based on this process, guidelines are derived within the group center for certain investments, e.g. concerning the use of derivatives, and the compliance with those is controlled by the respective risk and controlling functions.

Furthermore, we have put in place standards for hedging activities due to exposures to fair value options embedded in life insurance products. Life/Health operating entities carrying these exposures are required to follow these standards, including making a conscious decision on the amount of hedging.[1] The hedging of risks stemming from investments is also an element applied to manage and limit risks efficiently. For example, protective puts are used to limit downward exposure of certain investments.[2] In the following table, we present our Group-wide internal risk capital related to market risks:

ALLOCATED INTERNAL MARKET RISK CAPITAL BY BUSINESS SEGMENT AND SOURCE OF RISK (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

PRE-DIVERSIFIED, € MN	Interest rate		Credit spread		Equity		Real estate		Currency		Total	
as of 31 December	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Property-Casualty	735	402	976	1,309	924	768	752	880	282	574	3,669	3,933
Life/Health	4,181	5,227	3,174	2,795	2,996	3,570	626	765	676	1,047	11,653	13,404
Asset Management	3	16	2	–	32	66	6	5	642	472	685	559
Corporate and Other	334	216	183	259	707	607	104	197	659	240	1,987	1,519
Total Group	**5,253**	**5,861**	**4,335**	**4,363**	**4,659**	**5,011**	**1,488**	**1,847**	**2,259**	**2,333**	**17,994**	**19,415**
									Share of total Group-internal risk capital		42.4%	43.1%

Our total pre-diversified internal market risk capital showed a decrease, mainly driven by market movements. In particular, rising interest rates and reduced volatilities lead to lower sensitivities of options and guarantees making our Life/Health business segment the biggest contributor to the reduction in market risk. With respect to equity risk, improved hedging activities as well as higher policyholder participation more than offset a higher equity exposure due to rising markets and additional investments. Overall, this resulted in a decrease in equity risk.

The following chart presents the sensitivity of the internal model solvency ratio under certain standard financial scenarios. These are defined by reasonably possible individual movements in key market parameters while keeping all other parameters constant with the effects impacting both the available capital and internal risk capital.

IMPACT OF STANDARD FINANCIAL SCENARIOS ON INTERNAL CAPITAL RATIOS (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS AND AFTER TAX AND GROUP DIVERSIFICATION)

€ MN as of 31 December	2013	2012
Internal capital ratio	222	199
Interest rates up by 1%	230	220
Interest rates down by 1%	194	177
Equity prices up by 30%	232	210
Equity prices down by 30%	210	188
Combined down scenarios	182	165

Interest rate risk

As interest rates may fall below the rates guaranteed to policyholders in some Life/Health markets and given the long duration of insurance obligations, we are specifically exposed to interest rate risk when we have to reinvest maturing assets prior to the maturity of life contracts. This interaction of investment strategy and obligations to policyholders forms an integral part of our internal risk capital model. In addition, our asset/liability management approach is closely linked to the internal risk capital framework and designed to achieve investment returns over the long term in excess of the obligations related to insurance and investment contracts.

These risks are reflected in the internal risk capital results and managed by interest rate sensitivity limits. A significant part of the Life/Health business segment's pre-diversified internal risk capital for interest rate risk lies in Western Europe – 80.2% as of 31 December 2013 (31 December 2012: 79.8%) – mainly to cover traditional life insurance products with guarantees.

We manage interest rate risk from a comprehensive corporate perspective: While the potential payments related to our liabilities in the Property-Casualty business segment are typically shorter in maturity than the financial assets backing them, the opposite usually holds true for our Life/Health business segment due to the long-term life insurance contracts. In part, this provides us with a natural hedge on an economic basis at Group level.

1 — For further information about the risk concentration in the Life/Health business, please refer to note 20 to the consolidated financial statements.
2 — Further information on derivatives used for hedging can be found in note 43 to the consolidated financial statements.

As of 31 December 2013, our interest rate sensitive investments excluding unit-linked business – amounting to a market value of €457.3 BN – would gain €32.7 BN or lose €29.7 BN in value in case of changing interest rates by - 100 basis points and +100 basis points, respectively.[1]

As described above, the risk related to interest rates lies in the fact that in the long run yields that can be achieved by reinvesting may not be sufficient enough to cover the guaranteed rates. In contrast, opportunities may materialize when interest rates increase. This may result in higher returns from reinvestments than the guaranteed rates. As the table above also demonstrates, our solvency ratio would increase by applying a 100 basis point upward parallel shift on the interest rate curve.

Equity risk

The Allianz Group's insurance operating entities usually hold equity investments to diversify their portfolios and take advantage of attractive long-term expected returns. Strategic asset allocation benchmarks and investment limits are used to manage and monitor these exposures. In addition, they fall within the scope of the CRisP to avoid a disproportionately large concentration of risk.

As of 31 December 2013, our investments excluding unit-linked business that are sensitive to changing equity markets – amounting to a market value of €35.3 BN – would lose €9.3 BN in value assuming equity markets declined by 30%.[2]

Besides diversification we mainly invest in equities since, as a long-term investor, we expect to be able to earn an excess return on our investments. Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As stock markets also might increase above expectations, opportunities may arise from equity investments. The potentially positive effect of an increase in equity prices on our capital ratio can be seen in the table above.

Credit spread risk

Our internal model framework fully acknowledges the risk of declining market values for our fixed income assets – such as bonds – due to the widening of credit spreads. However, for internal risk management and appetite, we also take into account the underlying economics of our business model. For example, the cash flows of our insurance liabilities are to a large degree predictable, limiting to a great extent the risk that we would be forced to sell these bonds prior to maturity at a loss and allowing us to keep the bonds until the maturity date. Therefore, we reflect this in our model using a Counter Cyclical Premium approach and view the more relevant risk to be credit risk rather than credit spread. The advantage of being a long-term investor therefore gives us the opportunity to invest in bonds yielding spreads over the risk free return and earning this additional yield component.

Currency risk

Based on our foreign exchange management limit framework, currency risk is monitored and managed with the support of Group Treasury and Corporate Finance at the operating entity and Group level. The major part of foreign currency risk results from the economic value of our non-Euro operating entities. If non-Euro foreign exchange rates decline against the Euro from a Group perspective, the Euro equivalent net asset values also decrease.

Real estate risk

Because of the relative size of our real estate portfolio compared to total investments, real estate risk is currently of lesser relevance for the Allianz Group. As of 31 December 2013, about 3.5% (31 December 2012: 4.1%) of the total pre-diversified internal risk capital was related to real estate exposures.

Credit risk

The Allianz Group monitors and manages credit risk exposures and concentrations to ensure it is able to meet policyholder obligations when they are due and to maintain adequate capital and solvency positions for the operating entities and the Group as a whole. This objective is supported by the internal credit risk model and the CRisP as described in the section Concentration of risks. Group-wide credit data is collected following a centralized process and using standard obligor and obligor group mappings.

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

Our internal credit risk modeling framework covers counterparty risk and country risk. Counterparty risk arises from our fixed income investments, cash positions, derivatives, structured transactions, receivables from Allianz agents and other debtors – as well as reinsurance recoverables and credit insurance.[3] Country risk exposure is calculated as cross-border exposure to all obligors domiciled abroad from each operating entity perspective.

1 — The stated market value includes all investments whose market value is sensitive to interest rate movements (excluding unit-linked business) and therefore is not based on classifications given by accounting principles.

2 — The stated market value includes all investments whose market value is sensitive to equity movements (excluding unit-linked business) and therefore is not based on classifications given by accounting principles.

3 — Exposures to the national governments of OECD and EEA states are modeled as risk free in the credit risk internal model, if the exposure is issued in the local currency of the government. This is in line with EIOPA's advice on Level 2 Implementation Measures on Solvency II. For further information on receivables to policyholders, agents and reinsurers, please refer to note 13 to the consolidated financial statements.

The internal credit risk capital model is a state-of-the-art tool which provides bottom-up analysis. The major drivers of credit risk for each instrument are exposure at default, ratings, seniority, collaterals 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. It is dynamically adjusted using market implied ratings and the most recent information.

The loss profile of a given portfolio is obtained through a Monte Carlo simulation taking into account interdependencies and exposure concentrations per obligor or segment. To reflect portfolio specific diversification effects, the loss profiles are calculated at different levels of the Allianz Group structure (pre-diversified). They are then fed into the overall internal risk capital model for further aggregation across sources of risk to derive Group-diversified internal credit risk capital.

ALLOCATED INTERNAL CREDIT RISK CAPITAL BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

PRE-DIVERSIFIED, € MN as of 31 December	2013	2012
Property-Casualty	1,881	2,144
Life/Health	3,591	4,127
Asset Management	169	119
Corporate and Other	277	671
Total Group internal credit risk capital	5,918	7,061
Share of total Group internal risk capital	14.0%	15.7%

Credit risk capital for the Group decreased due to the stabilizing credit environment and active portfolio management that aims to further improve risk diversification. Additionally, the decrease in Life/Health and Corporate business segments is driven by a reduction of non-investment grade exposures as well as the divestment of strategic assets.

The following table displays the sensitivities of credit risk capital to certain scenarios: deterioration of credit quality measured by issuer rating[1] downgrades and the decline of recovery rates in the event of a default (Loss-Given-Default, LGD). The sensitivities are calculated by applying each scenario to all exposures individually but keeping all other parameters constant.[2]

IMPACT OF SELECTED CREDIT SCENARIOS ON INTERNAL CREDIT RISK CAPITAL[1]

PRE-DIVERSIFIED, € MN	Total	
as of 31 December	2013	2012
Base case	5,918	7,061
Rating down by 1 notch	7,062	8,349
Rating down by 2 notches	8,404	9,879
LGD up by 10%	6,333	7,597

1 — A notch is referred to rating sub-classes, such as "AA+", "AA", "AA-" at Standard & Poor's scale or "Aa1", "Aa2", "Aa3" at Moody's scale.

Most of the credit risk capital requirements and impact of the sensitivities in the above table can be attributed to senior unsecured and lower investment grade borrowers.

Different sources of Allianz credit risk exposure are described in the table below:

ALLIANZ COMPONENTS OF CREDIT RISK EXPOSURE

ALLIANZ COMPONENTS OF CREDIT RISK	DESCRIPTION
INVESTMENT PORTFOLIO	Premiums collected from our customers and shareholders' capital, which is required to support the risks underwritten, are invested to a great extent in fixed income instruments. These investment portfolios ultimately cover the future claims to our customers. However, for certain life insurance products, losses due to credit events can be shared with the policyholder, as described in the context of market risks.
REINSURANCE PORTFOLIO	Credit risk to external reinsurers appears when insurance risk exposures are transferred by us to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present at the as-of date or default on benefits that are under reinsurance treaties in-force.
CREDIT INSURANCE PORTFOLIO	Credit risk arises from potential claim payments on limits granted by Euler Hermes to its policyholders. Euler Hermes protects its policyholders (partially) from credit risk associated with short-term trade credits advanced to clients of the policyholder. If the client of the policyholder is unable to meet its payment obligations then Euler Hermes indemnifies the loss to the policyholder.

1 — Credit risk capital calculations are based on issuer (borrower) ratings as opposed to issue (instrument) ratings. The difference between issue and issuer ratings is primarily due to collateralization and seniority and is reflected in loss-given-default (LGD).
2 — Scenarios are applied only to investment and reinsurance exposure positions in portfolios of Allianz operating entities.

Credit risk – investment

As of 31 December 2013, credit risk arising from the investment portfolio accounted for 81.8% (2012: 83.4%) of our total Group pre-diversified internal credit risk capital. Credit Risk in the Life/Health business segment is primarily driven by long-term assets covering long-term liabilities. Typical investments are government bonds, senior corporate bonds, covered bonds, self-originated mortgages and loans as well as a modest amount of derivatives. Due to the nature of the business, the fixed income securities in the Property-Casualty business segment tend to be short- to mid-term, which explains the lower credit risk consumption in this segment.[1]

Allianz has a well-diversified portfolio of Exchange- and OTC-traded derivatives, used as a part of efficient exposure management. The counterparty credit risk arising from derivatives is low, since the derivative's usage is governed by the Group-wide internal guidelines for collateralization of derivatives that stipulate master netting and collateral agreements with each counterpart and require high quality and liquid collateral. In addition, Allianz closely monitors the credit ratings of counterparts and the exposure movements. Central clearing of certain classes of OTC derivatives as required by EMIR (European Market Infrastructure Regulation) and additional reporting duties will contribute to further reducing counterparty credit risk and operational risk at Allianz.

As of 31 December 2013, the rating distribution of our fixed income portfolio was as follows:[2]

FIXED INCOME INVESTMENTS BY RATING CLASS – FAIR VALUES

€ BN Type of issuer	Government & Agency		Covered Bond		Corporate		Banks		ABS/MBS		Short-term Loan		Other		Total	
as of 31 December	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
AAA	46.2	46.5	61.5	73.2	2.0	3.0	3.8	4.4	13.8	15.3	0.1	–	–	–	127.4	142.4
AA	69.8	67.4	21.0	16.2	9.1	8.9	8.1	8.2	2.3	1.8	1.4	1.1	0.1	0.1	111.8	103.7
A	12.9	12.2	14.1	12.6	35.3	32.3	14.3	16.8	1.3	1.2	0.6	1.4	1.0	1.1	79.5	77.6
BBB	44.2	44.0	5.1	4.9	56.4	47.0	5.6	7.1	0.6	0.5	0.5	0.7	0.4	0.4	112.8	104.6
BB	2.1	3.4	0.7	0.1	6.3	5.9	1.0	1.2	0.1	0.1	0.4	0.4	–	0.1	10.6	11.2
B	0.5	0.5	–	–	2.6	2.6	0.2	0.1	0.1	0.1	–	–	–	–	3.4	3.3
CCC	–	–	–	–	0.2	0.1	–	–	–	0.1	–	–	–	–	0.2	0.2
CC	–	–	–	–	0.1	–	–	–	0.2	0.4	–	–	–	–	0.3	0.4
C	–	–	–	–	–	–	–	0.7	–	–	–	–	–	–	–	0.7
D	–	–	–	–	0.4	0.3	–	–	–	–	–	–	–	–	0.4	0.3
Not rated	3.9	3.4	0.1	0.1	3.9	7.0	0.1	0.2	–	–	0.3	0.6	1.4	1.0	9.7	12.3
Total	**179.6**	**177.4**	**102.5**	**107.1**	**116.3**	**107.1**	**33.1**	**38.7**	**18.4**	**19.5**	**3.3**	**4.2**	**2.9**	**2.7**	**456.1**	**456.7**

Credit risk – reinsurance

As of 31 December 2013, 2.5% (31 December 2012: 2.1%) of our total Group pre-diversified internal credit risk capital was allocated to reinsurance exposures – of which 59.1% (2012: 57.5%) was related to reinsurance counterparties in the United States and Germany.

A dedicated team selects our reinsurance partners focusing on companies with strong credit profiles. We may also require letters of credit, cash deposits or other financial measures to further mitigate our exposure to credit risk. As of 31 December 2013, 80.6% (31 December 2012: 76.4%) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A" rating by Standard & Poor's. As of 31 December 2013, non-rated reinsurance recoverables represented 17.9% (31 December 2012: 21.7%). Reinsurance recoverables without a Standard & Poor's rating include exposures to brokers, companies in run-off and pools – where no rating is available – as well as companies rated by A.M. Best.

1 — Additionally 4.6% (2012: 4.1%) of our total Group pre-diversified internal credit risk capital is allocated to receivables and potential future exposure for derivatives and reinsurance.

2 — In accordance with the change in representation within the Group Management report, stated figures include investments of Banking and Asset Management, which were excluded in the former representation. Due to this change our total investments increased by €12.2 BN as of 31 December 2012 to €456.7 BN (previously published: €444.5 BN). Table excludes private loans.

REINSURANCE RECOVERABLES BY RATING CLASS[1]

€ BN as of 31 December	2013	2012
AAA	0.02	0.02
AA+ to AA-	5.99	6.05
A+ to A-	3.38	3.50
BBB+ to BBB-	0.18	0.21
Non-investment grade	–	0.02
Not assigned	2.08	2.72
Total	**11.65**	**12.52**

1 — Represents gross exposure broken down by reinsurer.

Credit risk – credit insurance

Our credit insurance portfolio is modeled by Euler Hermes based on a proprietary model component, which is a local adaptation of the central internal credit risk module and is reviewed by Group Risk. The result is integrated in the Group's internal credit risk capital to capture the concentration and diversification effects. As of 31 December 2013, 11.1% (31 December 2012: 10.4%) of our total Group pre-diversified internal credit risk capital is allocated to Euler Hermes credit insurance exposures.

By thoroughly managing our credit risk on the basis of our limit management and the credit risk modeling frameworks, we have composed a well-diversified credit portfolio. Our long-term investment strategy to hold investments through the cycle to maturity enables us to keep our portfolio stable even under adverse market conditions. It also gives us the opportunity to earn planned excess returns throughout the entire holding period of the investments. In our credit insurance business proactive credit management actions offer opportunities to keep losses from single credit events below expected levels and therefore strongly support writing business that contributes to a balanced Group credit portfolio.

Underwriting risk

Underwriting risk consists of premium and reserve risks in the Property-Casualty business segment as well as biometric risks in the Life/Health business segment. For the Asset Management business segment and our banking operations underwriting risks are not relevant. The table below presents the average pre-diversified internal risk capital calculated for underwriting risks stemming from our insurance business over the four quarters of 2013 versus 2012, as well as the high and low quarterly internal risk capital amounts calculated in both years.[1]

YEAR-END, AVERAGE, HIGH AND LOW ALLOCATED INTERNAL UNDERWRITING RISK CAPITAL BY SOURCE OF RISK (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS AND BEFORE GROUP DIVERSIFICATION)[1]

€ MN	Premium risk natural catastrophe		Premium risk terror		Premium risk non-catastrophe		Reserve risk		Biometric risk		Total Group	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
QUARTERLY RESULTS												
Year-end	427	353	24	21	3,809	3,790	5,834	6,040	525	913	10,619	11,117
Average	432	401	23	20	3,829	3,712	5,949	5,785	673	928	10,906	10,846
High	458	442	25	21	3,848	3,790	6,093	6,099	878	1,113	11,070	11,117
Low	420	353	19	20	3,809	3,648	5,835	5,186	502	731	10,619	10,254

1 — As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account.

As of 31 December 2013, underwriting risk slightly decreased mainly driven by slightly lower loss reserves decreasing our reserve risk. For biometric risk the biggest single driver for the reduction was the above mentioned model update in our Life/Health business segment.

Underwriting risk – Property-Casualty

Our Property-Casualty insurance businesses are exposed to premium risk related to the current year's new and renewed business as well as reserve risks related to the business in force.

Premium risk

As part of our Property-Casualty business operations, we receive premiums from our customers and provide insurance protection in return. Changes in profitability over time are measured based on loss ratios and their fluctuations.[2]

1 — Prior year figures changed compared to last year's report due to reporting on pre-diversified basis compared to Group-diversified in 2012.
2 — Please refer to the section Property-Casualty Insurance Operations – Property-Casualty operations by reportable segments on page 76 for a regional breakdown of loss ratios over the past two years.

We face the risk that underwriting profitability is lower than expected. The volatility of the underwriting profitability measured over one year defines our premium risk.

PROPERTY-CASUALTY LOSS RATIOS[1] FOR THE PAST TEN YEARS

%	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Loss ratio	65.9	68.3	69.9	69.1	69.5	68.0	66.1	65.0	67.2	67.6

1 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

Premium risk is subdivided into natural catastrophe risk, terror risk and non-catastrophe risk. We calculate premium risk based on actuarial models that are used to derive loss distributions. Premium risk is actively managed by the Allianz Group and its local operating entities. Assessing the risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting limits, and restrictions are centrally defined and in place across the Group. In addition to the centrally defined underwriting limits, the local operating entities have limits in place that take into account their business environments. In addition, risks are mitigated by external reinsurance agreements. All these measures contribute to the limitation of risk accumulation.

Natural disasters, such as earthquakes, storms and floods, represent a significant challenge for risk management due to their accumulation potential and occurrence volatility. In order to measure such risks and better estimate the potential effects of natural disasters, we use special modeling techniques in which we combine data about our portfolio (such as the geographic distribution and characteristics of insured objects and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses. Where such stochastic models do not exist, we use deterministic scenario-based approaches to estimate probable losses.

The Group's net exposure to natural catastrophes remained within our risk appetite in 2013. The top five perils contributing to the natural catastrophe risk capital were: European windstorm, U.S. hurricane, German hail as well as Californian and German earthquakes as of December 2013.

Reserve risk

We estimate and hold reserves for past claims that have not yet been settled. If the reserves are not sufficient to cover claims to be settled in the future due to unexpected changes, we would experience losses. The volatility of past claims measured over a one-year time horizon defines our reserve risk. An indicator of this coverage is the amount of net surplus[1] compared to the initial reserves.[2]

In general, our operating entities constantly monitor the development of reserves for insurance claims on a line of business level.[3] In addition, the operating entities generally conduct annual reserve uncertainty analyses based on similar methods used for reserve risk calculations. The Allianz Group performs regular independent reviews of these analyses and Group representatives participate in the local reserve committee meetings.

Underwriting risk – Life/Health

Underwriting risks of our Life/Health operations (biometric risks) include mortality, disability, morbidity and longevity risks.

- Mortality, disability, and morbidity risks are risks associated with the unexpected increase in the occurrence of death, disability or medical claims on our traditional products including on our traditional life and health insurance products.
- Longevity risk is the risk that due to changing biometric assumptions the reserves covering our portfolio of life annuities and group pension products might not be sufficient. Biometric assumptions, such as life expectancy, play a significant role.

We measure these risks within our internal risk capital model by distinguishing between the different sub-components, whenever relevant or material: absolute level, trend, volatility around the best estimate assumptions and pandemic risks. Depending on the nature and complexity of the risk involved, our Health business is represented in the internal model according to Property-Casualty or Life/Health calculation methods and is therefore included in the relevant Property-Casualty and Life/Health figures accordingly. However, most of our Health business is attributable to the Life/Health business segment. Thanks to effective product design, the diversity of our products and the substantial level of policyholder participation in Western European countries, there were no significant concentrations of underwriting risks within our Life/Health business as of 31 December 2013.[4]

Underwriting risk arises from lower profitability than expected. As profitability calculations are based on several parameters, like historical loss information, assumptions on inflation or on mortality and morbidity, the realized parameters can differ from the ones used for the calculation. For example, higher inflation than that incorporated in the calculations may lead to a loss. However, deviations can

1 — Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for previous years' claims and includes foreign currency translation adjustments. For further information, please refer to note 19 to the consolidated financial statements.
2 — This figure is provided on a calendar year basis in note 19 to the consolidated financial statements.
3 — For further information, please refer to note 19 to the consolidated financial statements.
4 — For further information about insurance risk in the Life/Health business segment, please refer to note 20 to the consolidated financial statements.

also occur in the opposite direction, therefore being beneficial and leading to additional profit, e.g. a lower morbidity rate than expected will most likely result in lower expenses.

Business risk

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

Policyholder behavior risks are risks related to the unpredictability and adverse behavior of policyholders in exercising their different contractual options: early termination of contracts, surrenders, partial withdrawals, renewals and annuity take-up options. Assumptions on policyholder behavior are set according to accepted actuarial methods and are based on our own historical data to the extent available, otherwise they are based on industry data or expert judgment.

ALLOCATED INTERNAL BUSINESS RISK CAPITAL BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

PRE-DIVERSIFIED, € MN as of 31 December	2013	2012
Property-Casualty	992	1,020
Life/Health	3,743	3,424
Asset Management	–	–
Corporate and Other	–	–
Total Group internal credit risk capital	4,735	4,444
Share of total Group internal risk capital	11.2%	9.9%

Business risk remained mostly stable in 2013. Small changes specifically in the Life/Health business segment were mainly driven by changes in business volume and best estimate assumptions.

As for underwriting risks, a positive deviation from the underlying parameters will lead to additional returns. For example, lower than expected expenses in our Property-Casualty business will lead to an improved combined ratio.

Operational risk

Operational risks represent losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events – including legal and compliance risk but excluding losses from strategic and reputational risk.

Operational risk remained mostly stable in the course of 2013. Small changes were driven by refinements in exposure coverage.

Allianz has developed a Group-wide consistent operational risk management framework that focuses on the early recognition and proactive management of operational risks in all business and supporting functions. The framework defines roles and responsibilities, risk processes and methods and has been implemented in our major operating entities. Local risk managers ensure this framework is implemented in their respective operating entities. These identify and evaluate relevant operational risks and control weaknesses via a structured self-assessment. Furthermore, operational risk events are collected in a central loss database. An analysis of the causes of significant losses is carried out to provide comprehensive and timely information to senior management and operating entities so they can implement measures aimed at avoiding or reducing future losses.

ALLOCATED INTERNAL OPERATIONAL RISK CAPITAL BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

PRE-DIVERSIFIED, € MN as of 31 December	2013	2012
Property-Casualty	1,268	1,287
Life/Health	917	914
Asset Management	586	576
Corporate and Other	385	249
Total Group internal credit risk capital	3,156	3,026
Share of total Group internal risk capital	7.4%	6.7%

Major failures and disasters which could cause a severe disruption to our working environment, facilities and personnel represent significant operational risks for the Allianz Group and its operating entities. Our Business Continuity Management (BCM) framework strives to protect critical business functions from these shocks and enables them to carry out their core tasks on time and at the highest standard. Regularly enhanced, BCM activities and knowledge are embedded in the company's risk management processes.

Dedicated minimum-security standards are in place for IT systems across the Allianz Group to ensure the proper use and protection of the Group's information assets. With respect to financial statements, our internal control system is designed to mitigate operational risks.[1]

In general, we aim to reduce operational failures by documenting and sharing relevant methods, procedures, structures and processes in a comprehensive and timely manner across the Group, which is one of the fundamental principles of the Allianz Group Risk Policy.

By measuring our operational risk and further developing mitigation actions to manage the root causes we see the opportunity to reduce our operational risk exposure.

OTHER RISKS

There are certain risks that cannot be fully quantified across the Group using our internal risk capital model. For these risks, we also pursue a systematic approach with respect to identification, analysis,

1 — For additional information regarding our internal control over financial reporting, please refer to the chapter Controls over Financial Reporting and Risk Capital from page 123 onwards.

assessment and monitoring. In general, the risk assessment is based on qualitative criteria or scenario analyses. The most important of these other risks include strategic, liquidity and reputational risk.

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company's value arising from the adverse effect of management decisions regarding business strategies and their implementation.

This risk is evaluated and analyzed quarterly in the same way as reputational risk, as described below. To ensure proper implementation of strategic goals in the current business plan, strategic controls are carried out by monitoring respective business targets. We also constantly monitor market and competitive conditions, capital market requirements, regulatory conditions, etc. to decide whether to make strategic adjustments. In addition, strategic decisions are discussed in various Board of Management level committees (e. g. Group Capital Committee, Group Risk Committee, Group Finance Committee). The assessment of the associated risks is a fundamental element in these discussions.

Liquidity risk

Liquidity risk is defined as the risk that short-term, current or future payment obligations cannot be met or can only be met on the basis of adversely altered conditions. Liquidity risk can arise primarily if there are mismatches in the timing of cash payments and funding obligations. Detailed information regarding Allianz Group's liquidity risk exposure, liquidity and funding – including changes in cash and cash equivalents – is provided in the chapter Liquidity and Funding Resources from PAGE 99 onwards and in notes 17, 23, 24 and 43 to the consolidated financial statements.

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

Our insurance operating entities manage liquidity risk locally, using asset-liability management systems designed to ensure that assets and liabilities are adequately matched. This decentralized approach guarantees sufficient flexibility in providing liquidity. The local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e. g. government bonds or covered bonds) in the portfolios. This helps us to meet high liquidity requirements in the case of unlikely events. We employ actuarial methods for estimating our liabilities arising from insurance contracts. In the course of standard liquidity planning we reconcile the cash flows from our investment portfolio with the estimated liability cash flows. These analyses are performed at the operating entity level and aggregated at Group level.

Regarding our Asset Management business, forecasting and managing liquidity is a regular process designed to meet both regulatory requirements and Group standards. This process is supported by the liquidity management framework implemented in Allianz Asset Management.

Reputational risk

Allianz's reputation as a well-respected and socially aware provider of financial services is influenced by our behavior in a range of areas such as product quality, corporate governance, financial performance, customer service, employee relations, intellectual capital and corporate responsibility. Reputational risk is the risk of an unexpected drop in the value of the Allianz share price, the value of the in-force business or the value of future business caused by a decline in our reputation.

With the support of Group Communications, Group Compliance and the ESG Office[1], Group Risk defines sensitive business areas and applicable risk guidelines, which are mandatory for all operating entities in the Allianz Group. All affected Group and operating entity functions cooperate in the identification of reputational risk. Group Communications is responsible for the risk assessment, based on a Group-wide methodology. Single reputational risk management decisions are integrated in the overall risk management framework and reputational risks are identified and assessed as part of a quarterly Top Risk Assessment, during which senior management also decides on a risk management strategy and related actions. In addition, reputational risk is managed on a case-by-case basis. Single cases with a potential impact on other operating entities or the Group have to be reported to Allianz SE for pre-approval.

1 — The Allianz Environmental, Social, Governance (ESG) Board and ESG office are constituted as advisor to the Board of Management of Allianz SE and will further elevate environmental, social and governance aspects in corporate governance and decision-making processes of Allianz Group.

Risk governance

RISK MANAGEMENT FRAMEWORK

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integral part of our business process. Our risk management framework covers, on a risk based approach, all operations including IT, processes, products and departments/subsidiaries within the Group. The key elements of our risk management framework are:

- Promotion of a strong risk management culture supported by a robust risk governance structure.
- Consistent application of an integrated risk capital framework across the Group to protect our capital base and support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

This comprehensive framework ensures that risks are identified, analyzed, assessed and managed in a consistent manner across the Group. Our risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect potential deviations from our risk tolerance at an early stage at both the Group and operating entity levels.

For the benefit of shareholders and policyholders alike, our risk management framework adds value to Allianz SE and its operating entities through the following four primary components:

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approvals, new product approvals and strategic or tactical asset allocations. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk reporting and monitoring framework provides senior management with the transparency and risk indicators to help them decide our overall risk profile and whether it falls within delegated limits and authorities. For example, risk dashboards, internal risk capital allocation and limit consumption reports are regularly prepared, communicated and monitored.

Risk strategy and risk appetite: Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk-bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.

Communication and transparency: Finally, transparent and robust risk disclosure provides the basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout the entire Group.

RISK GOVERNANCE STRUCTURE

As a key element of our risk management framework, Allianz's approach to risk governance enables integrated management of our local and global risks and ensures that our risk profile remains consistent with our risk strategy and our capacity to bear risks.

Supervisory Board and Board of Management

Within our risk governance system the Supervisory Board and Board of Management of Allianz SE have both Allianz SE and Group-wide responsibilities and have set up committees to provide them with support. Examples include:

Supervisory Board

The Risk Committee supervises the effectiveness of the Allianz risk management and monitoring framework. Furthermore, it focuses on risk-related developments as well as general risks and specific risk exposures.

Board of Management

The Board of Management formulates business objectives and a corresponding, consistent risk strategy. The core elements of the risk framework are set out in the Allianz Group Risk Policy, which is approved by the Board of Management.

- The Group Capital Committee supports the Board of Management with recommendations regarding risk strategy, capital and limit allocation.
- The Group Risk Committee defines risk standards and forms the major limit-setting authority within the framework set by the Board of Management.
- The Group Finance Committee is authorized by the Board of Management to oversee investment and financing activities, including the approval of significant transactions of Allianz SE and Allianz Group companies.

Overall risk organization and roles in risk management

A comprehensive system of risk governance is achieved by setting standards related to organizational structure, risk strategy, written policies, limit systems, documentation and reporting. These standards ensure the accurate and timely flow of risk-related information, as well as a disciplined approach towards decision-making and execution at both the global and local level.

As a general principle, the "first line of defense" rests with business managers in the local operating entities and Allianz Investment Management units. They are responsible, in the first instance, for both the risks and returns of their decisions. Our "second line of defense" is made up of our independent, global oversight functions such as Risk, Compliance and Legal. Audit forms the "third line of defense". On a periodic basis, Group Audit independently reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards including the internal control framework.

Group Risk

Group Risk is headed by the Group Chief Risk Officer and reports to the Board member responsible for Finance, Controlling and Risk. Group Risk supports the aforementioned Allianz Group committees responsible for risk oversight through the analysis and communication of risk management related information and by facilitating the communication and implementation of committee decisions.

For example, Group Risk is operationally responsible for monitoring limits and accumulation of specific types of risks across business lines, such as natural disasters and exposures to financial markets and counterparties.

In addition, Group Risk independently supports the adequacy of the operating entity risk management through the development of a common risk management framework and by monitoring adherence to Group minimum requirements for methods and processes.

Group Risk strengthens and maintains the Group's risk network through regular and close interaction with the operating entities' management and key areas such as the local finance, risk, actuarial and investment departments. A strong risk network across the Group allows us to identify risks early and bring them to the attention of management.

Operating entities

Operating entities are responsible for their own risk management, including adherence to both external requirements (for example, those imposed by local regulators) and internal Group-wide standards.

The operating entities' Board of Management is responsible for setting and approving an operating entity risk strategy during the annual Strategic and Planning Dialogues with the Group and ensuring operating entity adherence to this risk strategy.

All business line management functions with direct profit and loss responsibility (i.e. first line of defense, or "risk-taking units") are in charge of active risk-return management through adherence to delegated limits and the operating entity policy framework. Second line of defense functions, where possible, support business functions in proactive risk management.

A risk function that is independent from the business line management is established by the operating entity. This function operates under the direction of the operating entity Chief Risk Officer who is responsible for overseeing the risk function. In addition, a local Risk Committee supports both the operating entity Board of Management and the Chief Risk Officer by acting as the primary risk controlling body. Group Risk is also represented on the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

Other functions and bodies

In addition to Group Risk and the operating entity Risk function, Legal and Compliance functions have been established at both Group and operating entity level, constituting additional components of the second line of defense.

Group Legal and Compliance seeks to mitigate legal risks with support from other departments. Legal risks include legislative changes, major litigation and disputes, regulatory proceedings and contractual clauses that are unclear or construed differently by the courts. Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation that an undertaking may suffer as a result of not complying with applicable laws, regulations and administrative provisions. The objectives of Group Legal and Compliance 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. Group Legal and Compliance is in addition responsible for integrity management – which aims to protect the Allianz Group, our operating entities and employees from regulatory risks.

In order to adapt to a continually changing environment, the Global Issues Forum (GIF) supports the Group in the assessment of long-term trend changes in the risk landscape on a timely basis. As an active participant in the Emerging Risk Initiative of the Chief Risk Officer Forum, we monitor with other chief risk officers of major European insurance companies and financial conglomerates the industry-wide risk landscape and raise awareness of major risks for the insurance industry.

Risk management priorities for 2014

In addition to maintaining our high standards and practices in day-to-day risk management and control, we have set the following priorities for 2014.

Our first priority is to continue to refine and improve our business steering frameworks in light of the lessons learned from the financial market uncertainty. This addresses in particular the European sovereign debt crisis and a sustained low interest rate environment. In addition we will reorganize our committee structure to further strengthen our risk governance and to foster efficient risk management decisions. In particular, we will merge the Group Risk Committee and Group Finance Committee into a new Group Finance and Risk Committee (GFRC). Furthermore, the Group Capital Committee will be strengthened to speed up decision processes.

Our second priority is to prepare for the Solvency II internal model application process. To this end, we will continue to actively participate in the pre-approval process for Solvency II with the relevant European supervisors. However, given the remaining uncertainty surrounding the final implementation measures and their interpretation, we will need to adapt our internal risk capital framework and risk processes as necessary to comply with the evolving Solvency II standards. In particular, we anticipate reviewing our transferability and fungibility restrictions, replacing the illiquidity premium with a so-called "volatility adjustment" for the valuation of life technical provisions, reviewing our credit and credit spread risk approach as well as our aggregation approach, each of which may have an impact on our internal model solvency ratio.

Our third priority is to ensure that we also meet the emerging requirements being defined for G-SIIs, focusing especially in 2014 on developing a Recovery Plan.

Further future challenges and opportunities[1]

The success of our business is heavily affected by a variety of global, long-term issues. To ensure our sustainable and profitable growth, our strategy places a high priority on monitoring, analyzing and responding to the challenges and opportunities these issues present, today and tomorrow.

By consistently following our Group strategy, we are confident that the Allianz Group is in a privileged position to build on this trust and deal with the challenges and opportunities ahead.

Key challenges and opportunities, as we see them, are outlined below.

1 — For further information on the Cautionary note regarding forward-looking statements, please refer to the chapter Outlook 2014 from page 87 onwards.

CLIMATE CHANGE AND SOCIETAL CHALLENGES

Global warming threatens to change our climate. We are well aware that climate change could result in a range of compound risks and opportunities that affect our entire business. We have been implementing a Group-wide strategy covering climate-related risks and opportunities for our business and our customers. We finance and insure low-carbon energy projects, such as wind and solar, offer customers Green Solutions and provide them with advice on weather-related risk reduction. We incorporate environmental, social and governance factors into our asset management and reduce and offset our own carbon emissions.

Demographic changes are creating both opportunities and challenges for financial services providers. While the urban populations of Asia and Africa are expanding and their middle classes growing, Western populations are aging and their workforces shrinking. With more people over 60 years old than ever before, and declining birth rates, social security systems are under pressure and demand is growing for additional pension provisions. We are responding to these trends through integrated asset management and insurance solutions. Our solid market position in continental Europe and the United States, as well as our strong brand and well-diversified product portfolio put us in an excellent position to further benefit from providing products and services for old-age, health care and assistance.

In emerging economies, the need for formal social security systems is growing due to the weakening of traditional family ties and support networks. From life to health and crop insurance, our growing microinsurance portfolio helps low-income families in developing countries to protect themselves against and better manage the risks in life to build a more secure future. Although financial returns from microinsurance are much lower than from traditional products, we believe that satisfied microinsurance policyholders will bring a mid- to long-term return on investment as many of them move up the economic ladder and graduate towards more regular Allianz products.

The evolution of the digital world has dramatically changed the way customers consume media, search for information or recommendations and buy products. Social networks and other online channels are gaining in importance. In parallel, expectations of service levels are increasing. We are continuously adapting to this new digital lifestyle to stay connected with our stakeholders and improve customer service. In the framework of the Allianz Digital Target Picture program we leverage the opportunities that changing customer preferences provide.

For more information, please refer to the chapter Progress in Sustainable Development from PAGE 59 onwards.

REGULATORY AND LEGAL CHANGES

The insurance industry is faced with increased regulation in developed markets, for example Solvency II in the European Union and the systemic risk discussions (G-SII) led by the Financial Stability Board.

In July 2013, Allianz was identified as global systemically important insurer (G-SII). Policy measures applicable to G-SIIs include recovery and resolution planning requirements, enhanced group-wide supervision and – most likely – harmonized and potentially higher capital requirements. In any event, administrative costs relating to recovery and resolution planning measures will increase.

In addition, Solvency II in particular may heavily impact long-term savings businesses and may also make investments in equities and other asset classes less attractive.

However, these regulatory trends could open up major opportunities as greater capital needs and regulation may lead to sector consolidation where only financially sound insurance companies will survive.

RISK AND OPPORTUNITY MANAGEMENT STRATEGIC INVESTMENTS

As previously described, the Group has a well-established strategy and planning process with all Group operating entities which allows us to understand and respond to local risks and opportunities. This strong diversification across markets, business segments and customer groups gives Allianz a powerful lever to identify new opportunities and manage risks.

In addition to these joint efforts, Allianz has built four operational and strategic pillars to help the Group create opportunities on a wider basis:

Digitalization, enabling us to take advantage of new products through channels to new markets at lower cost: Digitalization is one of our major ongoing Group initiatives and affects all areas of Allianz, including our customers and our employees. This initiative spans everything from the design of new modular products, to new forms of access, to servicing existing customers in a better way. For example we are developing web-based and multi-access customer interaction tools to address changing customer behaviors. On the operational side, we are harmonizing systems across the Group to reduce complexity and improve efficiency. We are making considerable progress in this Group-wide digital transformation program and will invest approximately €300 MN in 2014 to build reusable assets in the three areas of the Allianz Digital Target Picture: Customer Interaction, Analytics & Products and Productivity. These initiatives are based on multi-year strategic infrastructure programs. Allianz will invest approximately €200 MN in 2014 focused primarily on the consolidation of data center operations worldwide and on the implementation of a private global network. Digitalization is also the basis for enhanced management information systems to improve steering. When driving digitalization, security and data confidentiality remain a major priority.

Capital allocation, ensuring that capital is available and allocated appropriately to finance growth initiatives and leveraging the Group's diversification benefits: In 2013, through our focus on capital allocation, we increased dividend payments from our operating entities to further allow the Group to support the financing of growth initiatives. The introduction of further refined return on capital metrics at the level of lines of business further supports the Group's strategic decision making.

Leverage Group synergies: We continue to leverage Group synergies via know-how and best practice sharing in underwriting, product development and operations through Global Property-Casualty and Global Life/Health units. At the same time, we are further developing shared services in various areas, especially in Operations and Finance. Numerous internal efforts are ongoing to identify improvement potentials and share best practices, e.g. in Operations and in Claims Management. In Human Resources, we are strengthening our efforts for international rotation of talents.

Strategic Investments: Strategic investments also open up new business opportunities. For example, Allianz is growing its Business to Business to Customer (B2B2C) area. By pairing up value propositions – Automotive with Roadside Assistance, and International Health with Corporate Assistance – under the roof of Allianz Worldwide Partners, we are taking a distinctive position in the B2B2C market. One major advantage for us is to extend agreements with distributors across global markets in a seamless manner. Allianz also operates an incubator to develop and pilot innovative ideas before they are implemented across the Group.

Controls over Financial Reporting and Risk Capital

Statements pursuant to § 289 (5) and § 315 (2) no. 5 of the German Commercial Code ("Handelsgesetzbuch – HGB") and explanatory report.

Internal controls over financial reporting

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 consolidated financial statements. Our internal control system over financial reporting (ICOFR) is based on the framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in the year 1992 and is regularly reviewed and updated. Our approach also includes the following five interrelated components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. These five components are covered by an Entity Level Control Assessment Process (ELCA), IT General Controls (ITGC) and controls at process levels. The ELCA framework contains controls such as a compliance program or committee governance structure. In the ITGC framework we implemented, for example, controls regarding access right management or project and change management controls.

ACCOUNTING AND CONSOLIDATION PROCESSES

The accounting and consolidation processes we use to produce consolidated financial statements are based on a central consolidation and reporting IT solution and local general ledger solutions. The latter are largely harmonized throughout the Group, using standardized processes, master data, posting logics and interfaces for data delivery to the Holding. Access rights to accounting systems are managed according to strict authorization procedures.

Accounting rules for the classification, valuation and disclosure of all items in the balance sheet, income statement and related notes of the annual and interim financial statements are primarily defined in our Group accounting manual. Internal controls are embedded in the accounting and consolidation processes to safeguard the accuracy, completeness and consistency of the information provided in the financial statements.

INTERNAL CONTROL SYSTEM APPROACH

INTERNAL CONTROL SYSTEM APPROACH

PROCESS

Scoping	Identify risks	Implement key controls	Assessment
Determination of significant accounts and operating entities to be covered by system of internal control.	Identification of risk scenarios that could result in a material financial misstatement.	Implementation of key controls that prevent or detect errors or fraud resulting from risk scenarios.	Assessment of the design and operating effectiveness of key controls.

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts and operating entities that should fall under the *scope of our internal control system over financial reporting*. The methodology is described in our ICOFR manual. During the scoping process, materiality and susceptibility to a misstatement are considered simultaneously. The final results are documented in the list of operating entities under the scope of ICOFR as well as in the list of significant accounts. In addition to the quantitative ICOFR calculation we also consider qualitative criteria – such as expected increase in business volume – which are provided by different Group Centers, Group Audit and external Audit.
- Then, our local entities *identify risks* that could lead to material financial misstatements including all relevant root causes (i.e. human processing errors, fraud, system weaknesses, external factors, etc.). After identifying and analyzing the risks the potential impacts and occurrence probabilities are evaluated.

- *Preventive and detective key controls* over the financial reporting process are put in place to reduce the likelihood and the 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 upon information technology systems, we also include IT controls.

- Finally, we focus on ensuring that controls are appropriately designed and effectively executed. We have set consistent documentation requirements across the Allianz Group for elements such as processes, related key controls and their execution. We conduct an annual *assessment* of our control system to maintain and continuously enhance its effectiveness. Group Audit and local internal audit functions ensure that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness. Internal Audit does so through a comprehensive risk-based approach, which holistically assesses the key controls of the company's internal procedures and processes, including local and Group internal controls over financial reporting.

GOVERNANCE

Responsibility for ensuring the completeness, accuracy and reliability of our consolidated financial statements rests with the Chairman of the Board of Management and the board member responsible for Finance, Controlling and Risk of Allianz SE, supported by Group Center functions, the Group Disclosure Committee and operating entities.

The Group Disclosure Committee ensures that these board members are made aware of all material information that could affect our disclosures and assesses the completeness and accuracy of the information provided in the quarterly and annual financial reports. The committee meets on a quarterly basis before the financial reports are issued.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal control policy and for creating local Disclosure Committees that are similar to the Group-level committee. The entities' CEOs and CFOs provide periodic sign-offs to the management of Allianz SE, certifying the effectiveness of their local system of internal controls as well as the completeness, accuracy and reliability of financial data reported to the Holding.

FURTHER CONTROL MECHANISMS

In our opinion, a strong internal control environment is key to manage our company successfully and to reinforce trust with our stakeholders. In addition to ICOFR, for example, we have implemented an enhanced internal control environment across our largest Life insurance operating entities for the Market Consistent Embedded Value (MCEV) reporting process.

Risk capital controls

Similar to our ICOFR framework, we have also established a robust and comprehensive *control concept in the risk capital calculation and aggregation process,* since our internal risk capital calculations incorporate economic factors that are not fully reflected in the accounting results. We have put in place additional controls within our management reporting processes to ensure that these additional estimates are adequately controlled.

These controls include the validation of models and assumptions by independent reviews and continuous benchmarking to market and/or peer assumptions and practices. We benchmark and explain our non-market assumptions against practices in the industry, actuarial associations and guidance from supervisory authorities.

During 2013, we worked on further improving the internal control environment around the computation of our internal risk capital in anticipation of the future Solvency II regime. We will continue to make refinements as the Solvency II requirements evolve.

1 Erfolgs-
rezept
ist, mit der Natur zu arbeiten. Nicht gegen sie.

Armin Sandhövel,
CEO Allianz Climate Solutions,
Germany

* ONE SUCCESS FACTOR IN BUSINESS IS WORKING WITH NATURE. NOT AGAINST IT.

Our goal is to continually improve our service while doing business in a responsible way. For that reason, we have always attached great importance to forward-looking investments, which lay the foundations for profitable and sustainable growth in our segments.

D – CONSOLIDATED FINANCIAL STATEMENTS

Pages **126–242**

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

€ MN

	Note	as of 31 December 2013	as of 31 December 2012	as of 1 January 2012
ASSETS				
Cash and cash equivalents	7	11,207	12,437	10,492
Financial assets carried at fair value through income[1]	8	7,245	7,283	8,466
Investments[2]	9	411,015	401,628	350,645
Loans and advances to banks and customers	10	116,800	119,369	124,738
Financial assets for unit-linked contracts		81,064	71,197	63,500
Reinsurance assets	11	12,609	13,254	12,874
Deferred acquisition costs	12	22,203	19,452	20,772
Deferred tax assets	42	1,508	1,526	2,474
Other assets	13	34,632	35,196	34,043
Non-current assets classified as held for sale	14	147	15	14
Intangible assets	15	13,100	13,090	13,304
Total assets		**711,530**	**694,447**	**641,322**
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	16	6,013	5,397	6,610
Liabilities to banks and customers	17	23,109	22,425	22,155
Unearned premiums	18	18,212	17,939	17,255
Reserves for loss and loss adjustment expenses	19	66,566	72,540	68,832
Reserves for insurance and investment contracts	20	404,072	390,985	361,956
Financial liabilities for unit-linked contracts	21	81,064	71,197	63,500
Deferred tax liabilities	42	3,178	4,035	3,414
Other liabilities	22	36,883	37,392	33,031
Certificated liabilities	23	8,030	7,960	7,649
Subordinated liabilities	24	11,554	11,614	11,173
Total liabilities		**658,681**	**641,484**	**595,575**
Shareholders' equity		50,084	50,388	43,457
Non-controlling interests		2,765	2,575	2,290
Total equity	**25**	**52,849**	**52,963**	**45,747**
Total liabilities and equity		**711,530**	**694,447**	**641,322**

1 — As of 31 December 2013 and 2012, no financial assets carried at fair value through income are pledged to creditors and can be sold or repledged.

2 — As of 31 December 2013, €2,112 MN (2012: €2,460 MN) are pledged to creditors and can be sold or repledged.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

€ MN

	Note	2013	2012
Gross premiums written		**72,051**	**72,086**
Ceded premiums written		(4,541)	(5,336)
Change in unearned premiums		(882)	(705)
Premiums earned (net)	**26**	**66,628**	**66,045**
Interest and similar income	27	20,918	21,084
Income from financial assets and liabilities carried at fair value through income (net)	28	(1,842)	(511)
Realized gains/losses (net)	29	4,285	4,327
Fee and commission income	30	10,492	9,812
Other income	31	209	214
Income from fully consolidated private equity investments	32	726	788
Total income		**101,416**	**101,759**
Claims and insurance benefits incurred (gross)		(50,178)	(51,744)
Claims and insurance benefits incurred (ceded)		2,376	2,871
Claims and insurance benefits incurred (net)	**33**	**(47,802)**	**(48,873)**
Change in reserves for insurance and investment contracts (net)	34	(13,990)	(14,360)
Interest expenses	35	(1,322)	(1,477)
Loan loss provisions	36	(86)	(111)
Impairments of investments (net)	37	(611)	(934)
Investment expenses	38	(905)	(876)
Acquisition and administrative expenses (net)	39	(22,865)	(22,046)
Fee and commission expenses	40	(3,038)	(2,895)
Amortization of intangible assets	15	(136)	(259)
Restructuring charges	49	(170)	(268)
Other expenses	41	(106)	(94)
Expenses from fully consolidated private equity investments	32	(741)	(847)
Total expenses		**(91,772)**	**(93,040)**
Income before income taxes		**9,644**	**8,719**
Income taxes	42	(3,300)	(3,161)
Net income		**6,344**	**5,558**
Net income attributable to:			
Non-controlling interests		348	327
Shareholders		5,996	5,231
Basic earnings per share (€)	50	13.23	11.56
Diluted earnings per share (€)	50	13.05	11.48

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

€ MN	2013	2012
Net income	**6,344**	**5,558**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	(1)	–
Changes arising during the year	(1,305)	(84)
Subtotal	**(1,306)**	**(84)**
Available-for-sale investments		
Reclassifications to net income	(817)	(689)
Changes arising during the year	(2,537)	6,270
Subtotal	**(3,354)**	**5,581**
Cash flow hedges		
Reclassifications to net income	10	(2)
Changes arising during the year	(63)	67
Subtotal	**(53)**	**65**
Share of other comprehensive income of associates		
Reclassifications to net income	–	(1)
Changes arising during the year	(82)	10
Subtotal	**(82)**	**9**
Miscellaneous		
Reclassifications to net income	–	–
Changes arising during the year	105	175
Subtotal	**105**	**175**
Items that may never be reclassified to profit or loss		
Actuarial gains and losses on defined benefit plans (see note 4)	362	(1,816)
Total other comprehensive income	**(4,328)**	**3,930**
Total comprehensive income	**2,016**	**9,488**
Total comprehensive income attributable to:		
Non-controlling interests	310	524
Shareholders	1,706	8,964

For further details concerning income taxes relating to components of the other comprehensive income, please see note 42.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ MN	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2012, as previously reported	**28,763**	**13,522**	**(1,996)**	**4,626**	**44,915**	**2,338**	**47,253**
Adjustments (see note 4)	–	(1,457)	(1)	–	(1,458)	(48)	(1,506)
Balance as of 1 January 2012, as reported	**28,763**	**12,065**	**(1,997)**	**4,626**	**43,457**	**2,290**	**45,747**
Total comprehensive income[1]	–	3,555	(84)	5,493	8,964	524	9,488
Paid-in capital	52	–	–	–	52	–	52
Treasury shares	–	5	–	–	5	–	5
Transactions between equity holders	–	(64)	8	3	(53)	(62)	(115)
Dividends paid	–	(2,037)	–	–	(2,037)	(177)	(2,214)
Balance as of 31 December 2012	**28,815**	**13,524**	**(2,073)**	**10,122**	**50,388**	**2,575**	**52,963**
Total comprehensive income[1]	–	6,322	(1,234)	(3,382)	1,706	310	2,016
Paid-in capital	55	–	–	–	55	–	55
Treasury shares	–	(2)	–	–	(2)	–	(2)
Transactions between equity holders	–	(20)	(5)	1	(24)	144	120
Dividends paid	–	(2,039)	–	–	(2,039)	(264)	(2,303)
Balance as of 31 December 2013	**28,870**	**17,785**	**(3,312)**	**6,741**	**50,084**	**2,765**	**52,849**

1 — Total comprehensive income in shareholders' equity for the year ended 2013 comprises net income attributable to shareholders of €5,996 MN (2012: €5,231 MN).

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2013	2012
SUMMARY		
Net cash flow provided by operating activities	23,239	18,888
Net cash flow used in investing activities	(22,802)	(14,860)
Net cash flow used in financing activities	(1,435)	(2,036)
Effect of exchange rate changes on cash and cash equivalents	(232)	(47)
Change in cash and cash equivalents	**(1,230)**	**1,945**
Cash and cash equivalents at beginning of period	12,437	10,492
Cash and cash equivalents at end of period	**11,207**	**12,437**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**6,344**	**5,558**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(146)	(143)
Realized gains/losses (net) and impairments of investments (net) of:		
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers	(3,674)	(3,393)
Other investments, mainly financial assets held for trading and designated at fair value through income	920	518
Depreciation and amortization	1,108	1,124
Loan loss provisions	86	111
Interest credited to policyholder accounts	4,163	4,790
Net change in:		
Financial assets and liabilities held for trading	300	(1,755)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	227	256
Repurchase agreements and collateral received from securities lending transactions	95	724
Reinsurance assets	(207)	(266)
Deferred acquisition costs	(720)	(656)
Unearned premiums	832	766
Reserves for loss and loss adjustment expenses	(1,071)	1,101
Reserves for insurance and investment contracts	12,005	9,162
Deferred tax assets/liabilities	375	(68)
Other (net)	2,602	1,059
Subtotal	**16,895**	**13,330**
Net cash flow provided by operating activities	**23,239**	**18,888**

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2013	2012
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,451	2,076
Available-for-sale investments	120,354	124,720
Held-to-maturity investments	836	990
Investments in associates and joint ventures	457	211
Non-current assets classified as held for sale	24	276
Real estate held for investment	663	425
Loans and advances to banks and customers (purchased loans)	9,863	11,424
Property and equipment	200	229
Subtotal	**133,848**	**140,351**
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(860)	(1,121)
Available-for-sale investments	(143,928)	(144,354)
Held-to-maturity investments	(653)	(1,012)
Investments in associates and joint ventures	(850)	(538)
Non-current assets classified as held for sale	–	(229)
Real estate held for investment	(1,504)	(1,112)
Loans and advances to banks and customers (purchased loans)	(6,940)	(5,811)
Property and equipment	(1,484)	(1,607)
Subtotal	**(156,219)**	**(155,784)**
Business combinations (note 5):		
Proceeds from sale of subsidiaries, net of cash disposed	81	–
Acquisitions of subsidiaries, net of cash acquired	(416)	(8)
Change in other loans and advances to banks and customers (originated loans)	**(695)**	**330**
Other (net)	**599**	**251**
Net cash flow used in investing activities	**(22,802)**	**(14,860)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	873	(419)
Proceeds from the issuance of certificated liabilities and subordinated liabilities	6,236	9,084
Repayments of certificated liabilities and subordinated liabilities	(6,204)	(8,315)
Cash inflow from capital increases	47	44
Transactions between equity holders	13	(115)
Dividends paid to shareholders	(2,303)	(2,214)
Net cash from sale or purchase of treasury shares	7	6
Other (net)	(104)	(107)
Net cash flow used in financing activities	**(1,435)**	**(2,036)**

CONSOLIDATED STATEMENTS OF CASH FLOWS — CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN

	2013	2012
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(3,672)	(2,233)
Dividends received	1,355	1,156
Interest received	18,657	18,975
Interest paid	(1,308)	(1,503)

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1 — Nature of operations and basis of presentation

NATURE OF OPERATIONS

Allianz SE and its subsidiaries (the Allianz Group) maintain Property-Casualty insurance, Life/Health insurance and Asset Management operations in over 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarters and Allianz SE as its parent company are located in Munich, Germany. Allianz SE is recorded in the Commercial Register of the municipal court in Munich under its registered address at Koeniginstraße 28, 80802 Munich.

Allianz SE is a stock corporation in the form of a European Company (Societas Europaea). Allianz SE shares are listed on all German stock exchanges and Allianz SE American Depositary Receipts (ADRs) are traded in the U.S. over the counter on OTCQX.

The consolidated financial statements of the Allianz Group for the year ended 31 December 2013 were authorized for issue by the Board of Management on 24 February 2014.

BASIS OF PRESENTATION

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with §315a of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB and endorsed by the E.U. that are compulsory as of 31 December 2013. IFRS comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations developed by the IFRS Interpretations Committee (formerly called the IFRIC) or the former Standing Interpretations Committee (SIC).

IFRS do not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts, the provisions embodied under accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005 have been applied.

The accounting policies adopted are consistent with those of the previous financial year, except for recently adopted IFRS effective 1 January 2013.

The consolidated financial statements are prepared as of and for the year ended 31 December and presented in millions of Euro (€), unless otherwise stated.

2 — Summary of significant accounting policies

PRINCIPLES OF CONSOLIDATION

Scope of consolidation

In line with IAS 27 and SIC 12, the consolidated financial statements of the Allianz Group comprise the financial statements of Allianz SE, its subsidiaries and certain investment funds and special purpose entities (SPEs). Subsidiaries, investment funds and SPEs, hereafter "subsidiaries", which are directly or indirectly controlled by the Allianz Group, are consolidated. Control exists when the Allianz Group has the power to govern the financial and operating policies of the subsidiary generally either when the Allianz Group owns directly or indirectly more than half of the voting rights of the subsidiary or when control can be legally evidenced otherwise because of an agreement with other investors or of a specific corporate charter. In order to determine whether control exists, potential voting rights that are currently exercisable or convertible are taken into consideration. If no control exists from a legal perspective, it is assessed whether control exists from an economic perspective, as in the case of SPEs.

Subsidiaries are consolidated as from the date on which control is obtained by the Allianz Group. Subsidiaries are consolidated up to the date on which the Allianz Group no longer maintains control. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions have been eliminated.

Third-party assets held in an agency or fiduciary capacity are not assets of the Allianz Group and are not presented in these consolidated financial statements.

Business combinations including acquisitions and disposals of non-controlling interests

Business combinations are accounted for using the acquisition method. Non-controlling interests in the acquiree can be measured either at the acquisition date fair value or at the non-controlling interest's proportionate share of the acquired's identifiable net assets. This option is exercised on a case-by-case basis.

Investments in associates and joint ventures

In general, if the Allianz Group holds 20% or more of voting power in an investee but does not control the investee, it assumes to exercise significant influence, unless it can be clearly demonstrated that this is not the case. Investments in associates over which the Allianz Group exercises significant influence are generally accounted for using the equity method.

Joint ventures are entities over which the Allianz Group and one or more other parties have joint control. Joint ventures are generally accounted for using the equity method.

The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associates and joint ventures, which reflects the earnings rather than the distributions of the associate or jointly controlled entity, is included in interest and similar income. Profits or losses resulting from transactions between the Allianz Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. Accounting policies of associates and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

FOREIGN CURRENCY TRANSLATION

Translation from any foreign currency into functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at historical rates and non-monetary items that are measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Translation to the presentation currency

For the purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the presentation currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded in other comprehensive income.

PRINCIPLES OF ACCOUNTING FOR FINANCIAL ASSETS

Recognition

Financial assets are generally recognized and derecognized on the trade date, i.e. when the Allianz Group commits to purchase or sell securities or incur a liability.

Financial instruments are initially recognized at fair value plus, in the case of financial instruments not carried at fair value through income, directly attributable transaction costs.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Securities lending and repurchase agreements

The Allianz Group enters into securities lending transactions and repurchase agreements. If all of the risks and rewards of the securities remain substantially with the Allianz Group these securities are not derecognized. Cash received as collateral in securities lending transactions is recognized together with a corresponding liability, whereas securities received as collateral are not recognized under the terms of the agreements if risks and rewards have not been transferred.

For repurchase agreements, the proceeds received from the sale are reported under liabilities to banks or customers. Interest expenses from repo transactions are accrued over the duration of the agreements and reported in interest expenses. If for reverse repo transactions all of the risks and rewards of the securities remain substantially with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expenses.

Impairment of available-for-sale and held-to-maturity investments as well as loans and advances to banks and customers

A held-to-maturity or available-for-sale debt security, as well as a loan, is impaired if there is objective evidence that a loss event has occurred after initial recognition of the security and up to the relevant date of the Allianz Group's consolidated balance sheet, and that loss event has negatively affected the estimated future cash flows, i.e. amounts due according to the contractual terms of the security are not considered collectible. For available-for-sale debt securities, the cumulative loss recognized in the other comprehensive income is reclassified to profit or loss. The cumulative loss corresponds to the difference between amortized cost and the current fair value of the investment. Further declines in fair value are recognized in other comprehensive income unless there is further objective evidence that such declines are due to a credit-related loss event. If in subsequent periods objective evidence results in a fair value increase after the impairment loss was recognized, the impairment loss is reversed through the income statement. The reversal is measured as the lesser of the full original impairment loss previously recognized in the income statement and the subsequent increase in fair value. For held-to-maturity investments and loans, the impairment loss is measured as the difference between the amortized cost and the expected future cash flows using the original effective interest rate. If the amount of the impairment of a held-to-maturity debt security or a loan subsequently increases or decreases due to an event occurring after the initial measurement of impairment, the change is recorded in the income statement.

For banking entities, valuation allowances of their loan book are reported as loan loss allowances. For all non-banking entities, loans to banks and customers have investment character and valuation allowances are reported as 'impairments of investments'. For the loan loss allowance reported by banking entities, please refer to notes 10 and 36. Allowances for loans to banks and customers by non-banking entities are reported in note 37.

An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a decline to be significant if the fair value is below the weighted average cost by more than 20%. A decline is considered to be prolonged if the fair value is below the weighted average cost for a period of more than nine months. If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement but recycled out of other comprehensive income when sold.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Hedge accounting

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting, the Allianz Group designates the derivative as a hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into the hedge transaction. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the change in fair value of the hedged item attributable to the hedged risk, are recognized in income from financial assets and liabilities carried at fair value through income (net).

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in other comprehensive income, and are transferred to the consolidated income statement when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

Furthermore, hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The effective proportion of gains or losses arising from the valuation of the derivative financial instrument is recognized in foreign currency translation adjustments in other comprehensive income, while any ineffectiveness is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

Derivative financial instruments that meet the criteria for hedge accounting are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when the hedge is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group decides that hedge accounting is no longer appropriate.

Derivative financial instruments designated in hedge accounting relationships are included in the line item other assets and liabilities. Freestanding derivatives are included in the line item financial assets or liabilities held for trading. For further information on derivatives, please refer to note 43.

Disclosures relating to financial assets

The following table summarizes the relationship between the balance sheet positions and the classes of financial instruments according to IFRS 7. The balance sheet positions are the same as the IAS 39 categories except when noted in parentheses.

BALANCE SHEET LINE ITEMS, IAS 39 CATEGORIES AND IFRS 7 CLASSES OF FINANCIAL INSTRUMENTS

	Measurement basis
FINANCIAL ASSETS	
Cash and cash equivalents	Nominal value
Financial assets carried at fair value through income	
Financial assets held for trading	Fair value
Financial assets designated at fair value through income	Fair value
Investments	
Available-for-sale investments	Fair value
Held-to-maturity investments	Amortized cost
Loans and advances to banks and customers (Loans and receivables)	Amortized cost
Financial assets for unit-linked contracts	Fair value
Other assets	
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
FINANCIAL LIABILITIES	
Financial liabilities carried at fair value through income	
Financial liabilities held for trading	Fair value
Financial liabilities designated at fair value through income	Fair value
Liabilities to banks and customers (Other liabilities)	Amortized cost
Reserves for insurance and investment contracts	
Non-unit-linked investment contracts	Amortized cost
Financial liabilities for unit-linked contracts	Fair value
Other liabilities	
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
Financial liabilities for puttable equity instruments	Redemption amount
Certificated liabilities (Other liabilities)	Amortized cost
Subordinated liabilities (Other liabilities)	Amortized cost
OFF-BALANCE SHEET	
Financial guarantees	Nominal value
Irrevocable loan commitments	Nominal value

Please refer to note 44 for details on fair value measurement and further disclosures under IFRS 7. Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, as well as checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income. Financial assets and liabilities held for trading consist of debt and equity securities that have been principally acquired for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future as well as of derivative financial instruments, which include bifurcated embedded derivatives of hybrid financial instruments and of insurance contracts.

Financial assets and liabilities are designated at fair value through income to eliminate or significantly reduce an accounting mismatch. Subsidiaries must reach out to the Group Accounting and Reporting department for approval before designating any financial asset or liability as at fair value through income.

INVESTMENTS

Available-for-sale investments

Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances, or financial assets carried at fair value through income. Available-for-sale investments are initially recognized and subsequently measured at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are recognized as a separate component of other comprehensive income, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. When an available-for-sale investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognized in the consolidated income statement. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These securities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Funds held by others under reinsurance contracts assumed

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairment for balances that are deemed not to be recoverable.

Investments in associates and joint ventures

Please see the section Principles of Consolidation for details on the accounting for investments in associates and joint ventures.

Real estate held for investment

Real estate held for investment (i.e. real estate and rights equivalent to real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. At each reporting date or whenever there are any indications that the carrying amount may not be recoverable, real estate is tested for impairment by determining its recoverable amount. Subsequent costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are expensed as incurred.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets held for trading, designated at fair value through income or designated as available for sale. Loans and advances are initially recognized at fair value. Subsequently, they are recorded at amortized cost using the effective interest method. Interest income is accrued on the unpaid principal balance, net of impairments. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of other interest income yield over the lives of the related loans.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS

Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

REINSURANCE ASSETS

Assets and liabilities related to reinsurance are reported on a gross basis. Reinsurance assets include balances expected to be recovered from reinsurance companies. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the claim liability associated with the reinsured risks. To the extent that the assuming reinsurers are unable to meet their obligations, the respective ceding insurers of the Allianz Group remain liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition and renewal of insurance contracts and investment contracts with discretionary participation features are deferred by recognizing a DAC asset. DAC generally consists of commissions, underwriting expenses and policy issuance costs. At inception, DAC is tested to ensure that it is recoverable over the life of the contracts. Subsequently, loss recognition tests at the end of each reporting period ensure that only the amount of DAC that is covered by future profits is carried on the consolidated balance sheet. Please refer to the section reserves for insurance and investment contracts, where details on the corresponding liability adequacy test are explained.

For short-duration, traditional long-duration, and limited-payment insurance contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type and participating life insurance contracts as well as investment contracts with discretionary participation features, DAC is generally amortized over the life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), respectively. EGP and EGM are based on historical and anticipated experience, which is determined on a best estimate basis and evaluated at the end of each reporting period, with the effect of changes being recognized in the net income in the period revised.

Acquisition costs for unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at fair value are deferred in accordance with IAS 18 if the costs are incremental. For non-unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at amortized cost, acquisition costs that meet the definition of transaction costs under IAS 39 are considered in the aggregate policy reserves.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Present value of future profits (PVFP)

The value of an insurance business or an insurance portfolio acquired is measured by the PVFP, which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the related contracts.

Deferred sales inducements

Sales inducements on insurance contracts are deferred and amortized using the same methodology and assumptions as for deferred acquisition costs when they meet the following criteria: the sales inducements are recognized as part of the reserves, are explicitly identified in the contract at inception and incremental to amounts credited on similar contracts without sales inducements and higher than the contract's expected ongoing crediting rates for periods after the inducement.

Shadow accounting

For insurance contracts and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements in order to include the effect of unrealized gains or losses in the measurement of these assets in the same way as it is done for realized gains or losses. Accordingly, the assets are adjusted with corresponding charges or credits recognized directly in other comprehensive income as a component of the related unrealized gain or loss. When the gains or losses are realized, they are recorded in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

DEFERRED TAX ASSETS

The calculation of deferred tax assets is based on tax loss carry forwards, unused tax credits and on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates which have been substantively enacted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets on losses carried forward are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest and rent as well as own-used property and equipment.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Own-used property and equipment generally is carried at cost less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis over their estimated useful lives.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and amortized on a straight-line basis over the estimated useful service lives or contractual terms.

The Allianz Group also records the fixed assets of its fully consolidated private equity investments and alternative investments within property and equipment. These assets are carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets.

The table below summarizes estimated useful lives for real estate held for own use, equipment, software and fixed assets of alternative investments.

ESTIMATED USEFUL LIVES (IN YEARS)

	Years
Real estate held for own use	max. 50
Software	2 – 10
Equipment	2 – 10
Fixed assets of alternative investments	4 – 25

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives mainly consist of goodwill resulting from business combinations. It is initially recorded at cost and subsequently measured at cost less accumulated impairments. Goodwill is allocated to each of the Allianz Group's cash generating units expected to benefit from the business combination. The Allianz Group conducts an annual impairment test of goodwill during the fourth quarter or more frequently if there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment amount is allocated to first reduce any goodwill, followed by allocation to the carrying amount of any remaining non-financial assets of the cash generating unit. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets with finite useful lives primarily consist of distribution agreements. They are initially recorded at cost which generally is the purchase price plus directly attributable costs or, when acquired with business combinations, at fair value if the intangible asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Distribution agreements are subsequently recorded at cost less accumulated depreciation and impairments. The assets generally are depreciated on a straight-line basis over their useful lives or contractual term.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

PRINCIPLES OF ACCOUNTING FOR INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Insurance contracts under which the Allianz Group accepts significant insurance risk and investment contracts with discretionary participating features are accounted for under the insurance accounting provisions of US GAAP as at first-time adoption of IFRS 4 on 1 January 2005 when IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by the Allianz Group that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Insurance liability adequacy testing

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, capitalized DAC, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income.

For traditional long-duration contracts and limited-payment contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover capitalized DAC, a premium deficiency is recognized.

For other long-duration contracts, if the present value of estimated gross profits or margins, plus unearned revenue liability if applicable, will not be sufficient to recover capitalized DAC, a premium deficiency is recognized.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

UNEARNED PREMIUMS

For short-duration insurance contracts, like most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenue which are included in unearned premiums. These fees are recognized using the same amortization methodology as DAC.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which 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 losses (IBNR).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable. Discounted loss reserves as well as their unwinding are presented within reserves for insurance and investment contracts to better reflect the nature of the reserves and to only reflect the net underwriting result within the key performance indicator combined ratio.

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves

The aggregate policy reserves for participating life insurance contracts are calculated using the net level premium method based on assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds).

For traditional long-duration insurance contracts, such as traditional life and health products, aggregate policy reserves are computed using the net level premium method based on best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs.

The aggregate policy reserves for universal life-type insurance contracts are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserve for universal life-type contracts includes insurance reserves for unit-linked insurance contracts and investment contracts with discretionary participation features as well as liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to non-traditional contracts with annuitization options.

Universal life-type and investment-type insurance contracts features which are not closely related to the underlying insurance contracts are bifurcated from the insurance contracts and accounted for as derivatives in line with IFRS 4 and IAS 39.

The assumptions used for aggregate policy reserves are determined using current and historical client data, industry data, and in the case of assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses. The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves were as follows:

INTEREST RATE ASSUMPTIONS

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5–6.0%	2.2–5.0%
Aggregate policy reserves	2.5–6.0%	0.8–4.3%

The Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies, and thus has not separately recognized an unbundled deposit component in respect of any of its insurance contracts.

Non-unit-linked investment contracts without discretionary participating features are accounted for under IAS 39. The aggregate policy reserve for those contracts is initially recognized at fair value, or the amount of the deposit by the contract holder, net of the transaction costs that are directly attributable to the issuance of the contract. Subsequently, those contracts are measured at amortized cost using the effective interest rate method.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Reserves for premium refunds

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRS-based financial statements and the local financial statements (latent reserve for premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized, based on and similar to shadow accounting. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS

The fair value of financial liabilities for unit-linked contracts is equal to the fair value of the financial assets for unit-linked contracts.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognized for temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases.

OTHER LIABILITIES

Other liabilities primarily consist of payables, provisions for pensions and similar obligations, employee-related provisions, deposits retained for reinsurance ceded, and financial liabilities for puttable equity instruments.

Pensions and similar obligations

For defined benefit plans, the Allianz Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related service cost and, where applicable, past service cost. All actuarial gains and losses are recognized immediately in other comprehensive income (OCI). While all remeasurements and experience adjustments need to be recognized in OCI, service and interest costs are recognized in the profit or loss account. The long-term return on plan assets is calculated using the same interest rate used to discount the defined benefit obligation, i.e. high-quality corporate bonds at the end of the reporting period.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Share-based compensation plans

The share-based compensation plans of the Allianz Group are classified as either equity-settled or cash-settled plans. Equity-settled plans are measured at fair value on the grant date and recognized as an expense, with a corresponding increase to shareholders' equity, over the vesting period. Equity-settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash-settled plans, the Allianz Group accrues the fair value of the award as a compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as a compensation expense.

Restructuring provisions

Restructuring provisions are recognized when programs materially change the scope of business performed by an operating entity or business unit or the manner in which business is conducted and when a detailed formal plan has been announced.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments primarily include the non-controlling interests in shareholders' equity of controlled mutual funds. These interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset (puttable instrument). These liabilities are generally required to be recorded at the redemption amount with changes recognized in income.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

Certificated liabilities and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

EQUITY

Issued capital represents the mathematical per share value received from the issuance of shares. Capital reserves represent the premium, or additional paid-in capital, received from the issuance of shares.

Retained earnings comprise the net income of the current year, not yet distributed earnings of prior years and treasury shares as well as any amounts directly recognized in equity according to IFRS. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments that meet the criteria for cash hedge accounting or hedges of a net investment in a foreign entity. Please refer to the above sections for foreign currency, where foreign currency changes that are recognized in other comprehensive income are explained.

Non-controlling interests represent equity in subsidiaries, not attributable directly or indirectly, to Allianz as parent.

PREMIUMS

Premiums for short-duration insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Premiums for long-duration insurance contracts are recognized as earned when due. Long-duration insurance contracts are contracts that are not cancelable by the insurance company, guaranteed to be renewable and expected to remain in force over an extended period of time.

Revenues for universal life-type and investment contracts represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration, and are included within premiums earned (net).

Premiums ceded for reinsurance are deducted from premiums earned.

INTEREST AND SIMILAR INCOME AND INTEREST EXPENSES

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities and income from investments in associates and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Share of earnings from investments in associates and joint ventures represents the share of net income from entities accounted for using the equity method.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expenses and transaction costs are included in this line item. Foreign currency gains and losses on monetary items are also reported within income from financial assets and liabilities carried at fair value through income (net).

FEE AND COMMISSION INCOME

Fee and commission income primarily consists of asset management fees that are recognized when the service is provided.

CLAIMS AND INSURANCE BENEFITS INCURRED

Benefits charged to expense consist of claims and insurance benefits incurred during the period, including benefit claims in excess of policy account balances and interest credited to policy account balances. Furthermore, it includes claim handling costs that are directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Income tax expense consists of current taxes on taxable income actually charged to the individual Allianz Group companies and changes in deferred tax assets and liabilities. Expense and income from interest and penalties to or from tax authorities are included in current taxes.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

3 — Use of estimates and assumptions

The preceding note 2 describes the accounting policies that the Allianz Group follows in preparing its consolidated financial statements. The section below describes how certain reported figures can be significantly affected by the use of estimates and assumptions, and the processes the Allianz Group has in place to control the judgments which are made.

Both sides of the Allianz Group's balance sheet have a high degree of estimation and numerous assumptions embedded in the valuation of assets and liabilities. The estimation process and selection of appropriate assumptions requires significant judgment to be applied and management decisions to be taken in order to establish appropriate values for these assets and liabilities. Any change in the assumptions and estimates could, in certain circumstances, significantly affect the reported results and values because the range of reasonable judgment in some cases may be very large. The Allianz Group understands the degree of impact that these judgments may have and has established a strong system of governance as well as controls, procedures and guidelines to ensure consistency and soundness over these judgments.

Subsidiaries of the Allianz Group are required to establish controls which promote a culture of good judgment and sound decision-making around accounting estimates. These include providing training programs, hiring people with the right background for the job (i.e. certified or experienced accountants, actuaries and finance professionals), and providing formalized policies and procedures manuals for accounting and internal controls.

At the Allianz Group level, processes and committees have been established to ensure sound judgment and consistent application of the Allianz Group's standards. Furthermore, the Allianz Group has a culture that is strongly committed to reliability, encourages open and transparent discussions, provides a venue for asking questions and admitting mistakes, recognizes experts and expertise, and respects the four eyes principle of review. Committees, none of which are chaired by the CFO of the Allianz Group, ensure that judgmental decisions and selection of assumptions are discussed in an open setting among experts and that inconsistencies are identified and resolved.

Complex accounting areas that are especially sensitive to the estimates and assumptions are described in the following sections.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES, RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS AND DEFERRED ACQUISITION COSTS

As of 31 December 2013, the Allianz Group reported:[1]

- reserves for loss and loss adjustments expenses of €66,566 MN mainly for the Property-Casualty operations, including run-off business and reinsurance business assumed,
- reserves for insurance and investment contracts of €404,072 MN mainly for the Life/Health operations and
- deferred acquisition costs of €22,203 MN.

Life/Health reserves are dependent on estimates and assumptions, especially on the life expectancy of an insured individual (mortality and longevity risk) and on the development of interest rates and investment returns (asset-liability mismatch risk). These assumptions also have an impact on the presentation of costs arising from the origination of insurance business (acquisition costs and sales inducements) and the value of acquired insurance business (PVFP). To ensure consistency in the application of actuarial methods and

1 — Please refer to note 2 Summary of significant accounting policies. For further details, please refer to note 12 Deferred acquisition costs, note 19 Reserves for loss and loss adjustment expenses and note 20 Reserves for insurance and investment contracts.

assumptions in the Life/Health reserving process, the Allianz Group has designed a two-stage reserving process. In a first stage, Life/Health reserves are calculated by qualified local staff experienced in the business of the subsidiaries. Actuaries in the local entities also conduct tests of the adequacy of the premiums and reserves to cover future claims and expenses (liability adequacy tests). The process follows Group-wide standards for applying consistent and plausible assumptions. The appropriateness of the reserves and compliance with the Group-wide standards is confirmed by the local actuary. In a second stage, the Allianz Group Actuarial Department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions, and analyzes the movements of reserves. Any adjustments to reserves and other insurance-related reporting items are reported to and analyzed together with the Allianz Group Reserve Committee.

Property-Casualty reserves are particularly dependent on the use of estimates and judgment regarding the development of loss reserves. Similar to Life/Health, a two-stage reserving process is in place.

In a first stage, in each jurisdiction, reserves are calculated for individual lines of business, taking into consideration a wide range of local factors. This local reserving process begins with local reserving actuaries gathering data, typically dividing reserving data into the smallest possible homogeneous segments, while maintaining sufficient volume to form the basis for stable projections. Once data is collected, they derive patterns of loss payment and emergence of claims based on historical data organized into development triangles arrayed by accident year versus development year. Loss payment and reporting patterns are selected based on observed historical development factors and also on the judgment of the reserving actuary using an understanding of the underlying business, claims processes, data and systems as well as the market, economic, societal and legal environment. Expected loss ratios are then developed, which are derived from the analysis of historical observed loss ratios, adjusted for a range of factors such as loss development, claims inflation, changes in premium rates, changes in portfolio mix and changes in policy terms and conditions.

Using the development patterns and expected loss ratios described above, local reserving actuaries produce estimates of ultimate loss and allocated loss adjustment expenses using several methods, such as Loss Development or Chain-Ladder Method, Bornhuetter-Ferguson Method, or Frequency-Severity Methods.

Using the above estimate of ultimate loss and LAE by accident year – with respect to the origin year of losses – subsidiaries of the Allianz Group directly estimate the total loss and LAE reserves by subtracting cumulative payments for claims and LAE through the relevant balance sheet date. Finally, local reserving actuaries calculate the relevant IBNR reserves as the difference between

- the total loss and LAE reserves, and
- the case reserves as established by claims adjusters on a case-by-case basis.

Estimates for the current accident year determine the loss ratios and profitability of the business of the most recent year. For all prior accident years the change in estimates is reported as a run-off – adverse or favorable – in the consolidated income statement.

As loss reserves represent estimates of uncertain future events, the local reserving actuaries determine a range of reasonably possible outcomes. To analyze the variability of loss reserve estimates, actuaries employ a range of methods and approaches, including simple sensitivity testing using alternative assumptions, as well as more sophisticated stochastic techniques. The Allianz Group's reserving standards require that all local reserve committees in Allianz subsidiaries meet quarterly to discuss and document reserving decisions as well as to select the best estimate of the ultimate amount of reserves within a range of possible outcomes and to document the rationale for that selection for the particular entity.

In a second stage, the Allianz Group Actuarial department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions. Significant aspects are reported to the Allianz Group Reserve Committee to initiate actions when necessary.

For Life/Health and for Property-Casualty the central oversight process includes the following key components:

Group-wide standards and guidelines: They define the reserving practices which must be conducted by each subsidiary including aspects of assumptions and estimates. This includes the organization and structure, data, methods, and reporting. The Allianz Group Actuarial Department monitors compliance with these standards and guidelines.

Regular site visits: The Allianz Group Actuarial Department regularly visits Allianz subsidiaries in order to ensure that they apply the Group-wide standards and guidelines. The on-site review focuses on all significant changes in assumptions and methodologies as well as on procedures and professional practices relevant for the reserving process. Furthermore, these meetings are to update knowledge of the underlying local business developments.

Regular quantitative and qualitative reserve monitoring: On a quarterly basis, the Allianz Group Actuarial Department monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly data submitted by the subsidiaries as well as through frequent dialogue with local actuaries.

The oversight and monitoring of the Allianz Group's reserves culminate in quarterly meetings of the Allianz Group Reserve Committee, which is the supervising body that governs all significant reserves. It particularly monitors key developments across the Allianz Group affecting the adequacy of loss reserves.

FAIR VALUE AND IMPAIRMENTS OF FINANCIAL INSTRUMENTS

As of 31 December 2013, the Allianz Group reported financial instruments carried at fair value as follows:[1]

- €161,490 MN of the financial assets and €81,324 MN of the financial liabilities carried at fair value are classified within level 1 of the fair value hierarchy (quoted prices in active markets)

- €308,650 MN of the financial assets and €4,281 MN of the financial liabilities carried at fair value are classified within level 2 of the fair value hierarchy (valuation techniques with mainly observable market inputs)

- €10,267 MN of the financial assets and €4,694 MN of the financial liabilities carried at fair value are classified within level 3 of the fair value hierarchy (valuation techniques with significant input being non-observable). Level 3 financial assets represent 2.1% of the Allianz Group's total financial assets carried at fair value. Financial liabilities classified as Level 3 represent 5.2% of the Allianz Group's total financial liabilities carried at fair value.

Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. When appropriate, values are adjusted on the basis of available market information including pricing, credit-related factors, volatility levels, and liquidity considerations. If sufficient market information is unavailable, management's best estimate of a particular input is used to determine the value.

The evaluation of whether a financial debt security is impaired requires analysis of the underlying credit risk/ quality of the relevant issuer and involves significant management judgment. In particular, current publicly available information relating to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not by itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

In general, the subsidiaries assume responsibility for assessing fair values and evaluating impairments of financial instruments. This process is consistent with the decentralized organizational structure and reflects the fact that local managers are often best suited to analyze securities trading in local markets. Nevertheless, the subsidiaries are responsible for adhering to the Allianz Group's internal control policy regarding impairment assessment, measurement and disclosure. Subsidiaries must report all impairment decisions on debt securities to the Allianz Group Accounting and Reporting department, which then reviews them for consistency and resolves discrepancies.

GOODWILL

As of 31 December 2013, the Allianz Group reported total goodwill of €11,544 MN, of which: [2]

- €2,273 MN related to the Property-Casualty business
- €2,159 MN related to the Life/Health business
- €6,805 MN related to the Asset Management business and
- €307 MN related to the business segment Corporate and Other.

Goodwill represents the excess of the consideration transferred in a business combination over the net identifiable assets acquired. Upon acquisition, goodwill is allocated to the cash generating units (CGU) that are expected to benefit from the acquisition. Since goodwill is not amortized, the Allianz Group must evaluate at least annually whether the carrying value per CGU is deemed recoverable. This is assumed as long as the carrying value is not in excess of the unit's estimated recoverable amount. If it is not deemed recoverable, the excess goodwill will need to be impaired.

The recoverable amounts of all cash generating units are typically determined on the basis of value in use calculations. The determination of a CGU's recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions. These assumptions include selection of appropriate discount rates, planning horizons, capitalization requirements and the expected future business results. Assumptions may need to change as economic, market and business conditions change. As such, the Allianz Group continuously evaluates external conditions and the operating performances of the CGUs.

The Allianz Group's processes and controls around the estimation of recoverable amounts are generally applied at the Allianz Group level and are designed to minimize subjectivity. For example, the assumptions used are required to be consistent with the parameters

1 — Please refer to the consolidated financial statements note 2 Summary of significant accounting policies, note 37 Impairments of investments (net) and note 44 Financial instruments for further details regarding financial instruments and impairments.

2 — Please refer to note 2 Summary of significant accounting policies and note 15 Intangible assets for further details.

of the well-defined planning and controlling processes. Important input factors for those calculations are the business plan, the estimate of the sustainable returns and eternal growth rates, as is further explained in note 15. The Allianz Group also performs sensitivity tests with regard to key value drivers, such as projected long-term combined ratios or discount rates. Furthermore, the Allianz Group reviews market-based business transaction multiples where available. This information is used to assess reasonableness since directly comparable market value information is not generally available. The Allianz Group believes that the controls over assessing the recoverability of goodwill ensure both consistent and reliable results.

DEFERRED TAX ASSETS

As of 31 December 2013, the Allianz Group reported deferred tax assets of €1,508 MN. The deferred tax assets before netting with deferred tax liabilities amounted to €15,555 MN. €1,561 MN thereof resulted from tax losses which are carried forward to future periods.[1]

Deferred taxes are determined based on tax loss carry forwards, unused tax credits and on temporary differences between the Allianz Group's carrying amounts of assets and liabilities in its consolidated balance sheet and their tax bases. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization. Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the character and amounts of taxable future profits, the periods in which those profits are expected to occur as well as the availability of tax planning opportunities.

The analysis and forecasting required in this process, and as a result the determination of the deferred tax assets, is performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, Group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecasted operating results are based upon approved business plans which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or preceding period.

Recognition and recoverability of all significant deferred tax assets are reviewed by tax professionals at Group level and the Allianz Group Tax Committee.

PENSION LIABILITIES AND SIMILAR OBLIGATIONS

As of 31 December 2013, the Allianz Group reported a defined benefit obligation for defined benefit plans of €19,110 MN which is offset by the fair value of plan assets of €11,668 MN.[2]

Liabilities for pension and similar obligations and related net pension expenses are determined in accordance with actuarial valuation models. These valuations rely on extensive assumptions. Key assumptions including discount rates, inflation rates, compensation increases, pension increases and rates of medical cost trend are defined centrally at the Allianz Group level considering the circumstances in the particular countries. In order to ensure their thorough and consistent determination, all input parameters are discussed and defined, taking into consideration economic developments, peer reviews, currently available market and industry data. The discount rate assumptions are determined by reference to yields of high-quality corporate bonds of appropriate duration and currency at the balance sheet date. In countries where there is no deep market in such bonds, market yields on government bonds are generally used as discount rates.

Due to changing market and economic conditions, the underlying assumptions may differ from actual developments. Potential financial impacts from deviations in certain critical assumptions based on respective sensitivity analyses are disclosed in note 47.

RESTRUCTURING PROVISIONS

As of 31 December 2013, the Allianz Group reported a provision for restructuring programs of €214 MN.[3]

Provisions for restructuring programs are recognized when the Allianz Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features. The detailed formal plan of a restructuring program is based on several estimates and assumptions, such as the number of employees to be dismissed, amount of compensation payments, impacts of onerous contracts, possibilities of sub-leases, timing of the various steps of the program and in consequence timing of the expected cash flows.

Generally, the subsidiaries, which are undertaking the restructuring program, set up a formal plan and determine all underlying estimates and assumptions. Therefore, it is the Allianz Group's policy that the subsidiaries are responsible for an adequate planning process, controlling the execution of the program, and for the fulfillment of all requirements of IFRS. The respective documentation has to be submitted to the Allianz Group Accounting and Reporting department, where qualified staff members review all restructuring programs. This includes a review of all estimates and assumptions, and an assessment of whether all requirements for setting up a restructuring provision are satisfied, including which cost components can be treated as restructuring charges.

1 — Please refer to note 2 Summary of significant accounting policies and note 42 Income taxes for further details.

2 — Please refer to note 2 Summary of significant accounting policies and note 47 Pensions and similar obligations for further details.

3 — Please refer to note 2 Summary of significant accounting policies and note 49 Restructuring plans for further details.

4 — Recently adopted and issued accounting pronouncements and changes in the presentation of the consolidated financial statements

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

effective 1 January 2013

Amendments to IAS 19, Employee Benefits

The amendments eliminate the corridor approach and require all actuarial gains and losses to be recognized immediately in other comprehensive income (OCI). While all remeasurements need to be recognized in OCI, service and interest costs have to be recognized in the profit or loss account. The long-term return on plan assets has to be calculated using the same interest rate used to discount the defined benefit obligation (DBO).

The amendments to IAS 19 are applied retrospectively.

The following tables present the impacts of the adoption of the amendments to IAS 19 on the consolidated balance sheet as of 1 January 2012 and as of 31 December 2012.

CHANGE OF CONSOLIDATED BALANCE SHEET RELATING TO AMENDMENTS TO IAS 19, EMPLOYEE BENEFITS AS OF 1 JANUARY 2012

€ MN

as of 1 January 2012	As previously reported	Amendments to IAS 19	As reported
Deferred tax assets	2,321	153	2,474
Other assets	34,346	(303)	34,043
Total assets	**641,472**	**(150)**	**641,322**
Reserves for insurance and investment contracts	361,954	2	361,956
Deferred tax liabilities	3,881	(467)	3,414
Other liabilities	31,210	1,821	33,031
Total liabilities	**594,219**	**1,356**	**595,575**
Shareholders' equity	44,915	(1,458)	43,457
Non-controlling interests	2,338	(48)	2,290
Total equity	**47,253**	**(1,506)**	**45,747**
Total liabilities and equity	**641,472**	**(150)**	**641,322**

CHANGE OF CONSOLIDATED BALANCE SHEET RELATING TO AMENDMENTS TO IAS 19, EMPLOYEE BENEFITS AS OF 31 DECEMBER 2012

€ MN

as of 31 December 2012	As previously reported	Amendments to IAS 19	As reported
Deferred tax assets	1,270	256	1,526
Other assets	35,626	(430)	35,196
Total assets	**694,621**	**(174)**	**694,447**
Reserves for insurance and investment contracts	390,987	(2)	390,985
Deferred tax liabilities	5,169	(1,134)	4,035
Other liabilities	33,175	4,217	37,392
Total liabilities	**638,403**	**3,081**	**641,484**
Shareholders' equity	53,553	(3,165)	50,388
Non-controlling interests	2,665	(90)	2,575
Total equity	**56,218**	**(3,255)**	**52,963**
Total liabilities and equity	**694,621**	**(174)**	**694,447**

The adoption of the amendments to IAS 19 on the consolidated income statement for the year ended 31 December 2012 led to an increase in income before income taxes of €88 MN and an increase in income taxes of €21 MN. This resulted in an increase in the earnings per share of 14 cents.

The impact on the total other comprehensive income was €(1,816) MN for the year ended 31 December 2012.

The impact on the consolidated statements of cash flows was immaterial.

Further adopted accounting pronouncements

In addition to the amendments to IAS 19, Employee Benefits, the following new standard, amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2013:

- IAS 1, Presentation of Financial Statements – Amendment to Presentation of Items of Other Comprehensive Income,
- IFRS 7, Financial Instruments: Disclosures – Amendments to Offsetting Financial Assets and Financial Liabilities,
- IFRS 13, Fair Value Measurement,
- Annual Improvements to IFRS 2009-2011.

The Allianz Group adopted the new standard, the revisions and amendments as of 1 January 2013, with no material impact on its financial results or financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

effective on or after 1 January 2014 and not adopted early

IFRS 9, Financial Instruments: Classification and Measurement

IFRS 9, Financial Instruments: Classification and Measurement, was issued by the IASB in November 2009 and is part of the project to replace IAS 39 with a new standard. The project is divided into three phases: classification and measurement, impairment and hedge accounting. The IASB announced that the effective date for IFRS 9 will be 1 January 2018. The Allianz Group is currently evaluating the impact of IFRS 9 on its consolidated financial statements.

IFRSS 10, 11, 12, Amendments to IAS 27 and 28 – Consolidation

As part of the consolidation project, the IASB issued IFRSS 10, 11 and 12 as well as amendments to IAS 27 and IAS 28 in May 2011. Further amendments were issued in 2012 on transition guidance and investment entities. These new standards and amendments are generally effective for periods beginning on or after 1 January 2013. However, the E.U. endorsed these IFRSS with a mandatory effective date for periods beginning on or after 1 January 2014. The aim of the consolidation project was to develop a single consolidation model that applies the same criteria for all entities. In this context, the IASB reaffirmed the control concept as the primary determinant for consolidation, revised the definition of 'control' and enhanced related disclosure requirements. IFRS 10, Consolidated Financial Statements, supersedes the requirements of IAS 27, Consolidated and Separate Financial Statements, for consolidated financial statements as well as SIC-12, Consolidation – Special Purpose Entities. Financial reporting in separate financial statements is set out by the amended version of IAS 27. The revised version of IAS 28, Investments in Associates and Joint Ventures, supersedes the former IAS 28, Investments in Associates. It defines 'significant influence', provides guidance on the application of the equity method of accounting and describes how impairment is assessed in associates and joint ventures. IFRS 11, Joint Arrangements, supersedes IAS 31, Interests in Joint Ventures, as well as SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The standard requires entities to define their rights and obligations arising from a joint arrangement such as joint operations or joint ventures and provides guidance on how to account for these rights and obligations. IFRS 12, Disclosure of Interests in Other Entities, contains disclosure requirements previously set out in IASS 27, 28 and 31. Furthermore, IFRS 12 includes disclosure requirements regarding interests in unconsolidated Structured Entities. The Allianz Group will apply these new standards and amendments for periods beginning on or after 1 January 2014. The adoption of these standards and the amendments are not expected to have a material impact on the financial position and financial results of the Allianz Group.

Further amendments and interpretations

In addition to the above-mentioned recently issued accounting pronouncements, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or early adopted by the Allianz Group.

FURTHER AMENDMENTS AND INTERPRETATIONS

STANDARD/INTERPRETATION	EFFECTIVE DATE
IAS 19, Defined Benefit Plans: Employee Contributions	Annual periods beginning on or after 1 July 2014
IAS 36, Impairment of assets: Recoverable Amount Disclosures for Non-Financial Assets	Annual periods beginning on or after 1 January 2014
IAS 39, Financial Instruments: Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting	Annual periods beginning on or after 1 January 2014
IFRS 14, Regulatory Deferral Accounts	Annual periods beginning on or after 1 January 2016
IFRIC 21, Levies	Annual periods beginning on or after 1 January 2014
Annual Improvements to IFRS 2010-2012	Annual periods beginning on or after 1 July 2014
Annual Improvements to IFRS 2011-2013	Annual periods beginning on or after 1 July 2014

The amendments and interpretations are not expected to have a material impact on the financial position and financial results of the Allianz Group. Early adoption is generally allowed but not intended by the Allianz Group.

CHANGES IN THE PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

Change in presentation of discounted loss reserves in the business segment Property-Casualty

Effective 1 January 2013, the Allianz Group prospectively changed its presentation of discounted loss reserves in the consolidated balance sheet from the line item "Reserves for loss and loss adjustment expenses" to the line item "Reserves for insurance and investment contracts". In the consolidated income statement, the unwinding of the discounted loss reserves is now presented in "Change in reserves for insurance and investment contracts (net)".

The Allianz Group believes this change in presentation results in information that is more relevant to the economic decision-making needs of users of financial statements as it better reflects the nature of the reserves in the financial statements. In addition, the key performance indicator "combined ratio" reflects the net underwriting result.

The following tables present the impacts of the change in presentation of discounted loss reserves.

CHANGE OF CONSOLIDATED BALANCE SHEET RELATING TO CHANGE IN PRESENTATION OF DISCOUNTED LOSS RESERVES

€ MN

as of 31 December 2013	Before change in presentation	Change in presentation	As reported
Reserves for loss and loss adjustment expenses	69,773	(3,207)	66,566
Reserves for insurance and investment contracts	400,865	3,207	404,072
Total liabilities	**658,681**	**–**	**658,681**

CHANGE OF CONSOLIDATED INCOME STATEMENT RELATING TO CHANGE IN PRESENTATION OF DISCOUNTED LOSS RESERVES

€ MN

2013	Before change in presentation	Change in presentation	As reported
Claims and insurance benefits incurred (net)	(47,890)	88	(47,802)
Change in reserves for insurance and investment contracts (net)	(13,902)	(88)	(13,990)
Net income	**6,344**	**–**	**6,344**
Loss ratio in %	66.1	(0.2)	65.9
Combined ratio in %	94.5	(0.2)	94.3

Change in presentation of consolidated statements of cash flows

The Allianz Group has changed the presentation of policyholders' account deposits and withdrawals in its consolidated statements of cash flows from cash flow from financing activities to cash flow from operating activities. The change in presentation has been applied retrospectively.

The Allianz Group believes this change in presentation results in information that is more relevant to the economic decision-making needs of users of financial statements as those cash flows relate to the insurance activities of the Allianz Group. The change in presentation results in a consistent presentation of all cash flows from insurance activities as cash flows from operating activities.

The following table presents the impact of the change in presentation of policyholders' account deposits and withdrawals on the consolidated statements of cash flows.

CHANGE OF CONSOLIDATED STATEMENT OF CASH FLOWS RELATING TO CHANGE IN PRESENTATION OF POLICYHOLDERS' ACCOUNT DEPOSITS AND WITHDRAWALS

€ MN

2012	As previously reported	Change in presentation	As reported
Net cash flow provided by operating activities	17,793	1,095	18,888
Net cash flow used in financing activities	(941)	(1,095)	(2,036)
Cash and cash equivalents at end of period	**12,437**	**–**	**12,437**

OTHER RECLASSIFICATIONS

Certain prior-period amounts have been reclassified to conform to the current period presentation.

5 — Consolidation

SCOPE OF CONSOLIDATION

In addition to Allianz SE, the consolidated financial statements for the period ended 31 December 2013 generally include all German and foreign operating companies in which Allianz SE directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which Allianz SE is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Allianz SE.

SCOPE OF CONSOLIDATION

	2013	2012
Number of fully consolidated companies (subsidiaries)[1]		
Germany	130	130
Other countries	689	701
Subtotal	**819**	**831**
Number of fully consolidated investment funds		
Germany	38	40
Other countries	38	34
Subtotal	**76**	**74**
Number of fully consolidated special purpose entities (SPEs)	7	7
Total number of fully consolidated entities	**902**	**912**
Number of joint ventures valued at equity	23	17
Number of associates valued at equity	108	125

1 — Includes 4 (2012: 5) subsidiaries, in which the Allianz Group owns less than the majority of the voting power, namely CreditRas Vita S.p.A., CreditRas Assicurazioni S.p.A. (CreditRas), Antoniana Veneta Popolare Vita S.p.A. (Antoniana) and BAWAG Allianz Vorsorgekasse AG. The Allianz Group controls these entities on the basis of distinctive rights stipulated by shareholder agreements between the Allianz Group subsidiary owning 50.0% of each such entity and the other shareholders. Pursuant to the shareholder agreement of CreditRas, the Allianz Group has the power to appoint the majority of the members of the board of directors, which is the relevant body that governs the financial and operating policies of CreditRas. Pursuant to the shareholder agreement of Antoniana, the Allianz Group has the power to appoint half of the members of the board of directors, including the chairman, who is vested with a casting vote. The board of directors is the relevant body that governs the financial and operating policies of Antoniana. Pursuant to the shareholder agreement of BAWAG Allianz Vorsorgekasse AG, the Allianz Group is entitled to appoint the majority of the members of the supervisory board, who are entitled to vote for the members of the management board. The management board is the relevant body that governs the financial and operating policies of BAWAG Allianz Vorsorgekasse AG.

All subsidiaries, joint ventures and associates are individually listed in the list of participations of the Allianz Group from PAGE 233 of this Annual Report onwards.

SIGNIFICANT ACQUISITIONS

SIGNIFICANT ACQUISITIONS

	Equity interest	Date of initial consolidation	Segment	Goodwill[1]	Transaction
	%			€ MN	
2013					
HSBC Taiwan Life branch, Taipei	–	21 June 2013	Life/Health	–	Acquisition
Yapı Kredi Sigorta A.Ş., Istanbul	94.0	12 July 2013	Property-Casualty	222	Acquisition
Business portfolios from Pastor Vida S.A. de Seguros y Reaseguros, Madrid	–	31 December 2013	Life/Health / Asset Management	–	Acquisition
2012					
Insurance activities of Mensura CCA, Brussels	–	1 August 2012	Property-Casualty	(3)	Acquisition
Brokerage portfolio-related activities of Gan Eurocourtage, Paris	–	1 October 2012	Property-Casualty	67	Acquisition

1 — At the date of initial consolidation.

In the following section all significant acquisitions during the year ended 31 December 2013 are described.

HSBC Taiwan Life branch

On 21 June 2013, the Allianz Group acquired the assets and assumed the liabilities of the Taiwan branch of HSBC Life (International) Limited as part of the regional cooperation with HSBC and integrated it into Allianz Taiwan. The total consideration paid in cash amounted to €14 MN.

The following table summarizes the consideration transferred and amounts recognized for major classes of identifiable assets acquired and liabilities assumed:

HSBC TAIWAN LIFE BRANCH – CONSIDERATION TRANSFERRED AND IDENTIFIABLE ASSETS AND LIABILITIES

€ MN	Fair value
Consideration transferred	
Cash consideration transferred	14
Purchase price adjustment	(14)
Total consideration transferred	–
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	6
Investments	69
Loans and advances to banks and customers	3
Financial assets for unit-linked contracts	35
Deferred acquisition costs	15
Reserves for insurance and investment contracts	(90)
Financial liabilities for unit-linked contracts	(35)
Deferred tax liabilities	(2)
Other liabilities	(1)
Total net identifiable assets	–

The impact of the acquisition of the HSBC Taiwan Life branch on the total revenues and net income of the Allianz Group since the acquisition date, as well as if the acquisition date had been 1 January 2013, was not material.

Yapı Kredi Sigorta A.Ş.

On 12 July 2013, the Allianz Group acquired Yapı Kredi Bank's 93.94% shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta, including its life and pension insurance subsidiary Yapı Kredi Emeklilik. Yapı Kredi Bank ultimately retains a 20% stake in Yapı Kredi Emeklilik to support the long-term strategic partnership with Allianz. This transaction is consistent with the Allianz Group's strategy to access growth through strategic relationships in high-growth insurance markets. The consideration paid, net of proceeds received from the sale of the Yapı Kredi Emeklilik stake to Yapı Kredi Bank, amounted to €639 MN (TRY 1,603 MN), while the total gross consideration paid in cash to Yapı Kredi Bank amounted to €714 MN (TRY 1,791 MN). For the year ended 31 December 2013, acquisition-related expenses in the amount of approximately €6 MN were included in administrative expenses.

The following two tables summarize the consideration transferred, the recognized amounts of assets acquired and liabilities assumed as well as the determination of goodwill:

YAPI KREDI SIGORTA A.Ş. AND YAPI KREDI EMEKLILIK A.Ş. – CONSIDERATION TRANSFERRED AND IDENTIFIABLE ASSETS AND LIABILITIES

€ MN

	Fair value
Consideration transferred	
Cash paid for 93.94% Yapı Kredi Sigorta shares	714
Cash received for sale of 19.93% Yapı Kredi Emeklilik stake	(75)
Total consideration transferred	**639**
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents (excluding 19.93% Yapı Kredi Emeklilik sale)	334
Investments	247
Loans and advances to banks and customers	7
Financial assets for unit-linked contracts	1,612
Reinsurance assets	133
Deferred acquisition costs (PVFP)	214
Other assets	197
Intangible assets	232
Unearned premiums	(264)
Reserves for loss and loss adjustment expenses	(174)
Reserves for insurance and investment contracts	(193)
Financial liabilities for unit-linked contracts	(1,612)
Deferred tax liabilities	(82)
Other liabilities	(127)
Total net identifiable assets	**524**

YAPI KREDI SIGORTA A.Ş. AND YAPI KREDI EMEKLILIK A.Ş. – DETERMINATION OF GOODWILL

€ MN

	Fair value
Goodwill recognition	
Total consideration transferred	639
Total net identifiable assets	524
Non-controlling interests[1]	(107)
Goodwill	**222**

1 — Based on their proportionate interest in the recognized amounts of the assets and liabilities of the acquiree.

Goodwill from the transaction amounted to €222 MN and primarily reflects anticipated growth opportunities in the Turkish insurance market. The impact of Yapı Kredi Sigorta and Yapı Kredi Emeklilik on the Allianz Group's total revenues and net income since the acquisition was €475 MN and €3 MN, respectively. The gross premiums written, total revenues and net income of the combined entity (Allianz Group including Yapı Kredi Sigorta and Yapı Kredi Emeklilik) for the year ended 31 December 2013 would have been €72,433 MN, €111,575 MN and €6,369 MN, respectively, if the acquisition date was 1 January 2013.

As a result of the purchase of shares representing 93.94% of the share capital of Yapı Kredi Sigorta on 12 July 2013, after confirmation by the Turkish Capital Market Board, Allianz SE made a mandatory tender offer of TRY 18.8114 per share for the remaining shares of Yapı Kredi Sigorta. On 14 October 2013, Allianz SE started the purchases. Until the end of the mandatory tender offer on 18 November 2013, Allianz SE has purchased shares in the amount of €41 MN and increased its ownership in Yapı Kredi Sigorta to 99.78%. Additional shares could be acquired during an additional mandatory tender offer in the context of the planned delisting of the company. Terms of this offer are subject to requested regulatory approval.

Business portfolios of Pastor Vida S.A. de Seguros y Reaseguros

On 31 December 2013, the Allianz Group acquired the assets and assumed the liabilities related to a life-risk insurance business and to the pension-funds management business from Pastor Vida S.A. de Seguros y Reaseguros, Madrid, which is a subsidiary of Banco Popular Espanol S.A., Madrid. The acquisition of the life and pension business from Pastor Vida represents an opportunity for the Allianz Group to expand its existing market presence in Spain and to realize further scale benefits. For the year ended 31 December 2013, acquisition-related expenses in the amount of approximately €1 MN were included in administrative expenses.

The following table summarizes the consideration transferred and the recognized amounts of assets acquired and liabilities assumed:

BUSINESS PORTFOLIOS FROM PASTOR VIDA – CONSIDERATION TRANSFERRED AND IDENTIFIABLE ASSETS AND LIABILITIES

€ MN

	Fair value
Consideration transferred	
Cash consideration transferred	50
Total consideration transferred	**50**
Identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	14
Reinsurance assets	1
Deferred acquisition costs (PVFP)	25
Other assets	1
Intangible assets	20
Unearned premiums	(6)
Reserves for loss and loss adjustment expenses	(4)
Deferred tax liabilities	(1)
Total net identifiable assets	**50**

The impact on the total revenues and the net income of the combined entity for the year ended 31 December 2013, as if the acquisition date had been as of 1 January 2013, was not material.

SIGNIFICANT DISPOSALS AND DECONSOLIDATIONS

During 2013 and 2012, no significant disposals or deconsolidations occurred.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

ACQUISITIONS OF SIGNIFICANT NON-CONTROLLING INTERESTS

	Date of acquisition	Equity interest change	Costs of acquisition	Increase/(decrease) in shareholders' equity	Decrease in non-controlling interests
		%	€ MN	€ MN	€ MN
2013					
Protexia France S.A., Paris	5 March 2013	34.0	22	(11)	(11)
Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	20 September 2013	50.0	9	–	(9)
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	12 November 2013	22.8	9	(4)	(5)
Yapı Kredi Sigorta A.Ş., Istanbul	from 14 October until 18 November 2013	5.8	41	(12)	(29)
2012					
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	4 April 2012	39.8	22	12	(34)
Allianz-Slovenská poist'ovna a.s., Bratislava	1 June 2012	15.0	144	(49)	(95)
Allianz Insurance plc, Guildford	3 September 2012	2.0	29	(2)	(27)

DISPOSALS OF SIGNIFICANT CONTROLLING INTERESTS

	Date of disposal	Equity interest change	Price of sale	Increase in shareholders' equity	Increase in non-controlling interests
		%	€ MN	€ MN	€ MN
2012					
Euler Hermes Real Estate OPCI, Paris	12 December 2012	(40.0)	55	7	48

6 — Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

The business activities of the Allianz Group are first organized by product and type of service: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into the Property-Casualty and Life/Health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into the following reportable segments:

- German Speaking Countries,
- Western & Southern Europe,
- Iberia & Latin America,
- USA,
- Global Insurance Lines & Anglo Markets,
- Growth Markets,
- Allianz Worldwide Partners (Property-Casualty only).

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking and Alternative Investments. In total, the Allianz Group has identified 17 reportable segments in accordance with IFRS 8, Operating Segments.

The types of products and services from which reportable segments derive revenue are described below.

Property-Casualty

In the Property-Casualty category, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance.

Life/Health

In the Life/Health category, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products as well as full private health and supplemental health and long-term care insurance.

Asset Management

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

Corporate and Other

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources and technology functions. The reportable segment Banking consists of the banking activities in Germany, France, Italy, the Netherlands and Bulgaria. The banks offer a wide range of products for corporate and retail clients, with a primary focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group's insurance operations. The reportable segment Alternative Investments also includes a fully consolidated private equity investment. The income and expenses of this investment are included in the non-operating result.

GENERAL SEGMENT REPORTING INFORMATION

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the Consolidation. For the reportable segment Asset Management, interest revenues are reported net of interest expenses. Financial information is recorded based on reportable segments. Cross-segmental country-specific information is not determined.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments and the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations,
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group,
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business,
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance,
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can and do vary, sometimes materially, through time.

Against this general rule, the following exceptions apply:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For Life/Health insurance business and Property-Casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. This is also applicable to tax benefits, which are shared with policyholders. IFRS requires that the consolidated income statements present all tax benefits in the income taxes line item, even though these belong to policyholders. In the segment reporting, the tax benefits are reclassified and shown within operating profit in order to adequately reflect the policyholder participation in tax benefits.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

Effective 1 January 2013, all restructuring charges are presented within operating profit. This change does not impact recognition and measurement of the restructuring charges, shareholders' equity and net income.

BUSINESS SEGMENT INFORMATION — CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION — CONSOLIDATED BALANCE SHEETS

€ MN

	Property-Casualty		Life/Health	
as of 31 December	2013	2012	2013	2012
ASSETS				
Cash and cash equivalents	2,773	2,707	5,828	5,574
Financial assets carried at fair value through income	643	624	6,165	6,150
Investments	88,409	90,168	308,919	301,111
Loans and advances to banks and customers	16,131	18,331	89,922	94,080
Financial assets for unit-linked contracts	–	–	81,064	71,197
Reinsurance assets	7,922	8,432	4,717	4,858
Deferred acquisition costs	4,354	4,323	17,690	14,990
Deferred tax assets	1,083	1,096	261	245
Other assets	21,664	21,633	17,850	16,753
Non-current assets classified as held for sale	131	–	–	12
Intangible assets	2,478	2,336	2,640	2,207
Total assets	**145,588**	**149,650**	**535,056**	**517,177**

€ MN

	Property-Casualty		Life/Health	
as of 31 December	2013	2012	2013	2012
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	78	100	5,869	5,255
Liabilities to banks and customers	1,189	1,146	2,260	1,972
Unearned premiums	15,367	15,328	2,855	2,618
Reserves for loss and loss adjustment expenses	56,614	62,711	9,961	9,854
Reserves for insurance and investment contracts	13,389	10,174	390,873	380,993
Financial liabilities for unit-linked contracts	–	–	81,064	71,197
Deferred tax liabilities	2,154	2,562	2,420	3,276
Other liabilities	17,109	16,887	14,507	14,107
Certificated liabilities	37	25	12	–
Subordinated liabilities	–	–	95	95
Total liabilities	**105,937**	**108,933**	**509,916**	**489,367**

Asset Management		Corporate and Other		Consolidation		Group	
2013	2012	2013	2012	2013	2012	2013	2012
1,861	1,514	1,497	4,209	(752)	(1,567)	11,207	12,437
598	699	307	170	(468)	(360)	7,245	7,283
1,149	1,116	103,727	100,082	(91,189)	(90,849)	411,015	401,628
449	395	18,166	16,896	(7,868)	(10,333)	116,800	119,369
–	–	–	–	–	–	81,064	71,197
–	–	–	–	(30)	(36)	12,609	13,254
159	139	–	–	–	–	22,203	19,452
167	257	1,681	2,217	(1,684)	(2,289)	1,508	1,526
2,188	2,316	7,457	5,570	(14,527)	(11,076)	34,632	35,196
16	–	–	3	–	–	147	15
7,268	7,407	714	1,140	–	–	13,100	13,090
13,855	**13,843**	**133,549**	**130,287**	**(116,518)**	**(116,510)**	**711,530**	**694,447**

Asset Management		Corporate and Other		Consolidation		Group	
2013	2012	2013	2012	2013	2012	2013	2012
1	–	534	403	(469)	(361)	6,013	5,397
1,314	1,398	21,337	22,791	(2,991)	(4,882)	23,109	22,425
–	–	–	–	(10)	(7)	18,212	17,939
–	–	–	–	(9)	(25)	66,566	72,540
–	–	–	–	(190)	(182)	404,072	390,985
–	–	–	–	–	–	81,064	71,197
124	174	164	312	(1,684)	(2,289)	3,178	4,035
2,562	2,780	23,605	21,753	(20,900)	(18,135)	36,883	37,392
–	–	13,186	14,675	(5,205)	(6,740)	8,030	7,960
14	14	11,509	11,569	(64)	(64)	11,554	11,614
4,015	**4,366**	**70,335**	**71,503**	**(31,522)**	**(32,685)**	**658,681**	**641,484**
				Total equity		**52,849**	**52,963**
				Total liabilities and equity		**711,530**	**694,447**

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

€ MN	Property-Casualty		Life/Health	
	2013	2012	2013	2012
Total revenues[1]	**46,579**	**46,889**	**56,784**	**52,347**
Premiums earned (net)	42,047	41,705	24,581	24,393
Operating investment result				
Interest and similar income	3,595	3,770	16,766	16,832
Operating income from financial assets and liabilities carried at fair value through income (net)	(76)	(46)	(1,829)	(727)
Operating realized gains/losses (net)	69	168	3,293	3,044
Interest expenses, excluding interest expenses from external debt	(52)	(47)	(81)	(84)
Operating impairments of investments (net)	(11)	(17)	(331)	(428)
Investment expenses	(315)	(307)	(839)	(759)
Subtotal	**3,210**	**3,521**	**16,979**	**17,878**
Fee and commission income	1,226	1,165	646	534
Other income	47	35	157	154
Claims and insurance benefits incurred (net)	(27,713)	(28,491)	(20,096)	(20,386)
Change in reserves for insurance and investment contracts (net)[2]	(384)	(430)	(13,556)	(13,971)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(11,942)	(11,634)	(5,603)	(5,316)
Fee and commission expenses	(1,141)	(1,088)	(251)	(228)
Restructuring charges	(61)	(146)	(50)	(27)
Other expenses	(21)	(23)	(98)	(88)
Reclassification of tax benefits	–	–	–	–
Operating profit (loss)	**5,268**	**4,614**	**2,709**	**2,943**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	26	(80)	27	13
Non-operating realized gains/losses (net)	520	671	88	132
Non-operating impairments of investments (net)	(217)	(232)	(16)	(49)
Subtotal	**329**	**359**	**99**	**96**
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
Amortization of intangible assets	(33)	(31)	(15)	(4)
Reclassification of tax benefits	–	–	–	–
Non-operating items	**296**	**328**	**84**	**92**
Income (loss) before income taxes	**5,564**	**4,942**	**2,793**	**3,035**
Income taxes	(1,746)	(1,437)	(852)	(1,001)
Net income (loss)	**3,818**	**3,505**	**1,941**	**2,034**
Net income (loss) attributable to:				
Non-controlling interests	168	179	80	84
Shareholders	3,650	3,326	1,861	1,950

1 — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

2 — For the year ended 31 December 2013, includes expenses for premium refunds (net) in Property-Casualty of €(162) MN (2012: €(292) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2013	2012	2013	2012	2013	2012	2013	2012
7,162	**6,786**	**551**	**590**	**(303)**	**(229)**	**110,773**	**106,383**
–	–	–	–	–	(53)	66,628	66,045
40	52	903	980	(386)	(550)	20,918	21,084
13	16	40	30	(14)	6	(1,866)	(721)
–	–	–	–	(29)	3	3,333	3,215
(28)	(28)	(623)	(765)	363	438	(421)	(486)
–	–	–	–	44	24	(298)	(421)
–	–	(83)	(103)	332	293	(905)	(876)
25	**40**	**237**	**142**	**310**	**214**	**20,761**	**21,795**
8,611	8,041	687	614	(678)	(542)	10,492	9,812
10	15	1	8	(6)	2	209	214
–	–	–	–	7	4	(47,802)	(48,873)
–	–	–	–	(50)	41	(13,990)	(14,360)
–	–	(86)	(111)	–	–	(86)	(111)
(3,995)	(3,770)	(1,295)	(1,238)	3	13	(22,832)	(21,945)
(1,484)	(1,310)	(493)	(494)	331	225	(3,038)	(2,895)
(6)	(63)	(53)	(32)	–	–	(170)	(268)
–	–	(2)	(3)	15	20	(106)	(94)
–	–	–	–	–	17	–	17
3,161	**2,953**	**(1,004)**	**(1,114)**	**(68)**	**(59)**	**10,066**	**9,337**
–	–	(46)	236	17	41	24	210
2	26	346	166	(4)	117	952	1,112
–	(1)	(80)	(222)	–	(9)	(313)	(513)
2	**25**	**220**	**180**	**13**	**149**	**663**	**809**
–	–	(17)	(26)	2	(33)	(15)	(59)
–	–	(901)	(991)	–	–	(901)	(991)
(31)	(94)	(2)	(7)	–	–	(33)	(101)
(26)	(45)	(106)	(203)	44	24	(136)	(259)
–	–	–	–	–	(17)	–	(17)
(55)	**(114)**	**(806)**	**(1,047)**	**59**	**123**	**(422)**	**(618)**
3,106	**2,839**	**(1,810)**	**(2,161)**	**(9)**	**64**	**9,644**	**8,719**
(1,181)	(1,029)	476	307	3	(1)	(3,300)	(3,161)
1,925	**1,810**	**(1,334)**	**(1,854)**	**(6)**	**63**	**6,344**	**5,558**
93	51	7	13	–	–	348	327
1,832	1,759	(1,341)	(1,867)	(6)	63	5,996	5,231

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

€ MN

	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
	2013	2012	2013	2012	2013	2012
Gross premiums written	**11,748**	**11,630**	**10,547**	**9,496**	**4,620**	**4,659**
Ceded premiums written	(1,882)	(1,955)	(725)	(655)	(738)	(830)
Change in unearned premiums	(5)	(1)	(87)	(158)	(72)	(147)
Premiums earned (net)	**9,861**	**9,674**	**9,735**	**8,683**	**3,810**	**3,682**
Interest and similar income	1,125	1,197	880	868	203	208
Operating income from financial assets and liabilities carried at fair value through income (net)	(53)	(4)	15	5	6	20
Operating realized gains/losses (net)	69	168	–	–	–	–
Fee and commission income	149	147	23	20	–	1
Other income	35	29	7	4	–	–
Operating revenues	**11,186**	**11,211**	**10,660**	**9,580**	**4,019**	**3,911**
Claims and insurance benefits incurred (net)	(7,134)	(6,704)	(6,070)	(5,642)	(2,611)	(2,533)
Change in reserves for insurance and investment contracts (net)	(322)	(385)	(40)	–	(4)	(1)
Interest expenses	(20)	(76)	(11)	(9)	(3)	(9)
Operating impairments of investments (net)	(11)	(17)	–	–	–	–
Investment expenses	(98)	(96)	(98)	(86)	(14)	(14)
Acquisition and administrative expenses (net)	(2,534)	(2,584)	(2,637)	(2,332)	(992)	(939)
Fee and commission expenses	(132)	(148)	(35)	(34)	–	(1)
Restructuring charges	(3)	(81)	(53)	(26)	–	(11)
Other expenses	(16)	(18)	(4)	(4)	–	–
Operating expenses	**(10,270)**	**(10,109)**	**(8,948)**	**(8,133)**	**(3,624)**	**(3,508)**
Operating profit (loss)	**916**	**1,102**	**1,712**	**1,447**	**395**	**403**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	13	(26)	12	(47)	5	(3)
Non-operating realized gains/losses (net)	114	321	216	147	18	(64)
Non-operating impairments of investments (net)	(32)	(88)	(150)	(90)	(15)	(17)
Amortization of intangible assets	(2)	(3)	(18)	(7)	(2)	(2)
Non-operating items	**93**	**204**	**60**	**3**	**6**	**(86)**
Income (loss) before income taxes	**1,009**	**1,306**	**1,772**	**1,450**	**401**	**317**
Income taxes	(283)	(331)	(684)	(604)	(127)	(104)
Net income (loss)	**726**	**975**	**1,088**	**846**	**274**	**213**
Net income (loss) attributable to:						
Non-controlling interests	(4)	3	15	17	7	8
Shareholders	730	972	1,073	829	267	205
Loss ratio[2] in %	72.3	69.3	62.3	64.9	68.6	68.8
Expense ratio[3] in %	25.7	26.7	27.1	26.9	26.0	25.5
Combined ratio[4] in %	**98.0**	**96.0**	**89.4**	**91.8**	**94.6**	**94.3**

1 — The reserve strengthening for asbestos risks in 2012 at Fireman's Fund Insurance Company of €71 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.
2 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3 — Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4 — Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
5 — Presentation not meaningful.

USA[1]		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation and Other		Property-Casualty	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
2,058	3,550	15,969	16,577	3,211	3,057	2,507	2,186	(4,081)	(4,266)	46,579	46,889
(125)	(962)	(3,841)	(3,832)	(674)	(716)	(78)	(43)	4,081	4,266	(3,982)	(4,727)
55	66	(158)	(181)	(150)	7	(133)	(43)	–	–	(550)	(457)
1,988	2,654	11,970	12,564	2,387	2,348	2,296	2,100	–	–	42,047	41,705
236	239	970	1,129	161	166	33	34	(13)	(71)	3,595	3,770
–	(1)	(45)	(61)	1	(4)	–	(1)	–	–	(76)	(46)
–	–	–	–	–	–	–	–	–	–	69	168
–	–	589	582	78	61	471	433	(84)	(79)	1,226	1,165
–	–	–	1	3	1	1	–	1	–	47	35
2,224	2,892	13,484	14,215	2,630	2,572	2,801	2,566	(96)	(150)	46,908	46,797
(1,376)	(2,683)	(7,574)	(8,186)	(1,491)	(1,438)	(1,457)	(1,305)	–	–	(27,713)	(28,491)
(8)	(1)	(10)	(46)	–	2	–	1	–	–	(384)	(430)
–	–	(26)	(20)	(3)	(3)	(2)	(1)	13	71	(52)	(47)
–	–	–	–	–	–	–	–	–	–	(11)	(17)
(3)	(3)	(92)	(95)	(9)	(9)	(1)	(4)	–	–	(315)	(307)
(683)	(752)	(3,493)	(3,528)	(852)	(822)	(763)	(692)	12	15	(11,942)	(11,634)
–	–	(498)	(472)	(72)	(65)	(477)	(432)	73	64	(1,141)	(1,088)
–	1	(6)	(13)	–	(5)	1	(11)	–	–	(61)	(146)
–	–	–	(1)	(1)	–	–	–	–	–	(21)	(23)
(2,070)	(3,438)	(11,699)	(12,361)	(2,428)	(2,340)	(2,699)	(2,444)	98	150	(41,640)	(42,183)
154	(546)	1,785	1,854	202	232	102	122	2	–	5,268	4,614
2	(13)	(6)	6	–	2	–	1	–	–	26	(80)
5	59	153	200	10	7	4	1	–	–	520	671
–	1	(16)	(18)	(4)	(20)	–	–	–	–	(217)	(232)
–	–	(7)	(13)	(8)	(13)	–	–	4	7	(33)	(31)
7	47	124	175	(2)	(24)	4	2	4	7	296	328
161	(499)	1,909	2,029	200	208	106	124	6	7	5,564	4,942
(34)	203	(529)	(514)	(53)	(48)	(36)	(39)	–	–	(1,746)	(1,437)
127	(296)	1,380	1,515	147	160	70	85	6	7	3,818	3,505
–	–	119	123	29	26	2	2	–	–	168	179
127	(296)	1,261	1,392	118	134	68	83	6	7	3,650	3,326
69.2	101.1	63.3	65.2	62.5	61.3	63.5	62.1	–[5]	–[5]	65.9	68.3
34.4	28.3	29.2	28.0	35.7	35.0	33.2	33.0	–[5]	–[5]	28.4	27.9
103.6	129.4	92.5	93.2	98.2	96.3	96.7	95.1	–[5]	–[5]	94.3	96.2

REPORTABLE SEGMENTS – LIFE/HEALTH

REPORTABLE SEGMENTS – LIFE/HEALTH

€ MN

	German Speaking Countries		Western & Southern Europe	
	2013	2012	2013	2012
Statutory premiums[1]	**22,251**	**20,758**	**19,830**	**16,897**
Ceded premiums written	(166)	(161)	(1,086)	(1,102)
Change in unearned premiums	(163)	(194)	22	45
Statutory premiums (net)	**21,922**	**20,403**	**18,766**	**15,840**
Deposits from insurance and investment contracts	(6,350)	(4,879)	(14,183)	(11,572)
Premiums earned (net)	**15,572**	**15,524**	**4,583**	**4,268**
Interest and similar income	8,935	8,782	3,878	3,999
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,139)	48	138	(50)
Operating realized gains/losses (net)	2,647	2,277	487	587
Fee and commission income	49	44	437	350
Other income	126	134	31	20
Operating revenues	**26,190**	**26,809**	**9,554**	**9,174**
Claims and insurance benefits incurred (net)	(13,139)	(13,942)	(4,113)	(3,804)
Changes in reserves for insurance and investment contracts (net)	(9,273)	(9,278)	(2,364)	(2,377)
Interest expenses	(98)	(97)	(24)	(27)
Operating impairments of investments (net)	(275)	(231)	(76)	(193)
Investment expenses	(556)	(512)	(213)	(179)
Acquisition and administrative expenses (net)	(1,565)	(1,302)	(1,795)	(1,678)
Fee and commission expenses	(19)	(18)	(208)	(171)
Restructuring charges	(3)	(18)	(16)	(8)
Other expenses	(88)	(78)	(10)	(10)
Operating expenses	**(25,016)**	**(25,476)**	**(8,819)**	**(8,447)**
Operating profit	**1,174**	**1,333**	**735**	**727**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	(5)	(2)
Non-operating realized gains/losses (net)	–	–	35	67
Non-operating impairments of investments (net)	–	–	(13)	(33)
Amortization of intangible assets	(1)	(3)	(5)	(1)
Non-operating items	**(1)**	**(3)**	**12**	**31**
Income before income taxes	**1,173**	**1,330**	**747**	**758**
Income taxes	(410)	(439)	(208)	(293)
Net income	**763**	**891**	**539**	**465**
Net income attributable to:				
Non-controlling interests	–	–	20	33
Shareholders	763	891	519	432
Margin on reserves[2] in basis points	**53**	**64**	**53**	**57**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2 — Represents operating profit divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

3 — Presentation not meaningful.

Iberia & Latin America		USA		Global Insurance Lines & Anglo Markets		Growth Markets		Consolidation		Life/Health	
2013	2012	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
1,786	**1,520**	**7,317**	**7,289**	**515**	**484**	**6,174**	**6,453**	**(1,089)**	**(1,054)**	**56,784**	**52,347**
(19)	(30)	(115)	(121)	(82)	(59)	(269)	(274)	1,089	1,054	(648)	(693)
(4)	–	(7)	2	(3)	–	(177)	(101)	–	–	(332)	(248)
1,763	**1,490**	**7,195**	**7,170**	**430**	**425**	**5,728**	**6,078**	**–**	**–**	**55,804**	**51,406**
(1,078)	(786)	(6,312)	(6,322)	–	–	(3,300)	(3,454)	–	–	(31,223)	(27,013)
685	**704**	**883**	**848**	**430**	**425**	**2,428**	**2,624**	**–**	**–**	**24,581**	**24,393**
371	370	2,734	2,823	76	76	836	841	(64)	(59)	16,766	16,832
21	22	(781)	(717)	(54)	(35)	(16)	3	2	2	(1,829)	(727)
16	(38)	106	194	–	–	37	24	–	–	3,293	3,044
3	6	80	65	(1)	(1)	81	73	(3)	(3)	646	534
–	–	–	–	–	–	–	–	–	–	157	154
1,096	**1,064**	**3,022**	**3,213**	**451**	**465**	**3,366**	**3,565**	**(65)**	**(60)**	**43,614**	**44,230**
(626)	(595)	(93)	(99)	(337)	(352)	(1,788)	(1,594)	–	–	(20,096)	(20,386)
(99)	(127)	(1,346)	(1,497)	(2)	15	(472)	(707)	–	–	(13,556)	(13,971)
(3)	(3)	(7)	(7)	(1)	(1)	(10)	(7)	62	58	(81)	(84)
(1)	–	23	–	–	–	(2)	(4)	–	–	(331)	(428)
(7)	(7)	(34)	(35)	–	–	(29)	(26)	–	–	(839)	(759)
(201)	(207)	(1,054)	(1,077)	(88)	(80)	(902)	(971)	2	(1)	(5,603)	(5,316)
(1)	(1)	(24)	(41)	–	–	(1)	–	2	3	(251)	(228)
–	(1)	–	–	–	–	(31)	–	–	–	(50)	(27)
–	–	–	–	–	–	–	–	–	–	(98)	(88)
(938)	**(941)**	**(2,535)**	**(2,756)**	**(428)**	**(418)**	**(3,235)**	**(3,309)**	**66**	**60**	**(40,905)**	**(41,287)**
158	**123**	**487**	**457**	**23**	**47**	**131**	**256**	**1**	**–**	**2,709**	**2,943**
–	–	32	15	–	–	–	–	–	–	27	13
–	–	28	6	–	–	25	59	–	–	88	132
–	–	–	(5)	–	–	(3)	(11)	–	–	(16)	(49)
–	–	(1)	–	–	–	(8)	–	–	–	(15)	(4)
–	**–**	**59**	**16**	**–**	**–**	**14**	**48**	**–**	**–**	**84**	**92**
158	**123**	**546**	**473**	**23**	**47**	**145**	**304**	**1**	**–**	**2,793**	**3,035**
(46)	(35)	(148)	(154)	(7)	(9)	(33)	(71)	–	–	(852)	(1,001)
112	**88**	**398**	**319**	**16**	**38**	**112**	**233**	**1**	**–**	**1,941**	**2,034**
23	20	–	–	–	–	37	31	–	–	80	84
89	68	398	319	16	38	75	202	1	–	1,861	1,950
201	**171**	**70**	**69**	**111**	**208**	**49**	**99**	**–[3]**	**–[3]**	**58**	**67**

REPORTABLE SEGMENTS — ASSET MANAGEMENT

REPORTABLE SEGMENTS — ASSET MANAGEMENT

€ MN

	2013	2012
Net fee and commission income[1]	7,127	6,731
Net interest income[2]	12	24
Income from financial assets and liabilities carried at fair value through income (net)	13	16
Other income	10	15
Operating revenues	**7,162**	**6,786**
Administrative expenses (net), excluding acquisition-related expenses	(3,995)	(3,770)
Restructuring charges	(6)	(63)
Operating expenses	**(4,001)**	**(3,833)**
Operating profit	**3,161**	**2,953**
Realized gains/losses (net)	2	26
Impairments of investments (net)	–	(1)
Acquisition-related expenses	(31)	(94)
Amortization of intangible assets	(26)	(45)
Non-operating items	**(55)**	**(114)**
Income before income taxes	**3,106**	**2,839**
Income taxes	(1,181)	(1,029)
Net income	**1,925**	**1,810**
Net income attributable to:		
Non-controlling interests	93	51
Shareholders	1,832	1,759
Cost-income ratio[3] in %	**55.9**	**56.5**

1 — Represents fee and commission income less fee and commission expenses.
2 — Represents interest and similar income less interest expenses.
3 — Represents operating expenses divided by operating revenues.

REPORTABLE SEGMENTS — CORPORATE AND OTHER

REPORTABLE SEGMENTS — CORPORATE AND OTHER

€ MN

	Holding & Treasury	
	2013	2012
Interest and similar income	278	245
Operating income from financial assets and liabilities carried at fair value through income (net)	31	18
Fee and commission income	53	17
Other income	–	6
Operating revenues	**362**	**286**
Interest expenses, excluding interest expenses from external debt	(341)	(414)
Loan loss provisions	–	–
Investment expenses	(79)	(101)
Administrative expenses (net), excluding acquisition-related expenses	(684)	(591)
Fee and commission expenses	(231)	(249)
Restructuring charges	34	(32)
Other expenses	–	–
Operating expenses	**(1,301)**	**(1,387)**
Operating profit (loss)	**(939)**	**(1,101)**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(44)	229
Realized gains/losses (net)	295	72
Impairments of investments (net)	(79)	(220)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(901)	(991)
Acquisition-related expenses	(2)	(7)
Amortization of intangible assets	(10)	(114)
Non-operating items	**(741)**	**(1,031)**
Income (loss) before income taxes	**(1,680)**	**(2,132)**
Income taxes	456	311
Net loss	**(1,224)**	**(1,821)**
Net loss attributable to:		
Non-controlling interests	–	–
Shareholders	(1,224)	(1,821)
Cost-income ratio[1] for the reportable segment Banking in %		

1 — Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses, restructuring charges and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt and fee and commission expenses.

Banking		Alternative Investments		Consolidation		Corporate and Other	
2013	2012	2013	2012	2013	2012	2013	2012
613	719	12	17	–	(1)	903	980
8	14	(1)	(1)	2	(1)	40	30
475	456	163	149	(4)	(8)	687	614
–	–	1	4	–	(2)	1	8
1,096	**1,189**	**175**	**169**	**(2)**	**(12)**	**1,631**	**1,632**
(281)	(350)	(2)	(2)	1	1	(623)	(765)
(86)	(111)	–	–	–	–	(86)	(111)
–	(1)	(5)	(3)	1	2	(83)	(103)
(468)	(511)	(145)	(142)	2	6	(1,295)	(1,238)
(262)	(247)	–	–	–	2	(493)	(494)
(88)	–	1	–	–	–	(53)	(32)
(2)	(3)	–	–	–	–	(2)	(3)
(1,187)	**(1,223)**	**(151)**	**(147)**	**4**	**11**	**(2,635)**	**(2,746)**
(91)	**(34)**	**24**	**22**	**2**	**(1)**	**(1,004)**	**(1,114)**
–	–	1	2	(3)	5	(46)	236
23	13	–	–	28	81	346	166
(1)	(2)	–	–	–	–	(80)	(222)
–	–	(17)	(26)	–	–	(17)	(26)
–	–	–	–	–	–	(901)	(991)
–	–	–	–	–	–	(2)	(7)
–	–	(96)	(89)	–	–	(106)	(203)
22	**11**	**(112)**	**(113)**	**25**	**86**	**(806)**	**(1,047)**
(69)	**(23)**	**(88)**	**(91)**	**27**	**85**	**(1,810)**	**(2,161)**
20	3	5	(7)	(5)	–	476	307
(49)	**(20)**	**(83)**	**(98)**	**22**	**85**	**(1,334)**	**(1,854)**
5	7	2	6	–	–	7	13
(54)	(27)	(85)	(104)	22	85	(1,341)	(1,867)
100.9	**87.0**						

NOTES TO THE CONSOLIDATED BALANCE SHEETS

7 — Cash and cash equivalents

CASH AND CASH EQUIVALENTS

€ MN as of 31 December	2013	2012
Balances with banks payable on demand	6,574	7,295
Balances with central banks	449	2,277
Cash on hand	202	223
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	3,982	2,642
Total	**11,207**	**12,437**

As of 31 December 2013, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled €169 MN (2012: €305 MN).

8 — Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

€ MN as of 31 December	2013	2012
Financial assets held for trading		
Debt securities	360	328
Equity securities	139	153
Derivative financial instruments	2,013	1,865
Subtotal	**2,512**	**2,346**
Financial assets designated at fair value through income		
Debt securities	2,008	2,349
Equity securities	2,725	2,588
Subtotal	**4,733**	**4,937**
Total	**7,245**	**7,283**

DEBT AND EQUITY SECURITIES INCLUDED IN FINANCIAL ASSETS HELD FOR TRADING

Debt and equity securities included in financial assets held for trading are primarily marketable and listed securities. As of 31 December 2013, the debt securities include €30 MN (2012: €29 MN) from public sector issuers and €330 MN (2012: €299 MN) from other issuers.

9 — Investments

INVESTMENTS

€ MN as of 31 December	2013	2012
Available-for-sale investments	392,023	383,254
Held-to-maturity investments	4,140	4,321
Funds held by others under reinsurance contracts assumed	894	1,188
Investments in associates and joint ventures	3,175	3,219
Real estate held for investment	10,783	9,646
Total	**411,015**	**401,628**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS

€ MN as of 31 December	2013				2012			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	2,515	103	(16)	2,602	4,026	291	(2)	4,315
Corporate mortgage-backed securities (residential and commercial)	11,226	693	(86)	11,833	10,778	1,202	(107)	11,873
Other asset-backed securities	3,460	210	(40)	3,630	2,532	276	(27)	2,781
Government and government agency bonds								
Germany	14,852	918	(46)	15,724	13,066	1,521	(5)	14,582
Italy	26,304	2,001	(91)	28,214	29,762	1,483	(206)	31,039
France	31,410	2,471	(177)	33,704	31,300	4,421	(34)	35,687
United States	8,411	239	(171)	8,479	8,179	803	(10)	8,972
Spain	2,813	178	(35)	2,956	2,582	32	(136)	2,478
Belgium	5,968	613	(3)	6,578	6,077	1,060	(1)	7,136
Greece	1	2	–	3	7	4	–	11
Portugal	196	2	(2)	196	251	1	(11)	241
Ireland	38	1	–	39	76	3	–	79
Hungary	773	60	–	833	662	42	–	704
Supranationals	14,571	663	(56)	15,178	8,131	1,029	(1)	9,159
All other countries	49,596	2,328	(878)	51,046	45,936	4,670	(51)	50,555
Subtotal	**154,933**	**9,476**	**(1,459)**	**162,950**	**146,029**	**15,069**	**(455)**	**160,643**
Corporate bonds[1]	168,353	9,212	(1,397)	176,168	161,150	14,142	(954)	174,338
Other	2,223	324	(4)	2,543	2,574	266	(23)	2,817
Subtotal	**342,710**	**20,018**	**(3,002)**	**359,726**	**327,089**	**31,246**	**(1,568)**	**356,767**
Equity securities[2]	22,819	9,624	(146)	32,297	17,950	8,632	(95)	26,487
Total	**365,529**	**29,642**	**(3,148)**	**392,023**	**345,039**	**39,878**	**(1,663)**	**383,254**

1 — Includes bonds issued by Spanish banks with a fair value of €418 MN (2012: €508 MN), thereof subordinated bonds with a fair value of €115 MN (2012: €107 MN).

2 — Includes shares invested in Spanish banks with a fair value of €402 MN (2012: €279 MN).

HELD-TO-MATURITY INVESTMENTS

HELD-TO-MATURITY INVESTMENTS

€ MN as of 31 December	2013				2012			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Government and government agency bonds	2,411	375	(4)	2,782	2,598	331	–	2,929
Corporate bonds[1]	1,729	144	(8)	1,865	1,723	68	(1)	1,790
Other	–	–	–	–	–	–	–	–
Total	**4,140**	**519**	**(12)**	**4,647**	**4,321**	**399**	**(1)**	**4,719**

1 — Also includes corporate mortgage-backed securities.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, broken down by investment category and length of time such investments have been in a continuous unrealized loss position as of 31 December 2013 and 2012.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

€ MN

	Less than 12 months		Greater than 12 months		Total	
as of 31 December	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2013						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	608	(15)	12	(1)	620	(16)
Corporate mortgage-backed securities (residential and commercial)	1,114	(31)	817	(55)	1,931	(86)
Other asset-backed securities	668	(30)	224	(10)	892	(40)
Government and government agency bonds	36,119	(1,258)	2,217	(205)	38,336	(1,463)
Corporate bonds	37,148	(1,094)	3,651	(311)	40,799	(1,405)
Other	77	(3)	12	(1)	89	(4)
Subtotal	**75,734**	**(2,431)**	**6,933**	**(583)**	**82,667**	**(3,014)**
Equity securities	2,661	(144)	81	(2)	2,742	(146)
Total	**78,395**	**(2,575)**	**7,014**	**(585)**	**85,409**	**(3,160)**
2012						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	86	(1)	9	(1)	95	(2)
Corporate mortgage-backed securities (residential and commercial)	402	(26)	782	(81)	1,184	(107)
Other asset-backed securities	208	(10)	228	(17)	436	(27)
Government and government agency bonds	3,881	(80)	5,528	(375)	9,409	(455)
Corporate bonds	5,759	(88)	8,623	(867)	14,382	(955)
Other	434	(22)	5	(1)	439	(23)
Subtotal	**10,770**	**(227)**	**15,175**	**(1,342)**	**25,945**	**(1,569)**
Equity securities	1,377	(90)	33	(5)	1,410	(95)
Total	**12,147**	**(317)**	**15,208**	**(1,347)**	**27,355**	**(1,664)**

Corporate mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to €86 MN as of 31 December 2013. The unrealized loss positions mainly stem from issues in the securities markets of certain European countries. Based on a detailed analysis of the underlying securities and collaterals, the Allianz Group did not consider these investments to be impaired as of 31 December 2013.

Government and government agency bonds

Total unrealized losses amounted to €1,463 MN as of 31 December 2013. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). In general, the credit risk of government and government agency bonds is rather moderate since they are backed by the fiscal capacity of the issuers who typically hold an "investment grade" country- and/or issue-rating.

The unrealized losses on the Allianz Group's investment in government bonds were mainly caused by investments in certain European countries and the U.S. During 2013, government and government agency bond performance has been negative, due to a rising interest rate level in certain countries, resulting in an increase of unrealized losses of €1,008 MN. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2013.

Corporate bonds

Total unrealized losses amounted to €1,405 MN as of 31 December 2013. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". The increase in unrealized losses of €450 MN is spread over almost all sectors, due to a rising interest environment. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2013.

Equity securities

As of 31 December 2013, unrealized losses from equity securities amounted to €146 MN. These unrealized losses concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity securities as described in note 2. The major part of the unrealized losses have been in a continuous loss position for less than 6 months.

CONTRACTUAL TERM TO MATURITY

The amortized cost and fair value of available-for-sale debt securities and held-to-maturity debt securities as of 31 December 2013, by contractual term to maturity, are as follows:

CONTRACTUAL TERM TO MATURITY

€ MN as of 31 December 2013	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE DEBT SECURITIES		
Due in 1 year or less	32,793	31,467
Due after 1 year and up to 5 years	90,833	96,673
Due after 5 years and up to 10 years	94,354	96,402
Due after 10 years	124,730	135,184
Total	**342,710**	**359,726**
HELD-TO-MATURITY DEBT SECURITIES		
Due in 1 year or less	181	204
Due after 1 year and up to 5 years	1,661	1,751
Due after 5 years and up to 10 years	898	977
Due after 10 years	1,400	1,715
Total	**4,140**	**4,647**

Actual maturities may deviate from the contractually defined maturities because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2013, loans to associates and joint ventures and available-for-sale debt securities issued by associates and joint ventures held by the Allianz Group amounted to €577 MN (2012: €290 MN).

REAL ESTATE HELD FOR INVESTMENT

REAL ESTATE HELD FOR INVESTMENT

€ MN	2013	2012
Cost as of 1 January	12,443	11,383
Accumulated depreciation as of 1 January	(2,797)	(2,719)
Carrying amount as of 1 January	**9,646**	**8,664**
Additions	706	978
Changes in the consolidated subsidiaries of the Allianz Group	807	317
Disposals	(349)	(192)
Reclassifications	377	84
Reclassifications into non-current assets classified as held for sale	(117)	(20)
Foreign currency translation adjustments	(43)	20
Depreciation	(211)	(190)
Impairments	(55)	(48)
Reversals of impairments	22	33
Carrying amount as of 31 December	**10,783**	**9,646**
Accumulated depreciation as of 31 December	3,054	2,797
Cost as of 31 December	13,837	12,443

As of 31 December 2013, real estate held for investment pledged as security and other restrictions on title were €36 MN (2012: €37 MN).

10 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

€ MN as of 31 December	2013			2012		
	Banks	Customers	Total	Banks	Customers	Total
Short-term investments and certificates of deposit	3,275	–	3,275	4,207	–	4,207
Reverse repurchase agreements	613	–	613	789	–	789
Collateral paid for securities borrowing transactions and derivatives	315	–	315	365	–	365
Loans	60,511[1]	51,595	112,106	64,049[1]	49,633	113,682
Other	670	15	685	436	42	478
Subtotal	**65,384**	**51,610**	**116,994**	**69,846**	**49,675**	**119,521**
Loan loss allowance	–	(194)	(194)	–	(152)	(152)
Total	**65,384**	**51,416**	**116,800**	**69,846**	**49,523**	**119,369**

1 — Primarily include covered bonds.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

€ MN as of 31 December 2013	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Loans and advances to banks	3,852	3,544	7,754	10,457	39,777	65,384
Loans and advances to customers	3,059	3,034	6,343	5,736	33,438	51,610
Total	**6,911**	**6,578**	**14,097**	**16,193**	**73,215**	**116,994**

The following table presents information relating to the Allianz Group's impaired loans:

IMPAIRED LOANS

€ MN as of 31 December	2013	2012
Impaired loans	786	881
Impaired loans with specific allowances	784	875
Average balance of impaired loans	818	830
Interest income recognized on impaired loans	8	10

11 — Reinsurance assets

REINSURANCE ASSETS

€ MN as of 31 December	2013	2012
Unearned premiums	1,537	1,546
Reserves for loss and loss adjustment expenses	6,494	7,318
Aggregate policy reserves	4,463	4,295
Other insurance reserves	115	95
Total	**12,609**	**13,254**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

CHANGES IN AGGREGATE POLICY RESERVES CEDED TO REINSURERS

€ MN	2013	2012
Carrying amount as of 1 January	**4,295**	**4,364**
Foreign currency translation adjustments	(131)	(47)
Changes recorded in the consolidated income statements	10	66
Other changes	289	(88)
Carrying amount as of 31 December	**4,463**	**4,295**

Changes in the reserves for loss and loss adjustment expenses ceded to reinsurers in the business segment Property-Casualty are shown in the respective table in note 19.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and to protect its capital resources. For natural catastrophe events, the Allianz Group maintains a centralized program that pools exposures from its subsidiaries by internal reinsurance agreements. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group have individual reinsurance programs in place. Allianz SE participates as a reinsurer with a significant share on an arm's length basis in these programs.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the respective Allianz company from primary liability under the reinsured policies. Although the reinsurer is liable to this company to the extent of the business ceded, the Allianz company remains primarily liable as the direct insurer on all the risks it underwrites, including the share that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on a regular basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group companies under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which include the degree of creditworthiness, capital levels and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting claims from its reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial guarantees to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of 31 December 2013 and 2012. The Allianz Group primarily maintains business relations with highly rated reinsurers.

12 — Deferred acquisition costs

DEFERRED ACQUISITION COSTS

€ MN as of 31 December	2013	2012
Deferred acquisition costs		
Property-Casualty	4,354	4,323
Life/Health	15,837	13,521
Asset Management	159	139
Subtotal	**20,350**	**17,983**
Present value of future profits	1,046	945
Deferred sales inducements	807	524
Total	**22,203**	**19,452**

DEFERRED ACQUISITION COSTS

CHANGES IN DEFERRED ACQUISITION COSTS

€ MN	2013	2012
PROPERTY-CASUALTY		
Carrying amount as of 1 January	**4,323**	**4,197**
Additions	5,530	5,359
Changes in the consolidated subsidiaries of the Allianz Group	(3)	2
Foreign currency translation adjustments	(135)	3
Amortization	(5,361)	(5,238)
Carrying amount as of 31 December	**4,354**	**4,323**
LIFE/HEALTH		
Carrying amount as of 1 January	**13,521**	**14,579**
Additions	2,813	2,621
Foreign currency translation adjustments	(390)	(27)
Shadow accounting	2,204	(1,668)
Amortization	(2,311)	(1,984)
Carrying amount as of 31 December	**15,837**	**13,521**
ASSET MANAGEMENT	**159**	**139**
Total	**20,350**	**17,983**

PRESENT VALUE OF FUTURE PROFITS

PRESENT VALUE OF FUTURE PROFITS

€ MN	2013	2012
Cost as of 1 January	2,783	2,778
Accumulated amortization as of 1 January	(1,838)	(1,725)
Carrying amount as of 1 January	**945**	**1,053**
Additions	40	–
Changes in the consolidated subsidiaries of the Allianz Group	214	–
Foreign currency translation adjustments	(57)	5
Shadow accounting	20	(24)
Amortization[1]	(116)	(89)
Carrying amount as of 31 December	**1,046**	**945**
Accumulated amortization as of 31 December	1,908	1,838
Cost as of 31 December	2,954	2,783

1 — During the year ended 31 December 2013, includes interest accrued on unamortized PVFP of €50 MN (2012: €59 MN).

As of 31 December 2013, the percentage of PVFP that is expected to be amortized in 2014 is 16.58% (11.21% in 2015, 9.72% in 2016, 8.70% in 2017 and 8.02% in 2018).

DEFERRED SALES INDUCEMENTS

DEFERRED SALES INDUCEMENTS

€ MN	2013	2012
Carrying amount as of 1 January	**524**	**797**
Additions	114	138
Foreign currency translation adjustments	(47)	(17)
Shadow accounting	347	(253)
Amortization	(131)	(141)
Carrying amount as of 31 December	**807**	**524**

13 — Other assets

OTHER ASSETS

€ MN as of 31 December	2013	2012
Receivables		
Policyholders	5,489	6,005
Agents	4,424	4,497
Reinsurers	1,844	2,421
Other	4,160	4,054
Less allowance for doubtful accounts	(720)	(730)
Subtotal	**15,197**	**16,247**
Tax receivables		
Income taxes	2,159	1,363
Other taxes	1,215	1,278
Subtotal	**3,374**	**2,641**
Accrued dividends, interest and rent	7,706	7,780
Prepaid expenses		
Interest and rent	13	17
Other prepaid expenses	255	300
Subtotal	**268**	**317**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	75	129
Property and equipment		
Real estate held for own use	2,423	2,885
Software	1,832	1,590
Equipment	1,173	967
Fixed assets of alternative investments	1,304	1,225
Subtotal	**6,732**	**6,667**
Other assets[1]	1,280	1,415
Total	**34,632**	**35,196**

1 — As of 31 December 2013, includes prepaid benefit costs for defined benefit plans of €94 MN (2012: €59 MN).

As of 31 December 2013, other assets due within one year totaled €27,547 MN (2012: €27,367 MN), and those due in more than one year totaled €7,085 MN (2012: €7,829 MN).

PROPERTY AND EQUIPMENT

Real estate held for own use

REAL ESTATE HELD FOR OWN USE

€ MN	2013	2012
Cost as of 1 January	4,021	4,022
Accumulated depreciation as of 1 January	(1,136)	(1,216)
Carrying amount as of 1 January	**2,885**	**2,806**
Additions	93	198
Changes in the consolidated subsidiaries of the Allianz Group	17	60
Disposals	(66)	(45)
Reclassifications	(379)	(85)
Reclassifications into non-current assets classified as held for sale	(16)	–
Foreign currency translation adjustments	(43)	14
Depreciation	(68)	(71)
Reversals of impairments	–	8
Carrying amount as of 31 December	**2,423**	**2,885**
Accumulated depreciation as of 31 December	1,074	1,136
Cost as of 31 December	3,497	4,021

As of 31 December 2013, assets pledged as security and other restrictions on title were €108 MN (2012: €113 MN).

Software

SOFTWARE

€ MN	2013	2012
Cost as of 1 January	5,057	4,584
Accumulated amortization as of 1 January	(3,467)	(3,191)
Carrying amount as of 1 January	**1,590**	**1,393**
Additions	657	638
Changes in the consolidated subsidiaries of the Allianz Group	6	(1)
Disposals	(19)	(42)
Foreign currency translation adjustments	(17)	5
Amortization	(384)	(393)
Impairments	(1)	(10)
Carrying amount as of 31 December[1]	**1,832**	**1,590**
Accumulated amortization as of 31 December	3,800	3,467
Cost as of 31 December	5,632	5,057

1 — As of 31 December 2013, includes €1,122 MN (2012: €980 MN) for software developed in-house and €710 MN (2012: €610 MN) for software purchased from third parties.

Equipment

EQUIPMENT

€ MN	2013	2012
Cost as of 1 January	3,640	3,480
Accumulated depreciation as of 1 January	(2,673)	(2,631)
Carrying amount as of 1 January	**967**	**849**
Additions	534	485
Changes in the consolidated subsidiaries of the Allianz Group	10	(8)
Disposals	(74)	(110)
Reclassifications	6	(3)
Foreign currency translation adjustments	(27)	–
Depreciation	(242)	(244)
Impairments	(1)	(2)
Carrying amount as of 31 December	**1,173**	**967**
Accumulated depreciation as of 31 December	2,655	2,673
Cost as of 31 December	3,828	3,640

Fixed assets of alternative investments

FIXED ASSETS OF ALTERNATIVE INVESTMENTS[1]

€ MN	2013	2012
Cost as of 1 January	1,804	1,573
Accumulated depreciation as of 1 January	(579)	(460)
Carrying amount as of 1 January	**1,225**	**1,113**
Additions	48	120
Changes in the consolidated subsidiaries of the Allianz Group	161	117
Disposals	(8)	(7)
Foreign currency translation adjustments	(2)	–
Depreciation	(120)	(118)
Carrying amount as of 31 December	**1,304**	**1,225**
Accumulated depreciation as of 31 December	701	579
Cost as of 31 December	2,005	1,804

1 — Includes fixed assets of wind parks, solar parks and Selecta.

14 — Non-current assets classified as held for sale

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

€ MN as of 31 December	2013	2012
Real estate held for investment	–	15
Investments in associates and joint ventures	131	–
Real estate held for own use	16	–
Total	**147**	**15**

As of 31 December 2012, the non-current assets classified as held for sale comprised only real estate held for investment which was sold as expected during the first quarter of 2013.

Non-current assets classified as held for sale comprise an investment of €131 MN in an Italian real estate company. The real estate company is recorded as an associate allocated to the reportable segment Western and Southern Europe (Property-Casualty). The sale of the asset will be completed in 2014. Upon measurement of the non-current asset classified as held for sale at fair value less costs to sell, no significant impairment loss was recognized. Prior to the classification as non-current asset held for sale, an impairment loss of €81MN was recognized for the Italian real estate company for the year ended 31 December 2013.

Real estate held for own use comprises an office building allocated to the reportable segment Asset Management. The sale is expected to be completed during the first quarter of 2014. No impairment was recognized for the year ended 31 December 2013.

15 — Intangible assets

INTANGIBLE ASSETS

€ MN as of 31 December	2013	2012
Intangible assets with indefinite useful lives		
Goodwill	11,544	11,679
Brand names[1]	296	302
Subtotal	**11,840**	**11,981**
Intangible assets with finite useful lives		
Distribution agreements[2]	995	826
Customer relationships[3]	149	183
Other[4]	116	100
Subtotal	**1,260**	**1,109**
Total	**13,100**	**13,090**

1 — Includes primarily the brand name of Selecta AG, Muntelier.
2 — Includes primarily the long-term distribution agreements with Commerzbank AG of €373 MN (2012: €410 MN), Banco Popular S.A. of €369 MN (2012: €386 MN), Yapı Kredi Bank of €151 MN (2012: €– MN) and HSBC in Asia and Turkey of €78 MN (2012: €– MN).
3 — Includes primarily customer relationships from the acquisition of Selecta AG of €118 MN (2012: €152 MN) and Yapı Kredi Sigorta A.Ş. of €10 MN (2012: €– MN). The renewal rights of €19 MN (2012: €31 MN), which were acquired in the context of business combinations, were reclassified from the line item "Other" to the line item "Customer relationships".
4 — Includes primarily acquired business portfolios of €76 MN (2012: €42 MN) and heritable building rights of €17 MN (2012: €15 MN). The other distribution rights of €17 MN (2012: €20 MN) and the bancassurance agreements of €7 MN (2012: €10 MN) were reclassified from the line item "Other" to the line item "Distribution agreements".

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill

GOODWILL

€ MN	2013	2012
Cost as of 1 January	12,573	12,527
Accumulated impairments as of 1 January	(894)	(805)
Carrying amount as of 1 January	**11,679**	**11,722**
Additions	226	72
Disposals	–	–
Foreign currency translation adjustments	(265)	(26)
Impairments	(96)	(89)
Carrying amount as of 31 December	**11,544**	**11,679**
Accumulated impairments as of 31 December	990	894
Cost as of 31 December	12,534	12,573

2013

Additions of 2013 mainly include goodwill from the acquisition of 93.94% in Yapı Kredi Sigorta A.Ş., Istanbul.

The allocated goodwill of the Cash Generating Unit (CGU) Selecta AG was impaired by €96 MN in the business segment Corporate and Other. This impairment was triggered by a slower recovery of Selecta's major European vending markets and lower multiples.

2012

Additions of 2012 mainly include goodwill from the acquisition relating to the brokerage portfolio of Gan Eurocourtage S.A., Paris.

The allocated goodwill of the CGU Selecta AG was impaired by €89 MN in the business segment Corporate and Other. This impairment was triggered by lower expectations regarding future economic developments of Selecta's core markets and lower multiples.

Brand names

The position brand names consists primarily of the brand name "Selecta". The brand name "Selecta" has an indefinite life, as there is no foreseeable end to its economic life. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

Due to the rebranding activities of the Allianz Group in the Russian market, the brand name of the Russian People's Insurance Society "ROSNO" was amortized by €5 MN in 2013. The brand name will be completely amortized over the next two years.

Impairment test for goodwill and intangible assets with indefinite useful lives

Allocation principles

For the purpose of impairment testing, the Allianz Group has allocated goodwill to CGU[1]. These CGU represent the lowest level at which goodwill is monitored for internal management purposes.

CGU in the Property-Casualty business segment are:

- German Speaking Countries,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Iberia & Latin America including South America, Mexico, Portugal and Spain,
- Asia-Pacific and Middle East,
- Central and Eastern Europe including Bulgaria, Croatia, the Czech Republic, Hungary, Slovakia, Poland, Romania, Ukraine and Russia,
- Global Insurance Lines & Anglo Markets including United Kingdom, Ireland and Australia,
- Specialty Lines I including Allianz SE Re, Allianz Global Corporate & Specialty, ART and Credit Insurance,
- Specialty Lines II including Travel Insurance and Assistance Services.

CGU in the Life/Health business segment are:

- German Speaking Countries,
- Health Germany,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Asia-Pacific and Middle East,
- Insurance USA.

The business segment Asset Management is represented by the CGU Asset Management.

The CGU in the Corporate and Other business segment consists of Selecta AG.

1 — The following paragraphs include all CGU that contain goodwill.

The carrying amounts of goodwill and brand names are allocated to the Allianz Group's CGU as of 31 December 2013 and 2012 as follows:

ALLOCATION OF CARRYING AMOUNTS OF GOODWILL AND BRAND NAMES TO CGU

€ MN as of 31 December	2013		2012	
CGU	Goodwill	Brand names	Goodwill	Brand names
PROPERTY-CASUALTY				
German Speaking Countries	284	–	284	–
Insurance Western & Southern Europe	1,086	–	924	–
Iberia & Latin America	21	–	21	–
Asia-Pacific and Middle East	83	–	89	–
Central and Eastern Europe	427	10	467	16
Global Insurance Lines & Anglo Markets	314		323	–
Specialty Lines I	38	–	38	–
Specialty Lines II	20	–	18	–
Subtotal	**2,273**	**10**	**2,164**	**16**
LIFE/HEALTH				
German Speaking Countries	593	–	592	–
Health Germany	326	–	325	–
Insurance Western & Southern Europe	633	–	645	–
Asia-Pacific and Middle East	171	–	171	–
Insurance USA	436	–	442	–
Subtotal	**2,159**	**–**	**2,175**	**–**
ASSET MANAGEMENT	**6,805**	**–**	**6,937**	**–**
CORPORATE AND OTHER				
Selecta AG	307	286	403	286
Subtotal	**307**	**286**	**403**	**286**
Total	**11,544**	**296**	**11,679**	**302**

Valuation techniques

The recoverable amounts for all CGU are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use.

For all CGU in the Property-Casualty business segment and for the CGU Asset Management, the Allianz Group uses the discounted earnings method to derive the value in use. Generally, the basis for the determination of the discounted earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates which can be assumed to be realistic on a long-term basis ("terminal value") for the operating entities included in the CGU. The discounted earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use calculations are the results of the structured management dialogues between the Board of Management of the Allianz Group and the operating entities in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on the current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted to reflect long-term sustainable earnings. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

For all CGU in the Life/Health business segment the value in use is based on an Appraisal Value method which is derived from the Embedded Value and new business value calculation.

As a starting point for the impairment test for the CGU in the Life/Health business segment, the Market Consistent Embedded Value (MCEV) and a multiple of the Market Consistent Value of New Business is used. The MCEV is an industry-specific valuation method to assess the current value of the in force portfolio and is in compliance with the general principles of the discounted earnings methods. The MCEV approach applied is based on the CFO Forum Principles and the Allianz Group's Embedded Value guidelines. It is a risk-neutral valuation that includes explicit allowance for non-financial risk as well as allowance for options and guarantees using market-consistent stochastic simulations that are in line with market prices for similar financial instruments.

In the cases where no adequate valuation reflecting a long-term view in line with management judgment and market experience could be derived from a market-consistent methodology (MCEV), the Appraisal Value was derived from the Traditional Embedded Value (TEV) and new business calculation. The TEV and the new business calculation were used in the impairment test in the Life/Health business segment for Allianz Taiwan Life Insurance Co. Ltd., Taipei.

Significant assumptions

In determining the business plans, certain key assumptions were taken in order to project future earnings.

For entities included in the CGU of the Property-Casualty business segment, the business plans are mainly based on key assumptions including expense ratio, loss ratio, investment income, risk capital, market share, premium rate changes and taxes. The basis for determining the values assigned to the key assumptions are current market trends and earnings projections.

The discount rate is based on the capital asset pricing model (CAPM) and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are in general consistent with the parameters used in the Allianz Group's planning and controlling process. The discount rates and eternal growth rates for the CGU in the Property-Casualty business segment are as follows:

DISCOUNT RATES AND ETERNAL GROWTH RATES FOR THE CGU IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

%

CGU in the Property-Casualty business segment	Discount rate	Eternal growth rate
German Speaking Countries	7.5	1.0
Insurance Western & Southern Europe	8.6	1.0
Iberia & Latin America	14.0	3.0
Asia-Pacific and Middle East	10.4	3.0
Central and Eastern Europe	9.4	3.0
Global Insurance Lines & Anglo Markets	8.7	1.0
Specialty Lines I	7.7	1.0
Specialty Lines II	7.9	1.0

For entities included in the CGU of the business segment Life/Health, the projection of profits underlying the MCEV and the TEV calculations is based on assumptions set with allowance for profit-sharing as well as a projection of unrealized capital gains and unallocated premium reserves. The profits estimated for the MCEV and the TEV calculations consist of premium income, investment return on technical reserves, expenses, commissions, death and morbidity claims, surrender claims, maturity claims, increases in technical reserves, taxation and levies. For projecting future profits, assumptions have to be made on the asset performance of the operating entity. This requires consideration of the development of the market together with assumptions on the operating entity's investment strategy as well as the current asset portfolio and allocation. The projection of investment returns includes the consideration of projection of returns for the current asset portfolio and a projection of returns for reinvestments. All assumptions have been developed by management under consideration of internal and external sources.

For the calculation of the MCEV the projected future profits are discounted using risk-neutral discount rates, as the risks are already explicitly allowed for in the market-consistent valuation. Time-dependent and scenario-dependent discount factors are applied. As a reference rate, the swap yield curve with appropriate adjustments for, e.g., credit risk and illiquidity premium, was used for determining the MCEV. For the calculation of the TEV a discount rate based on 10-year government bonds plus 4.5% Equity Risk Premium was used. For the valuation of the TEV the underlying government bonds were consistently used for the valuation of starting asset values as well as for the projection of the cash flows. The following table provides an overview of the discount rates for the CGU in the Life/Health business segment:

REFERENCE RATES AND RISK DISCOUNT RATES FOR THE CGU IN THE LIFE/HEALTH BUSINESS SEGMENT

CGU in the Life/Health business segment	Reference rate for entities with Appraisal Value based on MCEV and risk discount rate for entities with Appraisal Value based on TEV
German Speaking Countries	MCEV: Euro swap curve minus 10 BPS credit risk adjustment plus 23 BPS illiquidity premium CHF swap curve minus 10 BPS credit risk adjustment plus 0 BPS illiquidity premium
Health Germany	MCEV: Euro swap curve minus 10 BPS credit risk adjustment plus 23 BPS illiquidity premium
Insurance Western & Southern Europe	MCEV: Euro swap curve minus 10 BPS credit risk adjustment plus 23 BPS illiquidity premium
Asia-Pacific and Middle East	MCEV: Local swap curve minus 10 BPS credit risk adjustment plus 0 BPS illiquidity premium TEV: 6.17% for Allianz Taiwan Life Insurance Co. Ltd.
Insurance USA	MCEV: Local swap curve minus 10 BPS credit risk adjustment plus 45 BPS illiquidity premium

The new business value calculation is based on a best estimate of one year of value of new business, multiplied by a factor (multiple) to capture expected future new business. The best estimate of new business is generally derived from the achieved value of new business. The new business multiple accounts for the risk and the growth associated with future new business in analogy to the discount rate and the growth rate in a discounted earnings method. For all CGU in the Life/Health business segment, a multiple of not more than ten times the value of new business is applied.

For entities included in the CGU of the Asset Management business segment, key assumptions include assets under management growth, cost-income ratio and risk capital. The key assumptions are based on the current market environment. The discount rate is 9.6% and the eternal growth rate is 1.0% for the CGU Asset Management.

For the CGU Selecta AG, the calculation of the recoverable amount is based on a multiple valuation, assuming an exit scenario to occur in the near future. The multiple is derived from industry peer companies and management judgment and is applied to Selecta AG's underlying financial results.

Sensitivity analysis

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans.

For the CGU in the business segments Property-Casualty and Asset Management, sensitivity analyses were performed in respect to the long-term sustainable combined ratios and cost-income ratios. For all CGU, excluding Property-Casualty Asia-Pacific and Middle East as well as Property-Casualty Central and Eastern Europe, discounted earnings value sensitivities still exceeded their respective carrying values. An increase of more than 0.2% points in the discount rate or the combined ratio may result in the recoverable amount for the CGU Central and Eastern Europe getting close to its carrying value. The recoverable amount of the CGU Asia-Pacific and Middle East may decline to its carrying value as a result of an increase in the discount rate or in the combined ratio of more than 0.5% points.

In the Life/Health business segment, for life entities where the Appraisal Value is based on MCEV, sensitivity analyses were performed based on MCEV sensitivity testing on the reference rate. For Allianz Taiwan Life Insurance Co. Ltd. where the Appraisal Value is based on TEV, sensitivity analyses were performed with respect to the risk discount rate. For the CGU Asia-Pacific and Middle East, an increase in the risk discount rate for Allianz Taiwan Life Insurance Co. Ltd. of 100 basis points would lead to the Appraisal Value still exceeding its carrying value assuming five times the new business value.

It has to be noted, however, that the sensitivity analysis for the TEV with an adverse variation in the risk discount rate was performed on a ceteris paribus basis. Investment income and the respective associated profits underlying the TEV were not adjusted correspondingly.

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

Amortization expenses of intangible assets with finite useful lives are estimated to be €144 MN in 2014, €137 MN in 2015, €132 MN in 2016, €114 MN in 2017 and €95 MN in 2018. Thereof, the amortization expenses relating to the intangible assets of Selecta AG are included in the line item "Expenses from fully consolidated private equity investments".

The long-term distribution agreements with Commerzbank AG have useful lives of 13.5 years and 15 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful life of 10 years. The long-term distribution agreements with Banco Popular S.A. have useful lives of 25 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 23 years. The long-term distribution agreements with Hongkong & Shanghai Banking Corporation Holdings PLC (HSBC) in Asia and Turkey have useful lives of 11 years and 10 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 10 years and 9.5 years. The long-term distribution agreements with Yapı Kredi Bank have useful lives of 15 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 14.5 years.

The customer relationships of Selecta AG have useful lives of 10 years, which were determined by the multi-period excess earnings method. The customer relationships of Selecta AG are amortized on a straight-line basis over the remaining useful lives of 3.5 years. The customer relationships of Yapı Kredi Sigorta A.Ş. have useful lives of 10 years, which were determined by reference to customer churn rates that reflect the period over which the Allianz Group expects to receive economic benefits. They are amortized in relation to the expected value added over the remaining useful lives of 9 years.

16 — Financial liabilities carried at fair value through income

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

€ MN as of 31 December	2013	2012
Financial liabilities held for trading		
Derivative financial instruments	6,010	5,395
Other trading liabilities	3	2
Subtotal	**6,013**	**5,397**
Financial liabilities designated at fair value through income	–	–
Total	**6,013**	**5,397**

17 — Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS

€ MN as of 31 December	2013			2012		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	696	4,473	5,169	135	4,724	4,859
Savings deposits	–	2,873	2,873	–	2,897	2,897
Term deposits and certificates of deposit	979	2,157	3,136	986	1,651	2,637
Repurchase agreements	1,028	3	1,031	743	656	1,399
Collateral received from securities lending transactions and derivatives	2,216	–	2,216	1,793	–	1,793
Other	5,050	3,634	8,684	5,420	3,420	8,840
Total	**9,969**	**13,140**	**23,109**	**9,077**	**13,348**	**22,425**

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

€ MN as of 31 December 2013	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Liabilities to banks	5,230	582	1,748	698	1,711	9,969
Liabilities to customers	10,312	867	267	64	1,630	13,140
Total	**15,542**	**1,449**	**2,015**	**762**	**3,341**	**23,109**

As of 31 December 2013, liabilities to customers include €1,560 MN (2012: €1,625 MN) of non-interest bearing deposits.

18 — Unearned premiums

UNEARNED PREMIUMS

€ MN as of 31 December	2013	2012
Property-Casualty	15,367	15,328
Life/Health	2,855	2,618
Consolidation	(10)	(7)
Total	**18,212**	**17,939**

19 — Reserves for loss and loss adjustment expenses

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN as of 31 December	2013	2012
Property-Casualty	56,614	62,711
Life/Health	9,961	9,854
Consolidation	(9)	(25)
Total	**66,566**	**72,540**

Reserves for loss and loss adjustment expenses for the *Property-Casualty* business segment are described in detail in the following sections.

CHANGE IN RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the Property-Casualty business segment for the years ended 31 December 2013 and 2012.

CHANGE IN RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	2013			2012		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**62,711**	**(6,905)**	**55,806**	**59,493**	**(6,658)**	**52,835**
Loss and loss adjustment expenses incurred						
Current year	31,831	(2,429)	29,402	32,108	(2,410)	29,698
Prior years	(2,185)	496	(1,689)	(1,271)	64	(1,207)
Subtotal	**29,646**	**(1,933)**	**27,713**	**30,837**	**(2,346)**	**28,491**
Loss and loss adjustment expenses paid						
Current year	(16,136)	687	(15,449)	(15,016)	574	(14,442)
Prior years	(15,099)	1,568	(13,531)	(15,132)	1,747	(13,385)
Subtotal	**(31,235)**	**2,255**	**(28,980)**	**(30,148)**	**2,321**	**(27,827)**
Foreign currency translation adjustments and other changes[1]	(1,433)	265	(1,168)	(96)	(2)	(98)
Changes in the consolidated subsidiaries of the Allianz Group	132	(59)	73	2,625	(220)	2,405
Subtotal	**59,821**	**(6,377)**	**53,444**	**62,711**	**(6,905)**	**55,806**
Reclassification of discounted loss reserves[2]	(3,207)	306	(2,901)	–	–	–
As of 31 December	**56,614**	**(6,071)**	**50,543**	**62,711**	**(6,905)**	**55,806**

1 — Includes effects of foreign currency translation adjustments for prior years claims of gross €(1,371) MN (2012: €47 MN) and of net €(1,184) MN (2012: €70 MN) and for current year claims of gross €(295) MN (2012: €(156) MN) and of net €(253) MN (2012: €(127) MN).

2 — Effective 1 January 2013, the Allianz Group changed its presentation of discounted loss reserves in the consolidated balance sheet from the line item "Reserves for loss and loss adjustment expenses" to the line item "Reserves for insurance and investment contracts". For further information please see note 4.

Prior years' net loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended 31 December 2013, the Allianz Group recorded additional income of €1,689 MN (2012: €1,207 MN) net in respect of losses occurring in prior years. During the year ended 31 December 2013, this amount as a percentage of the net balance of the beginning of the year was 3.0% (2012: 2.3%).

CHANGES IN HISTORICAL RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES (LAE)

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim types such as asbestos and environmental claims. The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the consolidated income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off).

Although discounted loss reserves have been reclassified to "Reserves for insurance and investment contracts" in the balance sheet, the underlying business development of these non-life reserves is still considered in the loss ratio. Therefore the tables below show the loss development by accident year including the business development of discounted loss reserves.

The run-off triangle, also known as the "loss triangle" is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two, time-related dimensions. One of these is the calendar year, while the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – make clear how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective balance sheet date.

The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Allianz Group presentation currency (Euro), consistently using the exchange rates applicable at the reporting date. This ensures that the reserves reconcile with reserves in the consolidated balance sheet.

Loss payments for the individual accident years (per calendar year, net)

LOSS PAYMENTS FOR THE INDIVIDUAL ACCIDENT YEARS (PER CALENDAR YEAR, NET)

€ MN

	Accident year										
Calendar year	2004 & Prior	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
2004	23,253										**23,253**
2005	10,716	11,881									**22,597**
2006	5,610	6,632	11,760								**24,002**
2007	3,793	2,058	6,403	12,631							**24,885**
2008	2,807	1,158	1,643	6,397	13,130						**25,135**
2009	2,219	531	955	1,744	7,350	13,368					**26,167**
2010	1,574	432	586	934	2,151	6,688	14,094				**26,459**
2011	1,147	294	397	687	1,034	1,725	6,945	14,316			**26,545**
2012	1,211	197	265	483	716	1,107	1,972	7,434	14,442		**27,827**
2013	1,149	201	266	323	497	712	1,113	2,090	7,180	15,449	**28,980**

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

€ MN

	Accident year										
as of 31 December	2004 & Prior	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
2004	45,479										**45,479**
2005	34,879	14,777									**49,656**
2006	27,244	8,238	13,848								**49,330**
2007	22,174	4,878	7,612	14,012							**48,676**
2008	18,389	3,248	4,488	7,449	14,222						**47,796**
2009	16,042	2,334	3,432	5,038	7,620	14,074					**48,540**
2010	14,462	1,811	2,815	3,911	5,666	7,456	14,729				**50,850**
2011	13,682	1,442	2,440	2,973	4,337	5,147	7,218	15,596			**52,835**
2012	13,750	1,640	2,026	2,417	3,249	4,061	5,238	7,861	15,564		**55,806**
2013	12,554	1,334	1,662	1,953	2,601	3,117	3,837	5,190	7,239	13,957	**53,444**

Ultimate loss for the individual accident years at the respective reporting date (net)

ULTIMATE LOSS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

€ MN

	Accident year										
as of 31 December	2004 & Prior	2005	2006	2007	2008	2009	2010	2011	2012	2013	Total
2004	68,732										
2005	68,848	26,658									
2006	66,823	26,751	25,608								
2007	65,546	25,449	25,775	26,643							
2008	64,568	24,977	24,294	26,477	27,352						
2009	64,440	24,594	24,193	25,810	28,100	27,442					
2010	64,434	24,503	24,162	25,617	28,297	27,512	28,823				
2011	64,801	24,428	24,184	25,366	28,002	26,928	28,257	29,912			
2012	66,080	24,823	24,035	25,293	27,630	26,949	28,249	29,611	30,006		
2013	66,033	24,718	23,937	25,152	27,479	26,717	27,961	29,030	28,861	29,406	
Surplus[1]	2,699	1,940	1,671	1,491	(127)	725	862	882	1,145	–[3]	**11,288**
Reduction 2013 to 2012[2]	47	105	98	141	151	232	288	581	1,145	–[3]	**2,788**

1 — Includes effects from foreign currency translation adjustments and other changes.
2 — The total reduction 2013 to 2012 of €2,788 MN represents the cumulative surplus from reestimating the ultimate loss for prior year claims. Considering foreign currency translation adjustments of net €(1,184) MN as well as changes in the consolidated subsidiares and other changes of in total €85 MN, this leads to an effective run-off result of net €1,689 MN, which can be found in the table "Change in the reserves for loss and loss adjustment expenses" within this note.
3 — Presentation not meaningful.

Calendar year premiums earned and ultimate loss ratio for the individual accident years at the respective reporting date (net)

CALENDAR YEAR PREMIUMS EARNED AND ULTIMATE LOSS RATIO FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

as of 31 December	Premiums earned (net)	Accident year								
		2005	2006	2007	2008	2009	2010	2011	2012	2013
	€ MN	%	%	%	%	%	%	%	%	%
2005	37,686	70.7								
2006	37,950	71.0	67.5							
2007	38,553	67.5	67.9	69.1						
2008	38,213	66.3	64.0	68.7	71.6					
2009	37,828	65.3	63.7	66.9	73.5	72.5				
2010	39,303	65.0	63.7	66.4	74.1	72.7	73.3			
2011	39,898	64.8	63.7	65.8	73.3	71.2	71.9	75.0		
2012	41,705	65.9	63.3	65.6	72.3	71.2	71.9	74.2	71.9	
2013	42,047	65.6	63.1	65.2	71.9	70.6	71.1	72.8	69.2	69.9

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserve at the reporting date. Given complete information regarding all losses incurred up to the balance sheet date, the ultimate loss for each accident-year period would remain the same. In practice, however, the ultimate loss (based on estimates) is exposed to fluctuations that reflect the increase in knowledge regarding the loss cases. The loss ratio presented above deviates from the reported loss ratio because the ultimate loss in the table above is based on the sum of the payments plus the loss reserve, and not the incurred loss from the profit or loss account. This means that effects like changes in consolidated subsidiaries, foreign currency translation and reclassification of unwinding of discounted loss reserves are presented differently.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2013

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2013 by €1,689 MN net of reinsurance, representing 3.0% of net reserves as of 31 December 2012. The following table provides a breakdown of these amounts by line of business.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2013

	Net reserves as of 31 December 2013	Net reserves as of 31 December 2012	Net development related to prior years	
	€ MN	€ MN	€ MN	%[1]
Motor	16,040	16,705	748	4.5
General Liability	9,632	9,827	(40)	(0.4)
Workers Compensation/ Employers Liability	5,192	5,379	(9)	(0.2)
Property	3,441	3,675	396	10.8
Inwards and Group Internal Reinsurance	5,501	6,085	119	2.0
Personal Accident	1,277	1,259	59	4.7
Construction Damage and Liability	2,373	2,316	(7)	(0.3)
Credit Insurance	1,083	1,010	152	15.0
AGCS	6,159	6,258	257	4.1
Other	2,746	3,292	14	0.4
Allianz Group	**53,444**	**55,806**	**1,689**	**3.0**

1 — In % of net reserves as of 31 December 2012.

The major highlights of the reserve developments in 2013 are discussed by line of business below. The discussion is based on net loss and LAE reserves of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Only significant developments for the Allianz Group's major operating entities are included and therefore the amounts do not fully reconcile to the line of business totals in the above table.

Motor

For Motor, net loss and LAE reserves developed favorably during 2013 by €748 MN, or 4.5% of reserves at 31 December 2012. Favorable development was seen for different effects across several operating entities. The following subsidiaries were the largest contributors:

€274 MN at Allianz Italy. The reduction is due to the impact of claim initiatives being greater than expected as well as due to the introduction of more granular segmentation in the analysis.

€103 MN at Allianz Australia mainly related to a favorable court appeal and lower claims severity resulting from faster claims finalization.

€82 MN at Allianz Spain. The reduction was driven by lower claim frequency and severity due to the economic environment, more favorable price agreements with external suppliers and the increased number of small claims managed directly by Allianz Global Assistance with the benefit of a lower cost to the company.

€71 MN at Allianz Germany mainly due to an ongoing review of methods and assumptions for motor third party liability and overall improved claim handling processes.

€67 MN at Allianz Suisse. The favorable development of bodily injury claims continues based on active claims management, portfolio cleaning as well as a change in jurisdiction for whiplash injuries.

General Liability

For General Liability, net loss and LAE reserves developed unfavorably during 2013 by €40 MN, or 0.4% of reserves at 31 December 2012. This overall minor development consists of several offsetting developments at different operating entities. Unfavorable development was observed at Allianz Italy mainly due to the introduction of a more granular segmentation in the analysis and at Fireman's Fund Insurance Company mainly due to a large loss. Offsetting effects were noted at Allianz United Kingdom and for large losses at Allianz France.

Property

For Property Insurance, net loss and LAE reserves developed favorably during 2013 by €396 MN, or 10.8% of reserves at 31 December 2012. Favorable development was seen for different effects across several operating entities. The following subsidiaries were the largest contributors:

€102 MN at Fireman's Fund Insurance Company due to favorable experience on natural catastrophe claims.

€90 MN at Allianz Italy due to lower than expected claim payments on attritional and large losses as well as favorable development on 2012 earthquake losses.

€80 MN at Allianz Germany mainly due to a lower claims severity based on overall improved claims handling processes.

Inwards and Group Internal Reinsurance

For Inwards and Group Internal Reinsurance, net loss and LAE reserves developed favorably during 2013 by €119 MN or 2.0% of reserves at 31 December 2012. At Allianz Re a favorable development of €132 MN was seen mainly driven by natural catastrophe losses and Group internal quota share arrangements.

Credit Insurance

Credit Insurance is underwritten in the Allianz Group by Euler Hermes. During 2013, Euler Hermes experienced a favorable development of €152 MN net of reinsurance or 15.0% of reserves at 31 December 2012, mainly driven by a better than expected development of the previous years claims in almost all regions where Euler Hermes operates.

Allianz Global Corporate and Specialty

Allianz Global Corporate and Specialty (AGCS) is the Allianz Group's global carrier for corporate and specialty risks. Overall AGCS experienced €257 MN of favorable development in 2013 net of reinsurance, or 4.1% of net reserves as at 31 December 2012.

The major contributors of the favorable run-off included €83 MN from the German entity's corporate property portfolio, €71 MN from the German entity's corporate liability portfolio and €55 MN from the North American entity's aviation and marine portfolio, due to the release of IBNR on prior year reserves based on better than expected experience.

ASBESTOS AND ENVIRONMENTAL (A & E) LOSS RESERVES

There are significant uncertainties in estimating A & E reserves for loss and LAE. Reserves for asbestos-related illnesses and environmental clean up losses cannot be estimated using traditional actuarial techniques due to the long latency period and changes in the legal, socio-economic and regulatory environment.

Case reserves are established when sufficient information is available to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and not yet reported claims. To the extent possible, A & E loss reserve estimates are based not only on claims reported to date, but also on a survey of policies that may be exposed to claims reported in the future (i.e. an exposure analysis).

In establishing liabilities for A & E claims, the management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of insurer liability. As a result, the range of reasonable potential outcomes for A & E liabilities provided in these analyses is particularly large. Given this inherent uncertainty in estimating A & E liabilities, significant deviation from the currently carried A & E reserve position is possible.

While the U.S. A & E claims still represent a majority of the total A & E claims reported to the Allianz Group, the insurance industry is facing an increased prominence in exposures to A & E claims on a global basis. The Allianz Group continues to monitor these A & E exposures. During 2013, claim payments of €282 MN and changes from claims development and foreign exchange of €73 MN reduced A & E liabilities from €3,066 MN to €2,711 MN.

The following table summarizes the gross and net loss and LAE reserves for A & E claims.

GROSS AND NET RESERVES FOR LOSS AND LAE FOR A & E CLAIMS

€ MN as of 31 December	2013	2012
A & E net reserves	2,303	2,537
A & E gross reserves	2,711	3,066
As percentage of the Allianz Group's Property-Casualty gross reserves	4.8%	4.9%

The following table shows total A & E loss activity for the years ended 31 December 2013 and 2012.

CHANGE IN A & E GROSS RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	2013	2012
Reserves for loss and LAE as of 1 January	**3,066**	**3,124**
Loss and LAE payments	(282)	(188)
Change in reserves for loss and LAE	(73)	130
Reserves for loss and LAE as of 31 December	**2,711**	**3,066**

20 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN as of 31 December	2013	2012
Aggregate policy reserves	365,519	350,244
Reserves for premium refunds	37,772	40,031
Other insurance reserves	781	710
Total	**404,072**	**390,985**

AGGREGATE POLICY RESERVES

CHANGES IN AGGREGATE POLICY RESERVES

€ MN	2013	2012
As of 1 January	**350,244**	**338,318**
Foreign currency translation adjustments	(3,441)	(189)
Changes in the consolidated subsidiaries of the Allianz Group	168	–
Changes recorded in the consolidated income statement	4,827	4,613
Premiums collected	18,833	17,467
Separation of embedded derivatives	960	171
Interest credited	4,163	4,790
Dividends allocated to policyholders	1,360	1,506
Releases upon death, surrender and withdrawal	(13,527)	(15,334)
Policyholder charges	(1,292)	(1,464)
Portfolio acquisitions and disposals	(383)	(91)
Other changes	400	457
Reclassification of discounted loss reserves[1]	3,207	–
As of 31 December	**365,519**	**350,244**

1 — Effective 1 January 2013, the Allianz Group changed its presentation of discounted loss reserves in the consolidated balance sheet from the line item "Reserves for loss and loss adjustment expenses" to the line item "Reserves for insurance and investment contracts". For further information please see note 4.

As of 31 December 2013, participating life business represented approximately 56% (2012: 56%) of the Allianz Group's gross insurance in force. During the year ended 31 December 2013, participating policies represented approximately 65% (2012: 65%) of gross statutory premiums written and 64% (2012: 63%) of life premiums earned.

DISCOUNTING OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

As of 31 December 2013 and 2012, the Allianz Group's consolidated Property-Casualty reserves included discounted reserves of €3,207 MN and €3,197 MN, respectively.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable.

The following table shows, by line of business, the carrying amounts of reserves for loss and LAE that have been discounted, and the interest rates used for discounting for the years ended 31 December 2013 and 2012.

DISCOUNTING OF RESERVES FOR LOSS AND LAE

as of 31 December	Discounted reserves[1]		Amount of the discount[1]		Interest rate used for discounting[2]	
	2013	2012	2013	2012	2013	2012
	€ MN	€ MN	€ MN	€ MN	%	%
Motor Liability	954	916	786	762	1.75 – 5.52	1.75 – 5.52
General Liability	234	235	188	183	1.75 – 5.52	1.75 – 5.52
Personal Accident	494	458	272	257	1.75 – 3.50	1.75 – 3.64
Workers Compensation/Employers Liability	1,500	1,562	700	734	0.58 – 5.52	0.58 – 5.52
Other[3]	25	26	11	12	1.75 – 5.52	1.75 – 5.52
Total	**3,207**	**3,197**	**1,957**	**1,948**		

1 — Prior year figures adjusted due to a correction of the determination of discounted reserves.
2 — The range of interest rates is the result of the presentation of the above information by line of business thus each line reflecting interest rates used in various countries. Overall, due to the low interest rate environment, interest rates used for discounting reduced.
3 — The line of business "Other" includes reserves assumed by Allianz Re, for which the Allianz Group does not apply explicit discounting, but which are already discounted by the primary insurer at a discount rate not known to the Allianz Group.

RESERVES FOR PREMIUM REFUNDS

RESERVES FOR PREMIUM REFUNDS

€ MN	2013	2012
Amounts already allocated under local statutory or contractual regulations		
As of 1 January	**11,979**	**12,124**
Foreign currency translation adjustments	(5)	4
Changes in the consolidated subsidiaries of the Allianz Group	–	(1)
Changes	1,257	(148)
As of 31 December	**13,231**	**11,979**
Latent reserves for premium refunds		
As of 1 January	**28,052**	**10,744**
Foreign currency translation adjustments	(48)	7
Changes in the consolidated subsidiaries of the Allianz Group	10	–
Changes due to fluctuations in market value	(4,337)	14,690
Changes due to valuation differences charged to income	864	2,611
As of 31 December	**24,541**	**28,052**
Total	**37,772**	**40,031**

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT

The Allianz Group's Life/Health business segment provides a wide variety of insurance and investment contracts to individuals and groups in over 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without taking policyholder participation into account, traditional contracts generally incorporate significant investment risk for the Allianz Group, while unit-linked contracts generally result in the contract holder assuming the investment risk. Traditional contracts include life, endowment, annuity, and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity-indexed deferred annuities. In certain markets, the Allianz Group also issues group life, group health and group pension contracts.

As of 31 December 2013 and 2012, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the business segment Life/Health per reportable segment are summarized as follows:

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT PER REPORTABLE SEGMENT

€ MN

as of 31 December	Deferred acquisition costs	Aggregate policy reserves	Reserves for premium refunds	Other insurance reserves	Total non-unit-linked reserves	Liabilities for unit-linked contracts	Total
2013							
German Speaking Countries	8,566	186,627	29,705	203	**216,535**	6,228	**222,763**
Western & Southern Europe	2,508	92,856	5,903	291	**99,050**	43,169	**142,219**
Iberia & Latin America	55	7,395	505	–	**7,900**	106	**8,006**
USA	4,321	51,699	–	–	**51,699**	22,314	**74,013**
Global Insurance Lines & Anglo Markets	73	1,877	–	6	**1,883**	–	**1,883**
Growth Markets	2,167	16,357	297	142	**16,796**	9,247	**26,043**
Consolidation	–	(2,985)	–	(5)	**(2,990)**	–	**(2,990)**
Total	**17,690**	**353,826**	**36,410**	**637**	**390,873**	**81,064**	**471,937**
2012							
German Speaking Countries	8,232	176,912	31,984	194	**209,090**	5,648	**214,738**
Western & Southern Europe	2,366	89,634	6,146	265	**96,045**	36,457	**132,502**
Iberia & Latin America	31	6,991	297	–	**7,288**	62	**7,350**
USA	2,225	51,488	–	–	**51,488**	19,471	**70,959**
Global Insurance Lines & Anglo Markets	50	2,187	–	6	**2,193**	–	**2,193**
Growth Markets	2,086	16,875	248	84	**17,207**	9,559	**26,766**
Consolidation	–	(2,312)	–	(6)	**(2,318)**	–	**(2,318)**
Total	**14,990**	**341,775**	**38,675**	**543**	**380,993**	**71,197**	**452,190**

The majority of the Allianz Group's Life/Health business segment operations are conducted in Europe. Insurance laws and regulations in Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 49% (2012: 49%) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2013, include a substantial level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health business segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health business segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the business segment Life/Health (comprising 87% of non-unit-linked reserves in both 2013 and 2012) can be summarized by country as follows:

WEIGHTED AVERAGE GUARANTEED MINIMUM INTEREST RATES OF LIFE INSURANCE ENTITIES

as of 31 December	2013			2012		
	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves
	%	€ BN	%	%	€ BN	%
Germany	3.0	146.8	97.5	3.1	138.9	97.7
France	0.6	53.4	77.5	0.7	52.1	79.2
Italy	2.3	27.7	56.9	2.5	27.0	60.0
United States	1.1	55.9	71.5	1.3	54.9	73.8
Switzerland	2.1	9.8	92.7	2.2	9.7	92.5
South Korea	4.7	8.5	89.3	4.7	8.6	90.4
Belgium	3.2	8.0	96.1	3.4	7.6	96.7

In most of these markets, the effective interest rates earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, South Korea and Taiwan have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment. As of 31 December 2013 the Allianz Group has written off deferred acquisition costs and established premium deficiency reserves on the most endangered part of the portfolio in South Korea, with an overall impact of €(111) MN on the consolidated income statement. As a result, as of 31 December 2013, the Allianz Group does not believe that it is exposed to further significant risk of premium deficiencies in its business segment Life/Health.

21 — Financial liabilities for unit-linked contracts

CHANGES IN FINANCIAL LIABILITIES FOR UNIT-LINKED INSURANCE CONTRACTS AND UNIT-LINKED INVESTMENT CONTRACTS

€ MN	2013			2012		
	Unit-linked insurance contracts	Unit-linked investment contracts	Total	Unit-linked insurance contracts	Unit-linked investment contracts	Total
As of 1 January	**50,078**	**21,119**	**71,197**	**43,446**	**20,054**	**63,500**
Foreign currency translation adjustments	(1,909)	(347)	(2,256)	(520)	41	(479)
Changes in the consolidated subsidiaries of the Allianz Group	–	1,477	1,477	–	–	–
Premiums collected	8,065	6,989	15,054	7,754	4,438	12,192
Interest credited	5,524	601	6,125	5,467	1,623	7,090
Releases upon death, surrender and withdrawal	(4,689)	(3,993)	(8,682)	(4,423)	(4,957)	(9,380)
Policyholder charges	(1,466)	(98)	(1,564)	(1,287)	(78)	(1,365)
Portfolio acquisitions and disposals	(31)	(19)	(50)	(18)	(3)	(21)
Reclassifications[1]	(215)	(22)	(237)	(341)	1	(340)
As of 31 December	**55,357**	**25,707**	**81,064**	**50,078**	**21,119**	**71,197**

1 — These reclassifications mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

22 — Other liabilities

OTHER LIABILITIES

€ MN as of 31 December	2013	2012
Payables		
Policyholders	4,911	4,710
Reinsurance	1,170	1,845
Agents	1,604	1,529
Subtotal	**7,685**	**8,084**
Payables for social security	395	458
Tax payables		
Income taxes	2,580	2,680
Other taxes	1,269	1,143
Subtotal	**3,849**	**3,823**
Accrued interest and rent	681	671
Unearned income		
Interest and rent	16	5
Other	261	288
Subtotal	**277**	**293**
Provisions		
Pensions and similar obligations	7,594	8,069
Employee related	2,104	2,100
Share-based compensation plans	685	558
Restructuring plans	214	304
Loan commitments	42	67
Contingent losses from non-insurance business	130	166
Other provisions	1,617	1,632
Subtotal	**12,386**	**12,896**
Deposits retained for reinsurance ceded	1,874	1,834
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	158	462
Financial liabilities for puttable equity instruments	3,064	2,601
Other liabilities	6,514	6,270
Total	**36,883**	**37,392**

As of 31 December 2013, other liabilities due within one year amounted to €25,223 MN (2012: €25,121 MN) and those due after more than one year amounted to €11,660 MN (2012: €12,271 MN).

23 — Certificated liabilities

CERTIFICATED LIABILITIES

€ MN[1]

	Contractual Maturity Date						as of 31 December 2013	as of 31 December 2012
	2014	2015	2016	2017	2018	Thereafter		
Allianz SE[2]								
Senior bonds[3]								
Fixed rate	–	–	1,494	–	499	4,588	6,581	5,942
Contractual interest rate	–	–	4.00%	–	1.38%	4.02%	–	–
Money market securities								
Fixed rate	869	–	–	–	–	–	869	1,180
Contractual interest rate	0.40%	–	–	–	–	–	–	–
Total Allianz SE[2]	**869**	**–**	**1,494**	**–**	**499**	**4,588**	**7,450**	**7,122**
Banking subsidiaries								
Senior bonds								
Fixed rate	68	53	72	–	–	–	193	409
Contractual interest rate	2.68%	1.32%	1.36%	–	–	–	–	–
Floating rate	–	–	–	–	–	387	387	404
Current interest rate	–	–	–	–	–	0.53%	–	–
Total banking subsidiaries	**68**	**53**	**72**	**–**	**–**	**387**	**580**	**813**
All other subsidiaries								
Certificated liabilities								
Floating rate	–	–	–	–	–	–	–	25
Current interest rate	–	–	–	–	–	–	–	–
Total all other subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**25**
Total	**937**	**53**	**1,566**	**–**	**499**	**4,975**	**8,030**	**7,960**

1 — Except for the interest rates. The interest rates represent the weighted average.
2 — Includes senior bonds issued by Allianz Finance II B.V., guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.
3 — Change due to the issuance of senior bonds in the amount of €2.1 BN in the first quarter of 2013 and the repayment of a €1.5 BN bond in the first quarter of 2013.

24 — Subordinated liabilities

SUBORDINATED LIABILITIES

€ MN[1]	Contractual Maturity Date						as of 31 December 2013	as of 31 December 2012
	2014	2015	2016	2017	2018	Thereafter		
Allianz SE[2]								
Subordinated bonds[3]								
Fixed rate	–	–	–	–	–	1,519	1,519	3,063
Contractual interest rate	–	–	–	–	–	5.43%	–	–
Floating rate	1,500[4]	–	–	–	–	7,837	9,337	7,833
Current interest rate	5.50%	–	–	–	–	5.42%	–	–
Total Allianz SE[2]	**1,500**	**–**	**–**	**–**	**–**	**9,356**	**10,856**	**10,896**
Banking subsidiaries								
Subordinated bonds								
Fixed rate	48	–	15	83	20	88	254	274
Contractual interest rate	5.04%	–	5.61%	4.27%	4.35%	4.60%	–	–
Total banking subsidiaries	**48**	**–**	**15**	**83**	**20**	**88**	**254**	**274**
All other subsidiaries								
Subordinated liabilities								
Fixed rate	–	–	–	–	–	399	399	399
Contractual interest rate	–	–	–	–	–	4.63%	–	–
Hybrid equity								
Floating rate	–	–	–	–	–	45	45	45
Current interest rate	–	–	–	–	–	1.74%	–	–
Total all other subsidiaries	**–**	**–**	**–**	**–**	**–**	**444**	**444**	**444**
Total	**1,548**	**–**	**15**	**83**	**20**	**9,888**	**11,554**	**11,614**

1 — Except for interest rates. Interest rates represent the weighted average.
2 — Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.
3 — Change due to redemption of a USD2.0 BN bond in the second quarter of 2013 and the issuance of a €1.5 BN subordinated bond in the fourth quarter of 2013.
4 — €1.5 BN subordinated bond called for redemption effective 15 January 2014.

25 — Equity

EQUITY

€ MN as of 31 December	2013	2012
Shareholders' equity		
Issued capital	1,169	1,167
Capital reserves	27,701	27,648
Retained earnings[1]	17,785	13,524
Foreign currency translation adjustments	(3,312)	(2,073)
Unrealized gains and losses (net)[2]	6,741	10,122
Subtotal	**50,084**	**50,388**
Non-controlling interests	2,765	2,575
Total	**52,849**	**52,963**

1 — As of 31 December 2013, includes €(220) MN (2012: €(218) MN) related to treasury shares.
2 — As of 31 December 2013, includes €203 MN (2012: €256 MN) related to cash flow hedges.

ISSUED CAPITAL

Issued capital as of 31 December 2013 amounted to €1,169 MN divided into 456,500,000 registered shares. The shares have no par value but a mathematical per share value of €2.56 each as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2013, Allianz SE had authorized capital for the issuance of 214,843,750 shares until 4 May 2015, with a notional amount of €550 MN (Authorized Capital 2010/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 Law (Aktiengesetz) do not exceed 10% of the share capital, (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, and (iv) if the new shares are issued in connection with a listing of Allianz shares on a stock exchange in the People's Republic of China, the issue price for the new shares is not significantly below the market price, and the new shares do not exceed 10% of the share capital. An overall limit for the exclusion of subscription rights of up to €232 MN (corresponding to 20% of the share capital at year-end 2009) applies for the Authorized Capital 2010/I and the Conditional Capital 2010.

In addition, Allianz SE has authorized capital (Authorized Capital 2010/II) for the issuance of shares against cash until 4 May 2015. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its subsidiaries. As of 31 December 2013, the Authorized Capital 2010/II amounted to €8 MN (3,259,375 shares).

Further, as of 31 December 2013, Allianz SE had conditional capital totaling €250 MN (97,656,250 shares) (Conditional Capital 2010). 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 resolution of the Annual General Meeting (AGM) on 5 May 2010, are exercised or the conversion obligations under such bonds are fulfilled, and only insofar as no other methods are used in serving these rights.

Convertible subordinated notes totaling €500 MN 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 at the occurrence of certain events, subject to a floor price of at least €75.39 per share. Within the same period, the investors have the right to convert the notes into Allianz shares at a price of €188.47 per share. Both conversion prices are 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. On or before 31 December 2013, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

NUMBER OF ISSUED SHARES OUTSTANDING

	2013	2012
Issued shares outstanding as of 1 January	**453,171,976**	**452,473,025**
Capital increase for employee shares	550,000	650,000
Change in treasury shares held for non-trading purposes	14,643	48,951
Issued shares outstanding as of 31 December	**453,736,619**	**453,171,976**
Treasury shares	2,763,381	2,778,024
Total number of issued shares	**456,500,000**	**455,950,000**

In October 2013, 550,000 (2012: 650,000) shares were issued for cash out of the Authorized Capital 2010/II at a price of €99.45 (2012: €79.25) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase shares. As a result, issued capital increased by €1 MN and capital reserves by €53 MN. The Authorized Capital 2010/II was created to enable Allianz SE to issue new shares for such employee offerings. To be able to offer the new shares to employees, the shareholders' subscription rights to these new shares were excluded with the consent of the Supervisory Board pursuant to the authorization granted by the AGM on 5 May 2010.

All shares issued during the years ending 31 December 2013 and 2012 are qualifying shares from the beginning of the year of issue.

DIVIDENDS

For the year ending 31 December 2013, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of €5.30 per qualifying share. For the year ended 31 December 2012, Allianz SE paid a dividend of €4.50 per qualifying share.

TREASURY SHARES

As of 31 December 2013, Allianz SE held 2,761,795 (2012: 2,777,438) own shares. Of these, 155,626 (2012: 171,269) shares were held for covering subscriptions by employees of the Allianz Group in the context of the Employee Stock Purchase Plan 2014, whereas 2,606,169 (2012: 2,606,169) shares were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the fourth quarter of 2013, 550,000 (2012: 650,000) new Allianz shares were issued in the context of a capital increase for the Employee Stock Purchase Plan 2013. In 2013, 565,643 (2012: 627,118) shares were sold to employees of Allianz SE and its subsidiaries. Of these, 171,269 (2012: 148,387) originated from the capital increase for the Employee Stock Purchase Plan in 2012 and 394,374 (2012: 478,731) from the capital increase for the Employee Stock Purchase Plan in 2013. Employees of the Allianz Group purchased shares at prices ranging from €71.03 (2012: €52.17) to €100.84 (2012: €75.19) per share. The remaining 155,626 (2012: 171,269) shares in 2013 will be used for the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in 2014. The total change of holdings in Allianz SE own shares for the year ending 31 December 2013, amounted to a decrease of 15,643 (2012: increase of 22,882) shares, which corresponds to €40,046 (2012: €58,578) or 0.003% (2012: 0.005%) of issued capital.

Changes in the treasury shares were:

CHANGES IN TREASURY SHARES

as of 31 December	Acquisition costs € MN	Number of shares	Issued capital %
2013			
Allianz SE	220	2,761,795	0.61
Other	–	1,586	–
Total	**220**	**2,763,381**	**0.61**
2012			
Allianz SE	218	2,777,438	0.61
Other	–	586	–
Total	**218**	**2,778,024**	**0.61**

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS

€ MN as of 31 December	2013	2012
Unrealized gains and losses (net)	93	135
Share of earnings	348	327
Other equity components	2,324	2,113
Total	**2,765**	**2,575**

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements are primarily dependent on the type of business that it underwrites, the industry and geographic locations in which it operates and the allocation of the Allianz Group's investments. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital requirements at the level of the Allianz Group's operating entities and the Allianz Group as a whole.

On 1 January 2005, the Financial Conglomerates Directive (FCD), a supplementary European Union (E.U.) directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German laws. The directive requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirement on a consolidated basis.

As of 31 December 2013, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the Asset Management and Banking business, was €46.5 BN (2012 as published: €48.4 BN) including off-balance sheet reserves[1] of €2.3 BN (2012: €2.2 BN), surpassing the minimum legally stipulated level by €20.9 BN (2012: €23.8 BN). This margin resulted in a preliminary cover ratio of 182% (2012 as published: 197%) as of 31 December 2013. The decrease in the cover ratio was mainly driven by an approximately 16%-points decrease due to amendments to IAS 19.

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations and to steer its operations.

Going forward, with the planned introduction of Solvency II in January 2016, the Allianz Group expects the Solvency II rules to become the binding regulatory constraint for the Group.

Insurance subsidiaries of the Allianz Group including Allianz SE prepare individual financial statements based on local laws and regulations. These laws establish to some extent additional restrictions on the minimum level of capital and the amount of dividends that may be paid to shareholders. The respective local minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, investment risks, mortality risks, credit risks, underwriting risks and off-balance sheet risks.

As of 31 December 2013, the Allianz Group's insurance subsidiaries were in compliance with all applicable regulatory solvency and capital adequacy requirements.

Some insurance subsidiaries are subject to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of the Allianz Group's insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future.

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 173% (2012: 188%).

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

26 — Premiums earned (net)

PREMIUMS EARNED (NET)

€ MN

	Property-Casualty	Life/Health	Consolidation	Group
2013				
Premiums written				
Direct	43,967	24,805	–	68,772
Assumed	2,612	725	(58)	3,279
Subtotal	**46,579**	**25,530**	**(58)**	**72,051**
Ceded	(3,982)	(617)	58	(4,541)
Net	**42,597**	**24,913**	**–**	**67,510**
Change in unearned premiums				
Direct	(442)	(323)	–	(765)
Assumed	(71)	(7)	(1)	(79)
Subtotal	**(513)**	**(330)**	**(1)**	**(844)**
Ceded	(37)	(2)	1	(38)
Net	**(550)**	**(332)**	**–**	**(882)**
Premiums earned				
Direct	43,525	24,482	–	68,007
Assumed	2,541	718	(59)	3,200
Subtotal	**46,066**	**25,200**	**(59)**	**71,207**
Ceded	(4,019)	(619)	59	(4,579)
Net	**42,047**	**24,581**	**–**	**66,628**
2012				
Premiums written				
Direct	43,824	24,693	(53)	68,464
Assumed	3,065	610	(53)	3,622
Subtotal	**46,889**	**25,303**	**(106)**	**72,086**
Ceded	(4,727)	(662)	53	(5,336)
Net	**42,162**	**24,641**	**(53)**	**66,750**
Change in unearned premiums				
Direct	(587)	(243)	–	(830)
Assumed	(18)	–	4	(14)
Subtotal	**(605)**	**(243)**	**4**	**(844)**
Ceded	148	(5)	(4)	139
Net	**(457)**	**(248)**	**–**	**(705)**
Premiums earned				
Direct	43,237	24,450	(53)	67,634
Assumed	3,047	610	(49)	3,608
Subtotal	**46,284**	**25,060**	**(102)**	**71,242**
Ceded	(4,579)	(667)	49	(5,197)
Net	**41,705**	**24,393**	**(53)**	**66,045**

27 — Interest and similar income

INTEREST AND SIMILAR INCOME

€ MN

	2013	2012
Interest from held-to-maturity investments	182	204
Dividends from available-for-sale investments	1,354	1,156
Interest from available-for-sale investments	13,202	13,325
Share of earnings from investments in associates and joint ventures	146	143
Rent from real estate held for investment	791	741
Interest from loans to banks and customers	5,067	5,368
Other interest	176	147
Total	**20,918**	**21,084**

28 — Income from financial assets and liabilities carried at fair value through income (net)

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

€ MN	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
2013						
Income (expenses) from financial assets and liabilities held for trading (net)	33	(567)	–	30	5	(499)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	11	339	62	1	(2)	411
Income (expenses) from financial liabilities for puttable equity instruments (net)	(2)	(197)	(49)	–	–	(248)
Foreign currency gains and losses (net)	(92)	(1,377)	–	(37)	–	(1,506)
Total	**(50)**	**(1,802)**	**13**	**(6)**	**3**	**(1,842)**
2012						
Income (expenses) from financial assets and liabilities held for trading (net)	(98)	(832)	(2)	237	48	(647)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	(25)	454	72	(1)	(1)	499
Income (expenses) from financial liabilities for puttable equity instruments (net)	46	(240)	(50)	–	–	(244)
Foreign currency gains and losses (net)	(49)	(96)	(4)	30	–	(119)
Total	**(126)**	**(714)**	**16**	**266**	**47**	**(511)**

INCOME (EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES HELD FOR TRADING (NET)

Business segment Life/Health

For the year ended 31 December 2013, income and expenses from financial assets and liabilities held for trading (net) in the business segment Life/Health includes expenses of €600 MN (2012: €878 MN) from derivative financial instruments. Included in this is income of €245 MN (2012: €107 MN) from financial derivative positions of German entities, of which expenses of €317 MN (2012: income of €466 MN) relate to duration management, income of €34 MN (2012: expenses of €396 MN) relates to protection against equity fluctuations and income of €540 MN (2012: €37 MN) relates to protection against foreign exchange rate fluctuations. Also included are expenses related to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts of €790 MN (2012: €736 MN) from U.S. entities.

Business segment Corporate and Other

For the year ended 31 December 2013, income and expenses from financial assets and liabilities held for trading (net) in the business segment Corporate and Other includes income of €152 MN (2012: €354 MN) from derivative financial instruments. This includes income of €70 MN (2012: expenses of €14 MN) from financial derivative instruments to protect investments and liabilities against foreign exchange rate fluctuations. In 2013, hedging of strategic equity investments not designated for hedge accounting produced no income (2012: €3 MN). Financial derivatives related to The Hartford investment produced no income (2012: €180 MN) as The Hartford Warrants were sold by the Allianz Group in April 2012. Expenses of €125 MN (2012: €126 MN) from the hedges of share-based compensation plans (restricted stock units) are also included.

INCOME (EXPENSES) FROM FINANCIAL ASSETS AND LIABILITIES DESIGNATED AT FAIR VALUE THROUGH INCOME (NET)

For the year ended 31 December 2013, income and expenses from financial assets and liabilities designated at fair value through income (net) in the business segment Life/Health includes income from equity investments of €228 MN (2012: €273 MN) and income of €111 MN (2012: €181 MN) from debt investments.

FOREIGN CURRENCY GAINS AND LOSSES (NET)

Foreign currency gains and losses are reported within income from financial assets and liabilities carried at fair value through income (net). These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency that are monetary items. This excludes exchange differences arising on financial assets and liabilities measured at fair value through profit or loss, which do not have to be disclosed separately. The Allianz Group uses freestanding derivatives, included in the line item income (expenses) from financial assets and liabilities held for trading (net), to hedge against foreign currency fluctuations. For these derivatives, income in the amount of €653 MN (2012: €20 MN) was recognized for the year ended 31 December 2013.

29 — Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)

€ MN	2013	2012
REALIZED GAINS		
Available-for-sale investments		
Equity securities	2,102	2,524
Debt securities	2,308	2,325
Subtotal	**4,410**	**4,849**
Investments in associates and joint ventures[1]	73	15
Real estate held for investment	147	221
Loans and advances to banks and customers	412	829
Non-current assets classified as held for sale	104	36
Subtotal	**5,146**	**5,950**
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(253)	(377)
Debt securities	(578)	(1,230)
Subtotal	**(831)**	**(1,607)**
Investments in associates and joint ventures[2]	(12)	(8)
Real estate held for investment	(11)	(2)
Loans and advances to banks and customers	(4)	(6)
Non-current assets classified as held for sale	(3)	–
Subtotal	**(861)**	**(1,623)**
Total	**4,285**	**4,327**

1 — During the year ended 31 December 2013, includes realized gains from the disposal of subsidiaries and businesses of €48 MN (2012: €12 MN).
2 — During the year ended 31 December 2013, includes no realized losses from the disposal of subsidiaries (2012: €8 MN).

30 — Fee and commission income

FEE AND COMMISSION INCOME

€ MN	2013	2012
PROPERTY-CASUALTY		
Fees from credit and assistance business	753	721
Service agreements	473	443
Investment advisory	–	1
Subtotal	**1,226**	**1,165**
LIFE/HEALTH		
Service agreements	75	69
Investment advisory	571	465
Subtotal	**646**	**534**
ASSET MANAGEMENT		
Management fees	7,317	6,528
Loading and exit fees	715	635
Performance fees	510	766
Other	69	112
Subtotal	**8,611**	**8,041**
CORPORATE AND OTHER		
Service agreements	62	19
Investment advisory and banking activities	625	595
Subtotal	**687**	**614**
CONSOLIDATION	(678)	(542)
Total	**10,492**	**9,812**

31 — Other income

OTHER INCOME

€ MN	2013	2012
Income from real estate held for own use		
Realized gains from disposals of real estate held for own use	34	23
Other income from real estate held for own use	–	8
Subtotal	**34**	**31**
Income from alternative investments	169	169
Other	6	14
Total	**209**	**214**

32 — Income and expenses from fully consolidated private equity investments

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

€ MN	2013	2012
Income		
Sales and service revenues	726	788
Subtotal	**726**	**788**
Expenses		
Cost of goods sold	(219)	(250)
General and administrative expenses	(492)	(523)
Interest expenses	(32)	(41)
Subtotal[1]	**(743)**	**(814)**
Total[1]	**(17)**	**(26)**

1 — The presented subtotal for expenses and total income and expenses from fully consolidated private equity investments for the year ended 31 December 2013 differs from the amounts presented in the "Consolidated Income Statements" and in "Total revenues and reconciliation of Operating profit (loss) to Net income (loss)". This difference is due to a consolidation effect of €2 MN (2012: €(33) MN) for the year ended 31 December 2013. This consolidation effect results from the deferred policyholder participation, recognized on the result from fully consolidated private equity investments within operating profit in the Life/Health segment, that was reclassified into expenses from fully consolidated private equity investments in non-operating profit to ensure a consistent presentation of the Allianz Group's operating profit.

33 — Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2013				
Gross				
Claims and insurance benefits paid	(31,235)	(20,215)	32	(51,418)
Change in loss and loss adjustment expenses	1,589	(353)	4	1,240
Subtotal	**(29,646)**	**(20,568)**	**36**	**(50,178)**
Ceded				
Claims and insurance benefits paid	2,255	462	(26)	2,691
Change in loss and loss adjustment expenses	(322)	10	(3)	(315)
Subtotal	**1,933**	**472**	**(29)**	**2,376**
Net				
Claims and insurance benefits paid	(28,980)	(19,753)	6	(48,727)
Change in loss and loss adjustment expenses	1,267	(343)	1	925
Total	**(27,713)**	**(20,096)**	**7**	**(47,802)**
2012				
Gross				
Claims and insurance benefits paid	(30,148)	(20,529)	25	(50,652)
Change in loss and loss adjustment expenses	(689)	(411)	8	(1,092)
Subtotal	**(30,837)**	**(20,940)**	**33**	**(51,744)**
Ceded				
Claims and insurance benefits paid	2,321	479	(22)	2,778
Change in loss and loss adjustment expenses	25	75	(7)	93
Subtotal	**2,346**	**554**	**(29)**	**2,871**
Net				
Claims and insurance benefits paid	(27,827)	(20,050)	3	(47,874)
Change in loss and loss adjustment expenses	(664)	(336)	1	(999)
Total	**(28,491)**	**(20,386)**	**4**	**(48,873)**

34 — Change in reserves for insurance and investment contracts (net)

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2013				
Gross				
Aggregate policy reserves	(232)	(7,545)	(4)	(7,781)
Other insurance reserves	7	(208)	–	(201)
Expenses for premium refunds	(161)	(5,959)	(46)	(6,166)
Subtotal	**(386)**	**(13,712)**	**(50)**	**(14,148)**
Ceded				
Aggregate policy reserves	3	140	–	143
Other insurance reserves	–	9	–	9
Expenses for premium refunds	(1)	7	–	6
Subtotal	**2**	**156**	**–**	**158**
Net				
Aggregate policy reserves	(229)	(7,405)	(4)	(7,638)
Other insurance reserves	7	(199)	–	(192)
Expenses for premium refunds	(162)	(5,952)	(46)	(6,160)
Total	**(384)**	**(13,556)**	**(50)**	**(13,990)**
2012				
Gross				
Aggregate policy reserves	(135)	(7,666)	50	(7,751)
Other insurance reserves	(5)	(78)	–	(83)
Expenses for premium refunds	(292)	(6,377)	(9)	(6,678)
Subtotal	**(432)**	**(14,121)**	**41**	**(14,512)**
Ceded				
Aggregate policy reserves	2	131	–	133
Other insurance reserves	–	6	–	6
Expenses for premium refunds	–	13	–	13
Subtotal	**2**	**150**	**–**	**152**
Net				
Aggregate policy reserves	(133)	(7,535)	50	(7,618)
Other insurance reserves	(5)	(72)	–	(77)
Expenses for premium refunds	(292)	(6,364)	(9)	(6,665)
Total	**(430)**	**(13,971)**	**41**	**(14,360)**

35 — Interest expenses

INTEREST EXPENSES

€ MN	2013	2012
Liabilities to banks and customers	(259)	(339)
Deposits retained on reinsurance ceded	(49)	(51)
Certificated liabilities	(272)	(341)
Subordinated liabilities	(642)	(649)
Other	(100)	(97)
Total	**(1,322)**	**(1,477)**

36 — Loan loss provisions

LOAN LOSS PROVISIONS

€ MN	2013	2012
Additions to allowances including direct impairments	(166)	(207)
Amounts released	62	77
Recoveries on loans previously impaired	18	19
Total	**(86)**	**(111)**

37 — Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)

€ MN	2013	2012
IMPAIRMENTS		
Available-for-sale investments		
Equity securities	(392)	(804)
Debt securities	(56)	(87)
Subtotal	**(448)**	**(891)**
Investments in associates and joint ventures[1]	(108)	(23)
Real estate held for investment	(55)	(48)
Loans and advances to banks and customers	(24)	(58)
Non-current assets classified as held for sale	(31)	(3)
Subtotal	**(666)**	**(1,023)**
REVERSALS OF IMPAIRMENTS		
Available-for-sale investments		
Debt securities	18	17
Real estate held for investment	22	33
Loans and advances to banks and customers	15	39
Subtotal	**55**	**89**
Total	**(611)**	**(934)**

1 — For the twelve months ended 31 December 2013, includes an impairment of an associated alternative investment entity in the amount of €(23) MN. The fair value is classified as level 3 in the fair value hierarchy and based on a discounted cash flow approach.

38 — Investment expenses

INVESTMENT EXPENSES

€ MN	2013	2012
Investment management expenses	(527)	(525)
Depreciation of real estate held for investment	(211)	(190)
Other expenses from real estate held for investment	(167)	(161)
Total	**(905)**	**(876)**

39 — Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN	2013	2012
PROPERTY-CASUALTY		
Acquisition costs		
Incurred	(9,829)	(9,471)
Commissions and profit received on reinsurance business ceded	479	498
Deferrals of acquisition costs	5,868	5,715
Amortization of deferred acquisition costs	(5,705)	(5,605)
Subtotal	**(9,187)**	**(8,863)**
Administrative expenses	(2,755)	(2,771)
Subtotal	**(11,942)**	**(11,634)**
LIFE/HEALTH		
Acquisition costs		
Incurred	(4,591)	(4,535)
Commissions and profit received on reinsurance business ceded	67	110
Deferrals of acquisition costs	2,980	2,790
Amortization of deferred acquisition costs	(2,571)	(2,241)
Subtotal	**(4,115)**	**(3,876)**
Administrative expenses	(1,488)	(1,440)
Subtotal	**(5,603)**	**(5,316)**
ASSET MANAGEMENT		
Personnel expenses	(2,607)	(2,578)
Non-personnel expenses	(1,419)	(1,286)
Subtotal	**(4,026)**	**(3,864)**
CORPORATE AND OTHER		
Administrative expenses	(1,297)	(1,245)
Subtotal	**(1,297)**	**(1,245)**
CONSOLIDATION	3	13
Total	**(22,865)**	**(22,046)**

40 — Fee and commission expenses

FEE AND COMMISSION EXPENSES

€ MN	2013	2012
PROPERTY-CASUALTY		
Fees from credit and assistance business	(755)	(711)
Service agreements	(386)	(377)
Subtotal	**(1,141)**	**(1,088)**
LIFE/HEALTH		
Service agreements	(39)	(42)
Investment advisory	(212)	(186)
Subtotal	**(251)**	**(228)**
ASSET MANAGEMENT		
Commissions	(1,403)	(1,243)
Other	(81)	(67)
Subtotal	**(1,484)**	**(1,310)**
CORPORATE AND OTHER		
Service agreements	(230)	(247)
Investment advisory and banking activities	(263)	(247)
Subtotal	**(493)**	**(494)**
CONSOLIDATION	331	225
Total	**(3,038)**	**(2,895)**

41 — Other expenses

OTHER EXPENSES

€ MN	2013	2012
Realized losses from disposals of real estate held for own use	(2)	(3)
Expenses from alternative investments	(85)	(88)
Other	(19)	(3)
Total	**(106)**	**(94)**

42 — Income taxes

INCOME TAXES

€ MN	2013	2012
Current income taxes	(2,899)	(3,324)
Deferred income taxes	(401)	163
Total	**(3,300)**	**(3,161)**

For the years ended 31 December 2013 and 2012, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN	2013	2012
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	(23)	(11)
Available-for-sale investments	1,451	(2,522)
Cash flow hedges	21	(27)
Share of other comprehensive income of associates	6	–
Miscellaneous	96	42
Items that may never be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	(171)	785
Total	**1,380**	**(1,733)**

During the year ended 31 December 2013, current income taxes included expenses of €138 MN (2012: €264 MN) related to prior years.

Of the deferred income taxes for the year ended 31 December 2013, expenses of €47 MN (2012: income of €399 MN) are attributable to the recognition of deferred taxes on temporary differences and expenses of €356 MN (2012: €233 MN) are attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax income of €2 MN (2012: expenses of €3 MN).

The recognized income taxes for the year ended 31 December 2013 are €418 MN (2012: €589 MN) above the expected income taxes. The following table shows the reconciliation from the expected income taxes of the Allianz Group to the effectively recognized taxes. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after taking into consideration consolidation effects with an impact on the Group result. The expected tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax, trade tax and the solidarity surcharge, and amounts to 31.0% (2012: 31.0%).

The effective tax rate is determined on the basis of the effective income tax expenses on income before income taxes.

EFFECTIVE TAX RATE

€ MN	2013	2012
Income before income taxes	9,644	8,719
Expected income tax rate	29.9%	29.5%
Expected income taxes	**2,882**	**2,572**
Trade tax and similar taxes	244	237
Net tax exempt income	(185)	(189)
Effects of tax losses	9	2
Other effects	350	539
Income taxes	**3,300**	**3,161**
Effective tax rate	**34.2%**	**36.3%**

In Italy, a decree law was issued in November 2013 and was converted into law by the Parliament in January 2014, which increased the corporate income tax rate (IRES) for bank and insurance companies by 8.5% (from 27.5% to 36%). This tax rate increase is applied retroactively from beginning of 2013 and only for the financial year 2013. It resulted in an additional tax burden on the Allianz Group operations in Italy of €119 MN. This one-off effect is included in the above table in the other effects.

In the tax reconciliation for 2012, the other effects of €539 MN include €373 MN current and deferred taxes for prior years and a one-off tax expense from a tax law change in France of €64 MN.

For the year ended 31 December 2013, the write-down of deferred tax assets on tax losses carried forward resulted in deferred tax expenses of €4 MN (2012: €– MN). The non-recognition of deferred taxes on tax losses for the current fiscal year increased the tax expenses by €17 MN (2012: €52 MN). Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax expenses decreased by €3 MN (2012: €8 MN). Deferred tax income of €9 MN (2012: €42 MN) resulted from the recognition of deferred tax assets on tax losses carried forward from earlier periods for which no deferred taxes had yet been recognized. The above mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group's deferred taxes are the applicable national rates, which in 2013 ranged from 10.0% to 40.0%. Changes to tax rates already adopted on 31 December 2013 are taken into account.

Deferred tax assets on losses carried forward are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Entities which suffered a tax loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to €149 MN (2012: €332 MN).

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES

€ MN as of 31 December	2013	2012
Deferred tax assets		
Financial assets carried at fair value through income	23	34
Investments	3,112	2,871
Deferred acquisition costs	1,158	1,984
Other assets	1,363	1,184
Intangible assets	119	156
Tax losses carried forward	2,213	2,548
Insurance reserves	3,862	3,935
Pensions and similar obligations	3,317	3,364
Other liabilities	1,040	992
Total deferred tax assets	**16,207**	**17,068**
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(652)	(714)
Effect of netting	(14,047)	(14,828)
Net deferred tax assets	**1,508**	**1,526**
Deferred tax liabilities		
Financial assets carried at fair value through income	158	91
Investments	5,732	7,884
Deferred acquisition costs	4,335	4,371
Other assets	725	580
Intangible assets	400	381
Insurance reserves	2,691	2,420
Pensions and similar obligations	2,430	2,254
Other liabilities	754	882
Total deferred tax liabilities	**17,225**	**18,863**
Effect of netting	(14,047)	(14,828)
Net deferred tax liabilities	**3,178**	**4,035**
Net deferred tax assets (liabilities)	**(1,670)**	**(2,509)**

Taxable temporary differences associated with investments in Allianz Group companies, for which no deferred tax liabilities are recognized as the Allianz Group is able to control the timing of their reversal and which will not reverse in the foreseeable future, amount to €757 MN (2012: €520 MN). Deductible temporary differences arising from investments in Allianz Group companies, for which no deferred tax assets are recognized as it is not probable that they will reverse in the foreseeable future, amount to €183 MN (2012: €185 MN).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2013 of €9,885 MN (2012: €10,894 MN) resulted in recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. €8,848 MN (2012: €9,779 MN) of the tax losses carried forward can be used without time limitation.

Tax losses carried forward are scheduled according to their expiry periods as follows:

TAX LOSSES CARRIED FORWARD

€ MN	2013
2014	54
2015	72
2016	132
2017	56
2018	73
2019	111
2020	43
2021	20
2022	65
2023	94
>10 years	317
Unlimited	8,848
Total	**9,885**

OTHER INFORMATION

43 — Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

€ MN as of 31 December	2013						2012		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1 – 5 years	Over 5 years						
Interest rate contracts, consisting of:									
OTC									
Forwards	774	671	160	1,605	77	(14)	635	77	(2)
Swaps	530	4,437	19,204	24,171	342	(949)	21,681	878	(431)
Swaptions	–	25,429	5,072	30,501	404	(18)	26,027	140	(65)
Caps	11	4,933	8	4,952	1	(3)	4,974	–	(14)
Options	–	–	–	–	–	–	26	5	(5)
Exchange traded									
Futures	4,498	23	–	4,521	1	(44)	1,641	4	(51)
Forwards	–	–	–	–	–	–	200	23	–
Swaps	–	–	–	–	–	–	450	24	(39)
Subtotal	**5,813**	**35,493**	**24,444**	**65,750**	**825**	**(1,028)**	**55,634**	**1,151**	**(607)**
Equity/Index contracts, consisting of:									
OTC									
Forwards	596	–	50	646	124	(10)	1,181	89	(236)
Swaps	1,609	78	1,393	3,080	6	(51)	5,207	27	(88)
Floors	–	–	–	–	–	–	2	–	(2)
Options	104,036	2,380	223	106,639	469	(4,671)	85,251	278	(4,714)
Warrants	–	–	2,679	2,679	3	(143)	1,225	–	(66)
Exchange traded									
Futures	12,458	–	149	12,607	95	(109)	5,653	13	(20)
Forwards	15	–	–	15	–	–	13	–	–
Options	6,316	49	1,454	7,819	61	(30)	3,780	29	(17)
Warrants	1,620	7	–	1,627	126	–	1,231	84	–
Subtotal	**126,650**	**2,514**	**5,948**	**135,112**	**884**	**(5,014)**	**103,543**	**520**	**(5,143)**
Foreign exchange contracts, consisting of:									
OTC									
Futures	124	429	–	553	1	(21)	664	2	(11)
Forwards	33,815	213	78	34,106	332	(74)	21,336	287	(45)
Swaps	50	81	97	228	6	(7)	175	5	(3)
Options	14	32	–	46	11	–	13	–	–
Exchange traded									
Futures	3	–	–	3	–	–	–	–	–
Subtotal	**34,006**	**755**	**175**	**34,936**	**350**	**(102)**	**22,188**	**294**	**(59)**
Credit contracts, consisting of:									
OTC									
Swaps	263	2,014	231	2,508	26	(23)	1,912	15	(48)
Floors	–	1	–	1	–	(1)	–	–	–
Exchange traded									
Swaps	–	–	6	6	3	–	6	3	–
Subtotal	**263**	**2,015**	**237**	**2,515**	**29**	**(24)**	**1,918**	**18**	**(48)**
Real estate contracts, consisting of:									
OTC									
Forwards	–	–	–	–	–	–	291	10	–
Options	–	6	–	6	–	–	6	1	–
Subtotal	**–**	**6**	**–**	**6**	**–**	**–**	**297**	**11**	**–**
Total	**166,732**	**40,783**	**30,804**	**238,319**	**2,088**	**(6,168)**	**183,580**	**1,994**	**(5,857)**

The table above shows the fair value and notional amounts for all freestanding derivatives as well as derivatives for which hedge accounting is applied by the Allianz Group as of 31 December 2013 and 2012, respectively. The notional principal amounts indicated in the table are cumulative as they include the absolute value of the notional principal amounts of derivatives with positive and negative fair values. Although these notional principal amounts reflect the degree of the Allianz Group's involvement in derivative transactions, they do not represent amounts exposed to risk. Further information on the use of derivatives to hedge risks can be found in the sections on market and credit risk in the Risk Report which forms part of the Group Management Report.

FREESTANDING DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2013, freestanding derivatives, included in the line item financial assets and liabilities held for trading, had a notional principal amount of €233.0 BN (2012: €179.0 BN), as well as a positive fair value of €2.0 BN (2012: €1.9 BN) and a negative fair value of €6.0 BN (2012: €5.4 BN). Out of the total allocated to the freestanding derivatives, €115.6 BN (2012: €91.7 BN) of the notional principal relate to annuity products. These products are equity-indexed or contain certain embedded options or guarantees which are considered embedded derivatives under IAS 39. For these embedded derivatives, the notional principal amounts included in the table refer to the account value of the related insurance contracts. The total negative fair value of these embedded derivatives amounts to €4.2 BN (2012: €4.4 BN). Further information on the fair value measurement of these derivatives, can be found in note 44 – Financial instruments and fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

As of 31 December 2013, derivatives which form part of hedge accounting relationships, included in the line items other assets and other liabilities, had a notional amount of €5.3BN (2012: €4.6 BN), as well as a positive fair value of €75 MN (2012: €129 MN) and a negative fair value of €158 MN (2012: €462 MN). These hedging instruments mainly include interest rate swaps with a total negative fair value of €126 MN (2012: €193 MN).

Fair value hedges

The Allianz Group uses fair value hedges to hedge the exposure to changes in the fair value of financial assets due to movements in interest or exchange rates. As of 31 December 2013, the derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value of €126 MN (2012: €199 MN). Within the Allianz Group's Banking business, derivatives to hedge against interest rate changes are implemented for individual transactions (micro hedges) or for a portfolio of similar assets or liabilities (macro hedges).

Additionally, the Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. As of 31 December 2013, the derivatives used as hedging instruments in the related fair value hedges had a total fair value of €– MN (2012: total negative fair value of €209 MN).

For the year ended 31 December 2013, the Allianz Group recognized for fair value hedges a net gain of €36 MN (2012: net loss of €210 MN) on the hedging instruments and a net loss of €54 MN (2012: net gain of €168 MN) on the hedged items attributable to the hedged risk.

Cash flow hedges

During the year ended 31 December 2013, cash flow hedges were used to hedge the exposure to the variability from cash flows arising from interest rate or exchange rate fluctuations as well as inflation. As of 31 December 2013, the derivative instruments utilized had a total positive fair value of €41 MN (2012: €75 MN). Unrealized gains and losses (net) in shareholders' equity decreased by €53 MN (2012: increased by €65 MN). Amounts accumulated in the other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss. This is the case when the forecast transactions that are hedged take place.

Hedge of net investment in foreign operations

As of 31 December 2013, the Allianz Group hedges part of its U.S. Dollar net investments through the issuance of U.S. Dollar denominated liabilities with a nominal amount of USD 1.0 BN as well as the use of forward sales of USD with a notional of USD 1.5 BN and a total positive fair value of €2 MN (2012: total fair value of €– MN).

OFFSETTING

The Allianz Group mainly enters into enforceable master netting arrangements and similar arrangements for derivatives transactions (gross amount of financial assets in the amount of €1.8 BN and financial liabilities in the amount of €1.3 BN). None of these enforceable master netting arrangements or similar arrangements meet the requirements for offsetting in line with IAS 32.

Credit risk associated with netting arrangements is further mitigated by collateral. For further information on collateral, please refer to note 46 – Contingent liabilities, commitments, guarantees, and assets pledged and collateral.

44 — Financial instruments and fair value measurement

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections within the Risk Report in the Group Management Report:

- Internal Risk Capital Model including all subsections,
- Limitations,
- Concentration of risks,
- Quantifiable risks in the internal capital model including all subsections other than Business risk and Operational risk,
- Liquidity risk.

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The following table compares the carrying amount with the fair value of the Allianz Group's financial assets and financial liabilities:

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

€ MN as of 31 December	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	11,207	11,207	12,437	12,437
Financial assets held for trading	2,512	2,512	2,346	2,346
Financial assets designated at fair value through income	4,733	4,733	4,937	4,937
Available-for-sale investments	392,023	392,023	383,254	383,254
Held-to-maturity investments	4,140	4,647	4,321	4,719
Loans and advances to banks and customers	116,800	129,528	119,369	137,215
Financial assets for unit-linked contracts	81,064	81,064	71,197	71,197
Derivative financial instruments and firm commitments included in other assets	75	75	129	129
FINANCIAL LIABILITIES				
Financial liabilities held for trading	6,013	6,013	5,397	5,397
Liabilities to banks and customers	23,109	23,282	22,425	23,140
Financial liabilities for unit-linked contracts	81,064	81,064	71,197	71,197
Derivative financial instruments and firm commitments included in other liabilities	158	158	462	462
Financial liabilities for puttable equity instruments	3,064	3,064	2,601	2,601
Certificated liabilities and subordinated liabilities	19,584	20,899	19,574	21,174

The Allianz Group carries certain financial instruments at fair value and discloses the fair value of most other assets and liabilities. The fair value of an asset or liability is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by their carrying amount except for available-for-sale financial assets, for which it is represented by the amortized cost amount.

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group maximizes the use of observable inputs and minimizes the use of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity as well as general market conditions.

If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values. As of 31 December 2013, fair values could not be reliably measured for equity investments with carrying amounts totaling €214 MN (2012: €223 MN). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2013, such investments with carrying amounts of €35 MN (2012: €99 MN) were sold leading to gains of €2 MN (2012: no gains or losses).

FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS 13, which categorizes the inputs to valuation techniques used to measure fair value into three levels.

In general, the subsidiaries assume responsibility for assessing fair values and hierarchies of assets and liabilities. This is consistent with the decentralized organizational structure of the Allianz Group and reflects market insights of local managers. Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. If no sufficient market information is available, management's best estimate of a particular input is used to determine the value.

Quoted prices in active markets – Fair value level 1:

The level 1 inputs of financial instruments that are traded in active markets are based on unadjusted quoted market prices or dealer price quotations on the last exchange trading day prior to or at the balance sheet date, if the latter is a trading day.

Valuation techniques – Market observable inputs – Fair value level 2:

At the end of 2013, the Institute of Public Auditors in Germany (IDW) published a new interpretation of IFRS 13 (IDW RS HFA 47). For prices provided by third parties; HFA 47 states that composite prices generally have to be classified in level 2 of the fair value hierarchy and only single (unadjusted) quotes could qualify for level 1. As the Allianz Group uses prices provided by service agencies on a consensus level, the Allianz Group shifted most fixed income securities from level 1 to level 2 due to this new interpretation. However, the interpretation is still subject to discussion and, depending on the final outcome, re-transfers are possible in subsequent reporting periods.

Furthermore, level 2 applies if the market for a financial instrument is not active or when the fair value is determined by using valuation techniques based on observable input parameters. Such market inputs are observable substantially over the full term of the asset or liability and include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, volatilities and foreign currency exchange rates.

Valuation techniques – Non-market observable inputs – Fair value level 3:

Where observable market inputs are not available, the fair value is based on valuation techniques using non-market observable inputs. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Appropriate adjustments are made for credit risks. In particular, when observable market inputs are not available, the use of estimates and assumptions may have a high impact on the valuation outcome.

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

The following financial assets and liabilities are carried at fair value on a recurring basis:

- Financial assets and liabilities held for trading,
- Financial assets and liabilities designated at fair value through income,
- Available-for-sale investments,
- Financial assets and liabilities for unit-linked contracts,
- Derivative financial instruments and firm commitments included in other assets and other liabilities and
- Financial liabilities for puttable equity instruments.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2013 and 2012.

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2013 (ITEMS CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	360	–	360
Equity securities	22	103	14	139
Derivative financial instruments	284	1,691	38	2,013
Subtotal	**306**	**2,154**	**52**	**2,512**
Financial assets designated at fair value through income				
Debt securities	–	2,007	1	2,008
Equity securities	2,466	–	259	2,725
Subtotal	**2,466**	**2,007**	**260**	**4,733**
Subtotal	**2,772**	**4,161**	**312**	**7,245**
Available-for-sale investments				
Equity securities	25,979	765	5,553	32,297
Government and agency mortgage-backed securities (residential and commercial)	–	2,602	–	2,602
Corporate mortgage-backed securities (residential and commercial)	–	11,800	33	11,833
Other asset-backed securities	–	3,418	212	3,630
Government and government agency bonds	35,570	127,324	56	162,950
Corporate bonds	18,939	154,080	3,149	176,168
Other debt securities	–	1,770	773	2,543
Subtotal	**80,488**	**301,759**	**9,776**	**392,023**
Financial assets for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other assets	–	75	–	75
Total	**161,490**	**308,650**	**10,267**	**480,407**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	136	1,447	4,427	6,010
Other trading liabilities	–	3	–	3
Subtotal	**136**	**1,450**	**4,427**	**6,013**
Financial liabilities for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other liabilities	–	158	–	158
Financial liabilities for puttable equity instruments	2,958	18	88	3,064
Total	**81,324**	**4,281**	**4,694**	**90,299**

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2012 (ITEMS CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	102	226	–	328
Equity securities	69	84	–	153
Derivative financial instruments	36	1,670	159	1,865
Subtotal	**207**	**1,980**	**159**	**2,346**
Financial assets designated at fair value through income				
Debt securities	1,945	404	–	2,349
Equity securities	2,355	–	233	2,588
Subtotal	**4,300**	**404**	**233**	**4,937**
Subtotal	**4,507**	**2,384**	**392**	**7,283**
Available-for-sale investments				
Equity securities	19,933	1,291	5,263	26,487
Government and agency mortgage-backed securities (residential and commercial)	37	4,278	–	4,315
Corporate mortgage-backed securities (residential and commercial)	26	11,817	30	11,873
Other asset-backed securities	80	2,465	236	2,781
Government and government agency bonds	138,690	21,915	38	160,643
Corporate bonds	33,512	137,705	3,121	174,338
Other debt securities	1,390	960	467	2,817
Subtotal	**193,668**	**180,431**	**9,155**	**383,254**
Financial assets for unit-linked contracts	68,508	2,504	185	71,197
Derivative financial instruments and firm commitments included in other assets	–	129	–	129
Total	**266,683**	**185,448**	**9,732**	**461,863**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	58	756	4,581	5,395
Other trading liabilities	–	2	–	2
Subtotal	**58**	**758**	**4,581**	**5,397**
Financial liabilities for unit-linked contracts	68,508	2,504	185	71,197
Derivative financial instruments and firm commitments included in other liabilities	–	462	–	462
Financial liabilities for puttable equity instruments	2,495	26	80	2,601
Total	**71,061**	**3,750**	**4,846**	**79,657**

Valuation methodologies of financial instruments carried at fair value

The Allianz Group follows the new interpretation of IFRS 13 (IDW RS HFA 47) by the Institute of Public Auditors in Germany (IDW) and classifies composite prices in level 2 of the fair value hierarchy. As the Allianz Group uses prices provided by pricing agencies on a consensus level, the Allianz Group shifted most fixed income securities from level 1 to level 2 due to this new interpretation.

Furthermore, the Allianz Group uses valuation techniques consistent with the three widely used classes of valuation techniques listed in IFRS 13:

- *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- *Cost approach:* Amount that would be currently required to replace the service capacity of an asset (replacement cost).
- *Income approach:* Conversion of future amounts such as cash flows or income to a single current amount (present value technique).

There is no one-to-one connection between valuation technique and hierarchy level. Depending on whether the valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

Financial assets carried at fair value through income

Financial assets held for trading – Debt and equity securities

The fair value is mainly determined using the market approach. In some cases, the fair value is determined based on the income approach using interest rates and yield curves observable at commonly quoted intervals.

Financial assets held for trading – Derivative financial instruments

For level 2, the fair value is mainly determined based on the income approach using present value techniques and the Black-Scholes-Merton model. Primary inputs to the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals.

For level 3, derivatives are mainly priced by third-party vendors. Controls are in place to monitor the valuations of these derivatives. Valuations are mainly derived based on the income approach.

Financial assets designated at fair value through income – Debt securities

The fair value is determined using the market approach.

Financial assets designated at fair value through income – Equity securities

For level 2, the fair value is determined using the market approach. For level 3, equity securities mainly represent private equity funds. The fair value is in most cases derived from the net asset value based on the valuation of the underlying private equity companies as provided by third-party vendors.

Available-for-sale investments

Available-for-sale investments – Equity securities

For level 2, the fair value is mainly determined using the market approach or net asset value techniques for funds. For certain private equity investments, the funds are priced based on transaction prices using the cost approach. As there are only few holders of these funds, the market is not liquid and transactions are only known to participants. For level 3, the fair value is mainly determined using net asset values. The net asset values are based on the fair value measurement of the underlying investments and are mainly provided by fund managers. For certain level 3 equity securities, the invested capital is considered to be a reasonable proxy for the fair value.

Available-for-sale investments – Debt securities

Debt securities include:

- Government and agency mortgage-backed securities (residential and commercial),
- Corporate mortgage-backed securities (residential and commercial),
- Other asset-backed securities,
- Government and government agency bonds,
- Corporate bonds and
- Other debt securities.

The valuation techniques for these debt securities are similar. For level 2 and level 3, the fair value is determined using the market and the income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a present value technique where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk. Depending on the observability of these risk parameters in the market, the security is classified in level 2 or level 3.

Financial assets for unit-linked contracts

For level 2, the fair value is determined using the market or the income approach. For the income approach, primary observable inputs include yield curves observable at commonly quoted intervals. For level 3, the fair value is mainly determined based on the net asset value provided by third-party vendors.

Financial liabilities for unit-linked contracts are valued based on their corresponding assets.

Derivative financial instruments and firm commitments included in other assets

The fair value of the derivatives is mainly determined based on the income approach using present value techniques. Primary inputs include yield curves observable at commonly quoted intervals. The derivatives are mainly used for hedging purposes. Certain derivatives are priced by Bloomberg functions, such as Black-Scholes Option Pricing or the swap manager tool.

Financial liabilities held for trading – Derivative financial instruments

For level 2, the fair value is mainly determined using the income approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Main observable input parameters include volatilities, yield curves observable at commonly quoted intervals and credit spreads observable in the market. For level 3, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. A significant proportion of derivative liabilities represent derivatives embedded in certain life and annuity contracts. Significant non-market observable input parameters include mortality rates and surrender rates.

Financial liabilities held for trading – Other trading liabilities

The fair value is mainly determined based on the income approach using present value techniques. Primary inputs comprise swap curves, share prices and dividend estimates.

Derivative financial instruments and firm commitments included in other liabilities

For level 2, the fair value is mainly determined using the income approach. Primary inputs include interest rates and yield curves observable at commonly quoted intervals.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments are generally required to be recorded at the redemption amount with changes recognized in income. For level 2, the fair value is mainly determined based on the income approach using present value techniques. For level 3, equity securities mainly represent private equity funds. The fair value is in most cases derived from the net asset value based on the valuation of the underlying private equity companies as provided by third-party vendors.

Significant transfers of financial instruments carried at fair value

In general, financial assets and liabilities are transferred from level 1 to level 2 when liquidity, trade frequency and activity are no longer indicative of an active market. Conversely, the same policy applies for transfers from level 2 to level 1.

At the end of 2013, the Allianz Group follows the new interpretation of IFRS 13 (IDW RS HFA 47) by the Institute of Public Auditors in Germany (IDW) and transfers most fixed income securities from level 1 to level 2. Re-transfers in subsequent reporting periods are possible given that the interpretation is still under discussion.

After a reassessment of the input parameters, €735 MN of available-for-sale securities were transferred from level 2 to level 3 in the fourth quarter of 2013.

Significant level 3 portfolios – Narrative description and sensitivity analysis

Available-for-sale investments – Equity securities

Equity securities within available-for-sale investments classified as level 3 mainly comprise private equity fund investments as well as Alternative Investments of the Allianz Group and are in most cases delivered as net asset values by the fund managers (€5.5 BN). The net asset values are calculated using material non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers and hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the invested capital is considered to be a reasonable proxy for the fair value. In these cases, sensitivity analyses are also not applicable.

Available-for-sale investments – Corporate bonds

Corporate bonds within available-for-sale investments classified as level 3 are mainly priced based on the income approach (€2.8 BN). The primary non-market observable input used in the discounted cash flow method is an option adjusted spread taken from a benchmark security. A significant yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10% stress of the main non-market observable inputs only has an immaterial impact on fair value.

Financial liabilities held for trading

Financial liabilities held for trading mainly include embedded derivative financial instruments relating to annuity products that are priced internally using discounted cash flow models (€4.3 BN). A significant decrease (increase) in surrender rates, mortality rates or the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10% stress of the main non-market observable inputs only has an immaterial impact on fair value.

Quantification of significant non-market observable inputs

The following table shows the quantitative description of valuation technique(s) and input(s) used for the level 3 portfolios described above.

QUANTITATIVE DESCRIPTION OF VALUATION TECHNIQUE(S) AND NON-MARKET OBSERVABLE INPUT(S) USED

€ MN

Description	Fair value as of 31 December 2013	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	4,072	Net asset value	n/a	n/a
Corporate bonds	2,798	Discounted cash flow method	Option adjusted spread	36 BPS – 604 BPS
Financial liabilities held for trading				
Derivative financial instruments	4,298			
Fixed indexed annuities	4,186	Present value of insurance cash flow	Annuitizations	0% – 25%
			Surrenders	0% – 25%
			Mortality	0% – 100%
			Withdrawal benefit election	0% – 50%
			Volatility	n/a
Variable annuities	112	Deterministic discounted cash flow	Surrenders	0.5% – 35%
			Mortality	0% – 100%

Reconciliation of level 3 financial instruments

The following tables show a reconciliation of the financial instruments carried at fair value and classified as level 3.

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

€ MN

	Carrying value (fair value) as of 1 January 2013	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	5	–	(5)
Equity securities	–	13	–	–
Derivative financial instruments	159	11	–	(596)
Subtotal	**159**	**29**	**–**	**(601)**
Financial assets designated at fair value through income				
Debt securities	–	1	1	(1)
Equity securities	233	15	2	(7)
Subtotal	**233**	**16**	**3**	**(8)**
Available-for-sale investments				
Equity securities	5,263	925	453	(726)
Corporate mortgage-backed securities (residential and commercial)	30	–	2	(4)
Other asset-backed securities	236	12	(3)	(48)
Government and government agency bonds	38	42	–	(18)
Corporate bonds	3,121	503	(37)	(134)
Other debt securities	467	79	237	(10)
Subtotal	**9,155**	**1,561**	**652**	**(940)**
Financial assets for unit-linked contracts	185	3	8	(17)
Total financial assets at fair value	**9,732**	**1,609**	**663**	**(1,566)**

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

€ MN

	Carrying value (fair value) as of 1 January 2013	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	4,581	961	–	(673)
Financial liabilities for unit-linked contracts	185	3	8	(17)
Financial liabilities for puttable equity instruments	80	–	2	–
Total financial liabilities at fair value	**4,846**	**964**	**10**	**(690)**

Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2013	Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date
–	–	–	–	–	–	–
1	–	–	–	–	14	1
465	–	–	(1)	–	38	11
466	**–**	**–**	**(1)**	**–**	**52**	**12**
–	–	–	–	–	1	–
16	–	–	–	–	259	–
16	**–**	**–**	**–**	**–**	**260**	**–**
(64)	(116)	(115)	(76)	9	5,553	–
3	3	–	(1)	–	33	–
3	19	(1)	(6)	–	212	–
(1)	(1)	(3)	(1)	–	56	–
1	(173)	–	(132)	–	3,149	–
–	18	(17)	–	(1)	773	–
(58)	**(250)**	**(136)**	**(216)**	**8**	**9,776**	–
1	–	(1)	–	–	179	–
425	**(250)**	**(137)**	**(217)**	**8**	**10,267**	**12**

Net losses (gains) recognized in consolidated income statement	Net losses (gains) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2013	Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date
(245)	–	–	(197)	–	4,427	549
1	–	(1)	–	–	179	–
5	1	–	–	–	88	–
(239)	**1**	**(1)**	**(197)**	–	**4,694**	**549**

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable.

If financial assets are measured at fair value on a non-recurring basis at the time of impairment, corresponding disclosures can be found in note 37 – Impairments of investments (net). If fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 14 – Non-current assets classified as held for sale.

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2013 (ITEMS NOT CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total fair value
FINANCIAL ASSETS				
Held-to-maturity investments	981	3,664	2	4,647
Investments in associates and joint ventures	393	54	3,227	3,674
Real estate held for investment	–	–	15,625	15,625
Loans and advances to banks and customers	402	90,443	38,683	129,528
Real estate held for own use	–	–	3,626	3,626
Total assets	**1,776**	**94,161**	**61,163**	**157,100**
FINANCIAL LIABILITIES				
Liabilities to banks and customers	6,588	1,977	14,717	23,282
Certificated liabilities	–	7,863	713	8,576
Subordinated liabilities	–	12,042	281	12,323
Total liabilities	**6,588**	**21,882**	**15,711**	**44,181**

Held-to-maturity investments

For level 2, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. For level 3, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

Investments in associates and joint ventures

For level 2, fair values are mainly derived based on the market approach using market multiples derived from a set of comparables as the valuation technique. For level 3, fair values are mainly based on an income approach using a discounted cash flow method or net asset values as provided by third-party vendors.

Real estate

Fair values are mainly determined based on the income approach. In some cases, a market approach is applied using market prices of identical or comparable assets in markets which are not active. The fair values are either calculated internally and validated by external experts or derived from expert appraisals with internal controls in place to monitor these valuations.

Loans and advances to banks and customers

For loans and advances to banks and customers, quoted market prices are rarely available. Level 1 consists mainly of highly liquid advances, e. g. short-term investments. The fair value for these assets in level 2 and level 3 is mainly derived based on the income approach using deterministic discounted cash flow models.

Liabilities to banks and customers

Level 1 consists mainly of highly liquid liabilities, e. g. payables on demand. The fair value for liabilities in level 2 and level 3 is mainly derived based on the income approach using future cash flows discounted with risk-specific interest rates. Main non-market observable inputs include credit spreads. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate of the fair value.

Certificated liabilities and subordinated liabilities

For level 2, the fair value is mainly determined based on the market approach using quoted market prices and the income approach using deterministic discounted cash flow models. For level 3, fair values are mainly derived based on the income approach using deterministic cash flows with credit spreads as primary non-market observable inputs. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

RECLASSIFICATION OF FINANCIAL ASSETS

On 31 January 2009, certain USD-denominated CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39.

As of 31 December 2012, the carrying amount and fair value of the CDOs was €370 MN and €366 MN, respectively. As of 31 December 2013, the carrying amount and fair value of the CDOs was €166 MN and €156 MN, respectively. For the twelve months ended 31 December 2013, the net profit related to the CDOs was €51 MN, which was primarily due to realized gains recognized in the third quarter as a result of the liquidation of two CDO tranches.

MATURITY OF FINANCIAL LIABILITIES

Tabular disclosure of contractual obligations

The table sets forth the Allianz Group's contractual obligations as of 31 December 2013. Contractual obligations do not include contingent liabilities or commitments. Only transactions with parties outside the Allianz Group are considered.

The table includes only liabilities that represent fixed and determinable amounts. The table excludes interest on floating rate long-term debt obligations and interest on money market securities, as the contractual interest rate on floating rate obligations is not fixed and determinable. The amount and timing of interest on money market securities is not fixed and determinable since these instruments have a daily maturity. For further information, see notes 23 and 24 to the consolidated financial statements.

As of 31 December 2013, the income tax obligations amounted to €2,580 MN. The Allianz Group expects to pay €1,665 MN thereof within the twelve months after the balance sheet date. For the remaining amount of €915 MN, an estimate of the timing of cash outflows is not reasonably possible. The income tax obligations are not included in the table below.

CONTRACTUAL OBLIGATIONS

€ MN

	Contractual cash flows as of 31 December 2013			
	Due in 2014	Due in 2015 – 2018	Due after 2018	Total
Financial liabilities				
Financial liabilities carried at fair value through income	4,654	374	985	6,013
Liabilities to banks and customers[1]	16,991	2,777	3,341	23,109
Derivative financial instruments and firm commitments included in other liabilities	14	63	81	158
Financial liabilities for puttable equity instruments	3,064	–	–	3,064
Certificated liabilities and subordinated liabilities[1]	2,485	2,236	14,863	19,584
Insurance liabilities				
Future policy benefits[2]	43,536	155,867	955,603	1,155,006
Reserves for loss and loss adjustment expenses	15,852	19,070	18,522	53,444
Other liabilities				
Operating lease obligations[3]	353	1,249	1,401	3,003
Purchase obligations[4]	485	1,188	122	1,795

1 — For materiality reasons, the carrying amount is split up into the different contractual maturities.
2 — Including investment contracts with policyholders and financial liabilities for unit-linked contracts.
3 — The amount of €3,003 MN is gross of €60 MN related to subleases, which represent cash inflow to the Allianz Group.
4 — Purchase obligations only include transactions related to goods and services; purchase obligations for financial instruments are not included.

Future policy benefits

Reserves for insurance and investment contracts of €1,155,006 MN presented in the table include contracts where the timing and amount of payments are considered fixed and determinable, and contracts which have no specified maturity dates and may result in a payment to the contract beneficiary depending on mortality and morbidity experience and the incidence of surrenders, lapses or maturities. Furthermore, the amounts presented in the table above are undiscounted and therefore exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet that reflect the time value of the money.

For contracts without fixed and determinable payments, the Allianz Group has made assumptions to estimate the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits and future lapse rates. These assumptions represent current best estimates and may differ from the estimates originally used to establish the reserves for insurance and investment contracts as a result of the lock-in of assumptions on the issue dates of the contracts as required by the Allianz Group's established accounting policy. The effect of discounting and the differences between locked-in and best estimate assumptions is €516,977 MN. For further information, see note 2 to the consolidated financial statements. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

Furthermore, these amounts do not include €178,822 MN of premiums and fees expected to be received, expenses incurred to parties other than the policyholders such as agents and administrative expenses; nor do they include investment income earned. In addition, these amounts are presented net of reinsurance expected to be received as a result of these cash flows. For further information on reserves for insurance and investment contracts, see note 20 of the consolidated financial statements.

TRANSFERS OF FINANCIAL ASSETS

As of 31 December 2013, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There were no transfers of financial assets that were derecognized in full or partly, in which Allianz continues to control the transferred assets. Transfers of financial assets mainly relate to securities lending and repurchase agreement transactions. Transferred financial assets in repurchase agreement and securities lending transactions are mainly available-for-sale debt and equity securities for which substantially all of the risks and rewards are retained. As of 31 December 2013, the carrying amount of the assets transferred for securities lending transactions amounted to €6,836 MN (2012: €1,531 MN). For repurchase agreements, the carrying amount of the assets transferred amounted to €991 MN (2012: €952 MN) and the carrying amount of the associated liabilities amounted to €1,001 MN (2012: €951 MN). Assets pledged and collateral are described in note 46 – Contingent liabilities, commitments, guarantees, and assets pledged and collateral.

45 — Related party transactions

Information on the remuneration of Board members and transactions with these persons can be found in the Remuneration Report, starting on PAGE 37.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associates are set on an arm's length basis.

46 — Contingent liabilities, commitments, guarantees, and assets pledged and collateral

CONTINGENT LIABILITIES

Litigation

Allianz Group companies are involved in legal, regulatory, and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States. Such proceedings arise in the ordinary course of businesses, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. 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 those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable reserves.

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 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.

The U.S. Department of Justice (DOJ) is conducting an investigation into whether certain employees of Fireman's Fund Insurance Company (FFIC), a subsidiary of Allianz SE, engaged in violation (criminal or civil) of the False Claims Act in connection with FFIC's involvement as a provider of federal crop insurance from 1997 to 2003. The investigation concerns the issue of whether FFIC employees submitted false claims to the government through various practices, including backdating and inappropriately designating new producer status. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. The DOJ and FFIC are in negotiations to reach a final resolution of this matter. The outcome cannot be predicted at this stage.

Allianz Life Insurance Company of North America (Allianz Life) has been named as a defendant in class action lawsuits in connection with the marketing and sale of deferred annuity products. Two of those lawsuits are pending as certified class actions in California. Those two lawsuits have been consolidated and the complaints allege generally that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products. The ultimate outcome of these cases cannot yet be determined.

In November 2013, Allianz SE reached an agreement with the Italian Tax Authority closing a controversy regarding several independent tax issues. The result of the settlement is covered by Allianz Group's provision and has therefore no negative impact on its income statement. The settlement includes an alleged tax liability of Allianz SE of €1.4 BN including penalties and interest, as declared by a tax assessment notice from the Italian Tax Authority received by Allianz SE in January 2013. The Italian Tax Authority asserted that the combination of the businesses in Italy following the cross-border merger of the Italian Riunione Adriatica di Sicurtà (RAS) with and into the former Allianz AG in 2006, which led to the change of legal form into Allianz SE, represented a taxable event.

Other contingencies

In accordance with § 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagensicherungsfonds"), Allianz SE has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur by reason of supporting measures taken in favor of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & Co. KG and Bankhaus W. Fortmann & Söhne KG.

With the sale of Dresdner Bank becoming effective on 12 January 2009, Allianz terminated the indemnification undertaking issued in 2001 in favor of the Federal Association of German Banks with respect to Dresdner Bank. As a result, the indemnification is only relevant for supporting measures that are based on facts that were already existing at the time of the termination.

Allianz and HT1 Funding GmbH have signed a Contingent Indemnity Agreement in July 2006, pursuant to which Allianz may, in certain circumstances, be obliged to make payments to HT1 Funding GmbH. HT1 Funding GmbH issued nominal €1,000 MN Tier 1 Capital Securities with an annual coupon of 6.352% (as of 30 June 2017, the coupon will be 12-month EURIBOR plus a margin of 2.0% p.a.). The contingent payment obligation of the Allianz Group was reduced in 2012 following a reduction of the nominal amount of the Tier 1 Capital Securities from €1,000 MN to €416 MN. The securities have no scheduled maturity and the security holders have no right to call for their redemption. The securities may be redeemed at the option of the issuer on 30 June 2017, and thereafter. The expected impact in the foreseeable future has been recognized in other provisions, however, it is not possible for the Allianz Group to predict the ultimate potential payment obligations at this point in time.

COMMITMENTS

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown are not representative of actual liquidity requirements for such commitments.

LOAN COMMITMENTS

€ MN as of 31 December	2013	2012
Advances	429	496
Guarantee credits	104	95
Mortgage loans/Public-sector loans	335	445
Total	**868**	**1,036**

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of 31 December 2013, the future minimum lease payments under non-cancelable operating leases were as follows:

FUTURE MINIMUM LEASE PAYMENTS

€ MN	2013
2014	353
2015	349
2016	324
2017	299
2018	277
Thereafter	1,401
Subtotal	**3,003**
Subleases	(60)
Total	**2,943**

For the year ended 31 December 2013, rental expenses totaled €350 MN (2012: €325 MN), net of sublease rental income received of €11 MN.

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of €2,810 MN (2012: €2,906 MN) as well as to invest in private equity funds and similar financial instruments totaling €2,978 MN (2012: €2,507 MN) as of 31 December 2013. As of 31 December 2013, commitments outstanding to invest in real estate used by third parties or used by the Allianz Group for its own activities and for infrastructure investments amount to €860 MN (2012: €962 MN).

In addition, as of 31 December 2013, the Allianz Group has other commitments of €477 MN (2012: €241 MN) mainly referring to maintenance, real estate development, sponsoring and other purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

Pursuant to §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), a mandatory insurance guarantee scheme ("Sicherungsfonds") for life insurers is implemented in Germany. Each member of the scheme is obliged to make annual contributions to the scheme as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation ("Sicherungsfonds-Finanzierungs-Verordnung (Leben)" – SichLVFinV). As of 31 December 2013, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of €9.7 MN (2012: €6.7 MN) and an obligation for special payments of €138 MN (2012: €124 MN).

In accordance with §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" - VAG), Allianz Private Krankenversicherungs-AG is a member of the mandatory insurance guarantee scheme (Sicherungsfonds) for German health insurers. In case the guarantee scheme has to resume responsibility for insurance contracts, it will collect special payments from its members to fulfill its tasks. Until today, no contributions have been requested by the scheme. As of 31 December 2013, the potential liabilities of Allianz Private Krankenversicherungs-AG to the insurance guarantee scheme amount to an obligation for special payments of €48 MN (2012: €45 MN).

In December 2002, Protektor Lebensversicherungs-Aktiengesellschaft ("Protektor"), a life insurance company whose role is to protect policyholders of all German life insurers, was founded. Allianz Lebensversicherungs-Aktiengesellschaft and some of its subsidiaries are obligated to provide additional funds either to the mandatory insurance guarantee scheme or to Protektor, in the event that the funds provided to the mandatory insurance guarantee scheme are not sufficient to handle an insolvency case. Such obligation amounts to a maximum of 1% of the sum of the net underwriting reserve with deduction of payments already provided to the insurance guarantee scheme. As of 31 December 2013, and under inclusion of the contributions to the mandatory insurance scheme mentioned above, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor is €1,252 MN (2012: €1,123 MN).

According to the German Deposit Guarantee and Investor Compensation Act (EAEG – "Einlagensicherungs- und Anlegerentschädigungsgesetz") all credit institutions, investment companies and financial services institutions licensed to do business in Germany must adhere to a statutory compensation scheme. Allianz Global Investors Europe GmbH, PIMCO Deutschland GmbH and risklab GmbH are currently members of EdW ("Entschädigungseinrichtung der Wertpapierhandelsunternehmen", Berlin). The annual contribution is determined in consideration of each member's scope of business. In addition, EdW may levy special contributions from its members, if the funds available to EdW are insufficient to satisfy all eligible claims. Special contributions are determined by reference to the preceding yearly contribution. For 2013, the yearly contributions for above-mentioned entities have been determined by notification from the EdW in the amount of €– MN (2012: €1 MN). With respect to the insolvency of Phoenix Kapitaldienst GmbH, the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) has determined that certain investor claims will be covered under the compensation scheme and special contributions have been levied. In this regard, special contributions were notified by EdW to above-mentioned entities in 2013 in the amount of €2 MN (2012: €7 MN). The above mentioned entities have appealed the special contributions. For received, but not yet paid notifications, and for the estimated special contribution for 2014, adequate provisions have been accrued.

GUARANTEES

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is given below:

GUARANTEES

€ MN

	Financial guarantees	Market value guarantees	Indemnification contracts	Performance guarantees
2013				
Up to 1 year	411	78	–	21
1 - 3 years	18	450	–	19
3 - 5 years	14	–	–	2
Over 5 years	12	680	91	127
Total	**455**	**1,208**	**91**	**169**
Collateral	72	–	–	36
2012				
Up to 1 year	387	271	1	24
1 - 3 years	16	614	–	19
3 - 5 years	14	60	1	2
Over 5 years	164	652	107	173
Total	**581**	**1,597**	**109**	**218**
Collateral	130	–	–	36

Nearly all customers of the letters of credit have no external credit rating, whereas nearly all customers of the indemnification contracts have an external credit rating of A.

Financial guarantees

The majority of the Allianz Group's financial guarantees are issued to customers through the normal course of banking business in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third parties is treated as a loan to the customer, and is, therefore, basically subject to the credit risk of the customer or the collateral pledged, respectively.

Market value guarantees

Market value guarantees represent assurances given to investors in certain mutual funds and related to specific asset management agreements, under which initial investment values and/or minimum performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of the affected investments does not meet the guaranteed targets at predefined dates.

The Allianz Group's Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees and maturity dates differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of 31 December 2013, the maximum potential amount of future payments of the market value guarantees is €680 MN (2012: €652 MN), which represents the total value guaranteed under the respective agreements including the obligation that would have been due had the investments matured on that date. The fair value of the investment trust accounts and mutual funds related to these guarantees as of 31 December 2013, is €802 MN (2012: €734 MN).

The Allianz Group's Banking operations in France, in the ordinary course of business, issue market value and performance-at-maturity guarantees in connection with mutual funds offered by the Allianz Group's Asset Management operations in France. The levels of these guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, both a market value guarantee and a performance-at-maturity guarantee is offered for the same mutual fund. As of 31 December 2013, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees is €528 MN (2012: €945 MN), which represents the total value guaranteed under the respective agreements. The fair value of the affected mutual funds where market value guarantees have been issued as of 31 December 2013, is approximately €589 MN (2012: €853 MN). These funds have a remaining term of maturity of up to five years.

Indemnification contracts

Indemnification contracts are executed by the Allianz Group with various counterparties under existing service, lease or acquisition transactions. Such contracts may also be used to indemnify counterparties under various contingencies, such as changes in laws and regulations or litigation claims.

In connection with the sale of various of the Allianz Group's former private equity investments, subsidiaries of the Allianz Group provided indemnities to the respective buyers in the event that certain contractual warranties arise. The terms of the indemnity contracts cover ordinary contractual warranties, environmental costs and any potential tax liabilities the entity incurred while owned by the Allianz Group.

Performance guarantees

Performance guarantees are given by the Allianz Group to ensure third-party entitlements if certain performance obligations of the guarantee recipient are not fulfilled.

CREDIT DERIVATIVES

Credit derivatives consist of credit default swaps, which require payment in the event of default of debt obligations, as well as of total return swaps, under which the performance of underlying assets is guaranteed. The notional principal amounts and fair values of the Allianz Group's credit derivative positions as of 31 December 2012 are provided in note 43.

ASSETS PLEDGED AND COLLATERAL

The carrying amounts of the assets pledged as collateral are displayed in the following table:

ASSETS PLEDGED AS COLLATERAL

€ MN as of 31 December	2013	2012
Collaterals without right to resell or repledge		
Financial assets carried at fair value through income	3	–
Investments	4,034	1,452
Loans and advances to banks and customers	2,941	2,811
Subtotal	**6,978**	**4,263**
Collaterals with right to resell or repledge		
Investments	2,112	2,460
Subtotal	**2,112**	**2,460**
Total	**9,090**	**6,723**

As of 31 December 2013, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of €2,170 MN (2012: €931 MN), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2013 and 2012, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2013, the Allianz Group received cash collateral with a carrying amount of €191 MN (2012: €65 MN).

47 — Pensions and similar obligations

OVERVIEW

Retirement benefits in the Allianz Group, which are granted to employees and in Germany also to agents, are either in the form of defined benefit or defined contribution plans. For defined benefit plans, the beneficiary is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

The Allianz Group provides competitive and cost effective retirement and disability benefits using risk appropriate vehicles. The plans may vary from country to country due to the different legal, fiscal and economic environment.

Typically associated with defined benefit plans are biometric risks like longevity, disability and death as well as economic risks like interest rates, inflation and compensation increases. The Allianz Group continued to mitigate the risk impact by reviewing the benefit rules. New plans are primarily based on contributions and may include in some cases guarantees like preservation of contributions or minimum interest rate.

The Allianz Group established a Pension Task Force to foster global governance. The heads of Group HR, Group Accounting and Reporting, Group Treasury and Corporate Finance, Group Planning and Controlling, Group Risk and AIM are members of the Pension Task Force which meets quarterly. This body pre-aligns all pension-related topics prior to relevant Group Committee meetings.

Pension plans in Germany, the U.K. and Switzerland are described in more detail regarding key risks and regulatory environment, as each of them contributes more than 5% to the Allianz Group's defined benefit obligation.

Germany

Germany accounts for 73.8% of the Allianz Group's defined benefit obligation and 62.3% of the Allianz Group's plan assets.

Most active German employees participate in a contribution-based system using different vehicles to cover the base salary both below and above the German social security ceiling. The Allianz Versorgungskasse VVaG (AVK) financed through employee contributions and the Allianz Pensionsverein e.V. (APV) financed by the employer, provide pension benefits for the base salary up to the German social security ceiling. Both plans are wholly funded. AVK is subject to German insurance regulation.

Additionally, for salary above the German social security ceiling, the Allianz Group contributes to the Beitragsorientierter Pensionsvertrag (BPV). On retirement the accumulated capital is converted to a lifetime annuity. The Allianz Group decides each year whether and to which extent a BPV budget is provided. Independently from this decision an additional risk premium is paid to cover death and disability. The BPV was implemented as of 1 January 2005. Formerly existing plans were transferred to the BPV, taking the retained rights into account as appropriate. In the BPV generally the accruals after 2005 are wholly funded, whereas the grandfathered plan is funded to a minor extent. The assets, which are allocated to a trust (Methusalem Trust e.V.), are managed by a board of trustees.

There is also a partly funded defined benefit pension plan for agents (VertreterVersorgungsWerk, VVW), which has been closed for new entrants since 31 December 2011. A part of the pension plan serves as a replacement for the compensatory claim of agents according to German Commercial Code (§ 89b). The pension amount guaranteed is based on the individual agents' insurance portfolio, which is regularly reassessed although there is no legal obligation. VVW is close to a final salary benefit and pension increases are broadly linked to inflation.

For the AVK the annual minimum interest rate guaranteed is 1.75% – 3.50% depending on the date of joining the Allianz Group and for the BPV it is 2.75%. Pension increases are guaranteed at least with 1% p.a. Depending on legal requirements some pension increases are linked to inflation.

The employee has a choice between lump sum payments and annuities only in the AVK, whereas the other vehicles provide annuities. VVW entitled agents have the option to capitalize up to one third of the pension amount as a lump sum payment.

The period in which a retirement pension can be drawn is usually between age 60 and age 67. Disability benefits are granted prior to retirement in the event of an occurrence of a qualifying disability.

In the case of death, a pension may be paid to dependents. Surviving dependents normally receive 60% (widow/widower) and 20% (per child) of the original employee's pension, in total not to exceed 100%.

Additionally, the Allianz Group offers a deferred compensation program, Pensionszusage durch Entgeltumwandlung (PZE), for active employees. Within some boundaries they convert at their discretion parts of their gross income and receive in exchange a pension commitment of equal value. PZEs qualify almost as defined contribution plans with minor risk exposure.

United Kingdom

The U.K. accounts for 8.3% of the Allianz Group's defined benefit obligation and 11.9% of the Allianz Group's plan assets.

The U.K. operates a funded pension scheme, the Allianz Retirement and Death Benefits Fund. The trustee board is required by law to act in the best interests of members and is responsible for setting certain policies (e.g. investment and contribution policies) of the principal U.K. scheme. Contributions are made by both the employer and employees.

The fund has a defined benefit pension section and a defined contribution section. The defined contribution section was established on 1 April 2001, from which date the defined benefit section was closed to new entrants. The defined benefit section provides final salary benefits. Pension increases are broadly linked to Retail Prices Index (RPI) inflation.

From 1 July 2012, benefit changes were made to the defined benefit section. Following these benefit changes, increases to pensionable pay are capped at RPI and, in 2015, the defined benefit section will close to future accrual and all members will switch to the defined contribution section.

Switzerland

Switzerland accounts for 5.1% of the Allianz Group's defined benefit obligation and 9.1% of the Allianz Group's plan assets.

There are obligatory corporate pension plans in Switzerland, eligible for all employees. The plans are wholly funded through legally separate trustee administered pension funds with the trustee board being responsible for the investment of the assets and the risk management. The plans are contribution-based and cover the risks of longevity, disability and death. Employees contribute only a small amount whereas the employer contributes for the complete risk coverage and a big part to the savings account. The interest rate is decided annually by the board of the pension funds. For the mandatory part the minimum interest rate is regulated by law and reviewed annually (1.50% in 2013). At retirement beneficiaries can choose between a lump sum payment, an annuity or a combination of both where the part which is not granted as a lump sum is converted to a fixed annuity according to the rules of the pension fund, taking legal requirements into account.

If employees contract out of the Allianz Suisse pension plan, they have to take their vested pension capital ("Freizügigkeitsleistung") to the next employer, which implies a small liquidity risk.

DEFINED BENEFIT PLANS

IAS 19 revised in 2011 has to be applied retrospectively.[1] Therefore all balance sheet and income statement items had to be restated as of 1 January 2013 and 1 January 2012. After the retrospective application the adapted amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

RECONCILIATION OF DEFINED BENEFIT PLANS ON THE BALANCE SHEET

€ MN	2013	2012
Net amount recognized as of 1 January	**8,010**	**5,493**
Changes in the consolidated subsidiaries of the Allianz Group	6	26
Foreign currency translation adjustments	(13)	13
Recognized expenses	661	497
Payments	(642)	(649)
OCI recognition (before deferred taxes)	(522)	2,630
Net amount recognized as of 31 December	**7,500**	**8,010**
thereof assets	(94)	(59)
thereof liabilities	7,594	8,069

1 — Please refer to note 4 Recently adopted and issued accounting pronouncements and changes in the presentation of the consolidated financial statements for further details.

The following table sets forth the changes in the defined benefit obligation, in the fair value of plan assets and in the effect of asset ceiling for the various Allianz Group defined benefit plans:

RECONCILIATION OF DEFINED BENEFIT OBLIGATION,PLAN ASSETS AND EFFECT OF ASSET CEILING

€ MN	2013	2012
CHANGE IN DEFINED BENEFIT OBLIGATION		
Defined benefit obligation as of 1 January	**19,161**	**15,563**
Current service costs	414	321
Interest expenses	619	697
Plan participants' contributions	106	97
Actuarial (gains)/losses due to		
Changes in demographic assumptions	40	44
Changes in financial assumptions	(554)	3,084
Experience adjustments	35	(27)
Past service costs	(7)	(41)
Foreign currency translation adjustments	(82)	48
Benefits paid	(629)	(635)
Changes in the consolidated subsidiaries of the Allianz Group	9	30
Divestitures	(1)	-
Settlement gain/(loss)	-	1
Settlement payments	(1)	(21)
Defined benefit obligation as of 31 December[1]	**19,110**	**19,161**
CHANGE IN FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets as of 1 January	**11,206**	**10,136**
Interest income on plan assets	366	483
Return on plan assets greater/ (less) than interest income on plan assets	46	458
Employer contributions	364	372
Plan participants' contributions	106	97
Foreign currency translation adjustments	(70)	35
Benefits paid[2]	(351)	(356)
Changes in the consolidated subsidiaries of the Allianz Group	3	4
Divestitures	(1)	–
Assets distributed on settlement	(1)	(23)
Fair value of plan assets as of 31 December	**11,668**	**11,206**
CHANGE IN EFFECT OF ASSET CEILING		
Effect of asset ceiling as of 1 January	**55**	**66**
Interest expenses on effect of asset ceiling	1	2
Change in effect of asset ceiling in excess of interest	3	(13)
Foreign currency translation adjustments	(1)	–
Effect of asset ceiling as of 31 December	**58**	**55**

1 — As of 31 December 2013, €6,673 MN (2012: €6,841 MN) of the defined benefit obligation is wholly unfunded, while €12,437MN (2012: €12,320 MN) is wholly or partly funded.
2 — In addition, the Allianz Group paid €283 MN (2012: €280 MN) directly to plan participants.

As of 31 December 2013, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to €13 MN (2012: €15 MN) and €13 MN (2012: €15 MN), respectively.

During the year ended 31 December 2013, the defined benefit costs related to post-retirement health benefits were not significant (2012: €3 MN).

Assumptions

The assumptions for the actuarial computation of the defined benefit obligation and the recognized expense depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality tables, projected turnover depending on age and length of service, as well as internal Allianz Group retirement projections. Although this represents the best estimate as of today, a further increase in life expectancy could be reasonable. The weighted average life expectancy of a currently 65-year-old plan participant is about 88.9 years for women and 86.4 years for men. An increase in life expectancy by 1 year would lead to an increase of the defined benefit obligation by €455 MN.

The weighted average value of the assumptions for the Allianz Group's defined benefit plans used to determine the defined benefit obligation and the recognized expense are as follows:

ASSUMPTIONS FOR DEFINED BENEFIT PLANS

% as of 31 December	2013	2012
Discount rate	3.5	3.3
Rate of compensation increase	2.2	2.0
Rate of pension increase	2.0	1.7
Rate of medical cost trend	3.7	3.8

The recognized expense is recorded based on the assumptions of the corresponding previous year.

The discount rate assumption is the most significant risk for the defined benefit obligation. It reflects the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities. In the Euro-zone, the decision for the discount rate is based on AA-rated financial and corporate bonds, provided by Allianz Investment Data Services (IDS), and a standardized cash flow profile for a mixed population. The Internal Controls Over Financial Reporting (ICOFR) certified Allianz Global Risk Parameters (GRIPS) methodology is an internal development of the Nelson-Siegel model, recommended by German auditors, and consistently used by Group Risk, Group Audit, AIM and PIMCO.

The range for the sensitivity calculations was derived by analyzing the average volatility over the past 5 years.

An increase (a decrease) in the discount rate by 50 BPS would lead to a decrease of €1.4 BN (an increase of € 1.6 BN) in the defined benefit obligation.

An increase of pre-retirement benefit assumptions (e.g. salary increase) of 25 BPS would have an effect on the defined benefit obligation by €64 MN. However, the increase of post-retirement assumptions (e.g. inflation linked increases of pension payments) of 25 BPS would affect the defined benefit obligation by €426 MN.

A change in the medical cost trend rate by one percentage point would have an effect of €1 MN on the defined benefit obligation and no material effect on the defined benefit costs.

Plan Assets/Asset Liability Management (ALM)

Based on the estimated future cash flows of €714 MN for 2014, €685 MN for 2015, €703 MN for 2016, €729 MN for 2017, €745 MN for 2018 and €4,104 MN for 2019 – 2023, the weighted duration of the defined benefit obligation is 17.6 years. The Allianz Group uses, based on the liability profiles of the defined benefit obligation, stochastic asset liability models to optimize the asset allocation from a risk-return perspective.

Due to a well diversified portfolio of more than 140,000 plan participants, there is no reasonable uncertainty of future cash flows expected which could have an impact on the liquidity of the Allianz Group.

The target allocation for the plan assets compares to the current asset allocation as follows:

ASSET ALLOCATION OF PLAN ASSETS

as of 31 December	Target allocation in %	Real allocation in %	Real allocation 2013 in € MN	Real allocation 2012 in € MN
Equity securities	**13.8**	**13.7**		
Quoted			1,594	1,363
Non-quoted			–	–
Debt securities	**58.5**	**52.6**		
Quoted			4,212	4,349
Non-quoted			1,927	1,915
Real estate	5.7	4.8	561	453
Annuity contracts	19.9	17.7	2,071	1,893
Other	2.1	11.2	1,303	1,233
Total	**100.0**	**100.0**	**11,668**	**11,206**

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich, which is not part of the Allianz Group.

Plan assets do not include any real estate used by the Allianz Group and include only €4.8 MN of own transferable financial instruments.

In addition to the plan assets of €11.7 BN, the Allianz Group has dedicated assets at Group level amounting to €2 BN as of 31 December 2013 which are likewise managed according to Allianz ALM standards.

Contributions

For the year ending 31 December 2014, the Allianz Group expects to contribute €278 MN to its defined benefit plans and to pay €321 MN directly to participants of its defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended 31 December 2013, the Allianz Group recognized expenses for defined contribution plans of €213 MN (2012: €190 MN). Additionally, the Allianz Group paid contributions for state pension schemes of €335 MN (2012: €328 MN).

48 — Share-based compensation plans

GROUP EQUITY INCENTIVE PLANS

The Group Equity Incentive Plans (GEI) of the Allianz Group help focus senior management, in particular the Board of Management, on the long-term increase the value of the Allianz Group. Until 2010, the GEI included grants of stock appreciation rights (SAR) and restricted stock units (RSU). From the 2011 grant onwards, the Allianz Equity Incentive Plan (AEI) replaces the GEI plans. With the AEI Plan, only restricted stock units (RSU) are granted to the plan participants.

Stock appreciation rights

The SAR granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each right granted. The excess is capped at 150% of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. SAR which were granted until 2008 vest after two years and expire after seven years. From the 2009 grant onwards, the SAR vest after four years and also expire after seven years. Upon vesting, the SAR may be exercised by the plan participant if the following market conditions are attained:

– during their contractual term, the market price of the Allianz SE share has outperformed the Dow Jones EURO STOXX Price Index at least once for a period of five consecutive trading days; and

– the Allianz SE market price is in excess of the reference price by at least 20% on the exercise date.

In addition, upon the death of a plan participant, a change of control or notice for operational reason, the SAR vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SAR will be exercised automatically if the above market conditions have been attained. The SAR are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SAR at grant date is measured using a Cox-Ross-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (especially all plans issued in 2007 and 2008 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the SAR.

The SAR are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SAR as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SAR are recognized as a compensation expense. During the year ended 31 December 2013, the Allianz Group recognized compensation expenses related to the unexercised SAR of €62 MN (2012: €59 MN).

As of 31 December 2013, the Allianz Group recorded a provision of €86 MN (2012: €83 MN) in other liabilities for the unexercised SAR.

Restricted stock units

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or to issue one Allianz SE share, or other equivalent equity instrument, for each unit granted. The RSU vest after five years. The Allianz Group will exercise the RSU on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each unit.

In addition, upon death of a plan participant, a change of control or notice for operational reasons, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity of the RSU from the prevailing share price as of the valuation date.

The RSU are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the vesting period. During the year ended 31 December 2013, the Allianz Group recognized a compensation expense related to the non-vested RSU of €58 MN (2012: €80 MN).

As of 31 December 2013, the Allianz Group recorded a provision of €141 MN (2012: €141 MN) in other liabilities for the non-vested RSU.

ALLIANZ EQUITY INCENTIVE PLAN

Since the 2011 grant year, the Allianz Equity Incentive Plan (AEI) has replaced the GEI plans. The AEI is granted in the form of restricted stock units (RSU) and is part of a new variable compensation component for the plan beneficiaries.

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days or to convert one RSU into one Allianz SE share. The payout is capped at a 200% share price growth above the grant price.

The RSU are subject to a vesting period of four years and will be released on the last day of the vesting period. The Allianz Group can choose the settlement method for each unit.

In addition, upon the death of a plan participant, a change of control or notice for operational reason, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity and the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSU at grant date:

ASSUMPTIONS OF AEI PLANS

		2014[1]	2013	2012
Share price	€	124.55	110.40	88.29
Average dividend yield	%	4.4	4.6	5.3
Average interest rate	%	0.5	0.5	1.2
Expected volatility	%	20.6	20.9	22.0

1 — The RSU 2014 are deemed to have been granted to participants as part of their 2013 remuneration. Consequently, the assumptions for RSU grants delivered in March 2014 are based on best estimation.

The RSU are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2013, the Allianz Group recognized a compensation expense related to the AEI plans of €132 mn (2012: €79 MN).

As of 31 December 2013, the Allianz Group recorded a provision of €248 MN (2012: €117 MN) for these RSU in other liabilities.

SHARE-BASED COMPENSATION PLANS OF SUBSIDIARIES OF THE ALLIANZ GROUP

PIMCO LLC Class B Unit Purchase Plan

When acquiring Allianz Global Investors of America L.P. (AllianzGI L.P.) during the year ended 31 December 2000, Allianz SE caused Pacific Investment Management Company LLC (PIMCO LLC), a subsidiary of AllianzGI L.P., to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15% priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over 3 to 5 years and are subject to repurchase by AllianzGI L.P. upon the death, disability or termination of the participant prior to vesting. Starting 1 January 2005, AllianzGI L.P. has the right to repurchase, and the participants have the right to cause AllianzGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is exercisable for the first time 6 months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash settled plan.

Therefore, the Allianz Group accrues the fair value of the Class B equity units as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as a compensation expense. During the year ended 31 December 2013, the Allianz Group recognized a compensation expense related to the Class B equity units of €16 MN (2012: €62 MN). In addition, the Allianz Group recognized an expense related to the priority claim on the adjusted operating profits of PIMCO LLC of €16 MN (2012: €32 MN). The Allianz Group called in total 224 Class B equity units during the year ended 31 December 2013. The total amount paid related to the call of the Class B equity units was €10 MN.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of 31 December 2013, the Allianz Group recorded a liability for the Class B equity units of €196 MN (2012: €206 MN).

PIMCO LLC Class M-unit Plan

In 2008, Allianz Global Investors of America L.P. (AllianzGI L.P.) launched a new management share-based payment incentive plan for certain senior level executives and affiliates of PIMCO LLC. Participants in the plan are granted options to acquire a new class of equity instruments (M-units), which vest in one-third increments on approx-imately the third, fourth and fifth anniversary of the option grant date. Upon vesting, options will be automatically exercised in a cashless transaction, but only if they are in the money. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan until termination of their service at a maximum. With the M-unit Plan, participants can directly participate in PIMCO's performance. Class M-units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-units have a right to receive a quarterly cash compensation equal to and in lieu of quarterly dividend payments.

A maximum of 250,000 M-units are authorized for issuance under the M-unit Plan.

The fair value of the underlying M-options was measured using the Black-Scholes option pricing model. Volatility was derived in part by considering the average historical and implied volatility of a selected group of peers. The expected life of one granted option was calculated based upon treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-options at grant date:

ASSUMPTIONS OF CLASS M-UNIT PLAN

		2013	2012
Weighted average fair value of options granted	€	1,047.87	1,600.50
Assumptions:			
Expected term (years)		3.84	3.84
Expected volatility	%	31.6	43.6
Expected dividend yield	%	13.2	13.0
Risk free rate of return	%	0.7	0.7

The number and weighted average exercise price of the M-options outstanding and exercisable are as follows:

RECONCILIATION OF OUTSTANDING M-OPTIONS

	2013		2012	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of 1 January	**204,091**	**12,597.93**	**156,285**	**11,266.93**
Granted	50,600	16,959.07	71,916	14,299.31
Exercised	(30,412)	8,213.51	(19,819)	6,861.28
Forfeited	(10,170)	13,069.76	(4,291)	12,828.34
Outstanding as of 31 December	**214,109**	**13,709.98**	**204,091**	**12,597.93**
Exercisable as of 31 December	–	–	–	–

The aggregate intrinsic value of share options outstanding was €232 mn and €175 mn for the years ended 31 December 2013 and 2012, respectively.

As of 31 December 2013, the M-options outstanding have an exercise price of between €6,168.58 and €17,158.10 and a weighted average remaining contractual life of 2.93 years.

The shares settled by delivery of PIMCO LLC shares are accounted for as equity-settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity-settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended 31 December 2013, the Allianz Group recorded a compensation expense of €74 MN (2012: €78 MN) related to these share options.

Allianz France share option plan

Allianz France, formerly AGF, awarded options on its former Holding (AGF S.A.) quoted shares to eligible AGF Group executives, managers of subsidiaries, as well as to some of the employees, whose performance justified grants.

During the year ended 31 December 2007, Allianz acquired all of the remaining AGF shares from non-controlling interests in the context of the Tender Offer and Squeeze-out. Under the terms of an agreement (the "Liquidity Agreement") between Allianz SE, AGF and the beneficiaries of the AGF share option plans 2003–2006 (AGF employees), Allianz has the right to purchase all AGF shares issued through the exercise of these AGF share option plans after the put period (where the beneficiaries have the right to sell to Allianz). The price payable by Allianz per AGF share is a cash consideration equal to the Allianz 20-day average share price prior to the date the right to buy or to sell is exercised, multiplied by a ratio representing the consideration proposed in the Tender Offer for each AGF share (€126.43) divided by the Allianz share price on 16 January 2007 (€155.72). This ratio is subject to adjustments in case of transactions impacting Allianz or AGF share capital or net equity. The cash settlement is based upon the initial offer proposed for each AGF share during the Tender Offer. As of 31 December 2007, all shares issued under these plans were fully vested and exercisable.

Due to the change in settlement arising from the Liquidity Agreement, the Allianz Group accounts for the AGF share option plans as cash settled plans, as all AGF employees will receive cash for their AGF shares. Therefore, the Allianz Group recognizes any change in the fair value of the unexercised plans as a compensation expense.

During the year ended 31 December 2013, the Allianz Group recognized total compensation expenses related to the modified share option plans of €2 MN (2012: €7 MN). As of 31 December 2013, the Allianz Group recorded a provision for these plans of €8 MN (2012: €9 MN).

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 19 countries to qualified employees at favorable conditions. The shares have a minimum holding period of 1 to 5 years. During the year ended 31 December 2013, the number of shares sold to employees under these plans was 565,643 (2012: 627,118). During the year ended 31 December 2013, the Allianz Group recognized the difference between the issue price charged to the subsidiaries of the Allianz Group and the discounted price of the shares purchased by employees, of €7 MN (2012: €6 MN) as compensation expenses.

OTHER SHARE OPTION AND SHAREHOLDING PLANS

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended 31 December 2013, the total expense recorded for these plans was €4 MN (2012: €2 MN).

49 — Restructuring plans

As of 31 December 2013, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

The following table shows the changes in the provisions for restructuring plans.

PROVISIONS FOR RESTRUCTURING PLANS

€ MN	2013	2012
As of 1 January	**304**	**280**
New provisions	166	242
Additions to existing provisions	19	29
Release of provisions recognized in prior years	(53)	(55)
Utilization of provisions via payments	(104)	(100)
Utilization of provisions via transfers	(116)	(90)
Foreign currency translation adjustments	(2)	(2)
As of 31 December	**214**	**304**

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized prior to when they qualify to be recognized under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already "locked in", are transferred to the provision type, which would have been used if a restructuring initiative were not in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave the Allianz Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement, the respective part of the restructuring provision is transferred to employee related provisions. In addition, provisions for vacant office spaces that result from restructuring initiatives are transferred to "other" provisions after the offices have been completely vacated.

ALLIANZ BANK'S RESTRUCTURING PLAN

The Allianz Bank did not grow as profitably as expected in a highly competitive retail banking environment. As a result of this, Allianz Bank was closed on 30 June 2013. The closure of operations was executed swiftly. Mutual agreements were found with almost all employees affected by the restructuring. About 400 employees left the Group.

Restructuring charges of €87 MN were recorded in 2013 for the closure of Allianz Bank. As of 31 December 2013, restructuring provisions of €31 MN were recorded.

ALLIANZ LIFE KOREA'S RESTRUCTURING PLAN

In December 2013, Allianz Life Korea initiated a restructuring program to improve cost competitiveness and financial soundness. An organizational restructuring and an early retirement plan will be executed. In addition, various other cost reduction measures will be implemented to achieve savings of general expenses. The program will result in a reduction of headcount by about 250 employees.

During the year ended 31 December 2013, restructuring charges of €32 MN were recorded. As of 31 December 2013, restructuring provisions of €31 MN were recorded.

ALLIANZ ITALY'S RESTRUCTURING PLAN

In December 2013, Allianz Italy announced a restructuring plan, which will be completed within 2014. Allianz Italy aims to adapt its business model and significantly streamline its processes. A unified platform for all agencies including a digital agency will be implemented. The program will result in a reduction of complexity and higher automation of processes, in particular for underwriting activities. By implementing voluntary early retirement plans, headcount will be reduced by about 100 employees.

During the year ended 31 December 2013, restructuring charges of €30 MN were recorded. As of 31 December 2013, Allianz Italy recorded restructuring provisions of €29 MN related to this plan.

ALLIANZ BENELUX' RESTRUCTURING PLAN

Following the integration of Allianz Belgium and Allianz Nederland into a regional structure (Benelux), Allianz Benelux initiated a restructuring program in December 2013 to improve profitability and cost competitiveness. An organizational restructuring plan will be executed in order to eliminate redundancies between countries and improve efficiency. The program will result in a net reduction of headcount by about 100 full time equivalents (FTE). In addition, the program resulted in the write-off of certain assets.

During the year ended 31 December 2013, restructuring charges of €29 MN were recorded. As of 31 December 2013, restructuring provisions of €20 MN were recorded for this program.

ALLIANZ GERMANY GROUP'S RESTRUCTURING PLAN

The Allianz Germany Group launched the restructuring program "Zukunftsprogramm Sachversicherung" in order to generate further growth impulses. The program is expected to be completed with the objective of cost savings, improved claims management and higher growth of revenue, thereby increasing the competitiveness and profitability of Allianz Germany's future property and casualty business.

In 2012, the project "Optimierung Stäbe" was implemented as part of the restructuring program "Zukunftsprogramm Sachversicherung" in order to reduce personnel and operating expenses by increasing efficiency in the Allianz Germany Group's head office. From the original objective of reducing approximately 380 FTE by 2014, approximately 120 FTE remain as of 31 December 2013.

In addition, clearly defined activities in the area of operational functions have been transferred to newly founded service companies with their own employees. From originally approximately 200 FTE affected by the program, a reduction of 80 FTE remains as of 31 December 2013.

During the year ended 31 December 2013, restructuring charges of €1 MN were recorded. As of 31 December 2013, the Allianz Germany Group recorded restructuring provisions of €29 MN related to this program.

ALLIANZ MANAGED OPERATIONS & SERVICES'S RESTRUCTURING PLAN (AMOS)

In the fourth quarter of 2012, Allianz Managed Operations & Services (AMOS) launched a restructuring program, mainly in Germany, regarding the global Allianz data center consolidation. In July 2013, AMOS announced that a higher number of the affected employees in Germany than originally expected will be assumed by a service provider, which led to a reduction of the original restructuring provisions of €34 MN.

EFFECT OF THE REVERSAL OF DISCOUNTING

For the year ended 31 December 2013, the effect of the reversal of discounting arising from the passage of time was €4 MN (2012: €9 MN).

50 — Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period and increased by 14.4% in 2013 compared to 2012.

BASIC EARNINGS PER SHARE

€ MN

	2013	2012
Net income attributable to shareholders used to calculate basic earnings per share	5,996	5,231
Weighted average number of common shares outstanding	453,297,832	452,666,296
Basic earnings per share (€)	**13.23**	**11.56**

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. These effects arise from various share-based compensation plans of the Allianz Group.

DILUTED EARNINGS PER SHARE

€ MN

	2013	2012
Net income attributable to shareholders	5,996	5,231
Effect of potentially dilutive common shares	(76)	(33)
Net income used to calculate diluted earnings per share	**5,920**	**5,198**
Weighted average number of common shares outstanding	453,297,832	452,666,296
Potentially dilutive common shares resulting from assumed conversion of:		
Share-based compensation plans	189,395	104,344
Weighted average number of common shares outstanding after assumed conversion	**453,487,227**	**452,770,640**
Diluted earnings per share (€)	**13.05**	**11.48**

For the twelve months ended 31 December 2013, the weighted average number of common shares excludes 2,753,127 (2012: 2,742,038) treasury shares.

51 — Other information

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES

as of 31 December	2013	2012
Germany	40,537	40,882
Rest of Europe	71,927	70,540
Asia Pacific & Africa	20,157	17,936
America	15,006	14,736
Total	**147,627**	**144,094**

The average total number of employees for the year ended 31 December 2013 was 146,257.

PERSONNEL EXPENSES

PERSONNEL EXPENSES

€ MN

	2013	2012
Salaries and wages	9,105	8,875
Social security contributions and employee assistance	1,304	1,214
Expenses for pensions and other post-retirement benefits	1,107	1,052
Total	**11,516**	**11,141**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 12 December 2013, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which was made permanently available to the shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2013 and was made available to the shareholders on a permanent basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) serves as the external auditing firm for the Allianz Group.

Fees billed by KPMG AG and affiliated entities, and KPMG AG and the worldwide member firms of KPMG International (KPMG) are disclosed in four categories:

KPMG FEES

€ MN

	KPMG worldwide		thereof: KPMG AG and affiliated entities[1]	
	2013	2012	2013	2012
Audit fees	36.3	36.8	16.0	16.7
Audit-related fees	8.3	7.9	6.7	6.6
Tax fees	4.8	2.3	4.4	1.7
All other fees	8.1	2.2	7.3	1.2
Total	**57.5**	**49.2**	**34.4**	**26.2**

1 — As of 31 December 2013, KPMG AG and affiliated entities comprised KPMG operations in Belgium, Germany, Luxembourg, the Netherlands, Russia, Spain, Switzerland, Turkey, Ukraine and the United Kingdom.

Audit fees

KPMG billed the Allianz Group an aggregate of €36.3 MN (2012: €36.8 MN) in connection with professional services rendered for the audit of the Allianz Group's consolidated financial statements, statutory audits of the financial statements of Allianz SE and its subsidiaries and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG charged the Allianz Group an aggregate of €8.3 MN (2012: €7.9 MN) for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported within audit fees. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG fees for professional services, rendered for tax advice and tax compliance, amounted to €4.8 MN (2012: €2.3 MN) and resulted primarily from tax advice.

All other fees

KPMG invoiced the Allianz Group an aggregate of €8.1 MN (2012: €2.2 MN) for other products and services, which consisted primarily of services under the guidance of Allianz Group management and general consulting services.

All services provided by KPMG to Allianz Group companies must be approved by the Audit Committee of the Allianz SE Supervisory Board. Services other than audit services must be pre-approved by the Audit Committee. The Audit Committee pre-approval process is based on the use of a "Positive List" of activities decided by the Audit Committee and, in addition, a "Guiding Principles and User Test" is applied. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

KPMG is the main auditing firm for the Allianz Group and assigned in more than 75% of all audit-related tasks. Auditing firms other than KPMG billed the Allianz Group an aggregate of €15.0 MN (2012: €14.6 MN).

REMUNERATION FOR THE BOARD OF MANAGEMENT

As of 31 December 2013, the Board of Management is comprised of 11 members. The following values reflect the full Board of Management active in the respective year.

The sum of the total remuneration of the Allianz SE Board of Management for 2013, excluding the notional accruals of the MTB 2013 – 15, amounts to €31 MN (2012 including the payment of the MTB 2010 – 12: €53 MN[1]).

The Equity-related remuneration is comprised in 2013 of 107,216[2] (2012: 119,743[3]) Restricted Stock Units (RSU).

RSU with a total fair value of €11.0 MN (2012: €10.5 MN) were granted to the Board of Management for the year ended 31 December 2013.

In 2013, remuneration and other benefits totaling €9 MN (2012: €7 MN) were paid to retired members of the Board of Management and dependents. Reserves for current pensions and accrued pension rights totaled €100 MN (2012: €105 MN).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to €2.0 MN (2012: €2.1 MN).

Board of Management and Supervisory Board compensation by individual is included in the Remuneration Report. The information provided there is considered part of these consolidated financial statements.

1 — For joining or leaving members of the Allianz SE Board only the pro-rated MTB relating to their service as Board members is disclosed.
2 — The relevant share price used to determine the final number of RSUs granted is only available after sign-off by the external auditors, thus numbers are based on a best estimate.
3 — The disclosure in the Annual Report 2012 was based on a best estimate of the RSU grants. The figure shown here for 2012 now includes the actual fair value as of the grant date (7 March 2013). The value therefore differs from this disclosed last year.

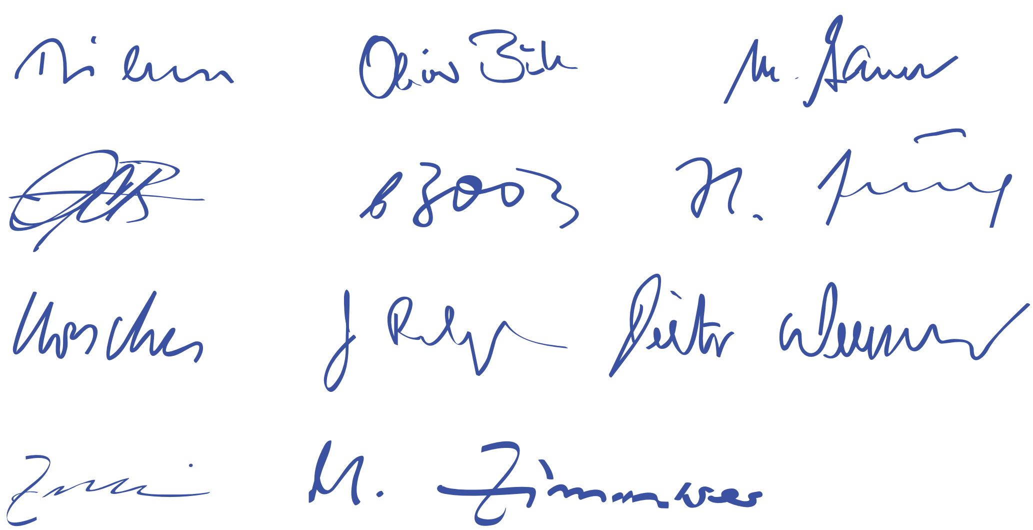
52 — Subsequent events

ALLIANZ ISSUED A CHF 500 MN UNDATED SUBORDINATED BOND

In January 2014, Allianz SE issued a subordinated bond in the amount of CHF 500 MN with no scheduled maturity, but with ordinary call rights of Allianz beginning in July 2019. The coupon of 3.25% p.a. is fixed until July 2019.

Munich, 24 February 2014

Allianz SE
The Board of Management



List of participations of the Allianz Group as of 31 December 2013 according to § 313 (2) HGB

	% OWNED[1]
GERMANY	
Consolidated affiliates	
ACP GmbH & Co. Beteiligungen KG, Munich	0.0[2]
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0[2]
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0
ACP Vermögensverwaltung GmbH Nr. 4 d. 1, Munich	99.3
ADEUS Aktienregister-Service-GmbH, Frankfurt am Main	79.6
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8
Allianz AADB Fonds, Frankfurt am Main	100.0[4]
Allianz ABS Fonds, Frankfurt am Main	100.0[4]
Allianz AKR Fonds, Frankfurt am Main	100.0[4]
Allianz ALD Fonds, Frankfurt am Main	100.0[4]
Allianz ALIK Fonds, Frankfurt am Main	100.0[4]
Allianz APAV Fonds, Frankfurt am Main	100.0[4]
Allianz APKR Fonds, Frankfurt am Main	100.0[4]
Allianz Asset Management AG, Munich	100.0
Allianz Automotive Services GmbH, Unterföhring	100.0
Allianz AVM-B Fonds, Frankfurt am Main	100.0[4]
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0[5]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deep Value Europe, Frankfurt am Main	55.8[3]
Allianz Deutschland AG, Munich	100.0
Allianz Digital Accelerator GmbH, Munich	100.0
Allianz DLVR Fonds, Frankfurt am Main	100.0[4]
Allianz EEE Fonds, Frankfurt am Main	100.0[4]
Allianz FAD Fonds, Frankfurt am Main	100.0[4]
Allianz Finanzbeteiligungs GmbH, Munich	100.0
Allianz Global Assistance Service Deutschland GmbH, Munich	100.0
Allianz Global Corporate & Specialty SE, Munich	100.0
Allianz Global Investors Europe GmbH, Frankfurt am Main	100.0
Allianz Global Investors GmbH, Munich	100.0
Allianz GLR Fonds, Frankfurt am Main	100.0[4]
Allianz GLRS Fonds, Frankfurt am Main	100.0[4]
Allianz GLU Fonds, Frankfurt am Main	100.0[4]
Allianz GRGB Fonds, Frankfurt am Main	100.0[4]
Allianz Handwerker Services GmbH, Aschheim	95.0
Allianz Investment Management SE, Munich	100.0[5]
Allianz LAD Fonds, Frankfurt am Main	100.0[4]
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds Plus GmbH, Munich	100.0
Allianz LEBENCO Fonds, Frankfurt am Main	100.0[4]
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0[4]
Allianz Managed Operations & Services SE, Munich	100.0
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz Private Equity GmbH, Munich	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0
Allianz ProzessFinanz GmbH, Munich	100.0
Allianz PV 1 Fonds, Frankfurt am Main	100.0[4]
Allianz PV WS Fonds, Frankfurt am Main	100.0[4]
Allianz PV-RD Fonds, Frankfurt am Main	100.0[4]
Allianz Re Asia, Frankfurt am Main	100.0[4]
Allianz Real Estate Germany GmbH, Stuttgart	100.0
Allianz Real Estate GmbH, Munich	100.0
Allianz Rechtsschutz-Service GmbH, Munich	100.0
Allianz Renewable Energy Management GmbH, Sehestedt	100.0
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0
Allianz RFG Fonds, Frankfurt am Main	100.0[4]
Allianz Risk Consulting GmbH, Munich	100.0
Allianz SDR Fonds, Frankfurt am Main	100.0[4]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0[4]
Allianz Strategiefonds Balance, Frankfurt am Main	91.5[3]
Allianz Strategiefonds Stabilität, Frankfurt am Main	98.6[3]
Allianz Strategiefonds Wachstum, Frankfurt am Main	97.9[3]
Allianz Strategiefonds Wachstum Plus, Frankfurt am Main	60.3[3]
Allianz Taunusanlage GbR, Stuttgart	99.5
Allianz Treuhand GmbH, Stuttgart	100.0
Allianz UGD 1 Fonds, Frankfurt am Main	100.0[4]
Allianz VAD Fonds, Frankfurt am Main	100.0[4]
Allianz VAE Fonds, Frankfurt am Main	100.0[4]
Allianz Venture Partners Beteiligungs GmbH, Munich	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0
Allianz VGI 1 Fonds, Frankfurt am Main	100.0[4]
Allianz VGL Fonds, Frankfurt am Main	100.0[4]
Allianz VKA Fonds, Frankfurt am Main	100.0[4]
Allianz VKRD Fonds, Frankfurt am Main	100.0[4]
Allianz VSR Fonds, Frankfurt am Main	100.0[4]
Allianz VW AV Fonds, Frankfurt am Main	100.0[4]
AllianzGI-Fonds APF Renten, Frankfurt am Main	100.0[3]
AllianzGI-Fonds Ferrostaal Renten 1, Frankfurt am Main	62.4[3]
AllianzGI-Fonds Ferrostaal Renten 2, Frankfurt am Main	61.9[3]
AllianzGI-Fonds Tosca, Frankfurt am Main	54.6[3]
AllianzGI-Fonds Total Germany Bond Portfolio, Frankfurt am Main	100.0[3]
AllSecur Deutschland AG, Munich	100.0
APKV Private Equity Fonds GmbH, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AUG. PRIEN Immobilien PE Verwaltung BrahmsQuartier GmbH, Stuttgart	94.9
Auros GmbH, Munich	100.0
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 14 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 44 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 50 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 51 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 57 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 61 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 64 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 67 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 68 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 69 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-GARI Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZL AI Nr. 1 GmbH, Munich	100.0
AZL PE Nr. 1 GmbH, Munich	100.0
AZRE AZD P&C Master Fund, Munich	100.0[4]
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0
AZ-SGD Private Equity Fonds GmbH, Munich	100.0
AZT Automotive GmbH, Ismaning	100.0
BCA Betriebs-Catering GmbH Verpflegungsdienste, Bad Soden am Taunus	100.0
Brahms Beteiligungs GmbH & Co. KG, Stuttgart	94.9
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	95.0
Bürgel Wirtschaftsinformationen GmbH & Co. KG, Hamburg	50.1
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH, Hamburg	50.4
dbi-Fonds Ammerland, Frankfurt am Main	100.0[4]
dbi-Fonds DAV, Frankfurt am Main	100.0[4]
dbi-Fonds WE, Frankfurt am Main	100.0[4]
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Donator Beratungs GmbH, Munich	100.0
Donator Beteiligungsverwaltung GmbH, Munich	100.0
ESA Cargo & Logistics GmbH, Bad Friedrichshall	100.0
esa EuroShip GmbH, Bad Friedrichshall	51.0
Euler Hermes Aktiengesellschaft, Hamburg	100.0
Euler Hermes Collections GmbH, Potsdam	100.0
Euler Hermes Deutschland Aktiengesellschaft, Hamburg	100.0
Euler Hermes Rating Deutschland GmbH, Hamburg	100.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
KVM ServicePlus - Kunden- und Vertriebsmanagement GmbH, Halle (Saale)	100.0
Mondial Kundenservice GmbH, Nuremberg	100.0
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	86.5
Münsterländische Bank Thie & Co. KG, Münster	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
Objekt Burchardplatz GmbH & Co. KG, Stuttgart	100.0
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2
PIMCO Deutschland GmbH, Munich	100.0
REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0
REC Frankfurt zweite Objektverwaltungsgesellschaft mbH, Hamburg	60.0
RehaCare GmbH, Munich	100.0
risklab GmbH, Munich	100.0
Roland Holding GmbH, Munich	74.2
Selecta Deutschland GmbH, Bad Soden am Taunus	100.0
Selecta Holding GmbH, Bad Soden am Taunus	100.0
Signa 12 Verwaltungs GmbH, Düsseldorf	94.9
Spherion Beteiligungs GmbH & Co. KG, Stuttgart	94.9
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0
UfS Beteiligungs-GmbH, Munich	100.0
Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	100.0
VLS Versicherungslogistik GmbH, Berlin	100.0
Volkswagen Autoversicherung AG, Braunschweig	100.0

	% OWNED [1]
Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0 [2]
W. Fortmann & Söhne KG, Oldenburg	100.0
Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0
Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0
Windpark Büttel GmbH & Co. KG, Sehestedt	100.0
Windpark Dahme GmbH & Co. KG, Hamburg	100.0
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0
Windpark Emmendorf GmbH & Co. KG, Sehestedt	100.0
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0
Non-consolidated affiliates	
AERS Consortio Aktiengesellschaft, Stuttgart	55.3
Alida Grundstücksverwaltung GmbH, Hamburg	100.0
All Net GmbH, Stuttgart	100.0
Allianz Immobilienfonds GmbH, Stuttgart	100.0
Allianz Objektbeteiligungs-GmbH, Stuttgart	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0
AZ Beteiligungs-Management GmbH, Munich	100.0
AZ-Argos 56 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Bürgel Beteiligungs GmbH, Hamburg	100.0
Bürgel Erfurt Beteiligungsgesellschaft mbH, Erfurt	100.0
Bürgel Erfurt GmbH & Co. KG, Erfurt	100.0
Bürgel Wirtschaftsinformationen Vertriebsgesellschaft mbH, Hamburg	100.0
Elbe Forderungsmanagement GmbH, Hamburg	100.0
EURO-PRO Gesellschaft für Data Processing mbH, Grävenwiesbach	75.2
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0
IDS GmbH - Analysis and Reporting Services, Munich	100.0
Infrastruktur Putlitz Ost GmbH & Co. KG, Husum	70.8
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
manroland AG, Offenbach am Main	100.0 [6,9]
manroland Versicherungsvermittlung GmbH, Offenbach am Main	100.0
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0 [9]
META Finanz-Informationssysteme GmbH, Munich	100.0
OLB-Immobiliendienst-GmbH, Oldenburg	100.0
OLB-Service GmbH, Oldenburg	100.0
Supercheck GmbH, Cologne	100.0
Joint ventures	
BEG Weser-Ems Baugrund- und Erschließungsgesellschaft mbH & Co. OHG, Oldenburg	50.0
Dealis Fund Operations GmbH, Frankfurt am Main	50.1 [7]
Associates	
AV Packaging GmbH, Munich	51.0 [8]
Capiton IV ConFlex Co-Investment GmbH & Co. KG, Berlin	50.0 [8]
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
Fondsdepot Bank GmbH, Hof	49.0
Global Real Estate Fund, Frankfurt am Main	32.8 [3]
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0
Reisegarant GmbH, Hamburg	24.0

	% OWNED [1]
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main	25.4
Wohnen Deutschland II, Frankfurt am Main	37.3 [3]
Other participations between 5 and 20% of voting rights	
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	16.0
MLP AG, Wiesloch	8.9
Sana Kliniken AG, Ismaning	13.9
FOREIGN ENTITIES	
Consolidated affiliates	
490 Fulton GP LLC, New York, NY	100.0
490 Fulton JV LP, New York, NY	96.5
490 Fulton REIT LP, New York, NY	100.0
490 Lower Unit GP LLC, New York, NY	100.0
490 Lower Unit LP, New York, NY	100.0
A.V.I.P. Assurance Vie de Prévoyance SA, Courbevoie	100.0
AB Servicios Selecta Espana S.L., Madrid	100.0
ACMAR SA, Casablanca	55.0
ACN 092 738 997 Pty Ltd., Milson's Point	100.0
Acropole Convertibles Monde, Paris	82.2 [3]
Administradora de Inversión Colseguros S.A., Bogotá D.C.	100.0
Advanz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [4]
Aero-Fonte S.r.l., Catania	100.0
AGA Alarmcentrale NL B.V., Amsterdam	100.0
AGA Assistance (India) Private Limited, Gurgaon	100.0
AGA Assistance Australia Pty Ltd., Toowong	100.0
AGA Assistance Beijing Services Co. Ltd., Beijing	100.0
AGA Inc., Richmond, VA	100.0
AGA Insurance Broker (Thailand) Co. Ltd., Bangkok	100.0
AGA Service Company Corp., Richmond, VA	100.0
AGA Service Italia S.c.a.r.l., Milan	100.0
AGA Services (India) Private Limited, Gurgaon	100.0
AGA Services (Thailand) Co. Ltd., Bangkok	97.6
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Resseguros Brasil S.A., Rio de Janeiro	100.0
AGF Balanced, Paris	100.0 [3]
AGF Benelux S.A., Luxembourg	100.0
AGF FCR, Paris	99.9 [3]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Insurance Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AGF Ras Holding B.V., Amsterdam	100.0
AGR Services Pte Ltd., Singapore	100.0
AIM Equity EMU 1, Paris	100.0 [4]
AIM Equity US, Paris	100.0 [4]
AIM Singapore Pte Ltd., Singapore	100.0
AIM Underwriting Limited, Toronto, ON	100.0
Allegiance Marketing Group LLC, North Palm Beach, FL	100.0
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	79.1 [3]
Allianz Actions Aéquitas, Paris	71.3 [3]
Allianz Actions Emergentes, Paris	66.4 [3]
Allianz Actions Euro, Paris	85.5 [3]
Allianz Actions Euro Convictions, Paris	85.9 [3]
Allianz Actions Euro MidCap, Paris	58.1 [3]
Allianz Actions France, Paris	56.1 [3]
Allianz Actions Indice US (couvert), Paris	93.8 [3]
Allianz Actions Internationales, Paris	98.6 [3]
Allianz Actions Japon, Paris	60.2 [3]
Allianz Actions US, Paris	80.6 [3]
Allianz Actions VD, Paris	99.6 [3]
Allianz Africa S.A., Paris	100.0
Allianz Air France IFC, Paris	99.9 [3]
Allianz Alapkezelõ Zrt., Budapest	100.0
Allianz Alp Sp. z o.o., Warsaw	100.0
Allianz Alternative Asset Management, Milan	100.0 [4]
Allianz America Holding B.V., Amsterdam	100.0

	% OWNED [1]
Allianz Annuity Company of Missouri, Clayton, MO	100.0
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0
Allianz Argentina RE S.A., Buenos Aires	100.0
Allianz Asac Actions, Paris	100.0 [4]
Allianz Asian Multi Income Plus, Luxembourg	79.3 [3]
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0
Allianz Asset Management of America L.P., Dover, DE	100.0
Allianz Asset Management of America LLC, Dover, DE	100.0
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0
Allianz Australia Advantage Ltd., Sydney	100.0
Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0
Allianz Australia Insurance Limited, Sydney	100.0
Allianz Australia Life Insurance Limited, Sydney	100.0
Allianz Australia Limited, Sydney	100.0
Allianz Australia Partnership Services Limited, Sydney	100.0
Allianz Australia Services Pty Limited, Sydney	100.0
Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0
Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0
Allianz Australian Claims Services Limited, Sydney	100.0
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6
Allianz Bank Bulgaria JSC, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Banque S.A., Courbevoie	100.0
Allianz Belgium S.A., Brussels	100.0
Allianz Bénin dommages SA, Cotonou	83.5
Allianz Best Styles Euroland, Luxembourg	63.1 [3]
Allianz Bonds Diversified Euro, Paris	100.0 [4]
Allianz Bonds Euro High Yield, Paris	100.0 [4]
Allianz Bulgaria Holding Company Ltd., Sofia	66.2
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	87.4
Allianz Bulgaria Life Insurance Company Ltd., Sofia	99.0
Allianz Bulgaria Pension Company AD, Sofia	65.9
Allianz Burkina dommages SA, Ouagadougou	60.3
Allianz Burkina vie SA, Ouagadougou	71.8
Allianz Business Services Limited, Lancaster	100.0
Allianz business services s.r.o., Bratislava	100.0
Allianz Cameroun dommages SA, Douala	75.4
Allianz Cameroun Vie SA, Douala	75.8
Allianz Cap ISR 2016, Paris	98.7 [3]
Allianz Capital Partners of America Inc., New York, NY	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris	100.0
Allianz Centrafrique Assurances S.A., Bangui	88.3
Allianz China General Insurance Company Ltd., Guangzhou	100.0
Allianz China Life Insurance Co. Ltd., Shanghai	51.0
Allianz Citizen Care SRI, Paris	81.8 [3]
Allianz Clearing S.N.C., Paris	100.0
Allianz Colombia S.A., Bogotá D.C.	100.0
Allianz Compagnia Italiana Finanziamenti S.p.A., Milan	100.0
Allianz CompanÍa de Seguros y Reaseguros S.A., Barcelona	99.9
Allianz Congo Assurances SA, Brazzaville	100.0
Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0
Allianz Côte d'Ivoire Assurances S.A., Abidjan	74.1
Allianz Côte d'Ivoire vie SA, Abidjan	71.0
Allianz Creactions 1, Paris	100.0 [4]
Allianz Creactions 2, Paris	100.0 [4]
Allianz Destination 2014, Paris	100.0 [3]
Allianz do Brasil Ltda., São Paulo	100.0
Allianz Dynamic Global Bond, Grand Cayman	98.8 [3]
Allianz EDUKACJA S.A., Bialobrzegi	100.0
Allianz Efficio, Paris	99.7 [3]
Allianz Efficio Plus, Paris	99.8 [3]

	% owned[1]
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Engineering Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0[4]
Allianz Equity Investments Ltd., Guildford	100.0
Allianz Equity Large Cap EMU, Paris	100.0[4]
Allianz EURECO Equity, Paris	96.5[3]
Allianz Euro Bond Plus, Paris	87.0[3]
Allianz Euro Credit SRI, Paris	51.0[3]
Allianz Euro Inflation, Paris	76.6[3]
Allianz Euro Investment Grade, Paris	50.1[3]
Allianz Euro Oblig 1-3 Plus, Paris	71.0[3]
Allianz Euro Obligations Crédit ISR, Paris	87.9[3]
Allianz Euro Tactique, Paris	50.2[3]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Convertible, Paris	52.1[3]
Allianz Europe Ltd., Amsterdam	100.0
Allianz Finance Corporation, Westport, CT	100.0
Allianz Finance II B.V., Amsterdam	100.0
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance III B.V., Amsterdam	100.0
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance Obligations Monde, Paris	99.9[3]
Allianz Finance Pty Ltd., Sydney	100.0
Allianz Finance V Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0
Allianz FinanzPlan 2015, Senningerberg	79.2[3]
Allianz FinanzPlan 2020, Senningerberg	96.1[3]
Allianz FinanzPlan 2025, Senningerberg	92.5[3]
Allianz FinanzPlan 2030, Senningerberg	95.8[3]
Allianz FinanzPlan 2035, Senningerberg	97.3[3]
Allianz FinanzPlan 2040, Senningerberg	98.2[3]
Allianz FinanzPlan 2045, Senningerberg	99.3[3]
Allianz FinanzPlan 2050, Senningerberg	99.9[3]
Allianz FinanzPlan 2055, Senningerberg	100.0[3]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Foncier, Paris	62.2[3]
Allianz Formuléo ISR, Paris	99.4[3]
Allianz France Favart I, Paris	100.0[4]
Allianz France Investissement OPCI, Paris	100.0
Allianz France Real Estate Invest SPPICAV, Paris	100.0
Allianz France Richelieu 1 S.A.S., Paris	100.0
Allianz France S.A., Paris	100.0
Allianz Fund Investments Inc., Wilmington, DE	100.0
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
Allianz generalni sluzby s.r.o., Prague	100.0
Allianz Global Assistance International SA, Paris	100.0
Allianz Global Assistance S.A.S., Paris	100.0
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0
Allianz Global Corporate and Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0
Allianz Global Investors Capital Limited, Cardiff	100.0
Allianz Global Investors Distributors LLC, Dover, DE	100.0
Allianz Global Investors France S.A., Paris	100.0
Allianz Global Investors Fund Management LLC, Dover, DE	100.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	100.0
Allianz Global Investors Ireland Ltd., Dublin	100.0
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0
Allianz Global Investors Korea Limited, Seoul	100.0
Allianz Global Investors Luxembourg S.A., Senningerberg	100.0
Allianz Global Investors Nominee Services Ltd., Grand Cayman	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0
Allianz Global Investors Taiwan Ltd., Taipei	100.0
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0
Allianz Global Investors U.S. LLC, Dover, DE	100.0
Allianz Global Life Ltd., Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Burbank, CA	100.0
Allianz Graduello, Paris	100.0[3]
Allianz Greater China Dynamic, Senningerberg	83.3[3]
Allianz Grenelle SAS, Paris	100.0
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0
Allianz Hellas Insurance Company S.A., Athens	100.0
Allianz Héxéo, Paris	98.5[3]
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0
Allianz Holding eins GmbH, Vienna	100.0
Allianz Holding France SAS, Paris	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hospitaliers Euro, Paris	100.0[4]
Allianz Hospitaliers Monde, Paris	100.0[4]
Allianz Hospitaliers Valeurs Durables, Paris	100.0[4]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz IARD S.A., Paris	100.0
Allianz IARD Vintage, Paris	100.0[4]
Allianz Immo, Paris	53.5[3]
Allianz Index Tracking Shares Fund, Budapest	89.8[3]
Allianz Indiceo 2015, Paris	99.1[3]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0
Allianz Informatique G.I.E., Paris	100.0
Allianz Informatyka Sp. z o.o., Warsaw	100.0
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg I SICAV-FIS, Luxembourg	100.0
Allianz Infrastructure Luxembourg II SICAF-FIS, Luxembourg	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	100.0
Allianz Insurance Cie of Ghana Limited, Accra	100.0
Allianz Insurance Company Lanka Limited, Saram	100.0
Allianz Insurance Company-Egypt S.A.E., Cairo	85.0
Allianz Insurance plc, Guildford	100.0
Allianz Inversiones S.A., Bogotá D.C.	100.0
Allianz Invest 10 Division S/U, Vienna	100.0[4]
Allianz Invest 11 Division Leben/Kranken, Vienna	100.0[4]
Allianz Invest 12 Division Leben/Kranken, Vienna	100.0[4]
Allianz Invest 50, Vienna	100.0[3]
Allianz Invest Alternativ, Vienna	100.0[3]
Allianz Invest d.o.o., Zagreb	100.0[4]
Allianz Invest Kapitalanlage GmbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	95.5[3]
Allianz Invest Spezial 3, Vienna	100.0[4]
Allianz Investment Management LLC, Minneapolis, MN	100.0
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0
Allianz Investments I Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments III Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Irish Life Holdings p.l.c., Dublin	66.5
Allianz kontakt s.r.o., Prague	100.0
Allianz Leasing Bulgaria AD, Sofia	51.0
Allianz Life & Annuity Company, Minneapolis, MN	100.0
Allianz Life (Bermuda) Ltd., Hamilton	100.0
Allianz Life Assurance Company-Egypt S.A.E., Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Co. Ltd., Seoul	100.0
Allianz Life Insurance Company Ltd., Moscow	100.0
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0
Allianz Life Insurance Company of New York, New York, NY	100.0
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0
Allianz Life Insurance Japan Ltd., Tokyo	100.0
Allianz Life Insurance Lanka Ltd., Colombo	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0
Allianz Life Luxembourg S.A., Luxembourg	100.0
Allianz Madagascar Assurances S.A., Antananarivo	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	71.8
Allianz Mali dommages SA, Bamako	77.0
Allianz Managed Operations and Services Netherlands B.V., Rotterdam	100.0
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	65.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Mena Holding Bermuda Ltd., Beirut	99.9
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Multi Actions Europe, Paris	98.8[3]
Allianz Multi Actions Monde, Paris	94.3[3]
Allianz Multi Croissance, Paris	99.8[3]
Allianz Multi Dynamic, Paris	99.7[3]
Allianz Multi Dynamisme, Paris	94.6[3]
Allianz Multi Equilibre, Paris	97.9[3]
Allianz Multi Horizon 2016-2017, Paris	62.3[3]
Allianz Multi Horizon 2018-2020, Paris	81.5[3]
Allianz Multi Horizon 2021-2023, Paris	71.5[3]
Allianz Multi Horizon 2024-2026, Paris	99.6[3]
Allianz Multi Horizon 2027-2029, Paris	99.7[3]
Allianz Multi Horizon 2030-2032, Paris	99.7[3]
Allianz Multi Horizon 2033-2035, Paris	99.7[3]
Allianz Multi Horizon 2036-2038, Paris	99.7[3]
Allianz Multi Horizon 2039-2041, Paris	99.7[3]
Allianz Multi Horizon Court Terme, Paris	68.2[3]
Allianz Multi Horizon Long Terme, Paris	59.8[3]
Allianz Multi Opportunités, Paris	99.4[3]
Allianz Multi Rendement Premium (R), Paris	97.3[3]
Allianz Multi Rendement Réel, Paris	89.1[3]
Allianz Multi Sérénité, Paris	99.6[3]
Allianz Mutual Funds Management Hellas S.A., Athens	100.0
Allianz Nederland Administratie B.V., Utrecht	100.0
Allianz Nederland Asset Management B.V., Nieuwegein	100.0
Allianz Nederland Groep N.V., Rotterdam	100.0
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	100.0
Allianz New Europe Holding GmbH, Vienna	100.0
Allianz New Zealand Limited, Auckland	100.0
Allianz Obligations Court Terme, Paris	92.0[3]
Allianz Obligations Internationales, Paris	79.2[3]
Allianz Obligations Monde, Paris	99.9[3]
Allianz of America Inc., Westport, CT	100.0
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0[4]
Allianz Optéo, Paris	98.4[3]
Allianz Osmea 4, Paris	99.9[3]
Allianz p.l.c., Dublin	100.0
Allianz Pan Asian REITs Fund Segregated Portfolio, George Town	100.0[4]
Allianz Participations B.V., Amsterdam	100.0
Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0
Allianz penzijní spolecnost a.s., Prague	100.0
Allianz Pimco Corporate, Vienna	75.3[3]
Allianz Pimco Mortgage, Vienna	96.3[3]
Allianz pojistovna a.s., Prague	100.0
Allianz Polska Services Sp. z o.o., Warsaw	100.0
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0
Allianz Popular Pensiones EGFP S.A., Madrid	100.0
Allianz Popular S.L., Madrid	60.0

	% owned [1]
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Allianz Potential, Paris	100.0 [3]
Allianz Primio 2015, Paris	99.5 [3]
Allianz Private Equity Partners Europa I, Milan	86.8 [4]
Allianz Private Equity Partners Europa II, Milan	92.0 [4]
Allianz Private Equity Partners Europa III, Milan	99.6 [4]
Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Properties Limited, Guildford	100.0
Allianz Prudence, Paris	99.7 [3]
Allianz Re Dublin Limited, Dublin	100.0
Allianz Real Estate France SAS, Paris	100.0
Allianz Real Estate of America LLC, New York, NY	100.0
Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Renewable Energy Partners I LP, London	100.0
Allianz Renewable Energy Partners II Limited, London	100.0
Allianz Renewable Energy Partners III LP, London	98.3
Allianz Renewable Energy Partners IV Limited, London	98.3
Allianz Renewable Energy Partners V plc., London	100.0
Allianz Risk Audit Ltd., Moscow	100.0
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Zurich	100.0
Allianz Risk Transfer Inc., New York, NY	100.0
Allianz Risk Transfer N.V., Amsterdam	100.0
Allianz S.A. de C.V., Mexico City	100.0
Allianz S.p.A., Trieste	100.0
Allianz Saint Marc CL, Paris	100.0 [3]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saude S.A., São Paulo	100.0
Allianz Scalinvest, Puteaux	98.1 [3]
Allianz Secteur Euro Immobilier, Paris	94.0 [3]
Allianz Secteur Europe Immobilier, Paris	88.7 [3]
Allianz Sécurité, Paris	84.9 [3]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Sénégal Assurances Vie S.A., Dakar	95.5
Allianz Sénégal dommages SA, Dakar	83.2
Allianz Services (UK) Limited, London	100.0
Allianz Sigorta A.S., Istanbul	84.2
Allianz SNA s.a.l., Beirut	100.0
Allianz Sociedad Anónima A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	84.4
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Specialised Investments Limited, London	100.0
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 1, Warsaw	100.0 [4]
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 2, Warsaw	100.0 [4]
Allianz Strategy 15, Senningerberg	95.0 [3]
Allianz Strategy 50, Senningerberg	95.5 [3]
Allianz Strategy 75, Senningerberg	92.1 [3]
Allianz Subalpina Holding S.p.A., Turin	98.1
Allianz Suisse Immobilien AG, Volketswil	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	100.0
Allianz Suisse Rückversicherungs AG, Zurich	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Zurich	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7
Allianz Telematics S.p.A., Rome	100.0
Allianz Tiriac Asigurari SA, Bucharest	52.2
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0
Allianz Togo dommages SA, Lome	97.9
Allianz UK Credit Fund, Paris	100.0 [4]
Allianz Ukraine LLC, Kiev	100.0
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0
Allianz US Investment GP LLC, Wilmington, DE	100.0
Allianz US Investment LP, Wilmington, DE	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0
Allianz Valeurs Durables, Paris	59.1 [3]
Allianz Vermögenskonzept Ausgewogen, Luxembourg	100.0 [3]
Allianz Vermögenskonzept Defensiv, Luxembourg	97.3 [3]
Allianz Vermögenskonzept Dynamisch, Luxembourg	98.4 [3]
Allianz Vie S.A., Paris	100.0
Allianz Worldwide Care Ltd., Dublin	100.0
Allianz Worldwide Care Services Ltd., Dublin	100.0
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0
Allianz ZB d.o.o. Company for the Management of Voluntary Pension Funds, Zagreb	51.0
AllianzGo S.r.l., Trieste	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
AllSecur B.V., Den Bosch	100.0
Amaya Compania de Seguros y Reaseguros S.A., Madrid	100.0
American Automobile Insurance Company Corp., Earth City, MO	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0
AMOS Austria GmbH, Vienna	100.0
AMOS IT Suisse AG, Zurich	100.0
AMOS of America LLC, Novato, CA	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	100.0
Antoniana Veneta Popolare Vita S.p.A., Trieste	50.0 [2]
APEH Europe III FCPR, Paris	56.0 [3]
APEH Europe V FCPR, Paris	69.4 [3]
APKV US Private REIT GP LLC, New York, NY	100.0
APKV US Private REIT LP, New York, NY	100.0
Approfrais SA, Evreux	100.0
Arab Gulf Health Services LLC, Beirut	100.0
Arcalis Assur 5, Paris	99.3 [3]
Arcalis SA, Courbevoie	100.0
Arcalis UN, Paris	100.0 [3]
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
AS Selecta s.r.o., Bratislava	100.0
Asit Services S.R.L., Bucharest	100.0
Assistance Courtage d'Assurance et de Réassurance S.A., Paris	100.0
Associated Indemnity Corporation, Novato, CA	100.0
Automaty Servis Selecta s.r.o., Prague	100.0
Avip Actions 100, Paris	99.7 [3]
Avip Actions 60, Paris	99.8 [3]
Avip Top Croissance, Paris	98.9 [3]
Avip Top Defensif, Paris	98.7 [3]
Avip Top Harmonie, Paris	95.0 [3]
AZ Euro Investments II S.à r.l., Luxembourg	100.0
AZ Euro Investments S.à r.l., Luxembourg	100.0
AZ Jupiter 4 B.V., Amsterdam	100.0
AZ Jupiter 8 B.V., Amsterdam	100.0
AZ Jupiter 9 B.V., Amsterdam	100.0
AZ Servisni centar d.o.o., Zagreb	100.0
AZ Vers US Private REIT GP LLC, New York, NY	100.0
AZ Vers US Private REIT LP, New York, NY	100.0
AZGA Insurance Agency Canada Ltd., Waterloo, ON	100.0
AZGA Service Canada Inc., Waterloo, ON	100.0
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA Services Corporation, Novato, CA	100.0
BAWAG Allianz Vorsorgekasse AG, Vienna	50.0 [2]
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0
Bilan Services S.N.C., Nanterre	66.0
Borgo San Felice S.r.l., Castelnuovo Berardenga (Siena)	100.0
Botanic Building SPRL, Brussels	100.0
BPS Brindisi 211 S.r.l., Lecce	100.0
BPS Brindisi 213 S.r.l., Lecce	100.0
BPS Brindisi 222 S.r.l., Lecce	100.0
BPS Mesagne 214 S.r.l., Lecce	100.0
BPS Mesagne 215 S.r.l., Lecce	100.0
BPS Mesagne 216 S.r.l., Lecce	100.0
BPS Mesagne 223 S.r.l., Lecce	100.0
BPS Mesagne 224 S.r.l., Lecce	100.0
Brasil de Imoveis e Participacoes Ltda., São Paulo	100.0
Bright Mission Berhad Ltd., Kuala Lumpur	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
BSMC (Thailand) Limited, Bangkok	100.0
Bulgaria Net Co. Ltd., Sofia	98.4
Bureau d'Expertises Despretz S.A., Brussels	100.0
Bx3 S.r.l., Trieste	100.0
C.E.P.E. de Haut Chemin S.à r.l., Versailles	100.0
Calobra Investments Sp. z o.o., Warsaw	100.0
Calypso S.A., Paris	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Zurich	100.0
CAPEX, Paris	84.6 [3]
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Langres Sud S.à r.l., Versailles	100.0
CEPE de Mont Gimont S.à r.l., Versailles	100.0
Château Larose Trintaudon S.A., Saint Laurent Médoc	100.0
Chicago Insurance Company Corp., Chicago, IL	100.0
CIC Allianz Insurance Ltd., Sydney	100.0
Club Marine Limited, Sydney	100.0
Colisee S.à r.l., Luxembourg	100.0
Compagnie de Gestion et de Prévoyance SA, Strasbourg	99.9
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8
Compañía Colombiana de Servicio Automotriz S.A., Bogotá D.C.	100.0
Comprehensive Travel Insurance 2004 Ltd., Auckland	100.0
Cornhill Trustee (Guernsey) Ltd., St. Peter Port	100.0
Corsetec Ltda., São Paulo	99.5
CPRN Thailand Ltd., Bangkok	100.0
CPRN-Holdings Limited, Bangkok	100.0
Creactif Allocation, Paris	100.0 [3]
CreditRas Assicurazioni S.p.A., Milan	50.0 [2]
CreditRas Vita S.p.A., Milan	50.0 [2]
Darta Saving Life Assurance Ltd., Dublin	100.0
Deeside Investments Inc., Wilmington, DE	50.1
Delta Technical Services Ltd., London	100.0
Diamond Point a.s., Prague	100.0
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0
EF Solutions LLC, Wilmington, DE	100.0
EHPAD Assur S.A.S., Paris	100.0
Emerald Global Investments, Paris	100.0 [3]
Energie Eolienne Lusanger S.à r.l., Versailles	100.0
Eolica Erchie S.r.l., Lecce	100.0
Euler Gestion, Courbevoie	100.0 [4]
Euler Hermes ACI Services LLP, Baltimore, MD	100.0
Euler Hermes ACMAR Services SARL, Casablanca	100.0
Euler Hermes Asset Management France S.A., Paris	100.0
Euler Hermes Canada Services Inc., Montreal, QC	100.0
Euler Hermes Cescob Service s.r.o., Prague	100.0
Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Euler Hermes Collections UK Limited, London	100.0
Euler Hermes Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Euler Hermes Crédit France S.A.S., Paris	100.0
Euler Hermes Credit Management Services Ireland Ltd., Dublin	100.0
Euler Hermes Credit Services (JP) Ltd., Tokyo	100.0
Euler Hermes Europe S.A./N.V., Brussels	100.0
Euler Hermes France S.A., Paris	100.0
Euler Hermes Hellas Credit Insurance SA, Athens	80.3
Euler Hermes Hellas Services Ltd., Athens	100.0

	% OWNED [1]
Euler Hermes Hong Kong Service Limited, Hong Kong	100.0
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0
Euler Hermes Magyar Követeleskezelö Kft., Budapest	100.0
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0
Euler Hermes North America Insurance Company Inc., Baltimore, MD	100.0
Euler Hermes Patrimonia SA, Brussels	100.0
Euler Hermes Ré SA, Senningerberg	100.0
Euler Hermes Real Estate SPPICAV, Paris	60.0
Euler Hermes Recouvrement France S.A.S., Paris	100.0
Euler Hermes Reinsurance AG, Zurich	100.0
Euler Hermes Risk Services UK Limited, London	100.0
Euler Hermes Risk Yönetimi A.S., Istanbul	100.0
Euler Hermes S.A., Paris	69.6
Euler Hermes Seguros de Crédito à Exportação S.A., São Paulo	100.0
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0
Euler Hermes Service AB, Stockholm	100.0
Euler Hermes Services AG, Zurich	100.0
Euler Hermes Services B.V., Hertogenbosch	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0
Euler Hermes Services India Privat Limited, Mumbai	100.0
Euler Hermes Services S.A.S., Paris	100.0
Euler Hermes Services South Africa Ltd., Johannesburg	100.0
Euler Hermes Services Sp. z o.o., Warsaw	100.0
Euler Hermes Services UK Limited, London	100.0
Euler Hermes Servicii Financiare S.R.L., Bucharest	100.0
Euler Hermes Serviços Ltda., São Paulo	100.0
Euler Hermes Servis s.r.o., Bratislava	100.0
Euler Hermes Sigorta A.S., Istanbul	100.0
Euler Hermes Singapore Services Pte. Ltd., Singapore	100.0
Euler Hermes South Express S.A., Brussels	100.0
Euler Hermes Tech SAS, Nanterre	100.0
Euler Hermes Trade Credit Limited, Auckland	100.0
Euler Hermes Trade Credit Underwriting Agents Pty Ltd., Sydney	100.0
Euler Hermes UMA, Louisville, KY	100.0
Euler Hermes World Agency SASU, Paris	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris	100.0
Euro Garantie AG, Pfäffikon	100.0
Eurosol Invest S.r.l., Udine	100.0
Expositio Sp. z o.o., Warsaw	100.0
FAI Allianz Ltd., Sydney	100.0
FCP LBPAM IDR, Paris	100.0 [3]
FCPR Fregate, Paris	58.3 [3]
FCT CIMU 92, Pantin	100.0 [4]
FCT Rocade L2 Marseille, Marseille	100.0 [4]
Fenix Directo Compania de Seguros y Reaseguros S.A., Madrid	100.0
Ferme Eolienne de Villemur-sur-Tarn S.à r.l., Versailles	100.0
Ferme Eolienne des Jaladeaux S.à r.l., Versailles	100.0
Fiduciaria Colseguros S.A., Bogotá D.C.	100.0
Financière Aldebaran SAS, Paris	100.0
Financière Callisto SAS, Paris	100.0
Fireman's Fund County Mutual Insurance Company Corp., Dallas, TX	100.0
Fireman's Fund Financial Services LLC, Dallas, TX	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0
Fireman's Fund Insurance Company Corp., Novato, CA	100.0
Fireman's Fund Insurance Company of Bermuda, Hamilton	100.0
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0
Fireman's Fund Insurance Company of Ohio Corp., Cincinnati, OH	100.0
Floralis, Paris	99.6 [3]
Fondo Chiuso Allianz Infrastructure Partners I, Milan	100.0 [4]
Fragonard Assurance S.A., Paris	100.0
Friederike MLP S.à r.l., Luxembourg	100.0
Fusion Brokerage Inc., Richmond, VA	100.0

	% OWNED [1]
Fusion Company Inc., Richmond, VA	80.0
Gaipare Action, Paris	99.7 [3]
GamePlan Financial Marketing LLC, Woodstock, GA	100.0
GAP Reactif Canton A, Paris	66.3 [3]
Generation Vie S.A., Courbevoie	52.5
Genialloyd S.p.A., Milan	100.0
Gestion de Téléassistance et de Services S.A., Chatillon	100.0
Gestion Produits Structures, Puteaux	73.6 [3]
Gestion Produits Structures Dynamique, Puteaux	65.1 [3]
GIE Euler Hermes SFAC Services, Paris	100.0
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	73.1
Hauteville Insurance Company Limited, Guernsey	100.0
Havelaar et Van Stolk B.V., Rotterdam	100.0
Helviass Verzekeringen B.V., Rotterdam	100.0
Home & Legacy (Holdings) Limited, London	100.0
Home & Legacy Insurance Services Limited, London	100.0
Hunter Premium Funding Ltd., Sydney	100.0
IDR Actions Euros, Paris	100.0 [3]
Immovalor Gestion S.A., Paris	100.0
Insurance and Reinsurance AG Energy, Sofia	50.9
Insurance CJSC Medexpress, Saint Petersburg	99.8
Intermediass S.r.l., Milan	100.0
International Film Guarantors Limited, London	100.0
International Film Guarantors LLC, Santa Monica, CA	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori SGR S.p.A., Milan	100.0
ITEB B.V., Rotterdam	100.0
IZAN Investment S.à r.l., Luxembourg	100.0
JCR Intertrade Ltd., Bangkok	40.0 [2]
Jefferson Insurance Company Corp., New York, NY	100.0
Ken Tame & Associates Pty Ltd., Sydney	69.0
Kiinteistö OY Eteläesplanadi 2, Helsinki	100.0
Königinstrasse I S.à r.l., Luxembourg	100.0
La Rurale SA, Paris	99.9
LCF IDR, Paris	100.0 [3]
Les Vignobles de Larose S.A.S., Saint Laurent Médoc	100.0
Life Sales LLC, Novato, CA	100.0
LLC "Allianz Eurasia Healthcare", Saint Petersburg	100.0
LLC "Progress-Med", Moscow	100.0
Lloyd Adriatico Holding S.p.A., Trieste	99.9
London Verzekeringen N.V., Rotterdam	100.0
Magdeburger Sigorta A.S., Istanbul	100.0
Managed Insurance Operations B.V., Rotterdam	100.0
Martin Maurel Vie SA, Courbevoie	100.0
Medi24 AG, Bern	100.0
MetallRente Fonds Portfolio, Senningerberg	57.7 [3]
MM Allocation Monde, Marseille	61.7 [3]
MM Composition Amerique, Marseille	52.7 [3]
Mondial Assistance Asia Pte Ltd., Singapore	100.0
Mondial Assistance Australia Holding Pty Ltd., Toowong	100.0
Mondial Assistance France SAS, Paris	95.0
Mondial Assistance France Services à la personne SAS, Paris	100.0
Mondial Assistance GmbH, Vienna	100.0
Mondial Assistance Indian Ocean LLC, Ebene	100.0
Mondial Assistance Ireland Ltd., Dublin	100.0
Mondial Assistance Mexico S.A. de C.V., Mexico City	100.0
Mondial Assistance OOO, Moscow	100.0
Mondial Assistance Portugal Serviços de Assistência Lda., Paco de Aros	100.0
Mondial Assistance Réunion S.A., Saint Denis	100.0
Mondial Assistance S.r.l., Bucharest	100.0
Mondial Assistance s.r.o., Prague	100.0
Mondial Assistance Service Chile Limitada, Las Condes	100.0
Mondial Assistance Service España S.A., Madrid	100.0
Mondial Assistance Services Hellas A.E., Athens	51.0
Mondial Assistance Servis Hizmetleri A.S., Istanbul	97.0
Mondial Assistance Sigorta Aracilik Hizmetleri LS, Istanbul	100.0
Mondial Assistance Sp. z o.o., Warsaw	100.0
Mondial Assistance United Kingdom Ltd., Croydon Surrey	100.0

	% OWNED [1]
Mondial Contact Center Italia S.r.l., Taurisano	100.0
Mondial Protection Corretora de Seguros Ltda., São Bernardo do Campo	100.0
Mondial Service - Belgium S.A., Brussels	100.0
Mondial Service Argentina S.A., Buenos Aires	100.0
Mondial Service Colombia SAS, Bogotá D.C.	100.0
Mondial Servicios S.A. de C.V., Mexico City	100.0
Mondial Serviços Ltda., São Bernardo do Campo	100.0
Monéger SA, Dakar	100.0
Morgan Stanley Italian Office Fund, Milan	94.6 [4]
National Surety Corporation, Chicago, IL	100.0
Neoasistencia Manoteras S.L., Madrid	100.0
Nexam Multi Alternatives, Paris	85.6 [3]
Nextcare Bahrain Ancillary Services Company B.S.C., Manama	100.0
NEXtCARE Egypt LLC, Cairo	100.0
NEXtCARE Holding WLL, Manama	75.0
NEXtCARE Lebanon SAL, Beirut	100.0
NFJ Investment Group LLC, Dover, DE	100.0
Oddo Convictions, PARIS	69.7 [3]
Oddo Gestion Prudente, Paris	66.7 [3]
Oddo Indice Japon, Paris	55.3 [3]
Oddo Investissement, Paris	64.9 [3]
Oddo Patrimoine, Paris	67.2 [3]
Oddo Proactif Europe, Paris	65.7 [3]
Oddo Valeurs Rendement A, Paris	53.2 [3]
OJSC "Allianz Investments", Moscow	100.0
OJSC "My Clinic", Moscow	100.0
OJSC Insurance Company Allianz, Moscow	100.0
OJSC Insurance Company ROSNO-MS, Moscow	100.0
Omega Thai Investment Holding B.V., Amsterdam	100.0
Ontario Limited, Toronto, ON	100.0
OOO "IC Euler Hermes Ru", Moscow	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
Oppenheimer Group Inc., Dover, DE	100.0
Orione PV S.r.l., Milan	100.0
Orsa Maggiore PV S.r.l., Milan	100.0
Orsa Minore PV S.r.l., Milan	100.0
OY Selecta AB, Helsinki	100.0
Pacific Investment Management Company LLC, Dover, DE	96.7
Paramount Group Real Estate Special Situations Fund-A L.P., New York, NY	100.0
Parc Eolien de Bonneuil S.à r.l., Versailles	100.0
Parc Eolien de Bruyère Grande SAS, Versailles	100.0
Parc Eolien de Croquettes SAS, Versailles	100.0
Parc Eolien de Fontfroide SAS, Versailles	100.0
Parc Eolien de Forge SAS, Paris	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0
Parc Eolien de Longchamps SAS, Versailles	100.0
Parc Eolien des Barbes d'Or SAS, Versailles	100.0
Parc Eolien des Joyeuses SAS, Versailles	100.0
Parc Eolien des Mistandines SAS, Paris	100.0
Parc Eolien des Quatre Buissons SAS, Paris	100.0
Parc Eolien du Bois Guillaume SAS, Paris	100.0
Parc Eolien Les Treize SAS, Paris	100.0
Personalized Brokerage Service LLC, Topeka, KS	100.0
Pet Plan Ltd., Guildford	100.0
PFP Holdings Inc., Dover, DE	100.0
PGA Global Services LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0
PGRESS-A Equity GP LLC, Wilmington, DE	100.0
PGRESS-A Equity REIT LP, Wilmington, DE	100.0
Phenix Absolute Return, Paris	100.0 [4]
PIMCO (Schweiz) GmbH, Zurich	100.0
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO Euro Low Duration Investment Grade Corporate Fund, Dublin	100.0 [4]
PIMCO Europe Ltd., London	100.0

	% OWNED [1]
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Luxembourg) S.A., Luxembourg	100.0
PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO GP I LLC, Dover, DE	100.0
PIMCO GP III LLC, Dover, DE	100.0
PIMCO GP IX LLC, Dover, DE	100.0
PIMCO GP V LLC, Dover, DE	100.0
PIMCO GP VII LLC, Dover, DE	100.0
PIMCO GP X LLC, Dover, DE	100.0
PIMCO GP XI LLC, Dover, DE	100.0
PIMCO GP XII LLC, Dover, DE	100.0
PIMCO GP XIII LLC, Dover, DE	100.0
PIMCO Investments LLC, Dover, DE	100.0
PIMCO Japan Ltd., Road Town, Tortola	100.0
PIMCO Latin America Administradora de Carteiras Ltda., São Paulo	100.0
Primacy Holdings Pty Ltd., Melbourne	100.0
Primacy Underwriting Management Ltd., Wellington	100.0
Primacy Underwriting Management Pty Ltd., Melbourne	100.0
Prism Re (Bermuda) Ltd., Hamilton	99.0
Prosperaz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [4]
Protexia France S.A., Paris	100.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.8
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0
Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [4]
RB Fiduciaria S.p.A., Milan	100.0
RCM Asia Pacific Ltd., Hong Kong	100.0
RCM Capital Management Pty Ltd., Sydney	100.0
Real Faubourg Haussmann SAS, Paris	100.0
Real FR Haussmann SAS, Paris	100.0
Redoma S.à r.l., Luxembourg	100.0
Retail Vending Ltd., Birmingham	100.0
Rhea SA, Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Roland Print B.V., Amsterdam	100.0
Roster Financial LLC, Mount Laurel, NJ	100.0
S.I.B.I. S.A., Paris	100.0
SA Carène Assurance, Paris	100.0
Saint-Barth Assurances S.à r.l., St. Barts	100.0
San Francisco Reinsurance Company Corp., Novato, CA	100.0
SAS 20 pompidou, Paris	100.0
SAS Allianz Colisée, Paris	100.0
SAS Allianz Forum Seine, Paris	100.0
SAS Allianz Platine, Paris	100.0
SAS Allianz Rivoli, Paris	100.0
SAS Allianz Serbie, Paris	100.0
SAS Madeleine Opéra, Paris	100.0
SAS Passage Des Princes, Paris	100.0
SAS Société d'Exploitation du Parc Eolien de Nélausa, Paris	100.0
Saudi NEXtCARE LLC, Al Khobar	52.0
SC Tour Michelet, Paris	100.0
SCI 46 Desmoulins, Paris	100.0
SCI Allianz ARC de Seine, Paris	100.0
SCI Allianz Chateaudun, Paris	100.0
SCI Allianz Messine, Paris	100.0
SCI AVIP La Templerie, Courbevoie	100.0
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris	75.0

	% OWNED [1]
SCI Prelloyd, Paris	100.0
SCI Stratus, Courbevoie	100.0
SCI Via Pierre 1, Paris	100.0
SCI Volnay, Paris	100.0
Selecta A/S, Rodovre	100.0
Selecta AB, Stockholm	100.0
Selecta AG, Muntelier	100.0
Selecta AS, Oslo	100.0
Selecta B.V., Waardenburg	100.0
Selecta Betriebsverpflegungs GmbH, Vienna	100.0
Selecta Eesti Osauhing OÜ, Tallinn	100.0
Selecta Group B.V., Amsterdam	98.7
Selecta Holding AB, Stockholm	100.0
Selecta Holding B.V., Amsterdam	100.0
Selecta Holding Ltd., London	100.0
Selecta Holding SAS, Paris	100.0
Selecta Hungary Automataüzemeltetö Kft., Budapest	100.0
Selecta Luxembourg SA, Leudelange	100.0
Selecta Management AG, Zug	100.0
Selecta Nordic Holding AB, Stockholm	100.0
Selecta Purchasing AG, Zug	100.0
Selecta Refreshments Ltd., Dublin	100.0
Selecta SA, Zaventem	100.0
Selecta SA, Paris	99.9
Selecta TMP AG, Zug	100.0
Selecta UK Ltd., Birmingham	100.0
Selection Multi-Gerants Emergents, Paris	79.4 [3]
Selection Multi-Gerants Value, Paris	55.5 [3]
SI 173-175 Boulevard Haussmann SAS, Paris	100.0
SIA Baltic Payment Systems, Riga	100.0
SIA Selecta, Riga	100.0
Siac Services S.r.l., Rome	100.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sirius S.A., Luxembourg	94.8
Sistemi Informativi Allianz S.p.c.A., Milan	100.0
SLC "Allianz Life Ukraine", Kiev	100.0
SMG Asie Emergente, Paris	54.0 [3]
SMG Croissance, Paris	58.6 [3]
Società Agricola San Felice S.p.A., Milan	100.0
Société de Production D'électricité D'harcourt Moulaine SAS, Versailles	100.0
Société d'Energie Eolien Cambon SAS, Versailles	100.0
Societe d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société Nationale Foncière S.A.L., Beirut	66.0
SOFE One Ltd., Bangkok	100.0
SOFE Two Ltd., Bangkok	100.0
Sofiholding S.A., Brussels	100.0
South City Office Broodthaers SA, Brussels	100.0
SpaceCo S.A., Paris	100.0
Standard General Agency Inc., Dallas, TX	100.0
StocksPLUS Management Inc., Dover, DE	100.0
Téléservices et Sécurité "TEL2S" SARL, Chatillon	99.9
TFI Allianz Polska S.A., Warsaw	100.0
The American Insurance Company Corp., Cincinnati, OH	100.0
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
The MI Group Limited, Guildford	99.4
Three Pillars Business Solutions Limited, Guildford	100.0
Tihama Investments B.V., Amsterdam	100.0
Top Assistance Service GmbH, Vienna	100.0
Top Immo A GmbH & Co. KG, Vienna	100.0
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0
Top Versicherungsservice GmbH, Vienna	100.0
Top Vorsorge-Management GmbH, Vienna	75.0
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0
Trafalgar Insurance Public Limited Company, Guildford	100.0
Travel Care Inc., Richmond, VA	100.0
TU Allianz Polska S.A., Warsaw	100.0

	% OWNED [1]
TU Allianz Zycie Polska S.A., Warsaw	100.0
UAB Selecta, Vilnius	100.0
UP 36 SA, Brussels	100.0
UTE Gesecopri Servecarve S.r.l., Madrid	100.0
Vendcare (Holdings) Limited, Birmingham	100.0
Vendcare Services Ltd., Birmingham	100.0
VertBois S.à r.l., Luxembourg	100.0
Viveole SAS, Versailles	100.0
Volta, Paris	99.9 [3]
WFC Investments Sp. z o.o., Warsaw	87.5
Windpark Les Cent Jalois SAS, Versailles	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	100.0
Wm. H McGee & Co. of Puerto Rico Inc., San Juan	100.0
World Access Europe Ltd., Croydon Surrey	100.0
YAO Investment S.à r.l., Luxembourg	100.0
Yapı Kredi Sigorta A.S., Istanbul	99.8
Yorktown Financial Companies Inc., Minneapolis, MN	100.0
Non-consolidated affiliates	
A. Diffusion S.A., Nanterre	99.9
AGF Pension Trustees Ltd., Guildford	100.0
Allianz America Latina S.C. Ltda., Rio de Janeiro	100.0
Allianz Financial Services S.A., Athens	100.0
Allianz Global Corporate & Specialty AG Escritorio de Representacao no Brasil Ltda., São Paulo	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz International Ltd., Guildford	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Allianz Risk Consultants B.V., Rotterdam	100.0
Assurance France Aviation S.A., Paris	99.9
business lounge GmbH, Vienna	100.0
CCA SAS, Paris	100.0
COGAR S.à r.l., Paris	100.0
First Rate Direct Limited, Belfast	100.0
Gesellschaft für Vorsorgeberatung AG, Bern	100.0
ICC Evaluation SARL, Paris	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5
Office Sénégalais de Conseils en Assurance (OSECA) S.A.R.L., Dakar	99.6
RE-AA S.A., Abidjan	97.5
SA Immobilière de L'Avenue du Roule, Courbevoie	100.0
SCI champ laurent, Courbevoie	100.0
SCI J.T., Courbevoie	100.0
SCI Paris X, Courbevoie	100.0
SCI Vilaje, Courbevoie	100.0
SIFCOM Assur S.A., Abidjan	60.0
Societe Fonciere Europeenne B.V, Amsterdam	100.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0
Joint ventures	
A&A Centri Commerciali S.r.l., Milan	50.0
Allee-Center Kft., Budapest	50.0
Allianz C.P. General Insurance Co. Ltd., Bangkok	50.0
Ancilyze Technologies LLC, Oakbrook Terrace, IL	50.0
Atencion Integral a la Dependencia S.L., Cordoba	50.0
Bajaj Allianz Financial Distributors Limited, Pune	50.0
Companhia de Seguro de Créditos S.A., Lisbon	50.0
Dorcasia Ltd., Sydney	50.0
Euromarkt Center d.o.o., Ljubljana	50.0
Europe Logistics Venture 1 FCP-FIS, Luxembourg	83.3 [7]
Guotai Jun'an Allianz Fund Management Co. Ltd., Shanghai	49.0 [7]
International Shopping Centre Investment S.A., Luxembourg	50.0
Israel Credit Insurance Company Ltd., Tel Aviv	50.0
Market Street Trust, Sydney	50.0 [3]
Millea Mondial Co. Ltd., Tokyo	50.0
NET4GAS Holdings s.r.o., Prague	50.0
One Beacon Joint Venture LP, Wilmington, DE	50.0
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
SC Holding SAS, Paris	50.0

	% OWNED [1]
SES Shopping Center AT1 GmbH, Salzburg	50.0
Solunion Compania Internacional de Seguros y Reaseguros SA, Madrid	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0
Associates	
21 Gestion Active, Paris	25.2 [3]
ABS Credit Plus, Paris	24.1 [3]
Allianz Actions Indice Japon (couvert), Paris	43.9 [3]
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Euro Emprunts d'Etat, Paris	45.9 [3]
Allianz Euro Oblig Court Terme ISR, Paris	44.1 [3]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz Global Emerging Markets Equity, Dublin	39.7 [3]
Allianz Global Sustainability, Senningerberg	25.8 [3]
Allianz Invest Cash, Vienna	38.7 [3]
Allianz Invest Eurorent Liquid, Vienna	30.2 [3]
Allianz Invest Osteuropa, Vienna	45.0 [3]
Allianz Invest Vorsorgefonds, Vienna	35.4 [3]
Allianz Merger Arbitrage Strategy Fund, Luxembourg	32.8 [3]
Allianz PIMCO Euro Bond Total Return, Senningerberg	21.8 [3]
Allianz PIMCO Inflationsschutz, Senningerberg	21.6 [3]
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5
Allianz Securicash SRI, Paris	21.7 [3]
Altaprofits SA, Paris	20.0
APEH Europe IV FCPR, Paris	50.7 [3,8]
APEH France Investissement 1 FCPR, Paris	36.2 [3]
APEH France Investissement 2 FCPR, Paris	44.9 [3]
Archstone Multifamily Partners AC JV LP, Engelwood, CO	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
Areim Fastigheter 2 AB, Stockholm	23.3
Ariel, Paris	31.1 [3]
Assurances médicales de France SAS, Paris	30.0
Assurcard N.V., Haasrode	25.0
Autoelektro tehnicki pregledi d.o.o., Vojni´c	49.0
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Berkshire Hathaway Services India Private Limited, New Delhi	20.0
Berkshire India Private Limited, New Delhi	20.0
BMM Audace, Marseille	35.0 [3]
BMM France Croissance, Marseille	29.8 [3]
BMM Long Terme, Marseille	48.3 [3]
BMM Obligations, Marseille	21.6 [3]
BMM Obliplus, Marseille	34.2 [3]
Broker on-line de productores de seguros S.A., Buenos Aires	30.0
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0
Capimmovalor SCPI, Paris	33.6
Chicago Parking Meters LLC, Wilmington, DE	49.9
Citylife S.r.l., Milan	33.0
CJSC "MedCentreStrakh", Moscow	36.4
CJSC "Roskurort", Moscow	50.0 [8]
Data Quest SAL, Beirut	36.0
Dinvest Core Liquid FCP, Paris	37.6 [3]
Douglas Emmett Partnership X LP, Santa Monica, CA	28.6
Dr. Ignaz Fiala GmbH, Vienna	33.3
DSB BlackRock India Investment Fund, Ebene	27.8 [3]
Euro Media Group S.A., Bry-sur-Marne	21.5
Foncière des 6e et 7e arrondissements de Paris (SIIC) SA, Paris	26.5
Four Oaks Place LP, Wilmington, DE	49.0
GAP 1 AN Canton, Paris	33.7 [3]
GAP Euros Canton, Paris	38.9 [3]
Graydon Holding N.V., Amsterdam	27.5
Helios Silesia Holding B.V., Amsterdam	45.0
Henderson UK Outlet Mall Partnership LP, Edinburgh	19.5 [8]
ICG Convertibles-Rendement, Paris	38.0 [3]
Interpolis Kredietverzekeringen N.V., Hertogenbosch	45.0
Inventus Capital Partners Fund II Ltd., Ebene	28.1

	% OWNED [1]
Invesco Multi Patrimoine, Paris	33.5 [3]
IPE Tank and Rail Investment 1 S.C.A., Luxembourg	48.8
JPMorgan IIF UK1 LP, Dublin	26.0
Le Cottage, Paris	43.7 [3]
Medgulf Allianz Takaful B.S.C., Seef	25.0
MMGI Euromix Action, Marseille	26.2 [3]
New Path S.A., Buenos Aires	40.0
OAO "Avariinyi Comissar", Moscow	23.3
Oddo Avenir (D), Paris	23.2 [3]
Oddo Convertibles, Paris	32.8 [3]
Oddo Convertibles Taux, Paris	32.5 [3]
Oddo Court Terme, Paris	42.4 [3]
Oddo Europe, Paris	41.3 [3]
Oddo Generation C, Paris	33.9 [3]
Oddo Gestion Defen, Paris	33.8 [3]
Oddo Haut Rendement Monde 2018, Paris	40.3 [3]
Oddo Immobilier C, Paris	23.5 [3]
Oddo Rendement 2017, Paris	35.2 [3]
Oddo US Mid Cap, Paris	37.3 [3]
Oddo USA Index Actif, Paris	40.2 [3]
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OVS Opel VersicherungsService GmbH, Vienna	40.0
P H R V Paris Hotels Roissy Vaugirard SA, Paris	30.6
PAR Holdings Limited, Hamilton	21.2
PERFECTIS I Ltd., Paris	24.9 [3]
PGREF V 1301 Sixth Holding LP, Wilmington, DE	24.5
PGRESS Debt Holdings LP, Wilmington, DE	20.0
PGRESS Equity Holdings LP, Wilmington, DE	20.0
Pinatton France, Paris	31.2 [3]
RMCP PIV DPC L.P., Los Angeles, CA	25.0 [3]
SAS Alta Gramont, Paris	49.0
Schroder ISF Global Property Securities, Senninger-berg	30.1 [3]
SCI Bercy Village, Paris	49.0
SK Versicherung AG, Vienna	25.8
SNC Alta CRP Gennevilliers, Paris	49.0
SNC Alta CRP La Valette, Paris	49.0
SNC Société d'aménagement de la Gare de l'Est, Paris	49.0
Société de Distribution Automatique SA, Tunis	49.0
Solveig Gas Holdco AS, Oslo	30.0
Sunderland Insurance Services Inc., Fargo, ND	40.0
Wattinvest C, Paris	39.1 [3]
Wheelabrator Invest FCPR, Paris	26.9 [3]
Wildlife Works Carbon LLC, San Francisco, CA	10.0 [8]
Other participations between 5 and 20% of voting rights	
Al Nisr Al Arabi, Amman	18.0
Banco BPI S.A., Porto	8.8
Zagrebacka banka d.d., Zagreb	11.7

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 — Controlled by Allianz Group.
3 — Mutual, private equity or special fund.
4 — Investment fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.2%.
7 — Classified as joint venture according to IAS 31.
8 — Classified as associate according to IAS 28.
9 — Insolvent.

RESPONSIBILITY STATEMENT

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

Munich, 24 February 2014

Allianz SE
The Board of Management

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Allianz SE, Munich, comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statements of cash flows and the notes, together with the group management report for the business year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 3 March 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Klaus Becker Wirtschaftsprüfer (Independent Auditor)	Dr. Frank Pfaffenzeller Wirtschaftsprüfer (Independent Auditor)

1 výlet by mal byť plný skvelých zážitkov, nie obáv.*

Juraj Pápay with his grandson, Allianz Customer, Slovakia

* A ONE-DAY TRIP SHOULD BE FULL OF RICH EXPERIENCES, NOT OF CONCERNS.

We strive to preserve capital and build our business on a strong capital base so that we are prepared for unforeseen situations. Giving our customers the best possible protection through optimum coverage enables them to enjoy a worry-free life after retirement.

E — FURTHER INFORMATION

Pages **244–253**

Joint Advisory Council of the Allianz Companies

DR. HELMUT PERLET
Chairman
Chairman of the Supervisory Board
Allianz SE

DR. KURT BOCK
Chairman of the Board of Executive Directors
BASF SE

DR. THOMAS ENDERS
Chief Executive Officer
EADS N.V.

FRANZ FEHRENBACH
Managing Partner
Robert Bosch Industrietreuhand KG
Chairman of the Supervisory Board
Robert Bosch GmbH

DR. RÜDIGER GRUBE
Chairman of the Board and Chief Executive Officer
Deutsche Bahn AG

JIM HAGEMANN SNABE
Co-Chief Executive Officer
SAP AG

HERBERT HAINER
Chairman of the Board of Management
adidas AG

DR. JÜRGEN HERAEUS
Chairman of the Supervisory Board
Heraeus Holding GmbH

PROF. DR. DIETER HUNDT, SENATOR E. H.
Chairman of the Supervisory Board
Allgaier Werke GmbH

PROF. DR.-ING. DR.-ING. E.H. HANS-PETER KEITEL
Vice-President of BDI-Federation of German Industries

DR. NICOLA LEIBINGER-KAMMÜLLER
Chief Executive Officer
TRUMPF GmbH & Co. KG

DR. THOMAS RABE
since 1 March 2013
CEO & Chairman of the Executive Board
Bertelsmann SE & Co. KGaA

DR.-ING. DR.-ING. E.H. NORBERT REITHOFER
Chairman of the Board of Management
BMW AG

HARRY ROELS

KASPER RORSTED
Chairman of the Board of Management
Henkel AG & Co. KGaA

DR. MANFRED SCHNEIDER
Chairman of the Supervisory Board
Linde AG
RWE AG

PROF. DR. DENNIS J. SNOWER
President of the Kiel Institute for the World Economy

PETER TERIUM
since 1 March 2013
Chief Executive Officer
RWE AG

DR.-ING. E. H. HEINRICH WEISS
Chairman of the Supervisory Board
SMS Holding GmbH

MANFRED WENNEMER
Chairman of the Administrative Board
Sulzer AG

International Advisory Board

DR. PAUL ACHLEITNER
Chairman of the Supervisory Board
Deutsche Bank AG

PAULO DE AZEVEDO
Chief Executive Officer of Sonae SGPS, S.A.

ALFONSO CORTINA DE ALCOCER
Vice Chairman Rothschild Europe BV,
Senior Advisor at Texas Pacific Group

AMBASSADOR ROBERT M. KIMMITT
Senior International Counsel,
Wilmer Cutler Pickering Hale and Dorr

PETER COSTELLO
Guardian of the Australian Future Fund

DR. JÜRGEN HAMBRECHT
Former Chairman of the Board of
Executive Directors, BASF SE

FRED HU
Founder and Chairman of Primavera Capital Group

FRANZ HUMER
Chairman of the Board of Directors of
Roche Holding Ltd

IAIN LORD VALLANCE OF TUMMEL
Chairman of the Board of Directors, Amsphere Ltd

MINORU MAKIHARA
Senior Corporate Advisor of Mitsubishi Corporation

CHRISTOPHE DE MARGERIE
Chairman and Chief Executive Officer of Total S.A.

JACQUES NASSER
Chairman BHP Billiton,
Senior Advisor of One Equity Partners

DR. GIANFELICE ROCCA
Chairman of Techint Group of Companies

ANGEL RON
Chairman and Chief Executive Officer of
Banco Popular

ANTHONI SALIM
President and Chief Executive Officer of
Salim Group

LOUIS SCHWEITZER
Président d'Honneur de Renault

DR. MARCO TRONCHETTI PROVERA
Chairman and Chief Executive Officer of
Pirelli & C. S.p.A.

Mandates of the Members of the Supervisory Board

DR. HELMUT PERLET

Chairman
Former Member of the Board of Management of Allianz SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Commerzbank AG
GEA Group AG

DR. WULF H. BERNOTAT

Vice Chairman
Former Chairman of the Board of Management of E.ON AG
Membership in other statutory supervisory boards and SE administrative boards in Germany
Bertelsmann Management SE
Bertelsmann SE & Co. KGaA
Deutsche Annington Immobilien SE (Chairman) since 18 June 2013
Deutsche Telekom AG
METRO AG

ROLF ZIMMERMANN

Vice Chairman
Employee of Allianz Deutschland AG

DANTE BARBAN

Employee of Allianz S.p.A.

CHRISTINE BOSSE

Former Group CEO of the Executive Management of Tryg
Membership in comparable[1] supervisory bodies
Aker ASA
Flügger A/S (Chairwoman)
Nordea Bank A/S until 14 March 2013
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
Membership in Group bodies
Allianz Deutschland AG (Vice Chairwoman) until 10 April 2013

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.

IRA GLOE-SEMLER

Chairwoman of the federal insurance group of ver.di Germany

FRANZ HEISS

Employee of Allianz Beratungs- und Vertriebs-AG

PROF. DR. RENATE KÖCHER

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

IGOR LANDAU

Member of the Board of Directors of Sanofi S.A.
Membership in other statutory supervisory boards and SE administrative boards in Germany
adidas AG (Chairman)
Membership in comparable[1] supervisory bodies
Sanofi S.A.

PETER DENIS SUTHERLAND

Chairman of Goldman Sachs International
Membership in comparable[1] supervisory bodies
BW Group Ltd.
Goldman Sachs International (Chairman)
Koç Holding A.Ş.

1 — 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

MICHAEL DIEKMANN
Chairman of the Board of Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
BASF SE (Vice Chairman)
Linde AG (Vice Chairman)
Siemens AG
Membership in Group bodies
Allianz Asset Management AG (Chairman)
Allianz Deutschland AG
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A. (Vice Chairman)
Allianz S.p.A.

OLIVER BÄTE
Insurance Western & Southern Europe
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Vice Chairman)
until 8 May 2013
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.
Allianz Sigorta A.S. (Vice Chairman)
Allianz S.p.A. (Vice Chairman)
Allianz Yasam ve Emeklilik A.S.
since 12 July 2013
Yapı Kredi Sigorta A.S. (Vice Chairman)
since 12 July 2013

MANUEL BAUER
Insurance Growth Markets
Membership in comparable[1] supervisory bodies
Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Membership in Group bodies
Allianz Hungária Biztosító Zrt. (Chairman)
Allianz-Slovenská poist'ovna a.s. (Chairman)
Allianz Tiriac Asigurari S.A. (Chairman)
OJSC IC Allianz (Chairman)
until 1 March 2014
TUiR Allianz Polska S.A. (Chairman)
TU Allianz Życie Polska S.A. (Chairman)

GARY BHOJWANI
Insurance USA
Membership in comparable[1] supervisory bodies
Allina Health
until 12 June 2013
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairman)
Allianz of America, Inc. (Chairman)
AZOA Services Corp. (Chairman)
Fireman's Fund Insurance Company (Chairman)

CLEMENT BOOTH
Global Insurance Lines & Anglo Markets
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
Allianz Insurance plc (Chairman)
Allianz Irish Life Holdings plc
Euler Hermes S.A. (Chairman)

DR. HELGA JUNG
Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Vice Chairwoman)
since 8 May 2013
Membership in comparable[1] supervisory bodies
Unicredit S.p.A.
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

DR. CHRISTOF MASCHER
Operations
Membership in other statutory supervisory boards and SE administrative boards in Germany
Volkswagen Autoversicherung AG
Membership in Group bodies
Allianz Managed Operations and Services SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Worldwide Partners SAS (formerly Allianz Global Assistance SAS) (Chairman)

JAY RALPH
Asset Management Worldwide

DR. DIETER WEMMER
Finance, Controlling, Risk
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
Allianz Investment Management SE
since 18 February 2013

DR. WERNER ZEDELIUS
Insurance German Speaking Countries, Human Resources
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Deutschland AG (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG (Vice Chairman)
Allianz Suisse Lebensversicherungs-Gesellschaft AG (Vice Chairman)
Allianz Suisse Versicherungs-Gesellschaft AG (Vice Chairman)

DR. MAXIMILIAN ZIMMERER
Investments
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
Allianz Investment Management SE (Chairman)
Allianz Lebensversicherungs-AG (Vice Chairman)
since 15 April 2013

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

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement.

A

ACQUISITION COST
The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

ACTUARIAL GAINS AND LOSSES
Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions (e.g. changes in demographic and in financial assumptions).

AFFILIATES
The parent company of the Group and all subsidiaries. Subsidiaries are entities where the parent company can exercise a significant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

AGGREGATE POLICY RESERVES
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

ALLOWANCE FOR LOAN LOSSES
The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities. Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

ASSETS UNDER MANAGEMENT
Assets under management are assets or securities portfolios, valued at current market value, for which Allianz Asset Management companies provide discretionary investment management decisions and have the portfolio management responsibility. They are managed on behalf of third parties as well as on behalf of the Allianz Group.

ASSOCIATES
All entities, over which the Allianz Group has significant influence, i.e. the power to participate in the financial and operating policy decisions of these entities, but no control or joint control of those policies.

AMORTIZED COST
The amortized cost of a financial asset or financial liability is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

AVAILABLE-FOR-SALE INVESTMENTS
Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

B

BUSINESS COMBINATION
A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

C

CASH FLOW STATEMENT
Statement showing movements of cash and cash equivalents during a reporting period, classified by three types of activity; operating activities, investing activities and financing activities.

CERTIFICATED LIABILITIES
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

COLLATERALIZED DEBT OBLIGATION (CDO)
A way of packaging credit risk. Several classes of securities (known as tranches) are created from a portfolio of bonds and there are rules for determining how the cost of defaults are allocated to classes.

COMBINED RATIO
Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

CONTINGENT LIABILITIES
Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

COUNTER-CYCLICAL PREMIUM (CCP)
Under the draft Solvency II guidelines, a full spread risk calculation is required for all fixed-income assets except government bonds in the European Economic Area. It was recognized by regulatory authorities that this could create an artificial volatility for the risk-bearing funds as well as for the risk capital which does not truly reflect an insurer's business model, where assets are usually held to maturity to a large extent and spread risk would only become relevant in case of forced sales of assets. Therefore, the counter-cyclical premium (CCP) was introduced (within the draft of the Level 2 implementing measures of Solvency II) as a means to counter the exposure to this spread volatility and thus to reduce the impact of distorted markets on the determination of the available financial resources due to illiquidity. Effectively, the CCP is considered as one component of the discount curve in the liability valuation. In the latest guidelines based on the trialogue agreement in November 2013 the CCP concept was abolished.

COST-INCOME RATIO
Represents operating expenses divided by operating revenues.

CREDIT RISK
The risk of a loss incurring due to a counterparty's deterioration of credit quality or its default.

CURRENT EMPLOYER SERVICE COST
Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

D

DEFERRED ACQUISITION COSTS
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid, underwriting expenses and policy issuance costs.

DEFERRED TAX ASSETS/LIABILITIES
The calculation of deferred taxes is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the entities included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

DEFINED BENEFIT PLANS
For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost of a defined benefit to the employer plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

DEFINED CONTRIBUTION PLANS
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and does not participate in the investment success of the contributions.

DERIVATIVE FINANCIAL INSTRUMENTS
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, foreign currency exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

E

EARNINGS PER SHARE (BASIC/DILUTED)
Ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares outstanding. In order to calculate diluted earnings per share, the number of common shares outstanding and the net income for the year attributable to shareholders are adjusted by the effects of potentially dilutive common shares which could still be exercised. Potentially dilutive common shares arise in connection with share-based compensation plans.

EQUITY METHOD
The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

EXPENSE RATIO
Represents acquisition and administrative expenses (net) divided by premiums earned (net).

F

FAIR VALUE
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME
Financial assets carried at fair value through income include financial assets held for trading and financial assets designated at fair value through income.

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME
Financial liabilities carried at fair value through income include financial liabilities held for trading and financial liabilities designated at fair value through income.

FINANCIAL VAR
Financial Value at Risk (VaR) is the aggregation of market risk and credit risk taking diversification benefits into account.

FORWARDS
The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

FUNCTIONAL CURRENCY
The functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

FUNDS HELD BY OTHERS UNDER REINSURANCE CONTRACTS ASSUMED/DEPOSITS RETAINED FOR REINSURANCE BUSINESS CEDED
Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "deposits retained for reinsurance business ceded".

FUTURES
Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between the closing market value and the exercise price is paid.

G

GOING CONCERN RESERVE
The going concern reserve consists of funds that are used to cover cost for new business under going concern assumptions.

GOODWILL
Difference between the cost of acquisition and the fair value of the net assets acquired.

GROSS/NET
In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In investment terminology the term "net" is used where the relevant expenses have already been deducted from the respective income.

H

HEDGING
The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

HELD FOR SALE
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

HELD-TO-MATURITY INVESTMENTS
Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

I

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS FRAMEWORK
The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)
Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized gains and losses including interest and dividend income from financial assets and financial liabilities carried at fair value through income, the income (net) from financial liabilities for puttable equity instruments and the foreign currency gains and losses (net).

ISSUED CAPITAL AND CAPITAL RESERVES
This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

J

JOINT VENTURE
A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

L

LOSS RATIO
Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

N

NON-CONTROLLING INTERESTS
Those parts of the equity of affiliates which are not owned by companies of the Allianz Group.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS
That part of net income for the year which is not attributable to the shareholders of the Allianz Group but to other third parties who hold shares in affiliates.

O

OPTIONS
Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC DERIVATIVES
Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

P

PENSION AND SIMILAR OBLIGATIONS
Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits.

PREMIUMS WRITTEN/EARNED
Premiums written represent all premium revenues in the respective year. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

R

REINSURANCE
An insurance company transfers part of its insurance risk assumed to another insurance company.

REPLICATING PORTFOLIO
Representation of the liabilities of our Life/Health insurance business via standard financial instruments. This form of representation mimics the behavior of these liabilities under different market conditions and allows for efficient risk calculations on the basis of Monte Carlo simulations.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS
A repurchase (repo) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES
Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled.

RESERVES FOR PREMIUM REFUNDS
That part of the surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

RETAINED EARNINGS
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group entities and amounts transferred from consolidated net income.

RISK APPETITE
The level of risk that an organization is prepared to accept, before action is deemed necessary to reduce it. Risk appetite is therefore clearly and comprehensively defined by using target and minimum risk indicators, (quantitative) limit systems, or adequate policies, standards and guidelines to determine the "boundaries" of the Group's business operations.

S

SEGMENT REPORTING
Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Asset Management and Corporate and Other) as well as by reportable segments.

SUBORDINATED LIABILITIES
Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

SURPLUS FUNDS
According to Solvency II guidance surplus funds are deemed to be accumulated profits, which have not been made available for distribution to policy holders and beneficiaries.

SWAPS
Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

U

UNEARNED PREMIUMS
Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

US GAAP
Generally Accepted Accounting Principles in the United States of America.

V

VARIABLE ANNUITIES
The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

Y

YIELD CURVE EXTRAPOLATION
The Allianz Group applies the same methodology to determine the risk- free yield curve for discounting liabilities as provided by the European Insurance and Occupational Pensions Authority (EIOPA). The method takes traded market data into account until the maturity where market quotes are expected to be deep and liquid. After this last liquid period the Allianz Group applies a macroeconomic extrapolation technique to construct the curve by making use of forward rate assumptions. This technique interpolates between the last observable liquid forward rate per currency and the currency-specific unconditional forward rate (UFR) for a later maturity. The UFR for each currency is based on estimates of the expected inflation as well as the long-term average of the short-term real rate. After reaching this UFR the forward yield remains constant over time. These derived forward rates are applied to calculate the final yield curve. Notably in Euro, the Allianz Group starts extrapolating at 20 years, applying a UFR of 4.2% which is kept constant after 60 years.

Index

Financial calendar

Important dates for shareholders and analysts[1]

Annual General Meeting	7 May 2014
Interim Report/Financial Results 1Q	14 May 2014
Interim Report/Financial Results 2Q	8 August 2014
Interim Report/Financial Results 3Q	7 November 2014
Financial Results 2014	26 February 2015
Annual Report 2014	13 March 2015
Annual General Meeting	6 May 2015

1 — The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

MIX
Paper from responsible sources
FSC® C010887
www.fsc.org

Allianz SE – Königinstrasse 28 – 80802 Munich – Germany – Telephone +49. 89. 3800-0 – info@allianz.com – www.allianz.com
Annual Report on the internet: www.allianz.com/annualreport – Design / Concept: hw.design GmbH
Photography: Andreas Pohlmann (Board of Management, Chairman of the Supervisory Board) – Date of publication: 14 March 2014
This is a translation of the German Annual Report of Allianz Group. In case of any divergences, the German original is legally binding.