Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty AG

Annual Report 2010

Allianz

Content

Foreword

Despite a challenging environment, AGCS was able to meet its expectations again in 2010. All AGCS units posted € 4.007 billion in gross written premiums. This result is slightly above plan and an increase of some € 200 million over the 2009 result of € 3.806 billion. The increase is a combination of the further integration of the portfolios of our various subsidiaries as well as new business coming on our books. Our combined ratio matched our target of 94 %, a normal year compared to the exceptional 87 % of 2009, but completely within the parameters for sustainable, profitable growth. Because of these strong figures, since the founding of AGCS in 2006, we have managed to earn over € 2.2 billion cumulative operating profit.

AGCS remains a market leader for its financial stability. No other corporate or specialty insurer of our size has higher financial ratings than AGCS. Once again, Standard & Poor's reconfirmed our rating AA (very strong) in August, and once again AM Best announced that there was no change to our rating A+ (superior) in December. I am proud of this consistent achievement, as it demonstrates our long-term goal to remain stable partners for our customers.

Our diversification into numerous markets and lines of business has meant that we were able to balance out losses with non-analogous risks and take advantage of opportunities when they arose. This year, we had an unusually high number of NatCat losses, the largest resulting from the Chilean earthquake. However, growth in most lines of business and excellent underwriting have enabled us to compensate for this volatility and finish with a successful year.

Following the expansion of AGCS into several new markets in 2009, this year saw the continued integration of these new units and the addition of offices in Belgium, Dubai, Hong Kong, Japan, The Netherlands, Singapore, South Africa and Spain. Now that our global footprint is established, our focus will be on strengthening our internal structures and strengthening our profile in both our new and established markets.

Over 3,000 women and men at AGCS around the world achieved this success. They reflect the same diversity of nationalities and backgrounds of our customers and show the professionalism our clients value so much. I thank them for their continued commitment to the success of our company.

Theis

Axel Theis, CEO Allianz Global Corporate & Specialty AG

AGCS Structure

Allianz Global Corporate & Specialty AG (AGCS AG) is a globally operating company registered in Munich, Germany. The company is embedded in a network of various companies in Europe, America and South Africa which reflect the global needs of its corporate and specialty insurance customers. The Allianz Group has decided to serve these global needs by implementing global business structures within one segment. AGCS operates through a network of branch offices and local insurance companies within and outside the Allianz Group who cede business to AGCS AG.

AGCS AG has a headquarter function within this segment. It has established branch offices in the UK, France, Denmark (for the Nordic region), Austria, Italy, Belgium, Spain and the Netherlands. Additional branches in Hong Kong and Singapore are planned for 2012.

AGCS AG operates in about 70 countries and works with additional network partners in many more across the globe. In addition, decades of rich experience as a corporate insurer put uniques tool at our disposal to benefit our clients.

Due to the merger of AZ-Argos 45 Vermögensverwaltungsgesellschaft with Allianz SE in 2010 Allianz SE now owns 86 percent and Allianz IARD, S. A., owns 14 percent of Allianz Global Corporate & Specialty AG. As a consequence, the profit and loss transfer agreement exists directly between Allianz Global Corporate & Specialty AG and Allianz SE.

To serve the needs of the North American market Allianz Global Risks US Insurance Company (AGR US), an indirect subsidiary of Allianz SE, operates in the USA with a Canadian branch in Toronto.

French customers are either served by the French branch of AGCS AG or by AGCS (France), a subsidiary of AGCS AG.

The special needs of the Swiss market are serviced by Allianz Risk Transfer AG, Zurich/Switzerland, a fully owned subsidiary of AGCS AG.

In 2010 AGCS AG has acquired the following three Asian companies from Allianz of Asia Pacific and Africa GmbH, Munich, to cover the Asian Pacific region: Allianz Fire and Marine Insurance Japan Limited, Tokyo, Allianz Insurance (Hong Kong) Limited, Hong Kong, and Allianz Insurance Company of Singapore Limited, Singapore.

AGCS AG subsidiary AZT Risk & Technology GmbH, Munich/Germany, provides supplemental loss control engineering services in the form of risk analyses and claims expertise.

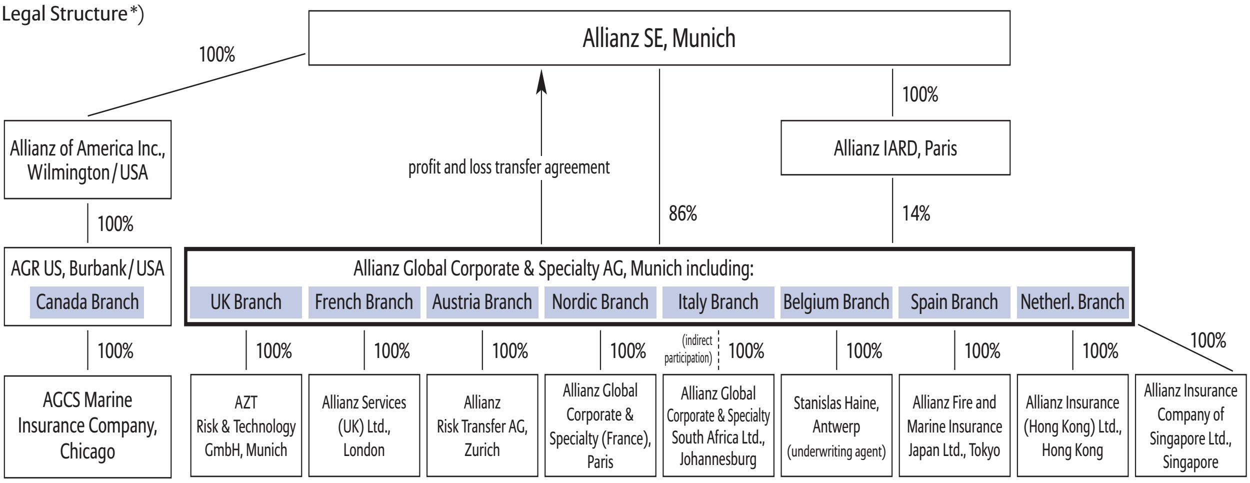
Allianz Services (UK) Limited, London/UK, provides all relevant services for the business operations of the UK branch of AGCS AG.

Furthermore, AGCS AG fully owns Allianz of South Africa (Proprietary) Limited, Johannesburg/South Africa, a holding company which holds 100% of the shares in AGCS South Africa Limited, Johannesburg/South Africa.

The following section refers to AGCS as a segment, i.e. the figures reflect a consolidated view. The legal part of this Annual Report refers to AGCS AG only.

Allianz Global Corporate & Specialty AG

Legal Structure*)



*) simplified

AGCS Global by Line of Business

AGCS global business consists of the entities AGCS AG, AGCS (France), AGR US, AMIC, ARAP, ART AG, AZ Re Dublin, AZFM Japan and AGCS South Africa. Gross figures per Line of Business are shown on a non-consolidated basis. The consolidation effect of gross premiums written amounts to € 505.1 million, leading to global gross consolidated premiums written of € 4,006.7 million.

Gross premiums written of Aviation amounted to € 702.3 (652.2) million which is 7.7 % higher than prior year. The increase mainly stemmed from the German Branch, higher Space premium and a positive foreign exchange effect as a substantial amount of the business is written in US dollars. Aviation was impacted by large Airlines losses in 2009, however, in 2010 large losses impact was lower resulting in an improved calendar year loss ratio of 68.4 % (87.9 %). The full combined ratio amounted to 95.2 % (112.5 %).

Gross premiums written of Energy amounted to € 141.0 (125.1) million, a 12.7 % increase, compared to last year. The main reasons for the improvement were Offshore project business in UK and favourable foreign exchange impact. Claims activity remained below expectations as AGCS did not participate in any major loss event in the Energy segment. The calendar year loss ratio continued to show very strong results of 40.5 % (2.4 %) despite being less favourable than the comparison prior year period which benefited from an extraordinary positive run-off. Energy achieved a very favourable full combined ratio of 63.3 % (29.8 %).

Gross premiums written of Engineering amounted to € 457.8 (486.8) million, a reduction on prior-year level of 5.9 %. The portfolio reduction was caused mainly by the contraction in investment and construction business in US. The calendar year loss ratio of 64.0 % (50.4 %) was affected by the earthquake in Chile and thus deteriorated compared to 2009. Despite the negative claims experience due to natural catastrophes, Engineering benefited from positive run-off for prior years and managed to deliver a solid full combined ratio of 87.7 % (74.6 %).

Financial Lines showed 29.2 % growth in gross premiums written and reached € 211.5 (163.7) million. A considerable part of the increase stemmed from Germany and UK as AGCS has successfully seized new business opportunities in Professional Indemnity and Commercial Risks. On the claims side, due to better than expected loss experience related to the financial crisis in 2009, IBNRs set in the previous period have generated a positive run-off in 2010 leading to a calendar year loss ratio of 57.4 % (174.8 %). The full combined ratio of 82.1% (198.8 %) showed a further improvement in comparison to the last two years.

In 2010, gross premiums written in Liability reduced slightly to € 760.8 (781.9) million due to lower than expected retention in France and declining rates in Germany and UK on the General Liability book as markets remain highly competitive. The PharmChem segment belonging to Liability contributed beyond expectations with gross premiums written of € 79.7 (77.1) million. The calendar year loss ratio of 61.4 % (58.0 %) was positively impacted by run-off profit from prior years. The full combined ratio of 80.6 % (78.1 %) showed a slight deterioration reflecting a change in ULAE reserving methodology.

Gross premiums written in Marine amounted to € 911.1 (835.3) million. The 9.1% improvement versus prior year is explained by positive foreign exchange effect and the completion of the transition of the US Marine book from AZ Fireman’s Fund, that more than offset difficult conditions in construction, transportation and shipping for most of the year. The calendar year loss ratio of 66.6 % (71.5 %) further improved in comparison to prior year period thanks to positive run-off stemming from Europe. This favourably impacted the full combined ratio of 97.3 % (102.5 %).

AGCS’ largest line, Property, generated gross premiums written of € 1,248.3 (1,235.4) million mainly driven by positive foreign exchange effect from US and better than expected contribution from the integration of the Asian entities into AGCS. Loss experience in 2010 was severely impacted by an unusually high number of natural catastrophe related losses including Chile and New Zealand earthquakes, notwithstanding major floods, hailstorms and heavy snow claims in Europe, Pacific and US. This higher than average loss level resulted in a calendar year loss ratio of 75.9 % (28.1%) and a full combined ratio of 99.5 %, significantly above prior year levels (49.1%) which benefited from extraordinary positive run-off .

The gross premiums written of Other lines amounted to € 81.5 (26.0) million mainly driven by the integration of AZFM Japan that included non-core corporate insurance business, mostly personal lines.

Supervisory Board

Clement Booth
Member of the Board of Management, Allianz SE
Chairman

Oliver Bäte
Member of the Board of Management, Allianz SE
Deputy Chairman

Jacques Richier
Chairman of the Board of Management of Allianz France SA

Jay Ralph
Member of the Board of Management, Allianz SE

Bernadette Ziegler
Personnel Officer
Employee representative

Senol Sabah
IT specialist
Employee representative

Board of Management

Dr. Axel Theis
CEO
Chairman

Klaus Otto Bick
CRO

Chris Fischer Hirs
CFO

Dr. Hermann Jörissen
CUO Corporate

Robert Tartaglia
COO

Douglas Pennycuick
CRM

Arthur Moossmann
CUO Specialty

Karsten Crede
Global Automotive
until November 15, 2010

General Managers

Branch Office United Kingdom

Andreas Berger
Chief Executive

Branch Office France

Gilles Mareuse
Chief Executive

Branch Office Austria

Robert Korn
Chief Executive

Branch Office Nordic Region

Stig Jensen
Chief Executive

Branch Office Italy

Giorgio Bidoli
Chief Executive

Branch Office Belgium

Eric Pani
Chief Executive
since July 1, 2010

Branch Office Spain

Agustin Martin Martin
Chief Executive
since September 1, 2010

Branch Office Netherlands

Nicolien Ketelaar
Chief Executive
since November 1, 2010

Report of the Supervisory Board

We continually monitored the Board of Management's conduct of business on the basis of regular reports and we informed ourselves about the state of affairs in several meetings. We have examined the Annual Financial Statements and the Management Report. We concur with the findings of KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's certificate for the Annual Financial Statements for fiscal 2010 and the Management Report presented to it. In its meeting of April 11, 2011, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are herby confirmed.

Effective November 15, 2010, Mr. Karsten Crede resigned from his position as member of the Board of Management with the consent of the Supervisory Board. We thanked Mr. Crede for his contribution to the work of the Board of Management.

Based on the results of his examination, the responsible actuary granted unqualified actuarial certification as provided for by section 11 e in conjunction with section 11 a 3 (2) of the German Insurance Supervision Law (VAG).

Munich, April 11, 2011

For the Supervisory Board:

Clement Booth

Management Report

For Allianz Global Corporate & Specialty AG 2010 was another eventful year of changes, which affected both our business environment and the legal framework for external reporting. The company's core business within the Allianz Group is Global International Industrial Insurance, which was again successfully underwritten and regionally expanded during the past year. In 2009, at the behest of the Allianz Group, the *Global Automotive* Insurance business had been attached to Allianz Global Corporate & Specialty AG in view of its worldwide expansion under centralized management. Due to a change in the Allianz Group's strategy, this activity was halted at Allianz Global Corporate & Specialty AG in the course of the year and transferred to another Allianz company. In primary insurance, the company was exposed to at times difficult market situations and considerable competitive pressures. Claims expenses were impacted by the earthquake in Chile, but due to the diversification of our business and the very positive run-off of prior-year claims it was possible to overcompensate these payouts. The volatility of the capital markets continued as in the prior year, but overall the markets showed clear signs of recovery by the end of the year. Exchange rate fluctuations, particularly of the US dollar and the British pound, once again influenced our results and the valuation of our investments, but through appropriate control of foreign currency positions and the continuation of our safety-oriented investment strategy the company managed to redress the situation. The long-term orientation of our business model aimed at giving Allianz Global Corporate & Specialty AG continuity, stability and sustained earnings power in a difficult market environment is based on the diversification of our insurance business in connection with our integrated approach to asset-liability management. In structural terms the activities of Allianz Global Corporate & Specialty AG have continued to evolve and our direct underwriting business was expanded in 2010 through the creation of branch offices in Belgium, the Netherlands and Spain. In the process of setting up its Belgian branch office, Allianz Global Corporate & Specialty AG acquired all shares of Stanislas H. Haine from Allianz Belgium. In view of the expansion of our activities in Asia, we acquired Allianz group insurance companies in Singapore, Japan and Hong Kong. Changes in the regulatory context resulted from the amendment of the German Code of Commerce – the Accounting Law Modernization Act (BilMoG) – which came into force in 2009. This change, which primarily concerns non-technical positions, produced a positive extraordinary conversion result, which substantially increased the profit transferred to Allianz SE.

Development overview

The business of Allianz Global Corporate & Specialty AG includes the German and International Corporate Business (ICB), as well as the specialty insurance lines Marine, Aviation and Energy, in both the direct and the indirect insurance business.

In keeping with this business model the direct underwriting of insurance with our customers was further expanded in the reporting year through the newly created branch offices mentioned above. While renewal rights were acquired in 2010 in Belgium and the Netherlands, the Spanish branch office acquired the entire industrial portfolio of Allianz Seguros retroactive to January 1, 2010. This enables us to meet the needs of our industrial customers to an even greater extent and to further expand our business relations.
The bundling of our activities, the increasing share of direct business and the further diversification of insurance risks has also enabled us to strengthen our offer of insurance solutions for specific needs as well as our comprehensive service. Within the framework of our projects we continually invested in the further expansion of the global harmonization and optimization of business processes in all business units.

As in the previous year, we pursued our risk-adequate and selective underwriting and reinsurance policy in a business environment marked by strong competitive pressures. It should be noted that our sales figures and underwriting results are impacted by currency effects stemming primarily from the US dollar and the British pound. Premium income in the reporting year was once again higher than in the previous year and reached € 2.4 (2.3) billion – an increase of € 69.9 million over the prior-year figure. With respect to the different European branch offices, premium income in Germany registered a decline of € 68.2 million to € 1.48 (1.55) billion, while the UK reported a drop of € 25.6 million to € 568.8 (612.4) million. The lower premium volume was essentially due to the decline of the indirect insurance business. This tendency is a result of the company's business model, which favors coverage of our customers' risks through direct insurance written by our branch offices, and thus meets the international needs of our customers to an ever growing extent. On the other hand there was premium growth, mainly in our new branch offices in Spain with € 129.1 million and in Belgium with € 8.2 million. In the other branch offices in Denmark, France, Italy, the Netherlands and Austria total premium income increased from € 179.9 million in the previous year by € 26.5 million to € 206.4 million. This includes substantial increases in Italy by € 15.7 million to € 110.8 (95.1) million and in France by € 5.1 million to € 35.9 (30,8) million. The Austrian branch office reported an increase of € 6.3 million to € 34.0 (27.7) million, while the Danish branch office posted a decline of € 0.7 million to € 25.6 (26.3) million. Overall, the company's gross premiums earned remained essentially at the prior year level, showing a slight increase by € 27.1 million from € 2.37 billion to € 2.39 billion. Claims expenses in the reporting year were impacted by a major elementary loss, the earthquake in Chile. There were no other major losses from natural risks. The total losses from this disaster, which was assumed by way of indirect underwriting from the primary insurers, amounted to a total of € – 243 million and affected the new Spanish branch office with a net loss of € – 65 million after deduction of reinsurance. As a result, the gross loss ratio increased from 64.8 percent in the previous year to 75.3 percent in the reporting year. The run-off of prior-year claims reserves was more positive than in the previous year and increased by € 101.5 million to € 340.6 (239.1) million.
Overall, gross claims expenses for insurance losses rose by € 167.8 million over the previous year to a total of € 1.46 (1.29) billion. With respect to the overall portfolio, the gross loss ratio increased by 6.4 percentage points to 61.1 percent, compared to 54.7 percent in the previous year. Gross underwriting expenses increased by € 27.9 million to € 497.9 (470.0) million, which resulted in a higher gross cost ratio of 20.8 (19.9) percent.

The claims equalization and similar reserves, which by law must be recognized in the balance sheet, required total allocations of € 37.6 (159.5) million.

This resulted in an underwriting profit for own account of € 119.1 (90.0) million.

To be able to evaluate the development of our business segment, the International Corporate Business must be viewed in its totality, just as in previous years. The impact of the AGCS business model of being closer to the client through direct underwriting by local offices is characterized by the fact that insurance business that was previously written as reinsurance assumed and reported as indirect business has since 2007 been increasingly reported as direct business. But basically, this is still the same insurance business. This business policy was continued in 2010 with the opening of new branch offices in Belgium, Spain and the Netherlands so that the reporting year once again saw a shift of premium income from indirect to direct insurance business. As a result, gross premium income in direct insurance increased by € 184.6 million from € 1.19 billion to € 1.38 billion. This was partially offset by the decline of premium income from indirect insurance by € 114.7 million to € 1.03 (1.14) billion. While direct insurance registered a clear reduction of claims incurred and an improved loss ratio of 70.7 (77.3) percent in the reporting year as well as a clearly more positive run-off of € 160.0 (– 4.3) million, the loss experience in indirect insurance was less favorable because of the natural catastrophe in Chile, which caused substantially higher claims expenditure in the reporting year. As a result, the loss ratio rose to 81.0 (53.1) percent. Taking into account the positive run-off of the prior year claims reserve of € 180.5 (243.4) million, the gross loss ratio of reinsurance ceded rose to 64.3 (33.1) percent while the gross loss ratio in direct insurance fell to 58.5 (77.7) percent.

The following comments on the development of our business are based on gross sales figures, and the underwriting results are stated for own account.

Direct insurance business

- Premium income in Personal Accident Insurance was lower in the reporting year and the insurance line posted sales of € 3.7 million, € 4.9 million less than the prior-year figure of € 8.6 million. Claims expenses were also lower, declining by € 1.6 million to € 1.6 (3.2) million), and thus remained at a modest level with a gross loss ratio of 40.9 (43.0) percent. With no change in the equalization reserve (allocation of € 0.3 million), the underwriting profit of € 1.7 (2.0) million remained below the prior year level.

- In Liability Insurance, premium income in the reporting year grew substantially by € 131.0 million to € 605.6 (474.6) million, which corresponds to an increase of 27.6 (23.1) percent. This is in part attributable to the transfer of the Spanish portfolio of Allianz Seguros to the Spanish branch office of Allianz Global Corporate & Specialty AG retroactive as of January 1, 2010, as well as a premium increase in Germany, which is essentially due to the growth in aviation business. At the same time, the claims experience of this insurance line was more favorable than in the previous year, which resulted from the positive run-off of prior-year claims. In financial liability insurance, particularly D&O insurance in Germany, it was possible to partially release the reserves set up in the context of the subprime crisis. This resulted in a reduction of claims expenses by € 107.6 million to € 274.8 (382.4) million. Before allocations to the equalization reserve this insurance line posted a profit of € 57.4 (loss of – 57.1) million. After an allocation to the equalization reserve of € 35.3 (withdrawal of 55.1) million, an underwriting profit of 22.1 (loss of – 2.0) million was reported.

- Fire Insurance and other Property Insurance generated a further increase of premium income of € 54.4 million in the reporting year and thus contributed to the growth of the direct insurance business with an overall premium volume of € 399.6 (345.2) million. Fire Insurance posted premium income of € 146.7 (88.8) million for the reporting year, clearly above the prior-year level. Here too, the direct insurance business was boosted by the transfer of the Spanish portfolio. Clearly lower gross claims expenses of € 42.6 (69.5) million and an improvement of the gross loss ratio by 57.4 percentage points to 31.5 (88.8) percent produced a positive underwriting result of € 10.4 (– 12.2) million before allocations to the equalization reserve. After an allocation of € 26.1 (withdrawal of 3.0) million to the equalization reserve, an underwriting loss of € – 15.8 (– 9.2) million was posted. Premium income from Other Property Insurance declined slightly to € 252.8 (256.3) million. In absolute terms, the claims situation in the reporting year was less favorable and resulted in an increase of claims expenses by € 54.4 million to € 171.9 (117.5) million. With the positive run-off of prior-year claims of approximately the same amount, this resulted in a loss ratio of 67.8 (47.6) percent. Before changes in the equalization reserve of € – 0.6 (– 0.01) million, an underwriting loss of € – 6.6 (profit of 38.7) million was reported. Overall, the insurance line of business group Fire Insurance and other Property Insurance ended the year with an underwriting loss of € – 22.4 (profit of 29.5) million.

- Due to competitive price pressures and the lingering effects of the financial crisis, premium income in Marine and Aviation Insurance declined slightly in the reporting year and fell by a total of € 7.9 million to € 303.0 (310.9) million. In Transport Insurance, gross premiums dropped by € 19.9 million to € 237.3 (257.1) million, mainly due to the impact of the worldwide financial crisis on the air freight business. The absence of major losses resulted in lower claims expenses of € 160.4 (208.3) million. Overall, this insurance line posted a loss of € – 16.3 (– 24.7) million. Aviation Insurance reported an increase of premium income by 22.1 (57.6) percent to € 65.7 (53.8) million. The loss experience continued to be impacted by basic losses, which resulted in gross claims expenses of € 56.4 (66.9) million. This led to a negative underwriting result before changes to the equalization reserve of € – 13.3 (– 14.8) million. After a withdrawal of € 1.7 (4.8) million from the equalization reserve the underwriting result came to € – 11.6 (– 10.0) million. Overall, the underwriting result of this segment before changes in the equalization reserve improved to a loss of € -29.5 (-41.2) million. After the withdrawal of € 1.6 (6.6) million from the equalization reserve, a loss of € – 27.9 (– 34.6) million was reported.

- In the reporting year the company for the first time reported underwriting expenses in the insurance line of business group Automotive Liability Insurance and Other Automotive Insurance. This is attributable to the Allianz Group's general initiative to assume the *Global Automotive* Insurance business worldwide through a risk carrier by providing reinsurance to Allianz companies and industrial clients and to bundle it within the Allianz Group by using the global network of Allianz Global Corporate & Specialty AG. Due to a change of strategy by the Allianz Group the implementation of this business model was not pursued through Allianz Global Corporate & Specialty AG but was shifted to another unit within the Allianz Group. The corresponding costs are thus related to the implementation and establishment of the *Global Automotive* Insurance business and have led to charges for the company, which were allocated to the operations and loss functions by way of a cost redistribution scheme. This resulted in underwriting losses of € – 1.7 million in Automotive Liability

Insurance and of € – 3.4 million in Other Automotive Insurance.

- Gross premiums written in Other Insurance increased in the reporting year by € 12.1 million to € 67.7 (55.6) million, due to direct underwriting by the branch offices instead of reinsurance business assumed. Gross claims expenses once again increased over the prior year figure by an even higher amount of € 17.1 million and rose to € 61.1 (44.0) million due to a larger number of medium-sized major losses. The gross loss ratio was 94.1 (73.1) percent. After an allocation of € 12.2 (withdrawal of € 9.9) million to the equalization reserve, the insurance line posted a loss of € – 29.5 (– 25.4) million.

Reinsurance business assumed

- Premium income in Property / Casualty Insurance dropped substantially by € 9.4 million to € 2.7 (12.1) million. Due to the absence of major events this insurance line ended the year with an underwriting profit of € 2.1 (1.1) million.

- Gross premium income in Liability Insurance came to € 310.9 (373.1) million in the reporting year, which was € 62.2 million below the prior-year level. This is primarily due to the fact that the underwriting of these risks has been increasingly shifted to the direct insurance business. Gross claims expenses in the reporting year were characterized by a clearly better loss experience and registered a substantial decline by € 41.3 million to € 137.5 (178.8) million. Taking into account the positive run-off of prior-year claims in the amount of € 41.4 (103.6) million the total loss ratio remained at a still moderate level of 43.2 (47.9) percent. The overall result before changes to the equalization reserve was € 58.0 (54.0) million, comparable to the prior-year level. After an allocation of € 34.2 (46.6) to the equalization reserve a profit of € 23.8 (7.4) million was posted.

- Business in the insurance line of business group Automotive Liability Insurance and Other Automotive Insurance was assumed through indirect underwriting. Premium volume in the reporting year came to € 24.2 million. With claims expenses totaling € 7.2 million, the insurance line of business group ended the year with an underwriting profit of € 4.1 million after reinsurance.

- In Fire Insurance and Other Property Insurance premium income in the reporting year came to € 468.7 (563.2) million and thus remained € 94.5 million below the prior-year level. Here, too, the indirect business was affected by the direct underwriting activities of the European branch offices, which resulted in substantially higher premium income from direct business in Fire Insurance and Other Property Insurance. In Fire Insurance, premium income amounted to € 283.8 (356.3) million. Due to the absence of major losses the claims experience remained close to the prior-year level and came to € 68.7 (53.2) million, an increase of € 15.5 million. Accordingly, the gross loss ratio rose from 13.4 percent in the prior year to 24.9 percent in the reporting year. After reinsurance cessions a clearly lower underwriting result of € 50.6 (183.3) million before changes to the equalization reserve was posted. In the reporting year it was possible to withdraw € 81.1 (allocation of 142.8) million from the equalization reserve, which led to an underwriting result after changes to the equalization reserve of € 131.7 (40.5) million. Other Property Insurance recorded lower premium income of € 184.9 (206.9) million. Because of the losses from the earthquake in Chile claims expenses in this insurance line registered an extraordinary increase of € 255.1 million to € 346.1 (91.0) million. The overall effect of this natural disaster on gross claims expenses amounted to € 243.0 million. Due to the non-proportional reinsurance contracted in this line, it was possible to lower net loss expenses to € 65 million so that the insurance line ultimately posted a comparable underwriting result before changes to the equalization reserve of € 42.4 (45.0) million. After a small allocation to the equalization and similar reserves the insurance line ended the year with a profit of € 41.7 (44.8). Overall, the insurance branch group posted an underwriting profit of € 173.4 (85.3) million.

- Transport and Aviation Insurance generated gross premium income of € 175.7 (147.3) million. In Transport Insurance, premiums rose € 16.7 million from the previous year and reached € 91.4 (74.7) million, which is essentially due to higher cessions from the US. Losses increased by € 27.3 million and resulted in gross claims expenditures of € 46.6 (19.3) million. After an allocation of € 26.4 (32.6) million to the equalization reserve an underwriting loss of € – 22.2 (20.2) million was recorded. In Aviation Insurance gross premiums amounted to € 84.3 (72.6) million. The loss experience of the reporting year was again impacted by a larger number of events, which resulted in claims expenses of € 83.4 (66.0) million. After a withdrawal of € 15.3 (allocation of 15.4) from the equalization reserve a negative underwriting result of € – 12,6 (– 31,8) was posted. Overall, the branch group ended the year with an underwriting loss of € – 34.8 (– 52.0) million after changes to the equalization reserve.

- Other Insurance posted a slightly lower premium volume of € 47.0 (48.1) in the reporting year. Compared to the prior year, claims incurred remained at a low level of € 3.1 (income of 10.4) million, which was due to the favorable gross claims development and the positive run-off of claims reserves from the previous year. With no change in the equalization reserve (withdrawal of € 3.7 million) the insurance line closed the year with an underwriting profit of € 11.7 (78.7) million.

Reinsurance business ceded

In the reporting year, the company once again ceded its insurance business in part to the various Group companies and in part to external reinsurers. In continuation of the reinsurance strategy introduced in 2009, a greater number of non-proportional reinsurance contracts were concluded with the reinsurers. Reinsurance ceded now covers maximum risks and natural disasters to a limited extent on a quota-share basis and selectively in all insurance lines.
The largest part of the business ceded to Group companies is assumed by Allianz Re Dublin, while Munich Re (Münchener Rückversicherungs-Gesellschaft AG) in Munich is the leading external reinsurer for Allianz Global Corporate & Specialty AG. Premiums ceded to reinsurers increased by a total of € 177.1 million to € 752.6 (575.5) million. In addition to the slightly higher cost of the global coverage programs the premiums for both proportional and facultative reinsurance increased. Despite the premium increase, passive reinsurance ended the year with a lower result than in the previous year because of the higher claims paid by the reinsurers as a result of the earthquake in Chile and posted a profit of € 270.6 (344.3) million.

Supplementary information to the Management Report

The various insurance lines and types offered are presented in detail on page 45.

Developments in the capital markets and their impact on investments

We continued our successful, safety-oriented investment strategy in 2010. Our objective is to generate as high a return as possible while limiting our risk. For reasons of safety we mix and spread our investments over many different investment segments, which helps to cushion the effects of higher uncertainty in the capital markets. In addition, our investment strategy is designed to secure adequate liquidity at any time.

Allianz Global Corporate & Specialty AG was able to benefit from the continuing recovery of the capital markets, which resulted in an increase of the valuation reserves compared to the previous year. In addition, investments in foreign currencies, in particular US dollars, Canadian dollars and British pounds, gained from the revaluation of the local currencies against the Euro. The weakness of the Euro resulted in particular from the growing concern of market participants about the high household deficits of European peripheral nations.

We assess the risk situation with respect to our capital base as well as the coverage of our financial obligations with qualified investments from two perspectives: external and regulatory requirements on the one hand and internal risk capital requirements on the other. For both areas we use stress test models as well as an early warning system and a risk capital model.

These tests are performed on an ongoing basis and our investments passed all of them without exception in the reporting year.

Investments

The book value of investments grew to € 5,623.7 (5,374.9) million in the reporting year.

Investments in affiliated enterprises and participations increased to € 649.1 (610.2) million as a result of the integration of new units, particularly in Japan, Hong Kong and Singapore. At the same time, loans to affiliated enterprises were completely repaid by the end of the year.

The book value of shares, investment certificates and other variable-income securities amounted to € 2,626.4 (2,431.4) million at the end of the year. The increase is essentially attributable to allocations of investment certificates in annuities as well as revaluations.

While the book value of bearer bonds and other fixed-interest securities rose to € 996.3 (875.4) million, other loans decreased to € 1,272.7 (1,342.6) million.

Bank deposits amounted to € 45.3 (77.0) million, while funds held by others came to € 33.8 (38.3) million at the end of the year.

Investment income

Current income from investments was up from the prior year and amounted to € 227.7 (127.3) million. The increase is essentially due to higher distributions from investment funds and higher dividend distributions of the affiliated enterprises.

The disposal of investments produced income of € 28.7 (40.1) million. The gains were mainly generated from the sale of bearer bonds. Gains from write-ups in 2010 amounted to € 33.2 (31.2) million, of which € 30.6 (23.9) million were attributable to investment funds. Losses from the disposal of investments amounted to € 3.3 (14.4) million and were incurred from the sale of bearer bonds.

Depreciation and impairments of investments in the reporting year were attributable to bearer bonds and amounted to € 6.0 (7.1) million.

Investment management and interest expenses amounted to € 7.5 (7.5) million.

Total investment income reached € 272.7 (169.6) million and was thus clearly above the prior-year level.

Valuation reserves on investments (less undisclosed liabilities and taking into account premiums/discounts) increased to € 1,031.8 (960.9) million. Of this amount, € 585.3 (605.1) million are related to shares in affiliated and associated enterprises. The valuation reserves on investment certificates increased to € 342.0 (265.3) million. The valuation reserves on bearer bonds increased to € 41.6 (28.1) and those for other loans came to € 62.9 (61.2) million.

The reserve ratio, i. e. the percentage of valuation reserves in relation to the book value of total investments, reached 18.3 (17.8) percent at the end of the year.

Other non-underwriting business

Other non-underwriting business generated a loss of € – 113.1 (– 12.5) million, which mainly resulted from exchange rate losses, scheduled write-downs on insurance portfolios acquired within the Group, expenses for the company on the whole as well as from scheduled allocations to the reserves for Group Equity Incentive plans.

The overall result of the non-underwriting business thus amounted to € 159.6 (157.1) million.

Extraordinary result

The initial application of the BilMoG produced extraordinary income of € 98.2 (0) million.

Overall result

Tax charges for the reporting year came to € 98.0 (98.3) million.

The overall result after taxes was a profit of € 279.0 (148.8) million. Under the terms of the existing management control and transfer-of-profit agreement, this profit was transferred to Allianz SE.

Corporate agreements

AZ-Argos 45 Vermögensverwaltungsgesellschaft mbH was merged with Allianz SE. The shareholders therefore are Allianz SE and Allianz IARD S. A. As a result of the merger of AZ-Argos 45 Vermögensverwaltungsgesellschaft mbH with Allianz SE, the management control and transfer-of-profit agreement once again exists directly with Allianz SE.

Branch offices

Allianz Global Corporate & Specialty AG maintains branch offices in London (UK), Paris (France), Vienna (Austria), Copenhagen (Denmark), Milan (Italy), Antwerp (Belgium), Madrid (Spain) and Rotterdam (Netherlands).

Outsourcing of functions

Transfer of responsibilities

Accounting and collection functions are provided to the company by the CFO-Accounting unit in Munich and Hamburg. The accounting functions of the foreign affiliates are in part handled locally and in part centrally in Munich. For the Italian branch office this service is provided by the local Allianz company.

Investments and asset management

On the basis of group-internal service contracts, these functions are handled by Allianz Deutschland AG, Munich, and by Allianz Investment Management SE, Munich. The portfolio management is handled by Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main.

Information Technology

Computing center services as well as printing and IT services are, depending on the system concerned, provided to Allianz Global Corporate & Specialty AG either by Allianz Managed Operations & Services SE, Munich, or by Allianz Service (UK) Ltd., London.

Events after the balance sheet date

Among the events that were of particular importance for the financial position and performance of Allianz Global Corporate & Specialty AG are the elementary events that occurred in Australia and Japan in the first quarter of 2011. According to current estimates, the flood damages in Australia have caused probable gross claims expenditures in the indirect insurance business of € 43 million. Flood damages having occurred before the balance sheet date had already been adequately provisioned as claims expenses in the annual financial statements for 2010. As reinsurer of the industrial and automotive business of our Japanese subsidiary Allianz Fire & Marine Insurance Ltd, Tokyo, we will also have to cover losses from the earthquake and the tsunami.
At present, a reliable forecast of net claims arising from this elementary events is not yet possible. But due to the existing reinsurance coverage program the company's retention is adequately protected against such elementary events. Based on current information, other elementary events such as the earthquake in New Zealand and the storms in Australia will have no significant impact on the company.

Employees

Personnel management at Allianz Global Corporate & Specialty AG is strictly aligned with the strategic objectives of the Allianz Group. We promote a performance-oriented corporate culture based on fairness and trust. Allianz Global Corporate & Specialty AG relies on management by objective, performance-based remuneration and the continuous development of its employees. By combining company objectives with individual annual objectives which are fixed in a personal interview by the employee with his/her supervisor at the beginning of the year, all employees and managers take direct responsibility for the contribution they make to the success of the company.

Even before the General Act on Equal Treatment came into force in Germany, Allianz Group – in its Code of Conduct and its worldwide HR Diversity Policy – decreed that nobody was to be discriminated against, particularly not for reasons of origin, religion, gender, disability, age or sexual orientation.

We also offer our employees an exemplary company pension scheme and a group-wide employee stock purchase plan.

One of the central issues of personnel management in 2010 was the targeted training of our employees and the introduction of global career paths. The basis for structured talent management is also the ongoing work of our Career Development Committees.

Another key area is the strengthening and optimization of the operative implementation of the global HR strategy and the definition of a uniform corporate culture. For this, Allianz Global Corporate & Specialty AG will continue to use the instrument of regular surveys of all employees and managers worldwide. These surveys enable us to build a worldwide corporate culture; they help us to identify the need for optimization, to define the corresponding measures and to come together as a global company.

At the end of 2010, Allianz Global Corporate & Specialty AG had a total of 1,325 in-house employees.

Facts and figures

	2010	2009
Employees [1]	**1,325**	**1,129**
Full-time staff	1,311	1,091
Part-time staff (temps and interns)	14	38
Share of women	46%	43%
Share of men	54%	57%
Share of full-time staff	88%	85%
Share of part-time staff	12%	15%
Age (average in years)	42.4	42.6
Time with the group (average in years)	13.8	14.0

[1] As of 12/31; including dormant employment contracts

Thanks to our employees

The Board of Management would like to take this opportunity to thank all employees for their extraordinary personal commitment in the past year. In addition, we thank those employees who are members of the employee representative bodies for their constructive and fruitful cooperation.

Risk Report

Assuming and managing risk is part of the business model of Allianz Global Corporate & Specialty AG. A well developed risk awareness and the weighing of chances and risks are therefore an integral part of our business processes. The key elements of our risk management are a strong risk management culture, comprehensive risk capital calculations and the integration of risk considerations and risk capital needs into the decision-making process.

The risk management of Allianz Global Corporate & Specialty AG is tied into the risk control system of Allianz SE. Its binding guidelines are the Group Risk Strategy and the Group Risk Policy set down by Allianz SE as well as additional directives for risk management and the modeling of internal risk capital. The controlling body for the risk management of Allianz Global Corporate & Specialty AG is the Group Risk unit of Allianz SE. Other internal and external control functions are vested in the Supervisory Board, the Responsible Actuary, Legal & Compliance as well as the Internal Audit.

Organizational embedding of risk management

The responsibility for risk management within the Board of Management lies with the Chief Risk Officer (CRO) who is responsible for actuarials, reinsurance, cumulation control and risk management, as well as for a unit in charge of unwinding discontinued business activities. The Chief Risk Officer oversees the risks assumed and regularly informs his colleagues on the Board of Management of Allianz Global Corporate & Specialty AG about risk-relevant developments, the current risk profile and capital adequacy. In addition, the Chief Risk Officer makes sure that appropriate measures are taken, for instance in cases where a withdrawal from a high-risk situation is required, and he is responsible for the continued development of the risk management processes.

As an independent risk control function the Risk Management Department systematically monitors identified risks by means of qualitative and quantitative risk analyses and evaluations and ensures the regular or – in case of need – spontaneous reporting of essential risks to the Board of Management and to Allianz SE.

Headed by the Chief Risk Officer, the AGCS Risk Committee examines all relevant risks on a quarterly basis and agrees on measures for risk mitigation and the continued development of our risk management processes. The Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer Global Corporate as well as the Chief Operating Officer, who are members of the Board of Management, are also members of the AGCS Risk Committee, which ensures close cooperation and interaction between risk control and the Board as a whole. The Chief Risk Officer and/or the Global Head of Risk Management are members of all of the company's key committees: the Reinsurance Committee, the Loss Reserve Committee, the Underwriting Committee as well as the Finance Committee.

Risk strategy and risk reporting

The risk strategy defines the core risks of Allianz Global Corporate & Specialty AG and describes the risk management and controlling process used to control these risks. The current risk profile is controlled by means of the risk report. It provides directives for indicators and specified threshold values and is submitted to the Risk Committee on a quarterly basis. The Risk Committee decides on the implementation of risk mitigation measures.

Risk categories and control measures

In its circular 3/2009, the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) set mandatory Minimum Requirements for Risk Management in Insurance Undertakings (MA Risk [VA]). For grouping its risks, Allianz Global Corporate & Specialty AG uses internal categories which are comparable to those of MaRisk guidelines.
In particular, we monitor:

- Underwriting risk: Premium risk from insufficient premiums charged and reserve risk from insufficient reserves.
- Concentration risk: Risk from natural catastrophes and other highly correlated risks with significant loss exposure or default potential.
- Market risk: The risk of potential losses in the portfolio value of fixed-income investments or stocks as well as the foreign currency and interest risk. In this context we also monitor the liquidity risk in order to ensure our ability to meet our financial obligations whenever they become due.
- Credit risk (including country risk): The risk arising from the insolvency or liquidity shortages of reinsurers, policy holders, insurance brokers and security issuers, as well as reliability risks due to losses stemming from debtors' impaired creditworthiness.

- Operational risk: Risk that arises from inadequate or failed internal processes and controls. It may be caused by technology, employees, the organization or by external influences and legal risks.
- Strategic risk: Risk resulting from strategic business decisions. This includes risks caused by business decisions that are not adapted to a changed economic environment.
- Reputational risk: The risk that arises from possible damage to an undertaking's reputation as a consequence of negative public perception.

Premium risks are controlled primarily with the help of actuarial models used to calculate premiums and monitor claim patterns. In addition, we issue guidelines for concluding insurance contracts and underwriting insurance risks. In pricing the risks we underwrite we also aim to control the combined ratio within clearly defined limits, and we continually test our expectations for the development of the combined ratio by means of regular analyses of the claims development.

The gross loss ratios of the company's entire insurance business since 2007 developed as follows:

Loss ratio in %	Property/ casualty insurance	Liability insurance	Fire insurance	Other property insurance	Marine insurance	Aviation insurance	Other insurance
2007	11.0	68.8	45.7	48.3	85.4	76.0	89.1
2008	23.4	50.8	70.8	55.8	85.4	76.0	40.6
2009	48.1	68.4	25.8	44.1	69.1	109.8	26.2
2010	20.3	46.7	27.0	107.8	63.7	98.8	51.9

We control reserve risks by constantly monitoring the provisions for insurance claims that have been submitted but not yet settled and by amending these provisions if necessary. For this we use various actuarial methods. In business lines with comparably shorter claims history, such as financial lines, we have developed factor-based approaches that enable us to continually monitor the adequacy of the provisions made.

Concentration risks occur in connection with natural catastrophes such as earthquakes, storms and floods and represent a special challenge for risk management. In order to manage such risks and to better estimate the potential effects of natural disasters, we use special modeling techniques based on probability. These involve the correlation of information on our portfolios – for example the geographic distribution of the amounts covered – with simulated natural disaster scenarios to estimate potential damages. This approach makes it possible to determine the possible effects and concentration of these events. Where such models do not exist, for example for the storm risk in Asia, we use scenario-based deterministic approaches. We control our exposure to natural catastrophes by means of a limit system and the monthly monitoring of possible damages caused. The insights gained this way are used to limit the risks we underwrite and to calculate the capital efficiency of a risk transfer toward the reinsurance market.

Market risks. The investments of Allianz Global Corporate & Specialty AG are centrally managed by the specialists of Allianz Investment Management SE (AIM SE). The investment strategy is aligned with the needs of the asset-liability management Allianz Global Corporate & Specialty AG.
The investment strategy is implemented by AIM SE within the framework of an investment risk and limit system established by Allianz Global Corporate & Specialty AG. This risk and limit system is adjusted annually and adopted by the AGCS Risk Committee and the Finance Committee.
The implementation of the investment strategy also involves the use of derivatives and structured products. But these are not used as such to generate capital gains but for the efficient implementation of the investment strategy and for purposes of risk control.

Our investments are broadly diversified according to type of investment (shareholdings, stocks, fixed-income securities), issuers and situs. A continuous risk analysis is performed by our investment management. This analysis is supplemented by an independent quantification in risk controlling. Existing market risks are regularly quantified by means of stress tests and sensitivity analyses. Allianz Global Corporate & Specialty AG holds a conservative investment portfolio in which stocks (not including participations) have a share of approximately 4 percent at present values. A stocks stress test regularly tests the possible reduction of the current values of our stock portfolio (not including participations) at a twenty-percent drop in share prices. The stress test of our bearer bonds and other fixed-income securities regularly examines the decline of the present value of these securities if interest rates increase by 100 base points.
Market risks from derivatives are assessed and controlled by means of up-to-date value-at-risk calculations, stress tests and the setting of limits.

Due to the international orientation of the business of Allianz Global Corporate & Specialty large parts of the reserves are constituted in foreign currencies. Overall, the share of foreign currencies of the insurance reserves including unearned premiums amounts to approximately 36 percent. Our primary exposures are in US dollars (21 percent) and British pounds (9 percent).

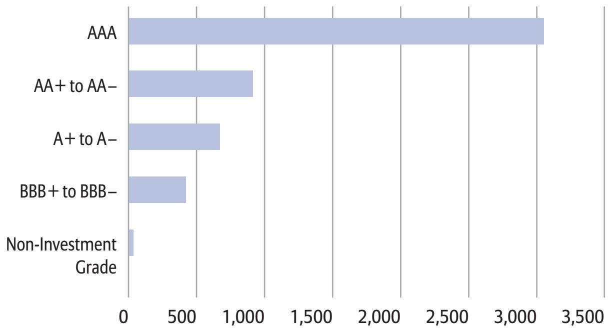
Allianz Global Corporate & Specialty AG actively controls the currency risks resulting from this situation.
This process takes into account all balance sheet items subject to currency conversion. In addition to provisions this also includes all receivables and liabilities as well as investments in foreign currencies. To hedge our currency exposure we also use FX derivatives within precisely defined limits to obtain an effective and timely minimization of currency risks. The monthly control of currency risks is based on monthly data.

In fiscal 2010, the current premium and investment income of Allianz Global Corporate & Specialty AG exceeded claims payouts and expenses. To be able to cope with possible liquidity risks that might arise nonetheless, a large part of our investments is in highly liquid government bonds, and our insurance commitments are to the greatest extent backed by funds with matching maturities. Constant surveillance is ensured through rolling wave planning of short-, medium- and long-term liquidities and by continuous liquidity and cash flow analyses.

Credit risks. The issuers of our fixed-income investments are predominantly governments and banks. We have set limits with respect to minimum rating classes and in view of concentration risks.
Of our total investments approximately 52 percent are fixed-income investments with banks; of these, about 62 percent are secured as German or other covered bonds, while 23 percent are investments with institutions close to the government. Overall, the great majority of our fixed-income securities are issued in Germany or the Euro zone.

The following chart shows the distribution of the fixed-income investments of Allianz Global Corporate & Specialty AG at the end of 2010 by rating class.

Fixed-income investments by rating class as of December 31, 2010, including fund holdings at fair value:



Credit risks and concentration risks are monitored and controlled by means of a limit system.

To cope with the continuing crisis of the financial markets which entails growing solvency risks, particularly for banks, and the heavy fluctuations in the stock market, additional risk management processes were implemented:
- Special surveillance of the exposure to financial service providers, particularly banks.
- Specific scenario calculations for the overall portfolio.

The respect of both regulatory and internal limits was ensured at all times. This demonstrated that even in such an extreme crisis our internal models and risk control processes were up to the task.

As a precautionary measure we reduced our exposure in the PIIGS countries (Portugal, Ireland, Italy, Greece, Spain) to a minimum; it now amounts to less than 2 percent of fixed-income investments.

For the quantification of the credit risk resulting from reinsurance we use information on ceded reserves compiled Group-wide. To control the credit risk with respect to our reinsurance partners, we consider only companies that offer excellent collateral. At December 31, 2010, approximately 20 percent of our reserves were ceded to reinsurers within the Allianz Group, and 80 percent to external reinsurers. The solvency of our reinsurance exposure is tested at least once a year; the most recent test was performed in March 2010 as of 12/31/2009. It showed that 77 percent of our reserves were ceded to reinsurers that had been assigned at least an "A" rating by Standard & Poor's. Since pools have no ratings of their own, the exposure to pools was determined in analogy to the pool's composition. In addition, letters of credit, deposits and other financial measures to further minimize the credit risk may be requested.

At December 31, 2010, total third-party receivables with due dates exceeding 90 days amounted to € 147 million (not including write-offs for impairment). The average default rate for the past three years was 1 percent.

Operational risks are controlled by a comprehensive system of internal security measures and checks as well as a multitude or technical and organizational measures. Among others, these include IT safety such as backup systems and firewalls, as well as internal control systems (for example the four-eye principle). The independent Internal Audit regularly examines our internal control processes. In addition, all processes that can have an impact on financial reporting are documented and examined. Possible risks are minimized by controls.

The implementation and internal testing of the corresponding controls was applied to the full fiscal year 2010. We meet the requirements of our expanding business as industrial insurer by continually integrating and upgrading our IT system landscape, for example through the introduction of Global Genius, a system for the worldwide uniform administration of our insurance contracts.

Limiting our legal risks is an essential task that is carried out by our legal department with the support of the operating departments. The objective is to insure that laws are observed, to react appropriately to all impending legislative changes or new court rulings, attend to legal disputes and litigation, and provide legally suitable solutions for transactions and business processes. Other, non quantifiable risks such as strategic and reputational risks are assessed and evaluated in qualitative terms as part of a Top Risk Assessment at least once a year.

Risk bearing capacity

The solvency tests in the fourth quarter of 2010 were passed with very good results. In addition, the stress tests required by the Federal Financial Supervisory Authority were passed with a wide safety margin. Through our active participation in the European Solvency II Project we are also well prepared for future regulatory requirements. The actual risk situation which, with the help of stress tests, also tests the risk of future developments, thus remains largely within the company’s risk bearing capacity.

In planning the future development of the company, AGCS takes into account a three-year time horizon. The current planning for the time horizon 2011 to 2013 is based on the assumption that our business results will continue their positive development.

Outlook

For 2011, Allianz Global Corporate & Specialty AG expects premium growth over the previous year of about 10 percent, and of well over 5 percent in the years 2012 and 2013. The effects of the financial crisis should be overcome in 2011, world trade will show slight improvement and significant economic growth, particularly in Latin America and Asia, can be expected. Allianz Global Corporate & Specialty AG should be able to benefit from these developments, but since the market environment is primarily determined by strong competition and overcapacities, rate levels will at best stabilize. A more positive rate trend for global business is not expected before 2012.
Positive influences on premium volume in 2010 came mainly from the integration of the new branch offices in Belgium and the Netherlands in the course of the year. In addition, it is expected that Allianz Global Corporate & Specialty AG will increasingly underwrite business in Brazil and thus will be able to participate in the mainly government-financed infrastructure programs. Presently under discussion for 2011 is the transformation of the former subsidiaries of Allianz SE in Hong Kong and Singapore, whose shares were acquired by Allianz Global Corporate & Specialty AG at the end of 2010, into branch offices of Allianz Global Corporate & Specialty AG.

Since the integration of the new units into the group-wide integrated AGCS IT programs will require additional investments, the cost ratio will be no more than stabilized in 2011, despite strict cost management. Measurements for improving the cost-efficiency will be reflected in a lower cost ratio in the medium term. The combined ratio is expected to be about 96 percent in 2011, and in the following years 2012 and 2013 it should be in the vicinity of 94 and 93 percent, respectively.

Allianz Global Corporate & Specialty AG continues to strive for a market-leading position in industry and specialty insurance, driven by profitability rather than sales volume. The highest objective of sustainable profitability is anchored in our underwriting guidelines. The strict adherence to these guidelines is regularly ascertained by our risk management, and the existing control systems are continually improved and adapted to the changing market environment.

The existing reinsurance concept of Allianz Global Corporate & Specialty AG will be continued essentially unchanged in 2011. In some segments such as Engineering Insurance, Energy, D&O Financial Liability Insurance, and Natural Catastrophe Insurance, coverage was extended to meet growing capacity demands.

Allianz Global Corporate & Specialty AG is going to pursue its safety-oriented investment strategy in the future. In this respect the company will continue to rely on the Allianz Group's wealth of experience with investments in Germany and other counties. For the coming two years, Allianz Global Corporate & Specialty AG expects satisfactory investment results.

This expectation is based on the assumptions that the capital markets will be stable. Because of the persistent insecurity with respect to future economic developments there could be a decline of the capital markets in the years to come, with the corresponding negative impact on the market value and the results of the investments of Allianz Global Corporate & Specialty AG. The shares of the participation in Stanislas H. Haine, Belgium, are to be merged with Allianz Global Corporate & Specialty AG in the course of 2011.

The above statements are subject to the proviso that natural disasters, adverse developments in the capital markets or other factors may undermine the validity of our forecasts to a greater or lesser extent.

Munich, March 17, 2011
Allianz Global Corporate & Specialty AG

The Board of Management

Dr. Theis	Bick	Fischer Hirs	Dr. Jörissen
Tartaglia	Moossmann	Pennycuick	

Annual Financial Statements
Allianz Global Corporate & Specialty AG

Balance Sheet as of December 31, 2010

Assets

	2010 € thou	2010 € thou	2010 € thou	2009 € thou
A. Intangible assets				
I. Licences acquired against payment, industrial property rights and similar rights and assets as well as licences for such rights and assets			37,942	30,500
B. Investments				
I. Investments in affiliated and associated enterprises		649,142		610,237
II. Other investments		4,940,685		4,726,394
III. Funds held by others under reinsurance business assumed		33,837		38,304
			5,623,664	5,374,935
C. Receivables				
I. Accounts receivable from direct insurance business:				
1. Policy holders	96,,318			72,242
2. Insurance brokers	289,706			198,403
including from affiliated enterprises: € thou 665 (py: 0)				
		386,024		270,645
II. Accounts receivable on reinsurance business		368,104		238,362
including from affiliated enterprises: € thou 164,484 (117,706)				
III. Other receivables		112,649		124,775
including taxes of: € thou 13,970 (9,112)				
including from affiliated enterprises: € thou 31,710 (41,030)				
			866,777	633,782
D. Other assets				
I. Cash with banks, checks and cash on hand		28,258		16,658
II. Miscellaneous assets		23,838		18,419
			52,096	35,077
E. Deferred charges and prepaid expenses				
I. Accrued interest and rent		43,586		42,901
II. Other prepaid expenses and deferred income		12,919		15,205
			56,505	58,106
F. Excess of plan assets over pension liabilities/pension provisions			393	–
Total assets			6,637,377	6,132,400

Equity and Liabilities

	2010 € thou	2010 € thou	2010 € thou	2009 € thou
A. Shareholders' equity				
I. Capital stock		36,740		36,740
II. Additional paid-in capital		1,108,296		1,108,296
III. Appropriated retained earnings				
other retained earnings		8,355		8,355
			1,153 391	**1,153,391**
B. Insurance reserves				
I. Unearned premiums				
1. Gross	657,943			572,858
2. Less: amounts ceded	252,329			189,890
		405,614		**382,968**
II. Reserve for loss and loss adjustment expenses				
1. Gross	4,757,343			4,395,555
2. Less: share in reinsured insurance business	1,514,356			1,213,139
		3,242,987		**3,182,416**
III. Claims equalization and similar reserves		780,281		742,671
IV. Other insurance reserves				
1. Gross	33,261			28,288
2. Less: share in reinsured insurance business	2,918			2,665
		30,343		**25,623**
			4,459,225	**4,333,678**
C. Other accrued liabilities			93,887	97,349
D. Funds held under reinsurance business ceded			4,884	3,130
E. Other liabilities				
I. Accounts payable on direct insurance business to:				
1. Policy holders	6,324			1,787
thereof residual term of up to one year: € thou 6,324 (1,787)				
2. Insurance brokers	52,231			30,519
thereof to affiliated enterprises: € thou 338 (0)				
thereof residual term of up to one year: € thou 52,231 (30,519)				
		58,555		**32,306**
II. Accounts payable on reinsurance business		318,493		140,501
thereof to affiliated enterprises: € thou 54,801 (27,970)				
thereof residual term of up to one year: € thou 318,493 (140,501)				
III. Liabilities to banks		55		–
thereof residual term of up to one year: € thou 55 (0)				
IV. Miscellaneous liabilities		546,243		368,146
thereof from taxes: € thou 49,771 (43,074)				
thereof to affiliated enterprises: € thou 351,909 (233,121)				
thereof residual term of up to one year: € thou 546,243 (368,146)				
			923,346	**540,953**
F. Deferred income			2,644	3,899
Total equity and liability			**6,637,377**	**6,132,400**

I herewith confirm that the cover provisions stated in the balance sheet under item B. II of the capital and liabilities have been calculated in compliance with sections 341 f and 341 g HGB as well as the statutory orders issued on the basis of section 65 1 VAG [Law on the Supervision of Insurance Companies].

Munich, January 24, 2011
The Responsible Actuary
Klaus-Peter Mangold

Income Statement

For the period from January 1 to December 31, 2010

	2010 € thou	2010 € thou	2010 € thou	2009 € thou
I. Technical account				
1. Premiums earned – net				
a) Gross premiums written	2,408,614			2,338,664
b) Premiums ceded	– 752,552			– 575,537
		1,656,062		1,763,127
c) Change in unearned premiums – gross	– 15,623			27,273
d) Change in unearned premiums ceded – gross	17,714			– 91,109
		2,091		– 63,836
			1,658,153	1,699,291
2. Allocated interest return – net			1	12
3. Other underwriting income – net			410	28
4. Loss and loss adjustment expenses – net				
a) Claims paid				
aa) Gross	– 1,303,817			– 1,254,001
bb) Amounts ceded in reinsurance	302,357			608,849
		– 1,001,460		– 645,152
b) Change in reserves for loss and loss adjustment expenses				
aa) Gross	– 158,378			– 41,068
bb) Amounts ceded in reinsurance	95,902			– 341,557
		– 62,476		– 382,625
			– 1,063,936	– 1,027,777
5. Change in other reinsurance reserves – net			– 3,384	– 3,483
6. Underwriting expenses – net			– 432,248	– 415,821
7. Other underwriting expenses – net			– 2,296	– 2,728
8. Subtotal			156,700	249,522
9. Change in claims equalization and similar reserves			– 37,610	– 159,510
10. Net technical result			119,090	90,012

	2010 € thou	2010 € thou	2009 € thou
II. Non-technical account			
1. Investment income	289,545		198,621
2. Investment expenses	– 16,806		– 29,030
	272,739		169,591
3. Allocated interest return	– 17		– 15
		272,722	169,576
4. Other income	65,579		11,923
5. Other expenses	– 178,655		– 24,378
		– 113,076	– 12,455
6. Non-technical result		159,646	157,121
7. Earnings from ordinary activities before taxes		278,736	247,133
8. Extraordinary income	98,820		–
9. Extraordinary expenses	– 593		–
10. Extraordinary result		98,227	–
11. Income taxes	– 97,962		– 98,309
less amounts charged to other group companies: € thou 77,046 (– 93,155)			
		279,001	148,824
12. Profit transferred because of a profit pool,			
a transfer-of-profit or transfer-of-partial profit agreement		– 279,001	– 148,824
13. Net income		–	–

Notes

Applicable legal regulations

The company's Financial Statements and the Management Report are prepared in accordance with the regulations contained in the German Commercial Code (HGB), the Corporation Law (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).
The amounts in the financial statements are stated in euro thousand (€ thousand).

BilMoG

The law to modernize the German accounting rules ("Bilanzrechtsmodernisierungsgesetz, BilMoG") became effective on May 29, 2009. It is the most substantial amendment of the German Commercial Code since 1985. The application is mandatory for financial years commencing after January 1, 2010. The BilMoG was not applied prematurely in 2009. Prior year figures have not been adjusted.

Accounting, valuation and calculation methods

Intangible assets

These are recorded at their acquisition cost minus tax-allowable depreciation.

Investments in affiliated enterprises and participating interests

These are valued at cost, less amortization, according to section 253 (2) HGB. Where the market value at the balance sheet date was higher than the previous year's valuation, the value is written up to not greater than the historical acquisition cost.

Other investments

Stocks, bearer bonds, other fixed-income securities and variable-income securities

These are valued at whichever is lower, the acquisition cost or fair market or stock exchange value at the balance sheet date, in accordance with valuation regulations pursuant to section 341 b (2) HGB and section 253 (1, 4 and 5) HGB. Where the market value at the balance sheet date was higher than the previous year's valuation, the value is written up to not greater than the historical acquisition cost.

For securities of the same type acquired at different cost a weighted average acquisition cost is calculated.

Interests in funds

Long-term investments in mutual funds are valued according to the regulations that apply to investments pursuant to section 341 b (2) HGB in conjunction with section 253 (1), (3) and (5) HGB using the acquisition cost or the prolonged lower value. Where the market value at the balance sheet date was higher than the previous year's valuation, the value is written up to not greater than the historical acquisition cost.

Loans to affiliated enterprises, other loans and bank deposits

In accordance with section 341 c HGB these items are recorded at face value less repayments.

Funds held by others under reinsurance business accepted

In accordance with section 341 c HGB these items are recorded at face value.

Receivables and other assets

These include the following:
a) accounts receivable on direct insurance business
b) accounts receivable on reinsurance business
c) other receivables
d) cash with banks, checks and cash on hand
e) other assets

These are recorded at face value less repayments. For accounts receivable on direct insurance business, general loss allowances are made to account for the credit risk.

Other assets are carried at acquisition cost less cumulated depreciation. Low-value assets worth up to € 150 are written off immediately. A compound item for tax purposes was formed in accordance with section 6 (2 a) of the German Income Tax Act (EStG) for assets from € 150 to € 1,000. This item is released with profit-decreasing effect in the year of formation and in the subsequent four years, by one fifth in each year.

Plan assets

Securities to meet liabilities resulting from retirement provision commitments are valued at fair value in accordance with section 253 (1) HGB and offset against the liabilities in accordance with section 246 (2) HGB.

Prepaid expenses

Registered bonds, debentures and loans are valued at nominal amounts. Premiums and discounts carried forward as prepaid income and expenses are amortized over the remaining life of the related loans.

Deferred tax assets

The company does not use its capitalization option according to section 274 (1) HGB to constitute a deferred tax asset on the temporary difference between the accounting valuation of assets, liabilities and deferred income/prepaid expenses and their tax-based valuation, if these differences will result in tax relief in the following years.

Insurance reserves

Unearned premiums

In the direct insurance business, unearned premiums are predominantly determined according to the daily calculation method. In engineering insurance, unearned premiums are accrued as a function of the risk experience for each contract. Payments to agents were deducted as non-transferable portions according to tax guidelines. Flat rates were applied to a limited extent.
For reinsurance business assumed, unearned premiums were determined on the basis of the information provided by the ceding insurers. The reinsurers' share deducted from the gross unearned premiums was calculated according to the same principles as the gross premiums, likewise with deduction of non-transferable portions.
In respect of quota charges with participation in the original costs, the proportional unearned premiums were accordingly deducted from the quota share of the reinsurer.

Reserve for loss and loss adjustment expenses

The gross reserve for direct insurance business consists of the following partial reserves:

Reserves for known insured losses are generally determined individually on a per case basis according to the probable payout.

Aggregate policy reserves for annuities in the direct insurance business are calculated for each annuity on the basis of actuarial principles, taking into account the mortality according to the DAV 2006 HUR mortality table.

For already incurred or caused but not yet reported losses, late claims reserves are set up on the basis of the experience from previous years.

For loss adjustment expenses to be expected in settling outstanding losses, reserves are constituted in accordance with the decree of the Federal Ministry of Finance of February 2, 1973.

Receivables from recourse, salvages and apportionment agreements are recognized for the amounts to which they could be expected to be materialized.

For **reinsurance business assumed** the reserves are set up according to information provided by the ceding insurers.

For **reinsurance ceded** the reinsurers' shares of the reserves are calculated in accordance with the reinsurance contracts.

To account for the reinsurers' default risk, individual reinsurers' shares for claims not yet settled are curtailed.

Equalization reserve and reserves similar to the equalization reserve

The claims equalization reserve and the reserves for nuclear, pharmaceutical and terrorist risks are calculated for the net retention portion according to section 341 h HGB in conjunction with sections 29 and 30 of the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).
For the equalization reserve in the "other insurance" line, Allianz Global Corporate & Specialty AG makes use of the possibility of a further sub-division according to the type of insurance.

Other insurance reserves

Direct insurance business:

Reserve for cancellations

The reserve for cancellations is determined on the basis of the previous years' experience.

Reserve for anticipated losses

The assessment is based on expected premium income as well as loss and cost developments for the respective line of business. The reserve is calculated taking into account proportional interest income from the underwriting reserves for the deductible portion only. The reserve is calculated for both the direct insurance business and for reinsurance assumed. It was not necessary to set up such a reserve during the reporting year.

Reserve for contractual subsequent premium settlement

This reserve is set up by way of precaution for possible return premiums which only become due after the expiry of an observation period of a number of years. It is determined on the basis of the reimbursements which have actually become payable on expiry of observation periods.

Other reserves

Pension reserves are calculated on the basis of the current RT2005G mortality tables of Dr. Klaus Heubeck, which have been adjusted with respect to mortality, disability and fluctuation to reflect company-specific circumstances. The conversion expenses resulting from the first-time application of the BilMoG will be distributed over a period of up to fifteen years. In fiscal year 2010, essentially one fifteenth of the amount attributable to Allianz Global Corporate & Specialty AG according to the cost allocation agreement was recognized as an extraordinary expense. The provisions for jubilee payments, phased-in early retirement and early retirement benefits are also calculated on the basis of actuarial principles. The obligations calculated in this manner are recognized in total as a liability.

With respect to the discount rate, the simplification option set out in section 253 (2) sentence 2 HGB has been applied (duration of fifteen years). The effect resulting from the change in the discount rate is reported under other non-technical result.

Liabilities

They include the following:
a) funds held under reinsurance business ceded
b) liabilities from direct insurance business
c) accounts payable on reinsurance business
d) other liabilities

These liabilities are stated at the amounts payable on maturity.

Approximation and simplification methods

To the extent that calculations from ceding insurers are not received in time for the fiscal year, the corresponding amounts are estimated on the basis of past experience, taking into account current developments.

Currency translation

Transactions are generally recorded in the original currency and converted into Euro at the relevant daily rate (middle forex spot rate) on the day of the transaction.

Investments denominated in foreign currencies are valued at the middle forex spot rate at the balance sheet date. This is done by means of the acquisition cost principle. For fixed asset investments the moderate lower of either cost or market principle is used while for current asset investments the strict lower of either cost or market principle is used.

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

All receivables and liabilities recorded in foreign currencies are valued with the middle forex spot rate at the balance sheet date. Exchange rate differences resulting from this valuation of foreign currency positions are recorded as income according to section 256 a clause 1 and 2 HGB.

Provisions are valued at the settlement amount at the balance sheet date in accordance with section 253 (1 and 2) and section 341 e (1) HGB and converted with the middle forex sport rate. Prepaid expenses and deferred income are converted with the middle forex spot rate according to section 250 HGB, not taking into account the realization or imparity principle.
The resulting exchange rate differences are recorded as income.

Bar on dividend distribution

The amount barred from dividend distribution is determined according to section 268 (8) HGB and taken into account in the calculation of the profit to be transferred in accordance with section 301 AktG.

Change of assets A., B.I., B.II in fiscal year 2010

	Values stated as of 12/31/2009		Additions	Disposals
	€ thou	%	€ thou	€ thou
A. Intangible assets				
1. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	30,500		22,391	1,267
B.I. Investments in affiliated and associated enterprises				
1. Shares in affiliated and associated enterprises	573,237	10.7	75,905	–
2. Loans to in affiliated enterprises	37,000	0.7	–	37,000
Subtotal B.I.	610,237	11.4	75,905	37,000
B.II. Other investments				
1. Stocks, investment fund units and other variable income securities	2,431,416	45.6	212,956	45,795
2. Bearer bonds and other fixed-income securities	875,404	16.4	527,781	403,479
3. Other loans				
a) Registered bonds	1,012,238	19.0	63,500	77,500
b) Note loans and loans	330,300	6.2	–	55,800
c) Other loans	23	0.0	–	23
4. Bank deposits	77,013	1.4	–	31,731
Subtotal B.II.	4,726,394	88.6	804,237	614,328
Subtotal B.I. through B.II.	5,336,631	100.0	880,142	651,328
Total	5,367,131		902,533	652,595

*) Of the investments, € thou 2,799 were derecognized. This is due to the offsetting of plan assets according to section 246 (2, clause 2) HGB, which are recognized as other reserves under Equity and liabilities.

Intangible assets (Assets A.)

This balance sheet position essentially comprises the acquisition cost of the insurance portfolios acquired within the Group, less scheduled depreciation and capitalized own and third-party expenses for the system integration of purchased software.

Shares in affiliated and associated enterprises (Assets B.I.)

Shares in affiliated and associated enterprises were composed as follows in fiscal 2010:

	2010	2009
	€ thou	€ thou
Shares in affiliated enterprises		
Allianz Global Corporate & Specialty (France) SA, Paris	375,635	375,635
Allianz Risk Transfer AG, Zurich	186,242	186,242
Allianz Insurance Company of Singapore Ltd., Singapore	22,000	–
Allianz Insurance (Hong Kong) Ltd., Hong Kong	15,400	–
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	28,706	–
Other	21,159	11,360
	649,142	573,237
Loans to affiliated enterprises		
Allianz SE, Munich	–	37,000
	–	37,000
Total investments in affiliated enterprises	649,142	610,237

Write-ups	Depreciation	Transfers	Net-additions (+) disposals (–)	Values stated as of 12/31/2010	
€ thou	€ thou	€ thou	€ thou	€ thou	%
–	13,682	–	7,442	37,942	
–	–	–	75,905	649,142	11.6
–	–	–	– 37,000	–	0.0
–	**–**	**–**	**38,905**	**649,142**	**11.6**
30,619	–	– 2,799*)	194,981	2,626,397	47.0
2,575	6,013	–	120,864	996,268	17.8
–	–	–	– 14,000	998,238	17.9
–	–	–	– 55,800	274,500	4.9
–	–	–	– 23	–	0.0
–	–	–	– 31,731	45,282	0.8
33,194	**6,013**	**– 2,799**	**214,291**	**4,940,685**	**88.4**
33,194	**6,013**	**– 2,799**	**253,196**	**5,589,827**	**100.0**
33,194	**19,695**	**– 2,799**	**260,638**	**5,627,769**	

Details on interests in investment funds in accordance with section 285 (26) HGB

Name of fund	Investment objective	Return of fund shares	Book value 12/31/2010 in EUR	Fair value of fund shares 12/31/2010 in EUR	Valuation reserve 12/31/2010 in EUR	Dividend distribution in fiscal 2010 in EUR
ALLIANZ AVI 1 FONDS	stock fund	each trading day	53,829,853.62	59,174,997.28	5,345,143.66	501,757.27
ALLIANZ GLA FONDS	stock fund	each trading day	33,529,040.16	33,529,040.16	0.00	355,829.08
ALLIANZ GREQ FONDS	stock fund	each trading day	168,672,743.33	172,554,465.72	3,881,722.39	1,278,794.49
Total	stock funds		256,031,637.11	265,258,503.16	9,226,866.05	2,136,380.84
ALLIANZ GLU FONDS	bond fund	each trading day	518,324,754.51	584,182,626.75	65,857,872.24	5,713,043.90
ALLIANZ GRGB FONDS	bond fund	each trading day	192,355,992.97	202,642,940.22	10,286,947.25	1,670,045.25
ALLIANZ GLR FONDS	bond fund	each trading day	447,737,534.45	525,791,069.82	78,053,535.37	4,180,437.61
ALLIANZ GLRS FONDS	bond fund	each trading day	1,005,846,820.40	1,163,587,967.82	157,741,147.42	62,583,132.59
ALLIANZ SYSFI FONDS	bond fund	each trading day	205,121,400.81	225,811,530.03	20,690,129.22	2,828,835.92
Total	bond funds		2,369,386,503.14	2,702,016,134.64	332,629,631.50	76,975,495.27

List of participations according to section 285 (11) HGB

Name and place	Owned in %	Equity in € thou	Net earnings in € thou
Allianz Global Corporate & Specialty (France) S.A., Paris	100.00	621,037	52,011
Allianz Risk Transfer AG, Zurich [5]	100.00	461,033	50,820
Allianz Risk Transfer Inc., NY [4]	100.00	51,818	– 217
Allianz Risk Transfer (Bermuda) Ltd. [4]	100.00	41,508	– 4,450
Allianz Risk Transfer N.V., Amsterdam	100.00	30,345	1,082
Allianz Insurance Company of Singapore Pte Ltd., Singapore [9]	100.00	21,502	2,914
Allianz Services (UK) Ltd., London [3]	100.00	14,986	2,535
Prism Re, Bermuda [4]	20.00	12,472	– 2,564
Allianz Insurance (Hong Kong) Ltd., Hong Kong [8]	100.00	11,165	1,262
Allianz Marine (UK) Ltd., London [3]	100.00	10,289	245
Allianz Fire and Marine Insurance Japan Ltd., Tokyo [2] [7]	100.00	5,487	– 5,519
SpaceCo, Paris	100.00	5,266	3,571
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg [1] [6]	100.00	5,167	398
Allianz of South Africa (Proprietary) Limited, Johannesburg [6]	100.00	4,950	399
Assurance France Aviation S. A.	100.00	3,420	77
Allianz Risk Transfer (UK) Ltd., London [3]	100.00	1,569	39
AZT Risk & Technology GmbH, Munich	100.00	1,395	72
EF Solutions LLC, US [4]	100.00	507	– 916
Stanislas H. Haine, Antwerpen	100.00	285	445
Allianz Risk Consultants B.V., Rotterdam	100.00	167	– 10
Failure & Risk Consulting GmbH, Ismaning	100.00	57	–

All figures are from 2009
1) Financial Statements 2009 are still under the name Allianz Insurance Ltd.
2) Fiscal year from April to March; figures from May 2009
3) Converted from GBP to EUR, closing exchange rate 12/31/2009: 0.89
4) Converted from USD to EUR, closing exchange rate 12/31/2009: 1.43
5) Converted from CHF to EUR, closing exchange rate 12/31/2009: 1.48
6) Converted from ZAR to EUR, closing exchange rate 12/31/2009: 10.57
7) Converted from JPY to EUR, closing exchange rate 12/31/2009: 133.57
8) Converted from HKD to EUR, closing exchange rate 12/31/2009: 11.13
9) Converted from SGD to EUR, closing exchange rate 12/31/2009: 2.01

Market value of investments

	Market value 12/31/2010 € thou	Market value 12/31/2009 € thou
B.I. Investments in affiliated and associated enterprises		
1. Shares in affiliated and associated enterprises	1,234,474	1,178,360
2. Loans to affiliated and associated enterprises	–	38,094
B.II. Other investments		
1. Shares, investment fund units and other variable interest securities	2,968,378	2,696,703
2. Bearer bonds and other fixed-interest securities	1,037,844	903,505
3. Other loans		
a) Registered bonds	1,055,049	1,067,312
b) Promissory notes and loans	290,878	347,792
c) Other loans	–	26
4. Overnight and fixed-term funds	45,282	77,013
B.III. Funds held by others under reinsurance business assumed	33,837	38,304
Total investments	6,665,742	6,347,109

The following valuation methods were used to determine the market value:

Investment fund shares
For special funds the value reported by the fund operator was recorded.

Dividend-bearing securities
Exchange-listed companies are valued at the share price value of the last trading day of 2010. Unlisted companies are valued at their net worth calculated by the DVFA method, or, in the more recent past, on principle at acquisition costs. An exception are companies with an acquisition cost of less than € 10 million, which are on principle valued at their historic acquisition cost.

Bearer bonds
Bearer bonds are valued at the share price value on the last trading day of 2010 or the indicative pricing of investment banks.

Nominal bonds
Loans are valued on the basis of maturity- and risk-adequate yield curves.

Undisclosed liabilities

The fixed asset investments carried at acquisition cost less cumulated depreciation contain no undisclosed liabilities.

Miscellaneous assets (Assets D.II.)

This position mainly involves options on Allianz SE shares, which are used to hedge company risks in connection with Group Equity Incentives. The book value of the Allianz Long Call is valued at acquisition cost or at the lower market value, according to section 253 (3) HGB.

Excess of plan assets over pension liability/ pension provisions (Assets F.)

Assets used to cover debt from pension liabilities or similar long-term liabilities and which are inaccessible to all other creditors must mandatorily be offset against the reserves for these obligations. If the fair value of these assets exceeds the value of the corresponding reserves, the excess must be recognized as “Excess of plan assets over pension liability/pension provisions” on the asset side of the balance sheet. This item amounts to € 393 thou.

Other prepaid expenses and deferred income (Assets E.II.)

This amount concerns discounts on bearer bonds as well as debentures and loans.

Deferred tax assets

Based on the capitalization option of section 274 (1) sentence 2 HGB the surplus of deferred tax assets over deferred tax liabilities will not be recognized.

The main differences between accounting and tax-based valuation arise from the balance sheet items investments and reserve for loss and loss adjustment expenses, which result in deferred tax assets.

Deferred tax assets in Germany are valued with a tax rate of 32 percent and in other countries with the applicable local tax rate.

Bar on dividend distribution

The amount barred from dividend distribution according to section 268 (8) HGB in connection with section 301 AktG amounts to € 256 thou and exclusively concerns the valuation of plan assets at fair value according to section 246 (2) HGB.

The amount barred from dividend distribution is completely covered by unappropriated reserves and is thus transferred in full.

Valuation units

Option rights and equity swaps acquired for hedging group equity incentive plans are combined with the corresponding underlying transactions in valuation units if they are linked by a direct hedging relationship. The underlying transactions are recorded under other reserves while the hedging transactions are recorded under miscellaneous assets.

For the valuation units formed, a micro-hedge approach is used to completely exclude price fluctuation risks stemming from market price fluctuations.

The prospective and retrospective effectiveness of the valuation units for the equity- based remunerations plans which will expire at the latest in 2017 is determined by means of the critical term match method.

At the balance sheet date, the underlying transactions, which consist of benefits to be provided at a future date, amounted to a total of € 9,890 thou. Valuation units are accounted for by means of the "freezing" method.

Nominal values and fair values of open derivatives positions

Share option trades

Class	Number	Fair value €	Valuation method	Significant assumptions	Reported in item	Book value €
Allianz Long Call	21,216	77,438	Binomial model	Discount rate 1.1 %	Assets D.II.	77,438
€ 83.47				Volatility 22.3 %	Miscellaneous	
May 2011				Dividend yield 5.0 %	Assets	
(Hedge-Sar 2004)				Share price € 88.93		
				Cap € 208.68		
Allianz Long Call	41,474	214,835	Binomial model	Discount rate 1.1 %	Assets D.II.	214,835
€ 92.87				Volatility 25.2 %	Miscellaneous	
May 2012				Dividend yield 5.3 %	Assets	
(Hedge-Sar 2005)				Share price € 88.93		
				Cap € 232.18		
Allianz Long Call	27,035	36,227	Binomial model	Discount rate 1.4 %	Assets D.II.	39,864
€ 132.41				Volatility 24.8 %	Miscellaneous	
May 2013				Dividend yield 5.5 %	Assets	
(Hedge-Sar 2006)				Share price € 88.93		
				Cap € 331.03		
Allianz Long Call	51,155	48,597	Binomial model	Discount rate 1.7 %	Assets D.II.	48,597
€ 160.13				Volatility 25.4 %	Miscellaneous	
March 2014				Dividend yield 5.5 %	Assets	
(Hedge-Sar 2007)				Share price € 88.93		
				Cap € 400.33		
Allianz Long Call	79,293	509,854	Binomial model	Discount rate 2.0 %	Assets D.II.	509,854
€ 117.38				Volatility 28.3 %	Miscellaneous	
March 2015				Dividend yield 5.7 %	Assets	
(Hedge-Sar 2008)				Share price € 88.93		
				Cap € 293.45		
Allianz Long Call	108,617	4,016,657	Binomial model	Discount rate 2.3 %	Assets D.II.	2,213,867
€ 51.59				Volatility 34.5 %	Miscellaneous	
March 2016				Dividend yield 5.8 %	Assets	
(Hedge-Sar 2009)				Share price € 88.93		
				Cap € 128,98		
Allianz Long Call	129,844	2,247,600	Binomial model	Discount rate 2.5 %	Assets D.II.	1,950,257
€ 87.36				Volatility 33.1 %	Miscellaneous	
March 2017				Dividend yield 5.8 %	Assets	
(Hedge-Sar 2010)				Share price € 88.93		
				Cap € 218.40		

Shareholders' equity (Equity and Liabilities A.I.)

At December 31, 2010, the issued capital of € 36,740 thousand is divided into 36,740,661 fully-paid in registered shares.
These shares can be transferred only with the company's consent.

As a result of the merger of AZ-Argos 45 Vermögensverwaltungsgesellschaft mbH with Allianz SE in 2010, Allianz SE holds an 86 percent interest in Allianz Global Corporate & Specialty AG and Allianz IARD, S.A. a 14 percent interest.

Other accrued liabilities (Equity and Liabilities C.)

Pension reserves and similar commitments

Allianz Global Corporate & Specialty AG has made pension commitments for which pension reserves are constituted. A part of these pension reserves is secured by "Contractual Trust Arrangements" (Methusalem Trust e.V.), which are coordinated by Allianz SE. These trust assets constitute offsettable plan assets, with the asset value/market value being used as the fair value.
The settlement amount is calculated on the basis of the projected unit credit method and/or stated as the present value of the entitlement acquired.

	12/31/2010 %
Discount rate	5.16
Rate of assumed pension increase	1.90
Rate of assumed salary increase (incl. average career trend)	3.25

In derogation of the above, the contribution-based pension plan is calculated with the guaranteed interest rate of 2.75% p. a. and the guaranteed rate of pension increase of 1% p. a. of these pension promises.

The biometric base for calculations are the current RT 2005 G mortality tables of Dr. Klaus Heubeck, which have been adjusted with respect to mortality, disability and fluctuation to reflect company-specific circumstances. The retirement age applied is the contractual age or the legal age according to the RV-Altersgrenzenanpassungsgesetz 2007.

Other reserves

Jubilee and phased-in early retirement commitments and Allianz value accounts

Allianz Global Corporate & Specialty AG grants jubilee payments to all employees and has concluded phased-in early retirement contracts with some employees. In addition, certain employees have the possibility to forego remuneration, which is then invested in a long-term credit account (Allianz value account) with the objective of releasing these employees from their work obligations before they reach retirement age or, if that is not possible, converting this account into pension payments.
For phased-in early retirement contracts concluded on or after July 1, 2004, the newly mandated legal insolvency protection for phased-in retirement accounts has been provided by a "Contractual Trust Arrangement", which is coordinated by Allianz SE and transferred to a fiduciary, the Methusalem Trust e.V. Contracts concluded before July 1, 2004, are secured by a guarantee declaration by Allianz SE. The assets held as a reserve to secure the phased-in early retirement and long-term credit account obligations at Methusalem Trust e.V. constitute offsettable plan assets, with the asset value/market value being used as the fair value.

These obligations are essentially calculated in the same way as the pension obligations by using the same actuarial assumptions.

Plan assets

The historical cost of the offset assets amounts to € 34,343 thou. The fair value of these assets is € 34,714 thou, and the settlement amount of the offset liabilities is € 34,924 thou.

Gross underwriting reserves according to insurance branch groups, insurance branches and types of insurance in € thou

	total		of which: Gross reserves for unsettled claims		of which: Equalization reserve and similar reserves	
	12/31/2010	12/31/2009	12/31/2010	12/31/2009	12/31/2010	12/31/2009
Direct insurance business written						
Personal accident	2,494	7,535	1,815	3,750		1,198
3rd party liability	1,773,227	1,513,479	1,453,316	1,282,421	147,636	111,158
Automotive liability		–		–		–
Other automotive		–		–		–
Fire and property	544,997	395,609	360,089	277,083	27,788	1,060
of which fire insurance	145,590	105,004	75,077	74,002	27,205	1,060
of which other property insurance	399,407	290,605	285,012	203,081	583	–
Transport and aviation insurance	328,960	324,189	280,194	284,152	35	1,656
Other insurance	132,305	80,905	91,956	56,892	16,626	4,392
Total *)	2,781,959	2,321,717	2,187,371	1,904,298	192,084	119,464
Reinsurance business assumed						
Total	3,446,869	3,417,656	2,569,972	2,491,257	588,197	623,207
Insurance business total	6,228,828	5,739,373	4,757,343	4,395,555	780,281	742,671

*) This amount cannot be derived from the insurance branches listed above because according to RechVersV, non-essential branch groups do not have to be listed.

Tax reserves

In the reporting year tax reserves were constituted for the following branch offices: Spain € 12,760 (0) thou, Germany € 4,795 (0) thou, Italy € 2,355 (3,982) thou and Austria € 433 (0) thou.

Deferred income (Equity and Liabilities F.)

These amount to € 2,644 (3,899) thou and concern discounts on registered bonds, promissory notes and loans.

Other reserves

Other reserves for fiscal 2010 include the following positions:

	2010 € thou	2009 € thou
Reserves for:		
1. Remunerations not yet definitely determined	24,341	20,711
2. Invoices not yet received	14,893	11,992
3. Group Equity Incentives	11,199	9,364
4. Holidays and flexible working hours	5,817	5,013
5. Employee jubilees	4,499	4,364
6. Long-term service awards	4,286	3,811
7. Profit sharing	3,473	4,063
8. Phased-in retirement and value account model	1,742	4,741
9. Restructuring	1,407	2,979
10. Other	1,273	1,457
Total other provisions	72,930	68,495

Supplementary information on insurance branch groups, insurance branches and types of insurance

	Gross premiums written		Gross earned premiums		Net earned premiums	
	2010 € thou	2009 € thou	2010 € thou	2009 € thou	2010 € thou	2009 € thou
Direct insurance business written						
Personal accident	3,668	8,606	3,975	7,424	3,891	6,870
3rd party liability	605,584	474,606	564,207	447,799	383,586	298,492
Automotive liability	–	–	–	–	–	–
Other automotive	–	–	–	–	–	–
Fire and property	399,584	345,163	388,674	325,379	228,879	222,140
of which fire insurance	146,747	88,886	135,243	78,355	42,125	35,628
of which other property insurance	252,836	256,277	253,431	247,024	186,753	186,512
Transport and aviation insurance	302,968	310,923	293,601	306,960	249,787	273,770
Other insurance	67,717	55,617	65,005	60,221	43,711	31,591
Total *)	**1,379,520**	**1,194,914**	**1,315,489**	**1,147,783**	**909,868**	**832,863**
Reinsurance business assumed						
Total	**1,029,094**	**1,143,749**	**1,077,503**	**1,218,154**	**748,285**	**866,428**
Insurance business total	**2,408,614**	**2,338,664**	**2,392,992**	**2,365,936**	**1,658,153**	**1,699,291**

*) This amount cannot be derived from the insurance branches listed above because according to RechVersV, non-essential branch groups do not have to be listed.

Gross premiums incurred for direct insurance business according to area of origin

	Germany		EU		Other countries	
	2010 € thou	2009 € thou	2010 € thou	2009 € thou	2010 € thou	2009 € thou
Personal accident	3,272	4,229	351	4,018	45	358
3rd party liability	315,170	206,653	262,631	238,910	27,782	29,043
Automotive liability	–	–	–	–	–	–
Other automotive	–	–	–	–	–	–
Fire and property	212,461	166,736	140,071	149,317	47,052	29,110
of which fire insurance	76,645	11,562	40,473	67,232	29,630	10,092
of which other property insurance	135,816	155,174	99,598	82,085	17,421	19,018
Transport and aviation insurance	163,017	156,356	99,617	112,427	40,334	42,140
Other insurance	44,954	2,865	16,017	47,973	6,746	4,779
Total	**738,874**	**536,839**	**518,687**	**552,645**	**121,959**	**105,430**

Allocated interest return (Income Statement I.2.)

Allocated interest return is calculated and transferred from the non-underwriting section to the underwriting section in accordance with section 38 RechVersV.

Run-off

The run-off in direct insurance amounted to € 113,258 (16,091) thou net; in business assumed it was € 89,794 (198,549) thou.

Gross expenditure for insurance claims		Gross expenditure for insurance business		Reinsurance balance		Net underwriting result		Number of insurance contracts with at least a 1-year period	
2010 € thou	2009 € thou	2010 € thou	2009 € thou	2010 € thou	2009 € thou	2010 € thou	2009 € thou	2010	2009
1,626	3,190	679	1,353	65	– 535	1,738	2,041	2,345	2,681
274,833	382,423	108,254	86,335	– 122,108	– 34,217	22,099	– 1,966	11,242	12,272
325	–	1,363	–	–	–	– 1,688	–	–	–
650	–	2,724	–	–	–	– 3,374	–	–	–
214,506	186,998	92,942	63,544	– 73,965	– 44,878	– 22,447	29,516	7,182	6,295
42,574	69,539	26,742	17,144	– 52,397	– 2,110	– 15,766	– 9,152	2,165	1,327
171,933	117,459	66,200	46,400	– 21,568	– 42,768	– 6,681	38,668	5,017	4,968
216,840	275,185	85,197	75,381	– 21,515	3,797	– 27,924	– 34,625	9,623	10,761
61,139	44,011	10,381	24,595	– 9,343	– 27,067	– 29,506	– 25,402	982	705
769,923	**891,807**	**301,540**	**251,208**	**– 226,877**	**– 102,900**	**– 61,093**	**– 30,436**	**31,374**	**32,714**
692,272	403,262	196,310	218,784	– 43,747	– 241,400	180,182	120,448		
1,462,195	1,295,069	497,850	469,992	– 270,624	– 344,300	119,089	90,012		

Underwriting expenses (Income Statement I.6.)

	2010 € thou	2009 € thou
a) Gross expenditure for insurance business	497,850	469,992
b) Less: received provisions and profit sharing from reinsurance ceded	65,602	54,171
Total	432,248	415,821

Of the gross expenditures for insurance business, € 456,587 (429,985) thou are attributable to closing expenses and € 41,263 (39,978) thou to adminstrative expenses.

Commissions and other remuneration for insurance agents, payroll costs

	2010 € thou	2009 € thou
a) Commission of any kind for insurance agents wthin the meaning of clause 92 HGB for direct insurance business	135,750	119,211
b) Other remuneration of insurance agents the meaning of section 92 HGB	23	963
c) Wages and salaries	108,916	88,945
d) Social security contributions and other social contributions	13,612	11,789
e) Pension costs	11,697	9,212
Total	269,998	230,120

Investment income (Income Statement II.1.)

	2010 € thou	2009 € thou
a) Income from investments		
ai) Income from participations		
including in affiliated enterprises: € thou 58,104 (8,318)	58,104	8,318
aii) Income from other investments	169,580	118,980
b) Income from write-ups	33,194	31,238
c) Gains from disposals	28,667	40,085
Total	289,545	198,621

Investment expenses (Income Statement II.2.)

	2010 € thou	2009 € thou
a) Investment management, interest, charges and other investment expenses	7,480	7,502
b) Depreciation and write-downs on investments	6,013	7,107
c) Losses from disposals	3,313	14,421
Total	16,806	29,030

Write-downs on intangible assets

The acquired insurance portfolios, which are recognized as intangible assets, were subject to scheduled write-downs in the reporting year, according to section 255 (4, 2) HGB, taking into account their respective useful lives. Scheduled write-downs were made for a total of € 13,682 (11,035) thou.

Income taxes (Income Statement II.8.)

While taxable income in Germany was lower than in the previous year, taxable income at the foreign subsidiaries was higher, which for AGCS AG resulted in almost unchanged income taxes of € 98,0 (98,3) mn.

Depreciation and impairments of investments

Unscheduled write-downs in accordance with paragraph 253 (3) HGB were made on bearer bonds in the amount of € 6,013 (7,076) thou.

Extraordinary result

As a result of the initial application of the German Accounting Law Modernization Act (BilMoG) the following extraordinary income and expenses have been recognized:

	2010 € thou
Extraordinary income	
Release of the reserve for unrealized exchange rate gains	98,506
Revaluation of plan assets from initial application of BilMoG	314
	98,820
Extraordinary expenses	
Amounts charged to group companies for the conversion of pension obligations due to the initial application of BilMoG	– 593
	– 593
Extraordinary result	98,227

Other income and other expenses

Other income / other expenses include:

	Pensions and similar obligations 2010 € thou	Other obligations 2010 € thou
Actual return of the offset assets	– 1,170	– 14
Calculated interest cost for the settlement amount of the offset liabilities	1,201	241
Effect resulting form the change in the discount rate for the settlement amount	21	6
Net amount of the offset income and expenses	52	233

Other information

Contingent liabilities from company pension commitments and similar commitments

Pension commitments

Guarantee obligations exist within the framework of pension plans. The basis for the pension plans of the employees of Allianz Group companies is generally the membership in the Allianz Versorgungskasse VVaG (AVK), which, as a legally independent pension fund, is subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleitungsaufsicht). The benefits provided by AVK are financed according to the lump-sum contribution system under which the member companies make payments to the fund based on salary conversion. In addition to Allianz SE, the member companies include Allianz Deutschland AG, Allianz Versicherungs-AG, Allianz Lebensversicherungs-AG and, among others, Allianz Global Corporate & Specialty AG.

Allianz Global Corporate & Specialty AG has a legal obligation to make employer contributions and to cover the administrative costs of AVK on a pro-rated basis. Payments are made through Allianz SE.
The member companies also make contributions to the Allianz Pensionsverein e.V. (APV), an insurance-backed Group support fund.
In addition, Allianz SE has assumed joint and several liability for a large part of the company's pension commitments. The company reimburses expenses while Allianz SE has assumed responsibility for settlement. For this reason, these pension commitments are recorded in the financial statements of Allianz SE.

The company's joint and several liability from these pension commitments and the corresponding liability matched by rights of relief against Allianz SE amount to:

	12/31/2010 € thou	12/31/2009 € thou
Settlement amount of the offset liabilities	47,921	–
Provision amount that has not yet been recognized (article 67 (2) EGHGB)	9,211	–
Joint liability and/or rights of relief against Allianz SE	38,710	35,550

Changes in the financing of the Pensions-Sicherungs-Verein VVaG pension fund in 2006

As a result of changes in the financing of the Pensions-SicherungsVerein VVaG pension fund there is a liability of € 122,834 (132,145), which is not shown in the company's balance sheet because this liability is matched by rights of relief for the same amount against Allianz SE.

Contributions to the Pensions-Sicherungs-Verein VVaG pension fund stemming from 2009 and payable in the years 2011 to 2013

The same applies to the contributions to the Pensions-SicherungsVerein VVaG pension fund for fiscal 2009, which are payable in the years 2011 to 2013. These also result in a joint and several liability in the amount of € 360,849 (481,131), which is not recognized in the balance sheet of Allianz Global Corporate & Specialty AG because it is matched by rights of relief for the same amount against Allianz SE.

Other financial commitments

At the balance sheet date (31/12/2010) liens in the amount of € 499,031 (454,172) thou were granted in connection with group-internal cessions. Of these, liens in the amount of € 483,750 (454,172) thou were granted to affiliated enterprises and € 211,252 (274,789) thou were deposited in trust accounts, including € 205,875 (268,954) thou in favor of affiliated enterprises. These contingent liabilities will only be claimed if AGCS is unable to fulfill its obligations from the reinsurance business. In view of the solid capitalization and the adequate reserves of AGCS AG the risk of such a claim is considered to be very low.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 8,621 thou in the reporting year.

Pension reserves for former members of the Board of Management and their surviving dependents were as follows:

	12/31/2010 € thou	12/31/2009 € thou
Historical costs of the offset assets	2,919	–
Fair value of the offset assets	2,919	–
Settlement amount of the offset liabilities	2,672	–
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	310	–
Excess of plan assets over pension liability/Pension provisions	– 556	2,152

The cash surrender value of the reinsurance policies is taken as a basis for the fair value of the offset assets.

A total of 24,259 restricted stock units and 48,871 stock appreciation rights were issued to the members of the Board of Management. The fair value of these instruments at the date of grant amounts to € 2,287 thou.

The total remuneration of the Supervisory Board of Allianz Global Corporate & Specialty AG amounted to € 33 thou.

The members of the Supervisory Board and the Board of Management are listed on page 6.

Number of employees (annual average)

The average number of employees of Allianz Global Corporate & Specialty AG for the reporting year was 1,249 (1,025) (not including members of the Board of Management, trainees, interns and employees on parental leave or on basic military/civil service).

	2010 Number	2009 Number
Full-time employees	1,099	873
Part-time employees	150	152
Total	**1,249**	**1,025**

Group affiliation

Global Corporate & Specialty AG is a member of the Allianz Group headed by Allianz SE, Munich. The Allianz SE Consolidated Financial Statements and the Management Report are published in that company's Annual Report in March and published in the German Electronic Federal Gazette subsequent to the Allianz Annual General Meeting in May. They can be consulted there or are available upon request from our company.
The Annual Report is also available on the website of Allianz SE.

Allianz Global Corporate & Specialty AG is incorporated into Allianz SE's Consolidated Financial Statements and Management Report. The Consolidated Financial Statements and the Management Report legally dispense our company from any other reporting obligations so that Allianz Global Corporate & Specialty AG does not establish Consolidated Financial Statements and a Management Report of its own.

Munich, January 26, 2011
Allianz Global Corporate & Specialty AG

The Board of Management

Dr. Theis	Bick	Fischer Hirs	Dr. Jörissen
Tartaglia	Moossmann	Pennycuick	

Independent Auditor's Report

We have audited the Annual Financial Statements, including the accounting records and Management Report, of Allianz Global Corporate & Specialty AG for the fiscal year from January 1 to December 31, 2010. The Board of Management of the company is responsible for the accounting policies and the preparation of the Annual Financial Statements and Management Report in accordance with German commercial law and the supplementary provisions laid down in the company's statutes. It is our responsibility to form an independent opinion, based on the audit carried out by us, on the Annual Financial Statements, including the accounting records, and on the Management Report.

We conducted our audit of the Annual Financial Statements in accordance with section 317 HGB (German Commercial Code) and with the generally accepted German auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Those standards require that we plan and perform our audit so as to obtain all the information and explanations necessary in order to provide us with sufficient evidence to give reasonable assurance that misstatements and irregularities materially affecting the presentation of the net worth, financial position and the results presented in the Annual Financial Statements in accordance with generally accepted accounting principles and in the Management Report are identified. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible errors are taken into account in the determination of audit procedures. The audit includes an examination, on the basis of sample checks, of the effectiveness of the internal control system for rendering accounts and the evidence supporting the disclosures in the accounting records, the Annual Financial Statements and Management Report. The audit also includes an assessment of the significant estimates and judgments made by the Board of Management of the company, and whether the accounting policies are appropriate to the Group's circumstances. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Financial Statements and Management Report. We believe that the audit we have conducted provides an adequate basis for the formation of our opinion.

Our audit has revealed no grounds for objection.

In our opinion, based on the findings of the audit, the annual financial statements comply with the legal requirements and supplemental 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 company, in compliance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an appropriate view of the company's position and suitably presents the opportunities and risks of future development.

Munich, March 18, 2011

KPMG AG
Wirtschaftsprüfungsgesellschaft

Johannes Pastor	Dirk Hildebrand
Auditor	Auditor

Insurance lines covered

Direct insurance business written:

Personal accident insurance
Aviation personal accident

Liability insurance
Private liability, public and professional liability, environmental liability, financial loss liability, radiation and nuclear liability, neighbor's liability fire, liability for terrestrial vehicles without mandatory coverage, other liability insurance, test persons liability

Aviation insurance
Comprehensive aircraft insurance, comprehensive spacecraft insurance

Fire insurance
Industrial fire, other fire

Burglary, theft and robbery insurance

Water damage insurance

Glass insurance

Storm insurance

Homeowners insurance

Engineering insurance
Plant and equipment, electronic equipment, erection all risks, contractor's all risks, other engineering insurance

Marine insurance
Hull (including hulls of sea-going, inland waterway and river-going vessels, building risk), goods in transit, valuables (commercial), film property, liability in traffic cases, risk of war, other transport

Extended-Coverage (EC) insurance, insurance of additional risks in conjunction with fire or fire business interruption insurance

Business interruption insurance
Fire business interruption, technical business interruption, other business interruption

Aviation and aerospace liability insurance
Aviation liability, aerospace liability

Other property and casualty insurance
Other property damage (including nuclear plant property), other economic loss (including machine guarantee, loss of license, check cards), as well as other combined insurance (including dynamic property insurance), other types of other property and casualty insurance

Reinsurance business accepted:

Personal accident insurance

Liability insurance

Automobile insurance

Aviation insurance

Fire and property insurance

Burglary, theft and robbery insurance

Water damage insurance

Glass insurance

Storm insurance

Homeowners insurance

Engineering insurance

Marine insurance

Extended Coverage insurance for fire and interruption to business

Business interruption insurance

Aviation and aerospace liability insurance

Other property and casualty insurance

Advisory Council

Dr.-Ing. e. h. Heinrich Weiss
(Chairman)
Chairman of the Board of Management
SMS GmbH

Georg Bauer
CEO
BMW Financial Services

Werner Baumann
Member of the Board of Management
Bayer AG

Dipl.-Ing. Herbert Bodner
Chairman of the Board of Management
Bilfinger Berger AG

Dr. Rudolf Colm
Member of the Board of Management
Robert Bosch GmbH

Georg Denoke
Member of the Board of Management
Linde AG

Klaus Eberhardt
Chairman of the Board of Management
Rheinmetall AG

Klaus Entenmann
Chairman of the Board of Management
Daimler Financial Services AG

Hans-Georg Härter
Chairman of the Board of Management
ZF Friedrichshafen AG

Dr. Alan Hippe
Member of the Board of Management
ThyssenKrupp AG

Dr. Michael Kerkloh
Chairman of the Board of Management
Flughafen München GmbH

Baldwin Knauf
Managing Partner
Knauf Gips KG

Dipl.-Kfm. Thomas Kölbl
Chief Financial Officer
Südzucker AG
Mannheim/Ochsenfurt

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Chairman of the Board of Management
Wieland-Werke AG

Robert Lorenz-Meyer
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Deutsche Lufthansa AG

Jürg Oleas
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GEA Group AG

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Oettinger Davidoff Group

Dr. Wolfgang Schmitt
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KSB Aktiengesellschaft

Dr. Lothar Steinebach
Executive Vice President/CFO
Henkel AG & Co. KGaA

Prof. Dr.-Ing. Udo Ungeheuer
Chairman of the Board of Management
Schott AG

Thomas Unger
Deputy Chairman of the Board of Management
Metro AG

Ulrich Weber
Member of the Board of Management, Personnel
Deutsche Bahn AG

Frank Witter
Chairman of the Board of Management
Volkswagen Financial Services AG

Michel Wurth
Member of the Group Management Board
ArcelorMittal SA

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Member of the Board of Management,
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Dr. Reinhard Zinkann
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