Allianz Global Corporate & Specialty

2012

Allianz Global Corporate & Specialty AG
Annual Report 2012

Allianz

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Foreword

For the global economy, 2012 was a year of stagnation: The sovereign debt crisis continued to hold the Euro zone tightly in its grasp, most regions and sectors recorded weak growth at best, and capital markets saw no end in sight for low interest rates. In this challenging environment, Allianz Global Corporate & Specialty (AGCS) was able to draw on its previous success again in the seventh year of its existence.

We pressed forward on our growth path and cleared an important symbolic hurdle last year: AGCS companies worldwide – into which Allianz Risk Transfer has now been fully integrated – generated more than € 5 billion in premium income for the first time. Totaling € 5.314 billion, the premium volume increased by almost € 400 million over last year. But natural disasters like Hurricane Sandy, which hit the eastern coast of the United States in October, as well as a few major industrial losses left their marks, and the combined ratio rose to 96 percent. Nevertheless, AGCS managed to produce an operating profit of € 420 million.

Despite the ongoing financial market crisis, AGCS was able to reaffirm its financially sound position. Our very competitive ratings demonstrate the strength of our capital base. Thanks to our long-term, broadly diversified investment strategy, we were able to generate a total investment result of € 387 million.

We continue to generate most of our premium income in our key markets in Europe and the United States. They will also represent an important pillar of our business in the future. At the same time, it is our stated goal to continue the geographic diversification of our portfolio: By 2015, one-third of our premium income is to come from emerging economies in Asia, South America, Africa and Eastern Europe.

We made huge strides toward this ambitious goal in 2012: Our new branches in Hong Kong and Singapore began operations. We established a special team for industrial risks within Allianz Russia. We started bundling our activities in South Africa and the Sub-Saharan region with a new regional headquarters in Johannesburg. And at the end of the year, we received approval to operate a local reinsurance company in Brazil: AGCS Brazil opened in two new locations, one in Rio de Janeiro and one in Sao Paulo. The company will become the hub of our expansion in South America over the mid term.

Though local business practices may vary from country to country, we globally apply our principle of profitable growth to build a sustainable long term business. We focus on disciplined underwriting and prudent cost management. In addition, we want to increasingly focus on those industry segments that appreciate our particular strengths: a distinct global network, profound expertise in technical risk assessment and underwriting, and financial stability.

Within our organization, we are laying the foundation for the globalization of our business by decisively moving forward with our multi-year change program that will standardize procedures and platforms across all AGCS sites. We want to respond more quickly to our clients' dynamic risk landscape by offering innovative, holistic insurance solutions which have been developed across individual lines of business. The several industry awards we received last year from leading insurance magazines speak to the fact that our coverage solutions already hold their own against the best solutions on the market.

Though demanding tasks lie ahead, we expect to remain on the path of growth. What we have achieved and what we can still achieve, has first and foremost been the result of our employees' efforts. And with those words, I would like to take this opportunity to thank them for their unwavering commitment and their impressive performance over the past year.

Axel Theis, CEO Allianz Global Corporate & Specialty AG

AGCS Global 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, Asia 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, the Netherlands, Hong Kong and Singapore.

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 unique tools at our disposal to benefit our clients.

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 US with a Canadian branch office in Toronto.

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

The specific needs of the Swiss market and special insurance solutions for international clients are serviced by Allianz Risk Transfer AG, Zurich/Switzerland, a fully owned subsidiary of AGCS AG.

To anticipate the economic and regulatory requirements in the Brazilian market, Allianz Risk Transfer AG has established a local reinsurance company which is expected to go live early 2013.

Beside the two Asian branch offices in Hong Kong and Singapore, AGCS AG covers the Asian Pacific region by its Japanese subsidiary, Allianz Fire and Marine Insurance Japan Ltd., Tokyo.

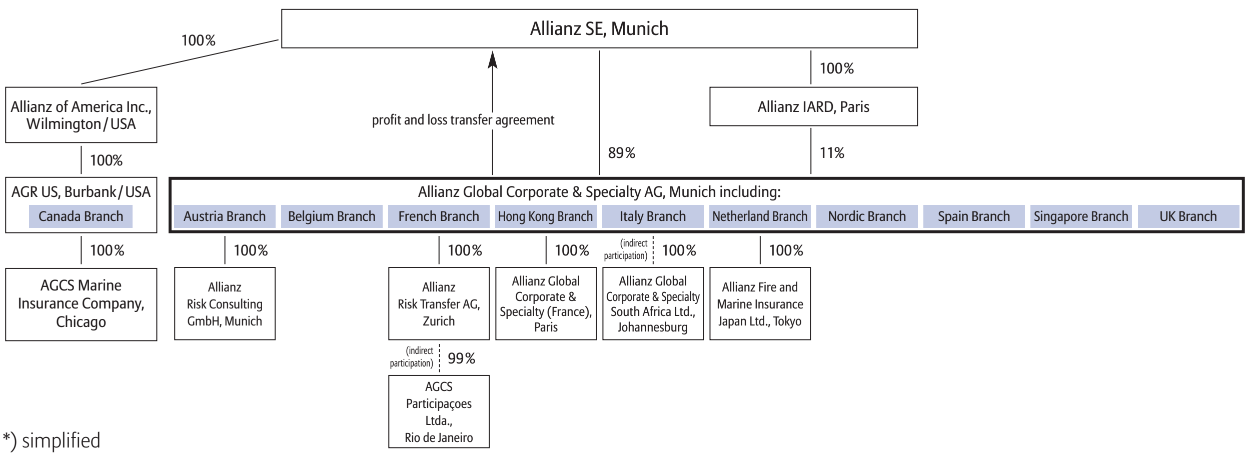
AGCS AG's subsidiary Allianz Risk Consulting GmbH, Munich/Germany, provides supplemental loss control engineering services in the form of risk analysis and claims expertise.

Furthermore, AGCS AG fully owns Allianz of South Africa (Proprietary) Limited, Johannesburg/South Africa, a holding company which holds 100% of the shares in Allianz Global Corporate & Specialty 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 various legal entities that are under AGCS management responsibility. Total global gross consolidated premiums written amount to € 5,314.3 million, and represent an 8% growth relative to 2011 (€ 4,918.2 million[1]). Gross figures per Line of Business (LoB) are shown on a non-consolidated basis and include for the first time LoB ART (Allianz Risk Transfer ART is a center of competence for alternative risk transfer within the Allianz Group and provides tailored insurance, reinsurance and other non-traditional risk management solutions). Overall, the consolidation effect of gross premiums written amounts to € 731.5 million.

Gross premiums written for Aviation amounted to € 721.5 (693.1) million which is 4.0% above prior year mainly driven by positive FX effects and additional launches of communication satellites in the sub-product line Space that more than compensated the current competitive market environment affected by favorable loss experience leading to overcapacity and pressure on rates. The calendar year loss ratio of 54.3% showed significant improvement relative to last year (64.2%) reflecting positive claims run-off and continued low Airlines claims. The combined ratio declined to 78.7% (89.2%).

Gross premiums written for Energy amounted to € 238.4 (189.4) million, a 25.9% increase compared to last year, also benefiting from positive FX effect. The growth shows that the plans to expand and diversify the portfolio have been implemented successfully, with particularly encouraging new business opportunities generated in North America onshore and Asia offshore. In 2012, despite being less severe than the previous year, Energy was again impacted by several large losses. However, the calendar year loss ratio decreased to 55.5% (96.9%) as the increased size of the book as well as positive run-off supported strong profitability, resulting in a combined ratio of 73.4% (119.1%).

Gross premiums written for Engineering amounted to € 537.9 (510.5) million, an increase compared to prior year of 5.3%. Despite difficult economic conditions in many markets accompanied by lower investment activity in projects and lapses driven by profitability initiatives, the portfolio could be expanded, especially in Germany and the US. In 2012, negative impact from Storm Sandy could largely be shouldered by benign claims development in non-cat segments as well as favourable prior year loss movements resulting in a calendar year loss ratio of 66.9% (67.7%). Due to one-off alignments on commissions deferrals, the expense ratio eroded compared to 2011 and the combined ratio ended up at 96.0% (89.7%).

Given the very challenging market environment, Financial Lines showed a satisfactory growth of 4.4% in gross premiums written and reached € 303.1 (290.1) million. AGCS could achieve further growth in the UK mainly for professional indemnity as well as seize growth opportunities in Switzerland, Nordics and Canada. For 2012 the loss experience remained as expected resulting in a loss ratio similar to prior year levels at 56.9% (55.1%). The combined ratio of 83.2% (79.5%) was further impacted by one-off alignments on commissions deferrals as well as higher broker charges in selected countries.

In 2012, gross premiums written in Liability increased to € 938.4 (845.3) million due to higher volume of fronting business coupled with growth realized for General Liability business in US and Germany as well as higher business volume for PharmChem in UK. Whilst in 2011 the calendar year loss ratio of 58.0% was positively impacted by an exceptional run-off profit from prior years, in 2012 Liability claims experience remained in line with long term expectations at 63.8%. The combined ratio increased slightly yet remained a major contributor to overall AGCS results with 84.7% (78.7%).

Gross premiums written in Marine amounted to € 1,159.3 (1,004.5) million. The 15.4% improvement versus prior year is explained by positive FX effects and an increased premium volume for Cargo business based on German, US and French exporting companies as well as new opportunities in Brazil. The calendar year loss ratio of 77.6% (75.4%) was significantly impacted by CAT losses, including Storm Sandy and Tornadoes in North America as well as the large Costa Concordia loss in Europe. Therefore in total the combined ratio ended up at 108.2% (105.0%).

AGCS' largest line, Property, generated gross premiums written of € 1,314.5 (1,291.5) million mainly driven by higher volume of fronting business as well as up-sells in Germany partially offset by a portfolio reduction in a number of countries driven by profitability initiatives focused on premium adequacy. Similar to the last 2 years, loss experience in 2012 was again impacted by an extraordinary number of natural catastrophes events of which the Storm Sandy, Italian Earthquake and US Tornadoes earlier in the year are the major ones. In contrast to 2011, when the higher than average claims activity was fully counterbalanced by exceptional one-time run-off results, for 2012 the severe CAT events as well as some large losses have eroded the calendar year loss ratio by 27.8%-p to 88.0% (60.2%). The total combined ratio for Property in 2012 is 114.9% (87.7%).

Gross premiums written for Allianz Risk Transfer (LoB ART) amounted to € 767.1 (642.4) million. The 19.4% growth relative to prior year is mainly driven by higher Insurance Linked Markets (ILM) and fronting business. Compared to prior year, combined ratio at 68.8% (77.6%) has benefited from significantly better claims ratio relative to 2011 when CAT losses such as the Thailand Flood and New Zealand Earthquake impacted results more severely than in 2012 (Storm Sandy).

The gross premiums written of Other Lines that includes primarily non-core corporate insurance business amounted to € 65.8 (101.2) million. The main driver of this decrease is the discontinuation of motor business in Asia.

[1] includes LoB ART results also for 2011 to allow for comparability

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,
Allianz France SA

Jay Ralph
Member of the Board of Management, Allianz SE
until December 31, 2012

Dr. Hermann Jörissen
Former member of the Board of Management, AGCS AG
as of January 1, 2013

Bernadette Ziegler
Personnel Officer
Employee representative

Senol Sabah
IT specialist
Employee representative

Board of Management

Dr. Axel Theis
CEO
Chairman

Andreas Berger
CRMO

Sinéad Browne
CPRSO
until December 31, 2012
COO
as of January 1, 2013

Chris Fischer Hirs
CFO

Dr. Hermann Jörissen
CUO Corporate
until December 31, 2012

Hartmut Mai
CUO Corporate
since January 01, 2012

Arthur Moossmann
CUO Specialty

William Scaldaferri
CUO Allianz Risk Transfer and Reinsurance
since January 01, 2012

Robert Tartaglia
COO
until December 31, 2012

General Managers

Branch Office United Kingdom

Carsten Scheffel
Chief Executive

Branch Office France

Gilles Mareuse
Chief Executive

Branch Office Austria

Thomas Gonser
Chief Executive

Branch Office Nordic Region

Stig Jensen
Chief Executive

Branch Office Italy

Giorgio Bidoli
Chief Executive

Branch Office Belgium

Eric Pani
Chief Executive

Branch Office Spain

Agustin Martin Martin
Chief Executive

Branch Office Netherlands

Nicolien Ketelaar
Chief Executive

Singapore Branch Office
since January 01, 2012

Kevin Leong
Chief Executive

Hong Kong Branch Office
since January 01, 2012

Kevin Northcott
Chief Executive

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 and we concur with the findings of KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's certificate for the Annual Financial Statements for fiscal 2012 and the Management Report presented to it. In its meeting on May 08, 2013, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are herby confirmed.

Effective January 1, 2012, the Supervisory Board appointed Mrs. Sinéad Browne, Mr. Hartmut Mai and Mr. William Scaldaferri to the Board of Management. Mrs. Browne is responsible for Human Resources, Cat Management and Discontinued Business. Mr. Mai, together with Dr. Jörissen, is responsible for Underwriting Corporate and Mr. Scaldaferri is responsible for Underwriting Allianz Risk Transfer and Reinsurance. Effective December 31, 2012, Dr. Hermann Jörissen resigned from his position as member of the Board of Management and went into retirement. The company's General Shareholders' Meeting appointed Dr. Jörrisen to the Supervisory Board, effective January 1, 2013, after Mr. Jay Ralph resigned from his mandate as a member of the Supervisory Board, effective December 31, 2012.

Effective December 31, 2012, Mr. Robert Tartaglia resigned from his position as member of the Board of Management with the consent of the Supervisory Board. Mr. Tartaglia will take on different responsibilities within the Allianz Group in the future.

We thank Dr. Jörrisen and Mr. Tartaglia for their 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, May 08, 2013

For the Supervisory Board

Clement Booth

Management Report of Allianz Global Corporate & Specialty AG

The strength of the business model of Allianz Global Corporate & Specialty AG, which is the worldwide underwriting of international industrial insurance as well as aviation and marine risks was proven once again in 2012. In a difficult market context the company succeeded in achieving a new profit record.

Gross premiums written reached a new record in the reporting year, as did net premiums earned. Slightly higher claims expenses due to a number of major losses as well as lower run-offs resulted in higher overall claims expenses in the reporting year. The decrease of losses assumed from natural catastrophes compared to the previous year was not able to compensate the increase in major losses.

Investment income was up once again, mainly due to distributions from our investments funds as well as our Swiss subsidiary. Nonetheless, our investments still contain high valuation reserves. In the future, a decline is to be expected, because distributions will not be able to compensate historically low re-investment interest rates.

The profit of € 308.9 million transferred by Allianz Global Corporate & Specialty AG to Allianz SE represents a new record for our company. Since the founding of the company in 2006, a total of more than € 1.6 billion has been transferred to Allianz SE.

The global orientation of Allianz Global Corporate & Specialty AG was again pursued consistently and with good results in the reporting year. The new branch offices in Singapore and Hong Kong have been operating since 2012 so that we now also write direct insurance business in these two countries. In view of the saturated markets in western countries, an initiative to open up promising growth markets (such as Asia, South America and Africa) was launched in the beginning of 2012 under the title "Second Curve".

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. The bundling of our activities and the further diversification of insurance risks have also enabled us to strengthen our offer of insurance solutions for specific needs as well as our comprehensive service. In the past year, we continued to invest in the global harmonization and optimization of business processes in all business units within the framework of our projects.

In a market context characterized by competitive pressures, we steadfastly pursued our risk-adequate and selective underwriting and reinsurance policy. 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, which are not commented individually.

Premium income in the reporting year rose significantly by € 293.7 million and reached a new record of € 3.0 (2.7) billion. Premium income in Property/Casualty Insurance increased by € 138.3 million to € 1.76 (1.62) million. The increase resulted primarily from the indirect insurance business. The newly founded branch offices in Singapore and Hong Kong were able to generate a premium volume of € 126.7 million. In the other branch offices, premium volume increased by € 28.7 million from € 1.11 billion in the prior year to € 1.13 billion in the reporting year, which was also primarily driven by indirect insurance business. The UK branch office reported an increase of € 31.5 million to € 644.6 (613.1) million, the branch office in Denmark an increase by € 7.0 million to € 46.2 (39.2) million, the branch office in Italy an increase by € 6.0 million to € 126.0 (120.0) million and the branch office in Belgium an increase of € 5.3 million to € 62.1 (56.8) million. However, premium income in the Netherlands of € 77.3 (85.2) million, in Spain of € 120.9 (126.7) million, in Austria of € 29.1 (34.8) million and in France of € 28.0 (29.7) million was below the prior year level.

Gross premiums written rose significantly to € 2.96 (2.59) billion. Despite higher reinsurance cessions of € 1.11 (0.95) billion, net premiums earned of € 1.85 (1.64) billion were clearly above the prior-year figure.

Claims expenses due to natural catastrophes in the reporting years decreased by € 178 million from the prior year to € 207 (385) million gross, or € 64 (194) million net, and were mainly impacted by hurricane "Sandy" and the severe earthquake in Italy.

As a result, the gross loss ratio decreased from 77.3 percent in the previous year to 71.9 percent in the reporting year. The run-off of prior-year claims reserves was less favorable than in the previous year and decreased by € 59.9 million to € 194.5 (254.4) million. Overall, gross claims expenses for insurance losses rose by € 188.7 billion over the previous year to a total of € 1.94 (1.75) billion. With respect to the overall portfolio, the gross loss ratio decreased by 2.1 percent from 67.5 percent in the previous year to 65.4 percent in the reporting year. Despite the increase of gross underwriting expenses by € 53.3 million to € 606.1 (552.8) million, the gross cost ratio also decreased to 20.5 (21.3) percent, due to the strong growth of gross premiums earned.

The claims equalization and similar reserves, which by law must be recognized in the balance sheet, required total allocations of € 137.0 (74.5) million.

This led to a substantially improved underwriting result for own account of € 5.2 (– 63.9) 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 business model of Allianz Global Corporate & Specialty AG, which aims to be 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 essentially results in a shift of premium income from indirect to direct insurance business. However, in the reporting year the decline in the indirect insurance business, which should have been expected as a result of this trend, was more than compensated by increasing business volume in the growth regions South America and Asia as well as Australia. Gross premium income from direct insurance increased by € 61.1 million to € 1.56 (1.50) billion; at the same time, premiums in indirect insurance increased by € 232.6 million to € 1.46 (1.23) billion.

The fiscal year's loss ratio in direct insurance deteriorated from 80.3 percent to 82.8 percent due to major losses, which was partially compensated by higher run-off from prior-year losses of € 162.0 (87.8) million. Claims expenses in the indirect insurance business in the reporting year were only slightly below the prior-year figure which was marked by losses from natural catastrophes. Due to positive premium development, the loss ratio for the fiscal year improved to 60.1 (73.7) percent. Taking into account the run-off of the prior-year claims reserve of € 32.5 (166.5) million, which was clearly below the prior-year figure, the gross loss ratio of reinsurance business assumed amounted to 57.9 (59.5) percent. The gross loss ratio in the direct insurance business was 72.3 (74.1) 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

- In Personal Accident Insurance, premium income this year rose by € 3.3 million to € 14.5 (11.2) million. Claims expenses of € 3.4 (2.3) million were higher than in the previous year but resulted in a gross loss ratio of 25.5 (24.0) percent. After an allocation to the equalization reserve of € 0.3 (0.2) million, the underwriting profit of € 5.9 (3.9) million was above the prior-year level.

- In Liability Insurance, premium income in the reporting year grew by € 66.1 million to € 565.1 (499.0) million, which is mainly due to a premium increase in General Liability and Financial Loss Liability insurance. The newly created branch offices in Singapore and Hong Kong also contributed to the increase of premium income. Claims expenses rose by € 7.8 million to € 364.1 (356.3) million, essentially due to the year's development in General Liability and Financial Loss Liability insurance. The loss ratio came to 67.0 (77.5) percent and was thus below the prior-year level. After an allocation of € 4.1 (15.0) million to the equalization reserve, a profit of € 9.4 (12.4) million was posted, slightly below the prior-year level.

- Premium income in the insurance branch groups Automotive Liability Insurance and Other Automotive Insurance amounted to € 14.1 million, which is essentially due to the newly created Hong Kong branch office. In the previous year, following a decision by Allianz Group to no longer write this type of insurance in Allianz Global Corporate & Specialty AG, these insurance branch groups reported no business. Lower claims expenses of € 3.3 million resulted in a loss ratio of 30.0 percent. In fiscal 2012, this insurance branch group reported a profit of € 0.6 million.

- Gross premium income in the insurance branch groups Fire Insurance and other Property Insurance decreased by € 33.1 million to € 391.2 (424.3) million.
  The decline of premium income in Fire Insurance by € 33.2 million to € 157.3 (190.5) million is essentially due to portfolio reductions and a more restrictive underwriting policy. Claims expenses of € 123.2 (136.2) million were below the prior-year level. The loss ratio for the fiscal year thus came to 72.4 (78.0) percent. After an allocation of € 8.0 (withdrawal of € 19.2) million to the equalization reserve an underwriting loss at the prior-year level of € 20.3 (loss of 20.2) was posted.
  Premium income from Other Property Insurance remained at the prior-year level of € 233.9 (233.8) million. Claims expenses increased by € 9.4 million over the previous year to € 136.8 (127.4) million and resulted in a lower loss ratio of 60.2 (58.2) percent. After a withdrawal from the equalization reserve of € 3.7 (3.2) million, Other Property Insurance posted a loss of € 45.9 (loss of 39.2) million.
  Overall, the insurance branch group Fire Insurance and other Property Insurance ended the year with an underwriting loss of € 66.2 (59.4) million. The withdrawal from the equalization reserve amounted to € 11.7 (withdrawal of 16.0) million.

- Premium income in Marine and Aviation Insurance increased to € 477.8 (470.6) million in the reporting year. In Marine insurance, gross premium income increased by € 1.3 million to € 248.2 (246.9) million. Due to almost unchanged claims expenses of € 185.6 (187.9) million, which were essentially attributable to losses incurred in the course of the year, the gross loss ratio stayed at the prior-year level of 75.0 percent. Overall, this insurance line reported an underwriting loss of € 23.0 (loss of 21.7) million after changes to the equalization reserve.
  Aviation Insurance recorded a decline in premium income by € 6.0 million to € 229.6 (223.6) million, while gross claims expenses declined to € 140.4 (172.3) million. The loss ratio followed this development with an additional improvement of 16.2 percent to 60.4 (76.6) percent. After an allocation of € 40.6 (withdrawal of € 1.4) million to the equalization reserve an underwriting profit of € 9.8 (loss of 16.0) was posted. Overall, the insurance branch group's result improved by € 24.6 million to a loss of € 13.1 (loss of 37.7) million after allocations to the equalization reserve.

- In the insurance branch Other Insurance, gross premium income of € 96.2 (92.9) million remained nearly at the prior-year level. However, gross claims expenses increased by € 91.7 million to € 161.3 (69.6) million, which was essentially due to business interruption insurance. Accordingly, the loss ratio increased to 158.0 (85.1) percent.
  After an allocation to the equalization reserve of € 0.5 (withdrawal of 4.4) million, Other Property Insurance posted a loss of € 74.2 (loss of 1.8) million.

Reinsurance business assumed

- Premium income in Property/Casualty Insurance decreased by € 0.5 million to € 9.3 (9.8) million. Claims expenses rose by € 2.5 million to € 2.0 million (income of € 0.5 million). This insurance line ended the year with an underwriting profit of € 5.0 (8.0) million.

- Gross premium income in Liability Insurance came to € 307.1 (268.2) million in the reporting year, which was € 38.9 million above the prior-year level. This is essentially attributable to an increase in general liability insurance, which benefited to a great extent from reinsurance business assumed by our Brazilian subsidiary. Gross claims expenses increased by € 56.8 million to € 125.8 (69.0) million, mainly due to General Liability Insurance business, which drove up the total loss ratio to 42.4 (26.2) percent. € 31.1 (allocation of 16.2) million were allocated to the claims equalization reserve. After the positive development of business ceded, a profit of € 84.0 (21.7) million was reported.

- In Automotive Liability Insurance and Other Automotive Insurance, premium income in the reporting year declined by € 16.7 million to € 5.9 (22.6) million. With claims expenses totaling € 10.8 (17.7) million, these branch groups ended the year with an underwriting loss of € 3.4 (profit of 8.1) million.

- The insurance branch group Fire Insurance and Other Property Insurance posted an increase of gross premium income by € 99.4 million to € 631.9 (532.5) million. Fire Insurance registered an increase in premium income to € 358.5 (291.0) million, which was mainly attributable to the newly created Singapore Branch Office as well as reinsurance business assumed in Brazil and Australia. Gross claims expenses rose to € 135.4 (109.1) million. At 37.9 (37.7) percent, the loss ratio remained at nearly the same level as in the prior year. After reinsurance cessions and allocation to the equalization reserve of € 20.1 (withdrawal of 52.4) million, an underwriting profit of € 23.7 (86.6) million was reported.

- Gross premium income in Other Property Insurance increased by € 31.9 million over the prior year to € 273.4 (241.5) million, which is essentially due to the positive development of reinsurance business assumed as well as the opening of the branch office in Hong Kong. The absence of losses from natural catastrophes as well as lower major loss claims in this insurance line resulted in a decline of claims expenses by € 83.8 million to € 167.5 (251.3) million. The previous year had been marked by claims expenses from the earthquake in Japan and flood damages in Australia. After a withdrawal from the equalization reserve of € 0.6 (allocation of 0.8) million this insurance line ended the year with an underwriting profit of € 68.3 (loss of 46.3) million. After an allocation to the equalization reserve of € 19.5 (withdrawal of 51.6) million, this insurance line ended the year with an underwriting profit of € 92.0 (loss of 40.3) million.

- Marine and Aviation Insurance generated gross premium income of € 405.2 (320.1) million.
  In Marine Insurance, premiums rose € 81.2 million from the previous year and reached € 216.4 (135.2) million, which is to a great extent due to higher cessions from Brazil. Losses increased by € 180.6 million, mainly due to hurricane “Sandy”, and resulted in gross claims expenditures of € 242.8 (62.2) million. € 30.2 (allocation of 60.0) million were allocated to the claims equalization reserve. The result was an underwriting loss of € 45 (loss of 39.9) million.
  In Aviation Insurance, gross premium income amounted to € 188.8 (184.8) million. Gross claims expenses increased by € 10.9 million to € 83.4 (72.5) million and resulted in a higher loss ratio of 44.6 (39.4) percent. After an allocation of € 22.3 (allocation of € 56.5) million to the equalization reserve, an underwriting profit of € 3.9 (loss of 23.1) million was posted.
  Overall, the branch group ended the year with an underwriting loss of € 41.1 (loss of 63.1) million after changes to the equalization reserve.

- Gross premiums written in Other insurance rose to € 100.7 (74.4) million this year. Lower claims expenses of € 52.2 (115.8) million resulted in a loss ratio of 63.2 (177.6) percent. Overall, the branch group closed the year with an underwriting profit of € 6.3 (20.0) 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 keeping with the reinsurance strategy pursued in the previous years, non-proportional reinsurance contracts in the form of a global coverage program were concluded with the reinsurers. With few exceptions, reinsurance ceded covers maximum risks and natural disasters to a limited extent on a quota-share basis and selectively in most insurance lines. The largest part of the business ceded to Group companies is assumed by Allianz Reinsurance Dublin Limited, 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 € 180.7 million to € 1,148.4 (967.7) million, which is essentially due to higher facultative reinsurance cessions in the amount of € 706.9 (522.1) million. Despite higher cessions, passive reinsurance posted a result of € 273.8 (273.3) million, nearly unchanged from the prior year. This was due to higher claims expenses of the reinsurers for losses in the direct insurance business during the reporting year.

Supplementary information to the Management Report

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

As part of the preparations for Solvency II, the individual products were subjected to a general examination with respect to their hierarchical assignment to branch groups. In certain cases this resulted in changes. These changes concern the reclassifications between Liability Insurance and Aviation Insurance as well as between Other Property Insurance and Other Insurance. The biggest reclassification in terms of premium income results from the reclassification of Aviation Liability Insurance from the Liability Insurance branch group to the branch group Marine and Aviation Insurance. The respective prior-year figures have been adjusted accordingly in both the comments and the tables.

Developments in the capital markets and their impact on investments

Allianz Global Corporate & Specialty AG continued its successful, safety-oriented investment strategy in 2012. 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. As in previous years, this helped to cushion the effects of the persisting high uncertainty in the capital markets as well historically low interest rates.

Due to our financial obligations from the insurance business, the by far greatest part of our portfolio is invested in fixed-interest securities. The average maturity of the fixed-interest investments increased slightly in the course of the reporting year.

Our fixed-income investments continue to be focused on German mortgage bonds, supplemented by German and European government bonds. Mortgage bonds are backed by valuable securities such as communal loans or senior mortgage loans, which makes them highly secure investments. In government bonds we continued to concentrate on the Euro zone core countries. Due to the high ratings of German issuers, we slightly reduced our investments in other Euro zone countries during the year. At the end of 2012, 0.8 (0.4) percent of our investments were in Italian government bonds. Our holdings in government bonds from Greece, Ireland, Portugal and Spain were already completely divested in 2010. The share of investments held in foreign currencies as matching cover for underwriting liabilities, in particular in US dollars, Australian dollars and British Pounds remained nearly constant and in a year-to-year comparison, the currencies registered relatively small fluctuations.

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: 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 by a solid 9.0 percent to € 6,417.9 (5,887.0) million in the reporting year.

Investments in affiliated enterprises and participations rose to € 708.4 (648.1) million. This increase is mainly due to investments in real estate investment funds.

The book value of shares, investment certificates and other variable-income securities amounted to € 2,803.9 (2,725.8) million at the end of the year. The increase is due to allocations of investment certificates in annuities while our stock portfolios were completely divested.

The book value of bearer bonds grew substantially to € 1,399.0 (1,145.8) million; other loans also increased to € 1,206.4 (1,161.4) million.

Bank deposits amounted to € 230.0 (136.3) million, while funds held by others came to € 46.5 (69.6) million at the end of the year.

Investment income

Current income from investments was up from the prior year and amounted to € 380.2 (347.3) million. Higher dividend distributions of the affiliated enterprises effectively compensated for lower distributions from investment funds.

The disposal of investments produced income of € 32.4 (37.4) million. The gains were mainly generated from the sale of investment fund shares and bearer bonds. Gains from write-ups in 2012 amounted to € 3.4 (1.4) million. These were entirely attributable to bearer bonds. The sale of investments resulted in losses of € 14.9 (8.4) million, which were also completely attributable to investment fund shares and bearer bonds.

Depreciation and impairments of investments in the reporting year amounted to € 8.6 (5.5) million, of which € 0.3 million were attributable to scheduled write-downs and € 8.3 million to bearer bonds.

Investment management and interest expenses amounted to € 7.0 (5.4) million.

Total investment income of € 385.4 (366.9) million once again surpassed the already very high prior-year figure.

Valuation reserves on investments increased to a total of € 1,128.3 (943.4) million. Of this amount, € 614.4 (563.1) million are related to shares in affiliated and associated enterprises. The valuation reserves on investment certificates clearly increased to € 300.8 (229.8) million. The valuation reserves on investment certificates rose to € 97.1 (73.9) million. For other loans, the valuation reserves amounted to € 115.5 (76.5) million.

The reserve ratio, i.e. the percentage of valuation reserves in relation to the book value of total investments, stood at 17.6 (16.0) percent at the end of the year.

Other non-underwriting business

Other non-underwriting business produced a profit of € 7.2 (loss of 61.4) million, which was primarily due to currency exchange gains.

The overall result of the non-underwriting business thus amounted to € 392.6 (305.4) million.

Extraordinary result

The proportionate allocation of pension commitments conversion expenses resulting from the initial application of the German Accounting Law Modernization Act (BilMoG) resulted in extraordinary expenses of € 0.7 (10.1) million.

Overall result

Tax charges for the reporting year (including intra-group charges) came to € 88.2 (44.2) million.

The overall result after taxes was a profit of € 308.9 (187.2) million. Under the terms of the existing management control and transfer-of-profit agreement, this profit was transferred to Allianz SE.

Corporate agreements

The shareholders of Allianz Global Corporate & Specialty AG are Allianz SE and Allianz IARD S.A.
Allianz SE and Allianz Global Corporate & Specialty AG are linked by a management control and transfer-of-profit agreement.

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), Rotterdam (Netherlands), Singapore and Hong Kong (China).

Outsourcing of functions

Transfer of responsibilities

Accounting and collection functions are provided to the company by the CFO - Accounting units in Munich and Hamburg. The accounting functions of the foreign affiliates are in part handled locally and in part centrally in Munich or the London branch office. 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, investments and asset management are handled by Allianz Deutschland AG, Munich, Allianz Investment Management SE, Munich, and for partial areas by PIMCO Deutschland GmbH Munich, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main and Allianz Real Estate GmbH, Munich.

Information Technology

Computing center services as well as printing and IT services are provided to Allianz Global Corporate & Specialty AG by Allianz Managed Operations & Services SE, Munich.

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, especially 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 key areas in our HR efforts in 2012 was the further professionalization of our recruiting and the securing of the high quality of our HR data in view of the company's growth objectives. One of the priorities of our HR work was the continued education and professional development of our employees.

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 bring us closer together as a global company.

At the end of 2012, Allianz Global Corporate & Specialty AG had a total of 2,012 in-house employees. The increase is essentially due to the transfer of employees from subsidiaries in the UK, Singapore and Hong Kong to the parent company.

Facts and figures

	2012	2011
Employees [1]	**2,012**	**1,345**
of which full-time staff	1,984	1,325
of which other employees (temps and interns)	28	20
Share of women	44%	44%
Share of men	56%	56%
Share of full-time staff	87%	83%
Share of part-time staff	13%	17%
Age (average in years)	42.0	43.0
Time with the Group (average in years)	11.2	13.0

[1] As of 12/31; including dormant employee 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. 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, promoted by a solid risk organization and effective risk governance.
- Comprehensive risk capital calculations with the objective of protecting our capital base and supporting effective capital management.
- The integration of capital needs and risk considerations into the decision-making and management process.

This comprehensive approach makes sure that risks are adequately identified, analyzed and evaluated. Our risk propensity is described by a clear risk strategy and a system of limits. Strict risk control and the corresponding reports enable us to detect early on any possible deviations from our risk tolerance.

Risk Organization

The responsibility for risk management within the Board of Management lies with the Chief Financial Officer (CFO). The Chief Risk Officer, who is reporting to the CFO, monitors the risks assumed and regularly informs 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 the reduction or avoidance of a risk position 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 analysis 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 Financial 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, Chief Financial Officer, Chief Underwriting Officer Corporate, Chief Operating Officer, Chief Personnel & Risk Services Officer as well as the Chief Underwriting Officer Allianz Risk Transfer, 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 is a member of all of the company's key committees: the Reinsurance Committee, Loss Reserve Committee, Underwriting Committee and Finance Committee.

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 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, Legal & Compliance as well as Internal Audit.

Risk strategy and risk reporting

The risk strategy defines the core risks of Allianz Global Corporate & Specialty AG, the risk bearing capacity of the company as well as the risk tolerance of the AGCS Board of Management. The current risk profile is controlled by means of the risk report. It provides indicators with specified fixed 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 German 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 risks: Risk from natural catastrophes and other highly correlated risks with significant loss exposure or default potential.

- Market risks: 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 risks (including country risks): 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.

Other, non-quantifiable risks are monitored by means of structured identification and evaluation processes. These risks are:

- 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. We continually test our expectations for the development of the combined ratio by means of regular analysis of the claims development.

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 a 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 of 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 efficient implementation of the investment strategy also involves the use of derivatives and structured products.

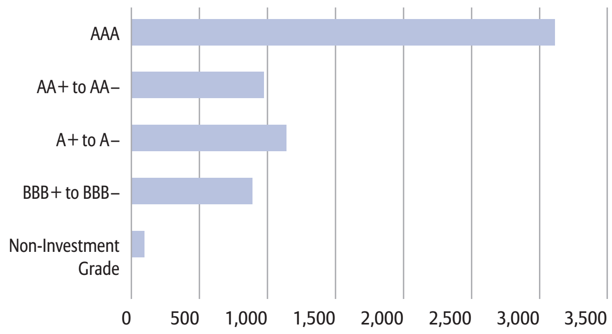
Our investments are broadly diversified according to type of investment (shareholdings, stocks, fixed-income securities), solvency and geographic location.
A continuous risk analysis is performed by our investment management. Allianz Global Corporate & Specialty AG holds a conservative investment portfolio. At the end of the year, the portfolio contained no stocks (except for participations). By means of various stress scenarios we regularly monitor the sensitivity of the portfolio with respect to market changes such as falling stock prices or yield curve shifts.
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 41 percent. Our primary exposures are in USD (24 percent) and GBP (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 2012, 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 are 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 54 percent are fixed-income investments with banks; of these, about 60 percent are secured as German or other covered bonds, while 23 percent are investments with institutions closely associated with the government. Overall, the great majority of our fixed-income securities are issued in Germany or the Euro zone.

Fixed-income investments by rating class as of December 31, 2012, including fund holdings at fair value:



Credit limits are centrally controlled by Allianz SE, and their respectation is monitored by Allianz Global Corporate & Specialty.

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.

At the end of 2012, 0.9 percent (based on market value) of our investments were in Italian government bonds. Our holdings in government bonds from Greece, Ireland, Portugal and Spain were already completely divested in 2010.

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, 2012, approximately 30 percent of our reserves were ceded to reinsurers within the Allianz Group, and 70 percent to external reinsurers. The solvency of our reinsurance exposure is tested at least once a year; the most recent test was performed in April 2012 as of 12/31/2011. It showed that 66.5 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, 2012, total third-party receivables with due dates exceeding 90 days amounted to € 38.2 million (not including write-offs for impairment). The average default rate for the past three years was 1 percent.

Operational risks refer to losses which arise because business processes, employees or systems are inappropriate and entail unfavorable developments, because external events such as power failures or flooding cause a business interruption, because losses are incurred through employee fraud or because the company loses a law suit. Operational risks are controlled by a comprehensive system of internal security measures and checks as well as a multitude of 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 particular, 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 2012. Following a structured approach, we regularly examine scenarios representing possible operational risks. We meet the requirements of our expanding business as an 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 other specialized departments. The objective is to ensure 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. Special attention was given to risks arising from the current macro-economic situation in the European economic area. In addition to monitoring risks stemming from the present economic context, it was also made sure that strategic business decisions were effectively implemented.

Reputational risks are controlled by including all potentially concerned functions such as investments, underwriting, human resources, communication and the legal department. To avoid risks resulting from a possible damage to the company's reputation because of the negative public perception of our actions, certain critical decisions are subject to a rigorous review process that actively involves the communication department as well as risk management, if required.

Risk bearing capacity

The solvency test in the fourth quarter of 2012 was passed with 293 percent. In addition, the stress tests required by the German Federal Financial Supervisory Authority were passed with a wide safety margin. Due to our systematic planning and implementation of the requirements of 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 2013 to 2015, with a focus on 2013, is based on the assumption that our business results will continue their positive development.

Outlook

For 2013, Allianz Global Corporate & Specialty AG expects only slight premium growth. The main driver will be the planned expansion in the so-called growth markets, primarily in selected countries in Asia, Latin America and Africa. Depending on our positioning in the respective markets, growth will be achieved mainly in direct business, e.g. in Asia, where Allianz Global Corporate & Specialty AG operates its own branch offices in Singapore and Hong Kong, or mostly in the indirect, reinsured business, particularly in those countries, where other units of the Allianz Group sign business for Allianz Global Corporate & Specialty AG. Due to the creation of a separate reinsurance company in Brazil as a subsidiary of Allianz Risk Transfer AG, Zurich, at the end of 2012, the Brazilian reinsurance business of Allianz Global Corporate & Specialty AG is likely to decline in 2013. The by far greatest growth in 2013 is expected to come from Financial Lines and Energy, due to special initiatives in these areas.
In addition, it is planned to merge AGCS (France), Paris, with Allianz Global Corporate & Specialty AG in 2013. In this context, Allianz Global Corporate & Specialty AG is to be transformed into a Societas Europaea (SE). In 2012, AGCS (France) reported a gross premium volume of € 607.8 million. At December 31, 2012, the investments of AGCS (France) amounted to € 1,367.5 million and its underwriting reserves to € 1,005.3 million. In the course of the intended merger, the existing reinsurance relations between the two companies (€ 43.6 gross premiums written in 2012) will be terminated.

The imminent slow-down of global economic growth and the recession in the Euro zone as well as increasing competition and overcapacities give no reason to expect a general recovery of rates across all regions and insurance segments. If at all, isolated positive price developments may be achievable in certain markets.

Our focus on profitability remains unchanged. For 2013, we are aiming for a combined ratio of about 95 percent. Due to the required investments for the establishment or expansion of our operations in growth markets, we expect a slight increase of the cost ratio in 2013.

The existing reinsurance concept of Allianz Global Corporate & Specialty AG will be continued essentially unchanged in 2013. In some segments such as Aviation, Natural Catastrophes and Liability, coverage was extended to meet increasing capacity demands.
In Marine insurance, however, coverage limitations had to be accepted since the reinsurance market as a result of various market events only offers lower coverage amounts than in the past.

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. To reduce the dependence on developments in the capital markets and to further diversify the investment portfolio of Allianz Global Corporate & Specialty AG we are planning investments in real estate and inflation-proof debt securities. These plans are based on the assumption that the capital markets will be stable. Safety-oriented investments in conjunction with the interest rate developments of the past years lead us to expect a decline of interest income in the coming years. For this reason we assume that the overall result before transfer of profit will be at a lower level in the next two years. Because of the persistent insecurity with respect to future developments in the capital markets, the coming years may have a corresponding negative or, conversely, positive impact on the market value and investment results of Allianz Global Corporate & Specialty AG.

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, February 28, 2013
Allianz Global Corporate & Specialty AG

The Board of Management

Dr. Theis	Berger	Browne
Fischer Hirs	Mai	Moossmann
Scaldaferri		

Annual Financial Statements of Allianz Global Corporate & Specialty AG

Balance Sheet as of December 31, 2012

Assets

	2012 € thou	2012 € thou	2012 € thou	2011 € thou
A. Intangible assets				
I. Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets			39,456	22,761
B. Investments				
I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS		23,612		–
II. Investments in affiliated and associated enterprises		708,395		648,102
III. Other Investments		5,639,402		5,169,290
IV. Funds held by others under reinsurance business assumed		46,451		69,566
			6,417,860	5,886,958
C. Receivables				
I. Accounts receivable from direct insurance business				
1. Policy holders	69,672			76,840
2. Insurance brokers	296,198			344,731
including from affiliated enterprises: € thou 355 (3,111)				
		365,870		421,571
II. Accounts receivable on reinsurance business		385,515		288,208
including from affiliated enterprises: € thou 192,745 (118,067)				
III. Other receivables		243,726		141,714
including taxes of: € thou 10,217 (13,801)				
including from affiliated enterprises: € thou 42,055 (13,094)				
			995,111	851,493
D. Other assets				
I. Cash with banks, checks and cash on hand		70,801		33,840
II. Miscellaneous assets		62,401		28,220
			133,202	62,060
E. Deferred income and prepaid expenses				
I. Accrued interest and rent		44,996		42,964
II. Other prepaid expenses and deferred income		237		–
			45,233	42,964
F. Excess of plan assets over pension liabilities/pension provisions			439	340
Total assets			7,631,301	6,866,576

Equity and Liabilities

	2012 € thou	2012 € thou	2012 € thou	2011 € 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	880,918			806,105
2. Less: amounts ceded	320,527			276,180
		560,391		529,925
II. Reserve for loss and loss adjustment expenses				
1. Gross	5,660,748			5,170,442
2. Less: share in reinsured insurance business	1,834,905			1,599,371
		3,825,843		3,571,071
III. Claims equalization and similar reserves		991,748		854,789
IV. Other insurance reserves				
1. Gross	37,652			35,709
2. Less: share in reinsured insurance business	3,987			3,308
		33,665		32,401
			5,411,647	4,988,186
C. Other accrued liabilities			138,639	90,671
D. Funds held under reinsurance business ceded			35,642	7,178
E. Other liabilities				
I. Accounts payable on direct insurance business to				
1. Policy holders	2,546			9,717
thereof residual term of up to one year: € thou 2,546 (9,717)				
2. Agents	49,257			54,587
thereof to affiliated enterprises: € thou 9,617 (5,351)				
thereof residual term of up to one year: € thou 49,257 (54,587)				
		51,803		64,304
II. Accounts payable on reinsurance business		216,840		258,286
thereof to affiliated enterprises: € thou 45,320 (54,726)				
thereof residual term of up to one year: € thou 216,840 (258,286)				
III. Liabilities to banks		53		28
thereof residual term of up to one year: € thou 53 (28)				
IV. Miscellaneous liabilities		594,219		304,532
thereof from taxes: € thou 51,824 (54,368) Tsd €				
thereof to affiliated enterprises: € thou 387,091 (164,063)				
thereof residual term of up to one year: € thou 594,219 (304,532)				
			862,915	627,150
F. Deferred income			29,067	–
Total equity and liability			7,631,301	6,866,576

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 341f and 341g 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 23, 2013
The Responsible Actuary
Klaus-Peter Mangold

Income Statement

For the period from January 1 to December 31, 2012

	2012 € thou	2012 € thou	2012 € thou	2011 € thou
I. Technical account				
1. Premiums earned – net				
a) Gross premiums written	3,019,176			2,725,443
b) Premiums ceded	– 1,148,406			– 967,727
		1,870,770		**1,757,716**
c) Change in unearned premiums – gross	– 55,032			– 133,043
d) Change in unearned premiums ceded – gross	37,423			19,967
		– 17,609		**– 113,076**
			1,853,161	**1,644,640**
2. Allocated interest return – net			– 5	22
3. Other underwriting income – net			1,180	633
4. Loss and loss adjustment expenses – net				
a) Claims paid				
aa) Gross	– 1,541,324			– 1,436,043
bb) Amounts ceded in reinsurance	521,756			563,024
		– 1,019,568		**– 873,019**
b) Change in reserves for loss and loss adjustment expenses				
aa) Gross	– 396,629			– 313,197
bb) Amounts ceded in reinsurance	209,014			31,558
		– 187,615		**– 281,639**
			– 1,207,183	**– 1,154,658**
5. Change in other insurance reserves – net			– 1,396	– 290
6. Underwriting expenses – net			– 500,477	– 473,339
7. Other underwriting expenses – net			– 3,084	– 6,408
8. Subtotal			142,196	10,600
9. Change in claims equalization and similar reserves			– 136,959	– 74,508
10. Net technical result			5,237	– 63,908

	2012 € thou	2012 € thou	2011 € thou
II. Non-technical account			
1. Investment income	415,945		386,130
2. Investment expenses	– 30,538		– 19,225
		385,407	366,905
3. Allocated interest return	– 19		– 24
		385,388	366,881
4. Other income	91,990		43,461
5. Other expenses	– 84,762		– 104,908
		7,228	– 61,447
6. Non-technical result		392,616	305,434
7. Earnings from ordinary activities before taxes		397,853	241,526
8. Extraordinary expenses	– 674		– 10,121
9. Extraordinary result		– 674	– 10,121
10. Income taxes	– 87,906		– 44,025
less amounts charged to other group companies: € thou 47,504 (25,254)			
11. Other taxes	– 337		– 176
		– 88,243	– 44,201
		308,936	187,204
12. Profits transferred because of a profit pool,			
a transfer-of-profit or transfer-of-partial profit agreement		– 308,936	– 187,204
13. Net income		–	–

Notes to the Financial Statements

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), taking into account the Accounting Law Modernization Act ("Bilanzrechtsmodernisierungsgesetz, BilMoG"), 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 (€ thou).

Accounting, valuation and calculation methods

Intangible assets

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

Real estate, real property and equivalent rights including buildings on land not owned by AGCS

These items are recorded at cost less accumulated scheduled and unscheduled depreciation. Scheduled depreciation is measured according to ordinary useful life. In case of probable permanent impairment, the values of these items are adjusted through unscheduled write-downs.

Shares in affiliated enterprises, loans to affiliated enterprises, participations

These are valued according to the moderate lower-value principle and carried at amortized cost or a lower long-term fair value.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

Other investments

Stocks, interests in funds, debt securities, and other fixed and variable income securities

Securities held as current assets according to section 341 b HGB in conjunction with section 253 (1), (4) and (5) HGB are valued in accordance with the strict lower-value principle and carried at average cost of acquisition or the lower market value.

Investments recognized in accordance with the rules applicable to fixed assets are intended to serve the business on a permanent basis. Their purpose is attributed at the time the investment is added. The attribution is reviewed when changes in the investment strategy are made or a divestment is considered. These securities are valued in accordance with the moderate lower-value principle and reported at average acquisition costs or a lower long-term fair value. Permanent impairments are recognized in the Income Statement. For impairments deemed to be temporary there is a choice with respect to their amortization. As in the previous fiscal year, AGCS in 2012 opted to not recognize temporary impairments for economic reasons. This results in undisclosed liabilities.

Registered bonds, debentures and loans

These are valued according to the moderate lower-value principle and carried at amortized cost.

For registered bonds, debentures and loans the difference between acquisition cost and redemption amount is amortized over the remaining period based on the effective interest method.

Write-downs are made if the amortized cost of acquisition at the balance sheet date is higher than the market value or the long-term fair value.

Bank deposits

These are recorded at face value.

Requirement to reinstate original values and write-ups

The requirement to reinstate original values applies to assets that were written down to a lower market value in past years. If their value at the balance sheet date is higher than the book value, they must be written up again. The write-up is made either up to amortized cost or to a lower long-term or market value.

Funds held by others under reinsurance business assumed

In accordance with section 341c 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 from 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.

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 to 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 (not including annuities) 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 accepted 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.

Claims equalization reserve and reserves similar to the claims 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.

Other accrued liabilities

Pension reserves are calculated on the basis of actuarial principles. The conversion expenses resulting from the first-time application of the Accounting Law Modernization Act (BilMoG) in 2010 will be distributed over a period of up to fifteen years. In fiscal 2012, essentially one fifteenth of this amount is recognized as an extraordinary expense. This results from the retirement commitments, which are centrally recorded at Allianz SE (see Contingent Liabilities). The provisions for jubilee payments, phased-in early retirement and early retirement benefits are also calculated on the basis of actuarial principles. With respect to the discount rate, the simplification option set out in section 253 (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. Additional information on the accounting of company pension commitments and similar commitments is provided under “Contingent Liabilities” below.

Liabilities

These include the following:
a) funds held under reinsurance business ceded
b) liabilities from direct insurance business
c) accounts payable on reinsurance business
d) liabilities to banks
e) 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-value principle is used while for current asset investments the strict lower-value 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 (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 spot 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. through B.III. in fiscal year 2012

	Values stated as of 12/31/2011		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	22,761		37,481	–
B.I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS	–	–	23,865	–
B.II. Investments in affiliated and associated enterprises				
1. Shares in affiliated and associated enterprises	648,102	11.1	37,504	–
2. Loans to affiliated enterprises	–	–	19,819	–
3. Participations	–	–	2,970	–
Subtotal B.II.	**648,102**	**11.1**	**60,293**	**–**
B.III.Other investments				
1. Stocks, investment fund units and other variable income securities	2,725,830	46.9	391,091	312,986
2. Bearer bonds and other fixed-income securities	1,145,768	19.7	583,909	325,754
3. Other loans				
a) Registered bonds	954,598	16.4	167,626	168,187
b) Note loans and loans	206,810	3.6	74,149	28,562
4. Bank deposits	136,284	2.3	93,760	–
Subtotal B.III.	**5,169,290**	**88.9**	**1,310,535**	**835,489**
Subtotal B.I. through B.III.	**5,817,392**	**100.0**	**1,394,693**	**835,489**
Total	**5,840,153**		**1,432,174**	**835,489**

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.

Investments in affiliated and associated enterprises

(Assets B.II.)

Shares in affiliated and associated enterprises were composed as follows in fiscal 2012:

	2012 € thou	2011 € thou
Shares in affiliated enterprises		
Allianz Global Corporate & Specialty (France), Paris	375,635	375,635
Allianz Risk Transfer AG, Zurich	186,242	186,242
Allianz Insurance Company of Singapore PTE Ltd., Singapore	22,000	22,000
Allianz Insurance (Hong Kong) Ltd., Hong Kong	15,400	15,400
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	37,381	37,381
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	19,146	–
Q 207 S.C.S., Luxemburg	12,874	–
Other	16,928	11,444
	685,606	**648,102**
Loans to affiliated enterprises		
Allianz Finance VII S. A., Luxemburg	19,819	–
Participations		
National Insurance Company Berhad, Brunei	2,970	–
Total investments in affiliated enterprises	**708,395**	**648,102**

	Write-ups	Depreciation	Net additions (+) disposals (–)	Values stated as of 12/31/2012	
	€ thou	€ thou	€ thou	€ thou	%
	–	20,786	16,695	39,456	
	–	253	23,612	23,612	0.4
	–	–	37,504	685,606	10.8
	–	–	19,819	19,819	0.3
	–	–	2,970	2,970	–
	–	**–**	**60,293**	**708,395**	**11.1**
	–	–	78,105	2,803,935	44.0
	3,367	8,301	253,221	1,398,989	22.0
	–	–	– 561	954,037	15.0
	–	–	45,587	252,397	4.0
	–	–	93,760	230,044	3.6
	3,367	**8,301**	**470,112**	**5,639,402**	**88.5**
	3,367	**8,554**	**554,017**	**6,371,409**	**100.0**
	3,367	**29,340**	**570,712**	**6,410,865**	

Interests in investment funds in accordance with section 285 (26) HGB

Name of fund	Investment goal	Redemption of fund shares	Balance sheet value 12/31/2012	Fair value 12/31/2012	Valuation reserve 12/31/2012	Dividend distribution fiscal 2012
			€ thou	€ thou	€ thou	€ thou
Stock funds						
ALLIANZ AVI 1 FONDS	stock fund	each trading day	123	138	15	616
ALLIANZ GLA FONDS	stock fund	each trading day	–	–	–	490
ALLIANZ GREQ FONDS	stock fund	each trading day	266	222	– 43	1,428
Total	**stock funds**		**389**	**360**	**– 29**	**2,535**
Bond funds						
ALLIANZ GLU FONDS	bond fund	each trading day	587,478	612,626	25,148	33,885
ALLIANZ GRGB FONDS	bond fund	each trading day	242,417	269,970	27,553	2,266
ALLIANZ GLR FONDS	bond fund	each trading day	800,072	846,732	46,661	79,866
ALLIANZ GLRS FONDS	bond fund	each trading day	1,172,715	1,374,020	201,305	12,856
Total	**bond funds**		**2,802,681**	**3,103,348**	**300,667**	**128,873**
Total			**2,803,070**	**3,103,708**	**300,638**	**131,408**

List of participations in accordance with section 285 (11) HGB

Name, Location	Interest %	Equity € thou	Unappropriated retained earnings € thou
Allianz Global Corporate & Specialty (France), Paris	100.00	522,712	– 29,800
Allianz Risk Transfer AG, Zurich [4]	100.00	724,708	195,283
Allianz Risk Transfer Inc., New York [3]	100.00	66,403	11,009
Allianz Risk Transfer (Bermuda) Ltd., Bermuda [3]	100.00	37,727	268
Allianz Risk Transfer N.V., Amsterdam	100.00	30,777	207
Allianz Insurance Company of Singapore PTE Ltd., Singapore [8]	100.00	35,196	5,596
Allianz Services (UK) Ltd., London [2]	100.00	23,291	2,559
Prism Re, Bermuda [3]	99.00	14,318	307
Allianz Insurance (Hong Kong) Ltd., Hong Kong [7]	100.00	19,106	6,810
Allianz Marine (UK) Ltd., London [2]	100.00	11,387	59
SpaceCo, Paris	100.00	9,376	3,965
Allianz Fire and Marine Insurance Japan Ltd., Tokyo [1][6]	100.00	18,080	– 895
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg [5]	100.00	9,722	727
Allianz of South Africa (Proprietary) Limited, Johannesburg [5]	100.00	8,648	728
Assurance France Aviation S. A., Paris	100.00	3,208	– 13
Allianz Risk Transfer (UK) Ltd., London [2]	100.00	1,675	26
Allianz Risk Consulting GmbH, Munich	100.00	1,507	291
EF Solutions LLC, US, New York [3]	100.00	– 2,803	– 1,737
Allianz Finance VIII Luxembourg SA, Luxemburg	20.00	54	1
Allianz Real Estate II SICAV-FIS, Luxemburg	25.00	32	– 12
Allianz Risk Consultants B.V., Rotterdam	100.00	146	– 11
Allianz Global Corporate & Specialty AG, Escritorio de Representacao no Brasil Ltda., Sao Paolo [9]	99.00	20	– 35
Brunei National Insurance Company Berhad Ltd., Brunei [10]	25.00	7,156	775
Allianz Global Corporate & Specialty Participações Ltda., Rio de Janeiro [9][11]	100.00	53,715	–
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro [9][11]	100.00	56,155	–

All figures from 2011
1) Fiscal year from May to April; figures from May 2012
2) Converted from GBP to EUR closing rate 12/31/2012: 0.8111
3) Converted from USD to EUR closing rate 12/31/2012: 1.3184
4) Converted from CHF in EUR to EUR closing rate 12/31/2012: 1.2068
5) Converted from ZAR in EUR to EUR closing rate 12/31/2012: 11.1858
6) Converted from JPY to EUR closing rate 12/31/2012: 113.99545
7) Converted from HKD to EUR closing rate 12/31/2012: 10,2187
8) Converted from SGD to EUR closing rate 12/31/2012: 1.61045
9) Converted from BRL to EUR closing rate 12/31/2012: 2.69945
10) Converted from BND to EUR closing rate 12/31/2012: 1.61045
11) Capital paid in when the company was founded in 2012

Market value of investments

	Market value 12/31/2012 € thou	Market value 12/31/2011 € thou
B.I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS	24,120	–
B.II. Investments in affiliated and associated enterprises		
1. Shares in affliated and associated enterprises	1,299,997	1,211,225
2. Loans to affiliated and associated enterprises	19,828	–
3. Participations	2,970	–
B.III. Other investments		
1. Shares, investment fund units and other variable interest securities	3,104,714	2,955,652
2. Bearer bonds and other fixed-interest securities	1,496,137	1,219,696
3. Other loans		
a) Registered bonds	1,049,961	1,017,104
b) Promissory notes and loans	271,963	220,784
4. Overnight and fixed-term funds	230,043	136,283
B.IV. Funds held by others under reinsurance business assumed	46,451	69,566
Total investments	7,546,184	6,830,310

The following valuation methods were used to determine market values:

The fair value of land and buildings is valued at September 30 of the fiscal year, using the discounted cash flow method.

The fair value of shares in affiliated enterprises and participations was determined by means of the discounted cash-flow method. Individual shares in affiliated enterprises were carried at acquisition cost in the first year of investment.

The fair values of stocks, interests in investment funds and other variable-rate securities were determined on the basis of the stock exchange price quoted on the last trading day of the year, if available. For special funds, the value communicated by the investment company was used.

The fair values of exchange-listed fixed-term securities such as bearer bonds and other fixed-rate securities were determined on the basis of the stock exchange price quoted on the last trading day of the year, if available.

For non-quoted fixed-term investments (other loans) the fair value was determined on the basis of evaluations by independent pricing services or according to the discounted cash-flow method. For this, the effective interest rate was used.

For Asset Backed Securities (ABS) the market values are supplied by independent commercial banks. With the exception of a small number of cases, these were calculated with valuation models based on readily observable market data.

Undisclosed liabilities

The fixed asset investments carried at acquisition cost less cumulated depreciation include undisclosed liabilities in the amount of € 43 thou. No write-down to fair value was made because an analysis according to standardized methods found that the long-term market value of the investments concerned exceeded their fair value.

Miscellaneous assets (Assets D.II.)

This position mainly involves options on Allianz SE shares, which are used to hedge company risks in connection with Allianz 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 € 439 (340) thou.

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 31 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 € 74 (283) 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 Allianz 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 2016 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 € 30,065 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	29,135	291	Binomial model	Discount rate 0.3 %	Assets D.II.	291
€ 132.41				Volatility 20.9 %	Miscellaneous	
May 2013				Dividend yield 4.3 %	Assets	
(Hedge-Sar 2006)				Share price € 104.80		
				Cap € 331.03		
Allianz Long Call	58,460	5,261	Binomial model	Discount rate 0.3 %	Assets D.II.	5,261
€ 160.13				Volatility 20.5 %	Miscellaneous	
March 2014				Dividend yield 4.3 %	Assets	
(Hedge-Sar 2007)				Share price € 104.80		
				Cap € 400.33		
Allianz Long Call	88,222	479,928	Binomial model	Discount rate 0.4 %	Assets D.II.	434,269
€ 117.38				Volatility 22.4 %	Miscellaneous	
March 2015				Dividend yield 4.5 %	Assets	
(Hedge-Sar 2008)				Share price € 104.80		
				Cap € 293.45		
Allianz Long Call	127,289	6,692,856	Binomial model	Discount rate 0.5 %	Assets D.II.	2,815,859
€ 51.59				Volatility 32.7 %	Miscellaneous	
March 2016				Dividend yield 4.6 %	Assets	
(Hedge-Sar 2009)				Share price € 104.80		
				Cap € 129.88		
Allianz Long Call	146,624	2,913,419	Binomial model	Discount rate 0.6 %	Assets D.II.	1,978,135
€ 87.36				Volatility 25.1 %	Miscellaneous	
March 2017				Dividend yield 4.6 %	Assets	
(Hedge-Sar 2010)				Share price € 104.80		
				Cap € 218.40		

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

At December 31, 2012, the issued capital of € 36,740 thou is divided into 36,740,661 fully-paid in registered shares. These shares can be transferred only with the company's consent.

Allianz SE holds an 89 percent interest in Allianz Global Corporate & Specialty AG and Allianz IARD, S.A. an 11 percent interest.

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	
	12/31/2012	12/31/2011	12/31/2012	12/31/2011	12/31/2012	12/31/2011
Direct insurance business written						
Personal accident	19,291	12,602	9,872	6,000	1,808	1,521
3rd party liability	1,981,464	1,674,290	1,670,695	1,396,655	120,564	116,422
Automotive liability	4,435	–	1,730	–	–	–
Other automotive	16,958	–	13,224	–	–	–
Fire and property	644,918	600,237	454,482	401,492	140	11,830
of which fire insurance	220,320	195,774	171,251	127,225	–	8,033
of which other property insurance	424,598	404,463	283,231	274,267	140	3,797
Marine and aviation insurance	918,808	851,855	742,344	708,989	84,045	43,519
Other insurance	238,396	166,741	192,597	117,079	12,755	12,209
Total*)	**3,824,279**	**3,305,725**	**3 084,953**	**2,630,215**	**219,313**	**185,500**
Reinsurance business assumed						
Total	**3,746,787**	**3,561,320**	**2,575,795**	**2,540,227**	**772,435**	**669,289**
Insurance business total	**7,571,066**	**6,867,045**	**5,660,748**	**5,170,442**	**991,748**	**854,789**

*) 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.
The prior-year figures of the reporting groups were adjusted according to the new attributions to reporting groups made in 2012.

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

	12/31/2012 %	12/31/2011 %
Discount rate	5.06	5.13
Rate of assumed pension increase	1.90	1.90
Rate of assumed salary increase (incl. average career trend)	3.25	3.25

In derogation of the above, the contribution-based pension plan is calculated with the guaranteed interest rate of 2.75 percent per year and the guaranteed rate of pension increase of 1 percent per year of these pension promises.
The biometric base for calculations are 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 retirement age applied is the contractual age or the legal age according to the RV-Altersgrenzenanpassungsgesetz 2007.

In fiscal 2012, reserves in the amount of € 550 (511) thou were constituted for pension reserves and similar commitments.

Other reserves

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

Allianz Global Corporate & Specialty AG has obligations resulting from jubilee payments, a long-term credit account and phased-in early retirement, which are reported under other provisions. 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 € 47,959 (40,338) thou, and the fair value of these assets is € 48.515 (40,746). The settlement amount of the offset liabilities is € 49,841 (40,905) thou.

Other reserves

Other reserves for fiscal 2012 include the following positions:

	2012 € thou	2011 € thou
Reserves for:		
1. Remunerations not yet definitely determined	42,358	28,192
2. Group Equity Incentives	21,599	14,234
3. Invoices not yet received	11,836	9,575
4. Holidays and flexible working hours	7,140	6,290
5. Restructuring	5,524	8,565
6. Employee jubilees	4,450	4,195
7. Long-term service awards	1,499	2,589
8. Phased-in retirement and value account model	1,212	1,387
9. Other	2,769	1,862
Total other provisions	98,387	76,889

Tax reserves

In the reporting year tax reserves were constituted for the following branch offices: UK € 15,849 (736) thou, Italy € 10,846 (1,103) thou, France € 5,663 (1,290) thou, Netherlands € 2,910 (0) thou, Hong Kong € 1,296 (0) thou, Singapore € 951 (0) thou, Austria € 455 (0) thou, Spain € 396 (846) thou, Germany € 0 (9,296) thou.

Deferred income (Equity and Liabilities F.)

This item contains a compensation payment from the previous tenant on the leasing contract for the building in which the UK branch office is housed. The remaining period is 6 years.

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

	Gross premiums written		Gross earned premiums		Net earned premiums	
	2012 € thou	2011 € thou	2012 € thou	2011 € thou	2012 € thou	2011 € thou
Direct insurance business written						
Personal accident	14,526	11,167	13,373	9,629	10,833	7,981
3rd party liability	565,146	498,966	543,320	459,498	382,783	316,976
Automotive liability	5,202	–	3,304	–	– 348	–
Other automotive	8,879	–	7,674	–	996	–
Fire and property	391,224	424,287	397,205	393,516	195,201	222,867
of which fire insurance	157,313	190,481	170,076	174,670	52,256	78,976
of which other property insurance	233,911	233,806	227,129	218,846	142,945	143,891
Marine and aviation insurance	477,812	470,558	479,714	475,320	353,967	339,033
Other insurance	96,185	92,896	102,075	81,754	51,966	40,995
Total *)	**1,558,968**	**1,497,879**	**1,546,661**	**1,419,697**	**995,393**	**927,843**
Reinsurance business assumed						
Total	**1,460,208**	**1,227,564**	**1,417,483**	**1,172,703**	**857,768**	**716,797**
Insurance business total	**3,019,176**	**2,725,443**	**2,964,144**	**2,592,400**	**1,853,161**	**1,644,640**

*) 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.
The prior-year figures of the reporting groups were adjusted according to the new attributions to reporting groups made in 2012.

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

	Germany		EU		Other countries	
	2012 € thou	2011 € thou	2012 € thou	2011 € thou	2012 € thou	2011 € thou
Personal accident	10,325	8,493	2,639	2,546	1,562	128
3rd party liability	285,294	291,345	238,979	194,409	40,873	13,211
Automotive liability	– 32	–	–	–	5,234	–
Other automotive	– 144	–	–	–	9,023	–
Fire and property	187,266	189,318	162,936	199,243	41,022	35,725
of which fire insurance	71,636	78,204	55,185	85,820	30,492	26,456
of which other property insurance	115,630	111,114	107,751	113,423	10,530	9,269
Marine and aviation insurance	216,409	232,963	204,148	186,090	57,254	51,505
Other insurance	64,559	63,193	25,432	24,132	6,189	5,576
Total	**763,677**	**785,312**	**634,134**	**606,421**	**161,157**	**106,145**

The prior-year figures of the reporting groups were adjusted according to the new attributions to reporting groups made in 2012.

Allocated interest return – net (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 € 113,081 (167,835) thou net; in business assumed it was € 114,729 (96,612) 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	
	2012 € thou	2011 € thou	2012 € thou	2011 € thou	2012 € thou	2011 € thou	2012 € thou	2011 € thou	2012	2011
	3,415	2,308	2,301	1,804	– 1,495	– 1,458	5,898	3,900	7,707	6,809
	364,126	356,287	104,186	87,832	– 60,749	12,588	9,381	12,362	17,121	11,116
	434	–	1,728	–	– 903	–	240	–	23,329	–
	2,863	–	2,984	–	– 1,419	–	409	–	–	–
	259,950	263,674	103,329	97,845	– 110,393	– 102,848	– 66,164	– 59,433	27,449	18,465
	123,173	136,234	35,555	41,258	– 38,608	– 34,355	– 20,312	– 20,221	11,053	4,907
	136,777	127,440	67,774	56,587	– 71,785	– 68,493	– 45,852	– 39,212	16,396	13,558
	325,946	360,185	115,957	107,804	– 10,343	– 47,628	– 13,107	– 37,662	18,053	18,297
	161,279	69,576	19,288	17,011	6,020	– 563	– 74,231	– 1,806	2,880	3,437
	1,118,002	**1,052,033**	**349,772**	**312,296**	**– 179,280**	**– 139,897**	**– 137,567**	**– 82,653**	**96,539**	**58,124**
	819,951	**697,207**	**256,341**	**240,532**	**– 94,507**	**– 133,426**	**142,804**	**18,745**		
	1,937,953	**1,749,240**	**606,113**	**552,828**	**– 273,787**	**– 273,323**	**5,237**	**– 63,908**		

Expenditure for own-account insurance business (Income Statement I.6.)

	2012 € thou	2011 € thou
a) Gross expenditure for insurance business	606,113	552,828
b) Less: received provisions and profit sharing from reinsurance ceded	105,636	79,489
Total	**500,477**	**473,339**

Of the gross expenditures for insurance business, € 527,249 (518,299) thou are attributable to closing expenses and € 33,865 (34,529) thou to adminstrative expenses.

Commissions and other remuneration for insurance agents, payroll costs

	2012 € thou	2011 € thou
a) Commission of any kind for insurance agents wthin the meaning of clause 92 HGB for direct insurance business	146,732	139,401
b) Other remuneration of insurance agents within the meaning of section 92 HGB	30	– 232
c) Wages and salaries	179,864	119,241
d) Social security contributions and other social contributions	21,856	14,504
e) Pension costs	15,702	11,320
Total	**364,184**	**284,234**

Investment income (Income Statement II.1.)

	2012 € thou	2011 € thou
a) Income from investments		
ai) Income from participations		
including in affiliated enterprises: € thou 155 662 (74 887)	155,727	74,889
aii) Income from other investments	224,489	272,395
aa) Income from real estate, real property and equivalent rights		
including buildings on land not owned by AGCS	647	–
bb) Income from other investments	223,842	272,395
b) Income from write-ups	3,367	1,438
c) Gains from disposals	32,362	37,408
Total	415,945	386,130

Investment expenses (Income Statement II.2.)

	2012 € thou	2011 € thou
a) Investment management, interest, charges		
and other investment expenses	7,043	5,356
b) Depreciation and write-downs on investments	8,554	5,501
c) Losses from disposals	14,941	8,368
Total	30,538	19,225

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 € 20,786 (14,513) thou.

Depreciation and impairments of investments

Unscheduled write-downs in accordance with section 253 (3) HGB were made on bearer bonds in the amount of € 8,301 (5,501) thou.

Other income and other expenses

Other income and other expenses include:

	Pensions and similar obligations 2012 € thou	Other obligations 2012 € thou
Actual return from the fair value of the offset assets	– 1,776	– 140
Imputed interest cost for the settlement amount of the offset liabilities	1,735	232
Effect resulting from the change in the discount rate for the settlement amount	14	4
Net amount of the offset income and expenses	**– 27**	**96**

Other income includes currency gains in the amount of € 14,291 thou.

Extraordinary result

The proportionate allocation of pension commitments conversion expenses resulting from the initial application of the German Accounting Law Modernization Act (BilMoG) resulted in extraordinary expenses of € 674 (833) thou. Fiscal 2011 also included a merger loss of € 9,288 thou from the merger of Stanislas H. Haine N.V., Antwerp, with Allianz Global Corporate & Specialty AG.

Income taxes (Income Statement II.10.)

The higher income taxes for Allianz Global Corporate & Specialty AG of € 87,906 (44,025) thou are essentially due to higher taxable income in Germany and the UK branch office, compared to the prior year.

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 if required. 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:

	12/31/2012 € thou	12/31/2011 € thou
Settlement amount of the offset liabilities	51,790	49,417
Provision amount that has not yet been recognized (article 67 (2) EGHGB)	7,706	8,365
Joint liability and/or rights of relief against Allianz SE	44,084	41,052

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-Sicherungs-Verein VVaG pension fund in 2006 there is a liability of € 103,365 (113,243), 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 2013

The same applies to the contributions to be paid in 2013 to the Pensions-Sicherungs-Verein VVaG pension fund stemming from 2009. This results in a joint and several liability of € 120,283 (240,566), 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.

Other obligations

At the balance sheet date (31/12/2012) liens on capital investments in the amount of € 506,185 (483,009) thou were granted in connection with group-internal cessions. Liens in the amount of € 490,436 (477,214) thou were granted to affiliated enterprises. In addition, € 275,389 (261,834) thou were deposited in trust accounts, including € 269,877 (256,325) 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. Liabilities for real estate acquisition contracts amount to € 37,936 (0) thou.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 8,209 thou in the reporting year.

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

	12/31/2012 € thou	12/31/2011 € thou
Historical costs of the offset assets	2,272	2,164
Fair value of the offset assets	2,272	2,164
Settlement amount of the offset liabilities	3,434	3,241
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	265	288
Excess of plan assets over pension liability/Pension provisions	897	789

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

A total of 38,261 restricted stock units were issued to the members of the Board of Management.
The fair value of these instruments at the date of grant amounts to € 2,719 thou.

The total remuneration of the Supervisory Board of Allianz Global Corporate & Specialty AG amounted to € 30 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 1,959 (1,345) (not including members of the Board of Management, trainees, interns and employees on parental leave or on basic military/civil service).

	2012 Number	2011 Number
Full-time employees	1,713	1,113
Part-time employees	246	232
Total	1,959	1,345

Total remuneration of the auditor according to section 285 (17) HGB

The total remuneration of the auditor is reported in the corporate financial statements.

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 23, 2013
Allianz Global Corporate & Specialty AG

The Board of Management

Dr. Theis	Berger	Browne
Fischer Hirs	Mai	Moossmann
Scaldaferri		

Auditor’s Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Allianz Global Corporate & Specialty AG, Munich, for the business year from January 1st to December 31st, 2012.
The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report.
We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich

March 22nd, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dirk Hildebrand	Matthias Zeitler
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

Insurance lines covered

Direct insurance business written:

General personal accident insurance
Test persons, aviation personal accident

3rd party liability
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

Automobile insurance
Automobile third party liability insurance, other automobile insurance

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:

General personal accident insurance

3rd party liability

Automobile insurance

Aviation insurance

Fire and property

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

Wolfgang Faden
Deputy Chairman
of the AGCS Advisory Council

Dominik Asam
Member of the Board of Management
Infineon Technologies AG

Georg Bauer
CEO
BMW Financial Services

Werner Baumann
Member of the Board of Management
Bayer 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

Dr. Jürgen M. Geißinger
Chairman of the Board of Management
Schaeffler AG

Stefan Gemkow
Chairman of the Board of Management
Franz Haniel & Cie. GmbH

Dieter Kaden
Chairman of the Board of Management
DFS Deutsche Flugsicherung GmbH

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

Baldwin Knauf
Managing Partner
Knauf Gips KG

Carsten Knobel
Member of the Board of Management
Henkel AG & Co. KGaA

Harald Kroener
Chairman of the Board of Management
Wieland-Werke AG

Robert Lorenz-Meyer
Managing Partner
Ernst Russ GmbH & Co.

Joachim Müller
CFO
Bilfinger Berger SE

Jürg Oleas
Member of the Board of Management
GEA Group AG

Dr. Eberhart von Rantzau
Managing Partner
Deutsche Afrika-Linien GmbH & Co. KG

Andreas Schmid
Chairman of the Board of
Adminstration
Oettinger Davidoff Group

Dr. Wolfgang Schmitt
Chairman of the Board of Management
KSB Aktiengesellschaft

Bernhard Schreier
Chairman of the Board of Management
Heidelberger Druckmaschinen AG

Dr. Stefan Sommer
Chairman of the Board of Management
ZF Friedrichshafen AG

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

Dr. Matthias Zieschang
Member of the Board of Management,
Controlling and Finance
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Dr. Reinhard Zinkann
Managing Partner
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