



# Allianz Group Annual Report 2010

**Allianz** 

# Content



Munich, Odeonsplatz

In the fall of 2010, we launched the "One" campaign, which focuses on sharing the knowledge and experience of real people in authentic situations. The campaign will be active in more than 20 countries around the world by the end of this year. This report includes a selection of images that have already appeared.

## For additional information on the following chapters

Our Business  
Our Strategy  
Allianz Brand  
Customer Focus  
Our Employees  
Sustainable Development

please visit  
[www.allianz.com/annualreport](http://www.allianz.com/annualreport)

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# Allianz at a Glance

		2010	Change from pre- vious year	2009	2008	2007	2006	2005	More details on page
<b>Income Statement<sup>1</sup></b>									
Total revenues <sup>2</sup>	€ mn	106,451	9.3%	97,385	92,568	97,689	94,873 <sup>3</sup>	100,967 <sup>3</sup>	69
Operating profit <sup>4</sup>	€ mn	8,243	17.0%	7,044	7,455	10,320	9,219 <sup>3</sup>	8,003 <sup>3</sup>	69
Net income from continuing operations <sup>5</sup>	€ mn	5,209	12.0%	4,650	4,268	7,991	7,843	—	71
Net income (loss) from discontinued operations, net of income taxes <sup>5</sup>	€ mn	—	n.m.	(395)	(6,373)	723	467	—	—
Net income (loss)	€ mn	5,209	22.4%	4,255	(2,105)	8,714	8,310	5,766	71
<b>Balance Sheet<sup>1</sup> as of December 31,</b>									
Total assets	€ mn	624,945	7.1%	583,717	954,999	1,061,149	1,110,081	1,054,656	106
Shareholders' equity	€ mn	44,491	10.9%	40,108	33,720	47,753	49,650	38,656	105
Non-controlling interests	€ mn	2,071	(2.4%)	2,121	3,564	3,628	7,180	8,386	240
<b>Share Information</b>									
Basic earnings per share <sup>1</sup>	€	11.20	20.0%	9.33	(5.25)	18.00	17.09	11.24	286
Diluted earnings per share <sup>1</sup>	€	11.12	19.6%	9.30	(5.29)	17.71	16.78	11.14	286
Dividend per share	€	4.50 <sup>6</sup>	9.8%	4.10	3.50	5.50	3.80	2.00	17
Total dividend	€ mn	2,045 <sup>6</sup>	10.5%	1,850	1,580	2,472	1,642	811	17
Share price as of December 31	€	88.93	2.0%	87.15	75.00	147.95	154.76	127.94	16
Market capitalization as of December 31	€ mn	40,419	2.2%	39,557	33,979	66,600	66,880	51,949	17
<b>Other Data</b>									
Return on equity after income taxes <sup>1,7,8</sup>	%	11.9	(0.6) pts	12.5	9.9	15.0	15.0	12.9	17
Total assets under management as of December 31	€ mn	1,517,538	26.2%	1,202,122	950,548	1,009,586	1,011,802	977,957	91
thereof: Third-party assets under management as of December 31	€ mn	1,163,982	25.7%	925,699	703,478	764,621	763,855	742,937	91
Employees		151,338	(1.2%)	153,203	182,865	181,207	166,505	177,625	63

1 Figures prior to 2008 have not been restated to reflect the change in the Allianz Group's accounting policy, effective July 1, 2010. For further information please refer to note 4 of our consolidated financial statements.

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 Figures do not reflect changes in the presentation implemented in 2009.

4 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.

5 Following the announcement of the sale on August 31, 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 January 12, 2009. Starting as of 2006 the results from these operations are presented in a separate net income line "Net income (loss) from discontinued operations, net of income taxes".

6 Proposal.

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 December 31.

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

Further comparison periods are not provided due to subsequent changes in presentation.

# Allianz Group

**€ 44.5 bn**

**AA**

Standard & Poor's rating  
since 2007

Shareholders' equity | ► page 105

**€ 4.50**

Dividend per share (proposal) | ► page 17

**€ 88.93**

Share price as of December 31, 2010 | ► page 16

**+9.3%**

Increase in total revenues | ► page 69

**+12.0%**

Increase in net income  
from continuing operations | ► page 71

**€ 8,243 mn**

Operating profit | ► page 69

# Segment Overview

## Property-Casualty

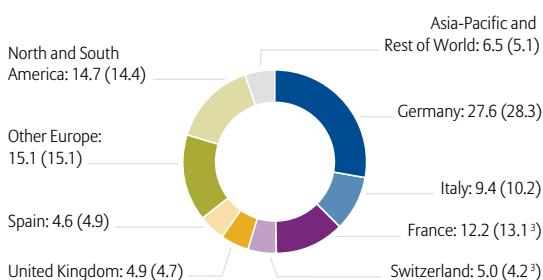
Robust performance in a difficult environment:

- Gross premiums written grew by 3.2% to € 43.9 billion.
- Operating profit increased by 5.9% to € 4.3 billion.

# 97.2 %

Combined Ratio ▶ pages 75 – 83

**Gross premiums written by regions/countries as of December 31, 2010 (December 31, 2009)<sup>1,2</sup>** in %



## Life/Health

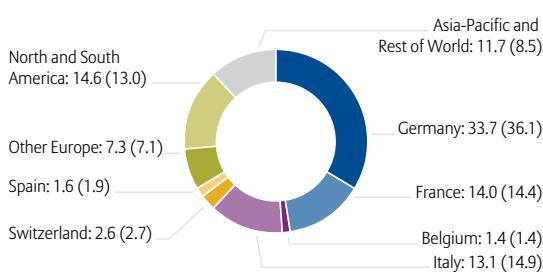
Strong result in a low interest rate environment:

- Revenues up 12.5% to € 57.1 billion.
- Operating investment income grew by 14.6% to € 16.0 billion.

# € 2,868 mn

Operating profit ▶ pages 84 – 89

**Statutory premiums by regions/countries as of December 31, 2010 (December 31, 2009)<sup>1</sup>** in %



## Asset Management

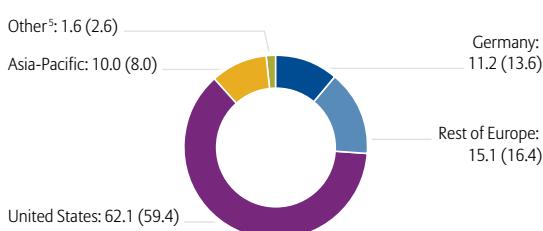
Another record year for Asset Management:

- Third-party net inflows of € 113 billion.
- Outstanding operating profit of € 2.1 billion.

# € 1,518 bn

Total assets under management ▶ pages 90 – 93

**Third-party assets under management by regions/countries as of December 31, 2010 (December 31, 2009)<sup>4</sup>** in %



1 After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

2 Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

3 Gross premiums written of our specialty line Travel and Assistance (Mondial) are now assigned to France as a result of the relocation of their headquarters from Switzerland to France in 2010. Mondial's share of gross premiums written accounted for 3.5% in 2010 (2009: 3.2%). 2009 figures have been retrospectively adjusted.

4 Based on the origination of assets.

5 Consists of third-party assets managed by other Allianz Group companies (approximately € 19 bn as of December 31, 2010 and € 24 bn as of December 31, 2009, respectively).

## To Our Investors

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Lisbon, Elevador de Santa Justa, Rúa Augusta





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## Dear Investors,

In last year's Letter to the Investor, I wrote that your Allianz was well positioned to mitigate risks and exploit opportunities. Today, I can confirm this: with the exception of a few countries, the financial data for the year under review are excellent. Our strategic "3+One" program continues to take effect and will ensure that your company remains at the forefront in the international insurance and asset management industries.

We achieved strong growth in 2010, with total revenues rising by 9.3 % to more than € 106 billion – the highest ever. Following the two crisis years of 2008 and 2009, operating profit has bounced back strongly by 17.0 % to € 8.2 billion. Net income from continuing operations increased by 12.0 % to € 5.2 billion. Overall, this year's figures are among the best that we have ever presented in Allianz's more than 120-year history.

This demonstrates that our business model, which is based on sustainability, risk diversification and long-term focus, proved its value during the crisis and enabled profitable growth.

- Despite tough market conditions, the Property-Casualty business had a combined ratio of 97.2 % and reported a 3.2 % increase in revenues. As our global portfolio is well diversified and profitable we were able to offset weaknesses in our German, French, Italian and U.S. units. A profit turnaround program has been aggressively implemented at the respective companies and should deliver noticeably better performance in 2011. In Italy, for example, we have been continually outperforming the market since the integration of our local companies.
- In spite of low interest rates, life insurance sales exceeded our expectations. The very competitive return on our products led to a strong surge in sales as our customers know that even if interest rates continue to remain low, we can still be relied on to meet our commitments – because of the strength of our balance sheet. Incidentally, the margin from our life insurance business, which you as an investor will benefit from, has further improved compared to previous years.
- Our Asset Management business had another record year: total assets under management exceeded € 1,500 billion, and third-party net inflows reached € 113 billion. In our management of fixed income products, we have already achieved the level of excellence that we aim for in all our business segments.
- With a solvency ratio of 173 %, Allianz is well capitalized and enjoys strong credit ratings.

I hope that you, too, will be encouraged by this overview. These figures demonstrate how resolutely your Allianz is working to achieve a solid and dependable performance for you, our owners – even under adverse conditions. This is also good news for all our other stakeholders: more than 76 million customers, 151,338 employees, several hundred thousand distribution partners and the companies in around 70 countries in which we have operations.

Total shareholder return, i.e. share price performance plus dividend distribution, amounted to 7.4 %. That is substantially better than many of our competitors performed and represents an impressive spread over ten-year German government bonds of around 4 percentage points. The positive results for 2010 mean that we are in a position to recommend a strong dividend increase to € 4.50 per share. This dividend payout also underscores the good health of your Allianz. It signals reliability to you as long-term investors, who are "conservative" in the best sense of the word.

Your company always takes a cautious, conservative stance and, above all, seeks stability – today more than ever, given the high volatility in the market, continuing uncertainty regarding future regulations and accounting rules as well as rapidly changing customer behavior. We do not base our decisions on fads and quick, ephemeral fixes. We

are committed to a culture of change whose objective is to confirm and improve the core value of our business as well as enable us to compete at the highest level globally. At the same time, we are using the same proven toolkit that has served us so well for over 120 years to strengthen our business.

- That's why we have prescribed a fundamental transformation in Allianz's operating model, although this won't be easy. But it will ensure that your company does a better job of listening to the customer, that the employees at their desk will be fully aware of the real market outside and that our work is considerably more efficient and customer-oriented.
- That's why we acquired the asset manager PIMCO in 2000. Although the price we paid has been criticized in the interim you can see from the 2010 Annual Report how much profit the PIMCO acquisition has created, proving that it was and will continue to be the right strategic decision.
- That's why we strictly adhere to our risk and profit-oriented underwriting and investment policy. We do not accept technical losses. We invested conservatively in safe investments with attractive returns and investments that, from a reporting standpoint, react less sensitively to price trends in the capital markets. This was just one of the factors that enabled us, throughout the recent banking and global economic crisis, to be among the few global insurers to maintain a Standard and Poor's AA rating (with stable outlook), one of the best ratings in the international insurance industry.
- That's why we are continually improving our productivity and our distribution system. We are eliminating complexity – the enemy of efficiency and growth – and set up a management company to simplify, standardize and implement IT, services and operating processes worldwide. In the future, this will lead to economies of scale and will ensure that all the subsidiaries have the most appropriate technology.

These and other initiatives will be carried forward. They lend stability to our future and the returns of our customers alike. Indeed, most of them will never cease, because the market never stops changing. These initiatives are having an impact and our business is flourishing, thanks to our marvelous, talented, committed and deeply dedicated employees and distribution partners. They're smart, they're motivated, they're proud of Allianz and they worked hard to ensure that the company enjoyed strong profitability in 2010. I would also like to warmly thank them, on your behalf, for their extraordinary commitment.

Meanwhile, new challenges are looming. As the global economic crisis slowly recedes, a new reality is dawning which will fundamentally change the way we work and operate our businesses around the world. Time gaps are becoming shorter and shorter, customers are networked and well informed, and a quantum leap is being made in digitalization. Supervision and regulation are in a state of flux and will soon coalesce into new policy frameworks. An unexpected amount of attention is being paid to the issue of financial security in old age.

What does this mean for Allianz? How will this affect you as an investor? Those are important questions. They matter to us because they matter to you.

Digitalization is rapidly altering our societies. New forms of mass media are sprouting up. It took 40 years for the number of radio users in the U.S. to reach 50 million. With television, it took 13 years; and with the Internet, just five years. Now it's the turn of Web 2.0, the interactive services. The biggest provider reached 50 million users around the world in 3.5 years. As I write this letter, there are probably more than 600 million. Many people are completely captivated by the new communication options. Worldwide, there are now more people with an account on a social media platform than with an e-mail service provider. It is estimated that 40 % of the world's population will be online by 2019.

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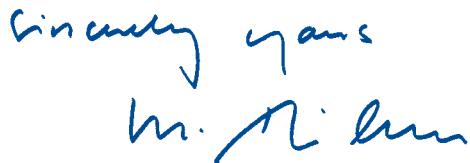
Our responsibility at Allianz is to take advantage of these new technologies to create real added value for customers, representatives and brokers as well as to boost our productivity and service quality. I am talking about digitally optimized distribution channels, operating processes, new products and services as well as analysis tools, which provide more insight into customer needs and help us to respond more quickly to new developments.

Another major issue is Solvency II, the new capital requirements for insurers. They are expected to take effect in 2013 and are intended to make the industry better able to withstand crises while better protecting customers. And yet, unlike banks and other providers of financial services, the insurance business remained stable during the crisis. If we are now forced to come up with additional, unnecessary capital because of excessive caution, this will cost a great deal of money and will hurt everyone. Customers will be forced to accept higher prices. In their old age, holders of life insurance policies will receive lower payouts. Salary increases for employees, government tax receipts and dividend payments to you as shareholders could be more modest. We still don't know how the various proposed regulations will shape up in the end, but we are working hard to persuade supervisory agencies and regulators that there is no reason to penalize our industry and its beneficiaries.

The ongoing aging of society will continue to present us with excellent business opportunities. We aim to strongly expand our retirement, assistance and asset management businesses and will focus in particular on investments in the pension segment. This growth area offers us the opportunity to exploit our risk model as well as our renowned asset management and life insurance expertise even more profitably.

I am optimistic that the real economy, worldwide, is going to stabilize in 2011, not least on account of strong demand from a customer base that once again has greater confidence. However there will also still be significant uncertainties, e.g. volatile financial markets, high levels of public debt, inflationary worries. But whether you, as an investor, have an optimistic view of the future or not – one thing is certain: your Allianz is in a stronger position than ever. This year, Allianz will again be able to provide its customers with a cushion against the impact of unforeseen events and we should manage to achieve stable returns that are able to withstand normal market difficulties. I expect this year's results to be as good as those we reported in 2010, even if for the time being the recovery in the insurance market appears somewhat tentative.

Dear investors, while we are adjusting to a new global economic reality, our fundamental values remain the same. We are a financial services provider who earns the trust of its customers by guaranteeing security and performance in any situation. Only now that a global economic crisis of historic proportions is starting to fade do clients and the general public recognize the true value of keeping such promises. We continue to have ambitious goals. And we do not rest on laurels based upon what we have achieved up to now. To date, this dual approach – ambitious goals and the will to improve continually month by month, quarter by quarter and year by year – has served us well, allowing us to generate sustainable, stable returns for you, the owners. I hope you will continue to put your trust in us by continuing to invest in Allianz.



Michael Diekmann  
Chairman of the Board of Management

# Supervisory Board Report



## Ladies and Gentlemen,

During the fiscal year 2010, the Supervisory Board fulfilled its duties and obligations as provided for under the Statutes and applicable law. We monitored the management of the company and advised the Board of Management as regards the conduct of business. We were directly involved in all major decisions regarding the company.

With a view to our monitoring and advisory activities, the Board of Management informed us on a regular basis in a timely and comprehensive manner, both verbally and in writing, on the course of the business as well as the financial and economic development of the Allianz Group and Allianz SE. Further key areas of reporting were essential strategic considerations, compliance issues, the effect of the financial crisis and the high levels of debt in some E.U. countries, remuneration structures within the Allianz Group against the background of new legal requirements and the implementation status of the Solvency II Directive. Based on the reports provided by the Board of Management, we discussed the development of the business as well as decisions and procedures of importance to the company. We were involved in the Board of Management's planning for the 2011 fiscal year and the medium term as well as in areas in which actual business development deviated from the plan.

We also conferred in detail on Supervisory Board remuneration, and concluded that a transition towards a fixed remuneration system should be proposed at the ordinary General Meeting in 2011.

The Supervisory Board held five meetings in fiscal year 2010. The regular meetings were held in March, May, September and December. In February 2010, the Supervisory Board convened an extraordinary meeting on the achievement of targets for variable Board of Management remuneration and the Board of Management's dividend proposal. The Chairpersons of the Supervisory Board and Board of Management held regular discussions about major developments and decisions.

The Board of Management's reports on the business situation and on particular issues were provided on the basis of written presentations and documents that were sent before each meeting to each Supervisory Board member for preparation. This was also the case with all financial statements and the auditor's reports. For all management decisions, which required the approval of the Supervisory Board or of

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one of its committees (as described in detail in this report), such approval was granted. The Supervisory Board did not establish any additional approval requirements beyond those set out in the Statutes or the Rules of Procedure.

## Issues discussed in the Supervisory Board plenary session

In every Supervisory Board meeting in the fiscal year 2010 (except the extraordinary meeting in February 2010), the Board of Management reported on revenues and results in the Group as well as the financial situation and gave further details on the developments in each individual business division. We were also regularly informed about the status of major legal disputes.

Within our work on the Supervisory Board, we focused on the effect of the financial and capital market crisis as well as the high levels of debt in some E.U. countries, particularly Greece. We paid particular attention to the possible effects on the risk situation and on liquidity. We also conferred with the Board of Management about valuation issues and the further course of action required in the wake of these market disruptions. We discussed in detail the issue of diversity at the level of Board of Management and the Supervisory Board, particularly due consideration of women, and were also provided by the Board of Management with information on the status and steps taken at management levels below the Board of Management.

At the extraordinary meeting held on February 24, 2010, the Supervisory Board appointed Mr. Manuel Bauer to the Board of Management as of January 1, 2011, in response to the retirement of Dr. Rupprecht from the Board of Management of Allianz SE (effective as of December 31, 2010). At the same meeting, we reviewed the extent to which individual members of the Board of Management had achieved their targets and set their variable remuneration accordingly. Lastly, a discussion on the dividend proposal of the Board of Management was held.

At the meeting held on March 17, 2010, the Supervisory Board adopted a resolution on extending the appointment of Mr. Booth to the Board of Management until December 31, 2014. The mandates of Mr. Cucchiani and Dr. Faber were extended until December 31, 2011, in view of the fact that both had reached the age of 60. In the rest of the meeting, we dealt primarily with the annual and the consolidated financial statements and the Board of Management's recommendation for the appropriation of profits from the 2009 fiscal year. KPMG reported on the material findings of the audit. The Supervisory Board gave the necessary approval to the domination and profit transfer agreements of Allianz Common Applications and Services GmbH and AZ Argos 45 Vermögensverwaltungs-gesellschaft mbH. In addition, it dealt with the agenda for the 2010 General Meeting of Allianz SE and adopted the resolutions proposed by the Supervisory Board regarding the General Meeting. A written and verbal report provided by the Board of Management also gave us a detailed picture of the implementation status of the E.U.'s Solvency II Directive.

On May 5, 2010, just before the General Meeting, we were briefed by the Board of Management on business in the first quarter and on the current situation of the Allianz Group. In addition to receiving an update on the effect of the crisis in Greece and on ongoing investment projects, we used the meeting to prepare for the upcoming General Meeting.

In an Executive Session meeting on September 9, 2010, we closely examined the current changes in the German Corporate Governance Code, in particular the issue of diversity at the level of Board of Management and the Supervisory Board, and adopted corresponding amendments to the Supervisory Board's rules of procedure. We discussed possible underlying principles for specifying objectives regarding the Supervisory Board's composition. Subsequently, we dealt with the structure of Supervisory Board remuneration. Following a suggestion from the last efficiency review, the Personnel Committee had engaged Kienbaum Management Consultants to prepare a review of current Supervisory Board remuneration. Based on the outcome of this study, we reflected on

possible changes to the current structure of remuneration. Upon completion of the Executive Session, the Board of Management reported in detail on the business performance and financial condition of the Allianz Group and the development of the individual segments. As in the previous year, we paid special attention to the strategy of the Allianz Group. The Supervisory Board welcomed the decision by the Board of Management to give employees of the Allianz Group in 21 countries the opportunity to buy Allianz shares under favorable conditions. The Standing Committee approved the use of Authorized Capital 2010/II to issue these employee shares.

In the Executive Session of the meeting on December 15, 2010, we firstly resolved on the service contract for Mr. Bauer. The Supervisory Board then examined the appropriateness of Board of Management remuneration using a vertical and horizontal comparison. The Supervisory Board followed the recommendation of the Personnel Committee to adjust the fixed remuneration of individual Board of Management members and to set pension contributions and the risk element of premiums for 2011. Taking these adjustments into account, we concluded that the Board of Management remuneration was appropriate. We also dealt with issues relating to the retirement of Board of Management members and the general conditions for the exercise of mandates and for advisory roles by retired Board of Management members. Deliberations continued on a change to Supervisory Board remuneration and we decided to propose transition towards a fixed remuneration system to the General Meeting in 2011. On the basis of the preparations by the Nomination Committee and the Personnel Committee, we adopted objectives regarding the Supervisory Board's composition, as well as key points governing the selection procedure for appointing Board of Management members. We then used the meeting for our regular review of the efficiency of the Supervisory Board. All the Supervisory Board members had previously received a written survey on important aspects of the Supervisory Board's work. We discussed the key findings of the survey and the

resulting recommendations for improvements. Lastly, the resignation of Mr. Grimm from the Supervisory Board of Allianz SE as of year-end 2010 necessitated by-elections in the committees. In the Standing Committee, Mr. Kossubek was elected on the proposal of the employee representatives. Mr. Franz Heiß, who had been proposed by the group works council as the successor to Mr. Grimm in the Supervisory Board of Allianz SE, was elected to the Risk Committee. Upon completion of the Executive Session, the Board of Management reported on the business performance and condition of the Allianz Group as well as on the legal requirements to be met by remuneration systems in the insurance sector and on remuneration structures within the Allianz Group. We then discussed planning for the fiscal year 2011 as well as medium-term planning. In this context, the Supervisory Board also adopted the targets for the variable remuneration of members of the Board of Management for 2011. Lastly, we issued the Declaration of Compliance with the German Corporate Governance Code.

## Corporate Governance and the Declaration of Compliance

On December 15, 2010, the Board of Management and the Supervisory Board issued the Declaration of Compliance 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. Since the last Declaration, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code. It will comply with all the recommendations in the current version of the Code dated May 26, 2010, with the exception of No. 5.4.6 section 2 sentence 1 because the company intends to propose to the General Meeting a transition towards a fixed remuneration system for the Supervisory Board.

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Chair and Committees of the Supervisory Board  
As of December 31, 2010  
(and subsequent changes)

Chairperson of the Supervisory Board  
Dr. Henning Schulte-Noelle

Deputy Chairmen  
Dr. Gerhard Cromme  
Rolf Zimmermann

Audit Committee  
Dr. Wulf H. Bernotat (Chairman)  
Igor Landau  
Dr. Henning Schulte-Noelle  
Jean-Jacques Clette  
Jörg Reinbrecht

Nomination Committee  
Dr. Henning Schulte-Noelle (Chairman)  
Dr. Gerhard Cromme  
Prof. Dr. Renate Köcher

Personnel Committee  
Dr. Henning Schulte-Noelle (Chairman)  
Dr. Gerhard Cromme  
Rolf Zimmermann

Risk Committee  
Dr. Henning Schulte-Noelle (Chairman)  
Prof. Dr. Renate Köcher  
Peter Denis Sutherland  
Godfrey Robert Hayward  
Franz Heiß (since January 1, 2011)  
Peter Kossubek (until December 31, 2010)

Standing Committee  
Dr. Henning Schulte-Noelle (Chairman)  
Dr. Wulf H. Bernotat  
Dr. Gerhard Cromme  
Karl Grimm (until December 31, 2010)  
Peter Kossubek (since January 1, 2011)  
Rolf Zimmermann

Further explanations on Corporate Governance in the Allianz Group are available in the report on Corporate Governance and the Statement on Corporate Management beginning on page 22. The Allianz website [www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance) contains further information on Corporate Governance.

## Committee Activities

In order to exercise its functions efficiently, the Supervisory Board has set up an Audit Committee, a Standing Committee, a Personnel Committee, a Risk Committee and a Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary session. Furthermore, in appropriate cases, the authority to adopt resolutions has been delegated to the committees themselves. The Conciliation Committee no longer exists because the German Co-Determination Act (Mitbestimmungsgesetz), which provides for such a committee, does not apply to Allianz SE. The current members of these committees are set out in the adjacent list.

In the 2010 fiscal year, the **Standing Committee** held three regular meetings. These related primarily to Corporate Governance issues, preparation for the ordinary General Meeting, the Employee Stock Purchase Plan and review of the Supervisory Board's efficiency. In an additional meeting during the General Meeting in May 2010, the committee dealt with a shareholder's motion under the rules of procedure to vote out the person directing the General Meeting. During the fiscal year, the committee passed resolutions requiring approval on the use of Authorized Capital 2010/II for the issue of employee shares and on the granting of loans to managers and Board members.

The **Personnel Committee** met seven times. The meetings dealt with staffing matters as well as the structure and amount of Board of Management remuneration. The Personnel Committee prepared the review of the Board of Management's remuneration system, including the main elements of the contract and setting the targets for variable remuneration. The

committee also reviewed the achievement of targets by members of the Board of Management for the 2009 annual bonus, share-based remuneration and the mid-term bonus for the years 2007 to 2009. In several meetings, the committee discussed in detail the structure and level of Supervisory Board remuneration and finally submitted to the Supervisory Board plenary session its recommendation for transition towards a fixed remuneration system. The committee also dealt with implementing the recommendation of the German Corporate Governance Code on diversity at Board level and prepared a proposal on key points governing the selection procedure for appointing Board of Management members.

The **Audit Committee** held five meetings in the fiscal year 2010, which took place in February, March, May, August and November. Together with the auditors, the committee discussed the Allianz SE and Allianz Group annual financial statements, the management reports and the auditor's reports. In addition, the committee checked the half year financial report and the other quarterly financial statements and, together with the auditors, went through details of the auditor's review of these financial statements. After carrying out these checks, the Audit Committee saw no reason to raise objections. The committee also covered the auditor's engagement and established priorities for the audit. In addition, assignments to the auditors for services not connected to the audit itself were discussed. The committee also dealt with the risk management and risk monitoring system, the compliance system and the internal audit system. The committee received reports from the heads of the Group Audit department and Group Compliance department about audit and compliance issues on an ongoing basis. Furthermore, the committee obtained a report on significant audit results for the past fiscal year from the head of the Group Audit department. The Committee regularly received reports from the General Counsel regarding material legal proceedings. In the meeting in November 2010, Group Audit presented the audit plan for the year 2011.

The [Risk Committee](#) held two meetings in 2010. At both meetings, the Board of Management presented the current risk situation of the Allianz Group which we subsequently discussed with the Board of Management. The committee's work also covered the effects of the financial market crisis, the treatment of risks arising from natural catastrophes and inflation risks, and the strategic asset allocation adopted by the Group Capital Committee, which serves as a basis for capital investment decisions. The committee also dealt in detail with the effects of the planned risk-oriented changes to European solvency regulations (equity finance requirements) for insurance companies (Solvency II). It also reviewed the risk-related statements in the annual accounts, consolidated financial statements and management reports, and reported to the Audit Committee on the results of this preliminary review.

The [Nomination Committee](#) met once during the fiscal year. In September 2010, the committee discussed specifying objectives regarding the Supervisory Board's composition. These objectives were then resolved on using the circulation procedure and in December they were put forward to the Supervisory Board plenary session for adoption.

The Supervisory Board received regular comprehensive reports on the activities of the committees.

## Audit of Annual Accounts and Consolidated Financial Statements

In compliance with special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board of Allianz SE and not by the General Meeting. The Supervisory Board has appointed KPMG AG Wirtschaftsprüfungs-gesellschaft, Munich, as statutory auditor for the annual accounts and the consolidated financial statements as well as for the review of the half year

financial report. KPMG audited the financial statements of Allianz SE and Allianz Group as well as the respective management reports and issued an audit certificate thereon without any reservations. The consolidated financial statements were prepared on the basis of the international financial reporting standards, as applied in the European Union. The half year financial report and the other quarterly financial statements were also reviewed by KPMG.

The financial statements and the KPMG auditor's report for the fiscal year 2010 were made available to all members of the Supervisory Board in a timely manner. The financial statements and the results of the KPMG audit were discussed on a provisional basis by the Audit Committee at their meeting held on February 23, 2011. Following the meeting, all Supervisory Board members had the opportunity to participate by telephone in a discussion on the dividend proposal of the Board of Management. The final financial statements and KPMG auditor's reports were examined on March 16, 2011 by the Audit Committee and in the Supervisory Board plenary session. The auditors took part in these discussions. They gave an account of the main findings of the audit and were available for any questions or further information.

On the basis of our own review of the annual and consolidated financial statements, the management report and the Group Management Report and the recommendation for appropriation of earnings, we raised no objections and agreed with the findings of the KPMG audit. We approved the annual and consolidated financial statements drawn up by the Board of Management. The company financial statements are therefore adopted. We concur with the proposal of the Board of Management as to the appropriation of earnings.

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## Members of the Supervisory Board and Board of Management

Mr. Sutherland was appointed to the Supervisory Board initially by the court, effective as of January 1, 2010, as successor to Dr. Humer, who resigned from the Supervisory Board with effect from December 31, 2009. On May 5, 2010 the General Meeting elected Mr. Sutherland to the Supervisory Board.

Due to his partial retirement effective as of December 31, 2010, Mr. Grimm resigned from the Supervisory Board of Allianz SE. The Supervisory Board has expressed its gratitude for, and recognition of, his commitment. By resolution of December 20, 2010, the local court (Amtsgericht) of Munich appointed Mr. Heiß as Mr. Grimm's successor on the Supervisory Board effective as of January 1, 2011, until the next General Meeting. The current term of the Supervisory Board expires following the ordinary General Meeting in 2012.

Dr. Rupprecht retired effective as of December 31, 2010 and stepped down from the Board of Management of Allianz SE. The Supervisory Board expressed its gratitude to Dr. Rupprecht for his successful work. Through his involvement with the Allianz Group for more than 30 years, Dr. Rupprecht has played a major role in shaping today's Allianz. Dr. Zedelius will assume the responsibilities previously held by Dr. Rupprecht effective as of January 1, 2011, which include the insurance business in Germany, Switzerland and Austria as well as the employment and social welfare section.

Effective as of January 1, 2011, the Supervisory Board has appointed Mr. Bauer to the Board of Management of Allianz SE. Mr. Bauer is the Board member responsible for Growth Markets assuming Dr. Zedelius' previous responsibilities. He has worked for the Allianz Group for many years and was most recently responsible for the Allianz region Central and Eastern Europe, Middle East and North Africa.

Dr. Faber will retire at the end of 2011. Mr. Ralph, currently the Allianz SE Board member responsible for the insurance business in North America and Mexico, will additionally take over Dr. Faber's board responsibility for global Asset Management effective as of January 1, 2012. Initially he will assume the role of Chief Operating Officer at Allianz Global Investors AG on April 1, 2011.

The Supervisory Board was informed by the Board of Management of the responsibilities of the individual members of the Board of Management and offered its advice in this regard.

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

Munich, March 16, 2011

For the Supervisory Board:

Dr. Henning Schulte-Noelle  
Chairman

# Board of Management

**Michael Diekmann**

Chairman of the Board of Management

**Dr. Paul Achleitner**

Finance

**Oliver Bäte**

Controlling, Reporting, Risk

**Manuel Bauer** since January 1, 2011

Insurance Growth Markets

**Clement B. Booth**

Global Insurance Lines & Anglo Markets

**Enrico Cucchiani**

Insurance Europe (& South America)

**Dr. Joachim Faber**

Asset Management (Worldwide)

**Dr. Christof Mascher**

Operations

**Jay Ralph**

Insurance NAFTA Markets

**Dr. Gerhard Rupprecht** until December 31, 2010

Insurance German Speaking Countries

Director responsible for Work and Social Welfare

**Dr. Werner Zedelius**

Insurance Growth Markets until December 31, 2010

Insurance German Speaking Countries

Director responsible for Work and Social Welfare

since January 1, 2011

# International Executive Committee

The International Executive Committee includes all members of Allianz SE's Board of Management and heads of major Allianz subsidiaries. Chaired by Michael Diekmann, this body discusses overall strategic issues for the Allianz Group.



- 1 **Michael E. LaRocco**, Fireman's Fund Insurance Company, Novato  
2 **Wolfram Littich**, Allianz Elementar, Vienna  
3 **Paul Achleitner**, Allianz SE, Munich

- 4 **Axel Theis**, Allianz Global Corporate & Specialty, Munich  
5 **Severin Moser**, Allianz Deutschland AG/  
Allianz Versicherungs-AG

- 6 **Christof Mascher**, Allianz SE, Munich  
7 **Enrico Cucchiani**, Allianz SE, Munich



8

8 Clemens von Weichs, Allianz Re, Munich  
9 Manuel Bauer, Allianz Central and Eastern Europe,  
Middle East and North Africa (CEEMA)  
10 Karl-Hermann Lowe, Allianz Investment Management SE

9

10

11

12

13

14

11 Bruce Bowers, Allianz Asia Pacific  
12 Oliver Bäte, Allianz SE, Munich

13 Joachim Faber, Allianz SE, Munich  
14 Andrew Torrance, Allianz Insurance PLC



15 **Maximilian Zimmerer**, Allianz Deutschland AG/  
Allianz Lebensversicherungs-AG, Allianz Private  
Krankenversicherungs-AG  
16 **Clement B. Booth**, Allianz SE, Munich

17 **Jacques Richier**, Allianz France, Paris  
18 **Manfred Knof**, Allianz Suisse, Zurich  
19 **Michael Diekmann**, Allianz SE, Munich

20 **Kamesh Goyal**, Bajaj Allianz Life, Pune  
21 **Marna Whittington**, Allianz Global Investors, Munich  
22 **Vicente Tardio Barutel**, Allianz Compañía de Seguros  
y Reaseguros, Barcelona



23 **Gerhard Rupprecht**, Allianz SE, Munich  
24 **Terry Towell**, Allianz Australia, Sydney  
25 **Andree Moschner**, Allianz Deutschland AG/  
Allianz Beratungs- und Vertriebs-AG

26 **Gary C. Bhojwani**, Allianz Life Insurance Company  
of North America  
27 **Werner Zedelius**, Allianz SE, Munich

28 **Markus Rieß**, Allianz Deutschland AG, Munich  
29 **Jay Ralph**, Allianz SE, Munich  
30 **George Sartorel**, Allianz S.p.A., Milan

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# Supervisory Board

**Dr. Henning Schulte-Noelle**

Chairman

Former Chairman of the Board of Management,  
Allianz AG

**Dr. Gerhard Cromme**

Vice Chairman

Chairman of the Supervisory Board, ThyssenKrupp AG

**Rolf Zimmermann**

Vice Chairman

Employee, Allianz Deutschland AG

**Dr. Wulf H. Bernotat**

Former Chairman of the Board of Management,  
E.ON AG

**Jean-Jacques Clette**

Secretary of the Group Works Council,  
Allianz France S.A.

**Karl Grimm** until December 31, 2010

Employee, Allianz Deutschland AG

**Godfrey Robert Hayward**

Employee, Allianz Insurance plc

**Franz Heiß** since January 1, 2011

Employee, Allianz Beratungs- und Vertriebs-AG

**Prof. Dr. Renate Köcher**

Chairwoman, Institut für Demoskopie Allensbach

**Peter Kossubek**

Employee, Allianz Deutschland AG

**Igor Landau**

Member of the Administrative Board,  
Sanofi-Aventis S.A.

**Jörg Reinbrecht**

Union Secretary, ver.di Bundesverwaltung

**Peter D. Sutherland**

Chairman, Goldman Sachs International

# International Executive Committee

◀ see inside pages

# Allianz Share

- Allianz's share price has held up quite well in a tough climate for financial stocks.
- We propose to the Annual General Meeting that the dividend per share should be increased by € 0.40 to € 4.50.

## Pressure on Financial Stocks

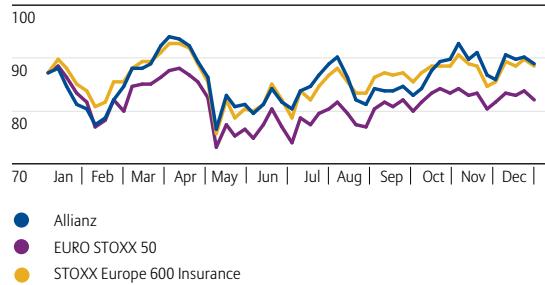
With news both of a worsening debt crisis and signs of an economic recovery, these two polarizing trends have led to uneven European stock market movements in 2010. While cyclical stocks reacted to signals of economic recovery with a significant upturn, many financial stocks suffered considerable price losses. Caught between these trends, the EURO STOXX 50 closed the year with a negative return of 5.8%, while the DAX recorded an annual gain of 16.1% due to the particularly large number of cyclical stocks in this index. These stocks experienced a robust upswing, as the demand for goods and services returned, particularly in Asia. Within the eurozone, only the Finnish stock market outperformed the DAX.

## Allianz Share Price holds firm

After an increase of 16.2% to € 87.15 in 2009, our share price held firm at year-end despite a difficult trading environment for financial stocks in 2010. Very low interest rates affected our share price negatively, especially over the summer, but Allianz's share performance gained ground during the final quarter when the interest rates rose again. As in 2009, our shares performed slightly better than the sector average. While Allianz's annual performance in 2010 was 2.0% with a closing price of € 88.93, the total return, i.e. performance plus dividend payment, amounted to 7.4%. The STOXX Europe 600 Insurance performance stood at 1.6% and its total return at 5.5%. Thus the Allianz share, as in the previous year, did better than the sectoral average. Upon publication of the results for fiscal year 2010, 63% of financial analysts recommended buying Allianz shares. The average target price was € 114.83. For up-to-date information on analysts' recommendations, please visit [www.allianz.com/analystsrecommendations](http://www.allianz.com/analystsrecommendations).

### Development of the Allianz share price versus EURO STOXX 50 and STOXX Europe 600 Insurance

indexed on the Allianz share price in €

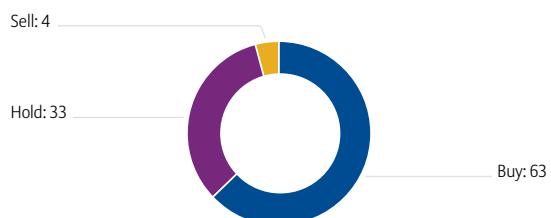


Source: Thomson Reuters Datastream

Up-to-date information on the development of the Allianz share price is available at [www.allianz.com/share](http://www.allianz.com/share).

### Analysts' recommendations

as of March 7, 2011 in %



Source: Bloomberg

However, the increase in our share price in 2009 and 2010 has not yet compensated for its loss of value in 2008. As a result, the longer-term performance based on a five- and ten-year comparison is still negative. This is in line with the average performance of the insurance sector. At [www.allianz.com/share](http://www.allianz.com/share) we offer a share calculator, with which the performance of an investment in Allianz shares can be calculated.

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## Allianz share performance in comparison

average annual performance in %

	1 year	5 years	10 years
	2010	2006 – 2010	2001 – 2010
Allianz (excl. dividends)	2.0	(7.0)	(12.9)
Allianz (incl. dividends)	7.4	(3.6)	(10.7)
STOXX Europe 600 Insurance	1.6	(8.8)	(10.4)
EURO STOXX 50	(5.8)	(4.8)	(5.2)
DAX	16.1	5.0	0.7

Source: Thomson Reuters Datastream

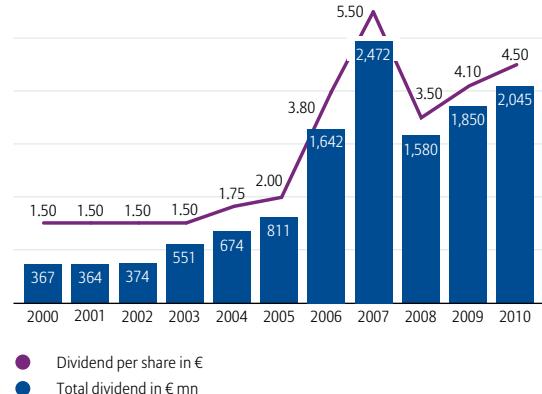
## Basic share information

Share type	Registered share with restricted transfer
Security Codes	WKN 840 400 ISIN DE 000 840 400 5
Bloomberg	ALV GY
Reuters	ALVG.DE

## Dividend

We want our shareholders to participate in our strong results and for this reason we propose to the Annual General Meeting that the dividend payment per share should be increased from € 4.10 to € 4.50. This equals a dividend yield of 5.1 %. With respect to net income for the year 2010, the payout ratio is 40%.<sup>3</sup>

### Total dividend and dividend per share



## Allianz share key indicators at a glance

	2010	2009	2008
Total number of issued shares as of 12/31	454,500,000	453,900,000	453,050,000
Weighted number of shares outstanding	451,280,092	450,845,024	450,161,145
Share price as of 12/31	€ 88.93	87.15	75.00
High of the year	€ 95.43	88.36	145.92
Low of the year	€ 76.67	48.68	46.64
Share price performance in the year	% 2.0	16.2	(49.3)
Market capitalization as of 12/31	€ bn 40.4	39.6	34.0
Average number of shares traded per day (Xetra)	mn 2.5	3.0	4.9
Beta coefficient <sup>1</sup>	0.9	1.4	1.3
Basic earnings per share	€ 11.20	9.33	(5.25)
Price-earnings ratio	7.9	9.3	—
Dividend per share	€ 4.50 <sup>2</sup>	4.10	3.50
Dividend yield as of 12/31	% 5.1	4.7	4.7
Payout ratio <sup>3</sup>	% 40	40	40
Return on equity after income tax <sup>3,4</sup>	% 11.9	12.5	9.9

1 In comparison with EURO STOXX 50; source: Bloomberg.

2 Proposal.

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

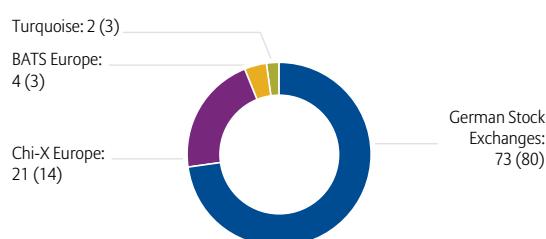
4 Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity.

## Allianz Share Trading Volumes

In 2010 around 73 % of total trades in Allianz shares were processed on German stock exchanges (including Xetra). In the meantime, OTC trading platforms are also gaining in importance.

### Trading turnover in Allianz shares 2010 (2009)

in %



Source: Bloomberg

## High Weighting in Major Indices

At the end of 2010, the market capitalization of Allianz SE amounted to € 40.4 billion. This makes our company one of the most highly valued financial services providers in the world, with our strength reflected in the weighting of Allianz shares in the major German, European and world indices. When calculating the STOXX Europe 600 Insurance, which includes 33 insurance stocks, our shares have the greatest weight. We are also among the top companies in the MSCI World Financials index.

### Weighting of the Allianz share in major indices

as of December 31, 2010

	Weighting in %	Ranking	Index members
DAX	6.7	6	30
EURO STOXX 50	2.6	11	50
STOXX Europe 600 Insurance	14.2	1	33
MSCI World Financials	1.1	19	341
MSCI World	0.2	82	1660

Sources: Deutsche Börse, STOXX Ltd., MSCI

## Superior Sustainability Ratings

Our holistic entrepreneurial approach has long been recognized and resulted in our stock's inclusion in major sustainability indices, including the Dow Jones Sustainability Index and the FTSE4Good. These indices, as well as other research results, regularly rank Allianz in top positions, demonstrating that we are considered one of the most sustainable insurance groups worldwide. This is testimony to the attractiveness of Allianz shares for investors interested in sustainable investments. More information on sustainability in the Allianz Group is provided in the Group Management Report on page 64 of this Annual Report and on the internet at [www.allianz.com/responsibility](http://www.allianz.com/responsibility).

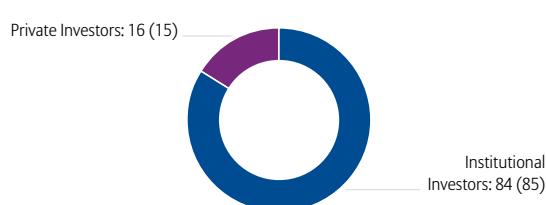
## Shareholder Structure

With around 484,000 shareholders, Allianz is one of the largest publicly owned corporations in Europe. All of our shares continue to be held in free float. At the end of the year, 84% were held by institutional investors and 16% by private investors. The breakdown by region shows that 79% of Allianz shares were held by European investors, while 21% were held by non-European investors. Year-on-year, the number of shareholders remained stable.

For up-to-date information on our shareholder structure, please visit [www.allianz.com/shareholders](http://www.allianz.com/shareholders).

### Shareholder structure

as of December 31, 2010 (December 31, 2009) in % of subscribed capital

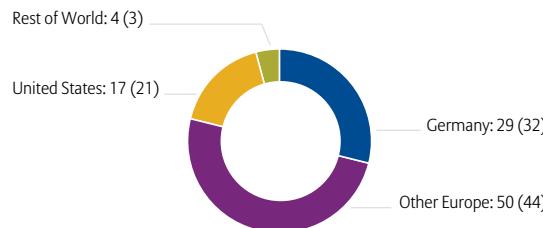


Source: Allianz SE share register

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### Regional shareholder structure

as of December 31, 2010 (December 31, 2009) in % of subscribed capital



Source: Allianz SE share register

Our Munich Capital Markets Day was also well attended, where top managers presented Allianz's global lines of business. Management answered questions from institutional investors and analysts at nine other international investor conferences. Dialogue with private shareholders is another key component of our IR work. As in the previous year, we processed around 8,500 of their enquiries in 2010.

### Awards

The work of our IR team was again recognized by analysts and portfolio managers in 2010.

#### 2010 Awards

For the fourth consecutive time, we ranked top of the European insurance sector in the renowned "Extel Pan European Survey" by Thomson Reuters, which assessed the work of 45 European insurance IR teams.

The finance magazine "Institutional Investor" selected our IR team in 2010 as the number 2 in European insurance.

Allianz came third in a cross-sector study conducted by the German Investor Relations Association (DIRK) on the IR work of DAX-30 companies.

## Annual General Meeting 2010

Around 4,500 shareholders and shareholder representatives attended our 2010 Annual General Meeting at the Munich Olympiahalle on May 5. More than 37% of subscribed capital was voted. In 2010, for the first time, we offered our shareholders the opportunity to exercise their voting rights by absentee vote by mail or online and 4.5% of the authorized capital used this voting mechanism. This became possible after the law implementing the E.U. Shareholders' Rights Directive came into effect in September 2009.

## Communication with the Capital Markets

Communication with investors is very important to us. At numerous roadshows in Europe, the U.S.A., Asia and Canada, members of the Board of Management and our Investor Relations (IR) team presented Allianz's business development and strategic direction in 2010. Overall, we held 364 meetings with institutional investors and analysts, including the meetings at our headquarters in Munich. Investors and analysts showed a strong interest in our analysts' conference on the previous year's results and our telephone conferences on the quarterly figures.

# Services for Allianz Investors

## Online Services

- Please view our Annual Report online at [www.allianz.com/annualreport](http://www.allianz.com/annualreport). Make the most of the Internet's advantages by downloading single chapters and tables (in pdf and excel format) and by accessing selected data in the report by means of search functions and links.
- Please visit [www.allianz.com/investor-relations](http://www.allianz.com/investor-relations) for up-to-date information on the performance of the Allianz Group and the Allianz share. We broadcast all our analysts' conferences live and make them available as recordings and podcasts afterwards.
- Important IR information published on [allianz.com](http://allianz.com) is now also available for iPhone and iPod touch through our "Investor App". This service – available in the Apple App Store – provides the Allianz share price, IR announcements, analysts' presentations, podcasts of analysts' conferences and the financial calendar. A similar service is also available on [m.allianz.com](http://m.allianz.com) for mobile phone and BlackBerry users.

## Online Services for the Annual General Meeting

Our online services at [www.allianz.com/agm](http://www.allianz.com/agm) are designed to make it easier for our shareholders to participate in and exercise their voting rights at the Annual General Meeting. Investors can register online for Annual General Meeting documents to be sent by e-mail. Admission tickets can be ordered and printed online. We also offer an online absentee voting system to shareholders not attending the Annual General Meeting in person.

## Contact Investor Relations

Allianz SE, Investor Relations  
Koeniginstrasse 28, 80802 Munich  
Phone: +49 1802 2554269  
(Allianz Investor Line, Mo-Fr, 8 a.m.-8 p.m. CET  
6 cents per call from a German landline network,  
max. 42 cents per minute from German mobile  
networks)  
Fax: +49 89 3800 3899  
E-mail: [investor.relations@allianz.com](mailto:investor.relations@allianz.com)  
Internet: [www.allianz.com/investor-relations](http://www.allianz.com/investor-relations)

## Financial Calendar

### Important dates for shareholders and analysts<sup>1</sup>

May 4, 2011	Annual General Meeting
May 12, 2011	Interim Report 1st quarter 2011
August 5, 2011	Interim Report 2nd quarter 2011
November 11, 2011	Interim Report 3rd quarter 2011
February 23, 2012	Financial press conference for the financial year 2011
February 24, 2012	Analysts' conference for the financial year 2011
March 23, 2012	Annual Report 2011
May 9, 2012	Annual General Meeting

<sup>1</sup> The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact, irrespective of the communicated schedules. Therefore we cannot exclude that we have to announce key figures of quarterly and fiscal year results ahead of the dates mentioned above.  
As we can never rule out changes of dates, we recommend verifying them on the Internet at: [www.allianz.com/financialcalendar](http://www.allianz.com/financialcalendar).

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Prague, Hlavní Nádraží Praha (Prague Central Station)



## Corporate Governance

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# Corporate Governance Report and Statement on Corporate Management

Good Corporate Governance and transparency are key to gaining and holding the trust of our shareholders, business partners and employees.

## Corporate Governance Report

Good Corporate Governance is essential for sustainable business performance. This is why existing Corporate Governance structures need to be constantly reviewed and, whenever necessary, developed further.

The German Corporate Governance Code now in effect was amended on May 26, 2010. Besides repeating important legal provisions, the Code also contains recommendations and suggestions for proper Corporate Governance. There is no legal obligation to comply with these standards. Under § 161 of the German Stock Corporation Act, listed companies are, however, obliged to make an annual Declaration of Compliance with the terms of the Code's recommendations on a "comply or explain" basis. The declaration is meant to explain any deviations from the Code's recommendations. The Declaration of Compliance issued by the Board of Management and Supervisory Board and the company's position with regard to Code suggestions can be found in the Statement on Corporate Management on pages 28 to 30.

In Germany the Code is taken as the benchmark of good Corporate Governance and control. Surveys show that acceptance of the German Corporate Governance Code remains high. At year-end 2010, the DAX-30 companies met an average of 97% of all recommendations, while in the M-DAX around 93% and in the S-DAX about 87% of the recommendations had been followed by the companies.

In view of the great importance of good Corporate Governance, in September 2010, Allianz SE established the new position of Corporate Governance Officer to coordinate the fundamental Corporate Governance issues at Allianz SE and within the Allianz Group.

## Corporate Constitution of the European Company

As a European Company, Allianz SE is subject to special European SE regulations and the German law implementing the European Company, in addition to German stock corporation law. The main features of the Company's existing corporate constitution, in particular the two-tier board system (Board of Management and Supervisory Board), as well as the principle of equal employee representation on the Supervisory Board, have been maintained in Allianz SE. For further details on the differences between a German stock corporation and a European Company with registered office in Germany, please refer to our website [www.allianz.com/allianz-se](http://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 ten members from different countries, reflecting the international character of Allianz. Its responsibilities include setting business objectives and strategic direction, coordinating and supervising the operating entities, as well as implementing and supervising an efficient risk management system.

The members of the Board of Management have joint responsibility for overall management. Notwithstanding the overall responsibility of all members of the Board of Management, the individual members of the Board head the departments they have been assigned independently and on their own responsibility. In addition to divisional responsibilities for each business segment, there are also functional responsibilities; the latter include the Chairman's division, the Controlling/Reporting/Risk division, the Finance division and the Chief Operating Officer's division. The business division responsibilities focus either on geographic

regions or on operating segments. As of December 31, 2010, these included Insurance Europe, NAFTA markets, Insurance German Speaking Countries, Insurance Growth Markets, Global Insurance Lines & Anglo Markets and Asset Management Worldwide. Rules of procedure specify in more detail the work of the Board of Management. In these rules, the Board has in particular regulated the specific responsibilities of Board members, matters reserved for the whole Board and other ways to pass resolutions.

The Board meets regularly at Board of Management meetings convened by the Chairman of the Board. Each member of the Board may request a meeting while at the same time providing notification of the agenda. Under the Board's rules of procedure, the entire Board makes decisions on a resolution by a simple majority of the members participating.

The Chairman of the Board of Management coordinates the Board's activities. As a consequence of the transformation into Allianz SE, the Chairman's position was strengthened under the Statutes by conferring a right of veto of the Board of Management's decisions. If he objects to a decision, that resolution is not adopted. However, the Chairman of the Board of Management cannot impose any decision against the majority vote on the Board of Management. In the event of a tie, the Chairman casts the deciding vote.

The Board of Management's committees – the Group Finance Committee, the Group Risk Committee and the Group Capital Committee – are comprised of members elected from within the Board itself.

- The task of the Group Finance Committee is the preparation and monitoring of the principles of the Groupwide investment policy as well as Group financing and capital management.
- The Group Risk Committee is responsible for establishing and overseeing a Group-wide risk management and risk monitoring system, including dynamic stress tests.

- The Group Capital Committee submits proposals to the Board of Management concerning risk strategy and strategic asset allocation and risk capital allocation within the Group.

The responsibilities and composition of the Board of Management's committees are set out in the respective rules of procedure, which require the approval of the Board of Management.

The Board has also set up an International Executive Committee as a permanent Group commission. The Group commission has the task of preparing decisions reserved for the entire Board of Management of Allianz SE, submitting proposals for resolutions and ensuring the exchange of information within the Group. The Group Compensation Committee is comprised of both Board members and executives reporting to the Board of Management of Allianz SE and satisfies the requirements of the Regulation governing Compensation Systems in the Insurance Sector (Versicherungs-Vergütungsverordnung) that took effect in December 2010. It is responsible for designing, monitoring and improving compensation systems. Every year, it must submit a report on the results of its monitoring, along with proposals for improvements.

The Allianz Group steers 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 to be considered by the Supervisory Board when setting the targets for performance-based remuneration of individual Board members (for details please see the Remuneration Report on pages 35 ff.).

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, compliance issues, and on the strategy and existing risk exposure. In line with the recommendation by the German Corporate Governance Code, the Supervisory Board has issued a reporting order which more closely defines the information and reporting requirements of the Board of Management.

**Committees of the Board of Management**  
As of December 31, 2010 (and subsequent changes)

Group Finance Committee  
Dr. Paul Achleitner  
Oliver Bäte  
Dr. Joachim Faber  
Dr. Werner Zedelius

Group Risk Committee  
Dr. Paul Achleitner  
Oliver Bäte  
Clement B. Booth  
Jay Ralph

Group Capital Committee  
Michael Diekmann  
Dr. Paul Achleitner  
Oliver Bäte

Certain important decisions of the Board of Management require approval by the Supervisory Board. Some of these approval requirements are stipulated by law or by decisions of the General Meeting. These include approval for the Board of Management to increase the share capital (Authorized Capital), acquire treasury stock, or issue convertible bonds or bonds with warrants. In addition to these approval requirements, in accordance with § 9 of the Statutes, the Supervisory Board must also approve 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 acquiring companies and holdings in companies as well as divestments of equity stakes, which result in a company leaving the Group. Such transactions, unless qualifying as a financial investment, are subject to approval provided that, in a particular case, the market value or, in the absence of the market value, the book value of the acquired or divested investment amounts to at least 10% of the equity in the most recent consolidated balance sheet. The Supervisory Board's rules of procedure require its approval for the appointment of the member of the Board of Management responsible for employment and social welfare.



An overview of the Board of Management's members can be found on page 12.

The size of the Supervisory Board is stipulated by the Statutes as twelve members appointed by the General Meeting. Six of these twelve members are appointed on the proposal of the employees. The General Meeting is bound to accept the proposal of the employees.

In accordance with the Agreement Concerning the Participation of Employees in Allianz SE, the seats for the six employee representatives are arranged in proportion to the number of Allianz employees in the E.U. member states. The Supervisory Board currently in office comprises four employee representatives from Germany and one each from France and the United Kingdom. The last election of the Supervisory Board took place in 2007 for a term lasting until the end of the ordinary General Meeting in 2012.

The Supervisory Board oversees and advises the Board of Management on managing the business. Furthermore, the Supervisory Board is responsible for appointing the members of the Board of Management, determining the remuneration of the individual members of the Board of Management and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in fiscal year 2010 are described in the Supervisory Board Report.

## Principles and Functions of the Supervisory Board

The German Co-Determination Act (Mitbestimmungsgesetz) no longer applies to Allianz SE because it has the legal form of a European Company (SE). The size and the members of the Supervisory Board are now based on the European general regulations on European Companies. These regulations have been implemented by provisions in the Statutes and by the Agreement Concerning the Participation of Employees in Allianz SE, which was signed on September 20, 2006 with representatives of European Allianz employees. This agreement can be found on our website under [www.allianz.com/allianz-se](http://www.allianz.com/allianz-se).

The Supervisory Board holds regular meetings in March, in April or May, in September and in December. Additionally, 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 decision requirements for the appointment of members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee no longer apply to an SE. In the event of a tied vote, the casting vote lies with the Chairman of the Supervisory Board. The Chairman of the Supervisory Board of Allianz SE may only be a shareholder representative. In the event of a tied vote, if the Chairman of the Supervisory Board is not present, 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, but has no casting vote.

The Supervisory Board regularly reviews the efficiency of its activities. The efficiency review is prepared by the Standing Committee. The plenary Supervisory Board then offers recommendations for improvements and, where appropriate, adopts corresponding measures.

### **Supervisory Board Committees**

Part of the Supervisory Board's activities is delegated to the committees of the Supervisory Board. The composition of the committees and the tasks assigned to these committees are regulated in the Supervisory Board's rules of procedure. The Supervisory Board receives regular reports on the activities of the committees.

The [Audit Committee](#) has five members. Three members are nominated by the shareholders and two members are nominated by the employee representatives on the Supervisory Board. The chairman of the committee is also elected by the Supervisory Board. The Audit Committee is responsible for an initial review of the Company's and the Group's annual financial statements, management report (including the risk report) and the dividend proposal. In addition, it reviews the quarterly reports. The Audit Committee oversees the financial reporting process and the effectiveness of the internal control system, the risk management system and the internal audit system and deals with issues of compliance. Finally, the Audit Committee is an important contact for the external auditors, whose independence and additional services it also monitors.

Allianz follows the suggestion of the German Corporate Governance Code that the chairperson of the Audit Committee is expected to be independent and should not be a former member of the Board of Management whose term expired within the previous two years. Furthermore, at least one independent member of the Audit Committee must have expertise in the fields of accounting or auditing. The Supervisory Board has determined that Dr. Wulf H. Bernotat and Mr. Igor Landau satisfy these conditions. The Audit Committee has adopted rules of procedure, which specify in greater detail the committee's tasks and functions in accordance with the Supervisory Board's rules of procedure.

The [Standing Committee](#) has five members. Its members include the Chairman of the Supervisory Board as well as two members nominated by the shareholder side and two nominated by the employee side of the Supervisory Board. One of the members nominated by the employee side to the Standing Committee shall be the Supervisory Board deputy chairperson that has been elected upon proposal by the employee side. The Chairman of the Supervisory Board also serves as chairman of this committee. The Standing Committee is responsible for the approval of certain transactions that need to be approved by the Supervisory Board. These include, in particular, certain capital transactions and acquisitions or divestments. Furthermore, it is responsible for preparation of the Declaration of Compliance required by § 161 of the German Stock Corporation Act as well as for the regular review of the Company's Corporate Governance. It submits proposals for examining the efficiency of the Supervisory Board's activities to the Supervisory Board plenary session.

The [Personnel Committee](#) includes the Chairman of the Supervisory Board and two members, one nominated by the employee representatives and one nominated by the shareholder representatives. The Chairman of the Supervisory Board also serves as chairman of this committee. The Personnel Committee is responsible for personnel matters concerning members of the Board of Management as well as preparation for the Supervisory Board's plenary session in this area. It prepares the appointment of members of the Board of Management as well as the decision of the plenary session on the remuneration system and the overall remuneration of the individual members of the Board of Management. In this regard, it also submits proposals for resolutions to the plenary session. The committee is involved in the long-term succession planning for the Board of Management.

The [Risk Committee](#) has five members. Three members are nominated by the shareholder representatives and two members are nominated by the employee representatives on the Supervisory Board. The chairman of the committee is also elected by the Supervisory Board. The Risk Committee monitors the

overall risk situation and the specific risk developments in the Allianz Group. This committee is also responsible for prior verification of any particular risk-related statements within the annual financial statements and management report, and for reporting to the Audit Committee on the results of this preliminary review. The Risk Committee also has rules of procedure, which govern the responsibilities of the committee and its activities on the basis of the rules of procedure of the Supervisory Board.

In December 2007, in compliance with a recommendation of the German Corporate Governance Code, the Supervisory Board established a [Nomination Committee](#) comprising the Chairman of the Supervisory Board and two other shareholder representatives elected by the shareholder side. The Chairman of the Supervisory Board also serves as chairman of this committee. The committee is responsible for drawing up selection criteria for shareholder representatives and identifying suitable candidates for the election proposals of the Supervisory Board to the General Meeting. In addition to the statutory requirements, the committee ensures compliance with the Code's recommendations on the composition of the Supervisory Board and also monitors the diversity of its members.

### **Supervisory Board targets regarding its composition**

At its meeting on December 15, 2010, to implement a new recommendation by the Code, the Supervisory Board specified the following objectives for 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 the 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 by the SE Agreement concerning the Participation of Employees dated September 20, 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. 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 on time and substance
  - Fulfillment of the regulatory requirements:
    - Reliability
    - Knowledge of the field of corporate governance and regulation<sup>1</sup>
    - Knowledge of the main features of accounting and risk management<sup>1</sup>
  - Compliance with the limitation of the number of memberships as recommended by the German Corporate Governance Code and required by § 7(4) of the German Insurance Supervision Act (Versicherungsaufsichtsgesetz - VAG).
2. Independence:
 

All of the members of the Supervisory Board should be independent within the meaning of No. 5.4.2 of the Corporate Governance Code, i.e. they may not

<sup>1</sup> Cf. BaFin Guidance Notice on the Monitoring of Members of Administrative and Supervisory Bodies pursuant to the German Banking Act and the German Insurance Supervision Act, dated February 22, 2010.

have any business or personal relations with Allianz SE or its Board of Management, which could cause a conflict of interests. Moreover, one member shall be independent within the meaning of § 100(5) of the German Stock Corporation Act.

It has to be considered that the possible emergence of conflicts of interests in individual cases cannot generally be excluded. Potential conflicts of interests 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 within the meaning of § 100(5) of the German Stock Corporation Act
- 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.

On the basis of the SE Agreement concerning the Participation of Employees, two employee representatives from other member states of the E.U. are already members of the Supervisory Board.

3. Diversity and appropriate representation of women:

The members of the Supervisory Board shall appoint new members taking into account their background, professional experience and specialist

knowledge, in order to provide the Board with the most diverse sources of experience and specialist knowledge possible.

In the next elections of the Supervisory Board in the spring of 2012, the Supervisory Board will strive to achieve a minimum female membership of 25%. The representation of women is generally considered to be the joint responsibility of the shareholder and the employee representatives.

Future nominations of candidates for membership by the Supervisory Board will take account of these goals. This is particularly the case in respect of the elections in spring of 2012. The current composition of the Supervisory Board and its committees is described on pages 15 and 9.

## Annual General Meeting

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

Members of the Supervisory Board are appointed at the Annual General Meeting. As regards the election of employee representatives, the Annual General Meeting is bound by the proposals of the employees. The Annual General Meeting also 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. Changes to the Statutes require the backing of at least half of the share capital or a two third majority of the votes cast in accordance with European regulations and the Statutes. Each year, an ordinary

Annual General Meeting takes place at which the Board of Management and the Supervisory Board give an account of the preceding financial year. For special decisions, the German Stock Corporation Act provides for the calling of an extraordinary General Meeting.

## **Accounting Policies and Audit of Financial Statements**

The Allianz Group conducts its accounting according to § 315 a of the German Commercial Code (Handelsgesetzbuch), on the basis of IFRS international accounting standards, as applied within the European Union. The financial statements of Allianz SE are prepared in accordance with German law, in particular the German Commercial Code (HGB).

In compliance with special legal provisions applying to insurance companies, the auditor of the annual financial statements and of the half year financial report is appointed by the Supervisory Board and not by the Annual General Meeting. The Supervisory Board's Audit Committee carries out the preparatory work for the appointments. The statutory 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 regularly and timely about the Company's situation. The annual financial statements of Allianz SE, the Allianz Group's consolidated annual financial statements and the management reports are published within 90 days after the end of each financial year. Additional information for shareholders and third parties is provided in the Allianz Group's half year financial and quarterly financial reports. These financial reports are subjected to a review by the auditor. Information is also made available at the Annual General Meeting, at press conferences and analysts' conferences, as well as on the website of the Allianz Group. The Allianz website also carries a financial calendar listing the dates of major publications and events, such as annual reports, quarterly reports and Annual General Meetings.

The financial calendar for 2011 and 2012 is also presented herein on page 20.

## **Shares held by Members of the Board of Management and the Supervisory Board**

The total holdings of all of the members of the Board of Management and the Supervisory Board in Allianz SE amounted to less than 1 % of the Company's issued stock as of December 31, 2010.

## **Directors' Dealings**

The members of the Board of Management and the Supervisory Board or related parties are required by the German Securities Trading Act (Wertpapierhandelsgesetz) to disclose any acquisition or divestment of shares of Allianz SE worth € 5,000 or more within a calendar year. These notifications are published on our website at [www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance).

## **Corporate Governance Statement pursuant to § 289 a of the German Commercial Code (Handelsgesetzbuch)**

The Corporate Governance Statement pursuant to § 289 a of the German Commercial Code (Handelsgesetzbuch - HGB) forms part of the consolidated management report. According to § 317 (2), sentence 3 of the HGB, the information provided pursuant to § 289 a of the HGB does not have to be included within the scope of the audit.

## **Declaration of Compliance with the German Corporate Governance Code**

On December, 15, 2010, 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 the Board of Management and the Supervisory Board regarding the Recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz)

1. Since the last Declaration of Compliance as of December, 17, 2009, which referred to the German Corporate Governance Code in its version as of June, 18, 2009, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code then in force.
2. Allianz SE will comply with all recommendations made by the Government Commission on the German Corporate Governance Code in the version as of May, 26, 2010, with the following exception:

The members of the Supervisory Board are currently receiving a fixed and a performance related compensation (No. 5.4.6 para. 2 of the German Corporate Governance Code). The Company contemplates proposing a new compensation structure to the Annual General Meeting 2011 which shall comprise a fixed remuneration only. In that respect, a deviation from No. 5.4.6 para. 2 sentence 1 of the German Corporate Governance Code is intended. The Company believes a fair fixed remuneration is more suitable to the control function of the Supervisory Board, irrespective of success of the Company.

Munich, December 15, 2010

Allianz SE

For the Board of Management:  
 signed Michael Diekmann      signed Dr. Paul Achleitner

For the Supervisory Board:  
 signed Dr. Henning Schulte-Noelle"

Furthermore, we have complied with all of the non-binding suggestions contained in the German Corporate Governance Code. In future, we will diverge from No. 5.4.6 para. 2 sentence 2 in respect of performance-based remuneration of the Supervisory Board.

The Declaration of Compliance and further information on corporate governance at Allianz can be found on our website at [www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance).

The listed Group company Oldenburgische Landesbank AG issued its own declaration of compliance in December 2010, which states that Oldenburgische Landesbank AG complies with all of the recommendations of the German Corporate Governance Code.

## Corporate Governance practices

### Compliance and anti-money laundering program

The sustained success of the Allianz Group is based on the responsible behavior of all Group employees embodying trust, respect and integrity. In 2008, the Ethisphere Institute named Allianz one of the world's most ethical companies.

By means of its compliance and anti-money laundering program, Allianz supports and follows internationally and nationally recognized guidelines and standards for rules-compliant and value-based corporate governance. These include the UN Global Compact Program, the OECD Guidelines for Multinational Enterprises, the relevant applicable embargo regulations and the recommendations of the Financial Action Task Force on Money Laundering (FATF). Allianz manages the risk of infringements against statutory provisions and requirements (compliance risk) through its recognition and support of these international and national principles. At the same time, it thereby integrates sustainability and social responsibility into its corporate conduct. Group Compliance is responsible, in close cooperation with the local compliance departments, for ensuring the effective implementation and monitoring of the compliance and anti-money laundering program within

Allianz. Compliance will examine any suspected infringement of the guidelines mentioned above or of the internal compliance guidelines in cooperation with other departments where appropriate.

The standards of conduct established by the Allianz Group's Code of Conduct for Business Ethics and Compliance serve to implement these guidelines and principles, and are obligatory for all employees worldwide. The Code of Conduct is available on the Internet via the following link:  
[www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance).

The Code of Conduct and the internal guidelines derived from it provide all employees with clear guidance on conduct that is in accordance with the values of Allianz. In order to transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively and on a sustained basis, Allianz has developed interactive training programs around the world. These provide practical guidelines which enable employees to come to their own decisions and avoid potential conflicts of interest. The Code of Conduct also forms the basis for guidelines and controls to ensure fair dealings with Allianz customers (sales compliance).

There are legal provisions against corruption and bribery in almost all countries in which Allianz has a presence. For this reason, a global Anti-Corruption Program was established in summer of 2009, which provides for the continuous monitoring and improvement of the internal anti-corruption controls.

A major component of the compliance program of Allianz 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 they turn out later to be unfounded.

In cases of doubt, employees within the compliance department are responsible for providing advice to the business units on regulatory provisions and on the creation, implementation, and monitoring of compliance with internal guidelines and standards. They also give employees regular training on the regulations that apply to them.

#### **Code of Ethics**

In addition to the Code of Conduct, Allianz SE has adopted a special Code of Ethics, which is directed at the members of the Board of Management and at senior management of certain departments, primarily in the financial area. Its rules govern ethical and proper conduct in both the private and professional spheres, particularly relating to the handling of conflicts of interest and compliance with high standards of corporate disclosure. The Code of Ethics can be found on the Internet at [www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance).

#### **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 9 of the Annual Report. On page 12, 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 23 of the Corporate Governance Report. Furthermore, a description of the composition can be accessed on the Internet via the following link:  
[www.allianz.com/corporate-governance](http://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 on pages 22 ff. and on the Internet via the following link:  
[www.allianz.com/corporate-governance](http://www.allianz.com/corporate-governance).

# Takeover-related Statements and Explanations<sup>1</sup>

## Composition of share capital

As of December 31, 2010, the share capital of Allianz SE was € 1,163,520,000. It was divided into 454,500,000 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 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 participate in the performance of the stock price.

## Interests in the share capital exceeding 10% of the voting rights

Direct or indirect interests in the share capital of Allianz SE that exceed 10% of the voting rights have not been reported to Allianz SE; nor is it 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 members of the Board of Management of Allianz SE are appointed by the Supervisory Board for a maximum term of five years (Article 9 (1), Article 39 (2) and Article 46 SE Regulation, §§ 84, 85 German Stock Corporation Act, § 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 tied vote, the Chairperson of the Supervisory Board, who pursuant to Article 42 sentence 2 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 that the Deputy Chairperson 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). Members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (§ 84 (3) German Stock Corporation Act).

<sup>1</sup> The following statements are made pursuant to § 289 (4) of the German Commercial Code.

According to § 5 (1) of the Statutes, the Board of Management shall consist of at least two persons. Otherwise, the number of members is determined by the Supervisory Board. 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, more than two such mandates can be admitted by the supervisory authority if they are held within the same group (§§ 121 a, 7 a German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) pursuant to §§ 121 a, 13 d No. 1 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 majority of two thirds 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 SE Implementation Act (SE-Ausführungsgesetz) which is based upon Article 59 (1) and (2) 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 Member State (§ 51 sentence 2 SE Implementation Act). The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 German Stock Corporation Act and § 10 of the Statutes).

## Authorizations 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 May, 2015, upon 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, for fractional amounts, for safeguarding the rights pertaining to holders of convertible bonds or bonds with warrants, in the event of a cash capital increase of up to 10% if the issue price of the new shares is not significantly less than the stock market price, and in the event of a capital increase against contributions in kind; and
- up to a total of € 13,464,000 (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 May 5, 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 May 4, 2015 on the basis of the authorization of the General Meeting of May 5, 2010 (§ 71 (1) No. 8 German Stock Corporation Act). Together with other treasury shares that are in the possession of Allianz SE or which are attributable to it under §§ 71 a et seq. 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 that such derivatives may not be in relation 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) German Stock Corporation Act) under an authorization of the General Meeting valid until May 4, 2015. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71 a et seq. 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 in connection with the purchase of reinsurance cover also provide for termination rights in case of a change of control. Such clauses are standard market practice.

Bilateral credit agreements in some cases provide for termination rights in case of a change of control, mostly defined as the acquisition of at least 30% of the voting rights within the meaning of § 29 (2) German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG). In cases where such termination rights are exercised, the respective credit lines would have to be replaced by new credit lines under conditions then applicable.

The following compensation agreements have been entered into by the Company with members of the Board of Management or employees for the event of a takeover bid:

A change of control clause in the service contracts of the members of the Allianz SE 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 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 on pages 35 to 55.

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, until 2010 under the Group Equity Incentive (GEI) scheme, also Stock Appreciation Rights (SAR), i.e. virtual options on Allianz shares, were granted, of which some 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 who 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. In providing for the non-application of the blocking period in the event of a change of control, account is taken of 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 comprises three sections covering the remuneration arrangements for the following executive categories:

- Board of Management
- Executives below the Board of Management
- Supervisory Board

The report is prepared in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). It also takes into account the recommendations of the German Corporate Governance Code and the required disclosures of the German Ministry of Finance's Insurance Remuneration Regulation (Versicherungs-Vergütungsverordnung – VersVergV) that was effective from October 13, 2010.

2010 Report Highlights	
<b>Board of Management</b>	<ul style="list-style-type: none"><li>– Introduction of the new remuneration system</li><li>– Base salaries remain unchanged</li><li>– Annual bonuses for 2010 reflect above target performance</li><li>– Total remuneration table on page 43</li><li>– Voluntary vote on remuneration at Annual General Meeting</li></ul>
<b>Executives below the Board of Management</b>	<ul style="list-style-type: none"><li>– Introduction of the common remuneration structure in insurance companies</li><li>– Improvements to reward governance and the management of risk</li><li>– Proportion for key executives: 40% fixed/60% target variable remuneration on page 51</li></ul>
<b>Supervisory Board</b>	<ul style="list-style-type: none"><li>– Fixed remuneration and attendance fees remain unchanged</li><li>– Variable remuneration reflects strong group performance</li><li>– Total remuneration table on page 54</li><li>– Change to 100% fixed remuneration presented for implementation from 2011 onwards</li></ul>

## Board of Management Remuneration

In support of transparency for shareholders, and recognizing the new remuneration arrangements introduced from January 2010, this section describes the:

- Governance system
- Remuneration principles and market positioning
- Remuneration structure
- Remuneration components
- Target setting and performance assessment for variable remuneration
- 2010 remuneration and link to performance
- Outlook for 2011

### Governance system

The remuneration of the Board of Management is set by the full Supervisory Board. Meetings are prepared by the Personnel Committee while Group HR and other corporate functions provide internal support as requested or required. Outside advice is sought from time-to-time from external consultants. Survey data was most recently provided by two external consultants with significant market expertise. The Personnel Committee and Supervisory Board consult with the Chairman of the Board of Management as appropriate in assessing the performance and remuneration of Management Board Members. The Chairman is not present when his own remuneration is discussed.

The Personnel Committee and the Supervisory Board met multiple times in 2010 and considered the Board of Management remuneration and contractual issues shown in the table below:

Month	Activity/Decision
February	<ul style="list-style-type: none"> <li>– Appointment of Manuel Bauer as member of the Board of Management effective January 1, 2011</li> <li>– Determination of variable remuneration award based on the target performance achievement for the: <ul style="list-style-type: none"> <li>– Annual bonus 2009</li> <li>– Three-year bonus 2007 - 2009</li> <li>– Estimation of equity incentive grant 2010</li> </ul> </li> </ul>
March	<ul style="list-style-type: none"> <li>– Renewal of contracts: Clement Booth, Enrico Cucchiani, Dr. Joachim Faber</li> <li>– Confirmation of equity incentive grant 2010</li> </ul>
September	<ul style="list-style-type: none"> <li>– Corporate Governance Code with focus on diversity</li> </ul>
December	<ul style="list-style-type: none"> <li>– Contractual agreement for Manuel Bauer</li> <li>– Review of the horizontal (external) and vertical (internal) appropriateness of remuneration</li> <li>– Preparation of the review of variable pay for 2010</li> <li>– Individual determination of the 2011 remuneration at target and performance targets for Board Members</li> <li>– Adjustment of fixed remuneration for selected Board Members</li> <li>– Determination of pensions and risk contributions for 2011</li> </ul>



Full descriptions of the responsibilities of the Supervisory Board and the Personnel Committee are provided on pages 24 to 25.

The remuneration system was presented to the Annual General Meeting 2010 for vote.

## Remuneration principles and market positioning

Board of Management remuneration is designed to be competitive given the Group's scale of business activities, operating environment and performance compared to peers. While structured to attract and retain highly qualified executives, the overall goal is to support and encourage sustained value-oriented management.

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

- Support for the Group's strategy: performance targets reflect the Group's business strategy. Targets measure quantitative financial operating results. In addition, the achievement of qualitative programs and initiatives which are designed to increase the underlying sustainability of the organization are measured. Role modeling of Allianz Leadership Values and the Code of Conduct are additional qualitative considerations.

- Alignment of pay and performance: significant performance-based component.
- Variable remuneration bias to the longer term: a high proportion of incentive-based reward recognizes sustained performance over three or five years.
- Alignment with shareholder interests: an important component of remuneration is dependent upon share price performance.
- Integration and balance: incentives complement each other and represent an appropriate balance of opportunity and managed risk that is effective over varying performance scenarios and is consistent with good governance.

Market positioning of the Board of Management remuneration:

The structure, weightings and levels of remuneration components are discussed by the Supervisory Board with a view to attract, motivate and retain top talent. The peer group consists primarily of other DAX 30 companies. Other major diversified insurance/financial services companies in Europe are also points of reference. Allianz's size (e.g. market value) and global scale is top quartile, but not top end of the market.

- Base salary levels are usually around the median of this group.
- The structure of Allianz total reward is more strongly weighted to variable, longer-term remuneration.

Allianz remuneration and benefits arrangements are periodically compared with best practices in the European financial services sector and at other relevant, large corporations. Pension provisions are reviewed periodically to take market practice and development into account.

The Supervisory Board determines the need for any adjustment by taking into account relevant market information, the competitiveness of the total remuneration offer, the performance of the company, general economic conditions and the evolution of Board of Management remuneration relative to remuneration levels within the Group.

## Remuneration structure

There are four main remuneration components, excluding pensions and perquisites, each with approximately the same weighting within annual target remuneration: Base salary, Annual bonus, Three-year bonus and Equity-related remuneration. The split of fixed to variable remuneration in 2010 at target is 25%:75%.

### Structure and level of annual target remuneration<sup>1</sup>

Split between fixed and variable remuneration		Percentage	Regular Member of the Board of Management <sup>2</sup> € thou	Chairman of the Board of Management € thou
	%	%		
<b>25</b>	<b>Base salary</b>	25	700	1,200
	<b>Variable target remuneration</b>			
	Annual bonus (short-term)	25	700	1,180
<b>75</b>	Three-year bonus (mid-term)	25	700	1,180
	Equity-related remuneration (long-term)	25	700	1,180
	<b>Total target remuneration</b>	100	2,800	4,740

## Remuneration components

### Base salary

Base salary is the fixed remuneration component.

### Purpose

Recognize the responsibilities of the role and sustained performance in execution.

### Operation

Base salary is expressed as an annual cash sum, paid in twelve monthly installments. Currently, separate rates apply for the Chairman, the Board Member responsible for Finance and for all other regular Board Members. Most Board Members have similar base

salary levels. However, total remuneration will differ based on actual performance delivered.

### Variable remuneration

Variable awards are made under the plan rules and conditions of the "Allianz Sustained Performance Plan" (ASPP) which consists of the following equally-weighted components:

1. Annual bonus (short-term): a performance-related cash payment which rewards annual achievement of targets.
2. Three-year bonus (mid-term): a performance-related cash payment which rewards multi-year (three years) achievement of targets.

1 All percentages shown reflect approximate values.

2 All members of the Board of Management except Dr. Paul Achleitner (total target remuneration € thou 3,200) and the Chairman.

3. Equity-related remuneration (long-term): consists of virtual shares, known as Restricted Stock Units (RSU). Annual achievement of targets is the basis for the initial grant value. The longer-term performance of the Group is reflected in the Allianz stock price evolution over the four-year vesting period. Payout occurs after five years.

### Purpose

Variable remuneration aims for balance between short-term performance, longer-term success and sustained value creation. It is designed to balance risk and opportunity to achieve an appropriate level of remuneration in different performance scenarios and business circumstances. It recognizes different levels of performance, providing enhanced reward at times of top performance and reduced reward at times of lower performance.

### Execution strategy fully supported by the remuneration system



As stated in the Key Principles, pay is closely aligned with the achievement of the Allianz Group's strategic goals.

### Performance link

Annual performance drives the value of the Annual bonus and also influences the opportunity of the mid- and long-term components. However, the values delivered under the three-year and equity components ultimately depend on sustained performance over longer periods.

### Operation

All variable remuneration components are subject to a uniform cap of 165% of the respective target values. The Supervisory Board therefore determines the level of award within a range of 0 to 165% of target value. Additionally, the RSU payout is capped at 200% above the grant price.

The remaining components of Management Board remuneration comprise pensions and similar benefits and perquisites. These are described below.

### Pensions and similar benefits

Board Members participate in a contribution-based system covering Board service from January 1, 2005.



Detailed information can be found in the section "Target setting and performance assessment" on pages 40 f.

Prior to 2005, members of the Board of Management participated in a defined benefit plan that provided fixed benefits not linked to base salary increases. The levels of benefit generated for each year of service under this plan were frozen at the end of 2004.

Additionally, all Board Members participate in the Allianz Versorgungskasse VVaG (AVK), a contribution-based pension plan and the Allianz Pensionsverein e.V. (APV), which provides pension benefits for salaries up to the German social security ceiling.

### Purpose

Provide competitive and cost effective retirement and disability benefits using risk appropriate vehicles.



For full details on Pensions, please see the pension discussion, table and footnotes on page 42.

### Operation

Company contributions for the current pension plan depend on the years of service on the Board of Management of Allianz SE and are invested in a fund with a minimum guaranteed interest rate per year. On retirement the accumulated capital is converted to a lifetime annuity. An additional risk premium of 5% of regular pension contribution is paid to cover death and disability. Pension is payable from age 60 at the earliest.

## Perquisites

Members of the Board of Management also receive certain perquisites. These mainly consist of contributions to accident and liability insurances, the provision of a company car and in some cases security measures. Each member of the Board of Management is responsible for income tax on these perquisites. Where applicable, there is a travel allowance for Board Members who do not reside in Germany. Perquisites are not linked to performance. The Supervisory Board reviews the level of perquisites at regular intervals.

## Purpose

Align with typical market provisions.

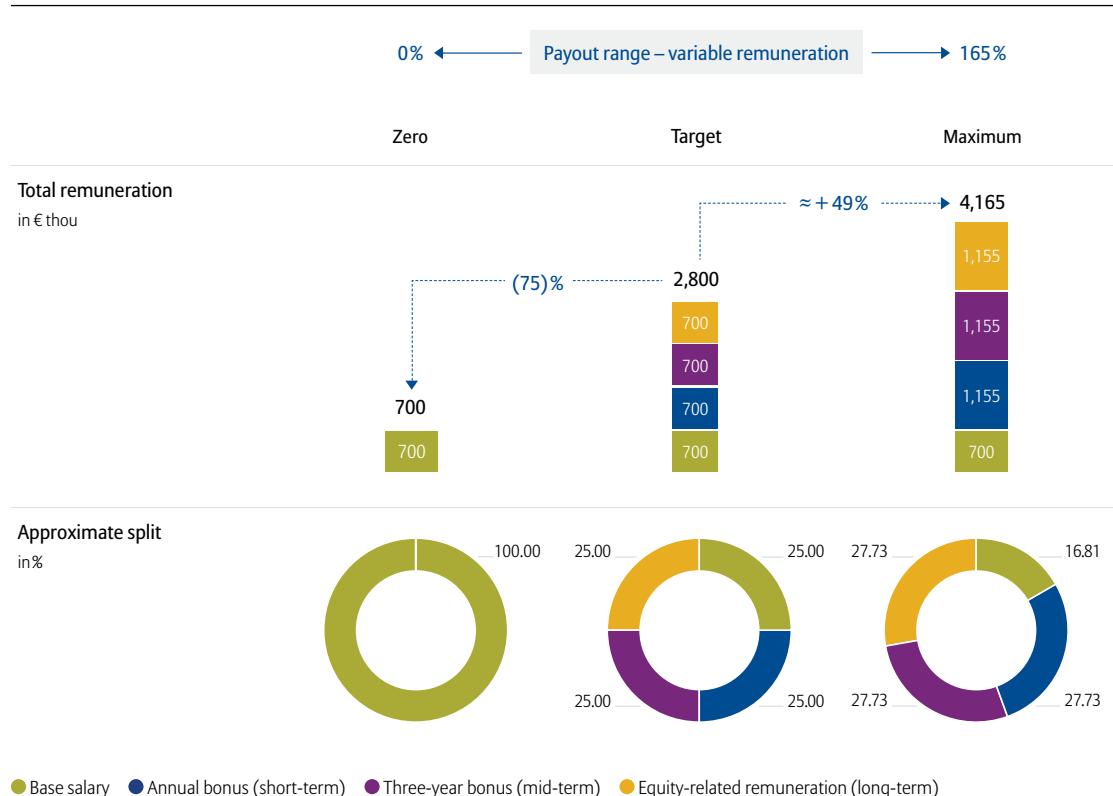
## Operation

Generally administered centrally to ensure compliance with provisions and applicable regulations.

The chart below shows the potential value of the offer (excluding pension and perquisites) at different performance outcomes (zero, target and maximum). In addition they show the corresponding proportions delivered through fixed and variable remuneration.

## Value of annual offer in various performance achievement scenarios

(Example: regular member of the Board of Management with € 700 thou fixed and € 2,100 thou target variable remuneration)



Maximum variable remuneration payout of 165% would lead to an approximately 49% increase of total target remuneration while a 0% payout would reduce the total target remuneration by 75%. The annual accrual of the mid-term (Three-year bonus) amount only indicates the assumed progress based on annual performance. The final assessment and payout is determined by the Supervisory Board after the completed three-year performance period.

# Target setting and performance assessment for variable remuneration

Each year, the Supervisory Board agrees on performance targets for the variable remuneration with the members of the Board of Management. These are documented in a "target letter" which sets out the quantitative and qualitative targets for the upcoming financial year and, every three years, for the respective mid-term period. The nature of these targets is described in the table below.

## **Target categories for variable remuneration**

	Business Division Functions		Corporate Center Functions
<b>Annual bonus (short-term)</b>	<b>Quantitative targets 75%</b>		
	Group targets 50%	<ul style="list-style-type: none"> <li>– Annual operating profit</li> <li>– Annual net income attributable to shareholders</li> </ul>	
	Targets of the Business Divisions/Corporate Center Functions 25%	<p>Operating profit of the respective Business Division</p>	<b>Controlling, Reporting, Risk</b> <ul style="list-style-type: none"> <li>– Solvency I ratio</li> <li>– Dividend capability</li> </ul>
			<b>Finance</b> <ul style="list-style-type: none"> <li>– Investment performance</li> <li>– Cash-Flow generation</li> </ul>
			<b>Operations</b> <ul style="list-style-type: none"> <li>– Efficiency</li> <li>– Operating profit of Travel/Assistance<sup>1</sup></li> </ul>
<b>Three-year bonus (mid-term)</b>	<b>Qualitative targets 25%</b>	<p>5 categories that are essential to the 2010 - 2012 Group strategy</p> <ul style="list-style-type: none"> <li>– “Partner of Choice” for stakeholders (customers, employees, investors, general public)</li> <li>– Profitable growth</li> <li>– Strengthening of competitiveness</li> <li>– Development of market management (e.g. sales channel, customer segments and profitable customer base growth)</li> <li>– Protection of shareholders’ equity</li> </ul>	
		The performance achievement 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.	
<b>Equity-related remuneration (long-term)</b>	Portfolio development	<p><b>Group level</b></p> <ul style="list-style-type: none"> <li>– 2010 - 2012 average growth</li> <li>– 2012 return on capital</li> </ul> <p><b>Business Division level</b></p> <ul style="list-style-type: none"> <li>– 2010 - 2012 average growth</li> <li>– 2012 return on capital</li> </ul>	
	Sustainability assessment qualitative criteria	<ul style="list-style-type: none"> <li>– Actual growth versus expectations</li> <li>– Profitability development</li> <li>– Comparison with peers</li> <li>– Extraordinary events</li> <li>– Capital situation against internal risk capital model</li> <li>– Additional sustainability criteria (e.g. customer/employee satisfaction)</li> </ul>	
	Sustained increase in share price		

<sup>1</sup> Additional operating profit targets were set for Dr. Christof Mascher for overseeing Mondial Assistance

The following section provides additional explanation of each variable component:

The **Annual bonus** award depends on the quantitative and qualitative target achievement for the respective financial year set to achieve an appropriate return on capital, as approved by the Supervisory Board.

The **Three-year bonus** recognizes sustained target achievement over the three-year performance period as well as a sustainability assessment. Quantitative three-year targets focus on portfolio development, as measured by absolute growth and profit which achieve both an appropriate return on capital and relative peer group performance. The Supervisory Board undertakes an initial assessment of achievement versus target based on a portfolio development matrix.

This initial assessment, considering growth and return on capital, ensures that the final award not only depends on a high profit margin but also on profitable growth. Also, to avoid payouts due to general short-term variability not related to sustainable performance, growth is measured over a three-year period.

As the final assessment is not formulaic, the Supervisory Board then additionally considers qualitative factors as part of a sustainability assessment, and as a consequence may modify the resulting award. If performance is determined to be below acceptable relative market performance or not sustainable, assessments may be significantly reduced, in extreme cases to zero.

**Equity-related** remuneration is granted after the end of the financial year with plan participants' annual bonus performance determining the value of the equity grant (the same value as the Annual bonus). The number of RSU granted results from dividing this value by the calculated market value of an RSU at the time of grant. Following the end of the four year vesting period, the company makes a cash award based on the market price of Allianz stock at that time. In this way the ultimate value is driven by Allianz SE stock performance, providing alignment with the

shareholder. To avoid extreme payouts, the RSU payout is capped at 200% above the grant price. Shares are forfeited where executives leave at their own request (or are terminated for cause) thus supporting retention.

## 2010 Remuneration and link to performance

We discuss below the 2010 remuneration results and the link to performance against targets. The performance results take into account financial considerations as outlined in the discussions of financial performance throughout this Annual Report.

**Base salary:** After reviewing appropriate data the Supervisory Board decided to maintain salaries for 2010 at their existing levels. Upon appointment to the Board of Management of the Allianz SE as of January 2010, the base salary for Mr. Ralph was set at € 700 thousand.

**Annual bonus:** The target achievement for the Group, the Business Division/Corporate Functions and the qualitative performance was on average assessed at 131% and ranged between 120% and 147%. Consequently, total Annual bonus awards ranged between 120% and 147% of target with an average bonus award of 131% of target bonus. This represents 79% of maximum payout.

**Three-year bonus:** Three-year performance achievement for the 2010-2012 plan will be measured and bonus outcomes determined during the first half of 2013. For accrual purposes, the target achievement of the Annual bonus serves as the notional indication.

**Equity remuneration:** In accordance with the approach described earlier, a number of RSU were granted to each Board Member in March 2011. At the time of grant, each award had the same "fair value" as the award for the 2010 annual bonus and it is this figure which is shown in the Total Remuneration Table.



Details of equity grants and of total holdings under our equity incentive programs can be found on page 44.

**Perquisites:** For 2010 the total value of the perquisites amounted to € 0.5 million (2009: € 0.6 million). The individual value of perquisites received in 2010 is shown in the overall remuneration chart below.

**Pensions:** Company contributions for the current plan are 30% of base salary, increasing to 37.5% after five years and to 45% after ten years service on the Board of Management of Allianz SE. These are invested in a fund and have a minimum guaranteed interest rate of 2.75% in 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 plan, the above contribution rates are reduced by an amount equivalent to 19% of the annual pension from that plan.

A pension can be received at the earliest from age 60, except for cases of occupational or general disability for medical reasons, when it may become payable earlier-on, or in the case of death, when a pension may be paid to dependents. Surviving dependents normally receive 60% (widow(er) and 20% (per child) of the original pension to the employee, with the aggregate not to exceed 100%. In the AVK a benefit appreciation will occur in cases of death or disability. Should board membership cease prior to retirement age for other reasons, the accrued pension right is maintained if vesting requirements are met.

The following table sets out the 2010 service cost and contributions for each member of the Board of Management of Allianz SE.

Board of Management	Defined Benefit Pension Plan (frozen) <sup>1</sup>				Current Pension Plan				AVK/APV <sup>2</sup>		Transition payment <sup>3</sup>		Total	
	Assumed retirement age	Annual pension payment <sup>4</sup>	SC <sup>5</sup>	DBO <sup>6</sup>	SC <sup>5</sup>	DBO <sup>6</sup>	SC <sup>5</sup>	DBO <sup>6</sup>	SC <sup>5</sup>	DBO <sup>6</sup>	SC <sup>5</sup>	DBO <sup>6</sup>	SC <sup>5</sup>	DBO <sup>6</sup>
			€ thou	€ thou										
Michael Diekmann (Chairman)	60	337	183	4,790	555	2,535	5	133	0	826	743	8,284		
Dr. Paul Achleitner	60	344	271	3,449	350	1,502	5	67	11	361	637	5,379		
Oliver Bäte	60	—	—	—	268	793	2	7	8	72	278	872		
Clement B. Booth	60	—	—	—	258	1,345	2	11	2	362	262	1,718		
Enrico Cucchiari <sup>7</sup>	62 (65) <sup>8</sup>	635 <sup>9</sup>	30 <sup>10</sup>	n.m.	166	856	0	9	1	693	197	1,558		
Dr. Joachim Faber	62	225	0	4,380	349	1,459	0	72	0	686	349	6,597		
Dr. Christof Mascher	60	—	—	—	267	1,048	2	11	15	81	284	1,140		
Jay Ralph	60	—	—	—	261	261	3	3	0	0	264	264		
Dr. Gerhard Rupprecht	62	315	0	5,972	358	1,467	0	159	0	482	358	8,080		
Dr. Werner Zedelius	60	225	95	2,545	320	1,487	5	131	8	273	428	4,436		

<sup>1</sup> For Mr. Cucchiari the Company Pension Fund and TFR (Trattamento di fine rapporto).

<sup>2</sup> Following Allianz's founding of the APV in 1998, the plan participants contribute 3% of their relevant salary to the AVK. For the AVK the minimum interest rate guaranteed is 2.75%-3.50% depending on the date of joining Allianz. In general, the company funds the balance (1:1 in general, and for entries prior to January 2005, 1:2.2) required via the APV. Before 1998 both Allianz and the plan participants were contributing to the AVK.

<sup>3</sup> For details on the transition payment see section "Termination of Service" on page 45.

<sup>4</sup> Expected annual pension payment at assumed retirement age.

<sup>5</sup> SC = Service Cost.

<sup>6</sup> DBO = Defined Benefit Obligation; end of year.

<sup>7</sup> For Mr. Cucchiari the German pension plans are only based on a portion of his fixed salary (€ 460 thou) and on an assumed retirement age of 62. The Italian plans are based on the remaining portion of his salary. In Italy he has in addition to the obligatory state pension system INPS (Istituto Nazionale della Previdenza Sociale) the TFR and the Company Pension Fund as follows: TFR is a lump sum accrued each year and paid out when the person leaves (at any age). As Mr. Cucchiari changed employer in Italy the amount of € 18 thou for the TFR was paid out in 2010. From now on the TFR will accrue in the Pension Fund and no further TFR payment will occur. All Italian schemes are contribution-based systems with the contribution given in the table.

<sup>8</sup> For the Italian pension a retirement age of 65 is assumed.

<sup>9</sup> The expected accrual for the lump sum payment at retirement assuming Mr. Cucchiari will work until 2015 (retirement age 65).

<sup>10</sup> Direct contribution to the Company Pension Fund € 5 thou and from TFR € 25 thou.

Allianz Group paid € 4 million (2009: € 4 million) to increase reserves for pensions and similar benefits for active members of the Board of Management. On December 31, 2010, reserves for pensions and similar benefits for members of the Board of Management active at that date amounted to € 38 million (2009: € 28 million).

**Total remuneration:** The following table shows the individual remuneration for 2009 and 2010 including fixed and variable remuneration. It also shows the pension service cost and further total. Of note, the table also shows the changed mix of variable remuneration resulting from the new remuneration system introduced in January 2010. This leads to a shift within the remuneration components in comparison to the previous year.

Board of Management	Fixed			Variable <sup>1</sup>				Total	Pensions	Total incl. Pensions
	Base salary	Perqui- sites <sup>2</sup>	Annual bonus (short- term) <sup>3</sup>	Three- year bonus (mid- term) <sup>4</sup>	Fair value of SAR award at date of grant (long- term) <sup>5</sup>	Fair value of RSU award at date of grant (long- term) <sup>5</sup>				
	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
Michael Diekmann (Chairman)	2010	1,200	24	1,544	—	1,544	5,856	743	6,599	
	2009	1,200	28	2,081	257	440	4,777	728	5,505	
Dr. Paul Achleitner	2010	800	61	1,075	1,075	—	1,075	4,086	637	4,723
	2009	800	49	1,387	165	291	513	3,205	525	3,730
Oliver Bäte	2010	700	47	948	948	—	948	3,591	278	3,869
	2009	700	56	1,175	241	259	453	2,884	294	3,178
Clement B. Booth	2010	700	125	992	992	—	992	3,801	262	4,063
	2009	700	110	1,148	264	336	583	3,141	260	3,401
Enrico Cucchiani	2010	700	46	925	925	—	925	3,521	197	3,718
	2009	700	99	1,090	105	330	467	2,791	286	3,077
Dr. Joachim Faber	2010	700	20	1,029	1,029	—	1,029	3,807	349	4,156
	2009	700	23	1,244	215	385	628	3,195	421	3,616
Dr. Christof Mascher	2010	700	22	881	881	—	881	3,365	284	3,649
	2009	216	12	324	62	118	251	983	247	1,230
Jay Ralph	2010	700	81	845	845	—	845	3,316	264	3,580
	2009	—	—	—	—	—	—	—	—	—
Dr. Gerhard Rupprecht	2010	700	31	845	845	—	845	3,266	358	3,624
	2009	700	78	1,021	107	352	491	2,749	356	3,105
Dr. Werner Zedelius	2010	700	16	837	837	—	837	3,227	428	3,655
	2009	700	16	1,115	75	595	818	3,319	358	3,677
<b>Total</b>	2010	<b>7,600</b>	<b>473</b>	<b>9,921</b>	<b>9,921</b>	—	<b>9,921</b>	<b>37,836</b>	<b>3,800</b>	<b>41,636</b>
	2009 <sup>6</sup>	<b>7,620</b>	<b>570</b>	<b>12,358</b>	<b>1,653</b>	<b>3,279</b>	<b>5,122</b>	<b>30,602</b>	<b>3,704</b>	<b>34,306</b>
<b>Change from previous year<sup>b</sup></b>		<b>(0.3)%</b>	<b>(17.0)%</b>	<b>(19.7)%</b>	<b>500.2%</b>	<b>(100.0)%</b>	<b>93.7%</b>	<b>23.6%</b>	<b>2.6%</b>	<b>21.4%</b>
<b>Change from previous year in total variable</b>						<b>32.8%</b>				

1 Due to changes in the remuneration system as of January 1, 2010, the variable remuneration components for 2010 are weighted differently from those applying to 2009. The 2010 and 2009 values are therefore of limited comparability relative to the performance achievement. The remuneration system in use until December 31, 2009 is disclosed in the Annual Report 2009 (pages 17ff.).

2 Differences tend to reflect travel allowances for non-German resident Board Members.

3 Actual bonus paid in 2011 for fiscal year 2010 and in 2010 for fiscal year 2009.

4 For accrual purposes the 2010 value for the Mid-term bonus 2010 to 2012 equals the Annual bonus payout for 2010. Since the performance assessment and the final payout occur after completion of the performance cycle this value is only a notional indication.

5 In the Annual Report 2009 the disclosure of the fair value of SAR/RSU was based on a best estimate. The figures shown here for 2009 now include the actual fair value as of the grant date (March 11, 2010). These values therefore differ from those disclosed last year.

6 The total remuneration and the percentage change between 2009 and 2010 reflects the remuneration of the full Board of Management in the respective year. The following members of the Board of Management departed during 2009: Dr. Helmut Perlet, Jean-Philippe Thierry, Dr. Herbert Walter.

To provide disclosure comparable to prior years, the remuneration table includes the notional annual accrual of the Three-year bonus for 2010 to 2012. However, as in the 2009 report, we also disclose below the actual total remuneration per member of the Board of Management for each respective year. For this purpose, the "Total" for 2010 excludes the notional annual value of the Three-year bonus 2010 to 2012 and the "Total" for 2009<sup>1</sup> (in parenthesis) includes the full payout of the Three-year bonus 2007 to 2009:

Michael Diekmann € 4,312 (5,560) thousand  
Dr. Paul Achleitner € 3,011 (3,720) thousand  
Oliver Bäte € 2,643 (3,093) thousand  
Clement B. Booth € 2,809 (3,664) thousand  
Enrico Cucchiani € 2,596 (3,400) thousand  
Dr. Joachim Faber € 2,778 (3,718) thousand  
Dr. Christof Mascher € 2,484 (983) thousand  
Jay Ralph € 2,471 (—) thousand  
Dr. Gerhard Rupprecht € 2,421 (3,317) thousand  
Dr Werner Zedelius € 2,390 (3,967) thousand

The total remuneration of the Board of Management of Allianz SE for 2010, excluding the notional annual accrual of the Three-year bonus, amounts to € 28 million (2009: € 36 million including the payout of the Three-year bonus for the period 2007-2009).

The sum of total remuneration of the Board of Management of Allianz SE and the pension service costs for 2010 (excluding the notional annual Mid-term Bonus accrual) amounts to € 32 million (2009: € 40 million including the payout of the Three-year bonus for the period 2007-2009).

**Grants and outstanding holdings in equity incentives:** The equity-related remuneration which applied before 2010 consisted of two vehicles, virtual stock options, known as Stock Appreciation Rights (SAR) and virtual stock awards, known as Restricted Stock Units (RSU). The new arrangements continue to award RSU. The table below shows the number of SAR and RSU held as of December 31, 2010 and the approximate number of RSU granted in March 2011 for performance in 2010.

#### Grants and outstanding holding under the Allianz Equity program<sup>2</sup>

Board of Management	RSU		SAR	
	Number of RSU granted on 3/10/2011 <sup>3</sup>	Number of RSU held at 12/31/2010	Number of SAR held at 12/31/2010	Strike Price Range €
Michael Diekmann (Chairman)	17,764	37,417	129,136	51.95 – 160.13
Dr. Paul Achleitner	12,370	25,059	92,622	51.95 – 160.13
Oliver Bäte	10,905	12,951	26,362	51.95 – 117.38
Clement B. Booth	11,413	25,094	50,464	51.95 – 160.13
Enrico Cucchiani	10,647	25,187	84,366	51.95 – 160.13
Dr. Joachim Faber	11,842	26,639	89,105	51.95 – 160.13
Dr. Christof Mascher	10,140	14,026	36,174	51.95 – 160.13
Jay Ralph	9,725	12,531	25,449	51.95 – 117.38
Dr. Gerhard Rupprecht	9,718	24,583	84,348	51.95 – 160.13
Dr. Werner Zedelius	9,632	32,994	95,835	51.95 – 160.13

1 The values for total remuneration for 2009 now include the actual fair values of equity grants and therefore differ from the estimated figures shown in last years' report.

2 As disclosed in the Annual Report 2009 the equity related grant 2010 is deemed to have been granted to participants as part of their 2009 remuneration. The disclosure in the Annual Report 2009 was based on a best estimate of the Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU) grants. The actual grants, as of March 11, 2010, deviate from the estimated values and have to be disclosed accordingly. The actual grants as of March 11, 2010 under the Group Equity Program in form of SAR and RSU are as follows: Michael Diekmann: SAR 20,884, RSU 10,367, Dr. Paul Achleitner: SAR 13,923, RSU 6,911, Oliver Bäte: SAR 12,183, RSU 6,048, Clement B. Booth: SAR 15,572, RSU 7,730, Enrico Cucchiani: SAR 9,757, RSU 4,843, Dr. Joachim Faber: SAR 15,764, RSU 7,825, Dr. Christof Mascher: SAR 7,892, RSU 3,918, Dr. Gerhard Rupprecht: SAR 10,093, RSU 5,010, Dr. Werner Zedelius: SAR 16,296, RSU 8,089. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (pages 17ff.).

3 The relevant share price to determine the final number of RSU granted is only available after the sign-off by KPMG, thus numbers are based on a best estimate.

The Allianz Equity Incentive is accounted for as a cash-settled plan. Any changes in fair value of the grants are accrued as compensation expense over the relevant vesting period. Upon vesting, any changes in the fair value of the unexercised SAR are recognized as compensation expense. The Equity Incentive compensation expense in 2010 amounted to € 5,246 thousand, for Mr. Diekmann € 697 thousand, for Dr. Achleitner € 434 thousand, for Mr. Bäte € 407 thousand, for Mr. Booth € 639 thousand, for Mr. Cucchiani € 474 thousand, for Dr. Faber € 509 thousand, for Dr. Mascher € 412 thousand, for Mr. Ralph € 443 thousand, for Dr. Rupprecht € 492 thousand and for Dr. Zedelius € 739 thousand.

SAR are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SAR granted until and including 2008, the vesting period was two years. For SAR granted from 2009, the vesting period is four years. SAR can be exercised on the condition that the price of the Allianz SE stock is at least 20% above their strike price at 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. RSU are released to plan participants on the first trading day after the end of the vesting period.

In 2010, remuneration and other benefits totaling € 7 million (2009: € 4 million) were paid to retired members of the Board of Management and dependents. Reserves for current pensions and accrued pension rights totaled € 58 million (2009: € 52 million).

### **Loans to members of the Board of Management**

As of December 31, 2010, there were no outstanding loans granted by Allianz Group companies to members of the Board of Management. When granted, loans and overdrafts are provided according to standard market conditions or the conditions prevailing for Allianz employees. They do not involve any more than normal risks of repayment and do not provide any other favorable features.

### **Termination of service**

Board of Management contracts are normally initially set for a three-year period, renewable at the end of the term. If renewed, a maximum period of five years applies for the further term(s), or shorter if age 60 is reached before then. Arrangements for termination of service (including retirement) are as follows:

Board Members who were appointed before January 1, 2010 and who have served a term of at least five years are eligible for a six-month transition payment when leaving the Allianz SE Board. Board Members receiving a transition payment are subject to a six months non-compete clause. The payment is calculated based on last base salary and a proportion of the annual target bonus. An Allianz pension, where immediately payable, is taken into account in adjusting transition payment amounts. Current Board Members are eligible to use the company car for a period of 12 months after their retirement.

Severance payments made to Board Members in case of an early termination comply with the German Corporate Governance Code. The standard Management Board service contract specifies that payments for early termination shall not exceed (i) the compensation for the remaining term of the contract, (ii) two years' compensation, whereby the yearly compensation is calculated on the basis of the previous year annual base salary plus 50% of target variable remuneration and may in no event exceed last year's actual total compensation (severance payment cap).

Special terms apply if service is terminated as a result of a "change of control". A change of control 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 change of control occurs where within twelve months of the change of control (i) the Management Board appointment is unilaterally revoked by the Supervisory Board or (ii) the Board Member terminates service

by resignation due to a substantial decrease in managerial responsibilities and without giving cause for termination, or (iii) a Management Board appointment is terminated by mutual agreement or where it is not extended within two years of the change of control.

In case of an early termination as a result of a change of control, severance payments made to Board Members shall not exceed 150% of the severance payment cap. Service contracts do not contain any special rules for other cases of early termination of appointment to the Board of Management.

## Miscellaneous

### Internal and external Board Appointments

Where 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 where 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.



For a list of current external appointments, please refer to page 302.

- In accordance with regulation, a specific clause is now included in “target letters”, which confirms that variable remuneration components may not be paid, or that payment may be restricted, if the state supervisory authority requires this in accordance with its statutory powers.
- A key focus for 2011 will be the continuing review of compliance with the emerging national and international regulations applying to our sector.
- Contributions as a percentage of base salary currently paid by the company for the contribution-based pension plan will decrease from 2011 onwards to achieve target provision level using new actuarial and increasing tenure assumptions:

Allianz SE Board Service	Current Contribution Level	Contribution Level from 2011
Less than 5 years	30.00%	29.25%
After 5 years	37.50%	36.56%
After 10 years	45.00%	43.88%

## Outlook for 2011

- On December 15, 2010 the Supervisory Board approved a base salary adjustment for those members of the Board of Management who had not received an increase since 2006: the base salaries of Clement B. Booth, Enrico Cucchiani, Dr. Joachim Faber and Dr. Werner Zedelius shall each be increased by € 50,000, which leads to a base salary of € 750,000 as of January 1, 2011.

## Executive remuneration below the Board of Management

In support of greater transparency for shareholders and to align with regulatory requirements this section on executive remuneration below the Board of Management describes the:

- Governance system
- Framework and minimum standards
- Remuneration principles
- Remuneration components
- 2010 Remuneration
- Outlook for 2011

For the purpose of this report, senior executives are defined as Allianz employees who may either have material impact on the company's financial or risk positions, or lead critical operations of the Group (approximately 160 individuals). In general, the same principles and governance standards described for the Board of Management apply to the remuneration of senior executives. However, executives below the Board of Management are more directly responsible for specific lines of business or product groups. Likewise, their remuneration is more closely aligned with their specific business, country and/or regional operating environments. Consequently there is a higher degree of variation in remuneration practices and levels.

The general objective for all Allianz remuneration structures is to offer competitive reward in terms of components, structure and level which allows Allianz to attract, motivate and retain high performing employees without encouraging excessive risk-taking.

### Governance system

Remuneration governance across Allianz is based on five key principles:

- Effective committees
- Written guidelines and policies
- Appropriate accountabilities
- Supervision and monitoring
- Effective information flow

These principles stand on a solid foundation provided by corporate risk management policies and practices, the Allianz Leadership Values and the Code of Conduct.

Allianz operates an effective system of business, regional and country or operating entity level Compensation Committees that periodically review and decide on remuneration guidelines and practices below the Board. Based on the specific nature, scale and scope of each business the Board of Management has defined the appropriate level of Compensation Committee oversight.

The duties of the Group-level Compensation Committee (Group Compensation Committee or GCC) are to assist the Allianz SE Board in discharging its responsibilities for all compensation matters relating to the Chief Executive Officers and Board Members of the International Executive Committee (IEC) companies and the heads of the major functions of Allianz SE. In addition, the committee and representatives of companies classified as significant according to the German Insurance Remuneration Regulation effective October 13, 2010 have identified and approved a list of other key executives for additional review. These executives may either have a material impact on the company's financial or risk positions, or lead critical operations of the Group.

Compensation Committees' responsibilities below the GCC are similar with regards to compensation systems and oversight for their respective/relevant executives.

A group-wide framework governs Compensation Committee operations and ensures consistent application and adherence to both Allianz minimum standards and regulatory requirements. In compliance with the latest relevant regulations, it covers:

- Important requirements regarding the constitution of Compensation Committees
- The roles and responsibilities of its members
- Operating procedures
- Principles and boundaries of remuneration

The membership of the GCC reflects the nature of the principal Allianz businesses and the breadth and depth of expertise required for Group oversight/control. Membership is approved by the Allianz SE Board of Management. Cross-representation on different Committees (i.e. Compensation, Risk, Finance and Capital Committees) supports effective information flow between these bodies.

The members of the GCC in 2010 were the following members of the Allianz SE Board of Management: Michael Diekmann (Chairman), Oliver Bäte (Controlling, Reporting and Risk), Clement Booth (Global Insurance Lines/Anglo Markets), Dr. Joachim Faber (Asset Management Worldwide) and Dr. Gerhard Rupprecht (Insurance German Speaking Countries) with additional HR representation (including remuneration experts) at every meeting and specific further topical experts vetting materials or attending as guests as appropriate.

Local Compensation Committees are typically comprised of Regional Chief Executive Officers, Business Division Heads, Chief Financial Officers or Chief Operating Officers and the Head of Human Resources, who may act as adviser. A representative of the legal and/or compliance function shall be included as a voting member from 2011.

Beyond local Compensation Committee oversight, the GCC must be informed quarterly of payments or individual agreements exceeding certain materiality thresholds.

## Framework and minimum standards

Allianz's global governance frameworks and minimum standards are centrally managed. This ensures global consistency and allows for timely updates to reflect changing business needs and evolving regulatory requirements. It also allows for continuous improvement in sustainable performance management and exemplary governance principles.

In 2010, Allianz conducted a comprehensive remuneration risk assessment for senior executives in companies classified as significant according to VersVergV to confirm that the remuneration structures for senior executives are appropriate to their role, transparent and aligned to the sustainable development of Allianz. The objectives of this review were to develop any recommendations for improving risk mitigation and aligning pay for performance and, ultimately, to confirm compliance with the relevant insurance regulation on remuneration.

Positions which might have a material impact on the company's overall risk profile were identified via a comprehensive, qualitative approach involving experts from various Group Centers, business representatives as well as advice from qualified external remuneration experts.

Broadly the analysis included:

- A detailed review of the performance measures and associated weightings used in annual bonus plans as specifically set down in executives' target letters.
- A further review of the existing minimum standards for performance management and the implications for the annual target setting process.
- An evaluation of pay for performance links to Allianz strategy and appropriateness in relation to existing and draft regulations applicable to insurers in Germany.
- An effectiveness review of the governance and oversight process, which included operating entity self-assessments against the revised Compensation Committee framework.

The results of these analyses were incorporated in the internal Compensation Report to the Board of Management. Following due consideration, the Board of Management provided the Supervisory Board with a summary of the analyses, recommendations for improvements in the remuneration and governance

systems, and an overall assurance of compliance with the relevant regulations.

## Remuneration principles

Remuneration structures and incentives are designed to encourage sustainable value-creating activities for Allianz. Hence Allianz deploys a number of different remuneration structures and strategies across the Group which take into account the particular roles of executives, business activities and local remuneration and regulatory environments.

In 2010, a number of adjustments were made to executive remuneration programs. A comprehensive review of governance processes also provided support for initial program changes and informed the continuous improvement objectives going forward. However, the overall key principles of executive remuneration strategy are enduring. These are to:

- Provide a transparent, fair and integrated offer to attract, motivate and retain highly qualified executives.
- Deliver total rewards that are competitive in the relevant markets.
- Align pay with both the performance of individuals and the achievement of Allianz Group's financial and strategic goals consistent with shareholder interests.
- Vary the mix and weight of fixed versus variable remuneration to reflect the executive's influence on the results of the Group/Business Division/Operating Entity.
- Operate effectively in different performance scenarios and business circumstances.
- Mitigate inappropriate risk taking and reward risk control.

Remuneration structures have been designed in general to mitigate inappropriate risk-taking as follows:

- Caps are in place on all incentives to ensure that extreme performance outcomes which might encourage risk-taking are not rewarded.
- Significant proportions of the offer are deferred providing additional time to confirm the sustainability of short-term performance results.
- Variable pay performance measures such as operating profit and net income are set based on risk adjusted margin. They are not purely revenue targets. Minimum capitalization requirements are supported through use of the internal risk capital model in setting targets. Mid-term targets measure return on risk-based capital.
- Risk is considered at all levels where individuals can affect it.

## Remuneration components

The primary model is that of the Allianz insurance business. The model provides for a balance of fixed and variable remuneration components with a bias to the longer-term realization of results in determining the final value of total remuneration. 2010 was the first year of the new Allianz Sustained Performance Plan that covers most executives in insurance business.

For the majority of operations the following components set the remuneration structure for senior executives, although not everyone in this group receives all of them, or has the same mix of components:

- Base salary
- Variable remuneration, including:
  - Short- and, where applicable, mid-term incentives
  - Long-term incentives in the form of equity-related remuneration

The outline below discusses each component's purpose, performance link and operation.



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

## **Base salary**

### **Purpose**

Recognizes the market value of the role and the sustained performance in execution. The proportion of the fixed component within total remuneration is designed to balance performance incentives so as to avoid excessive risk-taking.

### **Performance link**

Annual adjustments also take account of sustained performance in the role, the performance of the company, general economic conditions and the level of increases awarded elsewhere in the Group.

### **Operation**

Base salary is expressed as an annual cash sum paid in monthly installments.

## **Variable remuneration**

### **Purpose**

In general, variable remuneration is designed to encourage and reward achievement of both annual performance goals and the sustainable success of the Group and local companies.

### **Performance link**

Variable remuneration is structured to align with risk positioning strategy and to reward the personal contribution of the individual.

### **Operation**

Annual and where applicable, multi-year targets are set, communicated and documented in advance of the performance period and generally conform with SMART (specific, measurable, attainable, relevant and time-bound) principles. In the case of breaches of the Code of Conduct, compliance or other relevant criteria, payout can be reduced partially or in full.

For operations that have either asset management or alternative investment business for Allianz or third-party assets, incentive programs and remuneration structures are consistent with the risk positions and competitive markets in which they operate. These may deviate from the general Allianz variable remuneration program descriptions and may include profit sharing, co-investment and other cash-based incen-

tive plans. These businesses use appropriate risk control measures. Oversight is performed through their respective Compensation Committees whose members have the requisite competence and industry expertise to govern and endorse these reward structures.

According to the general terms applying to all employees, senior executives who are not members of a Board of Management may also participate in the global Employee Stock Purchase Plan.

Additionally, depending on the specific country or operating entity, Allianz operates a number of pension and flexible benefit plan solutions, in particular deferred compensation schemes which may provide participants with other opportunities or choices to accumulate retirement income.

For further information regarding the global Employee Stock Purchase Plan and the remuneration of our employees please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport).

## **2010 Remuneration**

For senior executives who may assume positions of high risk in the sense of the VersVergV, we disclose aggregate details of the 2010 target remuneration. The number of those functions across the Group identified for the 2010 analysis was 161, as outlined above.

## Key features of senior executives' 2010 target remuneration<sup>1,2</sup>

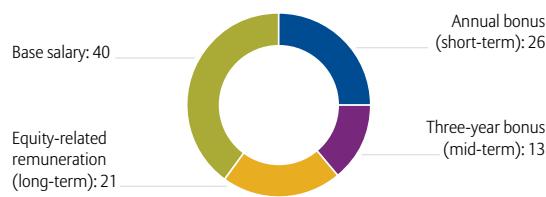
### Split between fixed and variable remuneration

in%



### Allocation per remuneration component

in%



### Split between short-term and mid-/long-term variable remuneration

in%



### Split between cash incentives and equity-related variable remuneration

in%



<sup>1</sup> Figures excluding pensions and perquisites; including Members of the Board of Management of Allianz SE.

<sup>2</sup> Analysis in 2009 Annual Report based on significantly different population due to previous regulatory interpretation.

## Outlook for 2011

In its meeting on January 13, 2011, the Allianz SE Board of Management decided that Dr. Christian Finckh (Chief Human Resources Officer, Allianz SE), Thomas Münkel (Chief Governance Officer, Allianz SE), Dr. Thomas Naumann (Head of Group Planning and Controlling, Allianz SE) and Dr. Werner Zedelius (Member of the Allianz SE Board of Management) will become additional members of the Group Compensation Committee with immediate effect. Dr. Werner Zedelius takes over the chair of the Group Compensation Committee from Michael Diekmann who will remain on the Committee as a regular member. Dr. Gerhard Rupprecht leaves the Committee upon his retirement effective December 31, 2010. These changes are made both to provide additional expertise and capacity on the Committee and to comply with German Insurance Remuneration Regulation.<sup>3</sup>

As a result of the review of key executive remuneration contained in the 2010 Compensation Report to the Board of Management and the Supervisory Board, there will also be changes to the remuneration structures covering certain senior executives.

Those who do not have sufficient proportions of deferred remuneration, and/or sufficient deferred remuneration subject to reduction based on subsequent performance review, will participate in an RSU based equity award with terms in accordance with the latest regulations applying to German Insurance Undertakings.

Performance measurement for variable remuneration will include evaluations of appropriate solvency ratios.

<sup>3</sup> In accordance with the German Insurance Remuneration Regulation, Compensation Committee membership in Allianz generally will not solely consist of Board Members/Managing Directors and will also include representatives of the business as well as representatives of HR and control functions. In order to avoid potential conflicts of interest, attention is paid to ensuring that each Compensation Committee comprises members whose own remuneration is not covered by its remit.

## Remuneration of the Supervisory Board

This Supervisory Board section describes the following topics:

- Governance system
- Remuneration principles
- Remuneration structure and components
- 2010 Remuneration
- Outlook for 2011

### Governance system

The remuneration of the Supervisory Board is governed by the Statutes of Allianz SE and the German Stock Corporation Act.

The structure of the remuneration of the Supervisory Board complies with the German Corporate Governance Code and is regularly reviewed with respect to additional German, European and international recommendations and regulations.

### Remuneration principles

The remuneration of the Supervisory Board is designed primarily to support alignment with stakeholder interests, while also establishing sufficient separation from Board of Management incentives to allow for proper oversight of business and executive remuneration decisions.

The key principles of the 2010 Supervisory Board remuneration are:

- Total remuneration is set at an appropriate level based on the scale and scope of the Supervisory Board Members' duties and responsibilities as well as the Company's activities, business and financial situation.
- An appropriate balance is maintained between fixed remuneration and short- and long-term performance-based components.

- The remuneration takes into account the individual functions and responsibilities of Supervisory Board Members, such as chair, or vice-chair or committee mandates.

### Remuneration structure and components

#### Basic remuneration

Three components make up the basic remuneration<sup>1</sup> of a member of the Supervisory Board of Allianz SE.

- Fixed remuneration: a set cash amount paid annually to a Supervisory Board Member for service.
- Short-term variable remuneration: focuses on annual performance. Performance is measured by the growth of consolidated earnings-per-share (EPS) compared to the previous fiscal year.<sup>2</sup> Zero payout occurs if no growth (0%) is achieved, and a maximum payout occurs if 16% EPS growth is achieved.
- Long-term variable remuneration: focuses on three-year performance. Performance is measured by the growth of consolidated earnings-per-share (EPS) compared to the level achieved three years earlier.<sup>3</sup> Zero payout occurs if no growth (0%) is achieved, and a maximum payout occurs if 40% EPS growth is achieved.

For both variable remuneration components, payouts only occur if EPS is above an initial hurdle of € 5 earnings-per-share.

The Chairperson of the Supervisory Board receives double, and the Deputy Chairperson receives one-and-a-half times the basic remuneration of a regular member of the Supervisory Board.

<sup>1</sup> I. e. the remuneration without taking into account additional remuneration for the Chairman, Deputy Chairman and/or Committee Chairpersons or members.

<sup>2</sup> € 150 for each tenth percentage point by which the Group's earnings-per-share increased in comparison to the previous year.

<sup>3</sup> € 60 for each tenth percentage point by which the Group's earnings-per-share increased over the past three years.

The table below illustrates the range of potential basic remuneration where zero and maximum variable payout is achieved for different Supervisory Board Member positions.

Remuneration component	Chairperson € thou	Deputy Chairperson € thou	Regular member € thou
Fixed remuneration	100	75	50
Range of short-term variable remuneration	0 – 48	0 – 36	0 – 24
Range of long-term variable remuneration	0 – 48	0 – 36	0 – 24
Range of total basic remuneration	100 – 196	75 – 147	50 – 98

### Committee-related remuneration

The Chairpersons and members of Supervisory Board committees receive additional committee-related remuneration. For the majority of committees, the committee-related fees are based on a percentage of the basic remuneration received by a regular member in the calendar year and reflect the performance outcome in the variable remuneration component.

The committee-related fees are determined as follows:

Roles and committee membership	Committee related remuneration
Chairpersons of the Personnel Committee, Standing Committee and Risk Committee	50% of the basic remuneration max.: € thou 49
Members of the Personnel Committee, Standing Committee and Risk Committee	25% of the basic remuneration max.: € thou 24.5
Chairperson of the Audit Committee	€ thou 45
Members of the Audit Committee	€ thou 30
Members of the Nomination Committee	€ 0

### Caps

There is a cap on the total remuneration (basic remuneration and committee-related remuneration, excluding attendance fees) of each member of the Supervisory Board. The maximum for the Chairman of the Supervisory Board is 300% of the basic remuneration of a regular member, i. e. € 294 thousand, and for the other members of the Supervisory Board the maximum is 200% of the basic remuneration, i. e. € 196 thousand.

### Attendance fees

In addition, members of the Supervisory Board receive a € 500 attendance fee for each Supervisory Board or committee meeting that they attend in person. This sum remains unchanged if several meetings occur on one day or when various meetings are held on consecutive days.

## Remuneration for 2010

The relevant performance measure determining the Supervisory Board's variable remuneration is growth in the Group's earnings-per-share (EPS). EPS for 2010 amounted to € 11.20. The Group's earnings-per-share growth in 2010 compared to 2009 and 2007 were 20.04% and 0.00% respectively. Taking into account the initial hurdle of € 5 for calculation purposes, the short-term variable award is 100% of the maximum and the long-term variable award is 0% of the maximum.

The table below provides an overview of the basic remuneration for different Supervisory Board positions in 2010. The detailed individual result for each member is in the table which follows.

Remuneration component	Chair-person	Deputy Chair-person	Regular member
	€ thou	€ thou	€ thou
Fixed remuneration	2010 100	75	50
2009 100	75	50	
Short-term variable remuneration	2010 48	36	24
2009 48	36	24	
Long-term variable remuneration	2010 0	0	0
2009 0	0	0	
Total basic remuneration	2010 148	111	74
2009 148	111	74	

The total remuneration for the Supervisory Board Members, including attendance fees, amounted to € 1,463 thousand in 2010, compared to € 1,491 thousand in 2009. Accordingly, the average annual remuneration for the Supervisory Board Members decreased to € 122 thousand (2009: € 123 thousand). Also for 2009, no long-term variable remuneration was awarded.

The following table shows the individual remuneration for 2010 and 2009:

Members of the Supervisory Board	AC <sup>1</sup>	NC <sup>2</sup>	PC <sup>3</sup>	RC <sup>4</sup>	SC <sup>5</sup>	Fixed remuneration € thou	Short-term variable remuneration € thou	Long-term variable remuneration € thou	Committee remuneration € thou	Attendance fees € thou	Total remuneration (after cap) € thou	
Dr. Henning Schulte-Noelle (Chairman)	M	C	C	C	C	2010	100.0	48.0	0.0	141.0	3.5	225.5 <sup>6</sup>
		C	C	C	C	2009	100.0	48.0	0.0	111.0	2.5	224.5 <sup>7</sup>
Dr. Gerhard Cromme (Deputy Chairman)	M	M	M	M	M	2010	75.0	36.0	0.0	37.0	2.5	150.5
Rolf Zimmermann (Deputy Chairman)	M	M	M	M	M	2009	75.0	36.0	0.0	37.0	2.0	150.0
Dr. Wulf H. Bernotat	C				M	2010	75.0	36.0	0.0	37.0	2.5	150.5
					M	2009	70.8	34.0	0.0	35.5	2.5	142.8
Jean-Jacques Clette	M					2010	50.0	24.0	0.0	63.5	4.0	141.5
	M					2009	50.0	24.0	0.0	48.5	2.0	124.5
Karl Grimm					M	2010	50.0	24.0	0.0	18.5	2.5	95.0
					M	2009	50.0	24.0	0.0	17.0	1.5	92.5
Godfrey Robert Hayward				M		2010	50.0	24.0	0.0	18.5	2.5	95.0
				M		2009	50.0	24.0	0.0	18.5	2.0	94.5
Prof. Dr. Renate Köcher	M			M		2010	50.0	24.0	0.0	18.5	2.0	94.5
	M			M		2009	50.0	24.0	0.0	18.5	2.0	94.5
Peter Kossubek				M		2010	50.0	24.0	0.0	18.5	2.5	95.0
				M		2009	50.0	24.0	0.0	18.5	2.0	94.5
Igor Landau	M					2010	50.0	24.0	0.0	30.0	2.5	106.5
	M					2009	50.0	24.0	0.0	30.0	2.5	106.5
Jörg Reinbrecht	M					2010	50.0	24.0	0.0	30.0	3.5	107.5
	M					2009	50.0	24.0	0.0	30.0	2.5	106.5
Peter D. Sutherland				M		2010	50.0	24.0	0.0	18.5	2.0	94.5
				M		2009	—	—	—	—	—	—
<b>Total</b>						2010	700.0	336.0	0.0	461.0	33.0	1,463.0
						2009 <sup>8</sup>	702.1	337.0	0.0	461.0	28.0	1,491.1

Legend: C = Chairperson of the respective committee, M = Member of the respective committee.

1 Audit Committee.

2 Nomination Committee.

3 Personnel Committee.

4 Risk Committee.

5 Standing Committee.

6 Total remuneration (excluding attendance fees) is capped at € 222 thou (for the Chairperson, the limit is three times the 2010 actual basic remuneration).

7 Total remuneration (excluding attendance fees) was capped at € 222 thou (for the Chairperson, the limit was three times the 2009 actual basic remuneration).

8 The total remuneration reflects the remuneration of the full Supervisory Board in the respective year.

### **Loans to members of the Supervisory Board**

On December 31, 2010, there were no outstanding loans granted by Allianz Group companies to members of the Supervisory Board of Allianz SE.

### **Outlook for 2011**

The Board of Management and Supervisory Board have decided to propose a new remuneration structure at the Annual General Meeting 2011 which will comprise fixed remuneration only. The variable components will be eliminated. In addition, committee remuneration shall be further aligned to the increased scope of responsibilities and actual workload. However, in general, the proposed remuneration level is not expected to exceed the current target levels.

A regular Supervisory Board Member shall receive a fixed remuneration of € 100 thousand per year, a deputy Chairperson shall receive € 150 thousand and the Chairperson € 200 thousand. The additional committee related remuneration is listed below.

Roles and committee membership	Committee related remuneration
Chairpersons of the Personnel Committee, Standing Committee and Risk Committee	€ thou 40
Members of the Personnel Committee, Standing Committee and Risk Committee	€ thou 20
Chairperson of the Audit Committee	€ thou 80
Members of the Audit Committee	€ thou 40
Members of the Nomination Committee	€ thou 0

The new remuneration structure – subject to approval by the Annual General Meeting and its registration with the commercial register – shall come into effect for the business year 2011. As the current German Corporate Governance Code recommends a variable remuneration component for the Supervisory Board, the company is planning to deviate from this recommendation in the future. The reason for such deviation is the belief that a fair, fixed remuneration is more suitable to the control function of the Supervisory Board. The Supervisory Board discussed the changes to the remuneration structure in its September 2010 and December 2010 meetings based on a proposal from the Personnel Committee and following a review of, and advice on, remuneration levels and practices by Kienbaum Management Consultants.



## Group Management Report

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Budapest, Ferenciek tere

# Group Management Report

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In support of recent international debate to move increasingly more Annual Report content online, we have changed our publication strategy and thus the structure of our Group Management Report. We thus now provide the following additional unaudited information, which is not legally required but is nonetheless useful for our readers, for download at [www.allianz.com/annualreport](http://www.allianz.com/annualreport):

- Our Business
- Our Strategy
- Allianz Brand
- Customer Focus
- Our Employees
- Sustainable Development

With this new streamlined content we offer more transparency and easier navigation to help our readers focus on the core business analysis. Not to mention the positive contribution this will make towards sustainable reporting.

## Your Allianz

# Worldwide Presence and Business Divisions



### Insurance German Speaking Countries

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

### Insurance Europe, South America, Africa

● II.	● II.	● Italy
● II.	● IV.	● Spain
● III.	● III.	● Portugal
● III.	● III.	● Greece
● II.	● III.	● Turkey
● II.	● III.	● France
● III.	● III.	● Belgium
● II.	● III.	● Netherlands
● IV.	● IV.	● Luxembourg
<b>South America</b>		
● IV.		● Argentina
● III.	● III.	● Brazil
● II.	● III.	● Colombia
<b>Africa</b>		
● II.		● Benin
● II.	● II.	● Burkina Faso
● II.	● I.	● Cameroon
● II.		● Central Africa
● —		● Ghana
● II.	● II.	● Ivory Coast
● II.	● —	● Madagascar
● II.		● Mali
● I.	● II.	● Senegal
● II.		● Togo

### Insurance NAFTA Markets

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

### Global Insurance Lines & Anglo Markets

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

### Insurance Growth Markets

<b>Asia</b>		
● I.		Brunei
● IV.	● IV.	China
● IV.		Hong Kong
● II.	● II.	India
● III.	● II.	Indonesia
● IV.	● IV.	Japan
● I.	● I.	Laos
● I.	● III.	Malaysia
● —	● —	Pakistan
● IV.		Singapore
● —	● III.	South Korea
● III.	● III.	Sri Lanka
● —	● III.	Taiwan
● IV.	● III.	Thailand
<b>Central and Eastern Europe</b>		
● II.	● I.	● Bulgaria
● II.	● I.	Croatia
● II.	● III.	Czech Republic
● I.	● II.	● Hungary
● II.		Kazakhstan
● II.	● II.	● Poland
● II.	● III.	Romania
● II.	● III.	Russia
● I.	● I.	Slovakia
● IV.		Ukraine

### Insurance Growth Markets

<b>Middle East and North Africa</b>		
● IV.	● III.	Bahrain
● III.	● II.	Egypt
● II.	● II.	Lebanon
● —	● —	Qatar
● III.	● III.	Saudi Arabia

### Asset Management

<b>America</b>		
●	●	United States
●		Canada
<b>Europe/Middle East</b>		
●	●	Germany
●	●	France
●	●	Italy
●	●	Portugal
●	●	Spain
●	●	Switzerland
●	●	Austria
●	●	Netherlands
●	●	UK
●	●	Nordics
●	●	Middle East
<b>Asia-Pacific</b>		
●	●	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:<sup>1</sup> I. Position 1   II. Position 2 to 5   III. Position 6 to 10   IV. not in the top 10

### Travel Insurance and Assistance Service

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

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

# Our Business

Allianz is present in about 70 countries and offers a comprehensive range of insurance and asset management products and services to more than 76 million customers.



For further information on board member responsibilities and steering please refer to pages 12 and 35, respectively.

## Insurance Operations

We are the leading property-casualty insurer globally and among the top 5 in the life/health business. Most of our insurance markets are served by local Allianz companies, while selected business lines (Global Corporate Customers, Credit insurance, Assistance services, Reinsurance, Worldwide Care) are run globally.

### Selected product range



For further information on our Business Operations and Markets please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport)

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

## Asset Management

We are one of the largest active asset managers in the world. Our business activities in this segment consist of asset management products and services for third-party investors and the Allianz Group's insurance operations.

### Selected product range

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

## Corporate and Other

Activities in this segment include the management and support of the Allianz Group's businesses through its centralized functions as well as Banking and Alternative Investments. Our banking operations support our insurance business and complement our product offerings in Germany, Italy, France and Central and Eastern Europe.

# Our Strategy

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

## Five Goals of our Group Strategy

### 1. Profitable and sustainable growth

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

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

Our segments and operating entities complement and enrich each other, primarily by serving the diverse needs of our customers. We exploit the group-wide synergies that stem from our strong brand, our capital allocation, functional and industry best practices, as well as from shared operations and joint investments in technology.

### 3. Strong capitalization

We strive to protect the capital of our investors and to support our businesses with sufficient capital to withstand shocks and to protect the wellbeing of our customers.

### 4. World-class investment management

Qualitative growth and solid capitalization depend on a sound and sustainable investment strategy that can generate stable returns and compensate, if necessary, for low interest rates or looming inflation.

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

Through our risk policies, guidelines and systems we ensure that our investment, underwriting and operational decisions are made within the limits of our carefully defined appetite and tolerance for foreseeable risks.



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

Our "3+One" strategy aims to achieve these goals through well defined measures to protect and enhance our capital base, to strengthen our operating profitability, to reduce the complexity of our structure and our operating model, and to increase sustainable competitiveness.

# Allianz Brand

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

## Some Key Facts about the Allianz Brand

- The Allianz Group is active in about 70 countries, with currently 79% of revenues branded as Allianz. With the planned rebranding in 2011/2012 of Mondial, branded revenues will increase to approximately 80% of revenues.
- Our one-brand vision, however, leaves room for renowned specialty brands such as PIMCO, the largest fixed income asset manager in the U.S.A., as well as Euler Hermes, the world's number one credit insurance provider.
- Our Allianz trademark is registered and protected worldwide, as are our web domains.
- Based on the Interbrand ranking, the value of the Allianz Brand increased from approximately USD 3.8 billion in 2009 to USD 4.9 billion in 2010.

## The “One” Concept

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

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

	2010 € mn
Germany	26.1
Austria	4.1
Hungary	5.9
Portugal	1.8

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

### 2010 Selected Awards

- The Chief Marketing Officer award 2010 has been assigned to Allianz Group by Booz & Co, acknowledging the outstanding and consistent implementation of a clear global Allianz Brand Architecture.
- In 2010, Allianz climbed 14 ranks within the Interbrand global TOP 100 brand ranking and positioned itself amongst the top risers of the year.



For further information  
on the Allianz brand  
please refer to [www.  
allianz.com/annualreport](http://www.allianz.com/annualreport)

# Customer Focus

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

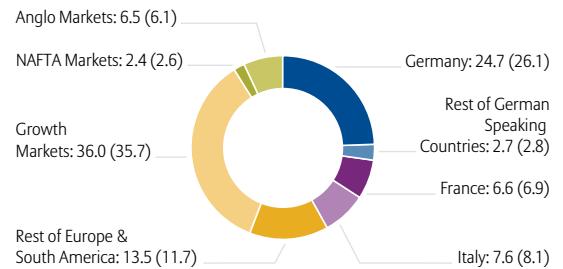
## Market Management

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

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

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

in %



## Net Promoter Score (NPS)

NPS is a key tool in our Customer Focus activities and we mainly use it in two ways:

- to benchmark ourselves every year for customer loyalty against competitors in each market – totaling 57 regional markets worldwide in 2010
  - to systematically collect customer feedback on key customer interactions such as claims and sales.
- In 2010, we established NPS in 40 Allianz companies (representing about 90% of our GPW) and collected feedback from over 1,000,000 customers.



For further information on customer focus at Allianz please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport)

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

# 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 outstanding leadership, continuous talent and personal development. Only by unlocking our employees' potential can we achieve our primary goal of being a reliable partner to our customers.

## Employee Engagement

In 2010, we carried out for the first time a globally standardized employee survey which enables us to compare results across our subsidiaries. The results are now taken into account in the remuneration of the Board of Management and affect part of the variable remuneration for top management.

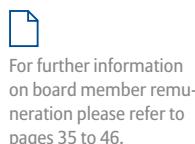
## Diversity

Given an aging society and a foreseeable shortage of skilled personnel, it is necessary to realize the workforce's full potential. Embracing diversity begins with our international workforce and cross-border cooperation. Promoting women is also part of our bid to increase diversity. Overall, 32% of positions across all management levels in the Allianz Group were held by women<sup>1</sup>.

## Talent Management

The Allianz Group invested € 130 million (2009: € 147 million) in training and continuing-education measures in 2010 or on average € 980 (2009: € 1,100) per employee worldwide.

## Remuneration



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



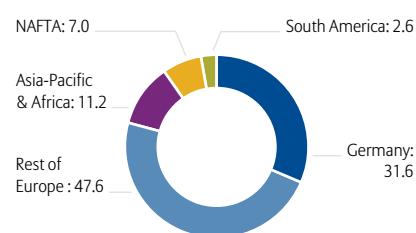
## Employees by country

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

## Employees by regions/countries

as of December 31, 2010

in %



## 2010 Selected Awards

- Our internet portal [allianz.com/careers](http://allianz.com/careers) was named "Best Corporate Career Website 2010" by the corporate consultancy firm Potentialpark.
- Allianz Germany won the "InnoWard" from the German Insurance Industry's Professional Training Institute.
- Mondial Assistance was recognized as one of the best companies to work for in several regions.
- Our company ROSNO was identified as one of "the most attractive employers" by the Russian career platform Superjob and as one of the "50 Dream Employers for Graduates" in an award by the Russian newspaper Akzia.
- Allianz China Life was listed as one of the "100 Best Human Resource Management Companies" and the "100 Best Training Companies" by the human resources magazine 51job.

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

# Sustainable Development

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

**We pursue long-term economic value in accordance with environmental stewardship, social responsibility and good corporate governance.**

## 1. Safeguarding natural resources in our internal operations

We monitor and control our impact on the environment, with a special emphasis on the reduction of carbon emissions by Allianz Group companies, through a Group-wide Environmental Management System under the leadership of a Group Environmental Officer.

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

We constantly develop new products and services for our customers to help them mitigate the effects of climate change or manage their own environmental impact. We are also expanding our renewable energy portfolio by investing in solar power projects in Europe. In addition, AGI, our Asset Management organization, manages a number of Sustainable and Responsible Investments (SRI) across major asset classes.

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

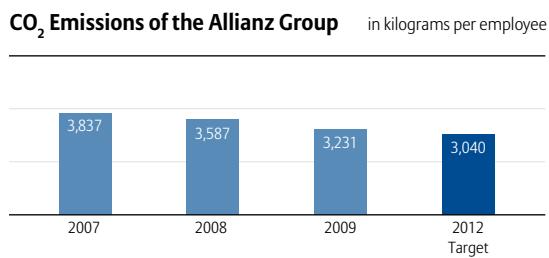
In 2010, Allianz teamed up with partners to launch an initiative that promotes financial literacy and independence in schools. "My Finance Coach" is only one example of how Allianz supports and encourages volunteering among our employees, as well as the use of our corporate expertise and competencies for the community's benefit.

## 4. Striving for transparency about our sustainability performance

### Key Figures

	2010	2009
Number of green solutions (rounded)	70	50
Assets under management in SRI funds	€ bn	3.1
Microinsurance customers (rounded)	mn	4.0
		3.8

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



For further information about sustainable development please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport)



Allianz Group Sustainable Development Report will be available online at [www.allianz.com/responsibility](http://www.allianz.com/responsibility) from May 2011.

### 2010 Selected Awards

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

# Management Discussion and Analysis

## Business Environment

- Positive stock market development in the second half of 2010. Long-term interest rates remained low.
- Our operating environment still affected by significant economic uncertainties.

### Economic Environment 2010

#### Global economic recovery

The global economy bounced back strongly in the year under review. At the end of 2010, global industrial production was already back above the level it was at before the economic crisis struck in 2008, and global trade had also almost reached its pre-crisis level. The emerging markets, where overall output in 2010 had already comfortably surpassed the 2008 level, continued to perform substantially better than the mature economies.

Whereas gross domestic product in the industrialized countries rose by around 2.5% on average in 2010, emerging markets exhibited average growth of around 7%, with growth in the Asian emerging markets topping 9%.

The U.S. economy was not particularly dynamic in 2010, with the labor market stabilizing only gradually. Economic performance in the E.U. was a mixed bag. While the Greek economy contracted by around 4%, Sweden achieved growth of close to 5%. On the back of a strong recovery in exports and a robust labor market, Germany was an important economic engine in Europe with growth of 3.6%, whereas the economic recovery in France (1.6%) and Italy (1.1%) proved to be comparatively modest to date.

The dominant topic on the financial markets was the sovereign debt crisis in a number of EMU countries. Despite the announcement of drastic consolidation measures, financial markets apparently lost confidence in the ability of Greece and Ireland, in particular,

to get to grips with their government debt. The risk premiums for these countries' government bonds remained extremely high at the end of the year, despite the rescue operation orchestrated by the E.U. and the IMF. By contrast, yields on German bonds – which the markets evidently viewed as a "safe haven" – recorded historical lows. In the U.S.A., too, government bond yields continued to linger at an extremely low level despite increasing government debt levels, aided by the decision to further step up the country's unconventional monetary policy measures. The Euro, which, in the shadow of the debt crisis, fell sharply in the early part of the year, managed to regain considerable ground, particularly against the U.S. Dollar, in the second half of 2010.

Commodity prices rose sharply in the course of the year – partly due to the global economic recovery but also because of their appeal as an investment vehicle in a low-interest environment. The stock markets shrugged off the sovereign debt crisis. After a prolonged sideward trend, most share price indices rallied towards the end of the year, largely thanks to very positive corporate sector earnings.

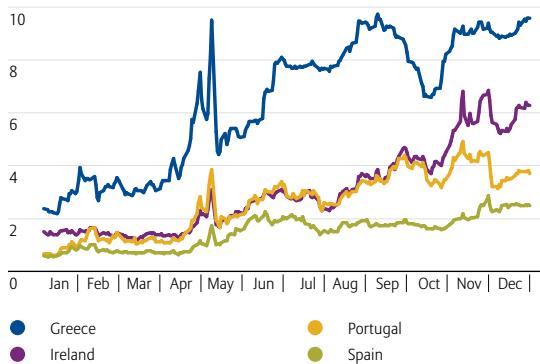
#### Positive stock market development in the second half of 2010

in %



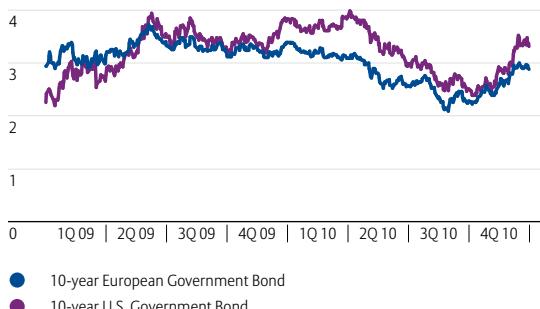
### Very high risk spreads in the Euro area

in %



### Long-term interest rates still low

in %



## Business Environment 2010

The strong global recovery has created economic tailwinds for the insurance industry. After two difficult years caused by the extreme turbulence of the financial crisis, the industry returned to growth in 2010. The industry is back on track and capital positions have been restored. However, despite the favorable economic conditions, 2010 was by no means plain sailing for the insurance industry. To start with, 2010 was the year with the second highest number of natural catastrophes since 1980; in particular, major

earthquakes in Haiti, Chile, China and New Zealand caused huge losses. Moreover, extremely low interest rates remain a key challenge; the recent rise from record lows offers no real respite; yields on German bonds, for example, are still miles away from their 20-year average of 5.5 %. The situation is further complicated by falling credit ratings for some government bonds in the wake of Europe's sovereign debt crisis; government bonds of OECD countries were supposed to be sound investments but are now in the same class as junk bonds. Last but not least, uncertainties related to Solvency II capital requirements weighed on the sector during the course of the year. Despite the fact that the insurance industry came through the financial crisis largely unscathed, regulators seem to be overly cautious, making the implementation of the new regulatory framework much too burdensome.

In the [property-casualty sector](#), conditions slowly improved in many major markets along with rising economic activity. Significantly, premium income in most industrialized markets returned to positive growth as these recovered from recession, while emerging markets maintained their favorable growth trajectory based on stronger economic fundamentals. Premium growth was particularly strong in Asia, driven by the recovery of trade and large infrastructure projects as well as by further urbanization and increases in car ownership. Price increases gained traction and became more widespread in some markets, in particular in Western Europe and Australia where Allianz has a large market presence, but in others prices remained under pressure. As we would expect at this point in the underwriting cycle, prices increased mainly in motor and personal lines, contrasting favorably with many commercial lines markets. Here, prices were typically either stable or lower due to a combination of excess capacity and subdued demand, as exemplified by high rates of unemployment. Investment results remained quite weak. Although tighter

corporate bond spreads and rising stock markets created capital gains, record low interest rates depressed operating investment returns. Overall, non-life profitability improved slightly but remained feeble due to low price levels and low fixed-income investment yields.

In the [life sector](#), the strong global recovery led to robust premium growth, especially in emerging markets where premium income was up by more than 10%. New business recovered across the board – with the glaring exception of the U.S. market which saw a third consecutive year of declining sales as annuity sales were still subdued. In other major markets, new business benefited not only from high demand for risk products (e.g. term assurance or disability) but also from the revived demand for savings products, reflecting the ever increasing need to save for retirement. High growth in emerging markets reflects mainly robust economic fundamentals: rising household income and wealth drive demand for savings products. As demographic change will not spare these markets, longevity products such as annuities are growing particularly strongly. Investment returns recovered slightly but remained weak given the low yield environment. All in all, we expect assets under management, based on preliminary figures, to have grown by around 10%. However, the relatively strong rebound in premium growth is not an unfettered blessing. Customers in general remained risk averse, with a preference for guaranteed return products over those where they bore the investment risk, such as unit-linked products. However, such long-term guarantees can carry significant market risks and ultra-low interest rates and pending regulatory changes are driving capital requirements higher. Moreover, in some markets premium growth was driven to some degree by deposit-type business as customers were reluctant to enter long-term savings contracts. Risk appetite did at least appear to increase towards the end of the year, concurrent with the up-tick in equities markets. This was especially pronounced in emerging markets where demand for investment-linked insurance products swiftly rebounded. Profitability stabilized in 2010 as companies showed a willingness to sacrifice volume for better margins and control costs more tightly.

Like the insurance business, the [asset management](#) industry benefited from the strong global recovery. In 2010, as in the previous year, we recorded strong net cash inflows, also in comparison to our competitors, which enabled us to further increase our share in our target markets. As of December 31, 2010, total assets under management amounted to € 1,518 billion, an increase of 26.2% over the previous year, of which third-party assets amounted to € 1,164 billion. While fixed income markets were facing more headwinds arising from higher volatility, changing investment patterns, rising concerns over sovereign debt and increased government oversight, bond flows remained very strong in the first three quarters of 2010, driven by sustained investor demand for both safety and income. In the fourth quarter of 2010 however, the market's concerns over sovereign debt came to the forefront, pushing interest rates somewhat higher (though interest rates are staying on subdued levels in historic comparison) and reducing the investment returns of bondholders. In contrast, investors only cautiously returned to equity funds despite a very robust development of economic indicators and stock prices being fueled by strong growth in corporate sales and profits. In total, fixed income globally remained the dominant asset class throughout 2010, collecting about 60% of total net flows into mutual funds, with Emerging Market debt being the most popular investment category.

# Executive Summary of 2010 Results

- Revenues grew by 9.3% to € 106.5 billion.
- Operating profit increased by 17.0% to € 8.2 billion.
- Net income of € 5.2 billion.
- Solvency ratio of 173%.<sup>1</sup>

## Allianz Group Overview

- The Group's results are reported by product and type of service: Property-Casualty insurance, Life/Health insurance, Asset Management and Corporate and Other activities.
- Although the majority of profits are still derived from our insurance operations, our Asset Management contributions have grown steadily over recent years.

## Key Figures

	2010 € mn	2009 € mn	2008 € mn
Total revenues	106,451	97,385	92,568
Operating profit <sup>2</sup>	8,243	7,044	7,455
Net income from continuing operations <sup>2</sup>	5,209	4,650	4,268
Solvency ratio in % <sup>1</sup>	173	164	157

## Earnings Summary

### Management's assessment of 2010 results

Allianz delivered strong results in 2010: revenues grew by 9.3% (6.2% on an internal basis<sup>3</sup>) and our operating profit increased by 17.0% to € 8,243 million, reaching its highest level since 2007. All segments contributed positively to the increase, in particular Asset Management.

Net income from continuing operations increased by 12.0% and amounted to € 5,209 million.



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. The solvency ratio excluding off-balance sheet reserves would be 164% (2009: 155%).

2 Figures prior to 2010 have been restated to reflect a change in Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

3 Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 117 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.

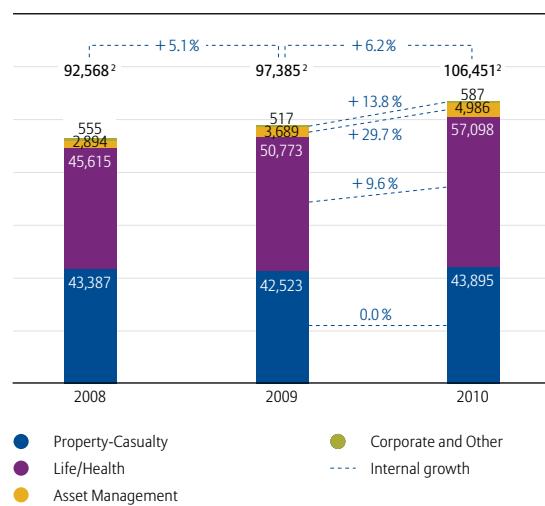
## Total Revenues<sup>1</sup>



Please refer to page 117  
 for the composition of  
 total revenues.

### Total revenues – Segments

in € mn



- Property-Casualty
- Life/Health
- Asset Management

- Corporate and Other
- Internal growth

**Property-Casualty** gross premiums written were flat on an internal basis. Positive pricing effects of 0.9% were predominantly driven by our Italian, Australian, British and credit insurance operations. These were offset by a 0.9% decline in volumes.

**Life/Health**, with internal growth of 9.6%, delivered the majority of total revenue growth, driven by strong demand for investment-oriented products as well as higher traditional life business revenues.

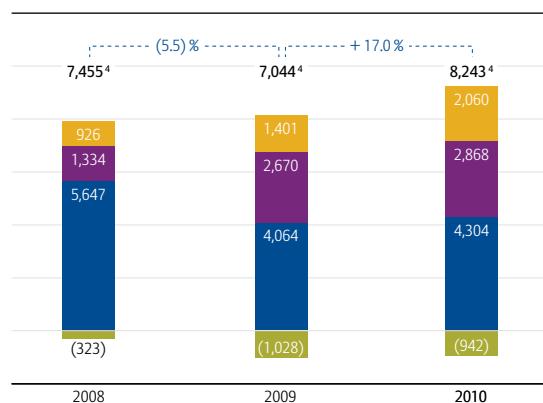
Our **Asset Management** operations recorded very strong internal revenue growth of 29.7%. Total assets under management increased by € 316 billion, to € 1,518 billion compared to December 31, 2009.

Total revenues from our Banking operations (reported in our **Corporate and Other** segment), increased by 13.8% on an internal basis. Following the launch of operations in June 2009, Allianz Bank Germany contributed a full twelve months of operating revenues for the first time.

## Operating Profit<sup>3</sup>

### Operating profit – Segments

in € mn



- Property-Casualty
- Life/Health

- Asset Management
- Corporate and Other

Despite natural catastrophe claims of € 1,264 million, € 817 million in excess of the 2009 level, **Property-Casualty** operating profit grew by 5.9% to € 4,304 million. The underwriting result improved by € 133 million, reflecting a 0.2 percentage points improvement in our combined ratio (to 97.2%). The € 101 million increase in our operating net investment income was driven by higher dividend income and lower impairments.

**Life/Health** operating profit increased by 7.4% to € 2,868 million. The operating investment result grew by € 2,038 million to € 15,988 million as growth in the underlying asset base more than compensated for lower yields. Lower impairments and higher interest and similar income more than offset the decline in fair value income while in 2009 we recorded gains from credit spreads and equity market movements.

**Asset Management** recorded an outstanding operating profit of € 2,060 million, an increase of € 659 million compared to 2009, due to strong growth in assets

<sup>1</sup> 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).

<sup>2</sup> Total revenues include € (115) mn, € (117) mn and € 117 mn from consolidation for 2010, 2009 and 2008 respectively.

<sup>3</sup> Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

<sup>4</sup> Includes € (47) mn, € (63) mn and € (129) mn from consolidation in 2010, 2009 and 2008 respectively.

under management as well as excellent business development. Our cost-income ratio improved by 3.3 percentage points to 58.7%.

The **Corporate and Other** operating loss amounted to € 942 million (2009: € 1,028 million). The difference is mainly due to the Allianz Bank in Germany. The previous year was burdened by non-recurring set-up costs of € 134 million.

## Non-operating Result

Our **non-operating loss** amounted to € 1,070 million compared to € 1,854 million in 2009.

The **non-operating investment result** increased by € 251 million to € 1,022 million.

**Non-operating income from financial assets and liabilities carried at fair value through income** decreased by € 205 million to € (57) million, largely due to a € 160 million lower cumulative change in the fair value of The Hartford warrants.

**Realized gains** amounted to € 1,539 million, down slightly, by 4.8%, compared to 2009. Total gains include € 864 million from the sale of shares in the Industrial and Commercial Bank of China (ICBC) (2009: € 666 million). As of December 31, 2010, gross ICBC unrealized gains amounted to € 364 million. Total unrealized gains in shareholders' equity amounted to € 5,057 million.

Capital market recovery led to lower **impairments**, down € 534 million to € 460 million.

The outstanding business performance by our Asset Management segment led to a € 34 million increase in **acquisition-related expenses**, to € 440 million. The improvement in underlying business performance

and the effect from the call repurchasing of 25,680 B-units in the first and third quarter of 2010 (no calls in 2009) compensated for the effect of a 46% decrease to 30,129 (December 31, 2010) in the number of B-units outstanding. We have now acquired 79.9% of all outstanding B-units<sup>1</sup>.

**Amortization of intangible assets** and in particular goodwill increased by € 202 million to € 327 million.

**Non-operating restructuring charges** increased by € 80 million to € 263 million. In 2010 we incurred expenses for restructuring initiatives at a number of our operating entities including Euler Hermes Group, Allianz France, Allianz Beratungs- und Vertriebs AG and Allianz Managed Operations and Services SE.

The **reclassification of tax benefits** expense decreased by € 703 million. This was due to a € 730 million participation of our policyholders in 2009 tax refunds following a favorable court ruling which granted a one-off retrospective tax relief for the year 2001. There was a corresponding offsetting effect within operating income.

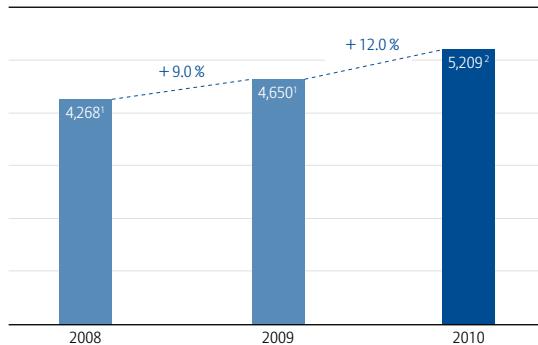
## Income Taxes

The **income tax** expense increased by € 1,424 million to € 1,964 million mainly due to higher pre-tax income. In addition, 2009 included € 505 million income from prior year taxes, which was mainly as a result of the aforementioned court ruling. The effective tax rate amounted to 27.4% (2009: 10.4%).

<sup>1</sup> When PIMCO was acquired, B-units were created entitling senior management to profit participation. Under the B-unit plan, Allianz has the right to call, while PIMCO senior management has the right to put, those B-units over several years. Fair value changes due to changes in operating earnings are reflected in acquisition-related expenses. Distributions received by the senior management B-unit holders are also included.

## Net Income

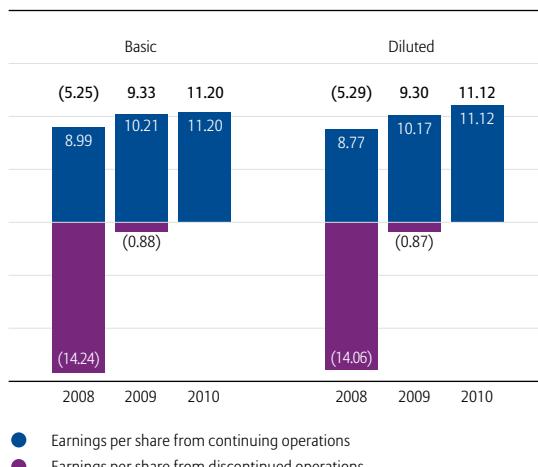
**Net income from continuing operations/Net income**  
in € mn



Net income from continuing operations increased by € 559 million to € 5,209 million.

Net income attributable to shareholders amounted to € 5,053 million.

**Earnings per share<sup>3</sup>**  
in €



- Earnings per share from continuing operations
- Earnings per share from discontinued operations

## Shareholders' Equity

**Shareholders' equity<sup>4</sup>**  
in € mn



As of December 31, 2010, shareholders' equity amounted to € 44,491 million, an increase of € 4,383 million compared to € 40,108 million as of December 31, 2009. Net income attributable to shareholders and positive foreign currency translation effects increased our equity by € 5,053 million and € 1,297 million, respectively. Unrealized gains declined by € 400 million. In the second quarter of 2010, Allianz SE paid dividends of € 1,850 million for the fiscal year 2009, which also reduced equity.

As of December 31, 2010, our eligible capital for solvency purposes<sup>5</sup>, required for our insurance segments and our Banking and Asset Management businesses, was € 39.6 billion, including off-balance sheet reserves<sup>6</sup> of € 2.1 billion, surpassing the minimum legally stipulated level by € 16.7 billion. This margin resulted in a cover ratio of 173 % as of December 31, 2010, an increase of 9 percentage points compared to December 31, 2009. Eligible capital as of December 31, 2010 also includes a deduction for proposed dividends of € 2.0 billion for the fiscal year 2010, which represents 40 % of net income attributable to shareholders. Our solvency position is strong.

1 Net income from continuing operations.

2 Net income.

3 For further information please refer to note 51 of our consolidated financial statements.

4 This does not include non-controlling interests.

5 Solvency according to the E.U. Financial Conglomerates Directive.

6 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 164% (2009: 155)%.

### Total revenues and reconciliation of operating profit to net income (loss)<sup>1</sup>

	2010 € mn	2009 € mn	2008 € mn
<b>Total revenues<sup>2</sup></b>	<b>106,451</b>	<b>97,385</b>	<b>92,568</b>
Premiums earned (net)	63,337	59,792	60,394
<b>Operating investment result</b>			
Interest and similar income	19,428	18,233	19,072
Operating income from financial assets and liabilities carried at fair value through income (net)	19	726	301
Operating realized gains/losses (net)	2,169	1,799	947
Interest expenses, excluding interest expenses from external debt	(522)	(579)	(948)
Operating impairments of investments (net)	(384)	(1,738)	(6,199)
Investment expenses	(827)	(755)	(771)
<b>Subtotal</b>	<b>19,883</b>	<b>17,686</b>	<b>12,402</b>
Fee and commission income	7,920	6,239	6,032
Other income	118	41	408
Claims and insurance benefits incurred (net)	(46,096)	(45,646)	(45,659)
Change in reserves for insurance and investment contracts (net)	(13,871)	(9,760)	(5,378)
Loan loss provisions	(50)	(141)	(59)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(20,443)	(19,712)	(18,354)
Fee and commission expenses	(2,561)	(2,212)	(2,344)
Operating restructuring charges	(8)	(15)	1
Other expenses	(57)	(2)	(12)
Reclassification of tax benefits	71	774	24
<b>Operating profit (loss)</b>	<b>8,243</b>	<b>7,044</b>	<b>7,455</b>
<b>Non-operating investment result</b>			
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(57)	148	72
Non-operating realized gains/losses (net)	1,539	1,617	2,656
Non-operating impairments of investments (net)	(460)	(994)	(3,296)
<b>Subtotal</b>	<b>1,022</b>	<b>771</b>	<b>(568)</b>
Income from fully consolidated private equity investments (net)	(102)	(232)	79
Interest expenses from external debt	(889)	(905)	(945)
Acquisition-related expenses	(440)	(406)	(245)
Amortization of intangible assets	(327)	(125)	(23)
Non-operating restructuring charges	(263)	(183)	(130)
Reclassification of tax benefits	(71)	(774)	(24)
<b>Non-operating items</b>	<b>(1,070)</b>	<b>(1,854)</b>	<b>(1,856)</b>
<b>Income (loss) from continuing operations before income taxes</b>	<b>7,173</b>	<b>5,190</b>	<b>5,599</b>
Income taxes	(1,964)	(540)	(1,331)
<b>Net income (loss) from continuing operations</b>	<b>5,209</b>	<b>4,650</b>	<b>4,268</b>
Net income (loss) from discontinued operations, net of income taxes	—	(395)	(6,373)
<b>Net income (loss)</b>	<b>5,209</b>	<b>4,255</b>	<b>(2,105)</b>
<b>Net income (loss) attributable to:</b>			
Non-controlling interests	156	48	257
Shareholders	5,053	4,207	(2,362)

1 Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

2 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).

## Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the available net earnings of Allianz SE of € 2,045,250,000 for the fiscal year 2010 be appropriated as follows:

Distribution of a dividend of € 4.50 per no-par share entitled to a dividend: € 2,045,250,000.

The unappropriated retained earnings result from the individual financial statements set up according to the German commercial code (HGB) of Allianz SE.

To the extent Allianz SE holds own shares on the day of the Annual General Meeting, which are not entitled to dividends pursuant to § 71 b AktG, the amount attributable to such shares shall be carried forward.

Munich, February 21, 2011  
Allianz SE

## Events After the Balance Sheet Date

### Increase in ownership in China Pacific Insurance

On January 8, 2011 the Allianz Group increased its investment in China Pacific Insurance (Group) Co., Ltd. H shares by USD 855 million.

### Floodings in Australia

Since January 10, 2011, floodings have caused great damage in Queensland, Australia. Based on current information net claims are expected to amount to approximately € 87 million before income taxes.

### Sale of Industrial and Commercial Bank of China (ICBC) shares

In January 2011, the Allianz Group sold 0.2 billion ICBC shares with a capital gain of approximately € 0.1 billion.

### Cyclone "Yasi" in Australia

On February 2, 2011 cyclone "Yasi" caused great damage in eastern Australia. Based on current information net claims are expected to amount to approximately € 37 million before income taxes.

### Earthquake in Christchurch, New Zealand

On February 22, 2011 the City of Christchurch, New Zealand was hit by an earthquake. Currently a reliable forecast for net claims arising from this earthquake is not possible.

### ECJ Decision on European Gender Directive

On March 1, 2011 the Court of Justice of the European Union has ruled that the permission of the Member States under European law for gender-specific differentiation of insurance premiums justified by statistical data (Article 5 (2) of directive 2004/113/EC) will become invalid with effect from December 21, 2012. The judgment does not contain a statement that already existing contracts will be effected by the invalidity of the before mentioned provision.

## Changes in Segment Structure, Presentation and Accounting Policies

At the beginning of 2010, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. European insurance operations are shown together while Global Insurance Lines & Anglo Markets are shown separately from NAFTA Markets, respectively for both Property-Casualty and Life/Health insurance activities. Furthermore, Assistance (Mondial) now comprises a separate reportable segment within Property-Casualty insurance activities. Previously reported information has been restated to reflect this change in the composition of the Allianz Group's reportable segments.

With the exception of a change in accounting policy for fixed-indexed annuities, there have been no material changes in our presentation and accounting policies in 2010. For further details please refer to note 4 of our consolidated financial statements.

## Other Parts of the Group Management Report

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

- Corporate Governance Statement pursuant to § 289 a of the German Commercial Code (HGB) on pages 28 to 30.
- Takeover-related Statements and Explanations on pages 31 to 34.

# Property-Casualty Insurance Operations

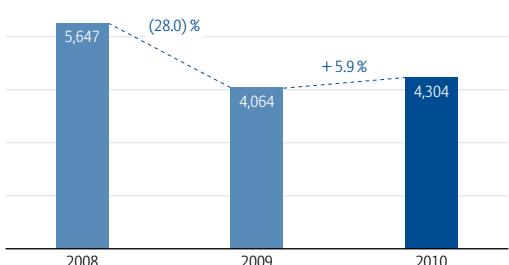
- Gross premiums written up by 3.2% to € 43.9 billion.
- Operating profit increased by 5.9% to € 4.3 billion.
- Combined ratio of 97.2%.

## Segment Overview

- Our Property-Casualty business offers a broad range of products and services for both private and corporate clients.
- Our product and service offering covers many insurance classes such as accident/disability, property, general liability, and motor.
- We conduct business worldwide in more than 55 countries.
- We are also a global leader for travel and assistance services and for credit insurance.
- We distribute our products via a broad network of self-employed agents, brokers, banks and direct channels.

**Operating profit**  
in € mn

**+5.9%**



## Key Figures

	2010 € mn	2009 € mn	2008 € mn
Gross premiums written	43,895	42,523	43,387
Operating profit	4,304	4,064	5,647
Loss ratio in %	69.1	69.5	68.0
Expense ratio in %	28.1	27.9	27.4
Combined ratio in %	97.2	97.4	95.4

## Earnings Summary

Overall, gross premiums written increased by 3.2% or € 1,372 million to € 43,895 million, including positive foreign currency translation effects of € 1,356 million. On an internal basis, revenues remained almost unchanged.

Operating profit increased by € 240 million or 5.9% and amounted to € 4,304 million. Both our underwriting result (up by € 133 million) and operating net investment income (up by € 101 million) contributed to this improvement. The underwriting result improved in spite of losses from natural catastrophes being € 817 million higher than in 2009.

The combined ratio was 97.2%, a slight decrease of 0.2 percentage points compared to the previous year. Unusually high losses from natural catastrophes and slightly higher expenses were more than compensated for by price increases outstripping claims inflation, a marked improvement in our credit business and a more favorable run-off result.

## Gross Premiums Written<sup>1</sup>

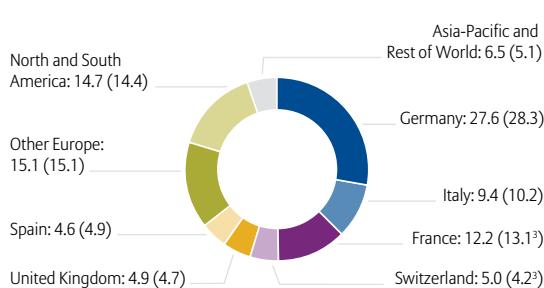
On a nominal basis gross premiums written increased by 3.2% or € 1,372 million to € 43,895 million. Of this increase, € 1,356 million related to foreign currency translation effects, primarily from the appreciation of the Australian Dollar, the U.S. Dollar and the Brazilian Real against the Euro.

On an internal basis gross premiums written remained almost unchanged, driven by a positive price effect of 0.9% and a negative volume effect of 0.9%. We continued to execute on our differentiated portfolio strategy, namely disciplined underwriting, selective growth and good diversification. This led to some volume decline in segments where rates were still not adequate to ensure profitability. The positive effect of accelerating price increases was mainly reflected in Italy, Australia, the United Kingdom and the Credit Insurance business.

Based on overall growth in gross premiums, the main positive drivers were Australia, South America and Travel and Assistance business, partially offset by Germany, the United States and Italy.

### Gross premiums written by regions/countries as of December 31, 2010 (December 31, 2009)<sup>2</sup>

in %



1 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.

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

3 Gross premiums written of our specialty line Travel and Assistance (Mondial) are now assigned to France as a result of the relocation of their headquarters from Switzerland to France in 2010. Mondial's share of gross premiums written accounted for 3.5% in 2010 (2009: 3.2%). 2009 figures have been retrospectively adjusted.

In analyzing internal premium growth in terms of "price" and "volume" effects, we use four clusters based on the internal growth 2010 over 2009:

**Growth Cluster 1:** Overall positive growth; both price and volume effects are positive.

**Growth Cluster 2:** Overall positive growth; either price or volume effects are positive.

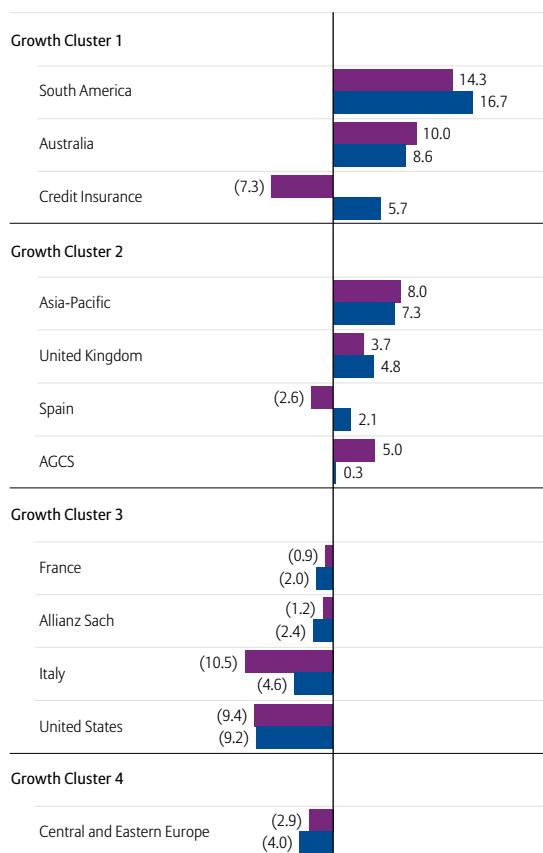
**Growth Cluster 3:** Overall negative growth; either price or volume effects are positive.

**Growth Cluster 4:** Overall negative growth; both price and volume effects are negative.

### Gross premiums written by operating entity

#### – Internal growth rates<sup>4</sup>

in %



● 2009 over 2008

● 2010 over 2009

4 Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

## Growth Cluster 1

In **South America** gross premiums rose by 16.7%. All countries in the region contributed positively to the gross premiums written of € 1,563 million, in particular Brazil, where growth stemmed mainly from Health and other non-motor commercial lines. In addition, our motor business in Brazil recovered from the tariff pressure in the first half of 2010 and achieved double-digit growth. Including a positive foreign currency translation effect of € 220 million, the nominal growth was 35.8%.

In **Australia** gross premiums amounted to € 2,161 million, including a favorable foreign currency translation effect of € 398 million. Internal growth of 8.6% was largely driven by our retail business following price increases that were applied across most business lines already in 2009. Our motor business saw double-digit growth driven by increased penetration and higher sales of third-party liability for motor fleets. The non-motor business was driven by growth in Household. We estimate the positive price effect to be 5.1%.

In the **Credit Insurance** business gross premiums increased by 5.7% to € 1,767 million. Our re-pricing campaign stimulated the gross premium development despite higher rebates due to a lower claims level. The positive price effect was around 3.0%.

## Growth Cluster 2

In **Asia-Pacific**, gross premiums amounted to € 486 million. Internal growth was 7.3%, excluding the transfer of Allianz Fire and Marine Insurance Japan to AGCS and the transfer of Sri Lanka from Middle East to Asia-Pacific as well as a positive foreign currency translation effect of € 58 million. Strong double-digit growth in our Malaysian motor business supported the overall volume-driven increase in gross premiums. The price effect was slightly negative, at approximately 0.5%.

In the **United Kingdom**, gross premiums stood at € 1,939 million. Excluding a favorable foreign currency translation effect of € 71 million, internal growth was 4.8%. This positive development was mainly driven by our motor and household retail business, animal health, commercial liability as well as by our business with corporate partners. Our motor business, in particular, contributed to the strong positive price effect of approximately 5.4%.

In **Spain**, despite the economic crisis, gross premiums written increased by 2.1%, adjusted for the portfolio transfer from Spain to AGCS. Overall, gross premiums amounted to € 2,011 million. Our excellent business model, good cycle management and a reduction of discounts led to volume increases in particular in the retail motor business. The positive volume effect was also stimulated by a recovery of private car sales due to the introduction of car scrapping incentives in the fourth quarter of 2009. We estimate the negative price effect at 1.7%.

At **AGCS**, gross premiums were € 4,007 million. Taking into account several portfolio transfers within the Property-Casualty insurance segment to AGCS, gross premiums slightly increased by 0.3%. Higher volume led to this development, in particular from our aviation business, despite soft market conditions, intense competition and a decline in our customers' turnover. We saw a slightly negative price effect across all countries, estimated at 1.4%.

## Growth Cluster 3

In **France**, gross premiums were € 3,300 million, down by 2.0%. Volume declined following price increases in motor fleets and small and large commercial lines. Price increases were applied overall in the portfolio; they were higher in our personal lines and our personal non-motor business, in particular, benefited from them and achieved a positive growth. The overall positive price effect was approximately 2.4%.

At [Allianz Sach](#), gross premiums fell by 2.4% to € 9,013 million. The decline was mainly driven by our motor business, partly because of our portfolio cleaning activities in motor fleets but also due to lower renewals in the private motor segment. Overall, gross premiums were affected by continued soft market conditions in Germany in all lines of business. We estimate the positive price effect to be 0.1%.

In [Italy](#), where market conditions, though improving, remained very difficult, gross premiums declined by 4.6%, reflecting strict portfolio cleaning and the negative impact of recession on commercial business. The pricing trend seems to have finally reverted. We maintained underwriting discipline, privileging profitability over growth. Particularly notable in this difficult environment was the growth of 22.4% in direct (Genialloyd). Overall, gross premiums amounted to € 3,986 million. We estimate the positive price effect to be 4.1%, driven by significant rate increases in the motor business.

In the [United States](#), gross premiums fell by 9.2%, driven by volume losses in all business lines. Gross premiums written amounted to € 3,350 million, including a positive foreign currency translation effect of € 190 million and the transfer of marine business to AGCS. About one third of volume losses was due to our crop insurance business. In both personal and commercial lines, the decline was mainly driven by slow economic recovery and our profitability initiatives. However, we were able to increase our average premium, in particular in personal lines. The positive price effect was estimated at 1.1%.

## Growth Cluster 4

In [Central and Eastern Europe](#), gross premiums amounted to € 2,629 million. Adjusting for a positive foreign currency translation effect, internal growth was negative at 4.0%. Our ongoing portfolio cleaning and selective underwriting in the highly competitive motor business led to a decline in volume. As a result of the current economic environment, we also recorded significantly lower average premium rates in particular in Hungary, the Czech Republic and Romania. We estimate the negative price effect to be 3.0%.

## Operating Profit

[Operating profit](#) increased by 5.9%, or € 240 million, to € 4,304 million. Both the underwriting result and the operating net investment income contributed positively to this growth.

The underwriting result improved by € 133 million to € 999 million, benefiting from positive price momentum and strong recovery of our credit insurance business as well as a more favorable run-off result. In contrast, we recorded significantly higher losses from natural catastrophes up € 817 million to € 1,264 million.

The operating net investment income increased by € 101 million to € 3,218 million. Higher income from our equity investments combined with lower impairments more than compensated for a decline in the operating income from financial assets and liabilities carried at fair value through income (net).

### Underwriting result

	2010 € mn	2009 € mn	2008 € mn
Premiums earned (net)	39,303	37,828	38,213
Accident year claims	(28,685)	(27,387)	(27,429)
Run-off result	1,544	1,067	1,443
Acquisition and administrative expenses (net)	(11,044)	(10,540)	(10,478)
Underwriting residual <sup>1</sup>	(119)	(102)	(155)
<b>Underwriting result</b>	<b>999</b>	<b>866</b>	<b>1,594</b>

The [combined ratio](#) was 97.2% compared to 97.4% in the prior year. This slight decline was achieved thanks to strengthening prices in our core markets, despite a significantly higher level of natural catastrophes and slightly higher expenses.

Our [accident year loss ratio](#) stood at 73.0% in a difficult environment. The impact from natural catastrophes was unusually high, accounting for 3.2 percentage points of the accident year loss ratio. In comparison, in 2009, natural catastrophes represented 1.2 percentage points of the accident year loss ratio of 72.4%. Excluding natural catastrophes, our accident year loss ratio improved by 1.4 percentage points mainly due to a higher average annual premium, a

<sup>1</sup> Consists of changes in aggregate policy reserves and other insurance reserves.

lower level of large claims and a decline in claims frequency in our credit insurance business following ongoing risk and commercial actions.

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

- Credit insurance business with (0.6) percentage points due to a sharp decline in claims frequency and severity following the drastic risk and commercial measures that have been taken since the end of 2007.
- Italy with (0.3) percentage points mainly due to price increases and strict profitability management, compensating the severe negative impact of the so-called "Milan tables" (new settlement tables for bodily injury claims introduced in 2009).
- France with (0.2) percentage points thanks to our active portfolio management including cleaning actions and tariff increases. This improvement more than compensated a higher level of natural catastrophes, such as windstorm Xynthia, recorded in the first half of the year.

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

- Germany with 0.6 percentage points due to higher losses from natural catastrophes. The net losses from windstorm Xynthia, flood Viola, windstorm Olivia/Norina and hailstorm Petra amounted to approximately € 246 million which is more than

double the net losses from natural catastrophes in 2009. Persisting soft market conditions in motor and commercial business also affected the negative development.

- Central and Eastern Europe with 0.3 percentage points mainly due to higher losses from natural catastrophes and a lower average premium as a result of the ongoing economic recession in the region.
- AGCS with 0.4 percentage points as a result of higher losses from natural catastrophes. In addition, there was a higher negative impact from mid-sized losses, especially in Property and Aviation, partially offset by less large claims.

The **expense ratio** increased by 0.2 percentage points to 28.1 %. Of this increase, 0.2 percentage points were due to one-off effects on overhead costs such as the write-down of reinsurance receivable for a large claim in Russia and the centralization of our Swiss back-offices. Additional 0.2 percentage points resulted from the ad hoc introduction of a financial crisis tax in Hungary as well as in relation to our compliance with the German Accounting Law Modernization Act (BilMoG). We managed to improve our expense ratio by approximately 0.2 percentage points by taking strong actions to reduce the cost level in our core markets Germany, France, Italy and the United States. However, this improvement was offset by a volume decline in premiums as a result of our measures to ensure profitability. A further improvement of 0.2 percentage points was due to the favorable development of the commission ratio which has to be seen as a one-off effect.

### **Operating net investment income<sup>1</sup>**

	2010 € mn	2009 € mn	2008 € mn
Interest and similar income (net of interest expenses)	3,588	3,508	4,182
Operating income from financial assets and liabilities carried at fair value through income (net)	18	118	9
Operating realized gains/losses (net)	42	57	37
Operating impairments of investments (net)	(9)	(75)	(437)
Investment expenses	(240)	(238)	(254)
Changes in reserves for insurance and investment contracts (premium refunds)	(181)	(253)	158
<b>Operating net investment income</b>	<b>3,218</b>	<b>3,117</b>	<b>3,695</b>

<sup>1</sup> 'Operating net investment income', as defined above, includes the investment-related part (premium refunds) of 'Change in reserves for insurance and investment contracts (net)' and therefore differs from the 'Operating investment result' as shown in note 6 of our consolidated financial statements.

**Operating net investment income** improved by € 101 million to € 3,218 million mainly driven by higher interest and similar income and lower impairments on equity securities.

**Interest and similar income** increased by € 80 million to € 3,588 million net of **interest expenses**. Equity investments accounted for most of the growth with € 98 million. Fixed income securities contributed a further € 7 million: the positive volume effect from a higher share of debt securities in our portfolio was

almost completely offset by the negative impact of lower yields. The total average asset base increased from € 88.6 billion as of December 31, 2009 to € 92.9 billion.

**Operating impairments of investments (net)** amounted to € (9) million, an improvement of € 66 million largely due to lower impairments on equity investments compared to the previous year.

A € 100 million decline in **operating income from financial assets and liabilities carried at fair value through income (net)** to € 18 million partially offset the overall positive net investment income development.

### Property-Casualty segment information

	2010 € mn	2009 € mn	2008 € mn
<b>Gross premiums written<sup>1</sup></b>	<b>43,895</b>	<b>42,523</b>	<b>43,387</b>
Ceded premiums written	(4,346)	(4,574)	(4,972)
Change in unearned premiums	(246)	(121)	(202)
<b>Premiums earned (net)</b>	<b>39,303</b>	<b>37,828</b>	<b>38,213</b>
Interest and similar income	3,680	3,612	4,477
Operating income from financial assets and liabilities carried at fair value through income (net)	18	118	9
Operating realized gains/losses (net)	42	57	37
Fee and commission income	1,099	1,075	1,247
Other income	22	19	271
<b>Operating revenues</b>	<b>44,164</b>	<b>42,709</b>	<b>44,254</b>
Claims and insurance benefits incurred (net)	(27,141)	(26,320)	(25,986)
Changes in reserves for insurance and investment contracts (net)	(300)	(355)	3
Interest expenses	(92)	(104)	(295)
Loan loss provisions	—	(18)	(17)
Operating impairments of investments (net)	(9)	(75)	(437)
Investment expenses	(240)	(238)	(254)
Acquisition and administrative expenses (net)	(11,044)	(10,540)	(10,478)
Fee and commission expenses	(1,024)	(995)	(1,141)
Other expenses	(10)	—	(2)
<b>Operating expenses</b>	<b>(39,860)</b>	<b>(38,645)</b>	<b>(38,607)</b>
<b>Operating profit</b>	<b>4,304</b>	<b>4,064</b>	<b>5,647</b>
Loss ratio <sup>2</sup> in %	69.1	69.5	68.0
Expense ratio <sup>3</sup> in %	28.1	27.9	27.4
<b>Combined ratio<sup>4</sup> in %</b>	<b>97.2</b>	<b>97.4</b>	<b>95.4</b>

1 For the Property-Casualty 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 Operations by Business Divisions

	Gross premiums written					Premiums earned (net)			Operating profit/ loss		
	internal <sup>1</sup>										
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
Germany	9,013	9,235	9,344	9,013	9,235	7,286	7,263	7,356	617	739	1,375
Switzerland	1,389	1,309	1,241	1,311	1,299	1,377	1,274	1,190	155	150	147
Austria	890	888	900	890	888	691	704	734	71	75	81
<b>German Speaking Countries</b>	<b>11,292</b>	<b>11,432</b>	<b>11,485</b>	<b>11,214</b>	<b>11,422</b>	<b>9,354</b>	<b>9,241</b>	<b>9,280</b>	<b>843</b>	<b>964</b>	<b>1,603</b>
Italy	3,986	4,190	4,740	3,986	4,178	3,935	4,182	4,647	370	346	692
France <sup>3</sup>	3,300	3,368	3,930	3,300	3,368	3,085	3,118	3,281	174	26	282
Spain <sup>4</sup>	2,011	2,101	2,156	2,011	1,970	1,834	1,803	1,863	282	294	287
South America	1,563	1,151	1,048	1,343	1,151	1,086	825	764	119	73	82
Netherlands	910	916	913	910	916	801	803	800	54	53	73
Turkey <sup>5</sup>	487	417	180	451	417	342	261	128	25	16	9
Belgium	357	353	335	357	333	268	265	261	37	43	40
Portugal	293	288	298	293	288	241	238	247	37	37	36
Greece	116	99	83	116	99	86	63	55	16	11	10
Africa	71	67	62	71	67	42	40	37	7	5	10
<b>Europe incl. South America</b>	<b>13,094</b>	<b>12,950</b>	<b>13,745</b>	<b>12,838</b>	<b>12,787</b>	<b>11,720</b>	<b>11,598</b>	<b>12,083</b>	<b>1,136<sup>6</sup></b>	<b>926<sup>6</sup></b>	<b>1,547</b>
United States <sup>7</sup>	3,350	3,521	4,420	3,160	3,479	2,710	3,010	3,298	266	341	280
Mexico	226	192	205	201	192	90	76	82	12	14	19
<b>NAFTA Markets</b>	<b>3,576</b>	<b>3,713</b>	<b>4,625</b>	<b>3,361</b>	<b>3,671</b>	<b>2,800</b>	<b>3,086</b>	<b>3,380</b>	<b>278</b>	<b>355</b>	<b>299</b>
Allianz Global Corporate & Specialty <sup>3,4,7,8</sup>	4,007	3,806	2,859	4,007	3,994	2,903	2,487	1,812	461	590	435
Reinsurance PC	4,014	3,719	3,470	4,014	3,719	3,274	3,076	2,823	331	365	498
United Kingdom	1,939	1,783	1,925	1,868	1,783	1,782	1,603	1,769	185	230	245
Credit Insurance	1,767	1,672	1,804	1,767	1,672	1,139	1,111	1,360	445	13	145
Australia	2,161	1,607	1,484	1,745	1,607	1,632	1,203	1,171	302	235	267
Ireland	682	627	672	682	627	600	570	597	64	(30)	115
Allianz Risk Transfer (ART)	532	452	349	492	452	183	176	168	56	50	55
<b>Global Insurance Lines &amp; Anglo Markets</b>	<b>15,102</b>	<b>13,666</b>	<b>12,563</b>	<b>14,575</b>	<b>13,854</b>	<b>11,513</b>	<b>10,226</b>	<b>9,700</b>	<b>1,844</b>	<b>1,453</b>	<b>1,760</b>
Russia	698	642	820	639	642	565	525	679	(32)	31	50
Hungary	420	454	546	409	454	363	414	471	11	65	81
Poland	443	372	460	410	372	342	297	337	(7)	12	38
Slovakia	349	361	348	349	361	295	306	296	48	75	90
Romania	223	282	346	221	282	169	140	135	—	5	10
Czech Republic	268	274	278	256	274	206	219	209	27	41	44
Croatia	86	87	95	85	87	73	77	78	10	7	6
Bulgaria	95	101	110	95	101	67	75	81	18	19	18
Kazakhstan	38	33	14	38	33	7	6	8	2	(1)	2
Ukraine	9	9	23	9	9	6	6	18	—	(3)	(11)
Central and Eastern Europe <sup>9</sup>	2,629	2,615	3,040	2,511	2,615	2,093	2,065	2,312	55	230	300
Asia-Pacific (excl. Australia) <sup>8</sup>	486	472	426	428	399	280	259	226	49	36	23
Middle East and North Africa	76	69	54	73	61	44	35	25	2	1	3
<b>Growth Markets</b>	<b>3,191</b>	<b>3,156</b>	<b>3,520</b>	<b>3,012</b>	<b>3,075</b>	<b>2,417</b>	<b>2,359</b>	<b>2,563</b>	<b>106</b>	<b>267</b>	<b>326</b>
<b>Assistance (Mondial)</b>	<b>1,540</b>	<b>1,355</b>	<b>1,228</b>	<b>1,540</b>	<b>1,355</b>	<b>1,487</b>	<b>1,307</b>	<b>1,196</b>	<b>97</b>	<b>95</b>	<b>107</b>
<b>Consolidation<sup>10</sup></b>	<b>(3,900)</b>	<b>(3,749)</b>	<b>(3,779)</b>	<b>(4,024)</b>	<b>(3,651)</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>—</b>	<b>4</b>	<b>5</b>
<b>Total</b>	<b>43,895</b>	<b>42,523</b>	<b>43,387</b>	<b>42,516</b>	<b>42,513</b>	<b>39,303</b>	<b>37,828</b>	<b>38,213</b>	<b>4,304</b>	<b>4,064</b>	<b>5,647</b>

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

2 Net change of reserves related to savings component of UBR-business included in claims since 2009: claims reduction of € 14 mn for 2010 and € 49 mn for 2009. Prior periods have not been retrospectively adjusted.

3 Corporate customer business in France transferred to AGCS in 2009.

4 Corporate customer business in Spain transferred to AGCS in 2010.

5 From July 21, 2008, Koç Allianz Sigorta AS was consolidated following the acquisition of approximately 47.1% of the shares in Koç Allianz Sigorta AS by the Allianz Group, increasing our holding to approximately 84.2%.

	Combined ratio			Loss ratio			Expense ratio		
	2010 %	2009 %	2008 %	2010 %	2009 %	2008 %	2010 %	2009 %	2008 %
Germany	100.8 <sup>2</sup>	98.7 <sup>2</sup>	95.5	73.4 <sup>2</sup>	70.9 <sup>2</sup>	69.4	27.4	27.8	26.1
Switzerland	94.6	93.5	93.1	73.1	70.5	70.2	21.5	23.0	22.9
Austria	96.0	95.9	94.1	69.7	69.2	70.0	26.3	26.7	24.1
<b>German Speaking Countries</b>	<b>99.6</b>	<b>97.8</b>	<b>95.1</b>	<b>73.1</b>	<b>70.8</b>	<b>69.5</b>	<b>26.5</b>	<b>27.0</b>	<b>25.6</b>
Italy	99.6	100.8	96.9	74.8	76.0	73.1	24.8	24.8	23.8
France <sup>3</sup>	102.7	106.8	97.5	75.1	78.7	69.3	27.6	28.1	28.2
Spain <sup>4</sup>	90.3	89.7	90.6	69.8	69.3	69.9	20.5	20.4	20.7
South America	96.7	98.4	98.5	64.9	66.0	65.0	31.8	32.4	33.5
Netherlands	98.7	98.8	98.0	68.6	69.2	67.5	30.1	29.6	30.5
Turkey <sup>5</sup>	99.7	105.8	109.5	74.1	79.4	85.6	25.6	26.4	23.9
Belgium	99.2	97.3	97.1	64.3	61.1	60.2	34.9	36.2	36.9
Portugal	92.8	92.8	92.8	68.8	65.8	65.1	24.0	27.0	27.7
Greece	88.4	90.7	91.1	52.4	61.2	59.9	36.0	29.5	31.2
Africa	96.1	98.4	91.7	48.3	48.8	48.8	47.8	49.6	42.9
<b>Europe incl. South America</b>	<b>98.5</b>	<b>100.2</b>	<b>96.3</b>	<b>72.2</b>	<b>73.9</b>	<b>70.3</b>	<b>26.3</b>	<b>26.3</b>	<b>26.0</b>
United States <sup>7</sup>	102.4	99.8	101.3	69.9	69.9	74.3	32.5	29.9	27.0
Mexico	95.7	89.4	95.4	69.8	64.3	70.0	25.9	25.1	25.4
<b>NAFTA Markets</b>	<b>102.1</b>	<b>99.5</b>	<b>101.2</b>	<b>69.8</b>	<b>69.7</b>	<b>74.3</b>	<b>32.3</b>	<b>29.8</b>	<b>26.9</b>
Allianz Global Corporate & Specialty <sup>3,4,7,8</sup>	93.7	87.2	90.1	66.8	61.9	62.3	26.9	25.3	27.8
Reinsurance PC	93.2	92.3	87.9	68.5	66.4	61.9	24.7	25.9	26.0
United Kingdom	96.0	92.9	95.1	61.7	59.3	60.4	34.3	33.6	34.7
Credit Insurance	71.7	110.4	104.8	41.7	82.4	77.7	30.0	28.0	27.1
Australia	96.1	94.8	97.5	70.8	70.2	72.6	25.3	24.6	24.9
Ireland	97.1	114.5	92.4	74.0	84.7	67.0	23.1	29.8	25.4
Allianz Risk Transfer (ART)	82.5	89.4	81.3	38.0	47.1	31.3	44.5	42.3	50.0
<b>Global Insurance Lines &amp; Anglo Markets</b>	<b>92.1</b>	<b>94.6</b>	<b>93.3</b>	<b>64.5</b>	<b>67.1</b>	<b>65.0</b>	<b>27.6</b>	<b>27.5</b>	<b>28.3</b>
Russia	109.5	97.0	99.1	64.3	58.7	59.2	45.2	38.3	39.9
Hungary	107.6	94.0	93.5	65.2	60.8	61.1	42.4	33.2	32.4
Poland	105.9	99.9	93.4	71.4	65.3	60.6	34.5	34.6	32.8
Slovakia	89.6	79.9	77.5	59.5	51.1	46.1	30.1	28.8	31.4
Romania	104.2	100.6	102.2	78.1	78.9	73.1	26.1	21.7	29.1
Czech Republic	91.2	82.9	81.0	66.4	56.9	60.5	24.8	26.0	20.5
Croatia	92.9	99.3	98.1	58.0	60.6	64.9	34.9	38.7	33.2
Bulgaria	75.2	79.0	78.4	46.4	44.6	48.0	28.8	34.4	30.4
Kazakhstan	78.4	132.3	106.6	21.3	42.3	18.6	57.1	90.0	88.0
Ukraine	122.8	169.2	172.4	38.0	69.4	95.1	84.8	99.8	77.3
Central and Eastern Europe <sup>9</sup>	102.0	92.9	92.9	65.2	59.7	59.0	36.8	33.2	33.9
Asia-Pacific (excl. Australia) <sup>8</sup>	91.2	93.1	96.9	61.4	58.6	63.0	29.8	34.5	33.9
Middle East and North Africa	109.9	135.4	128.8	73.9	72.2	65.9	36.0	63.2	62.9
<b>Growth Markets</b>	<b>101.0</b>	<b>93.6</b>	<b>93.6</b>	<b>65.0</b>	<b>59.8</b>	<b>59.4</b>	<b>36.0</b>	<b>33.8</b>	<b>34.2</b>
<b>Assistance (Mondial)</b>	<b>95.6</b>	<b>95.5</b>	<b>93.4</b>	<b>59.6</b>	<b>60.1</b>	<b>57.6</b>	<b>36.0</b>	<b>35.4</b>	<b>35.8</b>
<b>Consolidation<sup>10</sup></b>	—	—	—	—	—	—	—	—	—
<b>Total</b>	<b>97.2</b>	<b>97.4</b>	<b>95.4</b>	<b>69.1</b>	<b>69.5</b>	<b>68.0</b>	<b>28.1</b>	<b>27.9</b>	<b>27.4</b>

<sup>6</sup> Contains € 15 mn and € 14 mn for 2010 and 2009, respectively from a management holding located in Luxembourg and also € (0.1) mn and € 8 mn for 2010 and 2009, respectively from AGF UK.

<sup>7</sup> In the beginning of 2009 the marine business of the United States was transferred to Allianz Global Corporate & Specialty.

<sup>8</sup> From 1Q 2010 onwards, Allianz Fire and Marine Insurance Japan Ltd. is shown within AGCS. Prior year figures have not been adjusted.

<sup>9</sup> Contains income and expense items from a management holding.

<sup>10</sup> Represents elimination of transactions between Allianz Group companies in different geographic regions.

# Life/Health Insurance Operations

- Revenue grew by 12.5% to € 57.1 billion.
- Operating profit of € 2.9 billion.
- Solid investment result from asset base growth and lower impairments.

## Segment Overview

- Allianz offers a broad range of life, 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 for both private and corporate clients.
- As one of the worldwide market leaders in life business we serve clients in more than 45 countries.
- In 12 countries we are one of the market leaders based on premiums.

**Operating profit<sup>1</sup>**  
in € mn



## Key Figures

	2010 € mn	2009 € mn	2008 € mn
Statutory premiums	57,098	50,773	45,615
Operating profit <sup>1</sup>	2,868	2,670	1,334
Cost-income ratio in % <sup>1</sup>	96.1	95.8	97.5

## Earnings Summary

Statutory premiums increased by 12.5% or € 6,325 million on a nominal basis to € 57,098 million. On an internal basis, revenues were up by 9.6%. Overall, approximately one third of growth was driven by our traditional life business and the remaining two thirds stem from higher premiums from investment-oriented contracts, primarily from unit-linked products.

Operating profit increased by 7.4% and amounted to € 2,868 million. In 2010, we recorded higher interest and similar income driven by asset base growth following increased business volumes. Higher realized gains and fewer impairments supported the positive operating profit development. The 2010 fair value results<sup>2</sup> were lower after exceptional gains in 2009 from credit spreads and equity market movements.

<sup>1</sup> Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

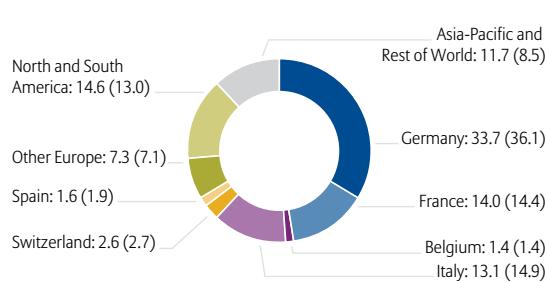
<sup>2</sup> Recorded in net gain from financial assets and liabilities carried at fair value through income.

## Statutory Premiums<sup>1</sup>

The increase in our statutory premiums by 12.5% on a nominal basis and 9.6% on an internal basis was primarily driven by positive developments in some of our major markets, such as Germany, France, Belgium, Asia-Pacific and the United States.

### Statutory premiums by regions/countries as of December 31, 2010 (December 31, 2009)<sup>2</sup>

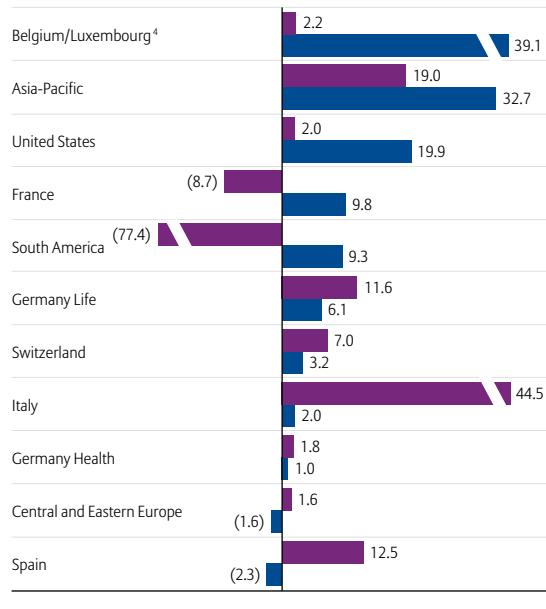
in %



In the [Asia-Pacific](#) region, total premiums increased by 32.7% on an internal basis. Premiums amounted to € 6,487 million. In 2010, we saw continued demand for unit-linked and investment-oriented products, following the trend in 2009, as capital markets recovered. In Japan, premiums increased by € 887 million to € 1,202 million from the sale of our variable annuity products and an increase in the number of bank distribution partners. Premiums in South Korea grew by 10.3% on an internal basis. Growth was from our investment-oriented business with guarantees, mainly due to strong demand for our single premium equity index and other investment products sold via the bancassurance channel. In Taiwan, our growth was predominantly driven by pure unit-linked business without guarantees. Overall, internal growth in Taiwan amounted to 10.2%.

### Statutory premiums – Internal growth rates<sup>3</sup>

in %



● 2009 over 2008  
 ● 2010 over 2009

Total premiums in [Belgium/Luxembourg](#) amounted to € 1,160 million.<sup>4</sup> Growth of 39.1% was driven by high unit-linked sales resulting from good distribution partnerships in Luxembourg and an increase in consumer demand for long-term investments in Belgium.

In the [United States](#), total premiums increased by 19.9% on an internal basis. Premiums amounted to € 8,155 million. Growth was driven by continued strong sales of our fixed-index annuity and variable annuity products. The increase in sales in our variable annuity business also reflects the relatively lower volumes in 2009 following the living benefit rider suspension at the end of the first quarter of 2009 and the subsequent product re-launch in the third quarter of 2009.

<sup>1</sup> In the following section we comment on the development of our statutory premiums written on an internal basis, i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

<sup>2</sup> After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

<sup>3</sup> Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

<sup>4</sup> Starting from the first quarter 2010, Luxembourg Life was consolidated into Belgium for reporting purposes.

Our premiums in [France](#) grew by 9.8% to € 8,014 million, driven by demand for single premium pure unit-linked as well as traditional products. In addition, there was an increase in sales of investment-oriented products through our partnerships distribution channel, following a sales campaign in the first quarter 2010.

Premiums in our [German](#) life business increased by 6.1% to € 15,961 million. This development was driven by significant growth in single premiums from traditional life products. The development of recurring premiums was flat at a high level. Sales in the investment-oriented business declined following a reduction in sales of short-term investment contracts. All sales channels contributed to overall growth. In particular, our broker channel and our distribution partner Commerzbank increased their sales of our life products in Germany. In the German health business we saw an increase in premiums of 1.0%. This growth was driven by premium adjustments and lower terminations of comprehensive health insurance contracts.

Premiums in [Switzerland](#) were up by 3.2% on an internal basis. Total premiums amounted to € 1,502 million. Growth was mainly driven by an increase in single premiums in our investment-oriented business, mostly from products with guarantees. This development was partially offset by a planned decrease in sales in the traditional life business.

In [Italy](#), total premiums grew by 2.0% to € 8,841 million. The significant premium increase in the first half of 2010, driven by strong sales in our bancassurance channel and financial advisors network, was partially offset by depressed growth in the second half of the year following an overall slowdown of the market.

Premiums in [Central and Eastern Europe](#) decreased by 1.6% on an internal basis. Total premiums amounted to € 1,057 million. In Poland, the decrease in our premiums was mainly driven by lower sales of life deposit products and lower sales of payment protection insurance contracts. This negative development was partially offset by higher premiums from unit-linked

products and traditional group contracts. In Hungary, total premiums grew due to an increase in sales of our unit-linked business following a successful campaign in the second quarter 2010. A positive premiums development in the Czech Republic was driven by high demand for our single premium products.

## Operating Profit<sup>1</sup>

[Operating profit](#) increased from € 2,670 million to € 2,868 million, driven by a solid investment result due to improved capital markets and reduced impairments.

[Interest and similar income net of interest expenses](#) amounted to € 14,982 million, up by € 1,138 million. In line with premium growth, our asset base grew and was invested primarily in debt securities. This growth-driven increase in our fixed income portfolio more than compensated for lower yields, resulting in higher investment income.

[Net gains from financial assets and liabilities carried at fair value through income](#) decreased from € 636 million to € 19 million. Compared to the exceptional result in 2009, fair value option income was much lower, mainly from France, due to comparatively better French equity index development in 2009, and from the United States, where we had larger gains from favorable credit spreads movements in 2009.

[Investment expenses](#) increased by € 82 million, mainly driven by a higher asset base, including new real estate investments.

Improved capital market conditions contributed to the increase in [net realized gains](#) from € 1,755 million to € 2,125 million.

[Net impairments of investments](#) decreased from € 1,663 million to € 434 million due to significantly lower equity impairments compared to last year as capital markets stabilized in 2010.

<sup>1</sup> Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

**Changes in reserves for insurance and investment contracts (net)** amounted to € 13,329 million. The increase of € 4,830 million was mainly due to higher aggregate policy reserves following higher sales of traditional business in Germany, France and Asia-Pacific.

**Net claims and insurance benefits incurred** were down by 1.9% to € 18,955 million.

**Acquisition and administrative expenses (net)** decreased from € 5,591 million to € 5,175 million. Administration expenses showed a slight decrease of 0.7% while acquisition expenses decreased by 10.0%. This was mainly driven by a change in our presentation of deferred sales inducements (DSI) in the United States from net to gross, and comparatively lower deferred acquisition costs (DAC) amortization resulting from the annual assumption review process in Germany, France and the United States.

### Life/Health segment information<sup>1</sup>

	2010 € mn	2009 € mn	2008 € mn
<b>Statutory premiums<sup>2</sup></b>	<b>57,098</b>	<b>50,773</b>	<b>45,615</b>
Ceded premiums written	(564)	(549)	(588)
Change in unearned premiums	(127)	(51)	(54)
<b>Statutory premiums (net)</b>	<b>56,407</b>	<b>50,173</b>	<b>44,973</b>
Deposits from insurance and investment contracts	(32,373)	(28,209)	(22,792)
<b>Premiums earned (net)</b>	<b>24,034</b>	<b>21,964</b>	<b>22,181</b>
Interest and similar income	15,085	13,971	13,772
Operating income from financial assets and liabilities carried at fair value through income (net)	19	636	405
Operating realized gains/losses (net)	2,125	1,755	874
Fee and commission income	539	491	571
Other income	81	17	140
<b>Operating revenues</b>	<b>41,883</b>	<b>38,834</b>	<b>37,943</b>
Claims and insurance benefits incurred (net)	(18,955)	(19,326)	(19,673)
Changes in reserves for insurance and investment contracts (net)	(13,329)	(8,499)	(5,360)
Interest expenses	(103)	(127)	(283)
Loan loss provisions	6	(75)	(13)
Operating impairments of investments (net)	(434)	(1,663)	(5,747)
Investment expenses	(704)	(622)	(583)
Acquisition and administrative expenses (net)	(5,175)	(5,591)	(4,691)
Fee and commission expenses	(258)	(246)	(253)
Operating restructuring charges	(8)	(15)	1
Other expenses	(55)	—	(7)
<b>Operating expenses</b>	<b>(39,015)</b>	<b>(36,164)</b>	<b>(36,609)</b>
<b>Operating profit (loss)</b>	<b>2,868</b>	<b>2,670</b>	<b>1,334</b>
<b>Cost-income ratio<sup>3</sup> in %</b>	<b>96.1</b>	<b>95.8</b>	<b>97.5</b>

1 Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

2 For the Life/Health segment, total revenues are based upon statutory premiums. 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.

3 Represents deposits from insurance and investment contracts, claims and insurance benefits incurred (net), changes in reserves for insurance and investment contracts (net) and acquisition and administrative expenses (net) divided by statutory premiums (net), interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), operating realized gains/losses (net), fee and commission income, other income, interest expenses, loan loss provisions, operating impairments of investments (net), investment expenses, fee and commission expenses, operating restructuring charges and other expenses.

## Life/Health Operations by Business Divisions<sup>1</sup>

	Statutory premiums <sup>2</sup>					Premiums earned (net)		
	2010			2010	2009	2010	2009	2008
	€ mn	€ mn	€ mn	internal <sup>3</sup> € mn	internal <sup>3</sup> € mn	€ mn	€ mn	€ mn
Germany Life	15,961	15,049	13,487	15,961	15,049	11,651	10,137	10,313
Germany Health <sup>4</sup>	3,209	3,176	3,120	3,209	3,176	3,209	3,176	3,120
Switzerland	1,502	1,364	1,205	1,407	1,364	582	577	478
Austria	398	447	461	398	447	289	296	277
<b>German Speaking Countries</b>	<b>21,070</b>	<b>20,036</b>	<b>18,273</b>	<b>20,975</b>	<b>20,036</b>	<b>15,731</b>	<b>14,186</b>	<b>14,188</b>
Italy	8,841	8,664	5,996	8,841	8,664	657	763	929
France	8,014	7,299	7,991	8,014	7,299	3,085	2,860	2,887
Spain	926	948	843	926	948	374	449	394
South America	56	43	190	47	43	45	36	183
Netherlands	315	354	371	315	354	135	151	133
Turkey	103	83	18	95	83	36	35	17
Belgium/Luxembourg	1,160	834	763	1,160	834	423	375	371
Portugal	183	158	130	183	158	84	82	80
Greece	116	119	109	116	119	67	67	72
Africa	41	42	40	41	42	22	20	17
<b>Europe incl. South America</b>	<b>19,755</b>	<b>18,544</b>	<b>16,451</b>	<b>19,738</b>	<b>18,544</b>	<b>4,928</b>	<b>4,838</b>	<b>5,083</b>
United States	8,155	6,507	6,036	7,805	6,507	624	591	721
Mexico	111	50	75	98	50	56	33	31
<b>NAFTA Markets</b>	<b>8,266</b>	<b>6,557</b>	<b>6,111</b>	<b>7,903</b>	<b>6,557</b>	<b>680</b>	<b>624</b>	<b>752</b>
Reinsurance LH	314	350	294	314	350	307	343	291
<b>Anglo Broker Markets &amp; Global Lines</b>	<b>314</b>	<b>350</b>	<b>294</b>	<b>314</b>	<b>350</b>	<b>307</b>	<b>343</b>	<b>291</b>
South Korea	1,836	1,440	1,580	1,589	1,440	707	641	709
Taiwan	2,170	1,782	997	1,963	1,782	166	117	148
Malaysia	242	177	142	209	177	183	154	121
Indonesia	431	255	214	362	255	169	80	75
Other	1,808	543	532	1,448	544	512	301	124
Asia-Pacific	6,487	4,197	3,465	5,571	4,198	1,737	1,293	1,177
Hungary	182	124	181	179	124	62	65	79
Slovakia	244	256	290	244	256	171	170	175
Czech Republic	143	112	101	136	112	57	51	60
Poland	368	428	428	338	428	121	198	192
Romania	22	23	32	22	23	12	14	15
Croatia	47	46	59	47	46	45	43	42
Bulgaria	26	25	33	27	25	25	23	29
Russia	25	18	17	23	18	24	17	16
Central and Eastern Europe	1,057	1,032	1,141	1,016	1,032	517	581	608
Middle East and North Africa	137	101	88	120	101	126	95	82
Global Life	270	182	—	270	182	8	4	—
<b>Growth Markets</b>	<b>7,951</b>	<b>5,512</b>	<b>4,694</b>	<b>6,977</b>	<b>5,513</b>	<b>2,388</b>	<b>1,973</b>	<b>1,867</b>
Consolidation <sup>5</sup>	(258)	(226)	(208)	(243)	(227)	—	—	—
<b>Total</b>	<b>57,098</b>	<b>50,773</b>	<b>45,615</b>	<b>55,664</b>	<b>50,773</b>	<b>24,034</b>	<b>21,964</b>	<b>22,181</b>

1 Figures prior to 2010 have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

2 Statutory premiums are gross premiums written from sales of life 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.

	Operating profit			Cost-income ratio		
	2010 € mn	2009 € mn	2008 € mn	2010 %	2009 %	2008 %
Germany Life	980	677	621	95.7	96.7	96.6
Germany Health <sup>4</sup>	174	152	112	95.8	96.1	97.0
Switzerland	74	43	71	95.9	97.3	94.7
Austria	28	25	17	94.6	95.3	96.4
<b>German Speaking Countries</b>	<b>1,256</b>	<b>897</b>	<b>821</b>	<b>95.7</b>	<b>96.6</b>	<b>96.5</b>
Italy	293	245	206	97.1	97.5	97.0
France	439	662	129	95.8	93.1	98.4
Spain	113	115	103	90.4	90.5	90.8
South America	9	9	10	88.5	84.6	95.3
Netherlands	48	47	(1)	88.0	89.1	100.2
Turkey	6	9	5	95.7	92.7	90.4
Belgium/Luxembourg	64	58	56	95.7	94.9	94.2
Portugal	20	17	1	89.6	89.8	98.9
Greece	4	3	2	96.4	96.9	97.9
Africa	1	4	3	97.4	92.4	93.3
<b>Europe incl. South America</b>	<b>997</b>	<b>1,169</b>	<b>514</b>	<b>95.9</b>	<b>94.8</b>	<b>97.1</b>
United States	361	432	(105)	96.5	94.9	101.6
Mexico	5	4	4	95.7	92.9	94.9
<b>NAFTA Markets</b>	<b>366</b>	<b>436</b>	<b>(101)</b>	<b>96.5</b>	<b>94.9</b>	<b>101.5</b>
Reinsurance LH	23	29	7	93.2	93.7	98.0
<b>Anglo Broker Markets &amp; Global Lines</b>	<b>23</b>	<b>29</b>	<b>7</b>	<b>93.2</b>	<b>93.7</b>	<b>98.1</b>
South Korea	87	61	96	96.2	96.5	94.7
Taiwan	51	17	11	97.7	99.1	99.1
Malaysia	14	13	9	93.9	92.7	93.3
Indonesia	37	18	12	91.2	92.4	94.2
Other	(31)	(59)	(85)	101.7	110.0	117.3
<b>Asia-Pacific</b>	<b>158</b>	<b>50</b>	<b>43</b>	<b>97.7</b>	<b>98.9</b>	<b>98.9</b>
Hungary	6	12	15	96.9	91.3	92.2
Slovakia	20	37	28	92.7	87.2	91.1
Czech Republic	11	9	4	92.9	92.7	96.0
Poland	20	16	6	94.9	96.6	98.5
Romania	2	2	2	92.9	92.6	92.7
Croatia	4	2	4	92.7	95.7	93.9
Bulgaria	6	6	2	82.9	80.1	93.5
Russia	(6)	(8)	(15)	119.6	141.7	183.3
Central and Eastern Europe	63	76	46	94.6	93.4	96.0
Middle East and North Africa	12	8	11	92.1	93.0	88.0
Global Life	(2)	4	—	100.9	97.6	—
<b>Growth Markets</b>	<b>231</b>	<b>138</b>	<b>100</b>	<b>97.3</b>	<b>97.7</b>	<b>98.0</b>
Consolidation <sup>5</sup>	(5)	1	(7)	—	—	—
<b>Total</b>	<b>2,868</b>	<b>2,670</b>	<b>1,334</b>	<b>96.1</b>	<b>95.8</b>	<b>97.5</b>

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

4 Loss ratios were 75.0 %, 73.5 % and 74.7 % for 2010, 2009 and 2008 respectively.

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

# Asset Management

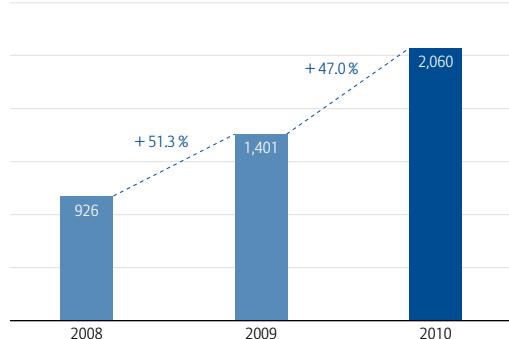
- Total assets under management exceeded € 1,500 billion.
- Third-party net inflows at a record high of € 113 billion.
- Outstanding operating profit of € 2.1 billion.

## Segment Overview

- Allianz offers asset management products and services for third-party investors and the Allianz Group's insurance operations.
- We serve a comprehensive range of retail and institutional clients worldwide.
- We operate on a global basis with investment and distribution capacities in all major markets with particular strongholds in the United States, Europe and the Asia-Pacific region.
- Based on total asset under management we are one of the four largest active asset managers in the world.

**Operating profit**  
in € mn

**+47.0%**



## Key Figures

	2010 € mn	2009 € mn	2008 € mn
Operating revenues	4,986	3,689	2,894
Operating profit	2,060	1,401	926
Cost-income ratio in %	58.7	62.0	68.0
Total assets under management in € bn	1,518	1,202	951

## Earnings Summary

Operating revenues increased by € 1,297 million to € 4,986 million. Internal growth amounted to 29.7%.

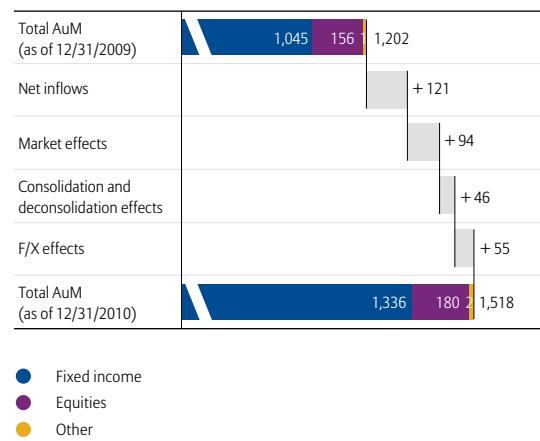
Overall, operating profit went up by 47.0% to € 2,060 million due to significant growth in assets under management and exceptionally high performance fees. Net inflows reached € 121 billion; of this, third-party net inflows accounted for a record € 113 billion.

At 58.7% our cost-income ratio was 3.3 percentage points lower than in the previous year.

## Assets under Management

As of December 31, 2010, total assets under management amounted to € 1,518 billion. Of this, third-party assets under management accounted for € 1,164 billion, while the remaining € 354 billion related to Allianz Group assets.

**Development of total assets under management**  
in € bn

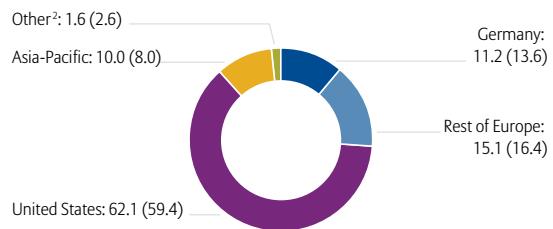


In 2010, net inflows were the largest component of the € 316 billion growth in total assets under management. Third-party net inflows reached a record high of € 113 billion. A further € 8 billion came from the Allianz Group's net inflows. Substantially all net inflows of € 121 billion were derived from our fixed income business. Market-related appreciation accounted for an additional € 94 billion, of which fixed income and equity products contributed € 72 billion and € 21 billion respectively. Cumulative foreign currency translation effects added € 55 billion to the growth: mainly due to the higher appreciation of the U.S. Dollar versus the Euro compared to the previous year. Due to consolidation effects total assets under management increased by € 46 billion, which was mainly driven by the transfer of Allianz Group assets under management in the United States to Allianz Global Investors.

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

### Third-party assets under management by regions/countries as of December 31, 2010 (December 31, 2009)<sup>1</sup>

in %



The United States accounted for the majority of third-party assets under management (62.1%), supported by strong fixed income net inflows. On an absolute basis, third-party assets under management, grew in all major regions.

The split between fixed income and equity third-party assets remained largely unchanged: fixed income assets grew to 86% (December 31, 2009: 85%) while equity assets decreased to 14% (December 31, 2009: 15%).

Strong retail flows in 2010 contributed to an increase in the proportion of third-party assets under management from retail clients to 34% (December 31, 2009: 32%). The share of third-party assets from institutional clients decreased respectively to 66% (December 31, 2009: 68%).

1 Based on the origination of assets.

2 This consists of third-party assets managed by other Allianz Group companies (approximately € 19 bn as of December 31, 2010 and € 24 bn as of December 31, 2009, respectively).

### **Rolling investment performance of Allianz Global Investors<sup>1</sup>**

in %



The overall investment performance of Allianz Global Investors' assets under management was excellent with 87% of our assets outperforming their respective benchmarks (December 31, 2009: 81%). Fixed income assets recorded an excellent outperformance of 90% versus their respective benchmarks. The investment performance of equity assets remained stable with 63% of equity assets outperforming their respective benchmarks.

## **Operating Revenues**

Operating revenues increased by € 1,297 million to € 4,986 million, driven mainly by a strong growth in assets under management. We also profited from a shift to higher margin products. Excluding positive foreign currency translation effects of € 211 million and (de-)consolidation effects, operating revenues increased by 29.7%.

Net fee and commission income amounted to € 4,927 million, an increase of € 1,337 million. Of this, management and loading fees accounted for € 1,471 million, partially offset by higher commission expenses.

In 2010 we also recorded a high level of performance fees of € 514 million (2009: € 432 million), supporting the outstanding development of net fee and commission income.

Income from financial assets and liabilities carried at fair value through income (net) amounted to € 19 million, a decline of € 21 million compared to the previous year, resulting largely from lower seed money valuation gains.

<sup>1</sup> AllianzGI account-based, asset-weighted 3-year investment performance of third party assets vs. benchmark including all accounts managed by equity and fixed income managers of AllianzGI. For some retail equity funds the net of fee performance is compared to the median performance of an appropriate peer group (Morningstar or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS (Global Investment Performance Standards), the performance of closed funds/accounts is not included in the analysis. Fund-of-funds at AllianzGI Solutions, accounts at AllianzGI Investments Europe, Zurich Branch and Joint-Venture GTJA China and in parts WRAP accounts are not considered. Not included until 3Q 2009: AllianzGI Taiwan, AllianzGI Singapore, AllianzGI Korea, AllianzGI Investments Europe Paris, AllianzGI Investments Europe Milan and Allianz Netherlands Asset Management.

## Operating Profit

We recorded **operating profit** of € 2,060 million due to exceptional growth in assets under management and strong performance fees. Overall growth on an internal basis was 41.4%, taking into account € 94 million from positive foreign currency translation effects.

**Administrative expenses** increased by € 638 million to € 2,926 million, of which € 117 million resulted mainly from the stronger U.S. Dollar. The strong business development also led to an increase in performance-related personnel expenses. Non-personnel expenses also increased in line with the growth in assets under management.

The growth in operating revenues, supported by strong performance fees, exceeded the growth in operating expenses, which is reflected in an excellent **cost-income ratio** of 58.7% (2009: 62.0%).

### Asset Management segment information

	2010 € mn	2009 € mn	2008 € mn
Management and loading fees	5,393	3,922	3,572
Performance fees	514	432	83
Other income	147	86	377
<b>Fee and commission income</b>	<b>6,054</b>	<b>4,440</b>	<b>4,032</b>
Commissions	(1,099)	(822)	(794)
Other expenses	(28)	(28)	(364)
<b>Fee and commission expenses</b>	<b>(1,127)</b>	<b>(850)</b>	<b>(1,158)</b>
<b>Net fee and commission income</b>	<b>4,927</b>	<b>3,590</b>	<b>2,874</b>
Net interest income <sup>1</sup>	21	30	63
Income from financial assets and liabilities carried at fair value through income (net)	19	40	(71)
Other income	19	29	28
<b>Operating revenues</b>	<b>4,986</b>	<b>3,689</b>	<b>2,894</b>
Administrative expenses (net), excluding acquisition-related expenses	(2,926)	(2,288)	(1,968)
<b>Operating expenses</b>	<b>(2,926)</b>	<b>(2,288)</b>	<b>(1,968)</b>
<b>Operating profit</b>	<b>2,060</b>	<b>1,401</b>	<b>926</b>
<b>Cost-income ratio<sup>2</sup> in %</b>	<b>58.7</b>	<b>62.0</b>	<b>68.0</b>

1 Represents interest and similar income less interest expenses.

2 Represents operating expenses divided by operating revenues.

# Corporate and Other

- Operating loss down € 86 million to € 942 million.
- Improvement driven by Banking business; operating loss of Holding & Treasury and Alternative Investments almost at prior year level.

## Segment Overview

- Corporate and Other encompasses operations of Holding & Treasury, Banking and Alternative Investments business.
- Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions.
- Our banking products offering in Germany, Italy, France and Central and Eastern Europe complements our insurance product portfolio.
- We 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

	2010 € mn	2009 € mn	2008 € mn
<b>Corporate and Other<sup>1</sup></b>			
Operating revenues	1,702	1,684	2,513
Operating expenses	(2,644)	(2,712)	(2,836)
Operating loss	(942)	(1,028)	(323)
<b>Holding &amp; Treasury</b>			
Operating revenues	450	446	1,008
Operating expenses	(1,313)	(1,295)	(1,338)
Operating loss	(863)	(849)	(330)
<b>Banking</b>			
Operating revenues	1,129	1,114	1,425
Operating expenses	(1,193)	(1,279)	(1,456)
Operating loss	(64)	(165)	(31)
<b>Alternative Investments</b>			
Operating revenues	134	134	200
Operating expenses	(149)	(147)	(178)
Operating profit (loss)	(15)	(13)	22

## Earnings Summary

While low interest rates still limited interest income, the operating loss fell by € 86 million to € 942 million.

Banking operations contributed € 101 million to this improvement. Holding & Treasury and Alternative Investments losses increased slightly compared to the previous year.

<sup>1</sup> Consolidation included; for further information about our Corporate and Other segment please refer to note 6 to the consolidated financial statements.

## Earnings Summary Holding & Treasury

The Holding & Treasury's **operating loss** was almost unchanged at € 863 million compared to € 849 million in 2009. A better hedged foreign currency result (2010: € (34) million, 2009: € (138) million) compensated for the lower net fee and commission result and higher expenses.

**Interest and similar income** declined by € 66 million to € 293 million mainly because of continuing low yields on debt securities. Dividend income partly offset this effect following the recovery of equity markets. **Interest expenses, excluding interest expenses from external debt** decreased by € 62 million to € 383 million, also affected by low interest rates.

**Operating loss from financial assets and liabilities carried at fair value through income** improved by € 81 million to € 41 million due to a higher foreign currency result.

**Administrative expenses** totaled € 591 million, € 43 million lower compared to 2009. Last year's operating expenses were burdened by non-recurring set-up costs for the Allianz Bank in Germany.

Our **loan loss provision** increased by € 8 million, which was mainly driven by our banking operations in Central and Eastern Europe.

Overall, the **operating loss** of our Banking business fell by € 101 million to € 64 million. Our Banking business in Central and Eastern Europe, which continued to suffer from a difficult economic environment, contributed to this operating loss.

## Earnings Summary Alternative Investments

Alternative Investments' **operating loss** of € 15 million remained at the previous year's level.

## Earnings Summary Banking

Our **net interest and fee and commission result** aggregated € 585 million in 2010, an increase of € 83 million compared to last year. These positive developments were mostly related to Allianz Bank in Germany. Following the launch of operations in June 2009, Allianz Bank in Germany contributed a full twelve months of operations for the first time.

# Outlook 2011 and 2012

- Economic upswing to continue at a more moderate pace.
- Allianz Group operating profit for 2011 expected to be in the range of € 8.0 billion, plus or minus € 0.5 billion, and is expected to improve in 2012.

## Overview: 2010 Actual versus Prior Year Outlook

	Outlook 2010 given in Annual Report 2009	Results 2010
<b>Allianz Group</b>	<p>Operating profit of € 7.2 billion, plus or minus € 0.5 billion.</p> <p>U.S. Dollar exchange rate of 1.45.</p> <p>Protect capital and solvency position.</p> <p>In these times of high uncertainty we must strive not only to protect the investments of our shareholders but continue to provide attractive returns and dividends.</p> <p>For the next three years we plan to strengthen our drive for profitable growth.</p> <p>Our investment strategy remains focused on generating attractive returns despite a low interest rate environment and on minimizing vulnerability to price fluctuations.</p>	<p>Operating profit of € 8.2 billion, € 0.5 billion above our target range: the result benefited from favorable foreign exchange rate movements and the change in accounting policy at Allianz Life U.S.</p> <p>U.S. Dollar exchange rate of 1.33.</p> <p>Solvency ratio of 173 %.</p> <p>AA Standard &amp; Poor's rating since 2007 with stable outlook.</p> <p>Return on equity after income taxes of 11.9% (2009: 12.5%) and proposed dividend of € 4.50 (2009: € 4.10) per share.</p> <p>Operating profit growth of 17.0% exceeded total revenue growth of 9.3%.</p> <p>Net investment income of € 20.9 billion, € 2.4 billion above prior year, driven by higher income from debt securities and lower impairments. Low interest rates were offset by higher asset base.</p>
<b>Property-Casualty</b>	<p>Gross premiums written to increase only slightly, due to the continuation of the soft cycle and our strict underwriting discipline.</p> <p>Operating profit in the range of € 4.0 billion to € 5.0 billion.</p> <p>We believe that over the cycle, a combined ratio of 96% is possible, and we forecast that our combined ratio for 2010 will improve towards that mark.</p> <p>We expect large claims stemming from natural catastrophes to be around € 900 million.</p> <p>A slight decline in investment income.</p> <p>We anticipate that the aggregate effect of improvements in pricing, claims management and productivity gains will more than compensate for underlying claims inflation and a slight decline of investment income.</p>	<p>Gross premiums written increased by 3.2% on a nominal basis and were flat on an internal basis.</p> <p>Operating profit of € 4.3 billion, at the lower end of our target range, partly due to higher than expected claims from natural catastrophes.</p> <p>Combined ratio decreased by 0.2 percentage points to 97.2%, benefiting from the strong recovery of our credit insurance business, and despite higher than expected claims from natural catastrophes.</p> <p>Large claims from natural catastrophes of € 1,264 million.</p> <p>Operating investment income increased by 3.2% to € 3,218 million. Improved underwriting result and investment result reflected in higher operating profit.</p>
<b>Life/Health</b>	<p>Statutory premiums of around € 47 billion.</p> <p>We expect operating profit in our Life/Health business to be within the range € 2.2 billion to € 2.8 billion. It must be noted that market volatility and the level of net harvesting can significantly impact the Life/Health segment results.</p> <p>There is room for improvement on the 2009 result of € 0.1 billion gross realized gains net of impairments, which was below the level seen in a calmer capital market environment.</p>	<p>Statutory premiums of € 57 billion, compared to € 51 billion in 2009: due to an increase in demand for investment and traditional insurance products combined with positive foreign currency effects of € 1.3 billion.</p> <p>Operating profit of € 2.9 billion (includes a positive impact from an accounting policy change at Allianz Life U.S.).</p> <p>€ 1.7 billion gross realized gains net of impairments (operating) driven by significant lower impairments.</p>
<b>Asset Management</b>	<p>Further strong inflows, especially into fixed income products.</p> <p>Operating profit in the range of € 1.1 billion to € 1.3 billion.</p> <p>The cost-income ratio is expected to remain below 65%.</p>	<p>Third-party net inflows of € 113 billion, compared to € 84 billion in 2009.</p> <p>Operating profit of € 2.1 billion, surpassed the upper end of our target range by € 0.8 billion, due to strong growth in assets under management and exceptionally high performance fees.</p> <p>Cost-income ratio of 58.7%.</p>

## Economic Outlook<sup>1</sup>

The global economic upswing looks set to continue in 2011 and 2012, although at a more moderate pace of between 3 and 3.5% in both years (2010: + 4.0%). The need for consolidation in many government coffers, coupled with moves to cut both private household and corporate debt, will put a damper on global economic momentum. Monetary policy, however, is still very accommodative in the U.S.A., Japan and Europe and favorable financing conditions are providing plenty of economic impetus for private households and the corporate sector alike. Even a slight tightening of the monetary reins – on the cards in the second half of 2011 and still more likely in 2012 – will not fundamentally change this. Furthermore, the growth potential inherent in the emerging markets has not yet been fully exhausted and their demand will continue to reinforce the global economic recovery. We expect the emerging markets to grow by around 6% in 2011 and 2012. Another factor at play is the investment cycle, which, with capacity utilization levels only recently returning to normal, is just getting under way. This will be of particular benefit to countries with a competitive capital goods industry.

The U.S. economy, whose fiscal policy is unlikely to shift towards consolidation until 2012, is expected to grow by 2.5 to 3% in 2011 and by an estimated 2.5% in 2012. Consequently, we expect to see an only moderate economic uptrend. The same is true for the Eurozone, with increasingly restrictive fiscal policy set to dampen economic momentum. GDP is expected to rise by between 1.5 and 2% in 2011 and by around 2% in 2012. The German economy looks poised to record above-average growth in the region of 2.5 to 3% in 2011, before falling back more or less into line with the European average again in 2012.

Although tackling the sovereign debt crisis will remain a major challenge in Europe, we believe that the associated turmoil on the financial markets will slowly but surely begin to die down. This should help to coax risk premiums back down. Yields on German and U.S. bonds, on the other hand, are likely to continue to

creep up. As far as the stock market is concerned, further increases in corporate earnings should mean that the overall environment in 2011, and presumably also in 2012, will remain benign.

It is important, however, not to underestimate the risks lurking in the shadows for both the economy and the financial markets in 2011 and 2012. As things stand, the greatest risks lie in a surge in commodity prices, an escalation of the sovereign debt crisis, sharp exchange rate swings, especially a steep slide in the U.S. Dollar, and a renewed flare-up of the banking crisis.

## Industry Outlook

During 2011 and 2012, the industry is heading for higher growth, but expectations should not be set too high. The growth in industrialized markets will probably remain on the modest side compared to that of the emerging markets where the underlying economic fundamentals and developing maturity characteristics are more favorable. Solvency II will probably continue to be the dominant industry issue through this period, however we are optimistic that the current uncertainty over its final shape will lift as we draw closer to its planned 2013 implementation. Although fixed income yields will probably improve further over these years, they are still likely to remain below pre-financial crisis levels on a rolling average basis. While we expect non-life prices to improve gently, price adequacy overall will remain a persistent concern for the industry. On balance, we forecast that the operating environment will be more favorable for life than non-life margins and returns.

In the **non-life sector**, we would expect premium income growth momentum to be more favorable in 2011 and 2012 on the back of improving economic conditions. While emerging markets can be expected to maintain a stronger growth trend than industrialized markets, we are encouraged by the growth prospects for our major European markets too. Our outlook for the pricing environment in 2011 and 2012 remains mixed however. In those markets where prices increased in 2010, importantly for us including

<sup>1</sup> These financial statements were prepared and audited before the severe earthquake in Japan on March 11, 2011 and the resulting severe damage to various Japanese nuclear power plants; a reliable estimation of the financial impacts is not yet available at this point in time.

Western Europe, we would anticipate further positive momentum and a broadening to other lines. Though elsewhere, for example U.S. commercial lines, there is a limited visibility on the positive catalysts that could effect a significant improvement, including a better balance of supply and demand and an exhaustion of releases from prior year claims reserves that are fueling lower prices. We remain steadfast in our belief that prices need to be significantly higher across the board, also to compensate for claims inflation, lower investment yields and long-term catastrophe loss trends.

In the [life sector](#), we anticipate modest growth in the high single digit range, with the majority of growth derived from investment returns as they gradually improve from their low levels. And, while low interest rates and inflation will probably be worries for the industry through 2011 and 2012, we would still anticipate margins to improve over this period. At the product level, margins on fee business can be expected to rise as they benefit from increased assets under management and a semi-fixed cost base. They should also improve for spread business as a result of gradually improving investment returns, although these will probably remain on the low side compared to historical levels. If the prevailing return environment remains low and uncertainties associated with Solvency II persist, we could foresee a further shift away from spread business to higher margin risk products. Reported margins for 2011 and 2012 should also benefit from less reserve strengthening, as well as savings from recently implemented cost improvement programs.

## Outlook for the Allianz Group<sup>1</sup>

As discussed earlier in this section, the economic up-swing will continue but at a more measured pace, and we look set to enter a period of moderate global economic growth. Despite the fairly strong global recovery, there are of course risks for 2011 and beyond.

The outlook provided here assumes that there is only a limited likelihood of severe shocks such as major geopolitical tensions, sovereign debt crises in large industrial countries or currency and trade wars. We show the operating profit outlook for 2011 for the Group and each segment, together with the main sensitivity factors and their possible impacts. In addition, we illustrate our expectation about the revenues and claims development and the anticipated development of key ratios and income statement positions. The outlook for the Group, especially the operating profit outlook, reflects a stabilizing diversification effect that is inherent in our global, multi-segment portfolio.

### Assumptions

Our outlook is based on the following assumptions:

- Moderate global economic growth
- Slightly increasing interest rates
- No dramatic interest rate movements
- No disruptive fiscal or regulatory interference
- No adverse development in the level of claims from natural catastrophes
- No severe disruptions of the capital markets

We expect our business mix and profitability contributions to remain unchanged: our Property-Casualty business will continue to contribute the majority of our operating profit. However, we anticipate that some positive and negative effects observed in 2010 will not recur in 2011 and beyond. Although the global economy has made a strong recovery over the last year, investment results are likely to remain under pressure due to only moderately increasing interest rates. This will be partially offset by better operational performance in the business segments and a growth-driven increase in our asset base. Given the magnitude of mark-to-market valuations in our profit and loss account, a precise prediction of net income for the year 2011 and beyond is not possible at this point.

<sup>1</sup> These financial statements were prepared and audited before the severe earthquake in Japan on March 11, 2011 and the resulting severe damage to various Japanese nuclear power plants; a reliable estimation of the financial impacts is not yet available at this point in time.

## Overview: Outlook 2011

Outlook 2011	
Allianz Group	<p>Operating profit of € 8.0 billion, plus or minus € 0.5 billion.</p> <p>U.S. Dollar exchange rate of 1.40.</p> <p>Protect capital and solvency position.</p> <p>As always we must strive not only to protect the investments of our shareholders but continue to provide attractive returns and dividends.</p> <p>We plan to strengthen our drive for profitable growth.</p> <p>Given the current interest rate environment our investment strategy remains focused on generating attractive returns and on minimizing vulnerability to price fluctuations.</p>
Property-Casualty	<p>Gross premiums written are expected to grow slightly in 2011 after two years without positive growth effects (based on internal growth).</p> <p>We expect operating profit to be in the range of € 4.2 billion to € 4.8 billion.</p> <p>We remain committed to our combined ratio target of 96%.</p> <p>We anticipate large claims from natural catastrophes to decrease to long-term average levels.</p> <p>Investment income will remain under pressure due to the short duration of investments in this segment combined with the low interest rate environment. Nevertheless, we will continuously strive to adapt our investment strategy to the current market conditions.</p> <p>We expect that the aggregate effect of improvements in pricing, claims management and productivity gains will more than compensate for underlying claims inflation.</p>
Life/Health	<p>We expect to reach another strong but stable revenue level in 2011.</p> <p>We expect operating profit in our Life/Health business to be within the range of € 2.2 billion to € 2.8 billion.</p>
Asset Management	<p>Operating profit in 2010 benefited from a high level of realized gains, which cannot be expected to continue at the same level in 2011.</p> <p>We expect inflows to continue, especially into fixed income products, but at an overall lower level than in 2010.</p> <p>We expect operating profit to be in the range of € 1.8 billion to € 2.2 billion.</p> <p>We expect to maintain a cost-income ratio well below 65%.</p>

## Management's Assessment of Expected Earnings and Revenues for 2011

In 2010, our total revenues increased to € 106.5 billion, a 6.2% rise on an internal basis compared to 2009. The growth in 2010 benefited from the return of customers' confidence after the financial crisis and revenues have reached the highest value we have ever achieved. We expect total revenues to be stable in 2011 as this catch-up effect fades. The level of total revenues depends on market cycles and our ability to exploit new business opportunities, as described in the opportunities section.

Our product mix varies from country to country, therefore information about the development of sales markets and the introduction of new products also varies. We expect our product and sales market mix to remain relatively unchanged.

In 2010 we exceeded our upper operating profit target of € 7.7 billion by € 0.5 billion and reached € 8.2 billion. The result benefited from favorable foreign exchange rate movements and the change in accounting policy at Allianz Life U.S.

Against this background, we expect for 2011 an operating profit of € 8.0 billion plus or minus € 0.5 billion, assuming no significant deviations from the assumptions stated here and the segment-specific sensitivities mentioned below. This range is driven by operating profit sensitivities to changes in interest rates and foreign exchange rates:

- a 100 bps increase (decrease) of interest rates would boost (reduce) operating profit by approximately € 0.2 billion. This does not include fair value changes in interest rate sensitive positions that are reported in our income statement.
- a 10% weakening (strengthening) of the U.S. Dollar versus our planned rate of 1.40 to the Euro would have a negative (positive) impact of approximately € 0.3 billion.



For further information on our Business Operations and Markets please refer to [www.allianz.com/annualreport](http://www.allianz.com/annualreport)

## Property-Casualty insurance

Gross premiums written are expected to grow slightly in 2011 after two years without positive growth effects (based on internal growth). The anticipated growth will be driven by the positive development in our Growth Markets, Global Insurance Lines & Anglo Markets as well as the improvement of some of our core markets such as Italy. As underwriting prices in Property-Casualty insurance depend on market cycles, which vary from country to country, and with the expectation that soft market conditions will continue in some of our core markets in 2011, we will adhere to our strict underwriting discipline. We will be prepared to let top line go in these markets if target margins are not being achieved.

Property-Casualty operating profit amounted to € 4.3 billion in 2010, with a combined ratio of 97.2%. The result benefited from the strong recovery of our credit insurance business which will not have such a significant impact in 2011. In contrast, losses from natural catastrophes of € 1.3 billion were almost three times the 2009 level. We anticipate such claims to decrease to long-term average levels.

We remain committed to our combined ratio target of 96%. With our expectation that the aggregate effect of improvements in pricing, claims management and productivity gains will more than compensate for underlying claims inflation, we expect that in 2011 we will make progress towards this target. A 1.0 percentage point change in the combined ratio would have an operating profit impact of around € 0.4 billion. It is important to recognize that investment income will remain under pressure due to the short duration of investments in the Property-Casualty segment and the low interest rate environment. Nevertheless we continuously strive to adapt our investment strategy to the current market conditions.

Overall, we expect operating profit to be in the range of € 4.2 billion to € 4.8 billion in 2011.

## Life/Health insurance

Revenues grew strongly in 2010 by more than € 6.3 billion to the highest level ever achieved of € 57.1 billion, driven in particular by Asia-Pacific, the United States and Germany. Growth in 2010 partially benefited from the return of customers' confidence after the financial crisis. Therefore, we expect to reach another strong but stable revenue level in 2011.

Operating profit exceeded the upper level of the operating profit target of € 2.8 billion by € 0.1 billion and reached € 2.9 billion in 2010, benefiting from a high level of realized gains, which cannot be expected to continue at the same level in 2011, and the accounting policy change at Allianz Life U.S. in 2010. We expect operating profit in our Life/Health business to be within the range of € 2.2 billion to € 2.8 billion in 2011. It must be noted that market volatility and the level of net harvesting can significantly affect the Life/Health segment results and make a precise prediction difficult.

## Asset Management

The success story of our Asset Management business continued in 2010. Exceptionally high net inflows and a strong market return carried our third-party assets under management to even higher levels. Operating profit increased by 47.0% to € 2.1 billion, mostly driven by higher net fee and commission income (up 37.2%). In 2011 we expect inflows to continue, but at a lower level, especially into fixed income products. However, net fee and commission income, including performance fees, is highly dependent on market values, investment performance and business mix. Although we do not expect the exceptionally strong development experienced in 2010 to continue, we expect operating profit in 2011 to remain at this high level and to be in the range of € 1.8 billion to € 2.2 billion, subject to inflows, markets, U.S. Dollar development, investment performance and investor sentiment. We expect to maintain a cost-income ratio well below 65%.

## Corporate and Other and consolidation

Our Corporate and Other segment recorded an operating loss of € 0.9 billion in 2010. Due to the current low interest rate environment, volatility in the fair value of financial assets and liabilities and the increasing pension expenses, we expect for Corporate and Other (including consolidation) an operating loss in the range of € 0.9 billion to € 1.1 billion for 2011, comprised mainly of expenses in the Holding & Treasury function.

## Financing and Liquidity Development

All external financing activities of the Allianz Group are centralized at Allianz SE. The potential sources of financing include the issuance of commercial papers, medium- and long-term notes and ordinary shares. In addition, Allianz SE has access to bank loans and long-term credit lines, which provide flexibility and allow Allianz to fine tune its funding structure.

The Allianz Group maintains a healthy liquidity position combined with a capitalization, well above what supervisory authorities currently require, and superior financial strength and stability. We expect to have steady access to the financial markets at reasonable costs in order to maintain our strong financial flexibility. This will be supported by prudent steering of our liquidity resources and a maturity profile focusing on long-dated average remaining term. Based on our current expectations of interest rates our average capital market financing costs in 2011 should be broadly in line with the previous year.

## Expected Dividend Development

As we continuously strive to protect our investors' capital and provide attractive returns and dividends, we strike a balance between payout and solvency when determining our dividend proposal. Our dividend policy is earnings-based in principle. Since 2008 our dividend payout ratio has been 40% of net income attributable to shareholders from continued operations. This ratio allows us to retain the capital which is needed to support our growth and will form the basis for our future dividend proposals to the Supervisory Board and Annual General Meeting.

To allow our shareholders to participate in our positive results, we will propose at the Annual General Meeting to increase the dividend payment from € 4.10 in 2009 to € 4.50 per share in 2010. This reflects a payout ratio of 40%.

## Management's Assessment of Expected Earnings for 2012

Based on current estimates we expect our 2012 operating profit to improve and to be driven again by positive contributions from all segments.

However, due to the volatile economic environment, it is difficult to make concrete predictions beyond 2011 concerning our net income development.

As always, natural catastrophes and adverse developments in the capital markets, as well as factors stated in our cautionary note regarding forward-looking statements, may severely affect the results of our operations.

## Management's Views on Future Challenges and Opportunities

It is essential that we maintain and strengthen the trust we have with our customers, employees, investors and the public. By consistently following our Group strategy, we are confident that the Allianz Group is in a privileged position to build on this trust and to deal with all aspects of the challenges and opportunities ahead.

While many of those challenges and opportunities are specific to our segments, business lines or markets, there are many issues that are global and cross-business in nature, such as:

**Stability of financial markets:** With the global financial crisis still fresh in memory, uncertainty and volatility will remain for some time. Insurance plays an important role in society: it safeguards business activities, provides protection for individuals and families and contributes to stability in capital markets by pursuing long-term investment strategies and stringently managing risks. Moreover, we also engage in educational initiatives to improve financial understanding in society and support the development of financially independent individuals.

**Demographic change:** Our strong market position in continental Europe and the U.S., as well as our strong brand and rating and well diversified product portfolio, puts us in an excellent position to further benefit from old-age and healthcare provisioning opportunities as well as the provision of assistance products.

A growing middle class population in emerging markets such as China, India, Brazil and Indonesia, also provides growth opportunities in all business segments. With a strong presence and experience in these markets, and supported by our globally esteemed brand, the Allianz Group stands to benefit from this growing pool of potential future customers.

**Access to finance:** Around 40% of the world's population live on less than 2 U.S. Dollars a day. People in developing countries are more severely affected by natural disasters, accidents and diseases. They also

lack the opportunity to save or to take out insurance to hedge against these threats. Allianz offers a variety of microfinance products to more than four million customers. Microfinance can be profitable, although at a lower margin rate than traditional business. Making low-income customers familiar with the concept of insurance should pay off over the years as these customers move up the economic ladder.

**Climate change:** With their expertise in loss reduction and risk management, insurance companies are well placed to make a vital contribution towards finding global climate solutions. To date, the Allianz Group has developed more than 70 products and services that help mitigate climate change or take its environmental impact into account. For example, hybrid car owners can benefit from discounted insurance, and special property insurance provides cover for using renewable energies or upgrading a property to be "green".

As the world becomes more aware of climate change, the increasing popularity of renewable energy and other "green" investment products is likely to gain more momentum. Our asset management products already include funds that invest in renewable energies, green technology and companies that are sustainably managed and environmentally friendly.

**Serving "today's customer":** The past two decades saw the proliferation of mobile phones, laptop computers, broadband connections and email traffic mainly driven by younger, affluent, higher educated and predominantly male members of so-called "developed societies". We have entered an age where the mastery and use of information technologies and devices is effectively part of all our stakeholders' DNA, no matter where they live, work and interact with Allianz. Today, our customers, investors and partners want to make their own decisions and expect easy, user-friendly access to information. While we continue to invest in electronic solutions in the front- and back-office in order to improve automation and efficiency, we predominantly aim to provide real value to our customers and investors.

#### Propagation of innovative distribution channels:

Much of our franchise in our traditional markets has been developed over many years in an intense partnership with our tied agents. Nevertheless, we are confronted with limited top line growth potential and depressed margins in mature markets. As we expand our positions in key growth markets, we put high emphasis on the development of and transition to innovative and economically attractive distribution channels.

**Expense management:** As we develop our franchise globally and face intensified challenges to maintain and improve our performance in traditional, but unfortunately stagnating, markets we recognize the increased need to manage our operational expenses in an intelligent and sustainable way that will acknowledge the contribution and value of our employees around the globe. For example, we actively promote the Group-wide utilization of Allianz U.K.'s center in South India for IT development and business processing.

**Complexity reduction:** We continue to reduce the complexity of our business, supported by our Target Operating Model and Operational Transformation Programs that aim to standardize business processes and organization structures in our insurance segments. In parallel, we fight entropy with a Group-sponsored initiative to reduce the number of legal entities, especially insurance carriers, in Western Europe.

## Opportunity Management and Strategic Investments at Allianz

Our Target Operating Model has laid the foundation for a structured and harmonized approach to capture opportunities globally and in the different local markets.

Clear roles and responsibilities as well as processes involving all stakeholders ensure that identifying opportunities, evaluating their potential and driving promising ideas to implementation becomes an institutionalized part of our business.

Market Management, for example, is responsible for developing and constantly evolving the local market strategy linking clear objectives with customer, sales channel, product, service and brand strategies.

The strategy development process comprises three steps:

1. Analysis of markets and customers to gain insights e.g. on trends, customer needs and behavior.
2. Understanding what impact these insights have on the current business model and the local strategy.
3. Translation of these findings into necessary adjustments to the market strategy.

The implementation of the strategy is as important as its development in terms of driving and coordinating concrete initiatives and projects. Both aspects are the responsibility of the local Boards of Management. But they are also standing agenda items in the management dialogues between the operating entities and the Holding. This demonstrates the attention given by top management to identifying and exploiting opportunities globally and locally.

As a global company with operating entities in about 70 countries, Allianz has a huge base of local expertise and examples of good practice. One key task of the Holding functions is to make use of this valuable knowledge by sharing it across the Group and supporting its transfer to other Group companies. This also contributes to constantly identifying and exploiting opportunities.

In addition to strategic approaches and knowledge sharing, major sources of opportunities stem from customer interaction and employees' ideas. Processes and tools are in place to systematically leverage these two important areas of insight. For example, Allianz conducts well over one million calls every year to collect feedback from customers at critical points of interaction. The feedback is systematically analyzed to improve business processes and make the customer's voice heard throughout the organization.

To exploit the opportunities of an increasingly digital environment and to meet changing customer expectations and behavior, Allianz will invest in the development of superior customer interfaces. These will give customers easy-to-use digital access to information and services while also meeting the high standards of security and confidentiality required of a global insurance company. This comprises for example customer, agent and employee portals and mobile applications that can be accessed through multiple devices.

A major strategic issue is the further development and implementation of globally usable core insurance platforms. Building on flexible, reusable and adaptable components these platforms allow multiple local deployments, leveraging economies of scale and skill for the entire Group and accelerating time-to-market.

In 2011 and 2012, the Allianz Group will spend more than € 2 billion in IT initiatives in order to change and run the business.

Expanding the collaboration and communication infrastructure is another major area of activity. The implementation of an upgraded Wide Area Network over the coming years will realize monetary benefits while at the same time enable extended services, such as internet telephony (Voice over IP) or video-conferencing. It will also be the basis for a Global Identity and Access Management allowing for global accessibility in a solidly secure manner.

#### **Cautionary note regarding forward-looking statements**

The statements contained herein may include prospects, future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed in such forward-looking statements. Such deviations may arise, without limitation, because of changes in the general economic condition and competitive situation, particularly in the Allianz Group's core business and core markets or the impact of acquisitions, related integration issues and reorganization measures. Deviations may also arise from the frequency and severity of insured loss events, including from natural catastrophes, and from the development of loss expenses, mortality and morbidity levels and trends, persistency levels, and particularly in our banking business, the extent of credit defaults. In addition, the performance of the financial markets (particularly market volatility, liquidity and credit defaults) as well as changes in interest rate levels, currency exchange rates and changes in national and international laws and regulations, particularly tax regulation, may have a relevant impact. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The company assumes no obligation to update any forward-looking statement.

Further development of the International Client (Workstation Operating System and Standard Software) will be key to exploiting disruptive virtualization technologies to establish a global solid security foundation and to increase usability while at the same time lowering cost.

Furthermore, the Allianz Group will continue to invest significant amounts in initiatives for implementing the Group's strategy. In order to build the world's strongest financial community, major Group initiatives are in place for insurance segments as well as for distribution to capitalize on the Group's strength, to capture opportunities and to actively address challenges ahead.

Investments in distribution will focus on the development and transformation of our proprietary distribution network, as well as the further acceleration of our performance in the broker channel. Our aim to achieve and maintain world leading underwriting and claims discipline is underlined by dedicated initiatives in the Property-Casualty business to identify issues, to reinforce execution capabilities to fully exploit market opportunities, to keep and extend state-of-the-art technical skills and to foster staff development.

In addition, significant efforts are dedicated to prepare Allianz for the challenges posed to the insurance industry by the implementation of Solvency II.

## **Management's Overall Assessment of the Current Economic Situation of the Allianz Group**

Overall at the date of issuance of this Annual Report given current information regarding natural catastrophe and capital market development, in particular foreign currency, interest rates and equities, the Board of Management does not have any indication that the Allianz Group is facing any major adverse developments.<sup>1</sup>

<sup>1</sup> These financial statements were prepared and audited before the severe earthquake in Japan on March 11, 2011 and the resulting severe damage to various Japanese nuclear power plants; a reliable estimation of the financial impacts is not yet available at this point in time.

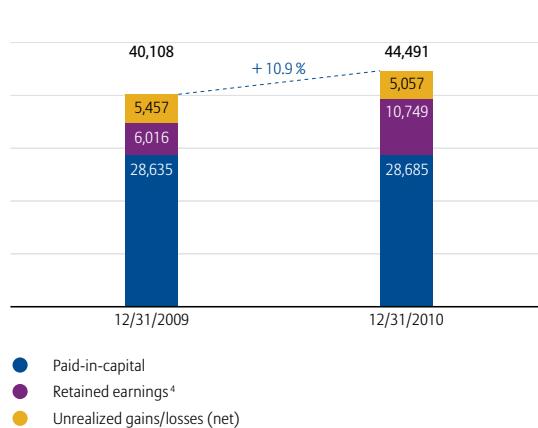
# Balance Sheet Review

- Shareholders' equity increased by 10.9% to € 44.5 billion.
- Strong solvency ratio up 9 percentage points to 173%.<sup>1</sup>

## Shareholders' Equity<sup>2</sup>

### Shareholders' equity<sup>3</sup>

in € mn



As of December 31, 2010, shareholders' equity amounted to € 44,491 million, an increase of € 4,383 million compared to December 31, 2009. Net income attributable to shareholders and favorable foreign currency translation effects increased our equity by € 5,053 million and € 1,297 million, respectively. Unrealized gains declined by € 400 million driven by higher realizations to participate in positive market developments. Allianz SE paid dividends of € 1,850 million for the fiscal year 2009 in the second quarter of 2010, which also reduced equity.

## Regulatory Capital Adequacy

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerates Directive and the related German law in force since January 1, 2005. The law requires that a financial conglomerate calculate the capital needed to meet obligatory solvency requirements on a consolidated basis.

### Conglomerate solvency<sup>1</sup>

in € bn



As of December 31, 2010, the Group's eligible capital for solvency purposes, required for insurance segments, Banking and Asset Management business, was € 39.6 billion, including an off-balance sheet reserve of € 2.1 billion and a deduction for expected dividends for 2010 of € 2.0 billion. In line with the development of shareholder's equity, eligible capital increased. Required funds were up by € 1.7 billion, primarily driven by business growth in Life/Health. Overall, eligible capital exceeded the minimum legally stipulated level by € 16.7 billion. This margin resulted in a cover ratio of 173% as of December 31, 2010, an improvement of 9 percentage points, increasing our already strong solvency position.

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 excluding off-balance sheet reserves would be 164% (2009: 155%).

2 This does not include non-controlling interests of € 2,071 mn and € 2,121 mn as of December 31, 2010 and December 31, 2009, respectively. For further information please refer to note 25 to the consolidated financial statements.

3 2009 figures have been restated to reflect a change in Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

4 This includes foreign currency translation effects.

## Total Assets and Total Liabilities

In the following sections, we show the asset allocation for our insurance portfolio and analyze important developments within the balance sheets of our Property-Casualty, Life/Health, Asset Management and Corporate and Other segments.

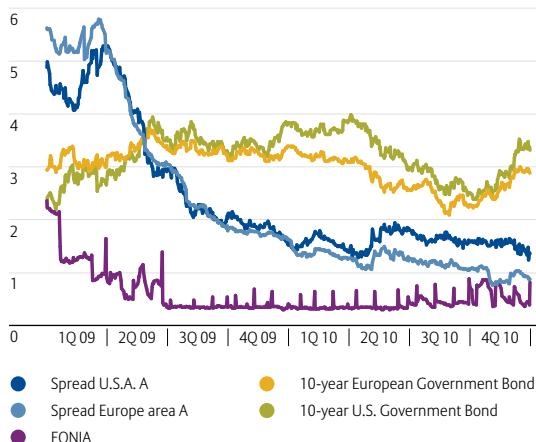
As of December 31, 2010, total assets amounted to € 624.9 billion and total liabilities amounted to € 578.4 billion. Compared to year-end 2009 total assets and total liabilities increased by € 41.2 billion and € 36.9 billion respectively.

### Market environment of different asset classes

**Equity markets** were volatile during 2010. The first half of 2010 was characterized by a sideways development. With positive earnings forecast during the second half of 2010 and the global economic recovery almost all major equity markets picked up and closed at year-end with an overall positive performance.

### Interest rates and credit spreads development

in %



10-year **interest rates** of all major countries decreased during the first nine months of 2010. In the fourth quarter of 2010 this trend reversed as economies showed signs of recovery. Overall interest rates were still low in 2010, even lower than 2009, putting pressure on interest and similar income.

In 2010 **credit spreads** continued to narrow albeit more moderately than in 2009.

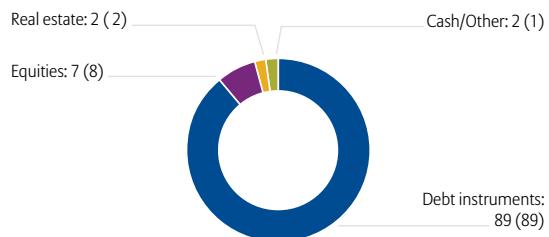
### Structure of investments – portfolio overview

Allianz Group's asset portfolio is mainly derived from our core business of insurance. The following asset allocation covers the insurance segments together with the Corporate and Other segment.

#### Asset allocation<sup>1</sup>

in %

Allianz Group's asset portfolio as of December 31, 2010: € 444.9 billion  
(as of December 31, 2009: € 408.7 billion)



The Group's investment portfolio grew by € 36.2 billion compared to the end of 2009. This increase was mainly driven by inflows provided by our underlying operating businesses, primarily from the Life/Health entities and supported by market returns.

In 2010, our gross exposure to **equities** increased from € 30.6 billion to € 33.0 billion driven by positive market developments, although partially offset by divestments. Our equity gearing after policyholder participation and hedges, i.e. a ratio of our equity holdings allocated to shareholder's equity plus off-balance sheet reserves less goodwill, remained unchanged at 0.4.

<sup>1</sup> This does not include our banking operations.

The vast majority of our investment portfolio comprises **debt instruments**. Our investments in this asset class rose from € 364.8 billion to € 395.6 billion in 2010, mainly driven by net inflows, especially from our Life business.

Our exposure in this asset class is well-diversified with more than 60% allocated to governments and covered bonds. Approximately 94% is invested in investment-grade bonds and loans. In line with our operating business profile, 65% of our fixed income portfolio is invested in Eurozone bonds and loans.

Some European governments, like Portugal, Ireland, Greece and Spain, experienced rising credit spreads due to market concerns about sovereign solvency. Combined support efforts by other E.U. member states and the International Monetary Fund helped to ensure financial stability. As of December 31, 2010 our gross sovereign bond exposure in Portugal, Ireland, Greece and Spain amounted to € 8.1 billion. The current unrealized losses of the four countries sovereign bonds were € 1.1 billion as of December 31, 2010.

Nearly 60% of covered bonds are German Pfandbriefe backed by either public sector loans or mortgage loans. On these and all other covered bond exposures, a cushion against house price deterioration and payment defaults is provided by minimum required security buffers and over-collateralization.

Our portfolio includes ABS securities of € 20.2 billion. Around 25% or € 5.1 billion of our ABS securities are U.S. agency MBS which are backed by the U.S. government.

Our exposure in subordinated securities in banks amounted to € 10.6 billion. Our tier 1 share remains low at 0.5% of our total exposure to debt instruments.

Our exposure to **real estate** held for investment increased by 16.0% to € 8.7 billion.

## Investment result

### Net investment income

As of December 31,	Group		
	2010 € mn	2009 € mn	Delta € mn
Interest and similar income (net) <sup>1</sup>	18,906	17,654	1,252
Inc. fr. fin. assets and liab. carried at fair value through income (net)	(38)	874	(912)
Realized gains/losses (net)	3,708	3,416	292
Impairments of investments (net)	(844)	(2,732)	1,888
Investment expenses	(827)	(755)	(72)
<b>Net investment income</b>	<b>20,905</b>	<b>18,457</b>	<b>2,448</b>

In 2010 our **net investment income** amounted to € 20,905 million, an increase of 13.3% compared to last year. A higher asset base, especially in Life/Health and lower impairments from equities mainly accounted for this development. These effects were partially offset by lower fair value option and trading income recorded in 2010.

**Interest and similar income (net)<sup>1</sup>** rose by € 1,252 million to € 18,906 million, due to higher income from debt securities. A higher level of debt investments, especially in the Life/Health segment more than compensated for lower yields on debt securities.

**Income from financial assets and liabilities carried at fair value through income (net)** decreased by € 912 million to negative € 38 million. In 2009 we observed positive effects from reduced credit spreads in our Life/Health operations in the U.S.A. as well as from positive equity markets in our operations in France.

**Realized gains and losses (net)** amounted to € 3,708 million, up by € 292 million. Realized gains on debt investments contributed € 277 million to this development benefiting from still low interest rate levels. Realized gains and losses on equity and real estate investments remained at previous year levels. One of our major transactions was the sale of another tranche of ICBC shares. In 2010 we realized € 1.0 billion from the sale of ICBC shares, compared to € 0.7 billion in 2009.

At € 844 million **impairments (net)**, decreased by € 1,888 million compared to 2009. In the first quarter of 2009, we had to take equity impairments of considerable size. In 2010, impaired equity investments mainly stemmed from the banking sector.

## Assets and liabilities of the Property-Casualty segment

### Property-Casualty assets

In 2010 our Property-Casualty asset base increased by € 5.1 billion to € 97.3 billion. This was primarily driven by the development of our debt securities which rose by € 2.4 billion in total due to favorable foreign currency translation effects and net inflows. Equity investments increased by € 0.4 billion to € 5.4 billion benefiting from positive market developments. Our cash and cash pool assets rose slightly and amounted to € 5.3 billion.

### Composition of asset base

fair values<sup>1</sup>

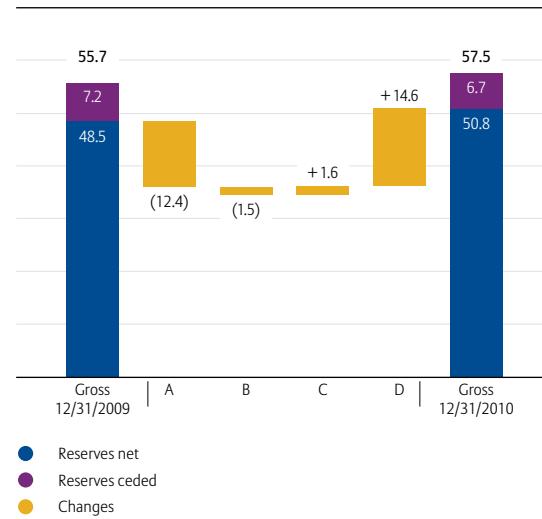
As of December 31,	2010 € bn	2009 € bn
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	0.2	0.2
Debt securities	1.5	1.7
Other <sup>2</sup>	0.1	0.1
<b>Subtotal</b>	<b>1.8</b>	<b>2.0</b>
<b>Investments<sup>3</sup></b>		
Equities	5.4	5.0
Debt securities	60.4	58.0
Cash and cash pool assets <sup>4</sup>	5.3	4.4
Other	6.7	6.5
<b>Subtotal</b>	<b>77.8</b>	<b>73.9</b>
<b>Loans and advances to banks and customers</b>		
	<b>17.7</b>	<b>16.3</b>
<b>Property-Casualty asset base</b>	<b>97.3</b>	<b>92.2</b>

Of our Property-Casualty asset base, asset-backed securities (ABS) made up € 4.3 billion as of December 31, 2010, which is approximately 4.4% of our asset base. CDOs accounted for only € 47 million of this amount.

### Property-Casualty liabilities

#### Development of reserves for loss and loss adjustment expenses<sup>5</sup>

in € bn



- A Loss and loss adjustment expenses paid in current year relating to prior years
- B Loss and loss adjustment expenses incurred in prior 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

As of December 31, 2010, the segment's gross reserves for loss and loss adjustment expenses increased by 3.2% to € 57.5 billion. On a net basis, reserves were up 4.7% to € 50.8 billion. Foreign currency translation effects and other changes accounted for € 1.6 billion of the increase.

## Assets and liabilities of the Life/Health segment

### Life/Health assets

In 2010 the Life/Health asset base increased by 9.5% to € 417.6 billion. Of this total, € 64.8 billion are financial assets for unit-linked contracts, which contributed € 7.8 billion to the overall increase. Without unit-linked contracts we recorded a significant increase in

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 upon, among other factors, our ownership percentage.

2 This comprises assets of € 0.2 bn and € 0.2 bn and liabilities of € (0.1) bn and € (0.1) bn as of December 31, 2010 and December 31, 2009 respectively.

3 These do not include affiliates of € 10.3 bn and € 10.9 bn as of December 31, 2010 and December 31, 2009, respectively.

4 These include cash and cash equivalents as stated in our segment balance sheet of € 2.5 bn and € 2.3 bn and receivables from cash pooling amounting to € 3.0 bn and € 2.1 bn net of liabilities from securities lending and derivatives of € (0.2) bn and € 0.001 bn as of December 31, 2010 and December 31, 2009, respectively.

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

debt investments from € 182.5 billion to € 212.8 billion. This development was driven by strong net inflows from our Life insurance business. Our equity investments increased by € 3.5 billion to € 24.4 billion under favorable market conditions. Cash and cash pool assets increased by € 1.4 billion to € 7.4 billion.

In conjunction with a change in accounting policy, the Allianz Group also sold a portfolio of financial assets which were designated at fair value through income which was previously held to mitigate interest rate volatility of an embedded derivative. As of December 31, 2009, the portfolio had a fair value of approximately € 3.5 billion. The portfolio was completely liquidated during the year ended December 31, 2010 and reinvested in available for sale bonds.

### Composition of asset base

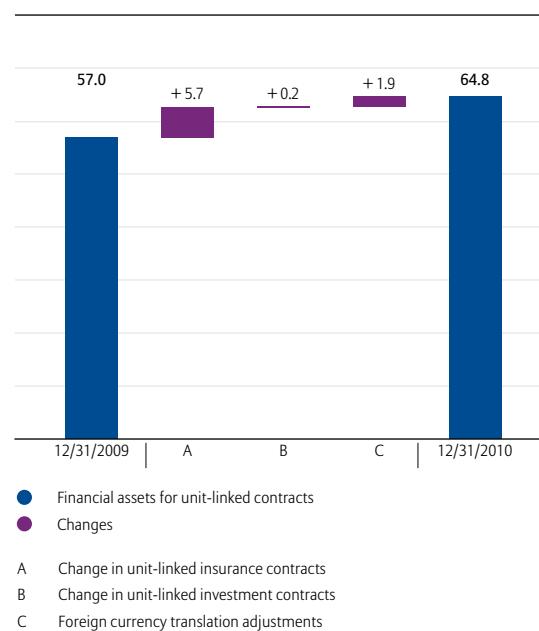
fair values

As of December 31,	2010 € bn	2009 € bn
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	2.7	2.8
Debt securities	3.2	7.3
Other <sup>1,2</sup>	(3.9)	(3.5)
<b>Subtotal</b>	<b>2.0</b>	<b>6.6</b>
<b>Investments<sup>3</sup></b>		
Equities	24.4	20.9
Debt securities	212.8	182.5
Cash and cash pool assets <sup>4</sup>	7.4	6.0
Other	8.8	7.9
<b>Subtotal</b>	<b>253.4</b>	<b>217.3</b>
<b>Loans and advances to banks and customers</b>	<b>97.4</b>	<b>100.3</b>
<b>Financial assets for unit-linked contracts<sup>5</sup></b>	<b>64.8</b>	<b>57.0</b>
<b>Life/Health asset base</b>	<b>417.6</b>	<b>381.2</b>

Within our Life/Health asset base, ABS amounted to € 15.2 billion as of December 31, 2010, which is less than 4% of total Life/Health assets. Of these, € 1.0 billion are CDOs.

### Financial assets for unit-linked contracts

in € bn



Financial assets for unit-linked contracts grew by € 7.8 billion to € 64.8 billion. Unit-linked insurance contracts increased by € 5.7 billion due to good fund performance and premium inflows exceeding outflows by € 5.2 billion. The most significant contributions came from our operations in the U.S.A. (€ 2.5 billion) and Japan (€ 1.1 billion). Unit-linked investment contracts increased by € 0.2 billion, mainly driven by Allianz Taiwan.

The majority of currency effects resulted from the stronger U.S. Dollar and Asian currencies.

1 2009 figures have been restated to reflect a change in Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

2 Comprises assets of € 1.0 bn and € 1.2 bn and liabilities of € (4.9) bn and € (4.7) bn as of December 31, 2010 and December 31, 2009 respectively.

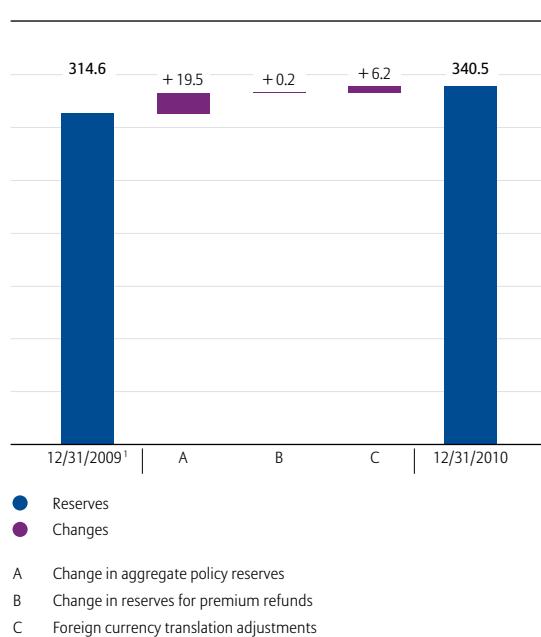
3 These do not include affiliates of € 1.6 bn and € 1.8 bn as of December 31, 2010 and December 31, 2009, respectively.

4 Including cash and cash equivalents as stated in our segment balance sheet of € 4.4 bn and € 2.5 bn and receivables from cash pooling amounting to € 3.3 bn and € 3.5 bn net of liabilities from securities lending and derivatives of € (0.3) bn and € 0.04 bn as of December 31, 2010 and December 31, 2009, respectively.

5 Financial assets for unit-linked contracts represent assets owned by, and managed on the 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.

**Life/Health liabilities****Development of reserves for insurance and investment contracts**

in € bn



Life/Health reserves for insurance and investment contracts increased by € 25.9 billion or 8% in 2010. € 19.5 billion of the increase was driven by market returns and higher net inflows resulting in higher aggregate policy reserves. Our entities in Germany, the U.S.A., Italy and France were the main contributors. Reserves for premium refund were essentially unchanged at € 23.8 billion.

Significant currency effects stemmed predominantly from the exchange rate developments of the U.S. Dollar, Asian currencies and the Swiss Franc.

**Assets and liabilities of the Asset Management segment****Asset Management assets**

Our Asset Management segment's results of operations stem primarily from the management of third-party assets.<sup>2</sup> In this section we refer only to the segment's own assets.

The main components of the Asset Management's asset base are cash and cash pool assets and debt securities. In 2010 the asset base increased by € 0.3 billion to € 3.3 billion.

**Asset Management liabilities**

Liabilities in our Asset Management segment amounted to € 4.3 billion up by 2.2%, mainly due to higher liabilities to banks and customers.

**Assets and liabilities of the Corporate and Other segment****Corporate and Other assets**

Our asset base for Corporate and Other was down by 3.2% in 2010 to € 39.1 billion. The biggest movement was within loans and advances to banks and customers, down by € 4.3 billion to € 16.4 billion due to repayments of loans and a decrease in reverse repos. In addition, our equity investments declined by € 1.5 billion mainly due to disposals of ICBC shares. Investments in debt securities increased by € 4.0 billion after a shift within our portfolio.

<sup>1</sup> 2009 figures have been restated to reflect a change in the Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

<sup>2</sup> For further information on the development of these third-party assets, please refer to page 91.

### Composition of asset base

fair values

As of December 31,	2010 € bn	2009 € bn
<b>Financial assets and liabilities carried at fair value through income</b>		
Equities	0.1	0.0
Debt securities	0.2	0.1
Other <sup>1</sup>	0.0	0.0
<b>Subtotal</b>	<b>0.3</b>	<b>0.1</b>
<b>Investments<sup>2</sup></b>		
Equities	3.3	4.8
Debt securities	17.3	13.3
Cash and cash pool assets <sup>3</sup>	1.6	1.3
Other	0.2	0.2
<b>Subtotal</b>	<b>22.4</b>	<b>19.6</b>
<b>Loans and advances to banks and customers</b>	<b>16.4</b>	<b>20.7</b>
<b>Corporate and Other asset base</b>	<b>39.1</b>	<b>40.4</b>

ABS in our Corporate and Other asset base, amounted to € 0.7 billion as of December 31, 2010, which is around 1.9% of our Corporate and Other asset base.

### Corporate and Other liabilities

Our liabilities to banks and customers amounted to € 20.5 billion as of December 31, 2010 versus € 21.2 billion at year-end 2009. This development was driven by a decrease in payables on demand and repurchase agreements with our Banking entities.

Other liabilities were down by € 0.8 billion to € 15.3 billion.

Liabilities of disposal groups classified as held for sale derived from our Polish Banking business totaled € 0.2 billion.

The development of certificated liabilities from € 14.1 billion to € 14.4 billion was mainly driven by an increase of Allianz SE's outstanding issued debt<sup>4</sup> of € 0.3 billion.

## 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 very small relative to our financial position.

The Allianz Group enters into various commitments including loan commitments, leasing commitments, purchase obligations and other commitments. Please refer to note 47 of our consolidated financial statements for more details.

The Allianz Group also has investments in four special purpose vehicles. Please refer to note 5 of our consolidated financial statements for more details on such investments and to note 45 for more details on our collateralized debt obligations.

In addition, please refer to the Risk Report for a description of the main concentrations of risk and other relevant risk positions.

1 This comprises assets of € 0.5 bn and € 0.5 bn and liabilities of € (0.5) bn and € (0.5) bn as of December 31, 2010 and December 31, 2009 respectively.

2 These do not include affiliates of € 69.2 bn and € 67.5 bn as of December 31, 2010 and December 31, 2009, respectively.

3 Including cash and cash equivalents as stated in our segment balance sheet of € 1.1 bn and € 1.1 bn and receivables from cash pooling amounting to € 0.5 bn and € 0.2 bn net of liabilities from securities lending and derivatives of € 0 bn and € 0 bn as of December 31, 2010 and December 31, 2009, respectively.

4 For further information on Allianz SE debt as of December 31, 2010, please refer to note 23 and 24 of our financial statements.

# Liquidity and Funding Resources

## Organization

The liquidity management of the Allianz Group is based on policies and guidelines approved by the Board of Management of Allianz SE. The primary responsibility of Allianz SE and each of its major operating subsidiaries is to manage their respective cash flows resulting from their individual business models. In addition, Allianz SE steers the liquidity planning and capital allocation process for the Group as well as the central pooling of liquidity. This process enables the efficient employment of liquidity and capital resources and allows Allianz SE to maintain the desired liquidity and capitalization levels of the Group and its operating entities.

## Liquidity Management of our Operating Entities

### Insurance Operations

The principal sources of liquidity for our operational activities include primary and reinsurance premiums earned, reinsurance receivables collected, as well as investment income and proceeds generated from the sale of investments. The major uses of funds include paying property-casualty claims and related claims expenses, providing life policy benefits, paying surrenders and cancellations, acquisition costs as well as other operating costs.

We generate substantial cash flow 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 to generate investment income and realized gains.

Our insurance operations also carry a high proportion of liquid investments which – under normal market conditions – can easily be turned into cash to pay for claims.

The overall liquidity of our insurance operations depends on the development of equity capital markets, the interest rate environment and our ability to realize the carrying value of our investment portfolio in order to meet insurance claims and policyholder benefits as they become due. 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, the liquidity needs are generally affected by trends in actual mortality rates compared to the related assumptions in the pricing of our life insurance policies. Also relevant is the extent to which minimum returns or crediting rates affect our life insurance products and 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 for covering 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 investments in fixed income securities and the issuance of new loans.

The liquidity of our banking operations is largely dependent on the ability of private and corporate customers to meet their payment obligations to us arising from credit lines and other outstanding commitments. Equally important is also our ability to retain the deposits provided by these customers.

## Liquidity Management of Allianz SE

The responsibility of Allianz SE is to identify the Allianz Group's liquidity requirements and to maximize the access to funding sources while minimizing borrowing costs.

### Liquidity resources and uses

Allianz SE ensures adequate access to liquidity and capital for our operating subsidiaries. The main sources of liquidity available 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 government bonds that can be used to meet our funding obligations as they arise.

The major uses of funds include paying interest expenses on our debt funding, operating costs, internal and external growth investments as well as dividend payments to our shareholders.

### Funding sources

Allianz Group's access to funds depends on various factors such as capital market conditions, our access to credit facilities as well as credit ratings and credit capacity.

The sources of funding available to Allianz SE for both short- and long-term funding needs are listed below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds, or by issuing ordinary shares.

### Equity funding

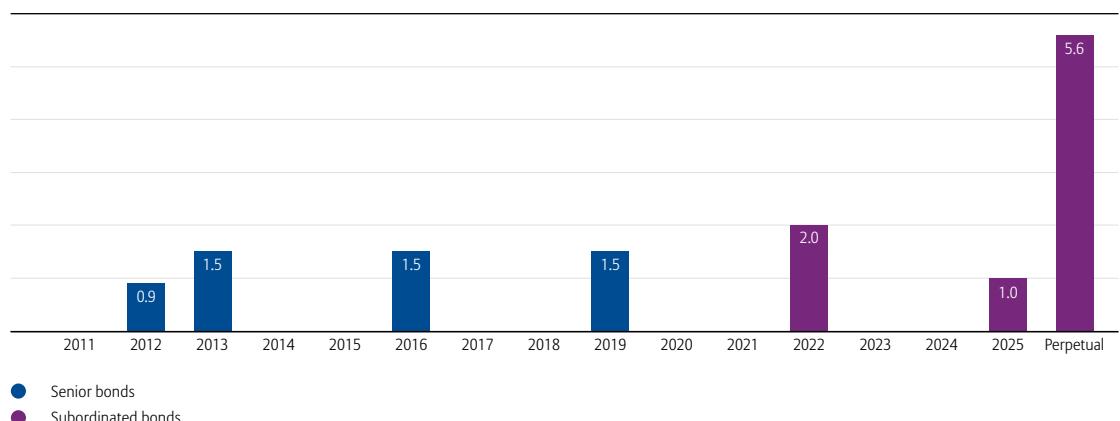
As of December 31, 2010, the issued capital registered at the Commercial Register was € 1,163,520,000, divided into 454,500,000 registered shares with restricted transferability. As of December 31, 2010, Allianz SE held 2,832,789 (2009: 2,584,367) own shares.

Allianz SE also 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 December 31, 2010:

Capital authorization	Nominal Amount	Expiry date of the authorization
Authorized Capital 2010/I	€ 550,000,000 (214,843,750 shares)	May 4, 2015
Authorized Capital 2010/II	€ 13,464,000 (5,259,375 shares)	May 4, 2015
Authorization to issue bonds carrying conversion and/or option rights	€ 10,000,000,000 (nominal bond value)	May 4, 2015 (issuance of bonds)
Conditional Capital 2010	€ 250,000,000 (97,656,250 shares) No such conversion or option rights were outstanding as of 12/31/2010.	No expiry date for Conditional Capital 2010 (issuance in case option or conversion rights are exercised)

### Maturity structure of Allianz SE's senior and subordinated bonds as of December 31, 2010

nominal value in € bn



### Long-term debt funding

As of December 31, 2010, Allianz SE had senior and subordinated bonds in a variety of maturities outstanding, reflecting our focus on long-term financing. While 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 mitigate refinancing risk by actively steering our funding structure.

Interest expenses on senior bonds increased to € 262.2 million (2009: € 220.9 million) due to a senior bond issue of € 1.5 billion in July 2009; for subordinated bonds they increased to € 543.8 million (2009: € 525.1 million) driven by the appreciation of the U.S. Dollar in 2010.

Senior and subordinated bonds issued or guaranteed by Allianz SE:

As of December 31,	2010				2009			
	Nominal value € mn	Carrying value € mn	Interest expense € mn	Average interest rate <sup>1</sup> %	Nominal value € mn	Carrying value € mn	Interest expense € mn	Average interest rate <sup>1</sup> %
Senior bonds	5,400	5,336	262.2	4.9	5,400	5,330	220.9	4.1
Subordinated bonds	8,564	8,300	543.8	6.3	8,442	8,162	525.1	6.2
<b>Total</b>	<b>13,964</b>	<b>13,636</b>	<b>806.0</b>	<b>5.8</b>	<b>13,842</b>	<b>13,492</b>	<b>746.0</b>	<b>5.4</b>

### Short-term debt funding

Short-term funding sources available are the Medium-Term Note Programme and the Commercial Paper Programme.

As of December 31, 2010, Allianz SE had money market securities outstanding with a carrying value of € 1,791 million: a € 287 million increase in the use of commercial paper compared to the previous year. Interest expenses on money market securities decreased to € 13.9 million (2009: € 31.3 million) due to lower short-term interest rates than 2009.

As of December 31,	2010			2009		
	Carrying value € mn	Interest expense € mn	Average interest rate %	Carrying value € mn	Interest expense € mn	Average interest rate %
<b>Money market securities</b>	<b>1,791</b>	<b>13.9</b>	<b>0.8</b>	<b>1,504</b>	<b>31.3</b>	<b>2.1</b>

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 Programme at an average rate well below Euribor and under the USD Commercial Paper Programme 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 bank credit lines as well as letter of credit facilities.

<sup>1</sup> Based on nominal value.

### Allianz SE bonds outstanding as of December 31, 2010<sup>1</sup>

	Interest expense in 2010	Interest expense in 2010
<b>1. Senior bonds<sup>2</sup></b>		
5.625% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.9 bn	
Year of issue	2002	
Maturity date	11/29/2012	
ISIN	XS 015 879 238 1	
Interest expense	€ 50.9 mn	
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 expense	€ 76.7 mn	
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 expense	€ 61.8 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 expense	€ 72.8 mn	
<b>Total interest expense for senior bonds</b>	<b>€ 262.2 mn</b>	<b>€ 543.8 mn</b>
<b>2. Subordinated bonds<sup>3</sup></b>		
6.125% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 2.0 bn	
Year of issue	2002	
Maturity date	5/31/2022	
ISIN	XS 014 888 756 4	
Interest expense	€ 117.1 mn	
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 expense	€ 66.1 mn	
7.25% bond issued by Allianz Finance II B. V., Amsterdam		
Volume	USD 0.5 bn	
Year of issue	2002	
Maturity date	Perpetual Bond	
ISIN	XS 015 915 072 0	
Interest expense	€ 28.2 mn	

1 For further information on Allianz SE debt (issued or guaranteed) as of December 31, 2010, please refer to note 23 and 24 to our consolidated financial statements.

2 Senior bonds and commercial papers 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 of the relevant issuer or, if applicable, the relevant guarantor (Allianz SE). The same applies to two subordinated bonds issued in 2002.

3 The terms of the subordinated bonds (except for the two subordinated bonds mentioned in footnote 2 above) do not explicitly provide for early termination rights in favor of the bond holder. 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 On October 23, 2009 the 8.375% subordinated bond was traded on the New York Stock Exchange for the last time. The bond is now traded in the U.S. OTC market and information on traded prices can be obtained from the website of FINRA (U.S. Financial Industry Regulatory Authority, Inc.).

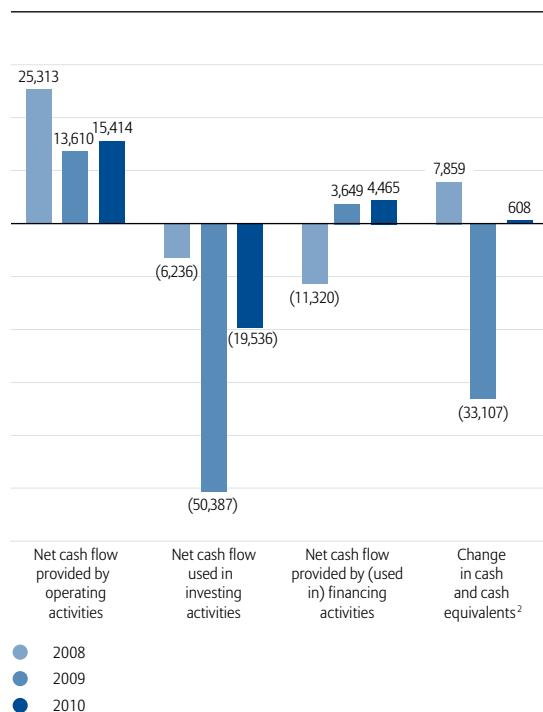
5 With effect of December 31, 2009 the profit participation certificates issued by Allianz SE have been called for redemption pursuant to Section 6 § 4 of the conditions of the profit participation certificates. As of January 4, 2010 holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009 the total cash compensation payable for the 1,175,554 outstanding profit participation certificates is shown as a separate line item on the balance sheet.

## Allianz Group Consolidated Cash Flows

### Change in cash and cash equivalents for the years

ended December 31,<sup>1</sup>

in € mn



**Net cash flow provided by operating activities** amounted to € 15.4 billion, up by € 1.8 billion compared to the prior year. Net cash flow provided by operating activities is comprised of net income (loss) 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 € 809 million from € 7,692 million in 2009 to € 8,501 million in 2010, primarily due to the respective increase in net income. The € 995 million increase in operating cash flows from the net change in operating assets and liabilities to € 6,913 million is primarily due to higher reserves for insurance and investment contracts as a result of the growth in our Life/Health business, especially in Germany and France. Net cash outflows from

financial assets and liabilities held for trading partially offset these positive effects.

**Net cash outflow used in investing activities** decreased by € 30.9 billion to € 19.5 billion in 2010 which is, to a large extent, attributable to the Dresdner Bank disposal in 2009. The disposal of Dresdner Bank to Commerzbank resulted in a net cash outflow of € 27.0 billion in 2009 as Dresdner Bank's cash balance of € 30.2 billion left the Allianz Group.

In addition, we recorded higher net cash inflows from loans and advances to banks and customers in 2010, particularly from the Holding company and our German life operations.

These effects were partially offset by higher net cash outflows for available-for-sale securities, mainly due to growth in the Life/Health segment.

### Net cash inflow provided by financing activities

amounted to € 4.5 billion in 2010, compared to € 3.6 billion in 2009. This was largely driven by lower net cash outflows from our refinancing activities.<sup>3</sup> In addition, net cash outflows from the redemption of external liabilities to banks and customers declined. Higher dividend payments to shareholders, as well as slightly lower net cash inflows from policyholders' account deposits/withdrawals in 2010, partially offset these effects.

**Cash and cash equivalents** increased by € 0.6 billion. Including the reclassification of short-term investments at our U.S. operations, cash and cash equivalents increased by € 2.6 billion to € 8.7 billion as of December 31, 2010.

### Cash and cash equivalents

As of December 31,	2010 € mn	2009 € mn
Balances with banks payable on demand	5,813	5,243
Balances with central banks	279	198
Cash on hand	169	159
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks <sup>4</sup>	2,486	489
<b>Total cash and cash equivalents</b>	<b>8,747</b>	<b>6,089</b>

<sup>1</sup> Figures prior to 2010 have been restated to reflect a change in Allianz Group's accounting policy. For further information please refer to note 4 of our consolidated financial statements.

<sup>2</sup> Includes effect of exchange rate changes on cash and cash equivalents of € 265 mn, € 21 mn and € 102 mn in 2010, 2009 and 2008, respectively.

<sup>3</sup> Refers to repayments and proceeds from issuance of certificated liabilities, participation certificates and subordinated liabilities.

<sup>4</sup> Includes reclassification of € 2,050 mn from loans and advances to banks and customers at our U.S. subsidiaries.

# 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), 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 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

	2010 € mn	2009 € mn	2008 € mn
<b>Property-Casualty</b>			
Gross premiums written	43,895	42,523	43,387
<b>Life/Health</b>			
Statutory premiums	57,098	50,773	45,615
<b>Asset Management</b>			
Operating revenues	4,986	3,689	2,894
consisting of:			
Net fee and commission income	4,927	3,590	2,874
Net interest income	21	30	63
Income from financial assets and liabilities carried at fair value through income (net)	19	40	(71)
Other income	19	29	28
<b>Corporate and Other</b>			
<b>Total revenues</b>	587	517	555
consisting of:			
Interest and similar income	683	708	989
Income from financial assets and liabilities carried at fair value through income (net)	1	17	6
Fee and commission income	445	389	430
Interest expenses	(333)	(395)	(677)
Fee and commission expenses	(210)	(200)	(193)
Consolidation effects (Banking within Corporate and Other)	1	(2)	—
<b>Consolidation</b>	(115)	(117)	117
<b>Allianz Group</b>	106,451	97,385	92,568

## 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 separately analyzed. Accordingly, in addition to presenting "nominal 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 %
<b>2010</b>				
Property-Casualty	0.0	0.0	3.2	3.2
Life/Health	9.6	0.4	2.5	12.5
Asset Management	29.7	(0.2)	5.7	35.2
Corporate and Other	13.8	(0.4)	0.1	13.5
<b>Allianz Group</b>	<b>6.2</b>	<b>0.2</b>	<b>2.9</b>	<b>9.3</b>
<b>2009</b>				
Property-Casualty	(0.9)	(0.4)	(0.7)	(2.0)
Life/Health	10.3	0.5	0.5	11.3
Asset Management	20.2	4.9	2.3	27.4
Corporate and Other	(7.0)	0.0	0.2	(6.8)
<b>Allianz Group</b>	<b>5.1</b>	<b>0.2</b>	<b>(0.1)</b>	<b>5.2</b>

# Risk Report and Financial Control

## Risk 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 ratio is resilient.

### Overall Risk Profile

The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of the Group's 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 below. They can be summarized as follows:

The Allianz Group is well capitalized and is comfortably meeting its internal and regulatory solvency targets as of December 31, 2010. Measured by solvency ratio and ratings, Allianz is one of the strongest insurance groups in the industry. Even during the 2008 and 2009 financial crisis, external rating agencies confirmed their ratings for Allianz SE. In particular, as of December 31, 2010, Allianz SE had one of the best Standard & Poor's ratings among the internationally active primary insurance groups in Europe.

The Group's management also believes that Allianz is well positioned to deal with potential future adverse events, in part due to our internal limit framework which limits the impact on our regulatory and economic solvency ratios of adverse shocks. Similarly, the Group's net exposure to natural catastrophes is also limited and remains within our risk appetite. The Group's management is confident that, through this risk appetite, we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations.

Finally, the Group has the additional advantage of being internationally diversified, key for competing in the insurance industry, with a conservative investment profile and disciplined business practices in the Property-Casualty and Life/Health insurance and Asset Management segments.

### Market and Business Context

Although details of the future regulatory requirements ("Solvency II") are becoming clearer, the final rules are still evolving. This creates some uncertainties in terms of ultimate capital requirements and business implications. Due to the "market consistent" valuation of both assets and liabilities, the Solvency II regime is expected to lead to a higher volatility of capital requirements especially with regard to long-term asset accumulation and savings products in the life insurance segment. Therefore, product designs, investment strategies and hedging programs may be further changed throughout the industry to mitigate this volatility.

Depending on the individual investment strategy, a continuation of the low interest rate environment may create challenges for some life insurance companies, especially in delivering sufficient investment income to meet policyholders' future expectations and the long-term guarantees embedded in individual life insurance products. The low interest rate environment also raises demand for certain types of assets. At the same time, the industry may have to deal with expectations of higher interest rates due to the potential for inflation, resulting in a precarious interest rate balancing act.

There are also some uncertainties regarding a potential escalation of the European sovereign debt crisis.

In addition, insurance companies are faced with the continued trend towards consumer protection, especially in the realms of transparency, sales practices and suitability for life insurance products.

In the following sections, we provide an overview of the Allianz capital and risk management frameworks, which allow the Allianz Group to effectively manage its risks.

## Capital Management Framework

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

The Allianz internal risk capital model plays a significant role in the management and allocation of internal capital. We also consider 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. Regulators and rating agencies impose minimum capital rules at the level of both the Allianz Group's operating entities and the Group as a whole.

We closely monitor the capital positions on Group and operating entity level and apply regular stress tests based on standard adverse scenarios. This allows us proactively to take appropriate measures to ensure the continued strength of capital and solvency positions. These measures may be related to assets or liabilities, such as a recalibration of our investment policy (e.g. reduction in equity exposure and risk concentration through sales and hedging activities) or reinsurance of certain liabilities. For example, a decrease in equity exposure in relative terms compared

to the Group shareholders' equity would make the Group's conglomerate and economic solvency more resistant to further drops in equity markets.

As a consequence of our effective capital management, the Allianz Group is well capitalized and meeting its internal and regulatory solvency targets as of December 31, 2010.

The capital management framework is supplemented by an effective liquidity management framework, which is designed to retain our financial flexibility by maintaining a strong liquidity position and access to a range of capital markets.<sup>1</sup>

### Internal capital adequacy

The Allianz Group's available capital is based on the Group shareholders' equity as adjusted to reflect the full economic capital base available to absorb any unexpected volatility in results of operations. For example, hybrid capital and the present value of future profits in the Life/Health segment are added to shareholders' equity, whereas goodwill and other intangible assets are subtracted.

Our objective is to maintain available capital at the Group level in excess of the minimum requirements that are determined by our internal risk capital model according to a solvency probability of 99.97% over a holding period of one year.<sup>2</sup> In support of this objective, we require each of our local operating entities to hold available capital resources allowing them to remain solvent at a lower confidence level of 99.93% over the same one-year holding period. This approach is designed to ensure a consistent capital standard across the Group. In addition, we take into account the benefits of a single operating entity being part of a larger, diversified Group.

We enhanced our internal risk capital model in 2010 with the objective to align with the evolving Solvency II internal model standards. In the following sections, all 2009 internal risk capital results are presented based

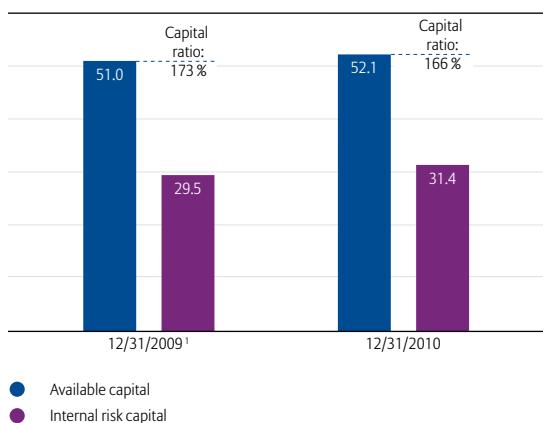
<sup>1</sup> For detailed information regarding liquidity management, please refer to "Other Risks – Liquidity risks".

<sup>2</sup> For detailed information regarding the internal risk capital framework, please refer to "Internal Risk Capital Framework".

on the new model. More details regarding the changes and their impact on internal risk capital are provided under "Introduction of new internal risk capital framework".

### Available capital and internal risk capital

in € bn



The increase in available capital was mainly driven by an increase in the Group shareholders' equity, partly compensated by a reduction in the present value of future profits in the Life/Health segment. However, due to higher internal risk capital requirements, the capital ratio dropped.

This risk report provides pre-diversified and Group diversified internal risk capital results. Pre-diversified internal risk capital reflects the diversification effect within each risk category (i.e. market, credit, underwriting and business risk) and does not include the diversification effect across categories. Group diversified internal risk capital, in contrast, captures the total diversification effect across all risk categories and regions. Pre-diversified internal risk capital is used to measure concentration risks. As risks are primarily managed at the operating entity level, pre-diversified internal risk capital is based on a confidence level of 99.93 % consistent with our internal capital standards for operating entities. Group diversified internal risk capital determines the internal capital requirements for the Group and is accordingly based on a confidence level of 99.97%.

As of December 31, 2010, the Group diversified internal risk capital before non-controlling interests of € 31.4 billion reflects a benefit of approximately 30%<sup>2</sup> due to the diversification effect across risk categories and regions. Pre-diversified and Group diversified internal risk capital are broken down as follows:

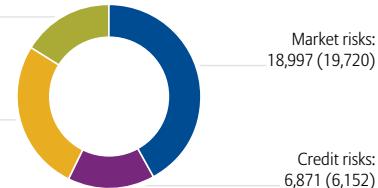
### Allocated internal risk capital by risk category (total portfolio before non-controlling interests) as of December 31, 2010 (December 31, 2009<sup>3</sup>)

Pre-diversified before tax, in € mn

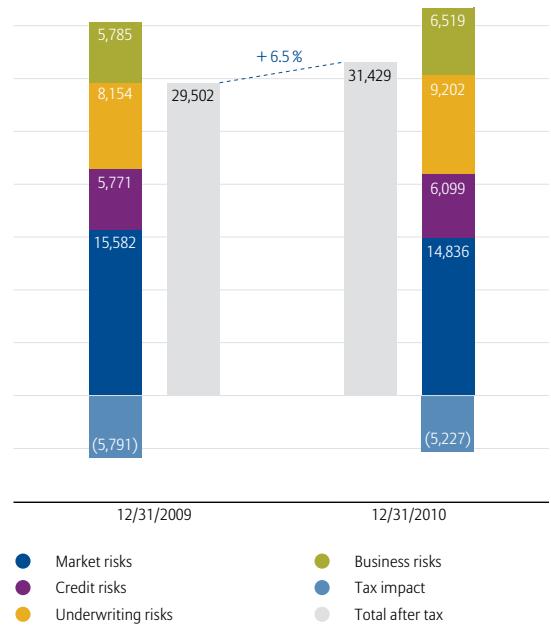
Total Group internal risk capital: 45,149 (43,809)

Business risks:  
7,254 (6,993)

Underwriting risks:  
12,028 (10,944)



Group diversified, in € mn



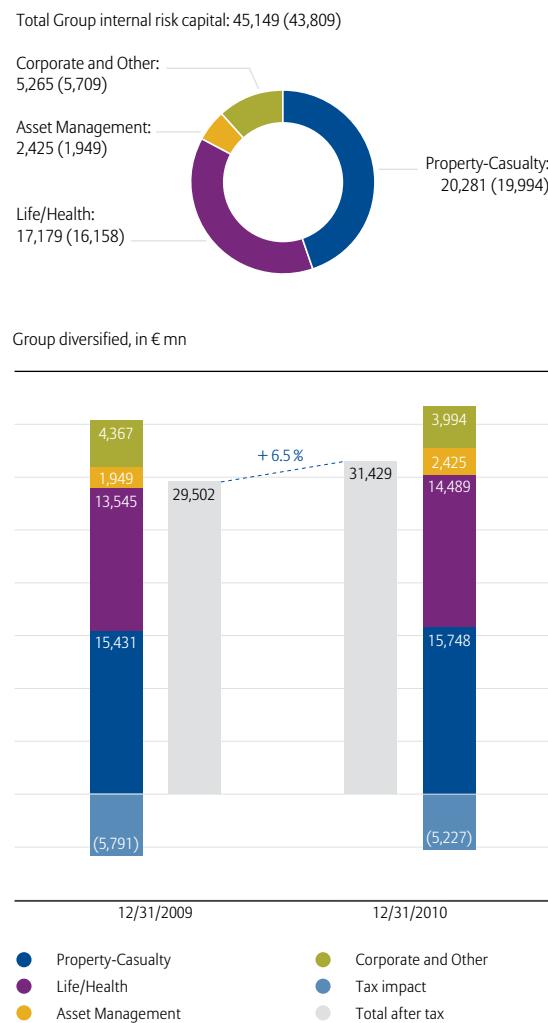
<sup>1</sup> Internal risk capital is recalculated based on the new internal risk capital framework. Available capital is also adjusted to reflect our new methodology used to determine the yield curves for valuation purposes in line with the current proposal of the European Insurance and Occupational Pensions Authority (EIOPA).

<sup>2</sup> Based on the new internal risk capital framework, this diversification benefit was approximately 33% as of December 31, 2009.

<sup>3</sup> Recalculated based on new internal risk capital framework.

**Allocated internal risk capital by business segment  
 (total portfolio before non-controlling interests)  
 as of December 31, 2010 (December 31, 2009<sup>1</sup>)**

Pre-diversified before tax, in € mn



Total Group diversified internal risk capital increased, particularly because we have a higher exposure to underwriting and business risks compared to the previous year. This increase, however, is partly compensated by lower market risks. More detailed discussions of movements are provided in the sections specifically related to the risk categories.

<sup>1</sup> Recalculated based on new internal risk capital framework.

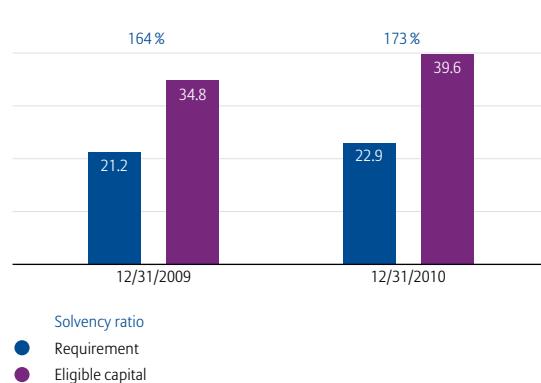
While internal risk capital as an economic solvency measure focuses on extreme events according to a confidence level of 99.97% over a holding period of one year, we also monitor risk indicators representing reasonably possible economic value impacts that would be more "tangible" or likely, i.e. maximum economic losses over the same time horizon with a significantly lower confidence level of 90% (€ 13.0 billion as of December 31, 2010).

## Regulatory capital adequacy

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and related German law. The law requires that a financial conglomerate calculate the capital needed to meet its solvency requirements on a consolidated basis, which we refer to as "eligible capital". Starting in 2013, these requirements are expected to reflect the Solvency II rules.

### Conglomerate solvency

in € bn



As of December 31, 2010, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the Asset Management and Banking business, was € 39.6 billion including off-balance sheet reserves<sup>2</sup> of € 2.1 billion, surpassing the minimum legally stipulated level by € 16.7 billion. This margin resulted in a cover ratio of 173% as of December 31, 2010.

<sup>2</sup> Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not yet submitted an application. The solvency ratio excluding off-balance sheet reserves would be 164% (2009: 155%).

Eligible capital increased in line with the Group shareholders' equity. Due to business growth primarily related to the Life/Health segment, our solvency requirement is higher as well. As the solvency requirement increased less than eligible capital, the solvency ratio improved.

## 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. The assessment of capital adequacy is usually an integral part of the rating process. Meeting rating agencies' capital requirements and maintaining strong credit ratings are strategic business objectives of the Allianz Group. The following table provides evidence of the sustainable financial strength of Allianz SE and its ability to meet ongoing obligations. Notably, the ratings were confirmed and remained stable during the 2008 and 2009 financial crisis:

### Insurer financial strength ratings of Allianz SE

As of December 31,	Standard & Poor's	Moody's	A.M. Best
2010	AA	Aa3	A+
back to 2007	stable outlook	stable outlook	stable outlook
2006	AA– positive outlook	Aa3 stable outlook	A+ stable outlook

As of December 31, 2010, Allianz SE had one of the best Standard & Poor's ratings among the internationally active primary insurance groups in Europe.

In addition to its long-term financial strength rating, Standard & Poor's determines a separate rating for "Enterprise Risk Management" (ERM). As of September 2010, Standard & Poor's assigned Allianz a "strong" rating for the ERM capabilities of our insurance operations. This rating 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 the Allianz Group's strong risk management culture, strong controls for the majority of key risks and strong strategic risk management.

The overview below presents selected ratings, assigned to Allianz SE by major rating agencies, as of December 31, 2010. All ratings remained stable compared to the previous year.

Ratings <sup>1</sup>	Standard & Poor's	Moody's	A.M. Best
Insurer financial strength rating	AA stable outlook (affirmed Sep 7, 2010)	Aa3 stable outlook (affirmed Nov 22, 2010)	A+ stable outlook (affirmed Apr 13, 2010)
Counterparty credit rating	AA stable outlook (affirmed Sep 7, 2010)	Not rated	aa <sup>2</sup> stable outlook (affirmed Apr 13, 2010)
Senior unsecured debt rating	AA (affirmed Sep 7, 2010)	Aa3 stable outlook (affirmed Nov 22, 2010)	aa stable outlook (affirmed Apr 13, 2010)
Subordinated debt rating	A+/A <sup>3</sup> (affirmed Sep 7, 2010)	A2/A3 <sup>3</sup> stable outlook (affirmed Nov 22, 2010)	aa– <sup>3</sup> stable outlook (affirmed Apr 13, 2010)
Commercial paper (short-term) rating	A–1+ (affirmed Sep 7, 2010)	Prime–1 stable outlook (affirmed Nov 22, 2010)	Not rated

## Risk Management Framework

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integrated part of our business processes. 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 to 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.

<sup>1</sup> Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.

<sup>2</sup> Issuer credit rating.

<sup>3</sup> Final ratings vary on the basis of the terms.

This comprehensive framework ensures that risks are properly identified, analyzed and assessed, in the course of a regular process which is consistently implemented across the Group ("Top Risk Assessment"). The Group's 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 both on the Group and operating entity level.

For the benefit of shareholders and policyholders alike, the Allianz risk management framework adds value to Allianz SE and its operating entities through the following four primary components in a layered structure as outlined in the diagram to the right.

### 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 approval, new product approval, strategic or tactical asset allocation. The framework includes risk assessments, risk standards, valuation methods and clear targets.

### Risk assessment, reporting and monitoring

Our comprehensive qualitative and quantitative risk reporting and monitoring framework provides transparency and risk indicators to senior management for 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 management and 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.<sup>1</sup>



Please refer to the "Corporate Governance Report and Statement on Corporate Management" for a detailed description of the Committees of the Board of Management.

### Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainably positive impact on valuation and financing.

### The Allianz risk management framework adds value through four primary components

Communication and Transparency

Risk Strategy and Risk Appetite

Risk Assessment, Reporting and Monitoring

Risk Underwriting and Identification

## Risk Governance Structure

As a key element of the risk management framework, the Allianz approach to risk governance is designed to enable integrated management of our local and global risks and to ensure that the Allianz Group's risk profile remains consistent with our risk strategy and our capacity to bear risks.

The Board of Management of Allianz SE formulates business objectives as well as the risk strategy. It allocates capital resources and limits across the Allianz Group, with the objective of balancing return and risk, for example by redefining the Group's natural catastrophe limits in 2010. While the Board of Management of Allianz SE is responsible overall for risk management, it has delegated some authorities to various committees. Three Board of Management level committees focus on the Group's risk exposure:

- the Group Capital Committee
- the Group Risk Committee
- the Group Finance Committee

<sup>1</sup> For additional information regarding opportunities, please refer to section "Outlook 2011 and 2012".

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 risk management function headed by the Group Risk department ("Group Risk"). Group Audit forms the "third line of defense". On a periodic basis, it independently reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards.

The Supervisory Board Risk and Audit Committees of Allianz SE meet on a regular and ad hoc basis to monitor the risk strategy and profile of the Allianz Group based on risk reports presented by the Chief Financial Officer, who chairs the Group Risk Committee. While the Audit Committee of the Supervisory Board of Allianz SE supervises the effectiveness of the Allianz risk management and monitoring framework, the Supervisory Board Risk Committee focuses on the overall risk profile of the Allianz Group and monitors risk-related developments as well as general risks and specific risk exposures. The Risk Committee regularly reports to the Audit Committee, in particular on enhancements to the risk management framework required by regulatory changes as well as changes in the market and business environment.

Group Risk, which reports to the Chief Financial Officer, develops methods and processes for identifying, assessing and monitoring risks across the Allianz Group based on systematic qualitative and quantitative analysis. This is the basis for informing the Board of Management of Allianz SE and senior management of the Group's risk profile on a quarterly basis. Group Risk develops the Allianz risk management framework and oversees the operating entities' adherence to the framework. The core elements of the risk framework are set down in the Allianz Group Risk Policy, which has been approved by the Board of Management of Allianz SE. It defines the minimum requirements for all operating entities within the Group. Additional risk standards, such as those related to specific segments or risk categories, are in place for our operating entities

worldwide. Group Risk is also operationally responsible for setting limits and monitoring the accumulation of specific types of risks across business lines, for example with respect to natural disasters and exposures to financial markets and counterparties. In addition, 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 areas. A strong risk network across the Group allows us to identify risks early and bring them to management's attention.

Within our decentralized organization, each of our local operating entities needs individually to adhere to external requirements (e.g. requirements imposed by local regulators) as well as internal Group-wide standards (e.g. Group-wide underwriting standards). In particular, local operating entities assume responsibility for their own risk management, with risk functions and committees that are consistent with the Group structure. Independent risk oversight is a fundamental principle of our risk governance structure, with a clear separation between business functions that actively take decisions and assume risk responsibility, and independent risk oversight functions. If a full alignment of an operating entity's organizational structure with this separation principle unreasonably decreased efficiency of operations, adequate mitigating measures would be taken. Risk oversight consists of independent risk identification, assessment, reporting and monitoring and also includes analyzing alternatives and proposing recommendations to the Risk Committees and local management or to the Board of Management of Allianz SE. The local risk departments performing the oversight role in our major operating entities are reporting into a local Chief Risk Officer. Group Risk is represented in the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

The risk governance structure is further complemented by Group Compliance and Group Legal Services. Group Compliance is responsible for integrity management which aims to protect the Allianz Group, its operating entities and employees from regulatory risks. Group Legal Services seek 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. The objective of Group Legal Services is to ensure that developments in 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.

The Allianz Group's risk landscape is continually evolving due to changes in our environment. In order to adapt, the Global Issues Forum is responsible for early recognition of large-scale developing risks and opportunities as well as for the assessment of long-term trends that may have a significant impact on the Allianz Group's risk profile. Group Risk maintains a risk network that focuses on emerging risks relevant for underwriting and that is closely linked to the Global Issues Forum. For example, our internal climate experts specifically examine the possible effects of climate change on our business, develop risk management strategies and identify potential opportunities resulting from climate change. Furthermore, Allianz actively participates in the Emerging Risk Initiative of the Chief Risk Officer Forum, which is comprised of the Chief Risk Officers of the major European insurance companies and financial conglomerates. This initiative continuously monitors the industry-wide risk landscape and raises awareness of major risks that are relevant for the insurance industry.

## Internal Risk Capital Framework

We define internal risk capital as the capital required to protect against unexpected, extreme economic losses. On a quarterly basis, we calculate and aggregate internal risk capital consistently across all business segments (Property-Casualty, Life/Health, Asset Management as well as Corporate and Other), 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.

## Introduction of new internal risk capital framework

The Allianz Group has used an internal risk capital model for several years for the management of its risk and solvency position. In 2008, we launched an internal multi-year Solvency II Umbrella Project to meet Solvency II internal model requirements starting in 2013. The high-level objectives of this project are to (i) improve data quality, (ii) enhance analysis capabilities, (iii) strengthen model robustness and process governance and (iv) ensure that all future qualitative Solvency II requirements will be met.

Many of these objectives have now been met. We have strengthened our risk analysis infrastructure by implementing a best practice technical platform with an improved methodology, increased coverage of modeled sources of risk and extended functionality and user benefits within our internal risk capital framework. After successful implementation and runs in parallel with the framework formerly in place, the Board of Management of Allianz SE approved the use of this new framework for 2010 risk management and reporting purposes.

The implementation of the new internal risk capital framework incorporates our internal approach of managing risks while reflecting our current interpretation of the evolving Solvency II standards. The framework will be assessed by European regulators in the course of the next years and will be adjusted in accordance with the final regulatory Solvency II rules.

A more detailed description of the new approach is provided in the section "Value-at-Risk approach".

### Comparison

To compare the results of the new internal risk capital framework with the former framework, we provide recalculated internal risk capital as of December 31, 2009. The presentation of results has been adjusted to allow a direct comparison of internal risk capital results consistent with our internal reporting under the new framework.

We explain below the major changes compared to the old internal risk capital framework and their impact on results.

#### **Group diversified allocated internal risk capital by risk category and business segment (total portfolio before non-controlling interests)**

	Recalculated under new framework As of December 31, 2009 € mn	As disclosed under old framework 2009 € mn
<b>By risk category</b>		
Market risks	15,582	14,284
Credit risks	5,771	3,872
Underwriting risks	8,157	7,933
Business risks	5,785	6,765
Tax impact	(5,791)	(2,463)
<b>Total Group</b>	<b>29,502</b>	<b>30,391</b>
<b>By business segment</b>		
Property-Casualty	15,431	15,639
Life/Health	13,545	11,179
Asset Management	1,949	1,948
Corporate and Other	4,367	4,088
Tax impact	(5,791)	(2,463)
<b>Total Group</b>	<b>29,502</b>	<b>30,391</b>

#### **Overall changes**

Our new internal risk capital framework is based on a Monte Carlo simulation approach, which is designed to determine the value for any confidence level of individual and aggregated portfolios over the holding period. As a result, we are able to better analyze specific portfolio related risks by considering a wide variety of adverse scenarios. In addition, the new framework also allows us to integrate all business segments into one technical platform, resulting in a harmonization of market parameters (e.g. volatilities) and model assumptions.

Within the old framework, internal risk capital was aggregated across the different sources of risk and levels of our portfolio hierarchy up to the Group level, based on pre-selected adverse scenarios. In the new framework, we significantly enhanced the risk aggregation by implementing a Gaussian Copula approach to determine the dependency structure of all sources of risk. This approach allows for a more granular modeling of dependencies and thereby better reflects

the diversification effect across all sources of risks and regions. In addition, we now use extended historical market data to estimate market correlations.

The main changes to our internal risk capital framework relate to the market and credit risk modules which are described below in detail. The underwriting risk modules used for our Property-Casualty and Life/Health segments were not materially changed. We also harmonized the treatment of economic tax liabilities across the Property-Casualty and Life/Health segments, leading to a more accurate reflection of the decreased tax liability under adverse conditions as modeled in the risk capital framework.

#### **Changes related to market risk modeling**

The new internal risk capital framework captures additional sources of risk such as credit spread risk related to bonds and implied volatility risk. We make use of replicating portfolio techniques to efficiently integrate life insurance liabilities within our Monte Carlo simulation based framework. Due to the inclusion of additional sources of risk and the consideration of individual portfolio specific market risk scenarios such as non-parallel yield curve shifts, internal market risk capital increased overall with a particular impact on the Life/Health segment. This impact is partly offset, because we also changed the methodology used to determine the yield curves for valuation purposes. In line with the current proposal of the European Insurance and Occupational Pensions Authority (EIOPA), we use macroeconomic techniques to derive long-term rates for maturities, where sufficiently deep and liquid markets do not exist, and we adjust the risk-free yield curves for the Life/Health segment to make allowance for a liquidity premium.

#### **Changes related to credit risk modeling**

For credit risk capital calculations, modeling has been improved by the inclusion of rating migration risk, higher granularity in terms of loss given default estimates and a more sophisticated correlation model using a country and industry classification for obligors as well as their asset size. In addition, exposure concentrations at the Group level are better captured.

### Changes related to business risk modeling

With the introduction of the new internal risk capital framework, we also aligned our approach to measure operational risk with the current proposal of the European Insurance and Occupational Pensions Authority (EIOPA).

### Value-at-Risk approach

We use an internal risk capital model based on a Value-at-Risk (VaR) approach. Following this approach, we determine the maximum loss in the portfolio value of our businesses in the scope of the model ("covered businesses") within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). More specifically, we consider adverse market, credit, insurance and other business events ("sources of risk") and calculate the portfolio value of the covered businesses as the net fair value of assets and liabilities based on values under current best estimate conditions and under a large number of potential adverse conditions. These adverse conditions are described by a combination of simulated scenarios, which are linked to underlying probabilities of occurrence. Widely known as Monte Carlo simulation, the approach is designed to determine the portfolio value over the holding period for any confidence level. Based on 30,000 scenarios, the required internal risk capital is defined as the difference between the portfolio value under best estimate conditions and the portfolio value under the adverse conditions associated with the desired confidence level.

Because we consider the impact of adverse market, credit, insurance and other business events on all covered businesses at the same time, diversification effects across sources of risk and regions are taken into account.

In addition, our framework allows us to specify internal risk capital for selected risk drivers (e.g. market events) by varying only these drivers while keeping all others stable. We are also able to calculate internal risk capital at different levels of our portfolio hierarchy up to the Group level (e.g. at local operating entity or segment level).

An efficient re-valuation of the liabilities of our insurance business under many scenarios is a prerequisite for advanced and timely analysis capabilities, which are important for effective risk management. Therefore, we apply replicating portfolio techniques, a widely known concept in the industry; Because standard financial market instruments are typically easy to evaluate, the liabilities and changes in their economic value due to market movements are replicated by portfolios of these instruments particularly taking into account the guarantees related to our life portfolios. We apply dedicated statistical quality and sensitivity tests for each single replicating portfolio to ensure minimum quality criteria are met as defined by the Group Parameters and Assumptions Approval Committee.

To calculate internal risk capital using the VaR approach at the Allianz Group level, we assume a confidence level of 99.97% and a holding period of one year, which is assumed to be equivalent to an "AA" rating of Standard & Poor's. We apply a holding period of one year because it is generally assumed that it may take up to one year to identify a counterparty to whom we can transfer the assets and liabilities in our portfolio. This capital requirement is sufficient to cover losses in any one year equivalent to a 3-in-10,000 year event. Although our internal risk capital is based on extreme events, it can also be applied towards managing the risks resulting from reasonably possible, smaller adverse events that could occur in the near term, because the results allow us to analyze our exposure to each source of risk both separately and in aggregate.

Our internal risk capital model makes use of various techniques which require a significant number of estimates and assumptions applied to risk and financial data, both internally and externally derived. Internal controls exist within our internal risk capital and financial reporting frameworks which cover the use of estimates and assumptions.<sup>1</sup> Three specific sets of assumptions include the following.

<sup>1</sup> For additional information regarding our internal controls over financial reporting, please refer to the section "Controls and Procedures – Internal Controls over Financial Reporting".

## **Yield curve**

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial to determine future cash flows and to discount them. We now apply the same methodology as provided by the European Insurance and Occupational Pensions Authority (EIOPA) for the fifth quantitative impact study (QIS 5), which is a major step for testing the final implementation measures of the evolving Solvency II model standards. Assuming a long-term equilibrium interest rate per currency, macroeconomic techniques are used to derive long-term rates for maturities without sufficiently deep and liquid markets. The overall aim is to construct a stable and robust valuation framework that reflects current market conditions and at the same time represents the economic view regarding the expected behavior of unobservable long-term interest rates. This is of particular relevance for the Allianz Group due to its long-term life insurance business.

Consistent with the methodology as currently proposed by EIOPA, we also adjust the risk-free yield curves for the Life/Health segment to make allowance for a liquidity premium. While the liquidity premium has been significant in the distressed markets of recent times, it is expected to be negligible under normal market conditions. Because the degree of liquidity of a financial instrument has an impact on the value of an investment portfolio value, it is considered to be appropriate to reflect liquidity in the valuation of insurance liabilities as well.

## **Diversification and correlation assumptions**

Our internal risk capital model considers both concentration and correlation when aggregating results across the different levels of our portfolio hierarchy up to the Group level, in order to reflect that not all potential worst case losses are likely to be realized at the same time. This effect is known as diversification. Managing diversification forms a central element of our risk management framework. The Allianz Group strives to diversify the risks to which it is exposed in

order to limit the impact of any single source of risk and to help ensure that the positive developments of some businesses neutralize the possibly negative developments of others.

The degree to which diversification can be realized depends in part on the level of relative concentration of those risks. For example, the greatest diversification is in general obtained in a balanced portfolio without any disproportionately large exposures to any one or more risks. In addition, the diversification effect depends upon the relationship between sources of risks. One measure of the degree of relationship between two sources of risk is linear correlation, characterized by a value between “-1” and “+1”.

Where possible, we develop correlation parameters for each pair of market risks through statistical analysis of historical market data, considering weekly observations over several years. If sufficient historical market data or other portfolio specific observations are not available, we use professional judgment, governed by a conservative approach and taking into account standard settings as currently proposed by EIOPA. We also rule out negative correlations. In general, we set the correlation parameters to represent the level of interdependency 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 all sources of risk. With respect to market risks, our approach is similar to the one applied by banks under the Basel II standards.

## **Non-market assumptions**

To the extent available, we use non-market assumptions approved by supervisory authorities and actuarial associations to enhance our models. In addition, the internal risk capital model is based on assumptions regarding claims trend and inflation, mortality, morbidity, future lapse rates, etc.

Overall, we consider the assumptions made for our internal risk capital calculations and for reserving to be appropriate and adequate.

## Scope

By design, our internal risk capital model takes into account the following sources of risk, classified as risk categories per segment:

Risk category	Insurance	Asset Management	Corporate and Other	Description	Example management levers
<b>Market risk</b> – interest rate including volatility – credit spread – equity including volatility – real estate including volatility – currency	✓ ✓ ✓ ✓ ✓	✓ <sup>2</sup>	✓ ✓ ✓ ✓ ✓	Possible losses caused by changes in interest rates, equity prices and real estate values or their volatilities as well as by changes in credit spreads and foreign exchange rates.	Strategic asset allocation benchmarks, equity and duration limits, etc.
<b>Credit risk</b>	✓ <sup>1</sup>	✓ <sup>2</sup>	✓	Possible losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments (i.e., payment overdue).	Country limits, single counter-party concentration limits, etc.
<b>Underwriting risk</b> – premium catastrophe – premium non-catastrophe – reserve – biometric	✓ ✓ ✓ ✓			Unexpected financial losses due to the inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	Minimum underwriting standards, natural catastrophe limits, reinsurance programs, etc.
<b>Business risk</b> – operational – cost	✓ ✓	✓ ✓	✓	Possible losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events, as well as unexpected changes in business assumptions and unanticipated earnings fluctuations due to a decline in income without corresponding decrease in expenses.	Internal controls, business continuity management, adequate product design, etc.

Our internal risk capital model covers:

- Substantially all of our major insurance operations.
- Substantially all of our assets (including bonds, mortgages, investment funds, loans, floating rate notes, equities and real estate) and liabilities (including the cash flow profile of all technical reserves as well as deposits and issued securities). If applicable for the Life/Health segment, the model reflects the interaction between assets and liabilities driven by local management decisions such as investment strategies and policyholder participation rules.

– Substantially all of our derivatives (options, swaps and futures), in particular if they form part of the operating entity's regular business model (e.g. at Allianz Life Insurance Company of North America) or if they have a significant impact on the resulting internal risk capital (e.g. hedges of Allianz SE or in the Life/Health segment, if material obligations to policyholders are hedged through financial derivatives). In general, embedded derivatives contained in a host contract are also included.<sup>3</sup>

For smaller insurance operating entities that have an immaterial impact on the Group's risk profile, and for the Asset Management segment, we assign internal risk capital requirements based on an approach which takes local regulatory rules and results from a risk

1 The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.

2 Although the internal risk capital requirements for the Asset Management segment only reflect business risk (please see below for further information), the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

3 Please see note 44 to our consolidated financial statements for additional risk disclosure regarding derivative financial instruments.

factor based model into account. This approach uses the same risk categories as our internal risk capital model, thereby allowing us to consistently aggregate internal risk capital for all segments at the Group level. Regarding our Asset Management segment, approximately 99% of the investments managed by the Asset Management operating entities are held for the benefit of third parties or Allianz Group insurance entities and, therefore, do not result in significant market and credit risk for the segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk. However, the assessment of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

Internal risk capital related to our banking operations in Germany, Italy, France as well as Central and Eastern Europe is allocated to the Corporate and Other segment, based on the approach as applied by banks under the Basel II standards. It represents an insignificant amount of approximately 1.6% of total pre-diversified internal risk capital. Therefore, risk management with respect to banking operations is not discussed in detail below.

## Limitations

Our internal risk capital model expresses the potential “worst case” amount in economic value that we might lose at a certain level of confidence. However, there is a statistically low probability of 0.03% that actual losses could exceed this threshold.

We assume that model and scenario parameters derived from historical data are a useful approximation to characterize future possible risk events; if future market conditions differ substantially from the past, as in the unprecedented financial crisis of 2008 and 2009, then our VaR approach may be too conservative or too liberal in ways that are too difficult to predict. Our ability to back-test the model’s accuracy is limited because of the high confidence level of 99.97% and the one-year holding period as well as limited data for some insurance risk events such as natural catastrophes. 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 and external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our validation efforts are effective to the extent validation is possible, and that our model adequately assesses the risks to which we are exposed.

As described above, the insurance liabilities are replicated by portfolios of standard financial market instruments in order to allow for effective risk management. In particular for life portfolios with embedded guarantees, the available replicating instruments may be too simple or too restrictive to capture all factors affecting the change in value of insurance liabilities. Therefore, the replicating portfolio, which is used to calculate internal risk capital, can only be regarded as optimal, subject to the set of available replicating instruments, and it may deviate from the true liabilities in terms of value and behavior under market movements. However, we believe that overall the liabilities are adequately represented by the replicating portfolios due to our stringent data quality steering.

As our internal risk capital model takes into account the change in economic “fair value” of our assets and liabilities, it is crucial to accurately estimate the “fair market value” of each item. For some assets and liabilities, it may be difficult if not impossible, in turbulent 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 current market price for that instrument or similar instruments is not available, we apply a mark-to-model approach. 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.

We apply customized derivative valuation tools which are suitable to our business to reflect substantially all of our derivatives in internal risk capital. The internal risk capital model used for largely all of our major insurance operations currently only allows for the

modeling of common derivatives such as equity calls, puts, forwards and interest rate swaps. For internal risk capital calculations, non-standardized instruments, such as derivatives embedded in structured financial products, are represented by the most comparable standard derivative types. The volume of non-standard instruments is not material on either the local or the Group level, but a more precise modeling of these instruments might affect the fair value and resulting internal risk capital for these derivatives. However, we believe that any such change would not be material.

## 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. As discussed above, the degree to which the diversification effect can be realized depends not only on the correlation between risks but also on the level of relative concentration of those risks. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risks.

At the Group level, we generally identify and measure concentration risks consistently across the business segments in terms of pre-diversified internal risk capital and in line with the risk categories covered by our internal risk capital model. Within the individual categories, we use supplementary approaches to manage concentration risks, which are described in the remainder of this section. In the subsequent sections all risks are presented on a pre-diversified and Group 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. Financial VaR limits are in place separately for the Life/Health and the Property-Casualty

segment at Group level based on the internal risk capital model, in order to protect the economic capital position and manage peak risks. In addition, adherence to the Group's strategic asset allocation benchmarks is monitored by leeway limits for each of these segments.

Disproportionately large risks that might accumulate and have the potential to produce substantial losses (e.g. natural catastrophes or credit events) are closely monitored on a standalone basis (i.e. before the diversification effect) and are subject to a global limit framework.

For example, the Management Board of Allianz SE has implemented a framework of natural catastrophe limits at both the operating entity and Group levels in an effort to reduce potential earnings volatility and restrict potential losses from single events as well as on an annual aggregate basis. The exposure is limited for losses having an occurrence probability of once in 250 years. These limits are subject to an annual review. Traditional reinsurance coverage and dedicated financial transactions on Group level are examples of two instruments to mitigate the peak risks and to limit the impact of adverse conditions on our financial results and shareholders' equity (e.g. severe natural catastrophe losses). In 2010, for example, we renewed the swaps to exchange European windstorm, U.S. hurricane and U.S. earthquake risks, which belong to our largest natural catastrophe exposures, for Japanese typhoon and earthquake risks, as our Property-Casualty operations are small in this region. In addition, we issued a new Catastrophe Bond ("Blue Fin 3"), protecting us against U.S. hurricane and earthquake risks.

At the beginning of 2010, we implemented a new Group-wide country and obligor group limit management framework (CRisP) for credit risk, which is based on consistent data used by the investment and risk functions on Group level as well as on the operating entity level. It forms the basis for discussions regarding appropriate credit actions and provides notification services for a quick and broad communication of credit related decisions across the Group.

Clearly defined processes ensure that exposure concentrations and utilization of limits are appropriately monitored and managed. The limit framework covers counterparty concentration risk related to credit and equity exposures.

It is the ultimate responsibility of the Board of Management of Allianz SE to decide upon maximum country and obligor exposure limits from the Group's perspective (i. e. the maximum concentration limit). This limit takes into account the Allianz Group's portfolio size and structure as well as its overall risk strategy. The Board of Management of Allianz SE 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.

In general, obligor limits are calculated by the CRisP system based on predefined rules and key indicators (e.g. the obligor's rating, balance sheet size, business segment and country of operations). The CRisP system allocates Group obligor limits to the operating entity level, following a factor based approach and taking into account various key indicators such as the operating entity's balance sheet size and area of domicile as well as the obligor's business segment and country of operations.

## Market Risk

The Allianz Group holds and uses many different financial instruments in managing its businesses. As part of our insurance operations, we collect premiums from our customers and invest them in a wide variety of assets. These investment portfolios ultimately cover the future claims to our customers. We also need to 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. For example, an unexpected overall increase in interest rates or an unanticipated drop in equity markets may generally result

in a devaluation of the portfolios. In order to limit the impact of any of these financial market changes, we have a limit system in place, which is based on a variety of different risk measures including financial VaR, equity sensitivities, asset durations and duration mismatch as well as investment leeway around the benchmark portfolio approved by the Board of Management of Allianz SE.

Grouped according to our internal risk capital model categories, the following are the most significant market risks in terms of market values: interest rate risk (arising from bonds, loans and other debt instruments) and equity price risk (including risks arising from common shares and preferred shares).

Because of our diversified real estate portfolio, real estate risk is currently of less relevance for the Allianz Group. About 5.6% of the total pre-diversified internal risk capital is related to real estate exposures.

In addition to any local regulatory requirements, the Group's policy is to generally require each operating entity to match the currency of their material assets and liabilities or to hedge foreign currency risk. From the perspective of the operating entity's balance sheet, this leaves only an immaterial amount of currency risk exposure related to the respective local currency. However, for the Group's reporting in Euro, foreign currency risk results from the fair net asset 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 decline. This risk is allocated to the respective business segments.

Our primary exposures to foreign currency risk are related to the U.S. Dollar, Swiss Franc, Australian Dollar and South Korean Won.

Movements in financial markets also have an impact on the value of our insurance liabilities. Therefore, our exposure to market risks is ultimately determined by the net positions between assets and liabilities. These interdependencies are described in more detail under "Property-Casualty and Life/Health segments" below.

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)**

As of December 31,	Interest rate		Credit spread		Equity		Real estate		Currency		Total	
	2010 € mn	2009 <sup>1</sup> € mn	2010 € mn	2009 <sup>1</sup> € mn	2010 € mn	2009 <sup>1</sup> € mn	2010 € mn	2009 <sup>1</sup> € mn	2010 € mn	2009 <sup>1</sup> € mn	2010 € mn	2009 <sup>1</sup> € mn
<b>Pre-diversified</b>												
Property-Casualty	717	903	482	456	2,084	2,207	1,305	1,297	542	937	5,130	5,800
Life/Health	2,944	3,148	2,445	2,110	3,584	3,507	1,069	1,201	788	631	10,830	10,598
Asset Management	—	—	—	—	—	—	—	—	—	—	—	—
Corporate and Other	421	288	732	487	1,660	2,121	166	143	56	283	3,036	3,322
<b>Total Group</b>	<b>4,082</b>	<b>4,340</b>	<b>3,660</b>	<b>3,053</b>	<b>7,328</b>	<b>7,835</b>	<b>2,541</b>	<b>2,641</b>	<b>1,386</b>	<b>1,851</b>	<b>18,997</b>	<b>19,720</b>
Share of total Group internal risk capital in %											42	45
<b>Group diversified</b>												
Property-Casualty	530	706	298	373	1,599	1,816	958	1,023	178	451	3,564	4,369
Life/Health	2,643	2,898	1,756	1,574	3,104	2,839	965	997	530	479	8,998	8,787
Asset Management	—	—	—	—	—	—	—	—	—	—	—	—
Corporate and Other	321	216	466	357	1,305	1,547	142	120	41	188	2,275	2,427
<b>Total Group</b>	<b>3,494</b>	<b>3,820</b>	<b>2,519</b>	<b>2,304</b>	<b>6,009</b>	<b>6,201</b>	<b>2,065</b>	<b>2,141</b>	<b>749</b>	<b>1,117</b>	<b>14,836</b>	<b>15,582</b>

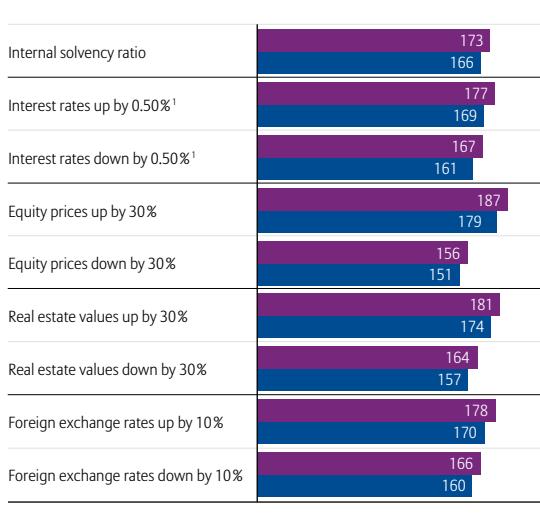
On aggregate, Group diversified internal market risk capital remained at almost the same level compared to the previous year, because there have not been any structural changes in our business mix nor any significant market developments. The decrease in internal currency risk capital is mainly derived from enhanced measurement based on a more granular representation of liabilities per currency by our globally operating insurance entity Allianz Global Corporate and Specialty.

Beginning in 2010, we have been able to use our new risk analysis infrastructure to improve the risk disclosure related to market risk, which is our major source of risk. The following table presents anticipated changes of the net fair value of our assets and liabilities under certain standard financial scenarios, which are defined by reasonably possible individual movements in key market parameters while keeping all other parameters constant. The correlations of these scenarios have a significant impact on the ultimate overall market risk as measured by our internal risk capital model. Related results are presented in the following diagram, which replaces the average, high and low internal market risk capital disclosure provided in prior years.

<sup>1</sup> Recalculated based on new internal risk capital framework.

**Impact of standard financial scenarios on economic available capital represented in terms of internal solvency ratios (total portfolio before non-controlling interests and after tax and Group diversification)**

in %



- 12/31/2009
- 12/31/2010

## Property-Casualty and Life/Health segments

Due to our insurance business model, interest rate risk is highly relevant for the Property-Casualty and Life/Health segments, bearing in mind that our life insurance entities typically offer long-term asset accumulation and savings products. Some local asset markets are not sufficiently deep and liquid to adequately match our long-term life insurance obligations, exposing us to structural mismatch positions. Interest rate risk arises from the net position between the insurance liabilities and the investments in fixed income instruments, in particular bonds, loans and mortgages, which are different in terms of maturity and size. The internal risk capital model provides management with information regarding the cash flow profiles of the segments' liabilities, which allows

for active monitoring and management of our assets and liabilities. Strategic asset allocation benchmarks including leeway limits as well as other portfolio limits (e.g. equity sensitivities, asset durations) are defined at the Group level separately for the Life/Health and the Property-Casualty segment. They are designed to ensure that assets adequately back policyholder liabilities and that they are held to provide investment income in line with policyholders' expectations.

The Allianz Group also strives to leverage the diversification effect: while the potential payments related to our liabilities in the Property-Casualty segment are typically shorter in maturity than the financial assets backing them, the opposite usually holds true for our Life/Health segment due to the long-term life insurance contracts. This provides us with a natural hedge on an economic basis at the Group level.

The maturity of assets and liabilities is reflected by the concept of effective duration, more specifically, how the value of a certain asset or liability portfolio moves with changes in interest rates. Accordingly, if liabilities have a longer duration than the assets backing them (e.g., because of long-term life insurance products), the liabilities will gain more in value than the assets due to a down shift in interest rates, resulting in an overall loss of the net position. This effect is reflected in the internal risk capital results and managed by duration mismatch limits, which are defined at the Group level separately for the Life/Health and the Property-Casualty segment based on our internal risk capital model.

We have allocated a significant part of the Life/Health segment's pre-diversified internal risk capital for interest rate risk to Western Europe (84% as of December 31, 2010), mainly to cover traditional life insurance products. Within certain ranges, traditional products sold in Western Europe generally feature policyholder participation in the profits (or losses) of the insurance company issuing the contract, subject to management discretion and typically floored at a minimum guaranteed crediting rate. The majority of our Life/Health contracts in Western Europe comprise

<sup>1</sup> For 2009, this scenario is defined by a parallel yield curve shift. For 2010, we apply a scenario which is considered to be more likely in line with the evolving Solvency II standards. It assumes that the long-term rates for maturities with no sufficiently deep and liquid markets converge towards a long-term equilibrium interest rate derived by macroeconomic techniques. This approach results in a non-parallel shift of yield curves.

a significant level of policyholder participation, limiting major sources of risk, including market, credit, underwriting and cost risks.<sup>1</sup>

In accordance with related guarantees, we must still credit minimum rates for individual contracts (e.g. in Germany, France, Italy, the U.S.A. and South Korea).<sup>2</sup> However, in most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. As interest rates may fall below the guaranteed crediting rates in those markets, we are exposed to interest rate risk. The valuation of these guarantees, which takes into account the interaction of investment strategy and obligations to policyholders, forms an integral part of our internal risk capital model. The associated risks are therefore managed by the financial VaR and duration mismatch limits, based on the internal risk capital model. In addition, our asset liability management approach is closely linked to the internal risk capital framework and designed to achieve long-term investment returns in excess of the obligations related to insurance and investment contracts. Regional diversification also helps mitigate interest rate risks across individual market places.<sup>3</sup>

The Allianz Group's insurance operating entities hold equity investments usually to diversify their portfolios and take advantage of attractive long-term returns. Strategic asset allocation benchmarks and leeway limits are used to manage and monitor these exposures. In addition, they come within the scope of the Group-wide country and obligor group limit management framework (CRisP) to avoid disproportionately large concentration risk. 81% of the pre-diversified internal risk capital allocated to the Property-Casualty and Life/Health segments for equity risk is assigned to our entities operating locally in Germany, Italy, France and the U.S.A.

Our operating entity Allianz Life Insurance Company of North America mainly offers equity-indexed and fixed annuities as well as variable annuities. These products typically provide some guarantees to the policyholders. Depending on their specific type, these guarantees gain in value for the policyholder when interest rates decrease, equity markets drop or volatilities rise. We have hedges in place to mitigate these risks. While we bear most of the risk related to the guarantees of variable annuities, we are able to share losses with policyholders of equity-indexed and fixed annuity contracts, subject to minimum guaranteed crediting rates and index caps. As the valuation of these guarantees is reflected in our internal risk capital model, they are also managed by the limit framework, based on the internal model.

In 2010, the Allianz Group defined standards for hedging activities to mitigate its exposure to market risk due to options and guarantees or to fair value options embedded in life insurance products. All life and health operating entities are required to follow these standards.

## Corporate and Other segment

The primary market risks in the Corporate and Other segment are equity risks. The Corporate and Other segment manages the equity investments of Allianz SE including strategic participations and its finance subsidiary holding companies, as well as securities issued to fund the capital requirements of the Allianz Group. Some of the securities issued qualify as eligible capital for existing regulatory solvency requirements to the extent they constitute subordinated debt or are perpetual in nature.

Due to the fact that we manage our net interest rate risk exposure from a Group perspective, the assets and liabilities of the Corporate and Other segment are not necessarily matched in terms of interest rate duration. However, the internal interest rate risk capital, that is allocated to the Corporate and Other segment, adequately reflects the duration mismatch.

1 Please see note 20 to our consolidated financial statements for additional information regarding participating life business.  
2 Please see note 20 to our consolidated financial statements for an overview regarding weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment.  
3 Please see note 20 to our consolidated financial statements for additional information regarding concentration of life business.

As described above, our residual foreign currency risk results primarily from the fair net asset value of our non-Euro operating entities. In addition, certain exposures to non-Euro denominated assets and liabilities are held at the level of the Corporate and Other segment. Based on a foreign exchange management limit framework, currency risk is monitored and managed through the Group Finance Committee process with the support of Group Treasury & Corporate Finance at the Group level.

We do not consider market risk relating to our Banking operations to be significant at the Group level.

## Credit Risk

We classify credit risk into counterparty risk and country risk. Both types of risk are covered by our internal credit risk capital model.

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. Our credit insurance activities also expose us to counterparty risk. If a counterparty's credit quality deteriorates ("migration risk"), the instrument's fair value will decline, resulting in a loss in portfolio value. Migration risk also includes overdue payments and the inability or unwillingness of the counterparty to fulfill contractual obligations ("default risk").

Country risk is specifically related to counterparties with cross-border payment obligations. For example, capital transfers may be prohibited or restricted by sovereign acts, currency moratoria, freezing of money or repatriation of capital ("transfer risk") or currency conversion is prohibited or restricted ("convertibility risk").

The Allianz Group monitors and manages credit risk exposures and concentrations with the objective to ensure that 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 Group-wide country and obligor group limit management framework (CRisP) as described under "Concentration of Risks". In addition, standard credit portfolio analysis reports are available for the investment and risk functions on the Group and operating entity levels. They allow us to closely monitor the credit risk profile of the different portfolios.

The Allianz Group's internal credit risk capital model is an integral part of the overall internal risk capital framework. It is centrally developed, parameterized and controlled. Group-wide credit data is collected following a centralized process and using standard obligor and obligor group mappings.

The internal credit risk capital model is based on obligor ratings and estimates of exposure at default, loss given default and default correlations. Default correlations capture dependencies between single obligors within the portfolio in terms of their default. These parameters are estimated using statistical analysis and professional judgment. Our aggregation methodology is comparable to approaches widely used in the industry and known as "structural model". In a structural model, a company is deemed to have defaulted when the value of its total assets is lower than its total liabilities. Since changes in the asset value of a company determine whether it defaults, the correlation between different firms' asset values determines the correlation between the firms' defaults. Credit risk is aggregated across individual obligors using Monte Carlo simulations to obtain the loss profile of a given portfolio, i. e. its loss probability distribution. The portfolio loss profiles are calculated at different levels of our portfolio hierarchy (e.g. at local operating entity or segment level). They are fed into the overall internal risk capital model for further aggregation across sources of risk to derive Group diversified internal credit risk capital.

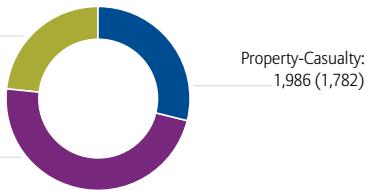
**Allocated internal credit risk capital by business segment (total portfolio before tax and non-controlling interests) as of December 31, 2010 (December 31, 2009<sup>1</sup>)**

Pre-diversified, in € mn

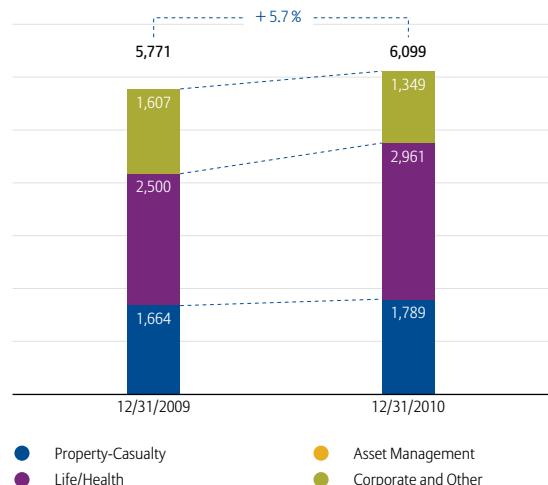
Total Group internal credit risk capital: 6,871 (6,152)  
 Share of total Group internal risk capital: 15% (14%)

Corporate and Other:  
 1,597 (1,763)

Life/Health:  
 3,288 (2,607)



Group diversified, in € mn



Total Group diversified internal credit risk capital rose for the Property-Casualty and Life/Health segments, because the exposure increased due to new reinsurance agreements and investments as well as changes in foreign exchange rates.

The following table presents the average internal risk capital for credit risk calculated over four quarters of 2010 and 2009, as well as the high and low quarterly internal risk capital amounts calculated in both years.

**Average, high and low allocated internal risk capital (total portfolio before non-controlling interests and after Group diversification)**

	Total	
	2010 <sup>2</sup> € mn	2009 <sup>3</sup> € mn
<b>Over quarterly results</b>		
Average	6,602	3,692
High	7,153	3,792
Low	6,099	3,549

The difference between 2009 and 2010 figures in the table shown above is explained by the change in the internal risk capital model. Please see "Introduction of new internal risk capital framework" for further information.

**Property-Casualty, Life/Health as well as Corporate and Other segments**

In the Property-Casualty and Life/Health segments, credit risk arises from reinsurance counterparties as well as from issuers and counterparties related to our investment activities. For the Corporate and Other segment, our internal risk capital model covers only investment credit risk, as reinsurance activities are generally allocated to the Property-Casualty segment. We do not consider credit risk relating to our Banking operations to be significant at the Group level.

**Credit risk – reinsurance**

We take steps to limit our liability from insurance business by ceding part of the risk exposure we assume to the international reinsurance market. This exposes us to credit risk related to external reinsurers. We may experience losses over a certain time horizon due to insufficient recoverability of reinsurance receivables on the balance sheet or due to defaulting benefits related to reinsurance treaties in force.

As of December 31, 2010, 6% of our total Group pre-diversified internal credit risk capital is allocated to reinsurance exposures, 58% of which is related to reinsurance counterparties in the U.S.A. and Germany.

A dedicated team selects our reinsurance partners and considers only companies with strong credit profiles. We may also require letters of credit, cash deposits or

2 Numbers before tax based on new internal risk capital framework and consistent with presentation of internal credit risk capital in this section.

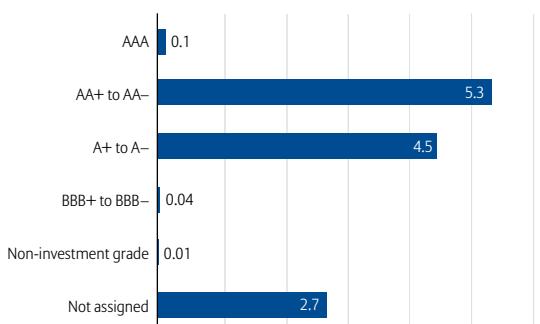
3 Numbers after tax as disclosed under old internal credit risk model. Please see "Introduction of new internal risk capital framework" for explanations regarding the model change.

1 Recalculated based on new internal risk capital framework.

other financial measures to further mitigate our exposure to credit risk. As of December 31, 2010, 78% (2009: 76%) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A" rating by Standard & Poor's. Non-rated reinsurance recoverables represented 21% (2009: 23%) of the total reinsurance recoverables as of December 31, 2010. Reinsurance recoverables without Standard & Poor's rating include exposures to brokers, companies in run-off and pools, where no rating is available, and companies rated by A.M. Best.

#### **Reinsurance recoverables by rating class<sup>1</sup> as of December 31, 2010**

in € bn



#### **Credit risk – investment**

As part of our insurance operations, we collect premiums from our customers and invest them to a great extent in fixed income instruments. These investment portfolios ultimately cover the future claims to our customers. We also need to invest shareholders' capital, which is required to support the risks underwritten. As a result, we are exposed to credit risk.

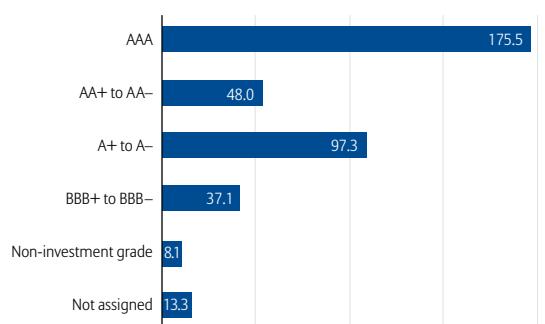
However, for certain life insurance products, we are able to share losses due to credit events with the policyholder, as described in the context of market risks.

As of December 31, 2010, 80% of our total Group pre-diversified internal credit risk capital is allocated to investment exposures of the Property-Casualty, Life/Health as well as Corporate and Other segments, 64% of which is related to issuers and counterparties in the U.S.A. and Germany.

We limit the credit risk of our fixed income investments by setting high requirements on the creditworthiness of our issuers, by diversifying our investments and by setting obligor concentration limits. As of December 31, 2010, approximately 94% (2009: 95%) of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating and approximately 85% (2009: 87%) of the fixed income investments were distributed among obligors that had been assigned at least an "A" rating by Standard & Poor's.

#### **Fixed income investments by rating class as of December 31, 2010**

fair values in € bn



In addition to these fixed income investments, the Allianz Group also has non-tradable self-originated mortgage loan portfolios mainly in Germany and the U.S.A. As of December 31, 2010, 96% of the German mortgage portfolio is considered to be equivalent to a Standard & Poor's investment grade rating based on an internal scoring. The U.S. commercial mortgage loan investments are subject to thorough credit assessment and conservative underwriting by the responsible credit manager. In 2010, there were two cases of delinquent or foreclosed commercial mortgage loans due to the financial crisis. Taking into account that there have been only five delinquent or foreclosed loans since 1994 and based on additional stress test analysis, we still regard the portfolio as investment grade. The North American Allianz insurance companies have a residential mortgage portfolio exposure of less than € 1.0 million.

1 Represents gross exposure broken down by reinsurer.

## Credit risk – credit insurance

The premium risk to which our credit insurance entity Euler Hermes is exposed is a special form of credit risk derived from the Euler Hermes business model. As part of a credit insurance agreement, the policyholder protects a short-term trade credit advanced to a buyer against credit losses by transferring a part of the risk to Euler Hermes. If the creditworthiness of a buyer deteriorates (including its default), it will be unable to meet its payment obligations and Euler Hermes will indemnify the claim to the policyholder. Credit risk arises from potential claim payments due to limits granted by Euler Hermes to its policyholders.

The parameters used to model credit insurance portfolios are estimated by Euler Hermes based on proprietary models and provided as input to the Group's internal credit risk capital model. In particular, since credit exposures are actively managed by Euler Hermes, a proprietary rating system is applied as opposed to the long-term public ratings primarily used for investment portfolios. Euler Hermes ratings evaluate the short-term creditworthiness of a company taking into account various key risk indicators available on the market and from policyholders.

As of December 31, 2010, 14% of our total Group pre-diversified internal credit risk capital is allocated to credit insurance exposures of Euler Hermes.

## Underwriting Risk

Underwriting risks consist of premium and reserve risks in the Property-Casualty segment as well as biometric risks in our Life/Health segment. For the Asset Management segment and our Banking operations, underwriting risks are not relevant. Although the Corporate and Other segment provides some guarantees that transfer small parts of the underwriting risk away from local entities, such risk is primarily transferred by internal reinsurance and allocated to the Property-Casualty segment.

### Allocated internal underwriting risk capital by source of risk<sup>1</sup> (total portfolio before tax and non-controlling interests) as of December 31, 2010 (December 31, 2009<sup>2</sup>)

Pre-diversified, in € mn

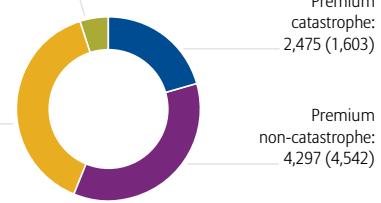
Total Group internal underwriting risk capital: 12,028 (10,944)  
 Share of total Group internal risk capital: 27% (25%)

Biometric:

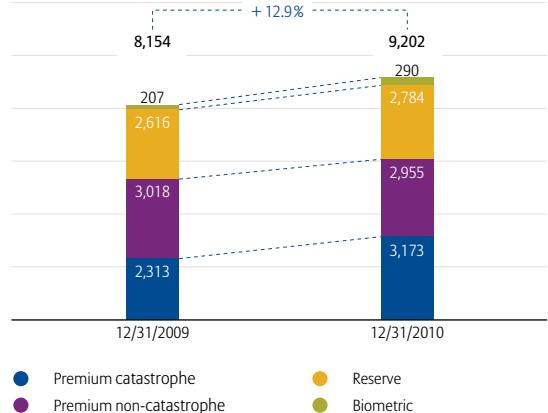
569 (438)

Reserve:  
4,687 (4,361)

Group diversified, in € mn



Group diversified, in € mn



<sup>1</sup> As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account.

<sup>2</sup> Recalculated based on new internal risk capital framework.

Total Group-diversified internal underwriting risk capital increased mainly due to higher premium catastrophe risks, which are primarily driven by two effects. First, following a decision by the Group Risk Committee, we changed the reinsurance program and reduced our external reinsurance protection against extreme large losses, in order to enhance the protection against multiple higher frequency and mid-sized losses and mitigate earnings volatility. Secondly, our natural catastrophe exposure grew due to larger business volume and adverse developments in foreign exchange rates particularly related to the U.S. Dollar, Australian Dollar and Japanese Yen.

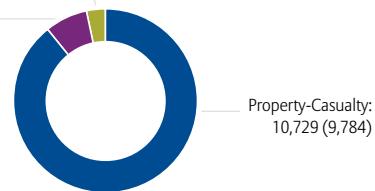
### Allocated internal underwriting risk capital by business segment<sup>1</sup> (total portfolio before tax and non-controlling interests) as of December 31, 2010 (December 31, 2009<sup>2</sup>)

Pre-diversified, in € mn

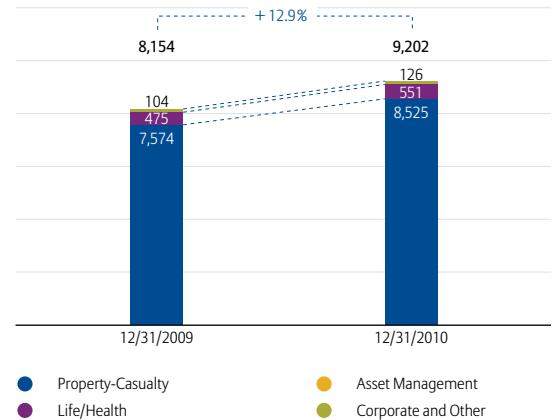
Total Group internal underwriting risk capital: 12,028 (10,944)  
Share of total Group internal risk capital: 27% (25%)

Corporate and Other: 399 (386)

Life/Health:  
899 (775)



Group diversified, in € mn



The table below presents the average internal risk capital calculated for underwriting risks over the four quarters of 2010 and 2009, as well as the high and low quarterly internal risk capital amounts calculated in both years.

### Average, high and low allocated internal underwriting risk capital by source of risk (total portfolio before non-controlling interests and after Group diversification)

	Premium catastrophe		Premium non-catastrophe		Reserve		Biometric		Total Group	
	2010 <sup>3</sup> € mn	2009 <sup>4</sup> € mn								
<b>Over quarterly results</b>										
Average	3,040	1,452	3,139	3,721	2,839	2,514	389	134	9,407	7,820
High	3,173	1,473	3,253	3,883	2,961	2,544	592	305	9,847	7,977
Low	2,910	1,434	2,955	3,554	2,685	2,480	290	72	9,111	7,669

1 As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account. Allowing for a defined deductible, there are contingent liabilities of up to USD 465 mn in connection with certain insurance reserves of Fireman's Fund Insurance Co., Novato, allocated to the Corporate and Other segment.

2 Recalculated based on new internal risk capital framework.

3 Numbers before tax based on new internal risk capital framework and consistent with presentation of internal underwriting risk capital in this section.

4 Numbers after tax as disclosed under the old internal risk capital model. Please see "Introduction of new internal risk capital framework" for explanations regarding the model change.

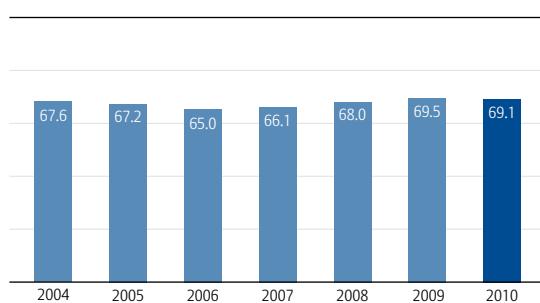
## Property-Casualty segment

Our Property-Casualty insurance businesses are exposed to premium and reserve risks, both of which are related to the business in force as well as the current year's new and renewed business. A substantial portion of the Property-Casualty segment's pre-diversified internal underwriting risk capital is assigned to our entities operating locally in Germany, Italy, France and the U.S.A. (47% as of December 31, 2010).

### Premium risk

As part of these operations, we receive premiums from our customers and provide insurance protection to them. If the premiums do not cover the claims incurred due to unexpected events over a time horizon of one year, we will face losses ("premium risk"), i.e. the underwriting profitability is lower than expected. Changes in profitability over time are measured based on loss ratios and their fluctuations.<sup>1</sup>

### Property-Casualty loss ratios<sup>2</sup> for the past seven years in %



Premium risk is classified as catastrophe risk ("premium CAT risk") and non-catastrophe risk ("premium non-CAT risk"). We primarily quantify premium risk based on actuarial models that are used to derive loss distributions.

Premium risk is actively managed by the Allianz Group and the local operating entities. Assessing the risks as part of the underwriting process is a key element of the Allianz risk management framework. There are clear underwriting limits and restrictions

centrally defined and in place across the Group. Specialty lines risk carriers such as Allianz Global Corporate and Specialty pool specific risks which require expert knowledge. In addition to the centrally defined underwriting limits, the local operating entities have local limits in place that take their individual business environment into account. At the local operating entity and Group level, premium risk relative to the underlying exposures is positively affected by the diversification effect between different lines of business at the local level or different markets at the Group level. In addition, risks are mitigated by external reinsurance agreements.

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 (e.g. flood risk in Italy), we use deterministic scenario-based approaches to estimate probable losses.

In 2010, we further increased the coverage of our model inventory and included additional regions and perils related to smaller business activities in Eastern Europe and Asia in our integrated natural catastrophe risk model.

The Group's net exposure to natural catastrophes remained within our risk appetite in 2010. In order to further reduce some potential earnings volatility, we purchased slightly more reinsurance capacity for scenarios in some of our smaller business regions, taking advantage of lower prices. We also continued to put emphasis on mitigating earnings volatility through our reinsurance program by enhanced protection against multiple higher frequency and mid-sized losses.

<sup>1</sup> Please also refer to the section "Property-Casualty Insurance Operations – Property-Casualty Operations by Business Division" for a regional breakdown of loss ratios over the past three years.

<sup>2</sup> Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

About 35% of the pre-diversified internal premium risk capital allocated to natural catastrophe risk was borne by our entities operating locally in the U.S.A. and Germany as of December 31, 2010. Our largest exposures to natural catastrophes are provided in the following table.

**The five largest global accumulation scenarios: Loss potential net of reinsurance for individual events, measured at a probability level of one loss in 250 years (i.e. 0.4%)**

	Loss potential <sup>1</sup> € mn
As of December 31, 2010	
Europe Windstorm (Extratropical Cyclone)	860
U.S.A. Hurricane (Tropical Cyclone)	820
Australia Earthquake	780
Germany Hail	730
U.S.A. California Earthquake	670

### Reserve risk

We estimate and hold reserves for past claims that have not yet been settled. If the reserves are not sufficient to cover the claims to be settled in future due to unexpected changes, we will experience losses ("reserve risk"). An indicator for this coverage is the amount of net surplus<sup>2</sup> compared to the initial reserves, which is provided on a calendar year basis over the past five years in note 19 to our consolidated financial statements.

The future uncertainty regarding potential loss developments is significantly driven by the risks underwritten. In general, our operating entities constantly monitor the development of reserves for insurance claims on a line of business level.<sup>3</sup> Results are discussed by local reserve committees at least on a quarterly basis. If necessary, we re-estimate reserves in line with actuarial standards. In addition, the operating entities generally conduct annual reserve uncertainty analyses. The approaches applied are similar to the 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. Similar to premium risk, reserve risk is positively affected by the diversification effect between different lines of business at the local level and different markets at the Group level.

### Underwriting in the corporate and commercial businesses

Our sound Group-wide underwriting framework forms the basis for adequate risk taking and management decisions and helps us proactively limit individual potentially significant risks including reputational risks. The framework defines common minimum requirements for our underwriting activities in the international corporate and commercial Property-Casualty insurance business, both for direct and reinsurance business.

Dedicated minimum standards protect Allianz from taking unwanted or excessive risks. They determine non-admitted coverages and define clear approval requirements at different levels of the Allianz Group. In particular, they specify all activities that require approval by or reporting to the Group Insurance Risk Committee, which is a sub-committee of the Group Risk Committee. These standards also document delegated underwriting authorities and lay down mandatory rules for individual policies. Exceptions require approval by the local Chief Underwriting Officer and reporting to the Group Insurance Risk Committee.

### Life/Health segment

#### Biometric risk

We consider mortality and longevity risks which can cause variability in policyholder benefits resulting from the unpredictability of the (non-)incidence of death and the timing of its occurrence. For modeling these risks within our internal risk capital model, we distinguish level, trend and calamity risk. Biometric assumptions, such as life expectancy, play a significant role.<sup>4</sup>

1 Based on most recent estimates, exposures are calculated using either vendor or proprietary models developed by in-house experts. All models are subject to uncertainty arising from scientific assumptions and underlying data.

2 Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years' claims and includes foreign currency translation adjustments. For further information, please see note 19 to our consolidated financial statements.

3 For further information, please see note 19 to our consolidated financial statements.

4 For further information regarding biometric assumptions, please refer to "Internal Risk Capital Framework – Non-market assumptions".

Due to the offsetting effects of mortality risk and longevity risk inherent in the combined portfolios of life insurance and annuity products, as well as due to a geographically diverse portfolio, our Life/Health segment does not have significant concentrations of biometric risk as of December 31, 2010.<sup>1</sup>

Under our Life product management framework, product development and approval are local processes at the operating entities. However, there are clear Group requirements for new high-risk products or product features to ensure that the operating entities are aware of the associated risks, alternative risk mitigating product features are considered in the design phase and material real world assumptions are explicitly acknowledged as a core component of the business model. The framework also defines profitability standards, while at the same time allowing for individual exceptions approved for competitive reasons in light of local market characteristics. Profitability of new and existing business is closely monitored and regularly reported to the Board of Management of Allianz SE.

## Business Risk

Business risks consist of operational risks and cost risks. Operational risks represent the loss resulting from inadequate or failed internal processes, from personnel and systems, or from external events such as interruption of business operations due to a breakdown of electricity or a flood, damage caused by employee fraud or the losses caused by court cases. Operational risks also include legal risk, whereas strategic risk and reputational risks are excluded in accordance with the requirements of Solvency II and Basel II. Cost risks consist of unexpected changes in business assumptions and unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses. They also include the risk of budget deficits resulting from lower revenues or higher costs than budgeted.

### Allocated internal business risk capital by business segment (total portfolio before tax and non-controlling interests) as of December 31, 2010 (December 31, 2009<sup>2</sup>)

Pre-diversified, in € mn

Total Group internal business risk capital: 7,254 (6,993)  
 Share of total Group internal risk capital: 16% (16%)

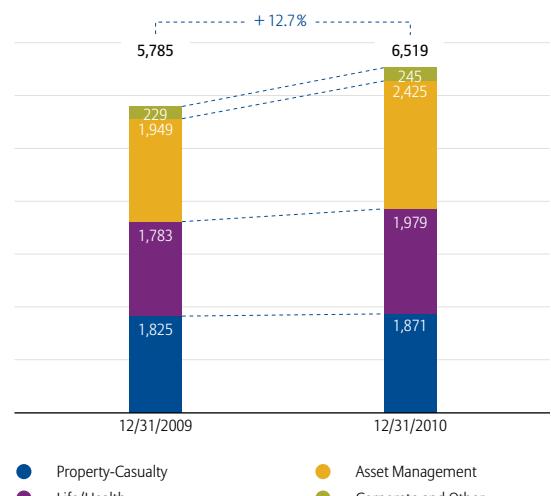
Corporate and Other:  
 233 (238)

Asset Management:  
 2,425 (1,949)

Property-Casualty:  
 2,435 (2,628)

Life/Health:  
 2,161 (2,178)

Group diversified, in € mn



Total Group diversified internal business risk capital rose significantly in the Asset Management segment mainly driven by an increase in third-party assets under management.

The internal risk capital requirements for the Asset Management segment only reflect business risk, because substantially all of the investments managed by the Asset Management operating entities are held for the benefit of either third parties or Allianz insurance entities.<sup>3</sup>

<sup>1</sup> Please see note 20 to our consolidated financial statements for additional information regarding concentration of insurance risk in the Life/Health segment.

<sup>2</sup> Recalculated based on new internal risk capital framework.

<sup>3</sup> Internal risk capital for guarantees in our Asset Management segment is not significant.

Allianz has developed a Group-wide operational risk management framework that focuses on early recognition and proactive management of operational risks. The framework defines roles and responsibilities, risk processes and methods and has been implemented at the major Group companies. Local risk managers ensure this framework is implemented in the respective operating entities. The operating entities identify and evaluate relevant operational risks and control weaknesses via a structured self assessment. Furthermore, operational losses are collected in a central loss database by all our operating entities. An analysis of the causes of significant losses is used to enable the operating entities to implement measures to avoid or reduce future losses. The measures adopted may include revising processes, improving failed or inappropriate controls, installing comprehensive security systems and strengthening emergency plans. This structured reporting is designed to provide comprehensive and timely information to senior management of the Allianz Group and the relevant local operating entities.

Major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, may 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 effects to enable them to carry out their core tasks in time and at the quality required. Regularly enhanced, BCM activities and knowledge are embedded within the organization's culture.

Dedicated minimum security standards are in place for the 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 system of internal control is designed to mitigate operational risks.<sup>1</sup> In general, we aim to reduce process failures by clearly documenting relevant methods, procedures, structures and processes across the Group. Comprehensive and timely documentation is required across the Group as one of the fundamental principles of the Allianz Group Risk Policy.

As described under "Risk Governance Structure", the department Group Legal Services seeks to diminish legal risks with support from other departments.

## 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, assessment and monitoring. In general, the risk assessment is based on qualitative criteria or scenario analyses. The most important of these other risks include liquidity, reputational and strategic risk.

### Liquidity risk

Liquidity risk has two aspects: the risk that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, and the risk that in the event of a company liquidity crisis, refinancing is only possible at higher interest rates or by liquidating assets at a discount. Liquidity risk can arise primarily if there are mismatches in the timing of cash payments and funding obligations. Liquidity risk does not include the risk of a change in market prices due to a worsening of the market liquidity of assets, as this is a component of market risk analyzed through our internal risk capital model (e.g. the assumed volatility of real estate investments takes historical observations into account). Funding risk, a particular form of liquidity risk, arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

Detailed information regarding the Allianz Group's liquidity risk exposure, liquidity and funding including the change in cash and cash equivalents is provided, for instance, in the chapter "Liquidity and Funding Resources" and the notes 17, 23, 24 and 44 to our consolidated financial statements.

<sup>1</sup> For additional information regarding our internal control over financial reporting, please refer to the section "Controls and Procedures – Internal Controls over Financial Reporting".

### Corporate and Other segment

On the Group level, liquidity risks arise mainly from capital requirements of subsidiaries and necessary refinancing of expiring strategic financial liabilities.

The main objective of planning and managing the liquidity position of Allianz SE is to ensure that Allianz SE is always able to meet all current and future 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 a time horizon of 12 months and 3 years is reported to the Board of Management regularly. The main tools to meet unforeseen liquidity requirements are committed credit lines from banks, commercial paper facilities, medium-term debt issuance programs, a centrally managed, highly liquid bond portfolio with direct access to the market of sale and repurchase agreements (the so-called "Repo market"), as well as internal resources in the form of intra-Group loans and an international cash pooling infrastructure.

The accumulated short-term liquidity forecast is updated daily and subject to an absolute minimum strategic cushion amount and an absolute minimum target liquidity. Both are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises. As part of the 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 developments. 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.

Because of the small size of risk-weighted assets and total assets (as of December 31, 2010, € 9.2 billion and € 19.2 billion, respectively), liquidity risk relating to our Banking operations is deemed not to be significant at the Group level.

### Property-Casualty and Life/Health segments

Our insurance operating entities manage liquidity risk locally, using local asset-liability management systems designed to ensure that assets and liabilities are adequately matched. To the extent available, the approaches used to project the liability cash flows for the Property-Casualty segment are similar to the methods used for setting reserves. For the Life/Health segment, our asset liability management approach is closely linked to the internal risk capital framework and designed to achieve long-term investment returns in excess of the obligations related to insurance and investment contracts. This decentralized approach secures a sufficient flexibility in providing liquidity.

Liquidity risk in our insurance segments is a secondary risk following external events, such as natural disasters, that are generally reflected in our internal risk capital model. Therefore, limiting and monitoring the associated primary risks (such as through the use of reinsurance) also helps limit our liquidity risk related to such events. Extreme adverse changes in business assumptions such as lapse or renewal rates or costs may cause liquidity risk as well. However, these effects are also covered by our internal risk capital model.

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 unlikely events.

Furthermore, in the case of an extraordinary event, a portion of the applicable payments may usually be made with a certain time lag, which reduces the risk that short-term current payment obligations cannot be met.

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 per

formed on the operating entity level and aggregated at the Group level. Excess liquidity is centrally pooled at the Group level and can be transferred to single operating entities if necessary.

### **Asset Management segment**

With respect to 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 liquidity guidelines for new products, implemented at our Allianz Global Investors entities.

### **Reputational risk**

Reputational risk is the risk of direct loss or loss in future business caused by a decline in the reputation of the Allianz Group or one or more of its specific operating entities among its stakeholders (i.e. shareholders, customers, staff, business partners or the general public). First, every action, existing or new transaction or product can lead to losses in the value of our reputation, either directly or indirectly, and can also result in losses in other risk categories. Second, every loss in other risk categories, irrespective of its size, can pose reputational risk to the Allianz Group. Therefore, reputational risk can both cause and result from losses in all risk categories such as market or credit risks.

Our operating entities identify, assess and manage reputational risks predominately within their business processes (e.g. as part of the underwriting or product development processes). Management of reputational risks exclusively relevant at the level of a single operating entity is based on the local risk governance framework. Planned activities which might endanger the reputation of the Allianz Group as a whole have to be reported to Allianz SE for pre-approval. In addition, Group Risk and the local risk functions identify and assess reputational risks qualitatively as part of a quarterly evaluation ("Top Risk Assessment"). On the basis of this evaluation, an overview of local and global risks is created, which also includes reputational risks. Group Risk analyses the risk profile of the Allianz Group and regularly informs management about the current situation.

### **Strategic risk**

Strategic risk is the risk of an unexpected negative change in the company value, arising from the adverse effect of management decisions regarding business strategies and their implementation. This risk reflects the compatibility between strategic goals, the business strategies and the resources deployed to achieve those goals. Strategic risk also includes the management's ability to effectively analyze and react to external factors (e.g. market conditions), which could affect the future direction of the relevant operating entity or the Group as a whole.

These risks are evaluated and analyzed quarterly in the same way as reputational risk. The Board of Management of Allianz SE formulates the business objectives. Strategic goals are translated into a three-year business plan, which is approved by the Supervisory Board of Allianz SE. To ensure proper implementation of these goals, strategic controls are carried out through monitoring of respective business targets. We also constantly monitor market and competitive conditions, capital market requirements, regulatory conditions etc. with respect to changes which may require 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 of these discussions. For example, large mergers and acquisitions transactions are subject to review by the Group Finance Committee, if the volume exceeds clearly defined thresholds set for the type of transaction.

## Disclosures Relating to Financial Instruments

The risk disclosure requirements of IFRS 7 are reflected in the consolidated financial statements and the preceding risk report in the group management report.

This risk report, with the exception of the "Risk Management Priorities for 2011" section, is an integral part of the audited consolidated financial statements.

## Risk Management Priorities for 2011

Our general objectives for 2011 include three priorities for risk management. First and foremost, to be as successful as we were in 2010 in meeting the risk management and reporting challenges. Second, to continue developing and strengthening our risk management framework and network globally. Our third priority is to do what is necessary to meet Solvency II internal model requirements starting in 2013, which is one of the Group's top priorities set by the Board of Management of Allianz SE.

Solvency II is a major European initiative that is expected to lead to significant changes in European insurance solvency requirements in the coming years. The Allianz Group is actively participating in the process and is continuously providing feedback regarding the proposals and analysis of the European Insurance and Occupational Pensions Authority (EIOPA) and the E.U. Commission. Furthermore, we participate in the Quantitative Impact Studies and give technical advice, for instance, through the Chief Risk Officer Forum and the Chief Financial Officer Forum. We also participate actively in the voluntary pre-approval process for Solvency II with the relevant European supervisors. Given the remaining uncertainty surrounding the final implementation measures and their interpretation, we are constantly reviewing our internal risk capital framework and risk processes and enhance them as necessary to comply with the evolving Solvency II standards.

After the successful implementation of our new risk analysis infrastructure and related risk reporting processes at the beginning of 2010, we are now shifting focus to the further refinement of our internal risk capital model methodology in line with guidance from EIOPA to ensure compliance with Solvency II requirements.

As part of these efforts, the Group Risk Committee decided in 2010 to introduce the dedicated Property-Casualty Insurance Risk Model (PRISM) for risk capital calculations and reporting purposes in 2011. This stochastic model framework aligns multiple aspects of actuarial portfolio assessment and provides high flexibility regarding scenario impact analysis for non-life insurance risks. It is also part of the voluntary pre-approval process for Solvency II with the relevant European supervisors.

We are also focusing on the development and implementation of an internal model for operational risk which will be fully integrated into the existing risk analysis infrastructure.

Moreover, we are planning to further strengthen our risk governance framework by implementing additional Solvency II relevant components including an enhanced model management framework and improved controls related to risk reporting processes. We have also started to prepare for the new reporting and disclosure requirements of Solvency II. All those initiatives are complemented by the development of adequate documentation and, where relevant, are subject to formal internal sign-off processes before final adoption.

Based on the various initiatives underway, we are confident, that we will achieve full compliance with the final Solvency II requirements once they become binding in 2013.

# Controls and Procedures

## Internal Controls over Financial Reporting

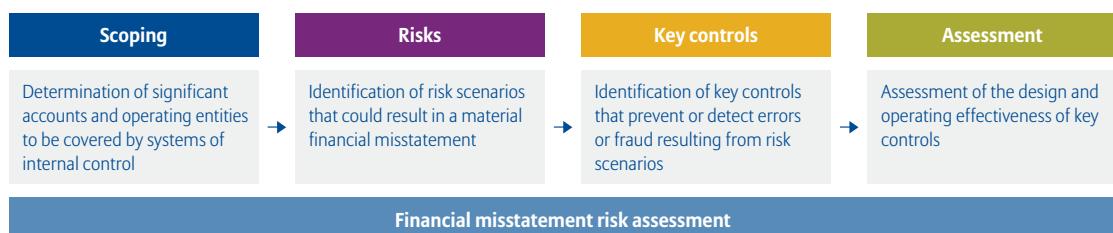


For information on the Use of Estimates and Assumptions please refer to note 3 of our consolidated financial statements.

In line both with a prudent risk governance structure and with regulatory requirements, we use an internal control system over financial reporting (ICOFR) to

identify and mitigate the risk of material errors appearing in our consolidated financial statements. The framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) serves as the basis upon which our control system is designed.

### Internal control approach



A top-down, risk-based approach is used to establish the [scope of our internal control system](#). On an annual basis we conduct a combined qualitative and quantitative analysis of our consolidated financial statements and disclosures to identify those accounts and operating entities to be covered by internal control systems.

At the local level, entities [identify processes and risk scenarios](#) that could lead to material financial misstatements based on the likelihood of the risk scenario materializing and on the potential magnitude of any resulting error. In addition, qualitative considerations such as account composition are part of the risk identification process.

For each significant risk identified within each process, [key controls](#) are required to mitigate the likelihood and potential magnitude of a financial misstatement resulting from the risk materializing (process level controls).

An additional control category – [entity level controls](#) – includes those affecting an entity's entire internal control structure and therefore does not correspond to specific accounts or processes. In accordance with the COSO framework, such controls include those relating to the control environment of an organization, the effectiveness of information and communication flows, the risk assessment process and the ongoing monitoring of the internal control system.

Financial reporting processes are also heavily dependent upon IT systems. Consequently, "[IT controls](#)" are a vital part of our efforts to establish a strong control system.

It is crucial that controls are appropriately [designed](#) to mitigate risk, as well as effectively executed as designed.

We have set consistent documentation requirements across the Allianz Group on elements such as process flows, key controls and their execution. Maintaining the quality of control design and control execution plays a major role, and we conduct an [annual assessment of our system](#) by testing the [effectiveness of the design and execution](#) of process level, entity level and IT controls.

Group Audit and local internal audit functions ensure that the overall quality of our internal control system is kept under continuous scrutiny.

### Governance

Responsibility for ensuring the completeness, accuracy and reliability of our consolidated financial statements rests with the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) of Allianz SE, supported by Group Center functions, the Group Disclosure Committee and operating entities.

The Group Disclosure Committee ensures that the CEO and CFO of Allianz SE are aware of all material information that could affect our disclosures and to ascertain the completeness and accuracy of the information provided in the quarterly and annual financial reports. The committee meets on a quarterly basis before the issuance of financial reports.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal control policy and 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 Group.

### **Further control mechanisms**

We view a strong internal control environment as key to developing the business successfully and building trust with external parties. We have therefore implemented an enhanced internal control environment which is similar to the internal control system we currently run over financial reporting in our Market Consistent Embedded Value (MCEV) computation and reporting process across our largest Life operating entities.

## **Risk Capital Controls**

The internal risk capital calculation and aggregation draw on models and other techniques which use a significant number of estimates and assumptions.

We have a robust and comprehensive [risk governance structure](#). This structure is supported by audit, compliance and independent review functions similar to our financial reporting governance. However, since our risk capital determination incorporates economic factors not fully reflected in accounting results, we have also implemented additional controls within our management reporting processes to ensure that these additional estimates, including techniques used and relevant assumptions made, are adequately controlled.

These controls include the validation of models and assumptions by independent external reviews and continuous benchmarking to market and/or peer assumptions and practices. To the extent available, we also require the use of non-market assumptions approved by supervisory authorities and actuarial associations to enhance our models.

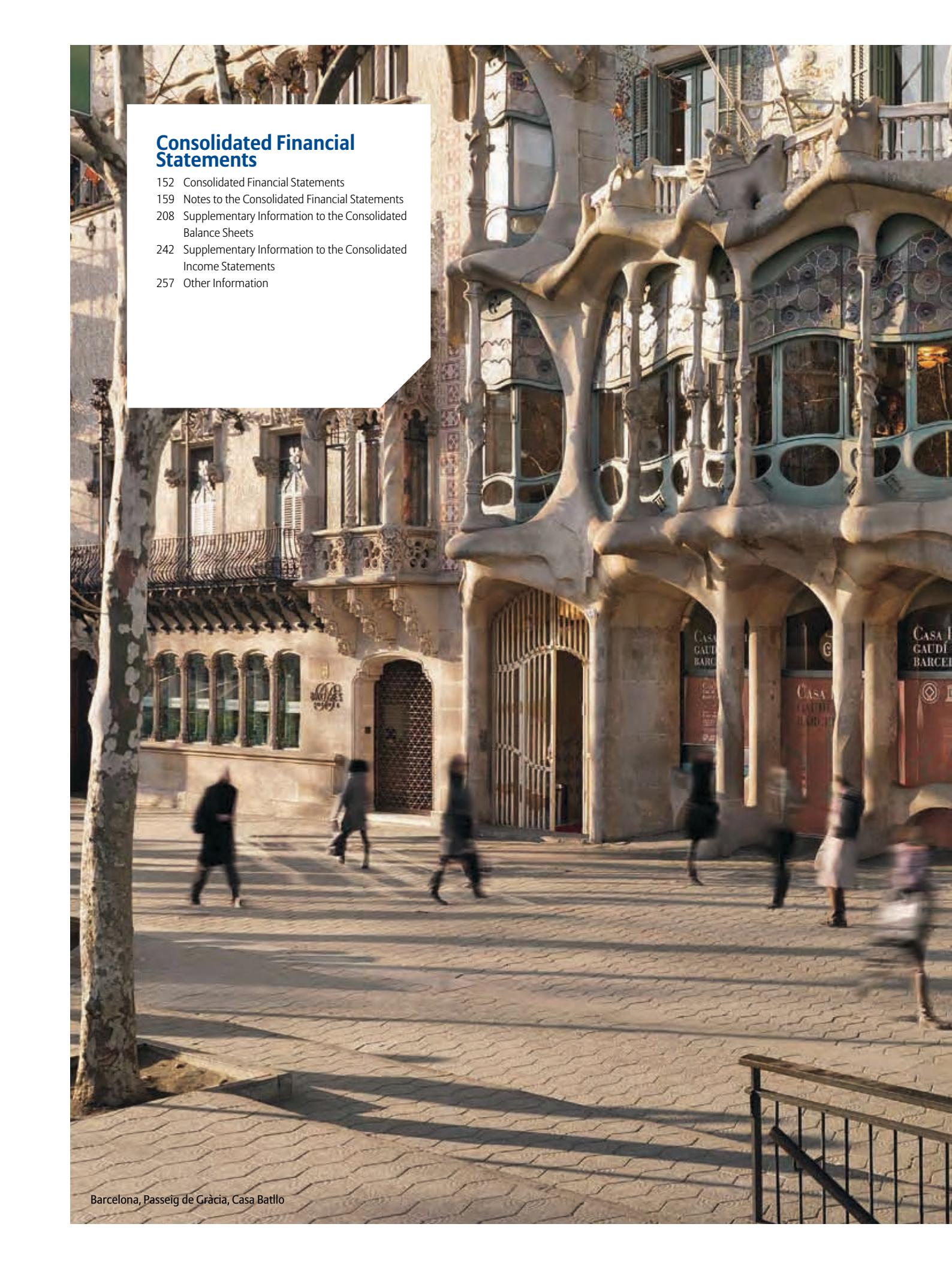
The roll-out of an enhanced internal control environment for the computation of our internal Risk Capital under the future Solvency II regime is planned for 2011.

Overall, just as with estimates and assumptions involving financial reporting, management reporting processes that underpin our risk capital framework are well controlled, consistently applied and prudent.

Munich, February 21, 2011  
Allianz SE

The Board of Management

Diekmann	Dr. Achleitner
Bäte	Bauer
Booth	Cucchiani
Dr. Faber	Dr. Mascher
Ralph	Dr. Zedelius



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Lisbon, Estação do Oriente

# Allianz Group Consolidated Financial Statements

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## Allianz Group Consolidated Balance Sheets

	Note	As of December 31, 2010	As of December 31, 2009	As of January 1, 2009
		€ mn	€ mn	€ mn
<b>ASSETS</b>				
Cash and cash equivalents	7	8,747	6,089	8,958
Financial assets carried at fair value through income <sup>1</sup>	8	9,843	14,321	14,240
Investments <sup>2</sup>	9	334,618	294,252	258,812
Loans and advances to banks and customers	10	122,678	128,996	116,990
Financial assets for unit-linked contracts		64,847	56,963	50,450
Reinsurance assets	11	13,135	13,559	14,599
Deferred acquisition costs	12	20,733	20,295	22,005
Deferred tax assets	43	2,663	2,719	3,977
Other assets	13	34,001	33,047	34,004
Non-current assets and assets of disposal groups classified as held for sale	14	299	—	419,513
Intangible assets	15	13,381	13,476	11,451
<b>Total assets</b>		<b>624,945</b>	<b>583,717</b>	<b>954,999</b>
 <b>LIABILITIES AND EQUITY</b>				
Financial liabilities carried at fair value through income	16	5,013	4,891	4,131
Liabilities to banks and customers	17	21,155	21,248	18,451
Unearned premiums	18	16,497	15,676	15,233
Reserves for loss and loss adjustment expenses	19	66,474	64,441	63,924
Reserves for insurance and investment contracts	20	349,793	323,801	298,057
Financial liabilities for unit-linked contracts	21	64,847	56,963	50,450
Deferred tax liabilities	43	3,976	3,874	3,833
Other liabilities	22	33,213	33,285	32,930
Liabilities of disposal groups classified as held for sale	14	188	—	411,816
Certified liabilities	23	8,229	7,962	9,544
Participation certificates and subordinated liabilities	24	8,998	9,347	9,346
<b>Total liabilities</b>		<b>578,383</b>	<b>541,488</b>	<b>917,715</b>
Shareholders' equity		44,491	40,108	33,720
Non-controlling interests		2,071	2,121	3,564
<b>Total equity</b>	<b>25</b>	<b>46,562</b>	<b>42,229</b>	<b>37,284</b>
<b>Total liabilities and equity</b>		<b>624,945</b>	<b>583,717</b>	<b>954,999</b>

1 As of December 31, 2010, € 613 mn (2009: € 887 mn) are pledged to creditors and can be sold or repledged.

2 As of December 31, 2010, € 90 mn (2009: € 123 mn) are pledged to creditors and can be sold or repledged.

## Allianz Group Consolidated Income Statements

	Note	2010 € mn	2009 € mn	2008 € mn
<b>Premiums written</b>		68,582	65,025	66,121
Ceded premiums written		(4,873)	(5,061)	(5,474)
Change in unearned premiums		(372)	(172)	(253)
<b>Premiums earned (net)</b>	<b>26</b>	<b>63,337</b>	<b>59,792</b>	<b>60,394</b>
Interest and similar income	27	19,428	18,233	19,072
Income from financial assets and liabilities carried at fair value through income (net)	28	(38)	874	373
Realized gains/losses (net)	29	3,708	3,416	3,603
Fee and commission income	30	7,920	6,239	6,032
Other income	31	118	41	408
Income from fully consolidated private equity investments	32	1,701	1,910	2,549
<b>Total income</b>		<b>96,174</b>	<b>90,505</b>	<b>92,431</b>
Claims and insurance benefits incurred (gross)		(48,038)	(47,879)	(48,287)
Claims and insurance benefits incurred (ceded)		1,942	2,233	2,628
<b>Claims and insurance benefits incurred (net)</b>	<b>33</b>	<b>(46,096)</b>	<b>(45,646)</b>	<b>(45,659)</b>
Change in reserves for insurance and investment contracts (net)	34	(13,871)	(9,760)	(5,378)
Interest expenses	35	(1,411)	(1,484)	(1,893)
Loan loss provisions	36	(50)	(141)	(59)
Impairments of investments (net)	37	(844)	(2,732)	(9,495)
Investment expenses	38	(827)	(755)	(771)
Acquisition and administrative expenses (net)	39	(20,883)	(20,118)	(18,599)
Fee and commission expenses	40	(2,561)	(2,212)	(2,344)
Amortization of intangible assets	15	(327)	(125)	(23)
Restructuring charges	50	(271)	(198)	(129)
Other expenses	41	(57)	(2)	(12)
Expenses from fully consolidated private equity investments	32	(1,803)	(2,142)	(2,470)
<b>Total expenses</b>		<b>(89,001)</b>	<b>(85,315)</b>	<b>(86,832)</b>
<b>Income from continuing operations before income taxes</b>		<b>7,173</b>	<b>5,190</b>	<b>5,599</b>
Income taxes	43	(1,964)	(540)	(1,331)
<b>Net income from continuing operations</b>		<b>5,209</b>	<b>4,650</b>	<b>4,268</b>
Net income (loss) from discontinued operations, net of income taxes	42	—	(395)	(6,373)
<b>Net income (loss)</b>		<b>5,209</b>	<b>4,255</b>	<b>(2,105)</b>
Net income (loss) attributable to:				
Non-controlling interests		156	48	257
Shareholders		5,053	4,207	(2,362)
	Note	2010 €	2009 €	2008 €
<b>Basic earnings per share</b>	<b>51</b>	<b>11.20</b>	<b>9.33</b>	<b>(5.25)</b>
from continuing operations		11.20	10.21	8.99
from discontinued operations		—	(0.88)	(14.24)
<b>Diluted earnings per share</b>	<b>51</b>	<b>11.12</b>	<b>9.30</b>	<b>(5.29)</b>
from continuing operations		11.12	10.17	8.77
from discontinued operations		—	(0.87)	(14.06)

## Allianz Group Consolidated Statements of Comprehensive Income

	2010 € mn	2009 € mn	2008 € mn
Net income (loss)	5,209	4,255	(2,105)
Other comprehensive income			
Foreign currency translation adjustments			
Reclassifications to net income	(9)	516	2
Changes arising during the year	1,347	(122)	(268)
Subtotal	1,338	394	(266)
Available-for-sale investments			
Reclassifications to net income	(1,353)	(753)	560
Changes arising during the year	925	4,242	(9,116)
Subtotal	(428)	3,489	(8,556)
Cash flow hedges			
Reclassifications to net income	(2)	(5)	—
Changes arising during the year	11	(11)	28
Subtotal	9	(16)	28
Share of other comprehensive income of associates			
Reclassifications to net income	(2)	6	—
Changes arising during the year	41	26	(107)
Subtotal	39	32	(107)
Miscellaneous			
Reclassifications to net income	(1)	—	—
Changes arising during the year	194	(87)	100
Subtotal	193	(87)	100
Total other comprehensive income	1,151	3,812	(8,801)
Total comprehensive income	6,360	8,067	(10,906)
Total comprehensive income attributable to:			
Non-controlling interests	169	79	359
Shareholders	6,191	7,988	(11,265)

For further details concerning income taxes relating to components of the other comprehensive income please see note 43.

## Allianz Group Consolidated Statements of Changes in Equity

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>Balance as of January 1, 2008, as previously reported</b>	<b>28,321</b>	<b>12,618</b>	<b>(3,656)</b>	<b>10,470</b>	<b>47,753</b>	<b>3,628</b>	<b>51,381</b>
Adjustments <sup>1</sup>	—	(39)	—	—	(39)	—	(39)
<b>Balance as of January 1, 2008, as reported</b>	<b>28,321</b>	<b>12,579</b>	<b>(3,656)</b>	<b>10,470</b>	<b>47,714</b>	<b>3,628</b>	<b>51,342</b>
Total comprehensive income	—	(2,427)	(347)	(8,491)	(11,265)	359	(10,906)
Paid-in capital	248	—	—	—	248	—	248
Treasury shares	—	25	—	—	25	—	25
Transactions between equity holders	—	(552)	(10)	32	(530)	(136)	(666)
Dividends paid	—	(2,472)	—	—	(2,472)	(287)	(2,759)
<b>Balance as of December 31, 2008</b>	<b>28,569</b>	<b>7,153</b>	<b>(4,013)</b>	<b>2,011</b>	<b>33,720</b>	<b>3,564</b>	<b>37,284</b>
Total comprehensive income	—	4,154	388	3,446	7,988	79	8,067
Paid-in capital	66	—	—	—	66	—	66
Treasury shares	—	(66)	—	—	(66)	—	(66)
Transactions between equity holders <sup>2</sup>	—	(19)	(1)	—	(20)	(1,401)	(1,421)
Dividends paid	—	(1,580)	—	—	(1,580)	(121)	(1,701)
<b>Balance as of December 31, 2009</b>	<b>28,635</b>	<b>9,642</b>	<b>(3,626)</b>	<b>5,457</b>	<b>40,108</b>	<b>2,121</b>	<b>42,229</b>
Total comprehensive income	—	5,294	1,297	(400)	6,191	169	6,360
Paid-in capital	50	—	—	—	50	—	50
Treasury shares	—	(24)	—	—	(24)	—	(24)
Transactions between equity holders	—	26	(10)	—	16	(91)	(75)
Dividends paid	—	(1,850)	—	—	(1,850)	(128)	(1,978)
<b>Balance as of December 31, 2010</b>	<b>28,685</b>	<b>13,088</b>	<b>(2,339)</b>	<b>5,057</b>	<b>44,491</b>	<b>2,071</b>	<b>46,562</b>

1 The adjustments relate to the change in accounting policy for fixed-indexed annuities as described in note 4.

2 Includes € (1,738) mn changes in non-controlling interests from the derecognition of Dresdner Bank and € 337 mn related to capital movements of subsidiaries in whom the Allianz Group owns less than 100%.

## Allianz Group Consolidated Statements of Cash Flows

	2010 € mn	2009 € mn	2008 € mn
<b>Summary</b>			
Net cash flow provided by operating activities	15,414	13,610	25,313
Net cash flow used in investing activities	(19,536)	(50,387)	(6,236)
Net cash flow provided by (used in) financing activities	4,465	3,649	(11,320)
Effect of exchange rate changes on cash and cash equivalents	265	21	102
<b>Change in cash and cash equivalents</b>	<b>608</b>	<b>(33,107)</b>	<b>7,859</b>
Cash and cash equivalents at beginning of period of continuing operations	6,089	8,958	31,337
Cash and cash equivalents at beginning of period reclassified to assets of disposal groups classified as held for sale	—	30,238	—
Reclassifications <sup>1</sup>	2,050	—	—
<b>Cash and cash equivalents at end of period</b>	<b>8,747</b>	<b>6,089</b>	<b>39,196</b>
Cash and cash equivalents reclassified to assets of disposal groups classified as held for sale	—	—	30,238
<b>Cash and cash equivalents at end of period of continuing operations</b>	<b>8,747</b>	<b>6,089</b>	<b>8,958</b>
 <b>Cash flow from operating activities</b>			
Net income (loss)	5,209	4,255	(2,105)
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities			
Share of earnings from investments in associates and joint ventures	(183)	(80)	(12)
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008	—	—	1,409
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	(2,864)	(684)	5,710
Other investments, mainly financial assets held for trading and designated at fair value through income	444	(1,008)	2,633
Result of transaction of Dresdner Bank between September 30 and December 31, 2008	—	—	2,933
Depreciation and amortization	1,098	902	640
Loan loss provisions	50	141	385
Interest credited to policyholder accounts	4,747	4,166	4,145
Net change in			
Financial assets and liabilities held for trading	(1,525)	100	6,779
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(189)	751	32,463
Repurchase agreements and collateral received from securities lending transactions	346	47	(30,763)
Reinsurance assets	1,143	1,041	818
Deferred acquisition costs	(821)	3	(1,053)
Unearned premiums	247	258	345
Reserves for loss and loss adjustment expenses	74	(117)	527
Reserves for insurance and investment contracts	8,138	5,190	390
Deferred tax assets/liabilities	159	(612)	395
Financial assets designated at fair value through income (only banking)	—	—	3,204
Financial liabilities designated at fair value through income (only banking)	—	—	2,925
Other (net)	(659)	(743)	(6,455)
<b>Subtotal</b>	<b>10,205</b>	<b>9,355</b>	<b>27,418</b>
<b>Net cash flow provided by operating activities</b>	<b>15,414</b>	<b>13,610</b>	<b>25,313</b>
 <b>Cash flow from investing activities</b>			
Proceeds from the sale, maturity or repayment of			
Financial assets designated at fair value through income	14,161	4,193	4,105
Available-for-sale investments	125,134	94,459	106,665
Held-to-maturity investments	242	419	319
Investments in associates and joint ventures	1,042	1,957	1,285
Non-current assets and assets of disposal groups classified as held for sale	—	—	2,199
Real estate held for investment	682	391	491
Loans and advances to banks and customers (purchased loans)	9,248	11,537	8,735
Property and equipment	380	210	431
<b>Subtotal</b>	<b>150,889</b>	<b>113,166</b>	<b>124,230</b>

<sup>1</sup> Includes reclassifications from loans and advances to banks and customers to cash and cash equivalents at the U.S. subsidiaries.

## Allianz Group Consolidated Statements of Cash Flows – continued

	2010 € mn	2009 € mn	2008 € mn
<b>Payments for the purchase or origination of</b>			
Financial assets designated at fair value through income	(8,973)	(2,513)	(4,107)
Available-for-sale investments	(153,527)	(112,667)	(114,041)
Held-to-maturity investments	(463)	(192)	(182)
Investments in associates and joint ventures	(448)	(973)	(610)
Non-current assets and assets of disposal groups classified as held for sale	—	(36)	(97)
Real estate held for investment	(1,610)	(349)	(395)
Loans and advances to banks and customers (purchased loans)	(7,624)	(20,584)	(10,169)
Property and equipment	(1,472)	(1,160)	(953)
<b>Subtotal</b>	<b>(174,117)</b>	<b>(138,474)</b>	<b>(130,554)</b>
<b>Business combinations (for further details see note 5)</b>			
Proceeds from sale of subsidiaries, net of cash disposed	193	(26,975)	103
Acquisitions of subsidiaries, net of cash acquired	—	77	(152)
Net cash flows arising during the fourth quarter of 2008 from assets and liabilities of disposal groups classified as held for sale	—	—	9,327
Change in other loans and advances to banks and customers (originated loans)	3,696	1,384	(8,673)
Other (net)	(197)	435	(517)
<b>Net cash flow used in investing activities</b>	<b>(19,536)</b>	<b>(50,387)</b>	<b>(6,236)</b>
<b>Cash flow from financing activities</b>			
Policyholders' account deposits	20,061	20,162	13,205
Policyholders' account withdrawals	(12,958)	(12,233)	(11,020)
Net change in liabilities to banks and customers	(272)	(1,097)	(4,920)
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	7,157	12,541	40,672
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(7,428)	(14,189)	(45,868)
Cash inflow from capital increases	44	56	239
Transactions between equity holders	(75)	276	(666)
Dividends paid to shareholders	(1,978)	(1,701)	(2,759)
Net cash from sale or purchase of treasury shares	(21)	(135)	40
Other (net)	(65)	(31)	(243)
<b>Net cash flow provided by (used in) financing activities</b>	<b>4,465</b>	<b>3,649</b>	<b>(11,320)</b>

The net cash flows provided by (used in) discontinued operations for the first nine months of 2008 contribute to the net cash flows of the operating, investing, and financing activities. Only the net cash flows of discontinued operations of the fourth quarter of 2008 are shown on a net basis in one single line within the investing activities.

The following table shows the net cash flows provided by (used in) discontinued operations for the twelve months ended December 31, 2010, 2009 and 2008 that are included in the consolidated statements of cash flows above.

	2010 € mn	2009 € mn	2008 € mn
Net cash flow provided by operating activities from discontinued operations	—	—	24,367
Net cash flow provided by (used in) investing activities from discontinued operations	—	—	(1,888)
Net cash flow provided by (used in) financing activities from discontinued operations	—	—	(8,520)
<b>Net cash flow provided by discontinued operations</b>	<b>—</b>	<b>—</b>	<b>13,959</b>

## Allianz Group Consolidated Statements of Cash Flows – continued

	2010 € mn	2009 € mn	2008 € mn
<b>Supplementary information on the consolidated statement of cash flows</b>			
Income taxes paid	(1,347)	(831)	(2,890)
Dividends received	1,015	876	1,845
Interest received	17,129	15,689	21,361
Interest paid	(1,468)	(1,492)	(5,931)
<b>Significant non-cash transactions</b>			
Settlement of exchangeable bonds issued by Allianz Finance II B.V. with shares			
Available-for-sale investments	—	—	(450)
Certificated liabilities	—	—	(450)
Novation of quota share reinsurance agreement			
Reinsurance assets	—	—	(29)
Deferred acquisition costs	—	—	1
Payables from reinsurance contracts	—	—	(28)
Effects from first consolidation of K2			
Financial assets held for trading	—	—	107
Financial assets designated at fair value through income	—	—	8,665
Loans and advances to banks and customers	—	—	1,714
Other assets	—	—	51
Financial liabilities held for trading	—	—	497
Financial liabilities designated at fair value through income	—	—	8,889
Liabilities to banks and customers	—	—	1,076
Other liabilities	—	—	75
Effects from deconsolidation of Dresdner Bank			
Commerzbank shares			
Available-for-sale investments	—	746	—
Assets of disposal groups classified as held for sale	—	(746)	—
Distribution channel			
Intangible assets	—	480	—
Assets of disposal groups classified as held for sale	—	(480)	—
Cominvest			
Available-for-sale investments	—	179	—
Loans and advances to banks and customers	—	7	—
Deferred tax assets	—	14	—
Intangible assets	—	691	—
Property and equipment	—	3	—
Other assets	—	39	—
Assets of disposal groups classified as held for sale	—	(933)	—
Liabilities to banks and customers	—	1	—
Deferred tax liabilities	—	(72)	—
Certificated liabilities, participation certificates and subordinated liabilities	—	(57)	—
Other liabilities	—	(148)	—
Non-controlling interests	—	(5)	—
Liabilities of disposal groups classified as held for sale	—	281	—
Proceeds from sales of available-for-sale investments			
Debt securities	85,481	62,774	60,265
Equity securities	8,754	14,152	26,645
<b>Total</b>	<b>94,235</b>	<b>76,926</b>	<b>86,910</b>

# Allianz Group

## Notes to the Consolidated Financial Statements

### 1 Nature of operations and basis of presentation

#### Nature of operations

Allianz SE and its subsidiaries (the Allianz Group) have global Property-Casualty insurance, Life/Health insurance and Asset Management operations in around 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarter and Allianz SE as its parent company are located in Munich, Germany. Allianz SE is recorded in the Commercial Register of the municipal court 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.A. over the counter on OTCQX.

The consolidated financial statements of the Allianz Group for the year ended December 31, 2010 were authorized for issue by the Board of Management on February 21, 2011.

#### 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 § 315 a of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all IFRS issued by the IASB and endorsed by the E.U., that are compulsory as of December 31, 2010. IFRS comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), and interpretations developed by the International Financial Reporting Interpretations Committee (IFRIC) or the former Standing Interpretations Committee (SIC).

IFRS does 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, the provisions embodied under accounting principles generally accepted in the United States of America (US GAAP) have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts.

The accounting policies adopted are consistent with those of the previous financial year except for recently adopted IFRS effective January 1, 2010 and changes in accounting policies as described in note 4.

The consolidated financial statements are prepared as of and for the year ended December 31, and presented in millions of Euro (€), unless otherwise stated.

### 2 Summary of significant accounting policies

#### Principles of consolidation

##### Scope of consolidation

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 have to be taken into consideration. If no control exists from a legal perspective, it has to be assessed whether control exists from an economic perspective, as in the case of SPEs.

Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries are consolidated until the date that 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**

A business combination occurs when the Allianz Group obtains control over a business.

**Business combinations from January 1, 2010** are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. Acquisition-related costs are generally recognized as expenses. For each business combination, the Allianz Group has an option to measure any non-controlling interests in the acquiree either at the acquisition date fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Goodwill is measured as the difference at the acquisition date between the cost of the acquisition and the fair value of the net assets acquired. The acquirer remeasures any previously-held equity interest to fair value at the date of obtaining control with the difference being recorded in the consolidated income statement. If the Allianz Group's proportionate share of the fair value of the net assets exceeds the acquisition cost, the Allianz Group reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities as well as the measurement of the cost of the combination and recognizes any excess remaining after that assessment immediately in income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or a liability, will be recognized in accordance with the applicable IFRS. If the contingent consideration is classified as equity, it will not be remeasured and its subsequent settlement will be accounted for within equity.

Any additional acquired share of interest after having obtained control does not affect previously recognized goodwill. Transactions with non-controlling interests, i.e. changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions. Losses are allocated to a non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary. Any retained non-controlling investment at the date control is lost is remeasured to fair value.

When the Allianz Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the acquisition date. In the event that Allianz Group acquires an insurance business, the Allianz Group reclassifies insurance contracts to be consistent with its policy.

**Business combinations prior to January 1, 2010** are accounted for using the purchase method. The purchase method requires that the Allianz Group allocates the cost of a business combination on the date of acquisition by recognizing the acquiree's identifiable assets, liabilities and certain contingent liabilities at their fair values. The cost of a business combination represents the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the acquisition date, plus any costs directly attributable to the acquisition. If the acquisition cost of the business combination exceeds the Allianz Group's proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any non-controlling interest (formerly, minority interest) is recorded at the non-controlling interest's proportion of the fair value of the net identifiable assets of the acquiree.

For **business combinations with an agreement date before March 31, 2004**, non-controlling interests are recorded at their proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

#### **Associated enterprises and joint ventures**

Associated enterprises are entities over which the Allianz Group can exercise significant influence and which are neither subsidiaries nor joint ventures. Significant influence is the power to participate in, but not to control, the

financial and operating policies of an enterprise. Significant influence is presumed to exist where the Allianz Group has at least 20% but not more than 50% of the voting rights unless it can be clearly demonstrated that this is not the case. If the Allianz Group holds less than 20% of the voting power of the investee, it is presumed that the Allianz Group does not have significant influence unless such influence can be clearly demonstrated. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The investments are initially recognized at cost and subsequently increased or decreased to recognize the Allianz Group's share in profit or loss after the date of acquisition. The investments are tested for impairment when respective triggering events occur. Any impairment loss will correspond to the excess of the investment's carrying amount over its recoverable amount. In general, the triggering events are similar to those used for impairment testing for financial instruments while the measurement of impairment losses is similar to the measurement of impairment losses for other assets.

The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. The positive difference between the cost of the investment and the Allianz Group's share of the net fair value of the associate's or joint ventures identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. Income from investments in associated enterprises and joint ventures, which reflects the earnings and not 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 associated enterprise or joint venture are eliminated to the extent of the interest in the associate or joint venture. Accounting policies of associated enterprises and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

In the event that significant influence or joint control over an associate or jointly controlled entity is lost, a gain or loss equal to the difference between (i) the sum of any proceeds from interests disposed of, interests retained and any amounts reclassified from equity and (ii) the carrying amount of the investment at the date significant influence or joint control was lost, is recognized in profit or loss.

## 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 directly in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also directly recognized in other comprehensive income.

### Translation to the presentation currency

For 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 directly in other comprehensive income, as foreign currency translation adjustments.

### 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.

Furthermore financial liabilities comprise financial liabilities for unit-linked contracts.

### 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 fair value using discounted cash flow methods. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

The classification depends on the nature and purpose of the financial instrument and is determined at initial recognition.

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.

Financial instruments are generally recognized and derecognized on trade date, i.e. when the Allianz Group commits to purchase or sell securities or incur a liability.

### Fair value of financial instruments

The Allianz Group applies the IAS 39 fair value measurement rules to determine the fair value of financial instruments.

**Active markets – quoted market price:** The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and at the balance sheet date. The quoted market price used for a financial asset held by the Allianz Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

**No active markets – valuation techniques:** If the market for a financial instrument is not active, the fair value is determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs 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, option volatilities and foreign currency exchange rates. Where observable market inputs are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are

### Financial instruments

#### Classification, recognition and initial measurement

Financial assets within the scope of IAS 39 are either classified as

- financial assets carried at fair value through income,
- available-for-sale investments,
- held-to-maturity investments,
- loans and advances to banks and customers or as
- derivative financial instruments used for hedging.

Furthermore financial assets include funds held by others under reinsurance contracts assumed and financial assets for unit-linked contracts.

Financial liabilities within the scope of IAS 39 are either classified as

- financial liabilities carried at fair value through income,
- liabilities to banks and customers,
- investment contracts with policyholders,
- derivative financial instruments used for hedging,
- financial liabilities for puttable equity instruments,
- certificated liabilities or
- participation certificates and subordinated liabilities.

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. Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions is explained.

**No active market – equity instruments:** Equity securities are measured at fair value where the ownership interest is less than 20% and the fair value is reliably measurable. If the fair value cannot be measured reliably, unquoted equity instruments and derivatives linked to such instruments are stated at cost until a fair value can be measured reliably. These financial instruments are subject to the normal impairment procedures.

### **Amortized cost of financial instruments**

The amortized cost of a financial instrument 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 rate method of any difference between that initial amount and the redemption amount and minus any subsequent reduction for impairment or uncollectability.

### **Recognition of a day one profit or loss**

A day one profit or loss is recognized when the fair value of a financial instrument differs from its initial transaction price. In this case the fair value is evidenced by comparison with other observable current market transactions in the same instrument or is based on a valuation technique incorporating only observable market data.

### **Subsequent measurement of financial instruments**

The subsequent measurement of financial instruments depends on their classification as follows:

#### **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 held for trading consist of debt and equity securities that have been principally acquired for the purpose of generating a profit from short-term fluctua-

tions in price or for the purpose of selling in the near future and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting.

Derivative financial instruments include separated embedded derivatives of hybrid financial instruments.

Financial assets and liabilities carried at fair value through income are measured at fair value. Changes in fair value are recognized directly in the consolidated income statement. The recognized net gains and losses include dividends and interest of the underlying financial instruments. A financial instrument may only be designated at inception as held at fair value through income and cannot be subsequently changed.

### **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 to banks and customers, or financial assets carried at fair value through income. Available-for-sale investments are 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.

Available-for-sale equity securities are measured at fair value where the ownership interest is less than 20% and the fair value is reliably measurable. Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, and when the limited partnerships do not

have a quoted market price and fair value cannot be reliably measured. In general, the Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable presumption that the limited partner has no control over the limited partnership.

#### **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 recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses. Amortization of premium or discount is included in interest and similar income.

#### **Loans and advances to banks and customers**

Loans and advances to banks and customers are non-derivative financial assets with fixed or determinable payments, which are not quoted in an active market and which are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers 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 charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If substantially all of the risks and rewards of the securities remains 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 expense.

#### **Funds held by others under reinsurance contracts**

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 impairments for balances that are deemed not to be recoverable.

#### **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.

#### **Liabilities to banks and customers**

Liabilities to banks and customers are subsequently measured at amortized cost. Herein included are repurchase ("repo") agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If substantially all of the risks and rewards of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expense from repo transactions is accrued over the duration of the agreements and reported in interest and similar expenses.

In securities lending transactions the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

#### **Investment contracts with policyholders**

Fair values for investment and annuity contracts are determined using the cash surrender values of policyholders' and contract holders' account balances.

### **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.

### **Financial liabilities for puttable equity instruments**

Financial liabilities for puttable equity instruments include the non-controlling interests in shareholders' equity of certain consolidated investment 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, participation certificates and subordinated liabilities**

Certificated liabilities, participation certificates 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.

### **Financial guarantee contracts**

Financial guarantee contracts issued by the Allianz Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts which are not accounted for as insurance contracts are recognized initially at fair value. Subsequently, unless the financial guarantee contract was designated at inception as at fair value through income, the Allianz Group measures it at the higher of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization when appropriate.

### **Impairment of financial assets**

#### **Impairment of held-to-maturity and available-for-sale debt securities and of loans**

A held-to-maturity or available-for-sale debt security, as well as 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. all

amounts due according to the contractual terms of the security are not considered collectible.

If a held-to-maturity debt security or a loan is impaired, the related impairment loss is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If an available-for-sale debt security is impaired, the related impairment loss is measured as the difference between the security's amortized cost and current fair value, less any previously recognized impairment losses.

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.

In a subsequent period, if the fair value of an available-for-sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net).

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

#### **Impairment of available-for-sale equity securities**

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. 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 significant decline to be one in which the fair value is below the weighted average cost by more than 20% or a prolonged decline to be one in which 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 impairments. 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.

### **Reclassification of financial instruments**

Once a financial instrument has been classified into a particular category at initial recognition, transfers into or out of that category from or to another category are prohibited for some categories and are expected to be rare in all other circumstances.

The 2008 amendments to IAS 39 permit an entity to reclassify certain non-derivative financial assets out of the "held for trading" (at fair value through income) category and out of the "available-for-sale" category if the following specific conditions are met.

- Debt instruments, classified as "held for trading" (at fair value through income) or as "available-for-sale" may be reclassified to the "loans and receivable" category, if they meet the definition of loans and receivables at the reclassification date and where the Allianz Group has the intent and ability to hold the assets for the foreseeable future or until maturity.
- Any other debt instrument and any other equity instrument, classified as "held for trading" (at fair value through income) may be reclassified to the "held-to-maturity" category (debt instruments) or to the "available-for-sale" category in rare circumstances (e.g. deterioration of the world's financial markets in 2008) and where the Allianz Group does not have the intention to sell or trade the assets in the short term.

At the reclassification date, non-derivative financial assets have to be reclassified at their fair value, which becomes the new cost or amortized cost of the financial asset, as applicable. Previously recognized gains and losses cannot be reversed. After the reclassification date the existing requirements of IAS 39 for measuring financial assets at cost or at amortized cost apply.

### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized

amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

### **Derecognition of financial instruments**

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.

### **Derivative financial instruments**

The Allianz Group uses derivative financial instruments such as swaps, options and futures to hedge against market risks (i.e. interest rates, equity prices or foreign exchange rates) or credit risks in its investment portfolios.

Derivative financial instruments that do not meet the criteria for hedge accounting are recognized at fair value as financial assets held for trading when the fair value is positive or financial liabilities held for trading when the fair value is negative. Gains or losses from valuation at fair value are included in income from financial assets and liabilities held for trading. This treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

A component that meets the definition of a derivative must be separated from its host contract (bifurcated) and measured as if it were a stand-alone derivative if its economic characteristics are not closely related to those of the host contract.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting (accounting hedges), 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. Derivative financial instruments used in accounting hedges are recognized as follows:

### Fair value hedges

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

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).

### Hedges of a net investment in a foreign entity

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 proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, 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).

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument 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 determines that designation of the derivative financial instrument as a hedging instrument is no

longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value with changes in fair value recognized in the consolidated income statement, but changes in the fair value of the hedged item are no longer recognized in the consolidated income statement. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in other comprehensive income are recognized in the consolidated income statement (i.e. recycled) when the planned transaction affects the consolidated income statement. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in other comprehensive income remain there until the disposal of the foreign entity.

### Disclosures relating to financial instruments

IFRS 7, Financial Instruments: Disclosures, requires the grouping of financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The scope of IFRS 7 includes recognized and unrecognized financial instruments. Recognized financial instruments are those financial assets and financial liabilities within the scope of IAS 39. Unrecognized financial instruments are financial instruments that are outside of the scope of IAS 39 but within the scope of IFRS 7. The classes of financial instruments within Allianz Group are mainly in line with the categories according to IAS 39.

The risk disclosure requirements of IFRS 7 and the requirements of IAS 1, Presentation of Financial Statements, with regard to capital disclosures are reflected in the consolidated financial statements and the risk report in the group management report.

The risk report is an integral part of the consolidated financial statements.

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 parenthesis.

Balance sheet line items, IAS 39 categories and IFRS 7 classes of financial instruments	Measurement basis
<b>Financial assets</b>	
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
Assets held in trust <sup>1</sup>	Fair value
<b>Financial liabilities</b>	
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 purposes that meet the criteria for hedge accounting and firm commitments	Fair value
– Financial liabilities for puttable equity instruments	Redemption amount
Certified liabilities (Other liabilities)	Amortized cost
Participation certificates and subordinated liabilities (Other liabilities)	Amortized cost
Liabilities held in trust <sup>1</sup>	Fair value
<b>Off-balance sheet</b>	
Financial guarantees	Nominal value
Irrevocable loan commitments	Nominal value

<sup>1</sup> Include receivables and obligations of deferred compensation plans outsourced to a trust.

## Insurance, investment and reinsurance contracts

### Insurance and investment contracts

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the related insurance accounting provisions of US GAAP 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 according to the related reinsurance accounting provisions of US GAAP, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39, respectively.

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.

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis. The amount of reserves ceded to reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured

risks. Revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

To the extent that the assuming reinsurers are unable to meet their obligations, the Allianz Group remains 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), present value of future profits (PVFP) and deferred sales inducements comprise the deferred acquisition costs in the consolidated balance sheets.

DAC generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. If such costs are deemed recoverable over the life of the contracts, then they are deferred accordingly. Loss recognition tests at the end of each reporting period ensure that only the amount of DAC that has future utility is carried on the consolidated balance sheet.

For short-duration and traditional long-duration contracts and limited-payment contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type contracts, participating life insurance contracts and investment contracts with discretionary participation features, DAC is amortized over the contract life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), as appropriate, based on historical and anticipated future experience, which is evaluated regularly.

For unit-linked investment contracts without discretionary participation features (DPF) accounted for under IAS 39 at fair value, acquisition costs are deferred in accordance with IAS 18, Revenue, if the costs are incremental. Acquisition costs are incremental if the costs would not have been incurred if the related contracts would not have been issued. 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.

The value of an insurance business acquired or the value of 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. PVFP was determined using discount rates ranging from 8.0% to 12.0%. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest currently accrues on PVFP at rates between 2.0% and 6.5%.

Sales inducements on insurance contracts that meet the following criteria are generally deferred and amortized using the same methodology and assumptions used for amortized deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

### **Shadow accounting**

For insurance and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements. The Allianz Group utilizes EGPs or EGMs, which include only realized gains and losses, in measuring these assets. Shadow accounting is applied in order to include the effect of unrealized gains or losses in the measurement of these intangible 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.

Shadow accounting in a broader sense is also applied to all valuation differences between statutory accounting, which is the basis for profit participation of policyholders and IFRS accounting. These valuation differences are accounted for as latent reserves for premium refunds. Further information is included in a succeeding section entitled "Reserves for insurance and investment contracts and financial liabilities for unit-linked contracts".

### **Unearned premiums**

For short-duration insurance contracts, like most of the property and casualty contracts, premiums written to be earned in future years are recorded as unearned premiums according to the insurance accounting provisions of US GAAP. These premiums are earned in subsequent years 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. According to the insurance accounting provisions of US GAAP, these fees are recognized using the same methodology as DAC amortization.

### **Unbundling**

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

1. the deposit component (including any embedded surrender options) can be measured separately (i.e. without taking into account the insurance component); and
2. the Allianz Group's accounting policies do not require the recognition of all obligations and rights arising from the deposit component.

Currently, the Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies. As a result, the Allianz Group has not recognized an unbundled deposit component in respect of any of its insurance contracts, and accordingly the Allianz Group has not recorded any related provisions in its consolidated financial statements.

## Bifurcation

Certain of the Allianz Group's universal life-type and investment-type insurance contracts contain features where the Allianz Group bears investment risk and which are not closely related to insurance contracts. These features are bifurcated from the insurance contracts and accounted for as derivatives under IAS 39.

## 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. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. 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.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. The Allianz Group reduces the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and certain Group-wide processes and controls. For further information please see note 3.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and analyses of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. Current reserves reflect subsequent loss development and re-estimation of initial reserves. The reserves for loss and loss adjustment expenses for asbestos claims in the U.S.A. were reviewed by independent actuaries in 2005; an update of the independent asbestos analysis was completed in 2010 with no impact on the financial results of the Allianz Group. In addition, operating entities regularly monitor asbestos and environmental claims emergence and trends.

## Reserves for insurance and investment contracts and financial liabilities for unit-linked contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves for traditional long-duration insurance contracts, such as traditional life and health products, are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method, which represents the present value of estimated future policy benefits to be paid including future claims handling costs and administration fees less the present value of estimated future net premiums to be collected from policyholders. The method uses 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. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in

proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

The aggregate policy reserves for participating life insurance contracts are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds). DAC and PVFP for traditional participating insurance products are amortized over the expected life of the contracts in proportion to EGMs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in net income in the period revised.

The aggregate policy reserves for universal life-type insurance contracts and unit-linked insurance contracts in accordance with the related insurance accounting provisions under US GAAP 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. DAC and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to EGPs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPs are recognized in net income in the period revised.

Current and historical client data, as well as industry data, is used to determine the assumptions.

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:

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0%	3.1 – 5.3%
Aggregate policy reserves	2.5 – 6.0%	2.0 – 4.3%

Aggregate policy reserves also consider liabilities for guaranteed minimum death, and similar mortality and morbidity benefits related to non-traditional contracts with annuitization options. These liabilities are calculated based on contractual obligations using actuarial assumptions.

The aggregate policy reserves for investment contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserves for unit-linked investment contracts without DPF are equal to fair value, the aggregate policy reserves for non-unit-linked investment contracts without DPF are equal to amortized cost.

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. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country		Base	Percentage
<b>Germany</b>			
	Life	all sources of profit	90%
	Health	all sources of profit	80%
<b>France</b>			
	Life	all sources of profit	85%
<b>Italy</b>			
	Life	investment result	85%
<b>Switzerland</b>			
	Group Life	all sources of profit	90%
	Individual Life	all sources of profit	100%

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, unamortized acquisition costs, 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 deferred policy acquisition costs, then 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 deferred policy acquisition costs, then 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.

### Other assets

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, firm commitments, property and equipment and other assets.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for own use, software, equipment and fixed assets of fully consolidated private equity investments and Alternative Investments.

Real estate held for own use (e.g. real estate and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. An impairment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 3 to 5 years.

Equipment is 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 estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

The Allianz Group also records the fixed assets of its fully consolidated private equity investments and Alternative Investments, e.g. wind parks, solar parks, production plants and vending machines, 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 estimated useful lives of the assets. The estimated useful life for the wind parks ranges from 20 to 25 years, for the production plants from 5 to 15 years and for the vending machines from 4 to 8 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset, provide additional functionality or otherwise enhance the value of the asset, are capitalized.

### **Non-current assets and disposal groups classified as held for sale and discontinued operations**

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be principally recovered through a sale transaction rather than through continuing use. This requires that the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The appropriate level of management must be committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any subsequent increases in fair value less costs to sell are recognized as a gain but not in excess of the cumulative impairment loss that has been recognized. A non-current asset is not depreciated while classified as held for sale. A gain or loss on the date of the sale not previously recognized is recorded at the date of derecognition.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and

- represents a major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

Income and expenses from discontinued operations are reported in the consolidated income statement of the reporting period and the comparable period of the previous years, separately from income and expenses from continuing operations.

### **Goodwill and other intangible assets**

Intangible assets include intangible assets with indefinite useful lives like goodwill and brand names and intangible assets with finite useful lives like long-term distribution agreements and customer relationships.

Goodwill resulting from business combinations 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 that is 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 of a cash generating unit is equal to the difference between the carrying amount and recoverable amount and is allocated to reduce any goodwill, followed by allocation to the carrying amount of any remaining non financial assets. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill. Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Separately acquired intangible assets are initially recorded at cost which is usually its purchase price and any directly attributable costs. Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Internally generated intangible assets are initially recorded at cost which is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in the development phase.

Intangible assets with indefinite useful lives are not subject to amortization and are subsequently recorded at cost less accumulated impairments. Intangible assets with finite useful lives are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

Similar to goodwill, an intangible asset with an indefinite useful life is subject to an annual impairment test, or more frequently if there is an indication that it is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount. Where it is not possible to identify separate cash flows for esti-

mating the recoverable amount of an individual asset, the Allianz Group estimates the recoverable amount of the cash generating unit to which the intangible asset belongs. An intangible asset is impaired if the carrying amount is greater than the recoverable amount. The impairment of an intangible asset is equal to the difference between the carrying amount and the recoverable amount. For finite life intangibles, an impairment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

### **Other liabilities**

Other liabilities include payables, unearned income, provisions, deposits retained for reinsurance ceded, derivative financial instruments for hedge accounting purposes that meet the criteria for hedge accounting, firm commitments, financial liabilities for puttable equity instruments and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

### **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.

Foreign currency translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Non-controlling interests represent the proportion of equity that is attributable to the respective shareholders of subsidiaries.

### **Premiums earned and claims and insurance benefits paid**

Premiums for short-duration 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 short-duration contracts could arise from Property-Casualty, Life and Health insurance contracts. For those contracts, benefits are recognized when incurred.

Long-duration contracts are contracts that are non-cancelable by the insurance company and guaranteed renewable and that are expected to remain in force over an extended period of time. Premiums for long-duration contracts are recognized as earned when due. Long-duration contracts can comprise Property-Casualty, Life and Health insurance contracts.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity 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).

Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

### **Interest and similar income/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, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) 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. Also foreign currency gains and losses are reported within Income from financial assets and liabilities carried at fair value through income (net).

#### **Fee and commission income and expenses**

Fee and commission income is recognized when the corresponding service is provided. Such fees comprise commission income received on security transactions, financial advisory services, trust and custody services, brokerage of insurance policies, and services related to credit cards, home loans, savings contracts and real estate.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution, servicing and administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

#### **Income and expenses from fully consolidated private equity investments**

All of the income from fully consolidated private equity investments and all of the expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

#### **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. The calculation of deferred taxes is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases, on unused tax credits and on tax loss carry forwards. 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 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.

#### **Leases**

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

## Pensions and similar obligations

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in note 48. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

IAS 19 provides for defined benefit plans three recognition options for actuarial gains and losses using :

- immediate recognition of all actuarial gains and losses in the income statement,
- immediate recognition of all actuarial gains and losses in other comprehensive income outside the income statement in a statement of changes in equity titled "statement of recognized income and expense (SORIE)", or
- deferred recognition by the corridor approach.

The Allianz Group applies the corridor approach, i.e. that for each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of:

- a) 10% of the defined benefit obligation at that date; or
- b) 10% of the fair value of any plan assets at that date.

Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized as income or expense in the consolidated income statements over the expected average remaining working lives of the employees participating in the plans.

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 compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as compensation expense.

## Restructuring plans

Provisions for restructuring plans 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 includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, i.e. those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. The income statement line item restructuring charges includes additional restructuring related expenditures that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity but which are not included in the restructuring provisions, such as impairments of assets affected by restructuring.

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 their 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 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, insurance and investment contracts and deferred acquisition costs**

As of December 31, 2010, the Allianz Group reported:<sup>1</sup>

- reserves for loss and loss adjustments expenses of € 66,474 mn mainly for the Property-Casualty operations, including run-off business and reinsurance business assumed,
- reserves for insurance and investment contracts of € 349,793 mn mainly for the Life/Health operations,
- deferred acquisition costs of € 20,733 mn for both insurance operations.

**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 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

<sup>1</sup> Please refer to note 2 Summary of significant accounting policies, and, for further details, to note 12 Deferred acquisition costs, note 19 Reserves for loss and loss adjustment expenses, and note 20 Reserves for insurance and investment contracts.

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 change 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 LAE using several methods, such as Loss Development (Chain-Ladder) Method, Bornhuetter-Ferguson Method, or Frequency-Severity Methods.

Using the above estimate of ultimate loss and LAE by accident year – i.e. with respect to the origin year of losses – subsidiaries of the Allianz Group directly estimate 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

- a) the total loss and LAE reserves and
- b) 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 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 and to select the best estimate of the ultimate amount of reserves within a range of possible outcomes and 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, as well as 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 December 31, 2010, the Allianz Group reported financial instruments carried at fair value of:<sup>1</sup>

- € 230,739 mn of the financial assets and € 66,288 mn of the financial liabilities carried at fair value are classified within level 1 of the fair value hierarchy (quoted prices in active markets)
- € 155,650 mn of the financial assets and € 3,373 mn of the financial liabilities carried at fair value are classified within level 2 of the fair value hierarchy (valuation technique with observable market inputs)

- € 7,314 mn of the financial assets and € 4,842 mn of the financial liabilities carried at fair value are classified within level 3 of the fair value hierarchy (valuation technique with significant input being non-observable). Level 3 financial assets represent less than 2% of the Allianz Group's total financial assets 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 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

<sup>1</sup> Please refer to the consolidated financial statements note 2 Summary of significant accounting policies, note 37 Impairments of investments (net), and note 45 Financial instruments for further details regarding financial instruments and impairments.

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 Financial Reporting department, which then reviews them for consistency and resolves discrepancies.

### **Goodwill**

As of December 31, 2010, the Allianz Group reported total goodwill of € 12,020 mn, of which:<sup>1</sup>

- € 2,194 mn related to the Property-Casualty business
- € 2,328 mn related to the Life/Health business
- € 6,884 mn related to the Asset Management business
- € 614 mn related to the business segment Corporate and Other

Goodwill represents the excess of the cost of a business over the fair value of net 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 value in use (present value of expected cash flows). If it is not deemed recoverable, the excess goodwill will need to be impaired. The determination of a unit's estimated recoverable value 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 continually evaluates external conditions and the operating performances of the CGUs.

The Allianz Group's processes and controls around the estimation of recoverable values 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 of the well defined planning and controlling processes. The recoverable amounts of all cash generating units are generally determined on the basis of value in use calculations. Important input factors for those calculations are the business plan, the estimate of the sustainable returns and eternal growth rates as it 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. Although the Allianz Group believes short term fluctuations in the market capitalization do not reflect the long term value of the aggregate of the CGUs, the market capitalization is also compared to the aggregate of the CGU's realizable values as a high level test of the entire process. The Allianz Group believes that the controls over assessing the recoverability of goodwill ensures both consistent and reliable results.

### **Deferred tax assets**

As of December 31, 2010, the Allianz Group reported deferred tax assets of € 2,663 mn. € 1,985 mn thereof resulted from tax losses which are carried forward to future periods.<sup>2</sup>

Deferred taxes are determined based on temporary differences between the Allianz Group's carrying amounts of assets and liabilities in its consolidated balance sheet and their tax bases, on unused tax credits and on tax loss carry forwards. 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 estimation of the character and amounts of taxable future profits as well as the periods in which those profits are expected to occur.

The analysis and forecasting required in this process, and in result the determination of the deferred tax assets, is performed for individual jurisdictions by qualified local

<sup>1</sup> Please refer to note 2 Summary of significant accounting policies, and note 15 Intangible assets, for further details.

<sup>2</sup> Please refer to note 2 Summary of significant accounting policies, and note 43 Income taxes, for further details.

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 a tax asset 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 and the Allianz Group Tax Committee. The Allianz Group Tax Committee consists of senior Group financial staff and is chaired by the Head of Allianz Group Tax department.

### **Reserves for pensions**

As of December 31, 2010, the Allianz Group reported pension liabilities for defined benefit plans of € 15,320 mn which is offset by the fair value of plan assets of € 9,780 mn.<sup>1</sup>

In order to determine the pension expenses and liabilities associated with these plans, extensive use of assumptions is necessary. The key assumptions, which include discount rate, inflation rates and expected rate of return on plan assets, are centrally defined at the Allianz Group level involving experts from the actuarial and economic disciplines and considering the circumstances in the particular countries. Estimating future returns is particularly subjective as the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. In order to ensure a thorough and consistent determination of pension expenses and liabilities, all input parameters are discussed and defined, taking into consideration economic developments, peer reviews, currently available market and industry data as well as historical performance of the plans and their assets. Furthermore, Allianz Group performs sensitivity analysis regarding certain parameters. The results of the sensitivity analysis as well as the certain parameters are explained in note 48.

Based on Group-wide standards, subsidiaries determine pension expenses and pension liabilities, which are in return submitted to the Allianz Group Human Resources department and reviewed by external experts.

### **Restructuring provisions**

As of December 31, 2010, the Allianz Group reported a provision for restructuring programs of € 409 mn<sup>2</sup>.

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 in particular based on 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 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.

<sup>1</sup> Please refer to note 2 Summary of significant accounting policies, and note 48 Pensions and similar obligations, for further details.

<sup>2</sup> Please refer to note 2 Summary of significant accounting policies, and note 50 Restructuring plans, for further details..

## 4

### Recently adopted and issued accounting pronouncements, changes in accounting policies and changes in the presentation of the consolidated financial statements

#### Recently adopted accounting pronouncements (effective January 1, 2010 and early adoption)

#### IFRS 3, Business Combinations – revised and IAS 27, Consolidated and Separate Financial Statements – amended

In January 2008, the IASB issued a revised version of IFRS 3, Business Combinations, and an amended version of IAS 27, Consolidated and Separate Financial Statements. The revised version of IFRS 3 contains the following major changes:

- The scope of IFRS 3 has been extended and applies now also to business combinations achieved by contract alone.
- For each business combination, non-controlling interests are measured at their proportionate interest in the net identifiable assets or at fair value of the interests.
- Under the former version of IFRS 3, if control was achieved in stages, it was required to measure at fair value every asset and liability at each step for the purpose of calculating additional goodwill. The revised version requires that goodwill is measured once when control is obtained. After gaining control, no additional goodwill is recognized related to the additional ownership interests acquired. Any previously held equity interest is remeasured to fair value at the date of obtaining control with the difference being recorded in the consolidated income statement.
- Acquisition-related costs are generally recognized as expenses and are not included in goodwill.
- Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRS, usually in profit or loss instead of adjusting goodwill.

The amended version of IAS 27 includes the following changes

- Transactions with non-controlling interests, i.e. changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.
- Losses are allocated to a non-controlling interest even if they exceed the non-controlling interests' share of equity in the subsidiary.
- Any retained non-controlling investment at the date control is lost is remeasured to fair value.

The Allianz Group adopted the revised IFRS 3 and the amended IAS 27 as of January 1, 2010. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of the revised IFRS 3 are not adjusted. The amendments to IAS 27 need to be applied retrospectively with certain exceptions. Both standards have to be applied together. The adoption of these standards did not have a material impact on the Allianz Group's consolidated financial statements.

#### Further amendments and interpretations

In addition to the above mentioned recently adopted accounting pronouncements, the following amendments and revisions to standards and interpretations have been adopted by Allianz Group as of January 1, 2010:

- IAS 39, Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items
- IFRS 2, Share-based Payment – Amendments relating to group cash settled share-based payment transactions
- Improvements to IFRSs issued in May 2008 and April 2009 with effective date as of January 1, 2010
- IFRIC 17, Distribution of Non-cash Assets to Owners

The Allianz Group adopted the revisions, amendments and interpretations as of January 1, 2010, with no material impact on its financial result or financial position.

### **Recently issued accounting pronouncements (effective on or after January 1, 2011 and not early adopted)**

#### **IFRS 9, Financial Instruments: Classification and Measurement**

In November 2009, the IASB issued IFRS 9, Financial Instruments: Classification and Measurement. The publication of the IFRS represents the first part of the project to replace IAS 39 with a new standard – IFRS 9. The IASB's work on the other phases is ongoing and comprises impairment of financial instruments and hedge accounting, with a view to replacing IAS 39 in its entirety by 2011.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its

financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new proposals require a single impairment method to be used, replacing the many different impairment methods in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013. IFRS 9 has not yet been adopted under E.U. regulations. The Allianz Group is currently evaluating the impact on its consolidated financial statements.

#### **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:

Standard / interpretation	Effective date
IAS 32 Financial Instruments: Presentation – Amendments relating classification of rights issues	annual periods beginning on or after February 1, 2010
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	annual periods beginning on or after July 1, 2010
IAS 24, Related Party Disclosures – revised	annual periods beginning on or after January 1, 2011
IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments	annual periods beginning on or after January 1, 2011
Improvements to IFRSs 2010: – Amendments to IFRS 3 Business Combinations – Amendments to IAS 27 Consolidated and Separate Financial Statements	annual periods beginning on or after July 1, 2010
Improvements to IFRSs 2010: – IFRS 7 Financial Instruments: Disclosures – IAS 1 Presentation of Financial Statements – IAS 34 Interim Financial Reporting – IFRIC 13 Customer Loyalty Programs	annual periods beginning on or after January 1, 2011

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 accounting policies of the consolidated financial statements**

### **Change in accounting policy for fixed-indexed annuities**

Future policy benefits of the fixed-indexed annuity business implicitly include a series of annual market value liability options (MVLO) that are accounted for as derivatives at fair value. These embedded derivatives have been separated from the related policy reserves and presented within financial liabilities carried at fair value through income in our consolidated balance sheet. Historically, once the annual index option was credited to the policyholder's account, this benefit continued to be classified as a derivative at fair value. As such, the MVLO would continually grow over time.

Effective July 1, 2010, the Allianz Group voluntarily changed its accounting policy with regard to the valuation of the MVLO. Specifically, the fixed benefit accruing to the policyholder's account balance is reclassified back to policyholder reserves upon crediting. In addition, the fair value of the MVLO has been refined to incorporate a discount rate that is more consistent with the returns on the assets used to fund these derivative liabilities.

The effects of these changes are that the portion of the policyholder's account balance representing a credited amount will no longer be accounted for at fair value and the ongoing valuation of the MVLO will better reflect the indexed returns being offered to policyholders. The Allianz Group believes these changes mitigate artificial accounting volatility and better reflect the economics of the fixed-annuity business, consequently resulting in the presentation of more relevant and reliable financial information.

The voluntary change in accounting policy is applied retrospectively and results in changes in the presentation as described in the tables below.

In conjunction with the change in accounting policy, the Allianz Group also sold a portfolio of financial assets which were designated at fair value through income which was previously held to mitigate interest rate volatility of the embedded derivatives. As of December 31, 2009, the portfolio had a fair value of approximately € 3.6 bn. The portfolio was liquidated during the year ended December 31, 2010. The proceeds were reinvested in debt securities classified as available for sale.

### **Other reclassifications**

Certain prior period amounts have been reclassified to conform to the current period presentation.

**Impacts of the changes in accounting policies on the Allianz Group's consolidated balance sheets and consolidated income statements**

The following table summarizes the impact on the consolidated balance sheets as of December 31, 2009 and January 1, 2009 relating to the change in accounting policy for fixed-indexed annuities:

	As of December 31, 2009			As of January 1, 2009		
	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>ASSETS</b>						
Cash and cash equivalents	6,089	—	6,089	8,958	—	8,958
Financial assets carried at fair value through income	14,321	—	14,321	14,240	—	14,240
Investments	294,252	—	294,252	258,812	—	258,812
Loans and advances to banks and customers	128,996	—	128,996	116,990	—	116,990
Financial assets for unit-linked contracts	56,963	—	56,963	50,450	—	50,450
Reinsurance assets	13,559	—	13,559	14,599	—	14,599
Deferred acquisition costs	20,623	(328)	20,295	22,563	(558)	22,005
Deferred tax assets	2,719	—	2,719	3,996	(19)	3,977
Other assets	33,047	—	33,047	34,004	—	34,004
Non-current assets and assets of disposal groups classified as held for sale	—	—	—	419,513	—	419,513
Intangible assets	13,476	—	13,476	11,451	—	11,451
<b>Total assets</b>	<b>584,045</b>	<b>(328)</b>	<b>583,717</b>	<b>955,576</b>	<b>(577)</b>	<b>954,999</b>
	As of December 31, 2009			As of January 1, 2009		
	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>LIABILITIES AND EQUITY</b>						
Financial liabilities carried at fair value through income	6,743	(1,852)	4,891	6,244	(2,113)	4,131
Liabilities to banks and customers	21,248	—	21,248	18,451	—	18,451
Unearned premiums	15,676	—	15,676	15,233	—	15,233
Reserves for loss and loss adjustment expenses	64,441	—	64,441	63,924	—	63,924
Reserves for insurance and investment contracts	322,188	1,613	323,801	296,557	1,500	298,057
Financial liabilities for unit-linked contracts	56,963	—	56,963	50,450	—	50,450
Deferred tax liabilities	3,905	(31)	3,874	3,833	—	3,833
Other liabilities	33,285	—	33,285	32,930	—	32,930
Liabilities of disposal groups classified as held for sale	—	—	—	411,816	—	411,816
Certified liabilities	7,962	—	7,962	9,544	—	9,544
Participation certificates and subordinated liabilities	9,347	—	9,347	9,346	—	9,346
<b>Total liabilities</b>	<b>541,758</b>	<b>(270)</b>	<b>541,488</b>	<b>918,328</b>	<b>(613)</b>	<b>917,715</b>
Shareholders' equity	40,166	(58)	40,108	33,684	36	33,720
Non-controlling interests	2,121	—	2,121	3,564	—	3,564
<b>Total equity</b>	<b>42,287</b>	<b>(58)</b>	<b>42,229</b>	<b>37,248</b>	<b>36</b>	<b>37,284</b>
<b>Total liabilities and equity</b>	<b>584,045</b>	<b>(328)</b>	<b>583,717</b>	<b>955,576</b>	<b>(577)</b>	<b>954,999</b>

The following table summarizes the impacts on the consolidated income statements for the years ended December 31, 2009 and 2008 relating to the change in accounting policy for fixed-indexed annuities:

	2009			2008		
	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported	As previously reported	Change in accounting policy for fixed-indexed annuities	As reported
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Premiums written	65,090	(65)	65,025	66,171	(50)	66,121
Ceded premiums written	(5,061)	—	(5,061)	(5,474)	—	(5,474)
Change in unearned premiums	(172)	—	(172)	(253)	—	(253)
Premiums earned (net)	59,857	(65)	59,792	60,444	(50)	60,394
Interest and similar income	18,233	—	18,233	19,072	—	19,072
Income from financial assets and liabilities carried at fair value through income (net)	954	(80)	874	(341)	714	373
Realized gains/losses (net)	3,416	—	3,416	3,603	—	3,603
Fee and commission income	6,239	—	6,239	6,032	—	6,032
Other income	41	—	41	408	—	408
Income from fully consolidated private equity investments	1,910	—	1,910	2,549	—	2,549
<b>Total income</b>	<b>90,650</b>	<b>(145)</b>	<b>90,505</b>	<b>91,767</b>	<b>664</b>	<b>92,431</b>
Claims and insurance benefits incurred (gross)	(47,879)	—	(47,879)	(48,287)	—	(48,287)
Claims and insurance benefits incurred (ceded)	2,233	—	2,233	2,628	—	2,628
<b>Claims and insurance benefits incurred (net)</b>	<b>(45,646)</b>	<b>—</b>	<b>(45,646)</b>	<b>(45,659)</b>	<b>—</b>	<b>(45,659)</b>
Change in reserves for insurance and investment contracts (net)	(9,560)	(200)	(9,760)	(5,140)	(238)	(5,378)
Interest expenses	(1,484)	—	(1,484)	(1,893)	—	(1,893)
Loan loss provisions	(141)	—	(141)	(59)	—	(59)
Impairments of investments (net)	(2,732)	—	(2,732)	(9,495)	—	(9,495)
Investment expenses	(755)	—	(755)	(771)	—	(771)
Acquisition and administrative expenses (net)	(20,325)	207	(20,118)	(18,299)	(300)	(18,599)
Fee and commission expenses	(2,212)	—	(2,212)	(2,344)	—	(2,344)
Amortization of intangible assets	(125)	—	(125)	(23)	—	(23)
Restructuring charges	(198)	—	(198)	(129)	—	(129)
Other expenses	(2)	—	(2)	(12)	—	(12)
Expenses from fully consolidated private equity investments	(2,142)	—	(2,142)	(2,470)	—	(2,470)
<b>Total expenses</b>	<b>(85,322)</b>	<b>7</b>	<b>(85,315)</b>	<b>(86,294)</b>	<b>(538)</b>	<b>(86,832)</b>
Income from continuing operations before income taxes	5,328	(138)	5,190	5,473	126	5,599
Income taxes	(588)	48	(540)	(1,287)	(44)	(1,331)
<b>Net income from continuing operations</b>	<b>4,740</b>	<b>(90)</b>	<b>4,650</b>	<b>4,186</b>	<b>82</b>	<b>4,268</b>
Net income (loss) from discontinued operations, net of income taxes	(395)	—	(395)	(6,373)	—	(6,373)
<b>Net income (loss)</b>	<b>4,345</b>	<b>(90)</b>	<b>4,255</b>	<b>(2,187)</b>	<b>82</b>	<b>(2,105)</b>
<b>Net income (loss) attributable to:</b>						
Non-controlling interests	48	—	48	257	—	257
Shareholders	2,297	(90)	4,207	(2,444)	82	(2,362)
<b>Basic earnings per share (in €)</b>	<b>9.53</b>	<b>(0.20)</b>	<b>9.33</b>	<b>(5.43)</b>	<b>0.18</b>	<b>(5.25)</b>
<b>Diluted earnings per share (in €)</b>	<b>9.50</b>	<b>(0.20)</b>	<b>9.30</b>	<b>(5.47)</b>	<b>0.18</b>	<b>(5.29)</b>

## 5 Consolidation

### Scope of consolidation

In addition to Allianz SE, the consolidated financial statements for the period ended December 31, 2010, 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.

	2010	2009	2008
<b>Scope of consolidation</b>			
Number of fully consolidated companies (subsidiaries) <sup>1</sup>			
Germany	139	135	152
Other countries	775	753	935
<b>Total</b>	<b>914</b>	<b>888</b>	<b>1,087</b>
Number of fully consolidated investment funds			
Germany	46	46	49
Other countries	22	11	9
<b>Total</b>	<b>68</b>	<b>57</b>	<b>58</b>
Number of fully consolidated Special Purpose Entities (SPE)	4	4	59
<b>Total of fully consolidated entities</b>	<b>986</b>	<b>949</b>	<b>1,204</b>
Number of joint ventures valued at equity	17	14	10
Number of associated entities valued at equity	125	146	167

All subsidiaries, joint ventures and associated enterprises are individually listed in the List of participations of the Allianz Group from page 290 onward of this annual report.

<sup>1</sup> Includes 6 (2009: 8; 2008: 10) subsidiaries where the Allianz Group owns less than the majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. (CreditRas) and Antoniana Veneta Popolare Vita S.p.A. (Antoniana). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50.0% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions

of these subsidiaries are performed by the employees of the Allianz Group and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

## Significant acquisitions

No significant acquisitions were made in the year 2010. The significant acquisitions in the years 2009 and 2008 are listed below:

	Equity interest %	Date of first-time consolidation	Segment	Goodwill <sup>1</sup> € mn	Transaction
<b>2009</b>					
Cominvest Asset Management GmbH, Frankfurt am Main	100.0	01/12/2009	Asset Management	452	Purchase
Ayudhya Allianz C.P. Life Public Company Limited, Bangkok	62.6	06/29/2009	Life/Health	—	Obtain control
<b>2008</b>					
Allianz Sigorta AŞ, Istanbul	84.2	07/21/2008	Property-Casualty	166	Increase in equity interest
Allianz Hayat ve Emeklilik AŞ, Istanbul	89.0	07/21/2008	Life/Health	81	Increase in equity interest

1 At the date of first-time consolidation.

### 2009 Significant acquisitions

#### Cominvest

On January 12, 2009, the Allianz Group acquired, as part of the consideration received for the sale of Dresdner Bank to Commerzbank, 100% of the fund manager cominvest (including cominvest Asset Management GmbH, cominvest Asset Management S.A. (Luxembourg), cominvest Vertriebs AG and MK Luxinvest S.A. (Luxembourg)).

#### Components of costs

The acquisition of cominvest was part of the consideration received from Commerzbank for the sale of Dresdner Bank on January 12, 2009. The fair value of the cominvest entities was determined to be € 700 mn and was recognized as the cost of this acquisition.

The amounts recognized for major classes of assets and liabilities were as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	48	48
Investments	186	186
Deferred tax assets	14	8
Other assets	42	41
Intangible assets	239	—
<b>Total assets</b>	<b>529</b>	<b>283</b>
Deferred tax liabilities	72	1
Other liabilities	147	128
Participation certificates and subordinated liabilities	57	50
<b>Total equity</b>	<b>253</b>	<b>104</b>
<b>Total liabilities and equity</b>	<b>529</b>	<b>283</b>

At the date of the acquisition, goodwill reflects to a large extent the strengthening and expansion of the market position of the Allianz Group's asset management operations.

The impact of cominvest on the Allianz Group's net income for the year ended December 31, 2009, was € (23) mn.

If the acquisition date of the combined entity (Allianz Group including cominvest) would have been on January 1, 2009, the revenues and net income for the year ended December 31, 2009, would have been immaterially different from the revenues and net income as presented in the consolidated income statement for the year ended December 31, 2009.

For details on the impact of the acquisition on the consolidated statement of cash flows, please refer to the consolidated statement of cash flows.

#### Ayudhya Allianz C.P. Life Public Company Limited

On June 29, 2009, the Allianz Group obtained control of the Thai life insurance company Ayudhya Allianz C.P. Life Public Company Limited, Bangkok, by appointing the majority of the members of the board of directors.

The cost of the investment in Ayudhya Allianz C.P. Life Public Company Limited amounted to € 71 mn.

The amounts recognized for major classes of assets and liabilities were as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	77	77
Investments	1,708	1,714
Deferred acquisition costs (PVFP)	230	209
Other assets	93	40
<b>Total assets</b>	<b>2,108</b>	<b>2,040</b>
Unearned premiums	5	5
Reserves for insurance and investment contracts	1,973	1,853
Other liabilities	26	11
Total equity	104	171
<b>Total liabilities and equity</b>	<b>2,108</b>	<b>2,040</b>

The impact of Ayudhya on the Allianz Group's net income for the year ended December 31, 2009, was € 4 mn.

The premiums written of the combined entity (Allianz Group including Ayudhya Allianz C.P. Life Public Company Limited) for the year ended December 31, 2009, would have been € 65,172 mn, if the acquisition date had been on January 1, 2009. The net income of the combined entity for the year ended December 31, 2009, would have been € 4,279 mn if the acquisition date had been on January 1, 2009.

The impact of the acquisition, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2009 was:

	€ mn
Investments	(1,708)
Deferred acquisition costs (PVFP)	(230)
Other assets	(93)
Unearned premiums	5
Reserves for insurance and investment contracts	1,973
Other liabilities	26
Non-controlling interests	33
Less: previous investments in Ayudhya	71
<b>Acquisition of subsidiary, net of cash acquired</b>	<b>77</b>

## 2008 Significant acquisitions

### Allianz Sigorta AŞ, İstanbul and Allianz Hayat ve Emeklilik AŞ, İstanbul

In April 2008, the Allianz Group signed a share purchase agreement to acquire 47.1% of shares in the property-casualty insurer Allianz Sigorta AŞ, İstanbul, and 51.0% of the shares in the life insurance and pension company Allianz Hayat ve Emeklilik AŞ, İstanbul, for a total consideration of € 373 mn. The transaction has been ap-

proved by the relevant regulatory and competition board on July 21, 2008, so that Allianz Group holds 84.2% and 89.0% of shares, respectively.

### Components of costs

	€ mn
Purchase price Allianz Sigorta AŞ (47.1%)	248
Purchase price Allianz Hayat ve Emeklilik AŞ (51.0%)	125
Transaction costs	—
<b>Total purchase price</b>	<b>373</b>

The amounts recognized for major classes of assets and liabilities were as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	221	221
Investments	386	374
Financial assets for unit-linked contracts	150	150
Reinsurance assets	136	136
Deferred acquisition costs	51	6
Other assets	201	183
<b>Total assets</b>	<b>1,145</b>	<b>1,070</b>
Unearned premiums	249	249
Reserves for loss and loss adjustments	117	117
Reserves for insurance and investment contracts	269	263
Financial liabilities for unit-linked contracts	150	150
Other liabilities	90	85
Total equity	270	206
<b>Total liabilities and equity</b>	<b>1,145</b>	<b>1,070</b>

At the date of acquisition the goodwill reflects mainly the market position and growth potential of the Turkish insurance market.

The impact of Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ on the Allianz Group's net income for the year ended December 31, 2008, was € 8 mn.

The premiums written of the combined entity (Allianz Group including Allianz Hayat and Allianz Sigorta) for the year ended December 31, 2008, would have been € 66,367 mn, if the acquisition date had been on January 1, 2008. The net loss of the combined entity for the year ended December 31, 2008, would have been € 2,071 mn if the acquisition date had been on January 1, 2008.

The impact of the acquisition, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2008, was:

	€ mn
Intangible assets	(247)
Other assets	(914)
Other liabilities	870
Non-controlling interests	38
Less: previous investment in Allianz Sigorta and Hayat	101
<b>Acquisition of subsidiaries, net of cash acquired</b>	<b>(152)</b>

## Significant disposals

	Equity interest %	Date of deconsolidation	Proceeds from sale € mn	Segment	Goodwill € mn	Transaction
<b>2010</b>						
Alba Allgemeine Versicherungs-Gesellschaft AG, Basel	100.0	11/01/2010	219	Property-Casualty	—	Sale to third party
Phenix Compagnie d'assurances SA, Lausanne	100.0			Property-Casualty		
Phenix Compagnie d'assurances sur la vie SA, Lausanne	100.0			Life/Health		
Allianz Bank Zrt., Budapest	100.0	09/30/2010	10	Corporate and Other	—	Sale to third party
<b>2009</b>						
Dresdner Bank Aktiengesellschaft, Frankfurt am Main	100.0	01/12/2009	5,140	Corporate and Other	1,511	Sale to third party
<b>2008</b>						
DEGI Deutsche Gesellschaft für Immobilienfonds mbH, Frankfurt am Main	94.0	01/01/2008	103	Corporate and Other	—	Sale to third party

### 2010 Significant disposals

#### Alba Allgemeine Versicherungs-Gesellschaft AG (Alba), Basel, Phenix Compagnie d'assurances SA (Phenix), Lausanne and Phenix Compagnie d'assurances sur la vie SA (Phenix Vie), Lausanne

On November 1, 2010, the Allianz Group sold Alba, Phenix and Phenix Vie. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended December 31, 2010, was:

	€ mn
Investments	686
Reinsurance assets	29
Deferred acquisition costs	16
Other assets	39
Unearned premiums	(38)
Reserves for insurance and investment contracts	(548)
Other liabilities	(80)
Other comprehensive income	(27)
Realized gain from the disposal	130
Consolidation	(7)
<b>Disposal of subsidiaries, net of cash disposed</b>	<b>200</b>

#### Allianz Bank Zrt., Budapest

In September 2010, the Allianz Group completed the sale of Allianz Bank Zrt., Budapest. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended December 31, 2010, was:

	€ mn
Investments	284
Other assets	15
Liabilities to banks and customers	(173)
Other liabilities	(32)
Other comprehensive income	2
Less non-cash components:	
Available-for-sale investments received	(8)
Impairment losses	(42)
Consolidation	(53)
<b>Disposal of subsidiary, net of cash disposed</b>	<b>(7)</b>

## 2009 Significant disposals

### Dresdner Bank AG

The transfer of ownership of Dresdner Bank to Commerzbank was completed on January 12, 2009. According to the agreement Allianz received a total of € 3.215 bn in cash plus cash and cash equivalents of the Asset Manager cominvest of € 48 mn.

The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended December 31, 2009, was:

	€ mn
Assets of disposal groups classified as held for sale	417,874
Less: cash and cash equivalents	(30,238)
Liabilities of disposal groups classified as held for sale	(410,469)
Non-controlling interests	(1,738)
Treasury shares	69
Less non-cash components of the consideration received:	
Commerzbank shares	(746)
Distribution agreement	(480)
Cominvest (net of cash acquired)	(652)
Consolidation	(595)
<b>Disposal of subsidiary, net of cash disposed</b>	<b>(26,975)</b>

## Acquisitions and disposals of significant non-controlling interests

	Date of acquisition	Equity interest change %	Costs of acquisition € mn	Decrease in shareholders' equity € mn	Decrease of non-controlling interests € mn
<b>2010</b>					
Allianz Seguros S.A., Sao Paulo	01/14/2010	14.0	77	(14)	(63)
<b>2009</b>					
Roland Holding GmbH, Munich	11/10/2009	12.0	50	(28)	(22)
<b>2008</b>					
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2008	5.2	425	(352)	(73)
Allianz Global Investors of America L.P., Dover (Delaware)	02/28/2008	2.5	122	(122)	—
Russian People's Insurance Society „ROSN“, Moscow	10/27/2008	2.6	34	(30)	(4)
Allianz Mena Holding Bermuda, Beirut	08/25/2008	30.3	26	(16)	(10)

## 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 between 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
- Europe incl. South America
- NAFTA Markets
- Global Insurance Lines & Anglo Markets
- Growth Markets
- Assistance (Mondial) (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 sum, the Allianz Group has identified 15 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 individual and group basis, including annuity, endowment and term insurance, unit-linked and investment-oriented products as well as full private health and supplemental health and 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 control, communication, legal, human resources and technology functions.

The reportable segment Banking consists of the banking activities in Germany, France, Italy and Central and Eastern Europe. The banks offer a wide range of products for corporate and retail clients with the main 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 Allianz Group. The Alternative Investments reportable segment also includes certain fully consolidated private equity investments.

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.

### **Reportable segments measure of profit or loss**

The Allianz Group uses operating profit to evaluate the performance of its reportable segments and the 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;
- restructuring charges, because the timing of these are largely at the discretion of the Allianz Group, and accordingly their exclusion provides additional insight into the operating trends of the underlying business;
- 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 segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income refers to operating business;
- besides, for Asset Management and Banking, income from financial assets and liabilities held for trading (net) is generally treated as operating income;
- regarding 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 properly reflect the policyholder participation in tax benefits.

Operating profit should be viewed as complementary to, and not a substitute for, income from continuing operations before income taxes or net income as determined in accordance with IFRS.

### **Recent Organizational Changes**

At the beginning of 2010, the Allianz Group reorganized the structure of its insurance activities to reflect the changes in the responsibilities of the Board of Management. European insurance operations have been combined while Global Insurance Lines & Anglo Markets are shown separately from NAFTA Markets, respectively for both Property-Casualty and Life/Health insurance activities. Furthermore, Assistance (Mondial) now comprises a separate reportable segment within Property-Casualty insurance activities. Previously reported information has been restated to reflect this change in the composition of the Allianz Group's reportable segments.

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## Business Segment Information – Consolidated Balance Sheets

As of December 31,	Property-Casualty		Life/Health	
	2010 € mn	2009 € mn	2010 € mn	2009 € mn
<b>ASSETS</b>				
Cash and cash equivalents	2,520	2,281	4,482	2,478
Financial assets carried at fair value through income	1,852	2,100	6,867	11,269
Investments	82,786	80,401	247,568	213,036
Loans and advances to banks and customers	17,697	16,325	97,377	100,316
Financial assets for unit-linked contracts	—	—	64,847	56,963
Reinsurance assets	8,365	8,885	4,793	4,691
Deferred acquisition costs	4,121	3,789	16,460	16,357
Deferred tax assets	1,110	1,329	208	316
Other assets	21,738	19,980	16,424	16,024
Non-current assets and assets of disposal groups classified as held for sale <sup>1</sup>	28	—	24	—
Intangible assets	2,308	2,361	2,346	2,306
<b>Total assets</b>	<b>142,525</b>	<b>137,451</b>	<b>461,396</b>	<b>423,756</b>

As of December 31,	Property-Casualty		Life/Health	
	2010 € mn	2009 € mn	2010 € mn	2009 € mn
<b>LIABILITIES AND EQUITY</b>				
Financial liabilities carried at fair value through income	79	68	4,905	4,689
Liabilities to banks and customers	1,368	426	796	861
Unearned premiums	14,206	13,471	2,291	2,210
Reserves for loss and loss adjustment expenses	57,509	55,715	8,984	8,738
Reserves for insurance and investment contracts	9,338	9,159	340,539	314,631
Financial liabilities for unit-linked contracts	—	—	64,847	56,963
Deferred tax liabilities	2,461	2,656	1,559	1,286
Other liabilities	16,756	15,642	15,124	14,131
Liabilities of disposal groups classified as held for sale <sup>2</sup>	—	—	—	—
Certificated liabilities	—	139	2	2
Participation certificates and subordinated liabilities	398	846	65	65
<b>Total liabilities</b>	<b>102,115</b>	<b>98,122</b>	<b>439,112</b>	<b>403,576</b>

1 Comprise the assets from the disposal group Allianz Bank Polska S.A., Warsaw, in Corporate and Other and non-current assets classified as held for sale amongst others of Allianz IARD S.A., Paris, in Property-Casualty and of Allianz Vie S.A., Paris, in Life/Health. See note 14 for further information.

2 Comprise the liabilities from the disposal group Allianz Bank Polska S.A., Warsaw, in Corporate and Other. See note 14 for further information.

Asset Management		Corporate and Other		Consolidation		Group	
2010 € mn	2009 € mn	2010 € mn	2009 € mn	2010 € mn	2009 € mn	2010 € mn	2009 € mn
899	701	1,045	1,089	(199)	(460)	8,747	6,089
729	731	826	621	(431)	(400)	9,843	14,321
1,208	1,103	90,039	85,732	(86,983)	(86,020)	334,618	294,252
358	276	16,443	20,745	(9,197)	(8,666)	122,678	128,996
—	—	—	—	—	—	64,847	56,963
—	—	—	—	(23)	(17)	13,135	13,559
152	149	—	—	—	—	20,733	20,295
271	169	1,372	1,272	(298)	(367)	2,663	2,719
3,725	3,770	5,525	5,636	(13,411)	(12,363)	34,001	33,047
—	—	248	—	(1)	—	299	—
7,065	6,901	1,662	1,908	—	—	13,381	13,476
<b>14,407</b>	<b>13,800</b>	<b>117,160</b>	<b>117,003</b>	<b>(110,543)</b>	<b>(108,293)</b>	<b>624,945</b>	<b>583,717</b>

Asset Management		Corporate and Other		Consolidation		Group	
2010 € mn	2009 € mn	2010 € mn	2009 € mn	2010 € mn	2009 € mn	2010 € mn	2009 € mn
—	—	461	534	(432)	(400)	5,013	4,891
876	739	20,499	21,236	(2,384)	(2,014)	21,155	21,248
—	—	—	—	—	(5)	16,497	15,676
—	—	—	—	(19)	(12)	66,474	64,441
—	—	42	161	(126)	(150)	349,793	323,801
—	—	—	—	—	—	64,847	56,963
80	93	174	206	(298)	(367)	3,976	3,874
3,364	3,396	15,333	16,108	(17,364)	(15,992)	33,213	33,285
—	—	241	—	(53)	—	188	—
—	—	14,448	14,134	(6,221)	(6,313)	8,229	7,962
14	14	8,778	8,679	(257)	(257)	8,998	9,347
<b>4,334</b>	<b>4,242</b>	<b>59,976</b>	<b>61,058</b>	<b>(27,154)</b>	<b>(25,510)</b>	<b>578,383</b>	<b>541,488</b>
		<b>Total equity</b>				<b>46,562</b>	<b>42,229</b>
		<b>Total liabilities and equity</b>				<b>624,945</b>	<b>583,717</b>

## Business Segment Information – Total revenues and reconciliation of Operating profit (loss) to Net income (loss)

	Property-Casualty			Life/Health		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
<b>Total revenues<sup>1</sup></b>	<b>43,895</b>	<b>42,523</b>	<b>43,387</b>	<b>57,098</b>	<b>50,773</b>	<b>45,615</b>
Premiums earned (net)	39,303	37,828	38,213	24,034	21,964	22,181
<b>Operating investment result</b>						
Interest and similar income	3,680	3,612	4,477	15,085	13,971	13,772
Operating income from financial assets and liabilities carried at fair value through income (net)	18	118	9	19	636	405
Operating realized gains/losses (net)	42	57	37	2,125	1,755	874
Interest expenses, excluding interest expenses from external debt	(92)	(104)	(295)	(103)	(127)	(283)
Operating impairments of investments (net)	(9)	(75)	(437)	(434)	(1,663)	(5,747)
Investment expenses	(240)	(238)	(254)	(704)	(622)	(583)
<b>Subtotal</b>	<b>3,399</b>	<b>3,370</b>	<b>3,537</b>	<b>15,988</b>	<b>13,950</b>	<b>8,438</b>
Fee and commission income	1,099	1,075	1,247	539	491	571
Other income	22	19	271	81	17	140
Claims and insurance benefits incurred (net)	(27,141)	(26,320)	(25,986)	(18,955)	(19,326)	(19,673)
Change in reserves for insurance and investment contracts (net)	(300)	(355)	3	(13,329)	(8,499)	(5,360)
Loan loss provisions	—	(18)	(17)	6	(75)	(13)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(11,044)	(10,540)	(10,478)	(5,175)	(5,591)	(4,691)
Fee and commission expenses	(1,024)	(995)	(1,141)	(258)	(246)	(253)
Operating restructuring charges	—	—	—	(8)	(15)	1
Other expenses	(10)	—	(2)	(55)	—	(7)
Reclassification of tax benefits	—	—	—	—	—	—
<b>Operating profit (loss)</b>	<b>4,304</b>	<b>4,064</b>	<b>5,647</b>	<b>2,868</b>	<b>2,670</b>	<b>1,334</b>
<b>Non-operating investment result</b>						
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(64)	(45)	44	(40)	(22)	(26)
Non-operating realized gains/losses (net)	605	732	2,349	36	63	(39)
Non-operating impairments of investments (net)	(191)	(519)	(2,012)	(47)	(76)	(414)
<b>Subtotal</b>	<b>350</b>	<b>168</b>	<b>381</b>	<b>(51)</b>	<b>(35)</b>	<b>(479)</b>
Income from fully consolidated private equity investments (net)	—	—	—	—	—	(2)
Interest expenses from external debt	—	—	—	—	—	—
Acquisition-related expenses	—	—	—	—	—	—
Amortization of intangible assets	(156)	(21)	(17)	(3)	(3)	(3)
Non-operating restructuring charges	(178)	(69)	(75)	(31)	(19)	(51)
Reclassification of tax benefits	—	—	—	—	—	—
<b>Non-operating items</b>	<b>16</b>	<b>78</b>	<b>289</b>	<b>(85)</b>	<b>(57)</b>	<b>(535)</b>
<b>Income (loss) from continuing operations before income taxes</b>	<b>4,320</b>	<b>4,142</b>	<b>5,936</b>	<b>2,783</b>	<b>2,613</b>	<b>799</b>
Income taxes	(1,216)	(1,363)	(1,489)	(934)	(656)	(304)
<b>Net income (loss) from continuing operations</b>	<b>3,104</b>	<b>2,779</b>	<b>4,447</b>	<b>1,849</b>	<b>1,957</b>	<b>495</b>
Net income (loss) from discontinued operations, net of income taxes	—	—	—	—	—	—
<b>Net income (loss)</b>	<b>3,104</b>	<b>2,779</b>	<b>4,447</b>	<b>1,849</b>	<b>1,957</b>	<b>495</b>
<b>Net income (loss) attributable to:</b>						
Non-controlling interests	161	55	112	72	48	86
Shareholders	2,943	2,724	4,335	1,777	1,909	409

<sup>1</sup> 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).

Asset Management			Corporate and Other			Consolidation			Group		
2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
4,986	3,689	2,894	587	517	555	(115)	(117)	117	106,451	97,385	92,568
—	—	—	—	—	—	—	—	—	63,337	59,792	60,394
51	51	98	978	1,066	1,724	(366)	(467)	(999)	19,428	18,233	19,072
19	40	(71)	(41)	(106)	138	4	38	(180)	19	726	301
—	—	—	—	—	—	2	(13)	36	2,169	1,799	947
(30)	(21)	(35)	(714)	(838)	(1,193)	417	511	858	(522)	(579)	(948)
—	—	—	—	—	—	59	—	(15)	(384)	(1,738)	(6,199)
—	—	—	(97)	(79)	(146)	214	184	212	(827)	(755)	(771)
40	70	(8)	126	43	523	330	253	(88)	19,883	17,686	12,402
6,054	4,440	4,032	761	723	650	(533)	(490)	(468)	7,920	6,239	6,032
19	29	28	4	1	1	(8)	(25)	(32)	118	41	408
—	—	—	—	—	—	—	—	—	(46,096)	(45,646)	(45,659)
—	—	—	—	—	—	(242)	(906)	(21)	(13,871)	(9,760)	(5,378)
—	—	—	(56)	(48)	(29)	—	—	—	(50)	(141)	(59)
(2,926)	(2,288)	(1,968)	(1,350)	(1,348)	(1,263)	52	55	46	(20,443)	(19,712)	(18,354)
(1,127)	(850)	(1,158)	(424)	(397)	(202)	272	276	410	(2,561)	(2,212)	(2,344)
—	—	—	—	—	—	—	—	—	(8)	(15)	1
—	—	—	(3)	(2)	(3)	11	—	—	(57)	(2)	(12)
—	—	—	—	—	—	71	774	24	71	774	24
2,060	1,401	926	(942)	(1,028)	(323)	(47)	(63)	(129)	8,243	7,044	7,455
—	—	—	51	249	(61)	(4)	(34)	115	(57)	148	72
35	7	5	788	842	239	75	(27)	102	1,539	1,617	2,656
(1)	(5)	(19)	(221)	(394)	(817)	—	—	(34)	(460)	(994)	(3,296)
34	2	(14)	618	697	(639)	71	(61)	183	1,022	771	(568)
—	—	—	(215)	(366)	76	113	134	5	(102)	(232)	79
—	—	—	(889)	(905)	(945)	—	—	—	(889)	(905)	(945)
(440)	(403)	(278)	—	(3)	33	—	—	—	(440)	(406)	(245)
(30)	(30)	(1)	(197)	(71)	(2)	59	—	—	(327)	(125)	(23)
(19)	(68)	—	(35)	(27)	(4)	—	—	—	(263)	(183)	(130)
—	—	—	—	—	—	(71)	(774)	(24)	(71)	(774)	(24)
(455)	(499)	(293)	(718)	(675)	(1,481)	172	(701)	164	(1,070)	(1,854)	(1,856)
1,605	902	633	(1,660)	(1,703)	(1,804)	125	(764)	35	7,173	5,190	5,599
(659)	(359)	(249)	775	1,063	685	70	775	26	(1,964)	(540)	(1,331)
946	543	384	(885)	(640)	(1,119)	195	11	61	5,209	4,650	4,268
—	—	—	—	(395)	(6,108)	—	—	(265)	—	(395)	(6,373)
946	543	384	(885)	(1,035)	(7,227)	195	11	(204)	5,209	4,255	(2,105)
—	5	5	(77)	(60)	57	—	—	(3)	156	48	257
946	538	379	(808)	(975)	(7,284)	195	11	(201)	5,053	4,207	(2,362)

## Reportable segments – Property-Casualty business

	German Speaking Countries			Europe incl. South America <sup>1</sup>		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
<b>Gross premiums written</b>	<b>11,292</b>	<b>11,432</b>	<b>11,485</b>	<b>13,094</b>	<b>12,950</b>	<b>13,745</b>
Ceded premiums written	(1,956)	(2,133)	(2,130)	(1,356)	(1,452)	(1,793)
Change in unearned premiums	18	(58)	(75)	(18)	100	131
<b>Premiums earned (net)</b>	<b>9,354</b>	<b>9,241</b>	<b>9,280</b>	<b>11,720</b>	<b>11,598</b>	<b>12,083</b>
Interest and similar income	1,180	1,185	1,500	1,037	1,002	1,414
Operating income from financial assets and liabilities carried at fair value through income (net)	28	37	8	60	115	(8)
Operating realized gains/losses (net)	42	57	37	—	—	—
Fee and commission income	131	182	350	33	49	55
Other income	12	4	242	1	10	14
<b>Operating revenues</b>	<b>10,747</b>	<b>10,706</b>	<b>11,417</b>	<b>12,851</b>	<b>12,774</b>	<b>13,558</b>
Claims and insurance benefits incurred (net)	(6,838)	(6,537)	(6,453)	(8,456)	(8,566)	(8,496)
Change in reserves for insurance and investment contracts (net)	(280)	(312)	56	(1)	(2)	(11)
Interest expenses	(79)	(71)	(166)	(51)	(82)	(178)
Loan loss provisions	—	(9)	(12)	—	—	(1)
Operating impairments of investments (net)	(9)	(75)	(437)	—	—	—
Investment expenses	(89)	(80)	(93)	(94)	(96)	(111)
Acquisition and administrative expenses (net)	(2,475)	(2,497)	(2,372)	(3,083)	(3,052)	(3,143)
Fee and commission expenses	(125)	(161)	(337)	(30)	(50)	(71)
Other expenses	(9)	—	—	—	—	—
<b>Operating expenses</b>	<b>(9,904)</b>	<b>(9,742)</b>	<b>(9,814)</b>	<b>(11,715)</b>	<b>(11,848)</b>	<b>(12,011)</b>
<b>Operating profit</b>	<b>843</b>	<b>964</b>	<b>1,603</b>	<b>1,136</b>	<b>926</b>	<b>1,547</b>
Loss ratio <sup>3</sup> in %	73.1	70.8	69.5	72.2	73.9	70.3
Expense ratio <sup>4</sup> in %	26.5	27.0	25.6	26.3	26.3	26.0
<b>Combined ratio<sup>5</sup> in %</b>	<b>99.6</b>	<b>97.8</b>	<b>95.1</b>	<b>98.5</b>	<b>100.2</b>	<b>96.3</b>

1 Corporate customer business in Spain transferred to AGCS in 2010. Prior year balances have not been adjusted.

2 From 2010 on Allianz Fire and Marine Insurance Japan Ltd. is shown within AGCS. Prior year balances have not been adjusted.

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

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

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

6 Presentation not meaningful.

NAFTA Markets			Global Insurance Lines & Anglo Markets <sup>1,2</sup>			Growth Markets <sup>2</sup>			Assistance (Mondial)		
2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
3,576	3,713	4,625	15,102	13,666	12,563	3,191	3,156	3,520	1,540	1,355	1,228
(895)	(847)	(1,336)	(3,352)	(3,108)	(2,617)	(690)	(785)	(876)	(9)	(9)	(10)
119	220	91	(237)	(332)	(246)	(84)	(12)	(81)	(44)	(39)	(22)
2,800	3,086	3,380	11,513	10,226	9,700	2,417	2,359	2,563	1,487	1,307	1,196
343	350	351	1,016	961	1,077	160	166	177	24	28	39
—	—	—	(71)	(40)	9	1	1	4	(2)	2	(8)
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	586	528	578	60	59	62	358	336	371
—	—	—	4	—	10	5	5	5	—	—	—
3,143	3,436	3,731	13,048	11,675	11,374	2,643	2,590	2,811	1,867	1,673	1,598
(1,955)	(2,152)	(2,510)	(7,428)	(6,859)	(6,306)	(1,570)	(1,410)	(1,523)	(885)	(785)	(689)
—	(1)	(2)	(18)	(24)	(39)	(1)	(15)	(1)	—	(1)	—
—	—	—	(36)	(34)	(31)	(6)	(7)	(14)	(1)	(1)	(1)
—	(1)	(1)	—	—	—	(8)	(3)	—	—	—	—
—	—	—	—	—	—	—	—	—	—	—	—
(5)	(7)	(9)	(38)	(39)	(28)	(14)	(11)	(6)	(1)	—	(1)
(905)	(920)	(910)	(3,174)	(2,816)	(2,746)	(870)	(797)	(875)	(536)	(463)	(428)
—	—	—	(510)	(450)	(462)	(75)	(75)	(63)	(347)	(328)	(372)
—	—	—	—	—	(2)	(1)	—	—	—	—	—
(2,865)	(3,081)	(3,432)	(11,204)	(10,222)	(9,614)	(2,537)	(2,323)	(2,485)	(1,770)	(1,578)	(1,491)
278	355	299	1,844	1,453	1,760	106	267	326	97	95	107
69.8	69.7	74.3	64.5	67.1	65.0	65.0	59.8	59.4	59.6	60.1	57.6
32.3	29.8	26.9	27.6	27.5	28.3	36.0	33.8	34.2	36.0	35.4	35.8
102.1	99.5	101.2	92.1	94.6	93.3	101.0	93.6	93.6	95.6	95.5	93.4

	Consolidation			Property-Casualty		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
<b>Gross premiums written</b>	<b>(3,900)</b>	<b>(3,749)</b>	<b>(3,779)</b>	<b>43,895</b>	<b>42,523</b>	<b>43,387</b>
Ceded premiums written	3,912	3,760	3,790	(4,346)	(4,574)	(4,972)
Change in unearned premiums	—	—	—	(246)	(121)	(202)
<b>Premiums earned (net)</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>39,303</b>	<b>37,828</b>	<b>38,213</b>
Interest and similar income	(80)	(80)	(81)	3,680	3,612	4,477
Operating income from financial assets and liabilities carried at fair value through income (net)	2	3	4	18	118	9
Operating realized gains/losses (net)	—	—	—	42	57	37
Fee and commission income	(69)	(79)	(169)	1,099	1,075	1,247
Other income	—	—	—	22	19	271
<b>Operating revenues</b>	<b>(135)</b>	<b>(145)</b>	<b>(235)</b>	<b>44,164</b>	<b>42,709</b>	<b>44,254</b>
Claims and insurance benefits incurred (net)	(9)	(11)	(9)	(27,141)	(26,320)	(25,986)
Change in reserves for insurance and investment contracts (net)	—	—	—	(300)	(355)	3
Interest expenses	81	91	95	(92)	(104)	(295)
Loan loss provisions	—	—	—	—	(18)	(17)
Operating impairments of investments (net)	—	—	—	(9)	(75)	(437)
Investment expenses	1	(5)	(6)	(240)	(238)	(254)
Acquisition and administrative expenses (net)	(1)	5	(4)	(11,044)	(10,540)	(10,478)
Fee and commission expenses	63	69	164	(1,024)	(995)	(1,141)
Other expenses	—	—	—	(10)	—	(2)
<b>Operating expenses</b>	<b>135</b>	<b>149</b>	<b>240</b>	<b>(39,860)</b>	<b>(38,645)</b>	<b>(38,607)</b>
<b>Operating profit</b>	<b>—</b>	<b>4</b>	<b>5</b>	<b>4,304</b>	<b>4,064</b>	<b>5,647</b>
Loss ratio <sup>3</sup> in %	— <sup>6</sup>	— <sup>6</sup>	— <sup>6</sup>	69.1	69.5	68.0
Expense ratio <sup>4</sup> in %	— <sup>6</sup>	— <sup>6</sup>	— <sup>6</sup>	28.1	27.9	27.4
<b>Combined ratio<sup>5</sup> in %</b>	<b>—<sup>6</sup></b>	<b>—<sup>6</sup></b>	<b>—<sup>6</sup></b>	<b>97.2</b>	<b>97.4</b>	<b>95.4</b>



## Reportable segments – Life/Health business

	German Speaking Countries			Europe incl. South America			NAFTA Markets		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
Statutory premiums <sup>1</sup>	21,070	20,036	18,273	19,755	18,544	16,451	8,266	6,557	6,111
Ceded premiums written	(187)	(196)	(205)	(355)	(355)	(373)	(144)	(150)	(158)
Change in unearned premiums	(57)	(78)	(34)	38	65	16	14	5	8
Statutory premiums (net)	20,826	19,762	18,034	19,438	18,254	16,094	8,136	6,412	5,961
Deposits from insurance and investment contracts	(5,095)	(5,576)	(3,846)	(14,510)	(13,416)	(11,011)	(7,456)	(5,788)	(5,209)
Premiums earned (net)	15,731	14,186	14,188	4,928	4,838	5,083	680	624	752
Interest and similar income	7,848	7,501	7,628	4,132	3,868	3,820	2,389	2,027	1,715
Operating income from financial assets and liabilities carried at fair value through income (net)	148	5	2,018	65	355	(960)	(216)	216	(646)
Operating realized gains/losses (net)	1,331	1,104	312	597	613	569	156	13	2
Fee and commission income	30	27	44	410	379	421	49	35	38
Other income	65	12	112	2	3	6	—	1	1
<b>Operating revenues</b>	<b>25,153</b>	<b>22,835</b>	<b>24,302</b>	<b>10,134</b>	<b>10,056</b>	<b>8,939</b>	<b>3,058</b>	<b>2,916</b>	<b>1,862</b>
Claims and insurance benefits incurred (net)	(12,974)	(13,408)	(13,797)	(4,479)	(4,557)	(4,449)	(103)	(81)	(69)
Changes in reserves for insurance and investment contracts (net)	(8,640)	(5,062)	(3,697)	(2,216)	(1,495)	163	(1,574)	(1,219)	(1,382)
Interest expenses	(114)	(126)	(162)	(35)	(51)	(172)	(7)	(5)	(5)
Loan loss provisions	(3)	(14)	(10)	—	1	—	3	(62)	(3)
Operating impairments of investments (net)	(274)	(1,168)	(3,863)	(151)	(427)	(1,580)	(8)	(66)	(153)
Investment expenses	(422)	(361)	(340)	(206)	(191)	(203)	(46)	(40)	(27)
Acquisition and administrative expenses (net)	(1,381)	(1,759)	(1,572)	(1,854)	(1,986)	(1,998)	(912)	(959)	(296)
Fee and commission expenses	(30)	(25)	(41)	(194)	(181)	(186)	(45)	(48)	(28)
Operating restructuring charges	(8)	(15)	1	—	—	—	—	—	—
Other expenses	(51)	—	—	(2)	—	—	—	—	—
<b>Operating expenses</b>	<b>(23,897)</b>	<b>(21,938)</b>	<b>(23,481)</b>	<b>(9,137)</b>	<b>(8,887)</b>	<b>(8,425)</b>	<b>(2,692)</b>	<b>(2,480)</b>	<b>(1,963)</b>
<b>Operating profit (loss)</b>	<b>1,256</b>	<b>897</b>	<b>821</b>	<b>997</b>	<b>1,169</b>	<b>514</b>	<b>366</b>	<b>436</b>	<b>(101)</b>
<b>Cost-income ratio<sup>2</sup> in %</b>	<b>95.7</b>	<b>96.6</b>	<b>96.5</b>	<b>95.9</b>	<b>94.8</b>	<b>97.1</b>	<b>96.5</b>	<b>94.9</b>	<b>101.5</b>

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 deposits from insurance and investment contracts, claims and insurance benefits incurred (net), changes in reserves for insurance and investment contracts (net) and acquisition and administrative expenses (net) divided by statutory premiums (net), interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), operating realized gains/losses (net), fee and commission income, other income, interest expenses, loan loss provisions, operating impairments of investments (net), investment expenses, fee and commission expenses, operating restructuring charges and other expenses.

3 Presentation not meaningful.

Global Insurance Line & Anglo Markets			Growth Markets			Consolidation			Life/Health		
2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
314	350	294	7,951	5,512	4,694	(258)	(226)	(208)	57,098	50,773	45,615
(10)	(2)	(2)	(126)	(72)	(58)	258	226	208	(564)	(549)	(588)
3	(5)	(1)	(125)	(38)	(43)	—	—	—	(127)	(51)	(54)
307	343	291	7,700	5,402	4,593	—	—	—	56,407	50,173	44,973
—	—	—	(5,312)	(3,429)	(2,726)	—	—	—	(32,373)	(28,209)	(22,792)
307	343	291	2,388	1,973	1,867	—	—	—	24,034	21,964	22,181
73	109	81	695	528	493	(52)	(62)	35	15,085	13,971	13,772
(35)	11	1	68	46	(8)	(11)	3	—	19	636	405
—	—	—	41	25	(7)	—	—	(2)	2,125	1,755	874
—	—	(1)	62	59	73	(12)	(9)	(4)	539	491	571
—	—	—	14	1	22	—	—	(1)	81	17	140
345	463	372	3,268	2,632	2,440	(75)	(68)	28	41,883	38,834	37,943
(307)	(355)	(326)	(1,092)	(925)	(1,032)	—	—	—	(18,955)	(19,326)	(19,673)
48	(21)	19	(947)	(702)	(470)	—	—	7	(13,329)	(8,499)	(5,360)
(2)	(2)	(1)	(6)	(7)	(12)	61	64	69	(103)	(127)	(283)
—	—	—	6	—	—	—	—	—	6	(75)	(13)
—	—	—	(1)	(2)	(39)	—	—	(112)	(434)	(1,663)	(5,747)
(3)	(3)	—	(24)	(24)	(13)	(3)	(3)	—	(704)	(622)	(583)
(58)	(53)	(57)	(970)	(834)	(765)	—	—	(3)	(5,175)	(5,591)	(4,691)
—	—	—	(1)	—	(2)	12	8	4	(258)	(246)	(253)
—	—	—	—	—	—	—	—	—	(8)	(15)	1
—	—	—	(2)	—	(7)	—	—	—	(55)	—	(7)
(322)	(434)	(365)	(3,037)	(2,494)	(2,340)	70	69	(35)	(39,015)	(36,164)	(36,609)
23	29	7	231	138	100	(5)	1	(7)	2,868	2,670	1,334
93.2	93.7	98.1	97.3	97.7	98.0	— <sup>3</sup>	— <sup>3</sup>	— <sup>3</sup>	96.1	95.8	97.5

## Reportable segments – Asset Management business

	2010 € mn	2009 € mn	2008 € mn
Net fee and commission income <sup>1</sup>	4,927	3,590	2,874
Net interest income <sup>2</sup>	21	30	63
Income from financial assets and liabilities carried at fair value through income (net)	19	40	(71)
Other income	19	29	28
<b>Operating revenues</b>	<b>4,986</b>	<b>3,689</b>	<b>2,894</b>
Administrative expenses (net), excluding acquisition-related expenses	(2,926)	(2,288)	(1,968)
<b>Operating expenses</b>	<b>(2,926)</b>	<b>(2,288)</b>	<b>(1,968)</b>
<b>Operating profit</b>	<b>2,060</b>	<b>1,401</b>	<b>926</b>
<b>Cost-income ratio<sup>3</sup> in %</b>	<b>58.7</b>	<b>62.0</b>	<b>68.0</b>

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.

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## Reportable segments – Corporate and Other business

	Holding & Treasury			Banking		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
Interest and similar income	293	359	819	683	708	989
Operating income from financial assets and liabilities carried at fair value through income (net)	(41)	(122)	135	1	17	6
Fee and commission income	198	209	53	445	389	430
Other income	—	—	1	—	—	—
<b>Operating revenues</b>	<b>450</b>	<b>446</b>	<b>1,008</b>	<b>1,129</b>	<b>1,114</b>	<b>1,425</b>
Interest expenses, excluding interest expenses from external debt	(383)	(445)	(648)	(333)	(395)	(677)
Loan loss provisions	—	—	—	(56)	(48)	(29)
Investment expenses	(94)	(81)	(150)	—	—	—
Administrative expenses (net), excluding acquisition-related expenses	(621)	(574)	(531)	(591)	(634)	(554)
Fee and commission expenses	(215)	(195)	(9)	(210)	(200)	(193)
Other expenses	—	—	—	(3)	(2)	(3)
<b>Operating expenses</b>	<b>(1,313)</b>	<b>(1,295)</b>	<b>(1,338)</b>	<b>(1,193)</b>	<b>(1,279)</b>	<b>(1,456)</b>
<b>Operating profit (loss)</b>	<b>(863)</b>	<b>(849)</b>	<b>(330)</b>	<b>(64)</b>	<b>(165)</b>	<b>(31)</b>
<b>Cost-income ratio<sup>1</sup> for the reportable segment Banking in %</b>				<b>101.4</b>	<b>122.5</b>	<b>100.4</b>

1 Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses 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.

Alternative Investments			Consolidation			Corporate and Other		
2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
6	2	29	(4)	(3)	(113)	978	1,066	1,724
(1)	(1)	(1)	—	—	(2)	(41)	(106)	138
123	132	172	(5)	(7)	(5)	761	723	650
6	1	—	(2)	—	—	4	1	1
<b>134</b>	<b>134</b>	<b>200</b>	<b>(11)</b>	<b>(10)</b>	<b>(120)</b>	<b>1,702</b>	<b>1,684</b>	<b>2,513</b>
(1)	—	—	3	2	132	(714)	(838)	(1,193)
—	—	—	—	—	—	(56)	(48)	(29)
(3)	(1)	—	—	3	4	(97)	(79)	(146)
(145)	(142)	(178)	7	2	—	(1,350)	(1,348)	(1,263)
—	(4)	—	1	2	—	(424)	(397)	(202)
—	—	—	—	—	—	(3)	(2)	(3)
<b>(149)</b>	<b>(147)</b>	<b>(178)</b>	<b>11</b>	<b>9</b>	<b>136</b>	<b>(2,644)</b>	<b>(2,712)</b>	<b>(2,836)</b>
<b>(15)</b>	<b>(13)</b>	<b>22</b>	<b>—</b>	<b>(1)</b>	<b>16</b>	<b>(942)</b>	<b>(1,028)</b>	<b>(323)</b>

## Supplementary Information to the Consolidated Balance Sheets

### 7 Cash and cash equivalents

As of December 31,	2010 € mn	2009 € mn
Balances with banks payable on demand	5,813	5,243
Balances with central banks	279	198
Cash on hand	169	159
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks <sup>1</sup>	2,486	489
<b>Total</b>	<b>8,747</b>	<b>6,089</b>

<sup>1</sup> Includes reclassification of € 2,050 mn from loans and advances to banks and customers at the U.S. subsidiaries.

As of December 31, 2010, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 279 mn (2009: € 198 mn).

### 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 December 31, 2010, the debt securities include € 173 mn (2009: € 31 mn) from public sector issuers and € 373 mn (2009: € 332 mn) from other issuers.

### 9 Investments

As of December 31,	2010 € mn	2009 € mn
Available-for-sale investments	318,315	279,045
Held-to-maturity investments	3,987	3,475
Funds held by others under reinsurance contracts assumed	1,117	1,193
Investments in associates and joint ventures	2,527	3,025
Real estate held for investment	8,672	7,514
<b>Total</b>	<b>334,618</b>	<b>294,252</b>

### 8 Financial assets carried at fair value through income

As of December 31,	2010 € mn	2009 € mn
<b>Financial assets held for trading</b>		
Debt securities	546	363
Equity securities	139	105
Derivative financial instruments	1,416	1,663
<b>Subtotal</b>	<b>2,101</b>	<b>2,131</b>
<b>Financial assets designated at fair value through income</b>		
Debt securities	4,430	8,814
Equity securities	3,312	3,376
<b>Subtotal</b>	<b>7,742</b>	<b>12,190</b>
<b>Total</b>	<b>9,843</b>	<b>14,321</b>

## Available-for-sale investments

As of December 31,	2010				2009			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
<b>Debt securities</b>								
Government and agency mortgage-backed securities (residential and commercial)	5,043	235	(6)	5,272	8,202	209	(53)	8,358
Corporate mortgage-backed securities (residential and commercial)	10,023	625	(174)	10,474	8,116	76	(444)	7,748
Other asset-backed securities	3,501	186	(34)	3,653	3,878	119	(110)	3,887
<b>Government and government agency bonds</b>								
Germany	14,475	740	(24)	15,191	12,282	445	(30)	12,697
Italy	29,242	183	(778)	28,647	25,545	946	(100)	26,391
France	18,248	1,194	(73)	19,369	15,850	959	(34)	16,775
United States	6,667	197	(97)	6,767	4,181	143	(34)	4,290
Spain	5,142	31	(332)	4,841	6,798	190	(79)	6,909
Belgium	4,466	102	(56)	4,512	3,611	158	(9)	3,760
Greece	1,815	—	(554)	1,261	3,647	—	(189)	3,458
Portugal	1,148	1	(90)	1,059	1,651	46	(8)	1,689
Ireland	990	3	(136)	857	1,582	22	(10)	1,594
All other countries	41,533	1,888	(113)	43,308	35,403	1,160	(174)	36,389
<b>Subtotal</b>	<b>123,726</b>	<b>4,339</b>	<b>(2,253)</b>	<b>125,812</b>	<b>110,550</b>	<b>4,069</b>	<b>(667)</b>	<b>113,952</b>
Corporate bonds	138,576	4,786	(2,743)	140,619	113,338	4,338	(1,902)	115,774
Other	1,723	123	(9)	1,837	1,570	66	(34)	1,602
<b>Subtotal</b>	<b>282,592</b>	<b>10,294</b>	<b>(5,219)</b>	<b>287,667</b>	<b>245,654</b>	<b>8,877</b>	<b>(3,210)</b>	<b>251,321</b>
<b>Equity securities</b>	<b>19,893</b>	<b>10,903</b>	<b>(148)</b>	<b>30,648</b>	<b>17,647</b>	<b>10,227</b>	<b>(150)</b>	<b>27,724</b>
<b>Total</b>	<b>302,485</b>	<b>21,197</b>	<b>(5,367)</b>	<b>318,315</b>	<b>263,301</b>	<b>19,104</b>	<b>(3,360)</b>	<b>279,045</b>

## Held-to-maturity investments

As of December 31,	2010				2009			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
<b>Government and government agency bonds</b>								
2,264	165	(5)	2,424	1,859	108	(4)	1,963	
Corporate bonds <sup>1</sup>	1,719	68	(4)	1,783	1,608	68	(18)	1,658
Other	4	—	—	4	8	—	—	8
<b>Total</b>	<b>3,987</b>	<b>233</b>	<b>(9)</b>	<b>4,211</b>	<b>3,475</b>	<b>176</b>	<b>(22)</b>	<b>3,629</b>

1 Includes also 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, segregated by investment category and length of time such investments have been in a continuous unrealized loss position as of December 31, 2010 and 2009.

	Less than 12 months		Greater than 12 months		Total	
	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn
As of December 31,						
<b>2010</b>						
<b>Debt securities</b>						
Government and agency mortgage-backed securities (residential and commercial)	761	(6)	1	—	762	(6)
Corporate mortgage-backed securities (residential and commercial)	627	(33)	1,230	(141)	1,857	(174)
Other asset-backed securities	655	(5)	493	(29)	1,148	(34)
Government and government agency bonds	39,520	(1,366)	3,762	(892)	43,282	(2,258)
Corporate bonds	38,664	(1,408)	7,807	(1,339)	46,471	(2,747)
Other	244	(8)	16	(1)	260	(9)
<b>Subtotal</b>	<b>80,471</b>	<b>(2,826)</b>	<b>13,309</b>	<b>(2,402)</b>	<b>93,780</b>	<b>(5,228)</b>
<b>Equity securities</b>	<b>1,503</b>	<b>(131)</b>	<b>44</b>	<b>(17)</b>	<b>1,547</b>	<b>(148)</b>
<b>Total</b>	<b>81,974</b>	<b>(2,957)</b>	<b>13,353</b>	<b>(2,419)</b>	<b>95,327</b>	<b>(5,376)</b>
<b>2009</b>						
<b>Debt securities</b>						
Government and agency mortgage-backed securities (residential and commercial)	2,205	(53)	4	—	2,209	(53)
Corporate mortgage-backed securities (residential and commercial)	2,841	(127)	3,105	(317)	5,946	(444)
Other asset-backed securities	475	(18)	1,237	(92)	1,712	(110)
Government and government agency bonds	18,475	(457)	3,533	(214)	22,008	(671)
Corporate bonds	12,463	(286)	13,777	(1,634)	26,240	(1,920)
Other	290	(23)	166	(11)	456	(34)
<b>Subtotal</b>	<b>36,749</b>	<b>(964)</b>	<b>21,822</b>	<b>(2,268)</b>	<b>58,571</b>	<b>(3,232)</b>
<b>Equity securities</b>	<b>728</b>	<b>(122)</b>	<b>76</b>	<b>(28)</b>	<b>804</b>	<b>(150)</b>
<b>Total</b>	<b>37,477</b>	<b>(1,086)</b>	<b>21,898</b>	<b>(2,296)</b>	<b>59,375</b>	<b>(3,382)</b>

### **Corporate mortgage-backed securities (residential and commercial)**

Total unrealized losses amounted to € 174 mn as of December 31, 2010. The unrealized loss positions mainly stem from issues in the security market of certain European countries. The largest part of these issues is backed by mortgages on commercial real estate. During 2010, corporate bond performance has been positive with spreads narrowing which resulted in a decrease of the unrealized losses of € 270 mn. Based on a detailed analysis of the underlying securities and collaterals the Allianz Group does not consider these investments to be impaired at December 31, 2010.

### **Government and government agency bonds**

Total unrealized losses amounted to € 2,258 mn as of December 31, 2010. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). Given the fact that the issuers of these bonds are backed by the fiscal capacity of the issuers and the issuers typically hold an "investment grade" country- and/or issue-rating, credit risk is as a general rule not a significant factor. The unrealized losses on Allianz Group's investment in government bonds were mainly caused by investments in certain European countries. These unrealized losses are attributable to changes in credit spreads, caused by concerns in the market. The Allianz Group believes that this is a temporary issue and that markets will recover. Based on a detailed analysis of the underlying securities the Allianz Group does not consider these investments to be impaired at December 31, 2010.

## Corporate bonds

Total unrealized losses amounted to € 2,747 mn as of December 31, 2010. 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 unrealized losses have increased by € 827 mn, primarily due the negative bond market performance of the financial sector. Based on a detailed analysis of the underlying securities the Allianz Group does not consider these investments to be impaired at December 31, 2010.

## Equity securities

As of December 31, 2010, unrealized losses from equity securities amounted to € 148 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. Substantially all of the unrealized losses have been in a continuous loss position for less than 6 months.

## Contractual term to maturity

The amortized cost and estimated fair value of available-for-sale debt securities and held-to-maturity debt securities as of December 31, 2010, by contractual term to maturity, are as follows:

	Amortized Cost € mn	Fair Value € mn
As of December 31, 2010		
<b>Available-for-sale debt securities</b>		
Due in 1 year or less	24,481	24,731
Due after 1 year and up to 5 years	89,189	91,274
Due after 5 years and up to 10 years	74,749	76,526
Due after 10 years	94,173	95,136
<b>Total</b>	<b>282,592</b>	<b>287,667</b>
<b>Held-to-maturity debt securities</b>		
Due in 1 year or less	130	135
Due after 1 year and in up to 5 years	1,790	1,908
Due after 5 years and in up to 10 years	835	880
Due after 10 years	1,232	1,288
<b>Total</b>	<b>3,987</b>	<b>4,211</b>

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.

## Equity investments carried at cost

As of December 31, 2010, fair values could not be reliably measured for equity investments with carrying amounts totaling € 352 mn (2009: € 375 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended December 31, 2010, such investments with carrying amounts of € 52 mn (2009: € — mn) were sold leading to gains of € 1 mn (2009: € — mn) and losses of € — mn (2009: € — mn).

## Investments in associates and joint ventures

As of December 31, 2010, loans to associated enterprises and joint ventures and available-for-sale debt securities issued by associated enterprises and joint ventures held by the Allianz Group amounted to € 192 mn (2009: € 114 mn). As of December 31, 2010, the fair value of investments in associates and joint ventures was € 2,598 mn (2009: € 3,045 mn).

## Real estate held for investment

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	10,413	10,139	10,114
Accumulated depreciation as of January 1,	(2,899)	(2,588)	(2,356)
<b>Carrying amount as of January 1,</b>	<b>7,514</b>	<b>7,551</b>	<b>7,758</b>
Additions	1,041	325	385
Changes in the consolidated subsidiaries of the Allianz Group	544	—	14
Disposals	(409)	(197)	(296)
Reclassifications	(22)	180	(102)
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	(46)	—	(62)
Foreign currency translation adjustments	292	14	93
Depreciation	(171)	(174)	(165)
Impairments	(106)	(199)	(128)
Reversals of impairments	35	14	54
<b>Carrying amount as of December 31,</b>	<b>8,672</b>	<b>7,514</b>	<b>7,551</b>
Accumulated depreciation as of December 31,	2,958	2,899	2,588
<b>Cost as of December 31,</b>	<b>11,630</b>	<b>10,413</b>	<b>10,139</b>

As of December 31, 2010, the fair value of real estate held for investment was € 12,929 mn (2009: € 11,444 mn).

As of December 31, 2010, real estate held for investment pledged as security and other restrictions on title were € 73 mn (2009: € 146 mn).

## 10 Loans and advances to banks and customers

As of December 31,	2010			2009		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Short-term investments and certificates of deposit <sup>1</sup>	5,216	—	5,216	10,530	—	10,530
Reverse repurchase agreements	1,018	—	1,018	848	19	867
Collateral paid for securities borrowing transactions and derivatives	38	—	38	—	—	—
Loans	67,303	46,575	113,878	69,845	44,313	114,158
Other	2,605	69	2,674	3,525	60	3,585
<b>Subtotal</b>	<b>76,180</b>	<b>46,644</b>	<b>122,824</b>	<b>84,748</b>	<b>44,392</b>	<b>129,140</b>
Loan loss allowance	—	(146)	(146)	—	(144)	(144)
<b>Total</b>	<b>76,180</b>	<b>46,498</b>	<b>122,678</b>	<b>84,748</b>	<b>44,248</b>	<b>128,996</b>

1 In 2010, € 2,050 mn were reclassified from short-term investments to cash and cash equivalents at the U.S. subsidiaries.

### Loans and advances to banks and customers by contractual maturity

As of December 31, 2010	Up to 3 months € mn	> 3 months up to 1 year € mn	> 1 year up to 3 years € mn	> 3 years up to 5 years € mn	Greater than 5 years € mn	Total € mn
Loans and advances to banks	6,738	3,787	10,262	9,243	46,150	76,180
Loans and advances to customers	2,849	2,985	6,541	7,007	27,262	46,644
<b>Total</b>	<b>9,587</b>	<b>6,772</b>	<b>16,803</b>	<b>16,250</b>	<b>73,412</b>	<b>122,824</b>

### Loans and advances to banks and customers by geographic region

As of December 31,	2010			2009		
	Germany € mn	Other countries € mn	Total € mn	Germany	Other countries	Total € mn
Short-term investments and certificates of deposit	1,165	4,051	5,216	5,406	5,124	10,530
Reverse repurchase agreements	—	1,018	1,018	—	867	867
Collateral paid for securities borrowing transactions and derivatives	25	13	38	—	—	—
Loans	92,088	21,790	113,878	94,417	19,741	114,158
Other	1,286	1,388	2,674	1,227	2,358	3,585
<b>Subtotal</b>	<b>94,564</b>	<b>28,260</b>	<b>122,824</b>	<b>101,050</b>	<b>28,090</b>	<b>129,140</b>
Loan loss allowance	(70)	(76)	(146)	(70)	(74)	(144)
<b>Total</b>	<b>94,494</b>	<b>28,184</b>	<b>122,678</b>	<b>100,980</b>	<b>28,016</b>	<b>128,996</b>

### Loans and advances to customers (prior to loan loss allowances) by economic sector

As of December 31,	2010 € mn	2009 € mn
<b>Germany</b>		
<b>Corporate Customers</b>		
Manufacturing industry	1,353	1,075
Construction	262	311
Wholesale and retail trade	450	405
Financial institutions (excluding banks) and insurance companies	439	122
Service providers	2,171	1,503
Other	2,494	1,572
<b>Subtotal</b>	<b>7,169</b>	<b>4,988</b>
Public authorities	6,824	6,812
Private customers	17,514	18,125
<b>Subtotal</b>	<b>31,507</b>	<b>29,925</b>
<b>Other countries</b>		
<b>Corporate Customers</b>		
Industry, wholesale and retail trade and service providers	5,854	5,500
Financial institutions (excluding banks) and insurance companies	1,521	989
Other	1,759	2,245
<b>Subtotal</b>	<b>9,134</b>	<b>8,734</b>
Public authorities	84	115
Private customers	5,919	5,618
<b>Subtotal</b>	<b>15,137</b>	<b>14,467</b>
<b>Total</b>	<b>46,644</b>	<b>44,392</b>

### Reconciliation of allowances for credit losses by class of financial assets

As of December 31, 2010, the overall volume of allowance for credit losses includes loan loss allowances deducted from loans and advances to banks and customers in the amount of € 146 mn (2009: € 144 mn; 2008: € 119 mn) and provisions for credit losses included in other liabilities in the amount of € 7 mn (2009: € 8 mn; 2008: € 8 mn).

	Loan loss allowance			Provision for credit losses			Total		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn
As of January 1,	144	119	830	8	8	201	152	127	1,031
Changes in the consolidated subsidiaries of the Allianz Group	(19)	—	—	(1)	—	—	(20)	—	—
Additions charged to the consolidated income statements	110	212	118	13	3	3	123	215	121
Charge-offs	(35)	(157)	(73)	—	—	—	(35)	(157)	(73)
Releases	(46)	(35)	(31)	(7)	(4)	(4)	(53)	(39)	(35)
Other additions (reductions)	(9)	3	(1)	—	1	—	(9)	4	(1)
Foreign currency translation adjustments	1	2	(3)	—	—	—	1	2	(3)
Reclassifications to non-current assets and assets of disposal groups classified as held for sale	—	—	(721)	(6)	—	(192)	(6)	—	(913)
As of December 31,	146	144	119	7	8	8	153	152	127

The following table presents information relating to the Allianz Group's impaired loans:

As of December 31,	2010 € mn	2009 € mn
Impaired loans	1,074	1,149
Impaired loans with specific allowances	1,063	1,129
Average balance of impaired loans	874	713
Interest income recognized on impaired loans	10	4

## 11 Reinsurance assets

As of December 31,	2010 € mn	2009 € mn
Unearned premiums	1,372	1,424
Reserves for loss and loss adjustment expenses	6,986	7,456
Aggregate policy reserves	4,674	4,613
Other insurance reserves	103	66
<b>Total</b>	<b>13,135</b>	<b>13,559</b>

Changes in aggregate policy reserves ceded to reinsurers are as follows:

	2010 € mn	2009 € mn	2008 € mn
<b>Carrying amount as of January 1,</b>	<b>4,613</b>	<b>5,018</b>	<b>5,319</b>
Foreign currency translation adjustments	193	(82)	150
Changes recorded in the consolidated income statements	(46)	(11)	(47)
Other changes	(86)	(312)	(404)
<b>Carrying amount as of December 31,</b>	<b>4,674</b>	<b>4,613</b>	<b>5,018</b>

The Allianz Group reinsurance a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. In general international corporate and specialty business is either underwritten directly or assumed by Allianz Global Corporate & Specialty AG (AGCS) from other Allianz Group's subsidiaries. AGCS buys global reinsurance cover in the external reinsurance market, other parts are reinsured internally by Allianz SE. The Allianz Group maintains a centralized program for natural catastrophe events that pools exposures from a number of subsidiaries by internal reinsurance agreements with Allianz SE. 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 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 Allianz Group from primary liability under the reinsurance policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which include the credit risk claims-paying and debt ratings, capital and surplus 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 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 December 31, 2010 and 2009. The Allianz Group is primarily exposed to highly rated reinsurers.

## 12 Deferred acquisition costs

As of December 31,	2010 € mn	2009 € mn
<b>Deferred acquisition costs</b>		
Property-Casualty	4,121	3,789
Life/Health	14,459	14,452
Asset Management	152	149
<b>Subtotal</b>	<b>18,732</b>	<b>18,390</b>
Present value of future profits	1,180	1,212
Deferred sales inducements	821	693
<b>Total</b>	<b>20,733</b>	<b>20,295</b>

### Deferred acquisition costs

	2010 € mn	2009 € mn	2008 € mn
<b>Property-Casualty</b>			
Carrying amount as of January 1,	3,789	3,721	3,675
Additions	4,798	4,506	3,754
Changes in the consolidated subsidiaries of the Allianz Group	(4)	—	(13)
Foreign currency translation adjustments	151	54	(85)
Amortization	(4,613)	(4,492)	(3,610)
Carrying amount as of December 31,	4,121	3,789	3,721
<b>Life/Health</b>			
Carrying amount as of January 1,	14,452	16,214	13,889
Additions	2,719	2,285	2,400
Changes in the consolidated subsidiaries of the Allianz Group	(10)	—	18
Foreign currency translation adjustments	492	(42)	53
Shadow Accounting	(977)	(1,693)	1,360
Amortization	(2,217)	(2,312)	(1,506)
Carrying amount as of December 31,	14,459	14,452	16,214
<b>Asset Management</b>	<b>152</b>	<b>149</b>	<b>147</b>
<b>Total</b>	<b>18,732</b>	<b>18,390</b>	<b>20,082</b>

### Present value of future profits

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	2,694	2,415	2,344
Accumulated amortization as of January 1,	(1,482)	(1,180)	(1,139)
<b>Carrying amount as of January 1,</b>	<b>1,212</b>	<b>1,235</b>	<b>1,205</b>
Changes in the consolidated subsidiaries of the Allianz Group	—	230	54
Foreign currency translation adjustments	48	(2)	3
Shadow Accounting	(1)	(70)	75
Amortization <sup>1</sup>	(79)	(181)	(102)
<b>Carrying amount as of December 31,</b>	<b>1,180</b>	<b>1,212</b>	<b>1,235</b>
Accumulated amortization as of December 31,	1,602	1,482	1,180
Cost as of December 31,	2,782	2,694	2,415

1 During the year ended December 31, 2010, includes interest accrued on unamortized PVFP of € 65 mn (2009: € 40 mn; 2008: € 65 mn).

As of December 31, 2010, the percentage of PVFP that is expected to be amortized in 2011 is 13.02% (2010: 12.01%; 2012: 10.51%; 2013: 9.26%; 2014: 8.37%; 2015: 8.37%).

### Deferred sales inducements

	2010 € mn	2009 € mn	2008 € mn
<b>Carrying amount as of January 1,</b>	<b>693</b>	<b>688</b>	<b>493</b>
Additions	335	256	91
Foreign currency translation adjustments	46	(17)	27
Shadow Accounting	(124)	(141)	98
Amortization	(129)	(93)	(21)
<b>Carrying amount as of December 31,</b>	<b>821</b>	<b>693</b>	<b>688</b>

## 13 Other assets

As of December 31,	2010 € mn	2009 € mn
<b>Receivables</b>		
Policyholders	5,322	4,865
Agents	4,129	3,922
Reinsurers	2,581	2,437
Other	3,515	3,480
Less allowance for doubtful accounts	(629)	(564)
<b>Subtotal</b>	<b>14,918</b>	<b>14,140</b>
<b>Tax receivables</b>		
Income taxes	1,691	2,277
Other taxes	1,043	950
<b>Subtotal</b>	<b>2,734</b>	<b>3,227</b>
<b>Accrued dividends, interest and rent</b>		
<b>Prepaid expenses</b>		
Interest and rent	16	20
Other prepaid expenses	334	284
<b>Subtotal</b>	<b>350</b>	<b>304</b>
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	452	304
<b>Property and equipment</b>		
Real estate held for own use	3,075	2,916
Software	1,287	1,297
Equipment	735	803
Fixed assets of Alternative Investments	1,117	822
<b>Subtotal</b>	<b>6,214</b>	<b>5,838</b>
<b>Other assets<sup>1</sup></b>	<b>1,977</b>	<b>2,369</b>
<b>Total</b>	<b>34,001</b>	<b>33,047</b>

<sup>1</sup> As of December 31, 2010, includes prepaid benefit costs for defined benefit plans of € 372 mn (2009: € 276 mn).

As of December 31, 2010, other assets due within one year totaled € 27,448 mn (2009: € 24,898 mn), and those due in more than one year totaled € 6,553 mn (2009: € 8,149 mn).

## Property and equipment Real estate held for own use

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	4,008	4,136	4,847
Accumulated depreciation as of January 1,	(1,092)	(1,014)	(1,139)
<b>Carrying amount as of January 1,</b>	<b>2,916</b>	<b>3,122</b>	<b>3,708</b>
Additions	243	84	227
Changes in the consolidated subsidiaries of the Allianz Group	(97)	27	27
Disposals	(70)	(31)	(61)
Reclassifications	96	(240)	239
Reclassifications out of/(into) non-current assets and assets of disposal groups classified as held for sale	(11)	4	(902)
Foreign currency translation adjustments	89	31	(40)
Depreciation	(92)	(81)	(78)
Impairments	—	—	(9)
Reversals of impairments	1	—	11
<b>Carrying amount as of December 31,</b>	<b>3,075</b>	<b>2,916</b>	<b>3,122</b>
Accumulated depreciation as of December 31,	1,194	1,092	1,014
Cost as of December 31,	4,269	4,008	4,136

As of December 31, 2010, the fair value of real estate held for own use was € 4,363 mn (2009: € 4,053 mn). As of December 31, 2010, assets pledged as security and other restrictions on title were € 266 mn (2009: € 262 mn).

### Software

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	3,828	3,400	3,946
Accumulated amortization as of January 1,	(2,531)	(2,284)	(2,781)
<b>Carrying amount as of January 1,</b>	<b>1,297</b>	<b>1,116</b>	<b>1,165</b>
Additions	426	492	540
Changes in the consolidated subsidiaries of the Allianz Group	(5)	(2)	(10)
Disposals	(88)	(45)	(55)
Foreign currency translation adjustments	21	(3)	1
Amortization	(329)	(275)	(288)
Impairments	(27)	(4)	(3)
Reclassification out of/(into) non- current assets and assets of disposal groups classified as held for sale <sup>1</sup>	(8)	18	(234)
<b>Carrying amount as of December 31,<sup>2</sup></b>	<b>1,287</b>	<b>1,297</b>	<b>1,116</b>
Accumulated amortization as of December 31,	2,875	2,531	2,284
<b>Cost as of December 31,</b>	<b>4,162</b>	<b>3,828</b>	<b>3,400</b>

1 Includes software of Allianz Bank Polska, Selecta and Dresdner Bank for the years ended December 31, 2010, 2009 and 2008, respectively.

2 As of December 31, 2010, includes € 829 mn (2009: € 812 mn; 2008: € 701 mn) for software developed inhouse and € 458 mn (2009: € 485 mn; 2008: € 415 mn) for software purchased from third parties.

### Fixed assets of Alternative Investments<sup>1</sup>

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	1,152	538	426
Accumulated depreciation as of January 1,	(330)	(119)	(73)
<b>Carrying amount as of January 1,</b>	<b>822</b>	<b>419</b>	<b>353</b>
Additions	177	153	76
Changes in the consolidated subsidiaries of the Allianz Group	248	164	35
Disposals	(3)	(7)	(1)
Reclassifications out of non-current assets and assets of disposal groups classified as held for sale <sup>2</sup>	—	309	—
Foreign currency translation adjustments	13	(4)	—
Depreciation	(140)	(212)	(44)
<b>Carrying amount as of December 31,</b>	<b>1,117</b>	<b>822</b>	<b>419</b>
Accumulated depreciation as of December 31,	470	330	119
<b>Cost as of December 31,</b>	<b>1,587</b>	<b>1,152</b>	<b>538</b>

1 Includes fixed assets of wind parks, solar parks, manroland and Selecta.

2 Includes fixed assets of Selecta for the year ended December 31, 2009.

### Equipment

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	3,311	3,102	4,189
Accumulated depreciation as of January 1,	(2,508)	(2,279)	(2,876)
<b>Carrying amount as of January 1,</b>	<b>803</b>	<b>823</b>	<b>1,313</b>
Additions	318	295	318
Changes in the consolidated subsidiaries of the Allianz Group	3	6	(48)
Disposals	(101)	(124)	(59)
Reclassifications	(27)	—	—
Reclassifications out of/(into) non- current assets and assets of disposal groups classified as held for sale <sup>1</sup>	(22)	—	(482)
Foreign currency translation adjustments	22	13	(14)
Depreciation	(244)	(206)	(190)
Impairments	(17)	(4)	(15)
<b>Carrying amount as of December 31,</b>	<b>735</b>	<b>803</b>	<b>823</b>
Accumulated depreciation as of December 31,	2,562	2,508	2,279
<b>Cost as of December 31,</b>	<b>3,297</b>	<b>3,311</b>	<b>3,102</b>

1 Includes equipment of Allianz Bank Polska and Dresdner Bank for the years ended December 31, 2010 and 2008, respectively.

**14****Non-current assets and assets and liabilities of disposal groups classified as held for sale**

As of December 31,	2010 € mn	2009 € mn
<b>Non-current assets and assets of disposal groups classified as held for sale</b>		
Allianz Bank Polska S.A.	247	—
Real estate held for investment (Property-Casualty)	22	—
Real estate held for investment (Life/Health)	24	—
Real estate held for own use (Property-Casualty)	6	—
<b>Total</b>	<b>299</b>	<b>—</b>
<b>Liabilities of disposal groups classified as held for sale</b>		
Allianz Bank Polska S.A.	188	—
<b>Total</b>	<b>188</b>	<b>—</b>

**Non-current assets and assets and liabilities of disposal groups classified as held for sale as of December 31, 2010****Allianz Bank Polska S.A.**

During the fourth quarter of 2010, the Allianz Group contractually agreed to dispose of Allianz Bank Polska S.A. Thus, the assets and liabilities related to the Allianz Group's 100% ownership of Allianz Bank Polska S.A. and allocated to the segment Corporate and Other, were reclassified as disposal group held for sale.

The following table presents the classes of assets and liabilities reclassified as held for sale:

As of December 31, 2010	Allianz Bank Polska S.A., € mn
Cash and cash equivalents	39
Investments	49
Loans and advances to banks and customers	126
Deferred tax assets	2
Other assets	31
<b>Total assets of disposal groups classified as held for sale</b>	<b>247</b>
Liabilities to banks and customers	144
Deferred tax liabilities	1
Other liabilities	43
<b>Total liabilities of disposal groups classified as held for sale</b>	<b>188</b>

As of December 31, 2010, cumulative losses recognized in other comprehensive income relating to the disposal group classified as held for sale amount to € 11 mn.

The sale is expected to occur during the first half 2011 and is subject to approval by the regulatory authorities. Upon measurement of the disposal group at fair value less cost to sell an impairment loss of € 34 mn was recognized in the consolidated income statement.

**Real estate classified as held for sale**

During the fourth quarter of 2010, the Allianz Group contractually agreed to dispose of various residential properties of Allianz IARD S.A. and Allianz Vie S.A. in Paris on an individual basis. Thus, the assets allocated to the segments Property-Casualty and Life/Health and previously classified as real estate held for investment were reclassified and presented as non-current assets held for sale. The sales are expected to occur during the first quarter of 2011. Upon measurement of the non-current assets held for sale at fair value less cost to sell no impairment loss was recognized in the consolidated income statement.

During the fourth quarter of 2010, the Allianz Group contractually agreed to dispose of one commercial property of Allianz Hungaria in Budapest. Thus, the asset allocated to the segment Property-Casualty and previously classified as real estate held for own use was reclassified and presented as non-current assets held for sale. The sale is expected to occur during the first quarter of 2011. Upon measurement of the non-current asset at fair value less cost to sell an impairment loss of € 5 mn was recognized in the consolidated income statement.

**Disposals during the year ended December 31, 2010****Alba Allgemeine Versicherungs-Gesellschaft AG (Alba), Basel, Phenix Compagnie d'assurances SA (Phenix), Lausanne and Phenix Compagnie d'assurances sur la vie SA (Phenix Vie), Lausanne**

In November 2010, the Allianz Group sold Alba, Phenix and Phenix Vie, which were classified as disposal groups held for sale during the third quarter of 2010, to Helvetia Group. Unrealized gains of € 27 mn were reclassified from other comprehensive income to the consolidated income statement.

**Allianz Bank Zrt., Budapest**

In September 2010, the Allianz Group completed the sale of Allianz Bank Zrt., Budapest, which was classified as disposal group held for sale during the second quarter of

2010. Total impairment losses from the measurement at fair value less costs to sell until disposal amounted to € 43 mn.

### Galleria Commerciale Porta di Roma S.p.A., Rome

During the second quarter of 2010, the Allianz Group acquired 100% of the Galleria Commerciale Porta di Roma S.p.A. shopping mall in Rome, Italy. At the same time, the Allianz Group agreed to sell a 50% stake. The sale was completed during the third quarter of 2010. The remaining 50% stake is accounted for as joint venture measured at equity. The reclassification did not have an impact on the consolidated income statement.

## 15 Intangible assets

As of December 31,	2010 € mn	2009 € mn
<b>Intangible assets with indefinite useful lives</b>		
Goodwill	12,020	12,014
Brand names <sup>1</sup>	311	309
<b>Subtotal</b>	<b>12,331</b>	<b>12,323</b>
<b>Intangible assets with finite useful lives</b>		
Long-term distribution agreement with Commerzbank AG	585	620
Customer relationships	287	352
Other <sup>2</sup>	178	181
<b>Subtotal</b>	<b>1,050</b>	<b>1,153</b>
<b>Total</b>	<b>13,381</b>	<b>13,476</b>

1 Includes primarily the brand name of Selecta AG, Muntelier.

2 Includes primarily research and development costs of € 67 mn (2009: € 81 mn) and bancassurance agreements of € 14 mn (2009: € 14 mn).

### Goodwill

	2010 € mn	2009 € mn	2008 € mn
Cost as of January 1,	12,291	11,445	12,677
Accumulated impairments as of January 1,	(277)	(224)	(224)
<b>Carrying amount as of January 1,</b>	<b>12,014</b>	<b>11,221</b>	<b>12,453</b>
Additions	56	468	247
Foreign currency translation adjustments	256	(113)	32
Impairments	(306)	(53)	—
Reclassification out of/(into) non-current assets and assets of disposal groups classified as held for sale	—	491	(1,511)
<b>Carrying amount as of December 31,</b>	<b>12,020</b>	<b>12,014</b>	<b>11,221</b>
Accumulated impairments as of December 31,	583	277	224
<b>Cost as of December 31,</b>	<b>12,603</b>	<b>12,291</b>	<b>11,445</b>

### 2010

Additions of 2010 include goodwill from the acquisition of a 100% participation in Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt, the acquisition of a 100% participation in Solarpark BPS Brindisi S.r.l., Brindisi, and the acquisition of a 100% participation in Solarpark Orsa Maggiore PV S.r.l., Milano.

### 2009

Additions include goodwill from the acquisition of a 100% participation in cominvest Asset Management GmbH, Frankfurt am Main.

The allocated goodwill of the cash generating unit (CGU) Banking was impaired as a result of the annual impairment test.

The reclassification affects the goodwill of Selecta AG, Muntelier, as this subsidiary was reclassified out of disposal groups held for sale.

### 2008

The reclassification affects the goodwill of Dresdner Bank, Frankfurt am Main, as this subsidiary was reclassified to non-current assets and assets of disposal groups classified as held for sale.

### Impairment test for goodwill and intangible assets with indefinite useful lives

For purposes of impairment testing, the Allianz Group has allocated goodwill to CGU. These CGU represent the lowest level at which goodwill is monitored for internal measurement purposes.

For purposes of impairment testing, the capitalized long-term distribution agreement with Commerzbank AG has been allocated to the CGU German Speaking Countries in the Life/Health segment since the cash flows are economically generated in this CGU.

As a result of the impairment test in 2010, the goodwill of the CGU Property-Casualty Central and Eastern Europe was impaired by € 140 mn, the goodwill of the CGU manroland AG was impaired by € 115 mn and the goodwill of the CGU Banking Europe was impaired by € 51 mn.

Cash generating units in the Property-Casualty segment are:

- German Speaking Countries,
- Europe, including France, the Netherlands, Belgium, Luxembourg, Italy, Spain, Portugal, Greece, Turkey and Africa,
- South America,
- Asia-Pacific and Middle East,
- Central and Eastern Europe, including Bulgaria, Croatia, the Czech Republic, Hungary, Slovakia, Poland, Romania and Russia,
- Global Insurance Lines & Anglo Markets,
- NAFTA Markets,
- Specialty Lines I, including Allianz Global Corporate & Specialty and Credit Insurance,
- Specialty Lines II, including Travel Insurance and Assistance Services.

Cash generating units in the Life/Health segment are:

- German Speaking Countries,
- Health Germany,
- Europe, including France, the Netherlands, Belgium, Luxembourg, Italy, Spain, Portugal, Greece, Turkey and Africa,
- Asia Pacific and Middle East,
- NAFTA Markets.

Cash generating units in the Corporate and Other segment are:

- Banking Germany,
- Banking Europe,
- manroland AG,
- Selecta AG.

In 2010, the CGU Banking in the Corporate and Other segment was separated into the two CGU Banking Germany and Banking Europe. In addition the CGU Alternative Investments in the Corporate and Other segment was split into the two CGU manroland AG and Selecta AG. The level at which goodwill is tested for impairment has changed as the activities of these CGU are managed and monitored separately from each other for internal management purposes.

Goodwill attributable to the former CGU Alternative investments and Banking was reallocated to each of the constituent CGU for which goodwill was originally identified during initial consolidation as no other CGU within the Allianz Group benefited from these recognized goodwill.

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, whereas the valuation methods applied for the CGU manroland AG and Selecta AG are based on industry-specific standards.

In this regard, the Allianz Group utilizes the capitalized earnings method to derive the value in use for all CGU in the Property-Casualty segment, for the CGU Asset Management as well as for the CGU Banking Germany and Banking Europe. Generally, the basis for the determination of the capitalized 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 companies included in the CGU. The capitalized 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 companies 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.

The discount rate is based on the capital asset pricing model 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 are as follows:

Cash generating unit	Discount rate %	Eternal growth rate %
<b>Property-Casualty</b>		
German Speaking Countries	7.7	1.5
Europe	8.1	1.5
South America	14.3	3.0
Asia-Pacific and Middle East	9.6	3.0
Central and Eastern Europe	10.2	2.3
Global Insurance Lines & Anglo Markets	8.4	1.5
NAFTA Markets	7.8	1.5
Specialty Lines I	7.9	1.0
Specialty Lines II	7.9	2.0
<b>Asset Management</b>	8.9	1.0
<b>Banking</b>		
Banking Germany	8.5	1.5
Banking Europe	9.0	1.5

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans. Changes in capitalized earnings values for the Property-Casualty CGU due to changes in applied long-term sustainable combined ratios and changes in capitalized earnings values for the Asset Management and Banking CGU due to changes in assumptions regarding cost income ratios were analyzed.

For all CGU excluding PC Asia-Pacific and Middle East, PC NAFTA Markets and Banking Germany capitalized earnings value sensitivities still exceeded their respective carrying values.

An increase of 0.5%-points in the discount rate or the combined ratio could result in the recoverable amount for the CGU NAFTA Markets reaching its carrying value. For the CGU Asia-Pacific and Middle East a simultaneous increase in the discount rate and the long-term combined ratio of 1%-point would lead to a recoverable amount equal to the carrying value.

For all CGU in the Life/Health segment the goodwill impairment test is based on an Appraisal Value method which is derived from the Market Consistent Embedded Value and a multiple of the Market Value of new business.

The Market Consistent Embedded Value is an industry specific valuation method to determine the fair value of the current in force portfolio and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach applied is based on the Allianz Group's Embedded Value guidelines.

For Taiwan and the U.S.A. instead of the Market Consistent Embedded Value the Appraisal Value was derived from a Traditional Embedded Value and new business value calculation as no adequate valuation reflecting a long-term view in line with management judgment and market experience could be derived from market consistent methodology.

Sensitivity analyses were performed with regard to considered new business values. For the CGU German Speaking Countries and Health Germany even a significant reduction in the applied new business multiple would lead to respective Appraisal Value sensitivities which still exceed their respective carrying values. This is not the case for the CGU Asia-Pacific and Middle East as well as NAFTA Markets, where appraisal values exceed carrying values assuming five times new business value for Asia-Pacific and Middle East three times for NAFTA markets respectively.

The carrying amounts of goodwill and brand names are allocated to the Allianz Group's CGU as of December 31, 2010 and 2009 as follows:

As of December 31,	2010		2009	
	Goodwill € mn	Brand names € mn	Goodwill € mn	Brand names € mn
Cash generating units				
Property-Casualty				
German Speaking Countries	283	—	278	—
Europe	874	—	868	—
South America	21	—	21	—
Asia-Pacific and Middle East	87	—	78	—
Central and Eastern Europe	467	25	576	23
Global Insurance Lines & Anglo Markets	312	—	286	—
NAFTA Markets	94	—	94	—
Specialty Lines I	38	—	38	—
Specialty Lines II	18	—	18	—
Subtotal	2,194	25	2,257	23
Life/Health				
German Speaking Countries	590	—	563	—
Health Germany	325	—	325	—
Europe	653	—	648	—
Asia-Pacific and Middle East	320	—	320	—
NAFTA Markets	440	—	431	—
Subtotal	2,328	—	2,287	—
Asset Management	6,884	—	6,690	—
Corporate and Other				
Banking Germany	95	—	95	—
Banking Europe	—	—	51	—
manroland AG	28	—	143	—
Selecta AG	491	286	491	286
Subtotal	614	286	780	286
Total	12,020	311	12,014	309

### 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.

### Intangible assets with finite useful lives

Amortization expenses of intangible assets with finite useful lives are estimated to be € 96 mn in 2011, € 88 mn in 2012, € 73 mn in 2013, € 73 mn in 2014 and € 73 mn in 2015.

The longterm distribution agreements 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 lives of 12.5 years and 13 years.

The customer relationships of cominvest and Selecta have useful lives of 4 years and 10 years, which were determined by average customer retention period for German mutual funds and by the multi-period excess earnings method. They are amortized on a straight line basis over the remaining useful lives of 2 years and 6.5 years.

## 16 Financial liabilities carried at fair value through income

As of December 31,	2010 € mn	2009 € mn
<b>Financial liabilities held for trading</b>		
Derivative financial instruments	5,012	4,808
Other trading liabilities	1	83
<b>Subtotal</b>	<b>5,013</b>	<b>4,891</b>
<b>Financial liabilities designated at fair value through income</b>	<b>—</b>	<b>—</b>
<b>Total</b>	<b>5,013</b>	<b>4,891</b>

## 17 Liabilities to banks and customers

As of December 31,	2010			2009		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Payable on demand	68	4,110	4,178	366	4,106	4,472
Savings deposits	—	2,504	2,504	—	1,980	1,980
Term deposits and certificates of deposit	1,328	2,301	3,629	1,188	2,185	3,373
Repurchase agreements	867	129	996	1,025	172	1,197
Collateral received from securities lending transactions and derivatives	591	—	591	44	—	44
Other	6,278	2,979	9,257	6,885	3,297	10,182
<b>Total</b>	<b>9,132</b>	<b>12,023</b>	<b>21,155</b>	<b>9,508</b>	<b>11,740</b>	<b>21,248</b>

### Liabilities to banks and customers by contractual maturity

As of December 31, 2010	Up to 3 months € mn	> 3 months up to 1 year € mn	> 1 year up to 3 years € mn	> 3 years up to 5 years € mn	Greater than 5 years € mn	Total € mn
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Liabilities to banks	2,594	1,566	1,817	1,414	1,741	9,132
Liabilities to customers	9,033	903	1,015	163	909	12,023
<b>Total</b>	<b>11,627</b>	<b>2,469</b>	<b>2,832</b>	<b>1,577</b>	<b>2,650</b>	<b>21,155</b>

### Liabilities to banks and customers by type of customer and geographic region

As of December 31,	2010			2009		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Liabilities to banks	5,358	3,774	9,132	5,250	4,258	9,508
Liabilities to customers						
Corporate customers	2,431	1,518	3,949	2,529	1,518	4,047
Public authorities	193	8	201	289	5	294
Private customers	4,749	3,124	7,873	4,485	2,914	7,399
Subtotal	7,373	4,650	12,023	7,303	4,437	11,740
<b>Total</b>	<b>12,731</b>	<b>8,424</b>	<b>21,155</b>	<b>12,553</b>	<b>8,695</b>	<b>21,248</b>

As of December 31, 2010, liabilities to customers include € 987 mn (2009: € 1,017 mn) of non-interest bearing deposits.

## 18 Unearned premiums

As of December 31,	2010 € mn	2009 € mn
Property-Casualty	14,206	13,471
Life/Health	2,291	2,210
Consolidation	—	(5)
<b>Total</b>	<b>16,497</b>	<b>15,676</b>

## 19 Reserves for loss and loss adjustment expenses

As of December 31,	2010 € mn	2009 € mn
Property-Casualty	57,509	55,715
Life/Health	8,984	8,738
Consolidation	(19)	(12)
<b>Total</b>	<b>66,474</b>	<b>64,441</b>

### Reserves for loss and loss adjustment expenses for the Property-Casualty segment

#### Reconciliation of beginning and ending 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 segment for each of the years in the three-year period ended December 31, 2010.

#### Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment

	2010			2009			2008		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of January 1,	55,715	(7,175)	48,540	55,616	(7,820)	47,796	56,943	(8,266)	48,677
Loss and loss adjustment expenses incurred									
Current year	31,158	(2,473)	28,685	30,072	(2,685)	27,387	30,398	(2,969)	27,429
Prior years	(2,551)	1,007	(1,544)	(1,962)	895	(1,067)	(2,241)	798	(1,443)
Subtotal	28,607	(1,466)	27,141	28,110	(1,790)	26,320	28,157	(2,171)	25,986
Loss and loss adjustment expenses paid									
Current year	(14,899)	805	(14,094)	(14,159)	791	(13,368)	(14,049)	919	(13,130)
Prior years	(13,860)	1,495	(12,365)	(14,531)	1,732	(12,799)	(13,607)	1,602	(12,005)
Subtotal	(28,759)	2,300	(26,459)	(28,690)	2,523	(26,167)	(27,656)	2,521	(25,135)
Foreign currency translation adjustments and other changes <sup>1</sup>	2,188	(344)	1,844	679	(88)	591	(497)	48	(449)
Changes in the consolidated subsidiaries of the Allianz Group	(242)	26	(216)	—	—	—	127	(39)	88
Reclassifications <sup>2</sup>	—	—	—	—	—	—	(1,458)	87	(1,371)
<b>As of December 31,</b>	<b>57,509</b>	<b>(6,659)</b>	<b>50,850</b>	<b>55,715</b>	<b>(7,175)</b>	<b>48,540</b>	<b>55,616</b>	<b>(7,820)</b>	<b>47,796</b>

<sup>1</sup> Includes effects of foreign currency translation adjustments for loss and loss adjustment expenses for prior years claims of gross € 1,999 mn (2009: € 607 mn; 2008: € (313) mn) and of net € 1,707 mn (2009: € 536 mn; 2008: € (284) mn).

<sup>2</sup> Since the first quarter of 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

Prior years' 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 December 31, 2010, the Allianz Group recorded additional income of € 1,544 mn (2009: € 1,067 mn; 2008: € 1,443 mn) with respect of losses occurring in prior years. During the year ended December 31, 2010, these amounts as percentages of the net balance of the beginning of the year were 3.2% (2009: 2.2%; 2008: 3.0%).

### **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 type topics like asbestos claims. The origin year of losses is taken into consideration by analyzing each line of business also by accident year. While this determines the estimates of reserves for loss

and LAE by accident year as recorded in the consolidated balance sheet, 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). The tables below first show the loss development by accident year followed by the resulting change for the most recent calendar years.

The tables below show the net run-off triangles of the Property-Casualty business.

The run-off triangle, also known as "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.

### **Loss payments for the individual accident years (per calendar year, net)**

Calendar Year	Accident year								
	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	2010 € mn	Total € mn
2003	25,015								25,015
2004	11,808	11,445							23,253
2005	4,827	5,889	11,881						22,597
2006	4,048	1,561	6,632	11,761					24,002
2007	2,830	963	2,058	6,403	12,631				24,885
2008	2,163	644	1,158	1,643	6,397	13,130			25,135
2009	1,907	312	531	955	1,744	7,350	13,368		26,167
2010	1,363	211	432	586	934	2,151	6,688	14,094	26,459

### **Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)**

As of December 31,	Accident year								
	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	2010 € mn	Total € mn
2003	44,683								44,683
2004	31,455	14,025							45,480
2005	27,221	7,658	14,777						49,656
2006	22,324	4,921	8,238	13,848					49,331
2007	18,820	3,354	4,879	7,612	14,012				48,677
2008	16,007	2,382	3,248	4,488	7,449	14,222			47,796
2009	14,055	1,987	2,334	3,432	5,038	7,620	14,074		48,540
2010	12,838	1,624	1,811	2,815	3,911	5,666	7,456	14,729	50,850

### Ultimate loss for the individual accident years at the respective reporting date (net)

As of December 31,	Accident year									Total
	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	2010 € mn		
2003	69,698									
2004	68,278	25,470								
2005	68,871	24,993	26,658							
2006	68,022	23,816	26,751	25,610						
2007	67,349	23,212	25,450	25,776	26,643					
2008	66,699	22,884	24,977	24,295	26,477	27,353				
2009	66,654	22,801	24,594	24,194	25,810	28,100	27,442			
2010	66,800	22,650	24,502	24,164	25,617	28,297	27,512	28,823		
Surplus <sup>1</sup>	2,899	2,821	2,155	1,446	1,026	(944)	(70)	— <sup>2</sup>	9,333	
Change 2009 to 2010 <sup>1</sup>	(146)	151	92	30	193	(197)	(70)	— <sup>2</sup>	53	

1 Includes foreign exchange effects.

2 Presentation not meaningful.

### Calendar year premiums earned and ultimate loss ratio for the individual accident years at the respective reporting date (net)

As of December 31	Premiums earned (net) € mn	Accident year								
		2004	2005	2006	2007	2008	2009	2010	%	%
2004	37,385	68.1								
2005	37,686	66.9	70.7							
2006	37,950	63.7	71.0	67.5						
2007	38,553	62.1	67.5	67.9	69.1					
2008	38,213	61.2	66.3	64.0	68.7	71.6				
2009	37,828	61.0	65.3	63.8	66.9	73.5	72.5			
2010	39,303	60.6	65.0	63.7	66.4	74.1	72.7	73.3		

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 status for each accident-year period would remain the same. In practice, however, the ultimate loss status (based on estimates) is exposed to fluctuations that reflect the growth in knowledge about the loss cases. The loss ratio varies slightly 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 and loss account.

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 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 reserves.

The following table summarizes the development of the Allianz Group's loss and LAE reserves over the past six years. The table presents calendar year data, not accident year data.

Each column of this table shows reserves as of a single reporting date and subsequent development of these reserves. The top row of each column shows net reserves as initially established at the end of each stated year. The next section, reading down, shows the cumulative net amounts paid as of the end of the successive years with respect to the reserve initially established. The next section shows the retroactive re-estimation of the initially established net reserves for loss and LAE as of the end of each successive year. This re-estimation results primarily from additional facts and circumstances that pertain to open claims.

The bottom section compares the latest re-estimated gross and net reserves, respectively, for loss and LAE to the gross and net reserves, respectively, as initially

established, and indicates the cumulative development of the initially established reserves through December 31, 2010. The surplus (deficiency) shown in the table for each year represents the aggregate amount by which the original estimates of reserves at that year-end have changed in subsequent years. Accordingly, the cumulative surplus (deficiency) for a year-end relates only to reserves at that year-end and such amounts are not additive. Caution should be exercised in evaluating the information shown in this table, as each amount includes the effects of all changes in amounts for prior periods. For example, the development of 2005 reserves during 2008 is included in the cumulative surplus (deficiency) of the 2005 through 2007 columns.

Given that the table below presents calendar year data and not, like the one above, accident year data, conditions and trends that have affected development of liability in the past may or may not necessarily occur in the future. Consequently, conclusions about future results may not be derived from information presented in this table.

Companies acquired or divested during the period shown in the table, can lead to distortions in the cumulative surplus or deficiency. The table starts with the presentation of net and gross liabilities for unpaid claims and claims expenses as accounted, as of the respective date of the balance sheet. Over time, these liabilities are re-estimated. In addition, these liabilities will change if, through either acquisition, sale of a company or reclassification, entire new portfolios of claim payments and reserves are added to or subtracted from the data. In addition, changes in currency exchange rates can lead to distortions in the cumulative surplus or deficiency.

	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	2010 € mn
<b>Reserves for loss and loss adjustment expenses (gross)</b>	55,529	60,259	58,664	56,943	55,616	55,715	57,509
Reserves for loss and loss adjustment expenses (ceded)	10,049	10,604	9,333	8,266	7,820	7,175	6,659
Reserves for loss and loss adjustment expenses (net)	45,480	49,655	49,331	48,677	47,796	48,540	50,850
<b>Net paid (cumulative) as of</b>							
One year later	10,716	12,241	12,254	12,005	12,799	12,364	
Two years later	16,326	18,093	17,863	17,455	18,476		
Three years later	20,119	22,058	21,568	20,980			
Four years later	22,926	24,807	24,159				
Five years later	25,145	26,812					
Six years later	26,719						
<b>Net liabilities re-estimated as of</b>							
One year later	45,595	47,725	46,919	45,579	47,265	48,486	
Two years later	43,570	45,145	43,988	44,300	47,142		
Three years later	42,293	43,695	43,375	43,980			
Four years later	41,315	43,183	43,248				
Five years later	41,187	43,086					
Six years later	41,181						
<b>Cumulative surplus (deficiency)</b>							
Net surplus <sup>1</sup>	4,299	6,570	6,083	4,697	654	53	
Net surplus after changes in the consolidated subsidiaries of the Allianz Group <sup>2</sup>	4,299	6,570	6,083	3,326	654	(163)	
<b>Net surplus as a % of initial reserves</b>	<b>9.5%</b>	<b>13.2%</b>	<b>12.3%</b>	<b>6.8%</b>	<b>1.4%</b>	<b>(0.3%)</b>	
Gross surplus <sup>1</sup>	4,989	7,756	7,211	5,541	1,769	794	
Gross surplus after changes in the consolidated subsidiaries of the Allianz Group <sup>2</sup>	4,989	7,756	7,211	4,083	1,769	552	

1 Gross/Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years claims and includes foreign currency translation adjustments of gross € 1,999 mn (2009: € 607 mn) and net € 1,707 mn (2009: € 536 mn). This leads to an effective run-off result excluding effects of foreign currency translation of gross € 2,551 mn (2009: € 1,962 mn) and net € 1,544 mn (2009: € 1,067 mn) which can be found in the table "Changes in reserves for loss and loss adjustment expenses during 2010, gross and net of reinsurance" within this section. Please note that the 2009 numbers refer to the surplus presented in the consolidated financial statements 2009 and not the cumulative surplus of the calendar year 2009 presented in the table above.

2 Three major reclassifications occurred in 2008 in which the accident and health unit of Allianz IARD and the health unit from Allianz Belgium were transferred from the Property-Casualty segment into the Life/Health segment and the health unit of the Brazilian subsidiary Allianz Seguros was transferred from the Life/Health segment into the Property-Casualty segment, accounting for the € 1,458 mn gross effect and € 1,371 mn net effect in 2008. The effect on the liability re-estimated consists of effects on paid and unpaid losses for prior years in the year of the transaction, while the effect of (divestitures)/acquisitions presented in the table "Changes in the reserves for loss and loss adjustment expenses" states the total amount of loss reserves being deconsolidated or consolidated for the first time. During 2010 Alba and Phenix were sold to an external party, accounting for the € 242 mn gross effect and € 216 mn net effect (as of the third quarter of 2010).

In 2010, net loss and LAE reserves increased by € 2,310 mn or 4.8% to € 50,850 mn, resulting primarily from the impact of currency fluctuations during 2010. Reserve developments during 2010 are described in further detail in the succeeding section "Changes in reserves for loss and LAE during 2010".

### Composition of loss and LAE by line of business

The time required to learn of and settle claims is an important consideration in establishing reserves. Short-tail claims, such as motor property damage claims, are typically reported within a few days or weeks and are generally settled within two to three years. Medium-tail claims such as personal and commercial motor liability claims generally take four to six years to settle, while long-tail claims, such as general liability, workers compensation, construction and professional liability claims take longer.

The following table breaks down the loss and LAE reserves of the Allianz Group, in total and separately by IBNR and case reserves, gross of reinsurance, by line of business for the years ending December 31, 2010, 2009 and 2008.

The Allianz Group estimates that loss and LAE reserves consist of approximately 10% short-tail, 50% medium-tail and 40% long-tail business.

### Loss and LAE reserves by year and line of business, gross of reinsurance

	2010 € mn	2009 € mn	2008 € mn
<b>Motor</b>	<b>19,088</b>	<b>19,018</b>	<b>18,710</b>
Case Reserves	15,540	15,851	15,237
IBNR Reserves	3,547	3,167	3,474
<b>General Liability</b>	<b>11,619</b>	<b>11,063</b>	<b>10,930</b>
Case Reserves	7,211	6,909	6,255
IBNR Reserves	4,408	4,153	4,674
<b>Workers Compensation/ Employers Liability</b>	<b>4,560</b>	<b>4,273</b>	<b>4,224</b>
Case Reserves	2,227	2,038	2,097
IBNR Reserves	2,333	2,235	2,127
<b>Property</b>	<b>4,127</b>	<b>3,952</b>	<b>3,682</b>
Case Reserves	3,862	3,595	3,269
IBNR Reserves	265	357	414
<b>Inwards Reinsurance</b>	<b>2,186</b>	<b>1,854</b>	<b>1,899</b>
Case Reserves	1,219	1,095	1,106
IBNR Reserves	967	759	792
<b>Personal Accident</b>	<b>1,377</b>	<b>1,278</b>	<b>1,264</b>
Case Reserves	1,366	1,243	1,167
IBNR Reserves	11	35	98
<b>Construction Damage and Liability</b>	<b>2,019</b>	<b>1,945</b>	<b>1,872</b>
Case Reserves	505	517	535
IBNR Reserves	1,515	1,428	1,338
<b>Credit Insurance</b>	<b>1,302</b>	<b>1,417</b>	<b>1,407</b>
Case Reserves	1,179	1,387	1,315
IBNR Reserves	123	31	92
<b>AGCS<sup>1</sup></b>	<b>7,632</b>	<b>7,062</b>	<b>7,215</b>
Case Reserves	4,553	4,189	4,477
IBNR Reserves	3,079	2,873	2,738
<b>Other<sup>2</sup></b>	<b>3,598</b>	<b>3,638</b>	<b>4,201</b>
Case Reserves	2,221	2,129	2,064
IBNR Reserves	1,377	1,509	2,137
<b>Allianz Group Total<sup>3</sup></b>	<b>57,509</b>	<b>55,501</b>	<b>55,405</b>
Case Reserves	39,883	38,954	37,522
IBNR	17,626	16,547	17,883

<sup>1</sup> Allianz Global Corporate & Specialty was established in 2006 and combines reserves formerly presented as Marine & Aviation and as part of reserves for Germany, NAFTA Region and Allianz Risk Transfer (ART).

<sup>2</sup> Other comprises primarily Package / Multiple Perils, Legal Protection, Aviation and Travel Insurance lines of business.

<sup>3</sup> Alba and Phenix were sold to an external party during 2010. As a result, the historical data for this unit was removed from the 2008 and 2009 reporting period. The reduction in the gross reserves associated with the sale was € 214 mn in 2009 and € 204 mn in 2008. A portion of the health portfolio from Allianz Suisse was transferred effective January 1, 2008 to another Swiss insurance company. As a result, the historical data for this unit was removed from the 2008 reporting period. The total reserves removed from 2008 was € 7.44 mn. Furthermore a portfolio from the Spanish subsidiary was transferred to AGCS and hence the history for 2009 and 2008 has been restated. The total gross reserves transferred to AGCS was € 154 mn.

When reviewing the foregoing tables, caution should be used in comparing the split between case and IBNR reserves across line of business. The portion of IBNR on total loss reserves varies by line of business due to different reporting and settlement patterns. For short-tail lines of business, such as property, claims are generally

reported immediately after occurrence and settled in a period of only a few years. For long-tail lines of business, such as product liability, it is not unusual that a claim is reported years after its occurrence and settlement can also take a significant length of time, in particular for bodily injury claims.

## Changes in reserves for loss and LAE during 2010

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2010 by € 2,551 mn gross of reinsurance and € 1,544 mn net of reinsurance, representing 4.6% of gross reserves and 3.2% of net reserves as of December 31, 2009. The following table provides a breakdown of these amounts by line of business.

### Changes in the reserves for loss and loss adjustment expenses during 2010, gross and net of reinsurance

	Gross reserves as of 12/31/2009 € mn	Gross development related to prior years € mn	% <sup>1</sup>	Net reserves as of 12/31/2009 € mn	Net development related to prior years € mn	% <sup>2</sup>
Motor	19,018	(627)	(3.3)%	16,835	(659)	(3.9)%
General Liability	11,063	164	1.5%	9,062	(51)	(0.6)%
Workers Compensation / Employers Liability	4,273	(48)	(1.1)%	4,095	(43)	(1.0)%
Property	3,952	(196)	(4.9)%	2,893	(123)	(4.2)%
Inwards Reinsurance	1,854	(155)	(8.4)%	3,822	(92)	(2.4)%
Personal Accident	1,278	(28)	(2.2)%	1,008	(4)	(0.4)%
Construction Damage and Liability	1,945	(20)	(1.0)%	1,770	(30)	(1.7)%
Credit Insurance	1,417	(281)	(19.8)%	1,135	(199)	(17.5)%
AGCS	7,062	(803)	(11.4)%	4,865	(278)	(5.7)%
Other	3,638	(559)	(15.4)%	2,863	(65)	(2.3)%
<b>Allianz Group<sup>3</sup></b>	<b>55,501</b>	<b>(2,551)</b>	<b>(4.6)%</b>	<b>48,348</b>	<b>(1,544)</b>	<b>(3.2)%</b>

1 In % of gross reserves as of December 31, 2009.

2 In % of net reserves as of December 31, 2009.

3 Alba and Phenix were sold to an external party during 2010. As a result, the historical data for this unit was removed from the 2009 gross and net reserves. The reduction in the gross reserves associated with the sale was € 214 mn on gross basis and € 191 mn on a net basis in 2009. Furthermore, a portfolio from the Spanish subsidiary was transferred to AGCS and hence the history for 2009 has been restated. The total reserves transferred were € 154 mn on a gross basis and € 14 mn on a net basis.

Below, the major highlights of the reserve developments in 2010 are discussed by line of business. The discussion is based on net loss and LAE reserves in the local currency of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Individual explanations of amounts in the following discussion, which includes only significant developments for our major operating entities, 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 2010 by approximately € 659 mn, or 3.9% of reserves at December 31, 2009. Favorable development was seen across a large number of operating entities. The following subsidiaries were the largest contributors:

€ 122 mn at the Allianz Group's Spanish subsidiary. The reduction was driven by lower than expected claim severity for three reasons: an increase was anticipated to

respond to a legislative change which did not become effective, extraordinarily low inflation and the price conditions with external providers, especially repair shops, lawyers and doctors, reached more favorable agreements.

€ 94 mn at the Allianz Group's Australian subsidiary for motor third party liability, primarily as a result of continuing positive experience in medium-tail classes, where the impact of superimposed inflation and of prior years' legislative changes continued to be better than assumed in prior reporting years.

€ 91 mn at the Allianz Group's Italian subsidiary. The benefit from the payment exchange mechanism between the Italian subsidiary and other market players under the direct indemnity system was significantly better than anticipated.

€ 51 mn at the Allianz Group's U.K. subsidiary, predominantly from savings on bodily injury claims as a result of changing claims development patterns, mainly on

commercial motor lines. These changes are due to claim division reorganizations and sustainability project initiatives delivering benefits faster and greater than anticipated.

### Credit insurance

Credit insurance is underwritten in the Allianz Group by Euler Hermes. During 2010, Euler Hermes experienced favorable development of € 199 mn net of reinsurance mainly driven by the recovery in the economic environment during 2010 resulting in less insolvencies than expected for France, Germany, U.K. and Italy.

### Allianz Global Corporate and Specialty

Allianz Global Corporate and Specialty (AGCS) is the Allianz Group's global carrier for corporate and specialty risks and also includes the corporate branch of the German business. Overall, AGCS experienced € 278 mn of favorable development in 2010 net of reinsurance, or 5.7% of the reserves as at December 31, 2009. The major contributors of the run-off included:

€ 144 mn in the global engineering and liability portfolios from favorable settlements on some individual large claims and a lower than anticipated number of larger losses emerging in long-tailed lines.

€ 51 mn in the global aviation portfolio driven mostly by favorable settlements on larger airline accidents from year 2009.

### Discounting of reserves for loss and LAE

As of December 31, 2010, 2009 and 2008, the Allianz Group's consolidated Property-Casualty reserves reflected discounts of € 1,846 mn, € 1,675 mn and € 1,712 mn respectively.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonable determinable. Reserves are discounted to varying degrees in the U.S.A., Germany, Hungary, Switzerland, Portugal and France. The reserve discounts relate to reserves for structured settlements in various classes of business. These classes include personal accident, general liability and motor liability in Germany and Hungary, workers' compensation in the U.S.A., Switzerland and Portugal and motor liability in France.

The following table shows, by line of business, the carrying amounts of reserves for claims and claim adjustment expenses that have been discounted, and the interest rates used for discounting for the years ended December 31:

### Discounting of reserves for loss and loss adjustment expenses

As of December 31,	Discounted reserves			Amount of the discount			Interest rate used for discounting <sup>1</sup>		
	2010 € mn	2009 € mn	2008 € mn	2010 € mn	2009 € mn	2008 € mn	2010 %	2009 %	2008 %
Motor liability	626	583	632	452	426	446	2.25 – 5.98	2.25 – 5.55	1.40 – 5.25
General liability	187	184	190	161	156	164	2.25 – 5.98	2.25 – 5.55	1.40 – 5.25
Personal accident	387	360	325	229	218	201	2.25 – 4.00	2.25 – 4.00	2.25 – 4.00
Workers compensation/ Employers liability	630	533	539	350	312	309	3.00 – 5.98	3.00 – 5.55	3.00 – 5.25
Others	16	15	26	12	12	19	2.25 – 5.98	2.25 – 5.55	1.40 – 5.25
<b>Total</b>	<b>1,846</b>	<b>1,675</b>	<b>1,712</b>	<b>1,204</b>	<b>1,124</b>	<b>1,139</b>			

<sup>1</sup> The wide 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.

### 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, 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 remediation and 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 analyze these non-U.S. A&E exposures. The results of the non-U.S. A&E reserve analysis support the prior and current levels of carried A&E reserves without any need for additional reserve strengthening in 2010.

For the U.S. A&E exposure, an independent actuarial analysis was initiated in 2009 and finalized in 2010. As a result of this study Fireman's Fund Insurance Company has increased its reserves for asbestos and environmental risks on a stand-alone statutory basis by USD 301 mn net. The increase of reserves at Fireman's Fund Insurance Company has had no impact on the financial results of the Allianz Group.

The following table summarizes the gross and net loss and LAE reserves for A&E claims.

### Gross and net loss and LAE reserves for A&E claims

As of December 31,	2010 € mn	2009 € mn	2008 € mn
A&E net reserves	2,713	2,652	2,618
A&E gross reserves	3,272	3,099	3,140
As percentage of the Allianz Group's Property-Casualty gross reserves	5.7%	5.6%	5.6%

The following table shows total A&E loss activity for the past three years.

### Asbestos and environmental gross loss and loss adjustment expenses

	2010 € mn	2009 € mn	2008 € mn
Total asbestos and environmental:			
Loss and LAE reserves as of January 1,	3,099	3,140	3,287
- Loss and LAE payments	(195)	(166)	(199)
+ Change in loss and LAE reserves	368	125	52
Loss and LAE reserves as of December 31,	3,272	3,099	3,140

**20****Reserves for insurance and investment contracts**

As of December 31,	2010 € mn	2009 € mn
Aggregate policy reserves	324,189	298,725
Reserves for premium refunds	24,802	24,430
Other insurance reserves	802	646
<b>Total</b>	<b>349,793</b>	<b>323,801</b>

**Aggregate policy reserves**

As of December 31,	2010 € mn	2009 € mn
Participating life insurance contracts	138,588	132,774
Traditional long-duration insurance contracts	54,860	50,948
Universal life-type insurance contracts	129,680	114,054
Non-unit-linked investment contracts	1,061	949
<b>Total</b>	<b>324,189</b>	<b>298,725</b>

Changes in aggregate policy reserves for participating life insurance contracts and traditional long-duration insurance contracts for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Participating life insurance contracts € mn	Traditional long-duration insurance contracts € mn	Participating life insurance contracts € mn	Traditional long-duration insurance contracts € mn
			132,774	50,948
<b>As of January 1,</b>	<b>132,774</b>	<b>50,948</b>	<b>129,859</b>	<b>46,943</b>
Foreign currency translation adjustments	748	1,220	5	262
Changes in the consolidated subsidiaries of the Allianz Group	—	(67)	—	1,942
Changes recorded in consolidated income statements	4,265	929	1,933	736
Dividends allocated to policyholders	1,135	461	1,193	311
Additions and disposals	4	(47)	(302)	288
Other changes <sup>2</sup>	(338) <sup>1</sup>	1,416 <sup>3</sup>	86 <sup>1</sup>	466
<b>As of December 31,</b>	<b>138,588</b>	<b>54,860</b>	<b>132,774</b>	<b>50,948</b>

1 For the year ended December 31, 2010, includes changes of shadow accounting of € (9) mn (2009: € 87 mn).

2 Includes for the year ended December 31, 2010, transfers from participating life insurance contracts to traditional long-duration insurance contracts of € 270 mn.

3 Includes transfers from universal life-type insurance contracts to traditional long-duration insurance contracts of € 913 mn.

Changes in aggregate policy reserves for universal life-type insurance contracts and non-unit-linked investment contracts for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Universal life-type insurance contracts € mn	Non-unit-linked investment contracts € mn	Universal life-type insurance contracts € mn	Non-unit-linked investment contracts € mn
<b>As of January 1,</b>	<b>114,054</b>	<b>949</b>	<b>102,560</b>	<b>839</b>
Foreign currency translation adjustments	3,606	23	(978)	2
Changes in the consolidated subsidiaries of the Allianz Group	(85)	—	—	—
Premiums collected	19,585	472	19,739	423
Separation of embedded derivatives	(321)	(1)	(610)	(3)
Interest credited	4,719	28	4,086	80
Releases upon death, surrender and withdrawal	(11,227)	(420)	(10,824)	(385)
Policyholder charges	(1,303)	(8)	(1,005)	(11)
Portfolio acquisitions and disposals	4	—	(8)	—
Transfers <sup>1</sup>	648 <sup>2</sup>	18	1,094	4
<b>As of December 31,</b>	<b>129,680</b>	<b>1,061</b>	<b>114,054</b>	<b>949</b>

1 The transfers mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

2 Includes for the year ended December 31, 2010, transfers from universal life-type contracts to traditional long-duration insurance contracts of € (913) mn.

As of December 31, 2010, participating life business represented approximately 59% (2009: 62%) of the Allianz Group's gross insurance in force. During the year ended December 31, 2010, participating policies represented approximately 64% (2009: 64%) of gross statutory premiums written and 63% (2009: 63%) of life premiums earned. As of December 31, 2010, reserves for conventional participating policies were approximately 49% (2009: 51%) of the Allianz Group's consolidated aggregate policy reserves.

### Reserves for premium refunds

	2010 € mn	2009 € mn	2008 € mn
Amounts already allocated under local statutory or contractual regulations			
<b>As of January 1,</b>	<b>12,409</b>	<b>12,458</b>	<b>13,438</b>
Foreign currency translation adjustments	35	4	6
Changes in the consolidated subsidiaries of the Allianz Group	(20)	—	—
Changes	(859)	(53)	(986)
<b>As of December 31,</b>	<b>11,565</b>	<b>12,409</b>	<b>12,458</b>
Latent reserves for premium refunds			
<b>As of January 1,</b>	<b>12,021</b>	<b>4,737</b>	<b>13,787</b>
Foreign currency translation adjustments	150	(6)	67
Changes due to fluctuations in market value	(682)	6,599	(7,024)
Changes in the consolidated subsidiaries of the Allianz Group	(7)	—	—
Changes due to valuation differences charged to income	1,755	691	(2,093)
<b>As of December 31,</b>	<b>13,237</b>	<b>12,021</b>	<b>4,737</b>
<b>Total</b>	<b>24,802</b>	<b>24,430</b>	<b>17,195</b>

### Concentration of insurance risk in the Life/Health segment

The Allianz Group's Life/Health segment provides a wide variety of insurance and investment contracts to individuals and groups in approximately 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without consideration of policyholder participation, 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 U.S.A. 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 December 31, 2010 and 2009, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the Life/Health segment are summarized as follows:

As of December 31,	Deferred acquisition costs € mn	Aggregate policy reserves € mn	Reserves for premium refunds € mn	Other insurance reserves € mn	Total non-unit-linked reserves € mn	Liabilities for unit-linked contracts € mn	Total € mn
<b>2010</b>							
Germany Life	6,290	134,431	16,127	120	150,678	3,153	153,831
Germany Health	971	15,983	4,943	16	20,942	—	20,942
France	1,396	50,374	1,578	186	52,138	12,715	64,853
Italy	755	25,437	(319)	—	25,118	19,415	44,533
Switzerland	220	8,511	1,030	140	9,681	721	10,402
Austria	190	3,307	206	1	3,514	586	4,100
South Korea	573	7,261	35	—	7,296	770	8,066
Belgium	110	6,522	23	38	6,583	257	6,840
Spain	21	5,502	39	—	5,541	37	5,578
Other Western and Southern Europe	335	2,352	25	5	2,382	4,661	7,043
Eastern Europe	351	1,986	7	4	1,997	1,153	3,150
United States	4,181	47,365	—	—	47,365	14,407	61,772
Taiwan	272	1,748	—	26	1,774	4,171	5,945
Other Asia-Pacific	785	3,799	131	37	3,967	2,737	6,704
Central and South America	3	491	—	—	491	3	494
Other	7	1,067	3	2	1,072	61	1,133
<b>Total</b>	<b>16,460</b>	<b>316,136</b>	<b>23,828</b>	<b>575</b>	<b>340,539</b>	<b>64,847</b>	<b>405,386</b>
<b>2009</b>							
Germany Life	5,928	126,993	15,185	3	142,181	2,715	144,896
Germany Health	938	15,048	4,698	19	19,765	—	19,765
France	1,409	47,834	1,739	167	49,740	11,876	61,616
Italy	787	22,681	410	—	23,091	19,580	42,671
Switzerland	214	6,957	806	116	7,879	604	8,483
Austria	225	3,274	177	1	3,452	486	3,938
South Korea	643	5,871	34	—	5,905	763	6,668
Belgium	108	5,968	31	38	6,037	272	6,309
Spain	21	5,321	186	—	5,507	44	5,551
Other Western and Southern Europe	335	2,228	12	6	2,246	3,964	6,210
Eastern Europe	346	1,954	19	4	1,977	1,022	2,999
United States	4,628	40,907	—	—	40,907	11,100	52,007
Taiwan	232	1,526	—	22	1,548	3,332	4,880
Other Asia-Pacific	534	2,877	85	34	2,996	1,195	4,191
Central and South America	3	371	—	—	371	—	371
Other	6	1,021	8	—	1,029	10	1,039
<b>Total</b>	<b>16,357</b>	<b>290,831</b>	<b>23,390</b>	<b>410</b>	<b>314,631</b>	<b>56,963</b>	<b>371,594</b>

A majority of the Allianz Group's Life/Health segment operations is conducted in Western Europe. Insurance laws and regulations in Western 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 48% and 49%, of the Allianz Group's reserves for insurance and investment contracts as of December 31, 2010 and 2009, respectively, 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 U.S.A. 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 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 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 Life/Health segment (comprising 85% of non-unit-linked reserves in both 2010 and 2009) can be summarized by country as follows:

As of December 31,	2010			2009		
	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves
	in %	€ bn	in %	in %	€ bn	in %
Germany Life	3.3	129.0	98.0	3.3	122.3	98.2
France	1.1	50.4	79.8	1.2	47.8	80.1
Italy <sup>1</sup>	2.6	25.2	56.7	2.8	22.4	53.6
United States	1.5	51.0	78.0	1.4	44.2	79.9
Switzerland	2.6	8.6	92.3	2.6	7.0	92.0
South Korea	4.9	7.3	90.5	5.2	5.9	88.6

<sup>1</sup> Excludes Assicuratrice Vita (€ 285 mn of non-unit-linked reserves).

In most of these markets, the effective interest rates being 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. As a result, as of December 31, 2010 and 2009, the Allianz Group does not believe that it is exposed to a significant risk of premium

deficiencies in its Life/Health segment. 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.

**21****Financial liabilities for unit-linked contracts**

As of December 31,	2010 € mn	2009 € mn
Unit-linked insurance contracts	43,027	35,576
Unit-linked investment contracts	21,820	21,387
<b>Total</b>	<b>64,847</b>	<b>56,963</b>

Changes in financial liabilities for unit-linked insurance contracts and unit-linked investment contracts for the years ended December 31, 2010 and 2009 were as follows:

	2010		2009	
	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn
<b>As of January 1,</b>	<b>35,576</b>	<b>21,387</b>	<b>29,056</b>	<b>21,394</b>
Foreign currency translation adjustments	1,677	241	(233)	14
Changes in the consolidated subsidiaries of the Allianz Group	(4)	—	—	—
Premiums collected	8,804	5,932	5,849	4,054
Interest credited	3,405	915	5,401	2,121
Releases upon death, surrender and withdrawal	(3,610)	(6,348)	(2,520)	(5,977)
Policyholder charges	(1,187)	(99)	(950)	(126)
Portfolio acquisitions and disposals	(44)	(3)	(21)	(1)
Transfers <sup>1</sup>	(1,590)	(205)	(1,006)	(92)
<b>As of December 31,</b>	<b>43,027</b>	<b>21,820</b>	<b>35,576</b>	<b>21,387</b>

<sup>1</sup> These transfers mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

**22****Other liabilities**

As of December 31,	2010 € mn	2009 € mn
<b>Payables</b>		
Policyholders	4,855	4,798
Reinsurance	1,813	1,804
Agents	1,471	1,407
<b>Subtotal</b>	<b>8,139</b>	<b>8,009</b>
<b>Payables for social security</b>	<b>434</b>	<b>398</b>
<b>Tax payables</b>		
Income taxes	1,661	1,890
Other taxes	1,086	1,028
<b>Subtotal</b>	<b>2,747</b>	<b>2,918</b>
<b>Accrued interest and rent</b>	<b>659</b>	<b>715</b>
<b>Unearned income</b>		
Interest and rent	13	9
Other	293	316
<b>Subtotal</b>	<b>306</b>	<b>325</b>
<b>Provisions</b>		
Pensions and similar obligations	3,925	3,819
Employee related	1,887	1,887
Share-based compensation plans	1,099	1,296
Restructuring plans	409	346
Loan commitments	7	8
Contingent losses from non-insurance business	155	137
Other provisions	1,564	1,395
<b>Subtotal</b>	<b>9,046</b>	<b>8,888</b>
<b>Deposits retained for reinsurance ceded</b>	<b>2,320</b>	<b>2,547</b>
<b>Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments</b>	<b>225</b>	<b>310</b>
<b>Financial liabilities for puttable equity instruments</b>	<b>3,111</b>	<b>3,451</b>
<b>Other liabilities</b>	<b>6,226</b>	<b>5,724</b>
<b>Total</b>	<b>33,213</b>	<b>33,285</b>

As of December 31, 2010, other liabilities due within one year amounted to € 24,748 mn (2009: € 25,411 mn) and those due after more than one year amounted to € 8,465 mn (2009: € 7,874 mn).

## 23 Certificated liabilities

	Contractual Maturity Date						As of December 31, 2010	As of December 31, 2009
	2011	2012	2013	2014	2015	Thereafter		
	€ mn <sup>1</sup>	€ mn <sup>1</sup>	€ mn <sup>1</sup>	€ mn <sup>1</sup>	€ mn <sup>1</sup>	€ mn <sup>1</sup>		
<b>Allianz SE<sup>2</sup></b>								
Senior bonds								
Fixed rate	—	883	1,485	—	—	2,968	5,336	5,330
Contractual interest rate	—	5.63%	5.00%	—	—	4.37%	—	—
Money market securities								
Fixed rate	1,791	—	—	—	—	—	1,791	1,504
Contractual interest rate	0.70%	—	—	—	—	—	—	—
<b>Total Allianz SE<sup>2</sup></b>	<b>1,791</b>	<b>883</b>	<b>1,485</b>	<b>—</b>	<b>—</b>	<b>2,968</b>	<b>7,127</b>	<b>6,834</b>
Banking subsidiaries								
Senior bonds								
Fixed rate	59	179	98	22	28	—	386	350
Contractual interest rate	3.74%	3.27%	2.33%	4.46%	1.22%	—	—	—
Floating rate	24	—	—	—	2	687	713	750
Current interest rate	0.89%	—	—	—	0.72%	1.29%	—	—
<b>Total banking subsidiaries</b>	<b>83</b>	<b>179</b>	<b>98</b>	<b>22</b>	<b>30</b>	<b>687</b>	<b>1,099</b>	<b>1,100</b>
All other subsidiaries								
Certificated liabilities								
Fixed rate	—	—	—	—	—	3	3	3
Contractual interest rate	—	—	—	—	—	2.11%	—	—
Floating rate	—	—	—	—	—	—	—	25
Current interest rate	—	—	—	—	—	—	—	—
<b>Total all other subsidiaries</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>3</b>	<b>28</b>
<b>Total</b>	<b>1,874</b>	<b>1,062</b>	<b>1,583</b>	<b>22</b>	<b>30</b>	<b>3,658</b>	<b>8,229</b>	<b>7,962</b>

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.

## 24

## Participation certificates and subordinated liabilities

	Contractual Maturity Date						As of December 31, 2010	As of December 31, 2009
	2011 € mn <sup>1</sup>	2012 € mn <sup>1</sup>	2013 € mn <sup>1</sup>	2014 € mn <sup>1</sup>	2015 € mn <sup>1</sup>	Thereafter € mn <sup>1</sup>		
<b>Allianz SE<sup>2</sup></b>								
Subordinated bonds								
Fixed rate	—	—	—	—	—	2,639	2,639	2,506
Contractual interest rate	—	—	—	—	—	7.31%	—	—
Floating rate	—	—	—	—	—	5,662	5,662	5,656
Current interest rate	—	—	—	—	—	5.60%	—	—
<b>Subtotal</b>	—	—	—	—	—	8,301	8,301	8,162
Participation certificates <sup>3</sup>								
Floating rate	—	—	—	—	—	—	—	121
<b>Total Allianz SE<sup>2</sup></b>	—	—	—	—	—	8,301	8,301	8,283
Banking subsidiaries								
Subordinated bonds								
Fixed rate	—	—	70	48	—	136	254	173
Contractual interest rate	—	—	5.66%	5.04%	—	4.75%	—	—
<b>Total banking subsidiaries</b>	—	—	70	48	—	136	254	173
All other subsidiaries								
Subordinated liabilities								
Fixed rate	—	—	—	—	—	398	398	621
Contractual interest rate	—	—	—	—	—	4.62%	—	—
Floating rate	—	—	—	—	—	—	—	225
Current interest rate	—	—	—	—	—	—	—	—
<b>Subtotal</b>	—	—	—	—	—	398	398 <sup>4</sup>	846
Hybrid equity								
Fixed rate	—	—	—	—	—	45	45	45
Contractual interest rate	—	—	—	—	—	2.44%	—	—
<b>Total all other subsidiaries</b>	—	—	—	—	—	443	443	891
<b>Total</b>	—	—	70	48	—	8,880	8,998	9,347

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 With effect of December 31, 2009, the profit participation certificates issued by Allianz SE have been called for redemption pursuant to § 6 para. 4 of the conditions of the profit participation certificates. As of January 4, 2010, holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009, the balance sheet line item "participation certificates and subordinated liabilities" included the total cash compensation payable for the 1,175,554 outstanding profit participation certificates.

4 The decrease relates to the early redemption of subordinated bonds amounting to € 450 mn issued by Allianz France.

## 25 Equity

As of December 31,	2010 € mn	2009 € mn
<b>Shareholders' equity</b>		
Issued capital	1,164	1,162
Capital reserves	27,521	27,473
Retained earnings <sup>1</sup>	13,088	9,642
Foreign currency translation adjustments	(2,339)	(3,626)
Unrealized gains and losses (net) <sup>2</sup>	5,057	5,457
<b>Subtotal</b>	<b>44,491</b>	<b>40,108</b>
<b>Non-controlling interests</b>	<b>2,071</b>	<b>2,121</b>
<b>Total</b>	<b>46,562</b>	<b>42,229</b>

1 As of December 31, 2010, includes € (237) mn (2009: € (213) mn) related to treasury shares.

2 As of December 31, 2010, includes € 196 mn (2009: € 187 mn) related to cash flow hedges.

### Issued capital

Issued capital at December 31, 2010, amounted to € 1,163,520,000 divided into 454,500,000 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 December 31, 2010, Allianz SE had an authorized capital for the issuance of further 214,843,750 shares until May 4, 2015, with a notional amount of € 550,000,000 (Authorized Capital 2010/I). The shareholders' subscription rights can be excluded for capital increases against contribution in kind as well as for fractional amounts. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded 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. Finally, shareholders' subscription rights can be excluded to the extent necessary to grant holders of bonds that carry conversion or option rights a subscription right. An overall limit for the exclusion of subscription rights of up to 20% of the share capital (calculated as of year end 2009) applies for the Authorized Capital 2010/I and the Conditional Capital 2010.

In addition, Allianz SE had another authorized capital for the issuance of further 5,259,375 shares against cash until May 4, 2015, with a notional amount of € 13,464,000 (Authorized Capital 2010/II). The share-

holders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies.

Further, as of December 31, 2010, Allianz SE had a conditional capital in the amount of € 250,000,000 (97,656,250 shares) (Conditional Capital 2010). This conditional capital increase will only be carried out to the extent that 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 general meeting of May 5, 2010, are exercised, or that conversion obligations under such bonds are fulfilled, and only insofar as no other methods are used in serving these rights.

### Changes in the number of issued shares outstanding

	2010	2009	2008
<b>Issued shares outstanding as of January 1,</b>	<b>451,197,223</b>	<b>451,490,223</b>	<b>448,910,648</b>
Exercise of warrants	—	—	2,200,000
Capital increase for employee shares	600,000	850,000	700,000
Change in treasury shares held for non-trading purposes	(248,463)	(2,038,558)	(96,521)
Change in treasury shares held for trading purposes	—	895,558	(223,904)
<b>Issued shares outstanding as of December 31,</b>	<b>451,548,760</b>	<b>451,197,223</b>	<b>451,490,223</b>
Treasury shares	2,951,240	2,702,777	1,559,777
<b>Total number of issued shares</b>	<b>454,500,000</b>	<b>453,900,000</b>	<b>453,050,000</b>

In November 2010, 600,000 (2009: 850,000) shares were issued at a price of € 83.34 (2009: € 77.62) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase 373,380 (2009: 599,968) shares at prices ranging from € 58.34 (2009: € 36.78) to € 69.58 (2009: € 64.68) per share. The remaining 226,620 (2009: 250,032) shares continue to be recognized as treasury shares for further subscriptions by employees in the context of the employee share purchase plan in 2011. As a result, issued capital increased by € 2 mn and capital reserves increased by € 48 mn.

All shares issued during the years ended December 31, 2010, 2009 and 2008 are qualifying shares from the beginning of the year of issue.

## Dividends

For the year ended December 31, 2010, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 4.50 per qualifying share. For the years ended December 31, 2009 and 2008, Allianz SE paid a dividend of € 4.10 and € 3.50, respectively, per qualifying share.

## Treasury shares

As of December 31, 2010, Allianz SE held 2,832,789 (2009: 2,584,367) own shares. Thereof, 226,620 (2009: 250,032) shares were held for covering subscriptions by employees of the Allianz Group in the context of the Employee Stock Purchase Plan 2011, whereas 2,606,169 (2009: 2,334,335) shares were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the fourth quarter of 2010, 271,834 own shares were purchased at a share price of € 89.71 for the purpose of hedging liabilities from the Allianz Equity Incentive Program. Furthermore, in the fourth quarter of 2010, 600,000 new Allianz shares were issued in the context of a capital increase for the Employee Stock Purchase Plan 2010. In 2010, 623,412 shares were sold to employees of Allianz SE and its subsidiaries. Thereof, 250,032 shares originated from the capital increase for the Employee Stock Purchase Plan in 2009 and 373,380 shares from the capital increase for the Employee Stock Purchase Plan in 2010. The remaining 226,620 shares from the capital increase 2010 will be utilized for the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in 2011. The total change of holdings in own shares for the year ended December 31, 2010, amounts to an increase of 248,422 (2009: 2,038,560) shares which corresponds to € 635,960 (2009: € 5,218,714) or 0.05% (2009: 0.45%) of issued capital.

Changes in the treasury shares were:

As of December 31,	Acquisition costs € mn	Number of shares	Issued capital %
<b>2010</b>			
Allianz SE	224	2,832,789	0.62
Other	13	118,451	0.03
<b>Total</b>	<b>237</b>	<b>2,951,240</b>	<b>0.65</b>
<b>2009</b>			
Allianz SE	200	2,584,367	0.57
Other	13	118,410	0.02
<b>Total</b>	<b>213</b>	<b>2,702,777</b>	<b>0.59</b>

## Non-controlling interests

As of December 31,	2010 € mn	2009 € mn
Unrealized gains and losses (net)	36	52
Share of earnings	156	48
Other equity components	1,879	2,021
<b>Total</b>	<b>2,071</b>	<b>2,121</b>

## Capital requirements

The Allianz Group's capital requirements are primarily dependent on the growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. 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 rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole.

On January 1, 2005, the Financial Conglomerates Directive, 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.

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As of December 31, 2010, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the Asset Management and Banking business, was € 39.6 bn (2009: € 34.8 bn) including off-balance sheet reserves<sup>1</sup> of € 2.1 bn (2009: € 2.0 bn), surpassing the minimum legally stipulated level by € 16.7 bn (2009: € 13.6 bn). This margin resulted in a preliminary cover ratio of 173% (2009: 164%) as of December 31, 2010.

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.

Certain of the Allianz Group's insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The 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 risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

As of December 31, 2010, the Allianz Group's insurance subsidiaries were in compliance with all applicable solvency and capital adequacy requirements.

Some insurance subsidiaries are subjected 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. In addition, Allianz SE is not subject to legal restrictions on the amount of dividends it can pay to its shareholders, except the legal reserve in the appropriated retained earnings, which is required according to § 150 (1) of the Aktiengesetz.

<sup>1</sup> 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 164% (2009: 155%).

## Supplementary Information to the Consolidated Income Statements

### 26 Premiums earned (net)

	Property- Casualty € mn	Life/Health € mn	Consolidation € mn	Group € mn
<b>2010</b>				
Premiums written				
Direct	40,720	24,294	—	65,014
Assumed	3,175	415	(22)	3,568
Subtotal	<b>43,895</b>	<b>24,709</b>	<b>(22)</b>	<b>68,582</b>
Ceded	(4,346)	(549)	22	(4,873)
Net	<b>39,549</b>	<b>24,160</b>	<b>—</b>	<b>63,709</b>
Change in unearned premiums				
Direct	(110)	(126)	—	(236)
Assumed	50	—	(4)	46
Subtotal	<b>(60)</b>	<b>(126)</b>	<b>(4)</b>	<b>(190)</b>
Ceded	(186)	—	4	(182)
Net	<b>(246)</b>	<b>(126)</b>	<b>—</b>	<b>(372)</b>
Premiums earned				
Direct	40,610	24,168	—	64,778
Assumed	3,225	415	(26)	3,614
Subtotal	<b>43,835</b>	<b>24,583</b>	<b>(26)</b>	<b>68,392</b>
Ceded	(4,532)	(549)	26	(5,055)
Net	<b>39,303</b>	<b>24,034</b>	<b>—</b>	<b>63,337</b>
<b>2009</b>				
Premiums written				
Direct	39,490	22,125	—	61,615
Assumed	3,033	401	(24)	3,410
Subtotal	<b>42,523</b>	<b>22,526</b>	<b>(24)</b>	<b>65,025</b>
Ceded	(4,574)	(511)	24	(5,061)
Net	<b>37,949</b>	<b>22,015</b>	<b>—</b>	<b>59,964</b>
Change in unearned premiums				
Direct	(135)	(43)	—	(178)
Assumed	—	(5)	(5)	(10)
Subtotal	<b>(135)</b>	<b>(48)</b>	<b>(5)</b>	<b>(188)</b>
Ceded	14	(3)	5	16
Net	<b>(121)</b>	<b>(51)</b>	<b>—</b>	<b>(172)</b>
Premiums earned				
Direct	39,355	22,082	—	61,437
Assumed	3,033	396	(29)	3,400
Subtotal	<b>42,388</b>	<b>22,478</b>	<b>(29)</b>	<b>64,837</b>
Ceded	(4,560)	(514)	29	(5,045)
Net	<b>37,828</b>	<b>21,964</b>	<b>—</b>	<b>59,792</b>

## 26 Premiums earned (net) – continued

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Group € mn
<b>2008</b>				
Premiums written				
Direct	40,116	22,392	—	62,508
Assumed	3,271	367	(25)	3,613
Subtotal	<b>43,387</b>	<b>22,759</b>	<b>(25)</b>	<b>66,121</b>
Ceded	(4,972)	(527)	25	(5,474)
Net	<b>38,415</b>	<b>22,232</b>	<b>—</b>	<b>60,647</b>
Change in unearned premiums				
Direct	(93)	(49)	—	(142)
Assumed	(36)	(2)	1	(37)
Subtotal	<b>(129)</b>	<b>(51)</b>	<b>1</b>	<b>(179)</b>
Ceded	(73)	—	(1)	(74)
Net	<b>(202)</b>	<b>(51)</b>	<b>—</b>	<b>(253)</b>
Premiums earned				
Direct	40,023	22,343	—	62,366
Assumed	3,235	365	(24)	3,576
Subtotal	<b>43,258</b>	<b>22,708</b>	<b>(24)</b>	<b>65,942</b>
Ceded	(5,045)	(527)	24	(5,548)
Net	<b>38,213</b>	<b>22,181</b>	<b>—</b>	<b>60,394</b>

## 27 Interest and similar income

	2010 € mn	2009 € mn	2008 € mn
Interest from held-to-maturity investments	177	171	180
Dividends from available-for-sale investments	1,001	873	1,864
Interest from available-for-sale investments	11,699	10,618	10,164
Share of earnings from investments in associates and joint ventures	183	80	(37)
Rent from real estate held for investment	699	693	703
Interest from loans to banks and customers	5,507	5,617	5,991
Other interest	162	181	207
<b>Total</b>	<b>19,428</b>	<b>18,233</b>	<b>19,072</b>

**28****Income from financial assets and liabilities carried at fair value through income (net)**

	Property-Casualty € mn	Life/Health € mn	Asset Management € mn	Corporate and Other € mn	Consolidation € mn	Group € mn
<b>2010</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	(114)	(1,040)	1	76	3	(1,074)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	107	867	27	2	(1)	1,002
Income (expenses) from financial liabilities for puttable equity instruments (net)	(21)	(286)	(12)	—	—	(319)
Foreign currency gains and losses (net)	(18)	438	3	(68)	(2)	353
<b>Total</b>	<b>(46)</b>	<b>(21)</b>	<b>19</b>	<b>10</b>	<b>—</b>	<b>(38)</b>
<b>2009</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	(23)	(584)	5	293	4	(305)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	158	1,499	106	19	—	1,782
Income (expenses) from financial liabilities for puttable equity instruments (net)	(31)	(400)	(71)	(4)	—	(506)
Foreign currency gains and losses (net)	(31)	99	—	(165)	—	(97)
<b>Total</b>	<b>73</b>	<b>614</b>	<b>40</b>	<b>143</b>	<b>4</b>	<b>874</b>
<b>2008</b>						
Income (expenses) from financial assets and liabilities held for trading (net)	89	1,812	—	(66)	(69)	1,766
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	(112)	(2,108)	(236)	(24)	—	(2,480)
Income (expenses) from financial liabilities for puttable equity instruments (net)	29	765	166	1	—	961
Foreign currency gains and losses (net)	47	(90)	(1)	166	4	126
<b>Total</b>	<b>53</b>	<b>379</b>	<b>(71)</b>	<b>77</b>	<b>(65)</b>	<b>373</b>

**Income (expenses) from financial assets and liabilities held for trading (net)****Life/Health segment**

Income (expenses) from financial assets and liabilities held for trading for the year ended December 31, 2010 includes in the Life/Health segment expenses of € 1,040 mn (2009: € 584 mn; 2008: income of € 1,812 mn) from derivative financial instruments. This includes expenses of € 351 mn (2009: € 158 mn; 2008: income of € 2,229 mn) of German entities from financial derivative positions to protect against equity and foreign exchange rate fluctuations as well as for duration management. Also included are expenses from U.S. entities amongst others from embedded derivatives required to be separated related to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts of € 670 mn (2009: € 313 mn; 2008: € 627 mn).

**Corporate and Other segment**

Income (expenses) from financial assets and liabilities held for trading for the year ended December 31, 2010, includes in the Corporate and Other segment income of € 72 mn (2009: € 317 mn; 2009: expenses of € 173 mn) from derivative financial instruments. This includes income of € 33 mn (2009: € 84 mn; 2008: expenses of € 11 mn) from financial derivative instruments to protect investments and liabilities against foreign exchange rate fluctuations. In 2010, hedging of strategic equity investments not designated for hedge accounting induced expenses of € 16 mn (2009: € 182 mn; 2008: income of € 420 mn). Financial derivatives related to investment strategies exhibited income of € 68 mn (2009: € 370; 2008: expenses of € 118 mn). Additionally, income (expenses) from financial assets and liabilities held for trading (net) for the year ended December 31, 2010 includes expenses of € 14 mn (2009: € 36 mn; 2008: income of € 110 mn) from the hedges of share based compensation plans (restricted stock units).

### 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 is substantially hedged against foreign currency fluctuations with freestanding derivatives resulting in an offsetting effect of € (267) mn (2009: € 89 mn) on the foreign currency gains and losses (net) for the year ended December 31, 2010.

### 29 Realized gains/losses (net)

	2010 € mn	2009 € mn	2008 € mn
<b>Realized gains</b>			
Available-for-sale investments			
Equity securities	2,587	4,248	5,890
Debt securities	1,834	1,480	716
Subtotal	<b>4,421</b>	<b>5,728</b>	<b>6,606</b>
Investments in associates and joint ventures <sup>1</sup>	237	26	158
Real estate held for investment	277	206	268
Loans to banks and customers	135	150	101
Subtotal	<b>5,070</b>	<b>6,110</b>	<b>7,133</b>
<b>Realized losses</b>			
Available-for-sale investments			
Equity securities	(204)	(1,602)	(2,608)
Debt securities	(1,052)	(970)	(789)
Subtotal	<b>(1,256)</b>	<b>(2,572)</b>	<b>(3,397)</b>
Investments in associates and joint ventures <sup>2</sup>	(21)	(8)	(6)
Real estate held for investment	(3)	(12)	(99)
Loans to banks and customers	(82)	(102)	(28)
Subtotal	<b>(1,362)</b>	<b>(2,694)</b>	<b>(3,530)</b>
Total	<b>3,708</b>	<b>3,416</b>	<b>3,603</b>

1 During the year ended December 31, 2010, includes realized gains from the disposal of subsidiaries and businesses of € 224 mn (2009: € 14 mn; 2008: € 143 mn).

2 During the year ended December 31, 2010, includes realized losses from the disposal of subsidiaries of € 15 mn (2009: € 2 mn; 2008: € 1 mn).

## 30 Fee and commission income

	2010			2009			2008		
	Segment	Consoli- da-tion	Group	Segment	Consoli- da-tion	Group	Segment	Consoli- da-tion	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>Property-Casualty</b>									
Fees from credit and assistance business	661	(4)	657	663	—	663	769	(2)	767
Service agreements	438	(53)	385	412	(82)	330	470	(32)	438
Investment advisory	—	—	—	—	—	—	8	—	8
<b>Subtotal</b>	<b>1,099</b>	<b>(57)</b>	<b>1,042</b>	<b>1,075</b>	<b>(82)</b>	<b>993</b>	<b>1,247</b>	<b>(34)</b>	<b>1,213</b>
<b>Life/Health</b>									
Service agreements	107	(31)	76	102	(36)	66	102	(42)	60
Investment advisory	432	(33)	399	384	(24)	360	459	(34)	425
Other	—	—	—	5	(5)	—	10	(10)	—
<b>Subtotal</b>	<b>539</b>	<b>(64)</b>	<b>475</b>	<b>491</b>	<b>(65)</b>	<b>426</b>	<b>571</b>	<b>(86)</b>	<b>485</b>
<b>Asset Management</b>									
Management fees	5,012	(110)	4,902	3,641	(108)	3,533	3,315	(112)	3,203
Loading and exit fees	381	—	381	281	(2)	279	257	—	257
Performance fees	514	(14)	500	432	(4)	428	83	—	83
Other	147	(5)	142	86	(1)	85	377	(2)	375
<b>Subtotal</b>	<b>6,054</b>	<b>(129)</b>	<b>5,925</b>	<b>4,440</b>	<b>(115)</b>	<b>4,325</b>	<b>4,032</b>	<b>(114)</b>	<b>3,918</b>
<b>Corporate and Other</b>									
Service agreements	198	(31)	167	211	(28)	183	54	(18)	36
Investment advisory and Banking activities	563	(252)	311	512	(200)	312	596	(216)	380
<b>Subtotal</b>	<b>761</b>	<b>(283)</b>	<b>478</b>	<b>723</b>	<b>(228)</b>	<b>495</b>	<b>650</b>	<b>(234)</b>	<b>416</b>
<b>Total</b>	<b>8,453</b>	<b>(533)</b>	<b>7,920</b>	<b>6,729</b>	<b>(490)</b>	<b>6,239</b>	<b>6,500</b>	<b>(468)</b>	<b>6,032</b>

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## 31 Other income

	2010 € mn	2009 € mn	2008 € mn
<b>Income from real estate held for own use</b>			
Realized gains from disposals of real estate held for own use	18	3	374
Other income from real estate held for own use	1	5	11
<b>Subtotal</b>	<b>19</b>	<b>8</b>	<b>385</b>
<b>Income from alternative investments<sup>1</sup></b>	<b>78</b>	—	—
Other	21	33	23
<b>Total</b>	<b>118</b>	<b>41</b>	<b>408</b>

1 Beginning 2010, income and expenses from alternative investments are shown gross in other income and other expenses.

## 32 Income and expenses from fully consolidated private equity investments

	2010 € mn	2009 € mn	2008 € mn
<b>Income</b>			
Sales and service revenues	1,684	1,812	2,516
Other operating revenues	15	96	20
Interest income	2	2	13
<b>Subtotal</b>	<b>1,701</b>	<b>1,910</b>	<b>2,549</b>
<b>Expenses</b>			
Cost of goods sold	(1,040)	(1,186)	(1,644)
Commissions	(114)	(126)	(155)
General and administrative expenses	(573)	(704)	(481)
Other operating expenses	(112)	(159)	(96)
Interest expenses	(77)	(99)	(94)
<b>Subtotal</b>	<b>(1,916)<sup>1</sup></b>	<b>(2,274)<sup>1</sup></b>	<b>(2,470)</b>
<b>Total</b>	<b>(215)<sup>1</sup></b>	<b>(364)<sup>1</sup></b>	<b>79</b>

1 The presented subtotal for expenses and total income and expenses from fully consolidated private equity investment for the year ended December 31, 2010 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 € 113 mn (2009: € 132 mn) for the year ended December 31, 2010. 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)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Group € mn
<b>2010</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(28,759)	(19,189)	11	(47,937)
Change in loss and loss adjustment expenses	152	(258)	5	(101)
<b>Subtotal</b>	<b>(28,607)</b>	<b>(19,447)</b>	<b>16</b>	<b>(48,038)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	2,300	451	(11)	2,740
Change in loss and loss adjustment expenses	(834)	41	(5)	(798)
<b>Subtotal</b>	<b>1,466</b>	<b>492</b>	<b>(16)</b>	<b>1,942</b>
<b>Net</b>				
Claims and insurance benefits paid	(26,459)	(18,738)	—	(45,197)
Change in loss and loss adjustment expenses	(682)	(217)	—	(899)
<b>Total</b>	<b>(27,141)</b>	<b>(18,955)</b>	<b>—</b>	<b>(46,096)</b>
<b>2009</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(28,690)	(19,537)	16	(48,211)
Change in loss and loss adjustment expenses	580	(248)	—	332
<b>Subtotal</b>	<b>(28,110)</b>	<b>(19,785)</b>	<b>16</b>	<b>(47,879)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	2,523	463	(16)	2,970
Change in loss and loss adjustment expenses	(733)	(4)	—	(737)
<b>Subtotal</b>	<b>1,790</b>	<b>459</b>	<b>(16)</b>	<b>2,233</b>
<b>Net</b>				
Claims and insurance benefits paid	(26,167)	(19,074)	—	(45,241)
Change in loss and loss adjustment expenses	(153)	(252)	—	(405)
<b>Total</b>	<b>(26,320)</b>	<b>(19,326)</b>	<b>—</b>	<b>(45,646)</b>
<b>2008</b>				
<b>Gross</b>				
Claims and insurance benefits paid	(27,656)	(20,057)	13	(47,700)
Change in loss and loss adjustment expenses	(501)	(89)	3	(587)
<b>Subtotal</b>	<b>(28,157)</b>	<b>(20,146)</b>	<b>16</b>	<b>(48,287)</b>
<b>Ceded</b>				
Claims and insurance benefits paid	2,521	490	(13)	2,998
Change in loss and loss adjustment expenses	(350)	(17)	(3)	(370)
<b>Subtotal</b>	<b>2,171</b>	<b>473</b>	<b>(16)</b>	<b>2,628</b>
<b>Net</b>				
Claims and insurance benefits paid	(25,135)	(19,567)	—	(44,702)
Change in loss and loss adjustment expenses	(851)	(106)	—	(957)
<b>Total</b>	<b>(25,986)</b>	<b>(19,673)</b>	<b>—</b>	<b>(45,659)</b>

## 34 Change in reserves for insurance and investment contracts (net)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Group € mn
<b>2010</b>				
<b>Gross</b>				
Aggregate policy reserves	(146)	(8,126)	—	(8,272)
Other insurance reserves	3	(255)	—	(252)
Expenses for premium refunds	(185)	(5,010)	(242)	(5,437)
<b>Subtotal</b>	<b>(328)</b>	<b>(13,391)</b>	<b>(242)</b>	<b>(13,961)</b>
<b>Ceded</b>				
Aggregate policy reserves	23	32	—	55
Other insurance reserves	1	12	—	13
Expenses for premium refunds	4	18	—	22
<b>Subtotal</b>	<b>28</b>	<b>62</b>	<b>—</b>	<b>90</b>
<b>Net</b>				
Aggregate policy reserves	(123)	(8,094)	—	(8,217)
Other insurance reserves	4	(243)	—	(239)
Expenses for premium refunds	(181)	(4,992)	(242)	(5,415)
<b>Total</b>	<b>(300)</b>	<b>(13,329)</b>	<b>(242)</b>	<b>(13,871)</b>
<b>2009</b>				
<b>Gross</b>				
Aggregate policy reserves	(105)	(5,036)	1	(5,140)
Other insurance reserves	(1)	(98)	—	(99)
Expenses for premium refunds	(259)	(3,444)	(907)	(4,610)
<b>Subtotal</b>	<b>(365)</b>	<b>(8,578)</b>	<b>(906)</b>	<b>(9,849)</b>
<b>Ceded</b>				
Aggregate policy reserves	3	70	—	73
Other insurance reserves	1	9	—	10
Expenses for premium refunds	6	—	—	6
<b>Subtotal</b>	<b>10</b>	<b>79</b>	<b>—</b>	<b>89</b>
<b>Net</b>				
Aggregate policy reserves	(102)	(4,966)	1	(5,067)
Other insurance reserves	—	(89)	—	(89)
Expenses for premium refunds	(253)	(3,444)	(907)	(4,604)
<b>Total</b>	<b>(355)</b>	<b>(8,499)</b>	<b>(906)</b>	<b>(9,760)</b>
<b>2008</b>				
<b>Gross</b>				
Aggregate policy reserves	(154)	(4,283)	(1)	(4,438)
Other insurance reserves	7	(89)	—	(82)
Expenses for premium refunds	142	(1,118)	(22)	(998)
<b>Subtotal</b>	<b>(5)</b>	<b>(5,490)</b>	<b>(23)</b>	<b>(5,518)</b>
<b>Ceded</b>				
Aggregate policy reserves	(18)	110	2	94
Other insurance reserves	10	9	—	19
Expenses for premium refunds	16	11	—	27
<b>Subtotal</b>	<b>8</b>	<b>130</b>	<b>2</b>	<b>140</b>
<b>Net</b>				
Aggregate policy reserves	(172)	(4,173)	1	(4,344)
Other insurance reserves	17	(80)	—	(63)
Expenses for premium refunds	158	(1,107)	(22)	(971)
<b>Total</b>	<b>3</b>	<b>(5,360)</b>	<b>(21)</b>	<b>(5,378)</b>

**35 Interest expenses**

	2010 € mn	2009 € mn	2008 € mn
Liabilities to banks and customers	(379)	(483)	(753)
Deposits retained on reinsurance ceded	(74)	(72)	(71)
Certificated liabilities	(300)	(294)	(411)
Participation certificates and subordinated liabilities	(557)	(548)	(492)
Other	(101)	(87)	(166)
<b>Total</b>	<b>(1,411)</b>	<b>(1,484)</b>	<b>(1,893)</b>

**36 Loan loss provisions**

	2010 € mn	2009 € mn	2008 € mn
Additions to allowances including direct impairments	(123)	(215)	(121)
Amounts released	53	39	35
Recoveries on loans previously impaired	20	35	27
<b>Total</b>	<b>(50)</b>	<b>(141)</b>	<b>(59)</b>

**37 Impairments of investments (net)**

	2010 € mn	2009 € mn	2008 € mn
<b>Impairments</b>			
<b>Available-for-sale investments</b>			
Equity securities	(531)	(2,289)	(8,736)
Debt securities	(142)	(286)	(698)
<b>Subtotal</b>	<b>(673)</b>	<b>(2,575)</b>	<b>(9,434)</b>
<b>Held-to-maturity investments</b>			
Investments in associates and joint ventures	—	(4)	(71)
Real estate held for investment	(106)	(199)	(128)
Loans and advances to banks and customers	(28)	—	—
Non-current assets and assets and liabilities of disposal groups classified as held for sale	(82)	—	—
<b>Subtotal</b>	<b>(890)</b>	<b>(2,778)</b>	<b>(9,633)</b>
<b>Reversals of impairments</b>			
<b>Available-for-sale investments</b>			
Debt securities	10	32	84
Real estate held for investment	35	14	54
Loans and advances to banks and customers	1	—	—
<b>Subtotal</b>	<b>46</b>	<b>46</b>	<b>138</b>
<b>Total</b>	<b>(844)</b>	<b>(2,732)</b>	<b>(9,495)</b>

**38 Investment expenses**

	2010 € mn	2009 € mn	2008 € mn
Investment management expenses	(466)	(394)	(429)
Depreciation of real estate held for investment	(171)	(174)	(165)
Other expenses for real estate held for investment	(190)	(187)	(177)
<b>Total</b>	<b>(827)</b>	<b>(755)</b>	<b>(771)</b>

## 39 Acquisition and administrative expenses (net)

	2010			2009			2008		
	Segment € mn	Consolidation € mn	Group € mn	Segment € mn	Consolidation € mn	Group € mn	Segment € mn	Consolidation € mn	Group € mn
<b>Property-Casualty<sup>1</sup></b>									
<b>Acquisition costs</b>									
Incurred	(8,936)	1	(8,935)	(7,844)	1	(7,843)	(7,731)	—	(7,731)
Commissions and profit received on reinsurance business ceded	509	(3)	506	555	(4)	551	643	(5)	638
Deferrals of acquisition costs	5,081	—	5,081	4,811	—	4,811	4,146	—	4,146
Amortization of deferred acquisition costs	(4,966)	—	(4,966)	(4,807)	—	(4,807)	(4,089)	—	(4,089)
<b>Subtotal</b>	<b>(8,312)</b>	<b>(2)</b>	<b>(8,314)</b>	<b>(7,285)</b>	<b>(3)</b>	<b>(7,288)</b>	<b>(7,031)</b>	<b>(5)</b>	<b>(7,036)</b>
<b>Administrative expenses</b>	<b>(2,732)</b>	<b>9</b>	<b>(2,723)</b>	<b>(3,255)</b>	<b>4</b>	<b>(3,251)</b>	<b>(3,447)</b>	<b>6</b>	<b>(3,441)</b>
<b>Subtotal</b>	<b>(11,044)</b>	<b>7</b>	<b>(11,037)</b>	<b>(10,540)</b>	<b>1</b>	<b>(10,539)</b>	<b>(10,478)</b>	<b>1</b>	<b>(10,477)</b>
<b>Life/Health</b>									
<b>Acquisition costs</b>									
Incurred	(4,365)	3	(4,362)	(3,871)	4	(3,867)	(3,829)	5	(3,824)
Commissions and profit received on reinsurance business ceded	94	(1)	93	79	(1)	78	83	—	83
Deferrals of acquisition costs	3,069	—	3,069	2,316	—	2,316	2,437	—	2,437
Amortization of deferred acquisition costs	(2,450)	1	(2,449)	(2,582)	—	(2,582)	(1,692)	—	(1,692)
<b>Subtotal</b>	<b>(3,652)</b>	<b>3</b>	<b>(3,649)</b>	<b>(4,058)</b>	<b>3</b>	<b>(4,055)</b>	<b>(3,001)</b>	<b>5</b>	<b>(2,996)</b>
<b>Administrative expenses</b>	<b>(1,523)</b>	<b>40</b>	<b>(1,483)</b>	<b>(1,533)</b>	<b>6</b>	<b>(1,527)</b>	<b>(1,690)</b>	<b>(5)</b>	<b>(1,695)</b>
<b>Subtotal</b>	<b>(5,175)</b>	<b>43</b>	<b>(5,132)</b>	<b>(5,591)</b>	<b>9</b>	<b>(5,582)</b>	<b>(4,691)</b>	<b>—</b>	<b>(4,691)</b>
<b>Asset Management</b>									
Personnel expenses	(2,272)	—	(2,272)	(1,849)	—	(1,849)	(1,448)	—	(1,448)
Non-personnel expenses	(1,094)	13	(1,081)	(842)	15	(827)	(798)	13	(785)
<b>Subtotal</b>	<b>(3,366)</b>	<b>13</b>	<b>(3,353)</b>	<b>(2,691)</b>	<b>15</b>	<b>(2,676)</b>	<b>(2,246)</b>	<b>13</b>	<b>(2,233)</b>
<b>Corporate and Other</b>									
Administrative expenses	(1,350)	(11)	(1,361)	(1,351)	30	(1,321)	(1,230)	32	(1,198)
<b>Subtotal</b>	<b>(1,350)</b>	<b>(11)</b>	<b>(1,361)</b>	<b>(1,351)</b>	<b>30</b>	<b>(1,321)</b>	<b>(1,230)</b>	<b>32</b>	<b>(1,198)</b>
<b>Total</b>	<b>(20,935)</b>	<b>52</b>	<b>(20,883)</b>	<b>(20,173)</b>	<b>55</b>	<b>(20,118)</b>	<b>(18,645)</b>	<b>46</b>	<b>(18,599)</b>

1 The allocation of overhead expenses between functional areas in the business segment Property-Casualty was prospectively changed in 2010. The change led to a reclassification of € 746 mn from administrative expenses into acquisition costs.

## 40 Fee and commission expenses

	2010			2009			2008		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>Property-Casualty</b>									
Fees from credit and assistance business	(597)	—	(597)	(594)	—	(594)	(606)	—	(606)
Service agreements	(427)	51	(376)	(401)	84	(317)	(535)	33	(502)
<b>Subtotal</b>	<b>(1,024)</b>	<b>51</b>	<b>(973)</b>	<b>(995)</b>	<b>84</b>	<b>(911)</b>	<b>(1,141)</b>	<b>33</b>	<b>(1,108)</b>
<b>Life/Health</b>									
Service agreements	(61)	13	(48)	(66)	21	(45)	(66)	41	(25)
Investment advisory	(197)	5	(192)	(180)	9	(171)	(187)	19	(168)
<b>Subtotal</b>	<b>(258)</b>	<b>18</b>	<b>(240)</b>	<b>(246)</b>	<b>30</b>	<b>(216)</b>	<b>(253)</b>	<b>60</b>	<b>(193)</b>
<b>Asset Management</b>									
Commissions	(1,099)	168	(931)	(822)	134	(688)	(794)	298	(496)
Other	(28)	7	(21)	(28)	2	(26)	(364)	14	(350)
<b>Subtotal</b>	<b>(1,127)</b>	<b>175</b>	<b>(952)</b>	<b>(850)</b>	<b>136</b>	<b>(714)</b>	<b>(1,158)</b>	<b>312</b>	<b>(846)</b>
<b>Corporate and Other</b>									
Service agreements	(215)	27	(188)	(195)	25	(170)	(9)	4	(5)
Investment advisory and Banking activities	(209)	1	(208)	(202)	1	(201)	(193)	1	(192)
<b>Subtotal</b>	<b>(424)</b>	<b>28</b>	<b>(396)</b>	<b>(397)</b>	<b>26</b>	<b>(371)</b>	<b>(202)</b>	<b>5</b>	<b>(197)</b>
<b>Total</b>	<b>(2,833)</b>	<b>272</b>	<b>(2,561)</b>	<b>(2,488)</b>	<b>276</b>	<b>(2,212)</b>	<b>(2,754)</b>	<b>410</b>	<b>(2,344)</b>

## 41 Other expenses

	2010 € mn	2009 € mn	2008 € mn
Expenses from real estate held for own use			
Realized losses from disposals of real estate held for own use	(3)	—	(1)
Impairments of real estate held for own use	—	—	(9)
<b>Subtotal</b>	<b>(3)</b>	<b>—</b>	<b>(10)</b>
Expenses from alternative investments <sup>1</sup>	(51)	—	—
Other	(3)	(2)	(2)
<b>Total</b>	<b>(57)</b>	<b>(2)</b>	<b>(12)</b>

1 Beginning 2010, income and expenses from alternative investments are shown gross in other income and other expenses.

## 42 Net income (loss) from discontinued operations, net of income taxes

	2010 € mn	2009 € mn	2008 € mn
Net income (loss) from discontinued operations, net of income taxes	—	(395)	(6,373)
Net income (loss) from discontinued operations attributable to:			
Non-controlling interests	—	—	38
Shareholders	—	(395)	(6,411)

The net loss from discontinued operations, net of income taxes, for the years ended December 31, 2009 and 2008, respectively, relate to the transfer of ownership of Dresdner Bank to Commerzbank AG, which was completed on January 12, 2009. Accordingly assets and liabilities of Dresdner Bank, that were classified as held for sale as of December 31, 2008, were deconsolidated in the first quarter of 2009. The loss from derecognition of discontinued operations of € 395 mn in 2009 represents mainly the reclassification of components of other comprehensive income to net income.

## 43 Income taxes

	2010 € mn	2009 € mn	2008 € mn
<b>Current income taxes</b>			
Germany	(198)	299	(181)
Other countries	(1,723)	(1,494)	(925)
<b>Subtotal</b>	<b>(1,921)</b>	<b>(1,195)</b>	<b>(1,106)</b>
<b>Deferred income taxes</b>			
Germany	89	500	(575)
Other countries	(132)	155	350
<b>Subtotal</b>	<b>(43)</b>	<b>655</b>	<b>(225)</b>
<b>Total</b>	<b>(1,964)</b>	<b>(540)</b>	<b>(1,331)</b>

For the years ended December 31, 2010, 2009 and 2008, the income taxes relating to components of the other comprehensive income consist of the following:

	2010 € mn	2009 € mn	2008 € mn
Foreign currency translation adjustments	41	(13)	63
Available-for-sale investments	(146)	(1,312)	972
Cash flow hedges	(9)	3	(32)
Share of other comprehensive income of associates	(6)	—	21
Miscellaneous	23	3	(26)
<b>Total</b>	<b>(97)</b>	<b>(1,319)</b>	<b>998</b>

During the year ended December 31, 2010, current income taxes included an income of € 150 mn (2009: income of € 320 mn, 2008: expense of € 6 mn) related to prior years.

Due to the transition from the imputation system to the classical tax system in Germany (so called "Halbeinkünfteverfahren"), provided by the Tax Reduction Act 2001, Allianz lost potential tax savings. This has been corrected by the Annual German Tax Act published in December 2010 leading to a tax income of € 110 mn from recognition of additional corporate tax credits. This tax benefit is included in current income taxes related to previous years mentioned above.

In 2009, decisions of the European Court of Justice (Steko case) and the German Federal Tax Court (BFH) effected that impairments recognized in 2001 on certain investments are considered tax deductible. These court decisions led in 2009 to a tax benefit for the Group of € 283 mn and for the policyholders of € 730 mn. The tax benefit from these court decisions consisted of current and deferred taxes in respect of 2009 and previous years.

Of the deferred income taxes for the year ended December 31, 2010, an income of € 69 mn (2009: income of € 197 mn; 2008: expense of € 431 mn) is attributable to the recognition of deferred taxes on temporary differences and an expense of € 117 mn (2009: income of € 452 mn; 2008: income of € 227 mn) is attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax income of € 5 mn (2009: income of € 6 mn; 2008: expense of € 21 mn).

The recognized income tax expense for the year ended December 31, 2010, is € 135 mn (2009: € 1,007 mn; 2008: € 312 mn) lower than the expected income tax expense. The following table shows the reconciliation from the expected income tax expense of the Allianz Group to the effectively recognized tax expense. 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 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% (2009: 31.0%, 2008: 31.0%).

The effective tax rate is determined on the basis of the effective income tax expense on income from continuing operations before income taxes.

	2010 € mn	2009 € mn	2008 € mn
<b>Income from continuing operations before income taxes</b>			
Germany	651	(221)	3,213
Other countries	6,522	5,411	2,386
<b>Total</b>	<b>7,173</b>	<b>5,190</b>	<b>5,599</b>
Expected income tax rate	29.3%	29.8%	29.3%
<b>Expected income taxes</b>	<b>2,099</b>	<b>1,547</b>	<b>1,643</b>
Trade tax and similar taxes	176	150	166
Net tax exempt income	(571)	(599)	(469)
Effects of tax losses	279	(59)	28
Other	(19)	(499)	(37)
<b>Income taxes</b>	<b>1,964</b>	<b>540</b>	<b>1,331</b>
<b>Effective tax rate</b>	<b>27.4%</b>	<b>10.4%</b>	<b>23.8%</b>

In the tax reconciliation for 2009, the other effects of € (499) mn include € (505) mn current and deferred taxes for prior years, a major part resulting from the court decisions (Steko/BFH) mentioned above.

During the year ended December 31, 2010, the write-down of deferred tax assets on tax losses carried forward resulted in a deferred tax expense of € 153 mn (2009: € 11 mn; 2008: € 5 mn). The non-recognition of deferred taxes on tax losses for the current fiscal year increased the tax expense by € 142 mn (2009: € 85 mn; 2008: € 46 mn). Due to the use of tax losses carried forward for which no deferred tax asset was recognized the current income tax expense decreased by € 15 mn (2009: € 5 mn; 2008: € 19 mn). Deferred tax income of € 1 mn (2009: € 150 mn; 2008: € 4 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 deferred taxes are the applicable national rates, which in 2010 ranged from 10.00% to 42.05%. Changes to tax rates already adopted on December 31, 2010, are taken into account.

Deferred tax assets are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Taxable entities which suffered a loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to € 873 mn.

### Deferred tax assets and liabilities

As of December 31,	2010 € mn	2009 € mn
<b>Deferred tax assets</b>		
Financial assets carried at fair value through income	84	45
Investments	2,869	2,477
Deferred acquisition costs	958	561
Other assets	845	891
Intangible assets	137	140
Tax losses carried forward	2,748	2,560
Insurance reserves	3,763	3,751
Pensions and similar obligations	225	189
Other liabilities	842	637
<b>Total deferred tax assets</b>	<b>12,471</b>	<b>11,251</b>
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(763)	(484)
Effect of netting	(9,045)	(8,048)
<b>Net deferred tax assets</b>	<b>2,663</b>	<b>2,719</b>
<b>Deferred tax liabilities</b>		
Financial assets carried at fair value through income	100	61
Investments	4,625	3,641
Deferred acquisition costs	4,114	3,819
Other assets	448	573
Intangible assets	336	346
Insurance reserves	2,468	2,552
Pensions and similar obligations	228	203
Other liabilities	702	728
<b>Total deferred tax liabilities</b>	<b>13,021</b>	<b>11,923</b>
Effect of netting	(9,045)	(8,048)
<b>Net deferred tax liabilities</b>	<b>3,976</b>	<b>3,875</b>
<b>Net deferred tax assets/(liabilities)</b>	<b>(1,313)</b>	<b>(1,156)</b>

Taxable temporary differences associated with investments in Allianz Group companies, for which no deferred tax liabilities are recognized because the Allianz Group is able to control the timing of their reversal and they will not reverse in the foreseeable future, amount to € 521 (2009: € 418 mn). Deductible temporary differences arising from investments in Allianz Group companies, for which no deferred tax assets are recognized because it is not probable that they reverse in the foreseeable future amount to € 208 (2009: € 253 mn).

### Tax losses carried forward

Tax losses carried forward at December 31, 2010, of € 10,829 mn (2009: € 10,191 mn) resulted in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 9,572 mn (2009: € 9,049 mn) of the tax losses carried forward can be utilized without time limitation.

Tax losses carried forward are scheduled according to their expiry periods as follows:

	2010 € mn
2011	38
2012	63
2013	162
2014	255
2015	198
2016	130
2017	94
2018	43
2019	45
2020	3
>10 years	226
Unlimited	9,572
<b>Total</b>	<b>10,829</b>



## Other Information

### 44 Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rate and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter (OTC) products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

## Derivative financial instruments within the Allianz Group

As of December 31,	2010						2009		
	Maturity by notional amount			Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn	Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn
	Up to 1 year € mn	1–5 years € mn	Over 5 years € mn						
<b>Interest rate contracts, consisting of:</b>									
OTC									
Forwards	—	61	16	77	—	(1)	10	—	—
Swaps	1,011	3,011	10,754	14,776	231	(238)	14,787	189	(164)
Swaptions	—	14	3,250	3,264	9	(36)	200	—	—
Caps	7,142	357	2,760	10,259	4	(1)	7,554	1	(23)
Floors	—	—	129	129	1	—	129	1	—
Options	—	—	315	315	—	(1)	21	—	(1)
Exchange traded									
Futures	2,458	—	—	2,458	5	(8)	2,469	3	(7)
Swaps	—	—	250	250	8	(4)	—	—	—
Options	1	—	—	1	—	—	519	—	(1)
Subtotal	10,612	3,443	17,474	31,529	258	(289)	25,689	194	(196)
<b>Equity/Index contracts, consisting of:</b>									
OTC									
Forwards	1,857	277	50	2,184	374	(87)	2,559	363	(227)
Swaps	155	100	2,048	2,303	1	(28)	531	1	(19)
Floors	1	—	—	1	—	—	2	2	—
Options <sup>1</sup>	82,055	2,640	3,068	87,763	942	(4,599)	64,505	1,066	(4,257)
Structured note	—	—	—	—	—	—	6	—	—
Exchange traded									
Futures	3,456	—	—	3,456	2	(10)	2,803	2	(9)
Forwards	—	—	149	149	—	(3)	—	—	—
Options	6,258	1	155	6,414	87	(60)	11,193	184	(187)
Warrants	—	13	—	13	1	—	10	3	—
Subtotal	93,782	3,031	5,470	102,283	1,407	(4,787)	81,609	1,621	(4,699)
<b>Foreign exchange contracts, consisting of:</b>									
OTC									
Forwards	11,812	132	401	12,345	125	(140)	8,379	91	(206)
Swaps	93	132	229	454	39	(8)	471	49	(6)
Options	74	2	—	76	3	(3)	64	2	(2)
Subtotal	11,979	266	630	12,875	167	(151)	8,914	142	(214)
<b>Credit contracts, consisting of:</b>									
OTC									
Swaps	113	785	185	1,083	27	(10)	1,185	15	(27)
Exchange traded									
Swaps	—	—	19	19	9	—	35	15	—
Subtotal	113	785	204	1,102	36	(10)	1,220	30	(27)
<b>Total</b>	<b>116,486</b>	<b>7,525</b>	<b>23,778</b>	<b>147,789</b>	<b>1,868</b>	<b>(5,237)</b>	<b>117,432</b>	<b>1,987</b>	<b>(5,136)</b>

<sup>1</sup> As of December 31, 2010, includes embedded derivatives related to equity-indexed annuities with negative fair values of € 3,861 mn (2009: € 3,724 mn).

### Derivative financial instruments used in accounting hedges

Important hedging instruments are equity forward contracts, equity options, total returns swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

On local level, Allianz subsidiaries are obliged to assess whether the criteria for hedge accounting are met, in particular whether the hedge relationships are highly effective in offsetting changes in fair values or cash flows between the hedging instrument and the hedged item. Furthermore, the Allianz subsidiaries have to prepare the required hedge documentation. At inception of all hedge relationships, the conclusions reached by the Allianz

subsidiaries must be approved on Group level to ensure that all hedge requirements are fulfilled and the hedge documentation is complete.

### Fair value hedges

The Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. The financial instruments used in the related fair value hedges had a positive fair value of € 302 mn (2009: € 26 mn) as of December 31, 2010.

Additionally the Allianz Group uses fair value hedges to protect against the change in the fair value of financial assets due to movements in interest rates or exchange rates. The derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value as of December 31, 2010 of € 92 mn (2009: negative fair value of € 75 mn).

For the year ended December 31, 2010, the Allianz Group recognized for fair value hedges a net loss of € 1 mn

(2009: net loss of € 412 mn; 2008: net gain of € 2,115 mn) on the hedging instrument and a net loss of € 30 mn (2009: net gain of € 390 mn; 2008: net loss of € 2,027 mn) on the hedged item attributable to the hedged risk, resulting in an ineffectiveness of € (31) mn (2009: € (22) mn).

### Cash flow hedges

During the year ended December 31, 2010, cash flow hedges were used to hedge variable cash flows exposed to interest rate and exchange rate fluctuations. As of December 31, 2010, the derivative instruments utilized had a positive fair value of € 17 mn (2009: € 43 mn). Unrealized gains and losses (net) in shareholders' equity increased by € 9 mn (2009: decreased by € 16 mn).

### Hedge of net investment in foreign operations

As of December 31, 2010, the Allianz Group hedges part of its U.S. Dollar and Australian Dollar net investments through the issuance of U.S. Dollar and Australian Dollar denominated liabilities with a nominal amount of USD 1.2 bn and AUD 211 mn.

## 45 Financial instruments

### 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.

As of December 31,	2010		2009	
	Carrying amount € mn	Fair value € mn	Carrying amount € mn	Fair value € mn
<b>Financial assets</b>				
Cash and cash equivalents	8,747	8,747	6,089	6,089
Financial assets held for trading	2,101	2,101	2,131	2,131
Financial assets designated at fair value through income	7,742	7,742	12,190	12,190
Available-for-sale investments	318,315	318,315	279,045	279,045
Held-to-maturity investments	3,987	4,211	3,475	3,629
Loans and advances to banks and customers	122,678	127,351	128,996	130,444
Financial assets for unit-linked contracts	64,847	64,847	56,963	56,963
Derivative financial instruments and firm commitments included in other assets	452	452	304	304
Assets held in trust <sup>1</sup>	246	246	265	265
<b>Financial liabilities</b>				
Financial liabilities held for trading	5,013	5,013	4,891	4,891
Liabilities to banks and customers	21,155	21,445	21,248	21,248
Investment contracts with policyholders	130,741	130,741	115,003	115,003
Financial liabilities for unit-linked contracts	64,847	64,847	56,963	56,963
Derivative financial instruments and firm commitments included in other liabilities	225	225	310	310
Financial liabilities for puttable equity instruments	3,111	3,111	3,451	3,451
Certificated liabilities, participation certificates and subordinated liabilities	17,227	17,534	17,309	17,351
Liabilities held in trust <sup>1</sup>	246	246	265	265

<sup>1</sup> Include receivables and obligations of deferred compensation plans outsourced to a trust.

The fair value of a financial instrument is defined as the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

### **Determination of fair value for financial instruments not carried at fair value**

In the following the determination of the fair value for financial instruments, that are not carried at fair value in the consolidated balance sheet, but for which a fair value has to be disclosed under IFRS 7, is described:

**Cash and cash equivalents:** Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. They are carried at nominal value, which represents a reasonable estimate of the fair value for these short term financial instruments.

**Held-to-maturity investments:** The fair value of held-to-maturity investments is determined using the quoted market price as of the balance sheet date.

**Loans and advances to banks and customers:** For loans and advances to banks and customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. For short-term loans the carrying amount represents a reasonable estimate of the fair value. For long-term loans the fair value is estimated by discounting future contractual cash flows using risk-adjusted discount rates. Additionally, the individually assessed component of the allowance for loan losses and the recoverable amounts of collateral is considered in the fair value determination of loans.

**Liabilities to banks and customers:** For short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting future cash flows. The fair value determination reflects current market interest rates and the credit rating of the Allianz Group.

**Certificated liabilities, participation certificates and subordinated liabilities:** The fair value of certificated liabilities, participation certificates and subordinated liabilities is determined using quoted market prices, if available. If quoted prices are not available, for short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting the remaining contractual future cash flows at a discount rate at which Allianz Group could issue debt with a similar remaining maturity. The fair value determination reflects current market interest rates and considers the credit rating of the Allianz Group.

### **Determination of fair value for financial instruments carried at fair value**

For the following financial instruments, carried at fair value in the consolidated balance sheets, the fair value is determined as described in note 2 Summary of significant accounting policies:

- 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
- Investment contracts with policyholders
- Financial liabilities for puttable equity instruments
- Assets and liabilities held in trust

### **Fair value hierarchy of financial instruments**

IFRS 7 requires that financial instruments carried at fair value in the consolidated balance sheets are classified into a three-level hierarchy ("the fair value hierarchy") depending on the valuation techniques used and whether the inputs to those valuation techniques are observable in the market.

**Level 1** Financial instruments for which the fair value is determined by using quoted prices (unadjusted) in active markets for identical assets or liabilities are classified into this category. According to IAS 39 a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

**Level 2** Financial instruments for which the fair value is determined by using valuation-techniques, with any significant input being based on observable market data (observable inputs), are classified into this category.

**Level 3** Financial instruments for which the fair value is determined by using valuation-techniques, with at least one significant input not being based on observable market data (non-observable inputs) are classified into this category.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of December 31, 2010 and 2009.

As of December 31,	2010			
	Level 1 Quoted prices in active markets € mn	Level 2 Valuation technique – market observable inputs € mn	Level 3 Valuation technique – non-market observable inputs € mn	Total fair value € mn
<b>Financial assets</b>				
<b>Financial assets carried at fair value through income</b>				
<b>Financial assets held for trading</b>				
Debt securities	282	219	45	546
Equity securities	46	93	—	139
Derivative financial instruments	52	1,311	53	1,416
Subtotal	380	1,623	98	2,101
<b>Financial assets designated at fair value through income</b>				
Debt securities	3,610	820	—	4,430
Equity securities	3,018	86	208	3,312
Subtotal	6,628	906	208	7,742
Subtotal	7,008	2,529	306	9,843
<b>Available-for-sale investments</b>				
Equity securities	25,281	1,387	3,980 <sup>2</sup>	30,648
Government and agency mortgage-backed securities (residential and commercial)	1	5,271	—	5,272
Corporate mortgage-backed securities (residential and commercial)	24	10,251	199	10,474
Other asset-backed securities	91	3,386	176	3,653
Government and government agency bonds	108,951	16,842	19	125,812
Corporate bonds	25,988	112,535	2,096	140,619
Other debt securities	533	943	361	1,837
Subtotal	160,869	150,615	6,831	318,315
<b>Financial assets for unit-linked contracts</b>	62,641	2,054	152	64,847
<b>Derivative financial instruments and firm commitments included in other assets</b>	—	452	—	452
<b>Assets held in trust</b>	221	—	25	246
<b>Total</b>	230,739	155,650	7,314	393,703
<b>Financial liabilities</b>				
<b>Financial liabilities held for trading</b>				
Derivative financial instruments	78	808	4,126	5,012
Other trading liabilities	—	1	—	1
Subtotal	78	809	4,126	5,013
<b>Investment contracts with policyholders<sup>1</sup></b>	340	259	462	1,061
<b>Financial liabilities for unit-linked contracts</b>	62,641	2,054	152	64,847
<b>Derivative financial instruments and firm commitments included in other liabilities</b>	—	225	—	225
<b>Financial liabilities for puttable equity instruments</b>	3,008	26	77	3,111
<b>Liabilities held in trust</b>	221	—	25	246
<b>Total</b>	66,288	3,373	4,842	74,503

1 Excludes universal life-type contracts.

2 For the purpose of this disclosure to match the disclosures made in note 9, the Allianz Group's unlisted equity securities and investments in limited partnerships of € 352 mn, which are measured at cost less impairment charges because the fair value cannot be reliably measured, are included.

As of December 31,	2009			
	Level 1 Quoted prices in active markets € mn	Level 2 Valuation technique – market observable inputs € mn	Level 3 Valuation technique – non-market observable inputs € mn	Total fair value € mn
<b>Financial assets</b>				
Financial assets carried at fair value through income				
<b>Financial assets held for trading</b>				
Debt securities	212	107	44	363
Equity securities	29	76	—	105
Derivative financial instruments	186	1,416	61	1,663
<b>Subtotal</b>	<b>427</b>	<b>1,599</b>	<b>105</b>	<b>2,131</b>
<b>Financial assets designated at fair value through income</b>				
Debt securities	4,526	4,270	18	8,814
Equity securities	3,199	18	159	3,376
<b>Subtotal</b>	<b>7,725</b>	<b>4,288</b>	<b>177</b>	<b>12,190</b>
<b>Subtotal</b>	<b>8,152</b>	<b>5,887</b>	<b>282</b>	<b>14,321</b>
<b>Available-for-sale investments</b>				
Equity securities	23,673	991	3,060 <sup>2</sup>	27,724
Government and agency mortgage-backed securities (residential and commercial)	280	8,074	4	8,358
Corporate mortgage-backed securities (residential and commercial)	36	7,658	54	7,748
Other asset-backed securities	64	3,493	330	3,887
Government and government agency bonds	103,991	9,922	39	113,952
Corporate bonds	18,060	95,188	2,526	115,774
Other debt securities	516	855	231	1,602
<b>Subtotal</b>	<b>146,620</b>	<b>126,181</b>	<b>6,244</b>	<b>279,045</b>
<b>Financial assets for unit-linked contracts</b>	<b>54,798</b>	<b>2,152</b>	<b>13</b>	<b>56,963</b>
<b>Derivative financial instruments and firm commitments included in other assets</b>	—	304	—	304
<b>Assets held in trust</b>	265	—	—	265
<b>Total</b>	<b>209,835</b>	<b>134,524</b>	<b>6,539</b>	<b>350,898</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Derivative financial instruments	204	906	3,698	4,808
Other trading liabilities	—	83	—	83
<b>Subtotal</b>	<b>204</b>	<b>989</b>	<b>3,698</b>	<b>4,891</b>
Investment contracts with policyholders <sup>1</sup>	219	299	431	949
Financial liabilities for unit-linked contracts	54,798	2,152	13	56,963
Derivative financial instruments and firm commitments included in other liabilities	—	310	—	310
Financial liabilities for puttable equity instruments	3,388	2	61	3,451
Liabilities held in trust	265	—	—	265
<b>Total</b>	<b>58,874</b>	<b>3,752</b>	<b>4,203</b>	<b>66,829</b>

1 Excludes universal life-type contracts.

2 For the purpose of this disclosure to match the disclosures made in note 9, the Allianz Group's unlisted equity securities and investments in limited partnerships of € 375 mn, which are measured at cost less impairment charges because the fair value cannot be reliably measured, are included.

### **Significant transfers of financial instruments carried at fair value between Level 1 and Level 2**

	2010 € mn
<b>Financial assets transferred from Level 1 to Level 2</b>	
Government and government agency bonds	1,105
<b>Financial assets transferred from Level 2 to Level 1</b>	
Debt securities designated at fair value through income	111
Corporate bonds	4,181
<b>Total</b>	<b>4,292</b>

Certain government and government agency bonds were transferred from Level 1 to Level 2 during the year ended December 31, 2010 because of changes in the assessment of the liquidity of these bonds.

Certain debt securities designated at fair value through income and corporate bonds were transferred from Level 2 to Level 1 during the year ended December 31, 2010, because of improved liquidity, trade frequency and activity of the markets, where those bonds are traded.

### **Level 3 portfolios**

The fair value of certain financial instruments is determined using valuation techniques with non-market observable input parameters (Level 3).

Equity securities within financial assets designated at fair value through income and available-for-sale investments mainly comprise private equity fund investments of the Allianz Group. Private equity fund investments are usually priced on net asset values calculated by the fund asset manager and are thus based on unobservable market data. The fund asset manager prices the underlying single portfolio companies generally on discounted cash flow or multiple approaches. The access to company specific data is the limitation with regard to valuation of the fund investments. Furthermore, any transaction of a fund, thus a further investment or divestment, has an impact on the sensitivity of a fund valuation. Due to these constraints a reasonable sensitivity calculation is not feasible.

The fair value of € 1.5 bn of certain corporate bonds within available-for-sale investments is determined using matrix pricing, which is based on unobservable inputs. The remaining corporate bonds classified as Level 3 consist of various portfolios for which different valuation techniques with non-observable inputs including broker quotes and pricing services are used. While in total the effect of changing the valuation assumptions to reasonable possible alternative values might have a significant impact on the fair values, when considered individually for each portfolio, the impact would not be significant.

Financial liabilities held for trading include € 4.1 bn of embedded derivative financial instruments relating to annuity products. Internal discounted cash flow models are used to determine the present value of the underlying insurance benefits and expenses. Sensitivities of the fair value to reasonable possible alternative assumptions are calculated by varying the annuitizations and surrenders by 10%. A 10% increase in annuitizations and a 10% decrease in surrenders would increase the fair value by € 158 mn, whereas a 10% decrease in annuitizations and a 10% increase in surrenders would decrease the fair value by € 156 mn.

### Reconciliation of Level 3 financial instruments

The following table shows a reconciliation of the financial instruments carried at fair value and classified as Level 3:

	Carrying value (fair value) as of January 1, 2010 € mn	Additions through purchases and issues € mn	Net transfers into (out of) Level 3 € mn	Disposals through sales and settlements € mn
<b>Financial assets</b>				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	44	1	—	—
Derivative financial instruments	61	28	—	(6)
<b>Subtotal</b>	<b>105</b>	<b>29</b>	<b>—</b>	<b>(6)</b>
Financial assets designated at fair value through income				
Debt securities	18	—	—	(8)
Equity securities	159	21	—	(8)
<b>Subtotal</b>	<b>177</b>	<b>21</b>	<b>—</b>	<b>(16)</b>
<b>Subtotal</b>	<b>282</b>	<b>50</b>	<b>—</b>	<b>(22)</b>
Available-for-sale investments				
Equity securities	3,060	897	(22)	(299)
Government and agency mortgage-backed securities (residential and commercial)	4	—	(4)	—
Corporate mortgage-backed securities (residential and commercial)	54	99	123	(78)
Other asset-backed securities	330	127	(126)	(228)
Government and government agency bonds	39	—	(21)	—
Corporate bonds	2,526	554	(759)	(260)
Other debt securities	231	141	—	(24)
<b>Subtotal</b>	<b>6,244</b>	<b>1,818</b>	<b>(809)</b>	<b>(889)</b>
Financial assets for unit-linked contracts	13	19	131	(8)
Assets held in trust	—	56	—	(35)
<b>Total financial assets at fair value</b>	<b>6,539</b>	<b>1,943</b>	<b>(678)</b>	<b>(954)</b>

	Carrying value (fair value) as of January 1, 2010 € mn	Additions through purchases and issues € mn	Net transfers into (out of) Level 3 € mn	Disposals through sales and settlements € mn
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Derivative financial instruments	3,698	269	—	(330)
Investment contracts with policyholders <sup>1</sup>	431	236	—	(247)
Financial liabilities for unit-linked contracts	13	19	131	(8)
Financial liabilities for puttable equity instruments	61	—	—	—
Liabilities held in trust	—	56	—	(35)
<b>Total financial liabilities at fair value</b>	<b>4,203</b>	<b>580</b>	<b>131</b>	<b>(620)</b>

<sup>1</sup> Excludes universal life-type contracts.

Net gains (losses) recognized in consolidated income statement € mn	Net gains (losses) recognized in other comprehensive income € mn	Impairments € mn	Foreign currency translation adjustments € mn	Changes in the consolidated subsidiaries of the Allianz Group € mn	Carrying value (fair value) as of December 31, 2010 € mn	Net gains (losses) for financial instruments held at the reporting date € mn
—	—	(1)	1	—	45	—
(36)	—	—	6	—	53	(20)
(36)	—	(1)	7	—	98	(20)
—	—	—	1	(11)	—	—
36	—	—	—	—	208	—
36	—	—	1	(11)	208	—
—	—	(1)	8	(11)	306	(20)
(3)	406	(73)	10	4	3,980	—
—	—	—	—	—	—	—
—	—	—	—	1	199	7
11	34	(11)	(3)	42	176	—
—	—	—	1	—	19	—
14	(22)	13	69	(39)	2,096	—
—	21	(20)	0	12	361	—
22	439	(91)	77	20	6,831	7
(3)	—	—	—	—	152	(1)
—	—	—	4	—	25	—
19	439	(92)	89	9	7,314	(14)

Net losses (gains) recognized in consolidated income statement € mn	Net losses (gains) recognized in other comprehensive income € mn	Impairments € mn	Foreign currency translation adjustments € mn	Changes in the consolidated subsidiaries of the Allianz Group € mn	Carrying value (fair value) as of December 31, 2010 € mn	Net losses (gains) for financial instruments held at the reporting date € mn
235	1	—	253	—	4,126	—
26	—	—	16	—	462	—
(3)	—	—	—	—	152	(1)
—	16	—	—	—	77	—
—	—	—	4	—	25	—
258	17	—	273	—	4,842	(1)

During the year ended December 31, 2010, the Allianz Group transferred certain corporate bonds from Level 3 into Level 2. This was due to the fact that the valuation techniques of these securities were modified and are no longer based on significant non-observable inputs.

### **Reclassification of financial assets**

In January 2009, certain USD-denominated CDOs with a fair value of € 1.1 bn (notional amount of € 2.2 bn) were retained from Dresdner Bank. On January 31, 2009, subsequent to the derecognition of Dresdner Bank, the CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39. The fair value of € 1.1 bn became the new carrying amount of the CDOs at the reclassification date. The expected recoverable cash flows as of the date of reclassification were € 1.8 bn, leading to an effective interest rate of approximately 7%.

During mid-2009, the CDOs were transferred to one of the Allianz Group's USD functional currency subsidiaries. As of December 31, 2009, the carrying amount and fair value of the CDOs was € 863 mn and € 856 mn, respectively. As of December 31, 2010, the carrying amount and fair value of the CDOs was € 808 mn and € 810 mn, respectively. For 2010, the changes in carrying amount and fair value were primarily affected by cash receipts and the appreciation of the USD; foreign currency effects were recognized in other comprehensive income. The net profit related to the CDOs was not significant.

### **Maturity of financial liabilities**

The risk disclosure requirements in IFRS 7 with regard to liquidity risk are reflected in the risk report in group management report. This risk report is an integral part of the audited consolidated financial statements.

### **Tabular disclosure of contractual obligations**

The table sets forth the Allianz Group's contractual obligations as of December 31, 2010. 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 December 31, 2010, the income tax obligations amounted to € 1,661 mn. Thereof € 1,316 mn the Allianz Group expects to pay within the twelve months after the balance sheet date. For the remaining amount of € 345 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 cash flows as of December 31, 2010			
	Due in 2011 € mn	Due in 2012 – 2015 € mn	Due after 2015 € mn	Total € mn
<b>Financial liabilities</b>				
Financial liabilities carried at fair value through income		please refer to note 44		
Liabilities to banks and customers <sup>1</sup>	14,096	4,409	2,650	21,155
Derivative financial instruments and firm commitments included in other liabilities		please refer to note 44		
Financial liabilities for puttable equity instruments	3,111	—	—	3,111
Certified liabilities, participation certificates and subordinated liabilities <sup>1</sup>	1,874	2,815	12,538	17,227
<b>Insurance liabilities</b>				
Future policy benefits <sup>2</sup>	41,707	149,948	857,378	1,049,033
Reserves for loss and loss adjustment expenses	16,991	22,216	18,302	57,509
<b>Other liabilities</b>				
Operating lease obligations <sup>3</sup>	250	871	1,141	2,262
Purchase obligations <sup>4</sup>	261	570	171	1,002

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 € 2,262 mn is gross of € 50 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 € 1,049,033 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 holder 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 which do not have payments that are fixed and determinable, 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 differences between locked-in and best estimate assumptions is € 497,787 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 € 158,255 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 to the consolidated financial statements.

### Derecognition of financial assets

The Allianz Group enters into repurchase-agreement-transactions in which previously recognized financial assets, mainly available-for-sale debt securities, are transferred, but substantially all of the risks and rewards of those assets are retained. As of December 31, 2010, the carrying amount of those assets amounted to € 868 mn (2009: € 967 mn) and the carrying amount of the related liabilities amounted to € 875 mn (2009: € 1,004 mn).

## 46 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 35.

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 associates are set on an arm's length basis and are additionally of subordinate importance as a whole.

## 47 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 Allianz Group, after consideration of any applicable reserves.

On May 24, 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. The amount of the cash settlement was established by Allianz 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"), which is pending with the district court ("Landgericht") of Frankfurt. The Management believes that a claim to increase the cash settlement does not exist. In the event that the court 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.

Allianz Global Investors of America L.P. and certain of its subsidiaries have been named as defendants in multiple civil U.S. lawsuits commenced as putative class actions and other proceedings related to matters involving market timing in the mutual fund industry. These lawsuits have been consolidated into and transferred to a multi-district litigation proceeding in the U.S. District Court for the District of Maryland. The potential outcomes cannot be predicted at this time. However, management currently does not expect any material negative financial impact on Allianz Group.

Pacific Investment Management Company LLC (PIMCO), a subsidiary of Allianz Global Investors of America L.P., and PIMCO Funds have been defendants in a complaint alleging that plaintiffs each purchased and sold 10-year Treasury note futures contracts and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts in violation of the federal Commodity Exchange Act provisions on market manipulation. Certification of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005 was granted in 2007. Management is of the opinion that all such trades were properly designed to secure best execution for its clients. The parties agreed on a settlement, that resolves all of the claims against PIMCO and PIMCO Funds, which both denied any liability. The court preliminarily approved the settlement on January 26, 2011.

The U.S. Department of Justice (DOJ) is conducting an investigation into whether certain employees of Fireman's Fund Insurance Company's (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.

Three members of the Fireman's Fund group of companies in the U.S.A., all subsidiaries of Allianz SE, are among the defendants named in a class action filed on August 1, 2005 in the United States District Court of New Jersey in connection with allegations relating to contingent commissions in the insurance industry. No class has been certified yet. The court dismissed with prejudice the federal court causes of action and dismissed without prejudice the state law causes of action. Upon plaintiffs' appeal the Court of Appeals affirmed the dismissal of the majority of plaintiffs' claims. It vacated and remanded the remainder of the claims. It is currently not possible to predict the potential outcome or exposure of this lawsuit.

Allianz Life Insurance Company of North America (Allianz Life) has been named as a defendant in various putative class action lawsuits in connection with the marketing and sale of deferred annuity products. Three of those lawsuits are currently pending as certified class actions in California. 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 parties reached settlement of one of the California class actions, and the Court has preliminarily approved the settlement. The other lawsuits have not yet progressed to a stage at which the outcome or exposure can be determined. In another class action lawsuit in Minnesota, containing allegations similar to those in the California lawsuits as well as the allegation that the defendant violated the Minnesota Consumer Fraud and Deceptive and Unlawful Trade Practices Act, the case went to trial before a jury. Based upon a jury verdict in October 2009, the Court entered final judgment in favor of Allianz Life in January 2010.

## Other contingencies

In accordance with § 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagen Sicherungsfonds"), 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 January 12, 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 June 30 2017, the coupon will be 12-months EURIBOR plus a margin of 2.0% p.a.). 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 June 30, 2017, and thereafter. It is not possible for the Allianz Group to predict potential payment obligations for the fiscal year 2011 and future periods at this time, but management currently does not expect any material negative financial impact for the Allianz Group.

## 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 may not be representative of actual liquidity requirements for such commitments.

As of December 31,	2010 € mn	2009 € mn
Advances	598	620
Stand-by facilities	28	26
Guarantee credits	89	101
Mortgage loans/Public-sector loans	59	68
<b>Total</b>	<b>774</b>	<b>815</b>

### 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 December 31, 2010, the future minimum lease payments under non-cancelable operating leases were as follows:

	2010 € mn
2011	250
2012	248
2013	223
2014	200
2015	200
Thereafter	1,141
<b>Subtotal</b>	<b>2,262</b>
Subleases	(50)
<b>Total</b>	<b>2,212</b>

For the year ended December 31, 2010, rental expense, totaled € 239 mn (2009: € 271 mn; 2008: € 253 mn), net of sublease rental income received of € 12 mn.

### Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of € 3,647 mn (2009: € 3,937 mn) as well as to invest in private equity funds totaling € 2,517 mn (2009: € 2,556 mn) as of December 31, 2010. As of December 31, 2010, commitments outstanding to purchase real estate used by third parties and owned by the Allianz Group used for its own activities amounted to € 310 mn (2009: € 393 mn). As of December 31, 2010, commitments outstanding to purchase items of equipment amounted to € 16 mn (2009: € — mn).

In addition, as of December 31, 2010, the Allianz Group has other commitments of € 252 mn (2009: € 193 mn) referring to maintenance, real estate development, sponsoring and 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 to the scheme annual contributions 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) – SichLFinV"). As of December 31, 2010, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of € 0.1 mn (2009: € 2 mn) and an obligation for special payments of € 101 mn (2009: € 97 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 December 31, 2010, 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 was € 905 mn (2009: € 879 mn).

According to the German Deposit Guarantee and Investor Compensation Act (EAEG – Einlagenabsicherungs- und Anlegerentschädigungsgesetz) all credit institutions and investment companies licenced to do business in Germany must adhere to a statutory compensation scheme. Allianz Global Investors Advisory GmbH, Allianz Global Investors Kapitalanlagegesellschaft mbH and Allianz Global Investors Europe 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 investment companies, if the funds available to EdW are insufficient to satisfy all eligible claims. Special contributions are determined by reference to the preceding year's contribution. Regular and extraordinary contributions are capped at a certain percentage of the member's profit of the relevant year. In 2010, AGI companies made regular contributions in the aggregate amount of approximately € 1 mn. Special contributions have been claimed with respect to the insolvency of Phoenix Kapitaldienst GmbH in relation to which the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) has determined that certain investor claims will be covered under the compensation scheme. In 2010, AGI companies have been requested to contribute € 3 mn in special contributions. In the same context, AGI companies have adequately provisioned for potential liabilities for future extraordinary contributions.

## Guarantees

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is as follows:

	Letters of credit and other financial guarantees € mn	Market value guarantees € mn	Indemnification contracts € mn
<b>2010</b>			
Up to 1 year	424	134	7
1-3 years	16	432	30
3-5 years	22	652	—
Over 5 years	14	852	17
<b>Total</b>	<b>476</b>	<b>2,070</b>	<b>54</b>
Collateral	31	—	—
<b>2009</b>			
Up to 1 year	383	332	23
1-3 years	34	207	4
3-5 years	14	531	—
Over 5 years	121	1,598	47
<b>Total</b>	<b>552</b>	<b>2,668</b>	<b>74</b>
Collateral	25	—	4

Nearly all customers of the letters of credit and of the indemnification contracts have no external credit ranking.

## Letters of credit and other financial guarantees

The majority of the Allianz Group's letters of credit and other 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 guaranteee 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, principally subject to collateral pledged by the customer as specified in the agreement.

## Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market 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 such 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, as well as the maturity dates, differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of December 31, 2010, the maximum potential amount of future payments of the market value guarantees was € 799 mn (2009: € 1,150 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 December 31, 2010, was € 881 mn (2009: € 1,248 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 market value and performance-at-maturity guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, the same mutual fund offers both a market value guarantee and a performance-at-maturity guarantee. Additionally, the performance-at-maturity guarantees are generally linked to the performance of an equity index or group of equity indexes. As of December 31, 2010, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was € 1,271 mn (2009: € 1,518 mn), which represents the total value guaranteed under the respective agreements. The fair value of the mutual funds related to the market guarantees as of December 31, 2010, was approximately € 1,204 mn (2009: € 1,425 mn). Such funds generally have a duration of five to eight 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.

### **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 December 31, 2010 are provided in note 44.

### **Assets pledged and collateral**

The carrying amounts of the assets pledged as collateral are as follows:

As of December 31,	2010 € mn	2009 € mn
<b>Collaterals without right to resell or repledge</b>		
Investments	810	987
Loans and advances to banks and customers	2,278	2,845
<b>Subtotal</b>	<b>3,088</b>	<b>3,832</b>
<b>Collaterals with right to resell or repledge</b>		
Financial assets carried at fair value through income	613	887
Investments	90	123
<b>Subtotal</b>	<b>703</b>	<b>1,110</b>
<b>Total</b>	<b>3,791</b>	<b>4,842</b>

As of December 31, 2010, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 567 mn (2009: € 660 mn), which the Allianz Group has the right to sell or repledge. As of December 31, 2010 and 2009, respectively, no previously received collateral was sold or repledged by the Allianz Group.

As of December 31, 2010, the Allianz Group did not take possession of collateral it holds as security (2009: € 21 mn).

## 48 Pensions and similar obligations

Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit plans in nature.

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 to the employer of a defined benefit plan is not known with certainty in advance.

### Defined benefit plans

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

As of December 31,	2010 € mn	2009 € mn
<b>Net amount recognized as of January 1,</b>	<b>3,543</b>	<b>3,611</b>
Changes in the consolidated subsidiaries of the Allianz Group	—	5
Foreign currency translation adjustments	2	(2)
Expense	658	571
Payments	(650)	(642)
<b>Net amount recognized as of December 31,</b>	<b>3,553</b>	<b>3,543</b>
thereof assets	(372)	(276)
thereof liabilities	3,925	3,819

The following table sets forth the changes in the defined benefit obligation, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

	2010 € mn	2009 € mn
<b>Change in defined benefit obligation</b>		
Defined benefit obligation as of January 1,	13,727	12,247
Service cost	340	288
Interest cost	693	695
Plan participants' contributions	72	68
Amendments	2	2
Actuarial (gains)/losses	835	956
Foreign currency translation adjustments	240	70
Benefits paid	(593)	(582)
Changes in the consolidated subsidiaries of the Allianz Group	64	54
Divestitures	(43)	—
Settlements, curtailments, termination benefits	(17)	(71)
<b>Defined benefit obligation as of December 31,<sup>1</sup></b>	<b>15,320</b>	<b>13,727</b>
<b>Change in fair value of plan assets</b>		
Fair value of plan assets as of January 1,	8,913	7,964
Expected return on plan assets	454	440
Actuarial gains/(losses)	53	283
Employer contributions	392	385
Plan participants' contributions	72	68
Foreign currency translation adjustments	229	60
Benefits paid <sup>2</sup>	(336)	(327)
Changes in the consolidated subsidiaries of the Allianz Group	61	93
Divestitures	(48)	—
Assets distributed on settlement	(10)	(53)
<b>Fair value of plan assets as of December 31,</b>	<b>9,780</b>	<b>8,913</b>
<b>Funded status as of December 31,</b>	<b>5,540</b>	<b>4,814</b>
Unrecognized net actuarial gains/(losses)	(2,058)	(1,375)
Unrecognized past service costs	5	3
Amount not recognized due to asset ceiling	66	101
<b>Net amount recognized as of December 31,</b>	<b>3,553</b>	<b>3,543</b>

<sup>1</sup> As of December 31, 2010, € 5,329 mn (2009: € 4,707 mn) of the defined benefit obligation are wholly unfunded, while € 9,991 mn (2009: € 9,020 mn) are wholly or partly funded.

<sup>2</sup> In addition, the Allianz Group paid € 257 mn (2009: € 255 mn) directly to plan participants.

The increase in actuarial losses is basically due to the decrease in the discount rate. Besides this is also the main reason for exceeding the 10%-corridor as of December 31, 2010, which results in an amortization of a part of the unrecognized actuarial losses through profit and loss in 2011.

As of December 31, 2010, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 11 mn (2009: € 6 mn) and € 11 mn (2009: € 7 mn), respectively.

The expense recognized in profit or loss related to defined benefit plans of the Allianz Group consists of the following components:

	2010 € mn	2009 € mn	2008 € mn
Service cost	340	288	321
Interest cost	693	695	672
Expected return on plan assets	(454)	(440)	(448)
Amortization of past service cost	3	(8)	38
Amortization of net actuarial (gain)/loss	124	(55)	6
Effect of asset ceiling	(48)	99	—
(Income)/expenses of plan curtailments or settlements	—	(8)	—
<b>Expense recognized in profit or loss</b>	<b>658</b>	<b>571</b>	<b>589</b>

During the year ended December 31, 2010, the expense recognized in profit or loss includes expense related to post-retirement health benefits of € 1 mn (2009: € (46) mn; 2008: € (7) mn).

The actual return on plan assets during the year ended December 31, 2010, amounted to € 507 mn (2009: € 723 mn; 2008: € (333) mn).

A summary of amounts related to defined benefit plans is as follows:

	2010 € mn	2009 € mn	2008 € mn	2007 € mn	2006 € mn
Defined benefit obligation	15,320	13,727	12,247	16,142	17,280
Fair value of plan assets	9,780	8,913	7,964	10,931	10,888
Funded status	5,540	4,814	4,283	5,211	6,392
Actuarial (gains)/losses from experience adjustments on:					
Plan obligations	(125)	(73)	(42)	(56)	8
Plan assets	(53)	(283)	781	331	90

### Assumptions

The assumptions for the actuarial computation of the defined benefit obligation and the expense recognized in profit or loss depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted average value of the assumptions for the Allianz Group's defined benefit plans used to determine defined benefit obligation and the expense recognized in profit or loss are as follows:

As of December 31,	2010 %	2009 %	2008 %
Discount rate	4.7	5.1	5.8
Expected long-term return on plan assets	5.0	5.4	5.5
Rate of compensation increase	2.4	2.4	2.5
Rate of pension increase	1.5	1.6	1.9
Rate of medical cost trend	4.1	5.4	7.5

The expense recognized in profit and loss is recorded based on the assumptions of the corresponding previous year. For the assumptions regarding the expected long-term return on plan assets the value of the corresponding current year is relevant.

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

Especially the discount rate assumption results in uncertainty and a significant risk. A change in the discount rate by 25 bps would lead to an effect of € 603 mn on the defined benefit obligation.

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 expense recognized in profit or loss.

For the year ended December 31, 2010, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

	Target allocation %	Weighted expected long-term rate of return %
Equity securities	20.0	7.7
Debt securities	72.0	4.2
Real estate	6.2	4.9
Other	1.8	7.5
Total	100.0	5.0

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

### Plan assets

The defined benefit plans' weighted average asset allocations by asset category are as follows:

As of December 31,	2010 %	2009 %
Equity securities	14.4	14.1
Debt securities	75.6	78.3
Real estate	4.8	4.5
Other	5.2	3.1
Total	100.0	100.0

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich. This entity insures effectively all employees of the German insurance operations and is not part of the Allianz Group.

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase in the long term its actual equity securities allocation towards the target allocation for plan assets of defined benefit plans.

### Contributions

During the year ending December 31, 2011, the Allianz Group expects to contribute € 288 mn to its defined benefit plans and to pay € 263 mn directly to plan 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 December 31, 2010, the Allianz Group recognized expenses for defined contribution plans of € 163 mn (2009: € 149 mn; 2008: € 212 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 367 mn (2009: € 373 mn; 2008: € 317 mn).

## 49 Share-based compensation plans

### Group Equity Incentives Plans

The Group Equity Incentives Plans (GEI) of the Allianz Group support the orientation of senior management, in particular the Board of Management, toward the long-term increase of the value of the Allianz Group. Until 2010, the GEI include grants of stock appreciation rights (SAR) and restricted stock units (RSU). From the grant 2011 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 SARs 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 SAR 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. Until the grant 2008, the SARs vest after two years and expire after seven years. From the grant 2009 onwards, the SARs vest after four years and expire as well after seven years. Upon vesting, the SARs may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of Allianz SE share has outperformed the Dow Jones Europe 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 death of plan participants, a change of control or notice for operational reason the SARs 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 SARs 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 SARs at grant date is measured using a Cox-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 (all plans issued between 2006 and 2008 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the SARs.

The following table provides the assumptions used in estimating the fair value of the SARs at grant date:

	2010	2009	2008
Expected volatility	29.0%	60.0%	32.0%
Risk-free interest rate	2.7%	2.6%	3.6%
Expected dividend rate	5.6%	6.2%	5.3%
Share price	€ 88.09	€ 55.19	€ 112.83
Expected life (years)	7	7	7

The SARs are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SARs as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SARs are recognized as compensation expense. During the year ended December 31, 2010, the Allianz Group recognized compensation expense related to the unexercised SARs of € 5 mn (2009: € 12 mn; 2008: € (116) mn).

As of December 31, 2010, the Allianz Group recorded for the unexercised SARs a provision of € 48 mn (2009: € 50 mn) in other liabilities.

### Restricted stock units

The RSUs 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 issue one Allianz SE share, or other equivalent equity instrument, for each RSU granted. The RSUs vest after five years. The Allianz Group will exercise the RSUs on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each RSU.

In addition, upon death of plan participants, a change of control or notice for operational reason the RSUs vest immediately and will be exercised by the company.

The RSUs 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 RSUs from the prevailing share price as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

	2010 %	2009 %	2008 %
Average interest rate	1.4	2.1	3.4
Average dividend yield	5.5	7.1	5.7

The RSUs 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 RSUs as compensation expense over the vesting period. During the year ended December 31, 2010, the Allianz Group recognized compensation expense related to the non-vested RSUs of € 58 mn (2009: € 72 mn; 2008: € (19) mn).

As of December 31, 2010, the Allianz Group recorded for the non-vested RSUs a provision of € 121 mn (2009: € 123 mn) in other liabilities.

## Allianz Equity Incentive Plan

Since the grant year 2011, the AEI plan replaces the GEI plans.

Due to the new remuneration structure effective January 1, 2010 the RSUs 2011 are deemed to have been granted to participants as part of the 2010 remuneration. The additional liability and compensation expense for the RSU component granted in March 2011 are estimated on a 100% target achievement as announced in the target letter of each beneficiary for the year 2010.

The RSUs 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 to one Allianz SE share. The payout is capped at 200% share price growth over the grant price.

The RSUs are subject to a vesting period of four years. The RSUs will be released on the last day of the vesting period. The Allianz Group can choose the settlement method for each RSU.

In addition, upon death of plan participants, a change of control or notice for operational reason the RSUs vest immediately and will be exercised by the company.

The RSUs 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 RSUs at grant date:

	2011 <sup>1</sup>
Share price	€ 105.85
Average dividend yield	4.7%
Average interest rate	2.6%
Expected volatility	18.0%

<sup>1</sup> The RSUs 2011 are deemed to have been granted to participants as part of their 2010 remuneration. Consequently, the assumptions for RSU grants delivered in March 2011 are based on best estimation.

The RSUs 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 RSUs as compensation expense over the service period of one year and afterwards over the vesting period. During the year ended December 31, 2010, the Allianz Group recognized compensation expense related to the RSU component of the AEI plan of € 17 mn.

As of December 31, 2010, the Allianz Group recorded a provision of € 17 mn for these RSUs 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. (AGI L.P.) during the year ended December 31, 2000, Allianz SE caused Pacific Investment Management Company LLC (PIMCO LLC), a subsidiary of AGI 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 AGI L.P. upon death, disability or termination of the participant prior to vesting. Starting January 1, 2005, AGI L.P. has the right to repurchase, and the participants have the right to cause AGI 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 compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as compensation expense. During the year ended December 31, 2010, the Allianz Group recognized compensation expense related to the Class B equity units of € 367 mn (2009: € 311 mn; 2008: € 185 mn). In addition, the Allianz Group recognized expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 74 mn (2009: € 92 mn; 2008: € 93 mn). During the year ended December 31, 2010, the plan participants put 174 Class B equity units. The total amount paid related to the put of the Class B equity units was € 4 mn. Further the Allianz Group called 25,680 Class B equity units during the year ended December 31, 2010. The total amount paid related to the call of the Class B equity units was € 636 mn.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of December 31, 2010, the Allianz Group recorded a liability for the Class B equity units of € 902 mn (2009: € 1,118 mn).

PIMCO LLC Class M-unit Plan

In 2008, Allianz Global Investors of America L.P. (AGI L.P.) launched a new management share-based payment incentive plan for certain senior level executives of PIMCO LLC and certain of its affiliates. Participants in the plan are granted options to acquire a new class of equity instruments (M-units), which vest in one-third

increments on approximately the third, fourth and fifth anniversary of the option valuation date. Upon vesting, options will be automatically exercised in a cashless transaction. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan. 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 quarterly cash compensation equal to and in lieu of quarterly dividend payments.

The 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 select group of peers. The expected life 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:

	2010	2009	2008
Weighted average fair value of options granted	€ 1,462.84	€ 1,207.91	€ 577.44
<b>Assumptions:</b>			
Expected term (years)	3.83	3.85	3.85
Expected volatility	45.9%	48.9%	32.5%
Expected dividend yield	10.9%	10.5%	11.1%
Risk free rate of return	1.9%	1.7%	2.7%

A summary of the number and weighted average exercise price of the M-options outstanding and exercisable are as follows:

The aggregate intrinsic value of share options outstanding was € 93 mn and € 59 mn for the years ended December 31, 2010 and 2009, respectively.

The M-options outstanding as of December 31, 2010 have an exercise price between € 6,335.95 and € 11,515.04 and a weighted average remaining contractual life of 3.31 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 December 31, 2010, the Allianz Group recorded compensation expense of € 28 mn (2009: € 9 mn; 2008: € 2 mn) related to these share options.

#### **AGF Group's share option plan (currently known as Allianz France)**

The former AGF Group awarded share options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants.

During the year ended December 31, 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 January 16, 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 December 31, 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 compensation expense.

During the year ended December 31, 2010, the Allianz Group recognized total compensation expenses related to the modified share option plans of € (0.4) mn (2009: € 3 mn; 2008: € (33) mn). As of December 31, 2010, the Allianz Group recorded a liability for these plans of € 10 mn (2009: € 14 mn).

#### **Allianz SE share option plan of former RAS Group (modified RAS Group share option plan 2005)**

The former RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares.

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal to the term to maturity of the options.

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.501 RAS share options outstanding. The outstanding RAS Group options of 953,000 were replaced by 173,241 Allianz SE options. The Allianz SE share options have the same vesting period of 2 years; however, the former market conditions were replaced with a performance condition, which was already achieved on the date of the modification.

A summary of the number and weighted average exercise price of the options outstanding and exercisable are as follows:

	2010		2009		2008	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
<b>Outstanding as of January 1,</b>	<b>84,920</b>	<b>93.99</b>	<b>117,825</b>	<b>93.99</b>	<b>131,249</b>	<b>93.99</b>
Granted	—	—	—	—	—	—
Exercised	—	—	—	—	(13,424)	93.99
Forfeited	(13,087)	93.99	(32,905)	93.99	—	—
<b>Outstanding as of December 31,</b>	<b>71,833</b>	<b>93.99</b>	<b>84,920</b>	<b>93.99</b>	<b>117,825</b>	<b>93.99</b>
<b>Exercisable as of December 31,</b>	<b>71,833</b>	<b>93.99</b>	<b>84,920</b>	<b>93.99</b>	<b>117,825</b>	<b>93.99</b>

The aggregate intrinsic value of share options outstanding was € 4 mn (2009: € 4 mn) for the year ended December 31, 2010.

The options outstanding as of December 31, 2010, have an exercise price of € 93.99 and a weighted average remaining contractual life of 1 year.

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by Allianz S.p.A. and ACIF. Therefore, these entities measure 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.

As all share option plans are completely vested the Allianz Group recorded no compensation expenses for the years ended December 31, 2010, 2009 and 2008.

### 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 December 31, 2010, the number of shares sold to employees under these plans was 623,465 (2009: 721,740; 2008: 721,830). During the year ended December 31, 2010, the Allianz Group recognized compensation expense, the difference between the market price (closing price of the Allianz SE stock in Xetra on September 7, 2010) and the discounted price of the shares purchased by employees, of € 10 mn (2009: € 11 mn; 2008: € 10 mn).

### 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 December 31, 2010, the total expense recorded for these plans was € 1 mn (2009: € 2 mn; 2008: € 2 mn).

## 50 Restructuring plans

As of December 31, 2010, 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.

Changes in the provisions for restructuring plans:

	Allianz Deutschland AG	Allianz France	manroland AG	Allianz Beratungs- und Vertriebs AG	Euler Hermes Group	Other	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>As of January 1, 2008</b>	<b>226</b>	—	—	—	—	315	<b>541</b>
New provisions	—	77	—	—	—	31	108
Additions to existing provisions	3	—	—	—	—	16	19
Release of provisions recognized in previous years	(10)	—	—	—	—	(1)	(11)
Utilization of provisions via payments	(10)	(2)	—	—	—	(70)	(82)
Utilization of provisions via transfers	(61)	—	—	—	—	(5)	(66)
Reclassification to liabilities of disposal groups classified as held for sale	—	—	—	—	—	(166) <sup>2</sup>	(166)
<b>As of December 31, 2008</b>	<b>148</b>	<b>75</b>	—	—	—	<b>120</b>	<b>343</b>
Reclassification due to separate presentation	—	—	4	—	—	(4)	—
<b>As of January 1, 2009</b>	<b>148</b>	<b>75</b>	<b>4<sup>1</sup></b>	—	—	<b>116</b>	<b>343</b>
New provisions	—	—	89	37	—	145	271
Additions to existing provisions	3	—	—	—	—	24	27
Release of provisions recognized in previous years	(53)	—	—	—	—	(16)	(69)
Utilization of provisions via payments	(16)	(40)	(28)	—	—	(81)	(165)
Utilization of provisions via transfers	(27)	—	(2)	—	—	(57)	(86)
Foreign currency translation adjustments	—	—	—	—	—	1	1
Other	—	—	24	—	—	—	24
<b>As of December 31, 2009</b>	<b>55</b>	<b>35</b>	<b>87</b>	<b>37</b>	—	<b>132</b>	<b>346</b>
<b>As of January 1, 2010</b>	<b>55</b>	<b>35</b>	<b>87</b>	<b>37</b>	—	<b>132</b>	<b>346</b>
New provisions	—	—	—	42	67	64	173
Additions to existing provisions	13	13	47	—	—	29	102
Release of provisions recognized in previous years	—	—	—	(5)	—	(12)	(17)
Utilization of provisions via payments	(7)	(25)	(44)	—	—	(63)	(139)
Utilization of provisions via transfers	(13)	—	—	(21)	—	(24)	(58)
Foreign currency translation adjustments	—	—	—	—	—	2	2
<b>As of December 31, 2010</b>	<b>48</b>	<b>23</b>	<b>90</b>	<b>53</b>	<b>67</b>	<b>128</b>	<b>409</b>

1 Provision was already created before 2008. There is no connection with the restructuring activities in 2009.

2 Consists of the provision for restructuring of the Dresdner Bank Group, which was reclassified to liabilities of disposal groups classified as held for sale during the year 2008.

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", have been transferred to the provision type, which would have been used not having a restructuring initiative in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave 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 has been transferred to employee related provisions. In addition, provisions for vacant office spaces that result from restructuring initiatives have been transferred to "other" provisions after the offices have been completely vacated.

### Allianz Deutschland AG's provisions for restructuring

In 2006, Allianz Deutschland AG announced a restructuring plan for the insurance business in Germany. The original objective to reduce approximately 5,345 positions has nearly been achieved. With the exception of two insurance centers, the restructuring program ended on December 31, 2009. For the remaining two insurance centers, the restructuring measures will be completed until December 31, 2012. Further costs of the restructuring plan mainly relate to ongoing payments for onerous contracts until their expiration.

	2010 € mn
New provisions	—
Additions to existing provisions	13
Release of provisions recognized in previous years	—
Restructuring charges directly reflected in the consolidated income statement	2
<b>Total restructuring charges during the year ended December 31, 2010</b>	<b>15</b>
<b>Total restructuring charges incurred to date</b>	<b>469</b>

A summary of the changes in the provisions for restructuring of the Allianz Deutschland AG during the year ended December 31, 2010 is:

Provisions as of January 1, 2010	Provisions recorded during 2010				Utilization of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2010
	New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Utilization of provisions via cash payments				
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
<b>Program 2006</b>								
Personnel costs	20	—	11	—	—	(14)	—	—
Contract termination costs	35	—	2	—	(7)	1	—	—
Other	—	—	—	—	—	—	—	—
<b>Total</b>	<b>55</b>	<b>—</b>	<b>13</b>	<b>—</b>	<b>(7)</b>	<b>(13)</b>	<b>—</b>	<b>48</b>

### Allianz France's provisions for restructuring

In 2008, the Allianz France announced for the insurance business in France a restructuring plan called "Comprehensive Adaptation Plan" ("Plan Global d'Adaptation"), which is expected to be completed in 2011. The objectives of the restructuring program are to regain market share and increase the quality of service by increasing the number of sales staff and enhancing sales effectiveness, developing employees' competencies and implementing a comprehensive plan of competitiveness.

The restructuring activities of the Allianz France resulted in a reduction of locations within France from 14 to 10 and a relocation of employees and activities in order to ensure that experts are present in each location as well as a strong reduction of non-HR costs (especially IT, purchasing, facilities).

Through the Comprehensive Adaptation Plan, Allianz France has committed itself to reducing the number of administrative positions by 688. The reduction of staff within this program includes measures for voluntary termination under restricted conditions and early retirement for the employees affected by the closure of locations.

In 2010, the Allianz France extended the restructuring activities comprising a second wave of voluntary terminations with a new objective of 830 positions (instead of 688) and the vacating of seven rented or owner-occupied buildings in downtown Paris (relocation of activities mainly to La Defense). As of December 31, 2010, 685 employees have been laid off through voluntary departures, early retirement measures and terminations.

During the year ended December 31, 2010, the Allianz France recorded restructuring charges of € 36 mn (2009: € — mn; 2008: € 81 mn).

A summary of the changes in the provisions for restructuring of the Allianz France during the year ended December 31, 2010 is:

Provisions as of January 1, 2010	Provisions recorded during 2010					Utilization of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2010
	New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Utilization of provisions via cash payments					
	€ mn	€ mn	€ mn	€ mn					
<b>Comprehensive Adaptation Plan</b>									
Personnel costs	35	—	11	—	(25)	—	—	—	21
Contract termination costs	—	—	—	—	—	—	—	—	—
Other	—	—	2	—	—	—	—	—	2
<b>Total</b>	<b>35</b>	<b>—</b>	<b>13</b>	<b>—</b>	<b>(25)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>23</b>

### Manroland AG's provision for restructuring

Due to tense economic conditions in the printing industry and still low demand, manroland AG was forced to expand its restructuring activities in 2010 which were originally commenced in 2009. The company reached further agreements ("Interessenausgleich" and "Sozialplan") with the workers' council to implement the additional redundancies. Partial retirement was also effectively used in order to reduce staff. Additionally, to

minimize the consequences for the affected employees of the program, a "Qualifizierungs- und Beschäftigungs-gesellschaft" will be set up in early 2011. The restructuring program affects all lines of business and several locations. A staff reduction of approximately 24% is envisaged.

The program is planned to be finalized in 2012. These measurements will positively affect the cost basis and ensure the competitiveness of the company.

During the year ended December 31, 2010, manroland AG recorded restructuring charges of € 52 mn (2009: € 89 mn). As of December 31, 2010, the provision for restructuring of manroland AG was € 90 mn (2009: € 87 mn).

#### **Allianz Beratungs- und Vertriebs AG's provision for restructuring (ABV AG)**

In 2009, the ABV AG announced restructuring plans for the reorganization of sales division in Germany that will be completed in 2012. The objective of the restructuring program is to increase quality, efficiency and process stability of office work and special sales department. In context of office work restructuring the head office and local offices have been reorganized. Furthermore, the human resources administration and the contract processing have been reorganized and centralized. Special sales department has been restructured in order to provide a better support to insurance agencies. The reduction of staff within this program mainly occurs in consent with the employees. From the original objective to reduce approximately 225 positions, approximately 76 positions are still left as of December 31, 2010.

As of December 31, 2010 the ABV AG restructuring provision for the plan announced in 2009 was € 11 mn (2009: € 37 mn). During the year ended December 31, 2010 restructuring charges of € (5) mn (2009: € 37 mn) were recorded.

In 2010, the ABV AG announced a restructuring plan for the reorganization of the sales channel via part-time insurance agents in Germany that will be completed in 2014. The main objectives of the restructuring program are to increase quality and efficiency of the part-time insurance agents' supervision and support and to raise the attractiveness of this sales channel. As of the year ended December 31, 2010 the restructuring plan includes a reduction of approximately 454 positions of district managers. The reduction of staff within this program shall mainly occur in consent with the employees. Some early retirement agreements (Altersteilzeit) were

concluded before the restructuring provision was recorded and are therefore not part of the restructuring plan.

As of December 31, 2010 the ABV AG restructuring provision for the plan announced in 2010 was € 42 mn. During the year ended December 31, 2010 ABV AG recorded restructuring charges of € 42 mn.

#### **Euler Hermes Group's provision for restructuring**

The Euler Hermes Group launched in 2010 the program "Excellence" which will be executed over a period of three years. This program comprises several measures including voluntary leaver programs, early and partial retirements, involuntary dismissals and termination of rent contracts. It is expected to reduce total headcount by approximately 570 full time equivalents by the end of 2013. The staff reduction concerns mainly Euler Hermes in Germany, U.K., Italy, Belgium and France.

As of December 31, 2010, the Euler Hermes Group restructuring provision was € 57 mn. During the year ended December 31, 2010, Euler Hermes Group recorded restructuring charges of € 73 mn.

In addition, Euler Hermes Belgium decided in 2010 to close its retail credit insurance business at the Brussels office which is no longer profitable in the long run. This measure comprises a reduction of approximately 40 employees, mainly through early retirement. The program will be completed in the third quarter of 2011.

As of December 31, 2010, Euler Hermes Belgium recorded a restructuring provision of € 10 mn. During the year ended December 31, 2010, Euler Hermes Belgium recorded restructuring charges of € 10 mn.

## Other restructuring plans

	Provision for restructuring as of December 31,		Restructuring charges for the year ended December 31,		
	2010 € mn	2009 € mn	2010 € mn	2009 € mn	2008 € mn
Allianz S.p.A., Italy	7	17	5	(6)	2
Allianz Belgium S.A. (Allianz Belgium)	16	17	7	14	—
Companhia de Seguros Allianz Portugal S.A. (Allianz Portugal)	3	16	(5)	21	—
cominvest Group	3	14	18	67	—
Allianz Nederland Group (Allianz Netherlands)	20	—	27	2	—
Other	79	68	48	110	55
<b>Total</b>	<b>128</b>	<b>132</b>	<b>100</b>	<b>208</b>	<b>57</b>

### Allianz S.p.A., Italy

In 2007, the Boards of RAS, Lloyd Adriatico and AZ Subalpina announced a restructuring program for the integration of these three companies into Allianz S.p.A. effective since October 1, 2007. The objective is to reorganize its strategic and commercial direction by aligning the underwriting strategies, refocusing some lines of business in the insurance business, as well as in the Asset Management segment, unifying all the support functions leveraging on best practices. Further some activities will be relocated within Italian sites whereas other operations will be integrated into one single organization.

### Allianz Belgium S.A. (Allianz Belgium)

In 2009, the Board of Allianz Belgium announced the realization of two major initiatives of the Operational Transformation Program: the closing of the headquarters of Antwerp and the outsourcing of the IT developments.

### Companhia de Seguros Allianz Portugal S.A. (Allianz Portugal)

In 2009, Allianz Portugal announced a restructuring program for the integration of IT platforms between Portugal and Spain. The objective is to establish a common and shared IT infrastructure by IT transformation and process redesign as well as to enlarge the scope of the shared service of Allianz Iberica Services Center. The program intends to integrate support services and to harmonize procedures. The product offer diversity shall be enlarged and the complexity is supposed to be reduced. In addition, the scope of agents sales support tool is going to be enlarged. Moreover, Allianz Portugal plans to leverage internal redundant resources to eliminate external ones and to benefit from lower costs.

### cominvest Group

The Allianz Global Investors Deutschland Group (AGI) took over the cominvest entities from the Allianz Group with effect from January 12, 2009. Based on management decision of AGI and cominvest, operations and functions of those entities have been integrated since takeover accompanied by a reduction of employees where unavoidable. The integration of cominvest was completed in the second quarter of 2010 with cominvest companies being merged into AGI entities with retroactive economic effect as of January 1, 2010. The completed integration of cominvest comprising the integration of operating functions and staff, the consolidation of product range, including rebranding, and the adoption of cost optimization measures allows a further extension of the AGI market position in Germany.

### Allianz Nederland Group (Allianz Netherlands)

As part of the restructuring plan Allianz 2012 whose execution was started already in 2009, Allianz Netherlands announced in 2010 to centralize all main activities at its headquarter in Rotterdam. This reorganization is a direct outcome of the implementation of the Target Operating Model and intends cost savings according to the Operational Transformation Plan.

## 51 Earnings per share

### Basic earnings per share

Basic earnings per share are calculated by dividing net income (loss) attributable to shareholders by the weighted average number of common shares outstanding for the period.

	2010 € mn	2009 € mn	2008 € mn
<b>Net income (loss) attributable to shareholders used to calculate basic earnings per share</b>	<b>5,053</b>	<b>4,207</b>	<b>(2,362)</b>
from continuing operations	5,053	4,602	4,049
from discontinued operations	—	(395)	(6,411)
<b>Weighted average number of common shares outstanding</b>	<b>451,280,092</b>	<b>450,845,024</b>	<b>450,161,145</b>
<b>Basic earnings per share (in €)</b>	<b>11.20</b>	<b>9.33</b>	<b>(5.25)</b>
from continuing operations	11.20	10.21	8.99
from discontinued operations	—	(0.88)	(14.24)

### Diluted earnings per share

Diluted earnings per share are calculated by dividing net income (loss) 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. Potentially dilutive common shares arise from the assumed conversion of participation certificates issued by Allianz SE, warrants issued by Allianz SE and share-based compensation plans into Allianz shares, as well as from the conversion of derivatives on own shares.

	2010 € mn	2009 € mn	2008 € mn
<b>Net income (loss) attributable to shareholders</b>	<b>5,053</b>	<b>4,207</b>	<b>(2,362)</b>
Effect of potentially dilutive common shares	(22)	—	(49)
<b>Net income (loss) used to calculate diluted earnings per share</b>	<b>5,031</b>	<b>4,207</b>	<b>(2,411)</b>
from continuing operations	5,031	4,602	4,000
from discontinued operations	—	(395)	(6,411)
<b>Weighted average number of common shares outstanding</b>	<b>451,280,092</b>	<b>450,845,024</b>	<b>450,161,145</b>
<b>Potentially dilutive common shares resulting from assumed conversion of:</b>			
Participation certificates	—	728,683	1,469,443
Warrants	—	—	36,338
Share-based compensation plans	1,221,057	814,046	3,226,670
Derivatives on own shares	—	—	1,139,945
<b>Subtotal</b>	<b>1,221,057</b>	<b>1,542,729</b>	<b>5,872,396</b>
<b>Weighted average number of common shares outstanding after assumed conversion</b>	<b>452,501,149</b>	<b>452,387,753</b>	<b>456,033,541</b>
<b>Diluted earnings per share (in €)</b>	<b>11.12</b>	<b>9.30</b>	<b>(5.29)</b>
from continuing operations	11.12	10.17	8.77
from discontinued operations	—	(0.87)	(14.06)

For the twelve months ended December 31, 2010, the weighted average number of common shares excludes 2,725,114 (2009: 2,365,661; 2008: 2,004,155) treasury shares.

## 52 Other information

### Employee information

As of December 31,	2010	2009
Germany	47,889	49,051
Other countries	103,449	104,152
<b>Total</b>	<b>151,338</b>	<b>153,203</b>

The average total number of employees for the year ended December 31, 2010, was 151,642.

### Personnel expenses

	2010 € mn	2009 € mn	2008 € mn
Salaries and wages	8,344	7,707	9,153
Social security contributions and employee assistance	1,107	1,051	1,298
Expenses for pensions and other post-retirement benefits	1,100	1,123	1,223
<b>Total<sup>1</sup></b>	<b>10,551</b>	<b>9,881</b>	<b>11,674</b>

1 Includes in 2008 personnel expenses of € 2,532 mn of Dresdner Bank Group.

### Issuance of the Declaration of Compliance with the German Corporate Governance Code according to § 161 AktG

On December 15, 2010, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG and made it available on a permanent basis 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 2010 and was made permanently available to the shareholders.

### 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:

### Fees billed

	KPMG worldwide		thereof: KPMG AG and affiliated entities <sup>1</sup>	
	2010 € mn	2009 € mn	2010 € mn	2009 € mn
Audit fees	34.4	35.5	15.8	16.3
Audit-related fees	5.0	5.0	4.1	4.3
Tax fees	1.9	1.6	1.3	1.0
All other fees	1.8	2.6	1.7	2.4
<b>Total</b>	<b>43.1</b>	<b>44.7</b>	<b>22.9</b>	<b>24.0</b>

### Audit fees

KPMG billed the Allianz Group an aggregate of € 34.4 mn (2009: € 35.5 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 € 5.0 mn (2009: € 5.0 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 € 1.9 mn (2009: € 1.6 mn) and resulted primarily from tax advice.

1 As of December 31, 2010, KPMG AG and affiliated entities comprised KPMG operations in Belgium, Germany, Kazakhstan, Luxembourg, the Netherlands, Russia, Spain, Switzerland, Turkey, Ukraine and the United Kingdom.

### All other fees

KPMG invoiced the Allianz Group an aggregate of € 1.8 mn (2009: € 2.6 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 € 13.1 mn (2009: € 12.3 mn).

### Remuneration for the Board of Management

As of December 31, 2010, the Board of Management had 10 (2009: 10) active members.

The total cash remuneration of the Board of Management of Allianz SE for 2010 (excluding the notional annual Mid-term bonus accrual) amounted to € 18.0 mn (2009 including the payout of the Three-year bonus for the period 2007 - 2009: € 27.8 mn). The equity-related remuneration which applied before 2010 consisted of two vehicles, known as Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU). The new arrangement continue to award RSU. Likewise, 114,156<sup>1</sup> (2009: 95 288) restricted stock units (and 2009: 192 709 stock appreciation rights) with a total fair value at grant date of € 9.9 mn (2009: € 8.4 mn) were granted to the Board of Management for the year ended December 31, 2010.<sup>2</sup>

Remuneration to former members of the Board of Management and their beneficiaries totaled € 7.0 mn (2009: € 4.0 mn). Reserves for current pensions and accrued pension rights totaled € 58.0 mn (2009: € 52.0 mn).

Total compensation to the Supervisory Board amounted to € 1.5 mn (2009: € 1.5 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.

## 53 Subsequent events

### Increase in ownership in China Pacific Insurance

On January 8, 2011, the Allianz Group increased its investment in China Pacific Insurance (Group) Co., Ltd. (CPIC) H shares by USD 855 mn.

### Floodings in Australia

Since January 10, 2011, floodings have caused great damage in Queensland, Australia. Based on current information, net claims are expected to amount to approximately € 87 mn before income taxes.

### Sale of Industrial and Commercial Bank of China (ICBC) shares

In January 2011, the Allianz Group sold 0.2bn ICBC shares with a capital gain of approximately € 0.1 bn.

### Cyclone "Yasi" in Australia

On February 2, 2011, cyclone "Yasi" caused great damage in eastern Australia. Based on current information, net claims are expected to amount to approximately € 37 mn before income taxes.

### Earthquake in Christchurch, New Zealand

On February 22, 2011, the City of Christchurch, New Zealand, was hit by an earthquake. Currently a reliable forecast for net claims arising from this earthquake is not possible.

<sup>1</sup> The relevant share price to determine the final number of RSU granted is only available after the sign-off by KPMG, thus numbers are based on a best estimate.

<sup>2</sup> In the Annual Report 2009 disclosure of the equity related remuneration was based on best estimate. The figures shown here now include the actual figures as of the grant date.

### **ECJ-Decision on European Gender Directive**

On March 1, 2011, the Court of Justice of the European Union has ruled that the permission of the Member States under European law for gender specific differentiation of insurance premiums justified by statistical data (Art. 5 (2) of directive 2004/113/EC) will become invalid with effect from December 21, 2012. The judgement does not contain a statement that already existing contracts will be effected by the invalidity of the before mentioned provision.

Munich, February 21, 2011

Allianz SE  
The Board of Management

M. Auer  
Oliver Böle  
Peter Hirsch  
J. Rüggeberg

## List of participations of the Allianz Group as of December 31, 2010 according to § 313 (2) HGB

	% owned <sup>1</sup>		% owned <sup>1</sup>		% owned <sup>1</sup>
<b>GERMANY</b>					
<b>Consolidated affiliated entities</b>					
ACM-Compagnie Mercur Aktiengesellschaft, Bremen	50.0 <sup>2</sup>	Allianz PV WS Fonds, Frankfurt am Main	100.0 <sup>3</sup>	AZT Risk & Technology GmbH, Munich	100.0
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0 <sup>2</sup>	Allianz PV-RD Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Bankhaus W. Fortmann & Söhne KG, Oldenburg	100.0
ACP GmbH & Co. Beteiligungen KG, Munich	0.0 <sup>2</sup>	Allianz RCM Best Styles Euroland	51.5 <sup>3</sup>	BCA Betriebs Catering GmbH Verpflegungsdienste, Gerlingen	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0	Allianz Re Asia, Frankfurt am Main	100.0 <sup>3</sup>	Brahms Beteiligungs GmbH & Co. KG, Stuttgart	94.9
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0	Allianz Real Estate Germany GmbH, Stuttgart	100.0	Bürgel Wirtschaftsinformationen GmbH & Co. KG, Hamburg	50.1
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4b, Munich	100.0	Allianz Real Estate GmbH, Munich	100.0	Bürgel Wirtschaftsinformationen Verwaltungs-GmbH, Hamburg	50.4
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0	Allianz Rechtsschutz-Service GmbH, Munich	100.0	DBI-FONDS ADPF2, Frankfurt am Main	100.0 <sup>3</sup>
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0	Allianz Renewable Energy Management GmbH, Munich	100.0	dbi-Fonds Ammerland, Frankfurt am Main	100.0 <sup>3</sup>
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4e, Munich	100.0	Allianz Renewable Energy Subholding GmbH & Co.KG, Haar	100.0	dbi-Fonds DAV, Frankfurt am Main	100.0 <sup>3</sup>
ADIEUS Aktienregister-Service-GmbH, Frankfurt am Main	79.6	Allianz Service Center GmbH, Munich	100.0	dbi-Fonds WE, Frankfurt am Main	100.0 <sup>3</sup>
ADIG Fondsvertrieb AG, Munich	50.0 <sup>2</sup>	Allianz SIN Fonds, Munich	100.0 <sup>3</sup>	Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Aequitas GmbH Allianz Equity – Alternative Strategies, Munich	100.0	Allianz Strategiefonds Balance, Frankfurt am Main	99.8 <sup>3</sup>	DONATOR Beratungs GmbH, Munich	100.0
AGI Total Germany Bond Portfol, Frankfurt am Main	100.0 <sup>3</sup>	Allianz Strategiefonds Stabilität, Frankfurt am Main	99.6 <sup>3</sup>	Donator Beteiligungsverwaltung GmbH, Munich	100.0
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	55.0	Allianz Strategiefonds Wachstum, Frankfurt am Main	100.0	Dresdner Kleinwort Capital Italia Beteiligungsverwaltung GmbH, Grünwald	100.0
Allianz AADB Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz Taunusanlage GbR, Stuttgart	99.5	ESA Cargo & Logistics GmbH, Bad Friedrichshall	100.0
Allianz ABS Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz Treuhand GmbH, Munich	100.0	esa EuroShip GmbH, Bad Friedrichshall	51.0
Allianz AKR Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz Venture Partners Beteiligungs-GmbH, Munich	100.0	Euler Hermes Collections GmbH, Potsdam	100.0
Allianz ALSI Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz Versicherungs-Aktiengesellschaft, Munich	100.0	Euler Hermes Forderungsmanagement GmbH, Hamburg	100.0
Allianz Alternative Assets Holding GmbH, Munich	100.0	Allianz VKA Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Euler Hermes Kreditversicherungs-Aktiengesellschaft, Hamburg	100.0
Allianz APAV Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz VKRD-Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Euler Hermes Rating GmbH, Hamburg	100.0
Allianz APKR Pimco Emerging Markets Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz VLBR-Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Frey printcom GmbH, Lauf a.d. Pegnitz	100.0
Allianz Automotive Services GmbH, Aschheim	100.0	Allianz VSR Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Gamma-Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Allianz AVM Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz_ALD_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	German Real Estate Equity Fund I, Frankfurt am Main	100.0 <sup>3</sup>
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	94.9	Allianz_ALIK_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	grapho metronic Mess- und Regeltechnik GmbH, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0	Allianz_AVI_1_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Grundstücks-Gesellschaft mbH, Oldenburg	100.0
Allianz Capital Partners GmbH, Munich	100.0 <sup>4</sup>	Allianz_AVM_B_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Jota-Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0	Allianz_DGD_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	manroland 1. Verwaltungsgesellschaft mbH, Offenbach	100.0
Allianz Climate Solutions GmbH, Munich	100.0	Allianz_FAD_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	manroland AG, Offenbach	100.0 <sup>5</sup>
Allianz Deutschland AC, Munich	100.0	Allianz_LAD_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0
Allianz dit Strategiefonds Wachstum Plus, Frankfurt am Main	79.5 <sup>3</sup>	Allianz_LFE_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	manroland Vertrieb und Servicegesellschaft Süddeutschland mbH, Munich	100.0
Allianz E&E Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz_PV_1_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Mondial Assistance Deutschland GmbH, Munich	99.2
Allianz Finanzbeteiligungs GmbH, Munich	100.0	Allianz_RFG_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Mondial Kunden Service, Munich	100.0
Allianz GLA Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Allianz_RMO_1_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Münchner und Magdeburger Agraversicherung Aktiengesellschaft, Munich	77.0
Allianz Global Corporate & Specialty AG, Munich	100.0	Allianz_SDR_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Münsterländer Bank Thie & Co. KG, Münster	100.0
Allianz Global Investors Advisory GmbH, Frankfurt am Main	100.0	Allianz_SOA_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Objekt Burchardplatz GmbH & Co. KG, Stuttgart	100.0
Allianz Global Investors AG, Munich	100.0	Allianz_SysFI_Fonds (SysFI), Frankfurt am Main	100.0 <sup>3</sup>	OLB-Beteiligungsgesellschaft mbH, Oldenburg	98.8
Allianz Global Investors Asia Pacific GmbH, Munich	100.0	Allianz_UCD_1_Fonds (UPR), Frankfurt am Main	100.0 <sup>3</sup>	OLB-Service GmbH, Oldenburg	100.0
Allianz Global Investors Deutschland GmbH, Munich	100.0	Allianz_VGL_Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	89.6
Allianz Global Investors Europe GmbH, Munich	100.0	AllSecur Deutschland AG, Munich	100.0	ppi Media GmbH, Hamburg	74.8
Allianz Global Investors Europe Holding GmbH, Munich	100.0	ALZGI-Ferrostaal Renten 1, Frankfurt am Main	70.0 <sup>3</sup>	rehacare GmbH, Munich	74.9
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main	100.0	ALZGI-Ferrostaal Renten 2, Frankfurt am Main	70.0 <sup>3</sup>	risklab GmbH, Munich	100.0
Allianz Global Investors Product Solutions GmbH, Munich	100.0	Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Roland Holding GmbH, Munich	74.1
Allianz GLR Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Auros GmbH, Munich	100.0	Selecta Deutschland GmbH, Eschborn	100.0
Allianz GLRS Fonds, Frankfurt am Main	100.0 <sup>3</sup>	Az Pensionsfonds AG (Metall), Stuttgart	55.0	Selecta Holding GmbH, Eschborn	100.0
Allianz GLU Fonds, Frankfurt am Main	100.0 <sup>3</sup>	AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Sigma 12 Verwaltungs GmbH, Düsseldorf	94.9
Allianz GREQ Fonds, Frankfurt am Main	100.0 <sup>3</sup>	AZ-Argos 14 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	SITIA Beteiligungs- und Verwaltungs-GmbH, Cologne	100.0
Allianz GRCB Fonds, Frankfurt am Main	100.0 <sup>3</sup>	AZ-Argos 22 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Spheron Beteiligung GmbH & Co. KG, Düsseldorf	94.9
Allianz Handwerker Services GmbH, Munich	95.0	AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Spheron Objekt GmbH & Co. KG, Düsseldorf	100.0
Allianz Investment Management SE, Munich	100.0	AZ-Argos 44 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	100.0
Allianz Leben Private Equity Funds 1998 GmbH, Munich	100.0	AZ-Argos 46 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Werner Lies GmbH Großhandel für die Graphische Industrie, Neuhausen a.d.F.	100.0
Allianz Leben Private Equity Funds 2001 GmbH, Munich	100.0	AZ-Argos 47 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Windpark Berge-Kleeste GmbH & Co.KG, Haar	100.0
Allianz Leben Private Equity Funds 2008 GmbH, Munich	100.0	AZ-Argos 50 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Windpark Büttel GmbH & Co. KG, Sehestedt	100.0
Allianz Leben Private Equity Funds Plus GmbH, Munich	100.0	AZ-Argos 51 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Windpark Emmendorf GmbH & Co. KG, Emmendorf	100.0
Allianz LEBENO Fonds, Frankfurt am Main	100.0 <sup>3</sup>	AZ-Argos 55 Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Windpark Freyenstein GmbH & Co. KG, Husum	100.0
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0	AZ-Argos 57 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Windpark Halenbeck GmbH & Co. KG, Husum	100.0
Allianz Managed Operations & Services SE, Munich	100.0	AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Windpark Kestfeld - Heckhuischeid GmbH & Co KG, Pinneberg	100.0
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0	AZ-GARI Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0	Windpark Kirf GmbH & Co. KG, Pinneberg	100.0
Allianz Pension Partners GmbH, Munich	100.0	AZL AI Nr. 1 GmbH, Munich	100.0	Windpark Kittlitz KG GmbH & Co. KG, Husum	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0	AZL PE Nr. 1 GmbH, Munich	100.0	Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0	AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0	Windpark Qitzow GmbH & Co. KG, Sehestedt	100.0
Allianz Private Equity GmbH, Munich	100.0	AZ-SGD Private Equity Fonds GmbH, Munich	100.0	Windpark Redekin GmbH & Co KG, Genthin	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0	AZT Automotive GmbH, Ismaning	100.0	Windpark Schönwalde GmbH & Co. KG, Potsdam	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0			Windpark Waltersdorf GmbH Co. KG Renditefonds, Bremen	100.0
Allianz Prozess Finanz GmbH, Munich	100.0			Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0

1 Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

2 Controlled by Allianz.

3 Mutual-, Private Equity- or Specialfunds.

4 Releasing impact according to § 264 (3) HGB through Allianz Group's consolidated financial statements.

5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

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	% owned <sup>1</sup>		% owned <sup>1</sup>		% owned <sup>1</sup>
<b>Non consolidated affiliated entities</b>					
AFC Assecuranz- und Finanzvermittlungs-Contor GmbH, Münster	51.0	AGF Assurance, S.A., Paris	99.8	Allianz Balanced Investment Fund, Budapest	95.1 <sup>3</sup>
Alida Grundstücksverwaltung GmbH, Hamburg	55.0	AGF Balanced, Paris	99.7 <sup>3</sup>	Allianz Bank Bulgaria JSC, Sofia	99.9
All Net GmbH, Stuttgart	100.0	AGF Benelux S.A., Luxembourg	100.0	Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Autowelt GmbH, Munich	100.0	AGF Capital Investissement 2, Paris	93.6 <sup>3</sup>	Allianz Bank Polska S.A., Warsaw	100.0
Allianz Beteiligungs Management GmbH, Munich	100.0	AGF Capital Investissement, Paris	92.7 <sup>3</sup>	Allianz Banque S.A., Courbevoie	100.0
Allianz Immobilienfonds 1 GmbH & Co. KG, Munich	63.5	AGF CREATIONS2, S.A., Paris	100.0 <sup>3</sup>	Allianz Belgium S.A., Brussels	100.0
Allianz Immobilienfonds GmbH, Stuttgart	100.0	AGF Euro Actions C et D, S.A., Paris	88.4 <sup>3</sup>	Allianz Bénin dommages, Cotonou	81.0
Allianz Objektbeteiligungs - GmbH, Stuttgart	100.0	AGF FCR, Paris	100.0 <sup>3</sup>	Allianz Biplus 2, Paris	100.0 <sup>3</sup>
Allianz OrtungsServices GmbH, Stuttgart	100.0	AGF FIF Inst. Multimercado FI, São Paulo	100.0 <sup>3</sup>	Allianz Biznes Sp. z o.o., Warsaw	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0	AGF Holdings (UK) Limited, Guildford	100.0	Allianz Bonds Diversified Euro, Paris	100.0 <sup>3</sup>
Bürgel Beteiligungen GmbH, Hamburg	100.0	AGF HOSPITAL EURO L, S.A., Paris	100.0 <sup>3</sup>	Allianz Bulgaria Holding Company Ltd., Sofia	66.2
Bürgel Erfurt Beteiligungsgesellschaft mbH, Erfurt	100.0	AGF Hospitaliers Monde, S.A., Paris	100.0 <sup>3</sup>	Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	78.0
Bürgel Erfurt GmbH & Co. KG, Erfurt	100.0	AGF IART VINTAGE, Paris	100.0 <sup>3</sup>	Allianz Bulgaria Life Insurance Company Ltd., Sofia	99.0
Bürgel Internationale Inkassogesellschaft GmbH, Hamburg	100.0	AGF Indice Euroland, S.A.R.L., Paris	69.8 <sup>3</sup>	Allianz Bulgaria Pension Company AD, Sofia	65.9
Bürgel Wirtschaftsinformationen Vertriebsgesellschaft mbH, Hamburg	100.0	AGF Insurance Limited, Guildford	100.0	Allianz Burkina dommages, Ouagadougou	52.4
Dealis Fund Operations GmbH, Munich	50.1	AGF Inversiones S.A., Buenos Aires	100.0	Allianz Burkina vie, Ouagadougou	70.0
EUROGRAFICA Systemplanungs-GmbH, Augsburg	100.0	AGF Marches Emergents, S.A., Paris	74.8 <sup>3</sup>	Allianz Business Services Limited, Lancaster	100.0
EURO-Pro Gesellschaft für Data Processing mbH, Grävenwiesbach	75.2	AGF Multi Alternatives L, S.A., Paris	80.8 <sup>3</sup>	Allianz business services s.r.o., Bratislava	100.0
Failure & Risk Consulting GmbH, Ismaning	100.0	AGF Peh Europe V A, Paris	69.5 <sup>3</sup>	Allianz Cameroun dommages, Douala	75.4
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0	AGF Private Equity FCPR, Paris	56.5 <sup>3</sup>	Allianz Cameroon Vie, Douala	75.8
IDS GmbH - Analysis and Reporting Services, Munich	100.0	AGF RAS Holding BV, Amsterdam	100.0	AllIANZ CAP ISR 2016	97.7 <sup>3</sup>
Infrastruktur Putlitz Ost GmbH, Putlitz	70.8	AGF USA, S.A., Paris	85.8 <sup>3</sup>	Allianz Capital Partners Ltd., London	100.0
Infrastruktur Putlitz Ost II GmbH, Putlitz	100.0	AGF Imo, S.A., Paris	72.8 <sup>3</sup>	Allianz Capital Partners of America, Inc., New York, NY	100.0
manroland Heusenstamm GmbH, Heusenstamm	100.0	AGIF RCM Asia	87.6 <sup>3</sup>	Allianz Cash Pool II LLC, Westport, CT	100.0
manroland Versicherungsvermittlungs GmbH, Offenbach	100.0	AGIF-Allianz US High Yield	48.9 <sup>3</sup>	Allianz Centrafricaine dommages, Bangui	88.3
META Finanz-Informationssysteme GmbH, Munich	100.0	Agricola Holdings Pty Ltd., Melbourne	70.0	Allianz China General Insurance Company Ltd., Guangzhou	100.0
MetallRente Pensionsfonds AG i.G., Stuttgart	55.0	Agricola Underwriting Management Ltd. (NZ), Melbourne	100.0	Allianz China Life Insurance Co. Ltd., Shanghai	100.0
OLB-Immobiliedienst-GmbH, Oldenburg	100.0	Agricola Underwriting Pty Ltd., Melbourne	100.0	Allianz Citizen Care SRL, Milan	73.3 <sup>3</sup>
Rhein-Main Metallverarbeitung GmbH, Mainhausen	100.0	AIM EQUITY EMU 1, Paris	100.0 <sup>3</sup>	Allianz Compagnia Italiana Finanziamenti 2 S.p.A., Milan	100.0
Supercheck GmbH, Cologne	100.0	AIM EQUITY US, Paris	100.0 <sup>3</sup>	Allianz Compagnia Italiana Finanziamenti S.p.A., Milan	100.0
<b>Joint ventures</b>					
Janus-Vermögensverwaltungsgesellschaft mbH, Munich	50.0	AIM LIQUIDITY	86.3 <sup>3</sup>	Allianz Compañía de Seguros y Reaseguros S.A., Madrid	99.9
Partenreederei MT "Multitank Britannia", Hamburg	50.0	AIM Singapore Pte. Ltd., Singapore	100.0	Allianz Consultores S.C., Mexico City	66.0
<b>Associated enterprises</b>					
ALLIANZ RCM DEEP VALUE EUROPE, Frankfurt am Main	41.1	AIM Underwriting Limited, Toronto	100.0	Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0
Allianz RCM Global Alpha Plus, Frankfurt am Main	20.7	Allegiance Marketing Group LLC, North Palm Beach, FL	100.0	Allianz Côte d'Ivoire dommages, Abidjan	74.1
AV Packaging GmbH, Munich	51.0 <sup>6</sup>	Allianz (UK) Limited, Guildford	100.0	Allianz Côte d'Ivoire vie, Abidjan	71.0
Bürgel Braunschweig GmbH, Braunschweig	25.1	Allianz Actio France, Paris	67.2 <sup>3</sup>	Allianz Creations 1, Paris	100.0 <sup>3</sup>
Fondsdepot Bank GmbH, Hof	49.0	Allianz Actions Aéquitas, Paris	68.3 <sup>3</sup>	Allianz Destination 2014, Paris	99.9 <sup>3</sup>
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0	Allianz Actions Euro Value, Paris	94.6 <sup>3</sup>	Allianz Direct Agenti di Assicurare s.r.l., Bucharest	100.0
PrintCity GmbH & Co. KG, Augsburg	27.9	Allianz Actions Euroland, Paris	94.7 <sup>3</sup>	Allianz Direct Kft., Budapest	100.0
PrintCity GmbH, Augsburg	25.0	Allianz Actions France MidCap, Paris	69.1 <sup>3</sup>	Allianz Direct New Europe d.o.o., Zagreb	100.0
REISEGARANT, Hamburg	24.0	Allianz Actions France, Paris	73.0 <sup>3</sup>	Allianz Direct New Europe Sp. z o.o., Warsaw	100.0
Scandferries Holding GmbH, Hamburg	47.7	Allianz Actions Indice Japon (couvert), Paris	74.6 <sup>3</sup>	Allianz Direct s.r.o., Prague	100.0
Umspannwerk Putlitz GmbH & Co., Putlitz	25.8	Allianz Actions Indice US (couvert), Paris	92.7 <sup>3</sup>	Allianz do Brasil Ltda., São Paulo	100.0
<b>Other participations between 5 and 20% of voting rights</b>					
Commerzbank AG, Frankfurt am Main	10.3	Allianz Actions Internationales, Paris	93.6 <sup>3</sup>	Allianz Dynamic Investment Fund, Budapest	98.4 <sup>3</sup>
EXTREMUS Versicherungs-AG, Cologne	16.0	Allianz Actions Japon, Paris	83.3 <sup>3</sup>	Allianz EDUCACIA S.A., Białobrzegi	100.0
Heidelberger Druckmaschinen AG, Heidelberg	13.2	Allianz Actions Valeurs Moyennes, Paris	90.4 <sup>3</sup>	Allianz Efficio Confort, Paris	99.8 <sup>3</sup>
Marschollek, Lautenschlaeger u. Partner AG, Wiesloch	8.9	Allianz Actions VD, Paris	97.2 <sup>3</sup>	Allianz Efficio Plus, Paris	100.0 <sup>3</sup>
Sana Kliniken AG, Munich	13.8	Allianz Africa S.A., Paris	100.0	Allianz Efficio, Paris	100.0 <sup>3</sup>
<b>FOREIGN ENTERPRISES</b>					
<b>Consolidated affiliated entities</b>					
AB Servicios Selecta Espana S.L., Madrid	100.0	Allianz Argentia Compañia de Seguros Generales S.A., Buenos Aires	100.0	Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
ACMAR S.A., Casablanca	55.0	Allianz Ascension 2011, Paris	100.0 <sup>3</sup>	Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Acropole Monde A, Paris	88.0 <sup>3</sup>	Allianz Asset Allocation Russia, Moscow	80.7 <sup>3</sup>	Allianz Engineering Services Limited, Guildford	100.0
ACTIP 3, Paris	79.4 <sup>3</sup>	Allianz Asset Management správcovská spol. a.s., Bratislava	100.0	Allianz Equity Investments Ltd., Guildford	100.0
Administradora de Inversión Colseguros S.A. en Liquidación, Bogota D.C.	100.0	Allianz Australia Advantage Ltd., Sydney	100.0	Allianz Equity Large Cap EMU	100.0 <sup>3</sup>
Aero-Fonte S.r.l., Catania	100.0	Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0	Allianz EURECO Equity, Paris	79.9 <sup>3</sup>
AGCS Marine Insurance Company, Chicago, IL	100.0	Allianz Australia Insurance Limited, Sydney	100.0	Allianz Euro Bond Plus, Paris	85.5 <sup>3</sup>
AGF 2X, S.A., Paris	100.0	Allianz Australia Limited, Sydney	100.0	Allianz Euro Credit SRI, Paris	73.5 <sup>3</sup>
AGF Ameriques D, S.A., Paris	99.4 <sup>3</sup>	Allianz Australia Services (No. 2) Pty Ltd., Sydney	100.0	Allianz Euro Emprunts d'Etat, Paris	60.7 <sup>3</sup>
AGF Asac Actions, S.A., Paris	100.0 <sup>3</sup>	Allianz Australia Services Pty Limited, Sydney	100.0	Allianz Euro Gagnant, Paris	99.8 <sup>3</sup>
<b>Foreign enterprises</b>					
<b>Associated enterprises</b>					
Allianz America Holding B.V., Amsterdam	100.0	Allianz Ascension 2011, Paris	100.0 <sup>3</sup>	Allianz Euro Inflation, Paris	74.4 <sup>3</sup>
Allianz Amériques StocksPLUS (couvert), Paris	90.0 <sup>3</sup>	Allianz Asset Allocation Russia, Moscow	80.7 <sup>3</sup>	Allianz Euro Investment Grade, Paris	63.0 <sup>3</sup>
Allianz Annuity Company of Missouri, Clayton, MO	100.0	Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0	Allianz Euro Oblig 1-3 Plus, Paris	62.6 <sup>3</sup>
Allianz Argentina Compañia de Seguros Generales S.A., Buenos Aires	100.0	Allianz Australia Workers Compensation (SA) Limited, Adelaide	100.0	Allianz Euro Obligations Crédit ISR, Paris	78.2 <sup>3</sup>
Allianz Ascension 2011, Paris	100.0 <sup>3</sup>	Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0	Allianz Europe B.V., Amsterdam	100.0
Allianz Asset Allocation Russia, Moscow	80.7 <sup>3</sup>	Allianz Australian Claims Services Limited, Sydney	100.0	Allianz Europe Ltd., Amsterdam	100.0
Allianz Asset Management správcovská spol. a.s., Bratislava	100.0	Allianz Aviation Managers, Burbank	100.0	Allianz Finance Corporation, Westport, CT	100.0
Allianz Australia Advantage Ltd., Sydney	100.0			Allianz Finance Euro Immobilie	57.4 <sup>3</sup>
Allianz Australia Employees Share Plan Pty Ltd., Sydney	100.0			Allianz Finance Europe Convertible	78.9 <sup>3</sup>
Allianz Australia Insurance Limited, Sydney	100.0			Allianz Finance II B.V., Amsterdam	100.0
Allianz Australia Limited, Sydney	100.0			Allianz Finance II Luxembourg S.A., Luxembourg	100.0
Allianz Australia Services (No. 2) Pty Ltd., Sydney	100.0			Allianz Finance III B.V., Amsterdam	100.0
Allianz Australia Services Pty Limited, Sydney	100.0			Allianz Finance IV Lux Sárl, Luxembourg	100.0
Allianz Australian Claims Services Limited, Sydney	100.0			Allianz Finance Management Pty Ltd., Sydney	100.0

1 Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

2 Controlled by Allianz.

3 Mutual-, Private Equity- or Specialfunds.

4 Releasing impact according to § 264 (3) HGB through Allianz Group's consolidated financial statements.

5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

	% owned <sup>1</sup>		% owned <sup>1</sup>		% owned <sup>1</sup>
Allianz Finance Obligations Monde, Paris	96.5 <sup>3</sup>	Allianz Informatyka Sp. z o.o., Warsaw	100.0	Allianz Multi Horizon 2039-2041, Paris	93.2 <sup>3</sup>
Allianz Finance Pty Ltd., Sydney	100.0	Allianz Infrastructure Partners Ltd., London	100.0	Allianz Multi Horizon Court Terme, Paris	77.9 <sup>3</sup>
Allianz Finance V Lux. S.à r.l., Luxembourg	100.0	Allianz Insurance (Hong Kong) Ltd., Hong Kong	100.0	Allianz Multi Horizon Long Terme, Paris	60.9 <sup>3</sup>
Allianz Finance VI Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Insurance Company Lanka Limited, Saram	100.0	Allianz Multi Opportunités, Paris	96.4 <sup>3</sup>
Allianz FinanzPlan 2015, Luxembourg	74.0 <sup>3</sup>	Allianz Insurance Company of Singapore Pte. Ltd., Singapore	100.0	Allianz Multi Rendement Réel, Paris	88.5 <sup>3</sup>
Allianz FinanzPlan 2020, Luxembourg	86.7 <sup>3</sup>	Allianz Insurance Company-Egypt S.A.E., Cairo	85.0	Allianz Multi Sérenté, Paris	97.1 <sup>3</sup>
Allianz FinanzPlan 2025, Luxembourg	91.2 <sup>3</sup>	Allianz Insurance Management Asia Pacific Pte. Ltd., Singapore	100.0	Allianz Multi Top Croissance, Paris	67.4 <sup>3</sup>
Allianz FinanzPlan 2030, Luxembourg	96.1 <sup>3</sup>	Allianz Insurance plc., Guildford	100.0	Allianz Multi Top Défensif, Paris	93.6 <sup>3</sup>
Allianz FinanzPlan 2035, Luxembourg	96.4 <sup>3</sup>	Allianz Invest 50, Vienna	100.0 <sup>3</sup>	Allianz Multi Top Harmonie, Paris	88.2 <sup>3</sup>
Allianz FinanzPlan 2040, Luxembourg	97.9 <sup>3</sup>	Allianz Invest Alternativ, Vienna	100.0 <sup>3</sup>	Allianz Mutual Funds Management Hellas S.A., Athens	100.0
Allianz FinanzPlan 2045, Luxembourg	99.3 <sup>3</sup>	ALLIANZ INVEST d.o.o., Zagreb	100.0	Allianz NACM Global Systematic, Paris	85.9 <sup>3</sup>
Allianz FinanzPlan 2050, Luxembourg	99.6 <sup>3</sup>	Allianz Invest Eurocent Liquid, Vienna	28.9 <sup>3</sup>	Allianz Nederland Administratie B.V., Utrecht	100.0
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0	Allianz Invest Kapitalanlage GmbH, Vienna	100.0	Allianz Nederland Asset Management B.V., Amsterdam	100.0
Allianz Foncier, Paris	63.7 <sup>3</sup>	Allianz Invest Osteuropa, Vienna	42.6 <sup>3</sup>	Allianz Nederland Groep N.V., Rotterdam	100.0
Allianz Formuléo ISR	98.9 <sup>3</sup>	Allianz Invest Ostreich, Vienna	100.0 <sup>3</sup>	Allianz Nederland Levensverzekerings N.V., Utrecht	100.0
Allianz France International S.A., Paris	100.0	Allianz Invest Portfolio Blue	100.0 <sup>3</sup>	Allianz Nederland Schadeverzekerings N.V., Rotterdam	100.0
Allianz France Real Estate Invest, Paris	100.0	Allianz Investment Company LLC, Westport, CT	100.0	Allianz New Europe Holding GmbH, Vienna	100.0
Allianz France S.A., Paris	100.0	Allianz Investment Management LLC, Minneapolis, MN	100.0	Allianz New Zealand Limited, Auckland	100.0
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0	Allianz Investment Properties Ltd., Guildford	100.0	Allianz Obligations Convertibles, Paris	82.3 <sup>3</sup>
Allianz generalni sluzby s.r.o., Prague	100.0	Allianz Investmentbank Aktiengesellschaft, Vienna	100.0	Allianz Obligations Court Terme, Paris	90.1 <sup>3</sup>
Allianz Gestión Sociedad Gestora de Instituciones de Inversión Colectiva S.A., Madrid	100.0	Allianz Investments I Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Obligations Internationales, Paris	77.7 <sup>3</sup>
Allianz Global Corporate & Specialty France, S.A., Paris	100.0	Allianz Investments II Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Obligations Monde, Paris	98.7 <sup>3</sup>
Allianz Global Investors (UK) Ltd., London	100.0	Allianz Investments III Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Octomax 2, Paris	100.0 <sup>3</sup>
Allianz Global Investors Asian Value Opportunities Segregated Portfolio, Grand Cayman	100.0 <sup>3</sup>	Allianz Investments IV Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Octomax, Paris	99.7 <sup>3</sup>
Allianz Global Investors Australia Ltd., Sydney	100.0	Allianz Investments Management Italia S.p.A., Milan	100.0	Allianz Octoplus 2, Paris	99.2 <sup>3</sup>
Allianz Global Investors Capital Limited, Cardiff	100.0	Allianz Irish Life Holdings p.l.c., Dublin	66.4	Allianz Octoplus 3, Paris	98.8 <sup>3</sup>
Allianz Global Investors Capital LLC, Dover, DE	100.0	Allianz Kazakstan, ZAO, Almaty	100.0	Allianz Octoplus, Paris	98.8 <sup>3</sup>
Allianz Global Investors Distributors LLC, Dover, DE	100.0	Allianz kontakt s.r.o., Prague	100.0	Allianz of America Corporation, Novato	100.0
Allianz Global Investors Financial Services LLC, Dover, DE	100.0	Allianz Leasing & Services JSC, Sofia	51.0	Allianz of America Inc., Westport, CT	100.0
Allianz Global Investors France S.A., Paris	99.9	Allianz Life & Annuity Company, LP, Minneapolis, MN	100.0	Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz Global Investors Fund Management LLC, Dover, DE	100.0	Allianz Life (BERMUDA) LTD., Hamilton	100.0	Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Global Investors Holdings Inc., Dover, DE	100.0	Allianz Life Assurance Company-Egypt S.A.E., Cairo	100.0	Allianz Opéra, Paris	100.0 <sup>3</sup>
Allianz Global Investors Hong Kong Ltd., Hong Kong	100.0	Allianz Life Financial Services LLC, Minneapolis, MN	100.0	Allianz Optéo, Milan	97.2 <sup>3</sup>
Allianz Global Investors Ireland Ltd., Dublin	100.0	Allianz Life Insurance Co. Ltd., Seoul	100.0	Allianz P.E.P Europa 1, Milan	87.2
Allianz Global Investors Italia S.p.A., Milan	100.0	Allianz Life Insurance Company of Missouri, Clayton, MO	100.0	Allianz P.E.P Europa 2, Milan	92.0
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0	Allianz Life Insurance Company of New York, Corp., New York, NY	100.0	Allianz p.l.c., Dublin	100.0
Allianz Global Investors Korea Limited, Seoul	100.0	Allianz Life Insurance Company of North America, Corp., Minneapolis, MN	100.0	Allianz Participations B.V., Amsterdam	100.0
Allianz Global Investors Luxembourg S.A., Senningerberg	100.0	Allianz Life Insurance Japan Ltd., Tokyo	100.0	Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Global Investors Managed Accounts LLC, Dover, DE	100.0	Allianz Life Insurance Lanka Ltd., Colombo	100.0	Allianz Pensionkasse Aktiengesellschaft, Vienna	100.0
Allianz Global Investors Nominee Services Ltd., Grand Cayman	100.0	Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0	Allianz penzijní fond a.s., Prague	100.0
Allianz Global Investors Nominees (UK) Ltd., London	100.0	Allianz Life Luxembourg S.à.r.l., Luxembourg	100.0	Allianz Pimco Corporate, Vienna	100.0 <sup>3</sup>
Allianz Global Investors NY Holdings LLC, Dover, DE	100.0	Allianz Life Moscow, Moscow	100.0	Allianz Pimco Mortgage, Vienna	100.0 <sup>3</sup>
Allianz Global Investors of America L.P., Dover, DE	100.0	Allianz Long Short Equity, Paris	62.6 <sup>3</sup>	Allianz pojistovna a.s., Prague	100.0
Allianz Global Investors of America LLC, Dover, DE	100.0	Allianz Madagascar, Antananarivo	100.0	Allianz Primo 2015, Paris	98.9 <sup>3</sup>
Allianz Global Investors Services (UK) Ltd., London	100.0	Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0	Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0	Allianz Mali dommages, Bamako	77.1	Allianz Prudence, Paris	100.0 <sup>3</sup>
Allianz Global Investors Solutions LLC, Dover, DE	100.0	Allianz Management Services Limited, Guildford	100.0	Allianz RCM Islamic Global Emerging Markets Equity	100.0 <sup>3</sup>
Allianz Global Investors Taiwan Ltd., Taipei	100.0	Allianz Marine (UK) Ltd., Ipswich	100.0	Allianz RCM Islamic Global Equity Opportunities	100.0 <sup>3</sup>
Allianz Global Investors U.S. Holding II LLC, Dover, DE	100.0	Allianz Mena Holding Bermuda, Beirut	99.9	Allianz Re Dublin Limited, Dublin	100.0
Allianz Global Investors U.S. Retail LLC, Dover, DE	100.0	Allianz Mena Holding Co. SPC, Manama	100.0	Allianz Real Estate France, Paris	100.0
Allianz Global Life Ltd., Dublin	100.0	Allianz México S.A. Compañía de Seguros, SA, Mexico City	100.0	Allianz Real Estate Securities Europe (AT)	86.8 <sup>3</sup>
Allianz Global Risks US Insurance Company, Corp., Burbank	100.0	Allianz Multi Actions Emergentes, Paris	53.5 <sup>3</sup>	Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Graduello, Paris	100.0 <sup>3</sup>	Allianz Multi Actions Europe, Paris	89.5 <sup>3</sup>	Allianz Renewable Energy Partners I LP, London	100.0 <sup>3</sup>
Allianz Hayat ve Ermekiliik AS, Istanbul	89.0	Allianz Multi Actions Monde, Paris	89.1 <sup>3</sup>	Allianz Renewable Energy Partners II Limited, London	100.0 <sup>3</sup>
Allianz Hedge Fund Partners (Cayman) LLC, George Town	100.0	Allianz Multi Actions Valeurs Or, Paris	65.6 <sup>3</sup>	Allianz Renewable Energy Partners IV Limited, London	99.4
Allianz Hedge Fund Partners Holding L.P., Dover, DE	100.0	Allianz Multi Croissance II, Paris	96.7 <sup>3</sup>	Allianz Renewable Energy Partners V PLC, London	100.0
Allianz Hellas Insurance Company S.A., Athens	100.0	Allianz Multi Croissance III, Paris	96.1 <sup>3</sup>	Allianz Risk Audit, Moscow	100.0
Allianz Héxéo	98.3 <sup>3</sup>	Allianz Multi Croissance, Paris	97.7 <sup>3</sup>	Allianz Risk Consultants Inc., Los Angeles	100.0
Allianz Holding eins GmbH, Vienna	100.0	Allianz Multi Dynamic, Paris	100.0 <sup>3</sup>	Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Holding France SAS, Paris	100.0	Allianz Multi Dynamisme, Paris	95.8 <sup>3</sup>	Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Holdings plc, Guildford	100.0	Allianz Multi Equilibre, Paris	96.1 <sup>3</sup>	Allianz Risk Transfer AG, Zurich	100.0
Allianz Holland Paraplufonds N.V., Nieuwegein	80.0 <sup>3</sup>	Allianz Multi Horizon 2012-2013, Paris	74.2 <sup>3</sup>	Allianz Risk Transfer Inc., New York	100.0
Allianz Hospitalier Valeurs Durables, Paris	100.0 <sup>3</sup>	Allianz Multi Horizon 2014-2015, Paris	71.1 <sup>3</sup>	Allianz Risk Transfer N.V., Amsterdam	100.0
Allianz Hungária Biztosító Zrt., Budapest	100.0	Allianz Multi Horizon 2016-2017, Paris	68.7 <sup>3</sup>	Allianz Rosno Asset Management, Moscow	100.0
Allianz IARD S.A., Paris	100.0	Allianz Multi Horizon 2018-2020, Paris	93.7 <sup>3</sup>	Allianz Rosno Life, Moscow	100.0
Allianz Income Management Services Inc., Minneapolis, MN	100.0	Allianz Multi Horizon 2021-2023, Paris	92.5 <sup>3</sup>	Allianz S.A. A.S. Agencia de Seguros, Barcelona	100.0
Allianz Indice Matières Premières, Paris	62.6 <sup>3</sup>	Allianz Multi Horizon 2024-2026, Paris	93.0 <sup>3</sup>	Allianz S.A. de C.V., Mexico City	100.0
ALLIANZ INDICEO 2015	93.9 <sup>3</sup>	Allianz Multi Horizon 2027-2029, Paris	91.7 <sup>3</sup>	Allianz S.p.A., Trieste	100.0
Allianz Individual Insurance Group, LLC, Minneapolis, MN	100.0	Allianz Multi Horizon 2030-2032, Paris	92.2 <sup>3</sup>	Allianz Saint Marc CL, Paris	100.0 <sup>3</sup>
Allianz Informatique G.I.E., Paris	100.0	Allianz Multi Horizon 2033-2035, Paris	91.2 <sup>3</sup>	Allianz Sauða S.A., São Paulo	100.0
		Allianz Multi Horizon 2036-2038, Paris	92.7 <sup>3</sup>	Allianz Scalinvest, Paris	97.8 <sup>3</sup>

1 Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

2 Controlled by Allianz.

3 Mutual-, Private Equity- or Specialfunds.

4 Releasing impact according to § 264 (3) HGB through Allianz Group's consolidated financial statements.

5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

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%	%	%	
owned <sup>1</sup>	owned <sup>1</sup>	owned <sup>1</sup>	
Allianz Secteur Euro Immobilier, Paris	86.1 <sup>3</sup>	Coparc, Paris	100.0
Allianz Secteur Europe Immobilier, Paris	80.5 <sup>3</sup>	Cornhill Solutions Limited, Guildford	100.0
Allianz Seguros S.A., Sao Paulo	100.0	Cornhill Trustee (Guernsey) Ltd., St Peter Port, Guernsey	100.0
Allianz Sénégal dommages, Dakar	83.2	Corsetec, Ltda, São Paulo	99.5
Allianz Sénégal vie, Dakar	95.5	CPRN Thailand Ltd, Bangkok	100.0
Allianz Services (UK) Limited, London	100.0	CPRN-Holdings Limited, Bangkok	100.0
Allianz Sigorta AS, Istanbul	84.2	CreditRas Assicurazioni S.p.A., Milan	50.0 <sup>2</sup>
Allianz SNA Sal, Beirut	100.0	CreditRas Vita S.p.A., Milan	50.0 <sup>2</sup>
Allianz Sociedade Gestora de Fundos de Pensões SA, Lisbon	84.4	DARTA SAVING LIFE ASSURANCE LTD., Dublin	100.0
Allianz Société Financière S.à.r.l., Luxembourg	100.0	DBI Insurance Company Ltd., Guildford	100.0
Allianz South America Holding B.V., Amsterdam	100.0	Deeside Investments Inc., Wilmington, DE	100.0
Allianz Specialised Investments Limited, London	100.0	Delaware Valley Financial Services LLC, Berwyn PA	100.0
Allianz Stability Investment Fund, Budapest	68.0 <sup>3</sup>	Delta Technical Services Ltd., London	100.0
ALLIANZ SUBALPINA HOLDING S.p.A., Turin	98.1	Dresdner Kleinwort Capital Jersey Ltd., St. Helier/Jersey	100.0
Allianz Suisse Flexible Fund	78.6 <sup>3</sup>	Dresdner RCML Global Investors (Jersey) Ltd., Jersey	100.0
Allianz Suisse Immobilien AG, Volketswil	100.0	EDB Investments S.C.A., Weiswampach	79.9
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	100.0	EF Solutions LLC	100.0
Allianz Suisse Rückversicherungs AG, Zurich	100.0	EH SIAC Information, Rome	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Zurich	100.0	ELVIA Inc, Richmond	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7	Emerald Global Inv., Paris	99.8 <sup>3</sup>
Allianz Takaful, Bahrain	100.0	Energie Eoliennes Lusanger, Orléans	100.0
Allianz Tírac Asiguranz SA, Bucharest	52.2	ETI Australia Pty Ltd, Toowong (QLD)	100.0
Allianz Togo dommages, Lome	97.9	ETI First Source Limited, London	100.0
Allianz Triplus, Paris	99.7 <sup>3</sup>	ETI International Limited, London	100.0
Allianz Ukraine LLC, Kiev	100.0	ETI Property Limited, London	100.0
Allianz Underwriters Insurance Company, Corp., Burbank	100.0	ETI Sales Limited, London	100.0
Allianz US Investment GP LLC, Wilmington, DE	100.0	Euler & Hermes International Ltd., London	100.0
Allianz US Investment LP, Wilmington, DE	100.0	Euler Agent Limited, London	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0	Euler do Brasil Seguros Exportacao, São Paulo	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0	Euler Gestion, Paris	100.0 <sup>3</sup>
Allianz Usluge d.d., Zagreb	100.0	Euler Hermes ACI Holding, Inc., New York, NY	100.0
Allianz Valeurs Durables, Paris	77.7 <sup>3</sup>	Euler Hermes ACI Inc., Baltimore, MD	100.0
Allianz Vermögenskonzept Ausgewogen	100.0 <sup>3</sup>	Euler Hermes ACI Services LLP, Baltimore, MD	100.0
Allianz Vermögenskonzept Defensiv	100.0 <sup>3</sup>	Euler Hermes ACMAR Services, Casablanca	100.0
Allianz Vermögenskonzept Dynamisch	100.0 <sup>3</sup>	EULER HERMES ARGENTINA, Buenos Aires	100.0
Allianz Vie S.A., Paris	100.0	Euler Hermes Canada Services, Montreal	100.0
Allianz Voltissimo, Paris	97.7 <sup>3</sup>	Euler Hermes Cashflow Solutions Limited, London	100.0
Allianz Worldwide Care Ltd., Dublin	100.0	Euler Hermes Cescob Service, s.r.o., Prague	100.0
Allianz Zagreb d.d., Zagreb	83.2	Euler Hermes Cescob uverová pojistovna, a.s., Prague	100.0
Allianz ZB d.o.o. Company for the Management of an Obligatory Pension Fund, Zagreb	51.0	Euler Hermes Chile Servicios Limitada, Santiago de Chile	100.0
Allianz ZB d.o.o. company of the management of voluntary pension funds, Zagreb	51.0	Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Allianz_ Invest_10 Division S/U, Vienna	100.0 <sup>3</sup>	Euler Hermes Collections UK Limited, London	100.0
Allianz_ Invest_11 Division Leben/Kranken, Vienna	100.0 <sup>3</sup>	Euler Hermes Colombia, Bogota D.C.	100.0
Allianz_ Invest_12 Division Leben/Kranken, Vienna	100.0 <sup>3</sup>	EULER HERMES CREDIT INSURANCE AGENCY (S) PTE LTD., Singapore	100.0
Allianz_ Invest_Spezial_3, Vienna	100.0 <sup>3</sup>	EULER HERMES CREDIT INSURANCE BELGIUM S.A., Brussels	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0	Euler Hermes Credit Management Services Ireland Ltd., Ballygowan, Dublin	100.0
Allianz-Slovenská poistovna a.s., Bratislava	84.6	Euler Hermes Credit Services (JP) Ltd., Tokyo	100.0
ALLIANZ-TIRIAC PENSIIS PRIVATE SAFPP SA, Bucharest	100.0	Euler Hermes Credit Underwriters Hong Kong Ltd., Hong Kong	100.0
AllSecur B.V., Den Bosch	100.0	Euler Hermes Crédito Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Amaya Compañia de Seguros y Reaseguros S.A., Madrid	100.0	EULER HERMES EMPORIKI SA, Athens	60.0
American Automobile Insurance Company, Corp., Earth City, MO	100.0	EULER HERMES EMPORIKI Services Ltd., Athens	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0	Euler Hermes Guarantee plc., Tonbridge, Kent	100.0
American Standard Lloyd's Insurance Company, Corp., Dallas, TX	100.0	Euler Hermes Holdings UK plc, London	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0	Euler Hermes Information Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	50.0 <sup>2</sup>	Euler Hermes Kreditförsäkring Norden AB, Stockholm	100.0
Antoniana Veneta Popolare Vita S. p. A., Trieste	50.0 <sup>2</sup>	Euler Hermes Kreditverzekering N.V., Hertogenbosch	100.0
APKV US Private REIT GP LLC, New York, NY	100.0	Euler Hermes Magyar Hitelbiztosító Rt., Budapest	100.0
APKV US Private REIT LP, New York, NY	100.0	Euler Hermes Magyar Követéleskezeli Kft., Budapest	100.0
Approfrais SA, Evreux	99.9	Euler Hermes Management Services UK Ltd., London	100.0
Arab Gulf Health Services LLC, Beirut	100.0	Euler Hermes Management UK Limited, London	100.0
Arcalis 22, Paris	99.7 <sup>3</sup>	Euler Hermes Netherlands, Hertogenbosch	100.0
Arcalis 23, Paris	99.7 <sup>3</sup>	Euler Hermes Réinsurance, Zurich	100.0
Arcalis 24, Paris	99.7 <sup>3</sup>	Euler Hermes Risk Services UK Limited, London	100.0
Arcalis 28, Paris	99.4 <sup>3</sup>	Euler Hermès S.A., Paris	70.3
Arcalis Assur 5	99.2 <sup>3</sup>	Euler Hermès Seguros de Crédito S.A., Mexico City	100.0
Arcalis UN, Paris	99.9 <sup>3</sup>	Euler Hermès Seguros de Crédito S.A., Santiago de Chile	100.0
Arcalis, Paris	99.9	Euler Hermès Seguros de Crédito S.A., São Paulo	100.0
ART Asset Management LLC, New York	100.0	Euler Hermès Service AB, Stockholm	100.0
AS Selecta s.r.o., Bratislava	100.0	Euler Hermès Services (HK) Limited, Hong Kong	100.0
Aseguradora Colseguros S.A., Bogota D.C.	100.0	Euler Hermès Services AG, Zurich	100.0
Aseguradora de Vida Colseguros S.A. (Salud), Bogota D.C.	100.0		

1 Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

2 Controlled by Allianz.

3 Mutual-, Private Equity- or Specialfunds.

4 Releasing impact according to § 264 (3) HGB through Allianz Group's consolidated financial statements.

5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

% owned <sup>1</sup>	% owned <sup>1</sup>	% owned <sup>1</sup>			
Euler Hermes Services B.V., Hertogenbosch	100.0	Hungária Biztosító Számitástechnikai Kft. (Hungária EDV-Betriebsgesellschaft mbH), Budapest	100.0	manroland Printing Equipment (Shanghai) Ltd., Shanghai	100.0
Euler Hermes Services Baltic UAB, Vilnius	100.0	Hunter Premium Funding Ltd., Sydney	100.0	manroland Printing Equipment (Shenzhen) Co. Ltd., Shenzhen	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0	IDR Actions Euros, Paris	93.7 <sup>3</sup>	manroland Romania S.R.L., Bucharest	100.0
Euler Hermes Services Estonia OÜ, Tallinn	100.0	Immovalor Gestion S.A., Paris	100.0	manroland Singapore PTE Ltd., Singapore	100.0
Euler Hermes Services India Privat Limited, Mumbai	100.0	Insolvency Risk Insurance Services Limited, London	100.0	manroland Southern Africa (Pty) Ltd., Cape Town	100.0
Euler Hermes Services Latvija SIA, Riga	100.0	Insolvency Risk Management Limited, London	100.0	manroland Sverige AB, Trollhättan	100.0
Euler Hermes Services S.A.S., Paris	100.0	Insurance and Reinsurance AG Energy, Sofia	50.9	manroland Swiss AG, Kirchberg	100.0
Euler Hermes Services Sp. z o.o., Warsaw	100.0	Insurance Company "Progress Garant", Moscow	100.0	manroland Thailand Ltd., Bangkok	100.0
Euler Hermes Servicii Financiare S.R.L., Bucharest	100.0	Insurance Joint Stock Company "Allianz", AOOT/OAO, Moscow	100.0	manroland Western Europe Group B.V., Amsterdam	100.0
Euler Hermes Servicios de Crédito S.L., Madrid	100.0	Intermediass S.r.l., Milan	100.0	Martin Maurel Vie, Paris	66.0
Euler Hermes Servicios S.A., Mexico City	100.0	International Film Guarantors LLC, Santa Monica, CA	100.0	Medexpress Plus St. Petersburg	100.0
Euler Hermes Servicos Ltda, São Paulo	100.0	International Film Guarantors Ltd., London	100.0	Medexpress, St. Petersburg	99.7
Euler Hermes Servis, s.r.o., Bratislava	100.0	Interstate Fire & Casualty Company, Chicago, IL	100.0	Medibroker s.r.o., Bratislava	100.0
Euler Hermes SFAC Crédit S.A.S., Paris	100.0	Investitori SCR S.p.a., Milan	98.7	Medisalud Compañia Colombiana de Medicina Prepagada S.A. en Liquidación, SA, Bogota D.C.	100.0
Euler Hermes SFAC Recouvrement S.A.S., Paris	100.0	ITEB B.V., Gouda	100.0	METALLRENTLE FONDS PORTFOLIO, Luxembourg	56.3 <sup>3</sup>
Euler Hermes SFAC S.A., Paris	100.0	JCR Intertrade Ltd., Bangkok	40.0	Mondial Assistance (Thailand) CO Ltd., Bangkok	97.6
Euler Hermes SIAC S.p.A., Rome	100.0	Jefferson Insurance Company of N.Y., Corp., New York, NY	100.0	Mondial Assistance Agent de Asigurare SRL, Vienne	100.0
Euler Hermes Trade Credit Limited, Auckland	100.0	Kiinteistöasakeyhtiö Eteläesplanadi 2, Helsinki	100.0	Mondial Assistance Asia-Pacific Ltd., Singapore	100.0
Euler Hermes Trade Credit Underwriting Agents, Pty. Ltd., Sydney	100.0	Königinstrasse I S.a.r.l., Luxembourg	100.0 <sup>7</sup>	Mondial Assistance Australia Holding, Pty, Toowong (QLD)	100.0
Euler Hermes UK plc, London	100.0	LA RURALE, Charenton-le-Pont	99.8	Mondial Assistance Beijing Services Co. Ltd., Beijing	100.0
Euler Hermes UMA, Louisville, LA	100.0	Larose Trintaudon Chile S.A., Santiago	100.0	Mondial Assistance BV, Amsterdam	100.0
Euler Hermes World Agency SASU, Paris	100.0	L'Assicuratrice Italiana Vita S.p.A., Milan	100.0	Mondial Assistance Europe NV, Amsterdam	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0	Le Profil des Profils, Paris	67.4 <sup>3</sup>	Mondial Assistance France SAS, Paris	95.0
Euler Re, SA, Senningerberg	100.0	Life Sales LLC, Novato, CA	100.0	Mondial Assistance France, Paris	100.0
Euler SFAC Asset Management, Paris	100.0	LLC "Allianz Eurasia Healthcare", St. Petersburg	100.0	MONDIAL ASSISTANCE GmbH, Vienna	100.0
Euler Tech, SAS, Nanterre	100.0	LLC "Allianz Life and Finance Rus", Moscow	100.0	Mondial Assistance International SA, Paris	100.0
Eurl 20/22 Le Peletier, Paris	100.0	Lloyd Adriatico Holding S.p.A., Trieste	99.9	MONDIAL ASSISTANCE IRELAND LIMITED, Dublin	100.0
EURO GESTION, Paris	100.0 <sup>3</sup>	LOGICA SOFTWARE srl, Reggio Emilia	100.0	Mondial Assistance OOO, Moscow	100.0
European Credit Underwriters Limited, London	100.0	London Verzekeringen N.V., Amsterdam	100.0	Mondial Assistance Portugal Servicos de Assistência LDA, Paco de Aros	100.0
Eurosol Invest S.r.l., Udine	100.0	LYXOR Höchststandgar. 2023, Puteaux	100.0 <sup>3</sup>	Mondial Assistance Réunion S.A., Paris	100.0
Eurovida S.A. Compañía de Seguros y Reaseguros, Madrid	51.0	LYXOR HÖCHSTSTANDSGARANT. 2018, Puteaux	100.0 <sup>3</sup>	Mondial Assistance S.A.S., Paris	100.0
F Jupiter SAS, Paris	100.0	LYXOR HÖCHSTSTANDSGARANT. 2021, Puteaux	100.0 <sup>3</sup>	Mondial Assistance s.p.z.o., Warsaw	100.0
FAI Allianz Ltd., Sydney	100.0	LYXOR Höchststandsgarantie 2020, Puteaux	100.0 <sup>3</sup>	Mondial Assistance s.r.o., Prague	100.0
FCPR Fregate	58.1 <sup>3</sup>	LYXOR Höchststandsgarantie 2022, Puteaux	98.6 <sup>3</sup>	MONDIAL ASSISTANCE SERVICES HELLAS SA, Athens	51.0
Fenix Directo Compañia de Seguros y Reaseguros S.A., Madrid	100.0	LYXOR HÖCHSTSTANDSGARANTIEFONDS 2019, Puteaux	100.0 <sup>3</sup>	Mondial Assistance Sigorta Aracılık Hizmetleri Limited Sirketi, LS, İstanbul	100.0
Ferme Eolienne de Villemur-sur-Tarn, Toulouse	100.0	Magador BV., Amsterdam	100.0	Mondial Assistance United Kingdom Ltd. (MAUK), Croydon Surrey	100.0
Ferme Eolienne des Jaladeaux, Toulouse	100.0	Magdeburger Sigorta A.S., Istanbul	100.0	Mondial Contact Center Italia Srl, Taurisano	70.0
FFIC County Mutual Insurance Company, Corp., Dallas, TX	100.0	manroland (China) Ltd., Hong Kong	100.0	Mondial Mexico S.A. de C.V., Mexico City	100.0
Fiduciaria Colseguros S.A., Bogota D.C.	100.0	manroland (India) Pvt. Ltd., New Delhi	100.0	Mondial Protection Corretora de Seguros Ltda., Centro	100.0
Fireman's Fund Financial Services, LLC, Dallas, TX	100.0	manroland (Korea) Ltd., Seoul	100.0	MONDIAL SERVICE ARGENTINA SA, Buenos Aires	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0	manroland (Shenzhen) Ltd., Shenzhen	100.0	Mondial Service Belgium SA, Brussels	100.0
Fireman's Fund Insurance Company of Bermuda, Hamilton	100.0	manroland (Taiwan) Ltd., Taipei	100.0	Mondial Service Italia S.r.l., Milan	100.0
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0	manroland Australasia PTY Limited, Regents Park	100.0	Mondial Service Switzerland AG, Bern	100.0
Fireman's Fund Insurance Company of Louisiana, Corp., Harahan, LA	100.0	manroland Baltics SIA, Riga	100.0	Mondial Services (India) Private Limited, Gurgaon	89.7
Fireman's Fund Insurance Company of Ohio, Corp., Cincinnati, OH	100.0	manroland Benelux N.V., Wemmel	100.0	MONDIAL SERVICIOS Ltda., Centro	100.0
Fireman's Fund Insurance Company, Corp., Novato, CA	100.0	manroland Bulgaria-eod, Sofia	100.0	Mondial Servicios S.A. de C.V., Mexico City	100.0
FLORALIS, Paris	96.5 <sup>3</sup>	manroland Canada Inc., Toronto	100.0	Monéger, Dakar	100.0
FRAGONARD ASSURANCE, SACS, Paris	100.0	manroland CEE AG, Vienna	100.0	National Surety Corporation, Chicago, IL	100.0
Gaipare Action, Paris	95.9 <sup>3</sup>	manroland Ceská Republika spol. s.r.o., Prague	100.0	NEM Insurance Ireland Limited, Dublin	100.0
GamePlan Financial Marketing LLC, Woodstock, GA	100.0	manroland Co. Ltd., Tokyo	100.0	Nemian Life & Pensions S.A., Senningerberg	100.0
GAP Reactif Canton A	64.9 <sup>3</sup>	manroland d.o.o., Ljubljana	100.0	Neoasistencia Manoteras S.L., Madrid	100.0
Generali Investissement (C), Paris	56.0 <sup>3</sup>	manroland Danmark A/S, Værfølsoe	100.0	Nextcare Egypt, Cairo	100.0
Generation Vie, Paris	52.5	manroland do Brasil Servicos Ltda., São Paulo	100.0	Nextcare Holding, LC, Manama	75.0
Genialloyd S.p.A., Milan	100.0	manroland Finland Oy, Vantaa	100.0	Nextcare Lebanon SAL, Beirut	100.0
Gestion Produits Dyn	69.5 <sup>3</sup>	manroland France SA, Paris	100.0	NFI Investment Group LLC, Dover, DE	100.0
Gestion Produits Str	81.2 <sup>3</sup>	manroland Great Britain Ltd., Mitcham, Surrey	100.0	Nicholas-Applegate Capital Management LLC, Dover, DE	100.0
GIE AZ Investment Management, Paris	100.0	manroland Hrvatska d.o.o., Novak-SV, Nedjelja	100.0	Nicholas-Applegate Holdings LLC, Dover, DE	100.0
GIE Euler Hermes SFAC Services, Paris	100.0	manroland Iberica Sistemas S.A., Cascias	74.0	Nicholas-Applegate Securities LLC, Dover, DE	100.0
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	53.5	manroland Iberica Sistemas S.L., Madrid	100.0	North American London Underwriters Ltd., Hamilton	100.0
Go Express Distributione Automatica S.p.A., Milan	100.0	manroland Inc., Westmont, IL	100.0	Oddo Europe Mid Cap, Paris	85.6 <sup>3</sup>
Gosman & Kraan B.V., Amsterdam	100.0	manroland Ireland Ltd., Dublin	99.7	Oddo Gestion Audac, Paris	56.5 <sup>3</sup>
GTS - GESTION DE TELESECURITE ET DE SERVICES S.A., Chatillon	100.0	manroland Italia SpA, Milan	99.3	Oddo Proactif Europe, Paris	73.7 <sup>3</sup>
Guangzhou printcom Printing Supplies Co. Ltd., Guangzhou	100.0	manroland latina Argentina, Buenos Aires	100.0	Oddo Quattro 2, Paris	94.6 <sup>3</sup>
GWS Printing Service B.V., Schijndel	100.0	manroland latina Colombia, Bogota D.C.	100.0	Oddo Quattro, Paris	98.1 <sup>3</sup>
GWS Printing Systems Holding B.V., Schijndel	100.0	manroland latina Peru, Lima	100.0	Oddo Rendement 2013	39.3 <sup>3</sup>
Hauteville Insurance Company Limited, Guernsey	100.0	manroland latina S.A. de C.V., Mexico City	100.0	ODDO TRESORERIE REGULIERE	9.7 <sup>3</sup>
Havelaar et Van Stolk B.V., Rotterdam	100.0	manroland latina S.A., Santiago de Chile	100.0	OISC "My Clinic", Moscow	100.0
HELISSIAS Verzekeringen BV, Rotterdam	100.0	manroland Magyarorszag Kft., Budapest	100.0	Omega Thai Investment Holding, Amsterdam	100.0
Home & Legacy (Holdings) Limited, London	100.0	manroland Mexico Servicios S.A. de C.V., Mexico City	100.0	Ontario Limited, Toronto	100.0
Home & Legacy Insurance Services Limited, London	100.0	manroland Norge AS, Lørenskog	100.0	OOO Euler Hermes Credit Management, Moscow	100.0
Home & Legacy Insurance Services Limited, London	100.0	manroland Poland SP. Z.o.o., Nadarzyn	100.0		
Home & Legacy Insurance Services Limited, London	100.0	manroland Polska Sp.z.o.o., Nadarzyn	100.0		

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5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

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	% owned <sup>1</sup>		% owned <sup>1</sup>		% owned <sup>1</sup>
Open Joint Stock Company Insurance Company ROSNO, Moscow	100.0	RHEA SA, Luxembourg	100.0	Standard General Agency Inc., Dallas, TX	100.0
Oppenheimer Capital LLC, Dover, DE	100.0	Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0	Stanislas H. Haine N.V., Edegem	100.0
Oppenheimer Group Inc., Dover, DE	100.0	Riskon Aktiengesellschaft geschlossenen Typs, AOZT/ZAO, Moscow	100.0	StocksPLUS Management Inc., Dover, DE	100.0
Orion Direct Nederland B.V., Etten-Leur	100.0	Roland Print B.V., Amsterdam	100.0	Synergie Select EV, Paris	56.8 <sup>3</sup>
Orsa Maggiore PV S.r.l., Milan	100.0	Rosno Centre, Moscow	100.0	Tagil-MedService LLC, Nizhni Tagil	100.0
OY Selecta AB, Helsinki	100.0	Rosno MS, St. Petersburg	100.0	TELESERVICES ET SECURITE "TELZS", SARL, Chatillon	99.9
Pacific Investment Management Company LLC, Dover, DE	97.0	Roster Financial LLC, Quincy	100.0	TFI ALLIANZ POLSKA S.A., Warsaw	100.0
Parc Eolien de Bonneuil, Paris	100.0	S.C. ASIT REAL ESTATE S.R.L., Bucharest	100.0	The American Insurance Company, Corp., Cincinnati, OH	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0	S.I.B.I., S.A., Paris	100.0	The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
Parc Eolien des Barbes d' Or, Paris	100.0	SA CARENE ASSURANCE, Paris	100.0	The Export Credit Clearing House Limited, London	100.0
Parc Eolien des Joyeuses, Paris	100.0	Saint-Barth Assurances S.A.R.L., Gustavia	100.0	The MI Group Limited, Guildford	99.4
Parc Eolien du Bois Guillaume SAS, Paris	100.0	San Francisco Reinsurance Company, Corp., Novato, CA	100.0	The MI Property Management Company Limited, Guildford	100.0
Personalized Brokerage Service LLC, Topeka, KS	100.0	SAS Allianz Colisée, Paris	100.0	Three Pillars Business Solutions Limited, Guildford	100.0
Pet Plan Ltd., Guildford	100.0	SAS LAENNEC, Paris	100.0	Tihama Investments B.V., Amsterdam	100.0
PFP Holdings Inc., Dover, DE	100.0	SAS Madeleine Opéra, Paris	100.0	Top Assistance Service GmbH, Vienna	100.0
PGRF V 1301 SIXTH Investors I LLC, Wilmington, IL	100.0	SAT S.A., Istanbul	97.0	Top Versicherungsservice GmbH, Vienna	100.0
PGRF V 1301 SIXTH INVESTORS I LP, Wilmington, IL	100.0	Saudi Nextcare, Al Khobar	52.0	Top Vorsorge-Management GmbH, Vienna	75.0
Phenix Alternative Holding, S.A., Paris	69.5 <sup>3</sup>	SC Tour Michelet, Paris	100.0	Towarzystwo Ubezpieczeń Euler Hermes S.A., Warsaw	100.0
Phenix Sécurité L, S.A., Paris	74.0 <sup>3</sup>	SCAPI, Paris	100.0	Trade Debtor Insurance Services Limited, London	100.0
PIMCO Switzerland S.a.r.l., Zurich	100.0	SCI Allianz Messine, Paris	100.0	Trade Indemnity Credit Corporation Limited, London	100.0
PIMCO Asia Ltd., Hong Kong	100.0	SCI AVIP La Templierie, Paris	100.0 <sup>2</sup>	Trade Indemnity Factors Limited, London	100.0
PIMCO Asia PTE Ltd., Singapore	100.0	SCI AVIP SCPI Selection, Paris	100.0 <sup>2</sup>	Trafalgar Insurance Public Limited Company, Guildford	100.0
PIMCO Australia Pty Ltd., Sydney	100.0	SCI ESQ, Paris	75.0	Travel Care Inc., Richmond, VA	100.0
PIMCO Canada Corp., Toronto	100.0	SCI PRELOYD, Paris	100.0	Treewalk Finance UK Limited, Guildford	100.0
PIMCO Canada Holding LLC, Dover, DE	100.0	SCI Stratus, Paris	100.0 <sup>7</sup>	Trust Investment Company, Moscow	100.0
PIMCO Europe Ltd., London	100.0	SCI Volnay, Paris	100.0	TU Allianz Polska S.A., Warsaw	100.0
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0	Selecta A/S, Rodovre	100.0	TU Allianz Zycie Polska S.A., Warsaw	100.0
PIMCO Global Advisors (Resources) Ltd., George Town (Cayman Islands)	100.0	Selecta AB, Stockholm	100.0	UAB Selecta, Vilnius	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0	Selecta AG, Montelier	100.0	Vendcare (Holdings) Limited, Birmingham	100.0
PIMCO Investments LLC, Dover, DE	100.0	Selecta AS, Oslo	100.0	Vendcare Services Ltd., Birmingham	100.0
PIMCO Japan Ltd., Road Town, Tortola (British Virgin Islands)	100.0	Selecta Betriebsverpflegungs GmbH, Vienna	100.0	Vernon, Paris	100.0
PIMCO Luxembourg III S.A., Luxembourg	100.0	Selecta Eesti Osauhing, Tallinn	100.0	VertBois S.à.r.l., Luxembourg	100.0
PIMCO Luxembourg IV S.A., Luxembourg	100.0	Selecta Group B.V., Amsterdam	98.7	Via Pierre 1, Paris	100.0
PIMCO Luxembourg S.A., Luxembourg	100.0	Selecta Holding B.V., Amsterdam	100.0	Villa La Paglia Srl, Castelnuovo Berardenga (Siena)	100.0
PPI Media US Inc., Westmont, IL	100.0	Selecta Holding Ltd., London	100.0	Viveole SAS, Paris	100.0
Primacy Underwriting Agency Pty Ltd., Milson's Point	70.0	Selecta Hungary Automataüzemeltető KFT, Budapest	100.0	Voltra S.A., Lausanne	100.0
printcom (Asia) Limited, Hong Kong	100.0	Selecta Luxembourg SA, Leudelange	100.0	W Finance Amerique, Paris	53.6 <sup>3</sup>
Prism Re, Hamilton	100.0	Selecta Management AG, Zug	100.0	W Finance Assurances, S.A., Paris	100.0
Progress, Moscow	100.0	Selecta Nordic Holding AB, Stockholm	100.0	W Finance Croissance	56.4 <sup>3</sup>
Progress-Med, Moscow	100.0	Selecta Olland BV, Waardenburg	100.0	W Finance Europe, Paris	72.1 <sup>3</sup>
Pronto Lloyd S.r.l., Trieste	100.0	Selecta Purchasing AG, Zug	100.0	W Finance, Paris	100.0
Protexia France S.A., Lyon	66.0	Selecta Refreshments Ltd., Dublin	100.0	WATTINVEST C, Paris	59.8 <sup>3</sup>
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8	Selecta SA, Paris	100.0	WF Administration, Paris	100.0
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	75.0	Selecta S.A., Zaventem	99.9	Willemsbrugge, Rotterdam	100.0
PT manroland Indonesia, Jakarta	100.0	Selecta TMP AG, Zug	100.0	Windpark Les Cent Jalois, Paris	100.0
PTE Allianz Polska S.A., Warsaw	100.0	Selecta UK Ltd., Birmingham	100.0	Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Quality 1 AG, Hombrechtikon	70.0	Selection Multi-Gerant Emerg, Paris	63.8 <sup>3</sup>	Wm. H McGee & Co., Inc., New York, NY	100.0
Questar Agency Inc., Minneapolis, MN	100.0	Selection Multi-Gerants Value, Paris	51.9 <sup>3</sup>	Wm. H McGee & Co. of Puerto Rico Inc., San Juan	100.0
Questar Agency of Alabama Inc.	100.0	Semaphore, Paris	100.0 <sup>3</sup>	World Access Canada Inc., Waterloo	100.0
Questar Agency of Colorado Inc., Denver, CO	100.0	SI 173-175 Boulevard Haussmann SAS, Paris	100.0	World Access Europe Ltd., Croydon Surrey	100.0
Questar Agency of New Mexico Inc., Santa Fe, NM	100.0	SIA Baltic Payment Systems, Riga	100.0	World Access Inc., Richmond, VA	100.0
Questar Agency of Ohio Inc.	100.0	SIA Selecta, Riga	100.0	World Access Insurance Broker Ltd., Waterloo	100.0
Questar Agency of Texas Inc.	100.0	Siac Services Srl, Rome	100.0	World Access Service Corp., Richmond, VA	100.0
Questar Asset Management, Corp., Ann Arbor, MI	100.0	Sistemi Informativi Allianz S.p.c.A., Milan	100.0	YAO Investment S.a.r.l., Luxembourg	100.0
Questar Capital Corporation, Minneapolis, MN	100.0	SMG ASIE EMERGENTE	53.7 <sup>3</sup>	Yorktown Financial Companies Inc., Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0	SNAM S.A.L. Hazmieh	66.0		
RAS ANTARES, Milan	100.0 <sup>3</sup>	SNC AGF Cash, Paris	100.0		
Ras Private Bank (Suisse) S.A., Lugano	100.0	SNC AGF Clearing, Paris	99.9	<b>Non consolidated affiliated entities</b>	
RB Fiduciaria SpA, Milan	100.0	SNC Maximum, Wasquehal	100.0	75 WALL STREET ADVISERS, New York, NY	99.8
RB Vita S.p.A., Milan	100.0	SOCIEDAD MUNDIAL DE ASISTENCIA SA, Madrid	100.0	A. Diffusion, Paris	99.9
RCM (UK) Ltd., London	100.0	Società Agricola San Felice S.p.A., Milan	100.0	AFA, Paris	99.9
RCM Asia Pacific Ltd., Hong Kong	100.0	Société Civile Construction Vente 33 Lafayette, Paris	100.0	AGF Pension Trustees, Guildford	100.0
RCM Capital Management (Australia) Pty Ltd., Sydney	100.0	Société de Production D'électricité D'harcourt Moulaire SAS, Paris	100.0	Allianz America Latina S.C. Ltda, Rio de Janeiro	100.0
RCM Capital Management LLC, Wilmington, DE	100.0	Société d'Energie Eolien Cambon SAS, Paris	100.0	Allianz Cash Pool LLC, Westport, CT	100.0
RCM Japan Co. Ltd., Tokyo	100.0	SOCIETE EUROPEENNE DE PROTECT, ET DE SERVICES D'ASSIST. A DOMICILE "S.E.P.S.A." S.A., Paris	56.0	Allianz Financial Services S.A., Athens	100.0
RCM US Holdings LLC, Wilmington, DE	100.0	Société Nationale Foncière S.A.L., Beirut	66.0	Allianz Global Corporate & Specialty AG Escritorio de Representacao no Brasil Ltda, Sao Paulo	99.0
Real Faubourg Haussmann SAS, Paris	100.0	Sofiholding S.A., Brussels	100.0	Allianz Insurance Cie of Ghana Limited, Accra	100.0
Real FR Haussmann SAS, Paris	100.0	Sonimm, Paris	100.0	Allianz Insurance Limited, Johannesburg	100.0
Redoma S.à r.l., Luxembourg	100.0	South City Office Broodthaers SA, Brussels	100.0	Allianz Insurance Services LTD, Athens	100.0
Resurs-Stimul-Universal, Moscow	100.0	SPACECO, Paris	100.0	Allianz International Ltd., Guildford	100.0
Retail Vending Ltd., Birmingham	100.0			Allianz Northern Ireland Limited, Belfast	100.0
Return 10, Paris	74.6 <sup>3</sup>				

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7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

	% owned <sup>1</sup>		% owned <sup>1</sup>		% owned <sup>1</sup>
Allianz of South Africa (Proprietary) Ltd., Johannesburg	100.0	Allianz Euro Liquidity, Paris	44.3 <sup>3</sup>	Oddo Euro Index AC, Paris	30.4 <sup>3</sup>
Allianz Polska Services Sp. z o.o., Warsaw	100.0	Allianz Euro Tactique, Paris	43.0 <sup>3</sup>	Oddo Europe, Paris	44.1 <sup>3</sup>
Allianz Risk Consultants B.V., Rotterdam	100.0	Allianz Europe Convertible, Paris	19.5 <sup>3</sup>	Oddo FR IND ACT A, Paris	36.8 <sup>3</sup>
ASEX, Paris	100.0	Allianz Finance Actions France, Paris	48.7 <sup>3</sup>	Oddo Generation C, Paris	22.5 <sup>3</sup>
Atrium SAS, Paris	100.0	Allianz Finance Alternative Holdings, Paris	39.6 <sup>3</sup>	Oddo Gestion Prudente, Paris	33.8 <sup>3</sup>
business lounge GmbH, Vienna	100.0	Allianz Finance MidCap, Paris	43.4 <sup>3</sup>	Oddo Indice Japon, Paris	39.3 <sup>3</sup>
CCA, Paris	100.0	Allianz Invest Vorsorgefonds, Vienna	30.2	ODDO OPPORTUNITES B, Paris	47.2 <sup>3</sup>
Cogar, Paris	100.0	Allianz Multi Rendement Premium (R), Paris	9.8 <sup>3</sup>	ODDO RENDEMENT 2015, Paris	29.0 <sup>3</sup>
Cornhill Investment Properties (Reigate) Ltd., Guildford	100.0	Allianz Obligations Revenus, Paris	6.1 <sup>3</sup>	ODDO US MID CAP, Paris	38.5 <sup>3</sup>
Dealis Fund Operations S.A., Luxembourg, Luxembourg	95.0	Allianz PIMCO Euro Bond Total Return, Senningerberg	11.9	Oddo USA Index Actif, Paris	41.9 <sup>3</sup>
EH Sigorta Anonim Sirketi, Istanbul	100.0	Allianz Saudi Fransi, Riyadh	32.5	Oddo Valeurs Rende, Paris	35.1 <sup>3</sup>
ELF Technologies Limited, Dublin	100.0	Allianz Sécurité PEA, Paris	42.4 <sup>3</sup>	Oekd EH Beteiligungs- und Management AC, Vienna	49.0
EULER HERMES RISK YÖNETİMİ, Istanbul	100.0	Allianz-dit Small Cap Europa, Luxembourg	5.6	Opera Valeurs, Paris	33.2 <sup>3</sup>
First Call Direct Limited, Dublin	100.0	ALTAPROFITS, Paris	20.0	PAR Holdings Limited, Hamilton	20.1
First Rate Direct Limited, Belfast	100.0	Ariel, Paris	22.8 <sup>3</sup>	Parv US Small Cap, Luxembourg	27.1 <sup>3</sup>
Fundatia Allianz pentru Romania, Bucharest	100.0	ASSURCARD, NV/SA, Haasrode	33.3	PERFECTIS I Ltd., Paris	27.3
Gesellschaft für Vorsorgeberatung, AG, Bern	100.0	Autelektron technicki pregledi drustvo s ogranicenom odgovornoscu za trgovinu i usluge, Vojnic	49.0	PGREF V 1301 SIXTH HOLDING LP, Wilmington, IL	24.5
KNIGHTSBRIDGE ALLIANZ LP, Bartlesville, OK	99.5	Audhyda Insurance Public Company Limited, Bangkok	16.8 <sup>3</sup>	PHRV (Paris Hotels Roissy Vaugirard), Paris	30.6
manroland Malaysia Sdn. Bhd., Kuala Lumpur	100.0	Bajaj Allianz General Insurance Company Ltd., Pune	26.0	Pinatton France, Paris	29.1 <sup>3</sup>
Organizacion G.o.a.S.A., Lima	100.0	Bajaj Allianz Life Insurance Company Ltd., Pune	26.0	Povolzhsky Leasing Center, Moscow	20.0
OSECA, Dakar	99.6	Biosphere A, Paris	44.9 <sup>3</sup>	Proxinvest Active Investors C, Paris	26.2 <sup>3</sup>
PACT OFFICE, Lyon	100.0	BMM France Croissance, Marseille	26.4 <sup>3</sup>	Red Mountain Capital Partners I LP., Los Angeles, CA	24.9
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0	BMM Long Term (D), Marseille	43.3 <sup>3</sup>	Roskurot, Moscow	50.0
RE-AA, Abidjan	97.5	BMM Obligations (D), Marseille	25.1 <sup>3</sup>	SDU Finco B.V., Amsterdam	49.7
Risk & Safety Services Limited, Dublin	100.0	Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0	Select Multi. Ger. Croissance, Paris	48.7 <sup>3</sup>
SA EGPA RHONE ALPES, Paris	100.0	Caducee Patrimoine, Paris	29.4	SISF Glob Property, Zurich	22.9 <sup>3</sup>
SA Immobilière de L'avenue du Roule, Paris	100.0 <sup>7</sup>	Capimmovalor, Paris	33.6	SK Versicherung AG, Vienna	25.8
Schmalbach-Lubeca Service Center N.V., Brecht	100.0	Chicago Parking Meters, LLC, Wilmington, IL	49.9	Societe de Distributin Automatique, Tunis	49.0
SCI Avip des Pivolles, Paris	100.0 <sup>7</sup>	Citylife Srl, Milan	31.9	Sogesector Energie, Paris	32.5 <sup>3</sup>
SCI AVIP Marly-Saint Cyr, Paris	100.0 <sup>7</sup>	Cofitem Cofimur, Paris	22.1	Solent, Paris	27.7 <sup>3</sup>
SCI champ laurent, Paris	100.0 <sup>7</sup>	CYRIL CONVERTIBLE TAUX, Paris	22.6 <sup>3</sup>	Sunderland Ins. Services Inc., Fargo, ND	40.0
SCI DE LA PAILLERE, Paris	99.0 <sup>7</sup>	CYRIL Convertibles, Paris	30.4 <sup>3</sup>	THE EMERGING COMMO, Paris	32.9 <sup>3</sup>
SCI J.T., Paris	100.0 <sup>7</sup>	Data Quest SAL, Beirut	36.0	Trusteam CB Patrim, Paris	49.5 <sup>3</sup>
SCI La Balandrane, Paris	100.0 <sup>7</sup>	DIGITAL FDS STAR EUR, Paris	27.7 <sup>3</sup>	UNIM, Paris	30.0
SCI La Rize, París	100.0 <sup>7</sup>	Douglas Emmett Partnership X, LP	28.6	VERONIA SHELF s.r.o., Prague	49.0
SCI Paris X, Paris	100.0 <sup>7</sup>	Dr. Ignaz Fiala GmbH, Vienna	33.3	W Finance Arbitrage, Paris	45.6 <sup>3</sup>
SCI Vilaje, Paris	100.0 <sup>7</sup>	Essor France Oppor, Marseille	29.9 <sup>3</sup>	Wheelabrator INV, Paris	26.8
SIFCOM Assurances, Abidjan	60.0	Euro Media Télévision S.A., Bry-sur-Marne	21.4	White Knight FCPR, SARL, Paris	21.0
Société Foncière Européenne, Amsterdam	100.0	EUROPENSIONES S.A. - Entidad Gestora de Fondos de Pensiones, Madrid	49.0	XAnge Capital, SARL, Paris	21.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0	Eurotax Garantie AG, Pfäffikon	30.0		
<b>Joint ventures</b>		FEDERATION DES INDEPENDANTS, Lyon	23.1		
Allee-Center Budapest, Budapest	50.0	Fondika SA de CV sociedad distribuidora integral de acciones de sociedades de inversion, Mexico City	26.8		
Allianz CP General Insurance Company Limited, Bangkok	50.0	GAP 1 AN Canton, Paris	33.0 <sup>3</sup>		
Atencion Integral a la Dependencia S.L., Cordoba	50.0	GAP 1 AN, Paris	47.3 <sup>3</sup>		
Bajaj Allianz Financial Distributors Limited, Pune	50.0	GAP Euros Canton, Paris	37.7 <sup>3</sup>		
Compania de Seguro de Creditos S.A. (Cosec)	50.0	GMAC VersicherungsService GmbH, Vienna	40.0		
Dorcasia Ltd., Sydney	50.0	Graydon Holding N.V., Amsterdam	27.5		
Euro Nederland, Amsterdam	50.0	Guotai Jun'an Allianz Fund Management Company, Shanghai	49.0		
Insaudi Insurance Company E.C., Manama	50.0	Henderson UK Outlet Mall Partnership LP., Edinburgh	19.5 <sup>7</sup>		
International Shopping Centre Investment S.A., Luxembourg	50.0	Heracles, Paris	30.9 <sup>3</sup>		
Market Street Trust, Sydney	50.0	ICG Conv Rendement, Paris	21.6 <sup>3</sup>		
Millea Mondial Co Ltd., Tokyo	50.0	ICIC, Tel Aviv	33.3		
One Beacon Joint Venture LP, Wilmington, DE	50.0	Interpolis Kreditverzekeringen, Hertogenbosch	45.0		
SC HOLDING, Paris	50.0	Invesc Multi Plus E, Paris	33.1 <sup>3</sup>		
TopTorony Ingatlanhasznositó Zártkörűen Muködo Részvénytársaság, Kft., Budapest	50.0	IPE TANK RAIL INVEST A 1 Sca, Luxembourg	48.8		
UTE Gescopri Servecarve, Barcelona	50.0	JPMorgan IIF UK1 LP, Dublin	46.1		
<b>Associated enterprises</b>		KGH FD Licorne Red Eur CL, Paris	32.3 <sup>3</sup>		
21 Gestion Active, Paris	24.8 <sup>3</sup>	Le Cottage, Paris	40.8 <sup>3</sup>		
ABS Credit Plus, Paris	22.7 <sup>3</sup>	Marianne (C), Paris	28.8 <sup>3</sup>		
Addax Alpha Pat, Paris	29.4 <sup>3</sup>	MedCentreStrakh, Moscow	30.0		
AGF Peh Eur. IV FCPR, Paris	51.4 <sup>3</sup>	METROPOLIS NEW EURO I, Paris	28.3 <sup>3</sup>		
AGF Peh France IV C, Paris	35.7 <sup>3</sup>	MM Composition Amerique, Marseille	49.6 <sup>3</sup>		
AGF SECURICASH I, S.A., Paris	16.3 <sup>3</sup>	MMGI EUromel ACTION, Paris	21.0 <sup>3</sup>		
AGIF RCM EUROPEAN EQUITY DIVIDEND AT/IT, Paris	21.7 <sup>3</sup>	MULTI ALTERNATIF ARBITRAGE, Paris	23.6 <sup>3</sup>		
Agrigest S.p.A., Rome	50.0	Natinium 2007-1, Plc, Dublin	48.4 <sup>7</sup>		
Allianz Actions Euro MidCap, Paris	34.2 <sup>3</sup>	NORA, LC, Maroua	20.0		
Allianz Actions Indice France, Paris	24.5 <sup>3</sup>	OBJECTIF CREDIT FI C, Paris	31.1 <sup>3</sup>		
Allianz Asian Multi Income Plus, Singapore	27.7 <sup>3</sup>	Oddo Avenir (D), Paris	24.3 <sup>3</sup>		
Allianz EFU Health Insurance Ltd., Karachi	49.0	Oddo Court Terme, Paris	40.2 <sup>3</sup>		
Allianz Euro High Yield, Paris	9.8 <sup>3</sup>	ODDO ET CIE, SCA, Paris	20.0		

1 Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

2 Controlled by Allianz.

3 Mutual-, Private Equity- or Specialfunds.

4 Releasing impact according to § 264 (3) HGB through Allianz Group's consolidated financial statements.

5 Group share through indirect holder Roland Holding GmbH, Munich: 74.1%.

6 Classified as associated entity according to SIC-12.

7 Special Purpose Entity according to SIC-12 (SPE).

8 Significant influence.

# Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements 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, February 21, 2011

Allianz SE  
The Board of Management

M. Auer  
S. Sjöström  
A. Böle  
H. Schäfer  
T. Lüdemann  
J. Relyea  
E. Zorn

# 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 statement of cash flows and the notes, together with the group management report for the business year from January 1 to December 31, 2010. 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 Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] 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 Abs. 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, March 2, 2011

KPMG AG  
Wirtschaftsprüfungsgesellschaft

Dr. Frank Ellenbürger  
Wirtschaftsprüfer  
(Independent Auditor)

Johannes Pastor  
Wirtschaftsprüfer  
(Independent Auditor)

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Munich, Westfriedhof Subway Station



## Joint Advisory Council of the Allianz Companies

### **Dr. Henning Schulte-Noelle**

Chairman

Chairman of the Supervisory Board, Allianz SE

### **Franz Fehrenbach**

Chairman of the Board of Management,  
Robert Bosch GmbH

### **Professor Dr. Bernd Gottschalk**

Executive Shareholder, Autovalue GmbH

### **Dr. Rüdiger Grube**

Chairman of the Board of Management,  
Deutsche Bahn AG

### **Herbert Hainer**

Chairman of the Board of Management, adidas AG

### **Prof. Dr.-Ing. e. h. Hans-Olaf Henkel**

Honorary Professor, University of Mannheim

### **Dr. Jürgen Heraeus**

Chairman of the Supervisory Board,  
Heraeus Holding GmbH

### **Dr.-Ing. Dieter Hundt, Honorary Senator**

Chairman of the Supervisory Board,  
Allgaier Werke GmbH

### **Dr. Hans-Peter Keitel**

Member of the Supervisory Board, Hochtief AG

### **Dr. Nicola Leibinger-Kammüller**

President and Chairwoman of the Managing Board,  
Trumpf GmbH + Co. KG  
since July 1, 2010

### **Dr. Bernd Pischetsrieder**

Volkswagen AG

### **Dr.-Ing. Norbert Reithofer**

Chairman of the Board of Management, BMW Group

### **Harry Roels**

### **Kasper Rorsted**

Chief Executive Officer, Henkel AG & Co. KGaA  
since July 1, 2010

### **Dr. h. c. Walter Scheel**

Former President of the Federal Republic of Germany

### **Dr. Manfred Schneider**

Chairman of the Supervisory Board, Bayer AG

### **Prof. Dr. Dennis J. Snower**

President, Institut für Weltwirtschaft, University of Kiel

### **Dipl.-Kfm. Holger Strait**

Managing Partner, J. G. Niederegger GmbH & Co. KG

### **Dr.-Ing. e. h. Heinrich Weiss**

Chairman of the Board of Management, SMS GmbH

### **Manfred Wennemer**

Former Chairman of the Board of Management,  
Continental AG

## International Advisory Board

### **Khalifa Al-Kindi**

Managing Director,  
Abu Dhabi Investment Council

### **Belmiro de Azevedo**

Presidente, Sonae SGPS SA

### **Alfonso Cortina de Alcocer**

Senior Advisor, Rothschild  
Senior Advisor, Texas Pacific Group

### **Dr. Jürgen Hambrecht**

Chairman of the Board of Executive Directors, BASF SE

### **Fred Hu**

Managing Director, Goldman Sachs

### **Franz B. Humer**

Chairman of the Board of Directors, Roche Holding Ltd.

### **Rahmi Koç**

Honorary Chairman of the Board of Directors,  
Koç Holding AS

### **Minoru Makihara**

Senior Corporate Advisor, Mitsubishi Corporation

### **Christophe de Margerie**

CEO, Total SA

### **Jacques A. Nasser**

Managing Director, One Equity Partners LLC

### **James W. Owens**

Chairman and CEO, Caterpillar Inc.

### **Dr. Gianfelice Rocca**

Chairman, Techint Group

### **Angel Ron**

Chairman, Banco Popular

### **Anthony Salim**

President and CEO, Salim Group

### **Louis Schweitzer**

Chairman, Renault SA

### **Iain Lord Vallance of Tummel**

### **Dr. Marco Tronchetti Provera**

Chairman and CEO, Pirelli & C. S.p.A.

## Mandates of the Members of the Supervisory Board<sup>1</sup>

### **Dr. Henning Schulte-Noelle**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
E.ON AG  
ThyssenKrupp AG (until January 21, 2011)

### **Dr. Wulf H. Bernotat**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
Bertelsmann AG  
Deutsche Telekom AG  
METRO AG

### **Jean-Jacques Clette**

Membership in comparable<sup>2</sup> supervisory bodies  
Membership in group bodies  
Allianz France S.A.

### **Dr. Gerhard Cromme**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
Axel Springer AG  
Siemens AG (Chairman)  
ThyssenKrupp AG (Chairman)

Membership in comparable<sup>2</sup> supervisory bodies  
Compagnie de Saint-Gobain S.A.

### **Karl Grimm** until December 31, 2010

Membership in other statutory supervisory boards and SE administrative boards in Germany  
Membership in group bodies  
Allianz Versorgungskasse VVaG (Deputy Chairman)

### **Godfrey Robert Hayward**

**Franz Heiß** since January 1, 2011  
Allianz Deutschland AG

### **Prof. Dr. Renate Köcher**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
BMW AG  
Infineon Technologies AG  
MAN SE

### **Peter Kossubek**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
Membership in group bodies  
Allianz Versorgungskasse VVaG (until May 25, 2011)

### **Igor Landau**

Membership in other statutory supervisory boards and SE administrative boards in Germany  
adidas AG (Chairman)

Membership in comparable<sup>2</sup> supervisory bodies  
HSBC France  
Sanofi-Aventis S.A.

### **Jörg Reinbrecht**

### **Peter D. Sutherland**

Membership in comparable<sup>2</sup> supervisory bodies  
BW Group Ltd.  
Goldman Sachs International (Chairman)  
Koç Holding A.Ş.

### **Rolf Zimmermann**

1 As of December 31, 2010 or (with members who resigned) day of resignation.

2 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<sup>1</sup>

### **Michael Diekmann**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
BASF SE (Deputy Chairman)  
Linde AG (Deputy Chairman)  
Siemens AG

#### Membership in Group bodies

Allianz Deutschland AG  
Allianz Global Investors AG (Chairman)

#### Membership in comparable<sup>2</sup> supervisory bodies

Membership in Group bodies  
Allianz France S.A. (Vice President)  
Allianz S.p.A.

### **Dr. Paul Achleitner**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
Bayer AG  
Daimler AG  
RWE AG

#### Membership in Group bodies

Allianz Global Investors AG  
Allianz Investment Management SE (Chairman)

### **Oliver Bäte**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
Membership in Group bodies  
Allianz Global Corporate & Specialty AG  
(Deputy Chairman)  
Allianz Global Investors AG  
Allianz Investment Management SE  
(Deputy Chairman)

### **Manuel Bauer** since January 1, 2011

Membership in comparable<sup>2</sup> supervisory bodies  
Zagrebacka Banka

#### Membership in Group bodies

Allianz Bulgaria Insurance and Reinsurance Company Ltd. (Chairman)  
Allianz Hungária Biztosító Rt.  
Allianz Life Insurance Co. Ltd. Korea  
Allianz pojistovna a.s. (Chairman)  
Allianz-Slovenská poist'ovna a.s.  
Allianz Tiriac Asigurari SA (Chairman)  
Allianz Zagreb d.d. (Chairman)  
Russian People's Insurance Society "ROSN"  
TU Allianz Polska S.A.  
TU Allianz Życie Polska S.A.

### **Clement B. Booth**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
Membership in Group bodies  
Allianz Global Corporate & Specialty AG (Chairman)

#### Membership in comparable<sup>2</sup> supervisory bodies

Membership in Group bodies  
Allianz Australia Limited  
Allianz Holdings plc (Chairman)  
Allianz Insurance plc (Chairman)  
Allianz Irish Life Holdings plc  
Allianz UK Ltd (Chairman)  
Euler Hermes S.A. (Chairman)

### **Enrico Cucchiani**

Membership in comparable<sup>2</sup> supervisory bodies  
Pirelli & C. S.p.A.  
Unicredit S.p.A.

#### Membership in Group bodies

Allianz Compañía de Seguros S.A. Barcelona  
(Vice Chairman)  
Allianz Hayat ve Emeklilik A.Ş. (Vice Chairman)  
Allianz Sigorta P&C A.Ş. (Vice Chairman)  
Allianz S.p.A. (Chairman)  
Companhia de Seguros Allianz Portugal S.A.

### **Dr. Joachim Faber**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
Deutsche Börse AG

#### Membership in Group bodies

Allianz Global Investors Deutschland GmbH  
(Chairman)  
Allianz Global Investors Kapitalanlagegesellschaft mbH  
(Chairman)

#### Membership in comparable<sup>2</sup> supervisory bodies

Membership in Group bodies  
Allianz France S.A.  
Allianz S.p.A.

### **Dr. Christof Mascher**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany  
Membership in Group bodies  
Allianz Deutschland AG (until December 31, 2010)  
Allianz Managed Operations and Services SE  
(Chairman)

#### Membership in comparable<sup>2</sup> supervisory bodies

Membership in Group bodies  
Mondial Assistance Group SAS (Chairman)

<sup>1</sup> As of December 31, 2010 or (with members who resigned) day of resignation.

<sup>2</sup> We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

**Jay Ralph**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany

Membership in Group bodies

Allianz Global Corporate & Specialty AG

Membership in comparable<sup>1</sup> supervisory bodies

Membership in Group bodies

Allianz Life Insurance Company of North America  
(Chairman),

Fireman's Fund Insurance Company (Chairman)

**Dr. Gerhard Rupprecht** until December 31, 2010

Membership in other statutory supervisory boards  
and SE administrative boards in Germany

Fresenius SE

Heidelberger Druckmaschinen AG

Membership in Group bodies

Allianz Deutschland AG (Chairman)

(until December 31, 2010)

Membership in comparable<sup>1</sup> supervisory bodies

Membership in Group bodies (until December 31, 2010)

Allianz Elementar Lebensversicherungs-AG

(Chairman)

Allianz Elementar Versicherungs-AG (Chairman)

Allianz Investmentbank AG (Vice Chairman)

Allianz Suisse Lebensversicherungs-Gesellschaft

Allianz Suisse Versicherungs-Gesellschaft

**Dr. Werner Zedelius**

Membership in other statutory supervisory boards  
and SE administrative boards in Germany

Membership in Group bodies

Allianz Deutschland AG (Chairman)

(since January 1, 2011)

Allianz Private Krankenversicherungs-AG

(Deputy Chairman) (until January 31, 2011)

Membership in comparable<sup>1</sup> supervisory bodies

Bajaj Allianz General Insurance Company Limited

(until December 31, 2010)

Bajaj Allianz Life Insurance Company Limited

(until December 31, 2010)

Membership in Group bodies

Allianz Elementar Lebensversicherungs-AG

(Chairman-designate)

Allianz Elementar Versicherungs-AG

(Chairman-designate)

Allianz Hungária Biztosító Rt. (Chairman)

Allianz Investmentbank AG

(Vice Chairman-designate)

Allianz-Slovenská poist'ovna a.s. (Chairman)

Russian People's Insurance Society "ROSNOW"

(Chairman)

TU Allianz Polska S.A. (Chairman)

TU Allianz Życie Polska S.A. (Chairman)

<sup>1</sup> 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. Terminology relating to particular segments has not been included.

### **Acquisition cost**

The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

### **Affiliated enterprises**

The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises 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**

The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

### **Associated enterprises**

All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

### **At amortized cost**

Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

### **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.

### **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.

### **Cash flow statement**

Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- operating activities
- investing activities
- financing activities

### **Certified liabilities**

Certified liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

### **CFO Forum**

The European Insurance CFO Forum is a high-level discussion group formed and attended by the Chief Financial Officers of major European listed insurance companies. Its aim is to influence the development of financial reporting, value based reporting, and related regulatory developments for insurance enterprises on behalf of its members, who represent a significant part of the European insurance industry.

### **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.

### **Corridor approach**

With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is recognition made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

### **Cost-income ratio**

Represents operating expenses divided by operating revenues.

### **Credit risk**

The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

### **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.

### **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 tax 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 enterprises 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 to the employer of a defined benefit 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 is not participating 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.

## 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. For calculating diluted earnings per share the number of shares and the net income for the year attributable to shareholders are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with participation certificates and share based compensation plans.

## Equity consolidation

The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

## Equity method

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

## Expense ratio

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

## Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

## 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.

## 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/for others under reinsurance contracts

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 "funds held under 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 closing market value and the exercise price is paid.

## 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 the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

## Group share (%)

The Group share is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

## 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 though 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.

### **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.

### **Joint venture**

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

### **Loss frequency**

Number of losses in relation to the number of insured risks.

### **Loss ratio**

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

### **Market value**

The amount obtainable from the sale of an investment in an active market.

### **Non-controlling interests**

Those parts of the equity of affiliated enterprises which are not owned by companies in the 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 affiliated enterprises.

### **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.

### **Participating certificates**

Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

### **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 and processing payments.

### **Premiums written/earned**

Premiums written represent all premium revenues in the year under review. 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.

### **Reinsurance**

Where an insurer transfers part of the risk which he has assumed to another insurer.

### **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 for the cost of insurance claims incurred by the end of the year under review but not yet settled.

### **Reserve for premium refunds**

That part of the operating surplus which will be distributed to policy-holders 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 enterprises and amounts transferred from consolidated net income.

### **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.

### **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).

### **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.

### **Unrecognized gains/losses**

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

### **Unrecognized past service cost**

Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

### **US GAAP**

Generally Accepted Accounting Principles in the United States of America.

### **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.

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# Financial Calendar

## Important dates for shareholders and analysts

May 4, 2011	Annual General Meeting
May 12, 2011	Interim Report 1st quarter 2011
August 5, 2011	Interim Report 2nd quarter 2011
November 11, 2011	Interim Report 3rd quarter 2011
February 23, 2012	Financial press conference for 2011 financial year
February 24, 2012	Analysts' conference for 2011 financial year
March 23, 2012	Annual Report 2011
May 9, 2012	Annual General Meeting

The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact, irrespective of the communicated schedules. Therefore we cannot exclude that we have to announce key figures of 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](http://www.allianz.com/financialcalendar)

## Annual Report online

View our 2010 Annual Report on the Internet at [www.allianz.com/annualreport](http://www.allianz.com/annualreport). Make the most of the Internet's advantages:

- select individual data and compare key ratios over a number of years,
- download single chapters and tables (in pdf and excel formats),
- access selected data in the report by means of the search function and links.

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