STRENGTH CONTINUITY CHANGE

Allianz Group
Annual Report 2016

Allianz

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

▸ All references to chapters, pages, notes, internet pages, etc. within this report are also linked.

CONTENT

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.

Further Information
Following the change in the E.U. Transparency Directive, Allianz Group adjusted its reporting in 2016, including the discontinuation of the First Quarter and Third Quarter Interim Reports. We have also taken this opportunity to enhance transparency, streamline our disclosures, and remove redundancies wherever possible.

TO OUR INVESTORS

A

OLIVER BÄTE
Chairman of the
Board of Management

Dear Investors –

In last year's letter to you I stated that your company was positioned well to deliver impressive results even in difficult times. This still holds true, as our results for 2016 demonstrate: our operating profit improved by 0.9 % to € 10.8 BN; our net income attributable to shareholders was € 6.9 BN. A very good result, considering the persistent low interest rate environment, as well as a fiscal period that has the entire business world holding its breath in the face of war, terror, and sudden political changes.

That said, our share price could not repeat the double-digit performance seen the previous year, what with unprecedented negative interest rates, political instability, and a difficult second quarter. But as the figures in our annual financial statements show, we are working hard to sustainably increase your company's value to key stakeholder groups and to place customers at the center of all our actions.

Our strategy and our Renewal Agenda are taking effect: they strengthen Allianz and enhance your company's competitiveness.

– A year after the introduction of the E.U. solvency guideline Solvency II, we can report a strong Solvency II capitalization ratio of 218 %.

– Our Property-Casualty segment – a business with relatively low capital requirements – achieved a strong performance despite headwinds, with our units in Turkey and Germany particularly standing out in terms of top-line growth.

Photo: Wolfgang Stahr

- We are making good progress in shifting our Life portfolio towards capital-efficient products; our new business margin has increased to 2.7 %. And we continue to address deficits in the existing portfolio just as rigorously, as the successful sale of our South Korean business demonstrates.

- In Asset Management, the new PIMCO management team (with Emmanuel Roman as CEO and Dan Ivascyn as CIO) produced excellent results: Despite the recent rise in U.S. Treasury interest rates, we registered third-party net inflows in the last two quarters of 2016 – for the first time since 2013. Furthermore, 88 % of PIMCO's third-party assets under management exceeded their respective benchmarks. Allianz Global Investors continued on its road to success, achieving excellent results.

- In order to make a comparative assessment of our customer orientation, the measurement of customers' willingness to recommend Allianz (Net Promoter Score) was harmonized on a group-wide basis. Results for 2016 were quite gratifying: 55 % of our businesses achieved an NPS above the respective market average.

- We also moved up the newly defined Inclusive Meritocracy Index, which measures progress in establishing an inclusive performance culture: it stood at 70 % in 2016, after 68 % in 2015.

- Our commitment to being a sustainable business was rewarded by the Dow Jones Sustainability Index, one of the most prestigious Responsible Business ratings. We achieved a gold rating and were the highest-placed primary insurer. Over the last year, we continued to take industry-leading steps including our divestment from coal-based industries and the growth of our renewable energy portfolio to € 4.6 BN.

Well, the good results of 2016 are history now and it is time to look to the future. As stated before, we want to use our present financial strength and solid balance sheet to strengthen Allianz even further. When asked about the long-term growth prospects for your company, I usually point out three things: first, over seven billion people wake up every day, and for most of them it is a key concern to have their safety and well-being protected and be able to appropriately partake in global prosperity. Second, only about one percent of these people are our customers at present. Third, since we are one of the world's leading financial services providers, we are in a better position than most to fulfil this basic need for financial security and a share in prosperity. In other words, there are basically no limits to our growth – all we need to do is tap these opportunities prudently and in sustainable ways.

We are experiencing an exciting moment in the history of Allianz, with huge and tantalizing challenges ahead. It makes me happy to see how, at the various Allianz entities, young talents work with experienced veterans to take this proud global company further into the digital age. I am very pleased that we have such talented employees, and I extend my warmest thanks to them for their hard work and outstanding dedication. Special thanks also go to our sales partners, in particular our capable Allianz representatives worldwide. I am sure I am expressing these thanks on your behalf as well.

All of these women and men work hard and successfully to provide you with both robust returns and superior capital efficiency, in keeping with our promise. And, as you may remember, there is another promise we have made: any capital we don't use to expand our business will be returned to our investors. We have kept this promise as well. At the same time, we work to ensure we have the flexibility required to keep a sound balance between Allianz's capital efficiency on the one hand and its balance sheet strength on the other.

Dear investors, we greatly appreciate your ongoing loyalty and support. Please be assured that in 2017, as in the past years, we will not rest on our laurels, and we are making good progress despite all the uncertainties and challenges we are facing. It is not in our power, obviously, to prevent low interest rates, strong market fluctuations, or natural catastrophes. But we can work hard to achieve our ambitious goals, and to ensure that your Allianz will remain successful as the world goes digital.

Sincerely yours,

Oliver Bäte

P.S.: Our financial reporting goes digital, too, and we are deliberately keeping this Annual Report as brief as possible. For further details on our figures and plans, please refer to our website at **www.allianz.com/investor-relations** or our Allianz Investor Relations App.

Supervisory Board Report

Ladies and Gentlemen,

During the fiscal year 2016, the Supervisory Board fulfilled all its duties and obligations as laid out in the company Statutes and applicable law. It monitored the management of the company, devoted particular attention to personnel matters related to the Board of Management, and advised the Board of Management regarding the conduct of business.

OVERVIEW

In all of the Supervisory Board's 2016 meetings, the Board of Management reported on Group revenues and results as well as developments in individual business segments. The Board of Management informed us on the course of business as well as on the development of the Allianz Group and Allianz SE, including deviations in actual business developments from the planning. Within the framework of our activities, the Board of Management reported to us on a regular basis and in a timely and comprehensive manner, both verbally and in writing. Key reporting issues were strategic topics, such as the implementation of the Renewal Agenda and the portfolio strategy, the risk strategy and capital management, the ongoing challenges facing the life insurance business due to the low interest rates, the divestment of the life insurance business in South Korea, as well as the business development in the Asset Management segment. In addition, we were extensively involved in the Board of Management's planning for both the fiscal year 2017 and the three-year period from 2017 to 2019. We dealt extensively with the implementation of the audit reform legislation, in particular the preparation of the audit firm rotation. Finally, we prepared for the election of the Supervisory Board in spring 2017 and also took a look at the result of the review of the efficiency of the Supervisory Board's activities carried out with the support of an external advisor.

In the fiscal year 2016, the Supervisory Board held six meetings. The meetings took place in February, March, May, August, October and December. The Board of Management's verbal reports at the meetings were accompanied by written documents, which were sent to each member of the Supervisory Board in time for the relevant meeting. The Board of Management also informed us in writing of important events that occurred between meetings. The chairmen of the Supervisory and Management Boards also had regular discussions about major developments and decisions.

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 14. Members of the Supervisory Board who were unable to attend meetings of the Supervisory Board or its committees were excused and, as a rule, cast their votes in writing.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In the meeting of 18 February 2016, the Supervisory Board dealt comprehensively with the provisional financial figures for the fiscal year 2015 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. The Chief Compliance Officer then gave his annual report on the compliance organization and key compliance-related matters. 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 fiscal year 2015 as well as the mid-term bonus for the fiscal years 2013 – 2015. In the course of the performance assessment, we also verified the fitness and propriety of the members of the Board of Management.

In the meeting of 10 March 2016, the Supervisory Board dealt, firstly with personnel matters and appointed Ms. Jacqueline Hunt to the Board of Management as successor to Mr. Jay Ralph with effect from 1 July 2016, and Dr. Günther Thallinger as successor to Dr. Maximilian Zimmerer with effect from 1 January 2017. The Supervisory Board also 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 fiscal year 2015. The auditor confirmed that there were no discrepancies to their February report, and issued an unqualified auditor's report for the individual and consolidated financial statements. In addition, the Board of Management submitted its report on risk developments in 2015. The Supervisory Board also dealt with the agenda and the proposals for resolution for the 2016 AGM of Allianz SE. It also resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the fiscal year 2016 and for the auditor's review of the 2016 half-yearly financial report. In addition, the Supervisory Board was also informed about the implementation status of the Renewal Agenda and the consideration of environmental, social, and governance (ESG) aspects in the investment and underwriting process.

On 4 May 2016, just before the AGM, the Board of Management briefed us on the first quarter 2016 performance and on the Group's current situation, in particular the capital adequacy, the solvency ratio, and the planned sale of the life insurance business in South Korea. Because of Ms. Ira Gloe-Semler's and Mr. Peter Denis Sutherland's resignation from the Supervisory Board, a by-election for the committees had to be held. Ms. Martina Grundler was elected to the Audit Committee, Dr. Friedrich Eichiner to the Risk Committee, and Mr. Jim Hagemann Snabe to the Nomination Committee.

In the meeting of 4 August 2016, the Board of Management reported in depth on the half-yearly results and also dealt with the potential impact of Brexit as well as the failed coup attempt in Turkey, the situation in the Italian banking sector, the acquisition in Morocco, and planned issuance of shares to employees. We then dealt extensively with the implementation status of the Renewal Agenda, in particular in the main operating entities, regarding the topics True Customer Centricity, Digital by Default, Technical Excellence, Growth Engines, and Inclusive Meritocracy. The Board of Management also reported on the measures to promote women and to increase employee mobility. Finally, the Supervisory Board dealt with the audit reform legislation and the therefore required adjustments to the rules of procedure for the Supervisory Board and individual committees, as well as the objectives for the composition of the Supervisory Board. The meeting was preceded by a separate informational event for the members of the Supervisory Board on the Group's digital strategy and its implementation.

The main focus of the meeting on 7 October 2016 was the strategy of the Allianz Group, in particular the portfolio strategy and its integration into the Renewal Agenda, the risk strategy, and capital management. In addition, the Supervisory Board dealt with the Group's ambitions in the health insurance business. In its report on the results, the Board of Management also addressed the divestment process for Oldenburgische Landesbank AG. Other topics discussed in the meeting included amendments to the schedule of responsibilities of the Board of Management as well as the report of the Nomination Committee in the plenary session on the proposed candidates for election to the Supervisory Board as shareholder representatives by the 2017 AGM.

At the 15 December 2016 meeting, the Board of Management provided us with information about the third-quarter results and further business developments as well as the current situation of the Allianz Group. It also briefed us on the status of the divestment process in South Korea and on the settlement of a SEC investigation at PIMCO. We also discussed the planning for the fiscal year 2017 and the 2017 – 2019 three-year period, as well as the Declaration of Conformity with the German Corporate Governance Code. The Supervisory Board reviewed the appropriateness of the remuneration of the Board of Management based on a vertical and horizontal comparison, set targets for the variable remuneration of the members of the Board of Management and discussed general succession planning with regard to the Board of Management. The new CEO of PIMCO also introduced himself with initial considerations regarding the future direction of PIMCO. Furthermore, we dealt extensively with the proposal made by the Audit Committee regarding the mandatory audit firm rotation. In addition, the Supervisory Board nominated the candidates for the 2017 Supervisory Board election in accordance with the proposal made by the Nomination Committee and considering the objectives for the composition of the Supervisory Board. The new regulatory requirements regarding the composition of the Supervisory Board were also discussed in this context. Finally, we took a detailed look at the results of the Supervisory Board's efficiency review carried out with the support of an external advisor.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 15 December 2016, 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 made in the Code's version of 5 May 2015.

Further explanations on corporate governance in the Allianz Group can be found in the Corporate Governance Report starting on page 14 and the Statement on Corporate Management pursuant to § 315 (5) and § 289a HGB starting on page 19. The Allianz website also provides more details on corporate governance: **www.allianz.com/corporate-governance.**

COMMITTEE ACTIVITIES

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

The ***Standing Committee*** held two meetings and adopted one resolution by written procedure in 2016. These related primarily to corporate governance issues, in particular to the adjustments to the rules of procedure for the Supervisory Board and its committees as a result of the new auditing legislation, the preparation for the AGM, the Employee Stock Purchase Plan, and the external review of the Supervisory Board's efficiency. During the fiscal year the committee also passed resolutions to approve loans to senior executives.

The ***Personnel Committee*** held three meetings, one of which was by conference call, in 2016. It dealt extensively with the successors to Mr. Ralph and Dr. Zimmerer. The committee also looked at other mandate matters for active and former members of the Board of Management. In addition to reviewing the target achievement among Board of Management members for 2015, the committee prepared the review of the remuneration system and the setting of targets for variable remuneration for 2017.

The ***Audit Committee*** held five regular and two extraordinary meetings, and adopted one resolution by written procedure in 2016. 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 as well as the half-yearly financial report. The Audit Committee saw no reason to raise any objections. In addition, the Board of Management submitted its report on the results of the first and third quarter. The committee also dealt with the auditor's engagement and established priorities for the annual audit for the 2016 financial year. It also discussed assignments to the auditors for non-audit services. In addition, it dealt extensively with the compliance system, the internal audit system as well as the internal financial reporting process and the internal controls over financial reporting. The committee received regular reports on legal and compliance issues and the work of the internal audit function and initiated a review of the group-wide implementation status of the governance requirements according to Solvency II. The preparations for the audit firm rotation from the fiscal year 2018 were one of the main areas of focus of the Audit Committee's work. A tender procedure in accordance with the new legal requirements was carried out for this purpose and a recommendation finally submitted to the plenary session.

The ***Risk Committee*** held two meetings in 2016, 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 as well as 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 and the result of further, voluntary risk assessments by the auditor were also discussed. The committee took a detailed look at the risk strategy and capital management, as well as the effectiveness of the risk management system, in particular the limit system for the Allianz Group and Allianz SE. The interest rate sensitivity in the life insurance business and measures to reduce it were also dealt with in detail. Other matters considered were the risk strategy of Allianz SE and of the Allianz Group, the risk categories “operational risk” and “credit risk”, the effects of the prevailing low-interest environment, and the rules for Global Systematically Important Insurers (G-SII).

The ***Nomination Committee*** held four meetings, two of which by conference call in 2016, in which it dealt comprehensively with the proposals made by the shareholders for the election of the Supervisory Board by the 2017 AGM.

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

CHAIR AND COMMITTEES OF THE SUPERVISORY BOARD – as of 31 December 2016

Chairman: Dr. Helmut Perlet
Vice Chairmen: Dr. Wulf H. Bernotat, Rolf Zimmermann
Standing Committee: Dr. Helmut Perlet (Chairman), Dr. Wulf H. Bernotat, Gabriele Burkhardt-Berg, Prof. Dr. Renate Köcher, Rolf Zimmermann
Personnel Committee: Dr. Helmut Perlet (Chairman), Christine Bosse, Rolf Zimmermann
Audit Committee: Dr. Wulf H. Bernotat (Chairman), Jean-Jacques Cette, Martina Grundler, Dr. Helmut Perlet, Jim Hagemann Snabe
Risk Committee: Dr. Helmut Perlet (Chairman), Dante Barban, Christine Bosse, Dr. Friedrich Eichiner, Jürgen Lawrenz
Nomination Committee: Dr. Helmut Perlet (Chairman), Prof. Dr. Renate Köcher, Jim Hagemann Snabe

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half-yearly financial report are appointed by the Supervisory Board of Allianz SE not 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 of the fiscal year 2016. KPMG audited the financial statements of Allianz SE and the Allianz Group as well as the respective management reports. They issued an auditor’s report without any reservations. The consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union. KPMG performed a review of the half-yearly financial report. The third-quarter results were subject to a voluntary review by KPMG. In addition, KPMG was also mandated to perform an audit of the market value balance sheet according to Solvency II.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor’s reports from KPMG on schedule. The provisional financial statements and KPMG’s audit results were discussed in the Audit Committee on 15 February 2017 and in the plenary session of the Supervisory Board on 16 February 2017. The final financial statements and KPMG’s audit reports were reviewed on 9 March 2017 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. In addition, the market-value balance sheet as of 31 December 2016 as well as the relevant KPMG report, were addressed by the Audit Committee and Supervisory Board.

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

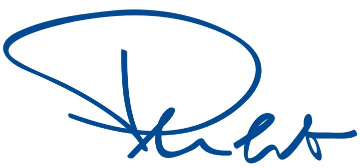
MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

Ms. Ira Gloe-Semler resigned from her office of employee representative on the Supervisory Board effective 31 March 2016, due to her change of function with the union ver.di. The SE Works Council appointed Ms. Martina Grundler, also a representative of the union ver.di, as her successor. Mr. Peter Denis Sutherland stepped down from the Supervisory Board following the AGM on 4 May 2016, having reached retirement age. Dr. Friedrich Eichiner was elected to the Supervisory Board as his successor by the AGM.

As already mentioned, the 2016 financial year also saw personnel changes within Allianz SE's Board of Management. Mr. Jay Ralph and Dr. Maximilian Zimmerer stepped down from the Board of Management with effect from 30 June 2016 and 31 December 2016, respectively. Ms. Jacqueline Hunt was appointed as successor to Mr. Ralph with effect from 1 July 2016. Dr. Zimmerer was replaced by Dr. Günther Thallinger with effect from 1 January 2017.

Munich, 9 March 2017

For the Supervisory Board:



Dr. Helmut Perlet
Chairman

Mandates of the Members of the Supervisory Board

DR. HELMUT PERLET
Chairman
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Commerzbank AG
GEA Group AG (Chairman since 20 April 2016)

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

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

DANTE BARBAN
Employee of Allianz S.p.A.

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

GABRIELE BURKHARDT-BERG
Chairwoman of the Group Works Council of Allianz SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Allianz Deutschland AG
since 1 September 2016

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

DR. FRIEDRICH EICHINER
since 4 May 2016
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
Festo AG
Membership in comparable[1] supervisory bodies
Festo Management AG

IRA GLOE-SEMLER
until 1 April 2016
Regional Representative Financial Services of ver.di Hamburg

MARTINA GRUNDLER
since 1 April 2016
National Representative Insurances, ver.di Berlin

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

JÜRGEN LAWRENZ
Employee of Allianz Managed Operations & Services SE
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Managed Operations & Services SE

JIM HAGEMANN SNABE
Member of various Supervisory Boards
Membership in other statutory supervisory boards and SE administrative boards in Germany
SAP SE
Siemens AG
Membership in comparable[1] supervisory bodies
A.P. Møller-Mærsk A/S
since 12 April 2016
Bang & Olufsen A/S
Danske Bank A/S
until 17 March 2016

PETER DENIS SUTHERLAND
until 4 May 2016
Member of various Supervisory Boards
Membership in comparable[1] supervisory bodies
BW Group Ltd.
Koç Holding A.Ş.

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

Mandates of the Members of the Board of Management

OLIVER BÄTE
Chairman of the Board of Management
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Deutschland AG
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz France S.A.
until 5 May 2016

SERGIO BALBINOT
Insurance Western & Southern Europe
Insurance Middle East, Africa
Asia Pacific
since 1 January 2017
Membership in comparable[1] supervisory bodies
Bajaj Allianz General Insurance Co. Ltd.
since 12 January 2016
Bajaj Allianz Life Insurance Co. Ltd.
since 12 January 2016
UniCredit S.p.A.
since 9 June 2016
Membership in Group bodies
Allianz France S.A.
Allianz S.p.A.
until 22 July 2016
Allianz Sigorta A.S.
Allianz Yasam ve Emeklilik A.S.

JACQUELINE HUNT
since 1 July 2016
Asset Management, US Life Insurance
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairwoman)
since 22 July 2016

DR. HELGA JUNG
Insurance Iberia & Latin America, Legal, Compliance, Mergers & Acquisitions
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Telekom AG
since 25 May 2016
Membership in Group bodies
Allianz Asset Management AG (Chairwoman)
Allianz Deutschland AG
since 11 March 2016
Allianz Global Corporate & Specialty SE
Membership in comparable[1] supervisory bodies
UniCredit S.p.A.
until 31 May 2016
Membership in Group bodies
Allianz Compañía de Seguros y Reaseguros S.A.
Companhia de Seguros Allianz Portugal S.A.

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

JAY RALPH
until 30 June 2016
Asset Management, US Life Insurance
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairman)

DR. GÜNTHER THALLINGER
since 1 January 2017
Investment Management
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)
Membership in comparable[1] supervisory bodies
Membership in Group bodies
Allianz S.p.A.
since 22 July 2016

DR. AXEL THEIS
Global Insurance Lines & Anglo Markets
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 Australia Ltd.
Allianz Insurance plc (Chairman)
Allianz Irish Life Holdings plc
Euler Hermes Group S.A. (Chairman since 25 May 2016)

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
Membership in comparable[1] supervisory bodies
UBS Group AG
since 10 May 2016

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

DR. MAXIMILIAN ZIMMERER
until 31 December 2016
Investments, Global Life/Health
Insurance Asia Pacific
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

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

CORPORATE GOVERNANCE

B

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 15 December 2016, and the company's position regarding the Code's suggestions can be found in the Statement on Corporate Management pursuant to § 315 (5) and § 289a of the HGB starting on page 19.

Corporate Constitution of the European Company (SE)

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

Function of the Board of Management

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

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

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 2016, there were the following Board of Management committees:

BOARD COMMITTEES

BOARD COMMITTEES	RESPONSIBILITIES
GROUP CAPITAL COMMITTEE (dissolved effective as of 1 July 2016) Oliver Bäte (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), Sergio Balbinot, Dr. Helga Jung until 6 July 2016, Jay Ralph until 30 June 2016, Dr. Axel Theis, Dr. Maximilian Zimmerer.	Preparation of the capital and liquidity planning for the Group and Allianz SE, implementing and overseeing the principles of group-wide capital and liquidity planning, as well as investment strategy and preparing risk strategy. This includes, in particular, significant individual investments and guidelines for currency management, Group financing and internal Group capital management, as well as establishing and overseeing a group-wide risk management and monitoring system including dynamic stress tests.
GROUP IT COMMITTEE Dr. Christof Mascher (Chairman), Jay Ralph until 30 June 2016, Jacqueline Hunt from 1 July 2016, Dr. Axel Theis, 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 (Chairwoman), Oliver Bäte from 7 July 2016, Dr. Dieter Wemmer, Dr. Maximilian Zimmerer until 6 July 2016.	Managing and overseeing Group M & A transactions, including approval of individual transactions within certain thresholds.

as of 31 December 2016

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 2016, 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 (continued as a functional committee within Dr. Theis' area of responsibility effective as of 1 July 2016) Members of the Board of Management, executives below Allianz SE Board level and Chief Underwriting Officers of Group companies	Monitoring of the underwriting business, of the related risk management and strategy as well as developing an underwriting policy.
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.

The Allianz Group runs its operating entities and business segments via an integrated management and control process. The Holding and the operating entities first define the business strategies and goals. On this basis, joint plans are then prepared for the Supervisory Board's consideration when setting targets for the performance-based remuneration of the members of the Board of Management. For details, see the Remuneration Report starting on page 24.

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. Details on the Board of Management's reporting to the Supervisory Board are laid down in the reporting rules issued by the Supervisory Board.

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

Principles and function of the Supervisory Board

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

The Supervisory Board comprises twelve members, including six shareholder representatives appointed by the AGM. The six employee representatives are appointed by the SE works council. The specific procedure for their appointment is laid down in the SE Agreement. This agreement stipulates that the six employee representatives must be allocated in proportion to the number of Allianz employees in the different countries. The Supervisory Board currently in office comprises four employee representatives from Germany and one each from France and 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. According to § 17 (2) of the German SE Implementation Act ("SE-Ausführungsgesetz"), the Supervisory Board of Allianz SE shall be composed of at least 30 % women and at least 30 % men as of 1 January 2016.

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 2016 financial year are described in the Supervisory Board Report starting on page 5.

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

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

SUPERVISORY BOARD COMMITTEES

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

SUPERVISORY BOARD COMMITTEES

SUPERVISORY BOARD COMMITTEES	RESPONSIBILITIES
STANDING COMMITTEE 5 members – Chairman: Chairman of the Supervisory Board (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 (Jean-Jacques Cette, Ira Gloe-Semler until 31 March 2016, Martina Grundler from 4 May 2016)	– Initial review of the annual Allianz SE and consolidated financial statements, management reports (incl. Risk Report) and the dividend proposal, review of half-yearly reports or, where applicable, quarterly financial reports or statements – Monitoring of the financial reporting process, the effectiveness of the internal control and audit system and legal and compliance issues – Monitoring of the audit procedures, including the independence of the auditor and the services additionally rendered, awarding of the audit contract and determining the focal points of the audit
RISK COMMITTEE 5 members – Chairman: appointed by the Supervisory Board (Dr. Helmut Perlet) – Three shareholder representatives (in addition to Dr. Helmut Perlet: Christine Bosse, Peter Denis Sutherland until 4 May 2016, Dr. Friedrich Eichiner from 4 May 2016) – Two employee representatives (Dante Barban, Jürgen Lawrenz)	– Monitoring of the general risk situation and special risk developments in the Allianz Group – Monitoring of the effectiveness of the risk management system – Initial review of the Risk Report and other risk-related statements in the annual financial statements and management reports of Allianz SE and the Allianz Group, informing the Audit Committee of the results of such reviews
PERSONNEL COMMITTEE 3 members – Chairman: Chairman of the Supervisory Board (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 until 4 May 2016, Jim Hagemann Snabe from 4 May 2016)	– 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 %
PLENARY SESSIONS OF THE SUPERVISORY BOARD		
Dr. Helmut Perlet (Chairman)	6/6	100
Dr. Wulf H. Bernotat (Vice Chairman)	6/6	100
Rolf Zimmermann (Vice Chairman)	6/6	100
Dante Barban	6/6	100
Christine Bosse	4/6	66
Gabriele Burkhardt-Berg	6/6	100
Jean-Jacques Cette	6/6	100
Dr. Friedrich Eichiner	3/3 [1]	100
Ira Gloe-Semler	2/2 [2]	100
Martina Grundler	4/4 [3]	100
Prof. Dr. Renate Köcher	5/6	83
Jürgen Lawrenz	6/6	100
Jim Hagemann Snabe	5/6	83
Peter Denis Sutherland	2/3 [4]	66
STANDING COMMITTEE		
Dr. Helmut Perlet (Chairman)	2/2	100
Dr. Wulf H. Bernotat	2/2	100
Gabriele Burkhardt-Berg	2/2	100
Prof. Dr. Renate Köcher	1/2	50
Rolf Zimmermann	2/2	100
PERSONNEL COMMITTEE		
Dr. Helmut Perlet (Chairman)	3/3	100
Christine Bosse	3/3	100
Rolf Zimmermann	3/3	100
AUDIT COMMITTEE		
Dr. Wulf H. Bernotat (Chairman)	7/7	100
Jean-Jacques Cette	5/7	71
Ira Gloe-Semler	2/2 [2]	100
Martina Grundler	4/5 [3]	80
Jim Hagemann Snabe	6/7	86
Dr. Helmut Perlet	7/7	100
RISK COMMITTEE		
Dr. Helmut Perlet (Chairman)	2/2	100
Dante Barban	2/2	100
Christine Bosse	2/2	100
Dr. Friedrich Eichiner	1/1 [1]	100
Jürgen Lawrenz	2/2	100
Peter Denis Sutherland	0/1 [4]	–
NOMINATION COMMITTEE		
Dr. Helmut Perlet (Chairman)	4/4	100
Prof. Dr. Renate Köcher	4/4	100
Peter Denis Sutherland	1/2 [4]	50
Jim Hagemann Snabe	2/2 [5]	100

1 — Dr. Eichiner joined the Supervisory Board on 4 May 2016.
2 — Ms. Gloe-Semler left the Supervisory Board on 31 March 2016.
3 — Ms. Grundler joined the Supervisory Board on 1 April 2016.
4 — Mr. Sutherland left the Supervisory Board on 4 May 2016.
5 — Mr. Snabe joined the Nomination Committee on 4 May 2016.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

The objectives for the composition of the Supervisory Board (in the version from August 2016) to implement a recommendation by the Code, are as follows:

OBJECTIVES OF ALLIANZ SE'S SUPERVISORY BOARD REGARDING ITS COMPOSITION

"The aim of Allianz SE's Supervisory Board is to have members who are equipped with the necessary skills and competence to properly supervise and advise Allianz SE's management. Supervisory Board candidates should possess the professional expertise and experience, integrity, motivation and commitment, independence and personality required to successfully carry out the responsibilities of a Supervisory Board member in a financial-services institution with international operations. 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 3 July 2014, 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 on substance
- Fulfillment of the regulatory requirements, in particular[1]:
  - Reliability
  - Knowledge of the field of corporate governance and supervisory law
  - Knowledge of the main features of accounting and risk management
- Compliance with the limitation on the number of mandates as recommended by the German Corporate Governance Code and required by § 24 (4) of the German Insurance Supervision Act 2016 ("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.

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. Time of availability

Each member of the Supervisory Board must ensure that it has sufficient time to dedicate to the proper fulfilment of the Supervisory Board mandate. It has to be taken into account that

- there at least four, but usually six ordinary Supervisory Board meetings per year, each of which requires adequate preparation;
- sufficient time has to be dedicated for the audit of the annual and consolidated financial statements;
- attendance of the General Meeting is required;
- depending on possible memberships in one or more of the currently five Supervisory Board committees, extra time planning to participate in the committee meetings and to prepare for such meetings is required; this applies in particular to the Audit and Risk Committees;
- extraordinary meetings of the Supervisory Board or of a committee may be necessary to deal with special matters.

4. Retirement age

Members of the Supervisory Board may not, in general, be older than 70 years of age.

5. Term of membership

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

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

1. Specialist knowledge

- Make certain that the members in their entirety are familiar with the insurance and financial-services industry as defined under Article 100 (5) of the German Stock Corporation Act (AktG).
- 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.
- 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.

At Allianz SE as a Societas Europaea (European Company), Allianz employees from different Member States of the E.U. 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 3 July 2014.

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 Supervisory Board shall be composed of at least 30 % women and at least 30 % men. The representation of women is generally considered to be the joint responsibility of the shareholder and employee representatives."

1 — For further details, please see BaFin Guidance Notice on Vetting Members of Administrative and Supervisory Bodies in accordance with the German Banking Act and the German Insurance Supervision Act in its respective effective version.

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 current legislation for equal participation of women and men in leadership positions (statutory gender quota of 30 %) is being met. The current composition of the Supervisory Board and its committees is described on page 9.

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 2016.

Directors' dealings

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

Annual General Meeting

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

The AGM elects the shareholder representatives of the Supervisory Board and approves the actions taken by the Board of Management and the Supervisory Board. It decides on the use of profits, capital transactions 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 International Financial Reporting Standards (IFRS) as adopted within the European Union. The annual financial statements of Allianz SE are prepared in accordance with German law, in particular the HGB.

In compliance with special legal provisions that apply to insurance companies, the auditor of the annual financial statements and of the half-yearly financial report is appointed by the Supervisory Board, 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 about the company's situation on a regular basis and in a timely manner. The annual financial statements of Allianz SE, the Allianz Group's consolidated financial statements and the respective management reports are published within 90 days of the end of each financial year. Additional information is provided in the Allianz Group's half-yearly financial reports and quarterly statements. Information is also made available at the AGM, at press and analysts' conferences, as well as on the Allianz Group's website. Our website also provides a financial calendar listing the dates of major publications and events, such as annual reports, quarterly statements and half-yearly financial reports, AGMs as well as analyst conference calls and Financial press conferences.

You can find the 2017 financial calendar on our website at www.allianz.com/financialcalendar.

Regulatory requirements

The regulatory requirements for corporate governance as set out in Solvency II are additionally important. These requirements, which became effective as of 1 January 2016, include, in particular, the establishment and further design of significant control functions (risk management, actuarial function, compliance and internal audit) as well as general principles for a sound business organization. The regulatory requirements are applicable throughout the Group and have been implemented using written guidelines issued by the Board of Management of Allianz SE. For the financial year 2016 it was required to prepare for the first time a market value balance sheet at the individual and Group level, for this to be audited by the auditor and separately reported on.

Statement on Corporate Management pursuant to § 315 (5) and § 289a of the HGB

The Statement on Corporate Management pursuant to § 315 (5) and § 289a of the German Commercial Code ("Handelsgesetzbuch – HGB") forms part of the Group Management Report. According to § 317 (2), sentence 4 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 15 December 2016, the Board of Management and the Supervisory Board issued the following Declaration of Conformity of Allianz SE with the German Corporate Governance Code (hereinafter the "Code"):

DECLARATION OF CONFORMITY IN ACCORDANCE WITH § 161 OF THE GERMAN STOCK CORPORATION ACT

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

Since the last Declaration of Conformity as of December 10, 2015, Allianz SE has complied with all recommendations of the German Corporate Governance Code in the version of May 5, 2015 and will comply with them in the future.

Munich, December 15, 2016
Allianz SE

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

For the Supervisory Board:
Signed Dr. Helmut Perlet"

In addition, Allianz SE follows all the suggestions of the Code in its 5 May 2015 version.

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

The listed Group company Oldenburgische Landesbank AG issued its own Declaration of Conformity in December 2016, which states that Oldenburgische Landesbank AG complies with all of the recommendations of the Code in the version of 5 May 2015.

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 for 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 into account not only qualitative and quantitative guidelines, but also specific controls for individual business activities. For further information on the risk organization and risk principles, please refer to **page 62.** For further information on the internal Controls over Financial Reporting, please refer to **page 75.**

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. 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 function, 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 function 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 in the Sustainability Report on our website at www.allianz.com/sustainability.

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 9 and 11 of the Annual Report. A description of the composition of the Board of Management can be found on page 12, while the composition of the Committees of the Board of Management is described in the Corporate Governance Report starting on page 14. 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 14, and on our website at www.allianz.com/corporate-governance.

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

To implement the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, Allianz SE and the other German companies of the Allianz Group that are either listed or subject to co-determination have set the following targets for the percentage of women on the Board of Management and the two management levels below the Board of Management, which are to be achieved by 30 June 2017.

The Supervisory Board adopted a resolution in August 2015 setting the target for the percentage of women on Allianz SE's Board of Management at 11 %. However, the Supervisory Board of Allianz SE had additionally declared its intention to increase the percentage of women on the Board of Management of Allianz SE to at least 20 % by the end of 2018. With the appointment of Ms. Jacqueline Hunt as of 1 July 2016 the share of women in the Board of Management is currently 22 %. As a result, this broader aim has already been achieved as well. The target quotas for the boards of management of the other Allianz companies in Germany that are either listed or subject to co-determination have been set at 18 % on average.

The boards of managements of Allianz SE and the other German Allianz companies that are either listed or subject to co-determination have set a target of at least 20 % regarding the percentage of women in the first and second management levels below the Board of Management. This target is applicable provided that a higher share has not already been reached in individual companies. Over the longer term, Allianz aims to fill with women at least 30 % of the positions at these two management levels.

§ 17 (2) of the German SE Implementation Act stipulates that as of 1 January 2016, the share of women and men among the members of the Supervisory Board of Allianz SE must each total to at least 30 %. The Supervisory Board currently in office fulfills this requirement currently comprising four women (33 %). If the Annual General Meeting 2017 elects the Supervisory Board in accordance with the Supervisory Board's nominations, this requirement will also remain fulfilled in the future. The listed Oldenburgische Landesbank AG also meets the statutory quota. The supervisory boards of the other, non-listed German Allianz companies subject to co-determination have set an average minimum share of 29 % for the prescribed target quota by the middle of 2017.

Takeover-related Statements and Explanations

The following information is given pursuant to § 289 (4) and § 315 (4) of the German Commercial Code ("Handelsgesetzbuch – HGB") and § 176 (1) of the German Stock Company Act ("Aktiengesetz – AktG").

COMPOSITION OF SHARE CAPITAL

As of 31 December 2016, 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. An approval duly applied for may only be withheld if it is deemed necessary in the company's interest on exceptional grounds. The applicant will be informed of the reasons.

Shares acquired by employees of the Allianz Group as part of the Employee Stock Purchase Plan are, in principle, subject to a one-year lock-up period. Outside Germany, the lock-up period may 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 share price.

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

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

SHARES WITH SPECIAL RIGHTS CONFERRING POWERS OF CONTROL

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

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

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

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

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

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

AUTHORIZATION OF THE BOARD OF MANAGEMENT TO ISSUE AND REPURCHASE SHARES

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

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

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

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

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

The Board of Management may buy back and use Allianz shares for other purposes until 6 May 2019 on the basis of the authorization of the General Meeting of 7 May 2014 (§ 71 (1) No. 8 AktG). Together with other treasury shares that are held by Allianz SE, or which are attributable to it under §§ 71a et seq. AktG, such shares may not exceed 10 % of the share capital at any time. The shares acquired pursuant to this authorization may be used, under exclusion of the shareholders' subscription rights, for any legally admissible purposes, 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) AktG) under an authorization of the General Meeting valid until 6 May 2019. The total number of shares acquired thereunder, together with treasury shares held by Allianz SE or attributable to it under §§ 71a et seq. AktG, shall at no time exceed 10 % of the share capital of Allianz SE.

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

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

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

- Allianz SE is also party to various bancassurance distribution agreements for insurance products in various regions. These distribution agreements normally include a clause under which the parties have an extraordinary termination right in case there is a change of control of the other party's ultimate holding company.

- Shareholder agreements and joint ventures to which Allianz SE is a party often contain change-of-control clauses that provide, as the case may be, for the termination of the agreement, or for put or call rights that one party can exercise with regard to the joint venture or the target company, if there is a change of control of the other party.

- The framework agreements between Allianz SE and the subsidiaries of various car manufacturers relating to the distribution of car insurance by the respective car manufacturers each include a clause under which each party has an extraordinary termination right in case there is a change of control of the other party.

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

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

A change-of-control clause in the service contracts of the members of Allianz SE's Board of Management provides that, if within twelve months after the acquisition of more than 50 % of the company's share capital by one shareholder or several shareholders acting in concert (change of control) the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management Board member resigns because his or her responsibilities as a Board member are significantly reduced through no fault of the Board member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract, but limited, for the purpose hereof, to three years, in the form of a one-off payment. The one-off payment is based on the fixed remuneration plus 50% of the variable remuneration, 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 comes to an end and is not extended; the one-off payment will then be granted for the period between the end of the mandate and the end of the three-year period after the change of control. For further details, please refer to the Remuneration Report starting on page 24.

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 who do not belong to the Allianz Group and which provide for an exception from the usual vesting and exercise periods. The RSU will be released, 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 equal the average market value of the Allianz share and be equal to or above the price offered per Allianz share in a preceding tender offer. 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 vesting 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 of control.

Remuneration Report

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

The report has been prepared in accordance with the requirements of the German Commercial Code (HGB), The German Accounting Standard 17 and the International Financial Reporting Standards (IFRS). It also takes into account the relevant regulatory provisions 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 starting on page 5.

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 and aligned with shareholder interests:* 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 the sustained performance of the share price with a deferred payout four years after grant.

The structure, weighting and level of the Allianz SE Board of Management remuneration is decided upon by the Supervisory Board. Remuneration survey data of DAX 30 companies and international insurance peers is provided by external consultants. Compensation levels are around the third quartile of this group, which we deem appropriate given the relative size, complexity and sustained performance of Allianz within that peer group. The structure of the remuneration is more strongly weighted towards variable, longer-term components than it is in most DAX 30 companies. Remuneration and benefit arrangements are also periodically compared with best practices. In addition, the Supervisory Board takes into account remuneration levels within the Allianz Group when reviewing the adequateness and appropriateness of the Board of Management's remuneration.

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

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

VARIABLE REMUNERATION

Variable remuneration is designed to balance short-term performance, longer-term success and sustained value creation. Each year, the Supervisory Board agrees with members of the Board of Management on performance targets for the variable remuneration component. These are documented for the upcoming financial year. Every three years, the MTB sustainability criteria, as described on page 25, 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. If performance was rated at 0 % no variable component would be 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 and pension contributions). The maximum total direct compensation (excluding perquisites and pension contributions) is € 4,125 THOU: base salary € 750 THOU plus € 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 in the year following the performance year. Under the "Inclusive Meritocracy" approach, the cultural change element of the Renewal Agenda, Group-related targets account for 50 % (equally divided between annual operating profit and annual net income). The other 50 % are linked to individual performance, which consists of quantitative and qualitative criteria. For members of the Board of Management with business division responsibilities, respective quantitative targets comprise operating profit, net income, Property-Casualty revenues and Life New Business Value. For members of the Board of Management with a functional focus, the divisional quantitative targets are determined based on their key responsibilities. The Chairman of the Allianz SE Board of Management does not have divisional quantitative targets. In all cases, the personal contribution to the Renewal Agenda is assessed alongside behavioral aspects. The latter is framed in a common standard ("People Letter") designed to drive cultural change across the Group, namely:

- Customer and Market Excellence,
- Collaborative Leadership,
- Entrepreneurship,
- Trust.

To support the assessment of People Letter behaviors, a so-called "multi-rater" process has been introduced. Each member of the Board of Management collects feedback from the Chairman of the Allianz SE Board of Management, the other Board members and direct reports. The resulting analysis supports the assessment of the behavioral part of performance and additionally provides a sound basis for feedback and personal development discussions. Based on the 2016 target achievement for the Group, the business division/corporate functions, and the qualitative performance, the total annual bonus awards ranged between 100 % and 131 % of the target, with an average bonus award of 123 % of the target.

- 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 MTB 2016 – 2018 comprises sustainability (performance and health) indicators, which are aligned with the Group's external targets:

  Performance indicators:
  - Sustainable improvement/stabilization of Return on Equity (Return on Equity excluding unrealized gains/losses on bonds net of shadow accounting),
  - Compliance with economic capitalization guidance (capitalization level and volatility limit);

  Health indicators (aligned with the Renewal Agenda):
  - True Customer Centricity,
  - Digital by Default,
  - Technical Excellence,
  - Growth Engines,
  - Inclusive Meritocracy (including gender diversity – women in leadership).

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

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

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

PERQUISITES

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

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

REMUNERATION FOR 2016

The following remuneration disclosure is based on and compliant with the German Corporate Governance Code and shows the individual Board members' remuneration for 2015 and 2016, including fixed and variable remuneration and pension service cost. The "Grant" column below shows the remuneration at target and minimum and maximum levels. The "Payout" column discloses the 2015 and 2016 payments. The base salary, annual bonus and perquisites are linked to the reported performance years 2015 and 2016, whereas the Group Equity Incentive (GEI) and Allianz Equity Incentive (AEI) payouts result from grants related to the performance years 2008 – 2011. To enhance transparency remuneration related to the performance year 2016, the additional column "Actual grant" includes the 2016 fixed compensation, the annual bonus paid for 2016, the MTB 2016 – 2018 tranche accrued for the performance year 2016, and the fair value of the RSU grant in 2017 for the performance year 2016.

INDIVIDUAL REMUNERATION: 2016 AND 2015
€ THOU (total might not sum up due to rounding)

	Oliver Bäte[7] (Appointed: 01/2008; CEO since 05/2015)						
	Grant				Actual Grant	Payout[1]	
	2015	2016			2016	2015	2016
	Target	Target	Min	Max			
Base Salary	994	1,125	1,125	1,125	1,125	994	1,125
Perquisites	15	30	30	30	30	15	30
Total fixed compensation	1,009	1,155	1,155	1,155	1,155	1,009	1,155
Annual Variable Compensation							
Annual Bonus	996	1,125	–	1,688	1,474	1,260	1,474
Deferred Compensation							
MTB (2016 – 2018)[2]	–	1,125	–	1,688	1,474	–	–
MTB (2013 – 2015)[3]	996	–	–	–	–	3,516	–
AEI 2017/RSU[4]	–	1,125	–	1,688	1,474	–	–
AEI 2016/RSU[4]	996	–	–	–	–	–	–
AEI 2012/RSU[4]	–	–	–	–	–	–	1,334
AEI 2011/RSU[4]	–	–	–	–	–	1,704	–
GEI 2010/RSU[4]	–	–	–	–	–	916	–
GEI 2010/SAR[5]	–	–	–	–	–	–	–
GEI 2008/SAR[5]	–	–	–	–	–	263	–
Total	3,997	4,530	1,155	6,219	5,576	8,668	3,963
Pensions Service Cost[6]	483	625	625	625	625	483	625
Total	**4,480**	**5,155**	**1,780**	**6,844**	**6,201**	**9,151**	**4,588**

1 — In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2016 is paid in 2017 and for performance year 2015 in 2016. The payments for equity related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.
2 — The MTB figure included in the "Actual Grant" column shows the annual accrual.
3 — The payout 2015 figure includes the 2015 allocation and the accruals from the performance years 2013 and 2014, as adjusted by the sustainability assessment. The MTB 2013 – 2015 was paid out in spring 2016.
4 — Payout is capped at 200 % above grant price. The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, and the 200 % cap are only available after sign-off by the external auditors.
5 — The equity-related remuneration that applied before 2010 consisted of two vehicles, virtual stock awards known as RSUs and virtual stock options known as "Stock Appreciation Rights" (SAR). Only RSUs have been awarded as of 1 January 2010. The remuneration system valid until December 2009 is disclosed in the Annual Report 2009 (starting on page 17). Whereas the GEI/RSU grants are automatically exercised at the vesting date, the GEI/SAR grants are exercised by the Board member within the exercise period following the vesting date. Hence, the total payout from SARs depends on the individual decision by the Board member. SARs are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are met. For SARs granted until and including 2008, the vesting period was two years and the exercise period five years. SARs can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above the strike price at the time of grant. During the term of the plan, at least once on five consecutive trading days the Allianz SE stock must relatively appreciate at least 0.01 percentage points ahead of the appreciation of the Dow Jones EURO STOXX Price Index (600).
6 — Pension Service Cost in accordance with IAS 19: represents the company cost not the actual entitlement nor a payment, however, according to the German Corporate Governance Code the Pension Service Cost is to be included in all columns.

Sergio Balbinot[8] (Appointed: 01/2015)						
	Grant			Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
750	750	750	750	750	750	750
33	32	32	32	32	33	32
783	782	782	782	782	783	782
750	750	–	1,125	983	999	983
–	750	–	1,125	983	–	–
750	–	–	–	–	999	–
–	750	–	1,125	983	–	–
750	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
3,033	3,032	782	4,157	3,730	2,781	1,765
222	365	365	365	365	222	365
3,255	**3,397**	**1,147**	**4,522**	**4,095**	**3,003**	**2,130**

Jacqueline Hunt[9] (Appointed: 07/2016)						
	Grant			Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
–	375	375	375	375	–	375
–	136 [10]	136 [10]	136 [10]	136 [10]	–	136 [10]
–	511	511	511	511	–	511
–	377	–	566	456	–	456
–	377	–	566	456	–	–
–	–	–	–	–	–	–
–	377	–	566	456	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	1,642	511	2,209	1,880	–	967
–	159	159	159	159	–	159
–	**1,801**	**670**	**2,368**	**2,039**	**–**	**1,126**

7 — For performance year 2015, Oliver Bäte's base salary and his target for the annual bonus, the MTB tranche, and equity-related compensation are disclosed based on his pro-rated base salary of € 750 THOU until 6 May 2015 and his pro-rated base salary of € 1,125 THOU from 7 May 2015. The different pro-rated amounts for base salary and target amounts result from different pro-rating methodologies, which are generally applied.

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

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

10 — Jacqueline Hunt received an off-cycle one time payment of € 120 THOU to reimburse her for relocation cost.

INDIVIDUAL REMUNERATION: 2016 AND 2015
€ THOU (total might not sum up due to rounding)

	Dr. Helga Jung (Appointed: 01/2012)						
	Grant				Actual Grant	Payout[1]	
	2015	2016			2016	2015	2016
	Target	Target	Min	Max			
Base Salary	750	750	750	750	750	750	750
Perquisites	14	14	14	14	14	14	14
Total fixed compensation	764	764	764	764	764	764	764
Annual Variable Compensation							
Annual Bonus	750	750	–	1,125	889	758	889
Deferred Compensation							
MTB (2016–2018)[2]	–	750	–	1,125	889	–	–
MTB (2013–2015)[3]	750	–	–	–	–	2,534	–
AEI 2017/RSU[4]	–	750	–	1,125	889	–	–
AEI 2016/RSU[4]	750	–	–	–	–	–	–
AEI 2012/RSU[4]	–	–	–	–	–	–	–
AEI 2011/RSU[4]	–	–	–	–	–	–	–
GEI 2010/RSU[4]	–	–	–	–	–	–	–
GEI 2010/SAR[5]	–	–	–	–	–	–	–
GEI 2008/SAR[5]	–	–	–	–	–	–	–
Total	3,014	3,014	764	4,139	3,430	4,056	1,653
Pensions Service Cost[6]	274	420	420	420	420	274	420
Total	**3,288**	**3,434**	**1,184**	**4,559**	**3,850**	**4,330**	**2,073**

	Dr. Axel Theis (Appointed: 01/2015)						
	Grant				Actual Grant	Payout[1]	
	2015	2016			2016	2015	2016
	Target	Target	Min	Max			
Base Salary	750	750	750	750	750	750	750
Perquisites	27	28	28	28	28	27	28
Total fixed compensation	777	778	778	778	778	777	778
Annual Variable Compensation							
Annual Bonus	750	750	–	1,125	973	956	973
Deferred Compensation							
MTB (2016–2018)[2]	–	750	–	1,125	973	–	–
MTB (2013–2015)[3]	750	–	–	–	–	956	–
AEI 2017/RSU[4]	–	750	–	1,125	973	–	–
AEI 2016/RSU[4]	750	–	–	–	–	–	–
AEI 2012/RSU[4]	–	–	–	–	–	–	–
AEI 2011/RSU[4]	–	–	–	–	–	–	–
GEI 2010/RSU[4]	–	–	–	–	–	–	–
GEI 2010/SAR[5]	–	–	–	–	–	–	–
GEI 2008/SAR[5]	–	–	–	–	–	–	–
Total	3,027	3,028	778	4,153	3,697	2,689	1,751
Pensions Service Cost[6]	397	482	482	482	482	397	482
Total	**3,424**	**3,510**	**1,260**	**4,635**	**4,179**	**3,086**	**2,233**

1 — In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2016 is paid in 2017 and for performance year 2015 in 2016. The payments for equity related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.

2 — The MTB figure included in the "Actual Grant" column shows the annual accrual.

3 — The payout 2015 figure includes the 2015 allocation and the accruals from the performance years 2013 and 2014, as adjusted by the sustainability assessment. The MTB 2013–2015 was paid out in spring 2016.

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

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

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

Dr. Christof Mascher (Appointed: 09/2009)						
Grant				Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
750	750	750	750	750	750	750
2	2	2	2	2	2	2
752	752	752	752	752	752	752
750	750	–	1,125	870	859	870
–	750	–	1,125	870	–	–
750	–	–	–	–	2,885	–
–	750	–	1,125	870	–	–
750	–	–	–	–	–	–
–	–	–	–	–	–	1,155
–	–	–	–	–	1,584	–
–	–	–	–	–	593	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
3,002	3,002	752	4,127	3,362	6,673	2,777
348	418	418	418	418	348	418
3,350	**3,420**	**1,170**	**4,545**	**3,780**	**7,021**	**3,195**

Jay Ralph[7] (Appointed: 01/2010; End of service: 06/2016)						
Grant				Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
750	375	375	375	375	750	375
19	11	11	11	11	19	11
769	386	386	386	386	769	386
750	375	–	563	375	870	375 [7]
–	375	–	563	375	–	375 [7]
750	–	–	–	–	2,784	–
–	375	–	563	375	–	375 [7]
750	–	–	–	–	–	–
–	–	–	–	–	–	1,018
–	–	–	–	–	1,520	–
–	–	–	–	–	876	–
–	–	–	–	–	719	–
–	–	–	–	–	–	–
3,019	1,511	386	2,075	1,511	7,538	2,529
283	368	368	368	368	283	368
3,302	**1,879**	**754**	**2,443**	**1,879**	**7,821**	**2,897**

Dr. Dieter Wemmer (Appointed: 01/2012)						
Grant				Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
750	750	750	750	750	750	750
16	15	15	15	15	16	15
766	765	765	765	765	766	765
750	750	–	1,125	954	961	954
–	750	–	1,125	954	–	–
750	–	–	–	–	3,156	–
–	750	–	1,125	954	–	–
750	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
–	–	–	–	–	–	–
3,016	3,015	765	4,140	3,628	4,883	1,719
282	479	479	479	479	282	479
3,298	**3,494**	**1,244**	**4,619**	**4,107**	**5,165**	**2,198**

Dr. Werner Zedelius (Appointed: 01/2002)						
Grant				Actual Grant	Payout[1]	
2015	2016			2016	2015	2016
Target	Target	Min	Max			
750	750	750	750	750	750	750
19	18	18	18	18	19	18
769	768	768	768	768	769	768
750	750	–	1,125	954	959	954
–	750	–	1,125	954	–	–
750	–	–	–	–	3,066	–
–	750	–	1,125	954	–	–
750	–	–	–	–	–	–
–	–	–	–	–	–	1,083
–	–	–	–	–	1,505	–
–	–	–	–	–	1,225	–
–	–	–	–	–	591	–
–	–	–	–	–	328	–
3,019	3,018	768	4,143	3,631	8,443	2,805
646	661	661	661	661	646	661
3,665	**3,679**	**1,429**	**4,804**	**4,292**	**9,089**	**3,466**

7 — Jay Ralph left Allianz on 30 June 2016. He received a pro-rated base salary and an amount of € 1,125 THOU in lieu of his pro-rated 2016 annual bonus, MTB tranche and equity-related compensation (€ 375 THOU each) which was paid in August 2016. According to his separation agreement, he received an amount of € 1,000 THOU in return, specifically, for a non-poaching and non-competition agreement.

INDIVIDUAL REMUNERATION: 2016 AND 2015
€ THOU (total might not sum up due to rounding)

	Dr. Maximilian Zimmerer[7] (Appointed: 06/12; End of service: 12/2016)						
	Grant				Actual Grant	Payout[1]	
	2015	2016			2016	2015	2016
	Target	Target	Min	Max			
Base Salary	750	750	750	750	750	750	750
Perquisites	16	16	16	16	16	16	16
Total fixed compensation	766	766	766	766	766	766	766
Annual Variable Compensation							
Annual Bonus	750	750	–	1,125	983	940	983
Deferred Compensation							
MTB (2016–2018)[2]	–	750	–	1,125	983	–	–
MTB (2013–2015)[3]	750	–	–	–	–	2,993	–
AEI 2017/RSU[4]	–	750	–	1,125	983	–	–
AEI 2016/RSU[4]	750	–	–	–	–	–	–
AEI 2012/RSU[4]	–	–	–	–	–	–	–
AEI 2011/RSU[4]	–	–	–	–	–	–	–
GEI 2010/RSU[4]	–	–	–	–	–	–	–
GEI 2010/SAR[5]	–	–	–	–	–	–	–
GEI 2008/SAR[5]	–	–	–	–	–	–	–
Total	3,016	3,016	766	4,141	3,714	4,699	1,749
Pensions Service Cost[6]	386	786	786	786	786	386	786
Total	**3,402**	**3,802**	**1,552**	**4,927**	**4,500**	**5,085**	**2,535**

1 — In accordance with the German Corporate Governance Code, the annual bonus disclosed for performance year 2016 is paid in 2017 and for performance year 2015 in 2016. The payments for equity related deferred compensation (GEI and AEI), however, are disclosed for the year in which the actual payment was made.

2 — The MTB figure included in the "Actual Grant" column shows the annual accrual.

3 — The payout 2015 figure includes the 2015 allocation and the accruals from the performance years 2013 and 2014, as adjusted by the sustainability assessment. The MTB 2013–2015 was paid out in spring 2016.

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

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

6 — 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.

7 — Dr. Maximilian Zimmerer left the Allianz SE Board of Management upon his retirement effective 31 December 2016. According to his contract, he receives a transition payment of € 937.5 THOU. The payment is calculated based on the latest base salary, which is paid for a further six months starting 1 July 2017, and a final lump-sum payment of 25% of the target variable remuneration. The payable pension takes into account the monthly payments over the six-month period. The lump-sum payment will be paid in spring 2018.

GERMAN ACCOUNTING STANDARD 17 DISCLOSURE

The total remuneration to be disclosed for 2016 in accordance with German Accounting Standard 17 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 2016 – 2018. The figures for 2015 (in parentheses) include the payout of the MTB 2013 – 2015. Both figures exclude the pension service cost:

- Oliver Bäte € 4,103 (7,046) THOU,
- Sergio Balbinot € 2,747 (3,780) THOU,
- Jacqueline Hunt € 1,423 (–) THOU,
- Dr. Helga Jung € 2,542 (4,813) THOU,
- Dr. Christof Mascher € 2,492 (5,356) THOU,
- Jay Ralph € 1,511[1] (5,293) THOU,
- Dr. Axel Theis € 2,724 (3,644) THOU,
- Dr. Dieter Wemmer € 2,674 (5,844) THOU,
- Dr. Werner Zedelius € 2,677 (5,753) THOU,
- Dr. Maximilian Zimmerer € 2,731 (5,638) THOU.

The sum of the total remuneration of the Board of Management for 2016, excluding the notional accruals of the MTB 2016 – 2018 and excluding the pension service cost, amounts to € 26 MN[1] (2015, including the payout of the MTB 2013 – 2015: € 57 MN). The corresponding amount, including pension service cost, equals € 30 MN (2015, including the payout of the MTB 2013 – 2015: € 61 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 2017, which will vest and be settled in 2021.

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

	RSU		SAR		
Board members	Number of RSU granted on 3 March 2017[1]	Number of RSU held at 31 December 2016[1]	Number of SAR held at 31 December 2016	Strike Price €	Equity Compensation Expense 2016[2] € THOU
Oliver Bäte	11,515	40,671	–	–	1,277
Sergio Balbinot	7,677	34,120	–	–	1,174
Jacqueline Hunt	3,565	–	–	–	–
Dr. Helga Jung	6,944	31,997	3,167	87.36	1,041
Dr. Christof Mascher	6,798	33,885	7,892	87.36	967
Jay Ralph	–	35,681	–	–	1,095
Dr. Axel Theis	7,604	24,366	–	–	770
Dr. Dieter Wemmer	7,457	37,688	–	–	1,318
Dr. Werner Zedelius	7,457	36,582	–	–	1,128
Dr. Maximilian Zimmerer	7,677	33,420	–	–	1,081
Total	**66,694**	**308,410**	**11,059**	**–**	**9,852**

1 — The relevant share price used to determine the fair market value, and hence the final number of RSUs granted, is only available after sign-off of the Annual Report by the external auditors, thus numbers are based on a best estimate. As disclosed in the Annual Report 2015, the equity-related grant in 2016 was made to participants as part of their 2015 remuneration. The disclosure in the Annual Report 2015 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 4 March 2016 under the Allianz Equity Incentive are as follows: Oliver Bäte: 11,733, Sergio Balbinot: 9,300, Dr. Helga Jung: 7,053, Dr. Christof Mascher: 7,999, Jay Ralph: 8,098, Dr. Axel Theis: 8,896, Dr. Dieter Wemmer: 8,948, Dr. Werner Zedelius: 8,926, Dr. Maximilian Zimmerer: 8,746.

2 — Grants of equity-related remuneration are accounted for as cash-settled awards. The fair market 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.

1 — Including the payout of Jay Ralph's MTB tranche for 2016 of € 375 THOU.

PENSIONS

Company contributions for the current pension plan are set at 50 % of the base salary reduced by the cover for disability and death. They are invested in a fund and have a guarantee for the contributions paid, but no further interest guarantee (for members of the Board of Management who were born before 1 January 1958, the guaranteed minimum interest rate remains at 2.75 % p.a.). For members with pension rights in the frozen defined benefit plan, the above contribution rates are reduced by 19 % of the expected annual pension from that frozen plan. The Allianz Group paid € 5 MN (2015: € 4 MN) to increase reserves for pensions and similar benefits for active members of the Board of Management. As of 31 December 2016, reserves for pensions and similar benefits for active members of the Board of Management amounted to € 44 MN (2015: € 38 MN).

INDIVIDUAL PENSIONS: 2016 AND 2015
€ THOU

		Defined benefit pension plan (frozen)			Contribution-based pension plan (frozen)[1]		Current pension plan		AVK/APV[2]		Transition payment[3]		Total	
Board of Management		Annual pension payment[4]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]	SC[5]	DBO[6]
Oliver Bäte	2016	–	–	–	33	3,063	536	818	5	36	51	594	625	4,511
(Chairman since 7 May 2015)	2015	–	–	–	283	2,916	–	–	6	31	194	495	483	3,442
Sergio Balbinot	2016	–	–	–	5	39	357	582	2	4	–	1	365	626
	2015	–	–	–	219	243	–	–	2	2	1	1	222	246
Jacqueline Hunt	2016	–	–	–	–	–	159	159	–	–	–	–	159	159
	2015	–	–	–	–	–	–	–	–	–	–	–	–	–
Dr. Helga Jung	2016	62	54	1,347	12	1,813	345	558	8	159	–	–	420	3,878
	2015	62	56	1,187	210	1,800	–	–	8	147	–	–	274	3,134
Dr. Christof Mascher	2016	–	–	–	12	3,115	357	637	5	42	43	583	418	4,377
	2015	–	–	–	280	3,016	–	–	5	37	63	508	348	3,562
Jay Ralph[7]	2016	–	–	–	8	–	357	–	3	–	–	–	368	–
	2015	–	–	–	278	1,860	–	–	5	23	–	1	283	1,884
Dr. Axel Theis	2016	120	107	3,422	6	2,528	334	535	9	233	25	774	482	7,493
	2015	120	110	3,085	199	2,450	–	–	10	214	78	722	397	6,471
Dr. Dieter Wemmer	2016	–	–	–	477	1,832	–	–	2	10	–	–	479	1,842
	2015	–	–	–	278	1,181	–	–	4	8	–	1	282	1,190
Dr. Werner Zedelius	2016	225	207	6,385	431	5,090	–	–	9	222	14	678	661	12,375
	2015	225	213	5,751	398	4,151	–	–	9	203	26	641	646	10,746
Dr. Maximilian Zimmerer	2016	141	146	4,078	5	2,783	327	519	9	214	300	938	786	8,532
	2015	161	150	3,897	191	2,672	–	–	9	196	36	656	386	7,422

1 — The service cost of the frozen contribution-based pension plan reflects the continued death and disability cover.
2 — Plan participants contribute 3 % of their relevant salary to the AVK. For the AVK the minimum guaranteed interest rate is 2.75 % – 3.50 % depending on the date of joining Allianz. In general, the company funds the balance required via the APV. Before Allianz's founding of the APV in 1998, both Allianz and the plan participants were contributing to the AVK.
3 — For details on the transition payment, see section "Termination of service". In any event a death benefit is included.
4 — Expected annual pension payment at assumed retirement age (age 60), excluding current pension plan.
5 — SC = service cost. Service costs are calculatory costs for the DBO related to the reported business year.
6 — DBO = defined benefit obligation, end of year. The figures show the obligation for Allianz resulting from defined benefit plans taking into account realistic assumptions with regard to interest rate, dynamics and biometric probabilities.
7 — As Jay Ralph left Allianz on 1 July 2016, his employer-financed DBO of € 2,437 THOU (thereof € 1,755 THOU for the frozen DB-Pension-Plan, € 636 THOU for the contribution based pension plan and € 25 THOU for the Current Pension Plan, AVK/APV) is covered under former Board members.

In 2016, remuneration and other benefits totaling € 7 MN (2015: € 7 MN)[1] were paid to former members of the Board of Management and dependents, while reserves for current pension obligations and accrued pension rights totaled € 126 MN (2015: € 122 MN).

LOANS TO MEMBERS OF THE BOARD OF MANAGEMENT

As of 31 December 2016, 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.

1 — The 2015 amount includes bonus payments made to Clement Booth in 2015 which were already shown as variable compensation for 2014. The amount shown for 2016 excludes compensation that was paid for active Board membership and disclosed as compensation of the respective performance year.

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-month 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.

Where an Allianz pension is immediately payable, transition payment amounts are set off accordingly.

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 (annual bonus, accrued MTB and equity-related remuneration: For a Board member with a fixed base salary of € 750 THOU, the annual compensation would amount to € 1,875 THOU. Hence, he/she would receive a maximum severance payment of € 3,750 THOU) and
2. shall not exceed the latest year's actual total compensation.

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

Change of control

In case of early termination as a result of a change of control, severance payments made to Board members generally amount to three 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).

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 2017

The remuneration of the new regular member of the Board of Management, Dr. Günther Thallinger, has been set at the same level as for the other regular members of the Board of Management.

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 2015, a regular Supervisory Board member receives a fixed remuneration of € 100 THOU per year. Each Vice 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

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 2016, Allianz SE reimbursed expenses totaling € 51,935.

REMUNERATION FOR 2016

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2,025 THOU in 2016 (2015: € 2,021 THOU). The following table shows the individual remuneration for 2016 and 2015:

INDIVIDUAL REMUNERATION: 2016 AND 2015
€ THOU (total might not sum up due to rounding)

Members of the Supervisory Board	Committees[1]						Fixed remuneration	Committee remuneration	Attendance fees	Total remuneration
	A	N	P	R	S					
Dr. Helmut Perlet	M	C	C	C	C	2016	200.0	160.0	6.7	366.7
(Chairman)	M	C	C	C	C	2015	200.0	160.0	6.7	366.7
Dr. Wulf H. Bernotat	C				M	2016	150.0	100.0	4.5	254.5
(Vice Chairman)	C				M	2015	150.0	100.0	4.5	254.5
Rolf Zimmermann			M		M	2016	150.0	40.0	4.5	194.5
(Vice Chairman)			M		M	2015	150.0	40.0	5.2	195.2
Dante Barban				M		2016	100.0	20.0	4.5	124.5
				M		2015	100.0	20.0	4.5	124.5
Christine Bosse			M	M		2016	100.0	40.0	4.5	144.5
			M	M		2015	100.0	40.0	5.2	145.2
Gabriele Burkhardt-Berg					M	2016	100.0	20.0	4.5	124.5
					M	2015	100.0	20.0	4.5	124.5
Jean-Jacques Cette	M					2016	100.0	40.0	6.0	146.0
	M					2015	100.0	40.0	6.0	146.0
Dr. Friedrich Eichiner[2]				M		2016	66.6	13.3	2.2	82.1
						2015	–	–	–	–
Ira Gloe-Semler[3]	M					2016	25.0	10.0	1.5	36.5
	M					2015	100.0	40.0	6.0	146.0
Martina Grundler[4]	M					2016	75.0	26.6	4.5	106.1
						2015	–	–	–	–
Prof. Dr. Renate Köcher		M			M	2016	100.0	20.0	3.7	123.7
		M			M	2015	100.0	20.0	4.5	124.5
Jürgen Lawrenz[5]				M		2016	100.0	20.0	4.5	124.5
				M		2015	41.7	8.3	2.2	52.2
Jim Hagemann Snabe	M	M				2016	100.0	40.0	5.2	145.2
	M					2015	100.0	40.0	5.2	145.2
Peter Denis Sutherland[6]		M		M		2016	41.6	8.3	1.5	51.4
		M		M		2015	100.0	20.0	3.7	123.7
Total[7]						2016	**1,408.2**	**558.2**	**58.5**	**2,025.2**
						2015	**1,400.0**	**560.0**	**60.7**	**2,020.7**

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

1 — Abbreviations: A – Audit, N – Nomination, P – Personnel, R – Risk, S – Standing.
2 — Since 4 May 2016.
3 — Until 31 March 2016.
4 — Since 1 April 2016.
5 — Since 1 August 2015.
6 — Until 4 May 2016.
7 — The total reflects the remuneration of the full Supervisory Board in the respective year.

REMUNERATION FOR MANDATES IN OTHER ALLIANZ COMPANIES AND FOR OTHER FUNCTIONS

As remuneration for her membership in the Supervisory Board of Allianz Deutschland AG Ms. Gabriele Burkhardt-Berg received € 20.9 THOU for the financial year 2016. Mr. Jürgen Lawrenz did not receive a separate remuneration for his membership in the Supervisory Board of Allianz Managed Operations & Services SE. All current employee representatives of the Supervisory Board except for Ms. Martina Grundler (until 31 March 2016 Ms. 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

As of 31 December 2016, 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.

GROUP MANAGEMENT REPORT

C

Business Operations

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 our operations located in Europe. The Allianz Group insures 86.3 million customers. Allianz SE, the parent company of the Allianz Group, has its headquarters in Munich, Germany.

The Allianz Group structure reflects both our business segments and geographical regions. Business activities are 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 2016, the Allianz Group had 16 reportable segments.

ALLIANZ GROUP STRUCTURE – BUSINESS SEGMENTS AND REPORTABLE SEGMENTS

PROPERTY-CASUALTY	LIFE/HEALTH
– German Speaking Countries and Central & Eastern Europe – Western & Southern Europe, Middle East, Africa, India – Iberia & Latin America – Global Insurance Lines & Anglo Markets – Asia Pacific – Allianz Worldwide Partners	– German Speaking Countries and Central & Eastern Europe – Western & Southern Europe, Middle East, Africa, India – Iberia & Latin America – Global Insurance Lines & Anglo Markets – Asia Pacific – USA
ASSET MANAGEMENT	**CORPORATE AND OTHER**
– Asset Management	– Holding & Treasury – Banking – Alternative Investments

Insurance operations

We offer a wide range of property-casualty and life/health insurance products to both retail and corporate customers. For the Property-Casualty business segment, these include motor, accident, property, general liability, travel insurance and assistance services; the Life/Health business segment offers savings and investment-oriented products in addition to life and health insurance. We are the leading property-casualty insurer worldwide and rank among the top five in the life/health insurance business. Our key markets (in terms of 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.

Asset Management

Our two major investment management businesses, PIMCO and AllianzGI, operate under Allianz Asset Management (AAM). We are one of the largest asset managers in the world that actively manage assets. Our offerings cover a wide range of equity, fixed income, and alternative investment products and solutions. Our core markets here are the United States, Germany, France, Italy, the United Kingdom, and the Asia-Pacific region.

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

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

BANKING

Our banking operations, which place a primary focus on retail clients, support our insurance business and complement the products we offer in Germany, Italy, France, the Netherlands, and Bulgaria.

ALTERNATIVE INVESTMENTS

Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy, and infrastructure sectors, mostly on behalf of our insurance operations.

Worldwide presence and business segments

MARKET PRESENCE OF OUR BUSINESS OPERATIONS[1]

	Property-Casualty	Life/Health	Banking
INSURANCE WESTERN & SOUTHERN EUROPE, INSURANCE MIDDLE EAST, AFRICA, INDIA			
Europe			
Italy	■	■	■
Greece	■	■	
Turkey	■	■	
France	■	■	■
Belgium	■	■	
The Netherlands	■	■	■
Luxembourg	■	■	
Middle East and North Africa			
Egypt	■	■	
Lebanon	■	■	
Saudi Arabia	■	■	
Africa			
Benin	■		
Burkina Faso	■	■	
Cameroon	■	■	
Central Africa	■		
Congo Brazzaville	■		
Ghana	■		
Ivory Coast	■	■	
Kenya	■	■	
Madagascar	■	■	
Mali	■		
Morocco	■		
Senegal	■	■	
Togo	■		
India	■	■	
INSURANCE IBERIA & LATIN AMERICA			
Iberia			
Spain	■	■	
Portugal	■	■	
Latin America			
Argentina	■		
Brazil	■		
Colombia	■	■	
Mexico	■	■	
INSURANCE GERMAN SPEAKING COUNTRIES, INSURANCE CENTRAL & EASTERN EUROPE			
German Speaking Countries			
Germany[2]	■	■	■
Austria	■	■	
Switzerland	■	■	
Central & Eastern Europe			
Bulgaria	■	■	■
Croatia	■	■	
Czech Republic	■	■	
Hungary	■	■	
Poland	■	■	
Romania	■	■	
Slovakia	■	■	
US LIFE INSURANCE			
United States		■	
GLOBAL INSURANCE LINES & ANGLO MARKETS			
United Kingdom	■		
Australia	■	■	
Ireland	■		
Allianz Global Corporate & Specialty	■		
Credit Insurance	■		
Reinsurance	■	■	
Russia	■	■	
Ukraine	■		
ALLIANZ WORLDWIDE PARTNERS			
Allianz Worldwide Partners	■	■	
INSURANCE ASIA PACIFIC			
Brunei[3]	■		
China	■	■	
Hong Kong[3]	■		
Indonesia	■	■	
Japan[3]	■		
Laos	■		
Malaysia	■	■	
Pakistan		■	
Philippines		■	
Singapore[3]	■		
Sri Lanka	■	■	
Taiwan		■	
Thailand	■	■	

ASSET MANAGEMENT	Retail Asset Management	Institutional Asset Management
North and Latin America		
United States	■	■
Canada	■	■
Brazil	■	■
Europe		
Germany	■	■
France	■	■
Italy	■	■
Ireland	■	■
Luxembourg	■	■
Spain	■	■
Switzerland	■	■
Belgium	■	■
The Netherlands	■	■
United Kingdom	■	■
Sweden	■	■
Asia Pacific		
Japan	■	■
Hong Kong	■	■
Taiwan	■	■
Singapore	■	■
South Korea[4]	■	■
China	■	■
Australia	■	■

■ Property-Casualty ■ Life/Health ■ Banking ■ Retail Asset Management ■ Institutional Asset Management

1 — This overview is based on our organizational structure in place as of 31 December 2016.
2 — Oldenburgische Landesbank AG in Germany is classified as "held for sale".
3 — Property-Casualty business belongs to Allianz Global Corporate & Specialty.
4 — Classified as "held for sale".

Our steering

BOARD OF MANAGEMENT AND ORGANIZATIONAL STRUCTURE

Allianz SE has a divisional Board structure based on functional and business responsibilities. Business-related divisions reflect our business segments Property-Casualty, Life/Health, Asset Management, and Corporate and Other, and in 2016 were overseen by five Board members. 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.

For further information on Board of Management members and their responsibilities, please refer to Mandates of the Members of the Board of Management starting on page 12.

TARGET SETTING AND MONITORING

The Allianz Group steers its operating entities and business segments via an integrated management and control process. It begins with the definition of a business-specific strategy and goals, which are discussed and agreed upon between the Holding and operating entities. Based on this strategy, our operating entities prepare three-year plans which are then aggregated to form the financial plans for the business divisions and for the Allianz Group as a whole. This plan also forms the basis for our capital management. The Supervisory Board approves the plan and sets corresponding targets for the Board of Management. The performance-based remuneration of the Board of Management is linked to short-term, mid-term, and long-term targets to ensure effectiveness and emphasize sustainability. For further details about our remuneration structure, including target setting and performance assessment, please refer to the Remuneration Report starting on page 24.

We continuously monitor our business performance against these targets through monthly reviews – which cover key operational and financial metrics – to ensure we can move quickly and take appropriate measures in the event of negative developments. The Allianz Group uses operating profit and net income as key financial performance indicators across all its business segments. Other indicators include segment-specific figures, such as the combined ratio for Property-Casualty, return on equity[1] for Life/Health, and the cost-income ratio for Asset Management. To steer and control new business in our business segments Property-Casualty and Life/Health, we use Return on Risk Capital (RoRC). For a comprehensive view of our business segment performance, please refer to the chapters from page 39 onwards.

Besides performance steering, we also have a risk steering process in place, which is described in the Risk and Opportunity Report starting on page 62.

Non-financial key performance indicators (KPIS) are mainly used for the sustainability assessment that we conduct when determining mid-term bonus levels. In line with our Renewal Agenda, KPIS mainly represent three key levers: True Customer Centricity, Digital by Default, and Inclusive Meritocracy. Examples include the Allianz Engagement Survey and Net Promoter Score (NPS[2]) results, diversity development, and the share of digital retail products/digital client communication.

1 — Excluding unrealized gains/losses on bonds net of shadow accounting.
2 — NPS is a measurement of customers' willingness to recommend Allianz. Top-down NPS is measured regularly according to global cross-industry standards and allows benchmarking against competitors in the respective markets.

Our Corporate Responsibility approach

As an international financial services company, we find it vital to ensure that our growth is both sustainable and profitable. We want to create long-term value by strategically embedding sustainability in our core business and by enabling our customers to address tomorrow's challenges. This requires us to continually adapt our business strategy in response to our stakeholders' and working partners' needs, to the most pressing sustainability issues, and to the activities of national and international sustainability bodies and initiatives, in order to deliver on global commitments such as the United Nations Sustainable Development Goals.

Our Corporate Responsibility Strategy contributes to our Renewal Agenda and focuses on our most material sustainability issues:

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

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

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

In 2016, we surveyed over 6,000 stakeholders to identify our most material issues as well as the relative importance of the solutions we provide. The results show that the most important megatrends and risks Allianz faces across those target groups and countries surveyed are climate change & environment, personal customer safety, digitalization, societal change, and fiscal crisis. We will continue to integrate our stakeholders' views in both our sustainability strategy and our reporting approach.

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

Please refer to our 2016 Group Sustainability Report (to be published on 5 April 2017) for full details of our corporate responsibility strategy, approach and performance: **www.allianz.com/sustainability.**

Business Environment

Economic environment 2016[1]

In 2016 the global economy proved to be remarkably resilient in the face of heightened political and economic uncertainty. Neither concerns about a slowdown of the Chinese economy, which prompted some turmoil on the equity markets in early 2016, nor major political surprises – including the outcome of the Brexit vote in June and the U.S. presidential elections in November – managed to derail the global economy from its moderate growth path. Compared with 2015, economic growth in the industrialized countries decelerated in 2016. Real gross domestic product rose by 1.6 % (2015: 2.1 %). In the United States, the loss in economic momentum in 2016, compared to the average pace in the current cycle, primarily reflects weakness in business investment. By contrast, private consumption continued to grow robustly. In the Eurozone, the economic recovery continued, albeit at a slightly slower pace than in 2015. Real gross domestic product expanded by 1.7 % (2015: 1.9 %). Private consumption was supported by both low inflation and a gradual labor market improvement. With an increase of 1.9 %, the German economy recorded a slightly higher growth rate than the Eurozone as a whole.

In the emerging markets, growth deceleration finally came to an end in the course of 2016. Commodity-exporting emerging markets benefited from the uptick in commodity prices. Most Eastern European E.U. member states continued to benefit from the ongoing recovery in the Eurozone. Russia saw its economy stabilizing, following a severe recession in 2015. Thanks primarily to fiscal stimulus, China's growth decelerated only marginally from 6.9 % in 2015 to 6.7 % in 2016. As a whole, the emerging-market group expanded by a rather disappointing 3.6 % – the same rate as in 2015 and well below the long-term average of roughly 5.5 % per year. Overall, the world economy grew by an estimated 2.4 %, somewhat slower than in 2015, when global output rose by 2.7 %. Global merchandise trade registered its lowest growth rate since the Great Recession in 2009: less than 1 %. The pace of globalization in merchandise trade has evidently abated considerably.

Financial market developments in 2016 continued to be characterized by very low interest rates, a strong U.S. Dollar, and relatively low stock-market volatility – the latter despite high political uncertainty. In the United States, the Federal Reserve raised the target federal funds rate to 0.50 % – 0.75 % in December; this was its second move since ending the zero-interest policy in late 2015. By contrast, the European Central Bank continued to ease its monetary policy stance with a bundle of measures, including the extension of the bond purchasing program at least until the end of 2017. Yields on 10-year German government bonds reached 0.2 % at year-end 2016, a decrease of 40 basis points compared to the previous year. Major stock-market indices, following a negative start, registered gains in the course of 2016. The Euro lost further ground against the U.S. Dollar, closing the year at 1.05 U.S. Dollar to Euro – almost 4 % below the level seen at the beginning of 2016. The diverging monetary policies of the Federal Reserve and the European Central Bank were a key factor behind this downward correction. In terms of portfolio flows, emerging markets had a difficult year: net non-resident capital inflows to bond and equity markets fell below USD 28 BN – the lowest annual inflow since 2008 –, which was mainly due to rising U.S. yields.

Business environment 2016 for the insurance industry

2016 was an eventful year for the insurance industry, with most of these events having more downsides than upsides. The macroeconomic environment presented significant headwinds: the recovery of the world economy continued, but with reduced momentum. 2016 also marked the end of a three-year streak of relatively low losses from natural catastrophes: Not only did the number of events increase further – among them an unusually high number of flood events – but losses jumped to levels more than 50 percent higher than the previous year's. On the regulatory front, the industry as a whole managed to adjust smoothly to the new Solvency II regime which had come into force as of 2016. Regulatory pressure remained high, however, in particular with regard to reserve requirements, stress testing, or reporting.

And these are only the macroeconomic challenges. Even more daunting were events in the microeconomy, first and foremost the digital revolution. Not only will digitization, big data, and artificial intelligence fundamentally transform the industry – in addition, highly connected technologies have begun to cause a radical shift in the nature of risks faced by society. As a result, the industry is confronted with new demands: It has to find new solutions that allow people to take new risks – for example in the sharing economy – and also promote the use of new technologies. So, in the short term, the need to innovate and adjust its current business model will put additional pressure on the industry. In the longer run, however, the digital economy should offer plenty of opportunities to expand the business, as is already exemplified by the rapid rise in cyber-insurance (albeit from a very low base). Against this backdrop of macro- and micro-challenges, the industry proved remarkably resilient in 2016. Premium income was more or less stable; profitability was under pressure but dropped just a notch or two.

In the ***property-casualty sector,*** premium growth decelerated slightly in advanced markets, reflecting some weaknesses in Japan and North America. Western Europe, on the other hand, kept more or less pace thanks to the ongoing economic recovery, but overall the market remained rather weak. As in the past, premiums grew much faster in the emerging markets, driven by a robust growth in Asia. The other two major emerging regions fared quite differently: Whereas the slowdown in Latin America continued in 2016, Eastern Europe showed clear signs of a recovery. Pricing continued to be a concern in nearly all markets, particularly in the commercial insurance segment. Premiums, overall and at a global level, rose by an estimated 4 % in 2016 (in nominal terms and adjusted for foreign currency translation effects).

1 — At the date of the publication of this report, not all general market data for the year 2016 used in the chapter Business Environment was final. Furthermore, the information provided in this chapter is based on our own estimates.

Underwriting profitability suffered from more frequent and more costly natural catastrophes, such as the Kumamoto Earthquake in Japan, severe storms and floods in Germany and France, and Hurricane Matthew in the United States. Insurers' investment income remained weak as investment returns were challenged by very low interest rates. As a result, overall profitability is likely to have slipped marginally in 2016.

In the ***life sector,*** premium growth was very strong in emerging markets or, more precisely, in emerging Asian markets: Life premiums rose by more than 20 percent there, mainly due to the extraordinary growth experienced in the Chinese market. The other two emerging regions show a totally different picture: Premium growth in Latin America flattened, reflecting the economic troubles of its biggest market, Brazil; Eastern Europe remained in the doldrums, not least due to changes in the tax regime for life products in some key markets. For advanced markets, too, 2016 proved to be a rather difficult year. Premium growth slowed – or even turned negative – in many markets as the ongoing low-yield environment continued to pose problems for the savings-type core insurance business. In total, according to our own estimates, global premiums grew by almost 5 % in 2016 (in nominal terms and adjusted for foreign currency translation effects).

The current low-yield environment also presented the greatest challenge in the life sector, impairing the profitability of in-force business. Insurers responded by continuing to shift the product mix towards less capital-intensive products, for example by offering lower or more flexible guarantees. At the same time, the focus moved from traditional savings to protection business. To boost investment income, insurers increasingly turned to non-traditional investments such as infrastructure. These actions notwithstanding, overall profitability is likely to have drifted downward slightly.

Business environment 2016 for the asset management industry

This was a disruptive year for the asset management industry. Global equity markets started 2016 with a sharp drop, then made a broad recovery in the following months. Emerging-market and U.S. equities finished the year particularly strong; European indices lagged a bit and exhibited higher volatility, particularly after the Brexit vote, but still finished the year in positive territory.

Continued accommodative monetary policy across major economies led to falling yields and rising bond prices through most of the year. This resulted in very strong returns for bond indices in both Europe and the United States – until the results of the U.S. election sent yields soaring, as prospects of a more supportive fiscal policy and a tightening labor market raised inflation expectations. There was also some spill-over into the Eurozone, causing yields to rise late in the year, albeit to a lesser extent than in the United States. Bond indices in both the United States and Europe still finished the year with positive returns.

Currencies proved highly volatile during the year, with the British Pound weakening significantly after the Brexit vote. The U.S. Dollar strengthened markedly after the U.S. election and a subsequent spike in yields.

The shift in investor preference towards passively managed funds continued throughout 2016 and was especially pronounced in the United States, where active equity mutual funds were particularly hard-hit. Actively managed taxable bond mutual funds in the United States finished the year with positive flows, but were also notably outstripped by their passive counterparts. Investors showed a general preference for bonds over actively managed equities most of the year, though this trend reversed towards year-end as yields rose and U.S. equity markets rallied following the election. European investors directed flows predominately into active fixed income funds and to a lesser extent into passive equity and fixed income products.

Executive Summary of 2016 Results

Key figures

KEY FIGURES ALLIANZ GROUP[1]

		2016	2015	Delta
Total revenues[2]	€ MN	122,416	125,190	(2,774)
Operating profit[3]	€ MN	10,833	10,735	98
Net income[3]	€ MN	7,250	6,987	263
thereof: attributable to shareholders	€ MN	6,883	6,616	267
Solvency II capitalization ratio[4,5,6]	%	218	200	18%-p
Return on equity[7]	%	12.0	12.5	(0.5)%-p
Earnings per share	€	15.14	14.56	0.58
Diluted earnings per share	€	15.00	14.55	0.45

Earnings summary

MANAGEMENT'S ASSESSMENT OF 2016 RESULTS

Our *total revenues* decreased by 2.2% this past business year, a drop of 0.8% on an internal basis[8] compared to 2015. Much of this decrease was attributable to our Life/Health business segment, where we continued our targeted shift towards preferred lines of business. Both lower other net fee and commission income, mainly due to lower third-party assets under management-driven margins, and a decrease in performance fees in our Asset Management business segment further contributed to the decline. Our Property-Casualty business segment enjoyed internal premium growth, mainly arising from Turkey, Germany and Allianz Worldwide Partners.

Our *operating investment result* increased by € 692 MN to € 25,125 MN, mainly due to gains from the net of foreign currency translation effects and financial derivatives, with the latter being used to protect against equity and foreign currency fluctuations as well as to manage duration and other exposures related to interest rates. This was partly offset by lower interest and similar income, driven by the low interest rates.

Our *operating profit* was near the upper end of our 2016 target range and increased by 0.9% compared to 2015. Our Life/Health business segment recorded an increase in operating profit, mainly due to a higher investment margin in the United States as well as favorable DAC unlocking effects in France. The operating result in our Corporate and Other business segment also improved, primarily as a result of lower pension costs. The operating profit generated by our Property-Casualty business segment declined, reflecting the impact of lower interest yields on our investment result. In addition, 2015 included a € 0.1 BN net gain (net of related expenses and restructuring charges) from the sale of the Fireman's Fund personal insurance business. The business segment's underwriting result, however, improved. In our Asset Management business segment, a reduction in operating expenses could only partially compensate for lower operating revenues, resulting in a decline in operating profit.

Our *non-operating result* was stable at a loss of € 541 MN, with a number of offsetting effects. On the one hand we had significant impairments (net), partly due to the impairment losses on our South Korean Life/Health business as well as on the Oldenburgische Landesbank AG[9] upon classification as held for sale at the beginning of the second quarter of 2016 and end of 2016, respectively. In addition, the negative result that the South Korean Life/Health business generated until its disposal in the fourth quarter of 2016 was considered as non-operating, as it is no longer part of the ongoing core operations of the Allianz Group[9]. On the other hand, non-operating realized gains (net) increased following portfolio rebalancing. We also reported higher non-operating income from financial assets and liabilities carried at fair value through income (net), mainly due to favorable impacts from hedging-related activities.

Income taxes fell by € 167 MN to € 3,042 MN, mainly driven by higher tax-exempted income. The effective tax rate decreased to 29.6% (2015: 31.5%).

The increase in our *net income* was driven by the higher operating profit and lower effective tax rate.

Our *shareholders' equity* rose by € 4.2 BN to € 67.3 BN, compared to 31 December 2015. Over the same period our Solvency II capitalization ratio strengthened from 200% to 218%.

For a more detailed description of the results generated by our business segments – specifically, Property-Casualty insurance operations, Life/Health insurance operations, Asset Management, and Corporate and Other – please consult the respective chapters on the following pages.

1 — For further information on Allianz Group figures, please refer to note 5 to the consolidated financial statements.
2 — Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management, and total revenues in Corporate and Other (Banking).
3 — The Allianz Group uses operating profit and net income as key financial indicators to assess the performance of its business segments and of the Group as a whole.
4 — Figures as of 31 December.
5 — Changed regulatory tax treatment of German life sector reduced our year-end Solvency II capitalization ratio from 200% to 196% on 1 January 2016.
6 — Risk capital figures are group diversified at 99.5% confidence level. Allianz Life US included based on third country equivalence with 150% of RBC CAL since 30 September 2015.
7 — Represents the ratio of net income attributable to shareholders to the average shareholders' equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.
8 — Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 60 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our business segments and the Allianz Group as a whole.
9 — For further information on the impairment loss on the Oldenburgische Landesbank AG, and the disposal of Allianz Life Insurance Co. Ltd., Seoul, please refer to note 4 to the consolidated financial statements.

Other information

During the year ended 31 December 2016, the Allianz Group disposed of its South Korean Life/Health business (Allianz Life Insurance Co. Ltd., Seoul), a 100 % owned subsidiary of the Allianz Group. The entity had been classified as held for sale since the beginning of the second quarter of 2016. The entity was deconsolidated on 30 December 2016.

At the end of the fourth quarter of 2016, all requirements were fulfilled to present Oldenburgische Landesbank AG, Oldenburg, as a disposal group. Thus, the assets and liabilities of this consolidated entity, which are allocated to the reportable segment Banking (Corporate and Other), were classified as held for sale.

For further information please refer to note 4 to the consolidated financial statements.

Other parts of the Group Management Report

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

- Statement on Corporate Management pursuant to § 315 (5) and § 289a of the HGB starting on page 19,
- Takeover-related Statements and Explanations starting on page 21, and the
- Remuneration Report starting on page 24.

Property-Casualty Insurance Operations

Key figures

KEY FIGURES PROPERTY-CASUALTY[1]

		2016	2015	Delta
Gross premiums written	€ MN	51,535	51,597	(62)
Operating profit	€ MN	5,370	5,603	(233)
Net income	€ MN	4,158	4,124	34
Loss ratio[2]	%	65.6	66.2	(0.5) %-p
Expense ratio[3]	%	28.7	28.4	0.2 %-p
Combined ratio[4]	%	94.3	94.6	(0.3) %-p

Gross premiums written[5]

On a nominal basis, *gross premiums written* were almost stable compared to 2015.

Unfavorable foreign currency translation effects amounted to € 1,138 MN, largely due to the depreciation of the British Pound, the Argentine Peso, and the Turkish Lira against the Euro.[6]

Consolidation/deconsolidation effects were negative, amounting to € 519 MN. This was largely attributable to the sale of the Fireman's Fund personal insurance business to ACE limited in 2015.

On an internal basis, our growth was strong at 3.1 % driven by a positive volume effect of 2.0 % and a positive price effect of 1.1 %.

The following operations contributed positively to internal growth:

Turkey: Gross premiums reached € 1,695 MN. The internal growth of 43.0 % was driven by positive volume and price contributions in our motor third-party liability insurance business.

Germany: We recorded gross premiums of € 9,902 MN, an increase of 2.8 % on an internal basis. This was mainly due to favorable price effects in our motor insurance business, and supported by favorable volume effects in our non-motor commercial insurance business.

Allianz Worldwide Partners: Gross premiums increased to € 4,185 MN. The internal growth of 4.7 % was mainly driven by our U.S. travel business and our assistance business in France.

AGCS: Gross premiums stood at € 7,592 MN. The internal growth of 0.5 % was largely generated by positive volume effects at Allianz Risk Transfer, much of which was offset by negative price impacts across both our corporate and specialty lines of business.

1 — For further information on Allianz Property-Casualty figures, please refer to note 5 to the consolidated financial statements.
2 — Represents claims and insurance benefits incurred (net), divided by premiums earned (net).
3 — Represents acquisition and administrative expenses (net), excluding one-off effects from pension revaluation divided by premiums earned (net).
4 — Represents the total of acquisition and administrative expenses (net), excluding one-off effects from pension revaluation, and claims and insurance benefits incurred (net) divided by premiums earned (net).
5 — We comment on the development of our gross premiums written on an internal basis, which means figures have been adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
6 — Based on the average exchange rates in 2016 compared to 2015.

The following operations contributed negatively to internal growth:

Italy: Gross premiums were at € 4,572 MN, a decline of 3.9 % on an internal basis. Main drivers were negative price and volume effects in our motor insurance business.

United Kingdom: Gross premiums amounted to € 2,623 MN, a decline of 3.6 % on an internal basis. Positive price developments in our retail motor and pet insurance businesses were more than offset by negative volume effects, mostly in our retail motor insurance business.

Credit Insurance: We recorded gross premiums of € 2,200 MN, a decline of 0.5 % on an internal basis. This decrease resulted from negative price and volume effects mainly in Germany and Asia.

Operating profit

OPERATING PROFIT
€ MN

	2016	2015	Delta
Underwriting result	2,354	2,281	73
Operating investment income (net)	2,971	3,138	(167)
Other result[1]	45	184	(139)
Operating profit	**5,370**	**5,603**	**(233)**

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

The decrease in *operating profit* was mainly driven by the expected decline in investment result due to the current low-yield environment. Furthermore, our 2015 operating profit had included a € 0.1 BN net gain (net of related expenses and restructuring charges) from the sale of the Fireman's Fund personal insurance business.

Our *underwriting result* increased thanks to a higher contribution from run-off as well as lower losses from natural catastrophes and weather-related events, compared to 2015, resulting in an improvement in our *combined ratio.*

UNDERWRITING RESULT
€ MN

	2016	2015	Delta
Premiums earned (net)	46,588	46,430	159
Accident year claims	(32,661)	(32,646)	(15)
Previous year claims (run-off)	2,084	1,924	160
Claims and insurance benefits incurred (net)	(30,576)	(30,721)	145
Acquisition and administrative expenses (net), excluding one-off effects from pension revaluation	(13,352)	(13,208)	(144)
Change in reserves for insurance and investment contracts (net) (without expenses for premium refunds)[1]	(306)	(220)	(86)
Underwriting result	**2,354**	**2,281**	**73**

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 28 to the consolidated financial statements.

Our *accident year loss ratio* stood at 70.1 % – a 0.2 percentage point improvement compared to the previous year. It was driven by a slight decrease in losses from natural catastrophes from € 738 MN to € 689 MN, representing a reduced combined ratio impact from 1.6 percentage points in 2015 to 1.5 percentage points in 2016.

Excluding losses from natural catastrophes, our accident year loss ratio improved to 68.6 %. This was predominantly due to a combination of lower losses from weather-related events and profitability programs we conducted across the Allianz Group.

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

United Kingdom: 0.2 percentage points. The accident year loss ratio benefited from a very low impact of natural catastrophes in 2016.

AGCS: 0.1 percentage points. The improvement stemmed from lower losses in the property and marine lines of business, while lower large losses were offset by higher natural catastrophes compared to 2015.

Spain: 0.1 percentage points. This was driven by portfolio cleaning actions in loss making lines of business and price increases across the portfolio.

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

France: 0.2 percentage points. The deterioration was driven by a combination of higher large losses as well as higher losses from natural catastrophes compared to the previous year.

The higher *run-off result* led to an increased run-off ratio amounting to 4.5 % (2015: 4.1 %), driven by reserve releases across most of the portfolio. In particular France and Australia delivered more run-off compared to the prior year, due to a beneficial development in their long tail business.

The increase in our *expense ratio* was driven, in equal parts, by a higher acquisition ratio and a higher administrative expense ratio.

OPERATING INVESTMENT INCOME (NET)[1]
€ MN

	2016	2015	Delta
Interest and similar income (net of interest expenses)	3,391	3,576	(185)
Operating income from financial assets and liabilities carried at fair value through income (net)	(23)	(25)	3
Operating realized gains/losses (net)	285	252	33
Operating impairments of investments (net)	(51)	(59)	8
Investment expenses	(376)	(365)	(11)
Expenses for premium refunds (net)[2]	(255)	(240)	(15)
Operating investment income (net)	**2,971**	**3,138**	**(167)**

1 — The operating investment income (net) of our Property-Casualty business segment consists of the operating investment result – as shown in note 5 to the consolidated financial statements – and expenses for premium refunds (net) (policyholder participation).
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 28 to the consolidated financial statements.

Our *operating investment income (net)* declined, mainly due to lower interest and similar income, essentially driven by debt securities as a result of the low yield environment.

OTHER RESULT
€ MN

	2016	2015	Delta
Fee and commission income	1,527	1,474	54
Other income	21	232	(211)
Fee and commission expenses	(1,407)	(1,367)	(40)
Other expenses	(3)	(6)	3
Restructuring charges	(94)	(149)	55
Other result	**45**	**184**	**(139)**

In 2015 we recorded a € 0.1 BN net gain (net of related expenses and restructuring charges) from the sale of the Fireman's Fund personal insurance business.

Net income

Net income increased, driven by a higher non-operating result, which benefited from the absence of negative effects from pension revaluation and an increase in the non-operating investment result, thus offsetting the decline in operating profit.

Life/Health Insurance Operations

Key figures

KEY FIGURES LIFE/HEALTH[1]

		2016	2015	Delta
Statutory premiums[2]	€ MN	64,636	66,903	(2,267)
Operating profit[3]	€ MN	4,148	3,796	352
Net income	€ MN	2,581	2,621	(40)
Return on equity[4]	%	10.3	10.8	(0.5) %-p

At the beginning of the second quarter of 2016, all requirements were fulfilled to present our South Korean business – until its disposal in the fourth quarter of 2016 – as held for sale. Consequently, the negative result of € 268 MN that the South Korean business generated was considered as non-operating, as the entity is no longer part of our ongoing core operations. In order to better reflect the true underlying drivers of our operating profit, we report it by profit sources and by lines of business for both 2015 and 2016 excluding South Korea, and specify the South Korean operating loss as a separate item.

Similarly, the figures for present value of new business premiums are shown without effects from the South Korean business.

To ensure consistency with the group income statement, however, statutory premiums are presented including premiums collected from our South Korean business.

Statutory premiums[5]

On a nominal basis, ***statutory premiums*** went down by 3.4 %. This includes unfavorable foreign currency translation effects of € 347 MN and positive (de-)consolidation effects of € 138 MN.

On an internal basis[5], statutory premiums dropped by € 2,058 MN – or 3.1 % – to € 64,947 MN, mainly due to lower unit-linked single premiums in Italy and Taiwan as well as declining traditional business both in Germany and Italy. The increase in our fixed-indexed and non-traditional variable annuity sales in the United States and the premium growth in capital-efficient products in Germany partly compensated for this development. In line with our changed product strategy, premiums continued to shift towards capital-efficient products.

1 — For further information on Allianz Life/Health figures, please refer to note 5 to the consolidated financial statements.
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 — From the classification of our South Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result of € (268) MN was considered as non-operating.
4 — Represents the ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.
5 — Our comments in the following section on the development of our statutory gross premiums written refer to figures determined "on an internal basis", i.e. adjusted for foreign currency translation and (de-) consolidation effects, in order to provide more comparable information.

Statutory premiums in the ***German*** life business amounted to € 18,876 MN, a 6.4 % increase on an internal basis. This resulted mainly from a growth in our business with capital-efficient products. It more than offset the decline in sales of traditional life products, which include long-term interest rate guarantees. Statutory premiums in the German health business increased to € 3,289 MN, representing an internal growth of 1.0 %, driven by the acquisition of new customers in the supplementary health care coverage.

In the ***United States***, statutory premiums increased to € 11,856 MN, or by 13.0 % on an internal basis. This was largely driven by higher fixed-indexed and non-traditional variable annuity sales, mainly as a result of our marketing activities in the first half of 2016.

In ***Italy*** we recorded statutory premiums of € 9,529 MN. The decrease of 20.2 % on an internal basis was largely attributable to lower unit-linked single premium sales – as a result of higher financial market volatility – and a decrease in traditional life business.

In ***France***, statutory premiums fell to € 7,956 MN, a slight decrease of 1.2 % on an internal basis, largely due to a decline in our individual life business.

In the ***Asia-Pacific*** region, statutory premiums stood at € 5,383 MN, a 19.2 % drop on an internal basis, its main cause being a decrease in unit-linked sales in Taiwan. Statutory premiums in South Korea decreased to € 1,307 MN, or by 21.4 % on an internal basis.

Premiums earned (net)

Premiums earned (net) went down by € 446 MN to € 23,769 MN, resulting from a decline in our business with traditional life products in Germany.

Present value of new business premiums (PVNBP)[6,7,8]

PVNBP fell by € 1,976 MN to € 57,168 MN, largely due to lower sales in our business with unit-linked insurance products without guarantees in Italy and in Taiwan.

PRESENT VALUE OF NEW BUSINESS PREMIUMS (PVNBP) IN % BY LINES OF BUSINESS[1]
%

	2016	2015	Delta
Guaranteed savings & annuities	28.5	35.0	(6.5)
Protection & health	14.4	12.3	2.1
Unit-linked without guarantee	20.1	24.9	(4.8)
Capital-efficient products	37.0	27.7	9.3
Total	**100.0**	**100.0**	**–**

1 — Current and prior year figures are presented excluding effects from the South Korean business.

6 — PVNBP before non-controlling interests.
7 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.
8 — Current and prior year figures are presented excluding effects from the South Korean business.

Operating profit

OPERATING PROFIT BY PROFIT SOURCES[1,2]

OPERATING PROFIT BY PROFIT SOURCES
€ MN

	2016	2015	Delta
Loadings and fees	5,609	5,479	130
Investment margin	4,401	4,062	339
Expenses	(6,687)	(6,390)	(297)
Technical margin	955	1,046	(91)
Impact of change in DAC	(48)	(158)	110
Operating loss – South Korea[1]	(82)	(244)	162
Operating profit	**4,148**	**3,796**	**352**

1 — The 2016 figure represents the operating loss of the first quarter only, as the negative result for the rest of 2016 was considered as non-operating.

Our *operating profit* went up, mainly driven by a higher investment margin in the United States as well as favorable DAC unlocking effects in France.

LOADINGS AND FEES[3]

LOADINGS AND FEES[1]
€ MN

	2016	2015	Delta
Loadings from premiums	3,716	3,584	133
Loadings from reserves	1,143	1,125	18
Unit-linked management fees	750	770	(20)
Loadings and fees	**5,609**	**5,479**	**130**
Loadings from premiums as % of statutory premiums	5.9	5.5	0.4
Loadings from reserves as % of average reserves[2,3]	0.2	0.2	–
Unit-linked management fees as % of average unit-linked reserves[3,4]	0.6	0.6	(0.1)

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — Aggregate policy reserves and unit-linked reserves.
3 — Yields are pro rata.
4 — Unit-linked management fees, excluding asset management fees, divided by unit-linked reserves.

The rise in *loadings and fees* was primarily due to the increased *loadings from premiums* and was driven by the higher single premium sales in the German life business as well as by higher production with a favorable business mix shift in Indonesia and Thailand.

INVESTMENT MARGIN[4]

INVESTMENT MARGIN[1]
€ MN

	2016	2015	Delta
Interest and similar income	17,749	18,030	(281)
Operating income from financial assets and liabilities carried at fair value through income (net)	(1,013)	(2,049)	1,035
Operating realized gains/losses (net)	6,610	6,461	149
Interest expenses	(105)	(106)	–
Operating impairments of investments (net)	(1,208)	(1,199)	(9)
Investment expenses	(1,192)	(1,111)	(81)
Other[2]	402	152	250
Technical interest	(8,757)	(8,689)	(68)
Policyholder participation	(8,084)	(7,428)	(656)
Investment margin	**4,401**	**4,062**	**339**
Investment margin[3,4] in basis points	107	104	3

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — 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.
3 — Investment margin divided by the average of current and previous year-end aggregate policy reserves.
4 — Yields are pro rata.

The increase in our *investment margin* was largely driven by a higher spread margin in our fixed-indexed annuity business and by favorable hedging-related impacts in our traditional variable annuity business in the United States.

EXPENSES[5]

EXPENSES[1]
€ MN

	2016	2015	Delta
Acquisition expenses and commissions	(4,927)	(4,754)	(173)
Administrative and other expenses	(1,760)	(1,636)	(124)
Expenses	**(6,687)**	**(6,390)**	**(297)**
Acquisition expenses and commissions as % of PVNBP[2]	(8.6)	(8.0)	(0.6)
Administrative and other expenses as % of average reserves[3,4]	(0.3)	(0.3)	–

1 — Current and prior year figures are presented excluding effects from the South Korean business.
2 — PVNBP before non-controlling interests.
3 — Aggregate policy reserves and unit-linked reserves.
4 — Yields are pro rata.

Our *acquisition expenses and commissions* increased, predominantly due to higher sales in the United States and in our German life business.

Administrative and other expenses remained stable in relation to reserves.

1 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.
2 — The purpose 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.
3 — Loadings and fees include premium and reserve based fees, unit-linked management fees, and policyholder participation in expenses.
4 — The 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 mainly for the German life business).
5 — Expenses include acquisition expenses and commissions (excluding commission clawbacks, which are allocated to the technical margin) as well as administrative and other expenses.

TECHNICAL MARGIN[1]

Our *technical margin* declined, driven by one-off reserve adjustments predominantly in the United States and increased claims in Switzerland.

IMPACT OF CHANGE IN DEFERRED ACQUISITION COSTS (DAC)[2]

IMPACT OF CHANGE IN DAC[1]
€ MN

	2016	2015	Delta
Capitalization of DAC	1,868	1,721	147
Amortization, unlocking and true-up of DAC	(1,916)	(1,878)	(38)
Impact of change in DAC	**(48)**	**(158)**	**110**

1 — Current and prior year figures are presented excluding effects from the South Korean business.

The improvement in the *impact of change in DAC* was largely due to higher capitalization of DAC, resulting mainly from increased sales in fixed-indexed and non-traditional variable annuities in the United States as well as in capital-efficient products in Germany.

OPERATING PROFIT BY LINES OF BUSINESS[3]

OPERATING PROFIT BY LINES OF BUSINESS
€ MN

	2016	2015	Delta
Guaranteed savings & annuities	2,306	2,090	216
Protection & health	672	764	(93)
Unit-linked without guarantee	339	381	(41)
Capital-efficient products	913	805	109
Operating loss – South Korea[1]	(82)	(244)	162
Operating profit	**4,148**	**3,796**	**352**

1 — The 2016 figure represents the operating loss of the first quarter only, as the negative result for the rest of 2016 was considered as non-operating.

The operating profit rise in our *guaranteed savings & annuities* line of business was mainly due to positive hedging-related impacts in our traditional variable annuity business in the United States as well as favorable DAC unlocking effects in France. Operating profit in the *protection & health* line of business dropped, largely driven by a lower investment margin in the German health business and one-off effects in the United States. Our operating profit in the *unit-linked without guarantee* line of business went down, primarily due to a reduction of unit-linked performance fees in Italy. An increase in operating profit in the *capital-efficient products* line was largely attributable to a higher spread margin in the United States.

1 — 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.
2 — Impact of change in DAC includes effects of change in DAC, unearned revenue reserves (URR) and value of business acquired (VOBA). It represents the net impact of deferral and amortization of acquisition costs and front-end loadings on operating profit and therefore deviates from the IFRS financial statements.
3 — Prior year figures changed in order to reflect the roll out of profit source reporting to China and the inclusion of the capital-efficient products line of business.

Return on equity

As of 2016 onwards, margin on reserves has been replaced by return on equity to better reflect the way we steer our Life/Health insurance operations.

Our return on equity decreased by 0.5 percentage points to 10.3 %, mainly resulting from the unfavorable net income development of the South Korean business.

Net income

A slight decrease in our net income was largely driven by the negative net impact of our business in South Korea in 2016 as well as lower realizations compared to a high base in 2015, mainly in Italy.

Asset Management

Key figures

KEY FIGURES ASSET MANAGEMENT[1]

		2016	2015	Delta
Operating revenues	€ MN	6,022	6,479	(457)
Operating profit	€ MN	2,205	2,297	(93)
Cost-income ratio[2]	%	63.4	64.5	(1.1) %-p
Net income	€ MN	1,411	1,449	(39)
Total assets under management as of 31 December	€ BN	1,871	1,763	108
thereof: Third-party assets under management as of 31 December	€ BN	1,361	1,276	85

Assets under management

COMPOSITION OF TOTAL ASSETS UNDER MANAGEMENT
€ BN

Type of asset class	as of 31 December 2016	as of 31 December 2015	Delta
Fixed income	1,489	1,385	104
Equities	166	176	(11)
Multi-assets[1]	153	151	2
Other[2]	63	51	12
Total	**1,871**	**1,763**	**108**

1 — Multi-assets is a combination of several asset classes (e.g. bonds, stocks, cash and real property) used as an investment. Multi-assets class investments increase the diversification of an overall portfolio by distributing investments throughout several asset classes.
2 — Other is composed of asset classes other than equity, fixed income and multi-assets, e.g. money markets, commodities, real estate investment trusts, infrastructure investments, private equity investments, hedge funds, etc.

Net outflows[3] of *total assets under management* (AuM) amounted to € 28 BN in 2016. Thereof, € 20 BN were attributable to third-party AuM net outflows (2015: € 107 BN). A major share of this year's outflows were PIMCO's third-party AuM net outflows – mainly in the United States and the United Kingdom –, which could only partly be offset by third-party AuM net inflows that primarily occurred in Japan. PIMCO's third-party AuM net outflows occurred in the first half of 2016, and turned into net inflows in the second half. AllianzGI recorded minor third-party AuM net outflows, mostly in the United States.

Favorable effects from Market and Other[4] amounted to € 76 BN, which made them the biggest driver of the upswing in total AuM. Again, much of this development was due to PIMCO, where the effects amounted to € 64 BN, and mainly concerned fixed income assets.

An upswing of total AuM of € 31 BN from consolidation, deconsolidation and other adjustments was almost entirely driven by the acquisition of Rogge Global Partners (Rogge) by AllianzGI.

Favorable effects from foreign currency translation caused an increase of total AuM of € 29 BN. This was mainly due to the appreciation of the U.S. Dollar against the Euro.

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

As of 31 December 2016, the share of third-party AuM by business unit was 76.1 % (31 December 2015: 77.3 %) attributable to PIMCO and 23.9 % (31 December 2015: 22.7 %) attributable to AllianzGI.

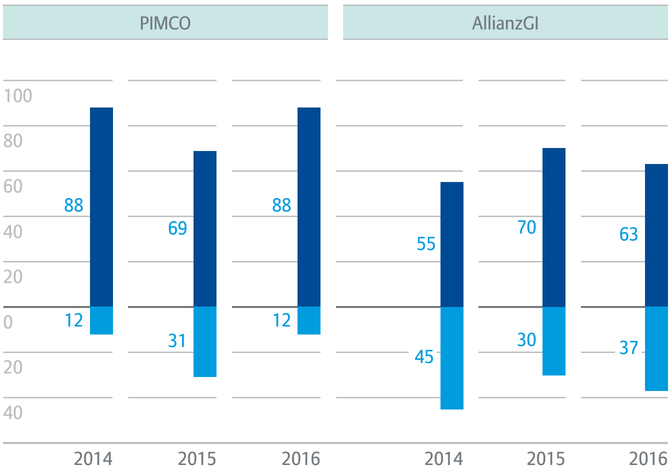
The share of fixed income assets rose from 74.0 % at the beginning of the year to 75.5 %, mainly due to positive market effects and consolidation effects due to the Rogge acquisition. The share of equities declined from 11.8 % to 10.3 %, primarily driven by third-party AuM net outflows which were only partly offset by positive effects from equity markets. The shares of multi-assets and other were roughly stable at 10.0 % and 4.2 % (31 December 2015: 10.5 % and 3.7 %, respectively).

The shares in third-party assets of both mutual funds and separate accounts[5] were quite steady compared to the end of 2015, with mutual funds at 57.8 % (31 December 2015: 58.3 %) and separate accounts at 42.2 % (31 December 2015: 41.7 %).

As for the regional allocation of third-party AuM[6], shares did not shift remarkably: America 55.3 %, Europe 32.8 % and the Asia-Pacific region 11.9 % (31 December 2015: 56.0 %, 32.7 % and 11.3 %). All three regions contributed to the increase in third-party AuM. However, primarily due to positive effects in Japan as well as third-party AuM net outflows in the United States and the United Kingdom, the regional allocation shifted slightly in favor of the Asia-Pacific region.

1 — For further information about our Asset Management business segment, please refer to note 5 to the consolidated financial statements.
2 — Represents operating expenses divided by operating revenues.
3 — Net flows represent the sum of new client assets, additional contributions from existing clients – including dividend reinvestment – withdrawals of assets from, and termination of, client accounts and distributions to investors. Reinvested dividends amounted to € 10 BN.
4 — Market and Other represents current income earned on, and changes in the fair value of, securities held in client accounts. It also includes dividends from net investment income and from net realized capital gains to investors of open ended mutual funds and of closed end funds.
5 — Mutual funds are investment vehicles (in the United States, investment companies subject to the U.S. code; in Germany, vehicles subject to the "Standard-Anlagerichtlinien des Fonds" Investmentgesetz) where the money of several individual investors is pooled into one account to be managed by the asset manager, e.g. open-end funds, closed-end funds. Separate accounts are investment vehicles where the money of a single investor is directly managed by the asset manager in a separate dedicated account (e.g. public or private institutions, high net worth individuals, and corporates).
6 — Based on the location of the asset management company.

THREE-YEAR ROLLING INVESTMENT PERFORMANCE OF PIMCO AND ALLIANZGI[1]
as of 31 December in %



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

1 — Three-year rolling investment performance reflects the mandate-based and volume-weighted three-year investment success of all third-party assets that are managed by Allianz Asset Management's portfolio-management units. For separate accounts and mutual funds, the investment success (valued on the basis of the closing prices) is compared with the investment success prior to cost deduction of the respective benchmark, based on various metrics. For some mutual funds, the investment success, reduced by fees, is compared with the investment success of the median of the respective Morningstar peer group (a position in the first and second quartile is equivalent to outperformance).

The overall three-year rolling investment performance of our Asset Management business improved significantly, with 83% of third-party assets outperforming their respective benchmarks (31 December 2015: 69%). The increase was driven by PIMCO's rolling investment performance, which strengthened towards the end of the year.

Operating revenues

Our *operating revenues* decreased by 7.1%, which corresponds to a drop of 7.5% on an internal basis[1].

We recorded lower *performance fees,* mainly due to decreased carried interest from a large private fund at PIMCO.

Other net fee and commission income went down primarily because of lower third-party AuM-driven margins at both PIMCO and AllianzGI. The main cause for this were outflows from higher-margin assets at PIMCO. To a lesser extent, lower average third-party AuM contributed to the decrease in other net fee and commission income.

Operating profit

Operating profit declined by 4.4% on an internal basis[1]. While operating revenues declined, the corresponding impact on operating profit was mitigated by reduced operating expenses.

Administrative expenses could be lowered significantly, mainly due to decreased personnel expenses. The latter decreased primarily because of a 15.0% drop in variable compensation, which strongly reflected the lower expenses associated with the Special Performance Award (SPA). The SPA was introduced in the fourth quarter of 2014 at PIMCO to secure performance and retain talent. The decrease in personnel expenses was supported by lower average full time equivalents. In addition, lower non-personnel expenses also contributed to the decrease in overall administrative expenses.

Other operating expenses dropped due to lower restructuring charges.

Our *cost-income ratio* declined slightly, as the relative decrease in operating expenses outpaced the relative decrease in operating revenues. The SPA effect contributed 0.7 percentage points to the cost-income ratio – net of the impact on variable compensation.

ASSET MANAGEMENT BUSINESS SEGMENT INFORMATION
€ MN

	2016	2015	Delta
Performance fees	474	607	(133)
Other net fee and commission income	5,545	5,881	(336)
Other operating revenues	3	(8)	12
Operating revenues	6,022	6,479	(457)
Administrative expenses (net), excluding acquisition-related expenses	(3,817)	(4,141)	324
Other operating expenses	(1)	(41)	40
Operating expenses	(3,818)	(4,182)	364
Operating profit	**2,205**	**2,297**	**(93)**

Net income

We recorded a 2.7% decline in *net income,* reflecting the decrease in operating profit, which was partly compensated by the absence of the negative effect from the adapted cost allocation scheme for the pension provisions.

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

Corporate and Other

Key figures

KEY FIGURES CORPORATE AND OTHER[1]
€ MN

	2016	2015	Delta
Operating revenues	1,951	1,899	52
Operating expenses	(2,818)	(2,844)	26
Operating result	(867)	(945)	78
Net income (loss)	(994)	(1,003)	9

KEY FIGURES REPORTABLE SEGMENTS
€ MN

	2016	2015	Delta
HOLDING & TREASURY			
Operating revenues	683	562	121
Operating expenses	(1,664)	(1,639)	(25)
Operating result	(981)	(1,076)	96
BANKING			
Operating revenues	1,029	1127	(98)
Operating expenses	(955)	(1,032)	78
Operating result	74	94	(20)
ALTERNATIVE INVESTMENTS			
Operating revenues	245	213	32
Operating expenses	(206)	(176)	(30)
Operating result	39	37	2

Earnings summary

Our *operating result* improved in 2016 due to the positive development in Holding & Treasury which by far overcompensated the decline in Banking.

Our *net loss* remained at the previous year's level, as various effects offset one another. We recorded a higher non-operating investment result as well as lower income taxes, offset by the absence of positive effects from an adapted cost allocation scheme for the pension provisions.

In *Holding & Treasury*, our operating result increased. This was mainly driven by lower administrative expenses, caused by a decline in pension costs. Also, our income from financial assets and liabilities carried at fair value increased due to the valuation of seed money funds.

Banking's operating result decreased. The year was burdened by a further tightening of interest rate spreads, which led to lower net interest results in almost all our banking units. A reduction in our loan loss provisions could not fully offset this development.

The operating result generated by *Alternative Investments* remained stable.

1 — Consolidation included. For further information about our Corporate and Other business segment, please refer to note 5 to the consolidated financial statements.

Outlook 2017

Overview: 2016 results versus previous year's outlook[1]

2016 RESULTS VERSUS PREVIOUS YEAR OUTLOOK FOR 2016

	OUTLOOK 2016 – AS PER ANNUAL REPORT 2015	RESULTS 2016
ALLIANZ GROUP	Operating profit of € 10.5 BN, plus or minus € 0.5 BN.	Operating profit of € 10.8 BN.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.	Return on equity (RoE)[1] amounted to 12.0 % (2015: 12.5 %). Proposed dividend at € 7.60 (2015: € 7.30) per share. Stable payout ratio of 50 %.
	Selective profitable growth.	Property-Casualty with continued sound risk selection and strong internal growth, Life/Health with growing asset base and solid new business margins, but Asset Management with net outflows.
PROPERTY-CASUALTY	Growth in gross premiums written by approximately 2.0 %.	Gross premiums slightly declined by 0.1 %, hence almost remained stable. A strong internal growth of 3.1 % was offset by negative foreign currency translation effects as well as by divestitures such as the sale of Fireman's Fund personal insurance business.
	Operating profit in the range of € 5.2 BN to € 5.8 BN.	Operating profit of € 5.4 BN is slightly below the mid-point of our target range. A low impact of natural catastrophes was partially compensated by large losses. Although Argentina and Brazil improved during 2016, the delay of their turnaround impacted the underwriting result.
	Progress towards our combined ratio ambition of 94 % or better by 2018.	Combined ratio was strong at 94.3 % and on track towards our ambition for 2018.
	Pressure on operating investment income (net) to continue due to reinvestments in a consistently low interest rate environment.	As expected, operating investment income (net) declined across our subsidiaries due to the low interest rate environment.
LIFE/HEALTH	Prioritizing profitability over growth and continuing to shift new business mix towards unit-linked, capital-efficient and protection products. Addressing customer needs in the prolonged low yield environment. Revenues are expected to be in the range of € 62.0 BN to € 68.0 BN.	Revenues of € 64.6 BN at the mid-point of outlook. Strong growth from capital-efficient products in Germany and the United States was more than offset by lower unit-linked sales in Italy and Taiwan.
	Operating profit between € 3.3 BN and € 3.9 BN.	Operating profit of € 4.1 BN above target range, driven by favorable investment margin supported by higher level of net harvesting from further portfolio de-risking actions.
	RoE[1] between 9.0 % and 11.0 %.	RoE[1] at 10.3 % above mid-point of target range.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.	Operating investment result reached € 21.3 BN, as lower interest and similar income was compensated by higher realized gains.
ASSET MANAGEMENT	Slight increase in total assets under management (AuM) due to positive market return, supported by a return to positive net flows at PIMCO and continued solid net inflows at AllianzGI.	Total AuM grew by € 108 BN to € 1,871 BN as of 31 December 2016. The increase was driven by positive market returns and foreign currency translation effects. The consolidation of Rogge Global Partners in the second quarter of 2016 added € 32 BN of third-party AuM. In the course of 2016, our Asset Management business segment saw third-party AuM net outflows of € 20 BN coming from both entities. However, as expected, PIMCO third-party net flows turned positive for the last two quarters of 2016.
	Operating profit in the range of € 1.9 BN to € 2.5 BN.	Operating profit amounted to € 2.2 BN and meets the mid-point of the target range.
	Cost-income ratio of well below 65 %.	With a cost-income ratio of 63.4 % our Asset Management business segment came in well below 65 %.

1 — Represents the ratio of net income to the average total equity, excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning of the year and at the end of the year.

Economic outlook[2]

Following a slight acceleration in the final quarter of 2016, the world economy currently finds itself in fairly good shape and has made a positive start into the year 2017. In the industrialized countries, growth prospects are quite favorable overall. In the United States, despite the fact that there is still not much clarity about the specifics of economic policy under the new U.S. administration, a change in the policy mix is on the horizon: Monetary policy will provide somewhat less stimulus for the economic development, whereas fiscal policy will do more as the new U.S. administration is expected to deliver on the promise to cut taxes and launch investment initiatives. In the course of 2017, these measures are expected to buoy economic growth, despite some dampening effects such as higher inflation. All in all, the U.S. economy is likely to expand by 2.2 % this year. In the Eurozone, the economic recovery is likely to continue. We expect real gross domestic product to increase by 1.8 % (2016: 1.7 %). While the upward movement in oil prices and rising inflation will weigh on private consumption, household spending will be supported by rising employment. The group of emerging market economies is set for a moderate acceleration of growth, mainly driven by a gradual stabilization in the group's heavyweights, Russia and Brazil, and by a recovery in commodity-exporting countries. Overall, global output is likely to expand by about 2.8 % in 2017, compared with 2.4 % in 2016. Industrialized countries are expected to register gross domestic product growth of 1.9 %, while in emerging markets growth could increase to 4.1 % from the 3.6 % seen in 2016.

The uncertain global economic and political environment (e.g. rise of populism, high emerging market indebtedness, risk of E.U. disintegration) is likely to result in higher financial-market volatility this year. As far as monetary policy is concerned, assuming that the labor market remains tight and inflation rates continue to move up, the Federal Reserve is likely to continue to hike interest rates this year. By contrast, we do not see any major change in the European Central Bank's expansionary monetary policy stance.

Modestly rising yields on 10-year U.S. government bonds and higher inflation rates in the Eurozone will exert some upward pressure on European benchmark bond yields in 2017. However, with short-term rates at zero, there are limited prospects of markedly higher yields on longer-term bonds. For 10-year German government bonds,

1 — For more detailed information on the previous year's outlook for 2016, please see the Annual Report 2015 from page 92 onward.
2 — The information presented in the sections "Economic outlook", "Insurance industry outlook", and "Asset management industry outlook" is based on our own estimates.

we predict yields to climb modestly towards 1 % in the course of 2017; for 10-year U.S. government bonds, yields may end the year in a range between 2.5 % and 3 %. While the expected Federal Reserve rate hikes will weigh on the Euro, a number of other factors will support it; above all, the expected rise in the U.S. current-account deficit as well as the speculation – which is likely to increase towards year-end – about the timing and manner of the European Central Bank's exit from its bond purchasing program. We expect the Dollar-to-Euro exchange rate to close the year at about 1.10 (2016: 1.05).

Insurance industry outlook

In 2017, things are likely to start moving in the right direction for the insurance industry: The global economy is set to shift up a gear, inflation will return – which will set the scene for monetary normalization – and last but not least, interest rates are expected to rise. That said, the overall momentum will probably be too weak to finally escape the low-growth, low-yield environment; so, for the time being, we expect premium growth to remain modest and investment income to remain under pressure. Moreover, political risks could easily derail the economy and knock markets from their path to normalization.

While the macroeconomic environment, despite all the uncertainties, offers some glimpses of hope, the challenges on the micro-economic front remain formidable: As technological progress and the digitization of our life gather speed, established business models get under enormous pressure. The industry has to adapt quickly to defend its franchise against new competitors. In combination with the new regulatory regime (Solvency II), which brings more clarity on capital positions, this restructuring process could act as a possible catalyst for more industry consolidation.

To sum up: In 2017, the industry's top line will continue to grow modestly – though some lines of business such as trade-dependent marine and rate-sensitive savings might struggle – while the bottom line remains under pressure from weak investment income and the need to build new, digital business models.

In the *property-casualty sector,* growth in advanced markets should remain rather stable: The ongoing recovery supports demand, but pricing is still a concern. For advanced markets, political instability could prove to be the biggest challenge in 2017, as growing protectionism and the looming Brexit drive structural changes in the industry. The outlook for emerging markets is much brighter: Asia is expected to roar ahead, Latin America will stabilize, and Eastern Europe will continue its recovery. Overall, we expect global premium revenue growth to range between 4.0 % and 5.0 % in 2017 (in nominal terms, adjusted for foreign currency translation effects). Given the still challenging pricing outlook and weak investment income, overall profitability might not improve but stay more or less flat.

In the *life sector* the overall picture is quite similar. Specifically, we expect advanced markets to maintain their (modest) growth as demand benefits from rising employment and new product offers. Emerging markets, on the other hand, will show stronger performance. Asia might shift down a little after the extraordinary growth spurt seen in 2016; on a general note, however, rising incomes, urbanization, and social security reforms should remain strong engines for growing insurance demand. All in all, we expect global premium revenue to increase by 4.0 % to 5.0 % in 2017 (in nominal terms, adjusted for foreign currency translation effects). To safeguard profitability, insurers will continue to review both their product mixes and their investment portfolios. As a result, overall profitability should not deteriorate any further.

Asset management industry outlook

After a sometimes rocky but ultimately benign year for global equities in 2016, 2017 brings the prospect of increased volatility. This is due in particular to geopolitical uncertainty, as the new administration comes to power in the United States and elections are held across Europe.

Global economic and political divergence creates uncertainty and volatility thus involving risks, but it also provides opportunities. For instance, strong economic trends, such as job and wage growth, as well as a pick-up in inflation should allow the Federal Reserve to continue with gradual rate increases, driving treasury yields higher. Bonds are particularly interesting for the growing number of retirees in developed countries who are looking for a stable stream of income; also, liability-driven investors may look to further de-risk into bonds as yields become more attractive.

2017 is expected to be another challenging and disruptive year for the asset management industry. Markets are volatile and there is some political uncertainty. In addition, industry profitability remains under pressure from both continuous flows into passive products and rising distribution costs. However, digital channels are expected to continue gaining prominence. Measures aimed at strengthening regulatory oversight and reporting could also affect profitability in the asset management sector. In order to continue growing, it is vital for asset managers to keep sufficient business volumes, ensure efficient operations, and maintain strong investment performance.

Overview: outlook and assumptions 2017 for the Allianz Group

OUTLOOK 2017	
ALLIANZ GROUP	Operating profit of € 10.8 BN, plus or minus € 0.5 BN.
	Protection of shareholders' investments, while continuing to provide attractive returns and dividends.
	Selective profitable growth.
PROPERTY-CASUALTY	Growth in gross premiums written: approximately 2 % on a nominal basis.
	Operating profit in the range of € 5.0 BN to € 5.6 BN.
	Progress towards our combined ratio ambition of 94 % or better by 2018.
	Pressure on operating investment income (net) to continue due to reinvestments in a consistently low interest rate environment.
LIFE/HEALTH	Continue with selective focus on profitable growth and further shift new business mix towards capital efficient, unit-linked, and protection products. Considering the disposal of our South Korean business, revenues are expected to be in the range of € 60.0 BN to € 66.0 BN.
	Operating profit between € 3.7 BN and € 4.3 BN.
	RoE between 10.0 % and 12.0 %.
	Pressure on investment income due to low interest rates and continued capital market uncertainty.
ASSET MANAGEMENT	Slight increase in total AuM due to positive market return, supported by moderate net inflows at PIMCO and at AllianzGI.
	Operating profit in the range of € 2.0 BN to € 2.6 BN.
	Cost-income ratio well below 65 %.

ASSUMPTIONS

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

- Global economic growth is set to continue.
- Modest rise in interest rates expected.
  - 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.
- No major disruptions of capital markets.
- No disruptive fiscal or regulatory interference.
- Level of claims from natural catastrophes at expected average levels.
- Average U.S. Dollar to Euro exchange rate of 1.11.
  - A 10 % weakening or strengthening of the U.S. Dollar versus our planned exchange rate of 1.11 to the Euro would have a negative or positive impact on operating profits of approximately € 0.3 BN, respectively.

Management's assessment of expected revenues and earnings for 2017

In 2016, our total revenues amounted to € 122.4 BN, a 2.2 % decrease on a nominal and a 0.8 % decrease on an internal basis compared to 2015. We expect a rather flat revenue development in 2017, with Property-Casualty and Asset Management revenues advancing, while Life/Health revenues are likely to be under pressure due to our selective focus on profitable growth.

Our operating profit was near the upper end of our target range in 2016, hitting € 10.8 BN. As of 2017, we will update our operating profit definition and exclude restructuring charges from the operating profit unless they are shared with policyholders. Under this updated definition, our operating profit for 2016 would have been € 10.9 BN, with the delta of € 0.1 BN essentially attributable to the Property-Casualty business segment. For 2017, we envisage an operating profit of € 10.8 BN, plus or minus € 0.5 BN, as we expect a slightly negative development in the Property-Casualty and Life/Health business segments and a slightly positive development in the Asset Management and Corporate and Other business segments – all based on the updated operating profit definition.

Our net income attributable to shareholders increased, reaching € 6.9 BN in 2016. Consistent with our disclosure practice in the past and given the susceptibility of our non-operating results to adverse capital market developments, we do not provide a precise outlook for net income. However, since our outlook presumes no major disruptions of capital markets, we anticipate a rather stable net income for 2017.

PROPERTY-CASUALTY INSURANCE

We expect our revenues to increase by approximately 2 % in 2017 (2016: (0.1) %), supported by favorable volume effects and – to a lesser extent – price effects. This growth is supported by the acquisition of the commercial portfolio of Aegon in mid-2016, strengthening our position in the attractive Benelux property-casualty market.

Most of the premium growth in 2017 is expected to come from our European core markets, including the United Kingdom, Germany, and Spain. Top-line development will further be supported by positive trends at Allianz Worldwide Partners, where our B2B2C business activities are bundled.

We believe the overall slow rise in prices we witnessed in a number of markets in 2016 will continue in 2017. However, as in previous years, we will keep our focus on achieving strong underwriting results by adhering to our strict underwriting discipline and will accept a lower top line if target margins cannot be achieved.

In 2016, our combined ratio was 94.3 %. We expect to at least maintain it at this level in 2017, before reaching our 2018 ambition of 94 % or better. 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 have assumed that impacts will be in line with our historic claims experience.

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 2017 operating profit to be in the range of € 5.0 BN to € 5.6 BN (2016: € 5.5 BN, based on the updated operating profit definition, i.e. excluding € 0.1 BN restructuring charges).

LIFE/HEALTH INSURANCE

In 2016, our operating profit of € 4.1 BN exceeded our target range. For 2017, we expect operating profit in our Life/Health business segment to be between € 3.7 BN and € 4.3 BN.

As pointed out in 2015, RoE is one of the key performance indicators for the steering of our Life/Health business. In 2017, we expect the RoE of the Life/Health business segment to be between 10.0 % and 12.0 %.

We will remain focused on shifting our new business mix towards capital-efficient, unit-linked, and protection products – thereby addressing customer needs in light of the prolonged low-yield environment – while maintaining strong shareholder returns, and building on our strong track record of product innovation. Furthermore, we will continue to actively manage both our new and in-force business through continuous repricing, expense management, asset/liability management, and crediting strategies in order to mitigate the impacts of difficult market conditions, particularly the low interest rates, and maintain our profitability targets.

It must be noted, however, that market volatility, along with the level of net harvesting, can significantly affect the Life/Health business segment results.

ASSET MANAGEMENT

We see a challenging environment for the asset management industry again in 2017. That said, we expect the positive trend in PIMCO's third-party AuM net inflows that we observed over the last two quarters of 2016 to continue into 2017, supported by net inflows from AllianzGI in 2017. Market returns are expected to contribute moderately to a positive development of total AuM. While performance fees are expected to decrease slightly, an increase in management and loading fees should lead to a slight increase in operating revenues, which should more than offset a moderate increase of operating expenses. Therefore, we envisage our operating profit to be in the range of € 2.0 BN and € 2.6 BN in 2017 (2016: € 2.2 BN).

In 2017, we expect a cost-income ratio of well below 65 % (2016: 63.4 %), supported by our focus on expense discipline and operational excellence. Mid-term we expect our cost-income ratio to be at 60 %.

CORPORATE AND OTHER

Our Corporate and Other business segment recorded an operating loss of € 0.9 BN in 2016. As we expect an improvement in the operating result of the Holding & Treasury reportable segment – mainly attributable to lower administrative expenses –, we predict an operating loss in the range of € 0.7 BN to € 0.9 BN for Corporate and Other (including consolidation) in 2017.

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 cost 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.

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[1,2]

For 2016, the Board of Management and the Supervisory Board of Allianz SE propose a dividend of € 7.60 per share.

In addition, Allianz SE has decided to launch a share buy-back program with a volume of up to € 3.0 BN as part of a previously announced plan to return unused capital from the Group's external growth budget from the period 2014 to 2016. The buy-back program started in February 2017 and is envisaged to last no longer than 12 months. Allianz SE will cancel all repurchased shares.

Through capital management, Allianz Group aims for a healthy balance between an attractive yield and investment in profitable growth. We will continue to return 50 % of Allianz Group's net income (attributable to shareholders) to shareholders in the form of a regular dividend.

Allianz also aims to keep the regular dividend per share at least at the level paid in the previous year. However, the Board of Management and the Supervisory Board of Allianz SE have decided to simplify Group capital management to make it more flexible. Going forward, Allianz will return capital to its shareholders on a flexible basis, rather than following a formulaic approach. Return of capital to shareholders will no longer be coupled to the unused budget for external growth and a three-year timeframe.

All of the above remains subject to a sustainable Solvency II ratio above 160 %, which is substantially below our current level of 218 % and 20 percentage points lower than our day-to-day Solvency II ratio target range of 180 to 220 %.

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.

1 — This represents the management's current intention and may be revised in the future. Also, the decision regarding dividend payments in any given year is subject to specific dividend proposals by the Management and Supervisory Boards, each of which may elect to deviate if appropriate under the then prevailing circumstances, as well as to the approval of the Annual General Meeting.

2 — For further information on subsequent events, please refer to note 44 to the consolidated financial statements.

Balance Sheet Review

Shareholders' equity[1]

SHAREHOLDERS' EQUITY
€ MN

	as of 31 December 2016	as of 31 December 2015	Delta
Shareholders' equity			
Paid-in capital	28,928	28,928	–
Retained earnings	27,336	24,222	3,114
Foreign currency translation adjustments	(754)	(926)	172
Unrealized gains and losses (net)	11,830	10,920	910
Total	**67,341**	**63,144**	**4,196**

The main driver for the increase in ***shareholders' equity*** was the net income attributable to shareholders, amounting to € 6,883 MN. The increase was supported by an upswing in unrealized gains, primarily on debt securities, which resulted from a further drop in interest rates. It was partly offset, however, by the dividend payout in May 2016, which totaled € 3,320 MN.

Total assets and total liabilities

As of 31 December 2016, total assets amounted to € 883.8 BN and total liabilities were at € 813.4 BN. Compared to year-end 2015, this represented an increase of € 34.9 BN for total assets and of € 30.6 BN for total liabilities.

The following section mainly focuses on our financial investments in debt instruments, equities, real estate, and cash, as 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 AND FIXED INCOME PORTFOLIO OVERVIEW

	as of 31 December 2016	as of 31 December 2015	Delta	as of 31 December 2016	as of 31 December 2015	Delta
Type of investment	€ BN	€ BN	€ BN	%	%	%-p
Debt instruments; thereof:	**577.3**	**568.1**	**9.1**	**88.4**	**88.8**	**(0.4)**
Government bonds	213.6	217.5	(4.0)	37.0	38.3	(1.3)
Covered bonds	89.9	98.7	(8.8)	15.6	17.4	(1.8)
Corporate bonds (excl. banks)	189.5	164.9	24.6	32.8	29.0	3.8
Banks	32.9	31.3	1.5	5.7	5.5	0.2
Other	51.4	55.7	(4.3)	8.9	9.8	(0.9)
Equities	**49.9**	**45.7**	**4.3**	**7.6**	**7.1**	**0.5**
Real estate	**11.7**	**12.0**	**(0.2)**	**1.8**	**1.9**	**(0.1)**
Cash/other	**14.2**	**14.3**	**(0.1)**	**2.2**	**2.2**	**(0.1)**
Total	**653.1**	**640.1**	**13.0**	**100.0**	**100.0**	**–**

Our overall asset allocation remained almost unchanged, compared to 31 December 2015. The increase in assets was caused by unrealized gains in debt instruments and – to a lesser extent – in equities, mainly following general market developments in 2016.

Our well-diversified exposure to ***debt instruments*** went up – mainly due to a further decrease in interest rates – from their already low level of year-end 2015. However, the increase was partly offset by realizations. About 94 % of this portfolio was invested in investment-grade bonds and loans.[2] Our ***government bonds*** portfolio contained – amongst others – bonds from Italy, Spain and the United Kingdom, representing shares of our debt instruments portfolio of 4.3 %, 2.0 % and 0.2 %, with unrealized gains (gross) of € 3,862 MN, € 1,188 MN and € 40 MN. Our ***covered bonds*** portfolio contained 41 % (31 December 2015: 42 %) German Pfandbriefe, backed by either public-sector loans or mortgage loans. The portfolio shares of French, Spanish and Italian covered bonds were at 16 %, 9 % and 8 % (31 December 2015: 16 %, 10 % and 8 %).

Our exposure to ***equities*** increased due to positive developments on major equity markets. Our equity gearing[3] remained almost unchanged at 23 % (31 December 2015: 24 %), as the increase in this exposure was accompanied by increases in shareholders' equity and hedging of the risen exposure against share price declines.

1 — This does not include non-controlling interests of € 3,052 MN and € 2,955 MN as of 31 December 2016 and 31 December 2015, respectively. For further information, please refer to note 20 to the consolidated financial statements.
2 — Excluding self-originated German private retail mortgage loans. For 3 %, no ratings were available.
3 — 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.

LIABILITIES

PROPERTY-CASUALTY LIABILITIES

As of 31 December 2016, the business segment's gross reserves for loss and loss adjustment expenses and discounted loss reserves amounted to € 65.7 BN, compared to € 65.1 BN at year-end 2015. On a net basis, our reserves, including discounted loss reserves were almost unchanged at € 57.3 BN.[1]

LIFE/HEALTH LIABILITIES

Life/Health reserves for insurance and investment contracts increased by € 18.9 BN to € 490.9 BN. The € 5.3 BN increase in aggregate policy reserves and other reserves before foreign currency translation effects was mainly driven by our operations in Germany (€ 7.5 BN) and the United States (€ 6.8 BN, before foreign currency translation effects) and partly offset by the sale of our South Korean business (€ (10.8) BN, before foreign currency translation effects). Reserves for premium refunds increased by € 10.7 BN, due to higher unrealized gains to be shared with policyholders. Favorable foreign currency translation effects mainly resulted from the stronger U.S. Dollar (€ 2.8 BN).

CORPORATE AND OTHER LIABILITIES

In comparison to year-end 2015, we recorded a drop in liabilities to banks and customers amounting to € 13.4 BN, and an upswing in liabilities of disposal groups classified as held for sale of € 13.3 BN. This shift was primarily driven by the classification of the Oldenburgische Landesbank AG as held for sale. Other liabilities increased by € 1.0 BN, mainly due to higher liabilities from cash pooling. The € 1.3 BN increase in subordinated liabilities was mainly caused by the issuance of a subordinated bond. Certificated liabilities decreased by € 1.5 BN.

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 39 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 and certain investment fund products. For more details on our involvement with structured entities, please refer to note 37 to the consolidated financial statements.

Please refer to the Risk and Opportunity Report from page 62 onwards for a description of the main concentrations of risk and other relevant risk positions.

Regulatory capital adequacy

For details on the regulatory capitalization of the Allianz Group, please refer to the Risk and Opportunity Report from page 62 onwards.

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 15 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 cash 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 enables Allianz SE to achieve the desired liquidity and capitalization levels for the Group and its operating entities.

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 equally important to us.

Liquidity management and funding of Allianz SE

The responsibility for managing the funding needs within 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 as well as from 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 interest payments 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 2016, 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 2016, the Allianz Group held 1,932,263 (2015: 2,176,362) 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 2016:

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)

For further information on our share capital and regarding authorizations to issue and repurchase shares, please refer to the chapter Takeover-related Statements and Explanations (part of the Group Management Report) starting on page 21.

LONG-TERM DEBT FUNDING

As of 31 December 2016, Allianz SE had senior and subordinated bonds with 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.

MATURITY STRUCTURE OF ALLIANZ SE'S SENIOR AND SUBORDINATED BONDS[1]

€ MN

as of 31 December	Contractual maturity date		
	Up to 1 year	> 1 year up to 5 years	Over 5 years
2016			
Senior bonds	–	2,734	3,840
Subordinated bonds	1,400[2]	–	12,086
Total	**1,400**	**2,734**	**15,925**
2015			
Senior bonds	1,498	1,985	3,227
Subordinated bonds	–	–	11,962
Total	**1,498**	**1,985**	**15,189**

1 — Based on carrying value.
2 — € 1.4 BN subordinated bond called for redemption effective 17 February 2017.

Interest expenses on senior bonds decreased, mainly due to the depreciation of the British Pound against the Euro. For subordinated bonds, the increase of interest expenses was primarily driven by higher outstanding volumes on average in 2016.

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

as of 31 December	Nominal value	Carrying value	Interest expense	Weighted average interest rate[2]
	€ MN	€ MN	€ MN	%
2016				
Senior bonds	6,629	6,574	262	3.5
Subordinated bonds	13,537	13,485	584	4.6
Total	**20,165**	**20,059**	**845**	**4.2**
2015				
Senior bonds	6,716	6,711	270	4.0
Subordinated bonds	12,080	11,962	560	4.8
Total	**18,797**	**18,673**	**830**	**4.5**

1 — For further information on Allianz SE debt (issued or guaranteed) as of 31 December 2016, please refer to note 19 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 2016 and 2015:

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

€ MN

as of 31 December	Issuances[1]	Redemptions[1]	Issuances net of redemptions
2016			
Senior bonds	1,500	1,500	–
Subordinated bonds	1,422	–	1,422
2015			
Senior bonds	–	–	–
Subordinated bonds	1,500	1,000	500

1 — Based on nominal value.

Funding in non-Euro currencies 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 2016, approximately 18.4 % (2015: 12.5 %) 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[1]

€ MN

as of 31 December	Euro	Non-Euro	Total
2016			
Senior and subordinated bonds	16,450	3,715	20,165
2015			
Senior and subordinated bonds	16,450	2,347	18,797

1 — Based on nominal value.

SHORT-TERM DEBT FUNDING

Short-term funding sources available are the Medium-Term Note Program and the Commercial Paper Program. Money market securities decreased in the use of commercial paper compared to the previous year-end. Interest expenses on money market securities increased mainly due to higher funding costs on average in 2016.

MONEY MARKET SECURITIES OF ALLIANZ SE

	Carrying value	Interest expense	Average interest rate
as of 31 December	€ MN	€ MN	%
2016			
Money market securities	1,041	9	0.7
2015			
Money market securities	1,276	6	0.4

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

ANNUAL CHANGES IN CASH AND CASH EQUIVALENTS
€ MN

	2016	2015	Delta
Net cash flow provided by operating activities	21,461	23,663	(2,202)
Net cash flow used in investing activities	(19,765)	(20,394)	629
Net cash flow used in financing activities	(1,732)	(2,837)	1,105
Change in cash and cash equivalents[1]	16	979	(963)

1 — Includes effects of exchange rate changes on cash and cash equivalents of € 52 MN and € 548 MN in 2016 and 2015, respectively.

Net cash flow provided by operating activities decreased in 2016. 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 went down by € 1.4 BN to € 9.1 BN in 2016. In addition, operating cash flows from net changes in operating assets and liabilities, including other items, fell by € 0.8 BN to € 12.4 BN. This was driven by net cash outflows (after net cash inflows in 2015) from repurchase agreements and collateral received from securities lending transactions – in particular at Allianz SE. Higher reserves for insurance and investment contracts in our Life/Health business segment, mainly in the United States, Germany and France, partially offset this effect.

Net cash outflow used in investing activities declined compared to the previous year. This was primarily a consequence of net cash inflows (after net cash outflows in 2015) from financial assets and liabilities designated at fair value through income, especially in our Life/Health business segment in Germany and France. Moreover, we recorded lower net cash outflows from our activities in real estate held for investment, in particular from our German Life/Health business segment. Lower net cash inflows from loans and advances to banks and customers partly compensated these effects.

Net cash outflow used in financing activities decreased, mainly due to higher net cash inflows from our refinancing activities[1] as well as higher net cash inflows from liabilities to banks and customers, especially from our banking business. Higher dividend payments to our shareholders partly offset these effects.

Cash and cash equivalents, including cash and cash equivalents reclassified to assets of disposal groups held for sale, increased in 2016.

For further information on the consolidated statements of cash flows, please refer to page 82.

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

Reconciliations

The previous analysis in our Group Management Report is based on our consolidated financial statements and should be read in conjunction with them. In addition to our figures stated in accordance with 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, rather than a substitute for, our figures determined according to IFRS.

For further information, please refer to note 5 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

	2016	2015
Property-Casualty		
Gross premiums written	51,535	51,597
Life/Health		
Statutory premiums	64,636	66,903
Asset Management		
Operating revenues	6,022	6,479
consisting of:		
Net fee and commission income	6,019	6,488
Net interest income[1]	(5)	(5)
Income from financial assets and liabilities carried at fair value through income (net)	6	(8)
Other income	3	4
Corporate and Other		
thereof: Total revenues (Banking)	551	577
consisting of:		
Interest and similar income	474	546
Income from financial assets and liabilities carried at fair value through income (net)[2]	14	16
Fee and commission income	540	565
Interest expenses, excluding interest expenses from external debt	(172)	(212)
Fee and commission expenses	(308)	(340)
Consolidation effects within Corporate and Other	2	2
Consolidation	(328)	(365)
Allianz Group total revenues	**122,416**	**125,190**

1 — Represents interest and similar income less interest expenses.
2 — Includes trading income.

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, disposals, and transfers (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
2016				
Property-Casualty	3.1	(1.0)	(2.2)	(0.1)
Life/Health	(3.1)	0.2	(0.5)	(3.4)
Asset Management	(7.5)	0.3	0.1	(7.1)
Corporate and Other	(4.4)	0.0	0.0	(4.4)
Allianz Group	**(0.8)**	**(0.3)**	**(1.2)**	**(2.2)**
2015				
Property-Casualty	2.9	0.7	3.2	6.8
Life/Health	(4.9)	0.0	4.2	(0.6)
Asset Management	(11.4)	0.0	12.8	1.4
Corporate and Other	4.5	(0.7)	0.0	3.7
Allianz Group	**(2.1)**	**0.3**	**4.2**	**2.4**

Life/Health Insurance Operations

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, 20 entities comprising 97.5 % 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 stated in a separate line item in the group income statement.

ACQUISITION, ADMINISTRATIVE, CAPITALIZATION, AND AMORTIZATION OF DAC[1]
€ MN

	2016	2015
Acquisition expenses and commissions[2]	(4,927)	(4,754)
Definitions	13	16
Scope	(390)	(524)
Acquisition costs incurred and commissions	(5,304)	(5,262)
Capitalization of DAC[2]	1,868	1,721
Definition: URR capitalized	509	528
Definition: policyholder participation[3]	1,022	880
Scope	187	236
Capitalization of DAC	3,586	3,364
Amortization, unlocking and true-up of DAC[2]	(1,916)	(1,878)
Definition: URR amortized	64	(175)
Definition: policyholder participation[3]	(881)	(1,006)
Scope	(409)	(374)
Amortization, unlocking and true-up of DAC	(3,142)	(3,432)
Commissions and profit received on reinsurance business ceded	77	115
Acquisition costs[4]	**(4,782)**	**(5,215)**
Administrative and other expenses[2]	(1,760)	(1,636)
Definitions	139	119
Scope	(213)	(194)
Administrative expenses on reinsurance business ceded	4	4
Administrative expenses[4]	**(1,829)**	**(1,707)[5]**

1 — Prior year figures changed in order to reflect the roll out of profit source reporting to China.
2 — As per Group Management Report.
3 — For German Speaking Countries, policyholder participation on revaluation of DAC/URR capitalization/amortization.
4 — As per notes to the consolidated financial statements.
5 — Excluding one-off effects from pension revaluation.

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.

RECONCILIATION TO NOTES[1]
€ MN

	2016	2015
Acquisition expenses and commissions[2]	(4,927)	(4,754)
Administrative and other expenses[2]	(1,760)	(1,636)
Capitalization of DAC[2]	1,868	1,721
Amortization, unlocking and true-up of DAC[2]	(1,916)	(1,878)
Acquisition and administrative expenses	**(6,735)**	**(6,548)**
Definitions	867	362
Scope	(825)	(855)
Commissions and profit received on reinsurance business ceded	77	115
Administrative expenses on reinsurance business ceded	4	4
Acquisition and administrative expenses (net)[3]	**(6,612)**	**(6,922)[4]**

1 — Prior year figures changed in order to reflect the roll out of profit source reporting to China.
2 — As per Group Management Report.
3 — As per notes to the consolidated financial statements.
4 — Excluding one-off effects from pension revaluation.

Risk and Opportunity Report

Target and strategy of risk management

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 at least meet their respective regulatory capital requirements. Furthermore, risk capital – reflecting our risk profile – and cost of capital are important aspects taken into account in business decisions.

In addition, we take into account the 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 its operating entities along each of these dimensions, and apply regular stress tests (standardized, historical, and reverse stress test scenarios as well as monthly stress scenarios focusing on current and possible future developments). This allows us to take appropriate measures to ensure our continued capital and solvency strength.

For this the risk management system described in the following is applied.

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 is risk-based and covers all operations including IT, processes, products, and departments as well as 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, proportional application of an integrated risk capital framework across the Group to protect our capital base and support effective capital management.
- Integration of risk considerations and capital needs into management and decision-making processes by attributing risk and allocating capital to the various business segments, products, and strategies.

This comprehensive framework ensures that risks are identified, analyzed, assessed, and managed consistently across the Group. Our risk appetite is defined by a clear limit structure and a risk strategy consistent with the underlying business strategy of the Group. 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.

Our risk management system is based on the following four essential elements:

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 strategy and risk appetite: Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate considering the risks taken and that the delegated authorities are in line with our overall risk-bearing capacity. The risk-return profile is improved by integrating the 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.

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 on our overall risk profile and assess 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.

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.

OUR STRATEGY

OUR BUSINESS ASPIRATIONS

The Allianz Group seeks to position itself as the world's most trusted financial institution through a focus on the following:

- portfolio strength: establishing a strong and high-quality portfolio in large and attractive markets,
- market leadership: maintaining a commanding position in each market with superior skills and scale,
- customer centricity: practicing relentless execution centered on customers while outperforming competition.

These aspirations have been translated into clear ambitions for 2018. With regard to financial performance, we strive for a return on equity (excluding unrealized gains/losses on bonds net of shadow accounting) of 13 %, while growing our earnings per share at a compound annual growth rate of 5 %. To ensure the sustainability of our performance, we have set ourselves health targets for customer loyalty and employee engagement: We expect at least 75 % of our businesses to be or become rated by their customers as Loyalty Leader or above-market in terms of Net Promoter Score (NPS). At the same time, we aim to increase our Inclusive Meritocracy Index to 72 % (2016: 70 %). We are making good progress in achieving these objectives.

OUR BUSINESS STRATEGY

In order to achieve these aspirations the Board of Management of Allianz SE has defined a clear business strategy consisting of five pillars:

1. True Customer Centricity: making superior customer experience the top priority for all our actions,
2. Digital by Default: moving from selected leading assets to become "Digital by Default" everywhere,
3. Technical Excellence: creating superior margins, innovation, and growth through best talents and state-of-the-art skills,
4. Growth Engines: systematically exploiting new sources for profitable growth,
5. Inclusive Meritocracy: re-inforcing a culture where both people and performance matter.

The Board of Management of Allianz SE has also defined a strategy for the management of risks that the Allianz Group faces during the pursuit of its business strategy. This risk strategy places particular emphasis on protecting the Allianz brand and reputation, remaining solvent even in the event of extreme worst-case scenarios, maintaining sufficient liquidity to always meet financial obligations, and providing resilient profitability.

RISK GOVERNANCE STRUCTURE

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.

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 financing and reinsurance transactions. Finally, the GFRC supports the Board of Management with recommendations regarding the capital structure, and the capital allocation and investment strategy, including strategic asset allocation.

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, Actuarial, Compliance and Legal. Audit forms the "third line of defense". On a periodic basis, Group Audit independently reviews risk governance implementation, as well as compliance with risk principles, 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 for risks that accumulate, including 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 the Group's risk network through regular and close interaction with the operating entities' management and with key areas such as the local finance, risk, actuarial, and investment departments.

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' Boards of Management are responsible for setting and approving a local risk strategy during the annual Strategic and Planning Dialogues with the Group and for ensuring operating entities' adherence to their risk strategy.

In addition, a risk function which 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. 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. The range of tasks includes, among others, the calculation and monitoring of technical provisions, technical actuarial assistance in business planning, reporting and monitoring the results, and supporting 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.

Risk based steering and risk management

The Allianz Group is exposed to a variety of risks through its core insurance and asset management activities. These include market, credit, underwriting, business, operational, strategic, liquidity, and reputational risks.

With Solvency II being the binding regulatory regime since 1 January 2016 and the approval of our partial internal model[1], risk is measured and steered based on the risk profile underlying our regulatory capital requirement. We introduced capitalization limits defining a target capitalization according to Solvency II after applying shock scenarios on both the Group and the operating entity level. By that we allow for a consistent view on risk steering and capitalization under the Solvency II framework. This is supplemented by economic scenarios and sensitivities.

Allianz steers its portfolio using a comprehensive view of risk and return, i.e. results based on the partial internal risk model including scenario-based analysis are actively used for decision-making: On the one hand, economic risk and concentrations are actively restricted by the limits outlined above; on the other hand, there is a comprehensive analysis of the return on risk capital (RoRC). The latter allows us to identify profitable lines of business and products on a sustainable basis, 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.

As an integrated financial services provider, we consider diversification across different business segments and regions to be 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 risk profile in general. Therefore, our aim is to maintain a balanced risk profile without bearing any disproportionately large risk concentrations and accumulations.

1 — From a formalistic perspective, the German Supervisory Authority deems our model to be "partial" because it does not cover all of our operations: some of our smaller operations report under the standard model and others under the deduction and aggregation approach.

In addition, central elements of Allianz's dividend policy are linked to the Solvency II capitalization based on our partial internal model. This shows that the partial internal model is fully integrated in the business steering of Allianz and that the application of the partial internal model satisfies the so-called "use-test" under Solvency II.

MARKET RISK

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 Value-at-Risk (VaR) and credit VaR as derived from the internal risk capital framework, complemented by stand-alone interest rate and equity sensitivity limits as well as by limits on foreign exchange exposures.

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 risk capital framework, which incorporates 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 reduce our reinvestment risk – for example, by using forwards or swaptions. In addition, guidelines are derived by the Group center for certain investments – for example, concerning the use of derivatives – and compliance with the guidelines is controlled by the respective risk and controlling functions.

Furthermore, we have put in place standards for hedging activities due to exposures to fair value options embedded in life insurance products.

CREDIT RISK

The Allianz Group monitors and manages credit risk exposures and concentrations to ensure we are able to meet policyholder obligations when they are due. Credit risks are reflected by the internal credit risk model as well as the obligor group limit management system. Group-wide credit data is collected following a centralized process and using standard obligor and obligor group mappings.

The internal credit risk capital model considers the major drivers of credit risk for each instrument, such as 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 qualitative 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 partial internal risk capital model for further aggregation across sources of risk to derive group-diversified internal credit risk.

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. Euler Hermes's loss profile is integrated in the Group's internal credit risk model to capture the concentration and diversification effects. 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.

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

Our group-wide country and obligor group limit management framework (CRisP[1]) allows us to manage counterparty concentration risk. It 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.

UNDERWRITING RISK

PROPERTY-CASUALTY

Our Property-Casualty insurance businesses are mainly exposed to premium risk and reserve risks as part of the underwriting risk.

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. The assessment of risks as part of the underwriting process are key elements of our risk management framework. There are clear underwriting limits and restrictions, centrally defined and in place across the Group. In addition to the underwriting limits which are defined centrally, 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.

We also monitor concentrations and accumulation of non-market risks 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 and from man-made catastrophes such as terror or large industrial accumulations.

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. Similar models and scenario-based approaches are used to evaluate risk concentrations and man-made catastrophes, including losses from terrorism and industrial concentrations, etc.

In general, our operating entities constantly monitor the development of reserves for insurance claims on a line-of-business level.[2] In addition, the operating entities generally conduct annual reserve uncertainty analyses. Allianz SE performs regular independent reviews of these analysis and Allianz SE representatives participate in the local reserve committees' meetings.

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 partial internal risk capital model by distinguishing between the different sub-components whenever relevant or material: absolute level, trend, volatility around best-estimate assumptions, and pandemic risks. Depending on the nature and complexity of the risk involved, our health business is represented in the partial 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.

OPERATIONAL 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. Local risk managers as the "second line of defense" ensure this framework is implemented in their respective operating entities.

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. Since 2015, Allianz also delivers anonymized internal loss data to the "Operational Riskdata eXchange Association (ORX)", a global operational loss data insurance consortium, to improve our internal control system and to validate operational risk parameters.

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, 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.[3]

1 — Credit Risk Platform.

2 — For further information, please refer to note 15 to the consolidated financial statements.

3 — For additional information regarding our internal controls over financial reporting, please refer to Controls over Financial Reporting from page 75 onward.

Major failures and disasters at our outsourcing providers which could cause a severe disruption to our working environment may represent significant operational risks for the Allianz Group. Our Business Continuity and Crisis Management framework strives to protect critical business functions from these events and enables them, for example, to carry out their core tasks on time and at the highest standard also in a crisis event.

Allianz works on a Cyber and Information Security program on an ongoing basis, in order to better respond to external developments and to further strengthen the internal control environment for related operational risks.

OTHER RISKS

There are certain risks that cannot be fully quantified across the Group using our partial 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 risks are evaluated and analyzed in the strategic and planning dialogue between the Allianz Group and its operating entities and controlled by monitoring the respective business goals. We also monitor market and competitive conditions, capital market requirements, regulatory conditions, etc., to decide whether to make strategic adjustments.

LIQUIDITY RISK

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 forecast on a daily basis. Strategic liquidity planning over time horizons of 12 months and three years is reported to the Board of Management regularly.

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

Our insurance operating entities manage liquidity risk locally, using asset/liability management systems designed to ensure that assets and liabilities are adequately matched. In the course of standard liquidity planning, we reconcile the cash flows from our investment portfolio – containing a significant portion of liquid assets (e.g. government bonds or mortgage bonds with a very good credit rating) – with the estimated liability cash flows. These analysis are performed at the operating entity level and aggregated at the Group level.

In 2016, we rolled out a newly developed group-wide liquidity risk framework in order to further strengthen the Allianz liquidity risk management within Allianz Group and the resilience to stress scenarios. This framework considers liquidity sources (e.g. cash flows from investments and premiums) and liquidity needs (e.g. payments due to insurance claims) and explicitly takes stress situations for liquidity sources and needs into account to assess the liquidity and allows for a group-wide consistent view on liquidity risks.

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.

With the support of Group Communications and Corporate Responsibility (GCORE), 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 Group and operating entity functions affected cooperate in the identification of reputational risk. GCORE is responsible for risk assessment based on a group-wide methodology. Since 2015, Allianz has embedded conduct risk triggers for fair products and services into the reputational risk management process.

The identification and assessment of reputational risks are 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.

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 the associated risk profile. On a quarterly basis, we calculate and consistently aggregate internal risk capital across all business segments. We also project risk capital requirements on a bi-weekly basis during periods of financial market turbulence.

GENERAL APPROACH

We utilize an approach for the management of our risk profile and solvency position that reflects the Solvency II rules. This comprises our approved partial internal model covering all major insurance operations.[2] Other entities are reflected based on their standard model results as well as on sectoral or local requirements, in accordance with the Solvency II framework.

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 at the Allianz Group.

2 — Allianz Life US included based on third country equivalence with 150 % of RBC CAL since 30 September 2015.

INTERNAL RISK CAPITAL MODEL

Our partial internal risk capital model is based on a 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, including risk mitigating measures like reinsurance contracts or derivatives.

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, based on either historically observed market movements or hypothetical market movement assumptions. This modeling approach, therefore, also enables us to identify scenarios that may have a positive impact on our solvency situation.

Furthermore, there are monthly stress test meetings where world-wide political and financial developments are examined in order to understand their potential effects on the Group and to provide appropriate actions or recommendations to management.

COVERAGE OF THE RISK CAPITAL CALCULATIONS

Allianz's partial internal risk capital model covers all major insurance operations[1]. 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.[2]

Smaller entities within the European Economic Area which are not covered by the partial internal model are reflected based on their standard model results. 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[3].

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 1.7 % (2015: 1.5 %) of our total pre-diversified 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 defined under Solvency II. The 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 two risk types previously mentioned (operational and foreign exchange rate), and due to the fact that the impact on total pre-diversified risk capital is minor, risk management with respect to Asset Management is not discussed in more detail.

ASSUMPTIONS AND LIMITATIONS

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 and discounting future cash flows. We apply the methodology provided by the European Insurance and Occupational Pensions Authority (EIOPA) within the technical documentation (EIOPA-BoS-15/035) for the extension of the risk-free interest rate curves beyond the last liquid tenor.[4]

In addition, we adjust the risk-free yield curves by a volatility adjustment in most markets where a volatility adjustment is defined by EIOPA and approved by the local regulator. 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, is the opportunity to invest in bonds yielding spreads over the risk-free return and earning this additional yield component over the duration of the bonds. Being a long-term investor considerably mitigates the risk of forced selling of debt instruments at a loss prior to maturity. Therefore, we reflect this mitigation using a volatility adjustment spread risk offset, and view the more relevant risk to be default risk rather than credit spread risk.

VALUATION ASSUMPTIONS: REPLICATING PORTFOLIOS

Since efficient valuation and complex, timely analysis are required within the context of our partial internal model, we replicate the liabilities of our Life/Health insurance business as well as for our internal pension obligations. This technique enables us to represent all product related 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 partial 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.

1 — As mentioned under Internal risk capital framework, Allianz Life US is based on third country equivalence.
2 — For further information about participating life business, please refer to note 16 to the consolidated financial statements.
3 — Under book value deduction, the book value of the respective entity is deducted from eligible own funds of the Group.
4 — Due to late availability of the EIOPA publication, the risk-free interest rate term structure used might slightly differ from the one published by EIOPA.

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 partial 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.

LIMITATIONS

Because of the 99.5 % confidence level, there is a low statistical 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 difficult to predict. In order to mitigate reliance on historical data, we complement our VaR analysis with stress testing.

Furthermore we validate the model and parameters through sensitivity analyses, independent internal peer reviews and, where appropriate, independent external reviews, focusing on methods for selecting parameters and control processes. To ensure proper validation we established an Independent Validation Unit (IVU) within Group Risk responsible for validating our partial internal model within a comprehensive model validation process. Overall, we believe that to the extent possible our validation efforts are effective and that the model adequately assesses the risks to which we are exposed.

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

MODEL CHANGES IN 2016

At the beginning of the year, a regulatory change in the tax treatment for the German life sector resulted in a decrease of the risk capital requirement of € 0.3 BN. There were no major model changes in 2016. Minor and immaterial model changes during the year slightly decreased the capital requirement by € 0.4 BN, leading to an overall negative impact of regulatory and model changes of € 0.7 BN.

Allianz risk profile and management assessment

RISK PROFILE AND MARKET ENVIRONMENT

As mentioned earlier, the Allianz Group is exposed to a variety of risks. The 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, equity risk, credit and credit spread risks driven by assets backing long-term liabilities, which we take to benefit from the expected risk premium;
- Property-casualty premium and reserve risks resulting from natural and man-made catastrophes as well as from claims uncertainty.

The risk profile and relative contributions have changed in 2016, predominantly due to changes in the market environment and management actions such as the disposal of our South Korean life business.

FINANCIAL MARKETS AND OPERATING ENVIRONMENT

Financial markets are characterized by historically low interest rates and risk premiums, prompting investors to look for higher-yielding – and potentially higher-risk – investments. In addition to sustained low interest rates, the challenges of implementing long-term structural reforms in key Eurozone countries and the uncertainty about the future path of monetary policy may lead to continued market volatility. This could be accompanied by a flight to quality, combined with falling equity and bond prices due to rising spread levels, even in the face of potentially lower interest rates. Also, possible asset bubbles (as observed in the Chinese equity market) might spill over to other markets, contributing to increasing volatility. Therefore, we continue to closely monitor the political and financial developments in the Eurozone – such as Brexit in the United Kingdom and the "No" vote to constitutional reforms in Italy – in order to manage our overall risk profile to specific event risks.

REGULATORY DEVELOPMENTS

Following the approval of our partial internal model in November 2015, the model has been fully applied since the beginning of 2016, starting with the Solvency II day one reporting. Nevertheless, some uncertainty about the future capitalization requirements of Allianz remains, since the future capital requirements applicable for Global Systemically Important Insurers (so-called G-SII) are still not finalized. Finally, the potential for a multiplicity of different regulatory regimes, capital standards, and reporting requirements will increase operational complexity and costs.

MANAGEMENT ASSESSMENT

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

- Due to its effective capital management, the Allianz Group is well capitalized and met its internal-, rating agency- and regulatory-solvency targets as of 31 December 2016. Allianz is also confident that it will be able to meet the capital requirements under new regulatory regimes. Allianz remains one of the highest rated insurance groups in the world, as reflected by our external ratings.
- The Group's management also believes that Allianz is well positioned to deal with potentially adverse future events, in part due to our strong internal limit framework defined by the Group's risk appetite and risk management practices including our approved partial internal model.
- 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.

SOLVENCY II REGULATORY CAPITALIZATION

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

ALLIANZ GROUP: SOLVENCY II REGULATORY CAPITALIZATION

as of 31 December		2016	2015
Own funds	€ BN	75.3	72.7
Capital requirement	€ BN	34.6	36.4
Capitalization ratio	%	218	200 [1]

1 — Changed regulatory tax treatment of German life sector reduced our year-end Solvency II capitalization ratio from 200 % to 196 % on 1 January 2016.

Compared to year-end 2015, our Solvency II capitalization increased by 18 percentage points to 218 %. This was driven by an increase in own funds mainly due to strong Solvency II earnings and the sale of our South Korean life business. This was partly offset by market movements mainly due to decreased interest rates, as well as by dividend accrual and changes in transferable amount of own funds resulting from changed risk capital requirements. A decrease in risk capital also contributed to the overall increase in Solvency II capitalization. This was predominantly due to management actions like the disposal of our South Korean life business but also to measures taken to reduce our exposure to market risks, including hedging of equity exposure and improving our interest rate risk profile. In addition, changes in the regulatory tax treatment of the German life sector as well as minor model changes also slightly contributed to a decreased capital requirement. This effect, however, was partly offset by market movements as well as higher exposure due to business growth.

On a pro-forma basis, the recognition of negative interest rates on solvency capital calculations would have had a negative impact on the Solvency ratio of around 3 percentage points as of 31 December 2016.

The following table summarizes our Solvency II regulatory capitalization ratios as disclosed over the course of the year 2016.

ALLIANZ GROUP: SOLVENCY II REGULATORY CAPITALIZATION RATIOS
%

	31 December 2016	30 September 2016	30 June 2016	31 March 2016	31 December 2015
Capitalization ratio	218	186	186	186	200

The following table presents the sensitivity of our predicted Solvency II capitalization ratio under certain standard financial scenarios.

ALLIANZ GROUP: PREDICTED SOLVENCY II REGULATORY CAPITALIZATION AFTER STRESS SCENARIOS
%

as of 31 December	2016	2015
Base capitalization ratio	218	200
Interest rates up by 0.5 %[1]	220	208
Interest rates down by 0.5 %[1]	207	185
Equity prices up by 30 %	224	208
Equity prices down by 30 %	216	190
Combined scenario: Interest rate down by 0.5 %[1] Equity prices down by 30 %	203	176

1 — Non-parallel interest rate shifts due to extrapolation of the yield curve beyond the last liquid point in line with Solvency II rules.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerate Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

Quantifiable risks and opportunities by risk category

This Risk and Opportunity Report outlines the Group's risk figures, reflecting its 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 2016, the group-diversified risk reflecting our risk profile before non-controlling interests of € 34.6 BN (2015: € 36.4 BN) represented a diversification benefit[2] of approximately 25 % (2015: 27 %) across risk categories and business segments.

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 67.

2 — Diversification before tax.

With the exception of the Asset Management business segment, all business segments are exposed to the full range of risk categories stated. By contrast, the Asset Management business segment is mainly exposed to operational and market risk and to a lesser extent to credit risk. The group-diversified risk is broken down as follows:

ALLIANZ GROUP: ALLOCATED RISK ACCORDING TO THE 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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Property-Casualty	5,805	5,690	2,502	2,406	10,307	10,101	937	937	2,248	2,274	(6,606)	(6,663)	15,193	14,745
Life/Health	12,824	16,516	5,550	6,141	1,323	1,502	3,536	3,687	2,028	2,019	(5,713)	(7,784)	19,549	22,081
Asset Management	163	146	29	26	–	–	–	–	768	686	–	–	960	857
Corporate and Other	2,753	2,922	683	667	179	355	–	–	617	580	(689)	(924)	3,543	3,600
Total Group	21,546	25,274	8,763	9,240	11,809	11,958	4,473	4,623	5,661	5,559	(13,008)	(15,371)	39,244	41,283
									Tax				(4,664)	(4,860)
									Total Group				34,580	36,423

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

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. The resulting investment portfolios back 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 risk figures related to market risks by business segment and source of risk.

ALLIANZ GROUP: 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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Property-Casualty	412	415	2,600	2,931	905	739	1,215	996	604	554	69	55	5,805	5,690
Life/Health	2,884	4,129	61	237	3,780	4,694	4,973	6,085	1,025	1,326	101	45	12,824	16,516
Asset Management	22	20	–	–	–	–	22	20	22	20	96	86	163	146
Corporate and Other	557	643	364	451	796	541	680	977	95	86	261	224	2,753	2,922
Total Group	3,876	5,207	3,025	3,618	5,481	5,975	6,891	8,078	1,746	1,986	527	410	21,546	25,274
									Share of total Group pre-diversified risk				41.2%	44.6%

Our total pre-diversified market risk showed a decrease of € 3.7 BN mainly driven by interest rate and equity risk in the Life/Health business segment. The decrease in interest rate risk was driven by the disposal of our South Korean life business as well as by management actions to improve our interest rate risk profile by asset/liability management (ALM) measures. Equity risk also decreased due to management actions, in particular derivative hedging programs. For credit spread risk, the decrease was driven by exposure changes, due to ALM measures, and the corresponding effects on the liability side.

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 our investment strategy and obligations to policyholders forms an integral part of our internal risk capital framework. In addition, our ALM 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.

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 2016, our interest-rate-sensitive investments excluding unit-linked business – amounting to a market value of € 428.5 BN[1] – would have gained € 31.4 BN or lost € 36.1 BN in value in the event 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 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 partial internal model. In case future inflation rates (sustainably) fall short of assumptions, liabilities would be less than anticipated.

EQUITY RISK

Risks from changes in equity prices are normally associated with decreasing share prices and increasing equity price volatilities. As stock-market prices also might increase, opportunities may arise from equity investments. As of 31 December 2016, our investments excluding unit-linked business that are sensitive to changing equity markets – amounting to a market value of € 47.0 BN[2] – would have lost € 12.4 BN in value assuming equity markets declined by 30 %.

CREDIT SPREAD RISK

Our internal risk capital 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 our 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 capital framework to partially mitigate spread risk, as described in the section on yield curve and volatility adjustment assumptions.

CURRENCY RISK

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 our 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 to the contribution of relatively predictable cash-flows in the long term. As of 31 December 2016, about 3.3 % (2015: 3.5 %) of the total pre-diversified risk was related to real estate exposures.

CREDIT RISK

Credit risk is measured as the potential economic loss in the value of our portfolio that is due to either changes in the credit quality of our counterparts ("migration risk") or the inability or unwillingness of the counterparty to fulfill contractual obligations ("default risk"). Credit risk arises from our fixed income investments, cash positions, derivatives, structured transactions, receivables from Allianz agents and other debtors, credit insurance, and reinsurance recoverables. The following table presents our group-wide risk figures related to credit risks.

ALLIANZ GROUP: RISK PROFILE – ALLOCATED CREDIT RISK BY BUSINESS SEGMENT (TOTAL PORTFOLIO BEFORE TAX AND NON-CONTROLLING INTERESTS)
pre-diversified

as of 31 December		2016	2015
Property-Casualty	€ MN	2,502	2,406
Life/Health	€ MN	5,550	6,141
Asset Management	€ MN	29	26
Corporate and Other	€ MN	683	667
Total Group	€ MN	**8,763**	**9,240**
Share of total Group pre-diversified risk	%	16.8	16.3

Throughout 2016 the credit environment was mostly stable. Overall credit risk for the Group decreased compared to last year, primarily driven by the Life/Health business segment due to the disposal of our South Korean life business as well as an increased loss-absorbing capacity of technical provisions in the traditional life business, which decreased the credit risk after policyholder participation. Additionally, active de-risking measures were taken to reduce sovereign counterparty exposure concentrations. Annual updates based on extended time series were performed for credit risk parameters like the transition matrix and asset correlations, which also had a slightly positive effect on credit risk. These effects were partially offset by the declining interest rate environment, which generally increased credit risk exposures and correspondingly credit risk.

Credit risk comprises risks resulting from the investment portfolio, from the reinsurance portfolio, and from our credit insurance business.

CREDIT RISK – INVESTMENT

We invest premiums from our customers into a variety of assets, which largely consist of fixed income instruments. As the portfolio value of our investments depends on the credit quality of the portfolio, we are exposed to credit risk. However, for certain life insurance products, losses due to credit events can be shared with the policyholder.

1 — The stated market value includes all investments whose market value is sensitive to interest rate movements (excluding unit-linked business) in line with the Solvency II framework, 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) in line with the Solvency II framework, and therefore is not based on classifications given by accounting principles.

As of 31 December 2016, the credit risk arising from our investment portfolio accounted for 86.4 % (2015: 88.2 %) 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.[1]

The counterparty credit risk arising from derivatives is low, since 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.

As of 31 December 2016, the rating distribution based on issue (instrument) ratings of our fixed income portfolio was as follows:

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	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
AAA	42.3	44.8	57.9	57.7	1.5	2.4	1.6	1.1	17.5	16.0	0.1	0.1	–	–	120.9	122.1
AA	95.0	95.9	18.6	23.8	20.9	11.3	6.0	6.2	2.3	3.0	1.1	1.1	–	0.1	144.0	141.4
A	17.1	15.8	8.8	11.4	55.8	49.8	15.4	14.6	0.9	1.7	0.2	0.6	0.7	0.8	98.9	94.6
BBB	49.8	52.9	4.2	5.0	93.9	81.9	8.3	7.3	0.5	0.6	0.8	0.5	0.3	0.5	157.8	148.7
BB	5.3	3.9	0.3	0.5	6.5	9.5	0.9	1.6	0.1	0.1	0.2	0.2	–	–	13.3	15.8
B	2.1	1.6	–	–	1.3	3.0	–	0.1	0.1	0.1	–	–	–	–	3.6	4.8
CCC	–	–	–	–	0.7	0.3	–	–	0.1	–	–	–	–	–	0.8	0.4
CC	–	–	–	–	0.1	0.1	–	0.1	0.1	0.1	–	–	–	–	0.1	0.2
C	–	–	–	–	–	0.1	–	–	–	–	–	–	–	–	0.1	0.1
D	–	0.1	–	–	0.1	0.4	–	–	–	–	–	–	–	–	0.1	0.5
Not rated	1.9	2.5	0.1	0.3	8.7	6.2	0.6	0.4	–	–	1.2	0.5	3.7	2.8	16.3	12.7
Total	**213.6**	**217.5**	**90.0**	**98.7**	**189.5**	**164.9**	**32.9**	**31.3**	**21.6**	**21.6**	**3.7**	**3.0**	**4.7**	**4.3**	**555.8**	**541.4**

1 — In accordance with the Group Management Report, figures stated include investments of Banking and Asset Management. Table excludes private loans. Stated market values include investments not in scope of the Solvency II framework. Predominantly based on external ratings. For some cases where no external rating is available internal ratings are applied.

CREDIT RISK – REINSURANCE

Credit risk to external reinsurers arises when we transfer insurance risk exposures to external reinsurance companies to mitigate insurance risks. Potential losses can arise either due to non-recoverability of reinsurance receivables already present at the as-of date or due to default on benefits under in-force reinsurance treaties.

As of 31 December 2016, 0.5 % (2015: 0.4 %) of our total Group pre-diversified internal credit risk was allocated to reinsurance exposures – of which 46.8 % (2015: 52.0 %) was related to reinsurance counterparties in the United States and Germany.

We focus 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 2016, 84.0 % (2015: 86.0 %) 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 2016, reinsurance recoverables not rated represented 15.1 % (2015: 13.3 %).

REINSURANCE RECOVERABLES BY RATING CLASS[1]
€ BN

as of 31 December	2016	2015
AAA	0.04	0.04
AA+ to AA-	6.41	6.64
A+ to A-	4.62	4.68
BBB+ to BBB-	0.12	0.08
Non-investment grade	–	–
Not assigned	1.99	1.76
Total	**13.18**	**13.19**

1 — Represents gross exposure broken down by reinsurer.

CREDIT RISK – CREDIT INSURANCE

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, Euler Hermes indemnifies the loss to the policyholder.

1 — Additionally, 5.7 % (2015: 4.8 %) of our total Group pre-diversified internal credit risk is allocated to receivables, potential future exposure for derivatives and reinsurance, and other off-balance sheet exposures.

As of 31 December 2016, 7.4 % (2015: 6.5 %) of our total Group pre-diversified internal credit risk was allocated to Euler Hermes credit insurance exposures, for which the relative increase is primarily driven by the lower credit risk of the investment portfolio.

UNDERWRITING RISK

Underwriting risk consists of premium and reserve risks in the Property-Casualty business segment as well as biometric risks in the Life/Health business segment. For the Asset Management business segment and our banking operations, underwriting risks are not relevant.

The following table presents the pre-diversified risk calculated for underwriting risks stemming from our insurance business.

ALLIANZ GROUP: 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	
as of 31 December	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Property-Casualty	616	543	24	17	4,410	4,579	5,233	4,926	24	37	10,307	10,101
Life/Health	–	–	–	–	–	–	–	–	1,323	1,502	1,323	1,502
Asset Management	–	–	–	–	–	–	–	–	–	–	–	–
Corporate and Other	–	–	–	–	–	–	–	–	179	355	179	355
Total Group	**616**	**543**	**24**	**17**	**4,410**	**4,579**	**5,233**	**4,926**	**1,526**	**1,894**	**11,809**	**11,958**
							Share of total Group pre-diversified risk				22.6 %	21.1 %

1 — As risks are measured in an integrated approach and on an economic basis, internal risk profile takes reinsurance effects into account.

Property-Casualty risk changes are mainly driven by exposure and model updates as well discounting effects. For biometric risk there was a slight reduction, mainly driven by a minor model change and the sale of our South Korean life business.

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.

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
%

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Loss ratio	65.6	66.2	66.0	65.9	68.3	69.9	69.1	69.5	68.0	66.1
Loss ratio excluding natural catastrophes	64.2	64.6	65.1	63.0	66.6	65.5	65.9	68.4	66.3	64.1

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

The top five perils contributing to the natural catastrophe risk as of 31 December 2016 were: a windstorm in Europe, a flood in Germany, a hurricane in the U.S., a hailstorm in Germany, and an earthquake in Australia.

Reserve risk

We estimate and hold reserves for claims resulting from past events that have not yet been settled. If our reserves turn out not the be sufficient to cover claims to be settled in the future, due to unexpected changes, we will experience losses. Conversely, if reserves turn out to be too conservative there is a chance of positive returns. The volatility of past claims measured over a one-year time horizon defines our reserve risk.

LIFE/HEALTH

Life/Health underwriting risk arises from profitability being lower than expected due to changes in actuarial parameters. As profitability calculations are based on several parameters – such as historical loss information, assumptions on inflation or on mortality, and morbidity – the realized parameters may differ from the ones used for calculation. For example, inflation which is higher than what we incorporated in the calculations may lead to a loss. However, deviations can also be beneficial and lead to additional profit. For example, a lower morbidity rate than expected will most likely result in lower claims.

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 2016.[1]

1 — For further information about insurance risk in the Life/Health business segment, please refer to note 16 to the consolidated financial statements.

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.

There was a minor movement in business risk for our Life/Health business segment, driven by the sale of our South Korean life business.

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. The operational risk capital is calculated on a scenario-based approach. Operational internal and external loss data is used, among others, for the selection of the risk driving scenarios and is applied for validation purposes.

The decrease shown in the operational risk is driven by the regular update of local parameters. Foreign currency translation effects (mainly Euro/U.S. Dollar) play a secondary role. There were no central operational risk model changes in 2016.

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 57 onwards and in notes 13, 19 and 35 to the consolidated financial statements.

As inferred from the section on management of liquidity risks and interest rate risks, they are properly managed and monitored but not quantified.

Controls over Financial Reporting

The following information is given pursuant to § 289 (5) and § 315 (2) no. 5 of the German Commercial Code ("Handelsgesetzbuch – HGB").

In line with both our prudent approach to risk governance and compliance with regulatory requirements, we have created a structure to identify and mitigate the risk of material errors in our consolidated financial statements (this also includes market value balance sheet and risk capital controls). 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 to monitor the system of governance effectiveness. In the ITGC framework we have implemented, for example, controls for access-right management and for project and change management.

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, the income statement, and notes related to the annual and interim financial statements are defined primarily 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 our financial statements.

INTERNAL CONTROL SYSTEM APPROACH

Our approach can be summarized as follows:

- We use a top-down, risk-based approach to determine the accounts 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, both 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 shortcomings, external factors, etc.). After identifying and analyzing the risks, their potential impacts and probabilities of occurrence are evaluated.

- *Preventive and detective key controls* over the financial reporting process have been put in place to reduce the likelihood and impact of financial misstatements. If a potential risk materializes, actions are taken to reduce the impact of the financial misstatement. Given the strong dependence of financial reporting processes on information technology systems, we also implement IT controls.

- Finally, we 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 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 Allianz SE Board of Management, as well as the board member responsible for Finance, Controlling, and Risk, 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 statements, half-year, and annual financial reports. In 2016, the Group Disclosure Committee met on a quarterly basis before the quarterly statements and financial reports were 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.

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CONSOLIDATED FINANCIAL STATEMENTS

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CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS

€ MN

as of 31 December	note	2016	2015
ASSETS			
Cash and cash equivalents		14,463	14,842
Financial assets carried at fair value through income	6	8,333	7,268
Investments	7	536,869	511,257
Loans and advances to banks and customers	8	105,369	117,630
Financial assets for unit-linked contracts		111,325	105,873
Reinsurance assets	9	15,562	14,843
Deferred acquisition costs	10	24,887	25,234
Deferred tax assets	34	1,003	1,394
Other assets	11	38,050	37,050
Non-current assets and assets of disposal groups classified as held for sale	4	14,196	109
Intangible assets	12	13,752	13,443
Total assets		**883,809**	**848,942**
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income[1]		10,737	9,207
Liabilities to banks and customers	13	13,038	25,531
Unearned premiums	14	21,360	20,660
Reserves for loss and loss adjustment expenses	15	72,373	72,003
Reserves for insurance and investment contracts	16	505,460	486,222
Financial liabilities for unit-linked contracts	17	111,325	105,873
Deferred tax liabilities	34	4,822	4,003
Other liabilities	18	39,867	38,686
Liabilities of disposal groups classified as held for sale	4	13,290	18
Certificated liabilities	19	7,615	8,383
Subordinated liabilities	19	13,530	12,258
Total liabilities		813,417	782,843
Shareholders' equity		67,341	63,144
Non-controlling interests		3,052	2,955
Total equity	20	70,392	66,099
Total liabilities and equity		**883,809**	**848,942**

1 — Include mainly derivative financial instruments.

CONSOLIDATED INCOME STATEMENTS

CONSOLIDATED INCOME STATEMENTS
€ MN

	note	2016	2015
Gross premiums written		**76,331**	**76,723**
Ceded premiums written		(4,901)	(5,536)
Change in unearned premiums (net)		(1,073)	(543)
Premiums earned (net)	21	70,357	70,645
Interest and similar income	22	22,149	22,643
Income from financial assets and liabilities carried at fair value through income (net)	23	(999)	(2,307)
Realized gains/losses (net)	24	8,403	7,937
Fee and commission income	25	10,491	10,945
Other income	26	100	241
Income from fully consolidated private equity investments		–	732
Total income		110,500	110,836
Claims and insurance benefits incurred (gross)		(55,914)	(54,472)
Claims and insurance benefits incurred (ceded)		2,758	2,770
Claims and insurance benefits incurred (net)	27	(53,156)	(51,702)
Change in reserves for insurance and investment contracts (net)	28	(13,173)	(14,065)
Interest expenses	29	(1,207)	(1,224)
Loan loss provisions		(46)	(60)
Impairments of investments (net)	30	(1,940)	(1,526)
Investment expenses	31	(1,306)	(1,215)
Acquisition and administrative expenses (net)	32	(25,301)	(25,718)
Fee and commission expenses	33	(3,734)	(3,777)
Amortization of intangible assets		(154)	(322)
Restructuring charges		(186)	(231)
Other expenses		(5)	(8)
Expenses from fully consolidated private equity investments		–	(792)
Total expenses		(100,208)	(100,640)
Income before income taxes		**10,292**	**10,196**
Income taxes	34	(3,042)	(3,209)
Net income		**7,250**	**6,987**
Net income attributable to:			
Non-controlling interests		367	371
Shareholders		6,883	6,616
Basic earnings per share (€)	42	15.14	14.56
Diluted earnings per share (€)	42	15.00	14.55

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
€ MN

	2016	2015
Net income	**7,250**	**6,987**
Other comprehensive income		
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments		
Reclassifications to net income	13	85
Changes arising during the year	143	993
Subtotal	156	1,078
Available-for-sale investments		
Reclassifications to net income	(1,678)	(1,279)
Changes arising during the year	2,552	(1,694)
Subtotal	875	(2,973)
Cash flow hedges		
Reclassifications to net income	(17)	(7)
Changes arising during the year	74	(41)
Subtotal	57	(48)
Share of other comprehensive income of associates and joint ventures		
Reclassifications to net income	13	1
Changes arising during the year	(4)	79
Subtotal	9	80
Miscellaneous		
Reclassifications to net income	–	–
Changes arising during the year	(127)	23
Subtotal	(127)	23
Items that may never be reclassified to profit or loss		
Changes in actuarial gains and losses on defined benefit plans	(335)	470
Total other comprehensive income	634	(1,370)
Total comprehensive income	**7,884**	**5,617**
Total comprehensive income attributable to:		
Non-controlling interests	405	414
Shareholders	7,480	5,202

For further details on the income taxes associated with different components of other comprehensive income, please see note 34 Income taxes.

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 2015	**28,928**	**19,878**	**(1,977)**	**13,917**	**60,747**	**2,955**	**63,702**
Total comprehensive income[1]	–	7,151	1,053	(3,001)	5,202	414	5,617
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	63	–	–	63	–	63
Transactions between equity holders	–	243	(3)	4	244	(144)	99
Dividends paid	–	(3,112)	–	–	(3,112)	(270)	(3,382)
Balance as of 31 December 2015	**28,928**	**24,222**	**(926)**	**10,920**	**63,144**	**2,955**	**66,099**
Total comprehensive income[1]	–	6,397	168	914	7,480	405	7,884
Paid-in capital	–	–	–	–	–	–	–
Treasury shares	–	2	–	–	2	–	2
Transactions between equity holders	–	35[2]	4	(4)	35	17	52
Dividends paid	–	(3,320)	–	–	(3,320)	(325)	(3,646)
Balance as of 31 December 2016	**28,928**	**27,336**	**(754)**	**11,830**	**67,341**	**3,052**	**70,392**

1 — Total comprehensive income in shareholders' equity for the year ended 31 December 2016 comprises net income attributable to shareholders of € 6,883 MN (2015: € 6,616 MN).
2 — Includes income taxes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS
€ MN

	2016	2015
SUMMARY		
Net cash flow provided by operating activities	21,461	23,663
Net cash flow used in investing activities	(19,765)	(20,394)
Net cash flow used in financing activities	(1,732)	(2,837)
Effect of exchange rate changes on cash and cash equivalents	52	548
Change in cash and cash equivalents	16	979
Cash and cash equivalents at beginning of period	14,842	13,863
Cash and cash equivalents reclassified to assets of disposal groups held for sale	(395)	–
Cash and cash equivalents at end of period	**14,463**	**14,842**
CASH FLOW FROM OPERATING ACTIVITIES		
Net income	**7,250**	**6,987**
Adjustments to reconcile net income to net cash flow provided by operating activities		
Share of earnings from investments in associates and joint ventures	(288)	(290)
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 disposal groups classified as held for sale	(6,540)	(6,407)
Other investments, mainly financial assets held for trading and designated at fair value through income	2,710	3,460
Depreciation and amortization	1,345	1,359
Loan loss provisions	46	60
Interest credited to policyholder accounts	4,535	5,319
Net change in:		
Financial assets and liabilities held for trading	(2,877)	(3,250)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(696)	(61)
Repurchase agreements and collateral received from securities lending transactions	(1,278)	2,365
Reinsurance assets	(587)	(806)
Deferred acquisition costs	(588)	202
Unearned premiums	909	775
Reserves for loss and loss adjustment expenses	622	2,040
Reserves for insurance and investment contracts	16,569	14,031
Deferred tax assets/liabilities	361	262
Other (net)	(33)	(2,383)
Subtotal	14,211	16,676
Net cash flow provided by operating activities	**21,461**	**23,663**
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from the sale, maturity or repayment of:		
Financial assets designated at fair value through income	2,224	1,529
Available-for-sale investments	156,085	151,470
Held-to-maturity investments	466	3,218
Investments in associates and joint ventures	850	513
Non-current assets and disposal groups classified as held for sale	156	187
Real estate held for investment	407	522
Fixed assets of renewable energy investments	3	2
Loans and advances to banks and customers (purchased loans)	8,409	11,465
Property and equipment	128	126
Subtotal	168,728	169,032

CONSOLIDATED STATEMENTS OF CASH FLOWS – CONTINUED

CONSOLIDATED STATEMENTS OF CASH FLOWS
€ MN

	2016	2015
Payments for the purchase or origination of:		
Financial assets designated at fair value through income	(2,193)	(2,300)
Available-for-sale investments	(174,302)	(170,170)
Held-to-maturity investments	(151)	(2,474)
Investments in associates and joint ventures	(1,557)	(884)
Non-current assets and disposal groups classified as held for sale	(1)	–
Real estate held for investment	(409)	(1,273)
Fixed assets of renewable energy investments	(720)	(622)
Loans and advances to banks and customers (purchased loans)	(3,007)	(5,461)
Property and equipment	(1,335)	(1,411)
Subtotal	(183,676)	(184,595)
Business combinations (note 4):		
Proceeds from sale of subsidiaries, net of cash disposed	(8)	19
Acquisitions of subsidiaries, net of cash acquired	–	–
Change in other loans and advances to banks and customers (originated loans)	**(4,848)**	**(4,142)**
Other (net)	**38**	**(708)**
Net cash flow used in investing activities	**(19,765)**	**(20,394)**
CASH FLOW FROM FINANCING ACTIVITIES		
Net change in liabilities to banks and customers	911	365
Proceeds from the issuance of certificated liabilities and subordinated liabilities	7,059	5,217
Repayments of certificated liabilities and subordinated liabilities	(6,155)	(5,044)
Cash inflow from capital increases	–	–
Transactions between equity holders	52	99
Dividends paid to shareholders	(3,646)	(3,382)
Net cash from sale or purchase of treasury shares	44	64
Other (net)	4	(157)
Net cash flow used in financing activities	**(1,732)**	**(2,837)**
SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS		
Income taxes paid	(2,933)	(2,609)
Dividends received	1,809	1,878
Interest received	19,263	19,412
Interest paid	(1,185)	(1,265)
SIGNIFICANT NON-CASH TRANSACTIONS		
Transfer of profit participating notes		
Investments in associates and joint ventures	815	–
Loans and advances to banks and customers	(815)	–

CASH AND CASH EQUIVALENTS
€ MN

as of 31 December	2016	2015
Balances with banks payable on demand	6,855	7,764
Balances with central banks	1,273	388
Cash on hand	94	225
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	6,241	6,465
Total	**14,463**	**14,842**

Notes to the Consolidated Financial Statements

GENERAL INFORMATION

1 — Nature of operations and basis of presentation

The accompanying consolidated financial statements present the operations of Allianz SE with its registered office in Königinstrasse 28, 80802 Munich, Germany, and its subsidiaries (the Allianz Group). Allianz SE is recorded in the Commercial Register of the municipal court in Munich under the number HRB 164232.

They have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (E.U.) regulations in accordance with § 315a (1) 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 2016.

In accordance with the provisions of IFRS 4 insurance contracts are recognized and measured on the basis of accounting principles generally accepted in the United States of America (US GAAP) as at first-time adoption of IFRS 4 on 1 January 2005.

The consolidated financial statements are prepared as of and for the year ended 31 December 2016. The Allianz Group's presentation currency is the Euro (€). Amounts are rounded to the nearest million (€ MN) unless otherwise stated.

The consolidated financial statements were authorized for issue by the Board of Management on 14 February 2017.

The Allianz Group offers Property-Casualty insurance, Life/Health insurance and Asset Management products and services in over 70 countries.

2 — Accounting policies and new accounting pronouncements

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

PRINCIPLES OF CONSOLIDATION

Scope of consolidation and consolidation procedures

In accordance with IFRS 10, the consolidated financial statements of the Allianz Group include the financial statements of Allianz SE and its subsidiaries. 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. Subsidiaries are usually entities where Allianz SE, directly or indirectly, owns more than half of the voting rights or similar rights with the ability to affect the returns of the subsidiaries for its own benefit. In order to determine whether entities qualify as subsidiaries, potential voting rights that are currently exercisable or convertible are taken into consideration. For certain entities, 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, as is the case mainly for investment funds managed by Allianz Group internal asset managers. In such cases, the investment fund qualifies as subsidiary if the Allianz Group is in a principal instead of an agent role with regard to the investment fund. This qualification takes into account, in particular, kick-out rights held by third-party investors as well as the aggregate economic interest of the Allianz Group in the investment funds.

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.

Business combinations and measurement of non-controlling interests

Where newly acquired subsidiaries are subject to business combination accounting, the provisions of IFRS 3 are applied. Any non-controlling interests in the acquiree can be measured either at its fair value at the acquisition date or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. This option is exercised on a case-by-case basis.

Associates and joint arrangements

Associates are entities over which the Allianz Group can exercise significant influence. In general, if the Allianz Group holds 20 % or more of the voting power in an investee but does not control the investee, it is assumed to have significant influence, unless it can be clearly demonstrated that this is not the case. Investments in associates are generally accounted for using the equity method.

Joint arrangements are structures over which the Allianz Group and one or more other parties contractually agreed to share control, which exists only when decisions over the relevant activities require the unanimous consent of the parties sharing control. Joint arrangements whereby the Allianz Group has rights to the net assets of the arrangement (joint ventures) are generally accounted for using the equity method.

The Allianz Group accounts for all material investments in associates and joint arrangements with a time lag of no more than three months. Income from investments in associates and joint arrangements – excluding distributions – is included in interest and similar income. Accounting policies of associates and joint arrangements are adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

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 currency prevailing 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. While non-monetary items denominated in foreign currencies and measured at historical cost are translated at historical rates, non-monetary items 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.

FINANCIAL INSTRUMENTS

Recognition and Derecognition

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.

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.

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.

Securities lending and repurchase agreements

The Allianz Group enters into securities lending transactions and repurchase agreements. Cash received in the course of those transactions is recognized together with a corresponding liability. Securities received as collateral under lending transactions are not recognized and securities sold under repurchase agreements are not derecognized if risks and rewards have not been transferred. Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expenses.

Impairments

The evaluation of whether a financial debt instrument is impaired requires analysis of the underlying credit risk/quality of the relevant issuer and involves significant management judgment. 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.

Once impairment is triggered for an available-for-sale debt instrument, 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 the impairment loss is reversed, 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.

An available-for-sale equity security is considered to be impaired if there is objective evidence that the cost may not be recovered. 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 consecutive 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.

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.

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 used are expected to be highly effective in offsetting changes in fair values or cash flows of the hedged items.

Derivative financial instruments designated in hedge accounting relationships are included in the line items Other assets and Other 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 35 Derivative financial instruments.

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, and checks and bills of exchange that 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 as well as financial assets and liabilities designated at fair value through income. While the former category includes trading instruments and financial derivatives, the latter category is mainly designated at fair value to avoid accounting mismatches.

INVESTMENTS

Available-for-sale investments

Available-for-sale investments comprise debt and equity instruments that are designated as available for sale or do not fall into the other measurement categories. These investments are measured at fair value through other comprehensive income. When an 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 those instruments 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 assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate 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

For details on the accounting for investments in associates and joint ventures please see the section principles of consolidation.

Real estate held for investment

Real estate held for investment is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its useful life, with a maximum of 50 years and regularly tested for impairment.

Fixed assets of renewable energy investments

These assets are accounted for as property, plant and equipment in line with IAS 16. Hence, they are carried at cost less accumulated depreciation and impairments.

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. These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortized cost using the effective interest rate method.

FINANCIAL ASSETS AND LIABILITIES FOR UNIT-LINKED CONTRACTS

Financial assets for unit-linked contracts are recorded at fair value, with changes in fair value recognized 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. 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 the DAC is covered by future profits.

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.

Acquisition costs for unit-linked investment contracts are deferred in accordance with IAS 18 if the costs are incremental. For non-unit-linked investment contracts 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.

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 relevant contracts.

Deferred sales inducements

Sales inducements on non-traditional insurance contracts are deferred and amortized using the same methodology and assumptions as for deferred acquisition costs.

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. When the gains or losses are realized they are recognized in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

OTHER ASSETS

Other assets primarily consist of receivables, accrued dividends, interest and rent as well as own-used property and equipment. 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 and software.

ESTIMATED USEFUL LIVES (IN YEARS)

	Years
Real estate held for own use	max. 50
Software	2–10
Equipment	2–10

INTANGIBLE ASSETS AND GOODWILL

Intangible assets with finite useful lives are measured at cost less accumulated amortization and impairments. Intangible assets with indefinite useful lives are tested annually for impairment and whenever there is a triggering event. They are also reviewed annually to determine whether the indefinite-life classification is still appropriate.

The table below summarizes estimated useful lives and the amortization methods for each class of intangible assets with finite useful lives.

ESTIMATED USEFUL LIVES (IN YEARS) AND AMORTIZATION METHODS

	Useful lives	Amortization method
Long-term distribution agreements	10–25	straight-line considering contractual terms
Acquired business portfolios	13–42	in proportion to the consumption of future economic benefit
Customer relationships	6–13	straight-line or in relation to customer churn rates

Goodwill is recognized for business combinations in the amount of the consideration transferred in excess of the fair values assigned to the identifiable assets acquired and liabilities assumed. Goodwill is accounted for at the acquiree in the acquiree's functional currency. There is an at least annual evaluation whether it is deemed recoverable.

INSURANCE, INVESTMENT AND REINSURANCE CONTRACTS

Insurance and investment contracts

Insurance contracts 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 have been applied, where 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 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 in consideration of the original contracts for which the reinsurance was concluded. 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.

Liability adequacy tests

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 long-duration contracts a premium deficiency is recognized, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicates 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.

UNEARNED PREMIUMS

For short-duration insurance contracts, such as 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 including shadow accounting.

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.

Reserves for loss and loss adjustment expenses are not discounted, except when payment amounts are fixed and timing is reasonably determinable.

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 also includes reserves for investment contracts with discretionary participation features and liabilities for guaranteed minimum mortality and morbidity benefits related to non-traditional contracts with annuitization options and unit-linked insurance contracts.

Insurance contract 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 reserves for those contracts are 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.

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 reserves 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 reserves 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 reserves for premium refunds.

OTHER LIABILITIES

Pensions and similar obligations

Pensions and similar obligations are usually measured at present value and presented net of plan assets by applying the provisions of IAS 19. This particularly requires calculating an interest income on plan assets with the same interest rate used to discount the defined benefit obligation. The resulting net interest expense or income is recognized in profit or loss under administrative expenses in the consolidated income statement. The interest rates for discounting are determined by reference to market yields on high-quality corporate bonds in the respective markets at the end of the reporting period. For maturities where no high-quality corporate bonds are available as a benchmark, discount factors are estimated by extrapolating current market rates along the yield curve.

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 (grant-date fair value) and the grant-date fair value is recognized as an expense over the vesting period. Where equity-settled plans involve equity instruments of Allianz SE, a corresponding increase in shareholders' equity is recognized. Where equity-settled plans involve equity instruments of subsidiaries of the Allianz Group, the corresponding increase is recognized in non-controlling interests. 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. Where expected tax deductions differ in amount and timing from the cumulative share-based payment expense recognized in profit or loss, deferred taxes are recognized on temporary differences.

Financial liabilities for puttable equity instruments

The Allianz Group records financial liabilities where non-controlling investors have the right to put their equity instruments back to the Allianz Group which primarily is the case for mutual funds controlled but not wholly owned by the Allianz Group. These liabilities are generally required to be recorded at the redemption amount with changes recognized in equity for put options over non-controlling interests and in the income statement for redeemable fund units.

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 at the issuance of shares. Additional paid-in capital represents the premium exceeding the issued capital received at the issuance of shares.

Retained earnings comprise the net income of the current year, earnings not yet distributed from prior years, treasury shares, and 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 explaining foreign currency changes that are recognized in equity. The effective portion of gains and losses of hedging instruments designated as hedges of a net investment in a foreign operation is recognized in foreign currency translation adjustments.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and from 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 SE 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. Premiums for long-duration insurance contracts are recognized as earned when due.

Revenues for universal life-type and investment contracts represent charges assessed against the policyholders' account balances for front-end loads, net of the change in unearned revenue liabilities, cost of insurance, surrenders and policy administration, and are included within premiums earned (net).

Premiums ceded for reinsurance are deducted from premiums written.

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 as well as 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. Performance fees may not be recognized as fee income before the respective benchmark period is completed, because, before its completion, the obligation to pay the fee is conditional, the fund performance is regularly not reliably estimable, and related service is not fully performed. In any case, performance-related fees from alternative investment products (carried interest) are not recognized as revenue prior to the date of the official declaration of distribution by the fund.

CLAIMS AND INSURANCE BENEFITS INCURRED

These expenses 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 directly related to the processing and settlement of claims. Reinsurance recoveries are deducted from claims and insurance benefits.

INCOME TAXES

Current income taxes are calculated based on the respective local taxable income and local tax rules for the period. In addition, current income taxes presented for the period include adjustments for uncertain tax payments or tax refunds for periods not yet finally assessed, including interest expenses and penalties on the underpayment of taxes. For the case that amounts included in the tax return are considered unlikely to be accepted by the tax authorities (uncertain tax positions), a provision for income taxes is recognized. The amount is based on the best possible assessment of the expected tax payment. Tax refund claims from uncertain tax positions are recognized when it is probable that they can be realized.

Deferred tax assets or liabilities are calculated for temporary differences between the tax bases and the financial statement carrying amounts, including differences from consolidation, unused tax loss carry-forwards, and unused tax credits. Measurement is based on enacted or substantively enacted tax rates and tax rules. The Allianz Group recognizes a valuation allowance for deferred tax assets when it is unlikely that a corresponding amount of future taxable profit will be available against which the deductible temporary differences, tax loss carry forwards and tax credits can be utilized.

Changes in deferred tax assets and liabilities are generally recognized through profit and loss in the consolidated income statement, except for changes recognized directly in equity.

NEW ACCOUNTING PRONOUNCEMENTS

RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

The following amendments and revisions to existing standards became effective for the Allianz Group's consolidated financial statements as of 1 January 2016:

- IAS 1, Disclosure initiative,
- IAS 16 & IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation,
- IAS 19, Defined Benefit Plans: Employee Contributions,
- IFRS 11, Accounting for Acquisitions of Interests in Joint Operations,
- Annual Improvements to IFRSs 2010–2012 Cycle,
- Annual Improvements to IFRSs 2012–2014 Cycle.

No material impact arose on the financial results or the financial position of the Allianz Group.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IFRS 9, Financial Instruments

IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will fully replace IAS 39. 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 and provides new rules for hedge accounting. The effective date is 1 January 2018.

In 2016, the IASB issued an amendment to IFRS 4 which permits insurers to apply IAS 39 rather than IFRS 9, for annual periods beginning before 1 January 2021, provided certain preconditions are met. These preconditions, relating to insurance being the dominant activity of a reporting entity, are fulfilled by the Allianz Group and it is planned to carry out this option. It can be assumed that the main impact from IFRS 9 will arise from the new classification rules leading to more financial instruments being measured at fair value through profit and loss as well as from the new impairment model. In this context, interdependencies with the not-yet-issued IFRS 17 have to be considered to come to a final conclusion on the combined impact of both standards.

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, IAS 11, 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. The effective date is 1 January 2018.

The Allianz Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements and does not expect that there will be a significant impact. The Group plans to adopt IFRS 15 on the required effective date by recognizing the cumulative effect of initially applying IFRS 15 as an adjustment to the opening balance of retained earnings in accordance with the cumulative effect approach.

The Allianz Group is currently performing a detailed assessment of the fee and commission income, primarily related to asset management fees, to determine the impact resulting from the application of IFRS 15.

IFRS 16, Leases

In January 2016, the IASB issued IFRS 16, Leases, which supersedes IAS 17. IFRS 16 eliminates the classification of leases as either operating or finance leases for a lessee. Instead, all leases are treated in a similar way to finance leases under IAS 17. IFRS 16 does not require a lessee to recognize assets and liabilities for short-term leases and leases of low-value assets.

The Allianz Group has started an initial assessment of the potential impact on its consolidated financial statements. So far, the most significant impact identified is that the Allianz Group will recognize new assets and liabilities for its operating leases of occupied property. In addition, IFRS 16 replaces the straight-line operating lease expenses with a depreciation charge for right-of-use assets and interest expenses on lease liabilities. The Group has not yet decided whether it will use the optional exemptions. No significant impact is expected for the Group's finance leases.

The Allianz Group currently plans to apply IFRS 16 initially on 1 January 2019. The Allianz Group has not yet determined which transition approach to apply and has not yet quantified the impact on its reported assets and liabilities of adoption of IFRS 16. The quantitative effect will depend on, inter alia, the transition method chosen, the extent to which the Allianz Group uses the practical expedients and recognition exemptions, and any additional leases that the Allianz Group enters into.

Further amendments and interpretations

In addition to the above-mentioned accounting pronouncements recently issued, 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
IFRS 2, Classification and Measurement of Share-based Payment Transactions	Annual periods beginning on or after 1 January 2018
IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	–
IFRS 15, Clarification to IFRS 15	Annual periods beginning on or after 1 January 2018
IAS 7, Disclosure Initiative	Annual periods beginning on or after 1 January 2017
IAS 12, Recognition of Deferred Tax Assets for Unrealised Losses	Annual periods beginning on or after 1 January 2017
IAS 40, Transfers of Investment Property	Annual periods beginning on or after 1 January 2018
IFRIC 22, Foreign Currency Transactions and Advance Consideration	Annual periods beginning on or after 1 January 2018
Annual Improvements to IFRSs 2014–2016 Cycle	Annual periods beginning on or after 1 January 2017/2018

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.

3 — Use of estimates and assumptions

The following sections describe complex accounting areas that are especially sensitive to the use of estimates and assumptions.

INSURANCE CONTRACTS

For Life/Health and Property-Casualty, the central oversight process around reserve estimates includes the setting of group-wide standards and guidelines, regular site visits, as well as regular quantitative and qualitative reserve monitoring.

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 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 subsidiaries' business. 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 their compliance with 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 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, whereat 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 as well as of the appropriateness and consistency of assumptions, and an 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[1]

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.

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.

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 reporting date, if the latter is a trading day.

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.

Level 3 applies where not all input parameters are observable in the market. Accordingly, 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 for example made for credit risks. In particular when observable market inputs are not available, the use of estimates and assumptions may have a strong impact on the valuation outcome.

1 — For further details regarding financial instruments, please refer to note 36 Financial instruments and fair value measurement.

For fair value measurements categorized as level 2 and level 3, the Allianz Group uses valuation techniques consistent with the three widely used 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 currently be 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 valuation techniques are based on significant observable or unobservable inputs, financial instruments are classified in the fair value hierarchy.

Estimates and assumptions of fair values and hierarchies 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.

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 uses a maximum of observable inputs and a minimum 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, and general market conditions. If the fair value cannot be measured reliably, amortized cost is used as a proxy for determining fair values.

The evaluation of whether a financial debt instrument 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 with regard 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.

ASSESSMENT OF THE INCLUSION METHOD

Determining 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 Allianz Group internal asset managers, 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 Allianz Group internal asset managers 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 note 45 List of participations of the Allianz Group as of 31 December 2016 according to § 313 (2) HGB.

GOODWILL AND OTHER INDEFINITE LIFE INTANGIBLE ASSETS

The recoverable amounts of all cash generating units (CGUs) to test goodwill and other indefinite life intangible assets for impairment 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 for example the selection of input parameters for the projection of future earnings. Assumptions may need to be changed as economic, market and business conditions change. As such, the Allianz Group continuously evaluates external conditions and the operating performances of the CGUs. Further explanations on the valuation techniques and significant assumptions are given in note 12 Intangible assets.

DEFERRED TAX ASSETS[1]

Deferred tax assets are determined based on tax loss carry-forwards, unused tax credits, and 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, and 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. Forecast 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

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, and currently available market and industry data.

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 40 Pensions and similar obligations.

1 — For further details regarding deferred tax assets, please refer to note 34 Income taxes.

4 — Consolidation and classification as held for sale

SIGNIFICANT ACQUISITIONS

During 2016 and 2015, no significant acquisitions occurred.

SIGNIFICANT CHANGES IN NON-CONTROLLING INTERESTS

During 2016 and 2015, no significant changes in non-controlling interests occurred.

CLASSIFICATION AS HELD FOR SALE

NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE
€ MN

as of 31 December	2016	2015
Assets of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	13,915	–
Other disposal groups	42	46
Subtotal	13,957	46
Non-current assets classified as held for sale		
Real estate held for investment	160	–
Real estate held for own use	79	63
Subtotal	239	63
Total	**14,196**	**109**
Liabilities of disposal groups classified as held for sale		
Oldenburgische Landesbank AG, Oldenburg	13,282	–
Other disposal groups	8	18
Total	**13,290**	**18**

OLDENBURGISCHE LANDESBANK AG, OLDENBURG

At the end of the fourth quarter of 2016, all requirements were fulfilled to present Oldenburgische Landesbank AG, Oldenburg, as a disposal group. Thus, the assets and liabilities of this consolidated entity, which is allocated to the reportable segment Banking (Corporate and Other), were classified as held for sale.

RECLASSIFIED ASSETS AND LIABILITIES
€ MN

Cash and cash equivalents	395
Financial assets carried at fair value through income	13
Investments	2,631
Loans and advances to banks and customers	10,703
Deferred tax assets	74
Other assets	98
Total assets	**13,915**
Financial liabilities carried at fair value through income	11
Liabilities to banks and customers	12,365
Other liabilities	442
Certificated liabilities	215
Subordinated liabilities	250
Total liabilities	**13,282**

As of 31 December 2016, cumulative gains of € 60 MN were recorded in other comprehensive income relating to the disposal group classified as held for sale. The sale is expected to occur in 2017. Upon measurement of the disposal group at fair value less costs to sell, an impairment loss of € 87 MN before taxes was recognized for the year ended 31 December 2016.

SIGNIFICANT DISPOSALS

During the year ended 31 December 2016, the Allianz Group disposed of Allianz Life Insurance Co. Ltd., Seoul, a 100 % owned subsidiary of the Allianz Group, allocated to the reportable segment Asia Pacific (Life/Health). The entity had been classified as held for sale since the beginning of the second quarter of 2016. The entity was deconsolidated on 30 December 2016. The Allianz Group received proceeds from the sale of € 2 MN and recognized a provision for obligations relating to the sales agreement of € 46 MN.

The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended 31 December 2016 was as follows:

IMPACT OF THE DISPOSAL
€ MN

Financial assets carried at fair value through income	4
Investments	9,506
Loans and advances to banks and customers	1,940
Financial assets for unit-linked contracts	1,502
Reinsurance assets	6
Deferred acquisition costs	429
Deferred tax assets	46
Other assets	397
Financial liabilities carried at fair value through income	(20)
Unearned premiums	(79)
Reserves for loss and loss adjustment expenses	(434)
Reserves for insurance and investments contracts	(10,878)
Financial liabilities for unit-linked contracts	(1,502)
Deferred tax liabilities	(40)
Other liabilities (including a provision for obligations relating to the sales agreement of € 46 MN)	(109)
Other comprehensive income	(752)
Realized loss from the disposal	(25)
Proceeds from sale of the subsidiary, net of cash disposed	**(8)** [1]

1 — Includes cash and cash equivalents at an amount of € 9 MN which were disposed of with the entity.

5 — 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 and Central & Eastern Europe,
- Western & Southern Europe, Middle East, Africa, India,
- Iberia & Latin America,
- USA (Life/Health only),
- Global Insurance Lines & Anglo Markets,
- Asia Pacific,
- 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 16 reportable segments in accordance with IFRS 8.

The types of products and services from which the reportable segments derive revenues 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.

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. 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 as well as of the Allianz Group as a whole. Operating profit highlights the portion of income before income taxes that is 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:

- income from financial assets and liabilities carried at fair value through income (net),
- realized gains/losses (net) and impairments of investments (net),
- income from fully consolidated private equity investments (net),
- interest expenses from external debt,
- acquisition-related expenses (from business combinations),
- one-off effects from pension revaluation,
- amortization of intangible assets and
- profit (loss) of substantial subsidiaries classified as held for sale.

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 when they belong to policyholders. In the segment reporting, 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

Some minor reallocations between the reportable segments have been made.

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

BUSINESS SEGMENT INFORMATION – CONSOLIDATED BALANCE SHEETS

€ MN

	Property-Casualty		Life/Health	
as of 31 December	2016	2015	2016	2015
ASSETS				
Cash and cash equivalents	3,429	3,635	7,014	8,467
Financial assets carried at fair value through income	539	643	7,427	6,431
Investments	102,430	100,026	415,023	392,171
Loans and advances to banks and customers	11,508	13,781	93,142	95,138
Financial assets for unit-linked contracts	–	–	111,325	105,873
Reinsurance assets	10,016	9,265	5,625	5,632
Deferred acquisition costs	4,782	4,647	20,105	20,587
Deferred tax assets	1,175	1,107	537	310
Other assets	22,392	23,112	19,143	17,406
Non-current assets and assets of disposal groups classified as held for sale	97	37	146	72
Intangible assets	2,870	2,781	3,078	2,998
Total assets	**159,237**	**159,034**	**682,564**	**655,086**

	Property-Casualty		Life/Health	
as of 31 December	2016	2015	2016	2015
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	129	112	10,394	8,834
Liabilities to banks and customers	864	901	5,551	5,807
Unearned premiums	17,276	17,071	4,108	3,605
Reserves for loss and loss adjustment expenses	61,617	61,169	10,790	10,857
Reserves for insurance and investment contracts	14,837	14,407	490,876	472,010
Financial liabilities for unit-linked contracts	–	–	111,325	105,873
Deferred tax liabilities	2,674	2,482	3,836	3,137
Other liabilities	19,261	19,533	14,622	14,856
Liabilities of disposal groups classified as held for sale	–	15	3	3
Certificated liabilities	11	12	11	12
Subordinated liabilities	–	–	95	95
Total liabilities	**116,668**	**115,702**	**651,611**	**625,088**

Asset Management		Corporate and Other		Consolidation		Group	
2016	2015	2016	2015	2016	2015	2016	2015
1,155	1,329	3,053	1,952	(187)	(541)	14,463	14,842
63	64	701	625	(398)	(495)	8,333	7,268
133	230	103,578	127,284	(84,295)	(108,454)	536,869	511,257
65	99	6,081	15,591	(5,427)	(6,980)	105,369	117,630
–	–	–	–	–	–	111,325	105,873
–	–	–	–	(78)	(54)	15,562	14,843
–	–	–	–	–	–	24,887	25,234
260	294	936	1,395	(1,904)	(1,712)	1,003	1,394
2,924	2,677	8,556	9,626	(14,965)	(15,772)	38,050	37,050
29	–	13,925	–	(2)	–	14,196	109
7,794	7,653	11	11	–	–	13,752	13,443
12,422	**12,348**	**136,841**	**156,483**	**(107,256)**	**(134,008)**	**883,809**	**848,942**

Asset Management		Corporate and Other		Consolidation		Group	
2016	2015	2016	2015	2016	2015	2016	2015
–	–	615	750	(400)	(489)	10,737	9,207
174	174	8,424	21,777	(1,974)	(3,127)	13,038	25,531
–	–	–	–	(24)	(15)	21,360	20,660
–	–	–	–	(34)	(23)	72,373	72,003
–	–	(57)	–	(196)	(195)	505,460	486,222
–	–	–	–	–	–	111,325	105,873
29	16	188	80	(1,904)	(1,712)	4,822	4,003
2,925	2,750	25,283	24,256	(22,223)	(22,710)	39,867	38,686
5	–	13,306	–	(25)	–	13,290	18
–	–	10,586	12,054	(2,994)	(3,695)	7,615	8,383
–	–	13,485	12,213	(50)	(50)	13,530	12,258
3,133	**2,940**	**71,830**	**71,130**	**(29,826)**	**(32,018)**	**813,417**	**782,843**
				Total equity		**70,392**	**66,099**
				Total liabilities and equity		**883,809**	**848,942**

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	
	2016	2015	2016	2015
Total revenues[1]	**51,535**	**51,597**	**64,636**	**66,903**
Premiums earned (net)	46,588	46,430	23,769	24,215
Operating investment result				
Interest and similar income	3,476	3,648	18,204	18,520
Operating income from financial assets and liabilities carried at fair value through income (net)	(23)	(25)	(1,012)	(2,050)
Operating realized gains/losses (net)	285	252	6,612	6,459
Interest expenses, excluding interest expenses from external debt	(85)	(72)	(108)	(108)
Operating impairments of investments (net)	(51)	(59)	(1,208)	(1,199)
Investment expenses	(376)	(365)	(1,205)	(1,125)
Subtotal	3,226	3,378	21,283	20,497
Fee and commission income	1,527	1,474	1,346	1,331
Other income	21	232	70	9
Claims and insurance benefits incurred (net)	(30,576)	(30,721)	(22,584)	(20,986)
Change in reserves for insurance and investment contracts (net)[2]	(561)	(460)	(12,477)	(13,550)
Loan loss provisions	–	–	–	–
Acquisition and administrative expenses (net), excluding acquisition-related expenses and one-off effects from pension revaluation	(13,352)	(13,208)	(6,612)	(6,922)
Fee and commission expenses	(1,407)	(1,367)	(655)	(599)
Operating amortization of intangible assets	–	–	(19)	(19)
Restructuring charges	(94)	(149)	(91)	(32)
Other expenses	(3)	(6)	(149)	(149)
Reclassifications[3]	–	–	268	–
Operating profit (loss)	**5,370**	**5,603**	**4,148**	**3,796**
Non-operating investment result				
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(53)	(99)	26	(51)
Non-operating realized gains/losses (net)	814	746	81	298
Non-operating impairments of investments (net)	(236)	(223)	(227)	(18)
Subtotal	524	424	(121)	228
Income from fully consolidated private equity investments (net)	–	–	–	–
Interest expenses from external debt	–	–	–	–
Acquisition-related expenses	–	–	–	–
One-off effects from pension revaluation	–	(181)	–	(13)
Non-operating amortization of intangible assets	(60)	(63)	(52)	(222)
Reclassifications[3]	–	–	(268)	–
Non-operating items	465	181	(441)	(6)
Income (loss) before income taxes	5,835	5,784	3,707	3,790
Income taxes	(1,677)	(1,660)	(1,127)	(1,169)
Net income (loss)	**4,158**	**4,124**	**2,581**	**2,621**
Net income (loss) attributable to:				
Non-controlling interests	155	143	137	143
Shareholders	4,003	3,981	2,443	2,478

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 2016, includes expenses for premium refunds (net) in Property-Casualty of € (255) MN (2015: € (240) MN).

3 — From the classification of the Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating. Furthermore tax reclassifications are included in this line.

Asset Management		Corporate and Other		Consolidation		Group	
2016	2015	2016	2015	2016	2015	2016	2015
6,022	**6,479**	**551**	**577**	**(328)**	**(365)**	**122,416**	**125,190**
–	–	–	–	–	–	70,357	70,645
6	7	707	790	(244)	(321)	22,149	22,643
6	(8)	18	(15)	1	9	(1,010)	(2,089)
–	–	–	–	3	15	6,900	6,726
(11)	(12)	(379)	(454)	235	270	(349)	(375)
–	–	–	–	–	–	(1,259)	(1,258)
–	–	(100)	(85)	376	360	(1,306)	(1,215)
1	(13)	245	237	370	333	25,125	24,433
7,401	8,011	1,066	974	(850)	(845)	10,491	10,945
3	4	160	149	(154)	(153)	100	241
–	–	–	–	5	5	(53,156)	(51,702)
–	–	–	–	(135)	(55)	(13,173)	(14,065)
–	–	(46)	(60)	–	–	(46)	(60)
(3,817)	(4,141)	(1,466)	(1,489)	(58)	30	(25,303)	(25,729)
(1,382)	(1,523)	(825)	(745)	535	457	(3,734)	(3,777)
–	–	–	–	–	–	(19)	(19)
(1)	(41)	–	(9)	–	–	(186)	(231)
–	–	(2)	(2)	149	149	(5)	(8)
–	–	–	–	115	62	383	62
2,205	**2,297**	**(867)**	**(945)**	**(23)**	**(16)**	**10,833**	**10,735**
–	–	40	(58)	(1)	(10)	11	(219)
–	–	500	337	108	(170)	1,503	1,211
–	–	(217)	(27)	–	–	(681)	(268)
–	–	322	252	107	(181)	833	724
–	–	–	(52)	–	(8)	–	(60)
–	–	(858)	(849)	–	–	(858)	(849)
2	11	–	1	–	–	2	12
–	(31)	–	224	–	–	–	–
(12)	(11)	(11)	(8)	–	–	(135)	(304)
–	–	–	–	(115)	(62)	(383)	(62)
(10)	(31)	(547)	(432)	(8)	(250)	(541)	(539)
2,194	2,266	(1,414)	(1,377)	(31)	(267)	10,292	10,196
(784)	(817)	420	374	126	63	(3,042)	(3,209)
1,411	**1,449**	**(994)**	**(1,003)**	**95**	**(204)**	**7,250**	**6,987**
66	71	12	14	(3)	(1)	367	371
1,344	1,378	(1,006)	(1,017)	99	(203)	6,883	6,616

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES

RECONCILIATION OF REPORTABLE SEGMENTS TO ALLIANZ GROUP FIGURES
€ MN

	Total revenues[1]		Premiums earned (net)		Operating profit (loss)		Net income (loss)	
	2016	2015	2016	2015	2016	2015	2016	2015
German Speaking Countries and Central & Eastern Europe	14,465	14,061	12,111	11,741	1,573	1,683	1,394	1,147
Western & Southern Europe, Middle East, Africa, India	12,170	11,855	11,031	10,915	1,642	1,798	1,105	1,283
Iberia & Latin America	4,552	4,566	3,381	3,741	102	74	(38)	37
Global Insurance Lines & Anglo Markets	22,113	21,931	15,725	15,994	1,846	1,846	1,560	1,512
Asia Pacific	745	774	490	501	58	74	41	55
Allianz Worldwide Partners	4,185	3,975	3,850	3,538	150	128	97	89
Consolidation	(6,695)	(5,565)	–	–	–	–	(2)	1
Total Property-Casualty	**51,535**	**51,597**	**46,588**	**46,430**	**5,370**	**5,603**	**4,158**	**4,124**
German Speaking Countries and Central & Eastern Europe	24,922	24,058	14,593	15,115	1,660	1,707	1,134	1,133
Western & Southern Europe, Middle East, Africa, India	20,808	23,591	4,713	4,587	1,145	1,062	869	935
Iberia & Latin America	1,997	2,037	526	653	264	231	188	157
USA	11,856	10,475	1,144	1,193	960	841	685	594
Global Insurance Lines & Anglo Markets	587	634	390	494	30	47	25	36
Asia Pacific	5,390	6,774	2,402	2,172	84[2]	(83)	(326)	(224)
Consolidation	(924)	(666)	–	–	6	(10)	6	(10)
Total Life/Health	**64,636**	**66,903**	**23,769**	**24,215**	**4,148**	**3,796**	**2,581**	**2,621**
Asset Management	**6,022**	**6,479**	**–**	**–**	**2,205**	**2,297**	**1,411**	**1,449**
Holding & Treasury	–	–	–	–	(981)	(1,076)	(1,029)	(1,110)
Banking	549	575	–	–	74	94	9	70
Alternative Investments	–	–	–	–	39	37	21	36
Consolidation	2	2	–	–	–	–	5	–
Total Corporate and Other	**551**	**577**	**–**	**–**	**(867)**	**(945)**	**(994)**	**(1,003)**
Consolidation	**(328)**	**(365)**	**–**	**–**	**(23)**	**(16)**	**95**	**(204)**
Group	**122,416**	**125,190**	**70,357**	**70,645**	**10,833**	**10,735**	**7,250**	**6,987**

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 — From the classification of the Korean life business as "held for sale" in the second quarter of 2016 until its disposal in the fourth quarter of 2016, the total result was considered as non-operating.

NOTES TO THE CONSOLIDATED BALANCE SHEETS

6 — Financial assets carried at fair value through income

FINANCIAL ASSETS CARRIED AT FAIR VALUE THROUGH INCOME
€ MN

as of 31 December	2016	2015
Financial assets held for trading		
Debt securities	264	489
Equity securities	210	187
Derivative financial instruments	2,433	1,582
Subtotal	2,907	2,258
Financial assets designated at fair value through income		
Debt securities	2,970	2,645
Equity securities	2,457	2,365
Subtotal	5,426	5,010
Total	**8,333**	**7,268**

7 — Investments

INVESTMENTS
€ MN

as of 31 December	2016	2015
Available-for-sale investments	512,268	488,365
Held-to-maturity investments	2,399	2,745
Funds held by others under reinsurance contracts assumed	912	1,349
Investments in associates and joint ventures	7,161	5,056
Real estate held for investment	11,732	11,977
Fixed assets of renewable energy investments	2,397	1,763
Total	**536,869**	**511,257**

AVAILABLE-FOR-SALE INVESTMENTS

AVAILABLE-FOR-SALE INVESTMENTS
€ MN

as of 31 December	2016				2015			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Debt securities								
Corporate bonds	230,504	15,944	(1,575)	244,874	211,835	12,681	(4,149)	220,367
Government and government agency bonds[1]	173,456	27,121	(1,663)	198,914	177,087	26,398	(1,462)	202,023
MBS/ABS	21,258	441	(303)	21,396	21,042	609	(236)	21,414
Other	3,569	753	(17)	4,305	3,357	588	(7)	3,938
Subtotal[2]	428,787	44,259	(3,557)	469,489	413,320	40,276	(5,854)	447,742
Equity securities	30,323	12,649	(192)	42,779	28,906	12,119	(402)	40,624
Total	**459,109**	**56,908**	**(3,750)**	**512,268**	**442,226**	**52,396**	**(6,256)**	**488,365**

1 — As of 31 December 2016, fair value and amortized cost of bonds from countries with a rating below AA amount to € 73,519 MN (2015: € 73,968 MN) and € 67,571 MN (2015: € 67,028 MN), respectively.

2 — As of 31 December 2016, fair value and amortized cost of debt securities with a contractual maturity of less than 12 months amount to € 30,420 MN (2015: € 28,952 MN) and € 29,807 MN (2015: € 28,361 MN), respectively.

HELD-TO-MATURITY INVESTMENTS

HELD-TO-MATURITY INVESTMENTS
€ MN

as of 31 December	2016				2015			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Government and government agency bonds	2,001	342	–	2,343	2,184	363	(2)	2,544
Corporate bonds[1]	398	65	(1)	462	562	62	(3)	621
Total[2]	**2,399**	**407**	**(1)**	**2,805**	**2,745**	**425**	**(5)**	**3,165**

1 — Also include corporate mortgage-backed securities.

2 — As of 31 December 2016, fair value and amortized cost of debt securities with a contractual maturity of less than 12 months amount to € 294 MN (2015: € 397 MN) and € 287 MN (2015: € 365 MN), respectively.

UNREALIZED LOSSES ON AVAILABLE-FOR-SALE INVESTMENTS AND HELD-TO-MATURITY INVESTMENTS

DEBT SECURITIES

Total unrealized losses amounted to € 3,558 MN as of 31 December 2016. The Allianz Group holds a large variety of government bonds and corporate bonds, mostly of or domiciled in OECD countries.

In general, the credit risk of government bonds is rather moderate since they are backed by fiscal capacity of the issuers who typically hold an investment-grade country- and/or issue-rating. During 2016, interest rates of most government bonds decreased. The development has been very volatile, however, leading to a slight increase in unrealized losses on government bonds of € 198 MN.

The unrealized losses on the Allianz Group's investments in government bonds are spread over several countries with the main part coming from Europe.

For the vast majority of corporate bonds, the issuer/the issues have an investment grade. The decrease in unrealized losses of € 2,577 MN compared to 31 December 2015 is due to decreasing interest rates.

The main impact from unrealized losses on corporate bonds comes from the financial and energy sector.

Based on a detailed analysis of the underlying securities, the Allianz Group did not consider these investments to be impaired as of 31 December 2016.

EQUITY SECURITIES

As of 31 December 2016, unrealized losses amounted to € 192 MN which is a decrease of € 209 MN compared to 31 December 2015. They concern equity securities that did not meet the criteria of the Allianz Group's impairment policy for equity instruments as described in note 2 Accounting policies and new accounting pronouncements. The major part of these unrealized losses has been in a continuous loss position of less than 6 months.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

As of 31 December 2016, loans to associates and joint ventures as well as available-for-sale debt securities issued by associates and joint ventures held by the Allianz Group amounted to € 1,381 MN (2015: € 2,195 MN).

ASSOCIATES AND JOINT VENTURES
€ MN

	2016	2015
Share of earnings	290	292
Share of other comprehensive income	9	80
Share of total comprehensive income	**299**	**371**

REAL ESTATE HELD FOR INVESTMENT

REAL ESTATE HELD FOR INVESTMENT
€ MN

	2016	2015
Cost as of 1 January	15,113	14,403
Accumulated depreciation as of 1 January	(3,136)	(3,054)
Carrying amount as of 1 January	**11,977**	**11,349**
Additions	410	1,025
Changes in the consolidated subsidiaries of the Allianz Group	(1)	247
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(425)	(330)
Reclassifications	(14)	(283)
Foreign currency translation adjustments	(1)	218
Depreciation	(257)	(251)
Impairments	(17)	(37)
Reversals of impairments	59	40
Carrying amount as of 31 December	**11,732**	**11,977**
Accumulated depreciation as of 31 December	2,959	3,136
Cost as of 31 December	14,691	15,113

As of 31 December 2016, real estate held for investment pledged as security and other restrictions on title were € 36 MN (2015: € 36 MN).

FIXED ASSETS OF RENEWABLE ENERGY INVESTMENTS

FIXED ASSETS OF RENEWABLE ENERGY INVESTMENTS[1]
€ MN

	2016	2015
Cost as of 1 January	2,151	2,284
Accumulated depreciation as of 1 January	(387)	(819)
Carrying amount as of 1 January	**1,763**	**1,465**
Additions	719	622
Changes in the consolidated subsidiaries of the Allianz Group	2	(197)
Disposals	(3)	(3)
Foreign currency translation adjustments	–	5
Depreciation	(83)	(130)
Carrying amount as of 31 December	**2,397**	**1,763**
Accumulated depreciation as of 31 December	472	387
Cost as of 31 December	2,868	2,151

1 — Include fixed assets of wind parks and solar parks.

8 — Loans and advances to banks and customers

LOANS AND ADVANCES TO BANKS AND CUSTOMERS
€ MN

as of 31 December	2016	2015
Short-term investments and certificates of deposit	3,699	3,106
Loans	99,883	113,573
Other	1,884	1,258
Subtotal	105,466	117,936
Loan loss allowance	(97)	(307)
Total[1]	**105,369**	**117,630**

1 — Includes loans and advances to banks and customers due within one year of € 11,677 MN (2015: € 11,216 MN).

As of 31 December 2016, impaired loans amounted to € 160 MN (2015: € 515 MN). The interest income recognized on these impaired loans amounted to € 0.4 MN (2015: € 1 MN).

9 — Reinsurance assets

REINSURANCE ASSETS
€ MN

as of 31 December	2016	2015
Unearned premiums	1,543	1,655
Reserves for loss and loss adjustment expenses	8,685	7,712
Aggregate policy reserves	5,211	5,366
Other insurance reserves	124	110
Total	**15,562**	**14,843**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

CHANGES IN AGGREGATE POLICY RESERVES CEDED TO REINSURERS
€ MN

	2016	2015
Carrying amount as of 1 January	**5,366**	**4,998**
Foreign currency translation adjustments	92	397
Changes recorded in the consolidated income statements	175	183
Other changes	(422)	(212)
Carrying amount as of 31 December	**5,211**	**5,366**

The reserves for loss and loss adjustment expenses ceded to reinsurers in the business segment Property-Casualty amounted as of 31 December 2016 to € 8,119 MN (2015: € 7,228 MN). Their change is shown in the respective table in note 15 Reserves for loss and loss adjustment expenses.

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 2016 and 2015. The Allianz Group primarily maintains business relations with highly rated reinsurers.

10 — Deferred acquisition costs

DEFERRED ACQUISITION COSTS
€ MN

as of 31 December	2016	2015
Deferred acquisition costs		
Property-Casualty	4,782	4,647
Life/Health	18,780	18,941
Subtotal	23,562	23,588
Present value of future profits	544	613
Deferred sales inducements	781	1,033
Total	**24,887**	**25,234**

CHANGES IN DEFERRED ACQUISITION COSTS
€ MN

	2016	2015
Carrying amount as of 1 January	**25,234**	**22,262**
Additions	9,663	9,524
Changes in the consolidated subsidiaries of the Allianz Group	31	–
Foreign currency translation adjustments	257	908
Changes in shadow accounting	(754)	2,279
Amortization	(9,544)	(9,589)
Reclassifications	–	(151)
Carrying amount as of 31 December	**24,887**	**25,234**

11 — Other assets

OTHER ASSETS
€ MN

as of 31 December	2016	2015
Receivables		
Policyholders	5,938	6,013
Agents	4,217	4,379
Reinsurers	2,755	2,264
Other	5,126	4,340
Less allowances for doubtful accounts	(632)	(647)
Subtotal	17,404	16,349
Tax receivables		
Income taxes	1,809	1,698
Other taxes	1,615	1,512
Subtotal	3,424	3,210
Accrued dividends, interest and rent	7,257	7,887
Prepaid expenses	390	328
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	677	565
Property and equipment		
Real estate held for own use	3,024	3,261
Software	2,640	2,361
Equipment	1,477	1,426
Subtotal	7,141	7,048
Other assets	1,756	1,664
Total[1]	**38,050**	**37,050**

1 — Includes other assets due within one year of € 32,767 MN (2015: € 31,068 MN).

PROPERTY AND EQUIPMENT

PROPERTY AND EQUIPMENT
€ MN

	2016			2015		
	Real estate held for own use	Software	Equipment	Real estate held for own use	Software	Equipment
Cost as of 1 January	4,345	6,671	4,254	3,637	6,360	3,867
Accumulated depreciation as of 1 January	(1,084)	(4,310)	(2,828)	(1,071)	(4,218)	(2,576)
Carrying amount as of 1 January	**3,261**	**2,361**	**1,426**	**2,566**	**2,142**	**1,291**
Additions	94	818	392	183	796	435
Changes in the consolidated subsidiaries of the Allianz Group	(56)	(31)	15	84	(15)	63
Disposals and reclassifications into non-current assets and assets of disposal groups classified as held for sale	(152)	(35)	(129)	(110)	(102)	(94)
Reclassifications	(41)	26	47	593	–	(10)
Foreign currency translation adjustments	(18)	2	3	16	8	30
Depreciation/Amortization	(76)	(491)	(275)	(74)	(430)	(278)
Impairments	(3)	(9)	(1)	–	(38)	(13)
Reversals of impairments	13	–	–	4	–	–
Carrying amount as of 31 December	**3,024**[1]	**2,640**[2]	**1,477**	**3,261**	**2,361**	**1,426**
Accumulated depreciation as of 31 December	971	4,643	2,904	1,084	4,310	2,828
Cost as of 31 December	3,995	7,283	4,381	4,345	6,671	4,254

1 — As of 31 December 2016, assets pledged as security and other restrictions on title were € 121 MN (2015: € 121 MN).

2 — As of 31 December 2016, includes € 1,708 MN (2015: € 1,534 MN) for self-developed software and € 932 MN (2015: € 827 MN) for software purchased from third parties.

12 — Intangible assets

INTANGIBLE ASSETS
€ MN

as of 31 December	2016	2015
Goodwill	12,372	12,101
Distribution agreements[1]	951	899
Acquired business portfolios[2]	172	186
Customer relationships	122	116
Other[3]	136	141
Total	**13,752**	**13,443**

1 — Primarily includes the long-term distribution agreements with Commerzbank AG of € 261 MN (2015: € 298 MN), Banco Popular S.A. of € 371 MN (2015: € 389 MN), Yapı ve Kredi Bankası A.S. of € 96 MN (2015: € 122 MN), Philippine National Bank of € 83 MN (2015: € – MN) and HSBC Asia, HSBC Turkey, BTPN Indonesia and Maybank Indonesia of € 133 MN (2015: € 79 MN).
2 — Primarily includes the acquired business portfolio of Allianz Yasam ve Emeklilik A.S. of € 98 MN (2015: € 120 MN).
3 — Primarily includes heritable building rights, land use rights, lease rights and brand names.

GOODWILL

GOODWILL
€ MN

	2016	2015
Cost as of 1 January	13,077	13,156
Accumulated impairments as of 1 January	(976)	(990)
Carrying amount as of 1 January	**12,101**	**12,166**
Additions	214	70
Disposals	–	(316)
Foreign currency translation adjustments	58	352
Impairments	–	(171)
Carrying amount as of 31 December	**12,372**	**12,101**
Accumulated impairments as of 31 December	440	976
Cost as of 31 December	12,812	13,077

2016
Additions are mainly related to goodwill arising from the acquisition of Allianz Maroc S.A. (formerly Zurich Assurance Maroc S.A.), Casablanca, effective 3 November 2016, Allianz C.P. General Insurance, Bangkok, effective 3 October 2016, Rogge Global Partners Ltd., London, effective 31 May 2016, several insurance portfolios in the Netherlands and several windparks.

2015
Additions are mainly related to goodwill arising from the acquisition of the Property-Casualty insurance business of the Territory Insurance Office, Darwin, effective 1 January 2015, as well as from the acquisition of several windparks.

Disposals relate mainly to the sale of Selecta Group S.à r.l., Luxembourg during the fourth quarter of 2015.

As a result of the impairment test, all of the goodwill of € 171 MN allocated to the CGU Asia Pacific in the business segment Life/Health was completely impaired.

IMPAIRMENT TEST FOR GOODWILL

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, Middle East and Africa, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Turkey, Middle East and Africa,
- Insurance Iberia & Latin America, including Mexico, Portugal, South America and Spain,
- Insurance Asia Pacific,
- Insurance Central and Eastern Europe, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia,
- Global Insurance Lines & Anglo Markets, including Australia, Ireland, Russia, Ukraine and the United Kingdom,
- Specialty Lines I, including Allianz Re, Allianz Global Corporate & Specialty and Credit Insurance, and
- Specialty Lines II, including Allianz Worldwide Partners.

CGUs in the Life/Health business segment are:

- Insurance German Speaking Countries,
- Health Germany,
- Insurance Western & Southern Europe, Middle East and Africa, including Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Turkey, Middle East and Africa,
- Insurance Central and Eastern Europe, including Bulgaria, Croatia, Czech Republic, Hungary, Poland, Romania and Slovakia, and
- Insurance USA.

The business segment Asset Management is represented by the CGU Asset Management, including mainly Allianz Global Investors and PIMCO.

1 — The following paragraphs only include the CGUs that contain goodwill.

The carrying amounts of goodwill are allocated to the Allianz Group's CGUs as of 31 December 2016 and 2015, as follows:

ALLOCATION OF CARRYING AMOUNTS OF GOODWILL TO CGUS
€ MN

as of 31 December	2016	2015
PROPERTY-CASUALTY		
Insurance German Speaking Countries	285	281
Insurance Western & Southern Europe, Middle East and Africa	1,418	1,327
Insurance Iberia & Latin America	21	21
Insurance Asia Pacific	101	81
Insurance Central and Eastern Europe	292	292
Global Insurance Lines & Anglo Markets	376	386
Specialty Lines I	39	39
Specialty Lines II	21	21
Subtotal	**2,553**	**2,448**
LIFE/HEALTH		
Insurance German Speaking Countries	629	611
Health Germany	330	327
Insurance Western & Southern Europe, Middle East and Africa	655	654
Insurance Central and Eastern Europe	23	23
Insurance USA	481	471
Subtotal	**2,117**	**2,087**
ASSET MANAGEMENT	7,702	7,566
Total	**12,372**	**12,101**

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. MCEV is an industry-specific valuation method to assess the current value of the in-force portfolio. The Allianz Group uses an economic balance sheet approach to derive the MCEV, which is directly taken out of the market value balance sheet (MVBS) as determined using Solvency II guidance. In case where no adequate valuation reflecting a long-term view in line with management judgment and market experience could be derived from market consistent methodology, the Appraisal Value can be derived from a Traditional Embedded Value (TEV) which was the case for the United States.

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 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[1]
%

CGUs in the Property-Casualty business segment	Discount rate	Eternal growth rate
Insurance German Speaking Countries	7.7	1.0
Insurance Western & Southern Europe, Middle East and Africa	9.5	2.5
Insurance Iberia & Latin America	12.2	3.4
Insurance Asia Pacific	11.5	3.5
Insurance Central and Eastern Europe	9.2	1.5
Global Insurance Lines & Anglo Markets	8.5	1.0
Specialty Lines I	7.9	1.0
Specialty Lines II	8.0	1.0

1 — The table provides an overview of weighted key parameters on CGU level of the country-specific discount rates and eternal growth rates used.

For entities included in the CGUs of the business segment Life/Health, the MCEV is the excess of assets over liabilities of the MVBS according to the Solvency II requirements. Assets and liabilities included in the MVBS are measured at their market value as of the reporting date. Technical provisions are an essential part of the liabilities included in the MVBS and generally consist of the best estimate plus a risk margin. The best estimate corresponds to the probability-weighted average of future cash flows considering the time value of money, using the relevant risk-free interest rate term structure. The calculation of the best estimate is based on assumptions made for demographic factors (e.g. mortality, morbidity, lapse/surrender rates), expense allowances, taxation, assumptions on market conditions for market consistent projections (e.g. reference rates, volatilities) as well as investment strategy and asset allocation of the entity. The risk margin ensures that the value of the technical provisions is equivalent to the amount that the entity would be expected to require in order to take on and meet the insurance and reinsurance obligations.

Reference rates used for the calculation of the best estimate follow EIOPA specifications for the Solvency II guidance.

The following table provides an overview of the reference 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 5 bps volatility adjustment
Health Germany	Euro swap curve minus 10 bps credit risk adjustment plus 13 bps volatility adjustment
Insurance Western & Southern Europe, Middle East and Africa	Euro swap curve minus 10 bps credit risk adjustment plus 13 bps volatility adjustment
Insurance Central and Eastern Europe	For those entities reporting in Euro: Euro swap curve minus 10 bps credit risk adjustment plus 13 bps volatility adjustment For other entities: Local swap curve minus 10 bps credit risk adjustment plus volatility adjustment for the following currencies only (HRK: 9 bps, CZK: 1 bps, PLN: 18 bps)
Insurance USA	Local swap curve minus 15 bps credit risk adjustment plus 52 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 for the CGU Asset Management is 9.7 % and the eternal growth rate is 1.0 %.

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 segment Property-Casualty and for the CGU 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, discounted earnings value sensitivities still exceeded their respective carrying amounts. The recoverable amount of the CGU Asia Pacific in the business segment Property-Casualty slightly exceeds its carrying amount. An increase of less than 50 basis points in the discount rate or the combined ratio results in the recoverable amount of the CGU getting close to its carrying amount.

In the business segment Life/Health 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 amount.

13 — Liabilities to banks and customers

LIABILITIES TO BANKS AND CUSTOMERS
€ MN

as of 31 December	2016	2015
Payable on demand and other deposits	897	5,405
Repurchase agreements and collateral received from securities lending transactions and derivatives	4,040	6,495
Other	8,101	13,631
Total[1]	**13,038**	**25,531**

1 — Consists of liabilities to banks and customers due within one year of € 10,193 MN (2015: € 19,968 MN), 1 – 5 years of € 2,256 MN (2015: € 3,404 MN) and over 5 years of € 590 MN (2015: € 2,159 MN).

14 — Unearned premiums

UNEARNED PREMIUMS
€ MN

as of 31 December	2016	2015
Property-Casualty	17,276	17,071
Life/Health	4,108	3,605
Consolidation	(24)	(15)
Total	**21,360**	**20,660**

15 — Reserves for loss and loss adjustment expenses

As of 31 December 2016, the reserves for loss and loss adjustment expenses of the Allianz Group amounted in total to € 72,373 MN (2015: € 72,003 MN). The following table reconciles the beginning and ending reserves for the Property-Casualty business segment for the years ended 31 December 2016 and 2015.

CHANGE IN THE RESERVES FOR LOSS AND LOSS ADJUSTMENT EXPENSES IN THE PROPERTY-CASUALTY BUSINESS SEGMENT
€ MN

	2016			2015		
	Gross	Ceded	Net	Gross	Ceded	Net
As of 1 January	**61,169**	**(7,228)**	**53,942**	**58,925**	**(6,577)**	**52,348**
Balance carry forward of discounted loss reserves	3,882	(332)	3,550	3,597	(326)	3,271
Subtotal	65,051	(7,560)	57,492	62,522	(6,903)	55,619
Loss and loss adjustment expenses incurred						
Current year	35,402	(2,741)	32,661	35,381	(2,735)	32,646
Prior years	(2,530)	445	(2,084)	(2,373)	448	(1,924)
Subtotal	32,872	(2,296)	30,576	33,008	(2,287)	30,721
Loss and loss adjustment expenses paid						
Current year	(17,291)	883	(16,409)	(17,123)	832	(16,291)
Prior years	(15,640)	646	(14,994)	(15,071)	1,331	(13,740)
Subtotal	(32,932)	1,529	(31,403)	(32,194)	2,163	(30,031)
Foreign currency translation adjustments and other changes[1]	407	(84)	323	1,755	(534)	1,221
Changes in the consolidated subsidiaries of the Allianz Group	272	(7)	265	(39)	1	(38)
Subtotal	65,671	(8,417)	57,254	65,051	(7,560)	57,492
Ending balance of discounted loss reserves	(4,055)	298	(3,757)	(3,882)	332	(3,550)
As of 31 December	**61,617**	**(8,119)**	**53,497**	**61,169**	**(7,228)**	**53,942**

1 — Include effects of foreign currency translation adjustments for prior years' claims of gross € 116 MN (2015: € 1,423 MN) and of net € (41) MN (2015: € 1,272 MN) and for current year claims of gross € (55) MN (2015: € (234) MN) and of net € (68) MN (2015: € (195) 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 2016, the Allianz Group recorded additional income of € 2,084 MN (2015: € 1,924 MN) net in respect of losses occurring in prior years. During the year ended 31 December 2016, this amount, expressed as a percentage of the net balance of the beginning of the year, was 3.6 % (2015: 3.5 %).

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 reporting 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 respective 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	2007 & prior	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
2007	24,886										24,886
2008	12,005	13,130									25,135
2009	5,449	7,350	13,368								26,167
2010	3,525	2,151	6,688	14,094							26,459
2011	2,525	1,034	1,725	6,945	14,316						26,545
2012	2,156	716	1,107	1,972	7,434	14,443					27,828
2013	1,938	497	712	1,113	2,090	7,181	15,449				28,979
2014	1,728	303	465	729	1,169	1,890	7,009	15,410			28,702
2015	1,365	262	395	476	775	1,054	1,850	7,564	16,291		30,031
2016	1,939	217	260	364	546	727	1,004	2,007	7,929	16,409	31,403

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	2007 & prior	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
2007	48,677										48,677
2008	33,574	14,222									47,796
2009	26,845	7,620	14,074								48,539
2010	23,000	5,666	7,456	14,729							50,850
2011	20,538	4,337	5,147	7,218	15,596						52,836
2012	19,833	3,249	4,061	5,238	7,861	15,564					55,807
2013	17,503	2,601	3,117	3,837	5,190	7,239	13,957				53,445
2014	16,220	2,198	2,492	3,105	4,066	5,223	7,101	15,215			55,619
2015	14,700	1,850	2,064	2,614	3,208	3,931	5,182	7,585	16,358		57,492
2016	12,433	1,496	1,725	2,141	2,564	3,040	3,894	5,262	7,991	16,708	57,254

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	2007 & prior	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total
2007	73,562										
2008	70,464	27,353									
2009	69,185	28,100	27,442								
2010	68,866	28,297	27,512	28,823							
2011	68,929	28,002	26,928	28,257	29,912						
2012	70,380	27,630	26,950	28,250	29,610	30,007					
2013	69,987	27,478	26,718	27,962	29,029	28,863	29,407				
2014	70,432	27,378	26,557	27,958	29,074	28,736	29,560	30,625			
2015	70,277	27,292	26,524	27,943	28,990	28,498	29,490	30,560	32,649		
2016	69,950	27,156	26,445	27,834	28,893	28,334	29,206	30,244	32,211	33,116	
Surplus[1]	3,613	197	997	988	1,019	1,673	201	381	438	–[3]	9,507
Reduction 2016 to 2015[2]	327	136	79	109	97	164	285	315	438	–[3]	1,951

1 — Includes effects from foreign currency translation adjustments and other changes.
2 — The total development 2016 to 2015 of € 1,951 MN represents the cumulative surplus from reestimating the ultimate loss for prior year claims. Considering foreign currency translation adjustments of net € (41) MN as well as changes in the consolidated subsidiaries of the Allianz Group and other changes of in total € 174 MN, this leads to an effective run-off result of net € 2,084 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)

	Premiums earned (net)	Accident year								
		2008	2009	2010	2011	2012	2013	2014	2015	2016
	€ MN	%	%	%	%	%	%	%	%	%
2008	38,213	71.6								
2009	37,828	73.5	72.5							
2010	39,303	74.1	72.7	73.3						
2011	39,898	73.3	71.2	71.9	75.0					
2012	41,705	72.3	71.2	71.9	74.2	72.0				
2013	42,047	71.9	70.6	71.1	72.8	69.2	69.9			
2014	43,759	71.6	70.2	71.1	72.9	68.9	70.3	70.0		
2015	46,430	71.4	70.1	71.1	72.7	68.3	70.1	69.8	70.3	
2016	46,588	71.1	69.9	70.8	72.4	67.9	69.5	69.1	69.4	71.1

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 reporting date, the ultimate loss for each accident-year period would remain unchanged. 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, not the incurred loss from the consolidated income statement. 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 2016, reserves for loss and loss adjustment expenses, which are expected to be due in 2017 amounted to € 16,849 MN, while those expected to be due between 2018 and 2021 amounted to € 13,779 MN and those expected to be due after 2021 amounted to € 26,626 MN.

16 — Reserves for insurance and investment contracts

RESERVES FOR INSURANCE AND INVESTMENT CONTRACTS
€ MN

as of 31 December	2016	2015
Aggregate policy reserves	433,748	425,312
Reserves for premium refunds	70,664	59,732
Other insurance reserves	1,048	1,178
Total	**505,460**	**486,222**

AGGREGATE POLICY RESERVES

CHANGES IN AGGREGATE POLICY RESERVES
€ MN

	2016	2015
As of 1 January	**425,312**	**399,227**
Balance carry forward of discounted loss reserves	(3,882)	(3,597)
Subtotal	421,430	395,631
Foreign currency translation adjustments	2,820	9,358
Changes in the consolidated subsidiaries of the Allianz Group	(10,287)	–
Changes recorded in the consolidated income statement	196	2,546
Premiums collected	25,945	24,076
Separation of embedded derivatives	(555)	90
Interest credited	4,535	5,319
Dividends allocated to policyholders	1,224	1,368
Releases upon death, surrender and withdrawal	(15,719)	(16,145)
Policyholder charges	(1,643)	(1,652)
Portfolio acquisitions and disposals	(9)	(270)
Other changes[1]	1,757	1,108
Subtotal	429,693	421,430
Ending balance of discounted loss reserves	4,055	3,882
As of 31 December	**433,748**	**425,312**

1 — Mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.

RESERVES FOR PREMIUM REFUNDS

RESERVES FOR PREMIUM REFUNDS
€ MN

	2016	2015
Amounts already allocated under local statutory or contractual regulations		
As of 1 January	**15,400**	**15,020**
Foreign currency translation adjustments	7	29
Changes in the consolidated subsidiaries of the Allianz Group	(36)	–
Changes	731	351
As of 31 December	**16,101**	**15,400**
Latent reserves for premium refunds		
As of 1 January	**44,332**	**48,006**
Foreign currency translation adjustments	41	211
Changes in the consolidated subsidiaries of the Allianz Group	(10)	–
Changes due to fluctuations in market value	4,980	(8,629)
Changes due to valuation differences charged to income	5,220	4,743
As of 31 December	**54,563**	**44,332**
Total	**70,664**	**59,732**

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 2016 and 2015, the Allianz Group's reserves for insurance and investment contracts for the business segment Life/Health are summarized per reportable segment as follows:

CONCENTRATION OF INSURANCE RISK IN THE LIFE/HEALTH BUSINESS SEGMENT PER REPORTABLE SEGMENT
€ MN

as of 31 December	2016			2015		
	Reserves for insurance and investment contracts	Financial liabilities for unit-linked contracts	Total	Reserves for insurance and investment contracts	Financial liabilities for unit-linked contracts	Total
German Speaking Countries and Central & Eastern Europe	272,181	9,526	281,708	254,552	9,025	263,577
Western & Southern Europe, Middle East, Africa, India	112,109	64,702	176,811	110,407	59,826	170,233
Iberia & Latin America	9,590	505	10,095	9,359	454	9,813
USA	90,094	26,294	116,388	80,506	25,999	106,505
Global Insurance Lines & Anglo Markets	1,038	–	1,038	1,947	–	1,947
Asia Pacific	9,277	10,298	19,575	18,864	10,568	29,432
Consolidation	(3,413)	–	(3,413)	(3,625)	–	(3,625)
Total	**490,876**	**111,325**	**602,202**	**472,010**	**105,873**	**577,883**

The majority of the Allianz Group's Life/Health business segment operations are conducted in Western 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, life insurance business in Germany, Switzerland and Austria, which comprises approximately 49 % (2015: 47 %) of the Allianz Group's reserves for insurance and investment contracts as of 31 December 2016, includes 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, the geographic diversity of the Allianz Group's Life/Health business segment and 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 being 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 86 % (2015: 84 %) of the aggregate policy reserves in this business segment in 2016, can be summarized by country as follows:

WEIGHTED AVERAGE GUARANTEED MINIMUM INTEREST RATES OF LIFE INSURANCE ENTITIES

as of 31 December	2016			2015		
	Guaranteed rate	Aggregate policy reserves	% of total reserves[1]	Guaranteed rate	Aggregate policy reserves	% of total reserves[1]
	%	€ BN	%	%	€ BN	%
Germany	2.5	168.0	97.2	2.7	161.6	97.3
France	0.4	54.9	72.4	0.4	55.0	73.7
Italy	1.7	29.9	46.1	1.9	29.6	48.3
United States	0.6	90.1	77.4	0.7	80.5	75.6
Switzerland	1.7	12.0	95.3	1.8	11.7	94.6
Belgium	2.6	8.8	93.9	2.8	8.9	94.8

1 — Total reserves are the sum of aggregate policy reserves and financial liabilities for unit-linked contracts.

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 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.

FUTURE POLICY BENEFITS

As of 31 December 2016, benefits for insurance and investment contracts which are expected to be due in 2017 amounted to € 58 BN, while those expected to be due between 2018 and 2021 amounted to € 219 BN and those expected to be due after 2021 amounted to € 1,009 BN.

The resulting total benefits for insurance and investment contracts in the amount of € 1,286 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.

17 — Financial liabilities for unit-linked contracts

CHANGES IN FINANCIAL LIABILITIES FOR UNIT-LINKED INSURANCE CONTRACTS AND UNIT-LINKED INVESTMENT CONTRACTS
€ MN

	2016	2015
As of 1 January	**105,873**	**94,564**
Foreign currency translation adjustments	620	3,215
Changes in the consolidated subsidiaries of the Allianz Group	(1,079)	1
Premiums collected	16,189	20,948
Interest credited	3,994	1,182
Releases upon death, surrender and withdrawal	(10,547)	(10,653)
Policyholder charges	(1,857)	(1,934)
Portfolio acquisitions and disposals	(25)	(46)
Reclassifications[1]	(1,841)	(1,403)
As of 31 December[2]	**111,325**	**105,873**

1 — These reclassifications mainly relate to insurance contracts when policyholders change their contract from a unit-linked to a universal life-type contract.
2 — Consists of € 71,706 MN (2015: € 67,894 MN) unit-linked insurance contracts and € 39,620 MN (2015: € 37,979 MN) unit-linked investment contracts.

18 — Other liabilities

OTHER LIABILITIES
€ MN

as of 31 December	2016	2015
Payables		
Policyholders	4,908	5,006
Reinsurance	1,745	1,413
Agents	1,616	1,625
Subtotal	8,269	8,043
Payables for social security	478	428
Tax payables		
Income taxes	1,836	1,732
Other taxes	1,452	1,450
Subtotal	3,287	3,181
Accrued interest and rent	564	579
Unearned income	440	374
Provisions		
Pensions and similar obligations	9,401	9,149
Employee related	2,551	2,599
Share-based compensation plans	431	527
Restructuring plans	95	112
Other provisions	2,121	1,840
Subtotal	14,599	14,227
Deposits retained for reinsurance ceded	2,254	1,636
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	159	472
Financial liabilities for puttable equity instruments	2,894	2,585
Other liabilities	6,922	7,159
Total[1]	**39,867**	**38,686**

1 — Includes other liabilities due within one year of € 26,981 MN (2015: € 25,568 MN).

19 — Certificated and subordinated liabilities

CERTIFICATED AND SUBORDINATED LIABILITIES
€ MN[1]

	Contractual maturity date			as of 31 December 2016	as of 31 December 2015
	Up to 1 year	> 1 year up to 5 years	Over 5 years		
Senior bonds					
Fixed rate	–	2,734	3,840	6,574	6,833 [2]
Contractual interest rate	–	2.84 %	3.22 %	–	–
Floating rate	–	–	–	–	274 [3]
Money market securities					
Fixed rate	1,041	–	–	1,041	1,276
Contractual interest rate	0.70 %	–	–	–	–
Total certificated liabilities	**1,041**	**2,734**	**3,840**	**7,615**	**8,383**
Subordinated bonds					
Fixed rate[4]	–	–	3,157	3,157	1,967 [5]
Contractual interest rate	–	–	4.74 %	–	–
Floating rate	1,400 [6]	–	8,929	10,328	10,246
Current interest rate	4.38 %	–	4.47 %	–	–
Hybrid equity[7]					
Floating rate	–	–	45	45	45
Current interest rate	–	–	1.22 %	–	–
Total subordinated liabilities	**1,400**	**–**	**12,131**	**13,530**	**12,258**

1 — Except for interest rates. Interest rates represent the weighted average.
2 — Includes € 122 MN certificated liabilities issued by banking subsidiaries.
3 — Relates to certificated liabilities issued by banking subsidiaries.
4 — Change due to the issuance of a € 1.4 BN subordinated bond in the third quarter of 2016.
5 — Includes € 251 MN subordinated bonds issued by banking subsidiaries.
6 — On 3 January 2017, Allianz Finance II B.V. called for redemption the € 1.4 BN 4.375 % subordinated bond effective 17 February 2017.
7 — Relates to hybrid equity issued by subsidiaries.

BONDS OUTSTANDING AS OF 31 DECEMBER 2016
€ MN

	ISIN	Year of Issue	Currency	Notional amount	Coupon in %	Maturity date
Certificated liabilities						
Allianz Finance II B.V., Amsterdam	DE000A1HG1J8	2013	EUR	500	1.375	13 March 2018
	DE000A1AKHB8	2009	EUR	1,500	4.750	22 July 2019
	DE000A180B72	2016	EUR	750	0.000	21 April 2020
	DE000A1G0RU9	2012	EUR	1,500	3.500	14 February 2022
	DE000A1HG1K6	2013	EUR	750	3.000	13 March 2028
	DE000A180B80	2016	EUR	750	1.375	21 April 2031
	DE000A1HG1L4	2013	GBP	750	4.500	13 March 2043
Subordinated liabilities						
Allianz SE, Munich	DE000A1RE1Q3	2012	EUR	1,500	5.625	17 October 2042
	DE000A14J9N8	2015	EUR	1,500	2.241	7 July 2045
	XS0857872500	2012	USD	1,000	5.500	Perpetual
	DE000A1YCQ29	2013	EUR	1,500	4.750	Perpetual
	CH0234833371	2014	CHF	500	3.250	Perpetual
	DE000A13R7Z7	2014	EUR	1,500	3.375	Perpetual
	XS1485742438	2016	USD	1,500	3.875	Perpetual
Allianz Finance II B.V., Amsterdam	DE000A1GNAH1	2011	EUR	2,000	5.750	8 July 2041
	XS0211637839	2005	EUR	1,400	4.375	Perpetual
	DE000A0GNPZ3	2006	EUR	800	5.375	Perpetual

20 — Equity

EQUITY
€ MN

as of 31 December	2016	2015
Shareholders' equity		
Issued capital	1,170	1,170
Additional paid-in capital	27,758	27,758
Retained earnings[1]	27,336	24,222
Foreign currency translation adjustments	(754)	(926)
Unrealized gains and losses (net)[2,3]	11,830	10,920
Subtotal	67,341	63,144
Non-controlling interests	3,052	2,955
Total	**70,392**	**66,099**

1 — As of 31 December 2016, include € (157) MN (2015: € (159) MN) related to treasury shares.
2 — As of 31 December 2016, include € 297 MN (2015: € 239 MN) related to cash flow hedges.
3 — For further information, please refer to the consolidated statements of changes in equity, note 2 Accounting policies and new accounting pronouncements and note 7 Investments.

ISSUED CAPITAL

Issued capital as of 31 December 2016 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 2016, 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 contribution in kind. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded: (i) for fractional amounts, (ii) if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 of the German Stock Corporation Act (Aktiengesetz) do not exceed 10 % of the share capital, and (iii) to the extent necessary to grant a subscription right for new shares to the holders of bonds that carry conversion or option rights or provide for mandatory conversion. The subscription rights for new shares from the Authorized Capital 2014/I and the Conditional Capital 2010/2014 may only be excluded for the proportionate amount of the share capital of up to € 234 MN (corresponding to 20 % of the share capital at year-end 2013).

In addition, Allianz SE has authorized capital (Authorized Capital 2014/II) for the issuance of shares against cash until 6 May 2019. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of 31 December 2016, the Authorized Capital 2014/II amounted to € 14 MN (5,359,375 shares).

CONDITIONAL CAPITAL

As of 31 December 2016, 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 to the extent that the conversion or option rights or conversion obligations are not serviced through treasury shares or through shares from authorized capital.

Convertible subordinated notes totaling € 500 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 2016, there was no conversion of any such notes into new shares.

CHANGES IN THE NUMBER OF ISSUED SHARES OUTSTANDING

NUMBER OF ISSUED SHARES OUTSTANDING

	2016	2015
Number of issued shares outstanding as of 1 January	454,823,638	454,248,039
Changes in number of treasury shares	244,099	575,599
Number of issued shares outstanding as of 31 December	455,067,737	454,823,638
Treasury shares[1]	1,932,263	2,176,362
Total number of issued shares	**457,000,000**	**457,000,000**

1 — Thereof 1,931,677 (2015: 2,175,776) own shares held by Allianz SE.

PROPOSAL FOR APPROPRIATION OF NET EARNINGS

The Board of Management and the Supervisory Board propose that the net earnings ("Bilanzgewinn") of Allianz SE of € 3,855,866,165.01 for the 2016 fiscal year shall be appropriated as follows:

- Distribution of a dividend of € 7.60 per no-par share entitled to a dividend: € 3,458,515,257.20
- Unappropriated earnings carried forward: € 397,350,907.81

The proposal for appropriation of net earnings reflects the 1,932,203 treasury shares held directly and indirectly by the company at the time of the preparation ("Aufstellung") of the annual financial statements by the Board of Management on 14 February 2017. Such treasury shares are not entitled to the dividend pursuant to § 71b of the German Stock Corporation Act (AktG). Should there be any change in the number of shares entitled to the dividend by the date of the Annual General Meeting, the above proposal will be amended accordingly and presented for resolution on the appropriation of net earnings at the Annual General Meeting, with an unchanged dividend of € 7.60 per each share entitled to dividend.

TREASURY SHARES

As of 31 December 2016, Allianz SE held 1,931,677 (2015: 2,175,776) treasury shares. Of these, 905,648 (2015: 1,522,732) were held for covering future subscriptions by employees in Germany and abroad in the context of Employee Stock Purchase Plans, whereas 1,026,029 (2015: 653,044) were held as a hedge for obligations from the Allianz Equity Incentive Program (former Group Equity Incentive Program).

In the year ending 31 December 2016, 617,084 (2015: 575,584) shares were sold to employees of Allianz SE, as well its subsidiaries in Germany and abroad in the context of the Employee Stock Purchase Plan. These shares were taken from the stock of treasury shares dedicated to this purpose. In 2016, as in the previous year, no capital increase for the purpose of Employee Stock Purchase Plans was undertaken. Employees of the Allianz Group purchased shares at prices ranging from € 94.54 (2015: € 98.42) to € 121.84 (2015: € 125.84) per share. As of 31 December 2016, the remaining treasury shares of Allianz SE held for covering subscriptions by employees in the context of the Employee Stock Purchase Plan of Allianz SE and its subsidiaries in Germany and abroad amounted to 905,648 shares.

In July 2016, Allianz SE purchased 1,189,514 treasury shares at an average price of € 122.08 for the purpose of hedging obligations from the Allianz Equity Incentive Program. For reasons of hedge accounting, Allianz SE reduced this position of treasury shares in August 2016 by 816,529 shares at an average price of € 129.78 and, at the same time, entered into corresponding forward transactions on Allianz shares at an identical reference price. As of 31 December 2016, the remaining treasury shares of Allianz SE held as a hedge for obligations from the Allianz Equity Incentive Program amounted to 1,026,029 shares.

In the year ending 31 December 2016, the total number of treasury shares of Allianz SE decreased by 244,099 (2015: decrease of 575,584) shares, which corresponds to € 624,893 (2015: € 1,473,495) or 0.05 % (2015: 0.126 %) of issued capital.

The treasury shares of Allianz SE and its subsidiaries represent € 5 MN (2015: € 6 MN) or 0.42 % (2015: 0.48 %) of the issued capital.

NON-CONTROLLING INTERESTS

NON-CONTROLLING INTERESTS
€ MN

as of 31 December	2016	2015
Unrealized gains and losses (net)	174	162
Share of earnings	367	371
Other equity components	2,510	2,422
Total	**3,052**	**2,955**

CAPITAL REQUIREMENTS

The Allianz Group's capital requirements primarily depend 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, internal capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. These plans also form the basis for the Allianz Group's capital management. Internal capital requirements are determined by explicitly taking stress resilience into account. Regulators impose minimum capital requirements at the level of the Allianz Group's operating entities and the Allianz Group as a whole. For further details on how Allianz Group manages its capital, please refer to the the section "Target and strategy of risk management" of the Risk and Opportunity Report.

With Solvency II being the binding regulatory regime since 1 January 2016 and the approval of the partial internal model[1], risk is measured and steered based on the risk profile underlying the regulatory capital requirement which is based on the internal model. The Allianz Group's own funds as well as capital requirements are based on the market value balance sheet approach as the major economic principle of Solvency II rules[2]. In order to determine the eligible own funds, the MVBS excess of assets over liabilities as the basis for the own funds compilation is derived mainly by deducting goodwill and intangible assets and adding valuation adjustments to the IFRS equity. To arrive at the eligible own funds, mainly subordinated liabilities are added to and foreseeable dividends and transferability deductions are subtracted from the MVBS excess of assets over liabilities. Compared to year-end 2015, the Solvency II capitalization of the Allianz Group increased by 18 percentage points to 218 %. This was driven by an increase in own funds mainly due to strong Solvency II earnings and the sale of the South Korean life business. This was partially offset by market movements mainly due to decreased interest rates as well as dividend accrual and changes in transferable amount of own funds resulting from changed risk capital requirements. For further information on the Solvency II capitalization, please refer to the section "Solvency II regulatory capitalization" of the Risk and Opportunity Report.

The Allianz Group is a financial conglomerate within the scope of the Financial Conglomerates Directive (FCD). The FCD does not impose a materially different capital requirement on Allianz Group compared to Solvency II.

Insurance subsidiaries of the Allianz Group including Allianz SE prepare individual financial statements based on local laws and regulations. Local regulations establish 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, the volume of premiums written or claims paid, amount of insurance reserves, investment risks, mortality risks, credit risks, and underwriting risks.

As of 31 December 2016, the Allianz Group believes that there are no outstanding regulatory capital or compliance matters that would have a material adverse effect on the financial position or the results of operations of the Allianz Group.

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. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future.

1 — From a formalistic perspective, the German Supervisory Authority deems the model to be "partial" because it does not cover all of the operations: some of the smaller operations report under the standard model and others under the deduction and aggregation approach.

2 — 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 67.

NOTES TO THE CONSOLIDATED INCOME STATEMENTS

21 — Premiums earned (net)

PREMIUMS EARNED (NET)
€ MN

	Property-Casualty	Life/Health	Consolidation	Group
2016				
Premiums written				
Gross	51,535	24,929	(134)	76,331
Ceded	(4,397)	(638)	134	(4,901)
Net	47,139	24,291	–	71,430
Change in unearned premiums (net)	(550)	(522)	–	(1,073)
Premiums earned (net)	**46,588**	**23,769**	**–**	**70,357**
2015				
Premiums written				
Gross	51,597	25,237	(110)	76,723
Ceded	(4,933)	(713)	110	(5,536)
Net	46,664	24,524	–	71,188
Change in unearned premiums (net)	(234)	(309)	–	(543)
Premiums earned (net)	**46,430**	**24,215**	**–**	**70,645**

22 — Interest and similar income

INTEREST AND SIMILAR INCOME
€ MN

	2016	2015
Dividends from available-for-sale investments	1,816	1,895
Interest from available-for-sale investments	14,020	14,276
Interest from loans to banks and customers	4,550	4,731
Rent from real estate held for investment	890	896
Other	872	846
Total	**22,149**	**22,643**

23 — 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

	2016	2015
Income from financial assets and liabilities held for trading (net)	(2,416)	(3,936)
Income from financial assets and liabilities designated at fair value through income (net)	139	12
Income from financial liabilities for puttable equity instruments (net)	6	13
Foreign currency gains and losses (net)[1]	1,272	1,604
Total	**(999)**	**(2,307)**

1 — 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.

24 — Realized gains/losses (net)

REALIZED GAINS/LOSSES (NET)
€ MN

	2016	2015
REALIZED GAINS		
Available-for-sale investments		
Equity securities	2,445	3,349
Debt securities	5,765	4,486
Subtotal	8,211	7,834
Loans and advances to banks and customers	1,042	876
Other	435	370
Subtotal	9,687	9,081
REALIZED LOSSES		
Available-for-sale investments		
Equity securities	(397)	(267)
Debt securities	(781)	(866)
Subtotal	(1,178)	(1,133)
Other	(107)	(11)
Subtotal	(1,284)	(1,144)
Total	**8,403**	**7,937**

25 — Fee and commission income

FEE AND COMMISSION INCOME
€ MN

	2016	2015
PROPERTY-CASUALTY		
Fees from credit and assistance business	1,051	995
Service agreements	476	478
Subtotal	1,527	1,474
LIFE/HEALTH		
Service agreements	120	93
Investment advisory	1,226	1,237
Subtotal	1,346	1,331
ASSET MANAGEMENT		
Management and advisory fees	6,403	6,795
Loading and exit fees	485	575
Performance fees	474	607
Other	39	34
Subtotal	7,401	8,011
CORPORATE AND OTHER		
Service agreements	330	234
Investment advisory and banking activities	735	741
Subtotal	1,066	974
CONSOLIDATION	(850)	(845)
Total	**10,491**	**10,945**

26 — Other income

OTHER INCOME
€ MN

	2016	2015
Income from real estate held for own use	100	36
Other	–	206 [1]
Total	**100**	**241**

1 — Includes a net gain of € 0.2 BN on the sale of the personal insurance business of Fireman's Fund Insurance Company to ACE Limited. The sale was an integral part of the reorganization of Allianz Group's Property-Casualty insurance business in the United States.

27 — Claims and insurance benefits incurred (net)

CLAIMS AND INSURANCE BENEFITS INCURRED (NET)
€ MN

	Property-Casualty	Life/Health	Consolidation	Group
2016				
Gross	(32,872)	(23,122)	81	(55,914)
Ceded	2,296	538	(76)	2,758
Net	**(30,576)**	**(22,584)**	**5**	**(53,156)**
2015				
Gross	(33,008)	(21,536)	72	(54,472)
Ceded	2,287	550	(67)	2,770
Net	**(30,721)**	**(20,986)**	**5**	**(51,702)**

28 — 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
2016				
Gross	(575)	(12,792)	(135)	(13,502)
Ceded	14	315	–	329
Net	**(561)**	**(12,477)**	**(135)**	**(13,173)**
2015				
Gross	(470)	(13,901)	(55)	(14,425)
Ceded	9	352	–	361
Net	**(460)**	**(13,550)**	**(55)**	**(14,065)**

29 — Interest expenses

INTEREST EXPENSES
€ MN

	2016	2015
Liabilities to banks and customers	(170)	(207)
Deposits retained for reinsurance ceded	(45)	(47)
Certificated liabilities	(286)	(294)
Subordinated liabilities	(595)	(580)
Other	(111)	(97)
Total	**(1,207)**	**(1,224)**

30 — Impairments of investments (net)

IMPAIRMENTS OF INVESTMENTS (NET)
€ MN

	2016	2015
Impairments		
Available-for-sale investments		
Equity securities	(1,560)	(1,156)
Debt securities	(122)	(344)
Subtotal	(1,683)	(1,500)
Other	(46)	(74)
Non-current assets and assets of disposal groups classified as held for sale	(315)	–
Subtotal	(2,043)	(1,575)
Reversals of impairments	103	48
Total	**(1,940)**	**(1,526)**

31 — Investment expenses

INVESTMENT EXPENSES
€ MN

	2016	2015
Investment management expenses	(735)	(676)
Expenses from real estate held for investment	(418)	(418)
Expenses from fixed assets of renewable energy investments	(153)	(121)
Total	**(1,306)**	**(1,215)**

32 — Acquisition and administrative expenses (net)

ACQUISITION AND ADMINISTRATIVE EXPENSES (NET)
€ MN

	2016	2015
PROPERTY-CASUALTY		
Acquisition costs	(10,307)	(10,214)
Administrative expenses	(3,044)	(3,175) [1]
Subtotal	(13,352)	(13,388)
LIFE/HEALTH		
Acquisition costs	(4,782)	(5,215)
Administrative expenses	(1,829)	(1,720) [1]
Subtotal	(6,612)	(6,934)
ASSET MANAGEMENT		
Personnel expenses	(2,292)	(2,576) [1]
Non-personnel expenses	(1,522)	(1,585)
Subtotal	(3,815)	(4,161)
CORPORATE AND OTHER		
Administrative expenses	(1,466)	(1,264) [1]
Subtotal	(1,466)	(1,264)
CONSOLIDATION	(58)	30
Total	**(25,301)**	**(25,718)**

1 — Include one-off effects from pension revaluation.

33 — Fee and commission expenses

FEE AND COMMISSION EXPENSES
€ MN

	2016	2015
PROPERTY-CASUALTY		
Fees from credit and assistance business	(1,043)	(999)
Service agreements	(364)	(367)
Subtotal	(1,407)	(1,367)
LIFE/HEALTH		
Service agreements	(53)	(46)
Investment advisory	(602)	(553)
Subtotal	(655)	(599)
ASSET MANAGEMENT		
Commissions	(1,307)	(1,440)
Other	(75)	(83)
Subtotal	(1,382)	(1,523)
CORPORATE AND OTHER		
Service agreements	(526)	(410)
Investment advisory and banking activities	(299)	(335)
Subtotal	(825)	(745)
CONSOLIDATION	535	457
Total	**(3,734)**	**(3,777)**

34 — Income taxes

INCOME TAXES
€ MN

	2016	2015
Current income taxes	(2,666)	(2,889)
Deferred income taxes	(376)	(320)
Total	**(3,042)**	**(3,209)**

During the year ended 31 December 2016, current income taxes included expenses of € 178 MN (2015: income of € 73 MN) related to prior years.

Of the deferred income taxes for the year ended 31 December 2016, expenses of € 322 MN (2015: € 309 MN) are attributable to the recognition of deferred taxes on temporary differences, and expenses of € 41 MN (2015: € 12 MN) are attributable to tax losses carried forward. Changes of applicable tax rates due to changes in tax law produced deferred tax expenses of € 13 MN (2015: tax income of € 1 MN).

For the years ended 31 December 2016 and 2015, the income taxes relating to components of other comprehensive income consist of the following:

INCOME TAXES RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME
€ MN

	2016	2015
Items that may be reclassified to profit or loss in future periods		
Foreign currency translation adjustments	(28)	119
Available-for-sale investments	(807)	1,775
Cash flow hedges	(33)	34
Share of other comprehensive income of associates and joint ventures	10	(1)
Miscellaneous	(14)	(19)
Items that may never be reclassified to profit or loss		
Actuarial gains and losses on defined benefit plans	148	(228)
Total	**(724)**	**1,679**

The recognized income taxes for the year ended 31 December 2016 are € 32 MN below (2015: € 155 MN above) the calculated income taxes, which are determined by multiplying the respective income before income taxes with the applicable country-specific tax rates. The following table shows the reconciliation from the calculated income taxes to the effectively recognized income 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 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 % (2015: 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

	2016	2015
Income before income taxes	10,292	10,196
Applied weighted income tax rate	29.9 %	30.0 %
Calculated income taxes	**3,074**	**3,054**
Trade tax and similar taxes	193	184
Net tax exempt income	(309)	(108)
Effects of tax losses	61	82
Other effects	23	(3)
Effective income taxes	3,042	3,209
Effective tax rate	**29.6 %**	**31.5 %**

For the year ended 31 December 2016, the write-down of deferred taxes on tax losses increased the tax expenses by € 103 MN (2015: € 113 MN). The reversal of write-down of deferred tax assets on tax losses carried forward resulted in deferred tax income of € 9 MN (2015: € – 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 € 1 MN (2015: € 3 MN). Deferred tax income increased by € 32 MN (2015: € 28 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 2016 ranged from 10.0 % to 45.0 %, with changes to tax rates that had already been adopted in France, Hungary, Luxembourg, Slovakia and the United Kingdom until 31 December 2016 taken into account.

Deferred tax assets on losses carried forward are recognized to the extent to which it is more likely than not that sufficient future taxable profits will be available for realization. Entities which suffered a tax loss in either the current or the preceding period recognized deferred tax assets in excess of deferred tax liabilities amounting to € 334 MN (2015: € 466 MN), as there was convincing other evidence that sufficient taxable profit will be available.

DEFERRED TAX ASSETS AND LIABILITIES

DEFERRED TAX ASSETS AND LIABILITIES
€ MN

as of 31 December	2016	2015
DEFERRED TAX ASSETS		
Financial assets carried at fair value through income	80	136
Investments	4,558	4,995
Deferred acquisition costs	1,204	967
Other assets	1,566	1,435
Intangible assets	254	170
Tax losses carried forward	2,252	2,373
Insurance reserves	5,258	4,888
Pensions and similar obligations	4,551	4,455
Other liabilities	1,133	1,214
Total deferred tax assets	20,855	20,633
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(807)	(759)
Effect of netting	(19,045)	(18,480)
Net deferred tax assets	**1,003**	**1,394**
DEFERRED TAX LIABILITIES		
Financial assets carried at fair value through income	187	235
Investments	10,181	9,357
Deferred acquisition costs	4,991	4,958
Other assets	1,388	1,267
Intangible assets	804	661
Insurance reserves	3,084	2,808
Pensions and similar obligations	2,635	2,674
Other liabilities	597	524
Total deferred tax liabilities	23,867	22,483
Effect of netting	(19,045)	(18,480)
Net deferred tax liabilities	**4,822**	**4,003**
Net deferred tax assets (liabilities)	**(3,819)**	**(2,609)**

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 € 1,150 MN (2015: € 585 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 € 97 MN (2015: € 98 MN).

TAX LOSSES CARRIED FORWARD

Tax losses carried forward at 31 December 2016 of € 9,697 MN (2015: € 10,395 MN) resulted in the recognition of deferred tax assets to the extent that there is sufficient certainty that the unused tax losses will be utilized. At the reporting date, this prerequisite was not fulfilled for a partial amount of € 3,010 MN (2015: € 2,835 MN). According to tax legislation as of 31 December 2016, an amount of € 2,801 MN (2015: € 2,487 MN) of these tax losses may be carried forward indefinitely and in unlimited amounts whereas an amount of € 209 MN (2015: € 348 MN) of these tax losses carried forward will expire over the next 20 years if not utilized.

Tax losses carried forward are scheduled according to their expiry periods as follows:

TAX LOSSES CARRIED FORWARD
€ MN

	2016
2017	12
2018–2019	116
2020–2021	147
2022–2026	106
>10 years	175
Unlimited	9,139
Total	**9,697**

OTHER INFORMATION

35 — Derivative financial instruments

DERIVATIVE FINANCIAL INSTRUMENTS
€ MN

as of 31 December	2016						2015		
	Maturity by notional amount								
	Up to 1 year	1–5 years	Over 5 years	Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
Interest rate contracts									
OTC	6,057	24,826	87,757	118,640	1,201	(275)	78,826	1,008	(626)
Exchange-traded	12,933	–	–	12,933	–	–	4,195	–	–
Subtotal	18,990	24,826	87,757	131,573	1,201	(275)	83,022	1,008	(626)
Equity/Index contracts									
OTC	160,223	3,110	31,681	195,014	931	(10,032)	160,973	571	(8,492)
Exchange-traded	60,089	240	–	60,329	428	(32)	18,112	73	–
Subtotal	220,312	3,350	31,681	255,343	1,359	(10,064)	179,085	644	(8,492)
Foreign exchange contracts									
OTC	50,143	1,566	919	52,628	545	(534)	46,988	482	(424)
Exchange-traded	8	–	–	8	–	–	–	–	–
Subtotal	50,151	1,566	919	52,636	545	(534)	46,988	482	(424)
Credit contracts									
OTC	695	2,155	993	3,843	5	(20)	2,783	11	(132)
Subtotal	695	2,155	993	3,843	5	(20)	2,783	11	(132)
Real estate contracts									
OTC	5	–	–	5	–	–	6	–	–
Subtotal	5	–	–	5	–	–	6	–	–
Total	**290,153**	**31,897**	**121,350**	**443,400**	**3,110**	**(10,893)**	**311,883**	**2,146**	**(9,675)**

The table shows the fair value and notional amounts of all freestanding derivatives as well as derivatives for which hedge accounting is applied by the Allianz Group as of 31 December 2016 and 2015, 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 risk can be found in the sections on market and credit risk of the Risk and Opportunity Report, which forms part of the Group Management Report.

FREESTANDING DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2016, freestanding derivatives, included in the line item financial assets and liabilities held for trading, had a notional principal amount of € 426.1 BN (2015: € 292.1 BN) as well as a positive fair value of € 2.4 BN (2015: € 1.6 BN) and a negative fair value of € 10.7 BN (2015: € 9.2 BN). Out of the total allocated to the freestanding derivatives, € 265.9 BN (2015: € 202.9 BN) of the notional principal relate to annuity products or derivatives to hedge the annuity products. Annuity 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 € 9.4 BN (2015: € 7.8 BN). Further information on the fair value measurement of these derivatives can be found in note 36 Fair values and carrying amounts of financial instruments.

DERIVATIVE FINANCIAL INSTRUMENTS USED IN ACCOUNTING HEDGES

As of 31 December 2016, derivatives which form part of hedge accounting relationships, which are included in the line items other assets and other liabilities, had a notional amount of € 17.3 BN (2015: € 19.8 BN) as well as a positive fair value of € 677 MN (2015: € 565 MN) and a negative fair value of € 159 MN (2015: € 472 MN). These hedging instruments mainly include interest rate forwards with a total positive fair value of € 422 MN (2015: € 76 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 2016, the derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value of € 39 MN (2015: € 177 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 2016, the derivatives used as hedging instruments in the related fair value hedges had a total positive fair value of € 11 MN (2015: € 84 MN).

For the year ended 31 December 2016, the Allianz Group recognized for fair value hedges a net loss of € – MN (2015: net gain of € 3 MN) on the hedging instruments and a net gain of € 1 MN (2015: net loss of € 9 MN) on the hedged items attributable to the hedged risk.

CASH FLOW HEDGES

During the year ended 31 December 2016, cash flow hedges were used to hedge the exposure to the variability of cash flows arising from interest rate or exchange rate fluctuations as well as inflation. As of 31 December 2016, the derivative instruments utilized had a total positive fair value of € 540 MN (2015: € 177 MN). Unrealized gains and losses (net) in shareholders' equity increased by € 58 MN (2015: decreased by € 49 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 2016, the Allianz Group hedges part of its U.S. Dollar, British Pound, Australian Dollar, Czech Koruna, and Swiss Franc net investments through the issuance of British Pound and Swiss Franc denominated liabilities with a nominal amount of GBP 0.8 BN and CHF 0.5 BN, as well as the use of forward sales of U.S. Dollar, British Pound, Australian Dollar, Czech Koruna and Swiss Franc with a notional of USD 0.5 BN, GBP 0.4 BN, AUD 0.4 BN, CZK 1.4 BN and CHF 0.2 BN. The total positive fair value in 2016 was € 6 MN (2015: € 9 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 36 Fair values and carrying amounts of financial instruments.

36 — Fair values and carrying amounts of financial instruments

Certain risk disclosure requirements of IFRS 7 are reflected in the following sections of the Risk and Opportunity Report within the Group Management Report:

- Internal risk capital framework including all subsections,
- Risk based steering and risk management,
- Allianz risk profile and management assessment,
- Market risk, credit risk and liquidity risk in the section quantifiable risks and opportunities by risk category.

FAIR VALUES AND CARRYING AMOUNTS

The following table compares the carrying amount and 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	2016		2015	
	Carrying amount	Fair value	Carrying amount	Fair value
FINANCIAL ASSETS				
Cash and cash equivalents	14,463	14,463	14,842	14,842
Financial assets held for trading	2,907	2,907	2,258	2,258
Financial assets designated at fair value through income	5,426	5,426	5,010	5,010
Available-for-sale investments	512,268	512,268	488,365	488,365
Held-to-maturity investments	2,399	2,805	2,745	3,165
Investments in associates and joint ventures	7,161	9,031	5,056	6,207
Real estate held for investment	11,732	18,380	11,977	17,810
Loans and advances to banks and customers	105,369	124,422	117,630	136,397
Financial assets for unit-linked contracts	111,325	111,325	105,873	105,873
Derivative financial instruments and firm commitments included in other assets	677	677	565	565
FINANCIAL LIABILITIES				
Financial liabilities held for trading	10,737	10,737	9,207	9,207
Liabilities to banks and customers	13,038	13,062	25,531	25,563
Financial liabilities for unit-linked contracts	111,325	111,325	105,873	105,873
Derivative financial instruments and firm commitments included in other liabilities	159	159	472	472
Financial liabilities for puttable equity instruments	2,894	2,894	2,585	2,585
Certificated liabilities	7,615	8,530	8,383	9,208
Subordinated liabilities	13,530	14,256	12,258	13,100

As of 31 December 2016, fair values could not be reliably measured for equity investments with carrying amounts totaling € 100 MN (31 December 2015: € 216 MN). These investments are primarily investments in privately held corporations and partnerships. During the year ended 31 December 2016, such investments with carrying amounts of € 58 MN (2015: € 62 MN) were sold. The gains and losses from these disposals were immaterial.

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 table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of 31 December 2016 and 2015:

FAIR VALUE HIERARCHY (ITEMS CARRIED AT FAIR VALUE)
€ MN

as of 31 December	2016				2015			
	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
FINANCIAL ASSETS								
Financial assets carried at fair value through income								
Financial assets held for trading	447	2,451	9	2,907	192	2,018	47	2,258
Financial assets designated at fair value through income	4,205	1,043	178	5,426	3,836	1,037	137	5,010
Subtotal	4,652	3,494	187	8,333	4,027	3,055	184	7,268
Available-for-sale investments								
Corporate bonds	29,233	201,489	14,152	244,874	28,428	182,185	9,754	220,367
Government and government agency bonds	33,476	165,099	339	198,914	41,977	159,999	47	202,023
MBS/ABS	175	20,702	519	21,396	210	20,673	532	21,414
Other	783	1,018	2,504	4,305	627	1,762	1,548	3,938
Equity securities	34,169	781	7,829	42,779	32,932	776	6,915	40,624
Subtotal	97,836	389,089	25,342	512,268	104,174	365,396	18,796	488,365
Financial assets for unit-linked contracts	91,071	19,877	377	111,325	102,954	2,755	164	105,873
Derivative financial instruments and firm commitments included in other assets	–	677	–	677	–	565	–	565
Total	**193,560**	**413,137**	**25,906**	**632,603**	**211,155**	**371,770**	**19,145**	**602,071**
FINANCIAL LIABILITIES								
Financial liabilities held for trading	36	1,538	9,163	10,737	28	1,046	8,134	9,207
Financial liabilities for unit-linked contracts	91,071	19,877	377	111,325	102,954	2,755	164	105,873
Derivative financial instruments and firm commitments included in other liabilities	3	156	–	159	–	472	–	472
Financial liabilities for puttable equity instruments	2,657	92	145	2,894	2,496	71	19	2,585
Total	**93,767**	**21,664**	**9,686**	**125,117**	**105,478**	**4,343**	**8,317**	**118,137**

1 — Quoted prices in active markets
2 — Market observable inputs
3 — Non-market observable inputs

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, it 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
The fair value is mainly determined based on the income approach, using present value techniques and the Black-Scholes-Merton model. Primary inputs for the valuation include volatilities, interest rates, yield curves, and foreign exchange rates observable at commonly quoted intervals.

Financial assets designated at fair value through income – Debt securities
The fair value is mainly determined based on net asset values for funds and 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 for 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 that a present value technique is applied 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 as 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 capital invested 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. Valuation techniques applied for the income approach mainly include discounted cash flow models as well as the Black-Scholes-Merton model.

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 and level 3, the fair value is mainly determined using present value techniques.

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. The same policy applies for transfers from level 2 to level 1.

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 in most cases are delivered as net asset values by the fund managers (€ 6.2 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 capital invested 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. The primary non-market observable input used in the discounted cash flow method is an option-adjusted spread taken from a benchmark security (€ 7.3 BN). 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 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 (€ 8.9 BN). A significant decrease (increase) in surrender rates, in mortality rates, or in 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 immaterial impact on fair value.

Quantification of significant non-market observable inputs

The following table shows the quantitative description of the 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 2016	Valuation technique(s)	Non-market observable input(s)	Range
Available-for-sale investments				
Equity securities	6,205	Net asset value	n/a	n/a
Corporate bonds	7,283	Discounted cash flow method	Option-adjusted spread	n/m [1]
Financial liabilities held for trading				
Derivative financial instruments	8,943			
Fixed-indexed annuities	6,668	Discounted cash flow method	Annuitizations	0 %–25 %
			Surrenders	0 %–25 %
			Mortality	n/a [2]
			Withdrawal benefit election	0 %–50 %
			Volatility	n/a
Variable annuities	2,275	Discounted cash flow method	Surrenders	0.5 % –35 %
			Mortality	n/a [2]

1 — Presentation not meaningful.
2 — Presentation not meaningful. Mortality assumptions are mainly derived from the Annuity 2000 Mortality Table.

Reconciliation of level 3 financial instruments

The following tables show reconciliations of the financial instruments carried at fair value and classified as level 3:

RECONCILIATION OF LEVEL 3 FINANCIAL ASSETS
€ MN

	Financial assets carried at fair value through income	Available-for-sale investments – Debt securities[1]	Available-for-sale investments – Equity securities	Financial assets for unit-linked contracts	Total
Carrying value (fair value) as of 1 January 2016	**184**	**11,881**	**6,915**	**164**	**19,145**
Additions through purchases and issues	19	5,621	2,079	103	7,821
Net transfers into (out of) level 3	(30)	47	38	(6)	50
Disposals through sales and settlements	(43)	(1,189)	(1,026)	(4)	(2,261)
Net gains (losses) recognized in consolidated income statement	21	(38)	84	2	68
Net gains (losses) recognized in other comprehensive income	–	593	159	–	752
Impairments	–	(38)	(214)	–	(252)
Foreign currency translation adjustments	2	314	32	–	348
Changes in the consolidated subsidiaries of the Allianz Group	34	322	(239)	118	235
Carrying value (fair value) as of 31 December 2016	**187**	**17,513**	**7,829**	**377**	**25,906**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial assets held at the reporting date	6	(15)	–	2	(6)

1 — Primarily include corporate bonds.

RECONCILIATION OF LEVEL 3 FINANCIAL LIABILITIES
€ MN

	Financial liabilities held for trading	Financial liabilities for unit-linked contracts	Financial liabilities for puttable equity instruments	Total
Carrying value (fair value) as of 1 January 2016	**8,134**	**164**	**19**	**8,317**
Additions through purchases and issues	1,857	103	144	2,104
Net transfers into (out of) level 3	(26)	(6)	–	(32)
Disposals through sales and settlements	(2,016)	(4)	(18)	(2,038)
Net gains (losses) recognized in consolidated income statement	872	2	–	874
Net gains (losses) recognized in other comprehensive income	–	–	–	–
Impairments	–	–	–	–
Foreign currency translation adjustments	346	–	–	346
Changes in the consolidated subsidiaries of the Allianz Group	(3)	118	–	115
Carrying value (fair value) as of 31 December 2016	**9,163**	**377**	**145**	**9,686**
Net gains (losses) in profit or loss attributable to a change in unrealized gains or losses for financial liabilities held at the reporting date	1,391	2	–	1,394

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 30 Impairments of investments (net).

FAIR VALUE INFORMATION ABOUT FINANCIAL ASSETS AND LIABILITIES NOT CARRIED AT FAIR VALUE

FAIR VALUE HIERARCHY (ITEMS NOT CARRIED AT FAIR VALUE)
€ MN

as of 31 December	2016				2015			
	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total	Level 1 [1]	Level 2 [2]	Level 3 [3]	Total
FINANCIAL ASSETS								
Held-to-maturity investments	1,434	1,368	3	2,805	1,677	1,452	36	3,165
Investments in associates and joint ventures	99	148	8,784	9,031	362	40	5,806	6,207
Real estate held for investment	–	–	18,380	18,380	–	–	17,810	17,810
Loans and advances to banks and customers	5,913	80,130	38,378	124,422	4,978	82,913	48,505	136,397
Total	**7,446**	**81,647**	**65,544**	**154,637**	**7,018**	**84,405**	**72,156**	**163,579**
FINANCIAL LIABILITIES								
Liabilities to banks and customers	7,113	4,053	1,896	13,062	8,574	3,938	13,051	25,563
Certificated liabilities	–	8,479	51	8,530	–	8,625	583	9,208
Subordinated liabilities	–	14,256	–	14,256	–	12,829	271	13,100
Total	**7,113**	**26,788**	**1,946**	**35,847**	**8,574**	**25,392**	**13,905**	**47,871**

1 — Quoted prices in active markets
2 — Market observable inputs
3 — Non-market observable inputs

HELD-TO-MATURITY INVESTMENTS

For level 2 and level 3, 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.

INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

For level 2 and 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 using the market or the income approach. The valuation techniques applied for the market approach include market prices of identical or comparable assets in markets that 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 mainly consists 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 mainly consists 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 based on the income approach, using present value techniques. 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.

TRANSFERS OF FINANCIAL ASSETS
As of 31 December 2016, the Allianz Group substantially retained all the risks and rewards out of the ownership of transferred assets. There have not been any 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 2016, the carrying amount of the assets transferred for securities lending transactions amounted to € 6,526 MN (2015: € 5,294 MN). For repurchase agreements, the carrying amount of the assets transferred amounted to € – MN (2015: € 1,394 MN) and the carrying amount of the associated liabilities amounted to € – MN (2015: € 1,410 MN) due to the reclassification of the Oldenburgische Landesbank AG as disposal group classified as held for sale.

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	2016	2015
Collaterals without right to resell or repledge		
Financial assets carried at fair value through income	9	7
Investments	6,240	6,337
Loans and advances to banks and customers	2,618	2,726
Subtotal	8,867	9,070
Collaterals with right to resell or repledge		
Investments	3,810	2,295
Subtotal	3,810	2,295
Total	**12,677**	**11,365**

Financial assets are pledged as collateral as part of sales and repurchases, securities borrowing, and transactions with derivatives, under terms that are usual and customary for such activities. In addition, as part of these transactions, the Allianz Group has received collateral that it is permitted to sell or repledge in the absence of default. As of 31 December 2016, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 3,799 MN (2015: € 2,349 MN), which the Allianz Group has the right to sell or repledge. For the years ended 31 December 2016 and 2015, no previously received collateral was sold or repledged by the Allianz Group.

As of 31 December 2016, the Allianz Group received cash collateral with a carrying amount of € 163 MN (2015: € 212 MN).

37 — Interests in unconsolidated structured entities

NATURE, PURPOSE AND ROLE OF THE ALLIANZ GROUP IN STRUCTURED ENTITIES
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 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), 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 € 1,597 MN as of 31 December 2016 (2015: € 1,753 MN). 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 asset management. 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 helps 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 mainly asset management fees and performance based fees.

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 25 Fee and commission income of this Annual Report.

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	Financial assets carried at fair value through income	Investments	Loans and advances to banks and customers	Total
2016				
U.S. Agency	–	4,587	–	4,587
CMBS	–	8,030	–	8,030
CMO/CDO	–	2,914	105	3,019
Auto	–	606	–	606
Credit card	–	206	–	206
Other	1	5,100	14	5,115
Total	**1**	**21,443**	**119**	**21,563**
2015				
U.S. AGENCY	–	3,584	–	3,584
CMBS	–	9,433	–	9,433
CMO/CDO	2	3,554	165	3,721
Auto	–	468	–	468
Credit card	–	284	–	284
Other	2	4,096	28	4,126
Total	**4**	**21,419**	**193**	**21,616**

CARRYING AMOUNTS OF ABS AND MBS INVESTMENTS BY RATING
€ MN

as of 31 December	Financial assets carried at fair value through income	Investments	Loans and advances to banks and customers	Total
2016				
AAA	–	17,491	–	17,491
AA	–	2,187	101	2,288
A	–	935	–	935
BBB	–	532	–	532
Non-investment grade	–	293	4	297
Not rated	1	5	14	20
Total	**1**	**21,443**	**119**	**21,563**
2015				
AAA	–	16,000	–	16,000
AA	–	2,796	161	2,957
A	–	1,723	–	1,723
BBB	–	558	–	558
Non-investment grade	2	328	4	335
Not rated	1	14	28	44
Total	4	21,419	193	21,616

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 21,425 MN (2015: € 21,244 MN). This amortized cost amount represents 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 does it have 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	Financial assets carried at fair value through income	Investments	Total
2016			
Debt funds	503	6,122	6,625
Stock funds	867	3,019	3,886
Private equity funds	7	7,326	7,333
Property funds	–	3,330	3,330
Other funds	271	401	672
Total	**1,648**	**20,198**	**21,846**
2015			
Debt funds	499	5,399	5,898
Stock funds	881	2,984	3,865
Private equity funds	1	6,360	6,361
Property funds	–	2,633	2,633
Other funds	242	288	530
Total	1,623	17,665	19,288

Out of the total investment fund exposure, investments of € 10.2 BN (2015: € 10.1 BN) relate to listed investment funds, whereas investments of € 11.6 BN (2015: € 9.2 BN) relate to unlisted investment funds.

As of the reporting date, the Allianz Group has receivables from unconsolidated investment funds, which are mainly due in return for asset management services, amounting to € 803 MN (2015: € 723 MN). Furthermore, the Allianz Group has commitments to invest in private equity funds and similar financial instruments totaling € 9,640 MN as of 31 December 2016 (2015: € 5,460 MN).

The carrying amounts in the tables listed above correspond to an aggregated amortized cost amount of € 18,279 MN (2015: € 16,196 MN). This amortized cost amount represents 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 does it have 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 of 31 December 2016, the volume of unit-linked assets amounted to € 111,325 MN (2015: € 105,873 MN). The maximum exposure to loss on these investments is covered by liabilities recorded for unit-linked contracts.

38 — 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 24.

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.

39 — 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 businesses, including, amongst others, their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of the Allianz Group, after consideration of any applicable provision.

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.

In September 2015 and in January 2017, two separate putative class action complaints were filed against Allianz Life Insurance Company of North America (Allianz Life) making allegations similar to those made in prior class actions regarding the sale of Allianz Life's annuity products, including allegations of breach of contract and violation of California unfair competition law. The ultimate outcome of the cases cannot yet be determined.

Pacific Investment Management Company LLC (PIMCO) and Allianz Asset Management of America, L.P. (AAM US), have been named as defendants in litigation in California brought by William H. Gross, a former employee of PIMCO, in October 2015. Mr. Gross's complaint alleges that, even though Mr. Gross resigned, he is entitled to additional profit sharing payments from PIMCO of at least USD 200 MN. Allianz believes that this lawsuit is without merit. The ultimate outcome of this matter cannot yet be determined.

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 2016, the financial guarantees amount to € 437 MN (2015: € 454 MN), € 376 MN of which are due within one year. The collateral held amounts to € 44 MN (2015: € 57 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 2016, the indemnification contracts amount to € 29 MN (2015: € 89 MN). This amount is almost entirely due after five years. The collateral held amounts to € 5 MN (2015: € - MN). Nearly all customers of the indemnification contracts have an external credit rating of BB.

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 2016, the performance guarantees amount to € 74 MN (2014: € 31 MN), € 44 MN of which are due within one year. The collateral held amounts to € 25 MN (2015: € 31 MN).

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 2016, the total of loan commitments amounts to € 1,229 MN (2015: € 1,045 MN) and represents the amounts at risk in the event that 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 as well as one long-term finance lease and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of 31 December 2016, the future minimum lease payments under non-cancelable operating and finance leases were as follows:

Operating leases

FUTURE MINIMUM LEASE PAYMENTS – OPERATING LEASES
€ MN

	2016
Due in 1 year or less	403
Due after 1 year and up to 5 years	1,322
Due after 5 years	1,465
Subtotal	3,190
Subleases	333
Total	**2,857**

For the year ended 31 December 2016, rental expenses totaled € 352 MN (2015: € 347 MN), net of sublease rental income received of € 11 MN.

Finance lease

FUTURE MINIMUM LEASE PAYMENTS – FINANCE LEASE
€ MN

as of 31 December	2016	
	Gross amount	Present value
Due in 1 year or less	5	5
Due after 1 year and up to 5 years	22	22
Due after 5 years	1,092	192
Total	**1,120**	**219**

As of 31 December 2016, the net carrying amount of the finance lease obligation, which is included in other liabilities, amounted to € 150 MN (2015: € 111 MN). Gross minimum lease payments were reduced by imputed interest in the amount of € 901 MN (2015: € 890 MN) to receive the present value of minimum lease payments. The underlying contract expires as of 31 December 2111.

PURCHASE OBLIGATIONS

PURCHASE OBLIGATIONS

€ MN

as of 31 December	2016	2015
Mortgage loans and multi-tranche loans	4,855	4,133
Investment in private equity funds and similar instruments	9,640	5,460
Investment in real estate and infrastructure	3,979	1,958
Maintenance, IT-services, sponsoring and other obligations	2,413	2,762
Total	**20,887**	**14,313**

OTHER COMMITMENTS AND CONTINGENCIES

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) and Münsterländische Bank Thie & Co. KG. With respect to Münsterländische Bank Thie & Co. KG, the declaration has been withdrawn in January 2016.

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 annually on 30 June at the option of the issuer, starting on 30 June 2017. It has been communicated that the securities will not be redeemed in June 2017. The expected obligations for Allianz SE for the foreseeable future have been recognized in other provisions. However, it is not possible for the Allianz Group to predict the ultimate payment obligations at this point in time.

Other commitments

Pursuant to §§ 221 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz" – VAG), mandatory insurance guarantee schemes ("Sicherungsfonds") for life insurers as well as for health insurers are implemented in Germany, which are financed through their member undertakings.

The insurance guarantee scheme for life insurers levies annual contributions and, under certain circumstances, special contributions. As of 31 December 2016, the future liabilities of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme pursuant to the SichLVFinV amount to annual contributions of € 11.2 MN (2015: € 11.9 MN) and potential special contributions of, in principle, € 194 MN (2015: € 157 MN) per year. In addition, Allianz Lebensversicherungs-AG and some of its subsidiaries have assumed a contractual obligation to provide, if required, further funds to Protektor Lebensversicherungs-AG ("Protektor"), a life insurance company that has assumed the task of the mandatory insurance guarantee scheme for life insurers. Such obligation is, in principle, 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 2016, and under inclusion of the contributions to the mandatory insurance scheme mentioned above for a limited period of time, and assuming that no other life insurer is exempted from payments, the aggregate outstanding commitment of Allianz Lebensversicherungs-AG and its subsidiaries to the insurance guarantee scheme and to Protektor is € 1,755 MN (2015: € 1,424 MN).

The mandatory insurance guarantee scheme (Sicherungsfonds) for health insurers levies only special contributions following the take-over of insurance contracts. Up until the reporting date, no contributions have been requested. As of 31 December 2016, the potential liabilities of Allianz Private Krankenversicherungs-AG for special contributions to the insurance guarantee scheme amount to € 54 MN (2015: € 52 MN).

40 — 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. New plans are primarily based on contributions and may include, in some cases, guarantees such as the preservation of contributions or minimum interest rates.

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 such as risk management and Solvency II 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

Most active German employees participate in contribution-based plans using different vehicles to cover the base salary both below and above the German social security ceiling (GSSC). Since 1 January 2015, Allianz Group contributes for new entrants and for the majority of contribution-based pension plan beneficiaries above the GSSC to the low-risk pension plan "My Allianz Pension", where only contributions are preserved. For salary above the GSSC, the Allianz Group decides each year whether and to which extent a budget for the contribution-based pension plans is provided. Independently of this decision, an additional risk premium is paid to cover death and disability. Generally the accruals of the contribution-based pension plans are wholly funded, whereas the grandfathered plans are funded to a minor extent. On retirement, the accumulated capital is paid as a lump sum or converted to a lifetime annuity.

Employees who entered Allianz before 1 January 2015 participate in the Allianz Versorgungskasse VVaG (AVK), financed through employee contributions, and the Allianz Pensionsverein e.V. (APV), financed by the employer. Both pension funds provide pension benefits for the base salary up to the GSSC and are wholly funded along local regulatory requirements and were closed for new entrants, effective 31 December 2014. 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. The assets of the contribution-based pension plans are allocated to a trust (Methusalem Trust e.V.) and managed by a board of trustees. 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 closed part of the contribution-based pension plan it is 2.75 %.

There is also a partly funded defined benefit pension plan for agents (VertreterVersorgungsWerk, VVW), which has been closed for new entrants as of 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). VVW is close to a final salary benefit plan and pension increases are broadly linked to inflation.

Pension increases apart from AVK and APV 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 period in which a retirement benefit can be drawn is usually between age 60 and age 67.

Disability benefits are granted until retirement pension is paid. In the case of death in the previous plans, surviving dependents normally receive 60 % (widow/widower) and 20 % (per child) of the original employee's pension, in total not to exceed 100 %. In "My Allianz Pension" the surviving dependents gain the accrued capital.

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. PZE is qualified as a defined benefit plan with minor risk exposure.

UNITED KINGDOM

The U.K. operates a funded pension scheme, the Allianz Retirement and Death Benefits Fund ("the 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 Fund.

The Fund is a defined benefit pension scheme. From 1 July 2015, the Fund closed to future accrual and no more defined benefit benefits are accrued beyond that date. A new Group Personal Pension Plan (GPPP) outside of the Fund was established in 2015 and all future accrual of benefits has been via the GPPP from 1 July 2015.
The Fund provides pension increases broadly linked to U.K. inflation. Since 1 July 2015, contributions to the Fund are made only by the employer in respect of the deficit of the Fund.

SWITZERLAND

In Switzerland there are obligatory corporate pension plans, 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 (1.25 % in 2016, 1.00 % in 2017). 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 into account legal requirements.

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

The following table sets out the changes in the defined benefit obligation, in the fair value of plan assets, in the effect of the asset ceiling as well as in the net defined benefit balance for the various Allianz Group defined benefit plans:

RECONCILIATION OF DEFINED BENEFIT OBLIGATION, FAIR VALUE OF PLAN ASSETS, EFFECT OF ASSET CEILING AND NET DEFINED BENEFIT BALANCE
€ MN

	Defined benefit obligation I		Fair value of plan assets II		Effect of asset ceiling[1] III		Net defined benefit balance (I-II+III)	
	2016	2015	2016	2015	2016	2015	2016	2015
Balance as of 1 January	**22,327**	**22,767**	**13,333**	**13,123**	**67**	**63**	**9,062**	**9,707**
Current service costs	447	495	–	–	–	–	447	495
Interest expenses	511	492	–	–	1	1	512	493
Interest income	–	–	313	302	–	–	(313)	(302)
Other[2]	(101)	(1)	–	–	–	–	(101)	(1)
Expenses recognized in the consolidated income statements	**857**	**986**	**313**	**302**	**1**	**1**	**545**	**686**
Actuarial (gains)/losses due to								
Changes in demographic assumptions	(9)	20	–	–	–	–	(9)	20
Changes in financial assumptions	1,382	(664)	–	–	–	–	1,382	(664)
Experience adjustments	(105)	(47)	–	–	–	–	(105)	(47)
Return on plan assets greater/(less) than interest income on plan assets	–	–	657	28	–	–	(657)	(28)
Change in effect of asset ceiling in excess of interest	–	–	–	–	(37)	(2)	(37)	(2)
Remeasurements recognized in the consolidated statements of comprehensive income (before deferred taxes)	**1,268**	**(691)**	**657**	**28**	**(37)**	**(2)**	**574**	**(722)**
Employer contributions	–	–	334	316	–	–	(334)	(316)
Plan participants' contributions	112	111	112	111	–	–	–	–
Benefits paid	(700)	(693)	(413)	(413)	–	–	(287)	(280)
Divestitures[3]	(286)	–	(46)	–	–	–	(240)	–
Settlement payments/Assets distributed on settlement[4]	(50)	(229)	(50)	(229)	–	–	–	–
Foreign currency translation adjustments	(213)	275	(192)	272	–	5	(20)	9
Changes in the consolidated subsidiaries of the Allianz Group[5]	1	(200)	–	(178)	–	–	1	(23)
Balance as of 31 December[6]	**23,316**	**22,327**	**14,048**	**13,333**	**32**	**67**	**9,300**	**9,062**
thereof assets							(102)	(87)
thereof liabilities							9,401	9,149
thereof alloted to:								
Germany	17,609	16,807	8,926	8,382	–	–	8,683	8,425
United Kingdom	1,793	1,696	1,641	1,564	–	–	152	132
Switzerland	1,353	1,309	1,382	1,350	32	52	3	12

1 — The asset ceiling is determined by taking the reduction of future contributions into account.
2 — Includes € 31 MN for the conversion rate decrease in Switzerland and for Ireland € 72 MN from the Enhanced Value Transfer program, excluding the additional contribution of € 35 MN for the new contribution based plan which is shown under Defined contribution plans.
3 — Relates to the reclassification of the assets and liabilities of Oldenburgische Landesbank AG as held for sale.
4 — For 2016, includes € 50 MN for the Enhanced Value Transfer program in Ireland; for 2015, € 225 MN for the plan restructuring in the U.K.
5 — For 2015, these include € 204 MN (defined benefit obligation) and € 183 MN (fair value of plan assets) for the deconsolidated subsidiary Selecta.
6 — As of 31 December 2016, € 8,071 MN (2015: € 7,857 MN) of the defined benefit obligation are wholly unfunded, while € 15,245 MN (2015: € 14,470 MN) are wholly or partly funded.

As of 31 December 2016, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 10 MN (2015: € 11 MN) and € 10 MN (2015: € 11 MN), respectively.

During the year ended 31 December 2016, the defined benefit costs related to post-retirement health benefits amounted to € 1 MN (2015: gain € 1 MN).

ASSUMPTIONS

The assumptions for the actuarial computation of the defined benefit obligation and the recognized expense depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality tables, projected turnover depending on age and length of service 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 89.2 years for women and 86.8 years for men. An increase in life expectancy by one year would lead to an increase of the defined benefit obligation by € 739 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	2016	2015
Discount rate	**1.9**	**2.4**
This includes the following rates:		
Germany		
– long duration	1.8	2.3
– short duration	1.4	2.0
U.K.	2.9	3.9
Switzerland	0.8	1.0
Rate of compensation increase	**1.8**	**2.1**
Rate of pension increase	**1.5**	**1.8**
Rate of medical cost trend	**1.3**	**1.0**

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 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 € 1.7 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 € 71 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 € 550 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 € 711 MN for 2017, € 745 MN for 2018, € 770 MN for 2019, € 789 MN for 2020, € 842 MN for 2021 and € 4,448 MN for 2022 – 2026, the weighted duration of the defined benefit obligation is 15.5 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 136,000 plan participants, there is no reasonable uncertainty of future cash flows to be expected that could have an impact on the liquidity of the Allianz Group. The chart below shows the asset allocation:

ASSET ALLOCATION OF PLAN ASSETS
€ MN

as of 31 December	2016	2015
Equity securities		
Quoted	1,683	1,665
Non-quoted	4	–
Debt securities		
Quoted	5,470	5,089
Non-quoted	2,071	2,049
Real estate	657	632
Annuity contracts	3,121	2,980
Life insurance investment products	868	728
Other	175	190
Total	**14,048**	**13,333**

The bulk of the plan assets are held by 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 € 8.9 MN of own transferable financial instruments.

In addition to the plan assets of € 14.0 BN, the Allianz Group has dedicated assets at Group level amounting to € 7.4 BN as of 31 December 2016, which are likewise managed according to Allianz ALM standards.

CONTRIBUTIONS

For the year ending 31 December 2017, the Allianz Group expects to contribute € 278 MN to its defined benefit plans and to pay € 301 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 2016, the Allianz Group recognized expenses for defined contribution plans of € 316 MN (2015: € 242 MN). Additionally, the Allianz Group paid contributions for state pension schemes of € 335 MN (2015: € 385 MN).

41 — Share-based compensation plans

GROUP EQUITY INCENTIVE PLANS

The Group Equity Incentive plans (GEI plans) of the Allianz Group help senior management, in particular the Board of Management, focus on the long-term increase in the value of the Allianz Group. Until 2010, the GEI plans included grants of stock appreciation rights (SARS). Since 2011, the Allianz Equity Incentive plan (AEI plan) has replaced the GEI plans.

The SARS granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each 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, SARS vest after four years and also expire after seven years.

Upon vesting, SARs 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 SARs vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SARs will be exercised automatically if the above market conditions have been attained. The SARs are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SARs at grant date is measured using a Cox-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, the expected life has been estimated to equal the term to maturity of the SARs.

The SARs are accounted for as cash-settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SARs as a compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SARs are recognized as a compensation expense. During the year ended 31 December 2016, the Allianz Group recognized compensation expenses related to the unexercised SARs of € (3) MN (2015: € 18 MN).

As of 31 December 2016, the Allianz Group recorded provisions of € 13 MN (2015: € 26 MN) in Other liabilities for the unexercised SARs.

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 (RSUs) 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 RSUs 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 RSUs vest immediately and will be exercised by the company.

The RSUs are virtual stocks without dividend payments and a capped payout. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity as well as the fair value of the cap from the prevailing share price as of the valuation date. The cap is valued as a European short call option, using prevailing market data as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

ASSUMPTIONS OF AEI PLANS

		2017[1]	2016	2015
Share price	€	157.15	141.15	154.50
Average dividend yield	%	4.9	5.4	4.6
Average interest rate	%	(0.2)	(0.2)	0.1
Expected volatility	%	23.5	21.7	18.7

1 — The RSUs 2017 are deemed to have been granted to participants as part of their 2016 remuneration. Consequently, the assumptions for RSU grants delivered in March 2017 are based on best estimation.

The RSUs are accounted for as cash-settled plans, as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSUs as a compensation expense over the service period of one year and afterwards over the vesting period. During the year ended 31 December 2016, the Allianz Group recognized compensation expenses related to the AEI plans of € 113 MN (2015: € 238 MN).

As of 31 December 2016, the Allianz Group recorded provisions of € 405 MN (2015: € 470 MN) for these RSUs in Other liabilities.

SHARE-BASED COMPENSATION PLANS OF SUBSIDIARIES OF THE ALLIANZ GROUP

PIMCO LLC CLASS B-UNIT PURCHASE PLAN[1]

During the year ended 31 December 2016, the Allianz Group called the remaining 473 Class B equity units to terminate the Class B-Unit Purchase plan. The total amount paid related to the call of these Class B equity units was € 14 MN. For 2015, the Allianz Group recorded a liability for the outstanding Class B equity units of € 15 MN in Other liabilities.

PIMCO LLC CLASS M-UNIT PLAN

In 2008, 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 automatically be 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 latest. 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.

1 — For further details regarding the description and the conditions of the PIMCO LLC Class B-Unit Purchase Plan, please refer to the Annual Report 2015, note 49 Share-based compensation plans.

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

		2016	2015
Weighted-average fair value of options granted	€	259.64	–
Assumptions:			
Expected term (years)		3.84	–
Expected volatility	%	24.8	–
Expected dividend yield	%	14.9	–
Risk free rate of return	%	1.3	–

The number and weighted-average exercise price of the M-unit options outstanding and exercisable are as follows:

RECONCILIATION OF OUTSTANDING M-UNIT OPTIONS

	2016		2015	
	Number of options	Weighted-average exercise price	Number of options	Weighted-average exercise price
		€		€
Outstanding as of 1 January	**114,898**	**20,043.67**	**175,360**	**17,212.31**
Granted	49,161	10,731.45	–	–
Exercised	(39,769)	18,952.51	(18,059)	19,852.60
Forfeited	(10,098)	20,236.85	(42,403)	16,525.91
Outstanding as of 31 December	**114,192**	**17,000.84**	**114,898**	**20,043.67**
Exercisable as of 31 December	–	–	–	–

The aggregate intrinsic value of share options outstanding was € – MN for the years ended 31 December 2016 and 2015, respectively.

As of 31 December 2016, the M-unit options outstanding have an exercise price of between € 10,731.45 and € 22,765.58 and a weighted-average remaining contractual life of 2.75 years.

The share options 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 2016, the Allianz Group recorded compensation expenses of € 21 MN (2015: € 31 MN) related to these share options.

EMPLOYEE STOCK PURCHASE PLANS

The Allianz Group offers Allianz SE shares in 20 countries to entitled employees at favorable conditions. The shares have a minimum holding period of one to five years. During the year ended 31 December 2016, the number of shares sold to employees under these plans was 617,084 (2015: 575,584). During the year ended 31 December 2016, 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 € 20 MN (2015: € 18 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 2016, the total expenses recorded for these plans were € 4 MN (2015: € 3 MN).

42 — Earnings per share

Earnings per share are calculated by dividing net income attributable to shareholders by the weighted average number of common shares outstanding (excluding treasury shares of 2,300,630 for 2016 (2015: 2,632,723)). For the calculation of diluted earnings per share, nominator and denominator are adjusted for the effects of potentially dilutive common shares. These effects arise from various share-based compensation plans of the Allianz Group.

EARNINGS PER SHARE
€ MN

	2016	2015
Net income attributable to shareholders – basic	6,883	6,616
Effect of potentially dilutive common shares	(22)	(5)
Net income used attributable to shareholders – diluted	**6,861**	**6,611**
Weighted average number of common shares outstanding – basic	454,699,370	454,367,277
Potentially dilutive common shares	2,743,620	61,755
Weighted average number of common shares outstanding – diluted	**457,442,990**	**454,429,033**
Basic earnings per share (€)	**15.14**	**14.56**
Diluted earnings per share (€)	**15.00**	**14.55**

43 — Other information

NUMBER OF EMPLOYEES

As of 31 December 2016, the Allianz Group employed 140,253 (2015: 142,459) people, thereof in Germany 40,167 (2015: 40,600). The average total number of employees for the year ended 31 December 2016 was 142,066.

PERSONNEL EXPENSES

PERSONNEL EXPENSES
€ MN

	2016	2015
Salaries and wages	9,197	9,589
Social security contributions and employee assistance	1,351	1,376
Expenses for pensions and other post-retirement benefits	1,187	1,402
Total	**11,735**	**12,367**

ISSUANCE OF THE DECLARATION OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE ACCORDING TO § 161 AKTG

On 15 December 2016, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to § 161 AktG, which has been made permanently available to shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2016 and has been made available to shareholders on a permanent basis.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) is the external auditing firm for the Allianz Group.

For services rendered by KPMG AG and the worldwide member firms of KPMG International (KPMG), the following fees were recognized as an expense in the fiscal year:

KPMG FEES
€ MN

	KPMG worldwide		thereof: KPMG AG	
	2016	2015	2016	2015
Audit services	48.0	40.3	14.7	9.8
Other attestation services	6.4	6.2	4.8	4.9
Tax services	1.5	1.8	0.6	0.3
Other services[1]	8.7	6.2	4.8	3.0
Total	**64.6**	**54.5**	**24.9**	**18.0**

1 — Primarily general consulting services.

The fees for audit services primarily relate to services rendered for the audit of the Allianz Group's consolidated financial statements and for the audit of the statutory financial statements of Allianz SE and its subsidiaries. Due to the initial application of IDW RS HFA 36 revised, the fees for the reviews of the consolidated interim financial statements are presented under audit services. Prior-year figures were adjusted accordingly.

REMUNERATION FOR THE BOARD OF MANAGEMENT AND THE SUPERVISORY BOARD

As of 31 December 2016, the Board of Management is comprised of 9 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 2016, excluding the notional accruals of the MTB 2016 – 2018 and excluding the pension service cost, amounts to € 26 MN (2015, including the payout of the MTB 2013 – 2015: € 57 MN).

The equity-related remuneration is comprised in 2016 of 66,694[1] (2015: 79,672[2]) Restricted Stock Units (RSU).

RSU with a total fair value of € 8.9 MN (2015: € 9.7 MN) were granted to the Board of Management for the year ended 31 December 2016.

In 2016, remuneration and other benefits totaling € 7 MN (2015: € 7 MN) were paid to former members of the Board of Management and dependents, while reserves for current pension obligations and accrued pension rights totaled € 126 MN (2015: € 122 MN).

The total remuneration for all Supervisory Board members, including attendance fees, amounted to € 2.0 MN (2015: € 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.

44 — Subsequent events

CHANGES IN SUBORDINATED BONDS

In January 2017, Allianz Finance II B.V. called for redemption a € 1.4 BN 4.375 % subordinated bond. The bond has been redeemed on 17 February 2017 in accordance with the terms and conditions of the bond.

Furthermore, in January 2017 Allianz SE issued a subordinated bond in the amount of € 1.0 BN with a scheduled maturity in July 2047, but with ordinary call rights of Allianz beginning in July 2027. The coupon of 3.099 % is fixed until July 2027.

Also in January 2017, Allianz SE issued a subordinated bond in the amount of USD 0.6 BN with a scheduled maturity in January 2049, but with ordinary call rights of Allianz beginning in January 2029. The coupon of 5.1 % is fixed until January 2029.

SHARE BUY-BACK PROGRAM AND CAPITAL MANAGEMENT

On 16 February 2017, Allianz SE has decided to launch a share buy-back program with a volume of up to € 3 BN and to simplify capital management to make it more flexible. For further details, please refer to the section "Expected dividend development" of the chapter Outlook 2017 within the Group Management Report.

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 2015 was based on a best estimate of the RSU grants. The figure shown here for 2015 now includes the actual fair value as of the grant date (4 March 2016). The value therefore differs from the amount disclosed last year.

45 — List of participations of the Allianz Group as of 31 December 2016 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, Munich	79.6
AGCS Infrastrukturfonds GmbH, Munich	100.0
AGCS Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AGCS-Argos 76 Vermögensverwaltungsgesellschaft mbH, Munich	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 Asset Management AG, Munich	100.0
Allianz AZL Vermögensverwaltung GmbH & Co. KG, Munich	100.0
Allianz Beratungs- und Vertriebs-AG, Munich	100.0
Allianz Capital Partners GmbH, Munich	100.0 [4]
Allianz Capital Partners Verwaltungs GmbH, Munich	100.0
Allianz Climate Solutions GmbH, Munich	100.0
Allianz Deutschland AG, 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	100.0
Allianz Investment Management SE, Munich	100.0 [4]
Allianz LAD Fonds, Frankfurt am Main	100.0 [3]
Allianz Leben Direkt Infrastruktur GmbH, Munich	100.0
Allianz Leben Infrastrukturfonds GmbH, Munich	100.0
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 Lebensversicherungs-Aktiengesellschaft, Stuttgart	100.0
Allianz LFE Fonds, Frankfurt am Main	100.0 [3]
Allianz L-PD 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 Direkt Infrastruktur GmbH, Munich	100.0
Allianz Pension Partners GmbH, Munich	100.0
Allianz Pension Service GmbH, Munich	100.0
Allianz Pensionsfonds Aktiengesellschaft, Stuttgart	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	100.0
Allianz PK-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz PKV-PD Fonds, Frankfurt am Main	100.0 [3]
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 SE-PD Fonds, Frankfurt am Main	100.0 [3]
Allianz Service Center GmbH, Munich	100.0
Allianz SOA Fonds, Frankfurt am Main	100.0 [3]
Allianz Stromversorgungs-GmbH, Munich	100.0
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 V-PD 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]
Allianz Warranty GmbH, Unterföhring	100.0
Allianz X GmbH, Munich	100.0
AllianzGI-Fonds APF Renten, Frankfurt am Main	36.8 [2,5]
AllSecur Deutschland AG, Munich	100.0
APK Infrastrukturfonds GmbH, Munich	100.0
APK-Argos 75 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
APKV Direkt Infrastruktur GmbH, Munich	100.0
APKV Infrastrukturfonds GmbH, Munich	100.0
APKV Private Equity Fonds GmbH, Munich	100.0
APKV-Argos 74 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
ARE Brep Acht Vermögensbeteiligungsgesellschaft mbH & Co. KG, Munich	100.0
Atropos Vermögensverwaltungsgesellschaft mbH, Munich	100.0
Auros GmbH, Munich	100.0
Auros II GmbH, Munich	100.0
AWP Service Deutschland GmbH, Aschheim	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 69 Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-Argos 70 Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
AZ-Argos 71 Vermögensverwaltungsgesellschaft mbH & Co.KG, 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
AZL-Argos 73 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
AZRE AZD P&C Master Fund, Munich	100.0 [3]
AZS-Arges Vermögensverwaltungsgesellschaft mbH, Munich	100.0
AZ-SGD Direkt Infrastruktur GmbH, Munich	100.0
AZ-SGD Infrastrukturfonds GmbH, 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
AZV-Argos 72 Vermögensverwaltungs-gesellschaft mbH, Munich	100.0
BrahmsQ Objekt GmbH & Co. KG, Stuttgart	94.8
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	95.0
GA Global Automotive Versicherungsservice GmbH, Halle (Saale)	100.0
InnoSolutas GmbH, Bad Friedrichshall	100.0
Kaiser X Labs GmbH, Munich	100.0
KomfortDynamik Sondervermögen, Frankfurt am Main	95.1 [5]
KVM ServicePlus - Kunden- und Vertriebsmanage-ment GmbH, Halle (Saale)	100.0
Lola Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.0
META Finanz-Informationssysteme GmbH, Munich	100.0
MileBox UG (haftungsbeschränkt), Munich	100.0
Mondial Kundenservice GmbH, Nuremberg	100.0
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	100.0
My Finance Coach Stiftung GmbH, Munich	100.0
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	90.2
PIMCO Deutschland GmbH, Munich	100.0 [4]
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	75.6
Seine GmbH, Munich	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]
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
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

	% owned[1]
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
manroland AG, Offenbach am Main	100.0 [6,7]
manroland Vertrieb und Service GmbH, Mühlheim am Main	100.0 [7]
OLB-Immobiliendienst-GmbH, Oldenburg	100.0
OLB-Service GmbH, Oldenburg	100.0
Joint ventures	
BEG Weser-Ems Baugrund- und Erschließungsgesellschaft mbH & Co. OHG, Oldenburg	50.0
Dealis Fund Operations GmbH, Frankfurt am Main	50.0
PNE WIND Infrastruktur Calau II GmbH, Cuxhaven	50.0
PNE WIND Park III GmbH & Co. KG, Cuxhaven	50.0
SPN Service Partner Netzwerk GmbH, Munich	30.0 [8]
Associates	
AV Packaging GmbH, Munich	51.0 [9]
DCSO Deutsche Cyber-Sicherheitsorganisation GmbH, Berlin	25.0
esa EuroShip GmbH & Co. KG Underwriting for Shipping, Bad Friedrichshall	40.0
Mühl Product & Service und Thüringer Baustoffhandel Beteiligungs- und Verwaltungs GmbH, Kranichfeld	25.0
Reisegarant GmbH, Hamburg	24.0
T&R GP Management GmbH, Bonn	25.0
T&R Investment GmbH & Co. KG, Bonn	25.0
T&R MLP GmbH, Bonn	25.0
T&R Real Estate GmbH, Bonn	25.0
Umspannwerk Putlitz GmbH & Co. KG, Oldenburg	25.4
Windkraft Kirf Infrastruktur GmbH, Neumagen-Dhron	50.0 [9]
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	8.8
Protektor Lebensversicherungs-AG, Berlin	10.0
Sana Kliniken AG, Ismaning	14.3
FOREIGN ENTITIES	
Consolidated affiliates	
114 Venture LP, Wilmington, DE	99.0
3 Mentors Inc., Suwanee, GA	100.0
490 Fulton JV LP, Wilmington, DE	96.5
490 Fulton REIT LP, Wilmington, DE	100.0
490 Lower Unit GP LLC, Wilmington, DE	100.0
490 Lower Unit LP, Wilmington, DE	100.0
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 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 International Holding B.V., Amsterdam	100.0
AGCS Marine Insurance Company, Chicago, IL	100.0
AGCS Resseguros Brasil S.A., São Paulo	100.0
AGF Benelux S.A., Luxembourg	100.0
AGF FCR, Paris	100.0 [5]
AGF Holdings (UK) Limited, Guildford	100.0
AGF Inversiones S.A., Buenos Aires	100.0
AIM Equity Europe Cantons, Paris	100.0 [3]
AIM Equity Europe PG Vie, 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
Allianz (UK) Limited, Guildford	100.0
Allianz Actio France, Paris	82.1 [5]
Allianz Actions Aéquitas, Paris	67.7 [5]
Allianz Actions Emergentes, Paris	93.8 [5]
Allianz Actions Euro, Paris	81.9 [5]
Allianz Actions Euro Convictions, Paris	91.7 [5]
Allianz Actions Euro MidCap, Paris	67.5 [5]
Allianz Actions France, Paris	75.4 [5]

	% owned[1]
Allianz Africa S.A., Paris la Défense	100.0
Allianz Africa Services SA, Abidjan	100.0
Allianz Air France IFC, Paris	100.0 [5]
Allianz Alapkezelõ Zrt., Budapest	100.0
Allianz Amerika Aandelen Fonds, Rotterdam	91.9 [5]
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 Claim Services Pty Limited, 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 Pty 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 Real Estate Trust, Sydney	100.0 [3]
Allianz Aviation Managers LLC, Burbank, CA	100.0
Allianz Ayudhya Assurance Public Company Limited, Bangkok	62.6
Allianz Bank Bulgaria AD, Sofia	99.9
Allianz Bank Financial Advisors S.p.A., Milan	100.0
Allianz Banque S.A., Puteaux	100.0
Allianz Benelux S.A., 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 C.P. General Insurance Co. Ltd., Bangkok	100.0
Allianz Cameroun Assurances SA, Douala	75.4
Allianz Cameroun Assurances Vie SA, Douala	75.8
Allianz Capital Partners of America Inc., New York, NY	100.0
Allianz Carbon Investments B.V., Amsterdam	100.0
Allianz Cash SAS, Paris la Défense	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 Colombia S.A., Bogotá D.C.	100.0
Allianz Combinatie Fonds, Rotterdam	94.2 [5]
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 Crowdfunding Fund I FPCI, Paris	100.0 [5]
Allianz Defensief Mix Fonds, Rotterdam	100.0 [5]
Allianz Digital Corporate Ventures S.à r.l., Luxembourg	100.0
Allianz Discovery Asia Strategy, Senningerberg	54.0 [5]
Allianz do Brasil Participações Ltda., São Paulo	100.0
Allianz Duurzaam Wereld Aandelen Fonds, Rotterdam	49.2 [2,5]
Allianz Edukacja S.A., Warsaw	100.0
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 EM Loans S.C.S., Luxembourg	100.0
Allianz Emerging Markets Flexible Bond, Senningerberg	90.0 [5]
Allianz Engineering Inspection Services Limited, Guildford	100.0
Allianz Equity Emerging Markets 1, Paris	100.0 [3]
Allianz Equity Investments Ltd., Guildford	100.0

	% owned[1]
Allianz Equity Large Cap EMU, Paris	100.0 [3]
Allianz EURECO Equity, Paris	88.0 [5]
Allianz Euro Bond Plus, Paris	41.6 [2,5]
Allianz Euro Bond Strategy, Senningerberg	57.3 [5]
Allianz Euro Inflation-linked Bond, Senningerberg	37.6 [2,5]
Allianz Euro Tactique, Paris	35.4 [2,5]
Allianz Euroland Equity SRI, Senningerberg	48.8 [2,5]
Allianz Europa Aandelen Fonds, Rotterdam	78.6 [5]
Allianz Europa Obligatie Fonds, Rotterdam	86.0 [5]
Allianz Europe B.V., Amsterdam	100.0
Allianz Europe Conviction Equity, Senningerberg	99.4 [5]
Allianz Europe Income and Growth, Senningerberg	74.5 [5]
Allianz Europe Ltd., Amsterdam	100.0
Allianz European Equity Dividend, Senningerberg	50.6 [5]
Allianz Finance Corporation, Wilmington, DE	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 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	63.7 [5]
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	100.0
Allianz Foglalkoztatói Nyugdíjszolgáltató Zrt., Budapest	100.0
Allianz Foncier, Paris	59.2 [5]
Allianz France Favart I, Paris	100.0 [3]
Allianz France Investissement OPCI, Paris la Défense	100.0
Allianz France Real Estate Invest SPPICAV, Paris la Défense	100.0
Allianz France Richelieu 1 S.A.S., Paris la Défense	100.0
Allianz France S.A., Paris la Défense	100.0
Allianz France US REIT GP LLC, Wilmington, DE	100.0
Allianz France US REIT LP, Wilmington, DE	100.0
Allianz Fund Administration and Management B.V., Rotterdam	100.0
Allianz Fund Investments 2 S.A. (Compartment), Luxembourg	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 [5]
Allianz Garantie Fonds 4,75%, Rotterdam	99.5 [5]
Allianz Garantiefonds 3,35%, Rotterdam	100.0 [5]
Allianz Garantiefonds 5%, Rotterdam	100.0 [5]
Allianz Geldmarkt Fonds, Rotterdam	85.0 [5]
Allianz General Insurance Company (Malaysia) Berhad p.l.c., Kuala Lumpur	100.0
Allianz General Laos Ltd., Vientiane	51.0
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 of Bermuda Ltd., Hamilton	100.0
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg	100.0
Allianz Global Credit, Senningerberg	100.0 [5]
Allianz Global Dynamic Multi Asset Income, Senningerberg	100.0 [5]
Allianz Global Emerging Markets Equity Dividend, Senningerberg	52.0 [5]
Allianz Global Investors (Shanghai) Limited, Shanghai	100.0
Allianz Global Investors Asia Pacific Ltd., Hong Kong	100.0
Allianz Global Investors Distributors LLC, Dover, DE	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 dac, Dublin	100.0
Allianz Global Risks US Insurance Company Corp., Chicago, IL	100.0
Allianz Groen Rente Fonds, Rotterdam	100.0 [5]
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 la Défense	100.0
Allianz Holdings plc, Guildford	100.0
Allianz Hospitaliers Euro, Paris	100.0 [3]

	% owned[1]
Allianz Hospitaliers Valeurs Durables, Paris	100.0[3]
Allianz Hungária Biztosító Zrt., Budapest	100.0
Allianz HY Investor GP LLC, Wilmington, DE	100.0
Allianz HY Investor LP, Wilmington, DE	100.0
Allianz IARD S.A., Paris la Défense	100.0
Allianz IARD Vintage, Paris	100.0[3]
Allianz Immo, Paris	54.7[5]
Allianz Individual Insurance Group LLC, Minneapolis, MN	100.0
Allianz Informatique G.I.E., Paris la Défense	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 Norway Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco I S.à r.l., Luxembourg	100.0
Allianz Infrastructure Spain Holdco II S.à r.l., Luxembourg	100.0
Allianz Insurance Company of Ghana Limited, Accra	100.0
Allianz Insurance Company of Kenya Limited, Nairobi	100.0
Allianz Insurance Company-Egypt S.A.E., New Cairo	95.0
Allianz Insurance Lanka Limited, Colombo	100.0
Allianz Insurance plc, Guildford	100.0
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[5]
Allianz Invest Alternativ, Vienna	100.0[5]
Allianz Invest Cash, Vienna	84.9[5]
Allianz Invest d.o.o., Zagreb	100.0
Allianz Invest Kapitalanlagegesellschaft mbH, Vienna	100.0
Allianz Invest Ostrent, Vienna	95.8[5]
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 Irish Life Holdings p.l.c., Dublin	66.5
Allianz Jewel Fund ICAV, Dublin	100.0[3]
Allianz kontakt s.r.o., Prague	100.0
Allianz Langlopend Obligatie Fonds, Rotterdam	100.0[5]
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., New Cairo	100.0
Allianz Life Financial Services LLC, Minneapolis, MN	100.0
Allianz Life Insurance Company Ltd., Moscow	100.0
Allianz Life Insurance Company of Ghana Limited, Accra	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 Netherlands B.V., Rotterdam	100.0
Allianz Managed Operations & Services Thailand Co. Ltd., Bangkok	100.0
Allianz Management Services Limited, Guildford	100.0
Allianz Marine & Transit Underwriting Agency Pty Ltd., Sydney	75.0
Allianz Marine (UK) Ltd., Ipswich	100.0
Allianz Maroc S.A., Casablanca	98.9
Allianz Mena Holding Bermuda Ltd., Beirut	99.9
Allianz México S.A. Compañía de Seguros, Mexico City	100.0
Allianz Mid Cap Loans FCT, Paris	100.0[3]

	% owned[1]
Allianz Multi Croissance, Paris	100.0[5]
Allianz Multi Dynamisme, Paris	94.5[5]
Allianz Multi Equilibre, Paris	98.2[5]
Allianz Multi Horizon 2021-2023, Paris	48.4[2,5]
Allianz Multi Horizon 2024-2026, Paris	58.8[5]
Allianz Multi Horizon 2027-2029, Paris	63.2[5]
Allianz Multi Horizon 2030-2032, Paris	100.0[5]
Allianz Multi Horizon 2033-2035, Paris	100.0[5]
Allianz Multi Horizon 2036-2038, Paris	100.0[5]
Allianz Multi Horizon 2039-2041, Paris	100.0[5]
Allianz Multi Horizon Court Terme, Paris	75.3[5]
Allianz Multi Horizon Long Terme, Paris	74.5[5]
Allianz Multi Opportunités, Paris	99.3[5]
Allianz Multi Rendement Premium (R), Paris	91.2[5]
Allianz Multi Rendement Réel, Paris	89.1[5]
Allianz Multi Sérénité, Paris	99.8[5]
Allianz Mutual Funds Management Company S.A., Athens	100.0
Allianz Nederland Asset Management B.V., Rotterdam	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 of America Inc., Wilmington, DE	100.0
Allianz Offensief Mix Fonds, Rotterdam	100.0[5]
Allianz One Beacon GP LLC, Wilmington, DE	100.0
Allianz One Beacon LP, Wilmington, DE	100.0
Allianz Opéra, Paris	100.0[3]
Allianz Osmea 4, Paris	100.0[5]
Allianz p.l.c., Dublin	100.0
Allianz Pacific Aandelen Fonds, Rotterdam	91.4[5]
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	81.8[5]
Allianz Pimco Mortgage, Vienna	97.3[5]
Allianz PNB Life Insurance Inc., Makati City	51.0
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[5]
Allianz Presse US REIT GP LLC, Wilmington, DE	100.0
Allianz Presse US REIT LP, Wilmington, DE	100.0
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 Partners V, Milan	100.0[3]
Allianz Private Equity UK Holdings Limited, London	100.0
Allianz Properties Limited, Guildford	100.0
Allianz Prudence, Paris	99.8[5]
Allianz Re Dublin dac, 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 Management AT GmbH, Pottenbrunn	100.0
Allianz Renewable Energy Management AT II GmbH, Pottenbrunn	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	98.8
Allianz Renewable Energy Partners IV Limited, London	98.8
Allianz Renewable Energy Partners of America LLC, Wilmington, DE	100.0
Allianz Renewable Energy Partners V plc., London	100.0
Allianz Renewable Energy Partners VI Limited, London	100.0
Allianz Renewable Energy Partners VII LP, London	100.0
Allianz Renewable Energy Partners VIII Limited, London	100.0
Allianz Risk Consultants Inc., Los Angeles, CA	100.0
Allianz Risk Transfer (Bermuda) Ltd., Hamilton	100.0
Allianz Risk Transfer (UK) Limited, London	100.0
Allianz Risk Transfer AG, Schaan	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[5]

	% owned[1]
Allianz SAS S.A.S., Bogotá D.C.	100.0
Allianz Saúde S.A., São Paulo	100.0
Allianz Secteur Euro Immobilier, Paris	95.4[5]
Allianz Secteur Europe Immobilier, Paris	89.5[5]
Allianz Sécurité, Paris	100.0[5]
Allianz Seguros de Vida S.A., Bogotá D.C.	100.0
Allianz Seguros S.A., São Paulo	100.0
Allianz Seguros S.A., Bogotá D.C.	100.0
Allianz Selectie Fonds, Rotterdam	85.9[5]
Allianz Sénégal Assurances SA, Dakar	83.2
Allianz Sénégal Assurances Vie SA, Dakar	96.8
Allianz Services (UK) Limited, London	100.0
Allianz Short Duration Global Real Estate Bond, Senningerberg	100.0[5]
Allianz Sigorta A.S., Istanbul	96.2
Allianz SNA s.a.l., Beirut	100.0
Allianz Sociedad Anónima A.S. Agencia de Seguros, Barcelona	100.0
Allianz Sociedade Gestora de Fundos de Pensões S.A., Lisbon	88.6
Allianz Société Financière S.à r.l., Luxembourg	100.0
Allianz South America Holding B.V., Amsterdam	100.0
Allianz Special Opportunities Alternative Fund, Milan	100.0[3]
Allianz Specialised Investments Limited, London	100.0
Allianz Strategy Select 50, Senningerberg	59.0[5]
Allianz Strategy Select 75, Senningerberg	100.0[5]
Allianz Structured Alpha 250, Senningerberg	72.2[5]
Allianz Structured Return, Senningerberg	55.9[5]
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 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 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	50.3[5]
Allianz Vermogen B.V., Rotterdam	100.0
Allianz Vie S.A., Paris la Défense	100.0
Allianz Vorsorgekasse AG, Vienna	100.0
Allianz Worldwide Care Services Ltd., Dublin	100.0
Allianz Worldwide Partners (Hong Kong) Ltd., Hong Kong	100.0
Allianz Worldwide Partners Chile Limitada, Santiago	100.0
Allianz Worldwide Partners S.A.S., Saint-Ouen	100.0
Allianz Yasam ve Emeklilik A.S., Istanbul	80.0
Allianz Zagreb d.d., Zagreb	83.2
Allianz ZB d.o.o. Company for the Management of Obligatory Pension Funds, Zagreb	51.0
Allianz ZB d.o.o. Company for the Management of Voluntary Pension Funds, Zagreb	51.0
AllianzGI Best Styles Emerging Markets Equity Fund, Boston, MA	90.4[5]
AllianzGI China Equity Fund, Boston, MA	56.3[5]
AllianzGI Discovery US Portfolio, Boston, MA	100.0[5]
AllianzGI Emerging Markets Debt Fund, Boston, MA	41.6[2,5]
AllianzGI Europe Equity Dividend, Boston, MA	47.1[2,5]
AllianzGI Global Fundamental Strategy Fund, Boston, MA	94.6[5]
AllianzGI Global Megatrends Fund, Boston, MA	97.8[5]
AllianzGI Global Small-Cap Opportunity Portfolio, Boston, MA	100.0[5]
AllianzGI Multi-Asset Real Return Fund, Boston, MA	67.5[5]
AllianzGI U.S. Equity Hedged Fund, Boston, MA	37.1[2,5]
AllianzGo S.r.l., Trieste	100.0
Allianz-Slovenská DSS a.s., Bratislava	100.0
Allianz-Slovenská poist'ovna a.s., Bratislava	99.6
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 IberoLatAm S.L., Barcelona	100.0
AMOS International B.V., Amsterdam	100.0
AMOS IT Suisse AG, Wallisellen	100.0
AMOS Italy S.p.c.A., Milan	100.0

	% owned[1]
AMOS of America Inc., Wilmington, DE	100.0
Ann Arbor Annuity Exchange Inc., Ann Arbor, MI	100.0
APEH Europe VI, Paris	99.6[3]
APK US Investment GP LLC, Wilmington, DE	100.0
APK US Investment LP, Wilmington, DE	100.0
APKV US Private REIT GP LLC, Wilmington, DE	100.0
APKV US Private REIT LP, Wilmington, DE	100.0
APP Broker S.r.l., Trieste	100.0
Arab Gulf Health Services LLC, Dubai	100.0
Arcalis Retraite S.A., Paris la Défense	100.0
Arcalis UN, Paris	100.0[5]
Arges Investments I N.V., Amsterdam	100.0
Arges Investments II N.V., Amsterdam	100.0
Asit Services S.R.L., Bucharest	100.0
Assistance Courtage d'Assurance et de Réassurance S.A., Courbevoie	100.0
Associated Indemnity Corporation, Los Angeles, CA	100.0
Assurances Médicales SA, Metz	100.0
Avip Actions 100, Paris	100.0[5]
Avip Actions 60, Paris	100.0[5]
Avip Top Croissance, Paris	99.0[5]
Avip Top Defensif, Paris	98.8[5]
Avip Top Harmonie, Paris	96.9[5]
AWP Contact Center Italia S.r.l., Milan	100.0
AWP France SAS, Saint-Ouen	95.0
AWP Health & Life S.A., Paris la Défense	100.0
AWP Indian Ocean LLC, Ebene	100.0
AWP Mexico S.A. de C.V., Mexico City	100.0
AWP P&C S.A., Saint-Ouen	100.0
AWP Réunion SAS, Saint-Denis	100.0
AWP Romania S.A., Bucharest	100.0
AWP Services Singapore Pte. Ltd., Singapore	100.0
AWP Servicios Mexico S.A. de C.V., Mexico City	100.0
AWP Solutions CR a SR s.r.o., Prague	100.0
AWP USA Inc., Richmond, VA	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 10 B.V., Amsterdam	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, Wilmington, DE	100.0
AZ Vers US Private REIT LP, Wilmington, DE	100.0
AZGA Insurance Agency Canada Ltd., Kitchener, ON	100.0
AZGA Service Canada Inc., Kitchener, ON	55.0
AZL PF Investments Inc., Minneapolis, MN	100.0
AZOA C.V., Amsterdam	100.0
AZOA Services Corporation, New York, NY	100.0
Beleggingsmaatschappij Willemsbruggen B.V., Rotterdam	100.0
Beykoz Gayrimenkul Yatirim Insaat Turizm Sanayi ve Ticaret A.S., Ankara	100.0
Bilan Services S.N.C., Nanterre	66.0
Biuro Informacji Gospodarczej Euler Hermes S.A., Warsaw	100.0
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
Bravo II CIV LLC, Wilmington, DE	100.0
Bright Mission Berhad Ltd., Kuala Lumpur	100.0
British Reserve Insurance Co. Ltd., Guildford	100.0
Brobacken Nät AB, Stockholm	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 la Défense	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Wallisellen	100.0
Caroline Berlin S.C.S., Luxembourg	93.2
Central Shopping Center a.s., Bratislava	100.0
Centrale Photovoltaique de Saint Marcel sur aude SAS, Paris	100.0
Centrale Photovoltaique de Valensole SAS, Paris	100.0
CEPE de Bajouve S.à r.l., Versailles	100.0

	% owned[1]
CEPE de Haut Chemin S.à r.l., Versailles	100.0
CEPE de la Baume S.à r.l., Versailles	100.0
CEPE de la Forterre 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 de Sambres S.à r.l., Versailles	100.0
CEPE de Vieille Carrière S.à r.l., Versailles	100.0
CEPE des Portes de la Côte d'Or S.à r.l., Versailles	100.0
CEPE du Blaiseron 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
Climmolux Holding SA, Luxembourg	100.0
Club Marine Limited, Sydney	100.0
COF II CIV LLC, Wilmington, DE	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
Creactif Allocation, Paris	100.0[5]
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
Energie Eolienne Lusanger S.à r.l., Versailles	100.0
Eolica Erchie S.r.l., Lecce	100.0
EP Tactical GP LLC, Wilmington, DE	100.0
Etablissements J. Moneger SA, Dakar	100.0
Euler Hermes Acmar SA, Casablanca	55.0
Euler Hermes Acmar Services SARL, Casablanca	100.0
Euler Hermes Asset Management France S.A., Paris la Défense	100.0
Euler Hermes Australia Pty Limited, Sydney	100.0
Euler Hermes Canada Services Inc., Montreal, QC	100.0
Euler Hermes Collections North America Company, Owings Mills, MD	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
Euler Hermes Emporiki Services Ltd., Athens	100.0
Euler Hermes Excess North America LLC, Owings Mills, MD	100.0
Euler Hermes Group SA, Paris la Défense	63.9
Euler Hermes Hellas Credit Insurance SA, Athens	100.0
Euler Hermes Hong Kong Service Limited, Hong Kong	100.0
Euler Hermes Japan Services Ltd., Tokyo	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 New Zealand Limited, Auckland	100.0
Euler Hermes North America Holding Inc., Owings Mills, MD	100.0
Euler Hermes North America Insurance Company Inc., Owings Mills, MD	100.0
Euler Hermes Patrimonia SA, Brussels	100.0
Euler Hermes Ré SA, Luxembourg	100.0
Euler Hermes Real Estate SPPICAV, Paris la Défense	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 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 Ceská republika s.r.o., Prague	100.0
Euler Hermes Services G.C.C. Limited, Dubai	100.0
Euler Hermes Services India Private Limited, Mumbai	100.0
Euler Hermes Services Ireland Limited, Dublin	100.0
Euler Hermes Services Italia S.r.l., Rome	100.0
Euler Hermes Services North America LLC, Owings Mills, MD	100.0
Euler Hermes Services Romania S.R.L., Bucharest	100.0

	% owned[1]
Euler Hermes Services S.A.S., Paris la Défense	100.0
Euler Hermes Services Schweiz AG, Wallisellen	100.0
Euler Hermes Services Slovensko s.r.o., Bratislava	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 Serviços de Gestão de Riscos Ltda., São Paulo	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 World Agency SASU, Paris la Défense	100.0
Euler Hermes, Mierzejewska-Kancelaria Prawna Sp.k, Warsaw	100.0
Eurl 20/22 Le Peletier, Paris la Défense	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[5]
FCT CIMU 92, Pantin	100.0[3]
FCT Rocade L2 Marseille, Paris	100.0[3]
Fénix Directo Compañía 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
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., Los Angeles, CA	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
Fu An Management Consulting Co. Ltd., Beijing	1.0[2]
Fusion Brokerage Inc., Richmond, VA	100.0
Fusion Company Inc., Richmond, VA	100.0
Gaipare Action, Paris	100.0[5]
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	81.0
Hauteville Insurance Company Limited, St Peter Port	100.0
Havelaar & van Stolk B.V., Rotterdam	100.0
Helviass Verzekeringen B.V., Rotterdam	100.0
Home & Legacy Insurance Services Limited, London	100.0
Hunter Premium Funding Ltd., Sydney	100.0
IEELV GP S.à r.l., Luxembourg	100.0
Immovalor Gestion S.A., Paris la Défense	100.0
ImWind GHW GmbH & Co. KG, Pottenbrunn	100.0
Inforce Solutions LLC, Woodstock, GA	100.0
InnovAllianz, Paris	99.6[3]
Insurance CJSC "Medexpress", Saint Petersburg	100.0
Intermediass S.r.l., Milan	100.0
International Film Guarantors Limited, London	100.0
International Film Guarantors LLC, Santa Monica, CA	100.0
Interstate Fire & Casualty Company, Chicago, IL	100.0
Investitori Real Estate Fund, Milan	100.0[3]
Investitori SGR S.p.A., Milan	100.0
Järvsö Sörby Vindkraft AB, Danderyd	100.0
JCR Intertrade Ltd., Bangkok	40.0[2]
Jefferson Insurance Company Corp., New York, NY	100.0
Joukhaisselän Tuulipuisto Oy, Oulu	100.0
Jouttikallio Wind Oy, Kotka	100.0
JSC Insurance Company Allianz, Moscow	100.0
Kaishi Beijing Limited, Beijing	100.0
Kaishi Information Technology (Shanghai) Co. Ltd., Shanghai	100.0
Kaishi Pte. Ltd., Singapore	67.8
Ken Tame & Associates Pty Ltd., Sydney	100.0
Kiinteistö OY Eteläesplanadi 2, Helsinki	100.0
Königinstrasse I S.à r.l., Luxembourg	100.0
Kuolavaara-Keulakkopään Tuulipuisto Oy, Oulu	100.0
La Rurale SA, Courbevoie	99.9
LAD Energy GmbH & Co. KG, Pottenbrunn	100.0

	% owned[1]
LCF IDR, Paris	100.0 [5]
Les Vignobles de Larose S.A.S., Saint Laurent Médoc	100.0
LLC "IC Euler Hermes Ru", Moscow	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
Maevaara Vind 2 AB, Stockholm	100.0
Maevaara Vind AB, Stockholm	100.0
Magdeburger Sigorta A.S., Istanbul	100.0
Marofinac S.à r.l., Casablanca	100.0
Medi24 AG, Bern	100.0
Mombyasen Wind Farm AB, Halmstad	100.0
Mondial Assistance Australia Holding Pty Ltd., Toowong	100.0
Mondial Assistance France Services à la personne SAS, Saint-Ouen	100.0
Mondial Assistance GmbH, Vienna	100.0
Mondial Assistance Ireland Ltd., Dublin	100.0
Mondial Assistance Portugal Serviços de Assistência Lda., Lisbon	100.0
Mondial Assistance Service España S.A., Madrid	100.0
Mondial Assistance Services (Malaysia) Sdn. Bhd., Kuala Lumpur	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 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 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, New 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
Ontario Limited, Toronto, ON	100.0
OOO Euler Hermes Credit Management, Moscow	100.0
OOO Mondial Assistance, Moscow	100.0
OPCI Allianz France Angel, Paris la Défense	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
Pacific Investment Management Company LLC, Dover, DE	95.7
Parc Eolien de Bonneuil S.à r.l., Versailles	100.0
Parc Eolien de Bruyère Grande SAS, Versailles	100.0
Parc Eolien de Chaourse 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 de Ly-Fontaine SAS, Versailles	100.0
Parc Eolien de Pliboux SAS, Versailles	100.0
Parc Eolien de Remigny 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
PIMCO (Schweiz) GmbH, Zurich	100.0
PIMCO Asia Ltd., Hong Kong	100.0
PIMCO Asia Pte Ltd., Singapore	100.0
PIMCO Australia Management Limited, Sydney	100.0
PIMCO Australia Pty Ltd., Sydney	100.0
PIMCO Canada Corp., Toronto, ON	100.0
PIMCO COF II LLC, Wilmington, DE	100.0
PIMCO Covered Bond Source UCITS ETF, Dublin	40.4 [2,5]
PIMCO Emerging Markets Bond Fund III, George Town	41.6 [2,5]
PIMCO Euro Low Duration Investment Grade Corporate Fund, Dublin	100.0 [3]
PIMCO Europe Ltd., London	100.0
PIMCO GIS Global Libor Plus Bond Fund, Dublin	80.2 [5]
PIMCO Global Advisors (Ireland) Ltd., Dublin	100.0
PIMCO Global Advisors (Luxembourg) S.A., Luxembourg	100.0
PIMCO Global Advisors (Resources) LLC, Dover, DE	100.0
PIMCO Global Advisors LLC, Dover, DE	100.0
PIMCO Global Holdings LLC, Dover, DE	100.0
PIMCO GP I LLC, Wilmington, DE	100.0
PIMCO GP II S.à r.l., Luxembourg	100.0
PIMCO GP III LLC, Wilmington, DE	100.0
PIMCO GP IX LLC, Wilmington, DE	100.0
PIMCO GP S.à r.l., Luxembourg	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 GP XIX LLC, Wilmington, DE	100.0
PIMCO GP XV LLC, Wilmington, DE	100.0
PIMCO GP XVI LLC, Wilmington, DE	100.0
PIMCO GP XVII LLC, Wilmington, DE	100.0
PIMCO GP XVIII LLC, Wilmington, DE	100.0
PIMCO GP XX LLC, Wilmington, DE	100.0
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 RAE Fundamental Emerging Markets Fund, Dublin	75.4 [5]
PIMCO RAE Fundamental Europe Fund, Dublin	71.2 [5]
PIMCO RAE Fundamental Global Developed Fund, Dublin	35.5 [2,5]
PIMCO RAE Fundamental Global Equities Plus Fundo de Investimento Multimercado Investimento no Exterior, Rio de Janeiro	100.0 [5]
PIMCO RAE Fundamental US Fund, Dublin	54.4 [5]
PIMCO Real Return Limited Duration Fund, Boston, MA	80.0 [5]
PIMCO RealPath 2055 Fund, Boston, MA	71.1 [5]
PIMCO RealPath Blend 2020 Fund, Wilmington, DE	62.3 [5]
PIMCO RealPath Blend 2025 Fund, Wilmington, DE	76.6 [5]
PIMCO RealPath Blend 2030 Fund, Wilmington, DE	43.5 [2,5]
PIMCO RealPath Blend 2035 Fund, Wilmington, DE	48.2 [2,5]
PIMCO RealPath Blend 2040 Fund, Wilmington, DE	79.4 [5]
PIMCO RealPath Blend 2045 Fund, Wilmington, DE	82.2 [5]
PIMCO RealPath Blend 2050 Fund, Wilmington, DE	69.9 [5]
PIMCO RealPath Blend 2055 Fund, Wilmington, DE	85.2 [5]
PIMCO RealPath Blend Income Fund, Wilmington, DE	85.7 [5]
PIMCO REIT Management LLC, Wilmington, DE	100.0
PIMCO Select U.S. High Yield BB-B Bond Fund, Dublin	46.0 [2,5]
PIMCO-World Bank Gemloc Fund, Luxembourg	100.0 [5]
POD Allianz Bulgaria AD, Sofia	65.9
Primacy Underwriting Management Limited, 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 la Défense	100.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	97.8
PT Blue Dot Services, Jakarta	100.0
PTE Allianz Polska S.A., Warsaw	100.0
Q 207 GP S.à r.l., Luxembourg	100.0
Q207 S.C.S., Luxembourg	94.0
Quality 1 AG, Bubikon	100.0
Questar Agency Inc., Minneapolis, MN	100.0
Questar Asset Management Inc., Ann Arbor, MI	100.0
Questar Capital Corporation, Minneapolis, MN	100.0
Quintet Properties Ltd., Dublin	100.0
RAS Antares, Milan	100.0 [3]
Rävaberget Nät AB, Stockholm	100.0
RB Fiduciaria S.p.A., Milan	100.0
RCM Dynamic Multi-Asset Plus VIT, Boston, MA	56.9 [5]
Real Faubourg Haussmann SAS, Paris la Défense	100.0
Real FR Haussmann SAS, Paris la Défense	100.0
Redoma S.à r.l., Luxembourg	100.0
Rhea SA, Luxembourg	100.0
Risikomanagement und Softwareentwicklung GmbH, Vienna	100.0
Rivage Richelieu 1 FCP, Paris	100.0 [3]
Rogge Alternative Investment Company Ltd., London	100.0
Rogge Global Partners Asia Pte. Ltd., Singapore	100.0
Rogge Global Partners Inc., Wilmington, DE	100.0
Rogge Global Partners Ltd., London	100.0
SA Carène Assurance, Paris	100.0
Saarenkylä Tuulipuisto Oy, Oulu	100.0
Saint-Barth Assurances S.à r.l., St. Barts	100.0
San Francisco Reinsurance Company, Los Angeles, CA	100.0
SAS 20 pompidou, Paris la Défense	100.0
SAS Allianz Etoile, Paris la Défense	100.0
SAS Allianz Forum Seine, Paris la Défense	100.0
SAS Allianz Logistique, Paris la Défense	100.0
SAS Allianz Platine, Paris la Défense	100.0
SAS Allianz Rivoli, Paris la Défense	100.0
SAS Allianz Serbie, Paris la Défense	100.0
SAS Angel Shopping Centre, Paris la Défense	90.0
SAS Madeleine Opéra, Paris la Défense	100.0
SAS Passage des princes, Paris la Défense	100.0
SAS Société d'Exploitation du Parc Eolien de Nélausa, Paris	100.0
Sättravallen Wind Power AB, Strömstad	100.0
Saudi NEXtCARE LLC, Al Khobar	52.0
SC Tour Michelet, Paris la Défense	100.0
SCI 46 Desmoulins, Paris la Défense	100.0
SCI Allianz ARC de Seine, Paris la Défense	100.0
SCI Allianz Chateaudun, Paris la Défense	100.0
SCI Allianz Invest Pierre, Paris la Défense	100.0
SCI Allianz Messine, Paris la Défense	100.0
SCI AVIP SCPI Selection, Courbevoie	100.0
SCI ESQ, Paris la Défense	75.0
SCI Stratus, Courbevoie	100.0
SCI Via Pierre 1, Paris la Défense	100.0
SCI Volnay, Paris la Défense	100.0
SDIII Energy GmbH & Co. KG, Pottenbrunn	100.0
Silex Gas Management AS, Oslo	100.0
Silex Gas Norway AS, Oslo	100.0
Sion Hall Services Ltd., London	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
Société d'Exploitation du Parc Eolien d'Aussac Vadalle SAS, Paris	100.0
Société Européenne de Protection et de Services d'Assistance à Domicile S.A., Paris	56.0
Société 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 Immo A GmbH & Co. KG, Vienna	100.0
Top Immo Besitzgesellschaft B GmbH & Co. KG, Vienna	100.0
Top Logistikwerkstatt Assistance GmbH, 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
UP 36 SA, Brussels	100.0
VertBois S.à r.l., Luxembourg	100.0
Vigny Depierre Conseils SAS, Archamps	100.0
Viveole SAS, Versailles	100.0
Volta, Paris	100.0 [5]
Vordere Zollamtsstraße 13 GmbH, Vienna	100.0
WFC Investments Sp. z o.o., Warsaw	87.5
Windpark AO GmbH, Pottenbrunn	100.0

	% owned[1]
Windpark GHW GmbH, Pottenbrunn	100.0
Windpark Ladendorf GmbH, Vienna	100.0
Windpark Les Cent Jalois SAS, Versailles	100.0
Windpark PL GmbH, Pottenbrunn	100.0
Windpark Scharndorf GmbH, Pottenbrunn	100.0
Windpark Zistersdorf GmbH, Pottenbrunn	100.0
Wm. H McGee & Co. (Bermuda) Ltd., Hamilton	100.0
Wm. H McGee & Co. Inc., New York, NY	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
ZiOst Energy GmbH & Co. KG, Pottenbrunn	100.0
Non-consolidated affiliates	
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 SE Escritório de Representação no Brasil Ltda., Rio de Janeiro	100.0
Allianz Insurance Services Ltd., Athens	100.0
Allianz Northern Ireland Limited, Belfast	100.0
Assurance France Aviation S.A., Paris	100.0
business lounge GmbH, Vienna	100.0
COGAR S.à r.l., Paris	100.0
Gesellschaft für Vorsorgeberatung AG, Bern	100.0
ICC Evaluation SARL, Paris	100.0
Knightsbridge Allianz LP, Bartlesville, OK	99.5 [5]
Office Sénégalais de Conseils en Assurance SARL, Dakar	99.6
RE-AA SA, Abidjan	97.5
SCI AVIP de Camp Laurent, Courbevoie	100.0
SCI Vilaje, Courbevoie	100.0
SIFCOM Assur S.A., Abidjan	60.0
Société Immobilière de l'Avenue du Roule SAS, Courbevoie	100.0
Top Versicherungs-Vermittler Service GmbH, Vienna	100.0
Joint ventures	
A&A Centri Commerciali S.r.l., Milan	50.0
Allee-Center Kft., Budapest	50.0
AMLI-Allianz Investment LP, Wilmington, DE	75.0 [8]
Ancilyze Technologies LLC, Oakbrook Terrace, IL	50.0
AS Gasinfrastruktur Beteiligung GmbH, Vienna	60.0 [8]
Atenction Integral a la Dependencia S.L., Cordoba	50.0
AZ/JH Co-Investment Venture (DC) LP, Wilmington, DE	80.0 [8]
AZ/JH Co-Investment Venture (IL) LP, Wilmington, DE	80.0 [8]
Bajaj Allianz Financial Distributors Limited, Pune	50.0
Companhia de Seguro de Créditos S.A., Lisbon	50.0
CPPIC Euler Hermes Insurance Sales Co. Ltd., Shanghai	49.0 [8]
Dorcasia Ltd., Sydney	50.0
Dundrum Car Park GP Limited, Dublin	50.0
Dundrum Car Park Limited Partnership, Dublin	50.0
Dundrum Retail GP Designated Activity Company, Dublin	50.0
Dundrum Retail Limited Partnership, Dublin	50.0
Euromarkt Center d.o.o., Ljubljana	50.0
Europe Logistics Venture 1 FCP-FIS, Luxembourg	83.3 [5,8]
Fiumaranuova S.r.l., Genoa	50.1 [8]
Guotai Jun'an Allianz Fund Management Co. Ltd., Shanghai	49.0 [8]
International Shopping Centre Investment S.A., Luxembourg	50.0
Israel Credit Insurance Company Ltd., Tel Aviv	50.0
Italian Shopping Centre Investment S.r.l., Milan	50.0
LBA IV-PPI Venture LLC, Dover, DE	45.0 [8]
LBA IV-PPII-Office Venture LLC, Dover, DE	45.0 [8]
LBA IV-PPII-Retail Venture LLC, Dover, DE	45.0 [8]
Market Street Trust, Sydney	50.0 [5]
NET4GAS Holdings s.r.o., Prague	50.0
NRF (Finland) AB, Västeras	50.0
Podium Fund HY REIT Owner LP, Wilmington, DE	44.3 [8]
Porterbrook Holdings I Limited, London	30.0 [8]
Previndustria - Fiduciaria Previdenza Imprenditori S.p.A., Milan	50.0
Queenspoint S.L., Madrid	50.0
RMPA Holdings Limited, Colchester	56.0 [8]
SC Holding SAS, Paris	50.0
SES Shopping Center AT1 GmbH, Salzburg	50.0
SES Shopping Center FP 1 GmbH, Salzburg	50.0
Solunion Compañía Internacional de Seguros y Reaseguros SA, Madrid	50.0
The State-Whitehall Company LP, Dover, DE	49.9 [8]
Tokio Marine Rogge Asset Management Ltd., London	50.0
TopTorony Ingatlanhasznosító Zrt., Budapest	50.0

	% owned[1]
Triskelion Property Holding Designated Activity Company, Dublin	50.0
VGP European Logistics S.à r.l., Senningerberg	50.0
Waterford Blue Lagoon LP, Wilmington, DE	49.0 [8]
Associates	
Adriatic Motorways d.d., Zagreb	33.3
Allianz EFU Health Insurance Ltd., Karachi	49.0
Allianz Europe Small Cap Equity, Senningerberg	21.9 [5]
Allianz Fóndika S.A. de C.V., Mexico City	26.8
Allianz France Investissement IV, Paris	73.3 [5,9]
Allianz Invest Vorsorgefonds, Vienna	29.1 [5]
Allianz Saudi Fransi Cooperative Insurance Company, Riyadh	32.5
Allianz Securicash SRI, Paris	17.0 [5,9]
Archstone Multifamily Partners AC JV LP, Wilmington, DE	40.0
Archstone Multifamily Partners AC LP, Wilmington, DE	28.6
Areim Fastigheter 2 AB, Stockholm	23.3
Areim Fastigheter 3 AB, Stockholm	26.2
Assurcard N.V., Haasrode	20.0
Autoelektro tehnicki pregledi d.o.o., Vojnić	49.0
AWP Insurance Brokerage (Beijing) Co. Ltd., Beijing	100.0 [9]
Bajaj Allianz General Insurance Company Ltd., Pune	26.0
Bajaj Allianz Life Insurance Company Ltd., Pune	26.0
Bazalgette Equity Ltd., London	34.3
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
Carlyle China Realty L.P., George Town	15.0 [5,9]
Carlyle China Rome Logistics L.P., George Town	63.3 [5,9]
Chicago Parking Meters LLC, Wilmington, DE	49.9
CPIC Allianz Health Insurance Co. Ltd., Shanghai	22.9
Data Quest SAL, Beirut	36.0
Douglas Emmett Partnership X LP, Wilmington, DE	28.6
Dr. Ignaz Fiala GmbH, Vienna	33.3
E.ON Distributie România S.A., Târgu Mures	30.0
European Outlet Mall Fund FCP-FIS, Luxembourg	25.8 [5]
Four Oaks Place LP, Wilmington, DE	49.0
Helios Silesia Holding B.V., Amsterdam	45.0
Henderson UK Outlet Mall Partnership LP, Edinburgh	19.5 [9]
IPE Tank and Rail Investment 1 S.C.A., Luxembourg	48.8
Lennar Multifamily Venture LP, Wilmington, DE	13.5 [9]
Medgulf Allianz Takaful B.S.C., Seef	25.0
New Path S.A., Buenos Aires	40.0
NGI Group Holdings LLC, Wilmington, DE	30.0
OeKB EH Beteiligungs- und Management AG, Vienna	49.0
OVS Opel VersicherungsService GmbH, Vienna	40.0
PGREF V 1301 Sixth Holding LP, Wilmington, DE	24.5
Professional Agencies Reinsurance Limited, Hamilton	14.0 [9]
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
Solveig Gas Holdco AS, Oslo	30.0
Tellsid Holdings Limited, Saint Helier	16.7 [9]
Wildlife Works Carbon LLC, San Francisco, CA	10.0 [9]
Other participations between 5 and 20% of voting rights	
Al Nisr Al Arabi, Amman	18.0
Banco BPI S.A., Porto	8.5
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 — Releasing impact according to § 264 (3) HGB through the Allianz Group's consolidated financial statements.
5 — Mutual, private equity or special fund.
6 — Group share through indirect holder Roland Holding GmbH, Munich: 75.6%.
7 — Insolvent.
8 — Classified as joint venture according to IFRS 11.
9 — Classified as associate according to IAS 28.

RESPONSIBILITY STATEMENT

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

Munich, 14 February 2017

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 2016. 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 EU, the additional requirements of German commercial law pursuant to § 315a para. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements, complies with the German statutory requirements, and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, 1 March 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

Becker	Dr. Pfaffenzeller
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

Orientation

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ORIENTATION GUIDE

This sign indicates where to find additional information in this Annual Report or on the internet.

Further Allianz publications

ALLIANZ SUSTAINABILITY REPORT 2016

The Allianz Group Sustainability Report "Embracing the future" 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 2017.
Date of publication: 5 April 2017.

www.allianz.com/sustainability

ALLIANZ HUMAN RESOURCES FACT BOOK 2016

The 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 2017.
Date of publication: 27 March 2017.

www.allianz.com/hrfactbook

GUIDELINE ON ALTERNATIVE PERFORMANCE MEASURES

Further information on the definition of our Alternative Performance Measures and their components, as well as the basis of calculation adopted.

www.allianz.com/results

Financial calendar

Important dates for shareholders and analysts[1]

Annual General Meeting	3 May 2017
Financial Results 1Q	12 May 2017
Financial Results 2Q/Interim Report 6M	4 August 2017
Financial Results 3Q	10 November 2017
Financial Results 2017	16 February 2018
Annual Report 2017	9 March 2018
Annual General Meeting	9 May 2018

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.

Allianz SE – Königinstrasse 28 – 80802 Munich – Germany – Phone +49 89 3800 0 – info@allianz.com – www.allianz.com
Annual Report on the internet: www.allianz.com/annualreport – Front page design: hw.design GmbH – Date of publication: 10 March 2017