Protecting the Future

Allianz Group

Annual Report 2014

Allianz

Content

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Allianz at a glance

ANNUAL RESULTS

		2014	Change from previous year	2013	2012	2011	2010	2009	2008	More details on page
Income statement										
Total revenues[1]	€ MN	122,253	10.4%	110,773	106,383	103,560	106,451	97,385	92,568	82
Operating profit[2]	€ MN	10,402	3.3%	10,066	9,337	7,764	8,243	7,044	7,455	82
Net income from continuing operations[3]	€ MN	6,603	4.1%	6,343	5,558	2,853	5,209	4,650	4,268	–
Net income (loss) from discontinued operations, net of income taxes[3]	€ MN	–	–	–	–	–	–	(395)	(6,373)	–
Net income (loss)	€ MN	6,603	4.1%	6,343	5,558	2,853	5,209	4,255	(2,105)	84
thereof: Attributable to shareholders	€ MN	6,221	3.8%	5,996	5,231	2,591	5,053	4,207	(2,363)	84
Balance sheet as of 31 December										
Total assets[4]	€ MN	805,787	13.3%	711,079	694,411	641,322	624,945	583,717	954,999	110
Investments[4]	€ MN	486,445	18.3%	411,148	401,711	350,645	334,618	294,252	258,812	190
Total liabilities[4]	€ MN	742,085	12.7%	658,230	641,448	595,575	578,383	541,488	917,715	110
thereof: Reserves for insurance and investment contracts	€ MN	463,334	14.7%	404,072	390,984	361,956	349,793	323,801	298,057	209
thereof: Reserves for loss and loss adjustment expenses	€ MN	68,989	3.6%	66,566	72,540	68,832	66,474	64,441	63,924	204
Shareholders' equity	€ MN	60,747	21.3%	50,083	50,388	43,457	44,491	40,108	33,720	109
Non-controlling interests	€ MN	2,955	6.9%	2,765	2,576	2,290	2,071	2,121	3,564	217
Share information										
Basic earnings per share	€	13.71	3.6%	13.23	11.56	5.74	11.20	9.33	(5.25)	253
Diluted earnings per share	€	13.64	4.5%	13.05	11.48	5.58	11.12	9.30	(5.29)	253
Dividend per share	€	6.85[5]	29.2%	5.30	4.50	4.50	4.50	4.10	3.50	29
Total dividend	€ MN	3,130[5,6]	30.2%	2,405	2,039	2,037	2,032	1,850	1,580	83
Share price as of 31 December	€	137.35	5.4%	130.35	104.80	73.91	88.93	87.15	75.00	29
Market capitalization as of 31 December	€ MN	62,769	5.5%	59,505	47,784	33,651	40,419	39,557	33,979	29
Other data										
Return on equity after income tax[7,8]	%	11.2	(0.7)%-p	11.9	11.1	5.9	11.9	12.5	9.9	–
Conglomerate solvency[9]	%	181[10]	(1)%-p	182	197	179	173	164	157[11]	109
Standard & Poor's rating[12]		AA	–	AA	AA	AA	AA	AA	AA	125
Total assets under management as of 31 December[13]	€ MN	1,801,178	1.8%	1,769,551	1,852,332	1,656,993	1,517,538	1,202,122	950,548	99
thereof: Third-party assets under management as of 31 December[13]	€ MN	1,312,910	(3.5)%	1,360,759	1,438,425	1,281,256	1,163,982	925,699	703,478	100
Employees		147,425	(0.1)%	147,627	144,094	141,938	151,338	153,203	182,865	76

1 — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
2 — 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.
3 — Following the announcement of the sale on 31 August 2008, Dresdner Bank was classified as held for sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on 12 January 2009. The results from these operations are presented in a separate net income line "Net income (loss) from discontinued operations, net of income taxes".
4 — As of 1 January 2013, figures have been restated to reflect the implementation of IFRS 10. Figures prior to 2012 have not been adjusted retrospectively. For further information, please refer to note 4 to the consolidated financial statements.
5 — Proposal.
6 — Total dividend based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.
7 — Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity as of 31 December.
8 — Based on net income from continuing operations after non-controlling interests.
9 — Solvency according to the E.U. Financial Conglomerates Directive. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2014 and 2013 would be 172% and 173%, respectively.
10 — Conglomerate solvency ratio as of 31 December 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 0.4 BN in 2015. Excluding this adjustment, the solvency ratio would be 182% (including off-balance sheet reserves) as of 31 December 2014.
11 — Pro-forma after sale of Dresdner Bank completed.
12 — For further information about insurer financial strength ratings of Allianz SE, please refer to page 125.
13 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

Disclaimer regarding roundings

The consolidated financial statements are presented in millions of Euros (€ MN), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. Figures prior to 2013 have not been adjusted accordingly.

Allianz Group Annual Report 2014

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Orientation guide

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

On pages 273 to 276, you will find a glossary of selected accounting, insurance and financial market terms used in this report.

Allianz Human Resources Fact Book

HR Fact Book is the official and most comprehensive report on key human resources facts and figures, highlighting major HR achievements over the past year and revealing the outlook for 2015.

www.allianz.com/hrfactbook

Allianz Sustainability Report 2014

The Allianz Group Sustainability Report covers our contribution to the environment, society and economy. It provides full details of our sustainability strategy, approach and progress as well as an outlook for 2015.

www.allianz.com/sustainability

Whatever tricks nature plays, whichever trends the financial markets follow, whenever risks turn into an emergency or a loss, Allianz stands by its clients, protecting them and helping them to realize their goals in life – as it has done since its founding 125 YEARS AGO. Its CAPITAL STRENGTH and INNOVATIVE POWER as well as the DEDICATION of its 147,425 employees vouch for this.

€ BN 60.7

Shareholders' equity — page 109
AA Standard & Poor's rating since 2007

€ 6.85

Dividend per share (proposal) — page 29

€ BN 122.3

Total revenues — page 82

€ MN 10,402

Operating profit — page 82

€ MN 6,221

Net income attributable to shareholders — page 84

181 %

Conglomerate solvency — page 109

Another of Allianz's strengths is its five GLOBAL INSURANCE LINES. Not everyone is familiar with the highly specialized products and services of these units. But they have far-reaching implications for prosperous societies and thus for everyone. In this report, we present these business lines. With their profile. And their histories.

They include our international industrial insurance providers ALLIANZ GLOBAL CORPORATE & SPECIALTY and EULER HERMES GROUP, the world's leading credit insurer. They also include ALLIANZ GLOBAL ASSISTANCE, ALLIANZ GLOBAL AUTOMOTIVE and ALLIANZ WORLDWIDE CARE, which started to collaborate closely as ALLIANZ WORLDWIDE PARTNERS in 2014, further boosting their reach and effectiveness.

WE PROTECT THE FUTURE locally, from multiple locations and on a global scale. In this way, everyone who belongs to our financial community benefits.

Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty is the Allianz center of expertise for global business insurance and large corporate and specialty risks.

With a worldwide network in more than 160 countries, we are one of the very few global insurers with an exclusive focus on the needs of global corporate and specialty clients.

We offer our clients global business insurance through a comprehensive service range including alternative risk transfer, financial lines, aviation, international insurance programs, captive and fronting services, liability, claims services, marine, energy, property, engineering and risk consulting.

agcs.allianz.com

71 nationalities

More than 3,600 employees of over 70 nationalities. One global team of dedicated specialists with extensive multi-national experience.

28 countries

AGCS has teams in 28 key countries globally. Our network of Allianz-owned offices in more than 70 countries, plus network partners in other locations, means we can service clients in more than 160 countries worldwide.

> 2,000 IIS

More than 2,000 International Insurance Solutions (IIS) programs for our global clients' multi-national risks.

Allianz center of excellence for large or complex business risks

Allianz Cyber Protect to tackle emerging risks.

Allianz Cyber Protect

An increase in the frequency and severity of data breaches and IT glitches threatening businesses has prompted the launch of Allianz Cyber Protect to enable companies to protect themselves against potential financial and reputational losses.

In 2013, more than 64,000 cyber crimes were registered in Germany. The Ponemon Institute estimates that the annualized cyber crime cost is in average USD 7.6 MN per company each year. The increased frequency and severity of cyber crime in Asia's tiger economies has also dominated headlines. Singapore suffered the highest cyber losses per capita world-wide in 2013, while financial losses from cyber crimes in Hong Kong have tripled in the last three years, driving demand for such coverage.

According to Allianz experts, the most heightened risk awareness in 2014 was around cyber and loss of reputation issues. Cyber was the biggest mover in the 2014 Allianz Risk Barometer, climbing from 15 to 8 in our global rankings.

If cyber criminals steal data, introduce malware into networks or cause servers to shut down because of denial of service attacks, businesses risk damage running into millions of Euros, as well as reputational damage. Allianz Cyber Protect insurance solution enables businesses to protect themselves comprehensively against online risks. It covers a variety of first and third-party damages sustained by businesses if they become victims of cyber crime or if their customers hold them liable.

→ agcs.allianz.com/services/financial-lines/allianz-cyber-protect/

ART Weather Solutions to protect companies against adverse weather impacts.

ART
Weather
Solutions

"Unfortunately, rain and frost resulted in a bad crop yield" and "power production from our wind park has been below our expectations due to a lack of wind" are typical statements blaming the weather for dashed hopes.

Fortunately, Allianz has solutions at hand for these and many other weather-related issues. For several years, Allianz Risk Transfer (ART) has offered insurance against adverse temperatures, precipitation, wind speed and sun hours to protect companies in different industries against financial losses due to lower sales or production. These creative and tailor-made weather insurance solutions are transparent and offer favorable financing terms. In case of losses, claims are handled quickly.

The ART Weather Team proactively tackles the challenges of climate change. We are not able to influence the weather, but we can protect our clients against its negative consequences.

→ agcs.allianz.com/services/allianz-risk-transfer/

Allianz SpaceCo – a leading insurer in the aerospace sector.

Allianz
SpaceCo

In 2014, AGCS insured 21 space launches through its space underwriting team based in Paris, France. The launches covered eight different types of launch vehicles from around the world – the European Ariane V and Vega, the American Atlas V and Falcon 9, the Russian Proton, Soyuz and Zenith 3, and the Indian PSLV.

AGCS' expertise covers pre-launch operations, the launches themselves and their life in orbit. During the course of the year, our satellite insurance primarily covered telecommunication satellites, but also earth observation and scientific satellites and satellite constellations.

→ agcs.allianz.com/services/space/

A – TO OUR INVESTORS

Pages **6 – 30**

Dear Investors,

I wrote my first letter to you in our 2003 Annual Report. After a difficult financial year in 2002, I promised you that nothing was more important for the management team, the employees and for me personally than returning your Allianz to the league of the most reputable international financial service providers.

Allianz has long since secured its permanent place in this league. Since 2009, Allianz has been the largest international insurance company in terms of revenues and the best in terms of operating profit. In the past year, we were able to further strengthen our leading position.

Overview of the 2014 financial year

2014 was characterized by extremely low interest rates, geopolitical tensions in the Middle East and Ukraine, a sharp decline in the oil price and a weak Euro against the U.S. Dollar. The number and scale of severe weather events were, by contrast, lower than in previous years.

Revenues increased by more than 10 % and thereby exceeded the € 122 BN mark for the first time. Operating profit improved again and is now at € 10.4 BN. This means we achieved a result in the upper end of our target range. We generated net income of € 6.6 BN, of which € 6.2 BN is attributable to shareholders.

Despite the prevailing low interest rates, our Life/Health business increased revenues by 18.6 % and operating profit by 22.8 %. Growth was particularly strong in the United States, Italy and Germany. This is confirmation from our customers that our product offerings meet their needs.

The two subsidiaries in our Asset Management business developed differently. While Allianz Global Investors recorded net inflows in all quarters, PIMCO reported, in the wake of the resignation of its founder, net outflows that were at the upper end of our expectations.

In our Property-Casualty business, we increased revenues by 3.7 % and improved our operating profit to € 5.4 BN (+ 2.2 %). Our combined ratio remained stable at a very good 94.3 %. In comparison to the previous year, the impact from natural catastrophe events decreased. We also made progress with the expense ratio. However, special circumstances at Fireman's Fund, and in Russia and Brazil, weighed on our results and neutralized some of the progress we made.

Two selected acquisitions in our property-casualty insurance business enabled us to strengthen our position in countries where we are able to manage a seamless integration into already well-established organizations. In Italy, we took over part of the property insurance operations and distribution capacities of UnipolSai, and in Australia we purchased the general insurance business of the Territory Insurance Office.

In addition, your company made five important decisions in the past year. These concerned:

- motor insurance in Russia,
- Fireman's Fund,
- the organizational structure of PIMCO,
- our dividend policy, and
- the composition of the Board of Management of Allianz SE.

During the course of the financial year, we significantly scaled down the motor insurance business in Russia. We are therefore now mainly active in the commercial and health insurance business. In light of the continuing deterioration of the economic climate in the country, this was an appropriate decision taken at the right time.

In the United States, we have decided to reorganize our property-casualty insurance business. Since the results of our subsidiary Fireman's Fund – which had regularly been discussed at our Annual General Meetings (AGM) – had shown no signs of sustainable improvement, we responded and agreed to sell the retail business, in which we did not have the necessary scale. The larger part of Fireman's Fund is the commercial business, which we are integrating into Allianz Global Corporate & Specialty so that we achieve critical mass in this segment of the American market.

We are now managing the old in-force business that has traditionally been problematic – for example asbestos liabilities – in a specialized liquidation unit within our reinsurance business.

In the case of PIMCO, we had already introduced the new leadership structure at the last AGM and were able to carry on working immediately after the departure of the founder in September. Despite the highly recognized management team, we nonetheless experienced significant net outflows in the last few months of the financial year. However, I am convinced that we now have the right set-up to ensure the future sustainable development of PIMCO.

We have redefined our dividend strategy in the past year after greater clarity emerged about capital requirements under the new Solvency II framework that enters into force from 2016. Going forward, we will distribute 50 % of the Group's net profit as dividends (previously 40 %). Dividends per share should always be at least at the level of the previous year. Every three years, we will also consider whether to distribute any unused funds set aside for acquisitions. In this way, we will ensure an adequate participation of shareholders in corporate profits as well as a sound capitalization to fund future growth.

Since the beginning of 2015 there have been changes to the Board of Management of Allianz SE. Dr. Theis has taken over responsibility for Global Lines and for our companies in Great Britain and Ireland from Mr. Booth, who has stepped down from the Board having reached retirement age. Mr. Balbinot has recently joined Allianz and is responsible for our companies in southern and western Europe. Due to the decision to reorganize our business in North America, Mr. Bhojwani has stepped down from the Board of Management. I would like to express my sincere thanks to Clement Booth and Gary Bhojwani for their successful work in recent years.

At this year's AGM, I will myself resign as Chairman of the Board of Management of Allianz after exactly twelve years at the helm. The Supervisory Board has chosen Oliver Bäte as my successor. Mr. Bäte has worked in various Board of Management positions for Allianz over the last seven years. I am convinced that the Supervisory Board has made an excellent choice in selecting Mr. Bäte, and I wholeheartedly wish him the very best of luck.

Outlook

2015 began with high volatility on the capital markets, a further weakening of the Euro, even lower interest rates and the announcement of a bond purchase program by the European Central Bank. There is still no sustainable end in sight to the geopolitical conflicts. 2015 will, therefore, be a difficult year for the global economy, even if the low oil price promises to provide some growth stimulus.

The European Central Bank will continue its low interest rate policy for the foreseeable future. At the start of this year, the yield on 10-year German government bonds dropped below 0.3 % for the first time and the yield on 5-year bonds fell into negative territory. These developments represent a burden for all savers, and therefore also for life insurers and – to a lesser extent – for property-casualty insurers too. We do not expect a significant increase in interest rates in the immediate future.

Our outlook for the 2015 financial year must be cautious in light of these prevailing conditions, without losing sight of the strength of Allianz.

First and foremost, these are the employees of Allianz. Their skill and expertise are the basis for our success. I am truly grateful for the unique commitment of our people.

Furthermore, the strong results for 2014 give me confidence that we have set the right course for further profitable growth in Allianz. I would like to explain to you what my confidence is based on:

– The capitalization of Allianz is solid. That is proven by our solvency ratio of 181 %. Our AA S & P rating with a stable outlook confirms this. Our excellent capital base inspires confidence among our clients, who rely on our long-term promises, above all in the life insurance business. This is where Allianz draws particular benefit from its strong balance sheet and brand. Double-digit growth in developed markets such as Italy, Germany and the United States during 2014 is a clear sign of this.

– We have laid the foundation for the future with successful product innovations. I would like to highlight the new life insurance products that are offered in Germany under the name "Perspektive". Customers who choose reduced guarantees may receive a higher share of investment income. More than 70,000 new contracts in 2014 demonstrate that we are on the right track with such low capital-intensive products.

  Further examples are our modular property insurance policies that, after Italy, we are now offering in other markets. The customer receives highly personalized, but also comprehensive insurance cover. At the same time, these modules can be configured online by customers themselves. They are therefore suitable for a purely internet-based distribution, as well as for clients who do their own research online before finalizing their contract in a personal meeting with their agent.

– This brings me to the topic of digitalization, the greatest opportunity and at the same time greatest challenge for the insurance industry in the coming years. We have recently been able to bring some developments to the market. I refer to our Telematic Solutions and our Fast Quote technology that allow customers to receive a quotation on the internet in only a few short steps.

  Digitalization is fundamentally changing the way in which we interact with customers, who today expect to always be able to choose the most convenient means of communication with their insurance company, be it by smartphone, by letter or in person in an agency. Switching between the different channels, therefore, needs to be as seamless as possible. We also have the opportunity to enter into much closer contact with our customers. If he or she wishes, we not only pay in case of a claim, but also offer supplementary assistance and services at all times.

– The global increase in life expectancy and developments in medicine make individual old-age provision more essential than ever. It would be disastrous if the mistaken idea should take hold that saving is pointless given low interest rates. In fact the opposite is true: precisely in times such as these, people need professional insurance and investment advice in order to avoid taking any undue risks. This is an area where Allianz is well placed both on the product and sales side.

– Finally, I would like to mention the dangers inherent in new technologies (keyword cyber protection), which make insurance more relevant than ever. Here, too, we are active in the market with innovative products for both retail and commercial business.

These points prove to me that Allianz has an excellent foundation for further growth. However, we do not target growth at any price, but focus our efforts on those areas in which profitable insurance business is possible. In the case of PIMCO, we will be aiming to stabilize third-party assets under management in the current financial year in order to return to the growth path in the medium term.

Overall, we are expecting an operating profit in 2015 of € 10.4 BN, plus or minus € 0.4 BN, and in doing so are targeting profit at the same level as the previous year.

1890 – 2015: 125 years of Allianz

In the current financial year, we will be marking the 125th anniversary of the founding of Allianz. We are placing this anniversary year under the heading "Protecting the Future". Our aim is to enter into dialogue with employees, politicians, the wider public and of course with you, our investors, about two significant challenges of the future: demography and climate change. These two themes are not only of critical importance for our life and property insurance, but will also affect all of us directly. We want to make a contribution to social dialogue through a series of internal and external events. We see this as our essential corporate social responsibility in this anniversary year.

Dear investors, our 2015 anniversary year is a special one in the history of Allianz. I am confident that it will also be a good year for your Allianz in financial terms. I would like to thank you for the trust you have placed in Allianz and, over the last 12 years, in me personally. I would be pleased if you remain part of your Allianz in the future.

Sincerely yours,

Michael Diekmann
Chairman of the Board of Management

Supervisory Board Report

Ladies and Gentlemen,

During the 2014 fiscal year, the Supervisory Board fulfilled all its duties and obligations as laid out in the company Statutes and applicable law. It monitored the management of the company and advised the Board of Management regarding the conduct of business.

OVERVIEW

Within the framework of our monitoring and advisory activities, the Board of Management informed us on a regular basis, and in a timely and comprehensive manner, both verbally and in writing, on the course of business, as well as on the economic and financial development of the Allianz Group and Allianz SE, including deviations in actual business developments from the planning. Further key areas the Board of Management reported on were business strategy, capital adequacy, the challenges facing the life insurance business due to persistently low interest rates and any potential regulatory effects of Allianz SE's classification as a Global Systemically Important Insurer by the Financial Stability Board (FSB) and the International Association of Insurance Supervisors (IAIS). In addition, we were extensively involved in the Board of Management's planning for both the 2015 fiscal year and the three-year period from 2015 to 2017. We devoted particular attention in 2014 to personnel matters related to the Board of Management and ongoing developments and personnel changes at PIMCO. Our further key areas of focus were the continuing reorganization of the property/casualty business in the United States and Russia.

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

In the 2014 fiscal year, the Supervisory Board held seven meetings. The regular meetings took place in February, March, May, August, October and December. In addition, there was one extraordinary meeting in November.

The Board of Management also informed us in writing of important events that occurred between meetings. The chairmen of the Supervisory and Management Boards also had regular discussions about major developments and decisions. Details on each member's participation at meetings of the Supervisory Board and its committees can be found in the Corporate Governance Report, starting on page 35.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In all of the Supervisory Board's 2014 meetings, the Board of Management reported on Group revenues and results, developments in individual business segments and on the capital, financial and risk situation. We were regularly informed by the Board of Management about the impact of natural catastrophes, the status of major legal disputes and other essential developments.

In the meeting of 26 February 2014, the Supervisory Board dealt comprehensively with the provisional financial figures for the 2013 fiscal year and the Board of Management's recommended dividend. The appointed audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported in detail on the provisional results of their audit. In addition, the Board of Management submitted its annual report on risk developments in 2013. During the further course of the meeting, the Supervisory Board also reviewed the extent to which individual members of the Board of Management had achieved their targets and set their variable remuneration for the 2013 fiscal year. The Supervisory Board subsequently dealt with succession planning and the next steps to be taken regarding the Board of Management contracts expiring in 2014. In light of the regulatory requirements under Solvency II, we also amended the guidelines for the selection and appointment of the Board of Management.

In the meeting of 13 March 2014, the Supervisory Board discussed the audited annual Allianz SE and consolidated financial statements as well as the recommendation for the appropriation of earnings by the Board of Management for the 2013 fiscal year. KPMG confirmed there were no discrepancies to their February report and issued an unqualified auditor's report for the individual and consolidated financial statements. The Supervisory Board also dealt with the agenda for the 2014 AGM of Allianz SE and approved the Supervisory Board's proposals for resolution, which included the proposal to elect Mr. Jim Hagemann Snabe as the successor to Mr. Igor Landau on the Supervisory Board. In this context, we also adopted an amendment to the Declaration of Conformity with the German Corporate Governance Code (Code) of 12 December 2013: As Mr. Snabe was still a member of the Executive Board of SAP AG when elected to the Allianz SE Supervisory Board in May, he exceeded the figure of three Supervisory Board mandates as recommended by the Code for active Management Board members for a two-week period. The Supervisory Board also resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the 2014 fiscal year and for the auditor's review of the 2014 half-yearly interim report. In addition, the Chief Compliance Officer provided the annual report on the compliance organization and key compliance-related matters. The Supervisory Board was also informed about the performance of the global industrial insurer Allianz Global Corporate & Specialty SE. At this meeting, the Supervisory Board also dealt with the issue of succession for certain Board of Management positions.

On 7 May 2014, just before the AGM, the Board of Management briefed us on the first quarter 2014 performance and on the Group's current situation, particularly the capital adequacy. Directly after the AGM, we elected Mr. Jim Hagemann Snabe to the Audit Committee of the Supervisory Board by means of a written resolution.

In our meeting on 7 August 2014, the Board of Management reported in depth on the half-yearly results. We examined the performance of PIMCO and Allianz Russia, the planned restructuring of the United States property/casualty business and the Life Insurance Reform Act in Germany. We also dealt with the issuance of Allianz shares to employees of the Allianz Group. By way of a presentation, we were informed about the requirements stemming from the Global Systemically Important Insurers regulation, in particular the required recovery and resolution plans. In addition, the Board of Management presented Allianz's IT security program to us and the Supervisory Board dealt with the upcoming personnel decisions for the Board of Management. The meeting was followed by a separate information session for members of the Supervisory Board at which Allianz managers gave presentations on current topics.

On 2 October 2014, we appointed Mr. Oliver Bäte as successor to Mr. Diekmann as Chairman of the Board of Management with effect from 7 May 2015 and Dr. Axel Theis and Sergio Balbinot as new members of the Board of Management. Mr. Manuel Bauer's Board of Management mandate was extended by one year until 31 December 2015 and Dr. Helga Jung was reappointed for another five years until 31 December 2019. In addition, the mandates of Dr. Dieter Wemmer and Dr. Werner Zedelius were both extended by three years until 31 December 2017. For all new appointments and reappointments, we passed resolutions on the corresponding service contracts. Furthermore, the Supervisory Board agreed to the early termination of Mr. Gary Bhojwani's appointment and service contract with effect from the end of 2014. In connection with the report on the business performance to date, we devoted considerable attention to Mr. William Hunt Gross's departure from PIMCO and the consequences thereof. The Board of Management also reported on the development of women in managerial positions at Allianz. Finally, we dealt extensively with the strategy of the

Allianz Group, in particular the operating priorities in individual business segments, the management of regulatory and capital market risks, capital efficiency and the general aspects of the dividend strategy.

At the extraordinary meeting on 6 November 2014, the Supervisory Board discussed the results for the third quarter. We then focused on the Board of Management's proposal on the dividend policy and agreed to it.

At the 11 December 2014 meeting, the Board of Management provided us with detailed information about the third-quarter results, further business developments, the situation of the Allianz Group and several other issues. We then discussed the planning for the 2015 fiscal year and the 2015–2017 three-year period, as well as the remuneration structures within the Allianz Group and the Declaration of Conformity with the German Corporate Governance Code. The Supervisory Board reviewed and approved the appropriateness of the remuneration of the Board of Management by means of a vertical and horizontal comparison. The vertical comparison was based on the 2013 resolved definitions of the "upper management" and "relevant workforce" groups. On the recommendation of the Personnel Committee, the Supervisory Board adopted a resolution to adjust the contribution-based pension plan. In addition, the regular age limit for Board of Management members born on or after 1 January 1958 was raised to 62. The annual premiums for pension schemes for members of the Board of Management were set – taking into account the members' targeted pension levels – for the year 2015, as were their targets. Finally, we took a detailed look at the results of the Supervisory Board's efficiency review and discussed potential improvements in the way the Supervisory Board operates.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 11 December 2014, the Board of Management and the Supervisory Board issued the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act ("Aktiengesetz"). The Declaration was posted on the company website, where it is available to shareholders at all times. Allianz SE fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code Commission made in the Code's version of 24 June 2014, with one exception. Deviating from Item 5.3.2 of the Code, the Supervisory Board's Risk Committee – rather than the Audit Committee – will be responsible for monitoring the risk management system.

Further explanations of corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on page 35 and the Statement on Corporate Management pursuant to § 289a HGB starting on page 40. More information on corporate governance can also be found on the Allianz website at **www.allianz.com/corporate-governance.**

COMMITTEE ACTIVITIES

The Supervisory Board has formed various committees in order to perform its duties efficiently: the Standing Committee, the Personnel Committee, the Audit Committee, the Risk Committee and the Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary sessions. Furthermore, in appropriate cases, the authority to adopt resolutions has been delegated to the committees. There is no Conciliation Committee because the German Co-Determination Act ("Mitbestimmungsgesetz"), which provides for such a committee, does not apply to Allianz SE as a European Company (SE). Please find the composition of the committees at the end of the reporting period on page 21.

The *Standing Committee* held four meetings in 2014. These related primarily to corporate governance issues, the preparation for the AGM, the Employee Stock Purchase Plan and an internal review of the Supervisory Board's efficiency. During the fiscal year the committee passed resolutions requiring approval on the use of Authorized Capital 2014/II for the issue of shares to employees and to approve loans to senior executives.

The *Personnel Committee* met four times in the 2014 fiscal year. One area of focus was the preparation of the plenary session's decisions on expiring Board of Management mandates, including the appointment of a new Chairman. The committee dealt with other personnel matters for active and former members of the Board of Management. In addition to reviewing target achievement among Board of Management members for the 2013 fiscal year, the committee prepared the review of the remuneration system, including the setting of targets for variable remuneration in 2014. The committee also dealt with the mandates held by Board of Management members in the interests of the Allianz Group.

The *Audit Committee* held five meetings in 2014. In the presence of the auditors, it discussed the annual financial statements of Allianz SE and the consolidated financial statements of the Allianz Group, the management reports and auditor's reports. In addition, the committee reviewed the half-yearly and quarterly financial reports and, together with the auditors, went through the details of the auditor's review of these financial statements. After carrying out these reviews, the Audit Committee saw no reason to raise any objections. The committee also dealt with the auditor's engagement, established priorities for the annual audit and discussed assignments to the auditors for services not connected to the audit itself. In addition, the committee dealt extensively with the compliance system, the internal auditing system as well as the accounting process and internal financial reporting control mechanisms, including the appropriateness of the respective systems and processes. The committee received regular reports from the Head of Group Audit, from the General Counsel and from the Chief Compliance Officer on the audit department's work and on legal and compliance issues. The committee approved the audit plan produced by Group Audit for 2015.

The *Risk Committee* held three meetings in 2014, during which it discussed the current risk situation of the Allianz Group with the Board of Management. The risk report and other risk-related statements in the annual Allianz SE and consolidated financial statements and management and group management reports were reviewed with the auditor and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system at Allianz was also discussed. In addition, the committee looked in detail at the effectiveness of the risk management system, including an examination of its compliance with minimum supervisory requirements. Other matters considered were Solvency II, the risk strategy and insurance and credit risk. The Risk Committee also focused on developments at PIMCO.

In February 2014, the *Nomination Committee* adopted a resolution by written procedure regarding the proposal to elect Mr. Jim Hagemann Snabe as successor to Mr. Igor Landau on the Supervisory Board.

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

Chair and committees of the Supervisory Board – as of 31 December 2014

Chairman of the Supervisory Board: Dr. Helmut Perlet
Deputy Chairmen: Dr. Wulf H. Bernotat, Rolf Zimmermann
Standing Committee: Dr. Helmut Perlet (Chairman), Dr. Wulf H. Bernotat, Prof. Dr. Renate Köcher, Gabriele Burkhardt-Berg, Rolf Zimmermann
Personnel Committee: Dr. Helmut Perlet (Chairman), Christine Bosse, Rolf Zimmermann
Audit Committee: Dr. Wulf H. Bernotat (Chairman), Dr. Helmut Perlet, Jim Hagemann Snabe, Jean-Jacques Cette, Ira Gloe-Semler
Risk Committee: Dr. Helmut Perlet (Chairman), Christine Bosse, Peter Denis Sutherland, Dante Barban, Franz Heiß
Nomination Committee: Dr. Helmut Perlet (Chairman), Prof. Dr. Renate Köcher, Peter Denis Sutherland

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half-yearly financial report are appointed by the Supervisory Board of Allianz SE and not by the AGM. The Supervisory Board has appointed KPMG as statutory auditor for the annual Allianz SE and consolidated financial statements as well as for the review of the half-yearly financial report. KPMG audited the financial statements of Allianz SE and the Allianz Group as well as the respective management reports. They issued an auditor's report without any reservations. The consolidated financial statements were prepared on the basis of the international financial reporting standards (IFRS), as adopted in the European Union. KPMG performed a review of the half-yearly and quarterly financial reports.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from KPMG for the 2014 fiscal year on schedule. The provisional financial statements and KPMG's audit results were discussed in the Audit Committee on 24 February 2015 and in the plenary session of the Supervisory Board on 25 February 2015. The final financial statements and KPMG's audit reports were reviewed on 12 March 2015 by the Audit Committee and in the Supervisory Board plenary session. The auditors participated in these discussions and presented the main results from the audit. No material weaknesses in the internal financial reporting control process were discovered. There were no circumstances that might give cause for concern about the auditor's independence.

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

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

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Mr. Igor Landau left the Supervisory Board at the end of the Annual General Meeting on 7 May 2014 and Mr. Jim Hagemann Snabe was elected by the AGM as his successor. The current term of the Supervisory Board will expire following the 2017 AGM.

Mr. Michael Diekmann will step down from the Board of Management following the AGM on 6 May 2015. Mr. Oliver Bäte will take over as Chairman of the Board of Management with effect from 7 May 2015. Mr. Clement Booth and Mr. Gary Bhojwani left the Board of Management with effect from 31 December 2014. Dr. Axel Theis was appointed as Mr. Booth's successor with effect from 1 January 2015. He is responsible for the insurance business in the Anglo Markets, with the exception of Australia, and for the global industrial insurance and reinsurance businesses. Another new appointment as of 1 January 2015 was Mr. Sergio Balbinot, who has taken over responsibility from Mr. Bäte for Insurance Western & Southern Europe.

Munich, 12 March 2015

For the Supervisory Board:

Dr. Helmut Perlet
Chairman

Supervisory Board

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

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

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

DANTE BARBAN
Employee of Allianz S.p.A.

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

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

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

IRA GLOE-SEMLER
Regional Representative Financial Services of ver.di Hamburg

FRANZ HEISS
Employee of Allianz Beratungs- und Vertriebs-AG

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

IGOR LANDAU
Member of the Board of Directors of Sanofi S.A.
until 7 May 2014

JIM HAGEMANN SNABE
Chairman of Centre for Global Industries, World Economic Forum
since 7 May 2014

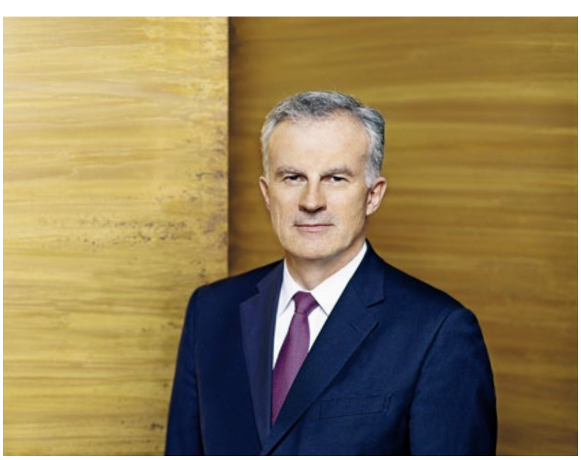
PETER DENIS SUTHERLAND
Chairman of Goldman Sachs International

Board of Management

MICHAEL DIEKMANN

OLIVER BÄTE

DR. HELGA JUNG



DR. CHRISTOF MASCHER

DR. WERNER ZEDELIUS

JAY RALPH

SERGIO BALBINOT

DR. AXEL THEIS

DR. DIETER WEMMER

MANUEL BAUER

DR. MAXIMILIAN ZIMMERER

Board of Management

MICHAEL DIEKMANN
Chairman of the Board of Management
until 6 May 2015

OLIVER BÄTE
Insurance Western & Southern Europe
until 31 December 2014
Global Property-Casualty
until 6 May 2015
Chairman of the Board of Management
from 7 May 2015

SERGIO BALBINOT
Insurance Western & Southern Europe
since 1 January 2015

MANUEL BAUER
Insurance Growth Markets

GARY BHOJWANI
Insurance USA
until 31 December 2014

CLEMENT BOOTH
Global Insurance Lines & Anglo Markets
until 31 December 2014

DR. HELGA JUNG
Insurance Iberia & Latin America,
Legal & Compliance, Merger & Acquisitions

DR. CHRISTOF MASCHER
Operations

JAY RALPH
Asset Management
U.S. Life Insurance
since 1 January 2015

DR. AXEL THEIS
Global Insurance Lines & Anglo Markets
since 1 January 2015
Global Property-Casualty
from 7 May 2015

DR. DIETER WEMMER
Finance, Controlling, Risk

DR. WERNER ZEDELIUS
Insurance German Speaking Countries, Banking,
Human Resources

DR. MAXIMILIAN ZIMMERER
Investments, Global Life/Health

International Executive Committee

MICHAEL DIEKMANN
Chairman, Allianz SE
Germany

AMER AHMED
Allianz Re
Germany

SOLMAZ ALTIN
Allianz Sigorta A.S.
Turkey

OLIVER BÄTE
Allianz SE
Germany

SERGIO BALBINOT
Allianz SE
Germany

MANUEL BAUER
Allianz SE
Germany

GARY BHOJWANI
until 31 December 2014
Allianz SE
Germany

CLEMENT BOOTH
until 31 December 2014
Allianz SE
Germany

ELIZABETH CORLEY
Allianz Global Investors
Germany

JON DYE
Allianz Insurance PLC
United Kingdom

MOHAMED EL-ERIAN
Allianz SE
USA

ROBERT FRANSSEN
Allianz Benelux
Belgium

RÉMI GRENIER
Allianz Global Assistance
France

DOUG HODGE
PIMCO
USA

HELGA JUNG
Allianz SE
Germany

MANFRED KNOF
Allianz SE – CEE
Germany

WOLFRAM LITTICH
Allianz Elementar
Austria

CHRISTOF MASCHER
Allianz SE
Germany

SEVERIN MOSER
Allianz Suisse
Switzerland

NIRAN PEIRIS
Allianz Australia
Australia

JAY RALPH
Allianz SE
Germany

JACQUES RICHIER
Allianz France
France

MARKUS RIESS
Allianz Deutschland AG
Germany

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

GEORGE SARTOREL
Allianz SE – Asia-Pacific
Singapore

VICENTE TARDÍO BARUTEL
Allianz Compañía de Seguros y Reaseguros
Spain

AXEL THEIS
Allianz SE
Germany

ANDREW TORRANCE
Fireman's Fund Insurance Company
USA

WILFRIED VERSTRAETE
Euler Hermes
France

DIETER WEMMER
Allianz SE
Germany

WALTER WHITE
Allianz Life Insurance Company of North America
USA

WERNER ZEDELIUS
Allianz SE
Germany

MAXIMILIAN ZIMMERER
Allianz SE
Germany

Allianz Share

- Solid gains made by Allianz shares.
- Dividend increases to € 6.85.

Another double-digit total return

Despite the European Central Bank's expansive monetary policy creating favorable conditions for stock markets in Europe, market appreciation in the region was modest, something that can be traced back to geopolitical crises and the Eurozone's disappointing economic development. With these conditions in mind, the performance of Allianz's share price was pleasing, rising by 5.4 % to € 137.35. Provided the dividend was reinvested in Allianz shares, investments in the company would have seen a double-digit value increase for the third time in a row, namely +10.0 % in this reporting year. This was stimulated by the strong performance of our business and the positive response to our new dividend policy. However, it was dampened by concerns over the potential ramifications of continually low interest rates and in particular the future performance of our asset manager PIMCO. As a result, the gains made by our shares fell short of those made by the STOXX Europe 600 Insurance (+9.8 %). They nonetheless significantly outclassed the value increase of cross-sector indices such as the EURO STOXX 50 (+1.2 %). Following the publication of the 2014 results on 26 February 2015, 49 % of analysts issued a "buy" recommendation for Allianz shares – with an average price target of € 152. You can find the current analyst recommendations and profit forecasts at **www.allianz.com/analystrecommendations.**

The price gains made in 2014 also underpinned the appeal of a long-term investment in Allianz shares. Investors who have kept our shares in their portfolios for five years and opted to reinvest their dividends in Allianz shares achieved an average annual performance of 14.7 % over this period of time. Over the last ten years the corresponding gain amounted to 7.5 %.

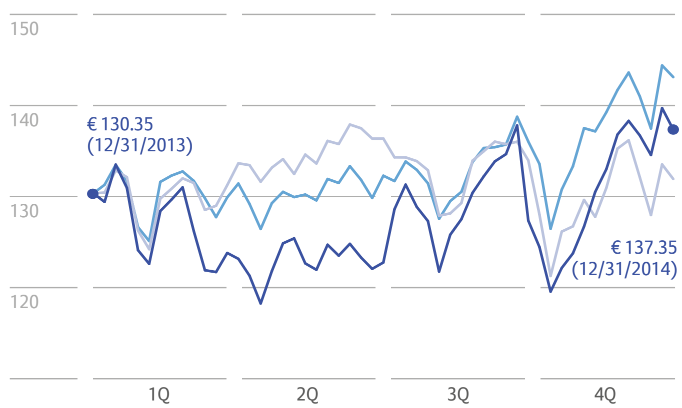
ALLIANZ SHARE PERFORMANCE IN COMPARISON

average annual performance in %	1 year 2014	5 years 2010 – 2014	10 years 2005 – 2014
Allianz (excl. dividends)	5.4	9.5	3.5
Allianz (incl. dividends)	10.0	14.7	7.5
STOXX Europe 600 Insurance	9.8	10.5	2.9
EURO STOXX 50	1.2	1.2	0.6
DAX	2.7	10.5	8.7

Source: Thomson Reuters Datastream

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

indexed on the Allianz share price in €

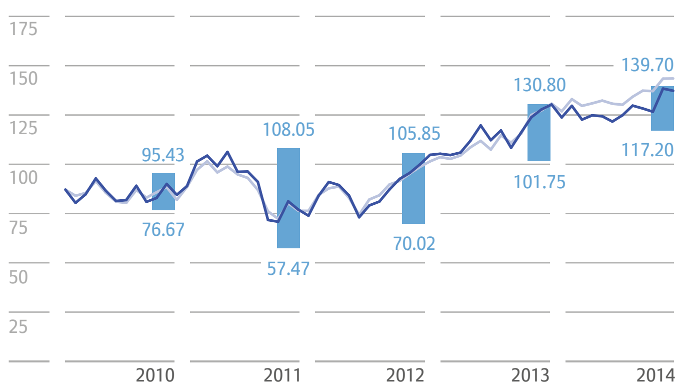


Allianz STOXX Europe 600 Insurance EURO STOXX 50

Source: Thomson Reuters Datastream

SHARE PRICE DEVELOPMENT AGAINST STOXX EUROPE 600 INSURANCE

€



Allianz share price Allianz highs and lows
STOXX Europe 600 Insurance (indexed on the Allianz share price)

Source: Thomson Reuters Datastream

Higher dividend

Given our new dividend policy, we will be proposing to the Annual General Meeting a dividend increase of € 1.55 to € 6.85. This represents a dividend yield of 5.0 % on the year-end share price. The payout ratio will rise from 40 % to 50 %. You can find more detailed information on the dividend policy in the Outlook 2015 chapter starting on page 104 and at www.allianz.com/dividend.

Weighting in major indices

The Allianz share is strongly represented in major German and European indices, as well as being included in important global indices.

WEIGHTING OF ALLIANZ SHARES IN MAJOR INDICES

as of 31 December 2014	Weighting in %	Ranking	Index members
DAX	7.7	5	30
EURO STOXX 50	3.2	9	50
STOXX Europe 600 Insurance	14.0	1	39
MSCI World Financials	1.1	16	350
MSCI World	0.2	83	1,636

Source: Deutsche Börse Group, STOXX Limited, MSCI

Shareholder structure

With more than 445,000 shareholders, Allianz is one of the most widely held publicly-owned corporations in Europe. Apart from approximately 0.6 % of Allianz shares held in treasury, all our shares continue to be held in free float. At the end of the year, 85 % were held by institutional investors and 15 % by private investors. The breakdown by region shows that 74 % of Allianz shares were owned by Europeans and 26 % by non-Europeans. For up-to-date information on our shareholder structure, please refer to www.allianz.com/shareholders.

BASIC SHARE INFORMATION

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

Service and contact

Allianz Investor Line
Monday to Friday, 8 am to 8 pm CET
Phone: +49.89.3800-7555
E-mail: investor.relations@allianz.com
www.allianz.com/investor-relations
Allianz Investor Relations app for iOS and Android

Financial calendar: see back cover.

ALLIANZ SHARE KEY INDICATORS AT A GLANCE

		2014	2013	2012	2011	2010
Total number of issued shares as of 31 December		457,000,000	456,500,000	455,950,000	455,300,000	454,500,000
Share price as of 31 December	€	137.35	130.35	104.80	73.91	88.93
High of the year	€	139.70	130.80	105.85	108.50	95.43
Low of the year	€	117.20	101.75	70.02	57.47	76.67
Share price performance in the year	%	5.4	24.4	41.8	(16.9)	2.0
Beta coefficient[1]		0.8	1.3	1.1	1.5	0.9
Market capitalization as of 31 December	€ BN	62.8	59.5	47.8	33.7	40.4
Basic earnings per share	€	13.71	13.23	11.56	5.74	11.20
Price-earnings ratio		10.0	9.9	9.2	13.1	7.9
Dividend per share	€	6.85[2]	5.30	4.50	4.50	4.50
Total dividend	€ MN	3,130[2,3]	2,405	2,039	2,037	2,032
Dividend yield as of 31 December	%	5.0[2]	4.1	4.3	6.1	5.1
Payout ratio[4]	%	50[2,3]	40	39	79	40

1 — In comparison with EURO STOXX 50, source: Bloomberg.
2 — Proposal.
3 — Total dividend based on total amount of shares. Actual dividend payment will be reduced by the dividend amount attributable to treasury shares.
4 — Based on net income after non-controlling interests.

Allianz Global Assistance

How can we help? An international leader in assistance, travel insurance and health, life & home care services, today Allianz Global Assistance's global family counts more than 13,700 employees who live to help. They speak 58 different languages and work throughout the world with a network of 400,000 service providers and 180 correspondents. 250 million people, or 4 % of the world's total population, benefit from its services, which are provided on five continents.

allianz-global-assistance.com

Allianz Worldwide Partners

Allianz Global Assistance

Allianz Global Automotive

Allianz Worldwide Care

13,734

Employees who live to help.

250 MN

250 million people, or 4 % of the world's total population benefit from our services.

International leader in assistance, travel insurance and health, life and home care services

With our international experience and expertise in creating services we design innovative and customized solutions.

Travel Insurance Australia

Australian residents Stephen and Joanne Connelly took their four-year-old daughter, Freya, on a dream vacation to Disneyland. They hadn't had a holiday in three years so this was a very special trip for them. A few days into the vacation, Freya suddenly became ill and was taken to hospital where she was diagnosed with mycoplasma pneumonia and a collapsed lung. To get the right paediatric care, Freya needed to be evacuated by helicopter to another hospital that could offer specialist care. After one call to the family's travel insurance provider, Allianz Global Assistance, the medical team arranged for Freya's medical evacuation to another hospital and covered additional expenses including accommodation and medical coverage. Because of her condition, Freya had to remain in the United States for a further two months until her condition improved and she was deemed fit to return to Australia. "We got the best medical care possible and we couldn't have done that without Allianz Global Assistance", says Joanne Connelly.

→ allianz-assistance.com.au/corporate

We are here to help people anytime, anywhere, around the corner or in their home.

An Italian customer was on vacation in Sicily when she received a call no one wants to receive when far from home – a pipe had burst in her flat in Milan. The burst pipe had severely damaged the walls, furniture, floors, electrical system and had even damaged the neighbor's ceiling below. After calling her assistance provider, Allianz Global Assistance, an Assistance Coordinator (AC) quickly worked to provide emergency intervention. The AC had quickly dispatched a team of experts – plumbers, electricians, upholsterers, plaster craftsman, decorators, and floor layers to begin repairs immediately. Once back in Milan, Allianz Global Assistance arranged for the customer to stay in a hotel for a few days whilst the repairs were completed. The customer was delighted, "I could have spent a great deal of time trying to find the right experts and organising the repairs, but thanks to Allianz Global Assistance, the entire flat was perfectly restored in a matter of days, as was the neighbour's ceiling! It looked as good as new."

→ allianz-global-assistance.it/corporate

Property Assistance Italy

Innovation is in our genes – example Telematics.

Telematics Service China

Telematics, the use of computer technology to make cars more navigable and drivers safer, is revolutionizing how we provide roadside assistance. For example, at 10 pm on March 15, 2014 the emergency alarm went off at Allianz Global Assistance's call center. An Assistance Coordinator (AC) immediately answered the call, but all he could hear was faint breathing. Realizing the driver was injured, he used GPS to locate the position of the car in Henan Province. The AC then started calling the emergency services, notifying them of the serious accident and asking them to send an ambulance as soon as possible.

The AC also kept phoning the driver, who finally answered back and told him of his injury and the need for an ambulance. About 20 minutes later, the emergency services arrived. Thanks to cutting-edge telematics and our AC's fast and accurate reaction, the driver was rescued and given timely treatment.

→ allianz-assistance.com.cn/cn

B — CORPORATE GOVERNANCE

Corporate Governance Report

Good corporate governance is essential for sustainable business performance. The Board of Management and the Supervisory Board of Allianz SE thus attach great importance to complying with the recommendations of the German Corporate Governance Code (referred to hereinafter as the "Code"). The Declaration of Conformity with the recommendations of the Code issued by the Board of Management and the Supervisory Board on 11 December 2014 and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to § 289a HGB starting on page 40.

Corporate Constitution of the European Company (SE)

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

Function of the Board of Management

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

The members of the Board of Management are jointly responsible for management. Notwithstanding this overall responsibility, the individual members of the Board head the departments they have been assigned independently. There are divisional responsibilities for business segments as well as functional responsibilities. The latter include the Chairman's division, the Finance-, Risk Management- and Controlling-Function, Investments, Operations – including IT –, Human Resources, Legal and Compliance, and Mergers & Acquisitions. Business division – responsibilities focus on geographical regions or operating segments, such as Asset Management. Rules of procedure specify in more detail the work of the Board of Management and the responsibilities of the Board departments. Details of the Board of Management's reporting to the Supervisory Board are laid down in the reporting rules issued by the Supervisory Board.

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

BOARD OF MANAGEMENT AND GROUP COMMITTEES

In the financial year 2014, there were the following Board of Management committees:

BOARD COMMITTEES

BOARD COMMITTEES	RESPONSIBILITIES
GROUP CAPITAL COMMITTEE Michael Diekmann (Chairman), Dr. Dieter Wemmer, Dr. Maximilian Zimmerer	Proposals to the Board of Management concerning risk capital management, including Group-wide capital and liquidity planning, as well as investment strategy.
GROUP FINANCE AND RISK COMMITTEE Dr. Dieter Wemmer (Chairman), Dr. Helga Jung, Oliver Bäte (from 1 January 2015: Sergio Balbinot), Clement Booth (from 1 January 2015: Dr. Axel Theis), Jay Ralph, Dr. Maximilian Zimmerer	Implementing and overseeing the principles of Group-wide capital and liquidity planning, as well as investment strategy and preparing risk strategy. This includes, in particular, significant individual investments and guidelines for currency management, Group financing and internal Group capital management, as well as establishing and overseeing a Group-wide risk management and monitoring system including dynamic stress tests.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Jay Ralph, Dr. Dieter Wemmer, Dr. Werner Zedelius	Developing, proposing, implementing and monitoring a Group-wide IT strategy, approval of relevant IT investments.
GROUP MERGERS AND ACQUISITIONS COMMITTEE Dr. Helga Jung (Chairman), Dr. Dieter Wemmer, Dr. Maximilian Zimmerer	Managing and overseeing Group M & A transactions, including approval of individual transactions within certain thresholds.

as of 31 December 2014

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

In the financial year 2014, there were the following Group committees:

GROUP COMMITTEES

GROUP COMMITTEES	RESPONSIBILITIES
GROUP COMPENSATION COMMITTEE Board members of Allianz SE and executives below Allianz SE Board level	Designing, monitoring and improving Group-wide compensation systems in line with regulatory requirements and submitting an annual report on the results of its monitoring, along with proposals for improvement.
GROUP UNDERWRITING COMMITTEE Members of the Board of Management, executives below Allianz SE Board level and Chief Underwriting Officers of Group companies	Monitoring of the underwriting business and related risk management, developing an underwriting policy and strategy.
GROUP INVESTMENT COMMITTEE Members of the Board of Management and executives below Allianz SE Board level	Implementing Group investment strategy, including monitoring Group-wide investment activities as well as approving investment-related frameworks and guidelines and individual investments within certain thresholds.
INTERNATIONAL EXECUTIVE COMMITTEE Chairman of the Allianz SE Board of Management (Chairman), all other members of the Allianz SE Board of Management and Managing Directors of major Group companies	Discussion of overall strategic issues for the Allianz Group (for composition, see page 27).

The responsibilities and composition of the Board of Management and Group committees are set out in the respective Rules of Procedure, which require the approval of the Board of Management.

The Allianz Group runs its operating entities and business segments via an integrated management and control process. The Holding and the operating entities first define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for performance-based remuneration of the members of the Board of Management (for details, see the Remuneration Report starting on page 45). When filling management positions, the Board of Management takes diversity into consideration, particularly to ensure that the percentage of women in management positions continues to increase.

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

Certain important decisions of the Board of Management require approval by the Supervisory Board. Some of these requirements are stipulated by law or by decisions of the Annual General Meeting (AGM). These include approval for the Board of Management to increase the share capital (Authorized Capital), acquire treasury shares or issue convertible bonds or bonds with warrants. In addition, the Statutes also provide approval requirements for certain transactions, such as intercompany agreements and the launch of new business segments or closure of existing ones, insofar as such actions are material to the Group. Approval is also required for acquisitions of companies and holdings in companies as well as divestments of Group companies which exceed certain threshold levels. The Agreement concerning the Participation of Employees in Allianz SE requires the approval of the Supervisory Board for the appointment of the member of the Board of Management responsible for employment and social welfare.

Principles and function of the Supervisory Board

The German Co-Determination Act ("Mitbestimmungsgesetz") does not apply to Allianz SE because it has the legal form of a European Company (SE). The size and composition of the Supervisory Board are instead determined by general European SE regulations. These regulations are implemented in the Statutes and by the Agreement concerning the Participation of Employees in Allianz SE dated 3 July 2014 (hereinafter "SE Agreement").

The Supervisory Board comprises twelve members, whose six shareholder representatives are appointed by the AGM. The six employee representatives are appointed by the SE works council. The specific procedure for their appointment is laid down in the SE Agreement. This stipulates that the six employee representatives must be allocated in proportion to the number of Allianz employees in the different countries. The Supervisory Board currently in office comprises four employee representatives from Germany and one each from France and Italy. The last regular election of the Supervisory Board took place in May 2012 for a term lasting until the end of the ordinary AGM in 2017.

The Supervisory Board oversees and advises the Board of Management on managing the business. It is also responsible for appointing the members of the Board of Management, determining their overall remuneration and reviewing Allianz SE's and the Allianz Group's annual financial statements. The Supervisory Board's activities in the 2014 financial year are described in the Supervisory Board Report starting on page 16.

The Supervisory Board held six regular meetings and one extraordinary meeting in the 2014 financial year and is scheduled to meet three times each half calendar year in the future. Extraordinary meetings may be convened as needed. The committees also hold regular meetings. The Supervisory Board takes all decisions based on a simple majority. The special requirements for appointing members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee do not apply to an SE. In the event of a tie, the casting vote lies with the Chairman of the Supervisory Board, who at Allianz SE must be a shareholder representative. If the Chairman is not present in the event of a tie, the casting vote lies with the deputy chairperson from the shareholder side. A second deputy chairperson is elected on the proposal of the employee representatives.

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

SUPERVISORY BOARD COMMITTEES

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

SUPERVISORY BOARD COMMITTEES

SUPERVISORY BOARD COMMITTEES	RESPONSIBILITIES
STANDING COMMITTEE 5 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **Two further shareholder representatives** (Prof. Dr. Renate Köcher, Dr. Wulf H. Bernotat) – **Two employee representatives** (Gabriele Burkhardt-Berg, Rolf Zimmermann)	– Approval of certain transactions which require the approval of the Supervisory Board, e.g. capital measures, acquisitions and disposals of participations – Preparation of the Declaration of Conformity pursuant to § 161 "Aktiengesetz" (German Stock Corporation Act) and checks on corporate governance – Preparation of the efficiency review of the Supervisory Board
AUDIT COMMITTEE 5 members – **Chairman:** appointed by the Supervisory Board (Dr. Wulf H. Bernotat) – **Three shareholder representatives** (in addition to Dr. Wulf H. Bernotat: Dr. Helmut Perlet, Jim Hagemann Snabe) – **Two employee representatives** (Ira Gloe-Semler, Jean-Jacques Cette)	– Initial review of the annual Allianz SE and consolidated financial statements, management reports (incl. Risk Report) and the dividend proposal, review of half-yearly and quarterly financial reports – Monitoring of the financial reporting process, the effectiveness of the internal control and audit system and legal and compliance issues – Monitoring of the audit procedures, including the independence of the auditor and the services additionally rendered, awarding of the audit contract and determining the focal points of the audit
RISK COMMITTEE 5 members – **Chairman:** appointed by the Supervisory Board (Dr. Helmut Perlet) – **Three shareholder representatives** (in addition to Dr. Helmet Perlet: Christine Bosse, Peter Denis Sutherland) – **Two employee representatives** (Dante Barban, Franz Heiß)	– Monitoring of the general risk situation and special risk developments in the Allianz Group – Monitoring of the effectiveness of the risk management system – Initial review of the Risk Report and other risk-related statements in the annual financial statements and management reports of Allianz SE and the Allianz Group, informing the Audit Committee of the results of such reviews
PERSONNEL COMMITTEE 3 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **One further shareholder representative** (Christine Bosse) – **One employee representative** (Rolf Zimmermann)	– Preparation of the appointment of Board of Management members – Preparation of plenary session resolutions on the compensation system and the overall compensation of Board of Management members – Conclusion, amendment and termination of service contracts of Board of Management members unless reserved for the plenary session – Long-term succession planning for the Board of Management – Approval of the assumption of other mandates by Board of Management members
NOMINATION COMMITTEE 3 members – **Chairman:** Chairman of the Supervisory Board (Dr. Helmut Perlet) – **Two further shareholder representatives** (Prof. Dr. Renate Köcher, Peter Denis Sutherland)	– Setting of concrete objectives for the composition of the Supervisory Board – Establishment of selection criteria for shareholder representatives on the Supervisory Board in compliance with the Code's recommendations on the composition of the Supervisory Board – Selection of suitable candidates for election to the Supervisory Board as shareholder representatives

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

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

PUBLICATION OF DETAILS OF MEMBERS' PARTICIPATION IN MEETINGS

	PRESENCE	IN PERCENT
PLENARY SESSIONS OF THE SUPERVISORY BOARD		
Dr. Helmut Perlet (Chairman)	7/7	100
Dr. Wulf H. Bernotat (Vice Chairman)	7/7	100
Rolf Zimmermann (Vice Chairman)	7/7	100
Dante Barban	5/7	71.43
Christine Bosse	7/7	100
Gabriele Burkhardt-Berg	6/7	85.71
Jean-Jacques Cette	6/7	85.71
Ira Gloe-Semler	7/7	100
Franz Heiß	6/7	85.71
Prof. Dr. Renate Köcher	7/7	100
Igor Landau	2/3 [1]	66.67
Jim Hagemann Snabe	4/4 [2]	100
Peter Denis Sutherland	6/7	85.71
STANDING COMMITTEE		
Dr. Helmut Perlet (Chairman)	4/4	100
Dr. Wulf H. Bernotat	4/4	100
Gabriele Burkhardt-Berg	4/4	100
Prof. Dr. Renate Köcher	4/4	100
Rolf Zimmermann	4/4	100
PERSONNEL COMMITTEE		
Dr. Helmut Perlet (Chairman)	4/4	100
Christine Bosse	4/4	100
Rolf Zimmermann	4/4	100
AUDIT COMMITTEE		
Dr. Wulf H. Bernotat (Chairman)	5/5	100
Jean-Jacques Cette	4/5	80
Ira Gloe-Semler	4/5	80
Igor Landau	2/2 [3]	100
Jim Hagemann Snabe	3/3 [4]	100
Dr. Helmut Perlet	5/5	100
RISK COMMITTEE		
Dr. Helmut Perlet (Chairman)	3/3	100
Dante Barban	3/3	100
Christine Bosse	3/3	100
Franz Heiß	3/3	100
Peter Denis Sutherland	3/3	100

1 — As Mr. Landau left the Supervisory Board during the year as at the end of the Annual General Meeting on 7 May 2014, only the February, March and May meetings were relevant.
2 — As Mr. Snabe was elected to the Supervisory Board during the year by the Annual General Meeting on 7 May 2014, only the August, October and December meetings as well as the extraordinary meeting in November were relevant.
3 — As Mr. Landau left the Supervisory Board during the year, only two meetings of the Audit Committee were relevant.
4 — As Mr. Snabe joined the Supervisory Board during the year, only three meetings of the Audit Committee were relevant.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

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

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

"The aim of Allianz SE's Supervisory Board is to have members who are equipped with the necessary skills and competence to properly supervise and advise Allianz SE's management. Supervisory Board candidates should possess the professional expertise and experience, integrity, motivation and commitment, independence and personality required to successfully carry out the responsibilities of a Supervisory Board member in a financial-services institution with international operations. To promote additional cooperation among Supervisory Board members, care should be taken in selecting the candidates to ensure that adequate attention is paid to ensuring diversity in occupational backgrounds, professional expertise and experience.

Employee representation within Allianz SE, as provided for by the SE Agreement concerning the Participation of Employees dated 20 September 2006, contributes to diversity of work experience and cultural background. Pursuant to § 6 (2) sentence 2 of the Act on the Participation of Employees in a European Company (SEBG), the number of women and men appointed as German employee representatives should be proportional to the number of women and men working in the German companies. However, the Supervisory Board does not have the right to select the employee representatives.

The following requirements and objectives apply to the composition of Allianz SE's Supervisory Board:[1]

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

1. General selection criteria

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

2. Independence

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

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

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

3. Retirement age

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

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

1. Specialist knowledge

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

2. International character

At least four of the members must, on the basis of their origin or function, represent regions or cultural areas in which Allianz SE conducts significant business.

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

3. Diversity and appropriate representation of women

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

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

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

The composition of the Supervisory Board of Allianz SE reflects these objectives. It has an appropriate number of independent members with international backgrounds. With four female Supervisory Board members, the goal of having 25 % female members and the intended statutory quota of 30 % in the current draft legislation for equal participation of women and men in leadership positions are both being met. The objectives will be adjusted according to the final version of the legislation. The current composition of the Supervisory Board and its committees is described on page 21.

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

The total holdings of members of the Board of Management and the Supervisory Board of Allianz SE amounted to less than 1 % of the company's issued shares as of 31 December 2014.

Directors' dealings

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

Annual General Meeting

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

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

Accounting and auditing

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

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

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

You can find the 2015 financial calendar on our website at **www.allianz.com/financialcalendar.**

Outlook

The regulatory environment remains in a state of flux. We expect that further regulatory requirements will be imposed in addition to Solvency II as a result of the Allianz Group's classification as a systemically important insurer. The Allianz Group will integrate these requirements into its existing governance system.

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

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

Declaration of Conformity with the German Corporate Governance Code

On 11 December 2014, the Board of Management and the Supervisory Board issued the following Declaration of Conformity of Allianz SE with the German Corporate Governance Code:

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

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

1. The recommendations of the German Corporate Governance Code Commission (Code Commission) in the version of June 24, 2014 published in the official section of the Federal Gazette ("Bundesanzeiger") on September 30, 2014 have been complied with since their publication and will be complied with except for the following:

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

2. Since the last Declaration of Conformity as of December 12, 2013 and its amendment in March 2014, all recommendations of the Code Commission in the version of May 13, 2013 were complied with except for the above mentioned deviation as well as the deviation declared in March 2014. In deviation from Item 5.4.5 para. 1 sentence 2, Mr. Jim Hagemann Snabe was member of the Management Board of SAP AG and held four Supervisory Board mandates in external listed companies at the same time. However, such deviation has expired with Mr. Snabe retiring from his office as Management Board member of SAP AG with effect as of May 21, 2014.

Munich, 11 December 2014
Allianz SE

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

For the Supervisory Board:
Signed Dr. Helmut Perlet"

In addition, Allianz SE follows all the suggestions of the Code Commission in its 24 June 2014 version and also followed all suggestions in the previous version of 13 May 2013.

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

The listed Group company Oldenburgische Landesbank AG issued its own Declaration of Conformity in December 2014, which states that Oldenburgische Landesbank AG complies with all of the recommendations of the German Corporate Governance Code in the version of 24 June 2014 (as well as in the previous year's version of 13 May 2013).

Corporate governance practices

INTERNAL CONTROL SYSTEMS

The Allianz Group has an effective internal control system for verifying and monitoring its operating activities and business processes, in particular the control of financial reporting. The requirements placed on the internal control systems are essential not only for the survival of the company, but also to maintain the confidence of the capital market, our customers and the public. A comprehensive risk management system regularly assesses the appropriateness of the internal control system, taking not only qualitative and quantitative guidelines into account, but also specific control instruments for individual business activities. For further information on the risk organization and risk principles, please refer to page 139. (For further information on the internal Controls over Financial Reporting and Risk Capital, please refer to page 144.)

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

COMPLIANCE PROGRAM

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

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

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

There are legal provisions against corruption and bribery in almost all countries in which Allianz has a presence. The global Anti-Corruption Program of the Allianz Group ensures the continuous monitoring and improvement of the internal anti-corruption controls (more information on the Anti-Corruption Program can be found under Progress in Sustainable Development starting on page 73).

A major component of the Allianz Group's compliance program is a whistleblower system that allows employees to alert the relevant compliance department confidentially about irregularities. No employee voicing concerns about irregularities in good faith needs to fear retribution, even if the concerns turn out to be unfounded at a later date.

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 page 21 and 23 of the Annual Report. A description of the composition of the Board of Management can be found on page 24 and 25, while the composition of the Committees of the Board of Management is described in the Corporate Governance Report starting on page 35. This information is also available on our website at www.allianz.com/corporate-governance.

A general description of the functions of the Board of Management, the Supervisory Board and their committees can be found in the Corporate Governance Report starting on page 35, and on our website: www.allianz.com/corporate-governance.

Takeover-related Statements and Explanations

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

COMPOSITION OF SHARE CAPITAL

As of 31 December 2014, the share capital of Allianz SE was € 1,169,920,000. It was divided into 457,000,000 registered and fully paid-up shares with no-par value and a corresponding share capital amount of € 2.56 per share. All shares carry the same rights and obligations. Each no-par-value share carries one vote.

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

Shares may only be transferred with the consent of the company. The company may withhold a duly applied approval only if it deems this to be necessary in the interest of the company on exceptional grounds. The applicant will be informed of the reasons.

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

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

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

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

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

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

German insurance supervisory law requires that members of the Board of Management have the reliability and professional competence needed to manage an insurance company. A person cannot become a member of the Board of Management if he or she is already a manager of two other insurance undertakings, pension funds, insurance holding companies or insurance special purpose vehicles. However, the supervisory authority may permit more than two such mandates if they are held within the same group (§§ 121a, 7a of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz", VAG)). The Federal Financial Services Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht") must be notified about the intention of appointing a Board of Management member pursuant to §§ 121a, 13d No. 1 of the German Insurance Supervision Act.

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

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

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

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

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

- Up to a total of € 13,720,000 (Authorized Capital 2014/II). The shareholders' subscription rights can be excluded in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts.

The company's share capital is conditionally increased by up to € 250,000,000 (Conditional Capital 2010/2014). This conditional capital increase will only be carried out to the extent that conversion or option rights resulting from bonds issued by Allianz SE or its subsidiaries on the basis of the authorization of the General Meeting of 5 May 2010 or on the basis of the authorization of the General Meeting of 7 May 2014 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 6 May 2019 on the basis of the authorization of the General Meeting of 7 May 2014 (§ 71 (1) No. 8 of the German Stock Corporation Act). Together with other treasury shares that are held by Allianz SE or which are attributable to it under §§ 71a et seq. of the German Stock Corporation Act, such shares may not exceed 10 % of the share capital at any time. The shares acquired pursuant to this authorization may be used, under exclusion of the shareholders' subscription rights, for any legally admissible purposes, and in particular those specified in the authorization. Furthermore, the acquisition of treasury shares under this authorization may also be carried out using derivatives such as put options, call options, forward purchases or a combination thereof, provided such derivatives do not relate to more than 5 % of the share capital.

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

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

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

- Our reinsurance contracts, in principle, include a clause under which both parties to the contract have an extraordinary termination right in the case where the other party to the contract merges or its ownership or control situation changes materially. Agreements with brokers regarding services connected with the purchase of reinsurance cover also provide for termination rights in case of a change of control. Such clauses are standard market practice.

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

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

- The framework agreements between Allianz SE and the subsidiaries of various car manufacturers (FCE Bank plc, Volkswagen Financial Services AG, respectively) relating to the distribution of car insurance by the respective car manufacturers each include a clause under which each party has an extraordinary termination right in case there is a change of control of the other party.

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

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

A change of control clause in the service contracts of the members of Allianz SE's Board of Management provides that, if within twelve months after the acquisition of more than 50 % of the company's share capital by one shareholder or several shareholders acting in concert (change of control), the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management Board member resigns his or her office because the responsibilities as a Board member are significantly reduced through no fault of the Board member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract, but limited, for the purpose hereof, to three years, in the form of a one-off payment. The one-off payment is based on the fixed remuneration plus 50 % of the variable remuneration, however, this basis being limited to the amount paid for the last fiscal year. To the extent that the remaining term of the service contract is less than three years, the one-off payment is generally increased in line with a term of three years. This applies accordingly if, within two years of a change of control, a mandate in the Board of Management is coming to an end and is not extended; the one-off payment will then be granted for the period between the end of the mandate and the end of the three-year period after the change of control. For further details, please refer to the Remuneration Report starting on page 45.

Under the Allianz Sustained Performance Plan (ASPP), Restricted Stock Units (RSU) – i.e. virtual Allianz shares – are granted as a stock-based remuneration component to senior management of the Allianz Group worldwide. In addition, under the Group Equity Incentive (GEI) scheme, Stock Appreciation Rights (SAR) – i.e. virtual options on Allianz shares – were also granted until 2010. Some of these are still outstanding. The conditions for these RSU and SAR contain change of control clauses which apply if a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties which do not belong to the Allianz Group and which provide for an exception from the usual exercise periods. The RSU will be exercised, in line with their general conditions, by the company for the relevant plan participants on the day of the change of control without observing any vesting period that would otherwise apply. The cash amount payable per RSU must be at least the price offered per Allianz share in a preceding tender offer. In case of a change of control as described above, SAR will be exercised, in line with their general conditions, by the company for the relevant plan participants on the day of the change of control without observing any vesting period. By providing for the non-application of the blocking period in the event of a change of control, the terms take into account the fact that the conditions under which the share price moves are very different when there is a change in control.

Remuneration Report

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

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

Allianz SE Board of Management remuneration

GOVERNANCE SYSTEM

The remuneration of the Board of Management is decided upon by the entire Supervisory Board based on proposals prepared by the Personnel Committee. If required, outside advice is sought from independent external consultants. The Personnel Committee and the Supervisory Board consult with the Chairman of the Board of Management as appropriate in assessing the performance and remuneration of members of the Board of Management. The Chairman of the Board of Management is not present when his own remuneration is discussed. Regarding the activities and decisions taken by the Personnel Committee and the Supervisory Board, please refer to the Supervisory Board Report section. The remuneration system for the Board of Management was presented and approved at the 2010 Annual General Meeting.

REMUNERATION PRINCIPLES AND MARKET POSITIONING

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

- *Support of the Group's strategy:* Performance targets reflect the Allianz Group's business strategy.

- *Alignment of pay and performance:* The performance-based, variable component forms a significant portion of the overall remuneration.

- *Variable remuneration focused on sustainability:* Two thirds of the variable remuneration reflect longer-term performance. One third is a deferred payout after three years based on a sustainability assessment covering the three-year period. The other third rewards sustained performance through share price development with a deferred payout after five years.

- *Alignment with shareholder interests:* One third of the variable remuneration is dependent upon share price performance.

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

REMUNERATION STRUCTURE, COMPONENTS AND TARGET SETTING PROCESS

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

Base salary

Base salary is the fixed remuneration component, expressed as an annual cash sum and paid in twelve monthly installments. It has been harmonized for 2014 for all regular members of the Board of Management. Those base salaries at € 700 THOU for 2013 were adjusted to € 750 THOU.

Variable remuneration

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

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

All variable awards are made under the rules and conditions of the "Allianz Sustained Performance Plan" (ASPP). The grant of variable remuneration components is related to performance and can vary between 0 % and 150 % of the respective target values with the cap having been reduced from 165 % to 150 % from 2014 onwards. If performance was rated with 0 % no variable component is granted. Consequently, the minimum total direct compensation for a regular member of the Board of Management equals the base salary of € 750 THOU (excluding perquisites). The maximum total direct compensation (excluding perquisites) is € 4,125 THOU: base salary € 750 THOU + € 3,375 THOU (150 % of the sum of all three variable compensation components at target).

Details on the variable compensation components:

— Annual bonus (short-term): A cash payment which rewards the achievement of quantitative and qualitative targets for the respective financial year and is paid the year following the performance year. Quantitative targets represent 75 % and consist of 50 % Group targets (equally divided between annual operating profit and annual net income) and 25 % divisional targets. For members of the Board of Management with business division responsibilities, divisional targets are set with the application of the following split: 10 % annual operating profit, 10 % annual net income before minorities and 5 % dividend. For members of the Board of Management with a functional focus the divisional quantitative targets are determined based on their key responsibilities. Qualitative targets represent 25 % and reflect the specific individual priorities for 2014 per member of the Board of Management.

Based on the 2014 target achievement for the Group, the business division/corporate functions and the qualitative performance, the total annual bonus awards ranged between 96 % and 138 % of the target with an average bonus award of 121 % of the target.

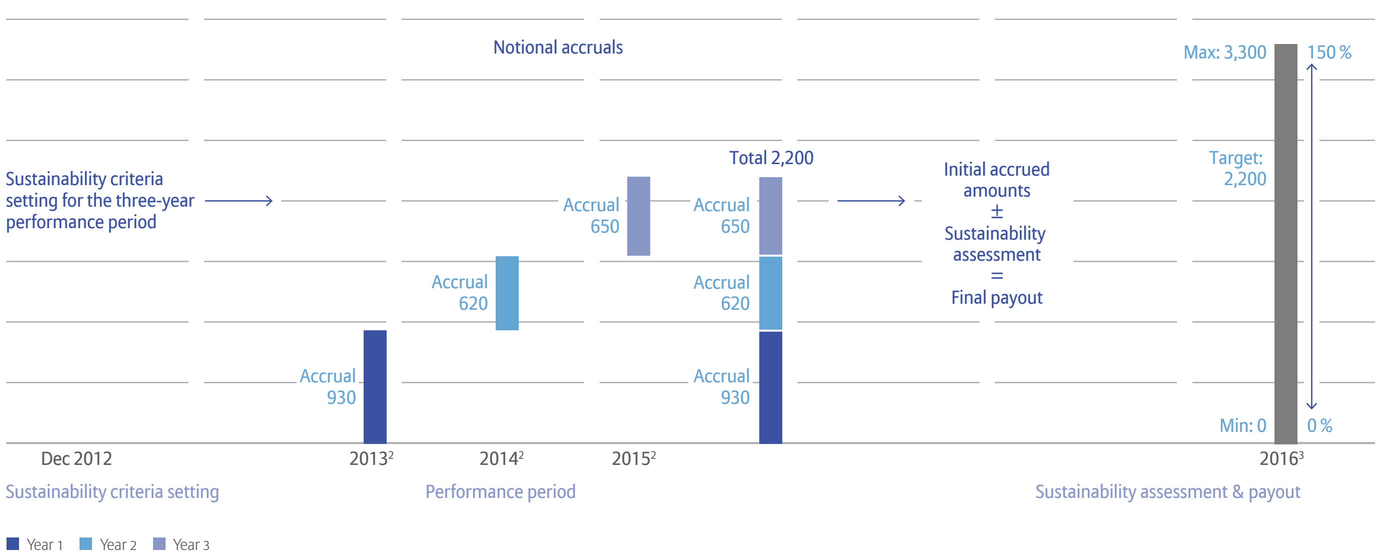
The performance of the Chairman of the Allianz SE Board of Management is determined by the average target achievement of the other Board of Management members and can be adjusted by the Supervisory Board based on the Chairman's personal performance.

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

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

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

€ THOU



1 — Example based on target values of a regular member of the Board of Management with an annual target of € 700 THOU for 2013 and € 750 THOU for the MTB in 2014 and 2015. Accrual is only a notional indication.
2 — Actual accrual for the MTB (mid-term) usually equals the annual bonus payout of the respective financial year. Since the performance assessment and the final payout occur after completion of the performance cycle, this value is only a notional indication.
3 — Final payout is subject to the sustainability assessment of the Supervisory Board and may vary between 0 % and 150 % of the cumulative target values independent of the notional accruals.

— Equity-related remuneration (long-term): A virtual share award, known as "Restricted Stock Units" (RSUs). The grant value of the RSUs allocated equals the annual bonus of the performance year. The number of RSUs allocated is derived from dividing the grant value by the fair market value of an RSU at the time of grant.

The fair market value is calculated based on the ten-day average Xetra closing price of the Allianz stock following the financial press conference on the annual results. As RSUs are virtual stocks without dividend payments, the average Xetra closing price is reduced[1] by the net present value of the expected future dividend payments during the vesting period. The expected dividend stream is discounted with the respective swap rates as of the valuation day.

Following the end of the four year vesting period, the company makes a cash payment based on the number of RSUs granted and the ten-day average Xetra closing price of the Allianz stock following the annual financial press conference in the year of expiry of the respective RSU plan. The RSU payout is capped at 200 % above grant price to avoid extreme payouts[2]. Outstanding RSU holdings are forfeited should a Board member leave at his/her own request or be terminated for cause.

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

Pensions and similar benefits

To provide competitive and cost-effective retirement and disability benefits Board of Management members have participated in a contribution-based system since 1 January 2005. Before this date, Board members participated in a defined benefit plan that provided fixed benefits not linked to base salary increases. Benefits generated under this plan were frozen at the end of 2004. Additionally, most Board members participate in the Allianz Versorgungskasse VVaG (AVK), a contribution-based pension plan, and the Allianz Pensionsverein e.V. (APV), which provide pension benefits for salaries up to the German social security ceiling.

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

Perquisites

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

1 — The fair market value of the RSUs is further subject to a small reduction of a few Euro cents due to the 200 % cap on the RSU payout. This reduction is calculated based on a standard option price formula.
2 — The relevant share price used to determine the final number of RSUs granted and the 200 % cap is only available after sign-off by the external auditors.

REMUNERATION FOR 2014

The following remuneration disclosure is based on and compliant with the German Corporate Governance Code and illustrates individual remuneration for 2013 and 2014, including fixed and variable remuneration and pension service cost. The "grant" column below shows the remuneration at target, minimum and maximum levels. The "payout" column discloses the 2013 and 2014 payments. The base salary, annual bonus and perquisites are linked to the reported performance years 2013 and 2014, whereas the Group Equity Incentive (GEI) payouts result from grants related to the performance years 2008 – 2010.

To make the remuneration related to the performance year 2014 more transparent the column "actual grant" was added and includes fixed compensation accrual bonus paid for 2014, the MTB 2013 – 2015 tranche accrued for performance year 2014 and the fair value of the RSU grant in 2015 for the performance year 2014.

INDIVIDUAL REMUNERATION: 2014 AND 2013

€ THOU	Michael Diekmann (Appointed: 10/1998; CEO since 04/2003)						
	Grant				Actual Grant	Payout[1]	
	2013	2014			2014	2013	2014
	Target	Target	Min	Max			
Base Salary	1,280	1,280	1,280	1,280	1,280	1,280	1,280
Perquisites	291[5]	24	24	24	24	291[5]	24
Total fixed compensation	**1,571**	**1,304**	**1,304**	**1,304**	**1,304**	**1,571**	**1,304**
Annual Variable Compensation – Annual Bonus	1,180	1,280	–	1,920	1,546	1,581	1,546
Deferred Compensation							
MTB (2013 – 2015)	1,180	1,280	–	1,920	1,546	–	–
AEI 2015/RSU[2]	–	1,280	–	1,920	1,546	–	–
AEI 2014/RSU[2]	1,180	–	–	–	–	–	–
GEI 2010/SAR[3]	–	–	–	–	–	–	963
GEI 2009/SAR[3]	–	–	–	–	–	408	–
GEI 2009/RSU[2,3]	–	–	–	–	–	–	376
GEI 2008/RSU[2,3]	–	–	–	–	–	911	–
Total	**5,111**	**5,144**	**1,304**	**7,064**	**5,943**	**4,471**	**4,189**
Pensions Service Cost[4]	914	998	998	998	998	914	998
Total	**6,025**	**6,142**	**2,302**	**8,062**	**6,941**	**5,385**	**5,187**

1 — In accordance with the German Corporate Governance Code, the annual bonus is disclosed for performance year 2014. It was paid in 2015 and for performance year 2013 in 2014. The payments for equity-related deferred compensation (GEI), however, are disclosed for the year in which the actual payment was made.

2 — Payout is capped at 200 % above grant price. The relevant share price used to determine the final number of RSUs granted and the 200 % cap is only available after sign-off by the external auditors.

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

Oliver Bäte (Appointed: 01/2008)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
750	750	750	750	750	750	750
53	7	7	7	7	53	7
803	**757**	**757**	**757**	**757**	**803**	**757**
700	750	–	1,125	1,009	1,003	1,009
700	750	–	1,125	1,009	–	–
–	750	–	1,125	1,009	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	438
–	–	–	–	–	242	–
–	–	–	–	–	–	228
–	–	–	–	–	531	–
2,903	**3,007**	**757**	**4,132**	**3,783**	**2,579**	**2,432**
350	368	368	368	368	350	368
3,253	**3,375**	**1,125**	**4,500**	**4,151**	**2,929**	**2,800**

Manuel Bauer (Appointed: 01/2011)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
700	750	750	750	750	700	750
16	15	15	15	15	16	15
716	**765**	**765**	**765**	**765**	**716**	**765**
700	750	–	1,125	778	927	778
700	750	–	1,125	778	–	–
–	750	–	1,125	778	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2,816	**3,015**	**765**	**4,140**	**3,100**	**1,643**	**1,543**
298	317	317	317	317	298	317
3,114	**3,332**	**1,082**	**4,457**	**3,417**	**1,941**	**1,860**

4 — Pension Service Cost in accordance with IAS 19: represents the company cost, not the actual entitlement or a payment. However, according to the German Corporate Governance Code, the Pension Service Cost is to be included in all columns.
5 — Michael Diekmann received a payment of € 267 THOU in 2013 for 25 years of service at Allianz.

INDIVIDUAL REMUNERATION: 2014 AND 2013

€ THOU	Gary Bhojwani[5] (Appointed: 01/2012)						
	Grant				Actual Grant	Payout[1]	
	2013	2014			2014	2013	2014
	Target	Target	Min	Max			
Base Salary	700	750	750	750	750	700	750
Perquisites	70	40	40	40	40	70	40
Total fixed compensation	**770**	**790**	**790**	**790**	**790**	**770**	**790**
Annual Variable Compensation – Annual Bonus	700	750	–	1,125	718	942	718
Deferred Compensation							
MTB (2013 – 2015)	700	750	–	1,125	718	–	–
AEI 2015/RSU[2]	–	750	–	1,125	718	–	–
AEI 2014/RSU[2]	700	–	–	–	–	–	–
GEI 2010/SAR[3]	–	–	–	–	–	–	–
GEI 2009/SAR[3]	–	–	–	–	–	–	–
GEI 2009/RSU[2,3]	–	–	–	–	–	–	–
GEI 2008/RSU[2,3]	–	–	–	–	–	–	–
Total	**2,870**	**3,040**	**790**	**4,165**	**2,945**	**1,712**	**1,508**
Pensions Service Cost[4]	196	210	210	210	210	196	210
Total	**3,066**	**3,250**	**1,000**	**4,375**	**3,155**	**1,908**	**1,718**

€ THOU	Dr. Christof Mascher (Appointed: 09/2009)						
	Grant				Actual Grant	Payout[1]	
	2013	2014			2014	2013	2014
	Target	Target	Min	Max			
Base Salary	700	750	750	750	750	700	750
Perquisites	27	162[7]	162[7]	162[7]	162[7]	27	162[7]
Total fixed compensation	**727**	**912**	**912**	**912**	**912**	**727**	**912**
Annual Variable Compensation – Annual Bonus	700	750	–	1,125	907	899	907
Deferred Compensation							
MTB (2013 – 2015)	700	750	–	1,125	907	–	–
AEI 2015/RSU[2]	–	750	–	1,125	907	–	–
AEI 2014/RSU[2]	700	–	–	–	–	–	–
GEI 2010/SAR[3]	–	–	–	–	–	–	–
GEI 2009/SAR[3]	–	–	–	–	–	165[8]	–
GEI 2009/RSU[2,3]	–	–	–	–	–	–	131[8]
GEI 2008/RSU[2,3]	–	–	–	–	–	–	–
Total	**2,827**	**3,162**	**912**	**4,287**	**3,633**	**1,791**	**1,950**
Pensions Service Cost[4]	304	339	339	339	339	304	339
Total	**3,131**	**3,501**	**1,251**	**4,626**	**3,972**	**2,095**	**2,289**

1 — In accordance with the German Corporate Governance Code, the annual bonus is disclosed for performance year 2014. It was paid in 2015 and for performance year 2013 in 2014. The payments for equity-related deferred compensation (GEI), however, are disclosed for the year in which the actual payment was made.

2 — Payout is capped at 200 % above grant price. The relevant share price used to determine the final number of RSUs granted and the 200 % cap is only available after sign-off by the external auditors.

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

Clement Booth[6] (Appointed: 01/2006)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
750	750	750	750	750	750	750
85	54	54	54	54	85	54
835	**804**	**804**	**804**	**804**	**835**	**804**
700	750	–	1,125	1,037	945	1,037
700	750	–	1,125	1,037	–	–
–	750	–	1,125	1,037	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	299	–
–	–	–	–	–	–	307
–	–	–	–	–	531	–
2,935	**3,054**	**804**	**4,179**	**3,915**	**2,610**	**2,148**
410	444	444	444	444	410	444
3,345	**3,498**	**1,248**	**4,623**	**4,359**	**3,020**	**2,592**

Dr. Helga Jung (Appointed: 01/2012)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
700	750	750	750	750	700	750
14	14	14	14	14	14	14
714	**764**	**764**	**764**	**764**	**714**	**764**
700	750	–	1,125	763	904	763
700	750	–	1,125	763	–	–
–	750	–	1,125	763	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2,814	**3,014**	**764**	**4,139**	**3,052**	**1,618**	**1,527**
279	302	302	302	302	279	302
3,093	**3,316**	**1,066**	**4,441**	**3,354**	**1,897**	**1,829**

Jay Ralph (Appointed: 01/2010)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
700	750	750	750	750	700	750
28	30	30	30	30	28	30
728	**780**	**780**	**780**	**780**	**728**	**780**
700	750	–	1,125	912	948	912
700	750	–	1,125	912	–	–
–	750	–	1,125	912	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2,828	**3,030**	**780**	**4,155**	**3,515**	**1,676**	**1,692**
236	254	254	254	254	236	254
3,064	**3,284**	**1,034**	**4,409**	**3,769**	**1,912**	**1,946**

Dr. Dieter Wemmer (Appointed: 01/2012)

Grant				Actual Grant	Payout[1]	
2013	2014			2014	2013	2014
Target	Target	Min	Max			
700	750	750	750	750	700	750
14	17	17	17	17	14	17
714	**767**	**767**	**767**	**767**	**714**	**767**
700	750	–	1,125	996	978	996
700	750	–	1,125	996	–	–
–	750	–	1,125	996	–	–
700	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
2,814	**3,017**	**767**	**4,142**	**3,756**	**1,692**	**1,763**
230	249	249	249	249	230	249
3,044	**3,266**	**1,016**	**4,391**	**4,005**	**1,922**	**2,012**

4 — Pension Service Cost in accordance with IAS 19: represents the company cost, not the actual entitlement or a payment. However, according to the German Corporate Governance Code, the Pension Service Cost is to be included in all columns.

5 — Gary Bhojwani's base salary and variable compensation is denominated in USD. The contractually agreed USD/€ exchange rate of 1.347910 (2011 fourth quarter average) was applied. According to his cancellation agreement, Gary Bhojwani received a payment of € 3,750 THOU in January 2015 for his remaining term of contract (until 31 December 2016). His variable remuneration components for 2014 and the pro rata MTB (2013 – 2015) will be paid out according to plan conditions. He does not receive pension contributions into the Allianz SE pension plans, but only under his Allianz of America employment agreement.

6 — Clement Booth retired on 31 December 2014. According to his service contract, he will receive his fixed salary of € 62.5 THOU per month for a period of 6 months from July 2015 as a transition payment which will be set off against the regular pension payment. As part of the transition payment, he will receive 25 % of the annual variable target compensation (€ 562.5 THOU) in spring 2016.

7 — Dr. Christof Mascher received a payment of € 156 THOU in 2014 for 25 years of service at Allianz.

8 — Dr. Christof Mascher joined the Board of Management in September 2009. His payout from the GEI 2009 plans are shown pro rata temporis.

INDIVIDUAL REMUNERATION: 2014 AND 2013

€ THOU	Dr. Werner Zedelius (Appointed: 01/2002)						
	Grant				Actual Grant	Payout[1]	
	2013	2014			2014	2013	2014
	Target	Target	Min	Max			
Base Salary	750	750	750	750	750	750	750
Perquisites	16	17	17	17	17	16	17
Total fixed compensation	**766**	**767**	**767**	**767**	**767**	**766**	**767**
Annual Variable Compensation – Annual Bonus	700	750	–	1,125	1,032	910	1,032
Deferred Compensation							
MTB (2013 – 2015)	700	750	–	1,125	1,032	–	–
AEI 2015/RSU[2]	–	750	–	1,125	1,032	–	–
AEI 2014/RSU[2]	700	–	–	–	–	–	–
GEI 2010/SAR[3]	–	–	–	–	–	–	187
GEI 2009/SAR[3]	–	–	–	–	–	1,272	–
GEI 2009/RSU[2,3]	–	–	–	–	–	–	1,048
GEI 2008/RSU[2,3]	–	–	–	–	–	664	–
Total	**2,866**	**3,017**	**767**	**4,142**	**3,864**	**3,612**	**3,034**
Pensions Service Cost[4]	527	576	576	576	576	527	576
Total	**3,393**	**3,593**	**1,343**	**4,718**	**4,440**	**4,139**	**3,610**

€ THOU	Dr. Maximilian Zimmerer (Appointed: 06/2012)						
	Grant				Actual Grant	Payout[1]	
	2013	2014			2014	2013	2014
	Target	Target	Min	Max			
Base Salary	700	750	750	750	750	700	750
Perquisites	150[5]	10	10	10	10	150[5]	10
Total fixed compensation	**850**	**760**	**760**	**760**	**760**	**850**	**760**
Annual Variable Compensation – Annual Bonus	700	750	–	1,125	909	924	909
Deferred Compensation							
MTB (2013 – 2015)	700	750	–	1,125	909	–	–
AEI 2015/RSU[2]	–	750	–	1,125	909	–	–
AEI 2014/RSU[2]	700	–	–	–	–	–	–
GEI 2010/SAR[3]	–	–	–	–	–	–	–
GEI 2009/SAR[3]	–	–	–	–	–	–	–
GEI 2009/RSU[2,3]	–	–	–	–	–	–	–
GEI 2008/RSU[2,3]	–	–	–	–	–	–	–
Total	**2,950**	**3,010**	**760**	**4,135**	**3,487**	**1,774**	**1,669**
Pensions Service Cost[4]	369	409	409	409	409	369	409
Total	**3,319**	**3,419**	**1,169**	**4,544**	**3,896**	**2,143**	**2,078**

1 — In accordance with the German Corporate Governance Code, the annual bonus is disclosed for performance year 2014. It was paid in 2015 and for performance year 2013 in 2014. The payments for equity-related deferred compensation (GEI), however, are disclosed for the year in which the actual payment was made.
2 — Payout is capped at 200 % above grant price. The relevant share price used to determine the final number of RSUs granted and the 200 % cap is only available after sign-off by the external auditors.
3 — The equity-related remuneration that applied before 2010 consisted of two vehicles: virtual stock awards known as RSUs and virtual stock options known as "Stock Appreciation Rights" (SARs). Only RSUs have been awarded since 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the GEI/RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence, the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted until and including 2008, the vesting period was two years and the exercise period five years. For SARs granted 2009 and 2010, the vesting period is four years and the exercise period three years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
4 — Pension Service Cost in accordance with IAS 19: represents the company cost, not the actual entitlement nor a payment, however, according to the German Corporate Governance Code, the Pension Service Cost is to be included in all columns.
5 — Dr. Maximilian Zimmerer received a payment of € 146 THOU in 2013 for 25 years of service at Allianz.

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

The total remuneration to be disclosed in accordance with German Accounting Standard 17 for 2014 and 2013 (in parentheses) is defined differently than in the German Corporate Governance Code and is composed of the base salary, perquisites, annual bonus and the fair value of the RSU grant, but excludes the notional annual accruals of the MTB 2013 – 2015 and the pension service cost:

Michael Diekmann € 4,397 (4,734) THOU,
Oliver Bäte € 2,774 (2,808) THOU,
Manuel Bauer € 2,322 (2,570) THOU,
Gary Bhojwani[1] € 2,227 (2,655) THOU,
Clement Booth € 2,878 (2,725) THOU,
Dr. Helga Jung € 2,290 (2,522) THOU,
Dr. Christof Mascher € 2,726 (2,524) THOU,
Jay Ralph € 2,603 (2,623) THOU,
Dr. Dieter Wemmer € 2,760 (2,671) THOU,
Dr. Werner Zedelius € 2,831 (2,587) THOU,
Dr. Maximilian Zimmerer € 2,578 (2,698) THOU.

The sum of the total remuneration of the Board of Management for 2014, excluding the notional accruals of the MTB 2013 – 2015 and excluding the pension service cost, amounts to € 30 MN (2013: € 31 MN). The corresponding amount, including pension service cost, equals € 35 MN (2013: € 35 MN).

EQUITY-RELATED REMUNERATION

In accordance with the approach described earlier, a number of RSUs were granted to each member of the Board of Management in March 2015 which will vest and be settled in 2019.

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

	RSU		SAR		
Board members	Number of RSU granted on 3/12/2015[1]	Number of RSU held at 12/31/2014[1]	Number of SAR held at 12/31/2014	Strike Price Range €	Equity Compensation Expense 2014[2] € THOU
Michael Diekmann (Chairman)	12,889	76,439	17,930	117.38	2,828
Oliver Bäte	8,405	47,728	10,459	117.38	1,633
Manuel Bauer	6,487	32,250	9,375	87.36 – 117.38	1,185
Gary Bhojwani[3]	6,459	49,135	5,039	117.38	1,701
Clement Booth	8,643	46,482	26,031	87.36 – 117.38	1,790
Dr. Helga Jung	6,357	26,089	5,707	87.36 – 117.38	966
Dr. Christof Mascher	7,560	41,280	13,869	87.36 – 117.38	1,531
Jay Ralph	7,598	43,388	16,493	87.36 – 117.38	1,625
Dr. Dieter Wemmer	8,303	20,652	–	–	746
Dr. Werner Zedelius	8,603	45,164	23,074	87.36 – 117.38	2,471
Dr. Maximilian Zimmerer	7,576	30,344	11,705	87.36 – 117.38	1,152
Total	**88,880**	**458,951**	**139,682**	**–**	**17,628**

1 — The relevant share price used to determine the final number of RSUs granted is only available after sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate. As disclosed in the Annual Report 2013, the equity-related grant in 2014 was made to participants as part of their 2013 remuneration. The disclosure in the Annual Report 2013 was based on a best estimate of the RSU grants. The actual grants deviated from the estimated values and have to be disclosed accordingly. The actual RSU grants as of 13 March 2014 under the Allianz equity program are as follows: Michael Diekmann: 15,384, Oliver Bäte: 9,756, Manuel Bauer: 9,020, Gary Bhojwani: 9,079, Clement Booth: 9,194, Dr. Helga Jung: 8,794, Dr. Christof Mascher: 8,744, Jay Ralph: 9,220, Dr. Dieter Wemmer: 9,517, Dr. Werner Zedelius: 8,858, Dr. Maximilian Zimmerer: 8,993.

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

3 — Gary Bhojwani's RSU grant will be based on his annual bonus amount of € 718 THOU. The number of RSUs will be calculated in line with the process for other USD participants by application of the 2014 fourth quarter average USD/€ exchange rate of 1.24938.

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

PENSIONS

Company contributions in the current plan remained unchanged from 2013 and are 27.98 % of base salary, increasing to 34.98 % after five years and to 41.98 % after ten years of service on the Board of Management. These are invested in a fund and have a minimum guaranteed interest rate of 2.75 % each year. If the net annual return of the AVK exceeds 2.75 %, the full increase in value is credited in the same year. For members with pension rights in the frozen defined benefit plan, the above contribution rates are reduced by an amount equivalent to 19 % of the expected annual pension from that plan.

The Allianz Group paid € 4 MN (2013: € 4 MN) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2014, reserves for pensions and similar benefits for active members of the Board of Management amounted to € 56 MN (2013: € 41 MN). This increase is predominantly a result of the significant decrease in interest rates.

INDIVIDUAL PENSIONS: 2014 AND 2013

Total might not sum up due to rounding
€ THOU

		Defined benefit pension plan (frozen)[1]			Current pension plan		AVK/APV[2]		Transition payment[3]		Total	
Board members		Annual pension payment[4]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]
Michael Diekmann	2014	337	306	9,963	577	6,373	10	253	105	1,278	998	17,867
(Chairman)	2013	337	285	7,527	585	4,867	9	192	35	1,114	914	13,699
Oliver Bäte	2014	–	–	–	322	2,722	3	26	44	284	368	3,032
	2013	–	–	–	318	1,839	3	16	29	194	350	2,049
Manuel Bauer	2014	57	58	1,678	249	1,818	9	162	–	–	317	3,658
	2013	57	54	1,261	234	1,306	9	120	–	1	298	2,688
Gary Bhojwani[7]	2014	164[8]	–	118[9]	210[10]	–	–	–	–	–	210	118
	2013	243	–	109	196	–	–	–	–	–	196	109
Clement Booth	2014	–	–	–	321	3,452	3	54	120	851	444	4,357
	2013	–	–	–	325	2,655	3	19	82	693	410	3,367
Dr. Helga Jung	2014	62	43	1,175	251	1,629	9	221	–	–	302	3,025
	2013	62	40	806	231	1,099	9	152	–	–	279	2,057
Dr. Christof Mascher	2014	–	–	–	273	2,802	3	29	63	453	339	3,284
	2013	–	–	–	253	2,035	3	19	49	337	304	2,392
Jay Ralph	2014	–	–	–	251	1,618	3	17	–	1	254	1,635
	2013	–	–	–	233	1,086	3	10	–	1	236	1,096
Dr. Dieter Wemmer	2014	–	–	–	247	905	2	9	–	1	249	915
	2013	–	–	–	228	509	2	3	–	1	230	513
Dr. Werner Zedelius	2014	225	170	5,700	350	3,823	10	268	47	618	576	10,409
	2013	225	157	4,128	346	2,866	9	194	15	522	527	7,709
Dr. Maximilian Zimmerer	2014	161	118	3,869	232	2,524	9	264	49	627	409	7,285
	2013	161	108	2,759	212	1,877	9	188	39	522	369	5,346

1 — For Gary Bhojwani the frozen Allianz Retirement Plan (ARP) and the frozen Supplemental Retirement Plan (SRP).
2 — Plan participants contribute 3 % of their relevant salary to the AVK. For the AVK the minimum guaranteed interest rate is 2.75 % – 3.50 % depending on the date of joining Allianz. In general, the company funds the balance required via the APV. Before Allianz's founding of the APV in 1998, both Allianz and the plan participants were contributing to the AVK.
3 — For details on the transition payment, see section termination of service. In any event a death benefit is included.
4 — Expected annual pension payment at assumed retirement age (age 60), excluding current pension plan.
5 — SC = service cost. Service costs are calculatory costs for the DBO related to the reported business year.
6 — DBO = defined benefit obligation, end of year. The figures show the obligation for Allianz resulting from defined benefit plans taking into account realistic assumptions with regard to interest rate, dynamics and biometric probabilities.
7 — Gary Bhojwani only holds pension plans subject to his Allianz of America employment agreement, denominated in USD. All amounts in the table are € amounts derived by applying the contractually agreed USD/€ exchange rate of 1.347910. The Allianz Retirement Plan (ARP) and the Supplemental Retirement Plan (SRP) are two completely frozen DB plans, i.e. there are no future accruals in these plans. Current pension plans for Gary Bhojwani include the Deferred Compensation Plan (DCP) and the 401(k) plan. Both current plans are defined contribution plans. Their contributions are included in the table.
8 — In the ARP he can choose between a lump sum payment or an annuity. The lump sum benefit amount projected with actual interest rates is USD 120 THOU (2013: USD 120 THOU) and likely to change when he retires. Following his termination effective 31 December 2014, he receives in the SRP a payment of total USD 101 THOU in three annual installments of USD 33.7 THOU in January 2015, 2016 and 2017.
9 — The DBO for the ARP is USD 58 THOU (2013: USD 54 THOU) and for the SRP USD 101 THOU (2013: USD 93 THOU).
10 — The contribution for the DCP is USD 265 THOU (2013: USD 246 THOU) and to the 401(k) plan USD 18 THOU (2013: USD 18 THOU). There is no DBO as both plans are DC plans.

In 2014, remuneration and other benefits totaling € 6 MN (2013: € 9 MN) were paid to former members of the Board of Management and dependents, while reserves for current pension obligations and accrued pension rights totaled € 102 MN (2013: € 100 MN).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2014, there were no outstanding loans granted by Allianz Group companies to members of the Board of Management.

TERMINATION OF SERVICE

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

Arrangements for termination of service including retirement are as follows:

1. Board members who were appointed before 1 January 2010 – and who have served a term of at least five years – are eligible for a six-month transition payment after leaving the Board of Management.

2. Severance payments made to Board members in case of an early termination comply with the German Corporate Governance Code.

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

   if within twelve months after a change of control

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

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

   c. a Management Board appointment is terminated by mutual agreement, or

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

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

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

Termination of service – details of the payment arrangements

Transition payment (appointment before 1 January 2010)

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

The payment is calculated based on the last base salary (paid for a period of six months) and 25 % of the target variable remuneration at the date when notice is given. A Board member with a base salary of € 750 THOU would receive a maximum of € 937.5 THOU.

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

Severance payment cap

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

Whereby the annual compensation:

1. is calculated on the basis of the previous year's annual base salary plus 50 % of the target variable remuneration (for a Board member with a fixed base salary of € 750 THOU, the annual compensation would amount to € 1,875 THOU; hence, he/she would receive a maximum severance payment of € 3,750 THOU); and

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

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

Change of control

In case of early termination as a result of a change of control, severance payments made to Board members generally amount to three years' compensation (annual compensation as defined above) and shall not exceed 150 % of the severance payment cap (a Board member with a base salary of € 750 THOU would receive a maximum of € 5,625 THOU). Consequently, the payout is less than two years' total remuneration at target (which would be € 6,000 THOU).

MISCELLANEOUS

Internal and external Board appointments

When a member of the Board of Management holds an appointment in another company within the Allianz Group, the full remuneration amount is transferred to Allianz SE. In recognition of the benefits to the organization, Board of Management members are allowed to accept a limited number of non-executive supervisory roles in appropriate external organizations. In these cases, 50% of the remuneration received is paid to Allianz SE. A Board member retains the full remuneration only when the Supervisory Board qualifies the appointment as a personal one. Remuneration paid by external organizations is shown in the annual reports of the companies concerned. The remuneration relating to the external appointment is set by the governing body of the relevant organization.

OUTLOOK FOR 2015

The Supervisory Board approved the following changes to the remuneration of the Board of Management in December 2014:

- The remuneration of the new regular members of the Board of Management, Mr. Sergio Balbinot and Dr. Axel Theis, has been set at the same level as for the other regular members of the Board of Management.

- The base salary for Oliver Bäte continues to be € 750 THOU until and including 6 May 2015 and is set at € 1,125 from 7 May 2015, when he will become the new Chief Executive Officer of Allianz SE. The target amounts for each of the variable components are aligned with the base salary.

- A new pension system called "My Allianz Pension" has been introduced for new entrants beginning as of 1 January 2015 with a guarantee for the contributions paid, but no interest guarantee. In addition, the new system allows for more flexibility, for example a lump-sum payment. For members of the Board of Management with existing grandfathered pension plans who were born after 31 December 1957, elements of the new pension plan are adopted as far as possible, mainly with respect to future service. In addition, for such Board of Management members, the relevant age for pension and retirement was raised to 62. The new pension plan is not applicable to those who were born before 1 January 1958. However, they are now also eligible for a lump-sum payment.

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

Remuneration of the Supervisory Board

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

REMUNERATION PRINCIPLES

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

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

- Set a remuneration structure to allow for proper oversight of business as well as for adequate decisions on executive personnel and remuneration.

REMUNERATION STRUCTURE AND COMPONENTS

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

Fixed annual remuneration

The remuneration of a Supervisory Board member consists of a fixed cash amount paid after the end of each business year for services rendered over that period. As in 2013, a regular Supervisory Board member receives a fixed remuneration of € 100 THOU per year. Each deputy Chairperson receives € 150 THOU and the Chairperson € 200 THOU.

Committee-related remuneration

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

COMMITTEE-RELATED REMUNERATION

€ THOU Committee	Chair	Member
Personnel Committee, Standing Committee, Risk Committee	40	20
Audit Committee	80	40
Nomination Committee	–	–

Attendance fees and expenses

In addition to the fixed and committee-related remuneration, members of the Supervisory Board receive an attendance fee of € 750 for each Supervisory Board or committee meeting they attend. Should several meetings be held on the same or consecutive days, the attendance fee will be paid only once. Allianz SE reimburses the members of the Supervisory Board for their out-of-pocket expenses and the VAT payable on their Supervisory Board activity. For the performance of his duties, the Chairman of the Supervisory Board is furthermore entitled to an office with secretarial support and use of the Allianz carpool service. In the financial year 2014, Allianz SE reimbursed expenses totaling € 54,294.

REMUNERATION FOR 2014

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2,035 THOU in 2014 (€ 2,018 THOU in 2013). The following table shows the individual remuneration for 2014 and 2013:

INDIVIDUAL REMUNERATION: 2014 AND 2013

Total might not sum up due to rounding
€ THOU

Members of the Supervisory Board	Committees[1] A	N	P	R	S		Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
Dr. Helmut Perlet	M	C	C	C	C	2014	200.0	160.0	8.2	368.2
(Chairman)	M	C	C	C	C	2013	200.0	160.0	6.0	366.0
Dr. Wulf H. Bernotat	C				M	2014	150.0	100.0	6.0	256.0
(Deputy Chairman)	C				M	2013	150.0	100.0	6.0	256.0
Rolf Zimmermann			M		M	2014	150.0	40.0	6.0	196.0
(Deputy Chairman)			M		M	2013	150.0	40.0	4.5	194.5
Dante Barban				M		2014	100.0	20.0	3.7	123.7
				M		2013	100.0	20.0	4.5	124.5
Christine Bosse			M	M		2014	100.0	40.0	6.0	146.0
			M	M		2013	100.0	40.0	4.5	144.5
Gabriele Burkhardt-Berg					M	2014	100.0	20.0	4.5	124.5
					M	2013	100.0	20.0	4.5	124.5
Jean-Jacques Cette	M					2014	100.0	40.0	5.2	145.2
	M					2013	100.0	40.0	6.0	146.0
Ira Gloe-Semler	M					2014	100.0	40.0	5.2	145.2
	M					2013	100.0	40.0	4.5	144.5
Franz Heiß				M		2014	100.0	20.0	4.5	124.5
				M		2013	100.0	20.0	4.5	124.5
Prof. Dr. Renate Köcher		M			M	2014	100.0	20.0	4.5	124.5
		M			M	2013	100.0	20.0	3.0	123.0
Igor Landau[2]	M					2014	41.7	16.7	2.2	60.6
	M					2013	100.0	40.0	6.0	146.0
Jim Hagemann Snabe[3]	M					2014	66.7	26.7	3.8	97.2
						2013	–	–	–	–
Peter Denis Sutherland		M		M		2014	100.0	20.0	3.7	123.7
		M		M		2013	100.0	20.0	3.7	123.7
Total[4]						2014	**1,408.4**	**563.4**	**63.5**	**2,035.3**
						2013	**1,400.0**	**560.0**	**57.8**	**2,017.8**

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

1 — Abbreviations: A – Audit, N – Nomination, P – Personnel, R – Risk, S – Standing.
2 — Until 7 May 2014.
3 — Since 7 May 2014.
4 — The total remuneration reflects the remuneration of the full Supervisory Board in the respective year.

Remuneration for mandates in other Allianz companies and for other functions

All current employee representatives of the Supervisory Board except for Mrs. Ira Gloe Semler are employed by Allianz Group companies and receive a market-aligned remuneration for their services.

Loans to members of the Supervisory Board

On 31 December 2014 there was one outstanding loan granted by Allianz Group companies to members of the Supervisory Board of Allianz SE. One member received a mortgage loan of € 80 THOU from Allianz Bank in 2010. The loan has a duration of ten years and was granted at a normal market interest rate.

Allianz Global Automotive

Allianz Global Automotive is the leading strategic partner of automotive manufacturers in the provision of insurance and mobility services, currently working with over 40 car brands in more than 30 countries. Automotive manufacturers, financial services and car dealerships can choose from a portfolio of customized products and service solutions in the fields of motor insurance, warranty, assistance and ancillary products.

Allianz Global Automotive provides expertise and support along the entire automotive value chain: from research & development to sales and aftersales, thus enabling the development of globally applicable solutions for partners and customers. The rapidly growing global business unit is present in all major automotive markets.

The ambition of Allianz Global Automotive is to be recognized as the Tier-1 Partner to the automotive industry for insurance and mobility solutions, with a holistic business model as well as a deep understanding of the automotive industry.

40 car brands

Currently working with over 40 car brands in more than 30 countries.

Allianz Worldwide Partners

Allianz Global Assistance
Allianz Global Automotive
Allianz Worldwide Care

Expertise and support along the entire automotive value chain.

Competence Center to boost automotive expertise and innovations in the fields of telematics, engineering and insights.

Automotive Intelligence Center

In 2014, Allianz Global Automotive set up the Automotive Intelligence Center as an integral part of its value creation within the automotive industry. The aim is to boost innovations and expertise along the entire automotive value chain, from vehicle development to connectivity services, dealership business, aftersales and mobility solutions. The Automotive Intelligence Center, which is based in Munich, consists of three key areas: Telematics, Engineering and Insights/Innovations. The experts are working globally with both in-house Allianz and external partners from the automotive industry in interdisciplinary project teams.

Strategic partnerships with global leaders – example BMW.

The global cooperation with BMW, which has been in place since 2009, was extended by another five years in September 2014. Since the partnership was launched, the joint business volume of insurance policies sold at the point of sale has more than tripled. Today, BMW and Allianz are collaborating in 27 markets worldwide with more than 50 joint BMW-branded products. As far as the upcoming international cooperation cycle is concerned, the focus is on expanding the business with innovative insurance solutions in the e-mobility, used car and driver assistance system segments.

Global Partnership with BMW

Focused expansion in growing markets – example Asia.

Footprint in Asia

With a "one size does not fit all" approach, Allianz Global Automotive has been able to effectively localize its global strategy in the Asian markets. The year 2014 saw the business unit increase its footprint in South East Asia by completing market entries in Indonesia, Thailand and Singapore with the launch of several programs in partnership with automotive manufacturers and financial service units. With these successful developments and an ever evolving product and service basket, automotive partners are now able to rely on Allianz Global Automotive to provide them with integrated solutions in most major markets in South East Asia. Furthermore, in China the business volume was expanded and the business model could be further developed by the set-up of a China-wide dealer distribution network through collaboration with Chinese insurance market leaders.

C – GROUP MANAGEMENT REPORT

Pages **62 – 146**

YOUR ALLIANZ

MANAGEMENT DISCUSSION AND ANALYSIS

RISK AND OPPORTUNITY REPORT AND FINANCIAL CONTROL

Business Operations and Markets

Allianz offers a comprehensive range of insurance and asset management products and services and has now 85 million insured customers.

Allianz Group structure

Allianz SE and its subsidiaries (the Allianz Group) offer property-casualty insurance, life/health insurance and asset management products and services in over 70 countries, with the largest of its operations in Europe. Allianz SE, as the parent company of the Allianz Group, has its headquarters in Munich, Germany.

The Allianz Group structure reflects both business segments and geographical regions. The business activities are first organized by product and type of service based on how these are strategically managed: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into property-casualty and life/health categories. In accordance with the responsibilities of the Board of Management, each of the insurance categories is grouped into regional reportable segments. Corporate and other activities are divided into three different reportable segments in order to differentiate between the respective products, risks and capital allocation. In 2014, the Allianz Group had 17 reportable segments.[1]

ALLIANZ GROUP STRUCTURE – BUSINESS SEGMENTS AND REPORTABLE SEGMENTS

PROPERTY-CASUALTY	LIFE/HEALTH	ASSET MANAGEMENT	CORPORATE AND OTHER
– German Speaking Countries	– German Speaking Countries	– Asset Management	– Holding & Treasury
– Western & Southern Europe	– Western & Southern Europe		– Banking
– Iberia & Latin America	– Iberia & Latin America		– Alternative Investments
– USA[1]	– USA		
– Global Insurance Lines & Anglo Markets	– Global Insurance Lines & Anglo Markets		
– Growth Markets	– Growth Markets		
– Allianz Worldwide Partners			

Insurance operations

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

Most of our insurance markets are served by local Allianz companies. However, some business lines – such as Allianz Global Corporate & Specialty (AGCS), Allianz Worldwide Partners (AWP) and Credit Insurance – are run globally. Based on premiums, the split between retail and corporate clients is approximately equal for our Property-Casualty business segment. In Life/Health, the proportion of our business with retail clients is significantly higher than that with corporate clients.

SELECTED PRODUCT RANGE INSURANCE

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

1 — At the end of the financial year 2014, Allianz announced its decision to realign its property-casualty insurance business in the United States. For further information, please refer to the Our markets section starting on page 66. Respective changes in the group structure will become effective in 2015. For further information, please refer to Executive Summary of 2014 Results starting on page 81.

Asset Management

Our two major investment management businesses, PIMCO and AllianzGI, operate under Allianz Asset Management (AAM). With € 1,801 BN total assets under management (AuM) (including those of the Allianz Group), we are one of the largest asset managers in the world actively managing assets. 64 % of third-party assets are from institutional investors, while 36 % are from retail clients. Our core markets are the United States, Germany, France, Italy, the United Kingdom and the Asia-Pacific region.

SELECTED PRODUCT RANGE ASSET MANAGEMENT

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

Corporate and Other

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

HOLDING & TREASURY OPERATIONS

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

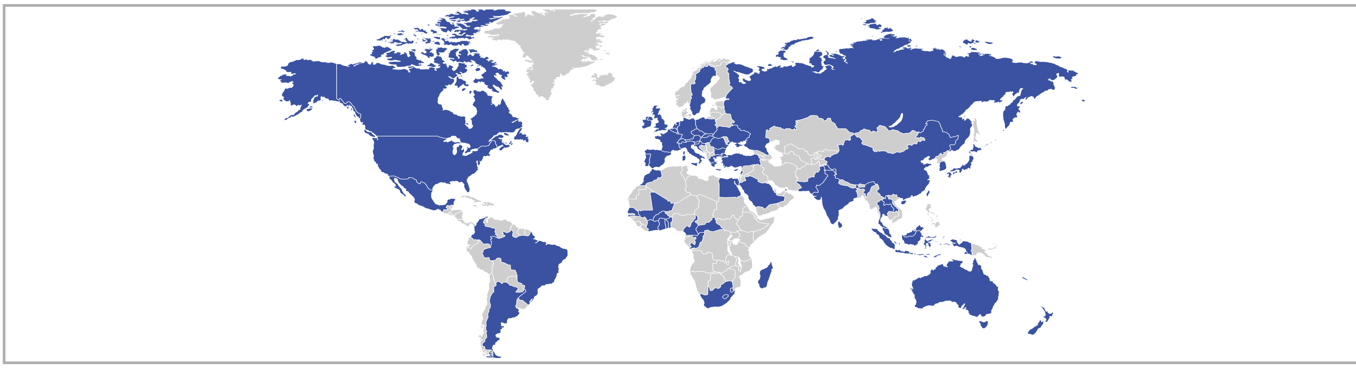
BANKING OPERATIONS

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

ALTERNATIVE INVESTMENTS OPERATIONS

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

Worldwide presence and business segments



MARKET POSITIONS OF OUR BUSINESS OPERATIONS[1]

INSURANCE GERMAN SPEAKING COUNTRIES

■ I.	■ I.	■	Germany
■ II.	■ III.		Austria
■ II.	■ II.		Switzerland

INSURANCE WESTERN & SOUTHERN EUROPE

Europe

■ II.	■ II.	■	Italy
■ III.	■ III.		Greece
■ II.	■ I.		Turkey
■ II.	■ III.	■	France
■ III.	■ III.		Belgium
■ II.	■ III.	■	The Netherlands
■ II.	■ III.		Luxembourg

Africa

■ II.		Benin
■ II.	■ II.	Burkina Faso
■ II.	■ I.	Cameroon
■ I.		Central Africa
■ II.		Congo Brazzaville
■ IV.		Ghana
■ II.	■ II.	Ivory Coast
■ II.	■ II.	Madagascar
■ II.		Mali
■ II.	■ II.	Senegal
■ II.		Togo

INSURANCE IBERIA & LATIN AMERICA

■ II.	■ II.	Spain
■ II.	■ III.	Portugal

Latin America

■ III.		Argentina
■ III.	■ –	Brazil
■ II.	■ III.	Colombia
■ IV.	■ III.	Mexico

GLOBAL INSURANCE LINES & ANGLO MARKETS

■ II.		United Kingdom
■ II.	■ –	Australia
■ II.		Ireland
■ II.		Allianz Global Corporate & Specialty
■ I.		Credit Insurance
■ IV.	■ –	Reinsurance

ALLIANZ WORLDWIDE PARTNERS

■ –	■ –	Allianz Worldwide Partners

INSURANCE GROWTH MARKETS

Asia

■ –		Brunei[2]
■ II.	■ IV.	China[3]
■ –		Hong Kong[2]
■ II.	■ II.	India[3]
■ IV.	■ II.	Indonesia
■ –		Japan[2]
■ I.		Laos
■ I.	■ II.	Malaysia
	■ –	Pakistan
■ –		Singapore[2]
	■ IV.	South Korea
■ III.	■ III.	Sri Lanka
	■ III.	Taiwan
■ IV.	■ III.	Thailand

Central and Eastern Europe

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

INSURANCE GROWTH MARKETS

Middle East and North Africa

■ III.	■ II.	Egypt
■ III.	■ II.	Lebanon
■	■ III.	Saudi Arabia

INSURANCE USA

■ IV.	■ III.	United States

ASSET MANAGEMENT

North and Latin America

■	■	United States
■	■	Canada
■	■	Brazil

Europe

■	■	Germany
■	■	France
■	■	Italy
■	■	Spain
■	■	Switzerland
■	■	Belgium
■	■	The Netherlands
■	■	United Kingdom
■	■	Nordics

Asia-Pacific

■	■	Japan
■	■	Hong Kong
■	■	Taiwan
■	■	Singapore
■	■	South Korea
■	■	China
■	■	Australia

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

1 — This overview is based on our organizational structure in place as of 31 December 2014. For further information about changes effective 2015, please refer to the Executive Summary of 2014 Results starting on page 81.
2 — Property-Casualty business belongs to Allianz Global Corporate & Specialty.
3 — Based on total market ranking (including domestic competitors), China Property-Casualty ranked in category IV. and India Property-Casualty and Life/Health both in category III., respectively.
4 — Source: Own local estimations as of 2013.

Our markets

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

INSURANCE CORE MARKETS[1]

INSURANCE CORE MARKETS

Core markets			Statutory/ gross premiums written € MN	Operating profit € MN	Number of customers MN
Germany	I.	I.	31,791	2,591	20.3
France	II.	III.	12,489	883	5.8
Italy	II.	II.	15,528	1,105	6.7
United States	IV.	III.	13,798	504	1.2

Market position ■ Property-Casualty ■ Life/Health

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

Germany

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

As the market leader in the German property-casualty market, we offer a wide variety of insurance products for retail and commercial customers. Germany is a rather mature market for property-casualty business, with intense competition. In 2014, our premiums grew mostly in motor business and commercial non-motor business. In September 2014, the new retail motor product 'digital+' was launched in order to reach so-called hybrid customers who are not addressed by our existing products 'Mein Auto' and 'AllSecur'. These customers switch between the online and offline world, doing their research online but making the final purchase offline or doing both their research and purchase online, merely requiring personal help in the case of claims. Although the property-casualty market continued to be competitive, our ongoing strategic focus on strengthening sales, improving our claims management and reducing the expense ratio has led to premium growth and improved profitability. Furthermore, we will continue to extend our cooperation with the automotive industry and increase our position in the direct market under the 'AllSecur' brand.

For our life insurance business, we are active in retail and commercial markets and provide a comprehensive range of products. The main classes of coverage offered include annuity, endowment, term, disability and long-term care insurance. Many customers have been rethinking risk and return factors in their retirement arrangement. For years we have been successfully enlarging our product range and in the summer of 2013 we launched our new "Perspektive" offering. This has separate guarantees in the savings and payout phases, from which our customers can expect higher returns as a result of much less stringent capital adequacy requirements. In 2014, new business for "Perspektive" through our tied agents channel accounted for 24.3 % of our retirement arrangement-related retail business. In our commercial lines, we serve our customers with group life insurance and provide companies with services and solutions in connection with defined benefit pension arrangements and defined contribution plans.

As in the previous year, our single premium business grew strongly again in 2014. We expect, however, that this exceptional growth will not reoccur in 2015.

Through Allianz Private Kranken, we provide a wide range of health insurance products, including full private health care coverage, supplementary health and long-term care insurance as well as foreign travel medical insurance. After satisfactory demand in 2014, we expect slightly higher demand for both full private health care coverage and supplementary insurance in the future. This should be supported by our financial strength and by the very good external ratings we received recently for both our full private health care coverage and our supplementary insurance.

Italy

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

In our property-casualty business, Allianz Italy significantly outperformed its market in terms of premium growth and profitability. In a market that experienced an estimated contraction of approximately 3 %, Allianz premium volume grew by 4.1 % in 2014 (including gross premiums written from acquired parts of the insurance business of UnipolSai Assicurazioni S.p.A., Bologna)[2], which allowed us to increase our market share for a third consecutive year. In terms of

1 — The following sections do not cover our global insurance lines, e. g. Allianz Global Corporate & Specialty, our credit insurer Euler Hermes or Allianz Worldwide Partners, even if those entities also operate in the respective market.

2 — Excluding these premiums, we recorded a contraction of 1.2 % in gross premiums written. However, this represents a gain in our market share even organically.

profitability, the combined ratio remained at low levels, reflecting our strong technical capabilities achieved through continuous investment and innovation. The latest statistics show Allianz with a significant combined ratio advantage versus the market.

This achievement was strongly supported by the performance of our agent network. In 2014, the network expanded by almost half through the acquisition of parts of the insurance business of UnipolSai Assicurazioni S.p.A. including 725 agencies which were successfully integrated subsequently. The introduction of the common digital platform Digital Agency has been instrumental in this integration, with the new agencies running it exclusively, benefiting from simple, mobile and paperless processes. Another driver of innovation in the agent network has been the introduction of 'Allianz1', which provides modular family coverage against most risks. Its success has greatly exceeded expectations, with more than 100,000 contracts written in 2014, paid on an affordable monthly basis. Monthly premium schedules have also been successfully introduced for motor.

In direct, Genialloyd grew premiums by 10.5 % in a contracting market and contributed to our strong performance in property-casualty. Property-casualty bancassurance premiums also grew strongly, aided by the launch of a retail motor product distributed through Italian branches of UniCredit.

In our life business, we increased our premium volume by 34.4 % and AuM by 15 %. This growth was particularly supported by our bancassurance cooperation with UniCredit, which helped premiums rise by 58.3 %, and benefited further from additional branches distributing our products. Our unit-linked product market share increased again, with sales of low-capital-consuming unit-linked products accounting for 63 % of GWP, compared to an estimated market average of below 30 %. Our highly successful decumulation product, Progetto Reddito, has been extended to the bancassurance channel and generated over € 1.6 BN of new business in 2014. We also completed the reduction of minimum guarantees to 0 % for virtually all new products, lowering capital absorption in the low interest rate environment.

In the next years, we aim to accelerate our digital transformation and to reap economies of scale from our increased business volumes. In our life business, we strive to further rebalance our portfolio by improving our business mix and to optimize returns on capital.

France

Allianz France S.A. is a major provider of insurance and financial services in the French retail and commercial markets, offering a broad range of property-casualty and life/health products for individuals and corporate customers. These include liability insurance, disability cover and investment and savings products. We distribute these offerings mostly via agents, life and health consultants, brokers and independent financial advisors, as well as selected external partners. In addition, our customers can research and buy products online – either through 'eAllianz' or via our direct sales channel 'AllSecur'. A new strategic plan for 2015-2020, 'Innovation & Trust', has just been launched which capitalizes on several innovative successes Allianz France achieved in 2014. Examples include offering fast-quote and the new life product 'Vie Génération' as the first insurer in the French market as well as securing innovative partnerships with drivy (car sharing), TomTom (telematics) and Nest Protect (fire protection).

The French retail property-casualty market has seen limited growth of below 3 % in recent years and remains highly competitive. Competition is likely to remain tough, with expected higher customer churn due to local regulatory changes regarding cancellation rules. In this context, we have decided to become an innovation and tech-oriented company leaning on five major pillars: digital development, implementation of a multi-access strategy, personalized offers, competitive rates and brand promotion.

In addition, we concentrate on increasing the efficiency of our company structures, enhancing our technical excellence, simplifying our product range and processes and rebuilding our IT platform, with a view to delivering state-of-the-art digital solutions and high-quality claims services. This constant focus allows us to grow our customer base, for example in motor insurance. Thanks to the full integration of Gan Eurocourtage, which specializes in distributing its products via brokers, we are now one of the leaders in the midcorp market (ranked as third in midcorp and second in commercial property-casualty insurance).

Concerning the life market in France, we anticipate a continued period of low interest rates, reinforcing the need to focus on technical margins and cost optimization to maintain the attractiveness of our offer. We have responded to the needs of our clients with a range of traditional and unit-linked products in both group and individual business, combining financial strength with the opportunity for more attractive yields. Evidence of the success of this strategy is the increase in the unit-linked proportion of our business mix from 34 % in 2013 to 39 % in 2014.

We also hold a strong position in the health market, often combining elements of life, health and disability insurance as comprehensive solutions for individual and commercial customers. Recent regulatory changes have created new opportunities for the development of our group business. In response, we have created a new employee benefits institution (B2V) which aims to take advantage of these new opportunities.

Our retail insurance activities are complemented by Allianz 'Patrimoine', which allows us to offer one-stop solutions, in particular for our high-net-worth individual life customers.

In all major segments we will capitalize on our ability to combine growth and strong profitability.

United States

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

Through FFIC, we underwrote personal and commercial lines and sold these products through independent agents and brokers. We also participated in a crop insurance program through a reinsurance arrangement. Our personal business unit focused on affluent and high-net-worth individuals while our commercial business unit offered specialized property-casualty coverage for small and medium-sized businesses. FFIC was one of the few carriers in the United States that had a nationwide personal and commercial lines presence.

In 2014, we saw a continued stabilization of the U.S. property-casualty insurance market, leading to an estimated market revenue growth of 4.2 %.

At FFIC, while personal lines showed a stable premium development, we were impacted by low commodity prices in crop insurance and slowing rate increases in commercial lines which unfavorably impacted our premiums. A deterioration in accident year results and further reserve strengthening led to disappointing business results.

At the end of the financial year 2014, Allianz announced its decision to realign its property-casualty insurance business in the United States. The reorganization comprises the integration of Fireman's Fund Insurance Company's (FFIC) commercial business into Allianz Global Corporate & Specialty North America (AGCS NA), the sale of the personal insurance business to the global insurance company ACE, as well as the internal transfer of the discontinued run-off business through a reinsurance agreement within the Allianz Group. The realignment and sale are expected to be executed in 2015 and to have a negative impact of approximately USD 0.2 BN on the Allianz Group's financial statements. Expenses in the context of the restructuring will comprise expenses for human resources-related items, office buildings and IT infrastructure. The sale, which will take place by means of a renewal rights arrangement, is still subject to regulatory approval of the California Department of Insurance. These steps enable us to operate under the Allianz brand only as well as allow a strengthening of our property-casualty business in the United States – a market we remain committed to.

Our life and annuity business primarily underwrites fixed index and variable annuities and fixed index universal life insurance products – all of which are sold through independent distribution channels, as well as large financial institutions such as banks and wire houses.

Despite a competitive market environment in 2014 we expanded our position as market leader in the fixed index annuity market as a result of an innovative index strategy and higher penetration into the Securities and Exchange Commission (SEC) licensed broker-dealer channel. Although the persisting low interest rate environment remains challenging, we actively manage our product pricing strategy to maintain profitability.

We anticipate continued economic uncertainty, equity market volatility and a low interest rate environment in the long term. On the upside, we continue to believe that U.S. demographic trends present us with an excellent opportunity in the retirement market. In order to reap these benefits, we will continuously strengthen our distribution network and value proposition to our customers through product innovation and high-quality services.

SELECTED INSURANCE MARKETS

Australia

Allianz Australia Insurance Ltd. serves the Australian and New Zealand property-casualty and life insurance markets. Based on market share Allianz Australia is the fourth largest property-casualty insurer in Australia, providing insurance coverage for both retail and corporate segments.

Allianz Australia also operates in certain niche markets, which include premium financing, agriculture, heavy motor and pleasure craft insurance. The company is one of Australia's leading Workers' Compensation insurers, serving approximately one in five Australian employees.

With its disciplined underwriting approach and investments in risk prevention and accumulation controls, Allianz Australia successfully responded to a number of natural disasters in both Australia and New Zealand between 2010 and 2014.

Effective 1 January 2015, Allianz Australia acquired the insurance operations of the Territory Insurance Office (TIO) from the regional government of the Northern Territory. Besides adding approximately AUD 130 MN in written premiums, the acquisition brings the company increased geographic diversification and forms the basis for future growth in Northern Australia. The acquisition also brings Allianz Australia a significant new source of revenue for managing the Government's Motor Injury scheme.

By leveraging its multi-distribution approach as well as exploiting new business opportunities, Allianz Australia grew the number of insured risks by 5.8 % in 2014. A continuation of this distribution-focused strategy will enable Allianz Australia to remain well placed for further profitable growth despite considerable rate pressure in commercial lines and increasing competition from new market entrants.

United Kingdom

We serve the U.K. market mainly via our subsidiary Allianz Insurance plc, which is the fifth largest general property-casualty insurer in the United Kingdom and offers a wide range of commercial and personal insurance products. Our commercial products cover a broad spectrum of customers, from sole traders to large commercial organizations. We also provide engineering inspection services distributed principally through brokers. In personal lines we distribute our broad selection of products via a multi-channel approach through brokers, affinity partners, veterinary practices and direct channels.

Despite the persistence of a very competitive insurance market we have doubled our brand awareness amongst our target audience in the last two years, driven by an increase in multimedia advertising and sponsorship programs. These successful brand building activities, our differentiated portfolio and our market-leading underwriting capability in commercial lines allowed us to outgrow the market while delivering superior underwriting results.

Looking ahead, we aim to gain further market share despite continuing challenging market conditions and to preserve our combined ratio advantage via further investments in digital transformation, process efficiency and in our Indian offshore service center.

Latin America (with focus on Brazil)

Allianz operates in the Latin American region with a presence in Brazil, Colombia, Argentina and Mexico. It is a strong player in the property-casualty segment, with motor as the predominant line of business (except in the Mexican market) followed by industrial lines. Life products are also distributed in the Mexican, Colombian and Brazilian markets. The company follows a regional strategy based on excellence of services and processes, efficiency and product simplicity, that allows the entities to leverage the brokers and the agents network and to focus on continuously increasing the customer base.

With 110 years of history in Brazil and a strong reputation as a top insurer, Allianz represents a very strong brand in the insurance market, reinforced in 2014 with the sponsorship of Allianz Parque Arena. At the beginning of 2014, the IT platform (which already operates successfully in our Spanish, Portuguese and Colombian subsidiaries) was launched in Allianz Brazil as a key part of our overall strategy in the region. Unfortunately, operational issues arose during the implementation and start-up phase, leading to temporarily diminished levels of customer service. As a result, Allianz's market share shrank by about one percentage point in the property-casualty insurance business in 2014. In response, we have implemented various initiatives targeting a recovery.

The Brazilian insurance market has been continuously growing over the last decade, from 1.8 % of GDP in 2003 to 3.0 % in 2013 (with Brazilian GDP also rising considerably during the same period). However, the more recent deceleration of the local economy represents further headwind for our growth in this region. Despite this, we believe that insurance penetration will continue to increase in the Brazilian market.

In the long term, Allianz Brazil aims to take advantage of the local market growth, leveraging the new IT platform to integrate all processes under one single system, and improve service levels to agents, insureds and providers.

ASSET MANAGEMENT MARKET

2014 was another favorable year for the asset management industry as a whole. Markets showed net inflows into actively-managed AuM. There was also a significant shift to passive products visible in the markets, especially in the United States. For equity and fixed income strategies the main net inflow drivers were global equities and taxable bonds in more mid to shorter-term as well as floating rate strategies. High yield and emerging market bond strategies recorded net outflows.

For further information on the asset management industry business environment, please refer to page 80.

AllianzGI recorded strong net inflows in fixed income and multi-asset. PIMCO suffered net outflows throughout 2014 with a receding trend until nearly the end of September 2014. With the departure of PIMCO's Chief Investment Officer (CIO) on 26 September 2014, the net outflows spiked in the last quarter of 2014, but came down to the end of the fourth quarter of 2014. Immediately after the resignation of the CIO, the new PIMCO investment management leadership was appointed following the orderly succession protocol.

In 2014, AllianzGI followed up the implementation of its 'One Firm' strategy, while at the same time further expanding its product offerings in equities, fixed income and alternative assets. Besides, AllianzGI is developing new approaches for client interaction, leveraging the opportunities of the digital space.

PIMCO continues to focus on delivering returns and managing risks on behalf of clients across a growing range of investment solutions. It is also following its longer-term development plan to broaden its product offerings into areas such as the alternatives platform, income solutions, equities and ETFS.

Strategy and Steering

Our longer-term vision is unchanged: to be the world's strongest financial community. 2014 was another milestone on this journey, with the Allianz Group achieving further revenue growth and another strong operating result.

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

LIVING UP TO OUR AMBITION

Property-Casualty

We aim to be the leading property-casualty insurer in terms of revenue and profitability. In 2014, Allianz finished among the top-3 in our global peer group in premium growth and Combined Ratio (as a measure of profitability), defending our position as the world's largest and one of the most profitable international property-casualty insurers.

The Group has taken further action to strengthen its property-casualty portfolio: we completed bolt-on acquisitions in two of our strongest markets, Italy and Australia. At the same time we reduced our exposure to the Russian retail market and are restructuring our U.S. commercial activities into one carrier, AGCS in the United States, to ensure scale and build a competitive and profitable platform for our business in the world's largest property-casualty market. Further, it was also agreed to sell the personal insurance business in the United States, where we expect the transaction to close in the first half of 2015.

Accelerating organic growth will remain a priority. We continue to invest in the digitalization of our business to capture new opportunities, such as the growing number of hybrid buyers and the shift in customer behavior towards convenience, mobility and an individualized offering. At the same time we are going to strengthen further our capabilities to serve customers through any channel they choose to approach us.

Life/Health

We aim to be one of the three most profitable life and health insurers among our global peer group. Our 2014 business segment operating result increased and puts the Group in the top-4 among our global peers in terms of operating profit. Still, we recognize that capital returns in the business segment will continue to be under pressure as interest rates remain close to zero in our major markets.

To protect and increase the segment's profitability in this environment, we are working to improve returns both in the new and in-force business. We will continue to grow the share of our health and protection business and of non-traditional, capital-efficient savings products, supported by innovations such as the "Perspektive" product in the German market. In addition, we have launched in-force management programs across our major Life companies, aiming to realize the profit potential in our existing books of business and explore ways to optimize the capital tied up there.

Asset Management

We aim to be the number one active asset manager by revenues and profitability. In 2014, Allianz defended its place among the world's top-4 largest asset managers, irrespective of significant net outflows in the aftermath of the leadership transition at PIMCO.

We have since confirmed a broader investment leadership team at PIMCO. Meanwhile Allianz Global Investors has had its best year since the implementation of our two-pillar asset management strategy at the beginning of 2012, consolidating its position in the top of the European rankings by assets under management, driven by third-party net inflows and market returns.

In order to maintain growth in the segment we are constantly extending our product offering across asset classes (for example solution business, global strategies such as emerging market debt & equity and alternative investments like infrastructure). Besides, we are working on strengthening our global footprint and testing novel distribution models that will make it easier for our institutional and retail customers to access our products.

OUR OPERATING ENVIRONMENT AND FOCUS GOING FORWARD

In 2014, our operating environment was characterized by relative macro stability, thanks to the ongoing support of sovereign debt markets and financial markets overall by the central banks. Major stock markets reported gains, while spreads in selected fixed income markets tightened even further. In consequence, the related risks have been growing (please refer to the Risk and Opportunity Report starting on page 123). In particular, we monitor the risk to Allianz from:

- Consequences of the current ultra-low interest rate environment, in particular the risk-return profile of financial assets;
- Worsening financial strength of sovereign borrowers and the market volatility and central bank interference related to it;
- Ongoing regulatory uncertainty both at the level of local supervision and macro-regulation (e.g. Solvency II, additional requirements for global systemically important insurers and European consumer regulation).

In this environment we aim to preserve the strength of our balance sheet and ensure efficient use of our capital (for details regarding our new dividend policy please refer to the Expected dividend development section on page 108). At the same time we see unique opportunities for Allianz due to the strength of our franchise in the world's leading insurance and asset management markets, of our people, brand and capital. As a consequence, the focus of our segment strategies will be on organic growth and portfolio management in Property-Casualty, protecting the profitability in Life/Health and positioning Asset Management for continued performance and leadership.

As we prepare to celebrate 125 years of Allianz with our customers and employees this year, we look ahead with confidence – confident that we will progress ever closer towards our vision: to be the world's strongest financial community.

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE[1]

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

MEMBERS OF THE BOARD OF MANAGEMENT AND THEIR RESPONSIBILITIES IN 2014 (INCLUDING CHANGES IN 2015)

BOARD MEMBERS	RESPONSIBILITIES
Michael Diekmann (until 6 May 2015)	Chairman of the Board of Management (until 6 May 2015)
Oliver Bäte	Insurance Western & Southern Europe (until 31 December 2014), Global Property-Casualty (until 6 May 2015) Chairman of the Board of Management (from 7 May 2015)
Sergio Balbinot (since 1 January 2015)	Insurance Western & Southern Europe (since 1 January 2015)
Manuel Bauer	Insurance Growth Markets; Insurance Australia (since 1 January 2015)
Gary Bhojwani (until 31 December 2014)	Insurance USA (until 31 December 2014)
Clement Booth (until 31 December 2014)	Global Insurance Lines & Anglo Markets (until 31 December 2014)
Dr. Helga Jung	Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions
Dr. Christof Mascher	Operations, Allianz Worldwide Partners
Jay Ralph	Asset Management; U.S. Life Insurance (since 1 January 2015)
Dr. Axel Theis (since 1 January 2015)	Global Insurance Lines & Anglo Markets (since 1 January 2015), Global Property-Casualty (from 7 May 2015)
Dr. Dieter Wemmer	Finance, Controlling, Risk
Dr. Werner Zedelius	Insurance German Speaking Countries, Banking, Human Resources
Dr. Maximilian Zimmerer	Investments, Global Life/Health

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. This starts with the definition of a business-specific strategy and goals, which are discussed and agreed between the Holding and operating entities. According to this strategy, a three-year plan is prepared by the operating entities and aggregated to form the financial plans for the business divisions and the Allianz Group. This plan also forms the basis for our capital management. The Supervisory Board then approves the plan and sets corresponding targets for the Board of Management. The performance-based remuneration of the Board of Management is linked to short-, mid- and long-term targets to ensure effectiveness and emphasize sustainability. For further details about the remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on page 45.

We continuously monitor our business performance against these targets through monthly reviews to ensure that appropriate measures can be taken in the event of negative developments. During these reviews, we monitor key operational and financial metrics. Operating profit and net income are the main financial performance indicators across all business segments for the Allianz Group. In addition, we also use segment-specific figures such as the combined ratio for Property-Casualty, in-force and new business margins and margin on reserves for Life/Health and the cost-income ratio for Asset Management. Furthermore, we use Return on Risk Capital (RoRC) for new business steering purposes in the Property-Casualty and Life/Health business segments. For a comprehensive view of our segment performance, please refer to the Management Discussion and Analysis starting on page 79.

Besides performance steering, we also have a risk steering process in place, which is described in the Risk and Opportunity Report starting on page 123.

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

1 — For further information about changes to the structure of the Board of Management effective 2015, please refer to the Executive Summary of 2014 Results on page 84.

Progress in Sustainable Development

Allianz continues to build on its 125-year-old foundations that support us in doing business in a sustainable way. To us, sustainable development means combining long-term economic value creation with a forward-thinking approach to corporate governance, environmental stewardship and social responsibility.

Our sustainability activities focus on material issues relevant to our business and stakeholders. We have many different stakeholder groups, and engaging with them has enabled us to gather specific opinions, expectations and ideas, and consider these in relation to our business operations. It also helps provide a better understanding of the impacts of current or future global challenges on stakeholders, and how we can manage these by finding and developing effective solutions.

As a multi-faceted organization we play a number of different roles, whether that be as a company, a corporate citizen, an employer, an insurer or an investor. We take our responsibility for environmental and social issues seriously, regardless of the role that we play. Our commitment is also reflected in national and international initiatives we support: In early 2014, we became a signatory to the United Nations (UN) Principles for Sustainable Insurance, which complements our existing commitment to the UN Principles for Responsible Investment.

The following pages highlight some of our key sustainability approaches and major developments in 2014. The Allianz Group Sustainability Report, with full details of our sustainability strategy, approach and progress, is available on our sustainability website[1].

Sustainability management and governance

Sustainability is a constantly evolving, strategic business issue, which continues to increase in importance for all stakeholder groups. We therefore continually review and adapt our strategy, governance and organizational structures and the way we manage risks and opportunities. The Group ESG Board is a committee with Board Member leadership, with responsibility for promoting environmental, social and governance (ESG) aspects in our insurance and investment activities. Our Group-level sustainability functions deal largely with new and emerging issues in close cooperation with specific functional departments and local entities. They are comprised of two centers of competence – Allianz4Good and the ESG Office.

ESG PROCESS FOR INSURANCE AND INVESTMENTS

Strengthening the governance and integration of environmental and social aspects in our core business processes continued to be a priority in 2014. This commitment covers both our insurance business and how we invest our own and third-party assets.

Dialogues with non-governmental organizations (NGOs) and an ongoing internal stakeholder engagement process have enabled us, for example, to identify 13 sensitive business areas for both underwriting and investments where we could have significant business risks across regions and lines of business. In 2014, we further developed our approach to screening sensitive countries and human rights risks, to complement our existing sensitive business guidelines.

We do not exclude certain businesses by default, instead, we analyze each risk on a case-by-case basis and see if and how the risk can be mitigated. When an ESG risk is detected in one of the sensitive business areas during due diligence, a mandatory referral process is triggered, which can result in an escalation up to Board level. Over the course of 2014, Allianz assessed a wide range of sensitive business for ESG considerations. Overall, 150 transactions were reviewed across our insurance and investment business. 81 % of transactions were approved, 10 % were given conditional approval subject to further information or mitigating actions being taken and 9 % declined.

Integrating ESG considerations into existing core processes allows for quicker implementation and adoption by our underwriters and investment and asset managers. During 2014, we integrated our sensitive business areas and sensitive countries list into the core underwriting and investment standards for alternative investments of own assets and our overarching risk management framework[2].

Trusted company

In our role as a company, we aim for transparency in business activities and treat customers, employees and partners with integrity and honesty. We are committed to minimizing our environmental impact and are constantly working to achieve low-carbon operations.

1 — www.allianz.com/sustainability

2 — For more information on risk management, please refer to page 123.

CUSTOMER RELATIONSHIP MANAGEMENT

Digital technology has completely changed the way consumers make purchasing decisions and buy insurance or investment products. We seek to provide our customers with convenient access to Allianz, making it easy for them to shift seamlessly between physical and digital interaction and with the required flexibility in adapting our products and services to their changing needs.

We therefore aim for real-time customer interaction and invest in the technology needed to easily and efficiently provide personalized offers and services, combining face-to-face advice from Allianz agents and partners with customer service centers and online tools. In an increasing number of markets, Allianz customers can get an insurance offer simply and quickly over the internet by providing only a few pieces of data and can then decide to buy directly online or finalize their purchase at an agency. This innovative "FastQuote" approach reflects our customers' preference for easy online access to insurance products. With "Allianz1", for example, a modular offering launched in Italy in 2014, customers can tailor their insurance cover to their individual requirements and personal budget by choosing from 13 modules ranging from home and accident insurance to life and health cover as well as assistance services.

Meeting our customers' needs through relevant products and services and earning their loyalty is vital for our sustainable growth. The Net Promoter Score (NPS) is our measurement of customers' willingness to recommend Allianz. It has been established as our key global metric for customer loyalty in about 40 Allianz companies worldwide, representing around 90 % of gross premiums written. Top-down NPS is measured annually according to global cross-industry standards and allows benchmarking against competitors in respective markets.

In 2014, 47 % of Allianz businesses significantly outperformed their local peer average and 32 % achieved loyalty leadership in their market. While we did improve our performance in many markets, so too did our local peers. In 2015, by leveraging successful customer experience initiatives among our local entities, we expect that more Allianz companies will outperform their local peer average with their NPS performance.

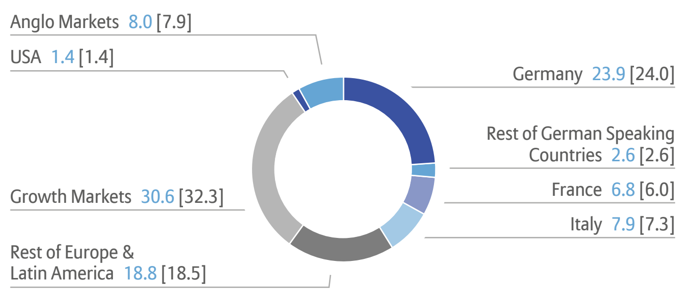
To steadily improve our customer service, we apply bottom-up NPS: asking our customers for direct feedback after key interactions with Allianz – such as sales and claims handling. This helps us to identify areas for improvement and continuously monitor the impact of measures taken.

CUSTOMER BASE

Overall, the number of customers insured by Allianz worldwide grew from more than 83 million in 2013 to 85 million in 2014. Organic growth contributed with 1 million customers.

CUSTOMERS BY REGION/COUNTRY[1]

as of 31 December 2014 [31 December 2013] in %



1 — Customer figures exclude clients in microinsurance, pension funds and all Global Lines.

For more information on our customer base, read page 65.

ALLIANZ BRAND[1]

Our brand plays a key role in driving the growth of our business in the long term. It fosters close bonds with our customers – even more so in the digital context – and consequently helps us to build sustainable relationships. In many countries around the globe our brand is well-established: Allianz stands for a trusted partner in peoples' lives, helping them to make the right decisions and gain confidence to achieve their goals. In 2014, our Allianz-branded revenues stood at 83 % (2013: 82 %) of total revenues. Our "One-Brand" strategy leaves room for our renowned specialty brands such as PIMCO and Euler Hermes that use Allianz as their reference.

As part of our global brand management process, we use a standardized market research design to monitor and benchmark the performance of the Allianz brand regularly against local competitors. This research covers over 38,000 consumers in 26 countries. Our brand performance was again acknowledged in 2014: In the annual 100 Best Global Brands Ranking from Interbrand, Allianz remains one of the strongest growing financial services brands, with our brand value increasing by 15 % to approximately USD 7.7 BN (2013: USD 6.7 BN).

In 2014, we continued to invest in our brand. Building on our successful global brand communication framework "ONE", which has been rolled out in over 30 countries to date, we also launched a dedicated brand campaign in Asia to strengthen Allianz as the trusted

1 — Our Allianz trademark is registered and protected worldwide, as are our domain names. Furthermore, we have registered our corporate design and brand claim "Allianz. With you from A-Z." in relevant countries worldwide. In order to maintain the distinctiveness and strength of our Allianz brand, we continuously monitor possible infringements of our trademark applications and registrations by third parties.

insurance and investment partner in the region. The global campaign was extended with local brand activities in Indonesia, Malaysia, Thailand and Taiwan. Through our strong presence in digital platforms, including social media, we achieved high consumer engagement overall with our brand and business.

With our established sponsorship portfolio, we anchor corporate responsibility as a vital component in our strategy: for example through our commitment to the Paralympic Movement, which was highlighted by the Paralympic Winter Games 2014 in Sochi, or our partnerships in Formula 1™ and our Road Safety program with 36 local entities participating in 2014. As a long-term investment in the Allianz brand, we strengthened our successful partnership with FC Bayern München, acquiring an 8.33 % share. With the opening of Allianz Parque in Sao Paulo in 2014 and the Allianz Stadion in Vienna, which will be built by 2016 as the new home ground for the Austrian football team SK Rapid Wien, we now have six members in our family of stadiums. Our global stadium sponsorship and naming rights strategy was acknowledged at TheStadiumBusiness Awards 2014 by receiving the Sponsorship, Sales & Marketing Award as well as the Sustainability Award for Allianz Park in London. Furthermore, our partnership with world-renowned pianist Lang Lang and his Lang Lang International Music Foundation received the International Sponsoring Award for its innovative approach in combining youth education with a brand ambassador.

ENVIRONMENTAL MANAGEMENT

As a business, we are committed to reducing our environmental impact and have formalized this in our Carbon Reduction Strategy. The target is to reduce our carbon emissions per employee by 35 % by 2015 against a 2006 baseline. Since 98.3 % of the Group's emissions come from energy, travel and paper, we focus our activities on these three areas. Because energy use is the largest contributor to our carbon footprint, we also have a specific energy target: to reduce energy consumption per employee by 10 % by 2015 against a 2010 baseline. As our current target period will end in 2015, we are in the process of developing post-2015 environmental targets.

BREAKDOWN OF CO_2 EMISSIONS[1]

as of 31 December 2014 in %	2014
Energy	53.9
Travel	40.3
Paper	4.1
Water	0.2
Waste	1.5

1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2014 environmental performance information. For further information, please refer to www.allianz.com/sustainability.

We continued to reduce the carbon footprint of our business in 2014. Our overall CO_2 reduction since 2006 now stands at 41.3 % per employee and energy reduction since 2010 is now 27.2 % per employee. As part of our overarching Climate Change Strategy, and in addition to our carbon reduction target, we have been a carbon-neutral business since 2012 by offsetting our remaining emissions through direct investments in carbon projects.

ENVIRONMENTAL FOOTPRINT[1]

as of 31 December		2014	2013	2012
Total emissions	in metric tons CO_2e	322,529	348,661[2]	344,776
Per employee emissions	in metric tons CO_2e	2.20	2.39[2]	2.40
Total energy consumption	in GJ	2,596,317	3,084,601[2]	3,079,897
thereof: Renewables	in %	40.0	38.9[2]	39.2
Total travel – plane, train, car	in TKM	963,958	967,210	931,356
Total paper consumption	in metric tons	19,774	18,255[2]	20,193

1 — KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2014 environmental performance information. For further information, please refer to www.allianz.com/sustainability.
2 — 2013 figures were adjusted for error corrections.

COMPLIANCE MANAGEMENT

Allianz's Compliance Management System aims to ensure compliance with internationally recognized laws, rules and regulations, and to promote a culture of integrity in order to safeguard the company's reputation. In 2014, we continued with measures to further strengthen the effectiveness of compliance management by enhancing quality assurance, global reporting on compliance risks and independent reviews of key elements of our compliance program[1].

A high level of data privacy has been established throughout the Group. During 2014, the Allianz Group Data Protection function supported subsidiaries in implementing the Allianz Standard for Data Protection and Privacy and establishing appropriate data privacy management systems by providing, for example, awareness materials or risk assessment templates. The most important step is the assessment of all the processes that collect and manage personal data, in order to check their legal feasibility as well as the necessity for specific privacy controls.

1 — For further information on our compliance program, please refer to the Statement on Corporate Management pursuant to § 289a of the HGB on page 41.

Committed corporate citizen

Allianz aspires to be a committed corporate citizen by contributing to the communities in which we operate. We strive to advance local social well-being and support informed decision-making at a governmental level as part of our vision to build the strongest financial community. As a global company, we take our role in society very seriously and see this as more than "just" making donations. We therefore offer our employees the possibility of donating their skills and experience to advance social well-being in our local communities.

POLITICAL ENGAGEMENT

As a company headquartered in Germany, Allianz contributes to democratic political parties that support the social market economy. In 2014, as in the previous year, we contributed equal amounts to political parties in Germany representing a variety of views within the political spectrum: the Green Party (Bündnis 90/Die Grünen), Christian Democrats (CDU), Christian Social Union (CSU), Liberals (FDP) and Social Democrats (SPD). To support their activities during the European Parliament elections in May 2014 these political parties received a one-time donation of € 20,000. We also donated € 10,000 to each of the junior organizations of the Green Party (Green Youth), CDU (Junge Union), CSU (Young Union in Bavaria), the FDP (JuLis) and SPD (Young Socialists).

COMMUNITY ENGAGEMENT

In 2014, we donated € 21 MN (2013: € 19 MN) to assist local communities and offered further support through our international network of 14 Allianz-affiliated corporate foundations. We also offer a number of employee volunteering opportunities in local communities. For example, My Finance Coach fosters financial literacy among young people, and reached more than 219,000 students in Germany alone in 2014. The leadership development program Social OPEX saw 48 employees from 12 Allianz subsidiaries share their expertise with 21 socially-committed organizations.

Attractive employer[1]

Globally, we employ 147,425 (2013: 147,627)[2] people in over 70 countries. Our business strategy requires us to have the best people in place in order to deliver success today and over the long term. Our aim is to create a consistent approach to HR management across the Group and we do this by providing Allianz companies with strategic HR frameworks, principles and tools covering key areas such as talent management, rewards and performance, employee engagement and diversity.

TALENT MANAGEMENT

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

TRAINING KEY FIGURES[1]

		2014	2013	2012
Total expenses in training	€ MN	91	86	93
Training expenses per employee	€	668	629	707
Average training days per employee, staff		3.0	3.0	2.6

1 — Figures based on the number of employees in Allianz's core business. Excluded are fully consolidated companies which are considered as pure financial investments, non-profit organizations e.g. foundations and companies classified as held for sale.

DIVERSITY

Allianz recognizes the importance of having a diverse, inclusive workforce that is made up of employees from different backgrounds. We understand that promoting diversity is necessary to be successful as a global company and have implemented a number of initiatives to support this. Consistent with our Code of Conduct, Allianz has a zero-tolerance policy against discrimination and harassment in the workplace.

1 — For more information on HR management, read the chapters in our Sustainability Report 2014 (www.allianz.com/sustainability) as well as the HR fact book 2014 (www.allianz.com/hrfactbook).
2 — Total number of employees with an employment contract of all affiliated companies (core and non-core business).

As part of our efforts to advance women at Allianz, in 2008 we set ourselves the global target of increasing the share of women in the talent pool for executive positions to 30% by 2015. A top management sponsorship program for women and flexible work-life programs, such as part-time employment or job sharing, are part of our supporting actions taken in several countries.

WOMEN ACROSS THE ALLIANZ GROUP[1]

in %

	2014	2013	2012
Women in executive positions[2]	23.1	21.2	19.4
Female managers[3]	36.2	35.5	33.9
Share of women in overall workforce	52.9	52.8	52.5

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

We continue to help the integration of employees with disabilities into the workplace. Group-wide guidelines ensure that buildings, workstations and websites are accessible to wheelchair users, the blind and visually impaired. A number of our subsidiaries actively recruit graduates with disabilities for underwriter positions, for example, and others hire visually impaired call-center operators.

SUSTAINABLE VALUE APPROACH TO REMUNERATION

Our remuneration and incentive structures are designed to encourage sustainable value creation and are guided by clear frameworks that promote strong governance. We use an appropriate mix of monetary and non-monetary rewards for our workforce, taking into account the particular role of an employee, business activities and local remuneration and regulatory environments.

The Allianz Group paid a total of € 9.0 BN (2013: € 9.1 BN) to its employees worldwide in 2014. Of this, approximately 29% was for performance-related (variable) remuneration elements. € 2.5 BN (2013: € 2.4 BN) was spent on social security contributions, pensions and other social benefits.

EMPLOYEE ENGAGEMENT

The Group-wide Allianz Engagement Survey (AES) gathers employee feedback on a range of relevant issues, including factors identified as promoting a high-performance culture within Allianz. In 2014, over 120,000 employees from 67 Allianz companies were invited to participate, with 84% responding. The Employee Engagement Index is a key measure of employee satisfaction, loyalty, advocacy and pride. The results of the AES are directly linked to the performance objectives of the Group's Board of Management.

EMPLOYEE ENGAGEMENT INDEX

	2014	2013	2012
Employee Engagement Index	72	73	70

Sustainable insurer

We are one of the world's leading industrial insurers and our product portfolio includes a wide range of Property-Casualty and Life/Health insurance products for both retail and corporate customers. As a sustainable insurer, we understand that integrating environmental, social and governance (ESG) issues in our risk analysis presents a major opportunity to reduce risks in underwriting – for us and our customers. Furthermore, we offer a selection of products and services that enable economic development, support a low-carbon economy and foster financial inclusion.

ESG IN UNDERWRITING

We apply our ESG Guidelines on Sensitive Business Areas to all insurance businesses globally, focusing on corporate customers. They are relevant to all contracts, whether we act as lead insurer or as part of a panel, whether it is for single projects, multi-site risks or supporting complex global insurance client needs. In 2014, we set up a support function in Allianz Global Corporate & Specialty (AGCS), our industrial insurer, to pre-screen business before escalation for Group review on sensitive business. The unit offers ESG support for insurance transactions and acts as a center of competence for Property-Casualty insurance, as well as providing proactive screening of ESG risks in portfolios. Training is a key part of successfully implementing our ESG approach and in 2014 we integrated the ESG risk escalation process into global training modules for underwriters and delivered a range of trainings to our engineering and liability underwriters.

GREEN SOLUTIONS

As part of our Climate Change Strategy, we continue to offer more "green" solutions to our customers worldwide that support the transition to a low-carbon economy, protect the environment and help customers prepare for the negative effects of climate change and mitigate associated risks. In 2014, we offered 156 such solutions, with revenues of € 1.3 BN (2013: € 1.2 BN)[1], reaching more than 4.7 MN customers (2013: 4.3 MN).

MICROINSURANCE

The people most vulnerable to risks associated with natural disasters, accidents and illness are those with low incomes, living in developing countries. Microinsurance offers an affordable way of protecting against these risks, with premiums that start from as low as € 1 a year. Allianz offers microinsurance products in eleven countries in Asia, Africa and Latin America and our products range from life insurance to crop index insurance. 2014 saw continued strong growth and we now insure 44.6 million people (2013: 26.1 million)[1], with revenues of € 114 MN (2013: € 86 MN)[2]. For more information on future risks and opportunities, please refer to the Risk and Opportunity Report from page 123.

1 — 2013 figure was adjusted for error corrections.
2 — Figures include non-consolidated entities (i.e. India).

Responsible investor

Our responsibilities as an investor are two-fold: Firstly, we invest our own assets, which include premiums collected from our insurance customers, and we systematically integrate ESG issues into our own investment processes. Secondly, in our third-party asset management business, we invest on behalf of our asset management customers. We aim to tailor products, solutions and distribution that best meet our clients' needs and further strengthen the brand of our asset management subsidiaries, Allianz Global Investors (AllianzGI) and PIMCO, and offer a growing number of Sustainable and Responsible Investment (SRI) products.

ESG IN INVESTMENT OF OWN ASSETS

As large institutional investors, insurance companies play an important role in funding a low-carbon economy. Climate-related investments, such as renewable energy, are an attractive growth market as they contribute to greater portfolio diversification. They also provide sound and stable long-term returns that are generally not linked to the ups and downs of the financial markets – which fits in well with our investment strategy for life insurance premiums. We are one of the leading investors in renewable energy globally, with more than € 2 BN invested to the end of 2014 (2013: € 1.7 BN). We are steadily expanding in this sector, with planned investments of around € 400 MN per year.

In our real estate investment, Allianz Real Estate has a comprehensive sustainability program. We apply specific sustainability metrics in investment and property management processes and actively engage with tenants. In 2014, we started a pilot project to track sustainability indicators in order to evaluate the progress of our sustainability program.

ESG IN THIRD-PARTY ASSET MANAGEMENT

Embedding ESG issues into asset management and offering corresponding products and services are common practice in both AllianzGI and PIMCO. Building strong ESG research capabilities, engaging with the companies they invest in and pursuing active share ownership through proxy voting are at the heart of their ESG strategies. The SRI portfolio has been growing over the last few years. At the end of 2014, assets under management in our SRI funds totaled € 95.4 BN (2013: € 78.2 BN) for PIMCO and € 22.0 BN (2013: € 17.5 BN) for AllianzGI, bringing the total to € 117.4 BN – which is 7 % of our total third-party assets under management.

Business Environment

Economic environment 2014

ANOTHER YEAR WITH ONLY MODERATE ECONOMIC GROWTH

Global economic performance in 2014 can be described as overall moderate expansion, with rather divergent developments in the individual countries and regions. Economic output also varied widely between the respective quarters. In the United States, for example, the exceptionally cold winter put such a damper on domestic demand that overall output contracted in the first quarter. As a result, catch-up effects contributed to a significant rebound in the second quarter. In Central and Eastern Europe many countries benefitted from the modest recovery in the Eurozone. Countries like Hungary and Poland registered average growth of more than 3 % in 2014. By contrast, Russia's economy suffered severely from structural problems, economic sanctions linked to the Ukraine conflict and the collapse in oil prices. As a result, the country slipped into recession in late 2014. All in all, global economic output is likely to have grown by 2.5 % in 2014, marginally higher than in 2013 when output increased by 2.3 %.

Gross domestic product (GDP) in industrialized countries rose by about 1.6 % on average last year. While the United States registered fairly solid growth of 2.4 %, real GDP in Japan more or less stagnated, weighed down by weak domestic demand in the wake of last year's VAT hike. Real GDP in the Eurozone increased on average by 0.9 % in 2014, the first positive result in three years. The overall Eurozone figure conceals some major differences, however. For the first time in several years all member countries that underwent severe macroeconomic adjustments finally returned to growth. Spain, for example, registered growth of 1.4 % last year, following a protracted spell of economic contraction. Irish GDP expanded by more than 4 %. At 1.6 % the German economy recorded moderate growth, but fears that the deterioration in sentiment in the summer might trigger a downswing did not materialize. By their standards, emerging markets expanded by a rather disappointing 4.0 % on average, with economic growth in emerging Asian markets coming in at 6.1 %.

In 2014, financial markets stood under the twin spell of monetary policy and geopolitical tensions – like the conflict between Russia and Ukraine. In the United States, the Federal Reserve Bank started a gradual exit from its ultra-loose monetary policy by completely phasing out its bond purchasing program in the course of 2014. By contrast, the European Central Bank continued to ease its monetary policy stance, amongst other measures by further lowering its key interest rate to 0.05 %. Yields on 10-year German government bonds ended 2014 at 0.5 %, a decline of about 140 basis points compared with a year earlier. Spreads on sovereign bonds of debt-ridden Eurozone member countries continued to narrow substantially, with the exception of Greece. The performance of major stock market indices was mixed, with gains in the Eurozone more muted than in 2013. The Euro depreciated considerably against the U.S. Dollar in the second half of 2014. The diverging monetary policies of the Federal Reserve Bank and the European Central Bank were a key factor behind this downward correction. The massive drop in oil prices that started in mid-2014 exacerbated the economic crisis in Russia, prompting a steep slide in the Ruble against major currencies. Against the Euro the Russian currency lost 33 % in the course of 2014.

Business environment 2014: insurance and asset management industry

Against the backdrop of subdued economic growth and rising geopolitical tensions, the insurance industry as a whole weathered the year 2014 rather well, with premium growth and profitability remaining more or less stable. However, this stability conceals considerable differences between business lines and markets. In the property-casualty sector, premium growth eased up, mainly due to the economic slowdown in the emerging markets. On the other hand, premium growth in the life sector picked up, led by strong demand in China and the rebound in the United States. The relative stable profitability, too, masks different trends: while the gradual strengthening of premium rates and a benign claims environment were positives in 2014, the investment environment remained challenging, to say the least. The prolonged period of low interest rates increased the reinvestment risk as assets had to be reinvested at lower rates, putting returns under pressure.

In the *property-casualty* sector, premium growth in advanced markets was basically unchanged from the previous year. Slightly lower growth in the United States was compensated by some strengthening in Europe, although some markets in southern Europe such as Spain, Italy and Greece remained in the doldrums. In emerging markets, weaker economic activity took its toll on premium growth too: many markets, first and foremost in Eastern Europe, showed significantly slower growth than in the previous year. The notable exception was the Chinese market, which was buoyed by a strong motor business. Overall, according to our own estimates and based on preliminary figures, global premiums grew by around 4 % in 2014 (in nominal terms and adjusted for foreign currency translation effects).

Underwriting profitability remained on average stable, with combined ratios in most markets clearly below 100 %, reflecting a general positive rate development and a benign claims environment: global catastrophe losses remained low for a third year in a row. However, overall profitability was restrained by the challenging investment environment. Hopes for rising yields were dashed again in 2014 as interest rates fell even further, driving investment returns lower.

In the *life* sector, premium income growth in advanced markets was markedly higher than in the previous year. The main drivers were the rebound of the U.S. market from its dip in 2013 and the strong performance of some European markets, notably Italy and France. Premium growth in emerging markets remained on average strong. In particular, the Chinese and Indian markets returned to form, putting some weaker years firmly behind them. However, markets in Latin America and Eastern Europe grew rather below their trend growth of recent years. In total, according to our own estimates and based on preliminary figures, global premiums grew by around 5 % in 2014 (in nominal terms and adjusted for foreign currency translation effects).

The prevailing low yield environment posed the greatest challenge for profitability in the life sector as it caused the spread between returns on assets and guaranteed rates to shrink. Life insurers reacted to this spread compression by enhancing asset-liability management, increasing reserves and shifting the portfolio mix toward less liquid assets such as infrastructure. Moreover, many insurers started to de-risk their product design by restructuring their business towards less interest-sensitive products with reduced or flexible guarantees. All in all, life insurers managed to maintain their relatively high profitability and keep their robust capital position.

General economic growth in 2014 again lagged behind the long-term trend in OECD countries, with correspondingly subdued growth prospects for the *asset management* industry. For the asset management industry as a whole, it was a year of surprises, varying from falling long-term interest rates, a rising U.S. Dollar, political instability in various regions of the world and a sharp decline in oil prices in the last quarter. In addition, as for most of the past six years, capital markets were also driven by the actions of central banks.

Persistently low interest rates are having a major impact on interest-bearing investments. Contrary to the expectations of many market participants, 2014 did not see a broad rise in interest rates. On the one hand, yields on maturities of 10 years and longer were down, especially in the United States and in Europe. The yield on 10-year U.S. government bonds, for instance, fell from 3 % at the beginning of the year to around 2 % at the end of December. On the other hand, yields on shorter maturities continued to rise during the last months of 2014.

Stock markets were highly volatile and European indices were particularly prone to strong fluctuations in the second half of 2014. At the end of the year equity markets reacted negatively to falling oil prices, to the prospects of an interest rate hike from the Federal Reserve in the first half of 2015 and to market expectations of additional monetary stimulus in the Eurozone and Japan.

Overall, markets recorded continuing net inflows into equity and fixed income as money provided by central banks in Western countries was flooding the markets in search of safety or returns – in particular into global equity as well as taxable and tax-exempt bonds. Most active asset managers were able to capture a portion of the organic growth, but there was also a significant shift to passive products visible in the markets, especially in the United States. The flow development, as well as rising assets under management, drove revenues and profits higher.

Executive Summary of 2014 Results

- Revenues increased to € 122.3 BN.
- Operating profit grew 3.3 % to € 10,402 MN.
- Net income increased to € 6,603 MN.
- Solvency ratio remained strong at 181 %.[1]

Allianz Group overview

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

Key figures

KEY FIGURES ALLIANZ GROUP

€ MN

	2014	2013
Total revenues	122,253	110,773
Operating profit	10,402	10,066
Net income	6,603	6,343
Solvency ratio[1] in %	181	182

Earnings summary

MANAGEMENT'S ASSESSMENT OF 2014 RESULTS

Our *total revenues* grew 10.4 % – or 10.6 % on an internal basis[2] – reaching € 122.3 BN. However, the operating environment remains challenging, especially for our Life/Health business. Our revenue growth was mainly driven by our Life/Health business, supported by a strong increase in our Property-Casualty revenues. Revenues in our Corporate and other business remained flat, while operating revenues in our Asset Management business declined.

Our *operating profit* went up 3.3 % to € 10,402 MN, which is within the upper end of our target range. The main driver of this was the strong investment margin in our Life/Health business. In our Corporate and Other business, the recovery in the banking segment was the biggest driver of the improvement, while our Property-Casualty business benefited from strong premium growth and a stable combined ratio. Our Asset Management business, however, was impacted by lower operating revenues.

Net income rose 4.1 % to € 6,603 MN. This was mainly driven by our strong operating performance and an extraordinary tax benefit, but slightly dampened by the development of our non-operating result. *Net income attributable to shareholders* and *non-controlling interests* was € 6,221 MN (2013: € 5,996 MN) and € 381 MN (2013: € 347 MN), respectively.

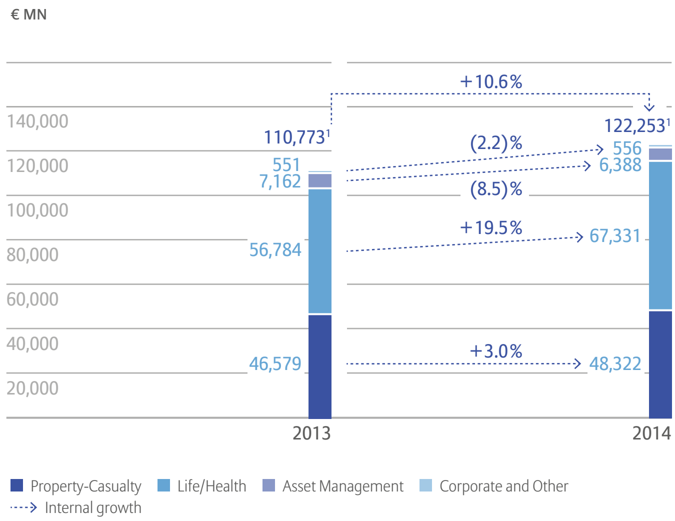
Our *shareholders' equity* increased by € 10.7 BN to € 60.7 BN. Our conglomerate solvency ratio remained strong at 181 %[1].

1 — Conglomerate solvency ratio as of 31 December 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 0.4 BN in 2015. Excluding this adjustment, the solvency ratio would be 182 % (including off-balance sheet reserves) as of 31 December 2014. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2014 would be 172 % (31 December 2013: 173 %).

2 — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 121 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[1]

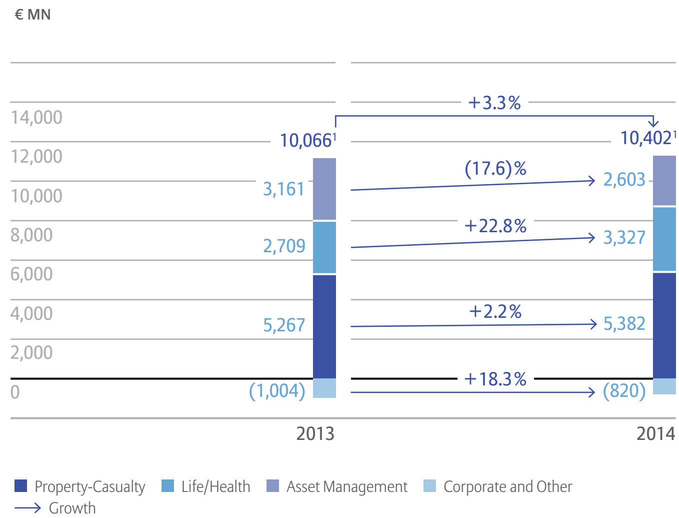
TOTAL REVENUES – BUSINESS SEGMENTS



1 — Total revenues include € (344) MN (2013: € (302) MN) from consolidation.

Operating profit

OPERATING PROFIT – BUSINESS SEGMENTS



1 — Total operating profit includes € (91) MN (2013: € (68) MN) from consolidation.

Property-Casualty gross premiums written grew 3.7% and totaled € 48.3 BN. Internal growth[2] of 3.0% was entirely volume driven.

Life/Health statutory premiums amounted to € 67.3 BN[3], an increase of 19.5% on an internal basis[2]. This growth was largely driven by our fixed-indexed annuity product business in the United States, strong sales of unit-linked and savings products in Italy and an increase in the single premium business with reduced guarantees in Germany.

Asset Management operating revenues amounted to € 6.4 BN, a decrease of 8.5% compared to 2013 on an internal basis[2]. This was mainly due to lower performance fees, which were exceptionally high in 2013 and thus fell by € 235 MN to € 275 MN in 2014, as well as lower average assets under management. The allocation of certain entities to other business segments[4] also contributed to the decrease in operating revenues.

Total revenues in our Banking operations (reported in our *Corporate and Other* business segment) were flat at € 556 MN.

Our *Property-Casualty* operating profit amounted to € 5,382 MN – up by € 115 MN or 2.2% – driven by strong premium growth and a stable combined ratio. The underwriting result grew by € 80 MN to € 2,251 MN due to significantly lower losses from natural catastrophe events.

The *Life/Health* operating profit increased by € 618 MN to € 3,327 MN[3], mainly driven by an improved investment margin due to gains from using derivatives to lengthen duration and a recovery in the foreign currency result after the losses in 2013 on partially hedged emerging markets bonds. The allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health contributed € 113 MN to this development.

Asset Management operating profit fell by € 558 MN to € 2,603 MN, a decrease of 14.6% on an internal basis[5]. The main driver of this development was the decline in operating revenues, outpacing the decline in operating expenses. The cost-income ratio deteriorated by 3.4 percentage points to 59.2%, mainly driven by the sharply lower performance fees compared to 2013 and lower assets under management driven income.

Our operating result in *Corporate and Other* improved by € 183 MN to a loss of € 820 MN. This was mainly because of the costs related to the closure of the Allianz Bank's business operations in mid-2013.

1 — Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
2 — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 121 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.
3 — In the fourth quarter of 2014, our French International Health business was transferred from France (Life/Health) to the reportable segment Allianz Worldwide Partners effective 1 January 2014.
4 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

5 — Operating profit adjusted for foreign currency translation and (de-)consolidation effects.

Non-operating result

Our *non-operating result* decreased by € 1,131 MN to a loss of € 1,554 MN, mainly driven by a € 901 MN reclassification of tax benefits attributable to policyholders, but also by a decreased non-operating investment result.

Our *non-operating investment result* declined by € 350 MN to € 312 MN, mainly due to a decrease in income from financial assets and liabilities carried at fair value through income.

Non-operating income from financial assets and liabilities carried at fair value through income (net) decreased by € 326 MN to a loss of € 303 MN mainly due to unfavorable hedging results.

Non-operating realized gains and losses (net) were down by € 141 MN to € 812 MN due to a reduction in realizations on equities. This was only partly offset by higher realizations on debt securities mainly within our Property-Casualty business segment.

Non-operating impairments of investments (net) decreased by € 116 MN to € 197 MN. An increase in impairments on debt securities was more than offset by a respective decrease on equities.

Non-operating interest expenses from external debt improved by € 55 MN to € 846 MN reflecting lower expenses on subordinated bonds.

Reclassification of tax benefits had a negative impact on our non-operating result of € 901 MN in favor of the operating result. Thereof, € 892 MN are related to a favorable Federal Fiscal Court decision, initiated by Allianz Leben in Germany, concerning tax deductibility of equity losses. For the Life/Health business segment reporting, the tax benefits are reclassified and shown within the operating profit in order to adequately reflect policyholder participation. Thus, the non-operating result is reduced. For the Allianz Group reporting, the tax benefits are presented according to IAS 12 in the income tax line.

Income taxes

Income taxes decreased by € 1,055 MN to € 2,245 MN. The effective tax rate decreased to 25.4 % (2013: 34.2 %). The decrease in income taxes and effective tax rate was in particular due to the extraordinary tax benefits for current and previous years from the previously-mentioned favorable court decision amounting to € 1,120 MN. The policyholder share in the tax benefits amounted to € 892 MN. Without policyholder participation[1], the Allianz Group's effective tax rate attributable to the shareholders would be approximately 32 %.

Net income

Net income increased by € 260 MN – from € 6,343 MN to € 6,603 MN – primarily driven by our overall strong operating performance. *Net income attributable to shareholders* and *non-controlling interests* amounted to € 6,221 MN (2013: € 5,996 MN) and € 381 MN (2013: € 347 MN), respectively. Our largest non-controlling interests in net income related to Euler Hermes and PIMCO.

Basic earnings per share rose from € 13.23 to € 13.71 in 2014 and *diluted earnings per share* increased from € 13.05 to € 13.64. For further information on earnings per share, please refer to note 51 to the consolidated financial statements.

Proposal for appropriation of net earnings

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 3,786,745,743.20 for the 2014 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 6.85 per no-par share entitled to a dividend: € 3,111,752,678.40
- Unappropriated earnings carried forward: € 674,993,064.80

The proposal for appropriation of net earnings reflects the 2,729,536 treasury shares held directly and indirectly by the company at the time of the publication of the convocation of the Annual General Meeting in the Federal Gazette. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 6.85 per each share entitled to dividend.

Munich, 24 February 2015

Allianz SE

1 — Tax benefits for prior years allocated to policyholders of € 627 MN.

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

€ MN	2014	2013
Total revenues[1]	**122,253**	**110,773**
Premiums earned (net)	68,274	66,628
Operating investment result		
Interest and similar income	21,443	20,918
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,301)	(1,868)
Operating realized gains/losses (net)	3,205	3,334
Interest expenses, excluding interest expenses from external debt	(415)	(421)
Operating impairments of investments (net)	(697)	(298)
Investment expenses	(961)	(905)
Subtotal	**21,274**	**20,761**
Fee and commission income	10,119	10,492
Other income	216	209
Claims and insurance benefits incurred (net)	(49,650)	(47,802)
Change in reserves for insurance and investment contracts (net)[2]	(13,929)	(13,990)
Loan loss provisions	(45)	(86)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(23,351)	(22,831)
Fee and commission expenses	(3,238)	(3,038)
Operating amortization of intangible assets	(19)	–
Restructuring charges	(16)	(170)
Other expenses	(135)	(106)
Reclassification of tax benefits	901	–
Operating profit (loss)	**10,402**	**10,066**
Non-operating investment result		
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(303)	23
Non-operating realized gains/losses (net)	812	952
Non-operating impairments of investments (net)	(197)	(313)
Subtotal	**312**	**662**
Income from fully consolidated private equity investments (net)	(23)	(15)
Interest expenses from external debt	(846)	(901)
Acquisition-related expenses	7	(34)
Non-operating amortization of intangible assets	(104)	(136)
Reclassification of tax benefits	(901)	–
Non-operating items	**(1,554)**	**(423)**
Income (loss) before income taxes	**8,848**	**9,643**
Income taxes	(2,245)	(3,300)
Net income (loss)	**6,603**	**6,343**
Net income (loss) attributable to:		
Non-controlling interests	381	347
Shareholders	6,221	5,996
Basic earnings per share in €	13.71	13.23
Diluted earnings per share in €	13.64	13.05

1 — Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
2 — Includes expenses for premium refunds (net) in Property-Casualty of € (307) MN (2013: € (162) MN).

Events after the balance sheet date

The Allianz Group was not subject to any subsequent events which could significantly impact the Group financial results after the balance sheet date and before the financial statements were authorized for issue.

Other information

CHANGES IN SEGMENT STRUCTURE

Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

In the fourth quarter of 2014, the French International Health business was transferred from the reportable segment Western & Southern Europe (Life/Health) to the reportable segment Allianz Worldwide Partners effective 1 January 2014 to reflect the change in management responsibility and to bundle the international health business to provide a comprehensive product range to the customers.

BOARD OF MANAGEMENT STRUCTURE 2015

The Supervisory Board of Allianz SE agreed to the request of Michael Diekmann to not further extend his board appointment beyond the Annual General Meeting (AGM) on 6 May 2015. He will remain Chairman of the Board of Management up to that day. Oliver Bäte has been appointed as new CEO of Allianz SE with effect from 7 May 2015. His contract has been extended until 30 September 2019. Oliver Bäte will continue to be responsible for Global Property and Casualty up to the AGM 2015. The Supervisory Board also agreed to the request of Clement Booth to not further extend his board appointment. His mandate ended on 31 December 2014. Upon mutual agreement and in keeping with his request, the board mandate of Gary Bhojwani ended on 31 December 2014. The Supervisory Board appointed Sergio Balbinot as a member of the Board of Management of Allianz SE for a duration of four years starting 1 January 2015. Sergio Balbinot takes over responsibility for the insurance business in the countries of western and southern Europe (France, Benelux, Italy, Greece, Turkey and Africa). Also effective beginning of this year Dr. Axel Theis has been appointed as a member of the Board of Management of Allianz SE with a duration of four years. He is in charge of the global industrial insurance business, credit insurance, reinsurance and the insurance business in Ireland and Great Britain. Starting 7 May 2015 he will also take over responsibility for Global Property and Casualty from Oliver Bäte. Manuel Bauer's appointment has been extended for another year until the end of 2015. The appointments of Dr. Dieter Wemmer and Dr. Werner Zedelius have been extended by three years and the appointment of Dr. Helga Jung by five years. At 1 January 2015 Manuel Bauer also took over responsibility for the insurance business in Australia and as of the same date Jay Ralph took over responsibility for the life insurance business in the United States in addition to prior responsibilities.

For further information on the current composition of the Board of Management, please refer to Strategy and Steering starting on page 70.

NEW DIVIDEND POLICY WITH INCREASED PAY-OUT RATIO OF 50%

During the last quarter of 2014 the Board of Management and the Supervisory Board of Allianz SE decided to alter their dividend policy to target an increase in pay-out ratio from 40 to 50% of the Allianz Group net income (attributable to shareholders). In the interest of dividend continuity, the objective is to keep the dividend per share at least at the level paid in the previous year. It is further intended to evaluate and return to the shareholders the unused budget earmarked for external growth every three years. The first evaluation would take place at the end of 2016. The dividend policy is subject to a sustainable Solvency II ratio above 160%.

This dividend policy represents the current intention of the Board of Management and the Supervisory Board and may be revised in the future. Also, the dividend payment in any given year is subject to specific dividend proposals by the Board of Management and the Supervisory Board, each of which may elect to deviate from this dividend policy if appropriate under the then prevailing circumstances, as well as to the decision of the Annual General Meeting.

Other parts of the Group Management Report

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

– Statement on Corporate Management pursuant to § 289a of the HGB starting on page 40,
– Takeover-related Statements and Explanations starting on page 42 and the
– Remuneration Report starting on page 45.

Property-Casualty Insurance Operations

– Gross premiums written grew 3.7 % reaching € 48.3 BN.
– Operating profit increased 2.2 % to € 5,382 MN benefiting from strong premium growth and a stable combined ratio of 94.3 %.

Business segment overview

Our Property-Casualty business offers a wide range of products and services for both private and corporate clients. Our offerings cover many insurance classes such as motor, accident/disability, property and general liability. We conduct business worldwide in more than 70 countries. We are also a global leader in travel insurance, assistance services and credit insurance. We distribute our products via a broad network of agents, brokers, banks and other strategic partners, as well as through direct channels.

Key figures

KEY FIGURES PROPERTY-CASUALTY

€ MN	2014	2013
Gross premiums written	48,322	46,579
Operating profit	5,382	5,267
Net income	3,448	3,817
Loss ratio in %	66.0	65.9
Expense ratio in %	28.3	28.4
Combined ratio in %	94.3	94.3

Gross premiums written[1]

On a nominal basis, we recorded *gross premiums written* of € 48,322 MN, an increase of € 1,744 MN or 3.7 % compared to 2013. Negative foreign currency translation effects amounted to € 640 MN, largely due to the depreciation of the Australian Dollar, the Argentine Peso and the Turkish Lira against the Euro. This was partly offset by positive effects from the British Pound.[2] Consolidation/deconsolidation effects were positive at € 963 MN, mainly because of the acquisition of a part of the insurance business of UnipolSai, the transfer of the French International Health business to the reportable segment Allianz Worldwide Partners[3] and the acquisition of Yapı Kredi Sigorta in Turkey in 2013.

On an internal basis, our gross premiums written grew 3.0 % fully driven by a favorable volume effect.

Analyzing internal premium growth in terms of price and volume, we use four clusters based on 2014 internal growth over 2013:

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

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

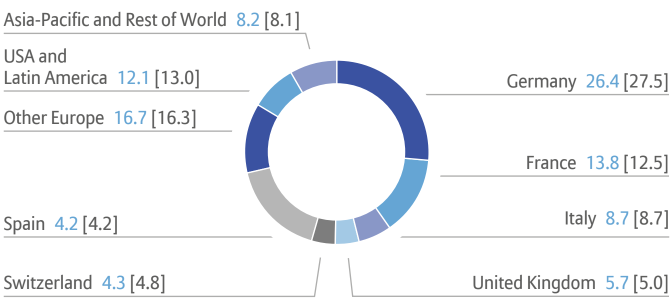
Cluster 3:
Overall decline – either price or volume effects are negative.

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

1 — 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 — Based on the average exchange rates in 2014 compared to 2013.
3 — In the fourth quarter of 2014, our French International Health business was transferred from France (Life/Health) to the reportable segment Allianz Worldwide Partners effective 1 January 2014.

GROSS PREMIUMS WRITTEN BY REGION/COUNTRY[1]

Year 2014 [2013] in %



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

CLUSTER 1

In the *United Kingdom* gross premiums increased 12.0 % on an internal basis to € 2,684 MN. This was mainly due to higher volumes in our motor retail and pet insurance business.

Allianz Worldwide Partners recorded gross premiums of € 3,341 MN. The main drivers of the internal growth of 9.9 % were positive volume effects in our travel business in the United States and United Kingdom as well as in our international health business.

In *Ireland* gross premiums amounted € 439 MN – up 6.7 % on an internal basis. This was largely due to higher volumes in our personal lines.

In *Germany* gross premiums climbed to € 9,532 MN – an increase of 2.6 % on an internal basis. This growth was generated by our motor retail and commercial non-motor business with favorable price and volume effects.

CLUSTER 2

In *Asia-Pacific* we recorded a 13.1 % increase in gross premiums to € 722 MN. The internal growth was mainly due to higher volumes in our motor and health business.

At *AGCS* gross premiums stood at € 5,389 MN – a rise of 8.1 % on an internal basis. The strong volume effects in our liability and engineering lines were partly offset by negative price effects in our energy and aviation lines of business.

In *Australia* gross premiums totaled € 2,763 MN. The internal growth of 3.7 % was mainly due to higher volumes in our motor business, which could not be offset by slightly negative price effects in our domestic motor and commercial property business.

In *Spain* gross premiums grew 2.9 % on an internal basis to € 2,015 MN. This increase was mainly generated by positive volume effects across all our lines of business.

In our *Credit Insurance* business, gross premiums rose to € 2,158 MN. The internal growth of 2.7 % stemmed from higher volumes in our growth markets primarily in the Americas, Asia and the Middle East.

In *Latin America* gross premiums were € 2,101 MN. The internal growth of 2.3 % was driven by growth in Argentina across all lines of business. However, this was partly offset by negative volume effects in Brazil.

In *France* gross premiums went up 0.7 % on an internal basis and reached € 4,248 MN driven by tariff increases.

CLUSTER 3

In the *United States* gross premiums were € 1,958 MN. The decrease of 4.6 % on an internal basis was largely driven by adverse volume effects in our commercial lines and lower commodity prices for crop.

In *Italy* we recorded gross premiums of € 4,196 MN. On an internal basis, gross premiums dropped 1.2 %, mainly due to a negative price effect in our motor business, which could not be offset by volume increases in our non-motor business.

CLUSTER 4

In *Central and Eastern Europe* gross premiums were down 5.2 % on an internal basis to € 2,227 MN. This was largely due to negative volume effects from the downscaling of our retail business – in particular our motor business – in Russia. Favorable volume effects in our motor business in the Czech Republic and Romania partly offset the overall negative impact from Russia.

Operating profit

OPERATING PROFIT

€ MN	2014	2013
Underwriting result	2,251	2,170
Operating investment income (net)	3,066	3,049
Other result[1]	66	48
Operating profit	**5,382**	**5,267**

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

Operating profit increased by € 115 MN to € 5,382 MN. This was mainly driven by strong growth in premiums earned and a stable combined ratio.

Our *underwriting result* grew by € 80 MN to € 2,251 MN. Significantly lower losses from natural catastrophe events were partially offset by a higher impact from single large claims and a lower run-off contribution compared to last year. Overall, the *combined ratio* was unchanged at 94.3 %.

UNDERWRITING RESULT

€ MN	2014	2013
Premiums earned (net)	43,759	42,047
Accident year claims	(30,263)	(29,402)
Previous year claims (run-off)	1,385	1,689
Claims and insurance benefits incurred (net)	(28,878)	(27,713)
Acquisition and administrative expenses (net)	(12,400)	(11,942)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(231)	(223)
Underwriting result	**2,251**	**2,170**

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

Our *accident year loss ratio* stood at 69.2 % – a 0.8 percentage point improvement compared to the previous year's figure. This was predominantly the result of lower losses from natural catastrophes from € 1,218 MN to € 400 MN, a decrease of 2.0 percentage points to 0.9 %.

Excluding losses from natural catastrophes, our accident year loss ratio was 68.2 %, up 1.2 percentage points compared to the previous year. This increase was mainly driven by Brazil and by single large claims at AGCS, which offset the favorable development in attritional losses in France and Germany.

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

Germany: 1.6 percentage points. This was largely because of a reduced burden from natural catastrophe events compared to the previous year – which was severely impacted by storm Andreas and the Frederic floods. The improvement was further supported by a lower attritional claims ratio and favorable price momentum, particularly in our retail motor and commercial non-motor business.

France: 0.3 percentage points. This was driven by an improvement in the attritional loss ratio supported by lower claim frequencies and less impact from single large losses.

Reinsurance: 0.3 percentage points. The improvement resulted from lower losses from natural catastrophes.

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

Latin America: 0.4 percentage points. The negative impact stemmed mainly from Brazil.

AGCS: 0.2 percentage points. This was driven by a higher impact of single large losses.

United States: 0.2 percentage points. The negative development was largely driven by commercial liability, crop and higher losses from natural catastrophes.

Our *run-off result* decreased by € 304 MN to € 1,385 MN – resulting in a run-off ratio of 3.2 % – 0.9 percentage points lower than in 2013. Reserve releases across most of our operating entities were reduced by a 0.7 percentage point negative impact from reserve strengthening in the United States, Russia and Brazil.

Total expenses amounted to € 12,400 MN in 2014, compared to € 11,942 MN in the previous year. Our *expense ratio* improved slightly to 28.3 %, positively impacted by the removal of the fire levy in Australia amongst other effects. Receivable write-offs in Brazil and integration costs for the acquisition of a part of the insurance business of UnipolSai in Italy dampened the positive development.

OPERATING INVESTMENT INCOME (NET)[1]

€ MN

	2014	2013
Interest and similar income (net of interest expenses)	3,525	3,542
Operating income from financial assets and liabilities carried at fair value through income (net)	6	(75)
Operating realized gains/losses (net)	186	70
Operating impairments of investments (net)	(20)	(11)
Investment expenses	(323)	(315)
Expenses for premium refunds (net)[2]	(307)	(162)
Operating investment income (net)	**3,066**	**3,049**

1 — The operating investment income (net) for our Property-Casualty business segment consists of the operating investment result – as shown in note 6 to the consolidated financial statements – and expenses for premium refunds (net) (policyholder participation) as shown in note 34 to the consolidated financial statements.
2 — Refers to policyholder participation, mainly from APR (accident insurance with premium refunds) business, and consists of the investment-related part of "change in reserves for insurance and investment contracts (net)". For further information, please refer to note 34 to the consolidated financial statements.

Operating investment income (net) amounted to € 3,066 MN – up by € 17 MN. This was mainly driven by a higher foreign currency result net of hedging.

Interest and similar income (net of interest expenses) decreased slightly by € 17 MN to € 3,525 MN resulting from reduced interest income on debt securities due to lower interest rates, partially compensated by higher income on equities. The average asset base[1] stood at € 104.6 BN – up 1.9 % from € 102.6 BN compared to the previous year.

Operating income from financial assets and liabilities carried at fair value through income (net) grew by € 81 MN from € (75) MN to € 6 MN. This was largely due to an improved foreign exchange result net of hedging compared to 2013.

Operating realized gains and losses (net) increased by € 116 MN to € 186 MN. This reflects the higher realized gains on equities in Germany mainly within the APR (accident insurance with premium refunds) business.

Expenses for premium refunds (net) increased by € 146 MN to € 307 MN. The change is driven by a higher policyholder participation, mainly from the higher realized gains attributable to our APR business.

OTHER RESULT

€ MN

	2014	2013
Fee and commission income	1,260	1,226
Other income	60	47
Fee and commission expenses	(1,180)	(1,141)
Other expenses	(45)	(21)
Restructuring charges	(30)	(62)
Other result	**66**	**48**

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

Net income

Net income went down by € 369 MN to € 3,448 MN compared to the previous year. The higher operating profit was more than offset by a non-operating one-off effect from the inter-segment pension revaluation[2] recorded in the first quarter of 2014.

PROPERTY-CASUALTY BUSINESS SEGMENT INFORMATION

€ MN

	2014	2013
Gross premiums written[1]	**48,322**	46,579
Ceded premiums written	(3,961)	(3,981)
Change in unearned premiums	(602)	(550)
Premiums earned (net)	**43,759**	**42,047**
Interest and similar income	3,595	3,594
Operating income from financial assets and liabilities carried at fair value through income (net)	6	(75)
Operating realized gains/losses (net)	186	70
Fee and commission income	1,260	1,226
Other income	60	47
Operating revenues	**48,867**	**46,908**
Claims and insurance benefits incurred (net)	(28,878)	(27,713)
Change in reserves for insurance and investment contracts (net)	(538)	(384)
Interest expenses	(71)	(52)
Operating impairments of investments (net)	(20)	(11)
Investment expenses	(323)	(315)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(12,400)	(11,942)
Fee and commission expenses	(1,180)	(1,141)
Restructuring charges	(30)	(62)
Other expenses	(45)	(21)
Operating expenses	**(43,485)**	(41,641)
Operating profit	**5,382**	**5,267**
Non-operating items	(406)	296
Income before income taxes	**4,976**	**5,563**
Income taxes	(1,528)	(1,746)
Net income	**3,448**	**3,817**
Loss ratio[2] in %	66.0	65.9
Expense ratio[3] in %	28.3	28.4
Combined ratio[4] in %	**94.3**	**94.3**

1 — For the Property-Casualty business segment, total revenues are measured based upon gross premiums written.
2 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3 — Represents acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, divided by premiums earned (net).
4 — Represents the total of acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).

2 — A respective offsetting effect was recorded in our Corporate and Other business segment. For further information on the one-off effect from pension revaluation, please refer to note 6 to the consolidated financial statements.

Property-Casualty insurance operations by reportable segments

PROPERTY-CASUALTY INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN	Gross premiums written				Premiums earned (net)		Operating profit (loss)	
			internal[1]					
	2014	2013	2014	2013	2014	2013	2014	2013
Germany[2,3]	9,532	9,261	9,487	9,247	7,824	7,611	1,303	661
Switzerland	1,489	1,489	1,476	1,489	1,428	1,422	198	194
Austria	976	966	976	966	831	814	75	62
German Speaking Countries[3]	**11,997**	**11,748**	**11,939**	**11,702**	**10,083**	**9,861**	**1,575**	**916**
Italy[4]	4,196	4,032	3,985	4,032	3,906	3,949	932	1,127
France	4,248	4,174	4,248	4,217	3,926	3,804	428	402
Benelux[5]	1,135	1,165	1,135	1,163	1,065	1,087	96	77
Turkey[6]	1,082	978	1,017	978	906	753	90	69
Greece	108	111	108	111	89	87	16	17
Africa	96	87	96	88	65	55	11	11
Western & Southern Europe[7]	**10,865**	**10,547**	**10,589**	**10,588**	**9,956**	**9,735**	**1,580**	**1,712**
Latin America	2,101	2,350	2,405	2,350	1,622	1,737	(147)	133
Spain	2,015	1,958	2,015	1,958	1,806	1,804	255	236
Portugal	320	312	320	312	271	269	(4)	26
Iberia & Latin America	**4,437**	**4,620**	**4,740**	**4,620**	**3,699**	**3,810**	**104**	**395**
United States	1,958	2,058	1,963	2,058	1,874	1,988	(151)	154
USA[8]	**1,958**	**2,058**	**1,963**	**2,058**	**1,874**	**1,988**	**(151)**	**154**
Allianz Global Corporate & Specialty	5,389	4,999	5,404	4,999	3,162	2,927	560	428
Reinsurance PC[2]	3,738	3,345	3,738	3,340	3,118	2,880	464	317
Australia	2,763	2,847	2,952	2,847	2,180	2,235	353	378
United Kingdom	2,684	2,274	2,547	2,274	2,439	2,122	178	201
Credit Insurance	2,158	2,092	2,131	2,076	1,482	1,435	401	407
Ireland	439	412	439	412	385	372	85	62
Global Insurance Lines & Anglo Markets[9]	**17,172**	**15,969**	**17,211**	**15,948**	**12,766**	**11,970**	**2,044**	**1,785**
Russia	537	808	622	808	528	598	(194)	(38)
Poland	419	427	418	427	348	345	17	12
Hungary	263	268	273	268	223	230	22	27
Slovakia	330	321	330	321	267	266	67	53
Czech Republic	286	276	304	276	238	228	44	44
Romania	199	186	201	186	154	150	9	5
Bulgaria	92	82	92	82	68	63	7	19
Croatia	89	93	89	93	75	77	10	13
Ukraine	13	16	19	16	8	7	(1)	–
Central and Eastern Europe[10]	2,227	2,477	2,347	2,477	1,909	1,964	(27)	127
Asia-Pacific	722	667	754	667	443	377	57	67
Middle East and North Africa	74	68	75	68	49	46	8	8
Growth Markets	**3,022**	**3,211**	**3,176**	**3,211**	**2,401**	**2,388**	**39**	**201**
Allianz Global Assistance	2,142	1,972	2,129	1,972	1,987	1,842	102	96
Allianz Worldwide Care	1,108	452	1,108	975	926	419	53	30
Allianz Worldwide Partners[11]	**3,341**	**2,507**	**3,329**	**3,030**	**2,981**	**2,296**	**105**	**102**
Consolidation and Other[12,13]	(4,469)	(4,081)	(4,475)	(4,104)	–	–	86	2
Total	**48,322**	**46,579**	**48,473**	**47,052**	**43,759**	**42,047**	**5,382**	**5,267**

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

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

3 — Starting from 2014, "Münchener und Magdeburger Agrarversicherung AG" is included in Germany with gross premiums written of € 35 MN, premiums earned (net) of € 15 MN and operating profit of € 7 MN. Prior-year numbers were not adjusted. Contribution to German Speaking Countries before consolidation in 2013 was gross written premiums of € 32 MN, premiums earned (net) of € 14 MN of and operating loss of € 1 MN.

4 — Effective 1 July 2014, the Allianz Group acquired parts of the insurance business of UnipolSai Assicurazioni S.p.A., Bologna.

5 — Belgium and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.

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

7 — Contains € 7 MN and € 11 MN operating profit for 2014 and 2013, respectively, from a management holding located in Luxembourg.

%	Combined ratio		Loss ratio		Expense ratio	
	2014	2013	2014	2013	2014	2013
Germany[2,3]	91.5	99.5	65.7	73.4	25.9	26.1
Switzerland	91.0	91.1	67.8	67.9	23.2	23.2
Austria	94.4	96.5	69.0	70.5	25.4	26.0
German Speaking Countries[3]	**91.7**	**98.0**	**66.2**	**72.3**	**25.4**	**25.7**
Italy[4]	82.5	78.2	55.0	53.1	27.5	25.1
France	96.3	97.6	67.6	68.9	28.7	28.7
Benelux[5]	97.6	97.6	67.6	68.4	30.0	29.2
Turkey[6]	97.8	96.1	75.1	71.4	22.6	24.7
Greece	86.1	83.9	51.1	50.2	35.0	33.8
Africa	92.6	95.7	48.4	52.0	44.2	43.6
Western & Southern Europe[7]	**91.0**	**89.4**	**63.1**	**62.4**	**27.9**	**27.1**
Latin America	116.1	98.3	79.7	66.3	36.5	31.9
Spain	89.9	90.9	68.8	70.0	21.1	20.9
Portugal	105.7	95.0	82.7	72.6	23.0	22.4
Iberia & Latin America	**102.6**	**94.6**	**74.6**	**68.5**	**28.0**	**26.0**
United States	120.0	103.5	85.6	69.2	34.4	34.3
USA[8]	**120.0**	**103.5**	**85.6**	**69.2**	**34.4**	**34.3**
Allianz Global Corporate & Specialty	93.1	95.0	65.2	67.3	27.9	27.7
Reinsurance PC[2]	88.6	92.8	60.5	61.2	28.0	31.6
Australia	94.6	93.5	69.7	68.1	24.9	25.4
United Kingdom	97.6	96.0	65.9	64.5	31.6	31.5
Credit Insurance	78.6	79.3	48.8	50.5	29.7	28.9
Ireland	84.7	90.1	55.6	59.2	29.2	30.9
Global Insurance Lines & Anglo Markets[9]	**91.2**	**92.5**	**62.7**	**63.3**	**28.4**	**29.2**
Russia	141.6	112.0	98.7	69.7	42.9	42.3
Poland	99.5	100.9	64.0	65.8	35.5	35.1
Hungary	102.7	100.4	62.4	60.0	40.3	40.4
Slovakia	79.5	86.2	53.2	54.8	26.3	31.4
Czech Republic	85.0	84.5	56.9	56.6	28.1	27.9
Romania	100.3	102.9	70.1	72.6	30.2	30.3
Bulgaria	92.5	72.1	66.6	44.9	26.0	27.3
Croatia	93.8	89.3	54.1	50.1	39.6	39.2
Ukraine	114.9	124.8	62.3	59.9	52.6	64.9
Central and Eastern Europe[10]	106.8	99.5	71.2	62.9	35.6	36.6
Asia-Pacific	95.2	91.2	64.5	60.1	30.6	31.1
Middle East and North Africa	97.4	95.6	62.6	61.4	34.7	34.1
Growth Markets	**104.4**	**98.1**	**69.8**	**62.5**	**34.6**	**35.7**
Allianz Global Assistance	96.0	96.1	61.8	61.0	34.2	35.1
Allianz Worldwide Care	93.1	93.3	72.7	73.5	20.4	19.8
Allianz Worldwide Partners[11]	**96.6**	**96.7**	**65.6**	**63.5**	**31.0**	**33.2**
Consolidation and Other[12,13]	–	–	–	–	–	–
Total	**94.3**	**94.3**	**66.0**	**65.9**	**28.3**	**28.4**

8 — The reserve strengthening for asbestos risks in 2014 at Fireman's Fund Insurance company of € 79 MN had no impact on the financial results of the Allianz Group's and Fireman's Fund's combined ratio under IFRS.

9 — Contains € 3 MN operating profit and € 7 MN operating loss for 2014 and 2013, respectively, from AGF UK.

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

11 — The reportable segment Allianz Worldwide Partners includes the business of Allianz Global Assistance and Allianz Worldwide Care as well as the reinsurance business of Allianz Global Automotive and income and expenses of a management holding. In the fourth quarter of 2014, the French International Health business was transferred from France (Life/Health) to the reportable segment Allianz Worldwide Partners effective 1 January 2014. The reinsurance business of Allianz Global Automotive contributed gross premiums written of € 91 MN, premiums earned (net) of € 67 MN and an operating loss of € 28 MN for 2014 and with gross premiums written of € 82 MN, premiums earned (net) of € 35 MN and an operating loss of € 24 MN for 2013.

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

13 — The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 MN reflected in the operating profit for 2014.

Life/Health Insurance Operations

– Statutory premiums grew strongly by € 10.5 BN to € 67.3 BN.
– Operating profit increased 22.8 % to € 3,327 MN.

Business segment overview

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

Key figures

KEY FIGURES LIFE/HEALTH

€ MN	2014	2013
Statutory premiums[1]	67,331	56,784
Operating profit[1,2]	3,327	2,709
Net income[1,2]	2,320	1,941
Margin on reserves (BPS)[1,2,3]	65	58

Statutory premiums[4,5]

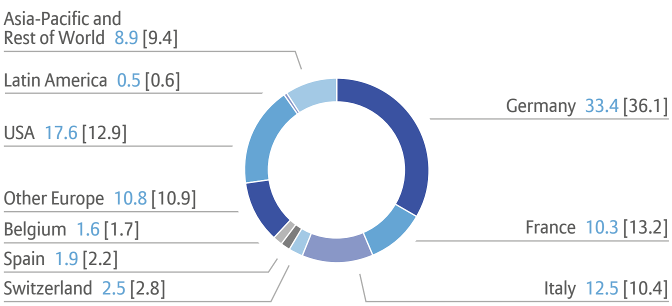
In 2014, *statutory premiums* amounted to € 67,331 MN, an increase of € 10,547 MN. On an internal basis[5], premiums increased by 19.5 % or € 10,963 MN. This excludes unfavorable foreign currency translation effects of € 192 MN and adverse consolidation/deconsolidation effects of € 224 MN, largely from the transfer – effective 1 January 2014 – of our French International Health business to the reportable segment Allianz Worldwide Partners in the business segment Property-Casualty in the fourth quarter of 2014.

We recorded premium growth in all core markets – largely driven by our single premium business. These favorable developments were also supported by our broker channel in the United States and the successful cooperation with our bancassurance channel in Italy. We experienced strong premium growth in fixed-indexed annuity products in the United States, strong sales of unit-linked and savings products in Italy and an increase in the single premium business with savings products (in particular "Perspektive") in Germany. This was partly offset by sizeable declines in variable annuity business in the United States, and to a lesser extent in some Eastern European countries, where profitability and risk management actions limited volumes.

1 — In the fourth quarter of 2014, we transferred our French International Health business to the reportable segment Allianz Worldwide Partners effective 1 January 2014.
2 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.
3 — Represents operating profit divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.
4 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
5 — In the following section, we comment on the development of our statutory gross premiums written on an internal basis, i.e. adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

STATUTORY PREMIUMS BY REGION/COUNTRY[1]

Year 2014 [2013] in %



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

Premiums in the *United States* increased to € 11,840 MN, representing growth of 61.6 %. This was driven by strong fixed-indexed annuity sales as a result of an innovative index strategy and higher penetration into the broker and dealer channel. However, as anticipated, in the second half of the year it was below the level in the first half due to the impact of pricing changes in response to the decreasing interest rate environment. This growth was partly offset by a decrease in the variable annuity business.

Premiums in *Italy* increased 34.4 % to € 11,332 MN. This growth was mainly due to the strong contribution of unit-linked and savings products distributed via our bancassurance channel. To further improve our product design and pricing, the sale of traditional guarantee savings products was largely replaced by savings products with 0 %-guarantees from the third quarter of 2014.

In *Asia-Pacific,* premiums grew 15.0 % to € 5,732 MN. This was driven by favorable developments in all markets, in particular due to increased sales of single premium unit-linked products in Taiwan and higher sales of single premium investment-oriented products distributed via the bancassurance channel in South Korea.

In our *German* life business, premiums grew 11.8 % to € 19,014 MN. This growth was driven by an increase in our single premium business with savings products while regular premiums were relatively flat. In particular the product "Perspektive" – which was launched in the second quarter of 2013 and balances reduced guarantees and higher expected returns for the policyholder with lower capital requirements for the shareholder – contributed most of this premium growth. Statutory premiums in our German health business decreased 0.6 % to € 3,245 MN due to a lower contribution from full health care coverage business.

In *Benelux*[1], we recorded premiums of € 2,518 MN, an increase of 8.3 %. This growth stemmed from both Belgium, with our 0 %-guarantee products, and Luxembourg.

Premiums in *France* increased 3.2 % to € 8,241 MN. This was mainly attributable to our individual life business, where we recorded growth in unit-linked products. In our protection and health business we also recorded a solid increase.

In *Switzerland,* premiums totaled € 1,655 MN. The increase of 2.3 % was primarily driven by our single premium business in group life. This was partly offset by a decrease in our individual life business from both single and regular premiums.

Premiums in *Central and Eastern Europe* grew 2.2 % to € 909 MN. This increase was largely because of positive business developments in Poland, driven by unit-linked sales via bancassurance. This more than compensated for the decline in premiums in Russia resulting from the termination of one bancassurance partnership and in Hungary due to a shifting focus from short- and mid-term single premium products to regular premium unit-linked pension products.

In *Spain,* premiums totaled € 1,259 MN. The increase of 2.0 % was primarily driven by unit-linked products.

Premiums earned (net)

Premiums earned (net) decreased by € 66 MN to € 24,514 MN. This was mainly driven by the transfer of our French International Health business to the reportable segment Allianz Worldwide Partners. The growth in premiums in Asia-Pacific mainly due to product mix changes and an increase in the United States because of rider charges on parts of the variable annuity business partly offset the decrease.

Present value of new business premiums (PVNBP)[2]

Present value of new business premiums (PVNBP), as an indicator for the volume of new business, increased by € 13.1 BN to € 61.0 BN. This was largely driven by the increase in our single premium fixed-indexed annuity business in the United States and the premium growth in Italy and Germany. This was supported by our Asia-Pacific business with higher sales in Taiwan, South Korea, Indonesia and favorable foreign exchange rate developments in Thailand and Malaysia. Overall, the growth was dominated by the broker and bancassurance channel.

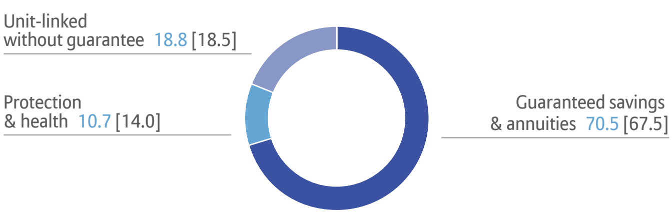
1 — Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.
2 — PVNBP before non-controlling interests.

The guaranteed savings & annuities line of business accounted for the largest part of PVNBP, mostly from the products family with reduced or minimized interest rate risk and innovative products such as the index strategy product in the United States. The transfer of our French International Health business to the reportable segment Allianz Worldwide Partners slightly decreased the PVNBP in our protection & health line of business.

Overall, the single premium share in PVNBP increased from 60% in 2013 to 64% in 2014.

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) BY LINES OF BUSINESS

Year 2014 [2013] in %



Operating profit

OPERATING PROFIT BY PROFIT SOURCES

The objective of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.

OPERATING PROFIT BY PROFIT SOURCES

€ MN	2014	2013
Loadings and fees	5,151	4,709
Investment margin	2,972	2,386
Expenses	(6,410)	(5,752)
Technical margin	1,190	1,289
Impact of change in DAC	425	77
Operating profit	**3,327**	**2,709**

Our *operating profit* increased by € 618 MN to € 3,327 MN. This development was driven by Germany, the United States and the allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health.

Loadings and fees

Loadings and fees includes premium and reserve based fees, unit-linked management fees and policyholder participation in expenses.

LOADINGS AND FEES

€ MN	2014	2013
Loadings from premiums	3,430	3,251
Loadings from reserves	1,094	1,001
Unit-linked management fees	626	458
Loadings and fees	**5,151**	**4,709**
Loadings from premiums as % of statutory premiums	5.1	5.7
Loadings from reserves as % of average reserves[1]	0.2	0.2
Unit-linked management fees as % of average unit-linked reserves[2]	0.6	0.6

1 — Aggregate policy reserves and unit-linked reserves.
2 — Calculation based on only unit-linked management fees, excluding Asset Management fees, on unit-linked reserves.

Our *loadings and fees* increased by € 441 MN to € 5,151 MN.

The increase of *loadings from premiums* by € 179 MN to € 3,430 MN largely resulted from higher sales in Germany and Asia-Pacific. Only minor contributions within loadings from premiums stemmed from the growing business in the United States as it is priced differently and expenses are financed through other profit sources, mainly investment margin. Loadings from premiums as a percentage of statutory premiums decreased by 63 basis points as a result of a higher proportion of single premium business and sales of products in Italy with relatively lower loadings. This was partially offset by the transfer of our French International Health business to the reportable segment Allianz Worldwide Partners.

The increase of *loadings from reserves* by € 93 MN to € 1,094 MN was driven by a higher reserve volume.

The growth in *unit-linked management fees* by € 169 MN to € 626 MN was largely a result of the allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health, which contributed € 140 MN in 2014. Unit-linked management fees as a percentage of unit-linked reserves decreased by 4 basis points. This was driven by a higher share of unit-linked management fees from Italy, where average fees decreased.

Investment margin

Investment margin is defined as IFRS investment income net of expenses less interest credited to IFRS reserves and policyholder participation (including policyholder participation beyond contractual and regulatory requirements for German life business).

INVESTMENT MARGIN

€ MN

	2014	2013
Interest and similar income	17,307	16,767
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,367)	(1,832)
Operating realized gains/losses (net)	3,204	3,294
Interest expenses	(107)	(81)
Operating impairments of investments (net)	(677)	(331)
Investment expenses	(903)	(839)
Other[1]	224	272
Technical interest	(8,713)	(8,650)
Policyholder participation	(5,996)	(6,215)
Investment margin	**2,972**	**2,386**
Investment margin[2] in basis points	80	69

1 — Other comprises the delta of out-of-scope entities, which are added here with their respective operating profit and different line item definitions compared to the financial statements, such as interest paid on deposits for reinsurance, fee and commission income and expenses excluding unit-linked management fees.
2 — Investment margin divided by the average of current and previous year-end aggregate policy reserves.

Our *investment margin* increased by € 586 MN to € 2,972 MN, even considering the low interest rate environment. Consequently, the investment margin as a percentage of reserves increased by 12 basis points to 80 basis points. This growth was predominantly driven by Germany and the United States. In Germany, the investment margin improved due to gains from using derivatives to lengthen duration and a recovery in the foreign currency result after the losses in 2013 on partially hedged emerging markets bonds. The policyholder participation of € 5,996 MN also includes € 625 MN of policyholder benefits beyond contractual or regulatory requirements for the German life business in 2014. A higher investment spread for the increased fixed-indexed annuity portfolio contributed in the United States.

Expenses

Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.

EXPENSES

€ MN

	2014	2013
Acquisition expenses and commissions	(4,833)	(4,233)
Administrative and other expenses	(1,577)	(1,519)
Expenses	**(6,410)**	**(5,752)**
Acquisition expenses and commissions as % of PVNBP[1]	(7.9)	(8.8)
Administrative and other expenses as % of average reserves[2]	(0.3)	(0.4)

1 — PVNBP before non-controlling interests.
2 — Aggregate policy reserves and unit-linked reserves.

Our *expenses* increased by € 658 MN to € 6,410 MN. This was mainly due to increased acquisition expenses driven by strong fixed-indexed annuity sales in the United States and products with alternative guarantees in Germany and Asia-Pacific.

The allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health increased the segment's administrative expenses by € 45 MN in 2014. In France, a litigation fine of € 50 MN imposed by the regulator increased administrative expenses.

Technical margin

Technical margin comprises risk result (risk premiums less benefits in excess of reserves less policyholder participation), lapse result (surrender charges and commission clawbacks) and reinsurance result.

Our *technical margin* decreased by € 99 MN to € 1,190 MN, largely driven by a regulatory change ("Lebensversicherungsreformgesetz") for the German life business to increase the policyholder participation in the technical margin.

Overall, lapse margin and reinsurance margin remained stable.

Impact of change in DAC

Impact of change in DAC (deferred acquisition costs) includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA) and is the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit.

IMPACT OF CHANGE IN DAC

€ MN

	2014	2013
Capitalization of DAC	1,937	1,596
Amortization, unlocking and true-up of DAC	(1,513)	(1,519)
Impact of change in DAC[1]	**425**	**77**

1 — Impact of change in DAC includes effects of change in DAC, URR and VOBA and is the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates to the financial statements.

Our *impact of change in DAC* improved from € 77 MN to € 425 MN. Capitalization of DAC offset higher acquisition expenses as a result of increased fixed-indexed annuity sales in the United States. Amortization of DAC remained stable.

OPERATING PROFIT BY LINES OF BUSINESS

OPERATING PROFIT BY LINES OF BUSINESS

€ MN

	2014	2013
Guaranteed savings & annuities	2,385	1,884
Protection & health	654	657
Unit-linked without guarantee	288	168
Operating profit	**3,327**	**2,709**

The operating profit increase in the *guaranteed savings & annuities* line of business was largely driven by the higher investment margin mainly in Germany and the United States.

Operating profit in the *protection & health* line of business was rather stable. However, it was marginally impacted by a slightly lower technical margin due to a lower risk result compared to last year.

Operating profit in the *unit-linked without guarantee* line of business increased. This was mainly driven by the € 113 MN effect of the allocation of certain entities previously reflected in the business segment Asset Management to the business segment Life/Health.

MARGIN ON RESERVES

Our *margin on reserves* increased from 58 to 65 basis points.

Net income

Net income increased by € 379 MN to € 2,320 MN, consistent with our operating performance, while a slightly improved effective tax rate also contributed positively.

LIFE/HEALTH BUSINESS SEGMENT INFORMATION[1]

€ MN

	2014	2013
Statutory premiums[2]	**67,331**	**56,784**
Ceded premiums written	(630)	(648)
Change in unearned premiums	(544)	(332)
Statutory premiums (net)	**66,157**	**55,803**
Deposits from insurance and investment contracts	(41,643)	(31,223)
Premiums earned (net)	**24,514**	**24,580**
Loadings and fees	**5,151**	**4,709**
Loadings from premiums	3,430	3,251
Loadings from reserves	1,094	1,001
Unit-linked management fees	626	458
Investment margin	**2,972**	**2,386**
Investment margin net of policyholder participation	2,972	2,386
Expenses	**(6,410)**	**(5,752)**
Acquisition expenses and commissions	(4,833)	(4,233)
Administrative and other expenses	(1,577)	(1,519)
Technical margin	**1,190**	**1,289**
Operating profit before change in DAC	**2,903**	**2,632**
Impact of change in DAC[3]	**425**	**77**
Capitalization of DAC	1,937	1,596
Amortization, unlocking and true-up of DAC	(1,513)	(1,519)
Operating profit	**3,327**	**2,709**
Non-operating items	(12)	83
Income before income taxes	**3,316**	**2,793**
Income taxes	(996)	(852)
Net income	**2,320**	**1,941**
Margin on reserves[4] in basis points	65	58

1 — Profit sources are based on in-scope operating entities with coverage of 97.3 % of statutory premiums. Operating profit from operating entities that are not in-scope is included in investment margin.
2 — 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 — Impact of change in DAC includes effects of change in DAC, URR and VOBA and is the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates to the financial statements.
4 — Represents operating profit divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.

LIFE/HEALTH OPERATING PROFIT BY PROFIT SOURCES AND LINES OF BUSINESS[1]

€ MN	Life/Health		Guaranteed savings & annuities		Protection & health		Unit-linked without guarantee	
	2014	2013	2014	2013	2014	2013	2014	2013
Loadings from premiums	3,430	3,251	1,804	1,707	1,423	1,365	203	179
Loadings from reserves	1,094	1,001	961	913	86	69	47	20
Unit-linked management fees	626	458	266	223	–	–	361	235
Loadings and fees	**5,151**	**4,709**	**3,030**	**2,842**	**1,510**	**1,434**	**611**	**433**
Investment margin (net of policyholder participation)	**2,972**	**2,386**	**2,881**	**2,312**	**39**	**64**	**52**	**10**
Acquisition expenses and commissions	(4,833)	(4,233)	(3,306)	(2,750)	(1,189)	(1,193)	(338)	(290)
Administrative and other expenses	(1,577)	(1,519)	(1,078)	(1,054)	(370)	(370)	(128)	(95)
Expenses	**(6,410)**	**(5,752)**	**(4,384)**	**(3,804)**	**(1,559)**	**(1,562)**	**(466)**	**(385)**
Technical margin	**1,190**	**1,289**	**531**	**565**	**588**	**640**	**71**	**83**
Operating profit before change in DAC	**2,903**	**2,632**	**2,058**	**1,915**	**577**	**575**	**268**	**141**
Capitalization of DAC	1,937	1,596	1,445	1,045	371	436	121	114
Amortization, unlocking and true-up of DAC	(1,513)	(1,519)	(1,118)	(1,077)	(294)	(354)	(101)	(88)
Impact of change in DAC[2]	**425**	**77**	**327**	**(31)**	**78**	**82**	**20**	**27**
Operating profit	**3,327**	**2,709**	**2,385**	**1,884**	**654**	**657**	**288**	**168**

1 — Profit sources are based on in-scope operating entities with coverage of 97.3 % of statutory premiums. Operating profit from operating entities that are not in-scope is included in investment margin.

2 — Impact of change in DAC includes effects of change in DAC, URR and VOBA and is the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates to the financial statements.

Life/Health insurance operations by reportable segments

LIFE/HEALTH INSURANCE OPERATIONS BY REPORTABLE SEGMENTS

€ MN

	Statutory premiums[1]				Premiums earned (net)		Operating profit (loss)		Margin on reserves[2] (BPS)	
			internal[3]							
	2014	2013	2014	2013	2014	2013	2014[4]	2013	2014[4]	2013
Germany Life	19,014	17,000	19,014	17,000	11,468	11,538	1,079	862	55	48
Germany Health	3,245	3,264	3,245	3,264	3,244	3,264	209	201	77	80
Switzerland	1,655	1,602	1,640	1,602	519	488	83	78	62	60
Austria	405	385	405	385	325	282	37	33	80	77
German Speaking Countries	**24,319**	**22,251**	**24,304**	**22,251**	**15,557**	**15,572**	**1,408**	**1,174**	**59**	**53**
Italy	11,332	8,430	11,332	8,430	478	483	173	216	32	45
France[5]	8,241	8,510	8,241	7,987	3,100	3,401	455	420	56	56
Benelux[6]	2,518	2,326	2,518	2,326	520	541	132	89	85	61
Greece	88	90	88	90	51	53	–	2	–[9]	65
Turkey[7]	854	419	622	419	148	81	26	3	106	25
Africa	57	54	57	54	28	25	6	4	212	185
Western & Southern Europe	**23,090**	**19,830**	**22,858**	**19,307**	**4,326**	**4,583**	**791**	**735**	**52**	**53**
Latin America	338	329	355	329	123	145	16	8	177	109
Spain	1,259	1,224	1,249	1,224	437	455	191	129	257	196
Portugal	247	232	247	232	83	83	22	21	374	403
Iberia & Latin America	**1,844**	**1,786**	**1,851**	**1,786**	**643**	**684**	**229**	**158**	**256**	**201**
United States	11,840	7,317	11,822	7,317	984	883	656	487	81	70
USA	**11,840**	**7,317**	**11,822**	**7,317**	**984**	**883**	**656**	**487**	**81**	**70**
Reinsurance LH	537	515	537	515	398	430	14	23	76	111
Global Insurance Lines & Anglo Markets	**537**	**515**	**537**	**515**	**398**	**430**	**14**	**23**	**76**	**111**
South Korea	1,646	1,354	1,583	1,354	509	494	(51)	(129)	(48)	(130)
Taiwan	2,026	1,745	2,071	1,745	201	152	2	–	3	–[9]
Indonesia	700	686	795	686	285	247	61	60	478	505
Malaysia	423	381	437	381	187	200	18	18	147	167
Japan	–	–	–	–	6	6	3	7	15	39
Other	938	926	969	926	721	636	72	79	196	230
Asia-Pacific	5,732	5,093	5,855	5,093	1,909	1,735	104	36	43	16
Poland	185	127	185	127	73	40	21	16	374	270
Slovakia	252	245	252	245	210	209	38	29	303	243
Hungary	138	165	144	165	42	46	12	9	332	244
Czech Republic	147	172	155	172	74	77	15	17	253	303
Russia	52	84	62	84	49	83	1	–	27	–[9]
Croatia	71	62	71	62	70	61	17	4	529	132
Bulgaria	40	35	40	35	34	30	13	4	806	302
Romania	23	23	24	23	14	14	6	1	867	221
Central and Eastern Europe[8]	909	913	933	913	566	560	119	78	339	228
Middle East and North Africa	176	163	179	163	132	132	24	17	352	304
Global Life	4	6	4	6	1	2	1	–	–[9]	–[9]
Growth Markets	**6,820**	**6,174**	**6,971**	**6,174**	**2,607**	**2,429**	**247**	**131**	**87**	**49**
Consolidation[10]	(1,120)	(1,089)	(1,120)	(1,089)	–	–	(17)	2	–[9]	–[9]
Total	**67,331**	**56,784**	**67,224**	**56,261**	**24,514**	**24,580**	**3,327**	**2,709**	**65**	**58**

1 — Statutory premiums are gross premiums written from sales of life and health insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
2 — Represents operating profit (loss) divided by the average of the current and previous year-end net reserves, where net reserves equal reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts and financial liabilities for unit-linked contracts less reinsurance assets.
3 — Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.
4 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.
5 — In the fourth quarter of 2014, we transferred our French International Health business to the reportable segment Allianz Worldwide Partners in the business segment Property-Casualty effective 1 January 2014.
6 — Belgium, Luxembourg and the Netherlands are presented as the combined region Benelux. All prior periods are presented accordingly.
7 — On 12 July 2013, the Allianz Group acquired Yapı Kredi Bank's 93.94 % shareholding in the Turkish property-casualty insurance company Yapı Kredi Sigorta, including its life and pension insurance subsidiary Yapı Kredi Emeklilik.
8 — Contains income and expense items from a management holding and consolidations between countries in this region.
9 — Presentation not meaningful.
10 — Represents elimination of transactions between Allianz Group companies in different geographic regions.

Asset Management

- Operating profit decreased 17.6 % to € 2,603 MN.
- Cost-income ratio at 59.2 %.
- Total assets under management grew 1.8 % to € 1,801 BN.
- Third-party net outflows of € 226 BN.

Business segment overview

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

Key figures

KEY FIGURES ASSET MANAGEMENT[1]

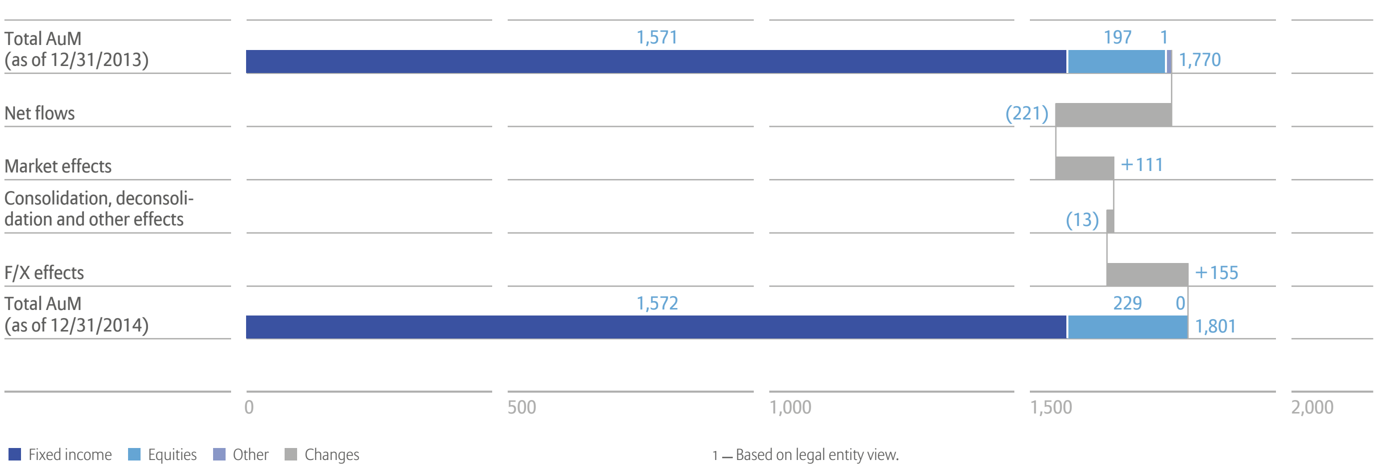
€ MN

	2014	2013
Operating revenues	6,388	7,162
Operating profit	2,603	3,161
Cost-income ratio in %	59.2	55.9
Net income	1,621	1,925
Total assets under management as of 31 December in € BN	1,801	1,770
thereof: Third-party assets under management as of 31 December in € BN	1,313	1,361

Assets under management

DEVELOPMENT OF TOTAL ASSETS UNDER MANAGEMENT[1]

€ BN



1 — Based on legal entity view.

1 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

As of 31 December 2014, total assets under management (AuM) amounted to € 1,801 BN. Of this, € 1,313 BN related to our third-party AuM and € 488 BN to Allianz Group assets.

In 2014, we experienced net outflows of total AuM of € 221 BN. Net outflows from third-party AuM of € 226 BN were strongly driven by PIMCO in the United States and – to a lesser extent – the United Kingdom, while PIMCO Canada and Japan recorded net inflows in 2014. 59 % of our net outflows were driven by traditional fixed income products. At the end of the third quarter and in the fourth quarter of 2014, PIMCO experienced heightened third-party net outflows in conjunction with the market's reaction to the departure of PIMCO's Chief Investment Officer, who resigned on 26 September 2014. AllianzGI recorded net inflows for the eighth consecutive quarter.

Market effects contributed € 111 BN to total AuM, with € 81 BN at PIMCO and € 31 BN at AllianzGI. For further information regarding market developments, please refer to Business Environment starting on page 79.

As of 1 January 2014, the Allianz Group allocated certain entities to other business segments which resulted in a decrease of € 32 BN in AuM at the beginning of 2014.[1] This was partially compensated for by a change in reporting to include third-party fund of fund AuM in our total AuM. These effects were the main drivers of the net decline in total AuM of € 13 BN, reported as consolidation, deconsolidation and other effects.

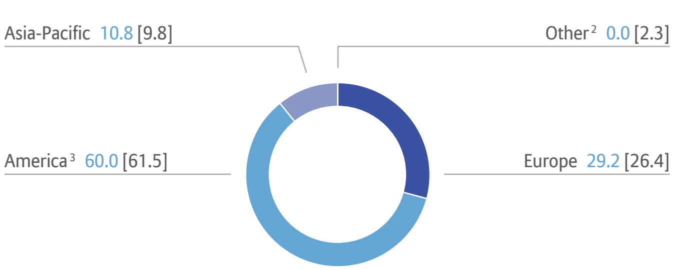
We recorded favorable foreign currency translation effects of € 155 BN, in particular on fixed income assets, mainly as a result of the appreciation of the U.S. Dollar against the Euro.[2]

In the following section, we focus on the development of third-party AuM.

As of 31 December 2014, the share of third-party AuM by business unit was 80.2 % attributable to PIMCO and 19.8 % attributable to AllianzGI.

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

as of 31 December 2014 [31 December 2013] in %



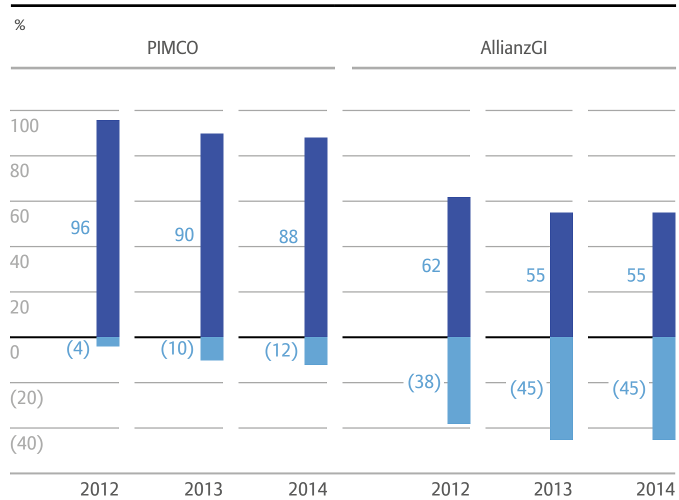
1 — Based on the location of the asset management company.
2 — "Other" consists of third-party assets managed by other Allianz Group companies which were allocated to other business segments as of 1 January 2014.
3 — "America" consists of the United States, Canada and Brazil (approximately € 772 BN, € 15 BN and € 1 BN third-party AuM as of 31 December 2014, respectively).

The regional allocation of third-party AuM shifted slightly in favor of Europe and the Asia-Pacific region. This was primarily due to strong outflows at PIMCO in the United States.

The relative share of our third-party AuM increased by three percentage points in favor of equities. This development was mainly driven by strong fixed income outflows at PIMCO. This resulted in a 85 % share attributable to fixed income and a 15 % share attributable to equities as of 31 December 2014.

The share of third-party AuM between our retail and institutional clients[3] changed slightly – down one percentage point for retail clients (36 %) and up one percentage point for institutional clients (64 %).

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



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

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

The overall three-year rolling investment performance of our Asset Management business remained on a high level, with 84 % of our assets outperforming their respective benchmarks (31 December 2013: 85 %). 88 % of PIMCO assets outperformed their respective benchmarks, while 55 % of AllianzGI assets did so.

1 — The third-party AuM that were reallocated with the entities amounted to € 35 BN as of 31 December 2014.
2 — Based on the closing rates on the respective balance sheet dates.
3 — Client group classification is driven by investment vehicle types.

Operating revenues

Our *operating revenues* went down by € 774 MN – or 10.8 % – to € 6,388 MN. This was mainly due to lower performance fees and lower average third-party AuM. The allocation of certain entities to other business segments also contributed to this development. On an internal basis[1], operating revenues declined by 8.5 %.

Net fee and commission income decreased by € 747 MN – or 10.5 % – to € 6,380 MN. This mainly reflects lower fee income due to decreased average third-party AuM at PIMCO and lower margins on our AuM. Our *performance fees* fell by € 235 MN to € 275 MN in 2014. This can be explained by the exceptionally high carried interest income of € 219 MN in the first half of 2013.

Operating profit

Operating profit dropped by € 558 MN – or 17.6 % – to € 2,603 MN, reflecting the decline in operating revenues and a less pronounced decline in operating expenses. On an internal basis[1], operating profit went down by 14.6 %.

Administrative expenses fell by € 207 MN – or 5.2 % – to € 3,787 MN, mainly driven by lower performance-driven variable personnel expenses and lower AuM-related expenses. In the fourth quarter of 2014 PIMCO introduced the Special Performance Award (SPA), as an enhancement to the regular year-end compensation process, in order to secure performance and retain talent. The SPA had an impact of € 24 MN on operating profit.

Our *cost-income ratio* went up by 3.4 percentage points to 59.2 % mainly as a result of the strong decrease of performance fees and AuM-driven income outpacing the decline in operating expenses.

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

Net income

Our *net income* decreased by € 304 MN – or 15.8 % – to € 1,621 MN, which is largely consistent with our operating profit development.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION

€ MN	2014	2013
Management and loading fees	7,505	8,032
Performance fees	275	510
Other	46	69
Fee and commission income	**7,825**	**8,611**
Commissions	(1,301)	(1,403)
Other	(145)	(81)
Fee and commission expenses	**(1,445)**	**(1,484)**
Net fee and commission income	**6,380**	**7,127**
Net interest income[1]	(3)	12
Income from financial assets and liabilities carried at fair value through income (net)	5	12
Other income	6	10
Operating revenues	**6,388**	**7,162**
Administrative expenses (net), excluding acquisition-related expenses	(3,787)	(3,994)
Restructuring charges	3	(6)
Operating expenses	**(3,784)**	**(4,001)**
Operating profit	**2,603**	**3,161**
Non-operating items	(15)	(55)
Income before income taxes	**2,588**	**3,106**
Income taxes	(967)	(1,181)
Net income	**1,621**	**1,925**
Cost-income ratio[2] in %	59.2	55.9

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

Corporate and Other

Operating loss reduced by € 183 MN to € 820 MN, mainly driven by the recovery in Banking.

Business segment overview

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

Key figures

KEY FIGURES CORPORATE AND OTHER[1]

€ MN	2014	2013
Operating revenues	1,750	1,631
Operating expenses	(2,571)	(2,635)
Operating result	(820)	(1,004)
Net income (loss)	(657)	(1,334)

KEY FIGURES REPORTABLE SEGMENTS

€ MN	2014	2013
HOLDING & TREASURY		
Operating revenues	469	361
Operating expenses	(1,386)	(1,301)
Operating result	(917)	(939)
BANKING		
Operating revenues	1,114	1,096
Operating expenses	(1,047)	(1,187)
Operating result	66	(91)
ALTERNATIVE INVESTMENTS		
Operating revenues	176	175
Operating expenses	(146)	(151)
Operating result	30	24

1 — Consolidation included. For further information about our Corporate and Other business segment, please refer to note 6 to the consolidated financial statements.

Earnings summary

Our *operating result* improved by € 183 MN to an operating loss of € 820 MN. While all reportable segments contributed to this improvement, the Banking development contributed most of the increase.

Our *net loss* more than halved from € 1,334 MN to € 657 MN. This was largely driven by a € 558 MN one-off benefit in our non-operating result from pension revaluation with our German subsidiaries[1]. Furthermore, in 2013, we recorded a € 96 MN goodwill impairment on a fully consolidated private equity investment.

Operating earnings summaries by reportable segments

HOLDING & TREASURY

Overall, our *operating loss* decreased from € 939 MN to € 917 MN.

Other income increased from € 0 MN to € 116 MN. This positive impact on income was due to policyholder participation related to the pension revaluation with our German subsidiaries.[1]

Our *net interest result* improved by € 11 MN to a loss of € 52 MN as the decrease in interest and similar income was more than offset by a decrease in the respective expenses. *Interest and similar income* decreased by € 13 MN to € 265 MN, as the previous year's figure benefited from interest payments on our silent participation in Commerzbank, which was redeemed in 2013. This effect was only partly compensated for by increases in interest income from a larger volume of debt instruments and dividend income from equities. Our *interest expenses, excluding interest expenses from external debt,* were down by € 24 MN to € 317 MN. This was due to lower interest expenses on internal debt and was only partly offset by higher expenses related to an increased cash pool.

Our *net fee and commission result* deteriorated from a loss of € 178 MN to a loss of € 205 MN. This was the result of higher IT investment costs in accordance with our strategic initiatives to further digitalize our business.[2]

Administrative expenses (net), excluding acquisition-related expenses, increased by € 51 MN to € 736 MN. This was primarily driven by higher pension costs.

In 2014 we further reduced *provisions for restructuring plans* mainly related to our global data center consolidation project by € 4 MN, € 30 MN less than last year.

Investment expenses were down by € 7 MN to € 72 MN.

BANKING[3]

Our *operating result* recovered from a loss of € 91 MN to an operating profit of € 66 MN. This improvement was driven by the closure of the Allianz Bank's business operations in mid-2013 and the non-recurrence of restructuring charges of € 88 MN related to this closure incurred in the preceding year. Lower loan loss provisions in our ongoing banking businesses also contributed to the improvement.

In the following section, we focus on the development of our ongoing Banking business. To make the figures comparable, we have excluded the closed business operations of Allianz Bank.

Our *net interest, fee and commission result* improved by € 25 MN to € 534 MN. Our *net interest result* increased by € 7 MN to € 329 MN, driven by a higher loan volume and lower interest expenses resulting from decreased interest rates. Our *net fee and commission income* increased from € 188 MN to € 206 MN. This was driven by increased management fee income in line with the growth in assets under management. The allocation of a former Asset Management entity to the reportable segment Banking in Italy also contributed to this increase.

Administrative expenses went up by € 31 MN to € 429 MN primarily because of higher commissions paid to financial agents and costs for the opening of new financial agents' offices in Italy. The above-mentioned allocation also contributed to this development.

Our *loan loss provisions* decreased by € 36 MN to € 47 MN. This was mainly because of lower loan loss provisions related to our ship financing business in Germany.

Our *operating income from financial assets and liabilities carried at fair value through income (net)* remained unchanged at € 4 MN.

ALTERNATIVE INVESTMENTS

Our *operating profit* increased by € 6 MN to € 30 MN due to higher interest income and lower administrative expenses. This was only partly offset by minor decreases in our net fee and commission income and income from financial assets and liabilities carried at fair value.

1 — Respective offsetting effects were recorded within our other business segments, mainly within Property-Casualty. For further information on the one-off effect from pension revaluation, please refer to note 6 to the consolidated financial statements.
2 — For further information on our strategy, please refer to Strategy and Steering starting on page 70.
3 — Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

Outlook 2015

- Global economic activity is likely to expand moderately in 2015.
- Allianz Group operating profit outlook in the range of € 10.4 BN, plus or minus € 0.4 BN.

Overview: 2014 results versus previous year outlook[1]

2014 RESULTS VERSUS PREVIOUS YEAR OUTLOOK FOR 2014

	OUTLOOK 2014 – AS PER ANNUAL REPORT 2013	RESULTS 2014
ALLIANZ GROUP	Operating profit of € 10.0 BN, plus or minus € 0.5 BN.	Operating profit of € 10.4 BN.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.	Return on equity after income taxes of 11.2 % (2013: 11.9 %). Proposed dividend at € 6.85 (2013: € 5.30) per share. Increase in payout ratio to 50 % (2013: 40 %).
	Selective profitable growth.	Property-Casualty with continued sound risk selection and selective external growth, Life/Health with growing asset base and attractive new business margins, Asset Management with net outflows.
PROPERTY-CASUALTY	Growth in gross premiums written by more than 3.0 %.	Gross premiums written increased by 3.7 % supported by both internal and external growth, despite a negative foreign currency impact.
	Operating profit in the range of € 5.1 BN to € 5.7 BN.	Operating profit of € 5.4 BN is at the mid-point of our target range, with a low impact from natural catastrophes offset by lower than expected results in Brazil, Russia and the United States.
	Combined ratio below 96 % over the cycle.	Combined ratio was stable at a favorable 94.3 %.
	Pressure on operating investment income (net) due to reinvestments in a low interest rate environment.	Operating investment income (net) was stable this year after a 5.6 % decline in 2013.
LIFE/HEALTH	Revenues in the range of € 52.0 BN to € 56.0 BN.	Statutory premiums of € 67.3 BN. Exceptional growth driven by the United States and Germany where we offered innovative products with managed minimum guarantees that addressed customers changing preference for safety.
	Operating profit between € 2.7 BN and € 3.3 BN.	Operating profit of € 3.3 BN at top end of target range.
	Margin on reserves between 50 and 70 basis points.	Margin on reserves at 65 basis points.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.	Operating investment result increased by 2.8 % to € 17.5 BN, supported by capital market-driven fair value gains.
	Prioritizing profitability over growth, taking further product and pricing actions as necessary.	New business profitability improved and our selective growth strategy focused on managed guaranteed products.
ASSET MANAGEMENT	Slight growth in total assets under management (AuM) due to positive equity, but subdued fixed income product inflows.	Increase of total AuM by 1.8 % driven by positive market and foreign currency impacts and mostly offset by fixed income net outflows at PIMCO.
	Operating profit in the range of € 2.5 BN to € 2.9 BN.	Operating profit of € 2.6 BN – below the mid-point of the outlook range mainly due to lower average AuM and a lower AuM-driven margin.
	Cost-income ratio at or below 60.0 %.	Cost-income ratio deteriorated by 3.4 percentage points to 59.2 %.

1 — For more detailed information on the previous year outlook for 2014, please see the Annual Report 2013 starting on page 87.

Economic outlook 2015

At the beginning of 2015 the economic picture is somewhat mixed. On the one hand, the unexpectedly drastic slide in oil prices is likely to provide an important stimulus for the global economy. As oil consumers make the most of their increased purchasing power and domestic demand in oil-producing countries is only partially curbed in response to lower oil revenues, global demand is likely to be bolstered. On the other hand, economic prospects for a number of countries have deteriorated significantly in recent months. One example is Russia, which is likely to experience a sharp recession in 2015 primarily due to the economic sanctions and the collapse in oil prices. Overall, global output is likely to expand by close to 3 % this year, following an increase of 2.5 % last year. This acceleration is attributable in full to industrialized countries, while growth in many major emerging market economies continues to be dampened by structural problems. Nevertheless, with an expected real GDP increase of 4.0 % in 2015, growth in these countries will still be considerably higher than in the industrialized world. In the Eurozone, the economic recovery is likely to continue this year, supported by Euro depreciation and the fall in energy prices. We expect growth in most crisis-ridden member states to outpace last year's performance, although uncertainty about the economic policies of certain member states could weigh on sentiment. Supported by brighter economic conditions in the Eurozone and a favorable environment for private consumption, the German economy could expand by 2 % in 2015. Inflation is likely to remain subdued on a global level, not least due to the recent sharp drop in energy prices and the dire unemployment situation in many industrialized countries, which keeps the lid on wages.

Financial market developments in 2015 will primarily be driven by monetary policy and geopolitical tensions, such as the conflict between Russia and Ukraine. Barring a major downside surprise on growth, the Federal Reserve Bank will likely start to push up interest rates this year. In contrast, in an effort to stem deflationary pressures and stimulate growth in the Eurozone, the European Central Bank has further loosened its monetary policy stance with the announcement of a bond purchasing program with a monthly volume of € 60 BN. This program will not only weigh on European government benchmark bond yields, but also exert considerable downward pressure on bond spreads of debt-ridden Eurozone countries. Ongoing reform and consolidation efforts are needed to support the economic recovery and avoid a renewed flare-up of the sovereign debt crisis in the Eurozone.

With short-term rates practically at zero, there are limited prospects of markedly higher yields on longer-term bonds. We expect yields on 10-year German and U.S. government bonds to climb only modestly to 0.5 % and 2.2 % respectively by the end of 2015. In the early months of 2015 a number of factors, such as diverging monetary policies of the Federal Reserve Bank and the European Central Bank, will weigh on the Euro. Once it becomes evident that the economic recovery in the Eurozone is getting back onto a firmer footing, the Euro is likely to stabilize.

Insurance industry outlook

With economic growth forecasts more positive for 2015, demand for insurance is expected to increase slightly, supporting premium growth. At the same time, differences in growth levels between markets will become wider, reflecting specific political, regulatory and economic conditions. As a result, we will see not only the usual growth gap between emerging and industrialized countries but also a widening gulf within these groups, namely between America and Europe on the one hand and Asia and other emerging markets on the other. The outlook for profitability is somewhat more subdued as many challenges remain, for example low investment returns and a more demanding regulatory environment.

In the ***property-casualty*** sector, we anticipate premium growth in 2015 to be slightly above the level of the previous year. In advanced markets, increasing economic activity is a positive factor but the expected slight softening of the market might dampen growth perspectives. However, differences in pricing in individual markets will remain significant, with the U.S. market likely to see the highest pricing pressure. On the other hand, emerging markets are mainly driven by economic growth. As in previous years, the strongest increases are expected in Asia, with China in the lead. Overall, we expect global premium revenue to rise between 4.5 % and 5.5 % in 2015 (in nominal terms, adjusted for foreign currency translation effects).

Assuming weather-related claims are at previous years' levels, overall underwriting profitability should remain more or less stable as reduced pricing power is offset by low – or even negative – claims inflation. On the other hand, investment returns are expected to remain low: interest rates will rise only modestly and impact returns very slowly.

In the ***life*** sector, we expect premium growth to continue to recover. In advanced markets, slowly improving employment prospects and a new product mix will help to support top-line growth. In emerging markets, strong growth will be mainly driven by rising incomes and social security reforms, boosting demand for pension products. At the same time, with financial markets continuously developing, consumers increasingly ask for more sophisticated savings products beyond simple bank deposits. All in all, we expect that global premium revenue will rise in the 4 % to 5 % range in 2015 (in nominal terms, adjusted for foreign currency translation effects).

Low interest rates will remain a major headwind in 2015. Therefore, companies will have to continue to adapt their business models to the challenging environment. Besides a stronger focus on the protection business – including health – new and more flexible guarantee concepts are set to come to the forefront in the savings business. At the same time, insurers will continue to de-risk their balance sheets and look for new, long-term investment opportunities, paying special attention to infrastructure investments. These adjustments should enable the insurance industry to cope with low interest rates and more stringent capital and reserve requirements. All things considered, profitability is set to remain at levels seen in previous years.

Asset management industry outlook

Markets have shown some volatility in recent months and with investors anticipating an increase in U.S. interest rates we expect this volatility to continue in equity as well as in fixed income markets. However, if the longer-term trend is indeed towards moderately higher interest rates – especially in the United States – coupled with global demographic developments, then bonds should remain attractive. This holds true in particular for liability-driven investors and for the growing number of retirees in the developed world looking for a stable stream of income.

A continuing improvement of economic conditions – in particular in the United States – as well as trends in client demand, still represent a positive environment for further asset management industry growth. Nevertheless, the industry has to deal with several challenges that will also put pressure on profitability: flows into passive products as well as rising distribution or marketing costs will tighten operating margins and increased regulatory oversight and reporting will take their toll.

Therefore, several factors are of vital importance for an asset manager's ability to grow – notably above benchmark investment results and innovative client-focused investment solutions and products. In addition, appropriate responses to clients' needs as well as efficient operations and a sufficient business volume are important.

Outlook for the Allianz Group

As discussed earlier, world economic growth is expected to be moderately higher in 2015. Growth dynamics, however, vary significantly across the globe and there are clear risks for 2015. Geopolitical tensions, a renewed flare-up of the European sovereign debt crisis and currency or trade wars all could jeopardize economic development. However, the outlook provided here assumes the absence of such shocks.

Overview: outlook and assumptions 2015

OUTLOOK 2015

ALLIANZ GROUP	Operating profit of € 10.4 BN, plus or minus € 0.4 BN.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.
	Selective profitable growth.
PROPERTY-CASUALTY	Growth in gross premiums written by approximately 3.0%.
	Operating profit in the range of € 5.2 BN to € 5.8 BN.
	Combined ratio below 96% over the cycle.
	Pressure on operating investment income (net) due to reinvestments in a low interest rate environment.
LIFE/HEALTH	Prioritizing profitability over growth, taking further product and pricing actions to address the prolonged low yield environment. As a result, revenues are expected to be in the range of € 59.0 BN to € 65.0 BN.
	Operating profit between € 3.0 BN and € 3.6 BN.
	Margin on reserves between 50 and 70 basis points.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.
ASSET MANAGEMENT	Slight decrease in total AuM due to continued, but receding, expected net outflows at PIMCO.
	Operating profit in the range of € 2.2 BN to € 2.8 BN.
	Underlying cost-income ratio of 60.0% or below.

ASSUMPTIONS

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

- Moderately higher global economic growth.
- Continued low interest rate environment.
- No dramatic interest rate movements.
  - A 100 basis point increase or decrease in interest rates would, respectively, either raise or lower operating profits by approximately € 0.1 BN in the first year following the rate change. This does not include fair value changes in interest rate-sensitive positions that are reported in our income statement.
- No disruptive fiscal or regulatory interference.
- Level of claims from natural catastrophes at expected average levels.
- Average U.S. Dollar to Euro exchange rate of 1.20.
  - A 10% weakening or strengthening of the U.S. Dollar versus our planned exchange rate of 1.20 to the Euro would have a negative or positive impact on operating profits of approximately € 0.3 BN, respectively.

We expect our business mix and profitability to remain largely unchanged compared to 2014. Our Property-Casualty business segment will carry on making up the majority of our operating profit. We anticipate that the Asset Management business segment will continue to be a significant source of operating profit, even though at a slightly reduced level. This reduction is mainly due to lower average AuM and expenses associated with the Special Performance Award at PIMCO introduced in the fourth quarter of 2014, partially compensated by higher expected performance fees. In the Life/Health business segment, operating profitability will remain under pressure due to low yields. However, we expect a stable development compared to the 2014 results, mainly supported by growth in our underlying asset base.

Although the global economy is showing signs of recovery, investment results are likely to remain under pressure due to low interest rates and the continued uncertainty surrounding a flare-up of the European sovereign debt crisis. This will be offset by an increase in our operating asset base.

Management's assessment of expected revenues and earnings for 2015

In 2014, our total revenues amounted to € 122.3 BN, representing a 10.4 % and a 10.6 % increase on a nominal and internal basis, respectively, compared to last year. After the exceptional growth in 2014, we expect a slight decrease in 2015, with Property-Casualty advancing, while Life/Health and Asset Management revenues are likely to be under pressure due to our selective focus on profitable growth and the uncertain financial market outlook, respectively.

In 2014, our operating profit neared the upper end of our outlook range, hitting € 10.4 BN. In 2015, we envisage operating profit of € 10.4 BN, plus or minus € 0.4 BN, as we expect a slightly higher operating profit in the Property-Casualty business segment, a moderately lower operating profit in the Asset Management business segment and a largely unchanged operating profit in the Life/Health business segment.

Our net income attributable to shareholders increased in line with the operating profit, reaching € 6.2 BN in 2014. Consistent with our disclosure practice in the past and given the susceptibility of our non-operating results to adverse capital market developments, we do not provide a precise outlook for net income. However, since our outlook presumes no major disruptions of capital markets, we anticipate a slight rise in net income for 2015.

PROPERTY-CASUALTY INSURANCE

We expect our revenues to increase by approximately 3.0 % in 2015 (2014: 3.7 %) on a nominal basis, supported by favorable volume and to a lesser extent price effects as well as external growth. A major driver of the latter is the acquisition of a part of the insurance business of UnipolSai in Italy at the beginning of the third quarter of 2014.

Premium growth in 2015 is expected mainly from our global insurance lines as well as the Anglo markets. Top line development will be further supported by positive trends in most of our European core markets, such as Germany and France.

We believe the overall slow rise in prices we witnessed in a number of markets in 2014 will continue in 2015. However, as in previous years, we will keep our focus on achieving outstanding underwriting results by adhering to our strict underwriting discipline and will be willing to accept a lower top line if target margins cannot be achieved.

For 2015, we anticipate keeping the combined ratio below 96 % over the cycle (2014: 94.3 %). This rests on our expectation that the aggregate effect of improvements in pricing, claims management and productivity will compensate for any underlying claims inflation. Despite the high volatility of natural catastrophes in recent years, we assume such claims will be in line with their expected average level in 2015.

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

Overall, we expect our 2015 operating profit to be in the range of € 5.2 BN to € 5.8 BN (2014: € 5.4 BN).

LIFE/HEALTH INSURANCE

In 2014, our operating profit of € 3.3 BN reached the upper end of our target range, mainly due to capital market-related gains. For 2015, we expect operating profit in our Life/Health segment to be between € 3.0 BN and € 3.6 BN, mainly supported by growth in our underlying asset base. Our outlook reflects a margin on reserves ranging between 50 and 70 basis points.

We will continue to prioritize profitability over growth in 2015 and we expect revenues to be lower than 2014, which showed exceptional growth. This reflects our enhanced efforts to selectively write profitable business, given current interest rate developments and the competitive landscape.

In 2015, we will continue to actively work on product and distribution actions, expense management and asset/liability management in order to mitigate the impacts of the difficult market conditions, particularly low interest rates. On top, we will keep exploring options to further optimize our capital usage. Still, it must be noted that market and accounting volatility, along with the level of net harvesting, can significantly affect the Life/Health segment results and make precise predictions difficult.

ASSET MANAGEMENT

Although the environment for the asset management industry is rather positive, we expect continued but receding net outflows in 2015. We also anticipate a slight decline in our operating profit. Lower management and loading fees due to lower average AuM, expenses associated with the Special Performance Award at PIMCO and investments for future growth will weigh on the operating profit. On the other hand, we expect an increased level of performance fees, mainly stemming from illiquid alternatives vehicles. Therefore, we envisage our operating profit to be in the range of € 2.2 BN and € 2.8 BN in 2015 (2014: € 2.6 BN).

We expect to maintain an underlying cost income ratio of 60.0 % or below in 2015 (2014: 59.2 %), supported by our focus on expense discipline and operational excellence.

CORPORATE AND OTHER

Our Corporate and Other business segment recorded an operating loss of € 0.8 BN in 2014. Due to slightly deteriorating operating results of the Holding & Treasury reportable segment – mainly attributable to higher pension costs – we predict an operating loss in the range of € 0.8 BN to € 1.0 BN for Corporate and Other (including consolidation) in 2015.

Financing and liquidity development and capitalization

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

We expect to have steady access to financial markets at reasonable costs in order to maintain our strong financial flexibility. This is supported by prudent steering of our liquidity resources and a maturity profile focusing on a long-dated average remaining term. Based on current interest rate expectations, our average capital market financing costs in 2015 should be broadly in line with 2014.

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

Expected dividend development[1]

In November 2014, the Board of Management and the Supervisory Board of Allianz SE decided on a new allocation of net income in its dividend policy. Starting with the financial year 2014, the intention is to propose an increased regular pay-out to Allianz shareholders of 50 % of Allianz Group net income (attributable to shareholders). In the interest of dividend continuity, the objective is to keep the dividend per share at least at the level paid in the previous year. The dividend policy of the Allianz Group continues to aim for a healthy balance between an attractive yield and investments in profitable growth. To assure capital discipline, management further intends to evaluate and pay out any unused capital budget earmarked for external growth every three years. The first evaluation will take place at the end of 2016. In 2014, out of a budget of € 1.2 BN for external growth (equals 20 % of the net income attributable to shareholders for the year 2013) investments of € 0.6 BN were made resulting in additional capital consumption of € 0.3 BN. The dividend policy is subject to a sustainable Solvency II ratio above 160 %. This new policy is reflected in our proposed dividend of € 6.85 per share.

1 — This dividend policy represents the current intention of the Board of Management and the Supervisory Board and may be revised in the future. Also, the dividend payment in any given year is subject to specific dividend proposals by the Board of Management and the Supervisory Board, each of which may elect to deviate from this dividend policy if appropriate under the then prevailing circumstances, as well as to the decision of the Annual General Meeting.

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

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

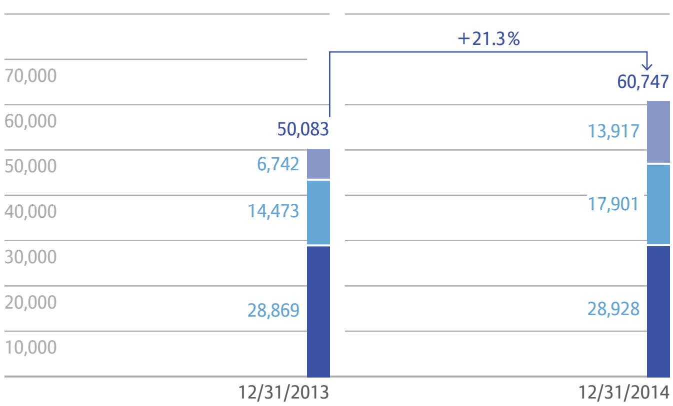
Balance Sheet Review

- Shareholders' equity increased by € 10.7 BN to € 60.7 BN.
- Solvency ratio remained strong at 181 %.[1]

Shareholders' equity[2]

SHAREHOLDERS' EQUITY

€ MN



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

In 2014, ***shareholders' equity*** increased by € 10,663 MN to € 60,747 MN as of 31 December 2014. Unrealized gains were up by € 7,176 MN, mainly due to higher fair values of debt securities triggered by declines in all major government bond yields – in particular within the Eurozone. Our net income attributable to shareholders of € 6,221 MN also contributed to this growth. A € 1,336 MN increase in foreign currency translation adjustments, mainly driven by the significant depreciation of the Euro against the U.S. Dollar – which was only minimally offset by the depreciation of the Russian ruble against the Euro – also contributed. These upward movements in shareholders' equity were only partly offset by our € 2,405 MN dividend payout in May 2014 and actuarial losses on defined benefit plans recorded in other comprehensive income of € 1,571 MN in 2014.

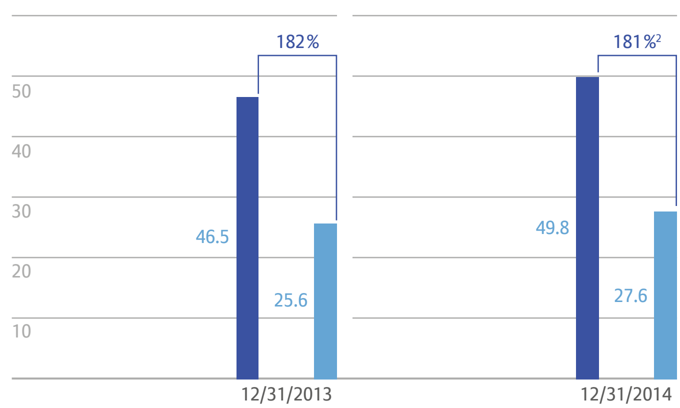
1 — Conglomerate solvency ratio as of 31 December 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 0.4 BN in 2015. Excluding this adjustment, the solvency ratio would be 182 % (including off-balance sheet reserves) as of 31 December 2014. Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratios as of 31 December 2014 and 2013 would be 172 % and 173 %, respectively.
2 — This does not include non-controlling interests of € 2,955 MN and € 2,765 MN as of 31 December 2014 and 31 December 2013, respectively. For further information, please refer to note 25 to the consolidated financial statements. Retained earnings include foreign currency translation adjustments of € (1,977) MN and € (3,313) MN as of 31 December 2014 and 31 December 2013, respectively.

Regulatory capital adequacy

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

CONGLOMERATE SOLVENCY[1]

€ BN



Solvency ratio Eligible capital Requirement

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the solvency ratio as of 31 December 2014 would be 172 % (31 December 2013: 173 %).
2 — Conglomerate solvency ratio as of 31 December 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 0.4 BN in 2015. Excluding this adjustment, the solvency ratio would be 182 % (including off-balance sheet reserves) as of 31 December 2014.

Compared to year-end 2013, our ***conglomerate solvency ratio*** remained strong. In 2014, the Group's eligible capital for solvency purposes increased by € 3.3 BN to € 49.8 BN, which includes off-balance sheet reserves of € 2.3 BN (31 December 2013: € 2.3 BN) and was adjusted for the potential calls of hybrid capital (subordinated bonds) in 2015. This increase in eligible capital was largely driven by our net income (net of accrued dividends and accounting for a 50 %

dividend payout ratio as recently introduced[1]) of € 3.1 BN. The issuance of two subordinated bonds in the first and third quarter of € 1.9 BN in total was partly offset by the redemption of a € 1.0 BN subordinated bond in January 2015 and the potential call of hybrid capital of € 0.4 BN in 2015. An increase in actuarial losses on the valuation of our pension benefit obligation was in part offset by higher unrealized gains on equities (we have not elected to use unrealized gains on debt securities as eligible capital) and favorable foreign currency translation adjustments. The required funds increased by € 2.0 BN to € 27.6 BN, mainly due to higher aggregate policy reserves in Life/Health. As a result, our eligible capital surpassed the minimum legally stipulated level by € 22.2 BN.

Total assets and total liabilities

As of 31 December 2014, total assets amounted to € 805.8 BN and total liabilities were € 742.1 BN. Compared to year-end 2013, total assets and total liabilities increased by € 94.7 BN and € 83.9 BN, respectively.

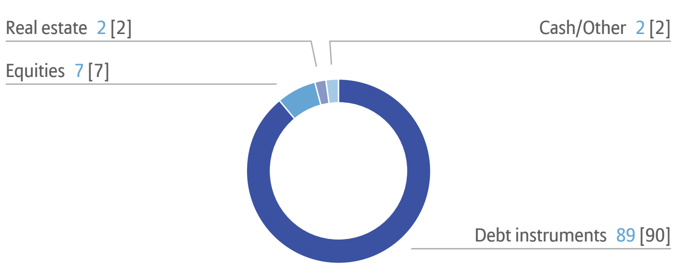
The following section mainly focuses on our financial investments in debt instruments, equities, real estate and cash, since these reflect the major developments in our asset base.

STRUCTURE OF INVESTMENTS – PORTFOLIO OVERVIEW

The following portfolio overview covers the Allianz Group assets held for investment, which are mainly driven by our insurance businesses.

ASSET ALLOCATION

Investment portfolio as of 31 December 2014: € 614.6 BN
[as of 31 December 2013: € 536.8 BN] in %



Compared to year-end 2013, our investment portfolio increased by € 77.7 BN to € 614.6 BN as of 31 December 2014 with no material change in the overall asset allocation.

Our gross exposure to *equities* increased by € 5.6 BN to € 41.2 BN due to new investments and to a lesser extent positive developments in almost all major stock markets in 2014. This exposure still accounted for 7 % of our investment portfolio. Our equity gearing[2] remained stable at 25 %, although we have an upswing in shareholders' equity.

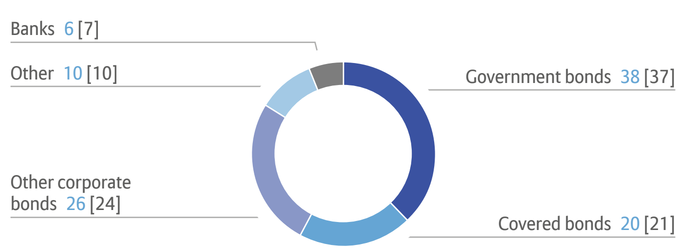
Our direct exposure to *real estate* increased by € 0.6 BN to € 11.3 BN due to new investments.

Our *cash and other investments* were up by € 2.4 BN to € 12.2 BN. For further information on our liquidity position, please refer to Liquidity and Funding Resources starting on page 116.

Our exposure to *debt instruments* grew by € 69.1 BN – or 14.4 % – to € 549.8 BN and represented 89 % of our total investment portfolio, almost stable compared to last year. The increase in absolute terms was driven by higher fair values as a result of decreased interest rates as well as new investments. Furthermore, foreign currency effects were also significant, mainly driven by the appreciation of the U.S. Dollar against the Euro.

FIXED INCOME PORTFOLIO

Total fixed income portfolio as of 31 December 2014: € 549.8 BN
[as of 31 December 2013: € 480.7 BN] in %



The allocation of our well-diversified fixed income portfolio remained rather stable, with modest increases in the share of corporate bonds and government bonds accompanied by minor reductions in the portion of covered bonds and banks. About 95 % of this portfolio of debt instruments was invested in investment-grade bonds and loans.[3]

Our *government bond exposure* increased by € 29.7 BN compared to year-end 2013 and amounted to € 209.3 BN as of 31 December 2014. The allocation of our government and government-related bond exposure remained rather stable, with a marginal decrease in the share of German government bonds reflecting the decision not to

1 — This dividend policy represents the current intention of the Board of Management and the Supervisory Board and may be revised in the future. Also, the dividend payment in any given year is subject to specific dividend proposals by the Board of Management and the Supervisory Board, each of which may elect to deviate from this dividend policy if appropriate under the then prevailing circumstances, as well as to the decision of the Annual General Meeting. For further information on our new dividend policy, please refer to Outlook 2015 starting on page 104.

2 — Equity gearing is defined as the ratio of our equity holdings allocated to the shareholder after policyholder participation and hedges to shareholders' equity plus off-balance sheet reserves less goodwill.
3 — Excluding self-originated German private retail mortgage loans. For 2 %, no ratings were available.

reinvest in those bonds at the low yield levels. The overall increase in our government bond exposure was primarily driven by positive market effects. Our sovereign debt exposure in Italy and Spain equaled 5.7 % and 1.1 % of our fixed income portfolio, reflecting minor realizations in Italy and new investments in Spain during 2014. The corresponding unrealized gains (gross) amounted to € 5,587 MN in Italy and € 945 MN in Spain. Furthermore, we restored our exposure to Irish government bonds – representing 0.1 % of our fixed income portfolio – which was substantially reduced in 2012 and 2013. Our government bond exposure in Portugal remained limited, with small unrealized gains. We continued to have virtually no exposure to Greek and no exposure to Ukrainian government bonds. The respective exposure to Russia was relatively small in the context of our overall portfolio.

Our *covered bond* portfolio was up by € 5.1 BN to € 107.6 BN. Its fixed income portfolio share decreased slightly to 20 %. 44 % (31 December 2013: 47 %) of this portfolio was German Pfandbriefe, backed by either public sector loans or mortgage loans. Another 16 %, 10 % and 7 % of the covered bonds were attributable to France, Spain and Italy, respectively. Covered bonds provide a cushion against real estate price deterioration and payment defaults through minimum required security buffers and overcollateralization.

Our *corporate bonds* grew by € 28.7 BN to € 145.1 BN – representing an increase from 24 % as of 31 December 2013 to 26 % of our fixed income portfolio as of year-end 2014. This was primarily driven by new investments and to a lesser extent by decreased interest rates leading to fair value increases. The corporate bond portfolio weighting experienced a slight regional shift from Eurozone corporate bonds to bonds of the North-American region, which was driven by new investments as well as value increases in U.S. Dollar-denominated exposures.

Our exposure to *bank securities* – including the exposure to subordinated securities in banks – remained almost unchanged at € 32.4 BN (31 December 2013: € 33.1 BN). Given the growth in our total fixed income portfolio, the portfolio share of this exposure decreased one percentage point to 6 %. The portfolio share in U.S. banks slightly increased as matured bank securities – mainly from Germany – have been reinvested with a higher percentage going to the United States. The exposure to subordinated securities in banks slightly increased from € 4.8 BN to € 5.3 BN.

Our exposure to asset-backed securities (ABS) went up by € 4.5 BN to € 22.9 BN and still accounted for 4 % of our fixed income portfolio. The increase was largely related to new investments. About 72 % of our ABS portfolio was related to mortgage-backed securities (MBS). MBS issued by U.S. agencies, which are backed by the U.S. government, increased by two percentage points and accounted for 15 % of the ABS portfolio. Overall, 98 % of the ABS portfolio received an investment grade rating, with 86 % rated "AA" or better.

INVESTMENT RESULT

INVESTMENT INCOME (NET)

€ MN	2014	2013	Delta
Operating investment result			
Interest and similar income (net)[1]	21,028	20,497	531
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,301)	(1,868)	567
Operating realized gains/losses (net)	3,205	3,334	(129)
Operating impairments of investments (net)	(697)	(298)	(399)
Investment expenses	(961)	(905)	(56)
Subtotal	**21,274**	**20,761**	**514**
Non-operating investment result			
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(303)	23	(326)
Non-operating realized gains/losses (net)	812	952	(141)
Non-operating impairments of investments (net)	(197)	(313)	116
Subtotal	**312**	**662**	**(350)**
Total investment income (net)	**21,586**	**21,423**	**163**

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

Our *total investment income (net)* went up slightly to € 21,586 MN as the decrease in our non-operating investment result was more than compensated for by the increase in our operating investment result, which are analyzed in the following two sections.

Operating investment result

Our *operating investment income (net)* increased by € 514 MN to € 21,274 MN due to higher interest and similar income (net) and operating income from financial assets and liabilities carried at fair value through income (net).

Interest and similar income (net)[1] increased by € 531 MN – or 2.6 % – to € 21,028 MN. This was driven by higher income from equities in line with our increased exposure to this asset class, but also from higher interest income from debt securities resulting from a higher asset base. This was predominantly due to our Life/Health business segment.

Operating income from financial assets and liabilities carried at fair value through income (net) improved by € 567 MN to a loss of € 1,301 MN. The previous year's result was considerably impacted by losses from the net of foreign currency translation effects and financial derivatives, mainly within our German Life/Health business. Derivatives are used to protect against equity and foreign currency

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

fluctuations as well as to manage duration and other interest rate-related exposures.

Our *operating impairments of investments (net)* increased from their comparatively low level by € 399 MN to € 697 MN. This was mainly driven by higher impairments on emerging market debt funds triggered by unfavorable currency movements of emerging markets currencies in the second half of 2013. This led to impairments in 2014 due to respective accounting policies for impairments. Higher impairments on equities also contributed to the increase and were driven by various single equity investments.

Operating realized gains and losses (net) decreased by € 129 MN to € 3,205 MN. This was driven by lower realizations on debt securities, but also on real estate. Realized gains on equities were around the same level as the previous year.

Investment expenses increased by € 56 MN to € 961 MN, mainly due to the higher asset base and higher expenses for the extended real estate exposure.

Non-operating investment result

Our *non-operating investment income (net)* more than halved from € 662 MN to € 312 MN. This was mainly due to the worsening of non-operating income from financial assets and liabilities carried at fair value through income (net).

Non-operating income from financial assets and liabilities carried at fair value through income (net) decreased by € 326 MN to a loss of € 303 MN, mainly due to unfavorable hedging results.

Non-operating realized gains and losses (net) were down by € 141 MN to € 812 MN due to a reduction in realizations on equities. This was only partly offset by higher realizations on debt securities, mainly within our Property-Casualty business segment.

Non-operating impairments of investments (net) decreased by € 116 MN to € 197 MN. An increase in impairments on debt securities was more than offset by a respective decrease on equities.

ASSETS AND LIABILITIES OF THE PROPERTY-CASUALTY BUSINESS SEGMENT

Property-Casualty assets

Compared to year-end 2013, the Property-Casualty asset base increased by € 8.2 BN to € 109.2 BN. This was primarily driven by higher debt securities, but also by increased equities – both resulting from new investments and increased fair values.

COMPOSITION OF ASSET BASE – FAIR VALUES[1]

€ BN as of 31 December	2014	2013
Financial assets and liabilities carried at fair value through income		
Equities	0.4	0.4
Debt securities	0.1	0.1
Other[2]	–	–
Subtotal	**0.5**	**0.6**
Investments[3]		
Equities	6.3	5.0
Debt securities	72.4	67.0
Cash and cash pool assets[4]	5.6	4.9
Other	9.5	7.5
Subtotal	**93.8**	**84.4**
Loans and advances to banks and customers	**15.0**	**16.1**
Property-Casualty asset base	**109.2**	**101.1**

1 — Loans and advances to banks and customers, held-to-maturity investments and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending on – among other factors – our ownership percentage.
2 — This comprises assets of € 0.1 BN and € 0.1 BN and liabilities of € (0.1) BN and € (0.1) BN as of 31 December 2014 and 31 December 2013, respectively.
3 — These do not include affiliates of € 8.9 BN and € 8.9 BN as of 31 December 2014 and 31 December 2013, respectively.
4 — Including cash and cash equivalents, as stated in our business segment balance sheet of € 3.7 BN and € 2.8 BN and receivables from cash pooling amounting to € 4.2 BN and € 3.4 BN, net of liabilities from securities lending and derivatives of € (0.1) BN and € (0.3) BN, as well as liabilities from cash pooling of € (2.1) BN and € (1.0) BN as of 31 December 2014 and 31 December 2013, respectively.

ABS within the Property-Casualty asset base was up slightly from € 3.7 BN to € 4.0 BN, representing an almost unchanged 3.7 % of the business segment's asset base.

Property-Casualty liabilities

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

€ BN	Gross	Ceded	Net
As of 1 January 2014	**56.6**	**(6.1)**	**50.5**
Balance carry forward of discounted loss reserves[2]	3.2	(0.3)	2.9
Subtotal	**59.8**	**(6.4)**	**53.4**
Loss and loss adjustment expenses paid in current year relating to previous years	(14.7)	1.4	(13.3)
Loss and loss adjustment expenses incurred in previous years	(1.8)	0.4	(1.4)
Foreign currency translation adjustments and other changes	2.5	(0.5)	2.0
Changes in reserves for loss and loss adjustment expenses in current year	16.7	(1.8)	14.9
Subtotal	**62.5**	**(6.9)**	**55.6**
Ending balance of discounted loss reserves[2]	(3.6)	0.3	(3.3)
As of 31 December 2014	**58.9**	**(6.6)**	**52.3**

1 — For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty business segment, please refer to note 19 to the consolidated financial statements.
2 — Although discounted loss reserves have been reclassified to "Reserves for insurance and investment contracts" in the balance sheet in 2013, the underlying business development of these Property-Casualty reserves is still considered in the loss and loss adjustment expenses and in the loss ratio and is therefore included in the development of the reserves above.

As of 31 December 2014, the business segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 62.5 BN – an increase of € 2.7 BN compared to year-end 2013. On a net basis, our reserves – including discounted loss reserves – increased from € 53.4 BN to € 55.6 BN. Foreign currency translation effects and other changes amounted to an increase of € 2.0 BN on a net basis.

ASSETS AND LIABILITIES OF THE LIFE/HEALTH BUSINESS SEGMENT

Life/Health assets

The Life/Health asset base increased by € 78.9 BN – or 16.2 % – to € 565.4 BN. To a large extent, this was driven by an increased exposure to debt securities but also higher equities and was in line with the developments in our overall investment portfolio – reflecting both new investments and increased fair values. Higher financial assets for unit-linked contracts also contributed to this growth.

COMPOSITION OF ASSET BASE — FAIR VALUES

€ BN as of 31 December	2014	2013
Financial assets and liabilities carried at fair value through income		
Equities	1.8	1.4
Debt securities	2.0	2.5
Other[1]	(6.8)	(4.2)
Subtotal	**(3.0)**	**(0.3)**
Investments[2]		
Equities	32.2	28.9
Debt securities	331.8	269.3
Cash and cash pool assets[3]	8.0	7.5
Other	10.4	10.0
Subtotal	**382.4**	**315.8**
Loans and advances to banks and customers	**91.4**	**89.9**
Financial assets for unit-linked contracts[4]	**94.6**	**81.1**
Life/Health asset base	**565.4**	**486.5**

1 — This comprises assets of € 1.4 BN and € 1.7 BN and liabilities (including the market value liability option) of € (8.2) BN and € (5.9) BN as of 31 December 2014 and 31 December 2013, respectively.
2 — These do not include affiliates of € 0.2 BN and € 0.8 BN as of 31 December 2014 and 31 December 2013, respectively.
3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of € 7.6 BN and € 5.8 BN and receivables from cash pooling amounting to € 3.1 BN and € 3.5 BN, net of liabilities from securities lending and derivatives of € (2.6) BN and € (1.7) BN, as well as liabilities from cash pooling of insignificant amounts as of 31 December 2014 and 31 December 2013, respectively.
4 — Financial assets for unit-linked contracts represent assets owned by, and managed on behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts. The International Financial Reporting Standards (IFRS) require the classification of any contract written by an insurance company either as an insurance contract or as an investment contract, depending on whether an insurance component is included. This requirement also applies to unit-linked products. In contrast to unit-linked investment contracts, unit-linked insurance contracts include coverage for significant mortality or morbidity risk.

ABS within the Life/Health asset base grew by € 3.0 BN, mainly due to new investments, and amounted to € 16.9 BN. This exposure represented 3.0 % (31 December 2013: 2.8 %) of the business segment's asset base.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS[1]

€ BN	Unit-linked insurance contracts	Unit-linked investment contracts	Total
As of 1 January 2014	**55.4**	**25.7**	**81.1**
Net premium inflows (outflows)	2.7	4.4	7.1
Changes in fund value	3.7	1.8	5.5
Foreign currency translation adjustments	3.6	0.2	3.8
Other changes	(2.7)	(0.2)	(2.9)
As of 31 December 2014	**62.7**	**31.9**	**94.6**

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

Financial assets for unit-linked contracts increased by € 13.5 BN – or 16.7 % – to € 94.6 BN. Unit-linked insurance contracts went up by € 7.3 BN to € 62.7 BN due to good fund performance (€ 3.7 BN) and premium inflows exceeding outflows by € 2.7 BN. This was partly offset by transfers to the general account in France (€ (1.1) BN). Unit-linked investment contracts increased by € 6.2 BN to € 31.9 BN, with premium inflows significantly exceeding outflows (net € 4.4 BN). Currency effects were driven by the stronger U.S. Dollar (€ 3.1 BN) and Asian currencies (€ 0.6 BN).[1]

Life/Health liabilities

In 2014, Life/Health reserves for insurance and investment contracts increased by € 58.4 BN – or 14.9 % – to € 449.3 BN. The € 23.8 BN increase in aggregate policy reserves was mainly driven by our operations in Germany (€ 9.9 BN), the United States (€ 7.5 BN before currency effects), Italy (€ 2.1 BN), France (€ 0.8 BN) and Luxembourg (€ 0.7 BN). Reserves for premium refund increased by € 24.7 BN due to higher unrealized gains to be shared with policyholders. Currency impacts resulted from the stronger U.S. Dollar (€ 8.2 BN), Asian currencies (€ 1.5 BN) and the Swiss Franc (€ 0.2 BN).[1]

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

ASSETS AND LIABILITIES OF THE ASSET MANAGEMENT BUSINESS SEGMENT

Asset Management assets

The Asset Management business segment's results are derived primarily from asset management for third-party investors and the Allianz Group's insurance operations . In this section, we refer only to the business segment's own assets.[2]

The business segment's asset base decreased from € 4.5 BN to € 2.6 BN – mainly from debt securities as a result of the allocation of certain entities to other reportable segments. Cash and cash pool assets are now the remaining main component of the business segment's asset base.

Asset Management liabilities

Liabilities in our Asset Management business segment decreased from € 4.0 BN as of year-end 2013 to € 2.4 BN, primarily due to the above-mentioned allocation.

ASSETS AND LIABILITIES OF THE CORPORATE AND OTHER BUSINESS SEGMENT

Corporate and Other assets

The Corporate and Other asset base increased by € 3.4 BN to € 44.7 BN. This was due to a greater volume of debt securities and, to a lesser extent, equities as well as an improvement in our net position of cash and cash pool assets. It was partly offset by decreased loans and advances to banks and customers.

2 — For further information on the development of these third-party assets, please refer to Asset Management starting on page 99. Effective 1 January 2014, the Allianz Group allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

COMPOSITION OF ASSET BASE – FAIR VALUES

€ BN as of 31 December	2014	2013
Financial assets and liabilities carried at fair value through income		
Equities	0.1	–
Debt securities	0.2	–
Other[1]	(0.5)	(0.2)
Subtotal	**(0.1)**	**(0.2)**
Investments[2]		
Equities	2.7	1.7
Debt securities	28.4	26.4
Cash and cash pool assets[3]	(4.1)	(5.0)
Other	0.3	0.3
Subtotal	**27.3**	**23.4**
Loans and advances to banks and customers	**17.5**	**18.2**
Corporate and Other asset base	**44.7**	**41.3**

1 — This comprises assets of € 0.2 BN and € 0.3 BN and liabilities of € (0.6) BN and € (0.5) BN as of 31 December 2014 and 31 December 2013, respectively.
2 — These do not include affiliates of € 77.2 BN and € 75.4 BN as of 31 December 2014 and 31 December 2013, respectively.
3 — Including cash and cash equivalents, as stated in our business segment balance sheet, of € 2.0 BN and € 1.5 BN and receivables from cash pooling amounting to € 1.7 BN and € 0.7 BN, net of liabilities from securities lending and derivatives of € (0.0) BN and € (0.2) BN, as well as liabilities from cash pooling of € (7.9) BN and € (7.1) BN as of 31 December 2014 and 31 December 2013, respectively.

ABS within the Corporate and Other asset base expanded by € 1.1 BN to € 2.0 BN. This represented an increase from 2.2 % to 4.5 % of the Corporate and Other's asset base and was mainly due to new investments.

Corporate and Other liabilities

Compared to 31 December 2013, other liabilities increased by € 4.4 BN to € 28.0 BN as of 31 December 2014. Most of this increase was related to higher pension obligations. Over the same period, subordinated liabilities were up by € 0.5 BN to € 12.0 BN as the redemption of a € 1.5 BN perpetual bond was more than offset by the issuance of two perpetual subordinated bonds with a volume of CHF 0.5 BN and € 1.5 BN in the first and third quarter of 2014, respectively. Certificated liabilities decreased by € 1.0 BN to € 12.2 BN.[1]

Off-balance sheet arrangements

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

The Allianz Group enters into various commitments including loan and leasing commitments, purchase obligations and other commitments. Please refer to note 47 to the consolidated financial statements for more details.

The Allianz Group has also entered into contractual relationships with various types of structured entities. They have been designed in such a way that their relevant activities are directed by means of contractual arrangements instead of voting or similar rights. Typically, structured entities have been set up in connection with asset-backed financings, certain investment fund products, commercial mortgage loans and collateralized debt obligations. For more details on our involvement with structured entities, please refer to note 45 to the consolidated financial statements.

Please refer to the Risk and Opportunity Report from page 123 onwards for a description of the main concentrations of risk and other relevant risk positions.

1 — For further information on Allianz SE debt as of 31 December 2014, please refer to notes 23 and 24 to the consolidated financial statements.

Liquidity and Funding Resources

Organization

The Allianz Group's liquidity management is based on policies and guidelines approved by the Allianz SE Board of Management. Allianz SE and each of the operating entities are responsible for managing their respective liquidity positions, while Allianz SE provides central liquidity pooling for the Group. Capital allocation is steered by Allianz SE for the entire Group. This structure allows the efficient use of liquidity and capital resources and for Allianz SE to achieve the desired liquidity and capitalization levels for the Group and its operating units.

Liquidity management of our operating entities

INSURANCE OPERATIONS

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

We receive a large part of premiums before payments of claims or policy benefits are required, generating solid cash flows from our insurance operations. This allows us to invest the funds in the interim to create investment income.

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

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

ASSET MANAGEMENT OPERATIONS

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

BANKING OPERATIONS

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

Liquidity management and funding of Allianz SE

The responsibility for managing the funding needs of the Group, maximizing access to liquidity sources and minimizing borrowing costs lies with Allianz SE. We therefore comment on the liquidity and funding resources of Allianz SE in the following sections. Restrictions on the transferability of capital within the Group result mainly from the capital maintenance rules under applicable company laws and the regulatory solvency capital requirements for regulated group companies.

LIQUIDITY RESOURCES AND USES

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

FUNDING SOURCES

Allianz SE's access to external funds depends on various factors such as capital market conditions, access to credit facilities, credit ratings and credit capacity. The financial resources available to Allianz SE in the capital markets for short-, mid- and long-term funding needs are described below. In general, mid- to long-term financing is covered by issuing senior or subordinated bonds or ordinary shares.

Equity funding

As of 31 December 2014, the issued capital registered at the Commercial Register was € 1,169,920,000. This was divided into 457,000,000 registered shares with restricted transferability. As of 31 December 2014, the Allianz Group held 2,751,961 (2013: 2,763,381) own shares.

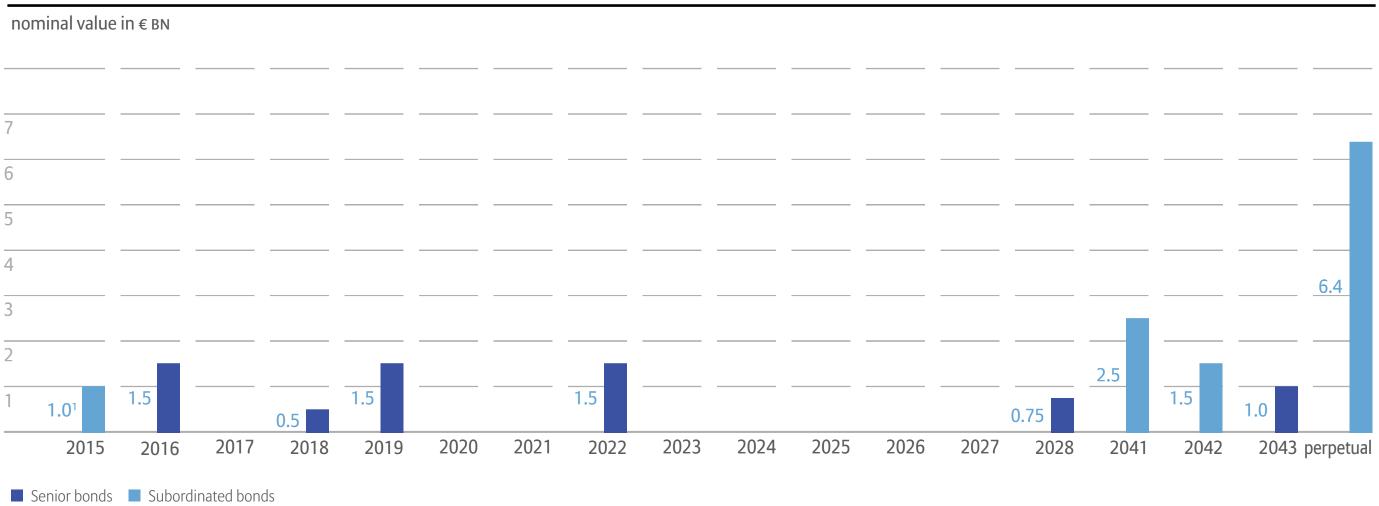
Allianz SE has the option to increase its equity capital base according to authorizations provided by our shareholders. The following table outlines Allianz SE's capital authorizations as of 31 December 2014:

CAPITAL AUTHORIZATIONS OF ALLIANZ SE

CAPITAL AUTHORIZATION	NOMINAL AMOUNT	EXPIRY DATE OF THE AUTHORIZATION
Authorized Capital 2014/I	€ 550,000,000 (214,843,750 shares)	6 May 2019
Authorized Capital 2014/II	€ 13,720,000 (5,359,375 shares)	6 May 2019
Authorization to issue bonds carrying conversion and/or option rights	€ 10,000,000,000 (nominal bond value)	6 May 2019 (issuance of bonds)
Conditional Capital 2010/2014	€ 250,000,000 (97,656,250 shares)	No expiry date for Conditional Capital 2010/2014 (issuance in case option or conversion rights are exercised)

Please refer to page 43 regarding authorizations to issue and repurchase shares.

MATURITY STRUCTURE OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS AS OF 31 DECEMBER 2014



1 — € 1.0 BN subordinated bond called for redemption effective 13 January 2015.

Long-term debt funding

As of 31 December 2014, Allianz SE had senior and subordinated bonds in a variety of maturities outstanding, reflecting our focus on long-term financing. As the cost and availability of external funding may be negatively affected by general market conditions or by matters specific to the financial services industry or the Allianz Group, we seek to reduce refinancing risk by actively steering the maturity profile of our funding structure.

Interest expenses on senior bonds increased to € 264 MN (2013: € 261 MN). This was due to slightly higher outstanding volumes on average and the appreciation of the British Pound against the Euro. For subordinated bonds, interest expenses declined to € 554 MN (2013: € 610 MN). This was primarily driven by lower funding costs on new issuances compared to subordinated bonds that matured in 2014.

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

as of 31 December	Nominal value € MN	Carrying value € MN	Interest expense € MN	Weighted average interest rate[2] %
2014				
Senior bonds	6,716	6,653	264	3.9
Subordinated bonds	11,442	11,371	554	5.3
Total	**18,159**	**18,024**	**818**	**4.8**
2013				
Senior bonds	6,651	6,581	261	4.0
Subordinated bonds	10,926	10,856	610	5.9
Total	**17,577**	**17,437**	**871**	**5.2**

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2014, please refer to notes 23 and 24 to the consolidated financial statements.
2 — Based on nominal value.

The table below details the long-term debt issuances and redemptions of Allianz SE during 2014 and 2013:

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

€ MN

as of 31 December	Issuances[1]	Redemptions[1]	Issuances net of redemptions
2014			
Senior bonds	–	–	–
Subordinated bonds	1,916	1,500	416
2013			
Senior bonds	2,151	1,500	651
Subordinated bonds	1,500	1,517	(17)

1 — Based on nominal value.

Funding in currencies other than the Euro enables us to diversify our investor base or to take advantage of favorable funding costs in those markets. Funds raised in non-Euro currencies are incorporated in our general hedging strategy. As of 31 December 2014, approximately 12.2 % (2013: 9.3 %) of long-term debt was issued or guaranteed by Allianz SE in currencies other than the Euro.

CURRENCY ALLOCATION OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS

nominal value in € MN as of 31 December	Euro	Non-Euro	Total
2014			
Senior and subordinated bonds	15,950	2,209	18,159
2013			
Senior and subordinated bonds	15,950	1,627	17,577

Short-term debt funding

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. As of 31 December 2014, Allianz SE had money market securities outstanding with a carrying value of € 1,041 MN, a € 172 MN increase in the use of commercial paper compared to the previous year-end. Interest expenses on money market securities decreased to € 3 MN (2013: € 4 MN) due to a lower level of short-term interest rates on average in 2014.

MONEY MARKET SECURITIES OF ALLIANZ SE

as of 31 December	Carrying value € MN	Interest expense € MN	Average interest rate %
2014			
Money market securities	1,041	3	0.3
2013			
Money market securities	869	4	0.4

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

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

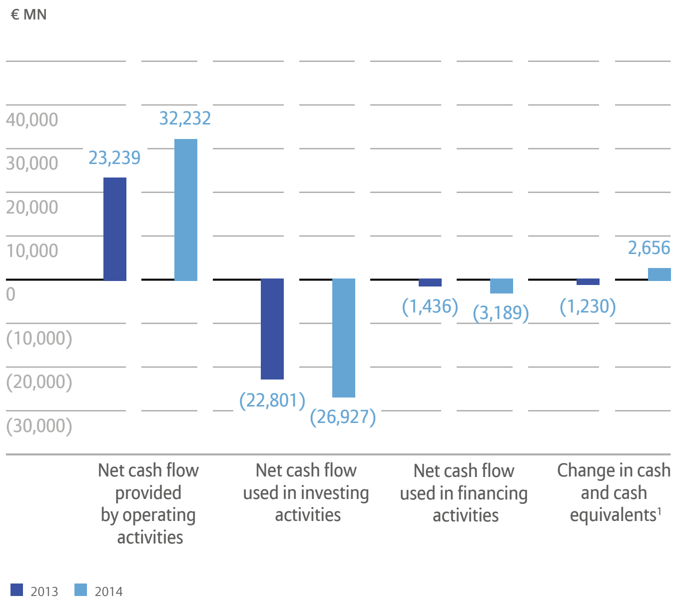
ALLIANZ SE BONDS[1] OUTSTANDING AS OF 31 DECEMBER 2014 AND INTEREST EXPENSES IN 2014

1. SENIOR BONDS[2]		
4.0 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expenses		€ 62 MN
1.375 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.5 BN	
Year of issue	2013	
Maturity date	3/13/2018	
ISIN	DE 000 A1H G1J 8	
Interest expenses		€ 7 MN
4.75 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2009	
Maturity date	7/22/2019	
ISIN	DE 000 A1A KHB 8	
Interest expenses		€ 74 MN
3.5 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 BN	
Year of issue	2012	
Maturity date	2/14/2022	
ISIN	DE 000 A1G 0RU 9	
Interest expenses		€ 54 MN
3.0 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.75 BN	
Year of issue	2013	
Maturity date	3/13/2028	
ISIN	DE 000 A1H G1K 6	
Interest expenses		€ 24 MN
4.5 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	GBP 0.75 BN	
Year of issue	2013	
Maturity date	3/13/2043	
ISIN	DE 000 A1H G1L 4	
Interest expenses		€ 43 MN
Total interest expenses for senior bonds		**€ 264 MN**
2. SUBORDINATED BONDS[3]		
6.5 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.0 BN	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expenses		€ 66 MN
5.75 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 2.0 BN	
Year of issue	2011	
Maturity date	7/8/2041	
ISIN	DE 000 A1G NAH 1	
Interest expenses		€ 116 MN
5.625 % bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2012	
Maturity date	10/17/2042	
ISIN	DE 000 A1R E1Q 3	
Interest expenses		€ 86 MN
4.375 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.4 BN	
Year of issue	2005	
Maturity date	PERPETUAL BOND	
ISIN	XS 021 163 783 9	
Interest expenses		€ 63 MN
5.375 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.8 BN	
Year of issue	2006	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A0G NPZ 3	
Interest expenses		€ 43 MN
5.5 % bond issued by Allianz SE		
Volume	USD 1.0 BN	
Year of issue	2012	
Maturity date	PERPETUAL BOND	
ISIN	XS 085 787 250 0	
Interest expenses		€ 44 MN
4.75 % bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2013	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A1Y CQ2 9	
Interest expenses		€ 72 MN
3.25 % bond issued by Allianz SE		
Volume	CHF 0.5 BN	
Year of issue	2014	
Maturity date	PERPETUAL BOND	
ISIN	CH 023 483 337 1	
Interest expenses		€ 13 MN
3.375 % bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2014	
Maturity date	PERPETUAL BOND	
ISIN	DE 000 A13 R7Z 7	
Interest expenses		€ 15 MN
Total interest expenses for subordinated bonds		**€ 519 MN**
3. ISSUES REDEEMED IN 2014		
5.5 % bond issued by Allianz SE		
Volume	€ 1.5 BN	
Year of issue	2004	
Maturity date	PERPETUAL BOND	
ISIN	XS 018 716 232 5	
Interest expenses		€ 3 MN
Sum of interest expenses[1]		**€ 786 MN**
Interest expenses from external debt not presented in the table		€ 59 MN
Total interest expenses from external debt		**€ 846 MN**

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

Allianz Group consolidated cash flows

ANNUAL CHANGES IN CASH AND CASH EQUIVALENTS



1 — Includes effects of exchange rate changes on cash and cash equivalents of € 541 MN and € (232) MN in 2014 and 2013, respectively.

Net cash flow provided by operating activities increased by € 9.0 BN to € 32.2 BN in 2014. This consists of net income plus adjustments for non-cash charges, credits and other items included in net earnings and cash flows related to the net change in operating assets and liabilities. Net income after adding back non-cash charges and similar items rose by € 2.1 BN to € 10.9 BN in 2014. To a large extent this was driven by higher valuation results on our assets and liabilities held for trading. Operating cash flows from net changes in operating assets and liabilities, including other items, grew by € 6.9 BN to € 21.3 BN. This was largely due to higher reserves for insurance and investment contracts in our Life/Health business, mainly in the United States, Germany and Italy. We also recorded higher reserves for losses and loss adjustment expenses, in particular in our Property-Casualty business in the United States, Switzerland, Germany and Australia. Negative net changes from our operating receivables/payables partially offset these effects.

Net cash outflow used in investing activities amounted to € 26.9 BN, up by € 4.1 BN compared to the previous year. This rise was attributable to lower net cash inflows from loans and advances to banks and customers, especially in our Life/Health business in the United States, Germany and Korea. In addition, we recorded net cash outflows from financial assets designated at fair value through income, mainly in our Life/Health business in France and at Allianz SE.

Net cash outflows for available-for-sale investments further increased. This stemmed primarily from our Life/Health operation in the United States and was only partially offset by our Banking operation in Italy and Allianz SE.

Net cash outflow used in financing activities increased by € 1.8 BN to € 3.2 BN in 2014. Net cash outflows from liabilities to banks and customers (after net cash inflows in 2013) contributed to this development and were mainly attributable to our Banking operations in Italy and Germany. We also recorded higher dividend payments to our shareholders. Higher net cash inflows from our refinancing activities[1] partly offset these effects.

Cash and cash equivalents grew by € 2.7 BN to € 13.9 BN as of 31 December 2014. This mainly stemmed from our insurance operations in the United States and Allianz SE.

CASH AND CASH EQUIVALENTS

€ MN as of 31 December	2014	2013
Balances with banks payable on demand	6,657	6,574
Balances with central banks	397	449
Cash on hand	184	202
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	6,625	3,982
Total cash and cash equivalents	**13,863**	**11,207**

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

Reconciliations

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

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

Composition of total revenues

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

COMPOSITION OF TOTAL REVENUES

€ MN	2014	2013
Property-Casualty		
Gross premiums written	**48,322**	**46,579**
Life/Health		
Statutory premiums	**67,331**	**56,784**
Asset Management		
Operating revenues	**6,388**	**7,162**
consisting of:		
Net fee and commission income	6,380	7,127
Net interest income[1]	(3)	12
Income from financial assets and liabilities carried at fair value through income (net)	5	12
Other income	6	10
Corporate and Other		
Total revenues (Banking)	**556**	**551**
consisting of:		
Interest and similar income	590	613
Income from financial assets and liabilities carried at fair value through income (net)	10	8
Fee and commission income	513	475
Interest expenses, excluding interest expenses from external debt	(255)	(281)
Fee and commission expenses	(305)	(263)
Consolidation effects (Banking within Corporate and Other)	3	(2)
Consolidation	**(344)**	**(302)**
Allianz Group total revenues	**122,253**	**110,773**

1 — Represents interest and similar income less interest expenses.

Composition of total revenue growth

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

RECONCILIATION OF NOMINAL TOTAL REVENUE GROWTH TO INTERNAL TOTAL REVENUE GROWTH

%	Internal growth	Changes in scope of consolidation	Foreign currency translation	Nominal growth
2014				
Property-Casualty	3.0	2.1	(1.4)	3.7
Life/Health	19.5	(0.4)	(0.3)	18.6
Asset Management	(8.5)	(2.5)	0.0	(10.8)
Corporate and Other	(2.2)	3.2	0.0	1.0
Allianz Group	**10.6**	**0.5**	**(0.8)**	**10.4**
2013				
Property-Casualty	(0.3)	2.0	(2.3)	(0.7)
Life/Health	9.1	0.5	(1.1)	8.5
Asset Management	8.5	(0.1)	(2.9)	5.5
Corporate and Other	(6.7)	0.0	0.0	(6.7)
Allianz Group	**4.7**	**1.1**	**(1.7)**	**4.1**

Life/Health Insurance Operations

STATUTORY PREMIUMS

The objective of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.

Loadings & fees includes premium and reserve-based fees, unit-linked management fees and policyholder participation on expenses.

OPERATING PROFIT

The reconciling item *scope* comprises the effects from out-of-scope entities in the profit sources reporting compilation. Operating profit from operating entities that are not in-scope entities is included in the investment margin. Currently, 19 entities comprising 97.3 % of Life/Health total statutory premiums are in-scope.

Expenses

Expenses comprise acquisition expenses and commissions as well as administrative and other expenses.

The delta shown as *definitions* in acquisition expenses and commissions represents commission clawbacks, which are allocated to the technical margin. The delta shown as *definitions* in administrative and other expenses mainly represents restructuring charges, which are presented in a separate line item in the group income statement.

ACQUISITION, ADMINISTRATIVE, COMMISSIONS AND OTHER EXPENSES

€ MN	2014	2013
Acquisition expenses and commissions (as per Management Discussion and Analysis (MD&A))	(4,833)	(4,233)
Definitions	28	35
Scope	(398)	(393)
Acquisition costs incurred and commissions (as per Notes)	**(5,203)**	**(4,591)**
Administrative and other expenses (as per MD&A)	(1,577)	(1,519)
Definitions	115	158
Scope	(150)	(135)
Administrative expenses on reinsurance business ceded	14	8
Administrative and other expenses (net) (as per Notes)[1]	**(1,599)**	**(1,487)**

1 — Excluding one-off effect from pension revaluation. For further details, please refer to note 6 to the consolidated financial statements.

Impact of change in Deferred Acquisition Costs (DAC)

Impact of change in DAC includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA) and is the net impact of the deferral and amortization of acquisition costs and front-end loadings on operating profit.

URR capitalized: Capitalization amount of unearned revenue reserves (URR) and deferred profit liabilities (DPL) for FAS 97 LP.

URR amortized: Total amount of URR amortized includes scheduled URR amortization, true-up and unlocking.

Both capitalization and amortization is included in the line item premiums earned (net) in the group income statement.

Policyholder participation is included within change in reserves for insurance and investment contracts (net) in the group income statement.

CAPITALIZATION AND AMORTIZATION OF DAC

€ MN	2014	2013
Capitalization of DAC (as per MD&A)	1,937	1,596
Definition: URR capitalized	456	377
Definition: policyholder participation[1]	908	822
Scope	200	186
Capitalization of DAC (as per Notes)	**3,502**	**2,980**
Amortization, unlocking and true-up of DAC (as per MD&A)	(1,513)	(1,519)
Definition: URR amortized	13	(174)
Definition: policyholder participation[1]	(1,033)	(777)
Scope	(115)	(101)
Amortization, unlocking and true-up of DAC (as per Notes)	**(2,648)**	**(2,571)**

1 — For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.

RECONCILIATION TO NOTES

€ MN	2014	2013
Acquisition expenses and commissions (as per MD&A)	(4,833)	(4,233)
Administrative and other expenses (as per MD&A)	(1,577)	(1,519)
Capitalization of DAC (as per MD&A)	1,937	1,596
Amortization, unlocking and true-up of DAC (as per MD&A)	(1,513)	(1,519)
Acquisitions and administrative expenses	**(5,985)**	**(5,675)**
Definitions	488	440
Scope	(464)	(443)
Commissions and profit received on reinsurance business ceded	88	67
Administrative expenses on reinsurance business ceded	14	8
Acquisitions and administrative expenses (net) (as per Notes)[1]	**(5,860)**	**(5,603)**

1 — Excluding one-off effect from pension revaluation. For further details, please refer to note 6 to the consolidated financial statements.

Risk and Opportunity Report

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

Allianz risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT

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

- Market risk, especially interest rate risk due to the duration mismatch between assets and liabilities for long-term savings products as well as equity risk, which we take to participate from the expected risk premium;
- Credit and credit spread risk driven by assets backing long-term savings products;
- Property-Casualty premium and reserve risk, resulting from natural and man-made catastrophes as well as from claims uncertainty.

Allianz's risk profile is driven by our strategic risk appetite and steered by the risk management practices and limits which are described later in this report. The risk profile and relative contributions have changed in 2014 due to changes in the market environment and due to model changes necessary to enhance our model to provide a basis for our internal model application for Solvency II purposes. These Solvency II-driven model changes reflect our current understanding of forthcoming requirements which are described in the section on model changes.

In the following paragraphs we provide an overview of major developments and risks that may affect Allianz's portfolio.

Financial markets and operating environment

Many countries within the Eurozone currently face weak economic growth and low inflation rates. The economic malaise is being addressed by the ECB through its expansive monetary policy. As a result, financial markets are characterized by historically low interest rates and risk premia, prompting investors to look for higher yielding (and potentially higher risk) investments. In addition to sustained low interest rates, the weakening of the Eurozone's growth momentum, the challenges of implementing long-term structural reforms in key Eurozone countries and the uncertainty about the future path of monetary policy may lead in the future to higher market volatility accompanied by a flight to quality and a scenario with falling equity and bond prices due to rising spread levels accompanied by even lower interest rates.

Rising geopolitical risks

The increase in geopolitical risks during 2014, including the conflicts in the Middle East as well as between Russia and Ukraine – and the resulting international sanctions against Russia, are manageable for Allianz Group because our direct exposure to these regions remains relatively small in the context of our overall portfolio. Nevertheless, we are monitoring these developments since a significant deterioration – for example an escalating conflict between the West and Russia – may lead to spill-over effects on the global financial markets, triggering indirect effects which may have a negative impact on our business and risk profile.

Over the past years Allianz Group and its operating entities have developed operational contingency plans for various crisis scenarios and continue to conduct scenario analysis on a regular basis to bolster our financial and operational resilience to strong shock scenarios. In addition, we continue to optimize our product design and pricing in the Life/Health business segment with respect to guarantees and surrender conditions. Continuous monitoring as well as prudent risk positions and contingency planning remain priorities for our management.

Regulatory developments

In March 2014, the European Parliament approved the Solvency II "Omnibus II" directive, allowing the new risk-based solvency framework for the E.U. to proceed with a planned introduction date of January 2016. Although a new version of the European Commission's draft for the delegated regulation of Solvency II was published in October 2014, some of the important final requirements remain unclear. This situation creates some uncertainty with respect to Allianz's ultimate Solvency II capital requirements, especially under the application of our internal model in case the final rules deviate from our current understanding of these rules.

In addition to Solvency II uncertainty, the future capital requirements applicable for Global Systemically Important Insurers (so-called G-SIIs) are also unclear, contributing to uncertainty in terms of the ultimate capital requirements for Allianz. Finally, the potential for a multiplicity of different regulatory regimes, capital standards and reporting requirements will increase operational complexity and costs.

In any case, due to the market value balance sheet approach, the Solvency II regime will lead to higher volatility in solvency ratios compared to Solvency I.

MANAGEMENT ASSESSMENT

The Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of its risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs. This confidence is based on several factors, which are outlined in more detail in the sections that follow and are summarized here:

- The Allianz Group is well capitalized and met its internal-, rating agency- and regulatory-solvency targets as of 31 December 2014. Allianz is also confident that it will meet the capital requirements under the new regulatory regimes and will apply for approval of an internal model in early 2015. Allianz remains one of the highest-rated insurance groups in the world, as reflected by our external rating agencies.

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

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

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

Capitalization

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

Our risk capital model reflecting our internal risk profile plays a significant role in the management of capital across the Group. In addition, we take into account the external requirements of regulators and rating agencies. While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements and maintaining strong credit ratings are strategic business objectives of the Allianz Group.

We closely monitor the capital position of the Group and operating entities along each of these dimensions and apply regular stress tests based on standard adverse scenarios. This allows us to take appropriate measures to ensure our continued capital and solvency strength. Due to our effective capital management, the Allianz Group is well capitalized and met its internal-, rating agency- and regulatory -solvency targets as of 31 December 2014.

REGULATORY CAPITAL ADEQUACY

The Allianz Group is a financial conglomerate within the scope of the E.U. Financial Conglomerates Directive and the related German law in force since 1 January 2005. The law requires that a financial conglomerate calculates the capital available to meet its solvency requirements on a consolidated basis, which we refer to as "eligible capital". Currently, the requirements for our insurance business are based on Solvency I. These capital requirements, as well as the definition and calculation of eligible capital, will be replaced by the Solvency II rules once the new regulation becomes binding in January 2016. Allianz expects to be well capitalized also under these future regulatory requirements.

CONGLOMERATE SOLVENCY[1]

€ BN as of 31 December	2014	2013
Eligible capital	49.8	46.5
Requirement	27.6	25.6
Solvency ratio	181%	182%

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 173% as of 31 December 2013 and additionally adjusted by € 0.4 BN for the potential calls of hybrid capital (subordinated bonds) in 2015, 172% as of 31 December 2014.

The conglomerate solvency ratio decreased slightly by one percentage point.[1]

EXTERNAL RATING AGENCY CAPITAL ADEQUACY

Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. An assessment of capital adequacy is usually an integral part of the rating process. In November 2014, Moody's

1 — For further details on changes in eligible capital and solvency requirement, please refer to Balance Sheet Review from page 109.

affirmed the Allianz Group's "Aa3" rating and revised the outlook from "negative" to "stable", recognizing our capital strength and diverse business profile. Standard & Poor's reconfirmed the "AA" rating.

The Allianz Group has one of the highest ratings amongst its peers. The following table provides the ratings of the Allianz Group awarded by major rating agencies.

RATINGS OF ALLIANZ GROUP

Ratings[1]	Insurer financial strength rating		Counterparty credit rating		Commercial paper (short-term) rating	
	2014	2013	2014	2013	2014	2013
Standard & Poor's	AA Stable outlook (affirmed December 2014)	AA Stable outlook	AA Stable outlook (affirmed December 2014)	AA Stable outlook	A–1+ (affirmed December 2014)	A–1+
Moody's	Aa3 Stable outlook (affirmed November 2014)	Aa3 Negative outlook	Aa3 Stable outlook (outlook changed March 2014)[2]	Aa3 Negative outlook[2]	Prime–1 (affirmed November 2014)	Prime–1
A.M. Best	A+ Stable outlook (affirmed August 2014)	A+	aa– Stable outlook[3] (affirmed August 2014)	aa–	Not rated	Not rated

1 — Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.
2 — Rating reflects Senior unsecured debt.
3 — Issuer Credit rating.

As part of the long-term financial strength rating, Standard & Poor's has a rating for "Enterprise Risk Management" (ERM). Since 2013 Standard & Poor's has assigned Allianz its highest possible rating – "very strong" – for the ERM capabilities of our insurance operations. This indicates that Standard & Poor's regards it as "unlikely that Allianz Group will experience major losses outside its risk tolerance". Standard & Poor's stated that the assessment is based on Allianz's strong risk management culture, strong controls for the majority of key risks and strong strategic risk management. In addition, Standard & Poor's reviewed our internal capital model initially in 2012 and since then on an annual basis. Based on this review Standard & Poor's has given further credit to the capital position of the Allianz Group since the fourth quarter of 2012 by taking our internal model results into account when determining the capital requirements in order to meet specific rating classes.

SOLVENCY II REGULATORY CAPITALIZATION

The Allianz Group's own funds as well as the capital requirements are based on the market value balance sheet approach as the major economic principle of Solvency II rules.[1] Our objective is to maintain available capital at the Group level that is significantly above the minimum indicated requirements. Our Solvency ratio based on these requirements is shown in the following table. Note, for 2014 our U.S. based life business, Allianz Life of North America (AZ Life), is included on the basis of third country equivalence treatment[2].

ALLIANZ GROUP: SOLVENCY II REGULATORY CAPITALIZATION

€ BN as of 31 December	2014	2013
Own funds	66.0	52.4
Capital requirement	34.6	23.6
Capitalization ratio	191 %	222 %

Our Solvency II capitalization decreased by 31 percentage points to 191 %, which was driven by an increase in risk capital partly compensated by an increase in own funds. This change was driven by two effects, model changes to reflect our current understanding of the forthcoming Solvency II rules and financial market movements. Impacts of model changes on our internal risk profile are presented in the section "Internal model updates in 2014". Model changes also had a positive impact on own funds which were mainly driven by changes in transferability restrictions, the treatment of surplus funds in Germany, the third country equivalence treatment of AZ Life as well as actuarial model changes, including the adoption of the volatility adjustment in the Solvency II valuation yield curve.

With regards to financial markets-driven movements, in particular the decrease in interest rates affected the value and sensitivities of options and guarantees in our traditional life business. In addition, decreasing spreads increased our exposure to credit and credit spread-sensitive investments and rising equity markets outside the Eurozone, as well as a weakened Euro, led to higher exposures to equity risk, which also contributed to higher capital requirements.

The following table summarizes our disclosed Solvency II regulatory capitalization ratios over the course of the year 2014.

ALLIANZ GROUP: SOLVENCY II REGULATORY CAPITALIZATION RATIOS

%	31 December 2014	30 September 2014	30 June 2014	31 March 2014	model update 1 January 2014	31 December 2013
Capitalization ratio	191	202	205	203	194	222

1 — Own funds and capital requirement are calculated under consideration of volatility adjustment and yield curve extension as described in Yield curve and volatility adjustment assumptions on page 127.
2 — Third country equivalence treatment for AZ Life means that the entity is included at Group level with 100 % of its local statutory capital requirement and the local statutory available funds, overall benefiting the Solvency II ratio by +15 percentage points.

The model update as per 1 January 2014 reflected our best estimate of forthcoming Solvency II rules and related model changes at the beginning of 2014. All subsequent quarterly disclosures were based on these model assumptions. Additional model changes implemented for the year-end 2014 reflect our current best estimate and understanding of the forthcoming Solvency II rules.

The following table presents the sensitivity of our predicted Solvency II capitalization ratio under certain standard financial scenarios. These are defined by reasonably possible individual movements in key market parameters while keeping all other parameters constant with the effects impacting both the available capital and internal risk capital.

ALLIANZ GROUP: SOLVENCY II REGULATORY CAPITALIZATION RATIOS[1]

% as of 31 December	2014	2013
Base capitalization ratio	191	222
Interest rate up by 0.5 %[2]	205	228
Interest rate down by 0.5 %[2]	170	202
Equity prices up by 30 %	199	232
Equity prices down by 30 %	179	210
Combined scenario: Interest rate down by 0.5 %[2] Equity prices down by 30 %	158	191

1 — AZ Life is included in 2014 on the basis of third country equivalence with 100 % of its local statutory capital requirement and the local statutory available funds taken into account at Group level.
2 — Non-parallel interest rate shifts due to extrapolation of the yield curve beyond the last liquid point in line with forthcoming Solvency II rules.

The model used at the year-end 2014 will also be the basis for our internal model application under Solvency II. Nevertheless, any further regulatory guidance may still impact our future internal model results. In addition, the internal model still needs to be approved by regulatory authorities.

INTERNAL RISK PROFILE

The internal risk profile through the eyes of management includes AZ Life in the internal model calculation instead of applying third country equivalence. This is the only difference between the Solvency II figures and the internal risk profile reported here. By that we allow for a consistent risk steering across all major entities within the Allianz Group based on the same model as applied at Group level supplemented by economic business scenarios and sensitivities.

This Risk and Opportunity Report outlines the Group's risk figures reflecting its internal risk profile based on pre-diversified risk figures and Group-diversification effects. Pre-diversified risk figures reflect the diversification effect within each modeled risk category (i.e. market, credit, underwriting, business and operational risk), but does not comprise the diversification effects across risk categories. Group-diversified risk figures also capture the diversification effect across all risk categories.

As of 31 December 2014, the Group-diversified risk reflecting our internal risk profile before non-controlling interests of € 38.4 BN (2013: € 29.6 BN[1]) represented a diversification benefit[2] of approximately 30 % (2013: 30 %[1]) across risk categories and business segments. The Group-diversified risk is broken down as follows:

1 — 2013 risk profile figures recalculated based on model changes in 2014 as described in Internal model updates in 2014 from page 129.
2 — Diversification before tax.

ALLIANZ GROUP: ALLOCATED RISK ACCORDING TO INTERNAL RISK PROFILE (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS)

€ MN	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
as of 31 December	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]	2014	2013[1]
Property-Casualty	6,120	5,388	2,374	2,067	9,619	8,811	917	909	1,797	1,833	(7,246)	(6,729)	13,582	12,278
Life/Health	18,569	14,098	7,817	5,589	1,626	1,063	4,404	3,630	2,035	1,975	(10,161)	(7,651)	24,291	18,703
Asset Management	521	621	128	152	–	–	–	–	668	586	–	–	1,317	1,359
Corporate and Other	2,891	2,591	699	555	65	94	–	–	645	679	(883)	(829)	3,417	3,090
Total Group	**28,102**	**22,698**	**11,018**	**8,363**	**11,311**	**9,967**	**5,321**	**4,538**	**5,146**	**5,073**	**(18,291)**	**(15,209)**	**42,607**	**35,430**
											Tax		(4,180)	(5,820)
											Total Group		**38,427**	**29,610**

1 — 2013 risk profile figures recalculated based on model changes in 2014 as described in Internal model updates in 2014 from page 129.

Detailed discussions of movements in respective risks are provided in the sections that follow.

Internal risk capital framework

We define internal risk capital as the capital required to protect us against unexpected, extreme economic losses, which forms the basis for determining our Solvency II regulatory capitalization and our internal risk profile. On a quarterly basis, we calculate and aggregate internal risk capital across all business segments based on a common standard for measuring and comparing risks across the wide range of different activities that we undertake as an integrated financial services provider.

GENERAL APPROACH

We utilize an internal risk capital model for the management of our risk profile and solvency position, reflecting our current understanding of the forthcoming Solvency II rules. Our model is based on a best practice technical platform with an up-to-date methodology covering all modeled sources of quantifiable risks.

INTERNAL RISK CAPITAL MODEL

Our internal risk capital model is based on a Value-at-Risk (VaR) approach using a Monte Carlo simulation. Following this approach, we determine the maximum loss in the portfolio value of our businesses in the scope of the model within a specified timeframe ("holding period") and probability of occurrence ("confidence level"). We assume a confidence level of 99.5 % and apply a holding period of one year. In the risk simulation, we consider risk events from all modeled risk categories ("sources of risk") and calculate the portfolio value based on the net fair value of assets and liabilities under potentially adverse conditions.

The internal risk capital is defined as the difference between the current portfolio value and the portfolio value under adverse conditions dependent on the 99.5 % confidence level. Because we consider the impact of a negative or positive event on all sources of risks and covered businesses at the same time, diversification effects across products and regions are taken into account. The results of our Monte Carlo simulation allow us to analyze our exposure to each source of risk, both separately and in aggregate. In addition, in particular for market risks, we analyze several pre-defined stress scenarios either based on historically observed market movements or on hypothetical market movement assumptions. This modeling approach, therefore, also enables us to identify scenarios that have a positive impact on our solvency situation.

Yield curve and volatility adjustment assumptions

When calculating the fair values of assets and liabilities, the assumptions regarding the underlying risk-free yield curve are crucial in determining future cash flows and their discounting. We apply the methodology provided by the European Insurance and Occupational Pensions Authority (EIOPA) based on the insurance stress test for 2014 for the extension of the risk-free interest rate curves beyond the last liquid tenor.

In addition, we adjust the risk-free yield curves by a volatility adjustment for all business segments except unit-linked business. This is done to better reflect the underlying economics of our business as the cash flows of our insurance liabilities are, to a large degree, predictable. The advantage of being a long-term investor, therefore, gives us the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component. Being a long-term investor mitigates to a great extent the risk of forced selling at a loss of debt instruments prior to maturity. Therefore, we reflect this mitigation in our model using a volatility adjustment spread risk offset and view the more relevant risk to be default and migration risk rather than credit spread risk.

Valuation assumption: replicating portfolios

Since efficient valuation and complex, timely analysis is required, we replicate the liabilities of our Life/Health insurance business. This technique enables us to represent all options and guarantees, both contractual and discretionary, by means of standard financial instruments. In the risk calculation we use the replicating portfolio to determine and revalue these liabilities under all potentially adverse Monte Carlo scenarios.

Diversification and correlation assumptions

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

We strive to diversify the risks to which we are exposed in order to limit the impact of any single source of risk and help increase the chances that the positive developments outweigh the negative. The degree to which diversification can be realized depends in part on the level of relative concentration of those risks and the joint movement of sources of risk.

Where possible, we derive correlation parameters for each pair of market risks through statistical analysis of historical market data, considering quarterly observations over several years. In case historical market data or other portfolio-specific observations are insufficient or not available, correlations are set according to a well-defined, Group-wide process. Correlations are determined by the Correlation Settings Committee, which combines the expertise of risk and business experts. In general, we set the correlation parameters to represent the joint movement of risks under adverse conditions. Based on these correlations, we use an industry-standard approach, the Gaussian copula approach, to determine the dependency structure of quantifiable sources of risk within the applied Monte Carlo simulation.

Actuarial assumptions

Our internal risk capital model also includes assumptions on claims trends, liability inflation, mortality, longevity, morbidity, policyholder behavior, expense, etc. We use our own internal historical data for actuarial assumptions wherever possible and also consider recommendations from the insurance industry, supervisory authorities and actuarial associations. The derivation of our actuarial assumptions is based on generally accepted actuarial methods. Within our internal risk capital and financial reporting framework, comprehensive processes and controls exist for ensuring the reliability of these assumptions.[1]

SCOPE

By design, our internal risk capital model takes into account the following risk categories: market risk, credit risk, underwriting risk, business risk and operational risk whenever these risks are present. A further breakdown of the risk categories can be found in the section on internal risk assessment. With the exception of the Asset Management business segment, all business segments are exposed to the full range of stated risk categories. By contrast, the Asset Management business segment is mainly exposed to market, credit and operational risk.

Coverage of the internal risk capital model

Allianz's internal risk capital model covers all major insurance operations[2]. This includes the relevant assets (including bonds, loans, mortgages, investment funds, equities and real estate) and liabilities (including the cash flow run-off profile of all technical reserves as well as deposits, issued debt and other liabilities). For with-profit products in the Life/Health business segment, options and guarantees embedded in insurance contracts – including policyholder participation rules – are taken into account.[3]

At Group level, the capital requirements for smaller insurance operating entities outside the European Economic Area that have only an immaterial impact on the Group's risk profile are treated with book value deduction.

Risk capital related to our European banking operations is allocated to the Corporate and Other business segment based on the approach applied by banks under the local requirements with respect to the Basel regulation (Basel standards). Capital requirements for banks represent an insignificant amount of approximately 1.4 % (2013: 1.4 %[4]) of our total pre-diversified internal risk. Therefore, risk management with respect to banking operations is not discussed in more detail.

For our Asset Management business segment we assign internal risk capital requirements based on the sectorial regulatory capital requirements as envisaged in Solvency II. Asset Management business is mainly affected by operational risks. However, since most of our Asset Management business is not located within the Eurozone, at the Group level it also bears foreign exchange rate risk. Our Asset Management business is covered by adequate risk controlling processes including regular reporting and qualitative risk assessments (such as Top Risk Assessment) to the Group. However, since it is mainly affected by the previously mentioned two risk types (operational and foreign exchange rate), and due to the fact that the impact on total pre-diversified internal risk capital is minor, risk management with respect to Asset Management is not discussed in more detail.

Limitations

Our internal risk capital model expresses the potential "worst-case" amount in economic value that we might lose at a certain confidence level. However, there is statistically a low probability of 0.5 % that actual losses could exceed this threshold at Group level in the course of one year.

We use model and scenario parameters derived from historical data, where available, to characterize future possible risk events. If future market conditions differ substantially from the past, for example in an unprecedented crisis, our VaR approach may be too conservative or too liberal in ways that are too difficult to predict. In order to mitigate reliance on historical data, we complement our VaR analysis with stress testing. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.5 %, the one-year holding period as well as limited data for some insurance risk events – such as natural catastrophes – being available.

Furthermore, as historical data is used where possible to calibrate the model, historical data cannot be used for validation. Instead, we validate the model and parameters through sensitivity analyses, independent internal peer reviews and, where appropriate, external reviews by independent consulting firms, focusing on methods for selecting parameters and control processes. To ensure proper validation we established an Independent Validation Unit (IVU) within Group Risk responsible for validating our internal model within a

1 — For additional information regarding our internal controls over financial reporting, please refer to Controls over Financial Reporting and Risk Capital from page 144.

2 — As mentioned under Solvency II capitalization and internal risk profile, AZ Life is taken into account by means of third country equivalence into the Group capitalization, but included based on the internal risk capital model for the reporting of the internal risk profile.

3 — For further information about participating life business, please refer to note 20 to the consolidated financial statements.

4 — 2013 risk profile figures recalculated based on model changes in 2014 as described in Internal model updates in 2014 from page 129.

comprehensive model validation process. Overall, we trust that our validation efforts are effective and that our model adequately assesses the risks to which we are exposed.

As described in a previous section, insurance liability values in the risk calculation are derived from replicating portfolios of standard financial market instruments in order to allow for effective risk management. This replication is subject to the set of available replicating instruments and might, therefore, be too simple or too restrictive to capture all factors affecting the change in value of liabilities. As with other model components, the replications are subject to independent validation and to suitability assessments as well as to stringent data and process quality controls. Therefore, we believe that the liabilities are adequately represented by the replicating portfolios.

Since the internal risk capital model takes into account the change in the economic fair value of our assets and liabilities, it is crucial to accurately estimate the market value of each item. For some assets and liabilities it may be difficult, if not impossible – notably in distressed financial markets – to obtain either a current market price or to apply a meaningful mark-to-market approach. For such assets we apply a mark-to-model approach. Non-standardized derivative instruments – such as derivatives embedded in structured financial products – are represented by the most comparable standard derivative types or by means of sensitivities, because the volume of non-standard instruments is not material at either the local or Group level. For some of our liabilities, the accuracy of fair values depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

INTERNAL MODEL UPDATES IN 2014

In 2014, we updated our internal model in order to incorporate Allianz's current understanding of the forthcoming Solvency II rules. The model updates are mainly driven by regulatory developments as well as feedback that Allianz received during the ongoing consultations with regulators and supervisors in the internal model pre-approval process. As described above, due to ongoing regulatory developments and supervisory feedback throughout 2014, we implemented model changes at different points in time, i.e. at the beginning of the year and at year-end. For the sake of clarity, however, all model changes are presented jointly within this section. Although we cannot rule out any late changes to the Solvency II rules, the updated model used for the year-end 2014 reporting will be the basis for our Solvency II internal model application in 2015.

In this section we provide an overview of these model changes and the resulting changes on our internal risk profile based on the year-end 2013 data under the updated model. In all subsequent sections the figures after the model change will form the basis for the movement analysis of our internal risk profile in 2014.

ALLIANZ GROUP: ALLOCATED RISK ACCORDING TO INTERNAL RISK PROFILE (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS)

€ MN

	Market risk		Credit risk		Underwriting risk		Business risk		Operational risk		Diversification		Total	
as of 31 December	2013 [1]	2013 [2]	2013 [1]	2013 [2]	2013 [1]	2013 [2]	2013 [1]	2013 [2]	2013 [1]	2013 [2]	2013 [1]	2013 [2]	2013 [1]	2013 [2]
Property-Casualty	3,669	5,388	1,881	2,067	9,627	8,811	992	909	1,268	1,833	(6,437)	(6,729)	11,000	12,278
Life/Health	11,653	14,098	3,590	5,589	801	1,063	3,743	3,630	917	1,975	(6,447)	(7,651)	14,258	18,703
Asset Management	685	621	169	152	–	–	–	–	586	586	(2)	–	1,439	1,359
Corporate and Other	1,987	2,591	277	555	191	94	–	–	385	679	(532)	(829)	2,308	3,090
Total Group	**17,994**	**22,698**	**5,918**	**8,363**	**10,620**	**9,967**	**4,735**	**4,538**	**3,155**	**5,073**	**(13,418)**	**(15,209)**	**29,004**	**35,430**
											Tax		(5,367)	(5,820)
											Total Group		**23,637**	**29,610**

1 — 2013 risk profile figures as reported previously.
2 — 2013 risk profile figures recalculated based on new model.

The model changes focused mostly on the following risk categories:

Market risk

The market risk correlation settings were updated to reflect higher systemic risk across financial markets in adverse market scenarios. Furthermore, we enhanced our interest rate modeling to better reflect the risk profile of Allianz's traditional Life/Health business under the current low yield environment. In addition, we introduced the modeling of the volatility adjustment to mitigate credit spread risk in line with updated regulatory guidance. We also included internal pension obligations into our Solvency II framework, following regulatory guidance, and changed the modeling of the surplus funds in Germany. Finally, we enhanced the modeling of inflation risk and introduced it as a separate risk type – mainly reflecting the risk arising from property, casualty and health liabilities as well as inflation risk in Allianz's internal pension obligations.

The model changes increased market risk overall by € 4.7 BN to € 22.7 BN on a pre-diversified basis. This resulted in a number of significant changes in the market risk types. The newly introduced risk type of inflation risk contributed € 3.4 BN. Equity risk increased by € 2.1 BN, mainly due to changed correlations to reflect systemic behavior, due to the modeling of internal pension obligations and due to a refinement of hedge models for variable annuity business. Credit spread risk increased due to the correlation update better reflecting systemic market events. However, the increase was partially offset by the introduction of the volatility adjuster-based spread risk offset (net impact: an increase of € 0.7 BN to € 5.1 BN). Finally, interest rate risk decreased by € 0.9 BN, predominantly driven by increased diversification with the newly modeled inflation risk as well as due to updated correlations. The decrease in interest rate risk was partly offset by the modeling of internal pension obligations.

Credit risk

The treatment of sovereign exposures has been revised to include capital requirements for sovereigns in the same way as for corporates. However, in accordance with European Insurance and Occupational Pensions Authority's (EIOPA) advice on Solvency II implementation measures, domestically held exposures towards European Economic Area sovereigns issued in their own currency are treated favorably. This model change led to an increase in Allianz's credit risk of € 2.0 BN. Further changes are a new methodology for setting correlation and valuation parameters. These changes improve the granularity of the model in order to meet regulatory requirements. In total, credit risk increased on a pre-diversified basis by € 2.4 BN to € 8.4 BN – mainly driven by the changed treatment of sovereigns.

Underwriting risk

The increase in underwriting risk in the Life/Health business segment is mainly due to the inclusion of internal pension obligations, which led to an increase in longevity risk as well as a change in the methodology for longevity stress calibration. The decrease in the Property-Casualty business segment was mainly due to a reduced reserve risk. This was mainly driven by a changed modeling approach of Group health and protection business using life techniques.

Operational risk

In order to increase consistency across the Group, the risk granularity level has been changed to reflect standards in line with Basel II, which has a negative impact on diversification within the operational risk model. Moreover, to be in line with historical experience and to meet regulatory expectations, conservative assumptions regarding loss severity distributions were introduced centrally. These changes led to an overall increase in operational risk of € 1.9 BN to € 5.1 BN.

Treatment of smaller insurance entities

In addition, we applied a book value deduction treatment for smaller insurance entities resulting in a decrease in risk figures of € 2.0 BN, mostly affecting market risk (with a decrease of € 1.1 BN), underwriting risk (with a decrease of € 0.5 BN) and credit risk (with a decrease of € 0.3 BN).

Internal risk assessment

RISK PROFILE AND RISK MANAGEMENT

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 is a key element in managing our risks efficiently by limiting the economic impact of any single event and by contributing to relatively stable results and our risk profile in general. Therefore, our aim is to maintain a balanced risk profile without any disproportionately large risk concentrations and accumulations.

With respect to investments, top-down indicators such as strategic asset allocations are defined and closely monitored to ensure balanced investment portfolios. Furthermore, we have a limit system in place which is defined at Group level separately for the Life/Health and the Property-Casualty business segments as well as at operating entity level. The limits comprise economic limits, in particular financial VaR and credit VaR as derived from the internal model framework, complemented by stand-alone interest rate and equity sensitivity limits as well as by limits on foreign exchange exposures.

Our limit-setting process ensures that prevailing statutory restrictions regarding the composition of investments are taken into account. Most statutory restrictions apply at the local level, where the statutory restrictions as binding constraints enter the limit setting processes. In addition, guidelines are derived by the Group centers for certain investments, for example concerning the use of derivatives, and compliance with the guidelines is controlled by the respective risk and controlling functions.

In order to further limit the impact of any financial market changes and to ensure that assets adequately back policyholder liabilities, we have additional measures in place. One of these is asset/liability management linked to the internal model framework incorporating risks as well as return aspects stemming from our insurance obligations. In addition, we are using derivatives mostly to either hedge our portfolio against adverse market movements or to reduce our reinvestment risk – for example by using forwards or swaptions.

Furthermore, we have put in place standards for hedging activities due to exposures to fair value options embedded in life insurance products. Life/Health operating entities carrying these exposures are required to follow these standards, including making a conscious decision on the amount of hedging.[1] The hedging of risks stemming

1 — For further information about the risk concentration in the Life/Health business segment, please refer to note 20 to the consolidated financial statements.

from investments is also an element applied to manage and limit risks efficiently. For example, protective puts are used to limit the downward exposure of certain investments[1].

We also closely monitor concentrations and accumulation of non-market risks already on a stand-alone basis (i.e. before diversification effects) within a global limit framework in order to avoid substantial losses from single events such as natural catastrophes, terror or credit events.

In order to manage counterparty concentration risk, we run a Group-wide country and obligor group limit management framework (CRisP[2]), which covers credit and equity exposures and is based on data used by the investment and risk experts at the Group and operating entity levels. This limit framework forms the basis for discussions on credit actions and provides notification services with a quick and broad communication of credit-related decisions across the Group. Clearly defined processes ensure that exposure concentrations and limit utilizations are appropriately monitored and managed. The setting of country and obligor exposure limits from the Group's perspective (i.e. the maximum concentration limit) takes into account the Allianz Group's portfolio size and structure as well as our overall risk strategy.

It is the ultimate responsibility of the Board of Management to decide upon limit budgets. The Board of Management delegates authorities for limit setting and modification to the Group Finance and 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.

RISK BASED STEERING

Allianz steers its portfolio on a comprehensive view of risk and return, i.e. results based on the internal risk model including scenario-based analyses are used actively for decision making: on the one hand, economic risk and concentrations are actively restricted by means of limits as outlined above and on the other hand, there is a comprehensive analysis of the return on risk capital (RORC). The latter allows us to identify sustainably profitable lines of business and products, which provide reasonable profits on allocated risk capital over the life time of the products. Therefore, it is a key criterion for capital allocation decisions.

In 2014, Allianz also updated its dividend policy, increasing the payout ratio and defining explicit budgets for external growth and linking central elements of the dividend policy to the internal model capitalization according to Solvency II. This shows that the internal model is fully integrated in the business steering of Allianz and that the planned application of the internal model satisfies the so-called "use-test" under Solvency II.

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

QUANTIFIABLE RISKS

Market risk

As an inherent part of our insurance operations, we collect premiums from our customers and invest them in a wide variety of assets. Thereby, the Allianz Group holds and uses many different financial instruments. The resulting investment portfolios back the future claims and benefits to our customers. In addition, we invest shareholders' capital, which is required to support the risks underwritten. As the fair values of our investment portfolios depend on financial markets, which may change over time, we are exposed to market risks. The following table presents our Group-wide internal risk figures related to market risks by business segment and source of risk.

ALLIANZ GROUP: INTERNAL RISK PROFILE – MARKET RISK BY BUSINESS SEGMENT AND SOURCE OF RISK (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

pre-diversified, € MN	Interest rate		Inflation		Credit spread		Equity		Real estate		Currency		Total	
as of 31 December	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Property-Casualty	497	372	3,466	2,834	574	503	929	942	596	635	57	103	6,120	5,388
Life/Health	6,038	3,432	481	321	5,016	4,314	5,484	4,730	1,420	1,035	129	266	18,569	14,098
Asset Management	1	1	–	–	–	–	24	29	5	6	491	585	521	621
Corporate and Other	469	548	228	282	447	265	1,352	1,034	99	130	297	332	2,891	2,591
Total Group	**7,005**	**4,353**	**4,175**	**3,437**	**6,038**	**5,082**	**7,789**	**6,735**	**2,119**	**1,806**	**975**	**1,286**	**28,102**	**22,698**
Share of total Group pre-diversified internal risk													46.2%	44.8%

1 — For further information on derivatives used for hedging, please refer to note 43 to the consolidated financial statements.
2 — Credit Risk Platform.

Our total pre-diversified market risk showed a strong increase, mainly driven by market movements. In particular, the decreasing interest rates in 2014, combined with an increase in implied interest rate volatilities, led to higher sensitivities of options and guarantees in our Life/Health business segment. In addition, the historically low interest rates also created significant cross effects to other risk types in the Life/Health business segment due to profit sharing mechanisms and by that also increasing respective risk, for example equity and spread risk. In addition, equity risk increased due to higher exposure resulting from increasing equity markets outside the Eurozone and a weakened Euro against almost all currencies.

Interest rate risk

As interest rates may fall below the rates guaranteed to policyholders in some Life/Health markets and given the long duration of insurance obligations, we are specifically exposed to interest rate risk, because we have to reinvest maturing assets prior to the maturity of life contracts. This interaction of investment strategy and obligations to policyholders forms an integral part of our internal risk capital model. In addition, our asset/liability management approach is closely linked to the internal risk capital framework and designed to achieve investment returns over the long-term in excess of the obligations related to insurance and investment contracts.

These risks are reflected in the internal risk profile and managed by interest rate sensitivity limits. A significant part of the Life/Health business segment's pre-diversified interest rate risk lies in Western Europe – 80.9 % as of 31 December 2014 (2013: 81.3 %) – mainly to cover traditional life insurance products with guarantees.

We manage interest rate risk from a comprehensive corporate perspective: While the potential payments related to our liabilities in the Property-Casualty business segment are typically shorter in maturity than the financial assets backing them, the opposite usually holds true for our Life/Health business segment due to the long-term life insurance contracts. In part, this provides us with a natural hedge on an economic basis at the Group level.

As of 31 December 2014, our interest rate-sensitive investments excluding unit-linked business – amounting to a market value of € 509.9 BN[1] – would have gained € 33.7 BN or lost € 37.0 BN in value in case of interest rates changing by -100 and +100 basis points, respectively.

As described above, the risk related to interest rates lies in the fact that in the long run yields that can be achieved by reinvesting may not be sufficient enough to cover the guaranteed rates. In contrast, opportunities may materialize when interest rates increase. This may result in higher returns from reinvestments than the guaranteed rates.

Inflation risk

As an insurance company we are exposed to changing inflation rates, predominantly due to our non-life insurance obligations. In addition, internal pension obligations contribute to our exposure to inflation. Since inflation increases both claims and costs, higher inflation rates will lead to greater liabilities. Inflation assumptions are already taken into account in our product development and pricing and the risk of changing inflation rates is incorporated in our internal model. As of 31 December 2014, inflation risk amounted to € 4.2 BN, showing a change of € 0.7 BN, mainly due to lower discount rates resulting in higher market values of inflation-sensitive liabilities and internal pension liabilities.

Equity risk

The Allianz Group's insurance operating entities usually hold equity investments to diversify their portfolios and take advantage of expected long-term returns. Strategic asset allocation benchmarks and investment limits are used to manage and monitor these exposures. In addition, equity investments fall within the scope of CRisP to avoid a disproportionately large concentration of risk.

As of 31 December 2014, our investments excluding unit-linked business that are sensitive to changing equity markets – amounting to a market value of € 38.9 BN[2] – would have lost € 10.2 BN in value assuming equity markets declined by 30 %.

Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As stock markets also might increase, opportunities may arise from equity investments.

Credit spread risk

Our internal model framework fully acknowledges the risk of declining market values for our fixed income assets – such as bonds – due to the widening of credit spreads. However, for internal risk management and appetite we also take into account the underlying economics of our business model. For example, the application of the volatility adjustment in our internal risk model to partially mitigate spread risk as described in the section on yield curve assumptions.

The advantage of being a long-term investor therefore gives us the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component.

1 — The stated market value includes all investments whose market value is sensitive to interest rate movements (excluding unit-linked business) and therefore is not based on classifications given by accounting principles.

2 — The stated market value includes all investments whose market value is sensitive to equity movements (excluding unit-linked business) and therefore is not based on classifications given by accounting principles.

Currency risk

Based on our foreign exchange management limit framework, currency risk is monitored and managed at the operating entity and Group level. As our operating entities are typically invested in assets of the same currency as their liabilities, the major part of foreign currency risk results from the economic value of our non-Euro operating entities. If non-Euro foreign exchange rates decline against the Euro from a Group perspective, the Euro equivalent net asset values also decrease. However, at the same time the capital requirements in Euro terms from the respective non-Euro entity also decrease, partially mitigating the total impact on the capitalization.

Real estate risk

Despite the risk of decreasing real estate values, real estate is a suitable addition to our investment portfolio due to good diversification benefits as well as due to the contribution of relatively predictable cash-flows in the long-term. As of 31 December 2014, about 3.5 % (2013: 3.6 %) of the total pre-diversified risk was related to real estate exposures.

Credit risk

The Allianz Group monitors and manages credit risk exposures and concentrations to ensure it is able to meet policyholder obligations when they are due. This objective is supported by the internal credit risk model and the CRisP as described under the section on the risk profile. Group-wide credit data is collected following a centralized process and using standard obligor and obligor group mappings.

Credit risk is measured as the potential economic loss in the value of our portfolio due to changes in the credit quality of our counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfill contractual obligations ("default risk"). Our internal credit risk-modeling framework covers counterparty risk and country risk. Counterparty risk arises from our fixed income investments, cash positions, derivatives, structured transactions, receivables from Allianz agents and other debtors – as well as reinsurance recoverables and credit insurance. Country risk exposure is calculated as cross-border exposure to all obligors domiciled abroad from the respective operating entities' perspective.

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

The loss profile of a given portfolio is obtained through a Monte-Carlo simulation taking into account interdependencies and exposure concentrations per obligor segment. To reflect portfolio specific diversification effects, the loss profiles are calculated at different levels of the Allianz Group structure (pre-diversified). They are then fed into the overall internal risk capital model for further aggregation across sources of risk to derive Group-diversified internal credit risk.

By managing our credit risk on the basis of our limit management and credit risk modeling frameworks, we have composed a well-diversified credit portfolio. Our long-term investment strategy to hold investments through the cycle to maturity enables us to keep our portfolio stable, even under adverse market conditions. It also gives us the opportunity to earn planned excess returns throughout the entire holding period of the investments. In our credit insurance business, proactive credit management offers opportunities to keep losses from single credit events below expected levels and therefore strongly supports writing business that contributes to a balanced Group credit portfolio.

ALLIANZ GROUP: INTERNAL RISK PROFILE – ALLOCATED INTERNAL CREDIT RISK BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

pre-diversified, € MN as of 31 December	2014	2013
Property-Casualty	2,374	2,067
Life/Health	7,817	5,589
Asset Management	128	152
Corporate and Other	699	555
Total Group internal credit risk	11,018	8,363
Share of total Group pre-diversified internal risk	18.1 %	16.5 %

Throughout the year the credit environment was mostly stable. There were limited rating actions as the economic situation and outlook was already reflected in current rating levels compared to the economic disruptions of previous years. Credit risk for the Group increased – mainly due to the secondary effects of lower interest rates. Especially long dated assets in the Life/Health business segment have gained significantly in value and, in turn, also loss potential. Additionally, the lower interest rates reduced the loss-absorbing capacity of technical provisions in the traditional life business, which further increased the credit risk after policyholder participation. Finally, for the purpose of asset/liability management under the low yield environment the amount of long duration assets has grown, which contributed to the increase of credit risk, particularly in the Life/Health business segment.

The following table displays the sensitivities of credit risk to certain scenarios: deterioration of credit quality measured by issuer rating[1] downgrades and the decline of recovery rates in the event of a default (Loss-Given-Default, LGD). The sensitivities are calculated by applying each scenario to all exposures individually, but keeping all other parameters constant.[2]

ALLIANZ GROUP: IMPACT OF SELECTED CREDIT SCENARIOS ON INTERNAL CREDIT RISK[1]

pre-diversified, € MN

	Total	
as of 31 December	2014	2013[2]
Base case	11,018	8,363
Rating down by 1 notch	12,106	9,483
Rating down by 2 notches	13,595	11,075
LGD up by 10 %	11,703	9,036

1 — A notch is referred to rating sub-classes, such as "AA+", "AA", "AA-" at Standard & Poor's scale or "Aa1", "Aa2", "Aa3" at Moody's scale.
2 — 2013 risk profile figures recalculated based on model changes in 2014.

The majority of Credit Risk and impact of sensitivity analysis can be allocated to long-term sovereign debt as well as senior unsecured bonds with lower investment grade borrowers.

The different components of Allianz credit risk exposure are described in the table below:

ALLIANZ COMPONENTS OF CREDIT RISK EXPOSURE

INVESTMENT PORTFOLIO Premiums collected from our customers and shareholders' capital, which is required to support the risks underwritten, are invested to a great extent in fixed income instruments. These investment portfolios ultimately cover the future claims to our customers. However, for certain life insurance products, losses due to credit events can be shared with the policyholder, as described in the context of market risks.
REINSURANCE PORTFOLIO Credit risk to external reinsurers appears when insurance risk exposures are transferred by us to external reinsurance companies to mitigate insurance risk. Potential losses can arise either due to non-recoverability of reinsurance receivables already present at the as-of date or default on benefits that are under reinsurance treaties in-force.
CREDIT INSURANCE PORTFOLIO Credit risk arises from potential claim payments on limits granted by Euler Hermes to its policyholders. Euler Hermes protects its policyholders (partially) from credit risk associated with short-term trade credits advanced to clients of the policyholder. If the client of the policyholder is unable to meet its payment obligations then Euler Hermes indemnifies the loss to the policyholder.

1 — Credit risk calculations are based on issuer (borrower) ratings as opposed to issue (instrument) ratings. The difference between issue and issuer ratings is primarily due to collateralization and seniority and is reflected in Loss-Given-Default (LGD).
2 — Scenarios are applied only to investment and reinsurance exposure positions in portfolios of Allianz operating entities.

Credit risk – investment

As of 31 December 2014, credit risk arising from the investment portfolio accounted for 92.7 % (2013: 91.0 %) of our total Group pre-diversified internal credit risk. Credit Risk in the Life/Health business segment is primarily driven by long-term assets covering long-term liabilities. Typical investments are government bonds, senior corporate bonds, covered bonds, self-originated mortgages and loans as well as a modest amount of derivatives. Due to the nature of the business, the fixed income securities in the Property-Casualty business segment tend to be short- to mid-term, which explains the lower Credit Risk consumption in this segment.[3]

Allianz has a well-diversified portfolio of Exchange- and OTC traded derivatives that are used as part of an efficient exposure management. The counterparty credit risk arising from derivatives is low, since the derivatives usage is governed by the Group-wide internal guidelines for collateralization of derivatives that stipulate master netting- and collateral-agreements with each counterparty and require high quality and liquid collateral. In addition, Allianz closely monitors the credit ratings of counterparties and exposure movements. Central clearing of certain classes of OTC-derivatives as required by the European Market Infrastructure Regulation (EMIR) and additional reporting duties will contribute to further reducing counterparty credit risk and operational risk at Allianz.

As of 31 December 2014, the rating distribution of our fixed income portfolio was as follows:

3 — Additionally, 2.4 % (2013: 3.5 %) of our total Group pre-diversified internal credit risk is allocated to receivables and potential future exposure for derivatives and reinsurance.

RATING DISTRIBUTION OF ALLIANZ GROUP'S FIXED INCOME PORTFOLIO[1] – FAIR VALUE

€ BN Type of issuer	Government & Agency		Covered Bond		Corporate		Banks		ABS/MBS		Short-term Loan		Other		Total	
as of 31 December	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
AAA	51.8	46.2	57.2	61.5	1.1	2.0	1.5	3.8	17.3	13.8	–	–	–	–	128.8	127.4
AA	84.0	69.8	20.2	21.0	10.3	9.0	6.6	8.1	2.4	2.3	1.4	1.4	0.1	0.1	125.2	111.7
A	15.5	12.9	23.1	14.1	45.6	35.3	16.8	14.3	2.0	1.3	0.9	0.6	0.9	1.0	104.8	79.5
BBB	50.9	44.2	6.0	5.1	72.8	56.4	5.6	5.6	0.7	0.6	0.6	0.5	0.6	0.4	137.2	112.8
BB	2.7	2.1	1.0	0.7	7.2	6.3	1.5	1.0	0.1	0.1	0.2	0.4	–	–	12.7	10.7
B	0.8	0.5	0.1	–	3.2	2.6	0.1	0.2	0.1	0.1	–	–	–	–	4.3	3.4
CCC	–	–	–	–	0.1	0.2	0.1	–	–	–	–	–	–	–	0.3	0.3
CC	–	–	–	–	0.1	0.1	–	–	0.2	0.2	–	–	–	–	0.3	0.3
C	–	–	–	–	0.1	–	–	–	0.1	–	–	–	–	–	0.1	–
D	0.1	–	–	–	0.4	0.4	–	–	–	–	–	–	–	–	0.5	0.4
Not rated	3.4	3.9	0.1	0.1	4.3	3.9	0.2	0.1	–	–	0.3	0.3	1.7	1.4	10.0	9.6
Total	**209.3**	**179.6**	**107.6**	**102.5**	**145.1**	**116.3**	**32.4**	**33.1**	**22.9**	**18.4**	**3.6**	**3.3**	**3.3**	**2.9**	**524.3**	**456.1**

1 — In accordance with the Group Management Report stated figures include investments of Banking and Asset Management. Table excludes private loans.

Credit risk – reinsurance

As of 31 December 2014, 0.4 % (2013: 0.7 %) of our total Group pre-diversified internal credit risk was allocated to reinsurance exposures – of which 58.5 % (2013: 59.4 %) was related to reinsurance counterparties in the United States and Germany.

A dedicated team selects our reinsurance partners focusing on companies with strong credit profiles. We may also require letters of credit, cash deposits or other financial measures to further mitigate our exposure to credit risk. As of 31 December 2014, 82.9 % (2013: 80.6 %) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A" rating by Standard & Poor's or A.M. Best. As of 31 December 2014, non-rated reinsurance recoverables represented 15.7 % (2013: 17.9 %). Reinsurance recoverables without a Standard & Poor's rating include exposures to brokers, companies in run-off and pools – where no rating is available.

REINSURANCE RECOVERABLES BY RATING CLASS[1]

€ BN as of 31 December	2014	2013
AAA	0.03	0.02
AA+ to AA-	6.06	5.99
A+ to A-	4.35	3.38
BBB+ to BBB-	0.17	0.18
Non-investment grade	–	–
Not assigned	1.97	2.08
Total	**12.59**	**11.65**

1 — Represents gross exposure broken down by reinsurer.

Credit risk – credit insurance

Our credit insurance portfolio is modeled by Euler Hermes based on a proprietary model component, which is a local adaptation of the central internal credit risk module and is reviewed by Group Risk. The result is integrated in the Group's internal credit risk to capture the concentration and diversification effects. As of 31 December 2014, 4.5 % (2013: 4.8 %) of our total Group pre-diversified internal credit risk was allocated to Euler Hermes credit insurance exposures.

Underwriting risk

Underwriting risk consists of premium and reserve risks in the Property-Casualty business segment as well as biometric risks in the Life/Health business segment. For the Asset Management business segment and our banking operations, underwriting risks are not relevant. The following table presents the pre-diversified internal risk calculated for underwriting risks stemming from our insurance.[1]

1 — 2013 risk profile figures recalculated based on model changes in 2014.

ALLIANZ GROUP: INTERNAL RISK PROFILE – ALLOCATED UNDERWRITING RISK BY BUSINESS SEGMENT AND SOURCE OF RISK (TOTAL PORTFOLIO BEFORE NON-CONTROLLING INTERESTS)[1]

pre-diversified, € MN	Premium natural catastrophe		Premium terror		Premium non-catastrophe		Reserve		Biometric		Total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
Property-Casualty	451	535	24	22	4,349	3,627	4,679	4,564	115	63	9,619	8,811
Life/Health	–	–	–	–	–	–	–	–	1,626	1,062	1,626	1,063
Asset Management	–	–	–	–	–	–	–	–	–	–	–	–
Corporate and Other	–	–	–	–	–	–	–	–	65	94	65	94
Total Group	**451**	**535**	**24**	**22**	**4,350**	**3,627**	**4,679**	**4,564**	**1,807**	**1,219**	**11,311**	**9,967**
Share of total Group pre-diversified internal risk											18.6%	19.7%

1 — As risks are measured by an integrated approach on an economic basis, internal risk profile takes reinsurance effects into account.

For biometric risk the main driver was longevity risk due to the inclusion of risks from internal pensions and due to decreased interest rates, which affect the risks for long-term products by increasing the cost of longevity subsidization.

Underwriting risk Property-Casualty

Our Property-Casualty insurance businesses are exposed to premium risk related to the current year's new and renewed business as well as reserve risks related to the business in force.

Premium risk

As part of our Property-Casualty business operations, we receive premiums from our customers and provide insurance protection in return. Changes in profitability over time are measured based on loss ratios and their fluctuations.[1]

We face the risk that underwriting profitability is lower than expected. The volatility of the underwriting profitability measured over one year defines our premium risk for the Allianz Group.

PROPERTY-CASUALTY LOSS RATIOS[1] FOR THE PAST TEN YEARS

%	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Loss ratio	66.0	65.9	68.3	69.9	69.1	69.5	68.0	66.1	65.0	67.2
Loss ratio excluding natural catastrophes	65.1	63.0	66.6	65.5	65.9	68.4	66.3	64.1	64.4	64.3

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

Premium risk is subdivided into natural catastrophe risk, terror risk and non-catastrophe risk. We calculate premium risk based on actuarial models that are used to derive loss distributions. Premium risk is actively managed by the Allianz Group and its local operating entities. Assessing the risks as part of the underwriting process is a key element of our risk management framework. There are clear underwriting limits and restrictions are centrally defined and in place across the Group. In addition to the centrally-defined underwriting limits, the local operating entities have limits in place that take into account their business environments. Excessive risks are mitigated by external reinsurance agreements. All these measures contribute to a limitation on risk accumulation.

Natural disasters, such as earthquakes, storms and floods, represent a significant challenge for risk management due to their accumulation potential and occurrence volatility. In order to measure such risks and better estimate the potential effects of natural disasters, we use special modeling techniques in which we combine portfolio data (such as the geographic distribution and characteristics of insured objects and their values) with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses. Where such stochastic models do not exist, we use deterministic, scenario-based approaches to estimate potential losses.

The top five perils contributing to the natural catastrophe risk as of December 2014 were: Europe windstorm, U.S. hurricane, Germany hail, Australia hail and California earthquake.

Reserve risk

We estimate and hold reserves for claims resulting from past events that have not yet been settled. If the reserves are not sufficient to cover claims to be settled in the future due to unexpected changes, we would experience losses. The volatility of past claims measured over a one-year time horizon defines our reserve risk.

1 — Please refer to the section Property-Casualty Insurance Operations – Property-Casualty operations by reportable segments from page 90 for a regional breakdown of loss ratios over the past two years.

In general, our operating entities constantly monitor the development of reserves for insurance claims on a line of business level.[1] In addition, the operating entities generally conduct annual reserve uncertainty analyses based on similar methods used for reserve risk calculations. The Allianz Group performs regular independent reviews of these analyses and Group representatives participate in the local reserve committees' meetings.

Underwriting risk Life/Health

Underwriting risks in our Life/Health operations (biometric risks) include mortality, disability, morbidity, and longevity risks. Mortality, disability, and morbidity risks are associated with the unexpected increase in the occurrence of death, disability or medical claims on our insurance products. Longevity risk is the risk that due to changing biometric assumptions, the reserves covering life annuities and group pension products might not be sufficient.

We measure these risks within our internal risk capital model by distinguishing between the different sub-components, whenever relevant or material: absolute level, trend, volatility around the best estimate assumptions and pandemic risks. Depending on the nature and complexity of the risk involved, our health business is represented in the internal model according to Property-Casualty or Life/Health calculation methods and is therefore included in the relevant Property-Casualty and Life/Health figures accordingly. However, most of our health business is attributable to the Life/Health business segment. Due to effective product design and the diversity of our products, there were no significant concentrations of underwriting risks within our Life/Health business segment as of 31 December 2014.[2]

Life/Health underwriting risk arises from lower profitability than expected due to changes in actuarial parameters. As profitability calculations are based on several parameters – like historical loss information, assumptions on inflation or on mortality and morbidity – the realized parameters may differ from the ones used for calculation. For example, higher inflation than that incorporated in the calculations may lead to a loss. However, deviations can also occur in the opposite direction and be beneficial and lead to additional profit. For example, a lower morbidity rate than expected will most likely result in lower claims.

Business risk

Business risks include cost risks and policyholder behavior risks and are mostly driven by the Life/Health business segment and to a lesser extent by the Property-Casualty business segment. Cost risks are associated with the risk that expenses incurred in administering policies are higher than expected or that new business volume decreases to a level that does not allow Allianz to absorb its fixed costs.

In the Life/Health business segment, policyholder behavior risks are risks related to the unpredictability and adverse behavior of policyholders in exercising their different contractual options: early termination of contracts, surrenders, partial withdrawals, renewals and annuity take-up options. Assumptions on policyholder behavior are set in line with accepted actuarial methods and are based on our own historical data, to the extent available. If data is not available, assumptions are based on industry data or expert judgment.

ALLIANZ GROUP: INTERNAL RISK PROFILE – ALLOCATED BUSINESS RISK BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

pre-diversified, € MN as of 31 December	2014	2013
Property-Casualty	917	909
Life/Health	4,404	3,630
Asset Management	–	–
Corporate and Other	–	–
Total Group internal business risk	5,321	4,538
Share of total Group pre-diversified internal risk	8.7%	9.0%

For business risk in our Life/Health business segment the main drivers were the decreased interest rates – which affect the cost risk and the lapse risk due to discounting and effects from dynamic policyholder behavior assumptions.

As for underwriting risks, a positive deviation from the underlying parameters will lead to additional returns. For example, lower than expected expenses in our Property-Casualty business will lead to an improved combined ratio.

Operational risk

Operational risks represent losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events – including legal and compliance risk, but excluding losses from strategic and reputational risk.

Allianz has developed a consistent Group-wide operational risk management framework that focuses on the early recognition and proactive management of operational risks in all first line of defense functions. The framework defines roles and responsibilities, risk processes and methods and has been implemented in our operating entities. Local risk managers as the second line of defense ensure this framework is implemented in their respective operating entity. They identify and evaluate relevant operational risks and control weaknesses via a dialogue between the first line of defense and the risk function. Furthermore, operational risk events are collected in a central risk event database. In 2014, Allianz became a member of a global operating loss data consortium, which will start to operate in 2015.

1 — For further information, please refer to note 19 to the consolidated financial statements.
2 — For further information about insurance risk in the Life/Health business segment, please refer to note 20 to the consolidated financial statements.

An analysis of the causes of losses exceeding € 1 MN is carried out to provide comprehensive and timely information to senior management and to share with operating entities so they can implement measures aimed at avoiding or reducing future losses.

The risks related to non-compliance or other misconduct are addressed via various dedicated compliance programs. Written policies detail the Allianz Group's approach towards the management of these areas of risk. The implementation and communication of those compliance programs are monitored by the Group Compliance function at Allianz SE. In close cooperation with the Risk function of the Group, the risk-mitigating measures are taken and enforced by a global network of dedicated compliance functions throughout the Allianz Group. With respect to financial statements, our internal control system is designed to mitigate operational risks.[1]

ALLIANZ GROUP: INTERNAL RISK PROFILE – ALLOCATED OPERATIONAL RISK BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)

pre-diversified, € MN as of 31 December	2014	2013
Property-Casualty	1,797	1,833
Life/Health	2,035	1,975
Asset Management	668	586
Corporate and Other	645	679
Total Group internal operational risk	5,146	5,073
Share of total Group pre-diversified internal risk	8.4%	10.0%

Major failures and disasters which could cause a severe disruption to our working environment, facilities and personnel represent significant operational risks for the Allianz Group, its employees and its operating entities. Our Business Continuity and Crisis Management framework strives to protect critical business functions from these shocks and enables them to carry out their core tasks on time and at the highest standard. Regularly enhanced, business continuity and crisis activities are embedded in the company's risk management processes.

Allianz has launched a Cyber and Information Security program to better respond to current external developments and to further strengthen the internal control environment around related operational risks.

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, monitoring and steering. In general, the risk assessment is based on qualitative criteria or scenario analyses. The most important of these other risks are strategic, liquidity and reputational risk.

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company's value arising from the adverse effect of management decisions regarding business strategies and their implementation.

This risk is evaluated and analyzed quarterly in the same way as reputational risk as described below. To ensure proper implementation of strategic goals in the current business plan, strategic controls are carried out by monitoring respective business targets. We also constantly monitor market and competitive conditions, capital market requirements, regulatory conditions, etc. to decide whether to make strategic adjustments. In addition, strategic decisions are discussed in various Board of Management level committees (e.g. Group Capital Committee, Group Finance and Risk Committee). The assessment of the associated risks is a fundamental element in these discussions.

Liquidity risk

Liquidity risk is defined as the risk that requirements from current or future payment obligations cannot be met or can only be met on the basis of adversely altered conditions. Liquidity risk can arise primarily if there are mismatches in the timing of cash-flows on the asset and liability side. Detailed information regarding the Allianz Group's liquidity risk exposure, liquidity and funding – including changes in cash and cash equivalents – is provided in Liquidity and Funding Resources from page 116 onwards and notes 17, 23, 24 and 43 to the consolidated financial statements.

The main goal of planning and managing Allianz SE's liquidity position is to ensure that we are always able to meet payment obligations. To comply with this objective, the liquidity position of Allianz SE is monitored and forecasted on a daily basis. Strategic liquidity planning over time horizons of 12 months and three years is reported to the Board of Management regularly.

The accumulated short-term liquidity forecast is updated daily and is subject to an absolute minimum strategic cushion amount and an absolute minimum liquidity target. Both are defined for the Allianz SE cash pool in order to be protected against short-term liquidity crises. As part of our strategic planning, contingent liquidity requirements and sources of liquidity are taken into account to ensure that Allianz SE is able to meet any future payment obligations

1 — For additional information regarding our internal control over financial reporting, please refer to Controls over Financial Reporting and Risk Capital from page 144.

even under adverse conditions. Major contingent liquidity requirements include non-availability of external capital markets, combined market and catastrophe risk scenarios for subsidiaries as well as lower than expected profits and dividends from subsidiaries.

Our insurance operating entities manage liquidity risk locally, using asset/liability management systems designed to ensure that assets and liabilities are adequately matched. The local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e.g. high-rated government bonds or covered bonds) in the portfolios. This also allows us to meet increased liquidity requirements in the case of unlikely events. We employ actuarial methods for estimating our liabilities arising from insurance contracts. In the course of standard liquidity planning we reconcile the cash flows from our investment portfolio with the estimated liability cash flows. These analyses are performed at the operating entity level and aggregated at the Group level.

Regarding our Asset Management business, forecasting and managing liquidity is a regular process designed to meet both regulatory requirements and Group standards. This process is supported by the liquidity management framework implemented in Allianz Asset Management.

Reputational risk

Allianz's reputation as a well-respected and socially aware provider of financial services is influenced by our behavior in a range of areas such as product quality, corporate governance, financial performance, customer service, employee relations, intellectual capital and corporate responsibility. Reputational risk is the risk of an unexpected drop in the value of the Allianz SE share price, the value of the in-force business or the value of future business caused by a decline in our reputation.

With the support of Group Communications, Group Compliance and the ESG Office[1], Group Risk defines sensitive business areas and applicable risk guidelines, which are mandatory for all operating entities in the Allianz Group. All affected Group and operating entity functions cooperate in the identification of reputational risk. Group Communications is responsible for the risk assessment, based on a Group-wide methodology.

Single reputational risk management decisions are integrated in the overall risk management framework and reputational risks are identified and assessed as part of a yearly Top Risk Assessment, during which senior management also decides on a risk management strategy and related actions. This is supplemented by quarterly updates. In addition, reputational risk is managed on a case-by-case basis. Single cases with a potential impact on other operating entities or the Group have to be reported to the Allianz Group for pre-approval.

1 — The Allianz Environmental, Social, Governance (ESG) Board and ESG office are constituted as advisor to the Board of Management of Allianz SE and will further elevate environmental, social and governance aspects in corporate governance and decision-making processes of the Allianz Group.

Risk governance

RISK MANAGEMENT FRAMEWORK

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integral part of our business process. Our risk management framework covers, on a risk-based approach, all operations including IT, processes, products and departments/subsidiaries within the Group. The key elements of our risk management framework are:

- Promotion of a strong risk management culture, supported by a robust risk governance structure.
- Consistent application of an integrated risk capital model framework across the Group to protect our capital base and support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

This comprehensive framework ensures that risks are identified, analyzed, assessed and managed in a consistent manner across the Group. Our risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect potential deviations from our risk tolerance at an early stage at both the Group and operating entity levels.

For the benefit of shareholders and policyholders alike, our risk management framework adds value to Allianz SE and its operating entities through the following four primary components:

Risk underwriting and identification: A sound risk underwriting and identification framework forms the foundation for adequate risk taking and management decisions such as individual transaction approvals, new product approvals and strategic asset allocations. The framework includes risk assessments, risk standards, valuation methods and clear minimum standards for underwriting.

Risk reporting and monitoring: Our comprehensive qualitative and quantitative risk reporting and monitoring framework provides senior management with the transparency and risk indicators to help them decide our overall risk profile and whether it falls within delegated limits and authorities. For example, risk dashboards, internal risk allocation and limit consumption reports are regularly prepared, communicated and monitored.

Risk strategy and risk appetite: Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk-bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.

Communication and transparency: Finally, transparent and robust risk disclosure provides the basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing. It also strengthens the risk awareness and risk culture throughout the entire Group.

RISK GOVERNANCE STRUCTURE

As a key element of our risk management framework, Allianz's approach to risk governance enables integrated management of local and global risks and ensures that our risk profile remains consistent with our risk strategy and our capacity to bear risks.

Supervisory Board and Board of Management

Within our risk governance system, the Supervisory Board and Board of Management of Allianz SE have both Allianz SE and Group-wide responsibilities and have set up committees to provide them with support. Examples include:

Supervisory Board

The Risk Committee of the Supervisory Board monitors the effectiveness of the Allianz risk management and monitoring framework. Furthermore, it focuses on risk-related developments as well as general risks and specific risk exposures.

Board of Management

The Board of Management formulates business objectives and a corresponding, consistent risk strategy. The core elements of the risk framework are set out in the Allianz Group Risk Policy, which is approved by the Board of Management. In 2014, the Board of Management Committee structure was streamlined.

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

Overall risk organization and roles in risk management

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

As a general principle, the "first line of defense" rests with business managers in the local operating entities and Allianz Investment Management units. They are responsible, in the first instance, for both the risks of and returns on their decisions. Our "second line of defense" is made up of our independent, global oversight functions such as Risk, Compliance and Legal. Audit forms the "third line of defense". On a periodic basis, Group Audit independently reviews risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards, including the internal control framework.

Group Risk

Group Risk is managed by the Group Chief Risk Officer who reports to the Board member responsible for Finance, Controlling and Risk. Group Risk supports the aforementioned Allianz Group committees responsible for risk oversight through the analysis and communication of risk management-related information and by facilitating the communication and implementation of committee decisions. For example, Group Risk is operationally responsible for monitoring the limits and accumulation of specific types of risks across business lines, such as natural disasters and exposures to financial markets and counterparties.

In addition, Group Risk independently supports the adequacy of the operating entities' risk management through the development of a common risk management framework and by monitoring adherence to Group minimum requirements for methods and processes. Group Risk strengthens and maintains the Group's risk network through regular and close interaction with the operating entities' management and key areas such as the local finance, risk, actuarial and investment departments. A strong risk network across the Group allows us to identify risks early and bring them to the attention of management.

Operating entities

Operating entities are responsible for their own risk management, including adherence to both external requirements (for example, those imposed by local regulators) and internal Group-wide standards. The operating entities' Board of Management is responsible for setting and approving a local risk strategy during the annual Strategic and Planning Dialogues with the Group and ensuring operating entities' adherence to their risk strategy.

All business line management functions with a direct profit and loss responsibility (i.e. first line of defense, or "risk-taking units") are in charge of active risk-return management through adherence to delegated limits and the operating entity's policy framework. Second line of defense functions support, challenge and have the oversight of business functions through proactive risk management.

A risk function that is independent from the business line management is established by each operating entity. This function operates under the direction of the operating entity's Chief Risk Officer. In addition, a local Risk Committee supports both the operating entity's Board of Management and the Chief Risk Officer by acting as the primary risk controlling body. Group Risk is also represented on the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

Other functions and bodies

In addition to Group Risk and the operating entities' risk functions, legal and compliance and actuarial functions have been established at both the Group and operating entity level, constituting additional components of the "second line of defense".

Group Legal and Compliance seeks to mitigate legal risks with support from other departments. Legal risks include legislative changes, major litigation and disputes, regulatory proceedings and contractual clauses that are unclear or construed differently by the courts. Compliance risk is the risk of legal or regulatory sanctions, material financial loss or loss to reputation that an undertaking may suffer as a result of not complying with applicable laws, regulations and administrative provisions. The objectives of Group Legal and Compliance are to ensure that laws and regulations are observed, to react appropriately to all impending legislative changes or new court rulings, to attend to legal disputes and litigation, and to provide legally appropriate solutions for transactions and business processes. In addition, Group Legal and Compliance is responsible for integrity management, which aims to protect the Allianz Group, our operating entities and employees from regulatory risks.

Group Actuarial contributes towards assessing and managing risks in line with regulatory requirements. These risks stem from the risk-taking/mitigating activities involving professional actuarial experience and interaction. The role includes, but is not limited to, the activities of:

- Calculation and oversight of technical reserves for accounting and regulatory purposes;
- Pricing and profitability oversight;
- Technical actuarial support of business planning, reporting and result monitoring;
- Contribution to the effective implementation of the risk management system.

In order to adapt to a continually changing environment, the Global Issues Forum (GIF) supports the Group in the assessment of long-term trend changes in the risk landscape on a timely basis. As an active participant of the Emerging Risk Initiative of the Chief Risk Officer Forum, we monitor with other chief risk officers of major European insurance companies and financial conglomerates the industry-wide risk landscape and raise awareness of major risks for the insurance industry.

Risk management priorities for 2015

In addition to maintaining our high standards and practices in day-to-day risk management and controlling, we have set the following priorities for 2015.

Our first priority is to get the approval for our Solvency II internal model. To this end, we will continue to actively participate in the pre-approval process for Solvency II with the relevant European supervisors and file the final internal model application in 2015. In addition, we will prepare for any potential late guidance and changes to the Solvency II regulation and for any regulatory feedback on the internal model application to be ready for the final implementation of Solvency II in 2016.

Regarding regulatory developments, our second priority is to ensure that we meet the emerging requirements for G-SII (Global Systemically Important Insurers). Therefore, we will continue to participate in the capital field-testing exercise conducted by the IAIS (International Association of Insurance Supervisors). In addition, we aim to further strengthen our liquidity risk management framework.

Our third priority will be to further enhance systemic risk management, first by focusing specifically on stress testing and scenario analysis in the context of managing and steering Allianz's risk profile and, second, by continuing to strengthen the risk culture and the Group-wide risk network to further enhance efficient and effective steering also in systemic crisis situations.

Further future challenges and opportunities[1]

The success of our business is heavily affected by a variety of global, long-term issues. To ensure our sustainable and profitable growth, our strategy places a high priority on monitoring, analyzing and responding to the challenges and opportunities these issues present, today and tomorrow.

By consistently following our Group strategy, we are confident that the Allianz Group is in a privileged position to deal with the challenges and opportunities ahead. The most important of these are outlined below.

DIGITAL, CLIMATE AND DEMOGRAPHIC CHALLENGES

The digital revolution has completely changed the way our customers make purchasing decisions and buy insurance products. The boundaries between buying online and offline are quickly fading. Social networks and other online channels are gaining in importance. In parallel, expectations of service levels are increasing. We are continuously adapting to this new digital lifestyle to stay connected with our stakeholders and improve customer service. In the framework of the Allianz Digital Target Picture program we leverage the opportunities that changing customer preferences provide. We are developing web-based and multi-access customer interaction tools to address changing customer behaviors. On the operational side, we are harmonizing systems across the Group to reduce complexity and improve efficiency.

Global warming threatens to alter our climate and such changes could result in a range of risks and opportunities that affect our entire business. We have a Group-wide strategy covering climate-related risks and opportunities for our business and our customers: we finance and insure low-carbon energy projects, such as wind and solar, offer customers a range of "Green" Solutions and provide them with advice on weather-related risk reduction. As a company we continually reduce and offset our own carbon emissions. We also incorporate not only environmental, but also social and governance factors into our investment and underwriting processes as well as asset management.

Demographic changes are also creating both opportunities and challenges for financial services providers. While the urban populations of Asia and Africa are expanding and their middle classes growing, Western populations are aging and their workforces shrinking. With more people over 60 years old than ever before and declining birth rates, social security systems are under pressure and demand is growing for additional pension provisions. We are responding to these trends by providing integrated insurance and asset management solutions. Our solid market position in continental Europe and the United States, as well as our strong brand and well-diversified product portfolio, put us in an excellent position to develop solutions to meet the needs of the retirement, health care and assistance markets.

In addition, many of the world's industrialized nations are reliant on infrastructure that is 30 to 50 years old and yet public-sector investments in this area have been declining across the board. In order to upgrade this aging infrastructure, billions of Euros are required per year – figures that most governments are not able to cover, especially considering the increase in social security spending due to demographic effects. At the same time, the current workforce is faced first and foremost with the need to accumulate adequate funds for retirement, which is proving very difficult in the sustained low interest rate environment. We are at the forefront of bringing these two challenges together to find solutions for the long term: bridging the public sector infrastructure investment gap and providing profitable retirement provisions. But more still needs to be done in the political sphere to make this investment environment more stable and transparent for institutional investors such as Allianz.

In emerging economies, the need for formal social security systems is growing due to the weakening of traditional family ties and support networks. From life to health and crop insurance, our growing microinsurance portfolio helps low-income families in developing countries protect themselves against – and better manage – the risks in life to build a more secure future. Although financial returns from microinsurance are lower than from traditional products, we believe that satisfied microinsurance policyholders will bring mid- to long-term pay-offs as many of them move up the economic ladder and are able to purchase regular Allianz products.

For more information, please refer to Progress in Sustainable Development from page 73.

1 — For further information on the Cautionary note regarding forward-looking statements, please refer to Outlook 2015 from page 104.

STRATEGIC RISK AND OPPORTUNITY MANAGEMENT

As previously described, the Group has a well-established strategy and planning process with all its operating entities, which allows us to understand and respond to local risks and opportunities. This strong diversification across markets, business segments and customer groups gives Allianz a powerful lever to identify new opportunities and manage risks.

In addition to these joint efforts, Allianz has built four operational and strategic pillars to help the Group create opportunities on a wider basis:

Digitalization, enabling us to take advantage of new products to new markets at lower cost: Digitalization is one of our major Group initiatives and affects all areas of Allianz, including our customers and our employees. This initiative spans everything from the design of new modular products, to new forms of access, to servicing existing customers in a better way. We will continue to invest in technology at the local and Group level. We see technology as the key enabler for our business, both in the infrastructure (networks, data centers, underwriting and processing systems), but also at the customer interface ("digital"): Related investments in 2014 totaled more than € 800 MN. Digitalization is also the basis for enhanced management information systems to improve steering. When driving digitalization, security and data confidentiality remain a major priority.

Capital allocation, ensuring that capital is available and allocated appropriately to finance growth initiatives and leveraging the Group's diversification benefits: We will move further towards greater capital efficiency while preparing for the go-live of Solvency II on 1 January 2016. This means we will optimize the capitalization of our local entities towards a more efficient capital base, actively improve new business capital allocation between operating entities and lines of business as well as sharpen the distinction between business we run for growth and portfolios or lines of business from which we will look to extract capital.

Leverage Group synergies: We continue to leverage Group synergies via know-how and best practice sharing in underwriting, product development and operations through Global Property-Casualty and Global Life/Health units. We recognize both increasing risk in our operating and regulatory environment and great opportunities in the fast-changing preferences and behavior of our customers. In this spirit, we are reviewing our Group organization structures to take account of the need for strong central governance in some areas, but also greater local entrepreneurship and decision-making in others.

Strategic Investments: Strategic investments also open up new business opportunities. For example, Allianz is growing its Business to Business to Customer (B2B2C) area. By pairing up value propositions – Automotive with Roadside Assistance, and International Health with Corporate Assistance – under the roof of Allianz Worldwide Partners, we are taking a distinctive position in the B2B2C market. One major advantage for us is to extend agreements with distributors across global markets in a seamless manner. Allianz also operates an incubator to develop and pilot innovative ideas before they are implemented across the Group.

Controls over Financial Reporting and Risk Capital

Statements pursuant to § 289 (5) and § 315 (2) no. 5 of the German Commercial Code (“Handelsgesetzbuch – HGB”) and explanatory report.

Internal controls over financial reporting

In line with both our prudent approach to risk governance and compliance with regulatory requirements, we have created a structure to identify and mitigate the risk of material errors in our consolidated financial statements. Our internal control system over financial reporting (ICOFR) is based on the revised framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in 2013 and is regularly reviewed and updated. Our approach also includes the following five interrelated components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. These five components are covered by an Entity Level Control Assessment Process (ELCA), IT General Controls (ITGC) and controls at process levels. The ELCA framework contains controls such as a compliance program or committee governance structure. In the ITGC framework we implemented, for example, controls regarding access right management and project and change management controls.

ACCOUNTING AND CONSOLIDATION PROCESSES

The accounting and consolidation processes we use to produce consolidated financial statements are based on a central consolidation and reporting IT solution and local general ledger solutions. The latter are largely harmonized throughout the Group, using standardized processes, master data, posting logics and interfaces for data delivery to the Holding. Access rights to accounting systems are managed according to strict authorization procedures.

Accounting rules for the classification, valuation and disclosure of all items in the balance sheet, income statement and related notes of the annual and interim financial statements are primarily defined in our Group accounting manual. Internal controls are embedded in the accounting and consolidation processes to safeguard the accuracy, completeness and consistency of the information provided in the financial statements.

INTERNAL CONTROL SYSTEM APPROACH

INTERNAL CONTROL SYSTEM APPROACH

PROCESS

Scoping	Identify risks	Implement key controls	Assessment
Determination of significant accounts and operating entities to be covered by system of internal control	Identification of risk scenarios that could result in a material financial misstatement	Implementation of key controls that prevent or detect errors or fraud resulting from risk scenarios	Assessment of the design and operating effectiveness of key controls

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts and operating entities that should fall under the *scope of our internal control system over financial reporting.* The methodology is described in our ICOFR manual. During the scoping process, materiality and susceptibility to a misstatement are considered simultaneously. The final results are documented in the list of operating entities under the scope of ICOFR as well as in the list of significant accounts. In addition to the quantitative ICOFR calculation, we also consider qualitative criteria – such as expected increase in business volume – which are provided by different Group Centers, Group Audit and external Audit.

- Then, our local entities *identify risks* that could lead to material financial misstatements including all relevant root causes (i.e. human processing errors, fraud, system weaknesses, external factors, etc.). After identifying and analyzing the risks, the potential impacts and occurrence probabilities are evaluated.

- *Preventive and detective key controls* over the financial reporting process have been put in place to reduce the likelihood and the impact of financial misstatements. If a potential risk materializes, actions are taken to reduce the impact of the financial misstatement. Given the strong dependence of financial reporting processes upon information technology systems, we also implement IT controls.

- Finally, we focus on ensuring that controls are appropriately designed and effectively executed to mitigate risk. We have set consistent documentation requirements across the Allianz Group for elements such as processes, related key controls and their execution. We conduct an annual *assessment* of our control system to maintain and continuously enhance its effectiveness. Group Audit and local internal audit functions ensure that the overall quality of our control system is subjected to regular control-testing, to assure reasonable design and operating effectiveness. Internal Audit does so through a comprehensive risk-based approach, which holistically assesses the key controls of the company's internal procedures and processes, including local and Group internal controls over financial reporting.

GOVERNANCE

Responsibility for ensuring the completeness, accuracy and reliability of our consolidated financial statements rests with the Chairman of the Board of Management and the board member responsible for Finance, Controlling and Risk of Allianz SE, supported by Group Center functions, the Group Disclosure Committee and operating entities.

The Group Disclosure Committee ensures that these board members are made aware of all material information that could affect our disclosures and assesses the completeness and accuracy of the information provided in the quarterly and annual financial reports. The committee meets on a quarterly basis before the financial reports are issued.

Subsidiaries within the scope of our control system are individually responsible for adhering to the Group's internal governance and control policy and for creating local Disclosure Committees that are similar to the Group-level committee. The entities' CEOs and CFOs provide periodic sign-offs to the management of Allianz SE, certifying the effectiveness of their local system of internal controls as well as the completeness, accuracy and reliability of financial data reported to the Holding.

FURTHER CONTROL MECHANISMS

In our opinion, a strong internal control environment is key to manage our company successfully and to reinforce trust with our stakeholders. In addition to ICOFR, for example, we have implemented an enhanced internal control environment across our largest Life insurance operating entities for the Market Consistent Embedded Value (MCEV) reporting process.

Risk capital controls

Similar to our ICOFR framework, we have also established a robust and comprehensive *control concept in the risk capital calculation and aggregation process,* since our internal risk capital calculations incorporate economic factors that are not fully reflected in the accounting results. We have put in place additional controls within our management reporting processes to ensure that these additional estimates are adequately controlled and that the data quality is accurate, consistent and complete.

These controls include the validation of models and assumptions by independent reviews and continuous benchmarking to market and/or peer assumptions and practices. We benchmark and explain our non-market assumptions against practices in the industry, actuarial associations and guidance from supervisory authorities.

During 2014, we further strengthened the internal control environment around the computation of our internal risk capital in anticipation of the future Solvency II regime.

Allianz Worldwide Care

Allianz Worldwide Care is the international health insurance division of Allianz Worldwide Partners, providing insurance solutions for health, life and disability on a global scale. The company's focus is on earning and maintaining client loyalty by providing a market-leading product range, level of service and support. Allianz Worldwide Care's multicultural staff, made up of 63 nationalities and collectively speaking 28 languages, mirrors the global nature of its client base.

allianzworldwidecare.com

Allianz Worldwide Partners

Allianz Global Assistance

Allianz Global Automotive

Allianz Worldwide Care

48 hours

Medical claims are processed within 48 hours.

95 % client retention rate

95 % of our clients choose to renew their insurance with us.

Allianz Worldwide Care continues to build a reputation for service excellence

MyHealth app offers fastest and easiest way to submit medical claims.

Allianz MyHealth App

In August 2014, Allianz Worldwide Care launched a mobile app that allows its members to submit medical claims more quickly and easily than ever before, by-passing the need to complete a traditional claim form. The MyHealth app makes it possible to:

- Send medical claims via a mobile device
- Check the status of previously submitted claims and payments
- Find the closest hospitals and get directions to them using GPS
- View key medical terms in 17 languages
- Access latest policy documents, even offline

The MyHealth app is available in English, German, French, Spanish and Portuguese from the Apple App Store and Google Play.

→ allianzworldwidecare.com/myhealth

Looking after the people who look after our clients.

Allianz Worldwide Care was one of the winners of the Allianz Group's Global Innovation Awards scheme in July 2014, in recognition of its employee health and wellbeing program.

The company's health and wellbeing initiative included weekly onsite yoga sessions, the establishment of sports clubs, women's and men's health information sessions and health screenings.

The Capuchin Day Centre, a Dublin-based charity, provides 1,000 food parcels and 6,000 hot meals weekly to those experiencing poverty. It was the beneficiary chosen to receive the award fund of € 10,000.

Staff from Allianz Worldwide Care, which employs 900 staff worldwide, 700 of whom are in Dublin, regularly volunteer at the Capuchin Day Centre, including at weekends and bank holidays.

→ **capuchindaycentre.ie**

Award-winning health and wellbeing

Creative solutions for client care.

Planes, trains and automobiles

Allianz Worldwide Care's Medical Director has a job that requires a lot of creative thinking. One particularly challenging case was in 2011 when an Icelandic ash cloud grounded flights across Europe and a client who had suffered a stroke in a remote region of Kazakhstan needed to be flown home to Portugal for rehabilitation.

Airports in Ireland, where Allianz Worldwide Care's primary support center is located, were closed and the company's air ambulance partners were also hampered by airport closures.

Allianz Worldwide Care's medical escort team took a ferry to the U.K., got a train to Paris and then flew via Azerbaijan to reach the patient.

On the return journey, Paris airport was closed. So the team flew to Frankfurt instead, and then on to Lisbon. It really was a case of planes, trains and automobiles, resulting in a very moving outcome when the patient's wife and children were able to welcome him home.

→ **allianzworldwidecare.com/member-services**

D – CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

€ MN

	note	as of 31 December 2014	as of 31 December 2013	as of 1 January 2013
ASSETS				
Cash and cash equivalents	7	13,863	11,207	12,437
Financial assets carried at fair value through income	8	5,875	6,660	7,165
Investments	9	486,445	411,148	401,711
Loans and advances to banks and customers	10	117,075	116,800	119,369
Financial assets for unit-linked contracts		94,564	81,064	71,197
Reinsurance assets	11	13,587	12,609	13,254
Deferred acquisition costs	12	22,262	22,203	19,452
Deferred tax assets	42	1,046	1,508	1,526
Other assets	13	37,080	34,632	35,196
Non-current assets and assets of disposal groups classified as held for sale	14	235	147	15
Intangible assets	15	13,755	13,100	13,090
Total assets		**805,787**	**711,079**	**694,411**
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	16	8,496	6,013	5,397
Liabilities to banks and customers	17	23,015	23,109	22,425
Unearned premiums	18	19,800	18,212	17,939
Reserves for loss and loss adjustment expenses	19	68,989	66,566	72,540
Reserves for insurance and investment contracts	20	463,334	404,072	390,984
Financial liabilities for unit-linked contracts	21	94,564	81,064	71,197
Deferred tax liabilities	42	4,932	3,178	4,034
Other liabilities	22	38,609	36,431	37,357
Liabilities of disposal groups classified as held for sale	14	102	–	–
Certificated liabilities	23	8,207	8,030	7,960
Subordinated liabilities	24	12,037	11,554	11,614
Total liabilities		**742,085**	**658,230**	**641,448**
Shareholders' equity		60,747	50,083	50,388
Non-controlling interests		2,955	2,765	2,576
Total equity	**25**	**63,702**	**52,849**	**52,963**
Total liabilities and equity		**805,787**	**711,079**	**694,411**

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS

€ MN

	note	2014	2013
Gross premiums written		**73,883**	**72,051**
Ceded premiums written		(4,463)	(4,541)
Change in unearned premiums		(1,146)	(882)
Premiums earned (net)	**26**	**68,274**	**66,628**
Interest and similar income	27	21,443	20,918
Income from financial assets and liabilities carried at fair value through income (net)	28	(1,604)	(1,845)
Realized gains/losses (net)	29	4,017	4,286
Fee and commission income	30	10,119	10,492
Other income	31	216	209
Income from fully consolidated private equity investments	32	696	726
Total income		**103,161**	**101,415**
Claims and insurance benefits incurred (gross)		(52,140)	(50,178)
Claims and insurance benefits incurred (ceded)		2,490	2,376
Claims and insurance benefits incurred (net)	**33**	**(49,650)**	**(47,802)**
Change in reserves for insurance and investment contracts (net)	34	(13,929)	(13,990)
Interest expenses	35	(1,261)	(1,322)
Loan loss provisions	36	(45)	(86)
Impairments of investments (net)	37	(894)	(611)
Investment expenses	38	(961)	(905)
Acquisition and administrative expenses (net)	39	(23,343)	(22,865)
Fee and commission expenses	40	(3,238)	(3,038)
Amortization of intangible assets	15	(123)	(136)
Restructuring charges	50	(16)	(170)
Other expenses	41	(135)	(106)
Expenses from fully consolidated private equity investments	32	(720)	(740)
Total expenses		**(94,314)**	**(91,772)**
Income before income taxes		**8,848**	**9,643**
Income taxes	42	(2,245)	(3,300)
Net income		**6,603**	**6,343**
Net income attributable to:			
Non-controlling interests		381	347
Shareholders		6,221	5,996
Basic earnings per share (€)	51	13.71	13.23
Diluted earnings per share (€)	51	13.64	13.05

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

€ MN	2014	2013
Net income	**6,603**	**6,343**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	2	(1)
Changes arising during the year	1,428	(1,305)
Subtotal	**1,431**	**(1,307)**
Available-for-sale investments		
Reclassifications to net income	(641)	(817)
Changes arising during the year	7,817	(2,537)
Subtotal	**7,176**	**(3,354)**
Cash flow hedges		
Reclassifications to net income	34	10
Changes arising during the year	50	(63)
Subtotal	**85**	**(53)**
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	–	–
Changes arising during the year	54	(82)
Subtotal	**54**	**(82)**
Miscellaneous		
Reclassifications to net income	–	–
Changes arising during the year	(151)	105
Subtotal	**(151)**	**105**
Items that may never be reclassified to profit or loss		
Actuarial gains and losses on defined benefit plans	(1,607)	362
Total other comprehensive income	**6,988**	**(4,327)**
Total comprehensive income	**13,590**	**2,016**
Total comprehensive income attributable to:		
Non-controlling interests	534	310
Shareholders	13,056	1,706

For further details concerning income taxes relating to components of the other comprehensive income, please see note 42.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

€ MN

	Paid-in capital	Retained earnings	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Non-controlling interests	Total equity
Balance as of 1 January 2013	**28,815**	**13,524**	**(2,073)**	**10,123**	**50,388**	**2,576**	**52,963**
Total comprehensive income[1]	–	6,323	(1,234)	(3,382)	1,706	310	2,016
Paid-in capital	55	–	–	–	55	–	55
Treasury shares	–	(2)	–	–	(2)	–	(2)
Transactions between equity holders	–	(20)	(5)	1	(24)	144	120
Dividends paid	–	(2,039)	–	–	(2,039)	(264)	(2,303)
Balance as of 31 December 2013	**28,869**	**17,786**	**(3,313)**	**6,742**	**50,083**	**2,765**	**52,849**
Total comprehensive income[1]	–	4,540	1,340	7,176	13,056	534	13,590
Paid-in capital	59	–	–	–	59	–	59
Treasury shares	–	(1)	–	–	(1)	–	(1)
Transactions between equity holders	–	(41)	(4)	–	(45)	(33)	(78)
Dividends paid	–	(2,405)	–	–	(2,405)	(311)	(2,716)
Balance as of 31 December 2014	**28,928**	**19,878**	**(1,977)**	**13,917**	**60,747**	**2,955**	**63,702**

1 — Total comprehensive income in shareholders' equity for the year ended 31 December 2014 comprises net income attributable to shareholders of € 6,221 MN (2013: € 5,996 MN).

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2014	2013
SUMMARY		
Net cash flow provided by operating activities	32,232	23,239
Net cash flow used in investing activities	(26,927)	(22,801)
Net cash flow used in financing activities	(3,189)	(1,436)
Effect of exchange rate changes on cash and cash equivalents	541	(232)
Change in cash and cash equivalents	**2,656**	**(1,230)**
Cash and cash equivalents at beginning of period	11,207	12,437
Cash and cash equivalents at end of period	**13,863**	**11,207**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**6,603**	**6,343**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(196)	(146)
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, non-current assets and assets and liabilities of disposal groups classified as held for sale	(3,105)	(3,676)
Other investments, mainly financial assets held for trading and designated at fair value through income	2,537	963
Depreciation and amortization	1,159	1,108
Loan loss provisions	45	86
Interest credited to policyholder accounts	3,879	4,163
Net change in:		
Financial assets and liabilities held for trading	375	300
Reverse repurchase agreements and collateral paid for securities borrowing transactions	107	227
Repurchase agreements and collateral received from securities lending transactions	466	95
Reinsurance assets	(218)	(207)
Deferred acquisition costs	(1,219)	(720)
Unearned premiums	1,120	832
Reserves for loss and loss adjustment expenses	1,039	(1,071)
Reserves for insurance and investment contracts	23,036	12,004
Deferred tax assets/liabilities	(10)	375
Other (net)	(3,384)	2,562
Subtotal	**25,629**	**16,896**
Net cash flow provided by operating activities	**32,232**	**23,239**

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS

€ MN	2014	2013
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	1,335	1,347
Available-for-sale investments	124,855	120,507
Held-to-maturity investments	579	836
Investments in associates and joint ventures	709	397
Non-current assets and assets and liabilities of disposal groups classified as held for sale	146	24
Real estate held for investment	329	663
Loans and advances to banks and customers (purchased loans)	8,345	9,863
Property and equipment	119	200
Subtotal	**136,416**	**133,837**
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(1,693)	(719)
Available-for-sale investments	(149,120)	(144,082)
Held-to-maturity investments	(331)	(653)
Investments in associates and joint ventures	(1,271)	(825)
Non-current assets and assets and liabilities of disposal groups classified as held for sale	–	–
Real estate held for investment	(963)	(1,504)
Loans and advances to banks and customers (purchased loans)	(5,005)	(6,940)
Property and equipment	(1,692)	(1,484)
Subtotal	**(160,076)**	**(156,207)**
Business combinations (note 5):		
Proceeds from sale of subsidiaries, net of cash disposed	–	81
Acquisitions of subsidiaries, net of cash acquired	(200)	(416)
Change in other loans and advances to banks and customers (originated loans)	**(2,403)**	**(695)**
Other (net)	**(665)**	**599**
Net cash flow used in investing activities	**(26,927)**	**(22,801)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	(873)	873
Proceeds from the issuance of certificated liabilities and subordinated liabilities	3,823	6,236
Repayments of certificated liabilities and subordinated liabilities	(3,435)	(6,204)
Cash inflow from capital increases	51	47
Transactions between equity holders	(78)	12
Dividends paid to shareholders	(2,716)	(2,303)
Net cash from sale or purchase of treasury shares	6	7
Other (net)	35	(104)
Net cash flow used in financing activities	**(3,189)**	**(1,436)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(3,081)	(3,672)
Dividends received	1,555	1,355
Interest received	18,851	18,657
Interest paid	(1,326)	(1,308)

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1 — Nature of operations and basis of presentation

NATURE OF OPERATIONS

Allianz SE and its subsidiaries (the Allianz Group) maintain Property-Casualty insurance, Life/Health insurance and Asset Management operations in over 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarters and Allianz SE as its parent company are located in Munich, Germany. Allianz SE is recorded in the Commercial Register of the municipal court in Munich under its registered address at Koeniginstraße 28, 80802 Munich.

Allianz SE is a stock corporation in the form of a European Company (Societas Europaea). Allianz SE shares are listed on all German stock exchanges and Allianz SE American Depositary Receipts (ADRs) are traded in the U.S. over the counter on OTCQX.

The consolidated financial statements of the Allianz Group for the year ended 31 December 2014 were authorized for issue by the Board of Management on 24 February 2015.

BASIS OF PRESENTATION

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315a of the German Commercial Code (HGB). Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB and endorsed by the E.U. that are compulsory as of 31 December 2014. IFRS comprise International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and interpretations developed by the IFRS Interpretations Committee (formerly called the IFRIC) or the former Standing Interpretations Committee (SIC).

IFRS do not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts, the provisions embodied under accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005 have been applied.

The accounting policies adopted are consistent with those of the previous financial year, except for recently adopted IFRS effective 1 January 2014.

The consolidated financial statements are prepared as of and for the year ended 31 December and presented in millions of Euro (€ MN), unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures. Previously published figures have been adjusted accordingly.

2 — Summary of significant accounting policies

PRINCIPLES OF CONSOLIDATION

Scope of consolidation

In line with IFRS 10, the consolidated financial statements of the Allianz Group comprise the financial statements of Allianz SE and its subsidiaries (including certain investment funds and structured entities) over which the Allianz Group has control. The Allianz Group controls a subsidiary when it is exposed to, or has rights to, variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. Power over a subsidiary arises when the Allianz Group has existing rights that give it the current ability to direct the relevant activities of the subsidiary. This is usually the case when the Allianz Group owns more than half of the voting rights or similar rights. In order to determine whether control exists, potential voting rights that are currently exercisable or convertible are taken into consideration. Where subsidiaries have been designed so that voting or similar rights are not the dominant factor of control, such as when any voting rights relate to administrative tasks only and returns are directed by means of contractual arrangements, control is assessed on the basis of the Allianz Group's level of involvement in defining the terms and features of these contractual arrangements, as is the case for structured entities. In the case of investment funds managed by Allianz Group internal asset managers, the control assessment considers whether the Allianz Group is in a principal or agent role with a view to the investment funds assessed. This assessment takes into account kick out rights held by third-party investors as well as the aggregate economic interest of the Allianz Group in the investment funds assessed.

Subsidiaries are consolidated as from the date on which control is obtained by the Allianz Group, up to the date on which the Allianz Group no longer maintains control. Accounting policies of subsidiaries are adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions are 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.

In some jurisdictions the ability of subsidiaries to transfer funds to the parent company in the form of dividends or to repay loans is subject to local corporate or insurance laws and regulations and solvency requirements.

Business combinations including acquisitions and disposals of non-controlling interests

Business combinations are accounted for using the acquisition method. Non-controlling interests in the acquiree can be measured either at the acquisition date fair value or at the non-controlling interest's proportionate share of the acquired's identifiable net assets. This option is exercised on a case-by-case basis.

Investments in associates and joint arrangements

In general, if the Allianz Group holds 20% or more of voting power in an investee but does not control the investee, it is assumed to exercise significant influence, unless it can be clearly demonstrated that this is not the case. Investments in associates over which the Allianz Group exercises significant influence are generally accounted for using the equity method.

Joint arrangements are structures over which the Allianz Group and one or more other parties contractually sharing control require unanimous consent when decisions over the relevant activities are to be made. Joint arrangements whereby the Allianz Group has rights to the net assets of the arrangement (joint venture) are generally accounted for using the equity method.

The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associates and joint arrangements, which reflects the earnings rather than the distributions of the associate or jointly controlled entity, is included in interest and similar income. Profits or losses resulting from transactions between the Allianz Group and the associate or joint arrangement are eliminated to the extent of the interest in the associate or joint arrangement. Accounting policies of associates and joint arrangements are adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

In some jurisdictions the ability of associates and joint arrangements to transfer funds to the Allianz Group in the form of dividends or to repay loans is subject to local corporate or insurance laws and regulations and solvency requirements.

FOREIGN CURRENCY TRANSLATION

Translation from any foreign currency to the functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the closing exchange rate. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated at historical rates and non-monetary items that are measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized in other comprehensive income. In this case, any foreign exchange component of that gain or loss is also recognized in other comprehensive income.

Translation from the functional currency to the presentation currency

For the purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the presentation currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded in other comprehensive income.

PRINCIPLES OF ACCOUNTING FOR FINANCIAL INSTRUMENTS

Recognition

Financial assets are generally recognized and derecognized on the trade date, i.e. when the Allianz Group commits to purchase or sell securities or incur a liability.

Financial instruments are initially recognized at fair value plus, in the case of financial instruments not carried at fair value through income, directly attributable transaction costs.

Offsetting

Financial assets and liabilities are offset and the net amount is presented in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to either settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership. A financial liability is derecognized when it is extinguished.

Securities lending and repurchase agreements

The Allianz Group enters into securities lending transactions and repurchase agreements. If all of the risks and rewards of the securities remain substantially with the Allianz Group these securities are not derecognized. Cash received as collateral in securities lending transactions is recognized together with a corresponding liability, whereas securities received as collateral are not recognized under the terms of the agreements if risks and rewards have not been transferred.

For repurchase agreements, the proceeds received from the sale are reported under liabilities to banks or customers. Interest expenses from repo transactions are accrued over the duration of the agreements and reported in interest expenses. If for reverse repo transactions all of the risks and rewards of the securities remain substantially with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expenses.

Impairments of available-for-sale and held-to-maturity investments as well as loans and advances to banks and customers

A held-to-maturity or available-for-sale debt security, as well as a loan, is impaired if there is objective evidence that a loss event has occurred after initial recognition of the security and up to the relevant date of the Allianz Group's consolidated balance sheet, and that loss event has negatively affected the estimated future cash flows, i.e. amounts due according to the contractual terms of the security are not considered collectible. For available-for-sale debt securities, the cumulative loss recognized in the other comprehensive income is reclassified to profit or loss. The cumulative loss corresponds to the difference between amortized cost and the current fair value of the investment. Further declines in fair value are recognized in other comprehensive income unless there is further objective evidence that such declines are due to a credit-related loss event. If in subsequent periods objective evidence results in a fair value increase after the impairment loss was recognized, the impairment loss is reversed through the income statement. The reversal is measured as the lesser of the full original impairment loss previously recognized in the income statement and the subsequent increase in fair value. For held-to-maturity investments and loans, the impairment loss is measured as the difference between the amortized cost and the expected future cash flows using the original effective interest rate. If the amount of the impairment of a held-to-maturity debt security or a loan subsequently increases or decreases due to an event occurring after the initial measurement of impairment, the change is recorded in the income statement.

For banking entities, valuation allowances of their loan book are reported as loan loss allowances. For all non-banking entities, loans to banks and customers have an investment character and valuation allowances are reported as 'impairments of investments'. For the loan loss allowance reported by banking entities, please refer to notes 10 and 36. Allowances for loans to banks and customers by non-banking entities are reported in note 37.

An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a decline to be significant if the fair value is below the weighted average cost by more than 20 %. A decline is considered to be prolonged if the fair value is below the weighted average cost for a period of more than nine months. If an available-for-sale equity security is impaired, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that was determined to be impaired, additional impairments are recognized for the difference between the fair value and the original cost basis, less any previously recognized impairment. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement but recycled out of other comprehensive income when sold.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Hedge accounting

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting, the Allianz Group designates the derivative as a hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign operation. 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 hedging instruments that are used are expected to be highly effective in offsetting changes in fair values or cash flows of the hedged items.

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or an unrecognized firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the change in fair value of the hedged item attributable to the hedged risk, are recognized in income from financial assets and liabilities carried at fair value through income (net).

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in other comprehensive income, and are transferred to the consolidated income statement when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

Furthermore, hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign operation. The effective proportion of gains or losses arising from the measurement of the derivative financial instrument is recognized in foreign currency translation adjustments in other comprehensive income, while any ineffectiveness is recognized directly in income from financial assets and liabilities carried at fair value through income (net).

The Allianz Group discontinues hedge accounting prospectively when the hedge is no longer expected to be highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group decides that hedge accounting is no longer appropriate.

Derivative financial instruments designated in hedge accounting relationships are included in the line item other assets and liabilities. Freestanding derivatives are included in the line item financial assets or liabilities held for trading. For further information on derivatives, please refer to note 43.

Disclosures relating to financial instruments

The following table summarizes the relationship between the balance sheet positions and the classes of financial instruments according to IFRS 7. The balance sheet positions are the same as the IAS 39 categories except when noted in parentheses.

BALANCE SHEET LINE ITEMS,
IAS 39 CATEGORIES AND IFRS 7 CLASSES OF FINANCIAL INSTRUMENTS

	Measurement basis
FINANCIAL ASSETS	
Cash and cash equivalents	Nominal value
Financial assets carried at fair value through income	
Financial assets held for trading	Fair value
Financial assets designated at fair value through income	Fair value
Investments	
Available-for-sale investments	Fair value
Held-to-maturity investments	Amortized cost
Loans and advances to banks and customers (Loans and receivables)	Amortized cost
Financial assets for unit-linked contracts	Fair value
Other assets	
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
FINANCIAL LIABILITIES	
Financial liabilities carried at fair value through income	
Financial liabilities held for trading	Fair value
Financial liabilities designated at fair value through income	Fair value
Liabilities to banks and customers (Other liabilities)	Amortized cost
Reserves for insurance and investment contracts	
Non-unit-linked investment contracts	Amortized cost
Financial liabilities for unit-linked contracts	Fair value
Other liabilities	
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
Financial liabilities for puttable equity instruments	Redemption amount
Certificated liabilities (Other liabilities)	Amortized cost
Subordinated liabilities (Other liabilities)	Amortized cost
OFF-BALANCE SHEET	
Financial guarantees	Nominal value
Irrevocable loan commitments	Nominal value

Please refer to note 44 for details on fair value measurement and further disclosures under IFRS 7. Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, as well as checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income. Financial assets and liabilities held for trading consist of debt and equity securities that have been principally acquired for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future as well as of derivative financial instruments, which include bifurcated embedded derivatives of hybrid financial instruments and of insurance contracts.

Financial assets and liabilities are designated at fair value through income to eliminate or significantly reduce an accounting mismatch. Subsidiaries must reach out to the Allianz Group Accounting and Reporting Department for approval before designating any financial asset or liability as at fair value through income.

INVESTMENTS

Available-for-sale investments

Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances, or financial assets carried at fair value through income. Available-for-sale investments are initially recognized and subsequently measured at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are recognized as a separate component of other comprehensive income, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. When an available-for-sale investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in other comprehensive income is transferred and recognized in the consolidated income statement. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These securities are initially recognized at fair value and subsequently measured at amortized cost using the effective interest method.

Funds held by others under reinsurance contracts assumed

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairment for balances that are deemed not to be recoverable.

Investments in associates and joint ventures

Please see the section principles of consolidation for details on the accounting for investments in associates and joint ventures.

Real estate held for investment

Real estate held for investment (i.e. real estate and rights equivalent to real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. At each reporting date or whenever there are any indications that the carrying amount may not be recoverable, real estate is tested for impairment by determining its recoverable amount. Subsequent costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are expensed as incurred.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Loans and advances are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and which are not classified as financial assets held for trading, designated at fair value through income or designated as available for sale. Loans and advances are initially recognized at fair value. Subsequently, they are measured at amortized cost using the effective interest method. Interest income is accrued on the unpaid principal balance, net of impairments. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of other interest income yield over the lives of the related loans.

FINANCIAL ASSETS FOR UNIT-LINKED CONTRACTS

Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in the income statement together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

REINSURANCE ASSETS

Assets and liabilities related to reinsurance are reported on a gross basis. Reinsurance assets include balances expected to be recovered from reinsurance companies. The amount of reserves ceded to reinsurers is estimated in a manner consistent with the claim liability associated with the reinsured risks. To the extent that the assuming reinsurers are unable to meet their obligations, the respective ceding insurers of the Allianz Group remain liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

DEFERRED ACQUISITION COSTS

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition and renewal of insurance contracts and investment contracts with discretionary participation features are deferred by recognizing a DAC asset. DAC generally consists of commissions, underwriting expenses and policy issuance costs. At inception, DAC is tested to ensure that it is recoverable over the life of the contracts. Subsequently, loss recognition tests at the end of each reporting period ensure that only the amount of DAC that is covered by future profits is carried on the consolidated balance sheet. Please refer to the section reserves for insurance and investment contracts, where details on the corresponding liability adequacy test are explained.

For short-duration, traditional long-duration, and limited-payment insurance contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type and participating life insurance contracts as well as investment contracts with discretionary participation features, DAC is generally amortized over the life of a book of contracts based on estimated gross profits (EGP) or estimated gross margins (EGM), respectively. EGP and EGM are based on best estimate assumptions which are reviewed at the end of each reporting period; the effect of changes is recognized in the reporting period's income statement.

Acquisition costs for unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at fair value are deferred in accordance with IAS 18 if the costs are incremental. For non-unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at amortized cost, acquisition costs that meet the definition of transaction costs under IAS 39 are considered in the aggregate policy reserves.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Present value of future profits (PVFP)

The value of an insurance business or an insurance portfolio acquired is measured by the PVFP, which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the related contracts.

Deferred sales inducements

Sales inducements on insurance contracts are deferred and amortized using the same methodology and assumptions as for deferred acquisition costs when they meet the following criteria: the sales inducements are recognized as part of the reserves, are explicitly identified in the contract at inception and incremental to amounts credited on similar contracts without sales inducements and higher than the contract's expected ongoing crediting rates for periods after the inducement.

Shadow accounting

For insurance contracts and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements in order to include the effect of unrealized gains or losses in the measurement of these assets in the same way as it is done for realized gains or losses. Accordingly, the assets are adjusted with corresponding charges or credits recognized directly in other comprehensive income as a component of the related unrealized gain or loss. When the gains or losses are realized, they are recorded in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

DEFERRED TAX ASSETS

The calculation of deferred tax assets is based on tax loss carry forwards, unused tax credits and on deductible temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates which have been substantively enacted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest and rent as well as own-used property and equipment.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Own-used property and equipment generally is carried at cost less accumulated depreciation and impairments. The assets are depreciated on a straight-line basis over their estimated useful lives.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and amortized on a straight-line basis over the estimated useful service lives or contractual terms.

The Allianz Group also records the fixed assets of its fully consolidated private equity investments and alternative investments within property and equipment. These assets are carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets.

The table below summarizes estimated useful lives for real estate held for own use, equipment, software and fixed assets of alternative investments.

ESTIMATED USEFUL LIVES (IN YEARS)

	Years
Real estate held for own use	max. 50
Software	2–10
Equipment	2–10
Fixed assets of alternative investments	4–25

INTANGIBLE ASSETS

Intangible assets with indefinite useful lives mainly consist of goodwill resulting from business combinations. It is initially determined as the excess of the consideration transferred in a business combination and any non-controlling interest over the net identifiable assets acquired. Goodwill is not amortized. It is evaluated at least annually whether the goodwill is deemed recoverable. Goodwill is allocated to each of the Allianz Group's cash generating units expected to benefit from the synergies of the business combination. The Allianz Group conducts an annual impairment test of goodwill during the fourth quarter or more frequently if there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment amount is allocated to first reduce any goodwill, followed by allocation to the carrying amount of any remaining non-financial assets of the cash generating unit. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets with finite useful lives primarily consist of distribution agreements. They are initially recorded at cost which generally is the purchase price plus directly attributable costs or, when acquired with business combinations, at fair value if the intangible asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Distribution agreements are subsequently recorded at cost less accumulated depreciation and impairments. The assets are generally depreciated on a straight-line basis over their useful lives or contractual term.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

PRINCIPLES OF ACCOUNTING FOR INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Insurance contracts under which the Allianz Group accepts significant insurance risk and investment contracts with discretionary participating features are accounted for under the insurance accounting provisions of US GAAP as at first-time adoption of IFRS 4 on 1 January 2005 when IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by the Allianz Group that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39. Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Insurance liability adequacy testing

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, DAC, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income.

For traditional long-duration contracts and limited-payment contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover DAC, a premium deficiency is recognized.

For other long-duration contracts, if the present value of estimated gross profits or margins, plus unearned revenue liability, if applicable, will not be sufficient to recover DAC, a premium deficiency is recognized.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

UNEARNED PREMIUMS

For short-duration insurance contracts, like most of the property and casualty contracts, premiums to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent periods in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenue which are included in unearned premiums. These fees are recognized using the same amortization methodology as DAC.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and reserves for incurred but not reported losses (IBNR).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable. Discounted loss reserves as well as their unwinding are presented within reserves for insurance and investment contracts to better reflect the nature of the reserves and to only reflect the net underwriting result within the key performance indicator combined ratio.

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves

The aggregate policy reserves for participating life insurance contracts are calculated using the net level premium method based on assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or premium refunds).

For traditional long-duration insurance contracts, such as traditional life and health products, aggregate policy reserves are computed using the net level premium method based on best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs.

The aggregate policy reserves for universal life-type insurance contracts are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserve for universal life-type contracts includes insurance reserves for unit-linked insurance contracts and investment contracts with discretionary participation features as well as liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to non-traditional contracts with annuitization options.

Universal life-type and investment-type insurance contracts features which are not closely related to the underlying insurance contracts are bifurcated from the insurance contracts and accounted for as derivatives in line with IFRS 4 and IAS 39.

The assumptions used for aggregate policy reserves are determined using current and historical client data, industry data, and in the case of assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses. The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves are as follows:

INTEREST RATE ASSUMPTIONS

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0 %	2.2 – 5.0 %
Aggregate policy reserves	2.5 – 6.0 %	0.8 – 4.3 %

The Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies, and thus has not separately recognized an unbundled deposit component in respect of any of its insurance contracts.

Non-unit-linked investment contracts without discretionary participating features are accounted for under IAS 39. The aggregate policy reserve for those contracts is initially recognized at fair value, or the amount of the deposit by the contract holder, net of the transaction costs that are directly attributable to the issuance of the contract. Subsequently, those contracts are measured at amortized cost using the effective interest rate method.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Reserves for premium refunds

Reserves for premium refunds include the amounts allocated under the relevant local statutory/contractual regulations or at the entity's discretion to the accounts of the policyholders and the amounts resulting from the differences between these IFRS-based financial statements and the local financial statements (latent reserve for premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized, based on and similar to shadow accounting. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

FINANCIAL LIABILITIES FOR UNIT-LINKED CONTRACTS

The fair value measurement of financial liabilities for unit-linked contracts is equal to the fair value measurement of the financial assets for unit-linked contracts.

DEFERRED TAX LIABILITIES

Deferred tax liabilities are recognized for temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases.

OTHER LIABILITIES

Other liabilities primarily consist of payables, provisions for pensions and similar obligations, employee-related provisions, deposits retained for reinsurance ceded, and financial liabilities for puttable equity instruments.

Pensions and similar obligations

For defined benefit plans, the Allianz Group uses the projected unit credit method to determine the present value of its defined benefit obligations and the related service cost and, where applicable, past service cost. Where benefits are linked to returns on specified assets, the defined benefit obligation is determined by reference to the fair value of the plan assets. All actuarial gains and losses are recognized in other comprehensive income (OCI). Service and interest costs are recognized in the profit or loss. The interest income on plan assets is calculated using the same interest rate used to discount the defined benefit obligation, i.e. high-quality corporate bonds at the end of the reporting period.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Share-based compensation plans

The share-based compensation plans of the Allianz Group are classified as either equity-settled or cash-settled plans. Equity-settled plans are measured at fair value on the grant date and recognized as an expense, with a corresponding increase to shareholders' equity, over the vesting period. Equity-settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash-settled plans, the Allianz Group accrues the fair value of the award as a compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is also recognized as a compensation expense.

Restructuring provisions

Restructuring provisions are recognized when programs materially change the scope of business performed by an operating entity or business unit or the manner in which business is conducted and when the main features of a detailed formal plan have been announced to those affected or the implementation of the restructuring plan has started.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments primarily include the non-controlling interests in the net assets of controlled mutual funds. These interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset (puttable instrument). These liabilities are generally required to be recorded at the redemption amount with changes recognized in the income statement.

CERTIFICATED LIABILITIES AND SUBORDINATED LIABILITIES

Certificated liabilities and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

EQUITY

Issued capital represents the mathematical per share value received from the issuance of shares. Additional paid-in capital represents the premium, exceeding the issued 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.

Please refer to the above section on foreign currency translation, where foreign currency changes that are recognized in other comprehensive income are explained. The effective portion of gains and losses of hedging instruments designated as hedges of a net investment in a foreign operation is also recognized in foreign currency translation adjustments.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments that meet the criteria for cash flow hedge accounting.

Non-controlling interests represent equity in subsidiaries, not attributable directly or indirectly, to Allianz as parent.

PREMIUMS

Premiums for short-duration insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Premiums for long-duration insurance contracts are recognized as earned when due. Long-duration insurance contracts are contracts that are not cancelable by the insurance company, guaranteed to be renewable and expected to remain in force over an extended period of time.

Revenues for universal life-type and investment contracts represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration, and are included within premiums earned (net).

Premiums ceded for reinsurance are deducted from premiums earned.

INTEREST AND SIMILAR INCOME AND INTEREST EXPENSES

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities and income from investments in associates and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Share of earnings from investments in associates and joint ventures represents the share of net income from entities accounted for using the equity method.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income (net) 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 as well as refinancing and transaction costs are included in this line item. Foreign currency gains and losses on monetary items are also reported within income from financial assets and liabilities carried at fair value through income (net).

FEE AND COMMISSION INCOME

Fee and commission income primarily consists of asset management fees that are recognized when the service is provided.

CLAIMS AND INSURANCE BENEFITS INCURRED

Benefits charged to expense consist of claims and insurance benefits incurred during the period, including benefit claims in excess of policy account balances and interest credited to policy account balances. Furthermore, it includes claim handling costs that are directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Income tax expense consists of current taxes on taxable income actually charged to the individual Allianz Group companies and changes in deferred tax assets and liabilities. Expense and income from interest and penalties to or from tax authorities are included in current taxes.

Please refer to note 3, where the processes and controls for ensuring an appropriate use of estimates and assumptions are explained.

3 — Use of estimates and assumptions

The preceding note 2 describes the accounting policies that the Allianz Group follows in preparing its consolidated financial statements. The section below describes how certain reported figures can be significantly affected by the use of estimates and assumptions, and the processes the Allianz Group has in place to control the judgments which are made.

Both sides of the Allianz Group's balance sheet have a high degree of estimation and numerous assumptions embedded in the valuation of assets and liabilities. The estimation process and selection of appropriate assumptions requires significant judgment to be applied and management decisions to be taken in order to establish appropriate values for these assets and liabilities. Any change in the assumptions and estimates could, in certain circumstances, significantly affect the reported results and values because the range of reasonable judgment in some cases may be very large. The Allianz Group understands the degree of impact that these judgments may have and has established a strong system of governance as well as controls, procedures and guidelines to ensure consistency and soundness over these judgments.

Subsidiaries of the Allianz Group are required to establish controls which promote a culture of good judgment and sound decision-making around accounting estimates. These include providing training programs, hiring people with the right background for the job (i.e. certified or experienced accountants, actuaries and finance professionals), and providing formalized policies and procedures manuals for accounting and internal controls.

At the Allianz Group level, processes and committees have been established to ensure sound judgment and consistent application of the Allianz Group's standards. Furthermore, the Allianz Group has a culture that is strongly committed to reliability, encourages open and transparent discussions, provides a venue for asking questions and admitting mistakes, recognizes experts and expertise, and respects the four eyes principle of review. Committees, none of which are chaired by the CFO of the Allianz Group, ensure that judgmental decisions and selection of assumptions are discussed in an open setting among experts and that inconsistencies are identified and resolved.

Complex accounting areas that are especially sensitive to the estimates and assumptions are described in the following sections.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES, RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS AND DEFERRED ACQUISITION COSTS

As of 31 December 2014, the Allianz Group reported:[1]

- reserves for loss and loss adjustments expenses of € 68,989 MN mainly for the Property-Casualty operations, including run-off business and reinsurance business assumed,
- reserves for insurance and investment contracts of € 463,334 MN mainly for the Life/Health operations, and
- deferred acquisition costs of € 22,262 MN.

1 — Please refer to note 2 Summary of significant accounting policies. For further details, please refer to note 12 Deferred acquisition costs, note 19 Reserves for loss and loss adjustment expenses and note 20 Reserves for insurance and investment contracts.

For Life/Health and for Property-Casualty the central oversight process includes the following key components:

Group-wide standards and guidelines: They define the reserving practices which must be conducted by each subsidiary including aspects of assumptions and estimates. This includes the organization and structure, data, methods, and reporting. The Allianz Group Actuarial Department monitors compliance with these standards and guidelines.

Regular site visits: The Allianz Group Actuarial Department regularly visits Allianz subsidiaries in order to ensure that they apply the group-wide standards and guidelines. The on-site review focuses on all significant changes in assumptions and methodologies as well as on procedures and professional practices relevant for the reserving process. Furthermore, these meetings are to update knowledge of the underlying local business developments.

Regular quantitative and qualitative reserve monitoring: On a quarterly basis, the Allianz Group Actuarial Department monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly data submitted by the subsidiaries as well as through frequent dialogue with local actuaries.

The oversight and monitoring of the Allianz Group's reserves culminate in quarterly meetings of the Allianz Group Reserve Committee, which is the supervising body that governs all significant reserves. It particularly monitors key developments across the Allianz Group affecting the adequacy of loss reserves.

Life/Health reserves are dependent on estimates and assumptions, especially on the life expectancy and health of an insured individual (mortality, longevity and morbidity 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:

Stage one: 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.

Stage two: The Allianz Group Actuarial Department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions, and analyzes the movements of reserves. Any adjustments to reserves and other insurance-related reporting items are reported to and analyzed together with the Allianz Group Reserve Committee.

Property-Casualty reserves are set by leveraging the use of actuarial techniques and educated judgment. A two-stage process exists for the setting of reserves in the Allianz Group:

Stage one: Property-Casualty reserves are calculated by local reserving actuaries in the Allianz operating entities. Reserves are set based on a thorough analysis of historical data, enhanced by interactions with other business functions (e.g. Underwriting, Claims and Reinsurance). Actuarial judgment is applied where necessary, especially in the cases where data is unreliable, scanty or unavailable. The judgment of Property-Casualty actuaries is based on past experience of the characteristics of each line of business, the current stage of the underwriting cycle and the external environment in which the subsidiary operates. The reserves are proposed to a local reserve committee, whereby the rationale of the selections are discussed and subsequently documented. A final decision on the reserve selection is made in the reserve committee. Local actuaries are responsible for their compliance with the Group Actuarial Standards and Guidelines.

Stage two: The Allianz Group Actuarial Department forms an opinion on the adequacy of the reserves proposed by the local entities. The Allianz Group Actuarial Department challenges the operating entities' selection through their continuous interaction with local teams and quarterly attendance in the local reserve committees. The ability to form a view on reserve adequacy is further enabled by regular reviews of the local reserving practices. Such reviews consist of an evaluation of the reserving process, appropriateness and consistency of assumptions and analysis of movement of reserves. Significant findings from such reviews are communicated in the Allianz Group Reserve Committee to initiate actions where necessary.

FAIR VALUE AND IMPAIRMENTS OF FINANCIAL INSTRUMENTS

As of 31 December 2014, the Allianz Group reported financial instruments carried at fair value as follows:[1]

- € 171,131 MN of the financial assets and € 93,688 MN of the financial liabilities carried at fair value are classified within level 1 of the fair value hierarchy (unadjusted quoted prices in active markets)
- € 381,659 MN of the financial assets and € 4,135 MN of the financial liabilities carried at fair value are classified within level 2 of the fair value hierarchy (valuation techniques with mainly observable market inputs)
- € 14,037 MN of the financial assets and € 7,310 MN of the financial liabilities carried at fair value are classified within level 3 of the fair value hierarchy (valuation techniques with significant input being non-observable). Level 3 financial assets represent 2.5 % of the Allianz Group's total financial assets carried at fair value. Financial liabilities classified as Level 3 represent 7.0 % of the Allianz Group's total financial liabilities carried at fair value.

Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. When appropriate, values are adjusted on the basis of available market information including pricing, credit-related factors, volatility levels, and liquidity considerations. If sufficient market information is unavailable, management's best estimate of a particular input is used to determine the value.

The evaluation of whether a financial debt security is impaired requires analysis of the underlying credit risk/ quality of the relevant issuer and involves significant management judgment. In particular, current publicly available information relating to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not by itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

In general, the subsidiaries assume responsibility for assessing fair values and evaluating impairments of financial instruments. This process is consistent with the decentralized organizational structure and reflects the fact that local managers are often best suited to analyze securities trading in local markets. Nevertheless, the subsidiaries are responsible for adhering to the Allianz Group's internal control policy regarding impairment assessment, measurement and disclosure. Subsidiaries must report all impairment decisions on debt securities to the Allianz Group Accounting and Reporting department, which then reviews them for consistency and resolves discrepancies.

1 — Please refer to the consolidated financial statements note 2 Summary of significant accounting policies, note 37 Impairments of investments (net) and note 44 Financial instruments for further details regarding financial instruments and impairments.

ASSESSMENT OF THE INCLUSION METHOD

The relevant criteria for determining the appropriate inclusion method of a company are summarized in note 2 of this Annual Report. The determination of the appropriate inclusion method of some entities involves management judgment.

For some subsidiaries where the Allianz Group does not hold a majority stake, management has assessed that the Allianz Group controls these companies. The Allianz Group controls these entities on the basis of distinctive rights stipulated by shareholder agreements between the Allianz Group and the other shareholders in these companies.

There are some companies where the Allianz Group holds a majority stake but where management has assessed that the Allianz Group does not control these entities because it has no majority representation in the governing bodies and/or it requires at least the confirmative vote of another investor to pass any decisions over relevant activities.

Although the Allianz Group's share in some companies is below 20 %, management has assessed that the Allianz Group has significant influence over these companies because it is represented in the governing bodies that decide on the relevant activities of these companies.

To determine control for investment funds managed by the Allianz Group, management considers in particular the remuneration to which the asset manager is entitled, the exposure to variability of returns from these investments and the rights held by other parties. When the exposure to variability of returns is within a certain range, significant judgment is required for the determination of the appropriate inclusion method of these investment funds.

For certain investment funds managed by the Allianz Group in which the Allianz Group holds a minority stake, management has assessed that the Allianz Group controls these investment funds because of its asset management role combined with its aggregate economic interest in these investment funds.

For certain investment funds managed by third parties where the Allianz Group holds a majority stake, management has assessed that the Allianz Group does not control these investment funds because it has neither a majority representation in the governing bodies of these investment funds nor any substantial removal rights to replace the asset manager.

For certain investment funds in which the Allianz Group holds a stake of above 20 %, management has assessed that the Allianz Group has no significant influence because it is not represented in the governing bodies of these investment funds.

Pursuant to IFRS 11, investments in joint arrangements have to be classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Allianz Group has assessed the nature of all its joint arrangements and determined them to be joint ventures.

For further details, please refer to the explanations to the list of participations of the Allianz Group from page 256 of this Annual Report onwards.

GOODWILL

As of 31 December 2014, the Allianz Group reported total goodwill of € 12,166 MN, of which:[1]

- € 2,440 MN related to the business segment Property-Casualty
- € 2,232 MN related to the business segment Life/Health
- € 7,187 MN related to the business segment Asset Management and
- € 307 MN related to the business segment Corporate and Other.

Goodwill represents the excess of the consideration transferred in a business combination and any non-controlling interest over the net identifiable assets acquired. Upon acquisition, goodwill is allocated to the cash generating units (CGUs) that are expected to benefit from the synergies of the acquisition. Since goodwill is not amortized, the Allianz Group must evaluate at least annually whether the carrying value per CGU is deemed recoverable. This is assumed as long as the carrying value is not in excess of the unit's estimated recoverable amount. If it is not deemed recoverable, the excess goodwill will need to be impaired.

The recoverable amounts of all cash generating units are typically determined on the basis of value in use calculations. The determination of a CGU's recoverable amount requires significant judgment regarding the selection of appropriate valuation techniques and assumptions. These assumptions include selection of appropriate discount rates, planning horizons, capitalization requirements and the expected future business results. Assumptions may need to change as economic, market and business conditions change. As such, the Allianz Group continuously evaluates external conditions and the operating performances of the CGUs.

The Allianz Group's processes and controls around the estimation of recoverable amounts are generally applied at the Allianz Group level and are designed to minimize subjectivity. For example, the assumptions used are required to be consistent with the parameters of the well-defined planning and controlling processes. Important input factors for those calculations are the business plan, the estimate of the sustainable returns and eternal growth rates, as is further explained in note 15. The Allianz Group also performs sensitivity tests

1 — Please refer to note 2 Summary of significant accounting policies and note 15 Intangible assets for further details.

with regard to key value drivers, such as projected long-term combined ratios or discount rates. Furthermore, the Allianz Group reviews market-based business transaction multiples where available. This information is used to assess reasonableness since directly comparable market value information is not generally available. The Allianz Group believes that the controls over assessing the recoverability of goodwill ensure both consistent and reliable results.

DEFERRED TAX ASSETS

As of 31 December 2014, the Allianz Group reported deferred tax assets of € 1,046 MN. The deferred tax assets before netting with deferred tax liabilities amounted to € 17,887 MN. € 1,585 MN thereof resulted from tax losses which are carried forward to future periods.[1]

Deferred tax assets are determined based on tax loss carry forwards, unused tax credits and on deductible temporary differences between the Allianz Group's carrying amounts of assets and liabilities in its consolidated balance sheet and their tax bases. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization. Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. This includes the character and amounts of taxable future profits, the periods in which those profits are expected to occur as well as the availability of tax planning opportunities.

The analysis and forecasting required in this process, and as a result the determination of the deferred tax assets, is performed for individual jurisdictions by qualified local tax and financial professionals. Given the potential significance surrounding the underlying estimates and assumptions, Group-wide policies and procedures have been designed to ensure consistency and reliability around the recoverability assessment process. Forecasted operating results are based upon approved business plans which are themselves subject to a well-defined process of control. As a matter of policy, especially strong evidence supporting the recognition of deferred tax assets is required if an entity has suffered a loss in either the current or preceding period.

Recognition and recoverability of all significant deferred tax assets are reviewed by tax professionals at Group level and the Allianz Group Tax Committee.

PENSION LIABILITIES AND SIMILAR OBLIGATIONS

As of 31 December 2014, the Allianz Group reported a defined benefit obligation for defined benefit plans of € 22,767 MN which is offset by the fair value of plan assets of € 13,123 MN.[2]

Liabilities for pension and similar obligations and related net pension expenses are determined in accordance with actuarial valuation models. These valuations rely on extensive assumptions. Key assumptions including discount rates, inflation rates, compensation increases, pension increases and rates of medical cost trends are defined centrally at the Allianz Group level considering the circumstances in the particular countries. In order to ensure their thorough and consistent determination, all input parameters are discussed and defined, taking into consideration economic developments, peer reviews as well as currently available market and industry data. The discount rate assumptions are determined by reference to yields of high-quality corporate bonds of appropriate duration and currency at the balance sheet date. In countries where there is no deep market in such bonds, market yields on government bonds are generally used as discount rates.

Due to changing market and economic conditions, the underlying assumptions may differ from actual developments. Potential financial impacts from deviations in certain critical assumptions based on respective sensitivity analyses are disclosed in note 48.

RESTRUCTURING PROVISIONS

As of 31 December 2014, the Allianz Group reported a provision for restructuring programs of € 109 MN.[3]

Provisions for restructuring programs are recognized when the Allianz Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features. The detailed formal plan of a restructuring program is based on several estimates and assumptions, such as the number of employees to be dismissed, amount of severance payments, impacts of onerous contracts, possibilities of sub-leases, timing of the various steps of the program and in consequence timing of the expected cash flows.

Generally, the subsidiaries which are undertaking the restructuring program, set up a formal plan and determine all underlying estimates and assumptions. Therefore, it is the Allianz Group's policy that the subsidiaries are responsible for an adequate planning process, controlling the execution of the program, and for the fulfillment of all requirements of IFRS. The respective documentation has to be submitted to the Allianz Group Accounting and Reporting department, where qualified staff members review all restructuring programs. This includes a review of all estimates and assumptions, and an assessment of whether all requirements for setting up a restructuring provision are satisfied, including which cost components can be treated as restructuring charges.

1 — Please refer to note 2 Summary of significant accounting policies and note 42 Income taxes for further details.
2 — Please refer to note 2 Summary of significant accounting policies and note 48 Pensions and similar obligations for further details.
3 — 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

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

effective 1 January 2014

IFRSs 10, 11, 12, Amendments to IAS 27 and 28 – Consolidation

As of 1 January 2014, the Allianz Group implemented IFRSs 10, 11 and 12 as well as amendments to IAS 27 and IAS 28.

IFRS 10, Consolidated Financial Statements, superseded the requirements of IAS 27, Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. IFRS 10 establishes a single control concept as the basis for determining which entities are to be included in the consolidated financial statements because they are controlled by the reporting entity. The existence of control is based on the following three elements:

— power over the investee,
— exposure, or rights, to variable returns from the involvement with the investee, and
— the ability to use power over the investee to affect the amount of the investor's returns.

The following table presents the impacts of the implementation of IFRS 10 on the consolidated balance sheet as of 31 December 2013.

CHANGE OF CONSOLIDATED BALANCE SHEET AS OF 31 DECEMBER 2013 RELATING TO THE IMPLEMENTATION OF IFRS 10

€ MN

as of 31 December 2013	As previously reported	Adoption of IFRS 10	As reported
Financial assets carried at fair value through income	7,245	(585)	6,660
Investments	411,015	133	411,148
Total assets	**711,530**	**(452)**	**711,079**
Other liabilities	36,883	(452)	36,431
Total liabilities	**658,682**	**(452)**	**658,230**
Total liabilities and equity	**711,530**	**(452)**	**711,079**

The adoption of IFRS 10 required the additional consolidation of certain investment funds where the Allianz Group has the ability to direct the relevant asset management activities without having a majority investment. In contrast, numerous third-party managed investment funds in which the Allianz Group has invested were deconsolidated to the extent that the Allianz Group cannot exercise power. Furthermore, IFRS 10 led to the deconsolidation of certain investment funds related to unit-linked contracts because investment decisions over these assets are not in the discretion of the Allianz Group. In total, these changes in the scope of consolidation led to a reduction of the balance sheet total of € 452 MN as of the date IFRS 10 was adopted.

The impact of the adoption of IFRS 10 on the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows is immaterial.

IFRS 11, Joint Arrangements, superseded IAS 31, Interests in Joint Ventures, and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Ventures. The IFRS requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations arising from the arrangement. The IFRS classifies joint arrangements into two types: joint operations and joint ventures. For joint operations the reporting entity has to recognize and measure the assets and liabilities (and recognize the related revenues and expenses) in relation to its interest in the arrangement in accordance with relevant IFRSs applicable to the particular assets, liabilities, revenues and expenses. In contrast, for joint ventures the reporting entity has to recognize an investment and to account for that investment using the equity method in accordance with IAS 28. The application of IFRS 11 had no material impact on the financial position and the financial results of the Allianz Group.

The revised version of IAS 28, Investments in Associates and Joint Ventures, superseded the former IAS 28, Investments in Associates. It defines 'significant influence', provides guidance on the application of the equity method of accounting and describes how impairment is assessed in associates and joint ventures. The adoption of the revised version of IAS 28 had no material impact on the financial position and financial results of the Allianz Group.

IFRS 12, Disclosure of Interests in Other Entities, contains disclosure requirements previously set out in IASs 27, 28 and 31. Furthermore, the new standard includes disclosure requirements regarding interests in unconsolidated structured entities. The disclosure requirements defined by IFRS 12 are initially presented in this Annual Report.

Further adopted accounting pronouncements

In addition to the implementation of IFRSs 10, 11, 12 and the amendments to IAS 27 and IAS 28 the following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2014:

— IAS 36, Recoverable Amount Disclosures for Non-Financial Assets,
— IAS 32, Offsetting Financial Assets and Financial Liabilities,
— IAS 39, Novation of Derivatives and Continuation of Hedge Accounting.

The Allianz Group adopted the revisions and amendments as of 1 January 2014, with no material impact on its financial results or financial position.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

effective on or after 1 January 2015 and not adopted early

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39 with a new standard. IFRS 9 provides a new approach on how to classify financial instruments based on their cash flow characteristics and the business model under which they are managed. Furthermore, the standard introduces a new impairment model for debt instruments based on expected credit losses, while equity investments will no longer be subject to impairment under IFRS 9. The new hedge accounting rules in IFRS 9 provide more opportunities to apply hedge accounting and aim to better align risk management and accounting in order to improve the information about risk management.

The effective date announced by the IASB is 1 January 2018, while early application is permitted. However, IFRS 9 has not yet been endorsed by the European Union. The Allianz Group is currently evaluating the impact of adopting IFRS 9 on its consolidated financial statements.

IFRS 15, Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts, and a number of revenue-related interpretations. With the introduction of IFRS 15, the IASB pursued the objective of developing a single revenue standard containing comprehensive principles for recognizing revenue. As the core IFRS 15 principle an entity recognizes revenue from contracts with customers when and to the extent that it transfers promised goods or services to the customer. The new standard includes a set of quantitative and qualitative disclosure requirements providing information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The new standard is generally effective for periods beginning on or after 1 January 2017; earlier application is permitted. The Allianz Group is currently evaluating the impact of IFRS 15 on its consolidated financial statements. Allianz Group will decide on the application date of IFRS 15 once it has been endorsed by the E.U.

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 adopted early by the Allianz Group.

FURTHER AMENDMENTS AND INTERPRETATIONS

STANDARD/INTERPRETATION	EFFECTIVE DATE
IFRIC 21, Levies	Annual periods beginning on or after 17 June 2014
IAS 1, Disclosure Initiative	Annual periods beginning on or after 1 January 2016 (not yet endorsed by E.U.)
IAS 19, Defined Benefit Plan: Employee Contributions	Annual periods beginning on or after 1 July 2014
Annual Improvements to IFRSs 2010–2012	Annual periods beginning on or after 1 July 2014
Annual Improvements to IFRSs 2011–2013	Annual periods beginning on or after 1 July 2014
Annual Improvements to IFRSs 2012–2014	Annual periods beginning on or after 1 January 2016 (not yet endorsed by E.U.)
IFRS 11, Accounting for Acquisitions of Interests in Joint Operations	Annual periods beginning on or after 1 January 2016 (not yet endorsed by E.U.)
IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation	Annual periods beginning on or after 1 January 2016 (not yet endorsed by E.U.)
IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Annual periods beginning on or after 1 January 2016 (not yet endorsed by E.U.)

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.

OTHER RECLASSIFICATIONS

Certain prior-period amounts have been reclassified to conform to the current period presentation.

5 — Consolidation

SCOPE OF CONSOLIDATION

The number of entities by type listed in the table below is included in the scope of consolidation in addition to the parent company Allianz SE.

SCOPE OF CONSOLIDATION

	2014	2013
Number of fully consolidated entities (subsidiaries)		
Germany	131	130
Other countries	695	690
Subtotal	**826**	**820**
Number of fully consolidated investment funds		
Germany	37	38
Other countries	40	38
Subtotal	**77**	**76**
Total number of fully consolidated entities	**903**	**896**
Number of joint ventures valued at equity	26	23
Number of associates valued at equity	58	108

All subsidiaries, joint ventures and associates are individually listed in the list of participations of the Allianz Group from page 256 of this Annual Report onwards.

SIGNIFICANT ACQUISITIONS

SIGNIFICANT ACQUISITIONS

	Equity interest %	Date of initial consolidation	Segment	Goodwill[1] € MN	Transaction
2014					
Part of Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna	–	1 July 2014	Property-Casualty	257	Acquisition
2013					
HSBC Taiwan Life branch, Taipei	–	21 June 2013	Life/Health	–	Acquisition
Yapı Kredi Sigorta A.Ş., Istanbul	94.0	12 July 2013	Property-Casualty	222	Acquisition
Business portfolios from Pastor Vida S.A. de Seguros y Reaseguros, Madrid	–	31 December 2013	Life/Health / Asset Management	–	Acquisition

1 — At the date of initial consolidation.

In the following section all significant acquisitions during the year ended 31 December 2014 are described.

Part of Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna

Effective 1 July 2014, the Allianz Group acquired specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna ("Distribution Activities"). The acquired Distribution Activities include, inter alia, a network of 725 agencies and 470 employees. Effective 31 December 2014, the Allianz Group additionally received the Property-Casualty insurance in-force portfolio managed by the transferred agencies ("Portfolio") after receipt of the approval by the Italian insurance regulator Istituto per la Vigilanza sulle Assicurazioni (IVASS).

The acquired business represents insurance activities with premiums equal to approximately € 0.9 BN (for the full year 2014). It gives the Allianz Group the unique opportunity to further increase its share in a key profitable market.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed related to the Distribution Activities and the Portfolio:

PROPERTY-CASUALTY INSURANCE BUSINESS OF UNIPOLSAI ASSICURAZIONI S.P.A. – IDENTIFIABLE ASSETS AND LIABILITIES

€ MN	Distribution Activities as of 1 July 2014	Portfolio as of 31 December 2014
Cash and cash equivalents	–	154
Deferred acquisition costs	–	39
Deferred tax assets	4	–
Other assets	28	49
Intangible assets	113	1
Total assets	**145**	**243**
Unearned premiums	–	(231)
Other liabilities	(27)	(11)
Total liabilities	**(27)**	**(242)**
Total net identifiable assets	**118**	**1**

Intangible assets consist of the customer relationships related to the acquired agency network and the present value of the transferred in-force business.

Other assets mainly include receivables from policyholders for premiums due and receivables from agents.

Other liabilities comprise mainly payables to agents and employees. The assumed other liabilities related to the Distribution Activities are provisional due to the pending receipt of the final valuations of those liabilities.

The carrying amounts allocated to the identifiable assets and liabilities of the Portfolio are provisional due to pending receipt of the final valuations of those assets and liabilities.

The aggregate consideration for the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A. amounted to a maximum of € 440 MN. It includes:

- a payment of € 200 MN processed on 30 June 2014; plus
- a contingent consideration of up to € 240 MN, calculated as a percentage of the premiums generated by (i) policies renewed by the Allianz Group during the second half of 2014 and (ii) policies transferred with the Portfolio. A payment of € 179 MN was processed on 20 February 2015.

As of 1 July 2014, the Allianz Group recognized an amount of € 175 MN for the contingent consideration arrangement attributable to the Distribution Activities and as of 31 December 2014 a further amount of € 1 MN attributable to the Portfolio. During the fourth quarter of 2014, the fair value of the contingent consideration attributable to the Distribution Activities was increased by € 5 MN to € 180 MN resulting in the recognition of a corresponding loss.

The fair value of the total contingent consideration of € 181 MN is based on information at the reporting date regarding policies renewed by the Allianz Group during the second half of 2014 and on information provided by the seller regarding policies transferred with the Portfolio. The latter were confirmed in the first quarter of 2015, leading to a final reduction of the contingent consideration to € 179 MN.

The acquired Distribution Activities comprise goodwill which was determined as follows as of 1 July 2014:

PROPERTY-CASUALTY INSURANCE BUSINESS OF UNIPOLSAI ASSICURAZIONI S.P.A. – DETERMINATION OF GOODWILL

€ MN	Fair value
Total consideration allocated to the Distribution Activities consisting of € 200 MN initial payment plus € 175 MN contingent consideration	375
Total net identifiable assets of the Distribution Activities	118
Goodwill	**257**

The goodwill of € 257 MN consists largely of synergies, new business and cross-selling opportunities expected to be generated from the acquired network of agencies and is expected to be deductible for income tax purposes.

Acquisition-related costs in the amount of € 8 MN (including € 6 MN registration taxes and € 2 MN legal and consulting fees) are included in administrative expenses. Further acquisition-related costs in the amount of € 6 MN are expected to be incurred in the first quarter of 2015.

The impact of the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A. on the Allianz Group's total revenues and net income since the acquisition was € 211 MN and € (60) MN, respectively, impacted by non-recurring integration costs. It is impracticable to provide consistent information about the gross premiums written, total revenues and net income of the combined entity (Allianz Group including the acquired Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A.) for the year ended 31 December 2014 because the Allianz Group did not have access to the UnipolSai database and systems for periods before 1 July 2014.

SIGNIFICANT ACQUISITION AFTER THE REPORTING DATE

Property-Casualty insurance business of the Territory Insurance Office (TIO), Darwin

Effective 1 January 2015, the Allianz Group acquired the Property-Casualty insurance business of the Territory Insurance Office (TIO Business), Darwin, and entered into a 10-year agreement to manage the compulsory motor accidents compensation scheme (MAC Contract). The acquired TIO Business includes, inter alia, all relevant insurance assets and liabilities, operations, employees and the brand related to the TIO Business.

The acquired TIO Business represents insurance activities with premiums equal to approximately € 88 MN (for the year 2014). It provides the necessary scale for the Allianz Group to implement a growth strategy in Northern Australia and to respond to the relationship challenges in existing financial institution and broker partnerships because of a current lack of presence.

The preliminary total consideration paid in cash amounts to € 154 MN. This preliminary consideration was partly determined by reference to the net asset value of the TIO Business as of 30 June 2014 and is subject to change according to the movements in the net asset value of the TIO Business until 31 December 2014.

Total identifiable assets and liabilities expected to be recognized as of 1 January 2015 amount to approximately € 0.3 BN and € 0.2 BN, respectively. At the time the consolidated financial statements were authorized for issue, the purchase accounting for the business combination was not entirely completed due to the pending receipt of the final valuations for investments, intangible assets, insurance liabilities and reinsurance assets, deferred taxes, and other liabilities.

It is expected that goodwill will result from the business combination which will reflect largely the benefits associated with cost and reinsurance synergies and the ability to revert to an existing infrastructure in a new geographical market.

None of this goodwill that will be recognized is expected to be deductible for income tax purposes.

Acquisition-related costs in the amount of € 1 MN are included in administrative expenses.

SIGNIFICANT DISPOSALS AND DECONSOLIDATIONS

During 2014 and 2013, no significant disposals or deconsolidations occurred.

SIGNIFICANT DISPOSAL AFTER THE REPORTING DATE

Personal insurance business of Fireman's Fund Insurance Company Corp., Novato

At the end of the financial year 2014, the Allianz Group announced its decision to realign its Property-Casualty insurance business in the United States. One integral part of the reorganization is the sale of the personal insurance business to ACE which is expected to be executed in 2015. The sale, which will take place by means of a renewal rights arrangement, is still subject to regulatory approval of the California Department of Insurance. In addition, the realignment comprises the integration of Fireman's Fund Insurance Company's commercial business into Allianz Global Corporate & Specialty North America, as well as the internal transfer of the discontinued run-off business through a reinsurance agreement within the Allianz Group. The reorganization is expected to have a negative impact of approximately USD 0.2 BN on the Allianz Group's financial statements in 2015. Expenses in the context of the restructuring will comprise expenses for HR-related items, office buildings and IT infrastructure.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

ACQUISITIONS OF SIGNIFICANT NON-CONTROLLING INTERESTS

	Date of acquisition	Equity interest change	Costs of acquisition	Increase/(decrease) in shareholders' equity	Decrease in non-controlling interests
		%	€ MN	€ MN	€ MN
2014					
Euler Hermes Group S.A., Paris	31 March 2014 and 30 June 2014	0.3	17	(5)	(12)
2013					
Protexia France S.A., Paris	5 March 2013	34.0	22	(11)	(11)
Antoniana Veneta Popolare Assicurazioni S.p.A., Trieste	20 September 2013	50.0	9	–	(9)
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	12 November 2013	22.8	9	(4)	(5)
Yapı Kredi Sigorta A.Ş., Istanbul	from 14 October until 18 November 2013	5.8	41	(12)	(29)

6 — Segment reporting

IDENTIFICATION OF REPORTABLE SEGMENTS

The business activities of the Allianz Group are first organized by product and type of service: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided into the business segments Property-Casualty and Life/Health. In accordance with the responsibilities of the Board of Management, each of the insurance business segments is grouped into the following reportable segments:

- German Speaking Countries,
- Western & Southern Europe,
- Iberia & Latin America,
- USA,
- Global Insurance Lines & Anglo Markets,
- Growth Markets,
- Allianz Worldwide Partners (Property-Casualty only).

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking and Alternative Investments. In total, the Allianz Group has identified 17 reportable segments in accordance with IFRS 8, Operating Segments.

The types of products and services from which the reportable segments derive revenue are described below.

Property-Casualty

In the business segment Property-Casualty, 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 business segment Life/Health, reportable segments offer a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance.

Asset Management

The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed-income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

Corporate and Other

The reportable segment Holding & Treasury includes the management and support of the Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial reporting, controlling, communication, legal, human resources, technology and other functions. The reportable segment Banking consists of the banking activities in Germany, France, Italy, the Netherlands and Bulgaria. The banks offer a wide range of products for corporate and retail clients, with a primary focus on the latter. The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors, mainly on behalf of the Allianz Group's insurance operations. The reportable segment Alternative Investments also includes a fully consolidated private equity investment. The income and expenses of this investment are included in the non-operating result.

GENERAL SEGMENT REPORTING INFORMATION

Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the Consolidation. For the reportable segment Asset Management, interest revenues are reported net of interest expenses. Financial information is recorded based on reportable segments. Cross-segmental country-specific information is not determined.

REPORTABLE SEGMENTS MEASURE OF PROFIT OR LOSS

The Allianz Group uses operating profit to evaluate the performance of its reportable segments and the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group generally excludes the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations,
- interest expenses from external debt, as these relate to the capital structure of the Allianz Group,
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business,
- income from financial assets and liabilities carried at fair value through income (net), as this does not reflect the Allianz Group's long-term performance,
- realized capital gains and losses (net) or impairments of investments (net), as the timing of sales that would result in such realized gains or losses is largely at the discretion of the Allianz Group and impairments are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control and which can vary, sometimes materially, through time,
- one-off effect from pension revaluation. Allianz SE has a joint liability for a large part of the pension provisions of its German subsidiaries. Service costs incurred in this context are reimbursed by the German subsidiaries of Allianz SE, resulting in corresponding service revenues at Allianz SE. Effective 1 January 2014, the German subsidiaries of Allianz SE changed the application of the option provided by article 67 (1) sentence 1 of the Introductory Act to the German Commercial Code (EGHGB) to distribute the conversion expenses due to the first-time application of the German Accounting Law Modernization Act (BilMoG) in 2010 over a period of up to 15 years in the way that the conversion expenses were fully recognized in the first quarter of 2014. The resulting one-off expenses at the German subsidiaries and one-off income at Allianz SE are shown as non-operating items. In case of policyholder participation within the Life/Health insurance business, the one-off expenses and the corresponding one-off income at Allianz SE are presented within operating profit. On the Allianz Group level, the one-off expenses and income offset each other. The only impact on the Allianz Group level is the related policyholder participation, which had a positive impact of € 116 MN on operating profit and income before income taxes in 2014.

The following exceptions apply to this general rule:

- In all reportable segments, income from financial assets and liabilities carried at fair value through income (net) is treated as operating profit if the income relates to operating business.
- For Life/Health insurance business and Property-Casualty insurance products with premium refunds, all items listed above are included in operating profit if the profit sources are shared with policyholders. This is also applicable to tax benefits, which are shared with policyholders. IFRS requires that the consolidated income statements present all tax benefits in the income taxes line item, even though these belong to policyholders. In the segment reporting, the tax benefits are reclassified and shown within operating profit in order to adequately reflect the policyholder participation in tax benefits.

Operating profit should be viewed as complementary to, and not as a substitute for, income before income taxes or net income as determined in accordance with IFRS.

RECENT ORGANIZATIONAL CHANGES

Effective 1 January 2014, the Allianz Group prospectively allocated certain entities from the reportable segment Asset Management to the reportable segments German Speaking Countries, Western & Southern Europe and Growth Markets within the business segment Life/Health and to the reportable segment Banking.

In the fourth quarter of 2014, the French International Health business was reclassified from the reportable segment Western & Southern Europe (Life/Health) to the reportable segment Allianz Worldwide Partners effective as of 1 January 2014 to reflect the change in management responsibility and to bundle the international health business to provide a comprehensive product range to the customers.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

€ MN

as of 31 December	Property-Casualty 2014	Property-Casualty 2013	Life/Health 2014	Life/Health 2013
ASSETS				
Cash and cash equivalents	3,668	2,773	7,555	5,828
Financial assets carried at fair value through income	601	638	5,238	5,548
Investments	97,129	88,432	374,589	309,037
Loans and advances to banks and customers	14,963	16,131	91,411	89,922
Financial assets for unit-linked contracts	–	–	94,564	81,064
Reinsurance assets	8,466	7,922	5,176	4,717
Deferred acquisition costs	4,595	4,354	17,667	17,690
Deferred tax assets	1,013	1,083	240	261
Other assets	23,494	21,664	18,723	17,850
Non-current assets and assets of disposal groups classified as held for sale	61	131	92	–
Intangible assets	2,722	2,478	3,063	2,640
Total assets	**156,710**	**145,607**	**618,318**	**534,557**

€ MN

as of 31 December	Property-Casualty 2014	Property-Casualty 2013	Life/Health 2014	Life/Health 2013
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	129	78	8,240	5,869
Liabilities to banks and customers	878	1,189	4,273	2,260
Unearned premiums	16,595	15,367	3,222	2,855
Reserves for loss and loss adjustment expenses	58,925	56,614	10,081	9,960
Reserves for insurance and investment contracts	14,276	13,389	449,263	390,873
Financial liabilities for unit-linked contracts	–	–	94,564	81,064
Deferred tax liabilities	2,681	2,154	4,226	2,420
Other liabilities	19,445	17,127	13,739	14,009
Liabilities of disposal groups classified as held for sale	–	–	–	–
Certificated liabilities	38	37	13	12
Subordinated liabilities	–	–	95	95
Total liabilities	**112,969**	**105,956**	**587,714**	**509,417**

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
1,449	1,860	2,028	1,497	(838)	(752)	13,863	11,207
46	635	511	307	(521)	(468)	5,875	6,660
106	1,140	108,669	103,727	(94,048)	(91,189)	486,445	411,148
72	449	17,547	18,166	(6,917)	(7,868)	117,075	116,800
–	–	–	–	–	–	94,564	81,064
–	–	–	–	(55)	(30)	13,587	12,609
–	159	–	–	–	–	22,262	22,203
177	167	1,782	1,680	(2,167)	(1,684)	1,046	1,508
2,951	2,188	8,595	7,457	(16,684)	(14,526)	37,080	34,632
–	16	83	–	–	–	235	147
7,286	7,268	685	714	–	–	13,755	13,100
12,087	**13,883**	**139,900**	**133,549**	**(121,229)**	**(116,517)**	**805,787**	**711,079**

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
–	1	648	534	(521)	(469)	8,496	6,013
174	1,315	20,749	21,337	(3,057)	(2,991)	23,015	23,109
–	–	–	–	(17)	(10)	19,800	18,212
–	–	–	–	(18)	(9)	68,989	66,566
–	–	–	–	(205)	(190)	463,334	404,072
–	–	–	–	–	–	94,564	81,064
2	123	189	164	(2,167)	(1,684)	4,932	3,178
2,231	2,591	28,028	23,605	(24,834)	(20,900)	38,609	36,431
–	–	102	–	–	–	102	–
–	–	12,231	13,186	(4,075)	(5,205)	8,207	8,030
–	14	11,992	11,509	(50)	(64)	12,037	11,554
2,407	**4,043**	**73,938**	**70,335**	**(34,943)**	**(31,521)**	**742,085**	**658,230**
				Total equity		**63,702**	**52,849**
				Total liabilities and equity		**805,787**	**711,079**

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

BUSINESS SEGMENT INFORMATION – TOTAL REVENUES AND RECONCILIATION OF OPERATING PROFIT (LOSS) TO NET INCOME (LOSS)

€ MN

	Property-Casualty		Life/Health	
	2014	2013	2014	2013
Total revenues[1]	**48,322**	**46,579**	**67,331**	**56,784**
Premiums earned (net)	43,759	42,047	24,514	24,580
Operating investment result				
Interest and similar income	3,595	3,594	17,307	16,767
Operating income from financial assets and liabilities carried at fair value through income (net)	6	(75)	(1,367)	(1,832)
Operating realized gains/losses (net)	186	70	3,204	3,294
Interest expenses, excluding interest expenses from external debt	(71)	(52)	(107)	(81)
Operating impairments of investments (net)	(20)	(11)	(677)	(331)
Investment expenses	(323)	(315)	(903)	(839)
Subtotal	**3,373**	**3,210**	**17,457**	**16,979**
Fee and commission income	1,260	1,226	1,017	646
Other income	60	47	156	157
Claims and insurance benefits incurred (net)	(28,878)	(27,713)	(20,775)	(20,096)
Change in reserves for insurance and investment contracts (net)[2]	(538)	(384)	(12,563)	(13,555)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(12,400)	(11,942)	(5,860)	(5,603)
Fee and commission expenses	(1,180)	(1,141)	(387)	(251)
Operating amortization of intangible assets	–	–	(19)	–
Restructuring charges	(30)	(62)	3	(50)
Other expenses	(45)	(21)	(217)	(98)
Reclassification of tax benefits	–	–	–	–
Operating profit (loss)	**5,382**	**5,267**	**3,327**	**2,709**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(114)	25	(131)	27
Non-operating realized gains/losses (net)	463	520	183	88
Non-operating impairments of investments (net)	(168)	(217)	(21)	(17)
Subtotal	**180**	**328**	**31**	**99**
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effect from pension revaluation	(537)	–	(7)	–
Non-operating amortization of intangible assets	(49)	(32)	(36)	(15)
Reclassification of tax benefits	–	–	–	–
Non-operating items	**(406)**	**296**	**(12)**	**83**
Income (loss) before income taxes	**4,976**	**5,563**	**3,316**	**2,793**
Income taxes	(1,528)	(1,746)	(996)	(852)
Net income (loss)	**3,448**	**3,817**	**2,320**	**1,941**
Net income (loss) attributable to:				
Non-controlling interests	159	167	122	80
Shareholders	3,290	3,650	2,198	1,861

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

2 — For the year ended 31 December 2014, includes expenses for premium refunds (net) in Property-Casualty of € (307) MN (2013: € (162) MN).

Asset Management		Corporate and Other		Consolidation		Group	
2014	2013	2014	2013	2014	2013	2014	2013
6,388	**7,162**	**556**	**551**	**(344)**	**(302)**	**122,253**	**110,773**
–	–	–	–	–	–	68,274	66,628
7	40	876	903	(342)	(386)	21,443	20,918
5	12	33	40	22	(14)	(1,301)	(1,868)
–	–	–	–	(184)	(30)	3,205	3,334
(10)	(28)	(573)	(623)	346	363	(415)	(421)
–	–	–	–	–	44	(697)	(298)
–	–	(77)	(82)	342	332	(961)	(905)
2	**25**	**259**	**238**	**183**	**309**	**21,274**	**20,761**
7,825	8,611	724	687	(707)	(678)	10,119	10,492
6	10	117	1	(124)	(6)	216	209
–	–	–	–	3	7	(49,650)	(47,802)
–	–	–	–	(828)	(50)	(13,929)	(13,990)
–	–	(45)	(86)	–	–	(45)	(86)
(3,787)	(3,994)	(1,310)	(1,295)	7	3	(23,351)	(22,831)
(1,445)	(1,484)	(567)	(493)	342	332	(3,238)	(3,038)
–	–	–	–	–	–	(19)	–
3	(6)	8	(53)	–	–	(16)	(170)
–	–	(7)	(2)	134	15	(135)	(106)
–	–	–	–	901	–	901	–
2,603	**3,161**	**(820)**	**(1,004)**	**(91)**	**(68)**	**10,402**	**10,066**
–	–	(33)	(46)	(25)	17	(303)	23
4	2	184	346	(22)	(4)	812	952
–	–	(7)	(80)	–	–	(197)	(313)
4	**2**	**144**	**220**	**(47)**	**13**	**312**	**662**
–	–	(42)	(17)	19	2	(23)	(15)
–	–	(846)	(901)	–	–	(846)	(901)
6	(32)	1	(2)	–	–	7	(34)
(14)	–	558	–	–	–	–	–
(11)	(26)	(8)	(106)	–	44	(104)	(136)
–	–	–	–	(901)	–	(901)	–
(15)	**(55)**	**(192)**	**(806)**	**(929)**	**59**	**(1,554)**	**(423)**
2,588	**3,106**	**(1,013)**	**(1,810)**	**(1,020)**	**(9)**	**8,848**	**9,643**
(967)	(1,181)	356	476	890	3	(2,245)	(3,300)
1,621	**1,925**	**(657)**	**(1,334)**	**(129)**	**(6)**	**6,603**	**6,343**
86	93	15	7	–	–	381	347
1,535	1,832	(673)	(1,341)	(129)	(6)	6,221	5,996

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

REPORTABLE SEGMENTS – PROPERTY-CASUALTY

€ MN

	German Speaking Countries		Western & Southern Europe		Iberia & Latin America	
	2014	2013	2014	2013	2014	2013
Gross premiums written	**11,997**	**11,748**	**10,865**	**10,547**	**4,437**	**4,620**
Ceded premiums written	(1,879)	(1,882)	(806)	(725)	(705)	(738)
Change in unearned premiums	(35)	(5)	(103)	(87)	(33)	(72)
Premiums earned (net)	**10,083**	**9,861**	**9,956**	**9,735**	**3,699**	**3,810**
Interest and similar income	1,118	1,124	870	880	197	203
Operating income from financial assets and liabilities carried at fair value through income (net)	5	(52)	(8)	15	8	6
Operating realized gains/losses (net)	186	70	–	–	–	–
Fee and commission income	133	149	39	23	–	–
Other income	30	34	8	7	18	–
Operating revenues	**11,554**	**11,186**	**10,866**	**10,660**	**3,922**	**4,019**
Claims and insurance benefits incurred (net)	(6,680)	(7,134)	(6,281)	(6,070)	(2,758)	(2,611)
Change in reserves for insurance and investment contracts (net)	(460)	(322)	(40)	(40)	(6)	(4)
Interest expenses	(8)	(20)	(17)	(11)	(3)	(3)
Operating impairments of investments (net)	(20)	(11)	–	–	–	–
Investment expenses	(103)	(97)	(106)	(98)	(14)	(14)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(2,564)	(2,534)	(2,782)	(2,637)	(1,035)	(992)
Fee and commission expenses	(121)	(132)	(39)	(35)	–	–
Restructuring charges	(4)	(3)	(17)	(53)	–	–
Other expenses	(19)	(16)	(5)	(4)	(1)	–
Operating expenses	**(9,979)**	**(10,270)**	**(9,286)**	**(8,948)**	**(3,818)**	**(3,624)**
Operating profit (loss)	**1,575**	**916**	**1,580**	**1,712**	**104**	**395**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(49)	12	(45)	12	2	5
Non-operating realized gains/losses (net)	121	114	172	216	13	18
Non-operating impairments of investments (net)	(35)	(32)	(98)	(150)	(2)	(15)
One-off effect from pension revaluation	(530)	–	–	–	–	–
Amortization of intangible assets	(2)	(2)	(34)	(17)	(2)	(2)
Non-operating items	**(495)**	**93**	**(6)**	**60**	**11**	**6**
Income (loss) before income taxes	**1,080**	**1,009**	**1,575**	**1,773**	**115**	**401**
Income taxes	(271)	(283)	(600)	(684)	(12)	(127)
Net income (loss)	**810**	**726**	**975**	**1,088**	**103**	**274**
Net income (loss) attributable to:						
Non-controlling interests	(3)	(4)	14	15	(1)	7
Shareholders	812	730	960	1,073	105	267
Loss ratio[3] in %	66.2	72.3	63.1	62.4	74.6	68.5
Expense ratio[4] in %	25.4	25.7	27.9	27.1	28.0	26.0
Combined ratio[5] in %	**91.7**	**98.0**	**91.0**	**89.4**	**102.6**	**94.6**

1 — The reserve strengthening for asbestos risks in 2014 at Fireman's Fund Insurance Company of € 79 MN had no impact on the financial results of the Allianz Group and Fireman's Fund's combined ratio under IFRS.
2 — The 2014 analysis of the Allianz Group's asbestos risks resulted in a reduction of reserves and a positive run-off result of € 86 MN reflected in the operating profit for 2014.
3 — Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
4 — Represents acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, divided by premiums earned (net).
5 — Represents the total of acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).
6 — Presentation not meaningful.

USA[1]		Global Insurance Lines & Anglo Markets		Growth Markets		Allianz Worldwide Partners		Consolidation and Other[2]		Property-Casualty	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1,958	2,058	17,172	15,969	3,022	3,211	3,341	2,507	(4,469)	(4,081)	48,322	46,579
(115)	(125)	(4,015)	(3,841)	(663)	(673)	(247)	(78)	4,469	4,081	(3,961)	(3,981)
31	56	(391)	(158)	42	(150)	(113)	(133)	–	–	(602)	(550)
1,874	1,988	12,766	11,970	2,401	2,388	2,981	2,296	–	–	43,759	42,047
240	236	977	970	158	161	38	33	(2)	(13)	3,595	3,594
(2)	(1)	4	(45)	(1)	1	–	–	–	–	6	(75)
–	–	–	–	–	–	–	–	–	–	186	70
–	–	597	590	56	78	526	471	(90)	(84)	1,260	1,226
–	–	–	–	4	2	–	1	–	1	60	47
2,112	2,224	14,344	13,484	2,618	2,630	3,544	2,802	(92)	(96)	48,867	46,908
(1,603)	(1,376)	(8,010)	(7,574)	(1,676)	(1,491)	(1,956)	(1,457)	86	–	(28,878)	(27,713)
(8)	(9)	(7)	(10)	(4)	–	(13)	–	–	–	(538)	(384)
–	–	(38)	(26)	(4)	(3)	(1)	(2)	1	13	(71)	(52)
–	–	–	–	–	–	–	–	–	–	(20)	(11)
(3)	(3)	(87)	(92)	(9)	(9)	(2)	(1)	–	–	(323)	(315)
(644)	(683)	(3,631)	(3,493)	(831)	(851)	(924)	(763)	11	11	(12,400)	(11,942)
–	–	(502)	(498)	(54)	(72)	(544)	(478)	79	73	(1,180)	(1,141)
(3)	–	(6)	(7)	–	–	–	1	–	–	(30)	(62)
–	–	(18)	–	(2)	(1)	–	–	–	–	(45)	(21)
(2,263)	(2,070)	(12,300)	(11,699)	(2,579)	(2,428)	(3,439)	(2,700)	178	98	(43,485)	(41,641)
(151)	154	2,044	1,785	39	201	105	102	86	2	5,382	5,267
(3)	2	(13)	(6)	(6)	–	–	–	–	–	(114)	25
15	5	127	153	12	10	3	3	–	–	463	520
(7)	–	(19)	(16)	(7)	(4)	–	–	–	–	(168)	(217)
–	–	(7)	–	–	–	–	–	–	–	(537)	–
–	–	(9)	(7)	(7)	(8)	–	–	4	4	(49)	(32)
6	7	79	124	(8)	(2)	3	4	4	4	(406)	296
(146)	161	2,123	1,909	31	199	108	106	90	6	4,976	5,563
63	(34)	(597)	(529)	(55)	(53)	(27)	(36)	(30)	–	(1,528)	(1,746)
(83)	127	1,526	1,380	(25)	146	81	70	60	6	3,448	3,817
–	–	119	119	27	28	3	2	–	–	159	167
(83)	127	1,407	1,261	(52)	118	78	68	60	6	3,290	3,650
85.6	69.2	62.7	63.3	69.8	62.5	65.6	63.5	–[6]	–[6]	66.0	65.9
34.4	34.3	28.4	29.2	34.6	35.7	31.0	33.2	–[6]	–[6]	28.3	28.4
120.0	103.5	91.2	92.5	104.4	98.1	96.6	96.7	–[6]	–[6]	94.3	94.3

REPORTABLE SEGMENTS – LIFE/HEALTH

REPORTABLE SEGMENTS – LIFE/HEALTH

€ MN

	German Speaking Countries		Western & Southern Europe	
	2014	2013	2014	2013
Statutory premiums[1]	**24,319**	**22,251**	**23,090**	**19,830**
Ceded premiums written	(151)	(167)	(1,015)	(1,086)
Change in unearned premiums	(342)	(163)	(7)	22
Statutory premiums (net)	**23,826**	**21,922**	**22,068**	**18,766**
Deposits from insurance and investment contracts	(8,269)	(6,350)	(17,742)	(14,183)
Premiums earned (net)	**15,557**	**15,572**	**4,326**	**4,583**
Interest and similar income	9,108	8,936	3,864	3,878
Operating income from financial assets and liabilities carried at fair value through income (net)	375	(1,141)	(67)	138
Operating realized gains/losses (net)	2,365	2,648	742	487
Fee and commission income	82	49	531	437
Other income	132	126	21	31
Operating revenues	**27,620**	**26,189**	**9,417**	**9,554**
Claims and insurance benefits incurred (net)	(14,507)	(13,139)	(3,826)	(4,113)
Changes in reserves for insurance and investment contracts (net)	(8,615)	(9,273)	(2,178)	(2,364)
Interest expenses	(81)	(98)	(22)	(24)
Operating impairments of investments (net)	(376)	(275)	(293)	(76)
Investment expenses	(603)	(557)	(225)	(213)
Acquisition and administrative expenses (net), excluding one-off effect from pension revaluation	(1,778)	(1,564)	(1,817)	(1,795)
Fee and commission expenses	(32)	(19)	(249)	(208)
Operating amortization of intangible assets	(19)	–	–	–
Restructuring charges	(1)	(3)	(4)	(16)
Other expenses	(199)	(88)	(13)	(10)
Operating expenses	**(26,212)**	**(25,015)**	**(8,627)**	**(8,819)**
Operating profit	**1,408**	**1,174**	**791**	**735**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	–	–	(5)	(5)
Non-operating realized gains/losses (net)	–	–	153	36
Non-operating impairments of investments (net)	–	–	(17)	(13)
One-off effect from pension revaluation	(7)	–	–	–
Non-operating amortization of intangible assets	(1)	(1)	(11)	(5)
Non-operating items	**(8)**	**(1)**	**119**	**12**
Income before income taxes	**1,400**	**1,173**	**910**	**747**
Income taxes	(478)	(410)	(251)	(208)
Net income	**922**	**763**	**659**	**539**
Net income attributable to:				
Non-controlling interests	(1)	–	33	21
Shareholders	923	763	626	518
Margin on reserves[2] in basis points	**59**	**53**	**52**	**53**

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

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

3 — Presentation not meaningful.

Iberia & Latin America		USA		Global Insurance Lines & Anglo Markets		Growth Markets		Consolidation		Life/Health	
2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1,844	**1,786**	**11,840**	**7,317**	**537**	**515**	**6,820**	**6,174**	**(1,120)**	**(1,089)**	**67,331**	**56,784**
(12)	(19)	(115)	(115)	(110)	(82)	(347)	(269)	1,120	1,089	(630)	(648)
(4)	(4)	(8)	(7)	(29)	(4)	(154)	(177)	–	–	(544)	(332)
1,828	**1,762**	**11,717**	**7,195**	**398**	**430**	**6,319**	**5,728**	**–**	**–**	**66,157**	**55,803**
(1,185)	(1,078)	(10,734)	(6,312)	–	–	(3,712)	(3,300)	–	–	(41,643)	(31,223)
643	**684**	**984**	**883**	**398**	**430**	**2,607**	**2,429**	**–**	**–**	**24,514**	**24,580**
374	371	3,030	2,733	57	76	914	836	(41)	(64)	17,307	16,767
32	21	(1,641)	(781)	(58)	(54)	7	(16)	(15)	2	(1,367)	(1,832)
26	16	57	106	–	–	17	37	(3)	–	3,204	3,294
140	3	113	80	(1)	(1)	154	81	(3)	(3)	1,017	646
–	–	–	–	–	–	3	–	–	–	156	157
1,215	**1,095**	**2,542**	**3,022**	**396**	**451**	**3,703**	**3,366**	**(63)**	**(65)**	**44,832**	**43,613**
(605)	(626)	(84)	(93)	(288)	(337)	(1,465)	(1,788)	–	–	(20,775)	(20,096)
(100)	(99)	(672)	(1,346)	(25)	(1)	(973)	(472)	–	–	(12,563)	(13,555)
(2)	(3)	(8)	(7)	(1)	(1)	(34)	(10)	41	63	(107)	(81)
(1)	(1)	–	23	–	–	(7)	(2)	–	–	(677)	(331)
(7)	(7)	(38)	(34)	–	–	(30)	(29)	–	–	(903)	(839)
(202)	(201)	(1,060)	(1,054)	(68)	(88)	(937)	(902)	2	2	(5,860)	(5,603)
(70)	(1)	(24)	(24)	–	–	(14)	(1)	3	2	(387)	(251)
–	–	–	–	–	–	–	–	–	–	(19)	–
–	–	–	–	–	–	8	(31)	–	–	3	(50)
–	–	–	–	–	–	(5)	–	–	–	(217)	(98)
(987)	**(937)**	**(1,886)**	**(2,535)**	**(383)**	**(428)**	**(3,455)**	**(3,235)**	**45**	**66**	**(41,504)**	**(40,904)**
229	**158**	**656**	**487**	**14**	**23**	**247**	**131**	**(17)**	**2**	**3,327**	**2,709**
–	–	(126)	33	–	–	–	–	–	–	(131)	27
1	–	(6)	28	–	–	35	25	–	–	183	88
–	–	–	–	–	–	(4)	(4)	–	–	(21)	(17)
–	–	–	–	–	–	–	–	–	–	(7)	–
(16)	–	–	(1)	–	–	(7)	(8)	–	–	(36)	(15)
(15)	**–**	**(131)**	**59**	**–**	**–**	**24**	**13**	**–**	**–**	**(12)**	**83**
213	**158**	**524**	**546**	**14**	**23**	**271**	**144**	**(17)**	**2**	**3,316**	**2,793**
(48)	(47)	(154)	(148)	(9)	(7)	(56)	(32)	–	–	(996)	(852)
165	**112**	**371**	**398**	**5**	**16**	**215**	**111**	**(17)**	**2**	**2,320**	**1,941**
44	23	–	–	–	–	45	37	–	–	122	80
121	89	371	398	5	16	171	75	(17)	2	2,198	1,861
256	**201**	**81**	**70**	**76**	**111**	**87**	**49**	**–[3]**	**–[3]**	**65**	**58**

REPORTABLE SEGMENTS — ASSET MANAGEMENT

REPORTABLE SEGMENTS — ASSET MANAGEMENT

€ MN

	2014	2013
Net fee and commission income[1]	6,380	7,127
Net interest income[2]	(3)	12
Income from financial assets and liabilities carried at fair value through income (net)	5	12
Other income	6	10
Operating revenues	**6,388**	**7,162**
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(3,787)	(3,994)
Restructuring charges	3	(6)
Operating expenses	**(3,784)**	**(4,001)**
Operating profit	**2,603**	**3,161**
Realized gains/losses (net)	4	2
Acquisition-related expenses	6	(32)
One-off effect from pension revaluation	(14)	–
Amortization of intangible assets	(11)	(26)
Non-operating items	**(15)**	**(55)**
Income before income taxes	**2,588**	**3,106**
Income taxes	(967)	(1,181)
Net income	**1,621**	**1,925**
Net income attributable to:		
Non-controlling interests	86	93
Shareholders	1,535	1,832
Cost-income ratio[3] in %	**59.2**	**55.9**

1 — Represents fee and commission income less fee and commission expenses.
2 — Represents interest and similar income less interest expenses.
3 — Represents operating expenses divided by operating revenues.

REPORTABLE SEGMENTS — CORPORATE AND OTHER

REPORTABLE SEGMENTS — CORPORATE AND OTHER

€ MN

	Holding & Treasury	
	2014	2013
Interest and similar income	265	278
Operating income from financial assets and liabilities carried at fair value through income (net)	27	31
Fee and commission income	61	53
Other income	116	–
Operating revenues	**469**	**361**
Interest expenses, excluding interest expenses from external debt	(317)	(341)
Loan loss provisions	–	–
Investment expenses	(72)	(78)
Administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation	(736)	(684)
Fee and commission expenses	(266)	(231)
Restructuring charges	4	34
Other expenses	–	–
Operating expenses	**(1,386)**	**(1,301)**
Operating profit (loss)	**(917)**	**(939)**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(32)	(44)
Realized gains/losses (net)	171	295
Impairments of investments (net)	(6)	(79)
Income from fully consolidated private equity investments (net)	–	–
Interest expenses from external debt	(846)	(901)
Acquisition-related expenses	1	(2)
One-off effect from pension revaluation	563	–
Amortization of intangible assets	(8)	(10)
Non-operating items	**(157)**	**(741)**
Income (loss) before income taxes	**(1,074)**	**(1,680)**
Income taxes	389	456
Net income (loss)	**(685)**	**(1,224)**
Net income (loss) attributable to:		
Non-controlling interests	–	–
Shareholders	(685)	(1,224)
Cost-income ratio[1] for the reportable segment Banking in %		

1 — Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses and one-off effect from pension revaluation, restructuring charges and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt, and fee and commission expenses.

Banking		Alternative Investments		Consolidation		Corporate and Other	
2014	2013	2014	2013	2014	2013	2014	2013
590	613	22	12	(1)	–	876	903
10	8	(4)	(1)	–	3	33	40
513	475	157	163	(7)	(4)	724	687
–	–	–	1	–	–	117	1
1,114	**1,096**	**176**	**175**	**(8)**	**(2)**	**1,750**	**1,631**
(255)	(281)	(2)	(2)	1	–	(573)	(623)
(45)	(86)	–	–	–	–	(45)	(86)
(1)	–	(8)	(5)	3	1	(77)	(82)
(438)	(468)	(137)	(145)	1	2	(1,310)	(1,295)
(305)	(263)	–	–	3	–	(567)	(493)
3	(88)	1	1	–	–	8	(53)
(7)	(2)	–	–	–	–	(7)	(2)
(1,047)	**(1,187)**	**(146)**	**(151)**	**8**	**4**	**(2,571)**	**(2,635)**
66	**(91)**	**30**	**24**	**–**	**3**	**(820)**	**(1,004)**
–	–	–	–	–	(3)	(33)	(46)
13	23	–	–	–	27	184	346
(1)	(1)	–	–	–	–	(7)	(80)
–	–	(42)	(17)	–	–	(42)	(17)
–	–	–	–	–	–	(846)	(901)
–	–	–	–	–	–	1	(2)
(1)	–	(4)	–	–	–	558	–
–	–	–	(96)	–	–	(8)	(106)
11	**22**	**(46)**	**(112)**	**–**	**25**	**(192)**	**(806)**
77	**(69)**	**(16)**	**(88)**	**–**	**27**	**(1,013)**	**(1,810)**
(24)	20	(9)	5	–	(5)	356	476
53	**(49)**	**(25)**	**(83)**	**–**	**22**	**(657)**	**(1,334)**
7	5	8	2	–	–	15	7
45	(54)	(33)	(85)	–	22	(673)	(1,341)
79.9	**100.9**						

NOTES TO THE CONSOLIDATED BALANCE SHEETS

7 — Cash and cash equivalents

CASH AND CASH EQUIVALENTS

€ MN as of 31 December	2014	2013
Balances with banks payable on demand	6,657	6,574
Balances with central banks	397	449
Cash on hand	184	202
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	6,625	3,982
Total	**13,863**	**11,207**

8 — Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME

€ MN as of 31 December	2014	2013
Financial assets held for trading		
Debt securities	402	360
Equity securities	195	139
Derivative financial instruments	1,618	2,013
Subtotal	**2,214**	**2,512**
Financial assets designated at fair value through income		
Debt securities	1,887	2,278
Equity securities	1,773	1,870
Subtotal	**3,660**	**4,148**
Total	**5,875**	**6,660**

9 — Investments

INVESTMENTS

€ MN as of 31 December	2014	2013
Available-for-sale investments	465,914	392,233
Held-to-maturity investments	3,969	4,140
Funds held by others under reinsurance contracts assumed	1,154	893
Investments in associates and joint ventures	4,059	3,098
Real estate held for investment	11,349	10,783
Total	**486,445**	**411,148**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS

€ MN as of 31 December	2014				2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	3,548	192	(2)	3,738	2,515	103	(16)	2,602
Corporate mortgage-backed securities (residential and commercial)	13,685	546	(44)	14,186	11,226	693	(86)	11,833
Other asset-backed securities	4,313	284	(46)	4,552	3,460	210	(40)	3,630
Government and government agency bonds								
France	31,113	9,509	(21)	40,601	31,410	2,471	(177)	33,704
Italy	25,203	5,557	(5)	30,755	26,304	2,001	(91)	28,214
Germany	12,900	2,152	(5)	15,048	14,852	918	(46)	15,724
United States	10,574	875	(34)	11,415	8,411	239	(171)	8,479
South Korea	6,156	882	–	7,038	5,798	427	(26)	6,199
Belgium	5,866	1,818	–	7,684	5,968	613	(3)	6,578
Austria	5,476	1,698	(1)	7,173	4,941	468	(23)	5,386
Spain	5,055	944	(1)	5,997	2,813	178	(35)	2,956
Switzerland	4,695	610	–	5,305	4,376	330	(80)	4,626
Netherlands	4,102	506	(1)	4,607	3,627	159	(26)	3,760
Hungary	868	105	–	972	773	60	–	833
Ireland	620	28	–	648	38	1	–	39
Russia	472	–	(71)	401	839	10	(19)	830
Portugal	198	29	–	227	196	2	(2)	196
Greece	1	2	–	3	1	2	–	3
Supranationals	15,726	3,202	(3)	18,925	14,571	663	(56)	15,178
All other countries	33,401	2,013	(196)	35,217	30,015	934	(704)	30,245
Subtotal	**162,426**	**29,928**	**(338)**	**192,016**	**154,933**	**9,476**	**(1,459)**	**162,950**
Corporate bonds[1]	193,315	18,807	(837)	211,284	168,353	9,212	(1,397)	176,168
Other	2,471	499	(2)	2,968	2,230	324	(4)	2,550
Subtotal	**379,757**	**50,255**	**(1,269)**	**428,743**	**342,717**	**20,018**	**(3,002)**	**359,733**
Equity securities[2]	26,113	11,313	(255)	37,171	23,022	9,623	(146)	32,499
Total	**405,870**	**61,568**	**(1,524)**	**465,914**	**365,739**	**29,641**	**(3,148)**	**392,233**

1 — Include bonds issued by Spanish banks with a fair value of € 472 MN (2013: € 418 MN), thereof subordinated bonds with a fair value of € 134 MN (2013: € 115 MN).

2 — Include shares invested in Spanish banks with a fair value of € 408 MN (2013: € 402 MN).

HELD-TO-MATURITY INVESTMENTS

HELD-TO-MATURITY INVESTMENTS

€ MN as of 31 December	2014				2013			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Government and government agency bonds	2,398	379	–	2,777	2,411	375	(4)	2,782
Corporate bonds[1]	1,571	362	(1)	1,933	1,729	144	(8)	1,865
Total	**3,969**	**741**	**(1)**	**4,710**	**4,140**	**519**	**(12)**	**4,647**

1 — Also include corporate mortgage-backed securities.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, broken down by investment category and length of time such investments have been in a continuous unrealized loss position as of 31 December 2014 and 2013.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

€ MN

	Up to 12 months		Greater than 12 months		Total	
as of 31 December	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
2014						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	46	(1)	63	(1)	109	(2)
Corporate mortgage-backed securities (residential and commercial)	1,087	(17)	1,049	(27)	2,136	(44)
Other asset-backed securities	722	(10)	900	(36)	1,621	(46)
Government and government agency bonds	6,871	(141)	3,579	(197)	10,450	(338)
Corporate bonds	13,782	(550)	4,086	(288)	17,868	(837)
Other	126	(1)	3	–	130	(2)
Subtotal	**22,633**	**(720)**	**9,680**	**(550)**	**32,314**	**(1,270)**
Equity securities	3,566	(250)	11	(5)	3,577	(255)
Total	**26,200**	**(970)**	**9,691**	**(554)**	**35,891**	**(1,525)**
2013						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	608	(15)	12	(1)	620	(16)
Corporate mortgage-backed securities (residential and commercial)	1,114	(31)	817	(55)	1,931	(86)
Other asset-backed securities	668	(30)	224	(10)	892	(40)
Government and government agency bonds	36,119	(1,258)	2,217	(205)	38,336	(1,463)
Corporate bonds	37,148	(1,094)	3,651	(311)	40,799	(1,405)
Other	77	(3)	12	(1)	89	(4)
Subtotal	**75,734**	**(2,431)**	**6,933**	**(583)**	**82,667**	**(3,014)**
Equity securities	2,661	(144)	81	(2)	2,742	(146)
Total	**78,395**	**(2,575)**	**7,014**	**(585)**	**85,409**	**(3,160)**

Government and government agency bonds

Total unrealized losses amounted to € 338 MN as of 31 December 2014. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). In general, the credit risk of government and government agency bonds is rather moderate since they are backed by the fiscal capacity of the issuers who typically hold an "investment grade" country- and/or issue-rating.

The unrealized losses on the Allianz Group's investment in government bonds were spread over many countries, in particular coming from emerging markets. During 2014, government and government agency bond performance has been largely positive, due to a decreasing interest rate level, resulting in a decrease of unrealized losses of € 1,125 MN. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2014.

Corporate bonds

Total unrealized losses amounted to € 837 MN as of 31 December 2014. 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 decrease in unrealized losses of € 568 MN is spread over almost all sectors, due to a decreasing interest environment. Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2014.

Equity securities

As of 31 December 2014, unrealized losses from equity securities amounted to € 255 MN. These unrealized losses concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity securities as described in note 2. The major part of the unrealized losses have been in a continuous loss position for less than 6 months.

CONTRACTUAL TERM TO MATURITY

The amortized cost and fair value of available-for-sale debt securities and held-to-maturity debt securities as of 31 December 2014, by contractual term to maturity, are as follows:

CONTRACTUAL TERM TO MATURITY

€ MN as of 31 December 2014	Amortized Cost	Fair Value
AVAILABLE-FOR-SALE DEBT SECURITIES		
Due in 1 year or less	26,410	27,589
Due after 1 year and up to 5 years	102,012	108,272
Due after 5 years and up to 10 years	117,230	130,046
Due after 10 years	134,104	162,837
Total	**379,757**	**428,743**
HELD-TO-MATURITY DEBT SECURITIES		
Due in 1 year or less	367	396
Due after 1 year and up to 5 years	1,519	1,621
Due after 5 years and up to 10 years	723	835
Due after 10 years	1,360	1,857
Total	**3,969**	**4,710**

Actual maturities may deviate from the contractually defined maturities because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2014, loans to associates and joint ventures and available-for-sale debt securities issued by associates and joint ventures held by the Allianz Group amounted to € 654 MN (2013: € 577 MN).

ASSOCIATES AND JOINT VENTURES

€ MN	2014	2013
Share of earnings	196	146
Share of other comprehensive income	54	(82)
Share of total comprehensive income	**250**	**64**

REAL ESTATE HELD FOR INVESTMENT

REAL ESTATE HELD FOR INVESTMENT

€ MN	2014	2013
Cost as of 1 January	13,837	12,443
Accumulated depreciation as of 1 January	(3,053)	(2,796)
Carrying amount as of 1 January	**10,783**	**9,646**
Additions	983	706
Changes in the consolidated subsidiaries of the Allianz Group	–	806
Disposals	(192)	(349)
Reclassifications	30	377
Reclassifications into non-current assets classified as held for sale	(99)	(117)
Foreign currency translation adjustments	57	(43)
Depreciation	(232)	(211)
Impairments	(24)	(54)
Reversals of impairments	44	22
Carrying amount as of 31 December	**11,349**	**10,783**
Accumulated depreciation as of 31 December	3,054	3,053
Cost as of 31 December	14,403	13,837

As of 31 December 2014, real estate held for investment pledged as security and other restrictions on title were € 36 MN (2013: € 36 MN).

10 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS

€ MN as of 31 December	2014			2013		
	Banks	Customers	Total	Banks	Customers	Total
Short-term investments and certificates of deposit	3,622	–	3,622	3,275	–	3,275
Reverse repurchase agreements	121	4	125	613	–	613
Collateral paid for securities borrowing transactions and derivatives	696	–	696	315	–	315
Loans	56,414[1]	55,950	112,363	60,511[1]	51,595	112,106
Other	555	12	567	670	15	686
Subtotal	**61,407**	**55,966**	**117,373**	**65,383**	**51,611**	**116,994**
Loan loss allowance	–	(298)	(298)	–	(194)	(194)
Total	**61,407**	**55,668**	**117,075**	**65,383**	**51,416**	**116,800**

1 — Primarily include covered bonds.

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LOANS AND ADVANCES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

€ MN as of 31 December 2014	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Loans and advances to banks	3,281	4,312	8,075	10,996	34,743	61,407
Loans and advances to customers	2,856	3,394	5,476	7,052	37,188	55,966
Total	**6,137**	**7,706**	**13,551**	**18,048**	**71,931**	**117,373**

As of 31 December 2014, impaired loans amounted to € 728 MN (2013: € 786 MN). The interest income recognized on these impaired loans amounted to € 2 MN (2013: € 8 MN).

11 — Reinsurance assets

REINSURANCE ASSETS

€ MN as of 31 December	2014	2013
Unearned premiums	1,519	1,538
Reserves for loss and loss adjustment expenses	6,947	6,494
Aggregate policy reserves	4,998	4,463
Other insurance reserves	123	115
Total	**13,587**	**12,609**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

CHANGES IN AGGREGATE POLICY RESERVES CEDED TO REINSURERS

€ MN	2014	2013
Carrying amount as of 1 January	**4,463**	**4,295**
Foreign currency translation adjustments	430	(131)
Changes recorded in the consolidated income statements	114	10
Other changes	(9)	289
Carrying amount as of 31 December	**4,998**	**4,463**

Changes in the reserves for loss and loss adjustment expenses ceded to reinsurers in the business segment Property-Casualty are shown in the respective table in note 19.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and to protect its capital resources. For natural catastrophe events, the Allianz Group maintains a centralized program that pools exposures from its subsidiaries by internal reinsurance agreements. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group have individual reinsurance programs in place. Allianz SE participates with up to 100 % on an arm's length basis in these cessions, in line with local requirements. The risk coming from these cessions is also limited by external retrocessions.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the respective Allianz company from primary liability under the reinsured policies. Although the reinsurer is liable to this company to the extent of the business ceded, the Allianz company remains primarily liable as the direct insurer on all the risks it underwrites, including the share that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on a regular basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group companies under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which include the degree of creditworthiness, capital levels and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting claims from its reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial guarantees to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of 31 December 2014 and 2013. The Allianz Group primarily maintains business relations with highly rated reinsurers.

12 — Deferred acquisition costs

DEFERRED ACQUISITION COSTS

€ MN as of 31 December	2014	2013
Deferred acquisition costs		
Property-Casualty	4,595	4,354
Life/Health	16,089	15,837
Asset Management[1]	–	159
Subtotal	**20,685**	**20,350**
Present value of future profits	870	1,046
Deferred sales inducements	708	807
Total	**22,262**	**22,203**

1 — The respective entities have been prospectively reclassified, effective 1 January 2014, from the business segment Asset Management to the business segment Life/Health. For further information, please see note 6.

DEFERRED ACQUISITION COSTS

CHANGES IN DEFERRED ACQUISITION COSTS

€ MN	2014	2013
PROPERTY-CASUALTY		
Carrying amount as of 1 January	**4,354**	**4,323**
Additions	5,847	5,530
Changes in the consolidated subsidiaries of the Allianz Group	39	(3)
Foreign currency translation adjustments	82	(135)
Amortization	(5,727)	(5,361)
Carrying amount as of 31 December	**4,595**	**4,354**
LIFE/HEALTH		
Carrying amount as of 1 January	**15,837**	**13,521**
Reclassification of entities from Asset Management to Life/Health	159	–
Additions	3,350	2,813
Foreign currency translation adjustments	892	(390)
Changes in shadow accounting	(1,832)	2,204
Amortization	(2,318)	(2,310)
Carrying amount as of 31 December	**16,089**	**15,837**
ASSET MANAGEMENT	–	159
Total	**20,685**	**20,350**

PRESENT VALUE OF FUTURE PROFITS

PRESENT VALUE OF FUTURE PROFITS

€ MN	2014	2013
Cost as of 1 January	2,954	2,783
Accumulated amortization as of 1 January	(1,908)	(1,838)
Carrying amount as of 1 January	**1,046**	**945**
Additions	–	40
Changes in the consolidated subsidiaries of the Allianz Group	–	214
Foreign currency translation adjustments	27	(57)
Changes in shadow accounting	(34)	20
Amortization	(170)	(115)
Carrying amount as of 31 December	**870**	**1,046**
Accumulated amortization as of 31 December	2,151	1,908
Cost as of 31 December	3,021	2,954

DEFERRED SALES INDUCEMENTS

DEFERRED SALES INDUCEMENTS

€ MN	2014	2013
Carrying amount as of 1 January	**807**	**524**
Additions	121	114
Foreign currency translation adjustments	142	(47)
Changes in shadow accounting	(203)	347
Amortization	(158)	(131)
Carrying amount as of 31 December	**708**	**807**

13 — Other assets

OTHER ASSETS

€ MN as of 31 December	2014	2013
Receivables		
Policyholders	5,846	5,489
Agents	4,348	4,424
Reinsurers	1,951	1,844
Other	4,711	4,160
Less allowance for doubtful accounts	(693)	(720)
Subtotal	**16,163**	**15,197**
Tax receivables		
Income taxes	1,996	2,159
Other taxes	1,426	1,215
Subtotal	**3,422**	**3,374**
Accrued dividends, interest and rent	7,836	7,706
Prepaid expenses		
Interest and rent	25	13
Other prepaid expenses	256	255
Subtotal	**281**	**268**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	477	75
Property and equipment		
Real estate held for own use	2,566	2,423
Software	2,142	1,832
Equipment	1,291	1,173
Fixed assets of alternative investments	1,465	1,304
Subtotal	**7,464**	**6,732**
Other assets	1,437	1,280
Total[1]	**37,080**	**34,632**

1 — Includes other assets due within one year of € 28,069 MN (2013: € 27,547 MN).

PROPERTY AND EQUIPMENT

Real estate held for own use

REAL ESTATE HELD FOR OWN USE

€ MN	2014	2013
Cost as of 1 January	3,497	4,021
Accumulated depreciation as of 1 January	(1,074)	(1,135)
Carrying amount as of 1 January	**2,423**	**2,885**
Additions	346	93
Changes in the consolidated subsidiaries of the Allianz Group	–	17
Disposals	(35)	(66)
Reclassifications	(32)	(379)
Reclassifications into non-current assets classified as held for sale	(81)	(16)
Foreign currency translation adjustments	11	(43)
Depreciation	(68)	(68)
Reversals of impairments	2	–
Carrying amount as of 31 December	**2,566**	**2,423**
Accumulated depreciation as of 31 December	1,071	1,074
Cost as of 31 December	3,637	3,497

As of 31 December 2014, assets pledged as security and other restrictions on title were € 113 MN (2013: € 108 MN).

Software

SOFTWARE

€ MN	2014	2013
Cost as of 1 January	5,632	5,057
Accumulated amortization as of 1 January	(3,800)	(3,467)
Carrying amount as of 1 January	**1,832**	**1,590**
Additions	691	657
Changes in the consolidated subsidiaries of the Allianz Group	9	6
Disposals	(7)	(19)
Foreign currency translation adjustments	15	(17)
Amortization	(393)	(384)
Impairments	(4)	(1)
Carrying amount as of 31 December[1]	**2,142**	**1,832**
Accumulated amortization as of 31 December	4,218	3,800
Cost as of 31 December	6,360	5,632

1 — As of 31 December 2014, includes € 1,398 MN (2013: € 1,122 MN) for self-developed software and € 743 MN (2013: € 710 MN) for software purchased from third parties.

Equipment

EQUIPMENT

€ MN	2014	2013
Cost as of 1 January	3,828	3,640
Accumulated depreciation as of 1 January	(2,655)	(2,673)
Carrying amount as of 1 January	**1,173**	**966**
Additions	349	534
Changes in the consolidated subsidiaries of the Allianz Group	18	10
Disposals	(52)	(74)
Reclassifications	1	6
Foreign currency translation adjustments	35	(27)
Depreciation	(226)	(242)
Impairments	(5)	(1)
Carrying amount as of 31 December	**1,291**	**1,173**
Accumulated depreciation as of 31 December	2,580	2,655
Cost as of 31 December	3,871	3,828

Fixed assets of alternative investments

FIXED ASSETS OF ALTERNATIVE INVESTMENTS[1]

€ MN	2014	2013
Cost as of 1 January	2,005	1,804
Accumulated depreciation as of 1 January	(701)	(579)
Carrying amount as of 1 January	**1,304**	**1,225**
Additions	279	48
Changes in the consolidated subsidiaries of the Allianz Group	–	161
Disposals	(4)	(7)
Foreign currency translation adjustments	(1)	(2)
Depreciation	(114)	(120)
Impairments	(1)	–
Carrying amount as of 31 December	**1,465**	**1,304**
Accumulated depreciation as of 31 December	815	701
Cost as of 31 December	2,280	2,005

1 — Include fixed assets of wind parks, solar parks and Selecta.

14 — Non-current assets and assets and liabilities of disposal groups classified as held for sale

NON-CURRENT ASSETS AND ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

€ MN as of 31 December	2014	2013
Assets of disposal groups classified as held for sale		
Münsterländische Bank Thie & Co. KG, Münster	83	–
Subtotal	**83**	**–**
Non-current assets classified as held for sale		
Investments in associates and joint ventures	–	131
Real estate held for investment	92	–
Real estate held for own use	61	16
Subtotal	**152**	**147**
Total	**235**	**147**
Liabilities of disposal groups classified as held for sale		
Münsterländische Bank Thie & Co. KG, Münster	102	–
Total	**102**	**–**

ASSETS AND LIABILITIES OF DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE

During the fourth quarter of 2014, the Allianz Group decided to dispose of Münsterländische Bank Thie & Co. KG, Münster. Thus, the assets and liabilities of this consolidated entity allocated to the reportable segment Banking were reclassified as held for sale. As of 31 December 2014, no cumulative gains or losses were recognized in other comprehensive income relating to the disposal group classified as held for sale. The sale is expected to occur during the first quarter of 2015. Upon remeasurement of the disposal group at fair value less costs to sell, no impairment loss was recognized for the year ended 31 December 2014.

NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

As of 31 December 2014, real estate held for investment classified as held for sale comprised several office buildings allocated to the reportable segment German Speaking Countries (Life/Health). The sale of these buildings is expected to be completed by the end of the first quarter of 2015. Upon measurement of these buildings at fair value less costs to sell, no impairment loss was recognized for the year ended 31 December 2014.

The investment in an associated Italian real estate company allocated to the reportable segment Western & Southern Europe (Property-Casualty) was sold as expected during the third quarter of 2014.

As of 31 December 2014, real estate held for own use classified as held for sale comprised several office buildings allocated to the reportable segment Global Insurance Lines & Anglo Markets (Property-Casualty). Upon measurement of these buildings at fair value less costs to sell, an impairment loss of € 18 MN was recognized for the year ended 31 December 2014. The sale of these buildings will be completed by the end of the third and fourth quarter of 2015, respectively.

Real estate held for own use classified as held for sale comprised as of 31 December 2013 an office building allocated to the reportable segment Asset Management, which was sold as expected during the first quarter of 2014.

15 — Intangible assets

INTANGIBLE ASSETS

€ MN as of 31 December	2014	2013
Intangible assets with indefinite useful lives		
Goodwill	12,166	11,544
Brand names[1]	289	296
Subtotal	**12,455**	**11,840**
Intangible assets with finite useful lives		
Distribution agreements[2]	948	996
Customer relationships[3]	231	149
Other[4]	121	115
Subtotal	**1,300**	**1,260**
Total	**13,755**	**13,100**

1 — Include primarily the brand name of Selecta AG, Muntelier.
2 — Include primarily the long-term distribution agreements with Commerzbank AG of € 335 MN (2013: € 372 MN), Banco Popular S.A. of € 353 MN (2013: € 370 MN), Yapı Kredi Bank of € 147 MN (2013: € 151 MN) and HSBC Asia, HSBC Turkey and BTPN Indonesia of € 90 MN (2013: € 78 MN).
3 — Include primarily customer relationships from the acquisition of UnipolSai Assicurazioni S.p.A. of € 100 MN (2013: € – MN), Selecta of € 85 MN (2013: € 118 MN), Assurances Médicales S.A. of € 18 MN (2013: € – MN) and Yapı Kredi of € 8 MN (2013: € 10 MN).
4 — Include primarily acquired business portfolios of € 64 MN (2013: € 76 MN) and heritable building rights of € 17 MN (2013: € 17 MN).

INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Goodwill

GOODWILL

€ MN

	2014	2013
Cost as of 1 January	12,534	12,573
Accumulated impairments as of 1 January	(990)	(894)
Carrying amount as of 1 January	**11,544**	**11,679**
Additions	290	226
Disposals	–	–
Foreign currency translation adjustments	331	(265)
Impairments	–	(96)
Carrying amount as of 31 December	**12,166**	**11,544**
Accumulated impairments as of 31 December	990	990
Cost as of 31 December	13,156	12,534

2014

Additions in 2014 are related to goodwill arising from the acquisition of specific distribution activities of the Property-Casualty insurance business of UnipolSai Assicurazioni S.p.A., Bologna, the acquisition of Assurances Médicales S.A., Paris, as well as the acquisition of several windparks.

2013

Additions of 2013 mainly include goodwill from the acquisition of 93.94 % in Yapı Kredi Sigorta A.Ş., Istanbul.

The allocated goodwill of the cash generating unit (CGU) Selecta AG was in 2013 impaired by € 96 MN in the business segment Corporate and Other. This impairment was triggered by a slower recovery of Selecta's major European vending markets and lower multiples.

Brand names

The position brand names consists primarily of the brand name "Selecta". The brand name "Selecta" has an indefinite life, as there is no foreseeable end to its economic life. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

Due to the rebranding activities of the Allianz Group in the Russian market, the brand name of the Russian People's Insurance Society "Rosno" was amortized by € 4 MN in 2014. The brand name will be completely amortized in 2015.

Impairment test for goodwill and intangible assets with indefinite useful lives

Allocation principles

For the purpose of impairment testing, the Allianz Group has allocated goodwill to CGUs[1]. These CGUs represent the lowest level at which goodwill is monitored for internal management purposes.

CGUs in the Property-Casualty business segment are:

- Insurance German Speaking Countries,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Insurance Iberia & Latin America including South America, Mexico, Portugal and Spain,
- Asia-Pacific and Middle East,
- Central and Eastern Europe including Bulgaria, Croatia, Czech Republic, Hungary, Slovakia, Poland, Romania, Ukraine and Russia,
- Global Insurance Lines & Anglo Markets including the United Kingdom, Ireland and Australia,
- Specialty Lines I including Allianz Re, Allianz Global Corporate & Specialty and Credit Insurance,
- Specialty Lines II including Allianz Worldwide Partners.

CGUs in the Life/Health business segment[2] are:

- Insurance German Speaking Countries,
- Health Germany,
- Insurance Western & Southern Europe including France, the Netherlands, Turkey, Belgium, Italy, Greece, Luxembourg and Africa,
- Asia-Pacific and Middle East,
- Central and Eastern Europe including Bulgaria, Croatia, Czech Republic, Hungary, Slovakia, Poland, Romania, Ukraine and Russia,
- Insurance USA.

The business segment Asset Management is represented by the CGU Asset Management, including mainly Allianz Global Investors and PIMCO.

The CGU in the Corporate and Other business segment consists of the CGU Selecta AG.

1 — The following paragraphs include all CGUs that contain goodwill.
2 — Some Asset Management entities have been allocated to the Life/Health business segment. Please refer to note 6 – Segment reporting for details.

The carrying amounts of goodwill and brand names are allocated to the Allianz Group's CGUs as of 31 December 2014 and 2013 as follows:

ALLOCATION OF CARRYING AMOUNTS OF GOODWILL AND BRAND NAMES TO CGUS

€ MN as of 31 December	2014		2013	
CGU	Goodwill	Brand names	Goodwill	Brand names
PROPERTY-CASUALTY				
Insurance German Speaking Countries	287	–	284	–
Insurance Western & Southern Europe	1,358	–	1,086	–
Insurance Iberia & Latin America	21	–	21	–
Asia-Pacific and Middle East	86	–	83	–
Central and Eastern Europe	307	3	427	10
Global Insurance Lines & Anglo Markets	321	–	314	–
Specialty Lines I	38	–	38	–
Specialty Lines II	21	–	20	–
Subtotal	**2,440**	**3**	**2,273**	**10**
LIFE/HEALTH				
Insurance German Speaking Countries	602	–	593	–
Health Germany	326	–	326	–
Insurance Western & Southern Europe	656	–	633	–
Asia-Pacific and Middle East	171	–	171	–
Central and Eastern Europe[1]	23	–	–	–
Insurance USA	454	–	436	–
Subtotal	**2,232**	**–**	**2,159**	**–**
ASSET MANAGEMENT	**7,187**	**–**	**6,806**	**–**
CORPORATE AND OTHER				
Selecta AG	307	286	307	286
Subtotal	**307**	**286**	**307**	**286**
Total	**12,166**	**289**	**11,544**	**296**

1 — Some Asset Management entities have been allocated to the Life/Health business segment. Please refer to note 6 – Segment reporting for details.

Valuation techniques

The recoverable amounts for all CGUs are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use.

For all CGUs in the Property-Casualty business segment and for the CGU Asset Management, the Allianz Group uses the discounted earnings method to derive the value in use. Generally, the basis for the determination of the discounted earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates which can be assumed to be realistic on a long-term basis ("terminal value") for the operating entities included in the CGU. The discounted earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use calculations are the results of the structured management dialogues between the Board of Management of the Allianz Group and the operating entities in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on the current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted to reflect long-term sustainable earnings. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

For all CGUs in the Life/Health business segment the value in use is based on an Appraisal Value method which is derived from the Embedded Value and new business value calculation.

As a starting point for the impairment test for the CGUs in the Life/Health business segment, the Market Consistent Embedded Value (MCEV) and a multiple of the Market Consistent Value of New Business is used. The MCEV is an industry-specific valuation method to assess the current value of the in-force portfolio and is in compliance with the general principles of the discounted earnings methods. The MCEV approach applied is based on the CFO Forum Principles[1] and the Allianz Group's Embedded Value guidelines. It is a risk-neutral valuation that includes explicit allowance for non-financial risk as well as allowance for options and guarantees using market-consistent stochastic simulations that are in line with market prices for similar financial instruments.

Significant assumptions

In determining the business plans, certain key assumptions were made in order to project future earnings.

For entities included in the CGUs of the Property-Casualty business segment, the business plans are mainly based on key assumptions including expense ratio, loss ratio, investment income, risk capital, market share, premium rate changes and taxes. The basis for determining the values assigned to the key assumptions are current market trends and earnings projections.

The discount rate is based on the capital asset pricing model (CAPM) and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are in general consistent with the parameters used in the Allianz Group's

1 — The CFO Forum published MCEV Principles for the determination of MCEV in order to increase consistency among the European Insurers. They are especially designed to bring a shareholders' perspective on value, a market consistent approach to financial risk, a greater focus on the disclosure of cash emerging from covered business and disclosure of combined Group MCEV information.

planning and controlling process. The discount rates and eternal growth rates for the CGUs in the Property-Casualty business segment are as follows:

DISCOUNT RATES AND ETERNAL GROWTH RATES FOR THE CGUS IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

%

CGUs in the Property-Casualty business segment	Discount rate	Eternal growth rate
Insurance German Speaking Countries	7.8	1.0
Insurance Western & Southern Europe	8.1	1.0
Insurance Iberia & Latin America	16.5	4.0
Asia-Pacific and Middle East	10.8	3.0
Central and Eastern Europe	9.3	1.5
Global Insurance Lines & Anglo Markets	9.0	1.5
Specialty Lines I	8.0	1.0
Specialty Lines II	8.0	1.0

For entities included in the CGUs of the business segment Life/Health, the projection of profits underlying the MCEV calculations is based on assumptions set with allowance for profit-sharing as well as a projection of unrealized capital gains and unallocated premium reserves. The profits estimated for the MCEV calculations consist of premium income, investment return on technical reserves, expenses, commissions, death and morbidity claims, surrender claims, maturity claims, increases in technical reserves, taxation and levies. For projecting future profits, assumptions have to be made on the asset performance of the operating entity. This requires consideration of the development of the market together with assumptions on the operating entity's investment strategy as well as the current asset portfolio and allocation. The projection of investment returns includes the consideration of projection of returns for the current asset portfolio and a projection of returns for reinvestments. All assumptions have been developed by management under consideration of internal and external sources.

For the calculation of the MCEV the projected future profits are discounted using risk-neutral discount rates, as the risks are already explicitly allowed for in the market-consistent valuation. Time-dependent and scenario-dependent discount factors are applied. As a reference rate, the swap yield curve with appropriate adjustments for, e.g., credit risk and illiquidity, was used for determining the MCEV. The following table provides an overview of the discount rates for the CGUs in the Life/Health business segment:

REFERENCE RATES FOR THE CGUS IN THE LIFE/HEALTH BUSINESS SEGMENT

CGUs in the Life/Health business segment	Reference rate for entities with Appraisal Value based on MCEV
Insurance German Speaking Countries	Euro swap curve minus 10 BPS credit risk adjustment plus 13 BPS volatility adjustment CHF swap curve minus 10 BPS credit risk adjustment plus 4 BPS volatility adjustment
Health Germany	Euro swap curve minus 10 BPS credit risk adjustment plus 13 BPS volatility adjustment
Insurance Western & Southern Europe	Euro swap curve minus 10 BPS credit risk adjustment plus 13 BPS volatility adjustment
Asia-Pacific and Middle East	Local swap curve minus 10 BPS credit risk adjustment (South Korea only) plus 5 BPS volatility adjustment (South Korea only)
Central and Eastern Europe	For those entities reporting in EUR: Euro swap curve minus 10 BPS credit risk adjustment plus 23 BPS volatility adjustment For other entities: Local swap curve minus 10 BPS credit risk adjustment plus volatility adjustment for the following currencies only (HRK: 28 BPS, CZK: 4 BPS, PLN: 18 BPS)
Insurance USA	Local swap curve minus 11 BPS credit risk adjustment plus 50 BPS volatility adjustment

The new business value calculation is based on a best estimate of one year of value of new business, multiplied by a factor (multiple) to capture expected future new business. The best estimate of new business is generally derived from the achieved value of new business. The new business multiple accounts for the risk and the growth associated with future new business in analogy to the discount rate and the growth rate in a discounted earnings method. For all CGUs in the Life/Health business segment, a multiple of not more than ten times the value of new business is applied.

For entities included in the CGU of the Asset Management business segment, key assumptions include assets under management growth, cost-income ratio and risk capital. The key assumptions are based on the current market environment. The discount rate is 9.6 % and the eternal growth rate is 1.0 % for the CGU Asset Management.

For the CGU Selecta AG, the calculation of the recoverable amount is based on the higher of a multiple valuation and a value in use. The discount rate applied to determine the value in use is 9.6 %. The value in use results from the discounted expected sales proceeds, assuming a sale to occur in the mid-term future. The sale proceeds are estimated by using a multiple valuation. The multiple is derived from industry peer companies and management judgment and is applied to projected results derived from the internal business plan, which is mainly based on expectations regarding future economic developments in Selecta's core markets.

Sensitivity analysis

Sensitivity analyses were performed with regard to discount rates and key value drivers of the business plans.

For the CGUs in the business segments Property-Casualty and Asset Management, sensitivity analyses were performed in respect to the long-term sustainable combined ratios and cost-income ratios. For all CGUs, excluding Property-Casualty Asia-Pacific and Middle East as well as Property-Casualty Central and Eastern Europe, discounted earnings value sensitivities still exceeded their respective carrying values. For the CGU Central and Eastern Europe and the CGU Asia Pacific and Middle East an increase of more than 0.5 % points in the discount rate or the combined ratio may result in the recoverable amount of the CGU getting close to its respective carrying value.

In the Life/Health business segment sensitivity analyses were performed based on MCEV sensitivity testing on the reference rate. The analyses have shown that in case of a decrease in reference rates by 50 basis points the appraisal value of each CGU still exceeds its carrying value.

INTANGIBLE ASSETS WITH FINITE USEFUL LIVES

The long-term distribution agreements with Commerzbank AG have useful lives of 13.5 years and 15 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful life of 9 years. The long-term distribution agreements with Banco Popular S.A. have useful lives of 25 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 22 years. The long-term distribution agreements with Hongkong & Shanghai Banking Corporation Holdings PLC (HSBC) in Asia and Turkey have useful lives of 11 years and 10 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 9 years and 8.5 years. The long-term distribution agreements with Yapı Kredi Bank have useful lives of 15 years, which were determined by contractual agreements. They are amortized on a straight-line basis over the remaining useful lives of 13.5 years.

The customer relationships of Selecta AG have useful lives of 10 years, which were determined by the multi-period excess earnings method. They are amortized on a straight-line basis over the remaining useful lives of 2.5 years. The customer relationships of Assurances Médicales S.A. have useful lives of 13 years, which were determined by the discounted cash flow method. They are armortized on a straight-line basis over the remaining useful lives of 12 years. The customer relationships coming from the acquisition of Yapı Kredi Sigorta A.Ş. have useful lives of 8 years, which were determined by reference to customer churn rates that reflect the period over which the Allianz Group expects to receive economic benefits. They are amortized on a straight-line basis over the remaining useful lives of 6 years. The customer relationships acquired from UnipolSai Assicurazioni S.p.A. have useful lives of 10 years, which were determined by reference to customer churn rates that reflect the period over which the Allianz Group expects to receive economic benefits. They are amortized in relation to the expected decrease of the customer relationships over the remaining useful lives of 9.5 years.

16 — Financial liabilities carried at fair value through income

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME

€ MN as of 31 December	2014	2013
Financial liabilities held for trading		
Derivative financial instruments	8,493	6,010
Other trading liabilities	3	3
Total	**8,496**	**6,013**

17 — Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS

€ MN as of 31 December	2014			2013		
	Banks	Customers	Total	Banks	Customers	Total
Payable on demand	69	4,803	4,872	696	4,473	5,169
Savings deposits	–	2,846	2,846	–	2,873	2,873
Term deposits and certificates of deposit	971	1,946	2,916	980	2,157	3,136
Repurchase agreements	1,197	–	1,197	1,028	3	1,031
Collateral received from securities lending transactions and derivatives	2,715	–	2,715	2,216	–	2,216
Other	4,278	4,191	8,469	5,050	3,634	8,684
Total	**9,230**	**13,786**	**23,015**	**9,970**	**13,140**	**23,109**

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

LIABILITIES TO BANKS AND CUSTOMERS BY CONTRACTUAL MATURITY

€ MN as of 31 December 2014	Up to 3 months	> 3 months up to 1 year	> 1 year up to 3 years	> 3 years up to 5 years	Greater than 5 years	Total
Liabilities to banks	4,222	1,090	1,124	1,248	1,546	9,230
Liabilities to customers	10,592	689	1,573	182	750	13,786
Total	**14,814**	**1,779**	**2,697**	**1,429**	**2,296**	**23,015**

18 — Unearned premiums

UNEARNED PREMIUMS

€ MN as of 31 December	2014	2013
Property-Casualty	16,595	15,367
Life/Health	3,222	2,855
Consolidation	(17)	(10)
Total	**19,800**	**18,212**

19 — Reserves for loss and loss adjustment expenses

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN as of 31 December	2014	2013
Property-Casualty	58,925	56,614
Life/Health	10,081	9,960
Consolidation	(18)	(9)
Total	**68,989**	**66,566**

Reserves for loss and loss adjustment expenses for the *Property-Casualty* business segment are described in detail in the following sections.

CHANGE IN RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the Property-Casualty business segment for the years ended 31 December 2014 and 2013.

CHANGE IN THE RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES IN THE PROPERTY-CASUALTY BUSINESS SEGMENT

€ MN	2014			2013		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**56,614**	**(6,070)**	**50,544**	**62,711**	**(6,904)**	**55,807**
Balance carry forward of discounted loss reserves	3,207	(306)	2,901	–	–	–
Subtotal	**59,821**	**(6,376)**	**53,445**	**62,711**	**(6,904)**	**55,807**
Loss and loss adjustment expenses incurred						
Current year	32,773	(2,510)	30,263	31,831	(2,429)	29,402
Prior years	(1,752)	367	(1,385)	(2,185)	496	(1,689)
Subtotal	**31,021**	**(2,143)**	**28,878**	**29,646**	**(1,933)**	**27,713**
Loss and loss adjustment expenses paid						
Current year	(16,113)	703	(15,410)	(16,136)	687	(15,449)
Prior years	(14,684)	1,392	(13,292)	(15,099)	1,569	(13,530)
Subtotal	**(30,797)**	**2,095**	**(28,702)**	**(31,235)**	**2,256**	**(28,979)**
Foreign currency translation adjustments and other changes[1]	2,477	(478)	1,999	(1,434)	266	(1,168)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	132	(59)	72
Subtotal	**62,522**	**(6,903)**	**55,619**	**59,821**	**(6,376)**	**53,445**
Ending balance of discounted loss reserves	(3,597)	326	(3,271)	(3,207)	306	(2,901)
As of 31 December	**58,925**	**(6,577)**	**52,349**	**56,614**	**(6,070)**	**50,544**

1 — Include effects of foreign currency translation adjustments for prior years claims of gross € 1,534 MN (2013: € (1,371) MN) and of net € 1,282 MN (2013: € (1,184) MN) and for current year claims of gross € 165 MN (2013: € (295) MN) and of net € 130 MN (2013: € (253) MN). Other changes include for 2014 an increase in reserves due to the reclassification of the French International Health business of gross € 410 MN and of net € 285 MN.

Prior years' net loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended 31 December 2014, the Allianz Group recorded additional income of € 1,385 MN (2013: € 1,689 MN) net in respect of losses occurring in prior years. During the year ended 31 December 2014, this amount as a percentage of the net balance of the beginning of the year was 2.6 % (2013: 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 types such as asbestos and environmental claims. The origin year of losses is taken into consideration by analyzing each line of business by accident year. While this determines the estimates of reserves for loss and LAE by accident year, the effect in the consolidated income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years (run-off).

Although discounted loss reserves have been reclassified to "Reserves for insurance and investment contracts" in the balance sheet, the underlying business development of these non-life reserves is still considered in the loss ratio. Therefore the tables below show the loss development by accident year including the business development of discounted loss reserves.

The run-off triangle, also known as the "loss triangle", is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two, time-related dimensions. One of these is the calendar year, while the other is the accident year (year of loss occurrence). Run-off triangles – as the basis for measuring loss reserves – make clear how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective balance sheet date.

The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Allianz Group presentation currency (Euro), consistently using the exchange rates applicable at the reporting date. This ensures that the reserves reconcile with reserves in the consolidated balance sheet.

Loss payments for the individual accident years (per calendar year, net)

LOSS PAYMENTS FOR THE INDIVIDUAL ACCIDENT YEARS (PER CALENDAR YEAR, NET)

€ MN

	Accident year										
Calendar year	2005 & Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
2005	22,597										**22,597**
2006	12,242	11,760									**24,002**
2007	5,851	6,403	12,631								**24,886**
2008	3,965	1,643	6,397	13,130							**25,135**
2009	2,750	955	1,744	7,350	13,368						**26,167**
2010	2,005	586	934	2,151	6,688	14,094					**26,459**
2011	1,441	397	687	1,034	1,725	6,945	14,316				**26,545**
2012	1,408	265	483	716	1,107	1,972	7,434	14,443			**27,828**
2013	1,348	266	323	497	712	1,113	2,090	7,181	15,449		**28,979**
2014	1,355	162	211	303	465	729	1,169	1,890	7,009	15,410	**28,702**

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

€ MN

	Accident year										
as of 31 December	2005 & Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
2005	49,656										**49,656**
2006	35,483	13,848									**49,331**
2007	27,052	7,612	14,012								**48,677**
2008	21,637	4,488	7,449	14,222							**47,796**
2009	18,376	3,432	5,038	7,620	14,074						**48,539**
2010	16,274	2,815	3,911	5,666	7,456	14,729					**50,850**
2011	15,126	2,440	2,973	4,337	5,147	7,218	15,596				**52,836**
2012	15,390	2,026	2,417	3,249	4,061	5,238	7,861	15,564			**55,807**
2013	13,887	1,662	1,953	2,601	3,117	3,837	5,190	7,239	13,957		**53,445**
2014	13,138	1,508	1,574	2,198	2,492	3,105	4,066	5,223	7,101	15,215	**55,619**

Ultimate loss for the individual accident years at the respective reporting date (net)

ULTIMATE LOSS FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

€ MN

	Accident year										
as of 31 December	2005 & Prior	2006	2007	2008	2009	2010	2011	2012	2013	2014	Total
2005	72,253										
2006	70,322	25,609									
2007	67,743	25,776	26,643								
2008	66,293	24,295	26,477	27,353							
2009	65,780	24,194	25,810	28,100	27,442						
2010	65,684	24,164	25,617	28,297	27,512	28,823					
2011	65,977	24,185	25,367	28,002	26,928	28,257	29,912				
2012	67,649	24,037	25,294	27,630	26,950	28,250	29,610	30,007			
2013	67,494	23,939	25,153	27,478	26,718	27,962	29,029	28,863	29,407		
2014	68,101	23,947	24,984	27,378	26,557	27,958	29,074	28,736	29,560	30,625	
Surplus[1]	4,152	1,662	1,659	(25)	885	865	838	1,271	(153)	–[3]	**11,153**
Reduction/(increase) 2014 to 2013[2]	(606)	(8)	169	100	161	4	(45)	127	(153)	–[3]	**(251)**

1 — Includes effects from foreign currency translation adjustments and other changes.
2 — The total development 2014 to 2013 of € (251) MN represents the cumulative surplus from reestimating the ultimate loss for prior year claims. Considering foreign currency translation adjustments of net € 1,282 MN as well as changes in the consolidated subsidiaries and other changes of in total € 354 MN, this leads to an effective run-off result of net € 1,385 MN, which can be found in the table "Change in the reserves for loss and loss adjustment expenses" within this note.
3 — Presentation not meaningful.

Calendar year premiums earned and ultimate loss ratio for the individual accident years at the respective reporting date (net)

CALENDAR YEAR PREMIUMS EARNED AND ULTIMATE LOSS RATIO FOR THE INDIVIDUAL ACCIDENT YEARS AT THE RESPECTIVE REPORTING DATE (NET)

as of 31 December	Premiums earned (net)	Accident year								
		2006	2007	2008	2009	2010	2011	2012	2013	2014
	€ MN	%	%	%	%	%	%	%	%	%
2006	37,950	67.5								
2007	38,553	67.9	69.1							
2008	38,213	64.0	68.7	71.6						
2009	37,828	63.8	66.9	73.5	72.5					
2010	39,303	63.7	66.4	74.1	72.7	73.3				
2011	39,898	63.7	65.8	73.3	71.2	71.9	75.0			
2012	41,705	63.3	65.6	72.3	71.2	71.9	74.2	72.0		
2013	42,047	63.1	65.2	71.9	70.6	71.1	72.8	69.2	69.9	
2014	43,759	63.1	64.8	71.6	70.2	71.1	72.9	68.9	70.3	70.0

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserve at the reporting date. Given complete information regarding all losses incurred up to the balance sheet date, the ultimate loss for each accident-year period would remain the same. In practice, however, the ultimate loss (based on estimates) is exposed to fluctuations that reflect the increase in knowledge regarding the loss cases. The loss ratio presented above deviates from the reported loss ratio because the ultimate loss in the table above is based on the sum of the payments plus the loss reserve, and not the incurred loss from the profit or loss account. This means that effects like changes in consolidated subsidiaries, foreign currency translation and reclassification of unwinding of discounted loss reserves are presented differently.

CONTRACTUAL CASH FLOWS

As of 31 December 2014, reserves for loss and loss adjustment expenses, which are expected to be due in 2015 amounted to € 18,172 MN, those which are expected to be due between 2016 and 2019 amounted to € 18,462 MN and those which are expected to be due after 2019 to € 18,985 MN.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2014

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2014 by € 1,385 MN net of reinsurance, representing 2.6 % of net reserves as of 31 December 2013. The following table provides a breakdown of these amounts by line of business.

CHANGES IN RESERVES FOR LOSS AND LAE DURING 2014

	Net reserves as of 31 December 2014	Net reserves as of 31 December 2013	Net development related to prior years	
	€ MN	€ MN	€ MN	%[1]
Motor vehicle liability insurance	15,737	15,249	346	2.3
General liability insurance	14,743	14,046	(86)	(0.6)
Reinsurance	8,836	7,791	470	6.0
Fire and other damage to property insurance	5,060	5,575	329	5.9
Worker's compensation insurance	4,641	4,469	3	0.1
Marine, aviation and transport insurance	1,500	1,461	105	7.2
Income protection insurance	1,142	1,204	42	3.5
Other motor insurance	1,071	1,145	(13)	(1.1)
Other	2,890	2,505	189	7.5
Allianz Group	**55,619**	**53,445**	**1,385**	**2.6**

1 — In % of net reserves as of 31 December 2013.

The major highlights of the reserve developments in 2014 are discussed by line of business below. The discussion is based on net loss and LAE reserves of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Only significant developments for the Allianz Group's major operating entities are included and therefore the amounts do not fully reconcile to the line of business totals in the above table.

Motor vehicle liability insurance

For motor vehicle liability insurance, net loss and LAE reserves developed favorably during 2014 by € 346 MN, or 2.3 % of reserves at 31 December 2013. Favorable development was seen for different effects across several operating entities. The following subsidiaries were the largest contributors:

€ 176 MN at Allianz Italy. The reduction was driven by favorable claim settlements due to the economic environment as well as ongoing effects of claim initiatives.

€ 120 MN at Allianz Australia due to actual claims inflation being lower than expected in 2014.

General liability insurance

For general liability insurance, net loss and LAE reserves developed unfavorably during 2014 by € 86 MN, or 0.6 % of reserves at 31 December 2013. This overall minor development consists of several offsetting developments at different operating entities. An unfavorable development of € (255) MN was observed at Fireman's Fund Insurance Company due to a continued adverse trend in severities which has been recognized in the reassessment of reserves.

Reinsurance

For reinsurance, net loss and LAE reserves developed favorably during 2014 by € 470 MN, or 6.0 % of reserves at 31 December 2013. Favorable development was seen for different effects across several operating entities. The following subsidiaries were the largest contributors:

€ 277 MN at Allianz Global Corporate & Specialty mainly related to the German corporate liability, property, marine and aviation segments, due to the release of IBNR based on better than expected experience.

€ 84 MN presented as reinsurance at Euler Hermes Re originating from credit business at Euler Hermes entities.

Fire and other damage to property insurance

For fire and other damage to property insurance, net loss and LAE reserves developed favorably during 2014 by € 329 MN, or 5.9 % of reserves at 31 December 2013. Favorable development was seen for different effects across several operating entities.

The largest contributor was Fireman's Fund Insurance Company with a favorable development of € 134 MN mainly due to a better than expected development for hurricane Sandy claims.

ASBESTOS AND ENVIRONMENTAL (A & E) LOSS RESERVES

There are significant uncertainties in estimating A & E reserves for loss and LAE. Reserves for asbestos-related illnesses and environmental clean-up losses cannot be estimated using traditional actuarial techniques due to the long latency period and changes in the legal, socio-economic and regulatory environment.

Case reserves are established when sufficient information is available to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and not yet reported claims. To the extent possible, A & E loss reserve estimates are based not only on claims reported to date, but also on a survey of policies that may be exposed to claims reported in the future (i.e. an exposure analysis).

In establishing liabilities for A & E claims, the management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of insurer liability. As a result, the range of reasonable potential outcomes for A & E liabilities provided in these analyses is particularly large. Given this inherent uncertainty in estimating A & E liabilities, significant deviation from the currently carried A & E reserve position is possible.

While the U.S. A & E claims still represent a majority of the total A & E claims reported to the Allianz Group, the insurance industry is facing an increased prominence in exposures to A & E claims on a global basis. The Allianz Group continues to monitor these A & E exposures. During 2014, A & E liabilities decreased from € 2,711 MN to € 2,679 MN due to claim payments of € 212 MN partially offset by claims development and foreign exchange rate effects of € 181 MN.

The following table summarizes the gross and net loss and LAE reserves for A & E claims.

GROSS AND NET RESERVES FOR LOSS AND LAE FOR A & E CLAIMS

€ MN as of 31 December	2014	2013
A & E net reserves	2,173	2,303
A & E gross reserves	2,679	2,711
As percentage of the Allianz Group's Property-Casualty gross reserves	4.5%	4.8%

The following table shows total A & E loss activity for the years ended 31 December 2014 and 2013.

CHANGE IN A & E GROSS RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

€ MN	2014	2013
Reserves for loss and LAE as of 1 January	**2,711**	**3,066**
Loss and LAE payments	(212)	(282)
Change in reserves for loss and LAE	181	(73)
Reserves for loss and LAE as of 31 December	**2,679**	**2,711**

20 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS

€ MN as of 31 December	2014	2013
Aggregate policy reserves	399,227	365,519
Reserves for premium refunds	63,026	37,772
Other insurance reserves	1,081	781
Total	**463,334**	**404,072**

AGGREGATE POLICY RESERVES

CHANGES IN AGGREGATE POLICY RESERVES

€ MN	2014	2013
As of 1 January	**365,519**	**350,244**
Balance carry forward of discounted loss reserves	(3,207)	–
Subtotal	**362,312**	**350,244**
Foreign currency translation adjustments	9,600	(3,441)
Changes in the consolidated subsidiaries of the Allianz Group	–	168
Changes recorded in the consolidated income statement	3,514	4,827
Premiums collected	28,085	18,833
Separation of embedded derivatives	972	960
Interest credited	3,879	4,163
Dividends allocated to policyholders	1,356	1,360
Releases upon death, surrender and withdrawal	(13,711)	(13,527)
Policyholder charges	(1,628)	(1,292)
Portfolio acquisitions and disposals	(52)	(383)
Other changes[1]	1,302	400
Subtotal	**395,630**	**362,312**
Ending balance of discounted loss reserves	3,597	3,207
As of 31 December	**399,227**	**365,519**

1 — Mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

As of 31 December 2014, participating life business represented approximately 54 % (2013: 56 %) of the Allianz Group's gross insurance in force. During the year ended 31 December 2014, participating policies represented approximately 65 % (2013: 65 %) of gross statutory premiums written and 64 % (2013: 64 %) of life premiums earned.

DISCOUNTING OF RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

In general, reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable. As of 31 December 2014, the Allianz Group's consolidated Property-Casualty reserves included discounted reserves of € 3,597 MN (2013: € 3,207 MN) with a total amount of the discount of € 2,232 MN (2013: € 1,957 MN). The interest rates used for discounting were in the range from 0.1 % to 5.7 % (2013: 0.6 % to 5.5 %) as of 31 December 2014.

RESERVES FOR PREMIUM REFUNDS

RESERVES FOR PREMIUM REFUNDS

€ MN	2014	2013
Amounts already allocated under local statutory or contractual regulations		
As of 1 January	**13,231**	**11,979**
Foreign currency translation adjustments	(7)	(5)
Changes in the consolidated subsidiaries of the Allianz Group	(1)	–
Changes	1,797	1,257
As of 31 December	**15,020**	**13,231**
Latent reserves for premium refunds		
As of 1 January	**24,541**	**28,052**
Foreign currency translation adjustments	51	(48)
Changes in the consolidated subsidiaries of the Allianz Group	–	10
Changes due to fluctuations in market value	21,338	(4,337)
Changes due to valuation differences charged to income	2,077	864
As of 31 December	**48,006**	**24,541**
Total	**63,026**	**37,772**

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT

The Allianz Group's Life/Health business segment provides a wide variety of insurance and investment contracts to individuals and groups in over 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without taking policyholder participation into account, traditional contracts generally incorporate significant investment risk for the Allianz Group, while unit-linked contracts generally result in the contract holder assuming the investment risk. Traditional contracts include life, endowment, annuity, and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity-indexed deferred annuities. In certain markets, the Allianz Group also issues group life, group health and group pension contracts.

As of 31 December 2014 and 2013, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the business segment Life/Health per reportable segment are summarized as follows:

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT PER REPORTABLE SEGMENT

€ MN

as of 31 December	Deferred acquisition costs	Aggregate policy reserves	Reserves for premium refunds	Other insurance reserves	Total non-unit-linked reserves	Liabilities for unit-linked contracts	Total
2014							
German Speaking Countries	8,231	196,981	46,839	223	**244,043**	6,830	**250,873**
Western & Southern Europe	2,377	97,911	12,435	241	**110,588**	51,500	**162,088**
Iberia & Latin America	56	7,845	1,449	–	**9,294**	158	**9,452**
USA	4,385	67,335	–	–	**67,335**	25,445	**92,780**
Global Insurance Lines & Anglo Markets	108	1,690	–	6	**1,696**	–	**1,696**
Growth Markets	2,511	18,806	470	452	**19,728**	10,631	**30,359**
Consolidation	–	(3,414)	(1)	(5)	**(3,420)**	–	**(3,420)**
Total	**17,667**	**387,154**	**61,192**	**917**	**449,263**	**94,564**	**543,826**
2013							
German Speaking Countries	8,566	186,627	29,706	204	**216,536**	6,228	**222,764**
Western & Southern Europe	2,508	92,856	5,903	291	**99,050**	43,170	**142,220**
Iberia & Latin America	55	7,395	505	–	**7,900**	106	**8,005**
USA	4,321	51,699	–	–	**51,699**	22,314	**74,013**
Global Insurance Lines & Anglo Markets	73	1,877	–	6	**1,883**	–	**1,883**
Growth Markets	2,167	16,357	297	142	**16,796**	9,247	**26,042**
Consolidation	–	(2,985)	(1)	(5)	**(2,991)**	–	**(2,991)**
Total	**17,690**	**353,826**	**36,410**	**637**	**390,873**	**81,064**	**471,937**

The majority of the Allianz Group's Life/Health business segment operations are conducted in Europe. Insurance laws and regulations in Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 48 % (2013: 49 %) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2014, include a substantial level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health business segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health business segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the business segment Life/Health (comprising 87 % of non-unit-linked reserves in both 2014 and 2013) can be summarized by country as follows:

WEIGHTED AVERAGE GUARANTEED MINIMUM INTEREST RATES OF LIFE INSURANCE ENTITIES

as of 31 December	2014			2013		
	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves
	%	€ BN	%	%	€ BN	%
Germany	2.8	155.1	97.3	3.0	146.8	97.5
France	0.5	55.0	76.0	0.6	53.4	77.5
Italy	2.1	29.7	53.1	2.3	27.7	56.9
United States	0.9	72.9	74.1	1.1	55.9	71.5
Switzerland	2.1	10.3	93.5	2.1	9.8	92.7
South Korea	4.5	9.7	89.4	4.7	8.5	89.3
Belgium	2.9	8.5	95.4	3.2	8.0	96.1

In most of these markets, the effective interest rates earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, South Korea and Taiwan have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment. As of 31 December 2014, the Allianz Group has written off deferred acquisition costs and established premium deficiency reserves on the most endangered part of the portfolio in South Korea, with an overall impact of € (64) MN on the consolidated income statement. If current interest rate levels persist, further reserve strengthening for certain portfolios may become necessary.

Future policy benefits

As of 31 December 2014, benefits for insurance and investment contracts which are expected to be due in 2015 amounted to € 48 BN, those which are expected to be due between 2016 and 2019 amounted to € 168 BN and those which are expected to be due after 2019 to € 914 BN.

The resulting total benefits for insurance and investment contracts in the amount of € 1,130 BN include contracts where the timing and amount of payments are considered fixed and determinable, and contracts which have no specified maturity dates and may result in a payment to the contract beneficiary depending on mortality and morbidity experience and the incidence of surrenders, lapses or maturities. Furthermore, the amounts are undiscounted and do not include any expected future premiums; therefore they exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet.

For contracts without fixed and determinable payments, the Allianz Group has made assumptions in estimating 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 used to establish the reserves for insurance and investment contracts in accordance with the Allianz Group's established accounting policy. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

21 — Financial liabilities for unit-linked contracts

CHANGES IN FINANCIAL LIABILITIES FOR UNIT-LINKED INSURANCE CONTRACTS AND UNIT-LINKED INVESTMENT CONTRACTS

€ MN

	2014			2013		
	Unit-linked insurance contracts	Unit-linked investment contracts	Total	Unit-linked insurance contracts	Unit-linked investment contracts	Total
As of 1 January	**55,357**	**25,707**	**81,064**	**50,078**	**21,119**	**71,197**
Foreign currency translation adjustments	3,602	210	3,811	(1,909)	(347)	(2,256)
Changes in the consolidated subsidiaries of the Allianz Group	–	–	–	–	1,477	1,477
Premiums collected	7,868	8,860	16,728	8,066	6,989	15,055
Interest credited	3,693	1,786	5,479	5,524	601	6,125
Releases upon death, surrender and withdrawal	(5,140)	(4,453)	(9,593)	(4,689)	(3,993)	(8,682)
Policyholder charges	(1,551)	(99)	(1,650)	(1,466)	(98)	(1,564)
Portfolio acquisitions and disposals	23	(75)	(53)	(31)	(19)	(51)
Reclassifications[1]	(1,196)	(27)	(1,223)	(215)	(22)	(237)
As of 31 December	**62,656**	**31,907**	**94,564**	**55,357**	**25,707**	**81,064**

1 — These reclassifications mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

22 — Other liabilities

OTHER LIABILITIES

€ MN as of 31 December	2014	2013
Payables		
Policyholders	4,934	4,911
Reinsurance	1,460	1,170
Agents	1,615	1,604
Subtotal	**8,009**	**7,685**
Payables for social security	420	395
Tax payables		
Income taxes	1,801	2,580
Other taxes	1,387	1,269
Subtotal	**3,187**	**3,849**
Accrued interest and rent	613	681
Unearned income		
Interest and rent	24	16
Other	283	261
Subtotal	**307**	**277**
Provisions		
Pensions and similar obligations	9,765	7,594
Employee related	2,327	2,104
Share-based compensation plans	606	685
Restructuring plans	109	214
Loan commitments	12	42
Contingent losses from non-insurance business	134	131
Other provisions	1,684	1,617
Subtotal	**14,637**	**12,386**
Deposits retained for reinsurance ceded	1,843	1,874
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	281	158
Financial liabilities for puttable equity instruments	1,793	2,612
Other liabilities	7,520	6,514
Total[1]	**38,609**	**36,431**

1 — Includes other liabilities due within one year of € 25,013 MN (2013: € 24,915 MN).

23 — Certificated liabilities

CERTIFICATED LIABILITIES

€ MN[1]

	Contractual maturity date						as of 31 December 2014	as of 31 December 2013
	2015	2016	2017	2018	2019	Thereafter		
Allianz SE[2]								
Senior bonds								
Fixed rate	–	1,496	–	499	1,484	3,174	6,653	6,581
Contractual interest rate	–	4.00%	–	1.38%	4.75%	3.68%	–	–
Money market securities								
Fixed rate	1,041	–	–	–	–	–	1,041	869
Contractual interest rate	0.30%	–	–	–	–	–	–	–
Total Allianz SE[2]	**1,041**	**1,496**	**–**	**499**	**1,484**	**3,174**	**7,694**	**7,450**
Banking subsidiaries								
Senior bonds								
Fixed rate	63	79	44	–	–	–	186	193
Contractual interest rate	1.51%	1.41%	0.93%	–	–	–	–	–
Floating rate	–	–	–	–	–	327	327	387
Current interest rate	–	–	–	–	–	0.46%	–	–
Total banking subsidiaries	**63**	**79**	**44**	**–**	**–**	**327**	**513**	**580**
Total	**1,104**	**1,575**	**44**	**499**	**1,484**	**3,501**	**8,207**	**8,030**

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 — Subordinated liabilities

SUBORDINATED LIABILITIES

€ MN[1]	Contractual maturity date						as of 31 December 2014	as of 31 December 2013
	2015	2016	2017	2018	2019	Thereafter		
Allianz SE[2]								
Subordinated bonds[3]								
Fixed rate	–	–	–	–	–	1,621	1,621	1,519
Contractual interest rate	–	–	–	–	–	5.44%	–	–
Floating rate	1,000[4]	–	–	–	–	8,750	9,750	9,337
Current interest rate	6.50%	–	–	–	–	4.84%	–	–
Total Allianz SE[2]	**1,000**	**–**	**–**	**–**	**–**	**10,371**	**11,371**	**10,856**
Banking subsidiaries								
Subordinated bonds								
Fixed rate	–	15	83	20	–	103	221	254
Contractual interest rate	–	5.61%	4.27%	4.35%	–	4.47%	–	–
Total banking subsidiaries	**–**	**15**	**83**	**20**	**–**	**103**	**221**	**254**
All other subsidiaries								
Subordinated liabilities								
Fixed rate	–	–	–	–	–	400	400	399
Contractual interest rate	–	–	–	–	–	4.63%	–	–
Hybrid equity								
Floating rate	–	–	–	–	–	45	45	45
Current interest rate	–	–	–	–	–	1.70%	–	–
Total all other subsidiaries	**–**	**–**	**–**	**–**	**–**	**445**	**445**	**444**
Total	**1,000**	**15**	**83**	**20**	**–**	**10,919**	**12,037**	**11,554**

1 — Except for interest rates. Interest rates represent the weighted average.
2 — Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.
3 — Change due to redemption of a € 1.5 BN bond and the issuance of a CHF 0.5 BN bond in the first quarter of 2014, and due to the issuance of a € 1.5 BN bond in the third quarter of 2014.
4 — € 1.0 BN subordinated bond called for redemption effective 13 January 2015.

25 — Equity

EQUITY

€ MN as of 31 December	2014	2013
Shareholders' equity		
Issued capital	1,170	1,169
Additional paid-in capital	27,758	27,701
Retained earnings[1]	19,878	17,786
Foreign currency translation adjustments	(1,977)	(3,313)
Unrealized gains and losses (net)[2]	13,917	6,742
Subtotal	**60,747**	**50,083**
Non-controlling interests	2,955	2,765
Total	**63,702**	**52,849**

1 — As of 31 December 2014, include € (222) MN (2013: € (220) MN) related to treasury shares.
2 — As of 31 December 2014, include € 288 MN (2013: € 203 MN) related to cash flow hedges.

ISSUED CAPITAL

Issued capital as of 31 December 2014 amounted to € 1,170 MN divided into 457,000,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

AUTHORIZED CAPITAL

As of 31 December 2014, Allianz SE had authorized capital for the issuance of 214,843,750 shares until 6 May 2019, with a notional amount of € 550 MN (Authorized Capital 2014/I). The shareholders' subscription rights can be excluded for capital increases against contributions in kind. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded: (i) for fractional amounts (ii) if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 of the German Stock Corporation Law (Aktiengesetz) do not exceed 10% of the share capital, and

(iii) to the extent necessary to grant a subscription right for new shares to the holders of bonds that carry conversion or option rights or provide for mandatory conversion. An overall limit for the exclusion of subscription rights of up to € 234 MN (corresponding to 20 % of the share capital at year-end 2013) applies for the Authorized Capital 2014/I and the Conditional Capital 2010/2014.

In addition, Allianz SE has authorized capital (Authorized Capital 2014/II) for the issuance of shares against cash until 6 May 2019. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of 31 December 2014, the Authorized Capital 2014/II amounted to € 14 MN (5,359,375 shares).

Further, as of 31 December 2014, Allianz SE had conditional capital totaling € 250 MN (97,656,250 shares) (Conditional Capital 2010/2014). This conditional capital increase will only be carried out if conversion or option rights attached to bonds which Allianz SE or its Group companies have issued against cash payments according to the resolutions of the AGM on 5 May 2010 or 7 May 2014 are exercised or the conversion obligations under such bonds are fulfilled, and only insofar as no other methods are used in serving these rights.

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

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

NUMBER OF ISSUED SHARES OUTSTANDING

	2014	2013
Issued shares outstanding as of 1 January	**453,736,619**	**453,171,976**
Capital increase for employee shares	500,000	550,000
Change in treasury shares held for non-trading purposes	11,420	14,643
Issued shares outstanding as of 31 December	**454,248,039**	**453,736,619**
Treasury shares	2,751,961	2,763,381
Total number of issued shares	**457,000,000**	**456,500,000**

In October 2014, 500,000 (2013: 550,000) shares were issued for cash out of the Authorized Capital 2014/II at a price of € 117.80 (2013: € 99.45) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase shares. As a result, issued capital increased by € 1 MN and additional paid-in capital by € 58 MN. The Authorized Capital 2014/II was created to enable Allianz SE to issue new shares for such employee offerings. To be able to offer the new shares to employees, the shareholders' subscription rights to these new shares were excluded with the consent of the Supervisory Board pursuant to the authorization granted by the AGM on 7 May 2014.

All shares issued during the years ending 31 December 2014 and 2013 are qualifying shares from the beginning of the year of issue.

DIVIDENDS

For the year ending 31 December 2014, the Board of Management will propose to shareholders at the AGM the distribution of a dividend of € 6.85 per qualifying share. For the year ended 31 December 2013, Allianz SE paid a dividend of € 5.30 per qualifying share.

TREASURY SHARES

As of 31 December 2014, Allianz SE held 2,751,360 (2013: 2,761,795) own shares. Of these, 145,191 (2013: 155,626) were held for covering subscriptions by employees of the Allianz Group in the context of the Employee Stock Purchase Plan 2015, whereas 2,606,169 (2013: 2,606,169) were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the fourth quarter of 2014, 500,000 (2013: 550,000) new Allianz shares were issued in the context of a capital increase for the Employee Stock Purchase Plan 2014. In 2014, 510,435 (2013: 565,643) shares were sold to employees of Allianz SE and its subsidiaries. Of these, 155,626 (2013: 171,269) originated from the capital increase for the Employee Stock Purchase Plan in 2013 and 354,809 (2013: 394,374) from the capital increase for the Employee Stock Purchase Plan in 2014. Employees of the Allianz Group purchased shares at prices ranging from € 93.52 (2013: € 71.03) to € 111.33 (2013: € 100.84) per share. The remaining 145,191 (2013: 155,626) shares from the capital increase in 2014 will be used for the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in 2015. The total change of holdings in Allianz SE own shares for the year ending 31 December 2014 amounted to a decrease of 10,435 (2013: decrease of 15,643) shares, which corresponds to € 26,714 (2013: € 40,046) or 0.002 % (2013: 0.003 %) of issued capital.

Changes in the treasury shares were:

CHANGES IN TREASURY SHARES

as of 31 December	Acquisition costs € MN	Number of shares	Issued capital %
2014			
Allianz SE	222	2,751,360	0.60
Other	–	601	–
Total	**222**	**2,751,961**	**0.60**
2013			
Allianz SE	220	2,761,795	0.61
Other	–	1,586	–
Total	**220**	**2,763,381**	**0.61**

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS

€ MN as of 31 December	2014	2013
Unrealized gains and losses (net)	189	93
Share of earnings	381	347
Other equity components	2,385	2,325
Total	**2,955**	**2,765**

The share of earnings attributable to non-controlling interests mainly consists of Euler Hermes Group companies of € 92 MN (2013: € 99 MN), PIMCO of € 86 MN (2013: € 72 MN), CreditRas Vita of € 27 MN (2013: € 18 MN) and Allianz Ayudhya of € 28 MN (2013: € 31 MN). The other equity components of non-controlling interests mainly consists of Euler Hermes Group companies of € 688 MN (2013: € 672 MN), PIMCO of € 235 MN (2013: € 179 MN), CreditRas Vita of € 269 MN (2013: € 274 MN) and Allianz Ayudhya of € 141 MN (2013: € 91 MN). Further information about companies with non-controlling interests are given in the list of participations of the Allianz Group.

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements are primarily dependent on the type of business that it underwrites, the industry and geographic locations in which it operates and the allocation of the Allianz Group's investments. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital requirements at the level of the Allianz Group's operating entities and the Allianz Group as a whole.

On 1 January 2005, the Financial Conglomerates Directive (FCD), a supplementary European Union (E.U.) directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German laws. The directive requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirement on a consolidated basis.

As of 31 December 2014, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the Asset Management and Banking business, was € 49.8 BN (2013: € 46.5 BN) including off-balance sheet reserves[1] of € 2.3 BN (2013: € 2.3 BN), surpassing the minimum legally stipulated level by € 22.2 BN (2013: € 20.9 BN). This margin resulted in a preliminary cover ratio of 181 % (2013: 182 %) as of 31 December 2014.[2]

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations and to steer its operations.

Going forward, with the planned introduction of Solvency II in January 2016, the Allianz Group expects the Solvency II rules to become the binding regulatory constraint for the Group and thereby also form the basis for the FCD capital requirements. In this context the Allianz Group is going to apply for internal model approval at the beginning of 2015 in order to be able to determine capital requirements under Solvency II based on its internal model.

Insurance subsidiaries of the Allianz Group including Allianz SE prepare individual financial statements based on local laws and regulations. These laws establish to some extent additional restrictions on the minimum level of capital and the amount of dividends that may be paid to shareholders. The respective local minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of

1 — Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request. Allianz SE has not submitted an application so far. Excluding off-balance sheet reserves, the reported solvency ratio as of 31 December 2014 would be 172 % (31 December 2013: 173 %).

2 — Conglomerate solvency ratio as of 31 December 2014 was adjusted for the potential calls of hybrid capital (subordinated bonds) of € 0.4 BN in 2015. Excluding this adjustment, the solvency ratio would be 182 % (including off-balance sheet reserves) as of 31 December 2014.

insurance reserves, investment risks, mortality risks, credit risks, underwriting risks and off-balance sheet risks.

As of 31 December 2014, the Allianz Group's insurance subsidiaries were in compliance with all applicable regulatory solvency and capital adequacy requirements.

Some insurance subsidiaries are subject to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions require 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 the 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.

With respect to dividend payments, Allianz also updated its dividend policy in 2014 by increasing the payout ratio, defining explicit budgets for external growth and linking central elements to the internal model capitalization according to Solvency II, which is expected to become regulatory binding. For further information on the dividend policy update please refer to the Outlook 2015 in the Group Management Report.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

26 — Premiums earned (net)

PREMIUMS EARNED (NET)

€ MN	Property-Casualty	Life/Health	Consoli-dation	Group
2014				
Premiums written				
Direct	45,238	25,015	–	70,253
Assumed	3,084	646	(100)	3,630
Subtotal	**48,322**	**25,660**	**(100)**	**73,883**
Ceded	(3,961)	(602)	100	(4,463)
Net	**44,362**	**25,058**	**–**	**69,420**
Change in unearned premiums				
Direct	(408)	(523)	–	(931)
Assumed	(107)	(21)	5	(123)
Subtotal	**(515)**	**(544)**	**5**	**(1,053)**
Ceded	(88)	–	(5)	(93)
Net	**(602)**	**(544)**	**–**	**(1,146)**
Premiums earned				
Direct	44,830	24,492	–	69,322
Assumed	2,978	624	(95)	3,508
Subtotal	**47,808**	**25,116**	**(95)**	**72,829**
Ceded	(4,048)	(602)	95	(4,555)
Net	**43,759**	**24,514**	**–**	**68,274**
2013				
Premiums written				
Direct	43,967	24,804	–	68,771
Assumed	2,612	725	(58)	3,279
Subtotal	**46,579**	**25,530**	**(58)**	**72,051**
Ceded	(3,981)	(617)	58	(4,541)
Net	**42,597**	**24,913**	**–**	**67,510**
Change in unearned premiums				
Direct	(442)	(324)	–	(765)
Assumed	(71)	(7)	(1)	(79)
Subtotal	**(512)**	**(331)**	**(1)**	**(844)**
Ceded	(37)	(2)	1	(38)
Net	**(550)**	**(332)**	**–**	**(882)**
Premiums earned				
Direct	43,525	24,481	–	68,006
Assumed	2,541	719	(59)	3,200
Subtotal	**46,066**	**25,199**	**(59)**	**71,206**
Ceded	(4,019)	(619)	59	(4,579)
Net	**42,047**	**24,580**	**–**	**66,628**

27 — Interest and similar income

INTEREST AND SIMILAR INCOME

€ MN	2014	2013
Interest from held-to-maturity investments	166	182
Dividends from available-for-sale investments	1,562	1,354
Interest from available-for-sale investments	13,609	13,202
Share of earnings from investments in associates and joint ventures	196	146
Rent from real estate held for investment	848	791
Interest from loans to banks and customers	4,868	5,067
Other interest income	193	176
Total	**21,443**	**20,918**

28 — Income from financial assets and liabilities carried at fair value through income (net)

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

€ MN

	Property-Casualty	Life/Health	Asset Management	Corporate and Other	Consolidation	Group
2014						
Income (expenses) from financial assets and liabilities held for trading (net)	(313)	(3,472)	(1)	(141)	(1)	(3,928)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	2	161	2	18	(1)	182
Income (expenses) from financial liabilities for puttable equity instruments (net)	(4)	(88)	–	–	–	(91)
Foreign currency gains and losses (net)	206	1,901	3	123	–	2,234
Total	**(108)**	**(1,497)**	**5**	**–**	**(3)**	**(1,604)**
2013						
Income (expenses) from financial assets and liabilities held for trading (net)	33	(567)	–	30	5	(499)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	28	277	62	1	(1)	367
Income (expenses) from financial liabilities for puttable equity instruments (net)	(19)	(138)	(49)	–	–	(207)
Foreign currency gains and losses (net)	(92)	(1,376)	–	(37)	–	(1,506)
Total	**(50)**	**(1,804)**	**12**	**(6)**	**3**	**(1,845)**

Foreign currency gains and losses are reported within income from financial assets carried at fair value through income (net) (2014: income of € 2,234 MN; 2013: expenses of € 1,506 MN). 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 and not measured at fair value through income. The Allianz Group uses freestanding derivatives, included in the line item income (expenses) from financial assets and liabilities held for trading (net), to hedge against foreign currency fluctuations (2014: expenses of € 2,502 MN; 2013: income of € 653 MN).

Additionally included in the business segment Life/Health are derivative financial instruments from German entities which relate to duration management (2014: income of € 780 MN; 2013: expenses of € 317 MN) and protection against equity fluctuations (2014: expenses of € 125 MN; 2013: income of € 34 MN), and from U.S. entities which relate to fixed-indexed annuity products and guaranteed benefits under unit-linked contracts (2014: expenses of € 1,783 MN; 2013: expenses of € 790 MN).

29 — Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)

€ MN

	2014	2013
REALIZED GAINS		
Available-for-sale investments		
Equity securities	1,736	2,104
Debt securities	2,296	2,308
Subtotal	**4,033**	**4,412**
Investments in associates and joint ventures[1]	27	73
Real estate held for investment	141	147
Loans and advances to banks and customers	287	412
Non-current assets classified as held for sale	32	104
Subtotal	**4,519**	**5,147**
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(205)	(253)
Debt securities	(279)	(578)
Subtotal	**(484)**	**(831)**
Investments in associates and joint ventures[2]	(12)	(12)
Real estate held for investment	(4)	(11)
Loans and advances to banks and customers	(1)	(4)
Non-current assets classified as held for sale	(1)	(3)
Subtotal	**(502)**	**(861)**
Total	**4,017**	**4,286**

1 — During the year ended 31 December 2014, include realized gains from the disposal of subsidiaries and businesses of € 1 MN (2013: € 48 MN).

2 — During the year ended 31 December 2014, include realized losses from the disposal of subsidiaries and businesses of € 1 MN (2013: € – MN).

30 — Fee and commission income

FEE AND COMMISSION INCOME

€ MN	2014	2013
PROPERTY-CASUALTY		
Fees from credit and assistance business	790	753
Service agreements	471	473
Subtotal	**1,260**	**1,226**
LIFE/HEALTH		
Service agreements	97	75
Investment advisory	919	571
Other	1	–
Subtotal	**1,017**	**646**
ASSET MANAGEMENT		
Management fees	6,834	7,317
Loading and exit fees	670	715
Performance fees	275	510
Other	46	69
Subtotal	**7,825**	**8,611**
CORPORATE AND OTHER		
Service agreements	70	62
Investment advisory and banking activities	654	625
Subtotal	**724**	**687**
CONSOLIDATION	(707)	(678)
Total	**10,119**	**10,492**

31 — Other income

OTHER INCOME

€ MN	2014	2013
Income from real estate held for own use		
Realized gains from disposals of real estate held for own use	24	34
Other income from real estate held for own use	2	–
Subtotal	**26**	**35**
Income from alternative investments	187	169
Other	2	5
Total	**216**	**209**

32 — Income and expenses from fully consolidated private equity investments

INCOME AND EXPENSES FROM FULLY CONSOLIDATED PRIVATE EQUITY INVESTMENTS

€ MN	2014	2013
Income		
Sales and service revenues	696	726
Subtotal	**696**	**726**
Expenses		
Cost of goods sold	(216)	(219)
General and administrative expenses	(469)	(492)
Interest expenses	(54)	(32)
Subtotal	**(738)**	**(743)**
Consolidation[1]	19	2
Total	**(23)**	**(15)**

1 — This consolidation effect results from the deferred policyholder participation recognized in the result from fully consolidated private equity investments within operating profit in the Life/Health business segment that was reclassified to expenses from fully consolidated private equity investments in non-operating profit to ensure the consistent presentation of the Allianz Group's operating profit.

33 — Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2014				
Gross				
Claims and insurance benefits paid	(30,797)	(20,946)	47	(51,696)
Change in loss and loss adjustment expenses	(224)	(231)	12	(444)
Subtotal	**(31,021)**	**(21,177)**	**58**	**(52,140)**
Ceded				
Claims and insurance benefits paid	2,095	375	(42)	2,428
Change in loss and loss adjustment expenses	49	27	(14)	62
Subtotal	**2,143**	**402**	**(56)**	**2,490**
Net				
Claims and insurance benefits paid	(28,702)	(20,571)	5	(49,268)
Change in loss and loss adjustment expenses	(175)	(204)	(2)	(382)
Total	**(28,878)**	**(20,775)**	**3**	**(49,650)**
2013				
Gross				
Claims and insurance benefits paid	(31,235)	(20,216)	32	(51,419)
Change in loss and loss adjustment expenses	1,589	(353)	4	1,240
Subtotal	**(29,646)**	**(20,568)**	**37**	**(50,178)**
Ceded				
Claims and insurance benefits paid	2,256	462	(27)	2,691
Change in loss and loss adjustment expenses	(322)	10	(3)	(315)
Subtotal	**1,933**	**472**	**(30)**	**2,376**
Net				
Claims and insurance benefits paid	(28,979)	(19,753)	5	(48,727)
Change in loss and loss adjustment expenses	1,267	(343)	1	925
Total	**(27,713)**	**(20,096)**	**7**	**(47,802)**

34 — Change in reserves for insurance and investment contracts (net)

CHANGE IN RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS (NET)

€ MN	Property-Casualty	Life/Health	Consolidation	Group
2014				
Gross				
Aggregate policy reserves	(238)	(6,189)	–	(6,427)
Other insurance reserves	2	(252)	–	(250)
Expenses for premium refunds	(313)	(6,390)	(827)	(7,529)
Subtotal	**(549)**	**(12,830)**	**(827)**	**(14,206)**
Ceded				
Aggregate policy reserves	7	246	–	253
Other insurance reserves	(1)	11	–	10
Expenses for premium refunds	5	11	(1)	15
Subtotal	**10**	**268**	**(1)**	**277**
Net				
Aggregate policy reserves	(231)	(5,943)	–	(6,174)
Other insurance reserves	–	(241)	–	(240)
Expenses for premium refunds	(307)	(6,379)	(828)	(7,514)
Total	**(538)**	**(12,563)**	**(828)**	**(13,929)**
2013				
Gross				
Aggregate policy reserves	(232)	(7,545)	(4)	(7,781)
Other insurance reserves	7	(209)	–	(202)
Expenses for premium refunds	(161)	(5,959)	(46)	(6,165)
Subtotal	**(386)**	**(13,712)**	**(50)**	**(14,148)**
Ceded				
Aggregate policy reserves	3	140	–	143
Other insurance reserves	(1)	9	–	9
Expenses for premium refunds	(1)	7	–	6
Subtotal	**2**	**157**	**–**	**158**
Net				
Aggregate policy reserves	(229)	(7,404)	(4)	(7,638)
Other insurance reserves	7	(199)	–	(193)
Expenses for premium refunds	(162)	(5,951)	(46)	(6,159)
Total	**(384)**	**(13,555)**	**(50)**	**(13,990)**

35 — Interest expenses

INTEREST EXPENSES

€ MN	2014	2013
Liabilities to banks and customers	(241)	(259)
Deposits retained for reinsurance ceded	(48)	(49)
Certificated liabilities	(285)	(272)
Subordinated liabilities	(585)	(642)
Other	(102)	(100)
Total	**(1,261)**	**(1,322)**

36 — Loan loss provisions

LOAN LOSS PROVISIONS

€ MN	2014	2013
Additions to allowances including direct impairments	(133)	(166)
Amounts released	68	62
Recoveries on loans previously impaired	20	18
Total	**(45)**	**(86)**

37 — Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)

€ MN	2014	2013
IMPAIRMENTS		
Available-for-sale investments		
Equity securities	(553)	(391)
Debt securities	(345)	(56)
Subtotal	**(898)**	**(448)**
Investments in associates and joint ventures	–	(108)
Real estate held for investment	(24)	(54)
Loans and advances to banks and customers	(16)	(24)
Non-current assets classified as held for sale	(5)	(31)
Subtotal	**(944)**	**(665)**
REVERSALS OF IMPAIRMENTS		
Available-for-sale investments		
Debt securities	–	18
Real estate held for investment	44	22
Loans and advances to banks and customers	6	15
Subtotal	**51**	**55**
Total	**(894)**	**(611)**

38 — Investment expenses

INVESTMENT EXPENSES

€ MN	2014	2013
Investment management expenses	(561)	(527)
Depreciation of real estate held for investment	(232)	(211)
Other expenses from real estate held for investment	(168)	(167)
Total	**(961)**	**(905)**

39 — Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)

€ MN	2014	2013
PROPERTY-CASUALTY		
Acquisition costs		
Incurred	(10,102)	(9,828)
Commissions and profit received on reinsurance business ceded	448	479
Deferrals of acquisition costs	6,138	5,868
Amortization of deferred acquisition costs	(6,035)	(5,705)
Subtotal	**(9,551)**	**(9,186)**
Administrative expenses	(3,386)[1]	(2,755)
Subtotal	**(12,937)**	**(11,942)**
LIFE/HEALTH		
Acquisition costs		
Incurred	(5,203)	(4,591)
Commissions and profit received on reinsurance business ceded	88	67
Deferrals of acquisition costs	3,502	2,980
Amortization of deferred acquisition costs	(2,648)	(2,571)
Subtotal	**(4,261)**	**(4,115)**
Administrative expenses	(1,606)[1]	(1,487)
Subtotal	**(5,868)**	**(5,603)**
ASSET MANAGEMENT		
Personnel expenses	(2,380)[1]	(2,607)
Non-personnel expenses	(1,415)	(1,419)
Subtotal	**(3,795)**	**(4,026)**
CORPORATE AND OTHER		
Administrative expenses	(750)[1]	(1,297)
Subtotal	**(750)**	**(1,297)**
CONSOLIDATION	7	3
Total	**(23,343)**	**(22,865)**

1 — Include one-off effect from pension revaluation. Please refer to note 6 for further details.

40 — Fee and commission expenses

FEE AND COMMISSION EXPENSES

€ MN	2014	2013
PROPERTY-CASUALTY		
Fees from credit and assistance business	(820)	(755)
Service agreements	(360)	(386)
Subtotal	**(1,180)**	**(1,141)**
LIFE/HEALTH		
Service agreements	(34)	(39)
Investment advisory	(353)	(212)
Subtotal	**(387)**	**(251)**
ASSET MANAGEMENT		
Commissions	(1,301)	(1,403)
Other	(145)	(81)
Subtotal	**(1,445)**	**(1,484)**
CORPORATE AND OTHER		
Service agreements	(269)	(231)
Investment advisory and banking activities	(298)	(263)
Subtotal	**(567)**	**(493)**
CONSOLIDATION	342	332
Total	**(3,238)**	**(3,038)**

41 — Other expenses

OTHER EXPENSES

€ MN	2014	2013
Realized losses from disposals of real estate held for own use	(7)	(2)
Expenses from alternative investments	(103)	(85)
Expenses from non-current assets classified as held for sale[1]	(18)	–
Other	(7)	(19)
Total	**(135)**	**(106)**

1 — For the year ended 31 December 2014, consist of impairments of real estate held for own use classified as held for sale in the amount of € (18) MN. The fair value is classified as level 3 in the fair value hierarchy and based on an income approach.

42 — Income taxes

INCOME TAXES

€ MN	2014	2013
Current income taxes	(2,454)	(2,899)
Deferred income taxes	209	(401)
Total	**(2,245)**	**(3,300)**

During the year ended 31 December 2014, current income taxes included income of € 485 MN (2013: expenses of € 138 MN) related to prior years.

Of the deferred income taxes for the year ended 31 December 2014, income of € 198 MN (2013: expenses of € 47 MN) are attributable to the recognition of deferred taxes on temporary differences, and expenses of € 15 MN (2013: € 356 MN) are attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax income of € 26 MN (2013: € 2 MN).

For the years ended 31 December 2014 and 2013, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

€ MN	2014	2013
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	124	(23)
Available-for-sale investments	(2,820)	1,451
Cash flow hedges	(40)	21
Share of other comprehensive income of associates and joint ventures	(1)	6
Miscellaneous	(160)	96
Items that may never be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans	695	(171)
Total	**(2,201)**	**1,379**

The recognized income taxes for the year ended 31 December 2014 are € 391 MN below (2013: € 418 MN above) the calculated income taxes based on income before income taxes multiplied by the respective applicable country-specific tax rates. The following table shows the reconciliation from the calculated income taxes based on income before income taxes multiplied by the respective applicable country-specific tax rates to the effectively recognized taxes of the Allianz Group. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations which are based on the respective country-specific tax rates after taking into consideration consolidation effects with an impact on the Group result. The applicable tax rate used in the reconciliation for domestic Allianz Group companies includes corporate tax, trade tax and the solidarity surcharge, and amounted to 31.0 % (2013: 31.0 %).

The effective tax rate is determined on the basis of the effective income tax expenses on income before income taxes.

EFFECTIVE TAX RATE

€ MN	2014	2013
Income before income taxes	8,848	9,643
Applied weighted income tax rate	29.8 %	29.9 %
Calculated income taxes	**2,636**	**2,882**
Trade tax and similar taxes	210	244
Net tax exempt income	(2)	(185)
Effects of tax losses	142	9
Other effects	(740)	351
Effective income taxes	**2,245**	**3,300**
Effective tax rate	**25.4 %**	**34.2 %**

In 2014, Allianz Leben received a favorable decision of the German Federal Tax Court (BFH) effecting that losses recognized in 2002 on equity investments held via investment funds were considered tax deductible. This court decision led in 2014 to a tax benefit for the Group of € 229 MN and for the policyholders of € 892 MN. The tax benefit from this court decision consisted of current taxes and deferred taxes (mainly on tax losses carried forward) in respect of the financial year 2014 and previous years. In the tax reconciliation for 2014, the other effects of € (740) MN include € (846) MN current and deferred taxes for prior years resulting from the above-mentioned court decision. The tax benefits for prior years resulting from this court decision led to a reduction of the effective tax rate 2014 by 9 %, of which 7 % was allocated to the policyholders and 2 % remained with the shareholders. The effective tax rate 2014 remaining with shareholders is 32 %.

For the year ended 31 December 2014, the write-down of deferred taxes on tax losses increased the tax expenses by € 167 MN (2013: € 21 MN). The reversal of write-down of deferred tax assets on tax losses carried forward resulted in deferred tax income of € 6 MN (2013: € – MN). Due to the use of tax losses carried forward, for which deferred tax assets were previously written off, the current income tax expenses decreased by € 9 MN (2013: € 3 MN). Deferred tax income increased by € 10 MN (2013: € 9 MN) due to the use of tax losses carried forward, for which deferred tax assets were previously written off. The above-mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group's deferred taxes are the applicable national rates, which in 2014 ranged from 10.0 % to 40.0 %. Changes to tax rates already adopted on 31 December 2014 are taken into account. In 2014, Spain enacted a tax rate decrease from 30 % to 28 % in 2015 and to 25 % from 2016 onwards, which led to deferred tax income of € 26 MN.

Deferred tax assets on losses carried forward are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Entities which suffered a tax loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to € 375 MN (2013: € 149 MN).

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES

€ MN as of 31 December	2014	2013
Deferred tax assets		
Financial assets carried at fair value through income	53	23
Investments	3,202	3,092
Deferred acquisition costs	1,759	1,158
Other assets	1,283	1,363
Intangible assets	166	119
Tax losses carried forward	2,435	2,213
Insurance reserves	4,616	3,862
Pensions and similar obligations	4,353	3,317
Other liabilities	871	1,059
Total deferred tax assets	**18,738**	**16,206**
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(850)	(652)
Effect of netting	(16,841)	(14,047)
Net deferred tax assets	**1,046**	**1,508**
Deferred tax liabilities		
Financial assets carried at fair value through income	128	159
Investments	9,643	5,732
Deferred acquisition costs	4,824	4,335
Other assets	1,017	725
Intangible assets	410	400
Insurance reserves	2,691	2,691
Pensions and similar obligations	2,609	2,430
Other liabilities	450	754
Total deferred tax liabilities	**21,773**	**17,225**
Effect of netting	(16,841)	(14,047)
Net deferred tax liabilities	**4,932**	**3,178**
Net deferred tax assets (liabilities)	**(3,886)**	**(1,670)**

Taxable temporary differences associated with investments in Allianz Group companies for which no deferred tax liabilities are recognized as the Allianz Group is able to control the timing of their reversal and which will not reverse in the foreseeable future, amounted to € 707 MN (2013: € 757 MN). Deductible temporary differences arising from investments in Allianz Group companies for which no deferred tax assets are recognized as it is not probable that they will reverse in the foreseeable future amounted to € 191 MN (2013: € 183 MN).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2014 of € 10,521 MN (2013: € 9,885 MN) resulted in recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. € 9,422 MN (2013: € 8,848 MN) of the tax losses carried forward can be used without time limitation.

Tax losses carried forward are scheduled according to their expiry periods as follows:

TAX LOSSES CARRIED FORWARD

€ MN	2014
2015	33
2016	75
2017	46
2018	64
2019	98
2020	46
2021	26
2022	61
2023	79
2024	291
>10 years	282
Unlimited	9,422
Total	**10,521**

OTHER INFORMATION

43 — Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS

€ MN as of 31 December	2014						2013		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1 – 5 years	Over 5 years						
Interest rate contracts									
OTC									
Forwards	575	2,065	95	2,735	424	–	1,605	77	(14)
Swaps	681	4,186	26,637	31,504	556	(397)	24,171	342	(949)
Swaptions	7,907	19,243	5,077	32,228	120	–	30,501	404	(18)
Caps	–	4,937	2	4,939	–	(18)	4,952	1	(3)
Options	19	–	–	19	–	(3)	–	–	–
Exchange traded									
Futures	5,189	–	–	5,189	34	(8)	4,521	1	(44)
Forwards	78	–	–	78	3	–	–	–	–
Subtotal	**14,450**	**30,432**	**31,811**	**76,693**	**1,136**	**(426)**	**65,750**	**825**	**(1,028)**
Equity/Index contracts									
OTC									
Forwards	834	42	50	926	65	(15)	646	124	(10)
Swaps	4,751	279	1,302	6,332	34	(39)	3,080	6	(51)
Options	143,678	2,143	1,604	147,424	469	(7,315)	106,639	469	(4,671)
Warrants	–	–	4,513	4,513	–	(181)	2,679	3	(143)
Exchange traded									
Futures	20,560	–	149	20,709	86	(65)	12,607	95	(109)
Forwards	–	–	–	–	–	–	15	–	–
Options	6,347	–	–	6,347	84	–	7,819	61	(30)
Warrants	2,678	6	–	2,684	51	–	1,627	126	–
Subtotal	**178,848**	**2,469**	**7,618**	**188,936**	**789**	**(7,616)**	**135,112**	**884**	**(5,014)**
Foreign exchange contracts									
OTC									
Futures	411	310	–	721	1	(16)	553	1	(21)
Forwards	32,828	793	–	33,621	121	(663)	34,106	332	(74)
Swaps	172	218	246	637	19	(27)	228	6	(7)
Options	–	34	–	34	8	–	46	11	–
Exchange traded									
Futures	–	–	–	–	–	–	3	–	–
Subtotal	**33,411**	**1,356**	**246**	**35,013**	**148**	**(706)**	**34,936**	**350**	**(102)**
Credit contracts									
OTC									
Swaps	947	2,395	683	4,025	19	(26)	2,508	26	(23)
Options	1	–	–	2	–	–	–	–	–
Floors	–	–	–	–	–	–	1	–	(1)
Exchange traded									
Swaps	–	–	7	7	3	–	6	3	–
Subtotal	**948**	**2,395**	**690**	**4,033**	**22**	**(26)**	**2,515**	**29**	**(24)**
Real estate contracts									
OTC									
Options	5	–	–	6	1	–	6	–	–
Subtotal	**5**	**–**	**–**	**6**	**1**	**–**	**6**	**–**	**–**
Total	**227,662**	**36,653**	**40,366**	**304,681**	**2,096**	**(8,774)**	**238,319**	**2,088**	**(6,168)**

The table above shows the fair value and notional amounts for all freestanding derivatives as well as derivatives for which hedge accounting is applied by the Allianz Group as of 31 December 2014 and 2013, respectively. The notional principal amounts indicated in the table are cumulative as they include the absolute value of the notional principal amounts of derivatives with positive and negative fair values. Although these notional principal amounts reflect the degree of the Allianz Group's involvement in derivative transactions, they do not represent amounts exposed to risk. Further information on the use of derivatives to hedge risks can be found in the sections on market and credit risk in the Risk and Opportunity Report which forms part of the Group Management Report.

FREESTANDING DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2014, freestanding derivatives, included in the line item financial assets and liabilities held for trading, had a notional principal amount of € 297.2 BN (2013: € 233.0 BN), as well as a positive fair value of € 1.6 BN (2013: € 2.0 BN) and a negative fair value of € 8.5 BN (2013: € 6.0 BN). Out of the total allocated to the freestanding derivatives, € 189.2 BN (2013: € 115.6 BN) of the notional principal relate to annuity products. These products are equity-indexed or contain certain embedded options or guarantees which are considered embedded derivatives under IAS 39. For these embedded derivatives, the notional principal amounts included in the table refer to the account value of the related insurance contracts. The total negative fair value of these embedded derivatives amounts to € 6.7 BN (2013: € 4.2 BN). Further information on the fair value measurement of these derivatives, can be found in note 44 – Financial instruments and fair value measurement.

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

As of 31 December 2014, derivatives which form part of hedge accounting relationships, included in the line items other assets and other liabilities, had a notional amount of € 7.5 BN (2013: € 5.3 BN), as well as a positive fair value of € 477 MN (2013: € 75 MN) and a negative fair value of € 281 MN (2013: € 158 MN). These hedging instruments mainly include interest rate forwards with a total positive fair value of € 395 MN (2013: € 44 MN).

Fair value hedges

The Allianz Group uses fair value hedges to hedge the exposure to changes in the fair value of financial assets due to movements in interest or exchange rates. As of 31 December 2014, the derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value of € 157 MN (2013: € 126 MN). Within the Allianz Group's Banking business, derivatives to hedge against interest rate changes are implemented for individual transactions (micro hedges) or for a portfolio of similar assets or liabilities (macro hedges).

Additionally, the Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. As of 31 December 2014, the derivatives used as hedging instruments in the related fair value hedges had a total positive fair value of € 21 MN (2013: total fair value of € – MN).

For the year ended 31 December 2014, the Allianz Group recognized for fair value hedges a net loss of € 30 MN (2013: net gain of € 36 MN) on the hedging instruments and a net gain of € 35 MN (2013: net loss of € 54 MN) on the hedged items attributable to the hedged risk.

Cash flow hedges

During the year ended 31 December 2014, cash flow hedges were used to hedge the exposure to the variability from cash flows arising from interest rate or exchange rate fluctuations as well as inflation. As of 31 December 2014, the derivative instruments utilized had a total positive fair value of € 412 MN (2013: € 41 MN). Unrealized gains and losses (net) in shareholders' equity increased by € 84 MN (2013: decreased by € 53 MN). Amounts accumulated in the other comprehensive income are reclassified to profit or loss in the periods when the hedged item affects profit or loss. This is the case when the forecast transactions that are hedged take place.

Hedge of net investment in foreign operations

As of 31 December 2014, the Allianz Group hedges part of its U.S. Dollar, British Pound and Swiss Franc net investments through the issuance of U.S. Dollar, British Pound and Swiss Franc denominated liabilities with a nominal amount of USD 1.0 BN, GBP 0.8 BN and CHF 0.5 BN as well as the use of forward sales of USD and GBP with a notional of USD 1.5 BN and GBP 0.4 BN. The total negative fair value in 2014 was € 80 MN (2013: total positive fair value of € 2 MN).

OFFSETTING

The Allianz Group mainly enters into enforceable master netting arrangements and similar arrangements for derivatives transactions. None of these enforceable master netting arrangements or similar arrangements meet the requirements for offsetting in line with IAS 32.

Credit risk associated with netting arrangements is further mitigated by collateral. For further information on collateral, please refer to note 44 – Financial instruments and fair value measurement.

44 — Financial instruments and fair value measurement

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections within the Risk and Opportunity Report in the Group Management Report:

- Internal risk capital model including all subsections,
- Limitations,
- Risk profile and risk management,
- Quantifiable risks including all subsections other than Business risk and Operational risk,
- Liquidity risk.

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

The following table compares the carrying amount with the fair value of the Allianz Group's financial assets and financial liabilities:

FAIR VALUES AND CARRYING AMOUNTS OF FINANCIAL INSTRUMENTS

€ MN as of 31 December	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	13,863	13,863	11,207	11,207
Financial assets held for trading	2,214	2,214	2,512	2,512
Financial assets designated at fair value through income	3,660	3,660	4,148	4,148
Available-for-sale investments	465,914	465,914	392,233	392,233
Held-to-maturity investments	3,969	4,710	4,140	4,647
Investments in associates and joint ventures	4,059	4,820	3,098	3,597
Real estate held for investment	11,349	16,323	10,783	15,625
Loans and advances to banks and customers	117,075	140,238	116,800	129,528
Financial assets for unit-linked contracts	94,564	94,564	81,064	81,064
Derivative financial instruments and firm commitments included in other assets	477	477	75	75
Real estate held for own use	2,566	3,646	2,423	3,626
FINANCIAL LIABILITIES				
Financial liabilities held for trading	8,496	8,496	6,013	6,013
Liabilities to banks and customers	23,015	23,607	23,109	23,282
Financial liabilities for unit-linked contracts	94,564	94,564	81,064	81,064
Derivative financial instruments and firm commitments included in other liabilities	281	281	158	158
Financial liabilities for puttable equity instruments	1,793	1,793	2,612	2,612
Certificated liabilities	8,207	9,293	8,030	8,576
Subordinated liabilities	12,037	13,253	11,554	12,323

The Allianz Group carries certain financial instruments at fair value and discloses the fair value of most other assets and liabilities. The fair value of an asset or liability is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The maximum exposure to credit risk of financial assets, without taking collateral into account, is represented by their carrying amount, except for available-for-sale financial assets, for which it is represented by the amortized cost amount.

The degree of judgment used in measuring the fair value of financial instruments closely correlates with the level of non-market observable inputs. The Allianz Group maximizes the use of observable inputs and minimizes the use of non-market observable inputs when measuring fair value. Observability of input parameters is influenced by various factors such as type of the financial instrument, whether a market is established for the particular instrument, specific transaction characteristics, liquidity as well as general market conditions.

If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values. As of 31 December 2014, fair values could not be reliably measured for equity investments with carrying amounts totaling € 189 MN (31 December 2013: € 214 MN). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2014, such investments with carrying amounts of € 78 MN (2013: € 35 MN) were sold. The gains and losses from these disposals were immaterial.

FAIR VALUE HIERARCHY

Assets and liabilities measured or disclosed at fair value in the consolidated financial statements are measured and classified in accordance with the fair value hierarchy in IFRS 13, which categorizes the inputs to valuation techniques used to measure fair value into three levels.

In general, the subsidiaries assume responsibility for assessing fair values and hierarchies of assets and liabilities. This is consistent with the decentralized organizational structure of the Allianz Group and reflects market insights of local managers. Estimates and assumptions are particularly significant when determining the fair value of financial instruments for which at least one significant input is not based on observable market data (classified within level 3 of the fair value hierarchy). The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. If no sufficient market information is available, management's best estimate of a particular input is used to determine the value.

Quoted prices in active markets – Fair value level 1:

The level 1 inputs of financial instruments that are traded in active markets are based on unadjusted quoted market prices or dealer price quotations for identical assets or liabilities on the last exchange trading day prior to or at the balance sheet date, if the latter is a trading day.

Valuation techniques – Market observable inputs – Fair value level 2:

Level 2 applies if the market for a financial instrument is not active or when the fair value is determined by using valuation techniques based on observable input parameters. Such market inputs are observable substantially over the full term of the asset or liability and include references to formerly quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, volatilities and foreign currency exchange rates.

Valuation techniques – Non-market observable inputs – Fair value level 3:

Where observable market inputs are not available, the fair value is based on valuation techniques using non-market observable inputs. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Appropriate adjustments are made for credit risks. In particular, when observable market inputs are not available, the use of estimates and assumptions may have a high impact on the valuation outcome.

FAIR VALUE MEASUREMENT ON A RECURRING BASIS

The following financial assets and liabilities are carried at fair value on a recurring basis:

- Financial assets and liabilities held for trading,
- Financial assets and liabilities designated at fair value through income,
- Available-for-sale investments,
- Financial assets and liabilities for unit-linked contracts,
- Derivative financial instruments and firm commitments included in other assets and other liabilities and
- Financial liabilities for puttable equity instruments.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2014 and 31 December 2013.

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2014 (ITEMS CARRIED AT FAIR VALUE)

€ MN

	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	79	323	–	402
Equity securities	47	133	15	195
Derivative financial instruments	260	1,336	22	1,618
Subtotal	**385**	**1,792**	**38**	**2,214**
Financial assets designated at fair value through income				
Debt securities	887	981	19	1,887
Equity securities	1,624	38	110	1,773
Subtotal	**2,512**	**1,018**	**129**	**3,660**
Subtotal	**2,897**	**2,810**	**167**	**5,875**
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	43	3,695	–	3,738
Corporate mortgage-backed securities (residential and commercial)	–	14,146	40	14,186
Other asset-backed securities	259	4,075	218	4,552
Government and government agency bonds	29,810	162,166	39	192,016
Corporate bonds	15,885	188,946	6,452	211,284
Other debt securities	273	1,966	729	2,968
Equity securities	30,077	868	6,226	37,171
Subtotal	**76,347**	**375,862**	**13,704**	**465,914**
Financial assets for unit-linked contracts	91,885	2,511	166	94,564
Derivative financial instruments and firm commitments included in other assets	2	476	–	477
Total	**171,131**	**381,659**	**14,037**	**566,830**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	49	1,315	7,129	8,493
Other trading liabilities	–	3	–	3
Subtotal	**49**	**1,319**	**7,129**	**8,496**
Financial liabilities for unit-linked contracts	91,885	2,511	166	94,564
Derivative financial instruments and firm commitments included in other liabilities	–	281	–	281
Financial liabilities for puttable equity instruments	1,754	24	15	1,793
Total	**93,688**	**4,135**	**7,310**	**105,134**

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2013 (ITEMS CARRIED AT FAIR VALUE)

€ MN

	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	360	–	360
Equity securities	22	103	14	139
Derivative financial instruments	284	1,691	38	2,013
Subtotal	**306**	**2,154**	**52**	**2,512**
Financial assets designated at fair value through income				
Debt securities	–	2,278	1	2,278
Equity securities	1,867	–	3	1,870
Subtotal	**1,867**	**2,278**	**4**	**4,148**
Subtotal	**2,173**	**4,432**	**56**	**6,660**
Available-for-sale investments				
Government and agency mortgage-backed securities (residential and commercial)	–	2,602	–	2,602
Corporate mortgage-backed securities (residential and commercial)	–	11,800	33	11,833
Other asset-backed securities	–	3,418	212	3,630
Government and government agency bonds	35,570	127,324	56	162,950
Corporate bonds	18,939	154,080	3,149	176,168
Other debt securities	–	1,777	773	2,550
Equity securities	26,013	765	5,722	32,499
Subtotal	**80,522**	**301,766**	**9,945**	**392,233**
Financial assets for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other assets	–	75	–	75
Total	**160,925**	**308,928**	**10,180**	**480,033**
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	136	1,447	4,427	6,010
Other trading liabilities	–	3	–	3
Subtotal	**136**	**1,450**	**4,427**	**6,013**
Financial liabilities for unit-linked contracts	78,230	2,655	179	81,064
Derivative financial instruments and firm commitments included in other liabilities	–	158	–	158
Financial liabilities for puttable equity instruments	2,595	18	–	2,612
Total	**80,961**	**4,281**	**4,606**	**89,848**

Valuation methodologies of financial instruments carried at fair value

For fair value measurements categorized within level 2 and level 3, the Allianz Group uses valuation techniques consistent with the three widely used classes of valuation techniques listed in IFRS 13:

- *Market approach:* Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- *Cost approach:* Amount that would be currently required to replace the service capacity of an asset (replacement cost).
- *Income approach:* Conversion of future amounts such as cash flows or income to a single current amount (present value technique).

There is no one-to-one connection between valuation technique and hierarchy level. Depending on whether the valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

Financial assets carried at fair value through income

Financial assets held for trading – Debt and equity securities
The fair value is mainly determined using the market approach. In some cases, the fair value is determined based on the income approach using interest rates and yield curves observable at commonly quoted intervals.

Financial assets held for trading – Derivative financial instruments
For level 2, the fair value is mainly determined based on the income approach using present value techniques and the Black-Scholes-Merton model. Primary inputs to the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals.

For level 3, derivatives are mainly priced by third-party vendors. Controls are in place to monitor the valuations of these derivatives. Valuations are mainly derived based on the income approach.

Financial assets designated at fair value through income – Debt securities
The fair value is determined using the market approach.

Financial assets designated at fair value through income – Equity securities
For level 2, the fair value is determined using the market approach. For level 3, equity securities mainly represent unlisted equity securities measured at cost.

Available-for-sale investments

Available-for-sale investments – Debt securities
Debt securities include:

- Government and agency mortgage-backed securities (residential and commercial),
- Corporate mortgage-backed securities (residential and commercial),
- Other asset-backed securities,
- Government and government agency bonds,
- Corporate bonds, and
- Other debt securities.

The valuation techniques for these debt securities are similar. For level 2 and level 3, the fair value is determined using the market and the income approach. Primary inputs to the market approach are quoted prices for identical or comparable assets in active markets where the comparability between security and benchmark defines the fair value level. The income approach in most cases means a present value technique where either the cash flow or the discount curve is adjusted to reflect credit risk and liquidity risk. Depending on the observability of these risk parameters in the market, the security is classified in level 2 or level 3.

Available-for-sale investments – Equity securities
For level 2, the fair value is mainly determined using the market approach or net asset value techniques for funds. For certain private equity investments, the funds are priced based on transaction prices using the cost approach. As there are only few holders of these funds, the market is not liquid and transactions are only known to participants.

For level 3, the fair value is mainly determined using net asset values. The net asset values are based on the fair value measurement of the underlying investments and are mainly provided by fund managers. For certain level 3 equity securities, the invested capital is considered to be a reasonable proxy for the fair value.

Financial assets for unit-linked contracts

For level 2, the fair value is determined using the market or the income approach. For the income approach, primary observable inputs include yield curves observable at commonly quoted intervals.

For level 3, the fair value is mainly determined based on the net asset value.

Financial liabilities for unit-linked contracts are valued based on their corresponding assets.

Derivative financial instruments and firm commitments included in other assets

The fair value of the derivatives is mainly determined based on the income approach using present value techniques. Primary inputs include yield curves observable at commonly quoted intervals. The derivatives are mainly used for hedging purposes. Certain derivatives are priced by Bloomberg functions, such as Black-Scholes Option Pricing or the swap manager tool.

Financial liabilities held for trading – Derivative financial instruments

For level 2, the fair value is mainly determined using the income approach. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model. Main observable input parameters include volatilities, yield curves observable at commonly quoted intervals and credit spreads observable in the market.

For level 3, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. A significant proportion of derivative liabilities represent derivatives embedded in certain life insurance and annuity contracts. Significant non-market observable input parameters include mortality rates and surrender rates.

Financial liabilities held for trading – Other trading liabilities

The fair value is mainly determined based on the income approach using present value techniques. Primary inputs comprise swap curves, share prices and dividend estimates.

Derivative financial instruments and firm commitments included in other liabilities

For level 2, the fair value is mainly determined using the income approach. Primary inputs include interest rates and yield curves observable at commonly quoted intervals.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments are generally required to be recorded at the redemption amount with changes recognized in income. For level 2, the fair value is mainly determined based on the market approach and the income approach.

Significant transfers of financial instruments carried at fair value

In general, financial assets and liabilities are transferred from level 1 to level 2 when liquidity, trade frequency and activity are no longer indicative of an active market. Conversely, the same policy applies for transfers from level 2 to level 1.

For some listed infrastructure debt investments, market prices are available through broker quotes although the trading activity of these investments decreased to a very low level after the issuance period. To harmonize the valuation technique for the entire asset class, prices for all infrastructure debt investments are derived from discounted cash flow models including significant unobservable inputs. The review of the valuation technique led to the need to reclassify € 809 MN of available-for-sale infrastructure debt investments from level 1 or level 2 to level 3.

Significant level 3 portfolios – Narrative description and sensitivity analysis

Available-for-sale investments – Equity securities

Equity securities within available-for-sale investments classified as level 3 mainly comprise private equity fund investments as well as alternative investments of the Allianz Group and are in most cases delivered as net asset values by the fund managers (€ 5.2 BN). The net asset values are calculated using material, non-public information about the respective private equity companies. The Allianz Group has only limited insight into the specific inputs used by the fund managers and hence a narrative sensitivity analysis is not applicable. The fund's asset manager generally prices the underlying single portfolio companies in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines using discounted cash flow (income approach) or multiple methods (market approach). For certain investments, the invested capital is considered to be a reasonable proxy for the fair value. In these cases, sensitivity analyses are also not applicable.

Available-for-sale investments – Corporate bonds

Corporate bonds within available-for-sale investments classified as level 3 are mainly priced based on the income approach (€ 4.7 BN). The primary non-market observable input used in the discounted cash flow method is an option adjusted spread taken from a benchmark security. A significant yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant yield decrease could result in an increased fair value. However, a 10 % stress of the main non-market observable inputs has only an immaterial impact on fair value.

Financial liabilities held for trading

Financial liabilities held for trading mainly include embedded derivative financial instruments relating to annuity products that are priced internally using discounted cash flow models (€ 7.0 BN). A significant decrease (increase) in surrender rates, mortality rates or the utilization of annuitization benefits could result in a higher (lower) fair value. For products with a high death benefit, surrender rates may show an opposite effect. However, a 10 % stress of the main non-market observable inputs has only an immaterial impact on fair value.

Quantification of significant non-market observable inputs

The following table shows the quantitative description of valuation technique(s) and input(s) used for the level 3 portfolios described above.

QUANTITATIVE DESCRIPTION OF VALUATION TECHNIQUE(S) AND NON-MARKET OBSERVABLE INPUT(S) USED

€ MN

Description	Fair value as of 31 December 2014	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	5,168	Net asset value	n/a	n/a
Corporate bonds	4,686	Discounted cash flow method	Option adjusted spread	0 BPS – 725 BPS
Financial liabilities held for trading				
Derivative financial instruments	6,952			
Fixed-indexed annuities	5,501	Discounted cash flow method	Annuitizations	0 % – 25 %
			Surrenders	0 % – 25 %
			Mortality	0 % – 100 %
			Withdrawal benefit election	0 % – 50 %
			Volatility	n/a
Variable annuities	1,451	Discounted cash flow method	Surrenders	0.5 % – 35 %
			Mortality	0 % – 100 %

Reconciliation of level 3 financial instruments

The following tables show a reconciliation of the financial instruments carried at fair value and classified as level 3.

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS

€ MN

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL ASSETS				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	–	–	–	–
Equity securities	14	22	–	–
Derivative financial instruments	38	14	–	(188)
Subtotal	**52**	**35**	**–**	**(188)**
Financial assets designated at fair value through income				
Debt securities	1	3	–	–
Equity securities	3	110	–	–
Subtotal	**4**	**113**	**–**	**–**
Available-for-sale investments				
Corporate mortgage-backed securities (residential and commercial)	33	–	(4)	(4)
Other asset-backed securities	212	4	–	(51)
Government and government agency bonds	56	31	–	(26)
Corporate bonds	3,149	1,980	974	(445)
Other debt securities	773	137	6	(49)
Equity securities	5,722	1,020	–	(1,034)
Subtotal	**9,945**	**3,172**	**975**	**(1,609)**
Financial assets for unit-linked contracts	179	5	1	(15)
Total financial assets at fair value	**10,180**	**3,325**	**976**	**(1,811)**

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES

€ MN

	Carrying value (fair value) as of 1 January 2014	Additions through purchases and issues	Net transfers into (out of) level 3	Disposals through sales and settlements
FINANCIAL LIABILITIES				
Financial liabilities held for trading				
Derivative financial instruments	4,427	1,377	–	(516)
Financial liabilities for unit-linked contracts	179	5	1	(15)
Financial liabilities for puttable equity instruments	–	3	–	–
Total financial liabilities at fair value	**4,606**	**1,385**	**1**	**(531)**

Net gains (losses) recognized in consolidated income statement	Net gains (losses) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2014	Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date
–	–	–	–	–	–	–
(3)	–	–	–	(17)	15	–
156	–	–	2	–	22	2
153	**–**	**–**	**2**	**(17)**	**38**	**2**
1	–	–	–	14	19	–
–	–	–	–	(3)	110	–
1	**–**	**–**	**–**	**11**	**129**	**–**
3	8	–	4	–	40	–
7	30	–	16	–	218	–
–	1	–	4	(27)	39	–
35	207	(1)	515	35	6,452	–
1	(24)	(21)	7	(101)	729	–
23	569	(129)	(29)	85	6,226	–
69	**791**	**(151)**	**517**	**(7)**	**13,704**	**–**
–	(4)	–	–	–	166	–
223	**787**	**(151)**	**519**	**(12)**	**14,037**	**2**

Net losses (gains) recognized in consolidated income statement	Net losses (gains) recognized in other comprehensive income	Impairments	Foreign currency translation adjustments	Changes in the consolidated subsidiaries of the Allianz Group	Carrying value (fair value) as of 31 December 2014	Net losses (gains) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date
1,059	–	–	782	–	7,129	2,202
–	(4)	–	–	–	166	–
12	–	–	–	–	15	–
1,071	**(3)**	**–**	**782**	**–**	**7,310**	**2,202**

FAIR VALUE MEASUREMENT ON A NON-RECURRING BASIS

Certain financial assets are measured at fair value on a non-recurring basis when events or changes in circumstances indicate that the carrying amount may not be recoverable.

If financial assets are measured at fair value on a non-recurring basis at the time of impairment or if fair value less cost to sell is used as the measurement basis under IFRS 5, corresponding disclosures can be found in note 37 – Impairments of investments (net) or note 41 – Other expenses.

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

FAIR VALUE HIERARCHY AS OF 31 DECEMBER 2014 (ITEMS NOT CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total
FINANCIAL ASSETS				
Held-to-maturity investments	1,182	3,525	2	4,710
Investments in associates and joint ventures	330	18	4,472	4,820
Real estate held for investment	–	–	16,323	16,323
Loans and advances to banks and customers	494	96,339	43,403	140,238
Real estate held for own use	–	–	3,646	3,646
Total assets	**2,006**	**99,882**	**67,846**	**169,737**
FINANCIAL LIABILITIES				
Liabilities to banks and customers	7,984	1,608	14,015	23,607
Certificated liabilities	–	8,618	675	9,293
Subordinated liabilities	–	13,012	241	13,253
Total liabilities	**7,984**	**23,239**	**14,931**	**46,154**

FAIR VALUE HIERARCHY AS OF 31 DECMEBER 2013 (ITEMS NOT CARRIED AT FAIR VALUE)

€ MN	Level 1 – Quoted prices in active markets	Level 2 – Market observable inputs	Level 3 – Non-market observable inputs	Total
FINANCIAL ASSETS				
Held-to-maturity investments	981	3,664	2	4,647
Investments in associates and joint ventures	316	54	3,227	3,597
Real estate held for investment	–	–	15,625	15,625
Loans and advances to banks and customers	402	90,443	38,683	129,528
Real estate held for own use	–	–	3,626	3,626
Total assets	**1,699**	**94,161**	**61,163**	**157,023**
FINANCIAL LIABILITIES				
Liabilities to banks and customers	6,588	1,977	14,717	23,282
Certificated liabilities	–	7,863	713	8,576
Subordinated liabilities	–	12,042	281	12,323
Total liabilities	**6,588**	**21,882**	**15,711**	**44,181**

Held-to-maturity investments

For level 2, the fair value is mainly determined based on the income approach using deterministic discounted cash flow models. For level 3, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

Investments in associates and joint ventures

For level 2, fair values are mainly derived based on the market approach using market multiples derived from a set of comparables as the valuation technique. For level 3, fair values are mainly based on an income approach using a discounted cash flow method or net asset values as provided by third-party vendors.

Real estate

Fair values are mainly determined based on the income approach. In some cases, a market approach is applied using market prices of identical or comparable assets in markets which are not active. The fair values are either calculated internally and validated by external experts or derived from expert appraisals with internal controls in place to monitor these valuations.

Loans and advances to banks and customers

For loans and advances to banks and customers, quoted market prices are rarely available. Level 1 consists mainly of highly liquid advances, e.g. short-term investments. The fair value for these assets in level 2 and level 3 is mainly derived based on the income approach using deterministic discounted cash flow models.

Liabilities to banks and customers

Level 1 consists mainly of highly liquid liabilities, e.g. payables on demand. The fair value for liabilities in level 2 and level 3 is mainly derived based on the income approach using future cash flows discounted with risk-specific interest rates. Main non-market observable inputs include credit spreads. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate of the fair value.

Certificated liabilities and subordinated liabilities

For level 2, the fair value is mainly determined based on the market approach using quoted market prices and the income approach using deterministic discounted cash flow models. For level 3, fair values are mainly derived based on the income approach using deterministic cash flows with credit spreads as primary non-market observable inputs. In some cases, the carrying amount (amortized cost) is considered to be a reasonable estimate for the fair value.

RECLASSIFICATION OF FINANCIAL ASSETS

On 31 January 2009, certain USD-denominated CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39.

As of 31 December 2013, the carrying amount and fair value of the CDOs was € 166 MN and € 156 MN, respectively. As of 31 December 2014, the carrying amount and fair value of the CDOs was € 167 MN and € 169 MN, respectively. For the year ended 31 December 2014, the net profit related to the CDOs was not significant.

TRANSFERS OF FINANCIAL ASSETS

As of 31 December 2014, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There were no transfers of financial assets that were derecognized in full or partly, in which Allianz continues to control the transferred assets. Transfers of financial assets mainly relate to securities lending and repurchase agreement transactions. Transferred financial assets in repurchase agreement and securities lending transactions are mainly available-for-sale debt and equity securities for which substantially all of the risks and rewards are retained. As of 31 December 2014, the carrying amount of the assets transferred for securities lending transactions amounted to € 7,596 MN (2013: € 6,836 MN). For repurchase agreements, the carrying amount of the assets transferred amounted to € 1,119 MN (2013: € 991 MN) and the carrying amount of the associated liabilities amounted to € 1,168 MN (2013: € 1,001 MN).

ASSETS PLEDGED AND COLLATERAL

The carrying amounts of the assets pledged as collateral are displayed in the following table:

ASSETS PLEDGED AS COLLATERAL

€ MN as of 31 December	2014	2013
Collaterals without right to resell or repledge		
Financial assets carried at fair value through income	–	3
Investments	4,734	4,034
Loans and advances to banks and customers	2,877	2,941
Subtotal	**7,611**	**6,978**
Collaterals with right to resell or repledge		
Investments	2,628	2,112
Subtotal	**2,628**	**2,112**
Total	**10,239**	**9,090**

As of 31 December 2014, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 2,501 MN (2013: € 2,170 MN), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2014 and 2013, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2014, the Allianz Group received cash collateral with a carrying amount of € 15 MN (2013: € 191 MN).

45 — Interests in unconsolidated structured entities

NATURE, PURPOSE AND ROLE OF THE ALLIANZ GROUP IN STRUCTURED ENTITIES

To improve transparency and to meet requirements of regulators and other financial authorities, IFRS 12 introduced additional disclosure requirements for unconsolidated structured entities often referred to as off-balance sheet activities. Unconsolidated structured entities, particularly securitization vehicles and asset-backed financings, were identified by regulators as forming part of such activities.

Under IFRS 12 a structured entity is defined as an entity that has been designed so that voting rights or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Allianz Group engages in some business activities that involve entities that fit to the above-mentioned definition of structured entities. Primarily, the Allianz Group is involved with such entities due to its investment activities in the insurance business and due to its asset management activities. Furthermore, structured entities are used by the Allianz Group to source out certain risks to investors as part of its reinsurance business. Generally, the classification of entities as structured entities may require significant judgment.

In the following, the business activities involving unconsolidated structured entities are described.

Investments in asset backed securities (ABS) and mortgage backed securities (MBS) issued by securitization vehicles

The Allianz Group acts as investor in ABS or MBS issuing securitization vehicles which purchase pools of assets including commercial mortgage loans (CMBS), residential mortgage loans (RMBS), auto loans, credit card receivables and others. These securitization vehicles refinance the purchase of assets by issuing tranches of ABS or MBS, whose repayment is linked to the performance of the assets held by the vehicles.

Securitization vehicles invested in by the Allianz Group have been set up by third parties. Furthermore, the Allianz Group has neither transferred any assets to these vehicles nor has it provided any further credit enhancements to them.

Income derived from investments in securitization vehicles mainly includes interest income generated from ABS and MBS as well as realized gains and losses from disposals of these securities.

Within the asset management business, the Allianz Group acts as asset manager for some securitization vehicles. The assets under management of these vehicles amounted to € 2,202 MN as at 31 December 2014. Some of the affected vehicles have been set up by the Allianz Group whereas others have been set up by third parties. In this respect, the role of the Allianz Group is limited to the asset management activity. The Allianz Group has not invested in these vehicles being managed.

Income derived from the management of securitization vehicles comprises asset management fees.

Investments in investment funds

Considering the broad variety of investment funds across different jurisdictions, the classification of investment funds as structured entities based on the definition in IFRS 12 and current industry practice is judgmental. As a general rule, the relevant activities of an investment fund are dedicated to the fund manager via asset management agreements. In contrast, influence from investors on the relevant activities of unconsolidated funds is usually either precluded by legal or regulatory provisions or is not deemed to be substantial.

Investment funds are generally subject to stringent regulatory requirements from financial authorities in all jurisdictions across the world. Comprehensive regulation of funds protects fund investors and also serves to limit investment risk. These mechanisms result in a legal set-up of funds, agreed and accepted by investors and investment managers, that may lead to a classification as structured entities under IFRS 12.

With regard to investment activities, income mainly includes distributions from the funds as well as realized gains and losses from disposals.

Fund management activities

Within the asset management business, investment funds are established and managed to accommodate retail and institutional clients' requirements to hold investments in specific assets, market segments or regions. Within the insurance business, policyholder money is partly invested in investment funds, which include funds managed by Allianz Group internal asset managers as well as funds set up and managed by third parties. Investment funds managed or invested in by Allianz Group may include mutual funds, special funds and other funds.

Income derived from the management of investment funds includes asset management fees and performance based fees as far as own managed funds are concerned.

Investment funds launched by group internal asset managers can be considered to be sponsored by the Allianz Group. As a sponsor, the Allianz Group through its asset management subsidiaries is involved in the legal set-up and marketing of internally managed investment funds. This may include providing seed capital to the funds and providing administrative services to ensure the investment funds' operation. Investment funds managed by group internal asset managers can be reasonably associated with the Allianz Group. The use of the Allianz name for investment funds is another indicator that the Allianz Group has acted as a sponsor for the respective funds. Information on the management fees generated in the asset management business are disclosed in note 30 of this annual report.

Reinsurance business

The Allianz Group also uses structured entities in the reinsurance business, where hurricane and earthquake risks are sourced to external investors via the issuance of catastrophe bonds issued by bankruptcy remote structured entities. The performance of the issued bonds is linked to the occurrence or non-occurrence of specific catastrophe events. The cash received from the issued bonds is invested into low-risk structured notes. In parallel, the structured entities enter into derivative contracts with the Allianz Group under which the underlying risks are transferred from Allianz Group to the structured entities. Thus, the Allianz Group transfers exposure to variable returns into the structured entities instead of exposing itself to them. Since the Allianz Group is not exposed to the variable returns of these entities, they are not consolidated within the consolidated financial statements of the Allianz Group.

Income derived from the involvement in these structured entities is only driven by the valuation of the derivatives under which insurance risks are transferred. According to the purpose those derivatives are held to maturity. They are treated as freestanding derivatives and are thus measured at fair value through profit or loss.

NATURE OF RISKS ASSOCIATED WITH UNCONSOLIDATED STRUCTURED ENTITIES

Interests in asset backed securities (ABS) and mortgage backed securities (MBS) issued by securitization vehicles

CARRYING AMOUNTS OF ABS AND MBS INVESTMENTS BY TYPE OF CATEGORY

€ MN

as of 31 December 2014	Financial assets carried at fair value through income	Investments	Loans and advances to banks and customers	Total
U.S. agency	–	3,445	–	3,445
CMBS	–	10,347	–	10,347
RMBS	–	2,435	215	2,649
CMO/CDO	3	940	192	1,135
Auto	–	270	–	270
Credit card	–	871	–	871
Other	16	4,178	–	4,194
Total	**19**	**22,485**	**407**	**22,912**

CARRYING AMOUNTS OF ABS AND MBS INVESTMENTS BY RATING

€ MN

as of 31 December 2014	Financial assets carried at fair value through income	Investments	Loans and advances to banks and customers	Total
AAA	13	17,253	–	17,266
AA	–	2,301	112	2,413
A	1	1,917	103	2,021
BBB	–	695	–	695
Non-investment grade	3	309	164	476
Not rated	1	11	28	40
Total	**19**	**22,485**	**407**	**22,912**

The carrying amounts in the tables listed above represent the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor has it the intention to provide such support in the future.

Investments in investment funds

INVESTMENTS IN INVESTMENT FUNDS BY ASSET CLASS

€ MN

as of 31 December 2014	Financial assets carried at fair value through income	Investments	Total
Debt funds	340	5,908	6,248
Stock funds	884	3,370	4,254
Private equity funds	–	5,685	5,685
Property funds	–	1,531	1,531
Other funds	196	238	433
Total	**1,420**	**16,731**	**18,150**

Out of the total investment fund exposure, investments of € 10.0 BN (55 %) relate to listed investment funds, whereas investments of € 8.1 BN (45 %) relate to unlisted investment funds .

As of the reporting date, the Allianz Group has receivables to unconsolidated investment funds being due for asset management services amounting to € 724 MN. Furthermore, the Allianz Group has commitments to invest in private equity funds and similar financial instruments totaling € 4,388 MN as of 31 December 2014.

The carrying amounts mentioned before represent the maximum exposure to loss for the Allianz Group from these investments. In the reporting period, the Allianz Group has not provided any financial or other support to these entities, nor has it the intention to provide such support in the future.

Besides the above-mentioned investments in investment funds, the Allianz Group also holds investment funds to fund unit-linked insurance contracts. However, these holdings are held on behalf and for the benefit of unit-linked policyholders only. For that reason, these holdings are not included in the above-mentioned table. As at 31 December 2014 the volume of unit-linked assets amounted to € 94,564 MN. The maximum exposure to loss on these investments is covered by liabilities recorded for unit-linked contracts.

Reinsurance business

As of 31 December 2014, the outstanding volume of catastrophe bonds linked to hurricane and earthquake risks sponsored by the Allianz Group amounted to € 343 MN. The aggregated fair value of the derivatives between the Allianz Group and the structured entities issuing the catastrophe bonds amounted to € (4) 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 45.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in the consolidation and are not disclosed in the notes.

Business relations with joint ventures and associates are set on an arm's length basis.

47 — Litigation, guarantees and other contingencies and commitments

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 business, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable reserves.

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

The U.S. Department of Justice (DOJ) is conducting an investigation into whether certain employees of Fireman's Fund Insurance Company (FFIC), a subsidiary of Allianz SE, engaged in a violation 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. FFIC has made a proper provision for this matter.

Allianz Life Insurance Company of North America (Allianz Life) has been named as a defendant in class action lawsuits in connection with the marketing and sale of deferred annuity products. Two of those lawsuits in California, which have been certified as class actions and have been consolidated, generally allege 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 a settlement agreement in the consolidated action in the very low three-digit U.S. Dollar millions range and the settlement received approval by the court. Allianz Life has made a provision for the estimated cost of the settlement. The ultimate outcome of the other cases cannot yet be determined.

GUARANTEES AND OTHER CONTINGENCIES

Guarantees

The guarantees issued by the Allianz Group consist of financial guarantees, indemnification contracts and performance contracts.

Financial guarantees

The majority of the Allianz Group's financial guarantees are issued to customers through the normal course of banking business in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third parties is treated as a loan to the customer, and is, therefore, basically subject to the credit risk of the customer or the collateral pledged, respectively.

As of 31 December 2014, the financial guarantees amount to € 434 MN (2013: € 455 MN), € 389 MN of which are due within one year. The collateral held amounts to € 49 MN (2013: € 72 MN). Nearly all customers of the letters of credit have no external credit rating.

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.

As of 31 December 2014, the indemnification contracts amount to € 108 MN (2013: € 91 MN), which are almost entirely due after five years. No collateral was held. Nearly all customers of the indemnification contracts have an external credit rating of A.

Performance guarantees

Performance guarantees are given by the Allianz Group to ensure third-party entitlements if certain performance obligations of the guarantee recipient are not fulfilled.

As of 31 December 2014, the performance guarantees amount to € 43 MN (2013: € 169 MN), € 25 MN of which are due within one year. The collateral held amounts to € 55 MN (2013: € 36 MN).

Other contingencies

In accordance with § 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagensicherungsfonds"), Allianz SE has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur by reason of supporting measures taken in favor of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & Co. KG and Bankhaus W. Fortmann & Söhne KG.

Allianz and HT1 Funding GmbH have signed a Contingent Indemnity Agreement in July 2006, pursuant to which Allianz may, in certain circumstances, be obliged to make payments to HT1 Funding GmbH. HT1 Funding GmbH issued nominal € 1,000 MN Tier 1 Capital Securities with an annual coupon of 6.352 % (as of 30 June 2017, the coupon will be 12-month EURIBOR plus a margin of 2.0 % p.a.). The contingent payment obligation of the Allianz Group was reduced in 2012 following a reduction of the nominal amount of the Tier 1 Capital Securities from € 1,000 MN to € 416 MN. The securities have no scheduled maturity and the security holders have no right to call for their redemption. The securities may be redeemed at the option of the issuer on 30 June 2017, and thereafter. The expected impact in the foreseeable future has been recognized in other provisions, however, it is not possible for the Allianz Group to predict the ultimate potential payment obligations at this point in time.

COMMITMENTS

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. They consist of advances, standby facilities, guarantee credits, mortgage loans and public-sector loans. As of 31 December 2014, the total of loan commitments amount to € 953 MN (2013: € 868 MN) and 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, these loan commitments are not representative of actual liquidity requirements for such commitments.

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of 31 December 2014, the future minimum lease payments under non-cancelable operating leases were as follows:

FUTURE MINIMUM LEASE PAYMENTS

€ MN	2014
Due in 1 year or less	338
Due after 1 year and up to 5 years	1,116
Due after 5 years	1,156
Subtotal	**2,610**
Subleases	(53)
Total	**2,558**

For the year ended 31 December 2014, rental expenses totaled € 322 MN (2013: € 350 MN), net of sublease rental income received of € 15 MN.

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of € 3,388 MN (2013: € 2,810 MN) as well as to invest in private equity funds and similar financial instruments totaling € 4,388 MN (2013: € 2,978 MN) as of 31 December 2014. As of 31 December 2014, commitments outstanding to invest in real estate used by third parties or used by the Allianz Group for its own activities and for infrastructure investments amount to € 1,209 MN (2013: € 860 MN).

In addition, as of 31 December 2014, the Allianz Group has other purchase obligations of € 743 MN (2013: € 477 MN) mainly referring to maintenance, real estate development, sponsoring and other obligations.

Other commitments

Within the Allianz Group several entities are obliged to make contributions to an industry-specific compensation scheme. The most important ones are the following:

Pursuant to §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), a mandatory insurance guarantee scheme ("Sicherungsfonds") for life insurers is implemented in Germany. Each member of the scheme is obliged to make annual contributions to the scheme as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation ("Sicherungsfonds-Finanzierungs-Verordnung (Leben)" – SichLVFinV). As of 31 December 2014, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme pursuant to the SichLVFinV amount to annual contributions of € 10.3 MN (2013: € 9.7 MN) and an obligation for special payments of, in principle, € 157 MN (2013: € 138 MN) per year.

In accordance with §§ 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" - VAG), Allianz Private Krankenversicherungs-AG is a member of the mandatory insurance guarantee scheme (Sicherungsfonds) for German health insurers. In case the guarantee scheme has to resume responsibility for insurance contracts, it will collect special payments from its members to fulfill its tasks. Until today, no contributions have been requested by the scheme. As of 31 December 2014, the potential liabilities of Allianz Private Krankenversicherungs-AG to the insurance guarantee scheme amount to an obligation for special payments of € 51 MN (2013: € 48 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 is based on a maximum of 1 % of the sum of the net underwriting reserves with deduction of payments already provided to the insurance guarantee scheme. As of 31 December 2014, and under inclusion of the contributions to the mandatory insurance scheme mentioned above and assuming that no life insurer is exempted from payments, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor is € 1,420 MN (2013: € 1,252 MN).

According to the German Deposit Guarantee and Investor Compensation Act (EAEG – "Einlagensicherungs- und Anlegerentschädigungsgesetz") all credit institutions, investment companies and financial services institutions licensed to do business in Germany must adhere to a statutory compensation scheme. Allianz Global Investors GmbH, PIMCO Deutschland GmbH and risklab GmbH are currently members of EdW ("Entschädigungseinrichtung der Wertpapierhandelsunternehmen", Berlin). The annual contribution is determined in consideration of each member's scope of business. In addition, EdW may levy special contributions from its members, if the funds available to EdW are insufficient to satisfy all eligible claims. Special contributions are determined by reference to the preceding yearly contribution. For 2014, the yearly contributions for above-mentioned entities have been determined by notification from the EdW in the amount of € 2 MN (2013: € – MN). With respect to the insolvency of Phoenix Kapitaldienst GmbH, the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht" – BaFin) has determined that certain investor claims will be covered under the compensation scheme and special contributions have been levied. In this regard, special contributions were notified by EdW to above-mentioned entities in 2014 in the amount of € 5 MN (2013: € 2 MN). The above-mentioned entities have appealed the special contributions. For received, but not yet paid notifications, and for the estimated special contribution for 2014, adequate provisions have been accrued.

48 — Pensions and similar obligations

OVERVIEW

Retirement benefits in the Allianz Group, which are granted to employees and in Germany also to agents, are either in the form of defined benefit or defined contribution plans. For defined benefit plans, the beneficiary is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

The Allianz Group provides competitive and cost effective retirement and disability benefits using risk appropriate vehicles. The plans may vary from country to country due to the different legal, fiscal and economic environment.

Typically associated with defined benefit plans are biometric risks like longevity, disability and death as well as economic risks like interest rates, inflation and compensation increases. The Allianz Group continued to mitigate the risk impact by implementing a benefits rule as part of the standard for HR. New plans are primarily based on contributions and may include in some cases guarantees like preservation of contributions or minimum interest rate.

In the Pension Task Force the heads of Group HR, Group Accounting and Reporting, Group Treasury and Corporate Finance, Group Planning and Controlling, Group Risk and AIM met four times to provide global governance and pre-align pension-related topics prior to relevant Group Committee meetings.

Pension plans in Germany, the U.K. and Switzerland are described in more detail regarding key risks and regulatory environment, as each of them contributes more than 5 % to the Allianz Group's defined benefit obligation or its plan assets.

Germany

Germany accounts for 75.2 % of the Allianz Group's defined benefit obligation and 62.1 % of the Allianz Group's plan assets.

Most active German employees participate in a contribution-based system using different vehicles to cover the base salary both below and above the German social security ceiling. The Allianz Versorgungskasse VVaG (AVK) financed through employee contributions and the Allianz Pensionsverein e.V. (APV) financed by the employer, provide pension benefits for the base salary up to the German social security ceiling. Both plans are wholly funded. AVK and APV are legally separate administered pension funds with trustee boards being responsible for the investment of the assets and the risk management. AVK is subject to German insurance regulation.

Additionally, for salary above the German social security ceiling, the Allianz Group contributes to the Beitragsorientierter Pensionsvertrag (BPV). On retirement the accumulated capital is converted to a lifetime annuity. The Allianz Group decides each year whether and to which extent a BPV budget is provided. Independently from this decision an additional risk premium is paid to cover death and disability. The BPV was implemented as of 1 January 2005. Formerly existing plans were transferred to the BPV, taking the retained rights into account as appropriate. In the BPV generally the accruals after 2005 are wholly funded, whereas the grandfathered plan is funded to a minor extent. The assets, which are allocated to a trust (Methusalem Trust e.V.), are managed by a board of trustees.

There is also a partly funded defined benefit pension plan for agents (VertreterVersorgungsWerk, VVW), which has been closed for new entrants since 31 December 2011. A part of the pension plan serves as a replacement for the compensatory claim of agents according to German Commercial Code (§ 89b). The pension amount guaranteed is based on the individual agents' insurance portfolio, which is regularly reassessed although there is no legal obligation. VVW is close to a final salary benefit and pension increases are broadly linked to inflation.

For the AVK the annual minimum interest rate guaranteed is 1.75 % – 3.50 % depending on the date of joining the Allianz Group and for the BPV it is 2.75 %. Pension increases apart from AVK are guaranteed at least with 1 % p.a. Depending on legal requirements some pension increases are linked to inflation. In AVK the complete surplus share of the retirees is used to increase their pension.

The employee has a choice between lump sum payments and annuities in the AVK and the BPV, whereas the other vehicles provide annuities. VVW entitled agents have the option to capitalize up to one third of the pension amount as a lump sum payment.

The period in which a retirement pension can be drawn is usually between age 60 and age 67. Disability benefits are granted prior to retirement in the event of an occurrence of a qualifying disability.

In the case of death, a pension may be paid to dependents. Surviving dependents normally receive 60 % (widow/widower) and 20 % (per child) of the original employee's pension, in total not to exceed 100 %.

Additionally, the Allianz Group offers a deferred compensation program, Pensionszusage durch Entgeltumwandlung (PZE), for active employees. Within some boundaries they convert at their discretion parts of their gross income and receive in exchange a pension commitment of equal value. PZEs qualify almost as defined contribution plans with minor risk exposure.

United Kingdom

The U.K. accounts for 8.1 % of the Allianz Group's defined benefit obligation and 12.4 % of the Allianz Group's plan assets.

The U.K. operates a funded pension scheme, the Allianz Retirement and Death Benefits Fund. The trustee board is required by law to act in the best interests of members and is responsible for setting certain policies (e.g. investment and contribution policies) of the principal U.K. scheme. Contributions are made by both the employer and employees.

The fund has a defined benefit pension section and a defined contribution section. The defined contribution section was established on 1 April 2001, from which date the defined benefit section was closed to new entrants. The defined benefit section provides final salary benefits. Pension increases are broadly linked to Retail Prices Index (RPI) inflation.

From 1 July 2012, benefit changes were made to the defined benefit section. Following these benefit changes, increases to pensionable pay are capped at RPI and, in 2015, the defined benefit section will close to future accrual and all members will switch to the defined contribution section.

Switzerland

Switzerland accounts for 4.8 % of the Allianz Group's defined benefit obligation and 8.9 % of the Allianz Group's plan assets.

There are obligatory corporate pension plans in Switzerland, eligible for all employees. The plans are wholly funded through legally separate trustee-administered pension funds, with the trustee board being responsible for the investment of the assets and risk management. The plans are contribution-based and cover the risks of longevity, disability and death. Employees contribute only a small amount whereas the employer contributes for the complete risk coverage and a large part of the savings components. The interest rate is decided annually by the board of the pension funds. For the mandatory part the minimum interest rate is regulated by law and reviewed annually (1.75 % in 2014). At retirement beneficiaries can choose between a lump sum payment, an annuity or a combination of both where the part which is not granted as a lump sum is converted to a fixed annuity according to the rules of the pension fund, taking legal requirements into account.

If employees contract out of the Allianz Suisse pension plan, they have to take their vested pension capital ("Freizügigkeitsleistung") to the next employer, which implies a small liquidity risk.

DEFINED BENEFIT PLANS

Amounts recognized in the Allianz Group's consolidated balance sheet for defined benefit plans are as follows:

RECONCILIATION OF DEFINED BENEFIT PLANS ON THE BALANCE SHEET

€ MN

	2014	2013
Net amount recognized as of 1 January	**7,500**	**8,010**
Changes in the consolidated subsidiaries of the Allianz Group	(3)	6
Foreign currency translation adjustments	21	(13)
Recognized expenses	662	661
Payments	(737)	(642)
OCI recognition (before deferred taxes)	2,264	(522)
Net amount recognized as of 31 December	**9,707**	**7,500**
thereof assets	(58)	(94)
thereof liabilities	9,765	7,594

The following table sets out the changes in the defined benefit obligation, in the fair value of plan assets and in the effect of the asset ceiling for the various Allianz Group defined benefit plans:

RECONCILIATION OF DEFINED BENEFIT OBLIGATION, PLAN ASSETS AND EFFECT OF ASSET CEILING

€ MN

	2014	2013
CHANGE IN DEFINED BENEFIT OBLIGATION		
Defined benefit obligation as of 1 January	**19,110**	**19,161**
Current service costs	398	414
Interest expenses	663	619
Plan participants' contributions	107	106
Actuarial (gains)/losses due to		
Changes in demographic assumptions	6	40
Changes in financial assumptions	3,227	(554)
Experience adjustments	(111)	35
Past service costs	(4)	(7)
Foreign currency translation adjustments	197	(82)
Benefits paid	(680)	(629)
Changes in the consolidated subsidiaries of the Allianz Group	(4)	9
Divestitures	(5)	(1)
Settlement gain/(loss)	15	–
Settlement payments[1]	(152)	(1)
Defined benefit obligation as of 31 December[2]	**22,767**	**19,110**
CHANGE IN FAIR VALUE OF PLAN ASSETS		
Fair value of plan assets as of 1 January	**11,668**	**11,206**
Interest income on plan assets	411	366
Return on plan assets greater/(less) than interest income on plan assets	860	46
Employer contributions	317	364
Plan participants' contributions	107	106
Foreign currency translation adjustments	177	(70)
Benefits paid[3]	(381)	(351)
Changes in the consolidated subsidiaries of the Allianz Group	(4)	3
Divestitures	(1)	(1)
Assets distributed on settlement	(31)	(1)
Fair value of plan assets as of 31 December	**13,123**	**11,668**
CHANGE IN EFFECT OF ASSET CEILING[4]		
Effect of asset ceiling as of 1 January	**58**	**55**
Interest expenses on effect of asset ceiling	1	1
Change in effect of asset ceiling in excess of interest	2	3
Foreign currency translation adjustments	1	(1)
Effect of asset ceiling as of 31 December	**63**	**58**

1 — These include a settlement payment of € 121 MN in South Korea for a plan change into a defined contribution pension plan.
2 — As of 31 December 2014, € 8,271 MN (2013: € 6,673 MN) of the defined benefit obligation are wholly unfunded, while € 14,496 MN (2013: € 12,437 MN) are wholly or partly funded.
As for other plans where benefits are linked to variable returns on specified assets, the defined benefit obligation for a part of the Allianz Pensionsverein was determined as of 31 December 2014 by reference to the fair value of the plan assets. Without this, the defined benefit obligation would have been € 890 MN higher.
3 — In addition, the Allianz Group paid € 306 MN (2013: € 283 MN) directly to plan participants.
4 — The asset ceiling is determined by taking the reduction of future contributions into account.

As of 31 December 2014, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 13 MN (2013: € 13 MN) and € 13 MN (2013: € 13 MN), respectively.

During the years ended 31 December 2014 and 2013, the defined benefit costs related to post-retirement health benefits were not significant.

Assumptions

The assumptions for the actuarial computation of the defined benefit obligation and the recognized expense depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality tables, projected turnover depending on age and length of service and internal Allianz Group retirement projections. Although this represents the best estimate as of today, considering a further increase in life expectancy could be reasonable. The weighted average life expectancy of a currently 65-year-old plan participant is about 89.0 years for women and 86.5 years for men. An increase in life expectancy by one year would lead to an increase of the defined benefit obligation by € 605 MN.

The weighted average values of the assumptions for the Allianz Group's defined benefit plans used to determine the defined benefit obligation and the recognized expense are as follows:

ASSUMPTIONS FOR DEFINED BENEFIT PLANS

% as of 31 December	2014	2013
Discount rate	2.2	3.5
Rate of compensation increase	2.1	2.2
Rate of pension increase	1.8	2.0
Rate of medical cost trend	2.6	3.7

The recognized expense is recorded based on the assumptions of the corresponding previous year.

The discount rate assumption is the most significant risk for the defined benefit obligation. It reflects the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities. In the Eurozone, the decision for the discount rate is based on AA-rated financial and corporate bonds, provided by Allianz Investment Data Services (IDS), and a standardized cash flow profile for a mixed population. The Internal Controls Over Financial Reporting (ICOFR) certified Allianz Global Risk Parameters (GRIPS) methodology is an internal development of the Nelson-Siegel model and consistently used by Group Risk, Group Audit, AIM and PIMCO.

The range for the sensitivity calculations was derived by analyzing the average volatility over a five-year period.

An increase (or decrease) in the discount rate by 50 basis points would lead to a decrease of € 1.6 BN (or increase of € 1.9 BN) in the defined benefit obligation.

An increase of pre-retirement benefit assumptions (e.g. salary increase) of 25 basis points would have an effect of € 67 MN on the defined benefit obligation. However, the increase of post-retirement assumptions (e.g. inflation-linked increases of pension payments) of 25 basis points would affect the defined benefit obligation by € 491 MN.

A change in the medical cost trend rate by 100 basis points would have an effect of € 1 MN on the defined benefit obligation and no material effect on the defined benefit costs.

Plan Assets/Asset Liability Management (ALM)

Based on the estimated future cash flows of € 719 MN for 2015, € 716 MN for 2016, € 737 MN for 2017, € 756 MN for 2018, € 804 MN for 2019 and € 4,262 MN for 2020 – 2024, the weighted duration of the defined benefit obligation is 19.4 years. The Allianz Group uses, based on the liability profiles of the defined benefit obligation and on the regulatory funding requirements, stochastic asset liability models to optimize the asset allocation from a risk-return perspective.

Due to a well-diversified portfolio of more than 140,000 plan participants, there is no reasonable uncertainty of future cash flows expected that could have an impact on the liquidity of the Allianz Group.

The target allocation for the plan assets compares to the current asset allocation as follows:

ASSET ALLOCATION OF PLAN ASSETS

as of 31 December	Target allocation %	Real allocation %	Real allocation 2014 € MN	Real allocation 2013 € MN
Equity securities	**15.1**	**14.9**		
Quoted			1,955	1,594
Non-quoted			–	–
Debt securities	**58.2**	**52.9**		
Quoted			4,816	4,212
Non-quoted			2,125	1,927
Real estate	6.1	5.0	654	561
Annuity contracts	19.1	17.0	2,232	2,071
Other	1.5	10.2	1,341	1,303
Total	**100.0**	**100.0**	**13,123**	**11,668**

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich, which is not part of the Allianz Group.

Plan assets do not include any real estate used by the Allianz Group and include only € 5.2 MN of own transferable financial instruments.

In addition to the plan assets of € 13.1 BN, the Allianz Group has dedicated assets at Group level amounting to € 3.2 BN as of 31 December 2014, which are likewise managed according to Allianz ALM standards.

Contributions

For the year ending 31 December 2015, the Allianz Group expects to contribute € 301 MN to its defined benefit plans and to pay € 323 MN directly to participants in its defined benefit plans.

DEFINED CONTRIBUTION PLANS

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended 31 December 2014, the Allianz Group recognized expenses for defined contribution plans of € 224 MN (2013: € 213 MN). Additionally, the Allianz Group paid contributions for state pension schemes of € 344 MN (2013: € 335 MN).

49 — Share-based compensation plans

GROUP EQUITY INCENTIVE PLANS

The Group Equity Incentive plans (GEI plans) of the Allianz Group help focus senior management, in particular the Board of Management, on the long-term increase in the value of the Allianz Group. Until 2010, the GEI plans included grants of stock appreciation rights (SAR) and restricted stock units (RSU). From the 2011 grant onwards, the Allianz Equity Incentive plan (AEI plan) has replaced the GEI plans. With the AEI Plan, only restricted stock units (RSU) are granted to the plan participants.

Stock appreciation rights

The SAR granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each right granted. The excess is capped at 150% of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. SAR which were granted up to 2008 vest after two years and expire after seven years. From the 2009 grant onwards, the SAR vest after four years and also expire after seven years. Upon vesting, the SAR may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of the Allianz SE share has outperformed the Dow Jones EURO STOXX Price Index at least once for a period of five consecutive trading days; and
- the Allianz SE market price is in excess of the reference price by at least 20% on the exercise date.

In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the SAR vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SAR will be exercised automatically if the above market conditions have been attained. The SAR are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SAR at grant date is measured using a Cox-Ross-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (for the year ended 31 December 2014, the plan issued in 2008 is "out of the money"), the expected life has been estimated to equal the term to maturity of the SAR.

The SAR are accounted for as cash-settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SAR as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SAR are recognized as a compensation expense. During the year ended 31 December 2014, the Allianz Group recognized compensation expenses related to the unexercised SAR of € 7 MN (2013: € 62 MN).

As of 31 December 2014, the Allianz Group recorded a provision of € 54 MN (2013: € 86 MN) in other liabilities for the unexercised SAR.

Restricted stock units

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or to issue one Allianz SE share, or other equivalent equity instrument, for each unit granted. The RSU vest after five years. The Allianz Group will exercise the RSU on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each unit.

In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity of the RSU from the prevailing share price as of the valuation date.

The RSU are accounted for as cash-settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the vesting period. During the year ended 31 December 2014, the Allianz Group recognized a compensation expense related to the non-vested RSU of € 24 MN (2013: € 58 MN).

As of 31 December 2014, the Allianz Group recorded a provision of € 90 MN (2013: € 141 MN) in other liabilities for the non-vested RSU.

ALLIANZ EQUITY INCENTIVE PLAN

Since the 2011 grant year, the Allianz Equity Incentive plan (AEI plan) has replaced the GEI plans. The AEI plan is granted in the form of restricted stock units (RSU) and is part of a new variable compensation component for the plan beneficiaries.

The RSU granted to a plan participant obligate the Allianz Group to pay in cash the average closing price of an Allianz SE share on the last day of the vesting period and the prior nine trading days or to convert one RSU into one Allianz SE share. The payout is capped at a 200 % share price growth above the grant price.

The RSU are subject to a vesting period of four years and will be released on the last day of the vesting period. The Allianz Group can choose the settlement method for each unit.

In addition, upon the death of a plan participant, a change of control or notice for operational reasons, the RSU vest immediately and will be exercised by the company.

The RSU are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity and the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSU at grant date:

ASSUMPTIONS OF AEI PLANS

		2015[1]	2014	2013
Share price	€	148.75	120.65	110.40
Average dividend yield	%	4.8	4.5	4.6
Average interest rate	%	0.2	0.5	0.5
Expected volatility	%	19.3	20.0	20.9

1 — The RSU 2015 are deemed to have been granted to participants as part of their 2014 remuneration. Consequently, the assumptions for RSU grants delivered in March 2015 are based on best estimation.

The RSU are accounted for as cash-settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSU as a compensation expense over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2014, the Allianz Group recognized a compensation expense related to the AEI plans of € 160 MN (2013: € 132 MN).

As of 31 December 2014, the Allianz Group recorded a provision of € 399 MN (2013: € 248 MN) for these RSU in other liabilities.

SHARE-BASED COMPENSATION PLANS OF SUBSIDIARIES OF THE ALLIANZ GROUP

PIMCO LLC Class B Unit Purchase Plan

When acquiring Allianz Global Investors of America L.P. (AllianzGI L.P.) during the year ended 31 December 2000, Allianz SE caused Pacific Investment Management Company LLC (PIMCO LLC), a subsidiary of AllianzGI L.P., to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15 % priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over 3 to 5 years and are subject to repurchase by AllianzGI L.P. upon the death, disability or termination of the participant prior to vesting. Starting 1 January 2005, AllianzGI L.P. has the right to repurchase, and the participants have the right to cause AllianzGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is exercisable for the first time 6 months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based on the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash-settled plan.

Therefore, the Allianz Group accrues the fair value of the Class B equity units as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as a compensation expense. During the year ended 31 December 2014, the Allianz Group recognized a compensation expense related to the Class B equity units of € (10) MN (2013: € 15 MN). In addition, the Allianz Group recognized an expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 3 MN (2013: € 16 MN). The Allianz Group called a total of 3,254 Class B equity units during the year ended 31 December 2014. The total amount paid related to the call of the Class B equity units was € 143 MN.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of 31 December 2014, the Allianz Group recorded a liability for the Class B equity units of € 47 MN (2013: € 196 MN).

PIMCO LLC Class M-unit Plan

In 2008, Allianz Global Investors of America L.P. (AllianzGI L.P.) launched a new management share-based payment incentive plan for certain senior level executives and affiliates of PIMCO LLC. Participants in the plan are granted options to acquire a new class of equity instruments (M-units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option grant date. Upon vesting, options will be automatically exercised in a cashless transaction, but only if they are in the money. Participants may elect to defer the receipt of M-units through the M-unit Deferral Plan until termination of their service at the lastest. With the M-unit Plan, participants can directly participate in PIMCO's performance. Class M-units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-units have a right to receive a quarterly cash compensation equal to and in lieu of quarterly dividend payments.

A maximum of 250,000 M-units are authorized for issuance under the M-unit Plan.

The fair value of the underlying M-unit options was measured using the Black-Scholes option pricing model. Volatility was derived in part by considering the average historical and implied volatility of a selected group of peers. The expected life of one granted option was calculated based on 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-unit options at grant date:

ASSUMPTIONS OF CLASS M-UNIT PLAN

		2014	2013
Weighted average fair value of options granted	€	567.49	1,047.87
Assumptions:			
Expected term (years)		3.84	3.84
Expected volatility	%	24.9	31.6
Expected dividend yield	%	13.3	13.2
Risk free rate of return	%	1.1	0.7

The number and weighted average exercise price of the M-unit options outstanding and exercisable are as follows:

RECONCILIATION OF OUTSTANDING M-UNIT OPTIONS

	2014		2013	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of 1 January	**214,109**	**13,709.98**	**204,091**	**12,597.93**
Granted	48,894	19,749.44	50,600	16,959.07
Exercised	(43,321)	12,508.00	(30,412)	8,213.51
Forfeited	(44,322)	16,879.96	(10,170)	13,069.76
Outstanding as of 31 December	**175,360**	**17,212.31**	**214,109**	**13,709.98**
Exercisable as of 31 December	–	–	–	–

The aggregate intrinsic value of share options outstanding was € 65 MN and € 232 MN for the years ended 31 December 2014 and 2013, respectively.

As of 31 December 2014, the M-unit options outstanding have an exercise price of between € 11,938.35 and € 19,843.81 and a weighted average remaining contractual life of 2.77 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 on their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended 31 December 2014, the Allianz Group recorded a compensation expense of € 31 MN (2013: € 74 MN) related to these share options.

Allianz France share option plan

Allianz France, formerly AGF, awarded options on its former Holding (AGF S.A.) quoted shares to eligible AGF Group executives, managers of subsidiaries, and some employees whose performance justified grants.

During the year ended 31 December 2007, Allianz acquired all of the remaining AGF shares from non-controlling interests in the context of the Tender Offer and Squeeze-out. Under the terms of an agreement (the "Liquidity Agreement") between Allianz SE, AGF and the beneficiaries of the AGF share option plans 2003–2006 (AGF employees), Allianz has the right to purchase all AGF shares issued through the exercise of these AGF share option plans after the put period (where the beneficiaries have the right to sell to Allianz). The price payable by Allianz per AGF share is a cash consideration equal to the Allianz 20-day average share price prior to the date the right to buy or to sell is exercised, multiplied by a ratio representing the consideration proposed in the Tender Offer for each AGF share (€ 126.43) divided by the Allianz share price on 16 January 2007 (€ 155.72). This ratio is subject to adjustments in case of transactions impacting Allianz or AGF share capital or net equity. The cash settlement is based on the initial offer proposed for each AGF share during the Tender Offer. As of 31 December 2007, all shares issued under these plans were fully vested and exercisable.

Due to the change in settlement arising from the Liquidity Agreement, the Allianz Group accounts for the AGF share option plans as cash-settled plans, as all AGF employees will receive cash for their AGF shares. Therefore, the Allianz Group recognizes any change in the fair value of the unexercised plans as a compensation expense.

During the year ended 31 December 2014, the Allianz Group recognized total compensation expenses related to the modified share option plans of € (1) MN (2013: € 2 MN). As of 31 December 2014, the Allianz Group recorded a provision for these plans of € 3 MN (2013: € 8 MN).

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 19 countries to qualified employees at favorable conditions. The shares have a minimum holding period of one to five years. During the year ended 31 December 2014, the number of shares sold to employees under these plans was 510,435 (2013: 565,643). During the year ended 31 December 2014, the Allianz Group recognized the difference between the issue price charged to the subsidiaries of the Allianz Group and the discounted price of the shares purchased by employees, amounting to € 7 MN (2013: € 7 MN) as compensation expenses.

OTHER SHARE OPTION AND SHAREHOLDING PLANS

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended 31 December 2014, the total expense recorded for these plans was € 2 MN (2013: € 7 MN).

50 — Restructuring plans

As of 31 December 2014, 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 relevant initiatives.

The following table shows the changes in the provisions for restructuring plans.

PROVISIONS FOR RESTRUCTURING PLANS

€ MN	2014	2013
As of 1 January	**214**	**304**
New provisions	8	166
Additions to existing provisions	24	19
Release of provisions recognized in prior years	(28)	(53)
Utilization of provisions via payments	(75)	(104)
Utilization of provisions via transfers	(35)	(116)
Foreign currency translation adjustments	2	(2)
As of 31 December	**109**	**214**

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized prior to when they qualify to be recognized under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already "locked in", are transferred to the provision type that would have been used if a restructuring initiative was not in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave the Allianz Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement, the respective part of the restructuring provision is transferred to employee-related provisions. In addition, provisions for vacant office spaces that result from restructuring initiatives are transferred to "other" provisions after the offices have been completely vacated.

ALLIANZ BANK'S RESTRUCTURING PLAN

Allianz Bank did not grow as profitably as expected in a highly competitive retail banking environment. As a result of this, Allianz Bank was closed on 30 June 2013. The closure of operations was executed swiftly. Mutual agreements were found with almost all employees affected by the restructuring. About 400 employees left the Group.

In 2014, a release of restructuring provisions for the closure of Allianz Bank of € 6 MN was recorded. As of 31 December 2014, the restructuring provision amounted to € 4 MN.

OLDENBURGISCHE LANDESBANK'S RESTRUCTURING PLAN

A change in customer demand concerning distribution channels of retail banking and a rise of regulatory costs for banking business led to a restructuring program being launched in the third quarter of 2014 in order to implement a more efficient consultancy and service structure.

For this program, restructuring charges of € 4 MN were recorded in 2014. As of 31 December 2014, restructuring provisions amounted to € 4 MN.

ALLIANZ ITALY'S RESTRUCTURING PLAN

In December 2014, Allianz Italy extended the restructuring plan that was initiated in the fourth quarter of 2013. Allianz Italy aims to adapt its business model and significantly streamline its processes. A unified platform for all agencies including a digital agency will be implemented. The program will result in a reduction of complexity and higher automation of processes, in particular for underwriting activities, especially after the acquisition of the former book of business and agency network from UnipolSai Assicurazioni S.p.A. By implementing voluntary early retirement plans, headcount will be reduced by an additional 180 employees.

During the year ended 31 December 2014, restructuring charges of € 20 MN were recorded. As of 31 December 2014, Allianz Italy recorded restructuring provisions of € 40 MN related to this plan.

ALLIANZ BENELUX' RESTRUCTURING PLAN

Following the integration of Allianz Belgium and Allianz Nederland into a regional structure (Benelux), Allianz Benelux initiated a restructuring program in December 2013 to improve profitability and cost competitiveness. An organizational restructuring plan is being executed in order to eliminate redundancies between countries and improve efficiency. The program will result in a net reduction of headcount by about 100 full-time equivalents (FTE). In addition, the program resulted in the write-off of certain assets.

During the year ended 31 December 2014, restructuring charges of € 1 MN were recorded. As of 31 December 2014, restructuring provisions for this program amounted to € 12 MN.

ALLIANZ GERMANY GROUP'S RESTRUCTURING PLAN

The Allianz Germany Group launched the restructuring program "Zukunftsprogramm Sachversicherung" in order to generate further growth impulses. The program is expected to be completed with the objective of cost savings, improved claims management and higher growth of revenue, thereby increasing the competitiveness and profitability of Allianz Germany's future property and casualty business.

In 2012, the project "Optimierung Stäbe" was implemented as part of the restructuring program "Zukunftsprogramm Sachversicherung" in order to reduce personnel and operating expenses by increasing efficiency in the Allianz Germany Group's head office. From the original objective of reducing approximately 380 FTE, approximately 9 FTE remain as of 31 December 2014.

In addition, clearly defined activities in the area of operational functions have been transferred to newly founded service companies with their own employees. From originally approximately 200 FTE affected by the program, a reduction of 40 FTE remains as of 31 December 2014.

During the year ended 31 December 2014, restructuring charges of € 1 MN were recorded. As of 31 December 2014, the Allianz Germany Group recorded restructuring provisions of € 8 MN related to this program.

EFFECT OF THE REVERSAL OF DISCOUNTING

For the year ended 31 December 2014, there was no effect of the reversal of discounting arising from the passage of time (2013: € 4 MN).

51 — Earnings per share

BASIC EARNINGS PER SHARE

Basic earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period.

BASIC EARNINGS PER SHARE

€ MN	2014	2013
Net income attributable to shareholders used to calculate basic earnings per share	6,221	5,996
Weighted average number of common shares outstanding	453,841,370	453,297,832
Basic earnings per share (€)	**13.71**	**13.23**

DILUTED EARNINGS PER SHARE

Diluted earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. These effects arise from various share-based compensation plans of the Allianz Group.

DILUTED EARNINGS PER SHARE

€ MN	2014	2013
Net income attributable to shareholders	6,221	5,996
Effect of potentially dilutive common shares	(24)	(76)
Net income used to calculate diluted earnings per share	**6,197**	**5,920**
Weighted average number of common shares outstanding	453,841,370	453,297,832
Potentially dilutive common shares resulting from assumed conversion of:		
Share-based compensation plans	425,532	189,395
Weighted average number of common shares outstanding after assumed conversion	**454,266,902**	**453,487,227**
Diluted earnings per share (€)	**13.64**	**13.05**

For the year ended 31 December 2014, the weighted average number of common shares excludes 2,738,082 (2013: 2,753,127) treasury shares.

52 — Other information

NUMBER OF EMPLOYEES

NUMBER OF EMPLOYEES

as of 31 December	2014	2013
Germany	40,692	40,537
Rest of Europe	70,346	71,927
Asia Pacific & Africa	21,366	20,157
America	15,021	15,006
Total	**147,425**	**147,627**

The average total number of employees for the year ended 31 December 2014 was 147,444.

PERSONNEL EXPENSES

PERSONNEL EXPENSES

€ MN	2014	2013
Salaries and wages	9,037	9,105
Social security contributions and employee assistance	1,293	1,304
Expenses for pensions and other post-retirement benefits	1,186	1,107
Total	**11,515**	**11,516**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 11 December 2014, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which was made permanently available to the shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2014 and was made available to the shareholders on a permanent basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) serves as the external auditing firm for the Allianz Group.

Fees billed by KPMG AG and KPMG International (KPMG) are disclosed in four categories. Effective 1 October 2014, the operational structure of KPMG changed. KPMG AG was part of KPMG Europe LLP, which was dissolved. Therefore, as of 31 December 2014, KPMG AG no longer has "affiliated entities". To reflect the change, previous year figures have been adjusted accordingly.

KPMG FEES

€ MN	KPMG worldwide		thereof: KPMG AG	
	2014	2013	2014	2013
Audit fees	38.1	36.3	9.9	9.7
Audit-related fees	7.9	8.3	6.5	6.6
Tax fees	2.8	4.8	1.2	3.0
All other fees	6.0	8.1	2.9	7.0
Total	**54.8**	**57.5**	**20.5**	**26.2**

Audit fees

KPMG billed the Allianz Group an aggregate of € 38.1 MN (2013: € 36.3 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 € 7.9 MN (2013: € 8.3 MN) for assurance and 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 € 2.8 MN (2013: € 4.8 MN) and resulted primarily from tax advice.

All other fees

KPMG invoiced the Allianz Group an aggregate of € 6.0 MN (2013: € 8.1 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 is assigned in more than 73 % of all audit-related tasks. Auditing firms other than KPMG billed the Allianz Group an aggregate of € 16.4 MN (2013: € 15.0 MN).

REMUNERATION FOR THE BOARD OF MANAGEMENT

As of 31 December 2014, the Board of Management is comprised of 11 members. The following values reflect the full Board of Management active in the respective year.

The sum of the total remuneration of the Allianz SE Board of Management for 2014, excluding the notional accruals of the MTB 2013 – 15 and excluding the pension service cost, amounts to € 30 MN (2013: € 31 MN).

The equity-related remuneration is comprised in 2014 of 88,880[1] (2013: 106,559[2]) Restricted Stock Units (RSU).

RSU with a total fair value of € 10.6 MN (2013: € 11.0 MN) were granted to the Board of Management for the year ended 31 December 2014.

In 2014, remuneration and other benefits totaling € 6 MN (2013: € 9 MN) were paid to former members of the Board of Management and dependents, reserves for current pension obligations and accrued pension rights totaled € 102 MN (2013: € 100 MN).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2.0 MN (2013: € 2.0 MN).

Board of Management and Supervisory Board compensation by individual is included in the Remuneration Report. The information provided there is considered part of these consolidated financial statements.

1 — The relevant share price used to determine the final number of RSUs granted is only available after sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate.

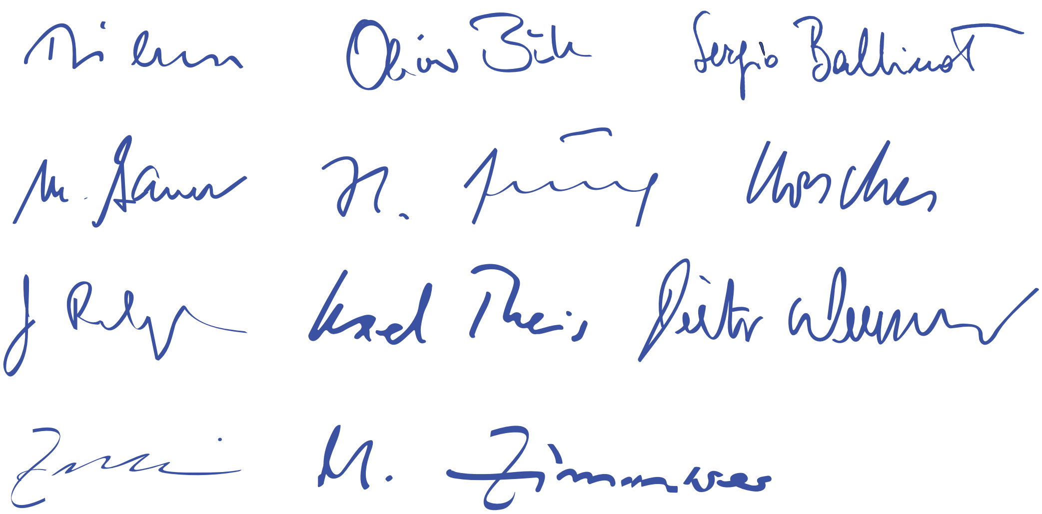
2 — The disclosure in the Annual Report 2013 was based on a best estimate of the RSU grants. The figure shown here for 2013 now includes the actual fair value as of the grant date (13 March 2014). The value therefore differs from the amount disclosed last year.

53 — Subsequent events

The Allianz Group was not subject to any subsequent events that significantly impacted the Group financial results after the balance sheet date and before the financial statements were authorized for issue.

Munich, 24 February 2015

Allianz SE
The Board of Management



List of participations of the Allianz Group as of 31 December 2014 according to § 313 (2) HGB

	% OWNED [1]
GERMANY	
Consolidated affiliates	
ACP GmbH & Co. Beteiligungen KG, Munich	0.0 [2]
ACP GmbH & Co. Beteiligungen KG II, Munich	0.0 [2]
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4a, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4c, Munich	100.0
ACP Vermögensverwaltung GmbH & Co. KG Nr. 4d, Munich	100.0
ACP Vermögensverwaltung GmbH Nr. 4 d. 1, Munich	99.3
ADEUS Aktienregister-Service-GmbH, Frankfurt am Main	79.6
AGA Service Deutschland GmbH, Aschheim	100.0
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	94.8
Allianz AADB Fonds, Frankfurt am Main	100.0 [3]
Allianz ABS Fonds, Frankfurt am Main	100.0 [3]
Allianz AKR Fonds, Frankfurt am Main	100.0 [3]
Allianz ALD Fonds, Frankfurt am Main	100.0 [3]
Allianz ALIK Fonds, Frankfurt am Main	100.0 [3]
Allianz APAV Fonds, Frankfurt am Main	100.0 [3]
Allianz APKR Fonds, Frankfurt am Main	100.0 [3]
Allianz Asset Management AG, Munich	100.0
Allianz Automotive Services GmbH, Unterföhring	100.0
Allianz AVM-B Fonds, Frankfurt am Main	100.0 [3]
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0 [5]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deutschland AG, Munich	100.0
Allianz Digital Accelerator GmbH, Munich	100.0
Allianz DLVR Fonds, Frankfurt am Main	100.0 [3]
Allianz EEE Fonds, Frankfurt am Main	100.0 [3]
Allianz Esa cargo & logistics GmbH, Bad Friedrichshall	100.0
Allianz Esa EuroShip GmbH, Bad Friedrichshall	51.0
Allianz FAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Finanzbeteiligungs GmbH, Munich	100.0
Allianz Global Corporate & Specialty SE, Munich	100.0
Allianz Global Investors GmbH, Frankfurt am Main	100.0
Allianz GLR Fonds, Frankfurt am Main	100.0 [3]
Allianz GLRS Fonds, Frankfurt am Main	100.0 [3]
Allianz GLU Fonds, Frankfurt am Main	100.0 [3]
Allianz GRGB Fonds, Frankfurt am Main	100.0 [3]
Allianz Handwerker Services GmbH, Aschheim	95.0
Allianz Investment Management SE, Munich	100.0 [5]
Allianz LAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Leben Private Equity Fonds 1998 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2001 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds 2008 GmbH, Munich	100.0
Allianz Leben Private Equity Fonds Plus GmbH, Munich	100.0
Allianz LEBENCO Fonds, Frankfurt am Main	100.0 [3]
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0 [3]
Allianz Managed Operations & Services SE, Munich	100.0
Allianz of Asia-Pacific and Africa GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz Private Equity GmbH, Munich	100.0
Allianz Private Equity Partners Verwaltungs GmbH, Munich	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	100.0
Allianz ProzessFinanz GmbH, Munich	100.0
Allianz PV 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz PV WS Fonds, Frankfurt am Main	100.0 [3]
Allianz PV-RD Fonds, Frankfurt am Main	100.0 [3]
Allianz Re Asia, Frankfurt am Main	100.0 [3]
Allianz Real Estate Germany GmbH, Stuttgart	100.0
Allianz Real Estate GmbH, Munich	100.0
Allianz Rechtsschutz-Service GmbH, Munich	100.0
Allianz Renewable Energy Management GmbH, Sehestedt	100.0
Allianz Renewable Energy Subholding GmbH & Co. KG, Sehestedt	100.0
Allianz RFG Fonds, Frankfurt am Main	100.0 [3]
Allianz Risk Consulting GmbH, Munich	100.0
Allianz SDR Fonds, Frankfurt am Main	100.0 [3]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0 [3]
Allianz Taunusanlage GbR, Stuttgart	99.5
Allianz Treuhand GmbH, Stuttgart	100.0
Allianz UGD 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VAE Fonds, Frankfurt am Main	100.0 [3]
Allianz Venture Partners Beteiligungs GmbH, Munich	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	100.0
Allianz VGI 1 Fonds, Frankfurt am Main	100.0 [3]
Allianz VGL Fonds, Frankfurt am Main	100.0 [3]
Allianz VKA Fonds, Frankfurt am Main	100.0 [3]
Allianz VKRD Fonds, Frankfurt am Main	100.0 [3]
Allianz VSR Fonds, Frankfurt am Main	100.0 [3]
Allianz VW AV Fonds, Frankfurt am Main	100.0 [3]
AllianzGI-Fonds APF Renten, Frankfurt am Main	43.7 [2,4]
AllSecur Deutschland AG, Munich	100.0
APKV Private Equity Fonds GmbH, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AUG. PRIEN Immobilien PE Verwaltung Brahms-Quartier GmbH, Stuttgart	94.9
Auros GmbH, Munich	100.0
Auros II GmbH, Munich	100.0
AZ-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 14 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 41 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 44 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 50 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 51 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 57 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 58 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 61 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 64 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 67 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 68 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 69 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-GARI Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZL AI Nr. 1 GmbH, Munich	100.0
AZL PE Nr. 1 GmbH, Munich	100.0
AZRE AZD P & C Master Fund, Munich	100.0 [3]
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Private Equity Fonds 2 GmbH, Munich	100.0
AZ-SGD Private Equity Fonds GmbH, Munich	100.0
AZT Automotive GmbH, Ismaning	100.0
BCA Betriebs-Catering GmbH Verpflegungsdienste, Sulzbach	100.0
Brahms Beteiligungs GmbH & Co. KG, Stuttgart	94.9
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	95.0
Bürgel Wirtschaftsinformationen GmbH & Co. KG, Hamburg	50.1
Bürgel Wirtschaftsinformationen Verwaltungs-GmbH, Hamburg	50.4
dbi-Fonds Ammerland, Frankfurt am Main	100.0 [3]
dbi-Fonds DAV, Frankfurt am Main	100.0 [3]
dbi-Fonds WE, Frankfurt am Main	100.0 [3]
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	100.0
Donator Beratungs GmbH, Munich	100.0
Donator Beteiligungsverwaltung GmbH, Munich	100.0
Euler Hermes Aktiengesellschaft, Hamburg	100.0
Euler Hermes Collections GmbH, Potsdam	100.0
Euler Hermes Rating Deutschland GmbH, Hamburg	100.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
InnoSolutas GmbH, Bad Friedrichshall	100.0
KVM ServicePlus - Kunden- und Vertriebsmanagement GmbH, Halle (Saale)	100.0
Mondial Kundenservice GmbH, Nuremberg	100.0
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	100.0
Münsterländische Bank Thie & Co. KG, Münster	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
Objekt Burchardplatz GmbH & Co. KG, Stuttgart	100.0
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2
PIMCO Deutschland GmbH, Munich	100.0 [5]
REC Frankfurt Objekt GmbH & Co. KG, Hamburg	80.0
REC Frankfurt zweite Objektverwaltungsgesellschaft mbH, Hamburg	60.0
RehaCare GmbH, Munich	100.0
risklab GmbH, Munich	100.0
Roland Holding GmbH, Munich	74.2
Selecta Deutschland GmbH, Sulzbach	100.0
Selecta Holding GmbH, Sulzbach	100.0
Signa 12 Verwaltungs GmbH, Düsseldorf	94.9
Spherion Beteiligungs GmbH & Co. KG, Stuttgart	94.9
Spherion Objekt GmbH & Co. KG, Stuttgart	100.0
UfS Beteiligungs-GmbH, Munich	100.0
VLS Versicherungslogistik GmbH, Berlin	100.0
Volkswagen Autoversicherung AG, Braunschweig	100.0
Volkswagen Autoversicherung Holding GmbH, Braunschweig	49.0 [2]
W. Fortmann & Söhne KG, Oldenburg	100.0
Windpark Aller-Leine-Tal GmbH & Co. KG, Sehestedt	100.0
Windpark Berge-Kleeste GmbH & Co. KG, Sehestedt	100.0
Windpark Büttel GmbH & Co. KG, Sehestedt	100.0
Windpark Calau GmbH & Co. KG, Sehestedt	100.0
Windpark Cottbuser See GmbH & Co. KG, Sehestedt	100.0
Windpark Dahme GmbH & Co. KG, Sehestedt	100.0
Windpark Eckolstädt GmbH & Co. KG, Sehestedt	100.0
Windpark Emmendorf GmbH & Co. KG, Sehestedt	100.0
Windpark Freyenstein-Halenbeck GmbH & Co. KG, Sehestedt	100.0
Windpark Kesfeld-Heckhuscheid GmbH & Co. KG, Sehestedt	100.0
Windpark Kirf GmbH & Co. KG, Sehestedt	100.0

	% owned[1]
Windpark Kittlitz GmbH & Co. KG, Sehestedt	100.0
Windpark Pröttlin GmbH & Co. KG, Sehestedt	100.0
Windpark Quitzow GmbH & Co. KG, Sehestedt	100.0
Windpark Redekin-Genthin GmbH & Co. KG, Sehestedt	100.0
Windpark Schönwalde GmbH & Co. KG, Sehestedt	100.0
Windpark Waltersdorf GmbH & Co. KG Renditefonds, Sehestedt	100.0
Windpark Werder Zinndorf GmbH & Co. KG, Sehestedt	100.0
Non-consolidated affiliates	
AERS Consortio Aktiengesellschaft, Stuttgart	55.3
Allianz Global Benefits GmbH, Stuttgart	100.0
Allianz Objektbeteiligungs-GmbH, Stuttgart	100.0
Allianz Pension Consult GmbH, Stuttgart	100.0
AZ Beteiligungs-Management GmbH, Munich	100.0
AZ-Argos 56 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Bürgel Beteiligungs GmbH, Hamburg	100.0
Elbe Forderungsmanagement GmbH, Hamburg	100.0
EURO-PRO Gesellschaft für Data Processing mbH, Grävenwiesbach	75.2
Grundstücksgesellschaft der Vereinten Versicherungen mbH, Munich	100.0
IDS GmbH - Analysis and Reporting Services, Munich	100.0
Infrastruktur Putlitz Ost GmbH & Co. KG, Husum	70.8
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
manroland AG, Offenbach am Main	100.0[6,9]
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0[9]
META Finanz-Informationssysteme GmbH, Munich	100.0
OLB-Immobiliendienst-GmbH, Oldenburg	100.0
OLB-Service GmbH, Oldenburg	100.0
Supercheck GmbH, Cologne	100.0
Joint ventures	
BEG Weser-Ems Baugrund- und Erschließungsgesellschaft mbH & Co. OHG, Oldenburg	50.0
Dealis Fund Operations GmbH, Frankfurt am Main	50.1[7]
Associates	
AV Packaging GmbH, Munich	51.0[8]
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
Kapitalbeteiligungsgesellschaft der Deutschen Versicherungswirtschaft Aktiengesellschaft, Berlin	39.4
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0
Reisegarant GmbH, Hamburg	24.0
Umspannwerk Putlitz GmbH & Co. KG, Frankfurt am Main	25.4
Other participations between 5 and 20% of voting rights	
EXTREMUS Versicherungs-Aktiengesellschaft, Cologne	16.0
FC Bayern München AG, Munich	8.3
MLP AG, Wiesloch	8.9
Protektor Lebensversicherungs-AG, Berlin	10.0
Sana Kliniken AG, Ismaning	13.9
FOREIGN ENTITIES	
Consolidated affiliates	
490 Fulton JV LP, New York, NY	96.5
490 Fulton REIT LP, New York, NY	100.0
490 Lower Unit GP LLC, New York, NY	100.0
490 Lower Unit LP, New York, NY	100.0
A.V.I.P. Assurance Vie de Prévoyance SA, Courbevoie	100.0
AB Servicios Selecta Espana S.L., Madrid	100.0
ACMAR SA, Casablanca	55.0
Administradora de Inversión Colseguros S.A., Bogotá D.C.	100.0

	% owned[1]
Advanz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0[3]
Aero-Fonte S.r.l., Catania	100.0
AGA Alarmcentrale NL B.V., Amsterdam	100.0
AGA Assistance (India) Private Limited, Gurgaon	100.0
AGA Assistance Australia Pty Ltd., Toowong	100.0
AGA Assistance Beijing Services Co. Ltd., Beijing	100.0
AGA Assistance Japan Co. Ltd., Tokyo	80.1
AGA Inc., Richmond, VA	100.0
AGA Insurance Broker (Thailand) Co. Ltd., Bangkok	100.0
AGA Service Company Corp., Richmond, VA	100.0
AGA Service Italia S.c.a.r.l., Milan	100.0
AGA Services (India) Private Limited, Gurgaon	100.0
AGA Services (Thailand) Co. Ltd., Bangkok	97.6
AGA Servis Hizmetleri A.S., Istanbul	97.0
AGA Sigorta Aracilik Hizmetleri LS, Istanbul	100.0
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Resseguros Brasil S.A., Rio de Janeiro	100.0
AGF Benelux S.A., Luxembourg	100.0
AGF FCR, Paris	100.0[4]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Insurance Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AGR Services Pte Ltd., Singapore	100.0
AIM Equity EMU 1, Paris	100.0[3]
AIM Equity US, Paris	100.0[3]
AIM Singapore Pte Ltd., Singapore	100.0
AIM Underwriting Limited, Toronto, ON	100.0
Allegiance Marketing Group LLC, North Palm Beach, FL	100.0
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	78.0[4]
Allianz Actions Aéquitas, Paris	70.1[4]
Allianz Actions Emergentes, Paris	94.3[4]
Allianz Actions Euro, Paris	84.3[4]
Allianz Actions Euro Convictions, Paris	92.1[4]
Allianz Actions Euro MidCap, Paris	61.3[4]
Allianz Actions France, Paris	73.1[4]
Allianz Actions Indice Japon (couvert), Paris	57.1[4]
Allianz Actions Indice US (couvert), Paris	98.4[4]
Allianz Actions Internationales, Paris	99.2[4]
Allianz Actions Japon, Paris	55.2[4]
Allianz Actions US, Paris	81.7[4]
Allianz Africa S.A., Paris	100.0
Allianz Air France IFC, Paris	100.0[4]
Allianz Alapkezelő Zrt., Budapest	100.0
Allianz America Holding B.V., Amsterdam	100.0
Allianz Amerika Aandelen Fonds, Rotterdam	83.0[4]
Allianz Annuity Company of Missouri, Clayton, MO	100.0
Allianz Argentina Compañía de Seguros Generales S.A., Buenos Aires	100.0
Allianz Argentina RE S.A., Buenos Aires	100.0
Allianz Asac Actions, Paris	100.0[3]
Allianz Asset Management of America Holdings Inc., Dover, DE	100.0
Allianz Asset Management of America L.P., Dover, DE	100.0
Allianz Asset Management of America LLC, Dover, DE	100.0
Allianz Asset Management U.S. Holding II LLC, Dover, DE	100.0
Allianz Australia Advantage Ltd., Sydney	100.0
Allianz Australia Employee Share Plan Pty Ltd., Sydney	100.0
Allianz Australia Insurance Limited, Sydney	100.0
Allianz Australia Life Insurance Limited, Sydney	100.0
Allianz Australia Limited, Sydney	100.0
Allianz Australia Partnership Services Limited, Sydney	100.0
Allianz Australia Services Pty Limited, Sydney	100.0
Allianz Australia Workers Compensation (NSW) Limited, Sydney	100.0
Allianz Australia Workers Compensation (Victoria) Limited, Melbourne	100.0
Allianz Australian Claims Services Limited, Sydney	100.0
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6

	% owned[1]
Allianz Bank Bulgaria AD, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Banque S.A., Courbevoie	100.0
Allianz Benelux N.V., Brussels	100.0
Allianz Bénin Assurances SA, Cotonou	83.5
Allianz Bonds Diversified Euro, Paris	100.0[3]
Allianz Bonds Euro High Yield, Paris	100.0[3]
Allianz Bulgaria Holding AD, Sofia	66.2
Allianz Burkina Assurances SA, Ouagadougou	60.3
Allianz Burkina Assurances Vie SA, Ouagadougou	71.8
Allianz Business Services Limited, Lancaster	100.0
Allianz business services s.r.o., Bratislava	100.0
Allianz Cameroun Assurances SA, Douala	75.4
Allianz Cameroun Assurances Vie SA, Douala	75.8
Allianz Cap ISR 2016, Paris	99.9[4]
Allianz Capital Partners of America Inc., New York, NY	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris	100.0
Allianz Centrafrique Assurances SA, Bangui	88.3
Allianz Chicago Private Reit LP, Wilmington, DE	100.0
Allianz China General Insurance Company Ltd., Guangzhou	100.0
Allianz China Life Insurance Co. Ltd., Shanghai	51.0
Allianz Citizen Care SRI, Paris	76.0[4]
Allianz Clearing S.N.C., Paris	100.0
Allianz Colombia S.A., Bogotá D.C.	100.0
Allianz Combinatie Fonds, Rotterdam	93.9[4]
Allianz Compagnia Italiana Finanziamenti S.p.A., Milan	100.0
Allianz Compañía de Seguros y Reaseguros S.A., Barcelona	99.9
Allianz Congo Assurances SA, Brazzaville	100.0
Allianz Cornhill Information Services Private Ltd., Trivandrum	100.0
Allianz Côte d'Ivoire Assurances SA, Abidjan	74.1
Allianz Côte d'Ivoire Assurances Vie SA, Abidjan	71.0
Allianz Creactions 1, Paris	100.0[3]
Allianz Creactions 2, Paris	100.0[3]
Allianz Defensief Mix Fonds, Rotterdam	100.0[4]
Allianz Discovery Asia Strategy, Senningerberg	47.0[2,4]
Allianz do Brasil Participações Ltda., São Paulo	100.0
Allianz Duurzaam Wereld Aandelen Fonds, Rotterdam	55.1[4]
Allianz Dynamic Asia High Yield, Senningerberg	44.8[2,4]
Allianz Dynamic Global Bond, George Town	98.2[4]
Allianz EDUKACJA S.A., Białobrzegi	100.0
Allianz Efficio, Paris	99.9[4]
Allianz Efficio Plus, Paris	100.0[4]
Allianz Egypt for Financial Investments Company S.A.E., New Cairo	100.0
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	100.0
Allianz Emerging Markets Flexible Bond, Senningerberg	100.0[4]
Allianz Emerging Markets Local Currency Bond, Senningerberg	100.0[4]
Allianz Engineering Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0[3]
Allianz Equity Investments Ltd., Guildford	100.0
Allianz Equity Large Cap EMU, Paris	100.0[3]
Allianz EURECO Equity, Paris	97.1[4]
Allianz Euro Bond Plus, Paris	58.8[4]
Allianz Euro Credit SRI, Paris	41.9[2,4]
Allianz Euro Inflation-linked Bond, Senningerberg	90.4[4]
Allianz Euro Oblig 1-3 Plus, Paris	58.2[4]
Allianz Euro Obligations Crédit ISR, Paris	89.0[4]
Allianz Euro Tactique, Paris	40.0[2,4]
Allianz Euroland Equity SRI, Senningerberg	84.3[4]
Allianz Europa Aandelen Fonds, Rotterdam	75.4[4]
Allianz Europa Obligatie Fonds, Rotterdam	87.3[4]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Ltd., Amsterdam	100.0

	% OWNED [1]
Allianz Finance Corporation, Novato, CA	100.0
Allianz Finance II B.V., Amsterdam	100.0
Allianz Finance II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance III B.V., Amsterdam	100.0
Allianz Finance IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Finance Obligations Monde, Paris	95.4 [4]
Allianz Finance Pty Ltd., Sydney	100.0
Allianz Finance VII Luxembourg S.A., Luxembourg	100.0
Allianz Finance VIII Luxembourg S.A., Luxembourg	100.0
Allianz FinanzPlan 2055, Senningerberg	83.0 [4]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Foncier, Paris	60.3 [4]
Allianz Formuléo ISR, Paris	99.8 [4]
Allianz France Favart I, Paris	100.0 [3]
Allianz France Investissement OPCI, Paris	100.0
Allianz France Real Estate Invest SPPICAV, Paris	100.0
Allianz France Richelieu 1 S.A.S., Paris	100.0
Allianz France S.A., Paris	100.0
Allianz Fund Investments Inc., Wilmington, DE	100.0
Allianz Fund Investments S.A., Luxembourg	100.0
Allianz Garantie Fonds 3%, Rotterdam	100.0 [4]
Allianz Garantie Fonds 4.75%, Rotterdam	99.5 [4]
Allianz Garantiefonds 3.35%, Rotterdam	100.0 [4]
Allianz Garantiefonds 5%, Rotterdam	100.0 [4]
Allianz Geldmarkt Fonds, Rotterdam	62.8 [4]
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
Allianz generalni sluzby s.r.o., Prague	100.0
Allianz Global Assistance International SA, Paris	100.0
Allianz Global Assistance New Zealand Limited, Auckland	100.0
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro	100.0
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0
Allianz Global Equity Selection, Senningerberg	100.0 [4]
Allianz Global Investors Distributors LLC, Dover, DE	100.0
Allianz Global Investors Fund Management LLC, Dover, DE	100.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	100.0
Allianz Global Investors Ireland Ltd., Dublin	100.0
Allianz Global Investors Japan Co. Ltd., Tokyo	100.0
Allianz Global Investors Korea Limited, Seoul	100.0
Allianz Global Investors Nominee Services Ltd., George Town	100.0
Allianz Global Investors Schweiz AG, Zurich	100.0
Allianz Global Investors Singapore Ltd., Singapore	100.0
Allianz Global Investors Taiwan Ltd., Taipei	100.0
Allianz Global Investors U.S. Holdings LLC, Dover, DE	100.0
Allianz Global Investors U.S. LLC, Dover, DE	100.0
Allianz Global Life Ltd., Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0
Allianz Grenelle SAS, Paris	100.0
Allianz Groen Rente Fonds, Rotterdam	100.0 [4]
Allianz Hayat ve Emeklilik A.S., Istanbul	89.0
Allianz Hellas Insurance Company S.A., Athens	100.0
Allianz Hold Co Real Estate S.à r.l., Luxembourg	100.0
Allianz Holding eins GmbH, Vienna	100.0
Allianz Holding France SAS, Paris	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hospitaliers Euro, Paris	100.0 [3]
Allianz Hospitaliers Monde, Paris	100.0 [3]
Allianz Hospitaliers Valeurs Durables, Paris	100.0 [3]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz IARD S.A., Paris	100.0
Allianz IARD Vintage, Paris	100.0 [3]
Allianz Immo, Paris	50.5 [4]
Allianz Indiceo 2015, Paris	100.0 [4]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0

	% OWNED [1]
Allianz Informatique G.I.E., Paris	100.0
Allianz Informatyka Sp. z o.o., Warsaw	100.0
Allianz Infrastructure Czech HoldCo I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Czech HoldCo II S.à r.l., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco I S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg Holdco II S.A., Luxembourg	100.0
Allianz Infrastructure Luxembourg I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	100.0
Allianz Insurance Company Ghana Limited, Accra	100.0
Allianz Insurance Company Lanka Limited, Saram	100.0
Allianz Insurance Company-Egypt S.A.E., Cairo	89.0
Allianz Insurance plc, Guildford	100.0
Allianz International Equity Growth, Senningerberg	79.0 [4]
Allianz International Ltd., Guildford	100.0
Allianz Inversiones S.A., Bogotá D.C.	100.0
Allianz Invest 10 Division S/U, Vienna	100.0 [3]
Allianz Invest 11 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 12 Division Leben/Kranken, Vienna	100.0 [3]
Allianz Invest 50, Vienna	100.0 [4]
Allianz Invest Alternativ, Vienna	100.0 [4]
Allianz Invest d.o.o., Zagreb	100.0
Allianz Invest Kapitalanlage GmbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	95.6 [4]
Allianz Invest Spezial 3, Vienna	100.0 [3]
Allianz Investment Management LLC, Minneapolis, MN	100.0
Allianz Investmentbank Aktiengesellschaft, Vienna	100.0
Allianz Investments I Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments II Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments III Luxembourg S.à r.l., Luxembourg	100.0
Allianz Investments IV Luxembourg S.à r.l., Luxembourg	100.0
Allianz Irish Life Holdings p.l.c., Dublin	66.5
Allianz kontakt s.r.o., Prague	100.0
Allianz Leasing Bulgaria AD, Sofia	51.0
Allianz Life & Annuity Company, Minneapolis, MN	100.0
Allianz Life (Bermuda) Ltd., Hamilton	100.0
Allianz Life Assurance Company-Egypt S.A.E., Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Co. Ltd., Seoul	100.0
Allianz Life Insurance Company Ltd., Moscow	100.0
Allianz Life Insurance Company of Missouri, Clayton, MO	100.0
Allianz Life Insurance Company of New York, New York, NY	100.0
Allianz Life Insurance Company of North America, Minneapolis, MN	100.0
Allianz Life Insurance Japan Ltd., Tokyo	100.0
Allianz Life Insurance Lanka Ltd., Colombo	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	100.0
Allianz Life Luxembourg S.A., Luxembourg	100.0
Allianz Madagascar Assurances SA, Antananarivo	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	75.0
Allianz Mali Assurances SA, Bamako	77.0
Allianz Managed Operations & Services Thailand Co. Ltd., Bangkok	100.0
Allianz Managed Operations & Services Netherlands B.V., Rotterdam	100.0
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	65.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Mena Holding Bermuda Ltd., Beirut	99.9
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Multi Actions Monde, Paris	95.1 [4]
Allianz Multi Croissance, Paris	99.9 [4]

	% OWNED [1]
Allianz Multi Dynamisme, Paris	94.1 [4]
Allianz Multi Equilibre, Paris	98.0 [4]
Allianz Multi Horizon 2018-2020, Paris	57.0 [4]
Allianz Multi Horizon 2021-2023, Paris	45.4 [2,4]
Allianz Multi Horizon 2024-2026, Paris	56.8 [4]
Allianz Multi Horizon 2027-2029, Paris	100.0 [4]
Allianz Multi Horizon 2030-2032, Paris	100.0 [4]
Allianz Multi Horizon 2033-2035, Paris	100.0 [4]
Allianz Multi Horizon 2036-2038, Paris	100.0 [4]
Allianz Multi Horizon 2039-2041, Paris	100.0 [4]
Allianz Multi Horizon Court Terme, Paris	78.8 [4]
Allianz Multi Horizon Long Terme, Paris	72.9 [4]
Allianz Multi Opportunités, Paris	98.8 [4]
Allianz Multi Rendement Premium (R), Paris	97.0 [4]
Allianz Multi Rendement Réel, Paris	88.7 [4]
Allianz Multi Sérénité, Paris	99.7 [4]
Allianz Mutual Funds Management Company S.A., Athens	100.0
Allianz Nederland Administratie B.V., Utrecht	100.0
Allianz Nederland Asset Management B.V., Nieuwegein	100.0
Allianz Nederland Groep N.V., Rotterdam	100.0
Allianz Nederland Levensverzekering N.V., Rotterdam	100.0
Allianz New Europe Holding GmbH, Vienna	100.0
Allianz New Zealand Limited, Auckland	100.0
Allianz Obligations Court Terme, Paris	92.9 [4]
Allianz Obligations Internationales, Paris	79.6 [4]
Allianz Obligations Monde, Paris	99.8 [4]
Allianz of America Inc., Novato, CA	100.0
Allianz Offensief Mix Fonds, Rotterdam	100.0 [4]
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0 [3]
Allianz Optéo, Paris	99.3 [4]
Allianz Osmea 4, Paris	100.0 [4]
Allianz p.l.c., Dublin	100.0
Allianz Pacific Aandelen Fonds, Rotterdam	86.3 [4]
Allianz Pan Asian REITs Fund Segregated Portfolio, George Town	100.0 [3]
Allianz Participations B.V., Amsterdam	100.0
Allianz Pension Fund Trustees Ltd., Guildford	100.0
Allianz Pensionskasse Aktiengesellschaft, Vienna	100.0
Allianz penzijní spolecnost a.s., Prague	100.0
Allianz Pimco Corporate, Vienna	75.5 [4]
Allianz Pimco Mortgage, Vienna	96.2 [4]
Allianz pojistovna a.s., Prague	100.0
Allianz Polska Services Sp. z o.o., Warsaw	100.0
Allianz Popular Asset Management SGIIC S.A., Madrid	100.0
Allianz Popular Pensiones EGFP S.A., Madrid	100.0
Allianz Popular S.L., Madrid	60.0
Allianz Popular Vida Compañía de Seguros y Reaseguros S.A., Madrid	100.0
Allianz Potential, Paris	100.0 [4]
Allianz Primio 2015, Paris	100.0 [4]
Allianz Private Equity Partners Europa I, Milan	86.8 [3]
Allianz Private Equity Partners Europa II, Milan	92.0 [3]
Allianz Private Equity Partners Europa III, Milan	99.6 [3]
Allianz Private Equity Partners IV, Milan	100.0 [3]
Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Properties Limited, Guildford	100.0
Allianz Prudence, Paris	99.5 [4]
Allianz Re Dublin Limited, Dublin	100.0
Allianz Real Estate France SAS, Paris	100.0
Allianz Real Estate of America LLC, New York, NY	100.0
Allianz Renewable Energy Fund Management 1 Ltd., London	100.0
Allianz Renewable Energy Partners I LP, London	100.0
Allianz Renewable Energy Partners II Limited, London	100.0
Allianz Renewable Energy Partners III LP, London	98.5
Allianz Renewable Energy Partners IV Limited, London	98.5
Allianz Renewable Energy Partners V plc., London	100.0

	% OWNED [1]
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Zurich	100.0
Allianz Risk Transfer Inc., New York, NY	100.0
Allianz Risk Transfer N.V., Amsterdam	100.0
Allianz S.A. de C.V., Mexico City	100.0
Allianz S.p.A., Trieste	100.0
Allianz Saint Marc CL, Paris	100.0 [4]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saúde S.A., São Paulo	100.0
Allianz Scalinvest, Puteaux	98.0 [4]
Allianz Secteur Euro Immobilier, Paris	95.3 [4]
Allianz Secteur Europe Immobilier, Paris	90.9 [4]
Allianz Sécurité, Paris	97.4 [4]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Selectie Fonds, Rotterdam	85.3 [4]
Allianz Selection European Equity Dividend, Hong Kong	82.4 [4]
Allianz Selection Income and Growth, Hong Kong	35.2 [2,4]
Allianz Selection Total Return Asian Equity, Hong Kong	97.1 [4]
Allianz Selection US High Yield, Hong Kong	92.3 [4]
Allianz Selection US Income, Hong Kong	99.8 [4]
Allianz Sénégal Assurances SA, Dakar	83.2
Allianz Sénégal Assurances Vie SA, Dakar	95.5
Allianz Services (UK) Limited, London	100.0
Allianz Sigorta A.S., Istanbul	94.0
Allianz SNA s.a.l., Beirut	100.0
Allianz Sociedad Anónima A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	85.6
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Specialised Investments Limited, London	100.0
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 1, Warsaw	100.0 [3]
Allianz Specjalistyczny Fundusz Inwestycyjny Otwarty Subfunduszu Allianz 2, Warsaw	100.0 [3]
Allianz Subalpina Holding S.p.A., Turin	98.1
Allianz Suisse Immobilien AG, Wallisellen	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Wallisellen	100.0
Allianz Suisse Rückversicherungs AG, Zurich	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Wallisellen	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	99.7
Allianz Telematics S.p.A., Rome	100.0
Allianz Tiriac Asigurari SA, Bucharest	52.2
Allianz Tiriac Pensii Private Societate de administrare a fondurilor de pensii private S.A., Bucharest	100.0
Allianz Togo Assurances SA, Lome	97.9
Allianz UK Credit Fund, Paris	100.0 [3]
Allianz UK Infrastructure Debt GP Limited, London	100.0
Allianz Ukraine LLC, Kiev	100.0
Allianz Underwriters Insurance Company Corp., Burbank, CA	100.0
Allianz US Equity Dividend, Senningerberg	90.0 [4]
Allianz US Investment GP LLC, Wilmington, DE	100.0
Allianz US Investment LP, Wilmington, DE	100.0
Allianz US Private REIT GP LLC, Wilmington, DE	100.0
Allianz US Private REIT LP, Wilmington, DE	100.0
Allianz Valeurs Durables, Paris	54.7 [4]
Allianz Vie S.A., Paris	100.0
Allianz Worldwide Care S.A., Paris	100.0
Allianz Worldwide Care Services Ltd., Dublin	100.0
Allianz Worldwide Partners S.A.S., Paris	100.0
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0

	% OWNED [1]
Allianz ZB d.o.o. Company for the Management of Voluntary Pension Funds, Zagreb	51.0
AllianzGI Best Styles Emerging Markets Equity Fund, Boston, MA	93.7 [4]
AllianzGI China Equity Fund, Boston, MA	84.9 [4]
AllianzGI Emerging Markets Consumer Fund, Boston, MA	100.0 [4]
AllianzGI Emerging Markets Debt Fund, Boston, MA	99.9 [4]
AllianzGI Emerging Markets Small-Cap Fund, Boston, MA	100.0 [4]
AllianzGI Europe Equity Growth, São Paulo	66.1 [4]
AllianzGI Global Fundamental Strategy Fund, Boston, MA	97.3 [4]
AllianzGI Global Growth Allocation Fund, Boston, MA	53.5 [4]
AllianzGI Global Small-Cap Opportunity Portfolio, Boston, MA	100.0 [4]
AllianzGI Global Sustainability Fund, Boston, MA	100.0 [4]
AllianzGI Multi-Asset Real Return Fund, Boston, MA	81.1 [4]
AllianzGI NFJ Emerging Markets Value Fund, Boston, MA	35.7 [2,4]
AllianzGI Retirement 2055 Fund, Boston, MA	55.5 [4]
AllianzGI Small-Cap Blend Fund, Boston, MA	92.1 [4]
AllianzGI U.S. Unconstrained Equity Portfolio, Boston, MA	100.0 [4]
AllianzGo S.r.l., Trieste	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
Amaya Compania de Seguros y Reaseguros S.A., Madrid	100.0
American Automobile Insurance Company Corp., Earth City, MO	100.0
American Financial Marketing Inc., Minneapolis, MN	100.0
AMOS Austria GmbH, Vienna	100.0
AMOS European Services SAS, Paris	100.0
AMOS IT Suisse AG, Wallisellen	100.0
AMOS Italy S.p.c.A., Milan	100.0
AMOS of America LLC, Novato, CA	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
Antoniana Veneta Popolare Vita S.p.A., Trieste	50.0 [2]
APEH Europe VI, Paris	99.6 [3]
APKV US Private REIT GP LLC, New York, NY	100.0
APKV US Private REIT LP, New York, NY	100.0
APP Broker S.r.l., Trieste	100.0
Approfrais SA, Evreux	100.0
Arab Gulf Health Services LLC, Dubai	100.0
Arcalis Assur 5, Paris	99.9 [4]
Arcalis SA, Courbevoie	100.0
Arcalis UN, Paris	100.0 [4]
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
AS Selecta s.r.o., Bratislava	100.0
Asit Services S.R.L., Bucharest	100.0
Assistance Courtage d'Assurance et de Réassurance S.A., Paris	100.0
Associated Indemnity Corporation, Novato, CA	100.0
Assurances Médicales SA, Paris	65.0
Automaty Servis Selecta s.r.o., Prague	100.0
Avip Actions 100, Paris	100.0 [4]
Avip Actions 60, Paris	100.0 [4]
Avip Top Croissance, Paris	99.2 [4]
Avip Top Defensif, Paris	98.8 [4]
Avip Top Harmonie, Paris	94.7 [4]
AWP Romania S.A., Bucharest	100.0
AZ Euro Investments II S.à r.l., Luxembourg	100.0
AZ Euro Investments S.à r.l., Luxembourg	100.0
AZ Jupiter 4 B.V., Amsterdam	100.0
AZ Jupiter 8 B.V., Amsterdam	100.0
AZ Jupiter 9 B.V., Amsterdam	100.0
AZ Real Estate GP LLC, New York, NY	100.0
AZ Servisni centar d.o.o., Zagreb	100.0
AZ Vers US Private REIT GP LLC, New York, NY	100.0
AZ Vers US Private REIT LP, New York, NY	100.0
AZGA Insurance Agency Canada Ltd., Kitchener, ON	100.0
AZGA Service Canada Inc., Kitchener, ON	100.0

	% OWNED [1]
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA Services Corporation, Novato, CA	100.0
BAWAG Allianz Vorsorgekasse AG, Vienna	50.0 [2]
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0
Bilan Services S.N.C., Nanterre	66.0
Borgo San Felice S.r.l., Castelnuovo Berardenga (Siena)	100.0
Botanic Building SPRL, Brussels	100.0
BPS Brindisi 211 S.r.l., Lecce	100.0
BPS Brindisi 213 S.r.l., Lecce	100.0
BPS Brindisi 222 S.r.l., Lecce	100.0
BPS Mesagne 214 S.r.l., Lecce	100.0
BPS Mesagne 215 S.r.l., Lecce	100.0
BPS Mesagne 216 S.r.l., Lecce	100.0
BPS Mesagne 223 S.r.l., Lecce	100.0
BPS Mesagne 224 S.r.l., Lecce	100.0
Brasil de Imóveis e Participações Ltda., São Paulo	100.0
Bright Mission Berhad Ltd., Kuala Lumpur	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
BSMC (Thailand) Limited, Bangkok	100.0
Bulgaria Net AD, Sofia	98.4
Bureau d'Expertises Despretz S.A., Brussels	100.0
Calobra Investments Sp. z o.o., Warsaw	100.0
Calypso S.A., Paris	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Haut Chemin S.à r.l., Versailles	100.0
CEPE de Langres Sud S.à r.l., Versailles	100.0
CEPE de Mont Gimont S.à r.l., Versailles	100.0
CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0
CEPE du Bois de la Serre S.à r.l., Versailles	100.0
Château Larose Trintaudon S.A., Saint Laurent Médoc	100.0
Chicago Insurance Company Corp., Chicago, IL	100.0
CIC Allianz Insurance Ltd., Sydney	100.0
Club Marine Limited, Sydney	100.0
Colisee S.à r.l., Luxembourg	100.0
Companhia de Seguros Allianz Portugal S.A., Lisbon	64.8
Compañía Colombiana de Servicio Automotriz S.A., Bogotá D.C.	100.0
Consultatio Renta Mixta F.C.I., Buenos Aires	100.0 [3]
Corn Investment Ltd., London	100.0
Corsetec Assessoria e Corretagem de Seguros Ltda., São Paulo	99.5
CPRN Thailand Ltd., Bangkok	100.0
CPRN-Holdings Limited, Bangkok	100.0
Creactif Allocation, Paris	100.0 [4]
CreditRas Assicurazioni S.p.A., Milan	50.0 [2]
CreditRas Vita S.p.A., Milan	50.0 [2]
Darta Saving Life Assurance Ltd., Dublin	100.0
Deeside Investments Inc., Wilmington, DE	50.1
Delta Technical Services Ltd., London	100.0
Diamond Point a.s., Prague	100.0
Dresdner Kleinwort Pfandbriefe Investments II Inc., Minneapolis, MN	100.0
EF Solutions LLC, Wilmington, DE	100.0
Emerald Global Investments, Paris	100.0 [4]
Energie Eolienne Lusanger S.à r.l., Versailles	100.0
Eolica Erchie S.r.l., Lecce	100.0
Etablissements J. Moneger SA, Dakar	100.0
Euler Gestion, Paris la Défense	100.0 [3]
Euler Hermes ACI Services LLP, Baltimore, MD	100.0
Euler Hermes ACMAR Services SARL, Casablanca	100.0
Euler Hermes Asset Management France S.A., Paris la Défense	100.0
Euler Hermes Canada Services Inc., Montreal, QC	100.0
Euler Hermes Cescob Service s.r.o., Prague	100.0
Euler Hermes Collections Sp. z o.o., Warsaw	100.0
Euler Hermes Consulting (Shanghai) Co. Ltd., Shanghai	100.0
Euler Hermes Crédit France S.A.S., Paris la Défense	100.0

	% OWNED [1]
Euler Hermes Credit Management Services Ireland Ltd., Dublin	100.0
Euler Hermes Credit Services (JP) Ltd., Tokyo	100.0
Euler Hermes Excess North America LLC, Owings Mills, MD	100.0
Euler Hermes Group SA, Paris la Défense	69.9
Euler Hermes Hellas Credit Insurance SA, Athens	100.0
Euler Hermes Hellas Services Ltd., Athens	100.0
Euler Hermes Hong Kong Service Limited, Hong Kong	100.0
Euler Hermes Korea Non-life Broker Company Limited, Seoul	100.0
Euler Hermes Luxembourg Holding S.à r.l., Luxembourg	100.0
Euler Hermes Magyar Követeleskezelö Kft., Budapest	100.0
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0
Euler Hermes North America Insurance Company Inc., Baltimore, MD	100.0
Euler Hermes Patrimonia SA, Brussels	100.0
Euler Hermes Ré SA, Luxembourg	100.0
Euler Hermes Real Estate SPPICAV, Paris	60.0
Euler Hermes Recouvrement France S.A.S., Paris la Défense	100.0
Euler Hermes Reinsurance AG, Wallisellen	100.0
Euler Hermes Risk Yönetimi A.S., Istanbul	100.0
Euler Hermes S.A., Brussels	100.0
Euler Hermes Seguros de Crédito S.A., São Paulo	100.0
Euler Hermes Service AB, Stockholm	100.0
Euler Hermes Services AG, Wallisellen	100.0
Euler Hermes Services B.V., 's-Hertogenbosch	100.0
Euler Hermes Services Belgium S.A., Brussels	100.0
Euler Hermes Services Bulgaria EOOD, Sofia	100.0
Euler Hermes Services G.C.C. Limited, Dubai	100.0
Euler Hermes Services India Privat Limited, Mumbai	100.0
Euler Hermes Services S.A.S., Paris la Défense	100.0
Euler Hermes Services South Africa Ltd., Johannesburg	100.0
Euler Hermes Services Sp. z o.o., Warsaw	100.0
Euler Hermes Services Tunisia S.à r.l., Tunis	100.0
Euler Hermes Services UK Limited, London	100.0
Euler Hermes Servicii Financiare S.R.L., Bucharest	100.0
Euler Hermes Serviços Ltda., São Paulo	100.0
Euler Hermes Servis s.r.o., Bratislava	100.0
Euler Hermes Sigorta A.S., Istanbul	100.0
Euler Hermes Singapore Services Pte Ltd., Singapore	100.0
Euler Hermes South Express S.A., Brussels	100.0
Euler Hermes Taiwan Services Limited, Taipei	100.0
Euler Hermes Tech SAS, Paris la Défense	100.0
Euler Hermes Trade Credit Limited, Auckland	100.0
Euler Hermes Trade Credit Underwriting Agents Pty Ltd., Sydney	100.0
Euler Hermes UMA, Louisville, KY	100.0
Euler Hermes World Agency SASU, Paris la Défense	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris	100.0
Euro Garantie AG, Pfäffikon	100.0
Eurosol Invest S.r.l., Udine	100.0
FAI Allianz Ltd., Sydney	100.0
FCP LBPAM IDR, Paris	100.0 [4]
FCT CIMU 92, Pantin	100.0 [3]
FCT Rocade L2 Marseille, Marseille	100.0 [3]
Fenix Directo Compania de Seguros y Reaseguros S.A., Madrid	100.0
Ferme Eolienne de Villemur-sur-Tarn S.à r.l., Versailles	100.0
Ferme Eolienne des Jaladeaux S.à r.l., Versailles	100.0
Fiduciaria Colseguros S.A., Bogotá D.C.	100.0
Financière Aldebaran SAS, Paris la Défense	100.0
Financière Callisto SAS, Paris la Défense	100.0
Fireman's Fund Financial Services LLC, Dallas, TX	100.0
Fireman's Fund Indemnity Corporation, Liberty Corner, NJ	100.0
Fireman's Fund Insurance Company Corp., Novato, CA	100.0
Fireman's Fund Insurance Company of Bermuda, Hamilton	100.0
Fireman's Fund Insurance Company of Hawaii Inc., Honolulu, HI	100.0
Fireman's Fund Insurance Company of Ohio Corp., Cincinnati, OH	100.0
Fondo Chiuso Allianz Infrastructure Partners I, Milan	100.0 [3]
Fragonard Assurance S.A., Paris	100.0
Friederike MLP S.à r.l., Luxembourg	100.0
Fusion Brokerage Inc., Richmond, VA	100.0
Fusion Company Inc., Richmond, VA	80.0
Gaipare Action, Paris	100.0 [4]
GamePlan Financial Marketing LLC, Woodstock, GA	100.0
Generation Vie S.A., Courbevoie	52.5
Genialloyd S.p.A., Milan	100.0
Gestion de Téléassistance et de Services S.A., Chatillon	100.0
GIE Euler Hermes SFAC Services, Paris la Défense	100.0
Global Transport & Automotive Insurance Solutions Pty Limited, Sydney	73.1
Hauteville Insurance Company Limited, St Peter Port	100.0
Havelaar et Van Stolk B.V., Rotterdam	100.0
Helviass Verzekeringen B.V., Rotterdam	100.0
Home & Legacy (Holdings) Limited, London	100.0
Home & Legacy Insurance Services Limited, London	100.0
Hunter Premium Funding Ltd., Sydney	100.0
IDR Actions Euros, Paris	100.0 [4]
Immovalor Gestion S.A., Paris	100.0
Inforce Solutions LLC, Woodstock, GA	100.0
Insurance CJSC "Medexpress", Saint Petersburg	99.8
Intermediass S.r.l., Milan	100.0
International Film Guarantors Limited, London	100.0
International Film Guarantors LLC, Santa Monica, CA	100.0
Interpolis Kredietverzekeringen N.V., 's-Hertogenbosch	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori Real Estate Fund, Milan	100.0 [3]
Investitori SGR S.p.A., Milan	100.0
ITEB B.V., Rotterdam	100.0
JCR Intertrade Ltd., Bangkok	40.0 [2]
Jefferson Insurance Company Corp., New York, NY	100.0
Ken Tame & Associates Pty Ltd., Sydney	69.0
Kiinteistö OY Eteläesplanadi 2, Helsinki	100.0
Königinstrasse I S.à r.l., Luxembourg	100.0
La Rurale SA, Paris	99.9
LCF IDR, Paris	100.0 [4]
Les Vignobles de Larose S.A.S., Saint Laurent Médoc	100.0
Life Sales LLC, Novato, CA	100.0
LLC "Medexpress-service", Saint Petersburg	100.0
LLC "Progress-Med", Moscow	100.0
LLC "Risk Audit", Moscow	100.0
Lloyd Adriatico Holding S.p.A., Trieste	99.9
Magdeburger Sigorta A.S., Istanbul	100.0
Magyar Posta Rövid Kötvény Befektetési Alap, Budapest	37.1 [2,4]
Martin Maurel Vie SA, Courbevoie	100.0
Medi24 AG, Bern	100.0
Mondial Assistance Asia Pte Ltd., Singapore	100.0
Mondial Assistance Australia Holding Pty Ltd., Toowong	100.0
Mondial Assistance France SAS, Paris	95.0
Mondial Assistance France Services à la personne SAS, Paris	100.0
Mondial Assistance GmbH, Vienna	100.0
Mondial Assistance Indian Ocean LLC, Ebene	100.0
Mondial Assistance Ireland Ltd., Dublin	100.0
Mondial Assistance Mexico S.A. de C.V., Mexico City	100.0
Mondial Assistance Portugal Serviços de Assistência Lda., Paco de Aros	100.0
Mondial Assistance Réunion S.A., Saint Denis	100.0
Mondial Assistance s.r.o., Prague	100.0
Mondial Assistance Service España S.A., Madrid	100.0
Mondial Assistance Services Hellas A.E., Athens	51.0
Mondial Assistance Sp. z o.o., Warsaw	100.0
Mondial Assistance United Kingdom Ltd., Croydon Surrey	100.0
Mondial Chile Asistencia Veinticuatro Horas y Viajes Limitada, Santiago	100.0
Mondial Contact Center Italia S.r.l., Milan	100.0
Mondial Protection Corretora de Seguros Ltda., São Bernardo do Campo	100.0
Mondial Service - Belgium S.A., Brussels	100.0
Mondial Service Argentina S.A., Buenos Aires	100.0
Mondial Service Colombia SAS, Bogotá D.C.	100.0
Mondial Servicios S.A. de C.V., Mexico City	100.0
Mondial Serviços Ltda., São Bernardo do Campo	100.0
Morgan Stanley Italian Office Fund, Milan	100.0 [3]
National Surety Corporation, Chicago, IL	100.0
Neoasistencia Manoteras S.L., Madrid	100.0
Nextcare Bahrain Ancillary Services Company B.S.C., Manama	100.0
NEXtCARE Egypt LLC, Cairo	100.0
NEXtCARE Holding WLL, Manama	75.0
NEXtCARE Lebanon SAL, Beirut	100.0
Nextcare Tunisia S.à r.l., Tunis	100.0
NFJ Investment Group LLC, Dover, DE	100.0
Northstar Mezzanine Partners VI U.S. Feeder II L.P., Dover, DE	100.0 [3]
OJSC "My Clinic", Moscow	100.0
OJSC Insurance Company Allianz, Moscow	100.0
OJSC Insurance Company ROSNO-MS, Moscow	100.0
Omega Thai Investment Holding B.V., Amsterdam	100.0
Ontario Limited, Toronto, ON	100.0
OOO "IC Euler Hermes Ru", Moscow	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
OOO Mondial Assistance, Moscow	100.0
OPCI Allianz France Angel, Paris	100.0
Oppenheimer Group Inc., Dover, DE	100.0
Orione PV S.r.l., Milan	100.0
Orsa Maggiore PV S.r.l., Milan	100.0
Orsa Minore PV S.r.l., Milan	100.0
OY Selecta AB, Helsinki	100.0
Pacific Investment Management Company LLC, Dover, DE	95.6
Paramount Group Real Estate Special Situations Fund-A L.P., New York, NY	100.0
Parc Eolien de Bonneuil S.à r.l., Versailles	100.0
Parc Eolien de Bruyère Grande SAS, Versailles	100.0
Parc Eolien de Croquettes SAS, Versailles	100.0
Parc Eolien de Fontfroide SAS, Versailles	100.0
Parc Eolien de Forge SAS, Paris	100.0
Parc Eolien de la Sole du Bois SAS, Paris	100.0
Parc Eolien de Longchamps SAS, Versailles	100.0
Parc Eolien des Barbes d´Or SAS, Versailles	100.0
Parc Eolien des Joyeuses SAS, Versailles	100.0
Parc Eolien des Mistandines SAS, Paris	100.0
Parc Eolien des Quatre Buissons SAS, Paris	100.0
Parc Eolien du Bois Guillaume SAS, Paris	100.0
Parc Eolien Les Treize SAS, Paris	100.0
Personalized Brokerage Service LLC, Topeka, KS	100.0
Pet Plan Ltd., Guildford	100.0
PFP Holdings Inc., Dover, DE	100.0
PGA Global Services LLC, Dover, DE	100.0
PGREF V 1301 Sixth Investors I LLC, Wilmington, DE	100.0
PGREF V 1301 Sixth Investors I LP, Wilmington, DE	100.0
PGRESS-A Equity GP LLC, Wilmington, DE	100.0
PGRESS-A Equity REIT LP, Wilmington, DE	100.0
PIMCO (Schweiz) GmbH, Zurich	100.0
PIMCO Asia Local Bond Fund, Dublin	92.0 [4]
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO California Municipal Bond Fund, Boston, MA	38.4 [2,4]
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO Canada Credit Bond Trust, Toronto, ON	100.0 [4]
PIMCO Canada Credit Long Bond Trust, Toronto, ON	100.0 [4]
PIMCO Canadian Real Return Bond Fund, Toronto, ON	53.8 [4]

	% OWNED [1]
PIMCO Cayman Global Credit Alpha Fund, George Town	99.9 [4]
PIMCO Covered Bond Source UCITS ETF, Dublin	75.0 [4]
PIMCO Euro Low Duration Investment Grade Corporate Fund, Dublin	100.0 [3]
PIMCO Europe Ltd., London	100.0
PIMCO German Government Bond Index Source UCITS ETF, Dublin	49.1 [2,4]
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Luxembourg) S.A., Luxembourg	100.0
PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Bond Strategy Fund, George Town	94.2 [4]
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO GP I LLC, Wilmington, DE	100.0
PIMCO GP III LLC, Wilmington, DE	100.0
PIMCO GP IX LLC, Wilmington, DE	100.0
PIMCO GP V LLC, Wilmington, DE	100.0
PIMCO GP VII LLC, Wilmington, DE	100.0
PIMCO GP X LLC, Wilmington, DE	100.0
PIMCO GP XI LLC, Wilmington, DE	100.0
PIMCO GP XII LLC, Wilmington, DE	100.0
PIMCO GP XIII LLC, Wilmington, DE	100.0
PIMCO GP XIV LLC, Wilmington, DE	100.0
PIMCO International Dividend Fund, Wilmington, DE	100.0 [4]
PIMCO Investments LLC, Dover, DE	100.0
PIMCO Japan Ltd., Road Town	100.0
PIMCO Latin America Administradora de Carteiras Ltda., Rio de Janeiro	100.0
PIMCO Low Duration Euro Corporate Bond Source UCITS ETF, Dublin	51.2 [4]
PIMCO Low Duration Global Investment Grade Credit Fund, Dublin	57.3 [4]
PIMCO Low Duration US Corporate Bond Source UCITS ETF, Dublin	54.2 [4]
PIMCO Multi Strategy Alternative Fund, Boston, MA	99.7 [4]
PIMCO Real Path Blend 2020 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2025 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2030 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2035 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2040 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2045 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2050 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend 2055 Fund, Wilmington, DE	100.0 [4]
PIMCO Real Path Blend Income Fund, Wilmington, DE	100.0 [4]
PIMCO Real Retirement 2055 Fund, Boston, MA	100.0 [4]
PIMCO REIT Management LLC, Wilmington, DE	100.0
PIMCO Select UK Retirement Strategy Fund, Dublin	94.9 [4]
PIMCO U.S. Dividend Fund, Wilmington, DE	99.9 [4]
POD Allianz Bulgaria AD, Sofia	65.9
Primacy Holdings Pty Ltd., Melbourne	100.0
Primacy Underwriting Management Ltd., Wellington	100.0
Primacy Underwriting Management Pty Ltd., Melbourne	100.0
Prosperaz Fundo de Investimento Renda Fixa Crédito Privado, São Paulo	100.0 [3]
Protexia France S.A., Paris	100.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.8
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0
Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Queenspoint S.L., Madrid	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [3]
RB Fiduciaria S.p.A., Milan	100.0
RCM Asia Pacific Ltd., Hong Kong	100.0
Real Faubourg Haussmann SAS, Paris	100.0
Real FR Haussmann SAS, Paris	100.0

	% OWNED [1]
Redoma S.à r.l., Luxembourg	100.0
Retail Vending Ltd., Birmingham	100.0
Rhea SA, Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Roster Financial LLC, Mount Laurel, NJ	100.0
SA Carène Assurance, Paris	100.0
Saint-Barth Assurances S.à r.l., St. Barts	100.0
San Francisco Reinsurance Company Corp., Novato, CA	100.0
SAS 20 pompidou, Paris	100.0
SAS Allianz Etoile, Paris	100.0
SAS Allianz Forum Seine, Paris	100.0
SAS Allianz Logistique, Paris	100.0
SAS Allianz Platine, Paris	100.0
SAS Allianz Rivoli, Paris	100.0
SAS Allianz Serbie, Paris	100.0
SAS Angel Shopping Centre, Paris	100.0
SAS Madeleine Opéra, Paris	100.0
SAS Passage Des Princes, Paris	100.0
SAS Société d'Exploitation du Parc Eolien de Nélausa, Paris	100.0
Sättravallen Wind Holding AB, Strömstad	100.0
Saudi NEXtCARE LLC, Al Khobar	52.0
SC Tour Michelet, Paris	100.0
SCI 46 Desmoulins, Paris	100.0
SCI Allianz ARC de Seine, Paris	100.0
SCI Allianz Chateaudun, Paris	100.0
SCI Allianz Messine, Paris	100.0
SCI AVIP La Templerie, Courbevoie	100.0
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris	75.0
SCI Prelloyd, Paris	100.0
SCI Stratus, Courbevoie	100.0
SCI Via Pierre 1, Paris	100.0
SCI Volnay, Paris	100.0
Selecta A/S, Rodovre	100.0
Selecta AB, Stockholm	100.0
Selecta AG, Muntelier	100.0
Selecta AS, Oslo	100.0
Selecta B.V., Waardenburg	100.0
Selecta Betriebsverpflegungs GmbH, Vienna	100.0
Selecta Eesti Osauhing OÜ, Tallinn	100.0
Selecta Group B.V., Amsterdam	100.0
Selecta Group S.à r.l., Luxembourg	99.3
Selecta Holding AB, Stockholm	100.0
Selecta Holding B.V., Amsterdam	100.0
Selecta Holding Ltd., London	100.0
Selecta Holding SAS, Paris	100.0
Selecta Hungary Automataüzemeltetö Kft., Budapest	100.0
Selecta Luxembourg SA, Leudelange	100.0
Selecta Management AG, Zug	100.0
Selecta Nordic Holding AB, Stockholm	100.0
Selecta Purchasing AG, Zug	100.0
Selecta Refreshments Ltd., Dublin	100.0
Selecta SA, Zaventem	100.0
Selecta SA, Paris	99.9
Selecta TMP AG, Zug	100.0
Selecta UK Ltd., Birmingham	100.0
SI 173-175 Boulevard Haussmann SAS, Paris	100.0
SIA Baltic Payment Systems, Riga	100.0
SIA Selecta, Riga	100.0
Siac Services S.r.l., Rome	100.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sirius S.A., Luxembourg	94.8
SLC "Allianz Life Ukraine", Kiev	100.0
Società Agricola San Felice S.p.A., Milan	100.0
Société de Production D'électricité D'harcourt Moulaine SAS, Versailles	100.0
Société d'Energie Eolien Cambon SAS, Versailles	100.0
Societe d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0

	% OWNED [1]
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société Foncière Européenne B.V., Amsterdam	100.0
Société Nationale Foncière S.A.L., Beirut	66.0
SOFE One Ltd., Bangkok	100.0
SOFE Two Ltd., Bangkok	100.0
Sofiholding S.A., Brussels	100.0
South City Office Broodthaers SA, Brussels	100.0
SpaceCo S.A., Paris	100.0
Standard General Agency Inc., Dallas, TX	100.0
StocksPLUS Management Inc., Dover, DE	100.0
Téléservices et Sécurité "TEL2S" SARL, Chatillon	99.9
TFI Allianz Polska S.A., Warsaw	100.0
The American Insurance Company Corp., Cincinnati, OH	100.0
The Annuity Store Financial & Insurance Services LLC, Sacramento, CA	100.0
The MI Group Limited, Guildford	99.4
Three Pillars Business Solutions Limited, Guildford	100.0
Ticket Guard Small Amount & Short Term Insurance Co. Ltd., Tokyo	100.0
Tihama Investments B.V., Amsterdam	100.0
Top Assistance Service GmbH, Vienna	100.0
Top Immo A GmbH & Co. KG, Vienna	100.0
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0
Top Versicherungsservice GmbH, Vienna	100.0
Top Vorsorge-Management GmbH, Vienna	75.0
Towarzystwo Ubezpieczen Euler Hermes S.A., Warsaw	100.0
Trafalgar Insurance Public Limited Company, Guildford	100.0
TU Allianz Polska S.A., Warsaw	100.0
TU Allianz Zycie Polska S.A., Warsaw	100.0
UAB Selecta, Vilnius	100.0
UP 36 SA, Brussels	100.0
UTE Gesecopri Servecarve S.r.l., Madrid	100.0
Vendcare (Holdings) Limited, Birmingham	100.0
Vendcare Services Ltd., Birmingham	100.0
VermögensManagement 2027 Plus, Senningerberg	100.0 [4]
VertBois S.à r.l., Luxembourg	100.0
Vigny Depierre Conseils SAS, Archamps	100.0
Viveole SAS, Versailles	100.0
Volta, Paris	100.0 [4]
WFC Investments Sp. z o.o., Warsaw	87.5
Windpark Les Cent Jalois SAS, Versailles	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	100.0
Wm. H McGee & Co. of Puerto Rico Inc., San Juan	100.0
YAO Investment S.à r.l., Luxembourg	100.0
Yorktown Financial Companies Inc., Minneapolis, MN	100.0
ZAD Allianz Bulgaria, Sofia	87.4
ZAD Allianz Bulgaria Zhivot, Sofia	99.0
ZAD Energia, Sofia	51.0
Non-consolidated affiliates	
A. Diffusion S.A., Nanterre	99.9
AGF Pension Trustees Ltd., Guildford	100.0
Allianz America Latina S.C. Ltda., Rio de Janeiro	100.0
Allianz Financial Services S.A., Athens	100.0
Allianz Global Corporate & Specialty AG Escritorio de Representacao no Brasil Ltda., São Paulo	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Allianz Risk Consultants B.V., Rotterdam	100.0
Assurance France Aviation S.A., Paris	99.9
business lounge GmbH, Vienna	100.0
COGAR S.à r.l., Paris	100.0
First Rate Direct Limited, Belfast	100.0
Gesellschaft für Vorsorgeberatung AG, Bern	100.0
ICC Evaluation SARL, Paris	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5 [4]
Office Sénégalais de Conseils en Assurance SARL, Dakar	99.6

	% OWNED[1]
RE-AA SA, Abidjan	97.5
SA Immobilière de L'Avenue du Roule, Courbevoie	100.0
SCI champ laurent, Courbevoie	100.0
SCI J.T., Courbevoie	100.0
SCI Paris X, Courbevoie	100.0
SCI Vilaje, Courbevoie	100.0
SIFCOM Assur S.A., Abidjan	60.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0
Jonit ventures	
A & A Centri Commerciali S.r.l., Milan	50.0
Allee-Center Kft., Budapest	50.0
Allianz C.P. General Insurance Co. Ltd., Bangkok	50.0
Ancilyze Technologies LLC, Oakbrook Terrace, IL	50.0
Atencion Integral a la Dependencia S.L., Cordoba	50.0
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0 [7]
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0 [7]
Bajaj Allianz Financial Distributors Limited, Pune	50.0
Companhia de Seguro de Créditos S.A., Lisbon	50.0
Dorcasia Ltd., Sydney	50.0
Euromarkt Center d.o.o., Ljubljana	50.0
Europe Logistics Venture 1 FCP-FIS, Luxembourg	83.3 [4,7]
Fiumaranuova S.r.l., Genoa	50.1 [7]
Guotai Jun'an Allianz Fund Management Co. Ltd., Shanghai	49.0 [7]
International Shopping Centre Investment S.A., Luxembourg	50.0
Israel Credit Insurance Company Ltd., Tel Aviv	50.0
Market Street Trust, Sydney	50.0 [4]
NET4GAS Holdings s.r.o., Prague	50.0
NRF (Finland) AB, Västeras	50.0
One Beacon Joint Venture LP, Wilmington, DE	50.0
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
SC Holding SAS, Paris	50.0
SES Shopping Center AT1 GmbH, Salzburg	50.0
Solunion Compania Internacional de Seguros y Reaseguros SA, Madrid	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0
Associates	
Adriatic Motorways d.d., Zagreb	33.3
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Euro Emprunts d'Etat, Paris	32.4 [4]
Allianz Euro Oblig Court Terme ISR, Paris	32.4 [4]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz Invest Cash, Vienna	29.0 [4]
Allianz Invest Eurorent Liquid, Vienna	29.4 [4]
Allianz Invest Osteuropa, Vienna	29.9 [4]
Allianz Invest Vorsorgefonds, Vienna	29.0 [4]
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5
Allianz Securicash SRI, Paris	23.4 [4]
Archstone Multifamily Partners AC JV LP, Engelwood, CO	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
Areim Fastigheter 2 AB, Stockholm	23.3
Assurcard N.V., Haasrode	20.0
Autoelektro tehnicki pregledi d.o.o., Vojni´c	49.0
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Berkshire Hathaway Services India Private Limited, New Delhi	20.0
Berkshire India Private Limited, New Delhi	20.0
Broker on-line de productores de seguros S.A., Buenos Aires	30.0
Brunei National Insurance Company Berhad Ltd., Bandar Seri Begawan	25.0
Capimmovalor SCPI, Paris	33.6
Chicago Parking Meters LLC, Wilmington, DE	49.9
CJSC "MedCentreStrakh", Moscow	36.4
CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9

	% OWNED[1]
Data Quest SAL, Beirut	36.0
Douglas Emmett Partnership X LP, Santa Monica, CA	28.6
Dr. Ignaz Fiala GmbH, Vienna	33.3
European Outlet Mall Fund FCP-FIS, Luxembourg	25.1 [4]
Foncière des 6e et 7e arrondissements de Paris (SIIC) SA, Paris	26.5
Four Oaks Place LP, Wilmington, DE	49.0
Graydon Holding N.V., Amsterdam	27.5
Helios Silesia Holding B.V., Amsterdam	45.0
Henderson UK Outlet Mall Partnership LP, Edinburgh	19.5 [8]
IPE Tank and Rail Investment 1 S.C.A., Luxembourg	48.8
JPMorgan IIF UK1 LP, Dublin	24.2
Medgulf Allianz Takaful B.S.C., Seef	25.0
New Path S.A., Buenos Aires	40.0
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OJSC "Avariinyi Comissar", Moscow	23.3
OVS Opel VersicherungsService GmbH, Vienna	40.0
P H R V Paris Hotels Roissy Vaugirard SA, Paris	30.6
PAR Holdings Limited, Hamilton	22.0
PGREF V 1301 Sixth Holding LP, Wilmington, DE	24.5
PGRESS Debt Holdings LP, Wilmington, DE	20.0
PGRESS Equity Holdings LP, Wilmington, DE	20.0
Residenze CYL S.p.A., Milan	33.3
SAS Alta Gramont, Paris	49.0
SCI Bercy Village, Paris	49.0
SK Versicherung AG, Vienna	25.8
SNC Alta CRP Gennevilliers, Paris	49.0
SNC Alta CRP La Valette, Paris	49.0
SNC Société d'aménagement de la Gare de l'Est, Paris	49.0
Société de Distribution Automatique SA, Tunis	49.0
Sodor Holdings I Limited, London	30.0
Solveig Gas Holdco AS, Oslo	30.0
Wildlife Works Carbon LLC, San Francisco, CA	10.0 [8]
Other participations between 5 and 20% of voting rights	
Al Nisr Al Arabi, Amman	18.0
Banco BPI S.A., Porto	8.8
Sri Ayudhya Capital Public Company Limited, Bangkok	16.8
Zagrebacka banka d.d., Zagreb	11.7

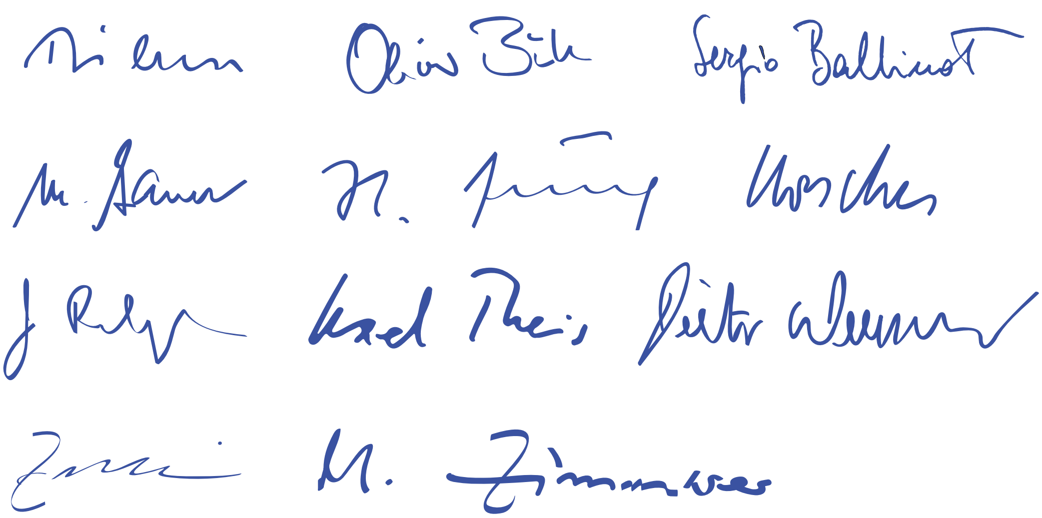
1 — Percentage includes equity participations held by dependent entities in full, even if the Allianz Group's share in the dependent entity is below 100%.
2 — Controlled by the Allianz Group.
3 — Investment fund.
4 — Mutual, private equity or special fund.
5 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 74.2%.
7 — Classified as joint venture according to IFRS 11.
8 — Classified as associate according to IAS 28.
9 — Insolvent.

RESPONSIBILITY STATEMENT

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

Munich, 24 February 2015

Allianz SE
The Board of Management



AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by Allianz SE, Munich, comprising the consolidated balance sheets, the consolidated income statements, the consolidated statements of comprehensive income, the consolidated statements of changes in equity, the consolidated statements of cash flows and the notes, together with the group management report for the business year from 1 January to 31 December 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a para. 1 HGB [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 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 E.U., the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 2 March 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker
Wirtschaftsprüfer
(Independent Auditor)

Dr. Pfaffenzeller
Wirtschaftsprüfer
(Independent Auditor)

EULER HERMES

Euler Hermes

Euler Hermes, the world's leading provider of trade-related insurance solutions, helps customers worldwide trade wisely and develop their business safely. With more than 100 years of experience, the company offers business-to-business (B2B) clients financial services to support cash and trade receivables management. It is the global leader in trade credit insurance and a recognized specialist in the areas of bonding, guarantees and collections. Its proprietary intelligence network tracks and analyzes daily changes in corporate solvency among companies active in markets representing 92 % of global GDP.

Its financial strength, risk analysis and integrated global structure enable Euler Hermes to provide companies of all sizes with domestic and export market knowledge and support, facilitating successful trade receivables management and sales expansion in changing economic environments.

Euler Hermes is a subsidiary of Allianz, listed on Euronext Paris (ELE.PA) and rated AA- by Standard & Poor's and Dagong Europe.

eulerhermes.com

6,000

Euler Hermes employs more than 6,000 people.

50 countries

The company is present in over 50 countries.

The global leader in trade credit insurance

A collaborative approach to risk management and the sharing of essential knowledge, information and experience.

Acer

Partnership is often an over-used word in business, yet it perfectly captures the relationship between Acer, the global IT giant, and Euler Hermes, the world's leading trade credit insurer.

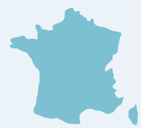
Christian Greisberger, Acer's Senior Corp. Director – Global Credit Risk Management, says, "Euler Hermes World Agency teams honestly and genuinely take the time to get to know our business, talk to our senior executives and visit our buyers. Not just so they can understand the risks, but also so they can understand our specific position and business model. It is about having an honest and open relationship, where their team is seen very much as part of our own team, operating with a shared mission."

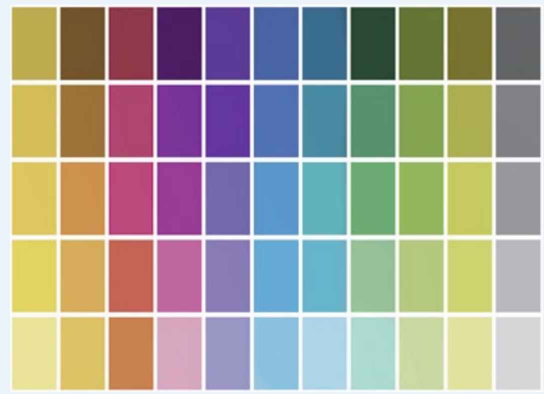
Protecting margins and securing sales development.

Couleurs de Tollens, a French paint distributor, has had its credit insured by Euler Hermes for over 20 years. However, this partnership goes beyond compensation for unpaid invoices. A crucial part of the relationship is the ongoing financial health check, where information about both customers and business prospects is exchanged. The availability of accurate solvency data on a daily basis from Euler Hermes' extensive network is particularly valuable, as Tollens' portfolio of their clients' accounts receivable involves complex and voluminous credit lines. Furthermore, credit insurance helps disseminate both customer credit awareness and a culture of risk management across the Tollens group.

→ **eulerhermes.fr/couleurs-de-tollens**

Couleurs de Tollens





Time is money: using credit insurance to increase efficiency.

Hadco Metal Trading

Hadco Metal Trading is a U.S.-based company operating in the competitive metal supply industry. For this international business, the ability to make quick and accurate credit decisions can mean the difference between deals won and deals lost. Credit insurance has transformed the way Hadco does business and makes decisions. By leveraging the risk protection of its Euler Hermes policy, the company could begin to offer open terms to buyers that it would not have considered before. With Euler Hermes, the firm receives comprehensive company, sector and geographic information and analyses that help it decide how and where to grow.

→ **eulerhermes.us/hadco-metal-trading**

E — FURTHER INFORMATION

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Joint Advisory Council of the Allianz Companies

DR. HELMUT PERLET
Chairman
Chairman of the Supervisory Board
Allianz SE

DR. KURT BOCK
Chairman of the Board of Executive Directors
BASF SE

DR. THOMAS ENDERS
Chief Executive Officer
Airbus Group

FRANZ FEHRENBACH
Managing Partner
Robert Bosch Industrietreuhand KG
Chairman of the Supervisory Board
Robert Bosch GmbH

DR. RÜDIGER GRUBE
Chairman of the Board and Chief Executive Officer
Deutsche Bahn AG

HERBERT HAINER
Chairman of the Board of Management
adidas AG

DR. JÜRGEN HERAEUS
Chairman of the Supervisory Board
Heraeus Holding GmbH

PROF. DR. DIETER HUNDT, SENATOR E.H.
Chairman of the Supervisory Board
Allgaier Werke GmbH

AMBASSADOR PROF. DR. WOLFGANG ISCHINGER
since 1 January 2015
Chairman of Munich Security Conference

PROF. DR.-ING. DR.-ING. E.H. HANS-PETER KEITEL
Vice-President of BDI-Federation of German Industries

DR. NICOLA LEIBINGER-KAMMÜLLER
Chief Executive Officer
TRUMPF GmbH & Co. KG

DR. THOMAS RABE
CEO & Chairman of the Executive Board
Bertelsmann SE & Co. KGaA

DR.-ING. DR.-ING. E.H. NORBERT REITHOFER
Chairman of the Board of Management
BMW AG

HARRY ROELS

KASPER RORSTED
Chairman of the Board of Management
Henkel AG & Co. KGaA

DR. MANFRED SCHNEIDER
Chairman of the Supervisory Board
RWE AG
Linde AG

JIM HAGEMANN SNABE
until 6 May 2014
General Manager
Snabe ApS

PROF. DR. DENNIS J. SNOWER
President of the Kiel Institute for the World Economy

PETER TERIUM
Chief Executive Officer
RWE AG

DR.-ING. E.H. HEINRICH WEISS
Chairman of the Supervisory Board
SMS Holding GmbH

MANFRED WENNEMER
President of the Administrative Board
Sulzer AG

International Advisory Board

DR. PAUL ACHLEITNER
Chairman of the Supervisory Board of
Deutsche Bank AG

PAULO DE AZEVEDO
Chief Executive Officer of Sonae SGPS, S.A.

ALFONSO CORTINA DE ALCOCER
Vice Chairman of Rothschild Europe BV,
Senior Advisor at Texas Pacific Group

AMBASSADOR ROBERT M. KIMMITT
Senior International Counsel of
Wilmer Cutler Pickering Hale and Dorr

PETER COSTELLO
Chairman of ECG Financial Pty Ltd

DR. JÜRGEN HAMBRECHT
Chairman of the Supervisory Board of BASF SE

DR. FRED HU
Founder and Partner of Primavera Capital Group

DR. FRANZ B. HUMER
Chairman of Diageo plc,
Retired Chairman of Roche Holding Ltd

IZUMI KOBAYASHI
since 3 January 2015
Member of the Board of Directors of ANA Holdings Inc.,
Director of Mitsui & Co., Ltd

LORD IAIN VALLANCE OF TUMMEL
Chairman of Amsphere Ltd

MINORU MAKIHARA
until 31 December 2014
Senior Corporate Advisor of Mitsubishi Corporation

CHRISTOPHE DE MARGERIE
† 20 October 2014
Chairman and Chief Executive Officer of Total S.A.

DR. MARIO MONTI
President of Bocconi University,
Chairman of the High-level Group on Own Resources of
the European Union

JACQUES A. NASSER
Chairman of BHP Billiton,
Senior Consultant of One Equity Partners

DR. GIANFELICE ROCCA
Chairman of Techint Group of Companies

ANGEL RON
Chairman of Banco Popular

ANTHONI SALIM
President and Chief Executive Officer of
Salim Group

LOUIS SCHWEITZER
Président d'Honneur de Renault

DR. MARCO TRONCHETTI PROVERA
until 31 December 2014
Chairman and Chief Executive Officer of
Pirelli & C. S.p.A.

Mandates of the Members of the Supervisory Board

DR. HELMUT PERLET
Chairman
Former Member of the Board of Management of Allianz SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Commerzbank AG
GEA Group AG

DR. WULF H. BERNOTAT
Vice Chairman
Former Chairman of the Board of Management of E.ON AG
Membership in other statutory supervisory boards and SE administrative boards in Germany
Bertelsmann Management SE
Bertelsmann SE & Co. KGaA
Deutsche Annington Immobilien SE (Chairman)
Deutsche Telekom AG
METRO AG

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

DANTE BARBAN
Employee of Allianz S.p.A.

CHRISTINE BOSSE
Former Group Chief Executive Officer of the Executive Management of Tryg
Membership in comparable[1] supervisory bodies
Aker ASA
Flügger A/S (Chairwoman)
until 18 September 2014
TDC A/S

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

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

IRA GLOE-SEMLER
Regional Representative Financial Services of ver.di Hamburg

FRANZ HEISS
Employee of Allianz Beratungs- und Vertriebs-AG

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

IGOR LANDAU
until 7 May 2014
Member of the Board of Directors of Sanofi S.A.
Membership in other statutory supervisory boards and SE administrative boards in Germany
adidas AG (Chairman)
Membership in comparable[1] supervisory bodies
Sanofi S.A.

JIM HAGEMANN SNABE
since 7 May 2014
Chairman of Centre for Global Industries, World Economic Forum
Membership in other statutory supervisory boards and SE administrative boards in Germany
SAP SE
since 7 July 2014
Siemens AG
Membership in comparable[1] supervisory bodies
Bang & Olufsen A/S (Vice Chairman)
Danske Bank A/S
SAP Labs LLC (Group mandate SAP)
until 21 May 2014
Success Factors Inc. (Group mandate SAP)
until 21 May 2014
Syclo LLC (Group mandate SAP)
until 21 May 2014

PETER DENIS SUTHERLAND
Chairman of Goldman Sachs International
Membership in comparable[1] supervisory bodies
BW Group Ltd.
Goldman Sachs International (Chairman)
Koç Holding A.Ş.

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

Mandates of the Members of the Board of Management

MICHAEL DIEKMANN
until 6 May 2015
Chairman of the Board of Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
BASF SE (Vice Chairman)
Linde AG (Vice Chairman)
Siemens AG
Membership in Group bodies
Allianz Asset Management AG (Chairman)
until 23 February 2015
Allianz Deutschland AG
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A. (Vice Chairman)
Allianz S.p.A.

OLIVER BÄTE
Insurance Western & Southern Europe
until 31 December 2014
Global Property-Casualty
until 6 May 2015
Chairman of the Board of Management
from 7 May 2015
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.
Allianz S.p.A. (Vice Chairman until 6 February 2015)
Allianz Sigorta A.S. (Vice Chairman)
until 1 January 2015
Allianz Yasam ve Emeklilik A.S.
until 1 January 2015
Yapi Kredi Sigorta A.S. (Vice Chairman)
until 30 September 2014

SERGIO BALBINOT
since 1 January 2015
Insurance Western & Southern Europe
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.
Allianz S.p.A. (Vice Chairman since 7 February 2015)
Allianz Sigorta A.S.
Allianz Yasam ve Emeklilik A.S.

MANUEL BAUER
Insurance Growth Markets
Membership in comparable[1] supervisory bodies
Bajaj Allianz General Insurance Co. Ltd.
Bajaj Allianz Life Insurance Co. Ltd.
Membership in Group bodies
Allianz Hungária Biztosító Zrt. (Chairman)
Allianz-Slovenská poisťovňa a.s. (Chairman)
until 11 December 2014
Allianz Tiriac Asigurari S.A. (Chairman)
OJSC IC Allianz (Chairman)
until 16 March 2014
TUiR Allianz Polska S.A. (Chairman)
until 30 October 2014
TU Allianz Życie Polska S.A. (Chairman)
until 30 October 2014

GARY BHOJWANI
until 31 December 2014
Insurance USA
Membership in comparable[1] supervisory bodies
Hormel Foods Corp.
since 28 July 2014
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairman)
Allianz of America, Inc. (Chairman)
AZOA Services Corp. (Chairman)
Fireman's Fund Insurance Company (Chairman)

CLEMENT BOOTH
until 31 December 2014
Global Insurance Lines & Anglo Markets
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Australia Ltd.
Allianz Insurance plc (Chairman)
Allianz Irish Life Holdings plc
Euler Hermes S.A. (Chairman)

DR. HELGA JUNG
Insurance Iberia & Latin America, Legal & Compliance, Mergers & Acquisitions
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG (Chairwoman)
since 23 February 2015
Allianz Global Corporate & Specialty SE (Vice Chairwoman)
Membership in comparable[1] supervisory bodies
Unicredit S.p.A.
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

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

JAY RALPH
Asset Management
U.S. Life Insurance
since 1 January 2015
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairman)
since 1 January 2015

DR. AXEL THEIS
since 1 January 2015
Global Insurance Lines & Anglo Markets
Global Property-Casualty
from 7 May 2015
Membership in other statutory supervisory boards and SE administrative boards in Germany
ProCurand GmbH & KGaA (Chairman)
Membership in Group bodies
Allianz Global Corporate & Specialty SE (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Insurance plc
Allianz Irish Life Holdings plc
Fireman's Fund Insurance Company
Euler Hermes S.A.
from 27 May 2015

DR. DIETER WEMMER
Finance, Controlling, Risk
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
Allianz Investment Management SE

DR. WERNER ZEDELIUS
Insurance German Speaking Countries, Banking, Human Resources
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Deutschland AG (Chairman)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman)
Allianz Elementar Versicherungs-AG (Chairman)
Allianz Investmentbank AG (Vice Chairman)
Allianz Suisse Lebensversicherungs-Gesellschaft AG (Vice Chairman)
Allianz Suisse Versicherungs-Gesellschaft AG (Vice Chairman)

DR. MAXIMILIAN ZIMMERER
Investments, Global Life/Health
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Asset Management AG
Allianz Investment Management SE (Chairman)
Allianz Lebensversicherungs-AG (Vice Chairman)

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

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement.

A

ACQUISITION COST
The amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition.

ACTUARIAL GAINS AND LOSSES
Actuarial gains and losses are changes in the present value of the defined benefit obligation resulting from experience adjustments (i.e. the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions (e.g. changes in demographic and in financial assumptions).

AFFILIATES
The parent company of the Group and all subsidiaries. Subsidiaries are entities where the parent company can exercise a significant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

AGGREGATE POLICY RESERVES
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

ALLOWANCE FOR LOAN LOSSES
The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities. Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as an expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

ASSETS UNDER MANAGEMENT
Assets under management are assets or securities portfolios, valued at current market value, for which Allianz Asset Management companies provide discretionary investment management decisions and have the portfolio management responsibility. They are managed on behalf of third parties as well as on behalf of the Allianz Group.

ASSOCIATES
All entities, over which the Allianz Group has significant influence, i.e. the power to participate in the financial and operating policy decisions of these entities, but no control or joint control of those policies.

AMORTIZED COST
The amortized cost of a financial asset or financial liability is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount.

AVAILABLE-FOR-SALE INVESTMENTS
Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

B

BUSINESS COMBINATION
A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the acquisition method.

C

CASH FLOW STATEMENT
Statement showing movements of cash and cash equivalents during a reporting period, classified by three types of activity: operating activities, investing activities and financing activities.

CERTIFICATED LIABILITIES
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

COLLATERALIZED DEBT OBLIGATION (CDO)
A way of packaging credit risk. Several classes of securities (known as tranches) are created from a portfolio of bonds. Rules determine how the cost of defaults are allocated to the classes.

COMBINED RATIO
Represents the total of acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, 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.

COST-INCOME RATIO
Represents operating expenses divided by operating revenues.

CREDIT RISK
The risk of a loss incurring due to a counterparty's deterioration of credit quality or its default.

CURRENT EMPLOYER SERVICE COST
Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

D

DEFERRED ACQUISITION COSTS (DAC)
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid, underwriting expenses and policy issuance costs.

DEFERRED TAX ASSETS/LIABILITIES
The calculation of deferred taxes is based on tax loss carry forwards, tax credit carry forwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the entities included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

DEFINED BENEFIT PLANS
For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost of a defined benefit to the employer plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

DEFINED CONTRIBUTION PLANS
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and does not participate in the investment success of the contributions.

DERIVATIVE FINANCIAL INSTRUMENTS
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, foreign currency exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

E

EARNINGS PER SHARE (EPS)
Ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares outstanding (basic EPS). In order to calculate diluted earnings per share, the number of common shares outstanding and the net income for the year attributable to shareholders are adjusted by the effects of potentially dilutive common shares which could still be exercised. Potentially dilutive common shares arise in connection with share-based compensation plans (diluted EPS).

EQUITY METHOD
The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets.

EXPENSE RATIO
Represents acquisition and administrative expenses (net), excluding one-off effect from pension revaluation, divided by premiums earned (net).

F

FAIR VALUE
The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME
Financial assets carried at fair value through income include financial assets held for trading and financial assets designated at fair value through income.

FINANCIAL LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME
Financial liabilities carried at fair value through income include financial liabilities held for trading and financial liabilities designated at fair value through income.

FINANCIAL VAR
Financial Value at Risk (VaR) is the aggregation of market risk and credit risk taking diversification benefits into account.

FORWARDS
The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

FUNCTIONAL CURRENCY
The functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

FUNDS HELD BY OTHERS UNDER REINSURANCE CONTRACTS ASSUMED/DEPOSITS RETAINED FOR REINSURANCE CEDED
Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "deposits retained for reinsurance ceded".

FUTURES
Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between the closing market value and the exercise price is paid.

G

GOODWILL
Difference between the cost of acquisition and the fair value of the net assets acquired.

GROSS/NET
In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In investment terminology the term "net" is used where the relevant expenses have already been deducted from the respective income.

H

HEDGING
The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

HELD FOR SALE
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

HELD-TO-MATURITY INVESTMENTS
Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

I

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS FRAMEWORK
The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

INCOME FROM FINANCIAL ASSETS AND LIABILITIES CARRIED AT FAIR VALUE THROUGH INCOME (NET)

Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized gains and losses including interest and dividend income from financial assets and financial liabilities carried at fair value through income, the income (net) from financial liabilities for puttable equity instruments and the foreign currency gains and losses (net).

ISSUED CAPITAL AND ADDITIONAL PAID-IN CAPITAL

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

J

JOINT VENTURE

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

L

LIFE/HEALTH – DEFINITION OF TERMS

Further wordings used in the Life/Health business segment performance analysis:
Front-end load products: Products with a commission applied at the time of the initial recognition.
Commission clawbacks: Commission recovered from intermediaries on lapse of (typically newer) contracts.
True-up: Retrospective update of assumptions for DAC calculation.
Unlocking: Prospective update of assumptions for DAC calculation.

LIFE/HEALTH LINES OF BUSINESS

Guaranteed savings & annuities: Guaranteed savings and annuities are life insurance obligations that always relate to the length of human life. Life obligations may be related to guarantees offering life and/or death coverage of the insured in the form of single or multiple payments to a beneficiary.
Protection & health: Protection and health insurance covers different risks which are linked to events affecting the physical or mental integrity of a person.
Unit-linked without guarantee: Conventional unit-linked products are those where all of the benefits provided by a contract are directly linked to the value of assets contained in an internal or external fund held by the insurance undertakings. Performance is linked to a separate account and the investment risk is borne by the policyholder rather than the insurer.

LIFE/HEALTH OPERATING PROFIT SOURCES

The objective of the Life/Health operating profit sources analysis is to explain movements in IFRS results by analyzing underlying drivers of performance on a Life/Health business segment consolidated basis.
Loadings & fees: Includes premium and reserve based fees, unit-linked management fees and policyholder participation in expenses.
Investment margin: Is defined as IFRS investment income net of expenses less interest credited to IFRS reserves and policyholder participation.
Expenses: Includes commissions, acquisition expenses and administration expenses.
Technical margin: Comprises risk result (risk premiums less benefits in excess of reserves less policyholder participation), lapse result (surrender charges and commission clawbacks) and reinsurance result.
Impact of change in DAC: Includes effects of change in DAC, URR and VOBA and is the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit.

LOSS RATIO

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

N

NON-CONTROLLING INTERESTS

Those parts of the equity of affiliates which are not owned by companies of the Allianz Group.

NET INCOME ATTRIBUTABLE TO NON-CONTROLLING INTERESTS

That part of net income for the year which is not attributable to the shareholders of the Allianz Group but to other third parties who hold shares in affiliates.

O

OPTIONS

Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC DERIVATIVES

Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

P

PENSION AND SIMILAR OBLIGATIONS

Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits.

PREMIUMS WRITTEN/EARNED

Premiums written represent all premium revenues in the respective year. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP)

Present value of projected new regular premiums, discounted with risk-free rates, plus the total amount of single premiums received.

R

REINSURANCE

An insurance company transfers part of its insurance risk assumed to another insurance company.

REPLICATING PORTFOLIO

Representation of the liabilities of the Life/Health insurance business via standard financial instruments. This form of representation mimics the behavior of these liabilities under different market conditions and allows for efficient risk calculations on the basis of Monte Carlo simulations.

REPURCHASE AND REVERSE REPURCHASE AGREEMENTS

A repurchase (repo) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES
Reserves are established for the payment of losses and loss adjustment expenses (LAE) on claims which have occurred but are not yet settled.

RESERVES FOR PREMIUM REFUNDS
That part of the surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

RETAINED EARNINGS
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group entities and amounts transferred from consolidated net income.

RISK APPETITE
The level of risk that an organization is prepared to accept, before action is deemed necessary to reduce it. Risk appetite is therefore clearly and comprehensively defined by using target and minimum risk indicators, (quantitative) limit systems, or adequate policies, standards and guidelines to determine the "boundaries" of the Group's business operations.

S

SEGMENT REPORTING
Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Asset Management and Corporate and Other) as well as by reportable segments.

SUBORDINATED LIABILITIES
Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

SURPLUS FUNDS
According to Solvency II guidance surplus funds are deemed to be accumulated profits, which have not been made available for distribution to policyholders and beneficiaries.

SWAPS
Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

U

UNEARNED PREMIUMS
Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

UNEARNED REVENUE RESERVES (URR)
URR contain premium components that refer to future periods, which are reserved and released over the lifetime of the corresponding contracts.

US GAAP
Generally Accepted Accounting Principles in the United States of America.

V

VALUE OF THE BUSINESS ACQUIRED (VOBA)
VOBA refers to the present value of future profits associated with a block of business purchased.

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[1]

Annual General Meeting	6 May 2015
Interim Report/Financial Results 1Q	12 May 2015
Interim Report/Financial Results 2Q	7 August 2015
Interim Report/Financial Results 3Q	6 November 2015
Financial Results 2015	19 February 2016
Annual Report 2015	11 March 2016
Annual General Meeting	4 May 2016

1 — The German Securities Trading Act ("Wertpapierhandelsgesetz") obliges issuers to announce immediately any information which may have a substantial price impact. Therefore we cannot exclude that we have to announce key figures related to quarterly and fiscal year results ahead of the dates mentioned above. As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

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Annual Report on the internet: www.allianz.com/annualreport – Design / Concept: hw.design GmbH
Photography: Andreas Pohlmann (Board of Management, Chairman of the Supervisory Board) – Date of publication: 13 March 2015