Allianz Global Corporate & Specialty

2013

Allianz Global Corporate & Specialty SE
Annual Report 2013

Allianz

Contents

Foreword

2013 was a year of challenging conditions for many businesses. Global growth remained in low gear for the sixth consecutive year with the slowdown also affecting a number of emerging economies. However, despite this ongoing sluggish economic environment, Allianz Global Corporate & Specialty (AGCS) achieved robust results and increased its profitability.

In an industrial insurance market marked by stiff competition, price pressure and low interest rates, AGCS generated a solid premium income of €5 billion, slightly lower than in the previous year (€5.31 billion), mainly due to unfavorable foreign exchange effects and to our selective underwriting approach which strives for sustainable, profitable growth. In this highly competitive market, AGCS substantially increased its profitability reaching an operating profit of € 483 million in 2013 (+ 16 percent vs. 2012) and a practically stable net result of € 358 million compared to € 364 million in the previous year.

By continuing our disciplined underwriting strategy and prudent cost management, AGCS managed to improve its combined ratio from 96.2 percent (2012) to 93.1 percent in 2013.

Despite the difficult environment AGCS was able to uphold its outstanding financial security with both Standard & Poor's and A.M.Best affirming our company's best-in-class ratings of AA and A+ respectively in November 2013.

To sustain our leading market position and best accompany our clients we focused on further increasing our global footprint in strategic growth markets and driving innovation. By year end we achieved key milestones in both areas. AGCS is now present in 28 countries (compared with 27 in 2012). Over the year, we obtained a local reinsurer license in Brazil, which forms our Latin America hub; we opened a new Branch in Stockholm, Sweden, to support our growth plans in the Nordic Region; and we further strengthened our presence in China and India, working alongside local Allianz companies, as well as in South Africa from which we support clients across sub-Saharan Africa. Supported by this network, we have continued to see growth in demand for International Insurance Solutions, with AGCS now managing 2,000 such programs for multinational clients across 180 countries compared to 1,700 in the prior year.

On the innovation side, at a time where cyber threats are increasing exponentially, we have listened to our customers and developed a wide-ranging insurance solution for cyber risks, called Allianz Cyber Protect, which was initially launched in Germany in July 2013. Having since been rolled out across European markets, the product will soon also be launched in Asia, Canada and South America. In other areas, AGCS has continued to innovate: for example, with the continuing development of weather risk management solutions, offered by our subsidiary Allianz Risk Transfer, to protect clients across many industries from the growing financial impact of unexpected weather events.

An important achievement in 2013 was the legal transformation of AGCS to a Societas Europeae (SE).
By merging our French entity into AGCS AG which was simultaneously converted into a new company, AGCS SE, we simplified our organizational structure and enhanced our financial strength through capital optimization.
This move will also assist us in preparing for the implementation of the European Solvency II capital standards for insurance companies, currently planned for 2016.

AGCS had a successful year and achieved much progress in 2013 for which I would like to pay special tribute to our teams. It is the outstanding professionalism and exceptional engagement of AGCS's 3,500 employees that allowed our company to deliver this robust performance in spite of the highly volatile and challenging environment. As we enter 2014, I firmly believe that the continued commitment of these AGCS employees combined with our proven business model positions us strongly for another year of progress and positive results.

Theis

Axel Theis, CEO Allianz Global Corporate & Specialty SE

AGCS Global Structure

Allianz Global Corporate & Specialty SE (AGCS SE) 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 SE.

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

AGCS SE 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.

In 2013 AGCS (France), a fully owned subsidiary of AGCS AG, was merged into AGCS AG and the company was simultaneously converted into an SE (Societas Europaea). The transferred portfolio of AGCS (France) is now handled by the existing French Branch of AGCS SE. The merger has been registered in the Commercial Register of the Local Court in November 2013 with retroactive effect as of January 1st, 2013. The restructuring will enable the company to react more flexibly to Solvency II requirements and will allow the company to serve the needs of its global clients in a more effective way.

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.

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 SE.

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

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

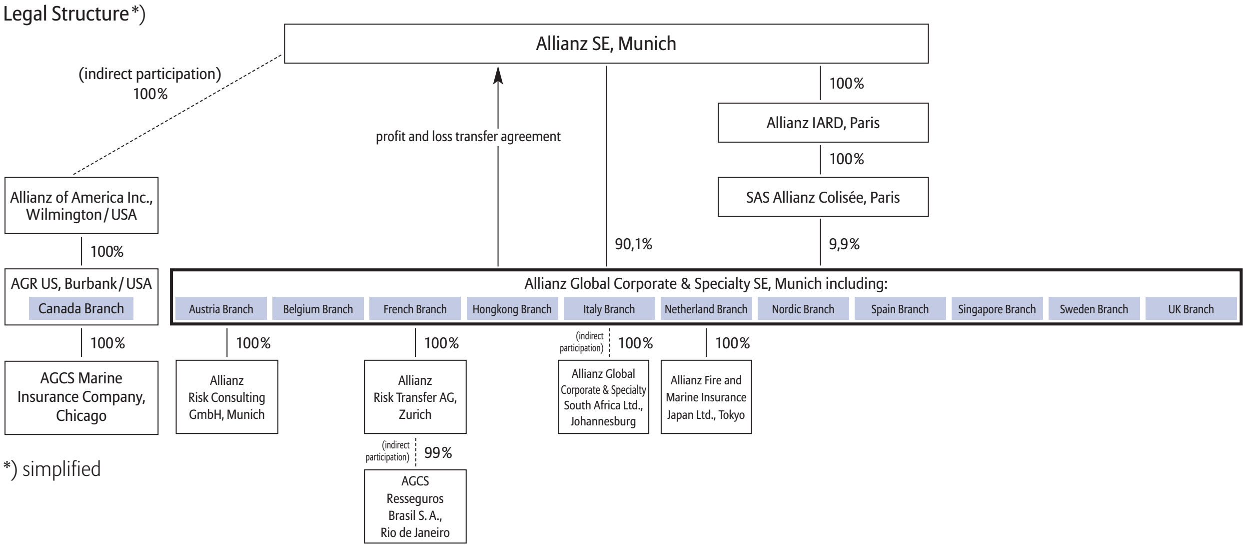
AGCS SE's subsidiary Allianz Risk Consulting GmbH, Munich/Germany, provides supplemental loss control engineering services in the form of risk analysis and claims expertise.

Furthermore, AGCS SE fully owns Allianz Global Corporate & Specialty of 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 SE only.

Allianz Global Corporate & Specialty SE

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 amounted to € 4,998.9 million, a reduction of 6% relative to 2012 (€ 5,314.3 million). Although premiums were lower, underwriting and operating profits increased, and the combined ratio improved from 96.2 % to 93.1%.

Gross premiums written for Aviation amounted to € 574.4 (670.7) million which is 14.4% below the prior year mainly driven by the current competitive market environment affected by several years of favorable loss experience leading to overcapacity and pressure on rates. Other factors were negative FX effects and fewer launches of communication satellites in the sub-product line Space. The calendar year loss ratio of 71.3% was well above last year (54.3%) due to a number of medium and large losses, offset in part by positive claims development, particularly for airport coverages. The combined ratio increased to 96.2% (78.7%).

Gross premiums written for Energy amounted to € 225.6 (209.5) million, a 7.7% increase compared to last year. The continued growth results from the successful implementation of plans to expand and diversify the portfolio, with particularly strong growth from new business opportunities generated in the US, Singapore and Brazil. In 2013, Energy was impacted by two large onshore losses in the Americas. However, the calendar year loss ratio was again very strong at 54.3% (55.5%) as the increased size of the book and positive portfolio loss development supported strong profitability, resulting in a combined ratio of 75.3% (73.4%).

Gross premiums written for Engineering amounted to € 489.4 (476.2) million, an increase of 2.8% versus prior year and this is despite a negative FX impact, difficult economic conditions in many markets, and lower project investments. The portfolio benefited from expansion in growth markets and the transfer of the Power and Mining portfolio from Property. The calendar year loss ratio of 65.3% was below that of last year (66.9%) primarily driven by lower CAT activity and absence of Large Losses. The combined ratio decreased to 93.0% (96.0%).

Gross premiums written for Financial Lines amounted to € 343.1 (291) million, an increase of 18% compared to prior year. This was driven by expansion of the UK Sub-Line Professional Indemnity, Growth Markets, and an increase in Captive business. The calendar year loss ratio of 83.2% increased versus last year (56.9%) and was mainly due to reserve strengthening of the Professional Indemnity book in the UK. As a result, the combined ratio increased to 110.3% (83.2%).

Gross premiums written for Liability amounted to € 756.6 (792.3) million, a decrease compared to prior year of 5%. This was driven by a negative FX impact and non-consolidation of ART Fronting in 2012 of € 48 million. Excluding these effects, growth was mainly driven by new business in Region Nordic. The calendar year loss ratio of 61.7% improved versus last year (63.8%). This was mainly driven by positive portfolio loss development, due to case reserve releases, positive claims development, and a change in ULAE reserve parameters. The combined ratio improved even further to 82.5% (84.7%).

Gross premiums written in Marine amounted to € 1,023.7 (1,059.3) million. The 3.4% decrease results from FX effects, offset in part by rate increases and continued expansion in Brazil. The calendar year loss ratio improved to 66.6% (77.7%) due to lower CAT losses and the implementation of specific initiatives to increase profitability, including rate initiatives. Therefore in total the combined ratio ended up at 97.4% (108.3%).

Gross premium written in Property amounted to € 848.6 (1,070.4) million. A decrease compared to prior year of 21% driven by negative FX of € 25 million, non-consolidation of ART Fronting in 2012 of € 60 million, the transfer of the Power and Mining book to Engineering and lapses following the Property initiative to focus on premium adequacy and profitability. The calendar year loss ratio improved to 54.7% (88.0%) due to the positive impact from portfolio restructuring, lower CAT and Medium losses and positive claims development. The combined ratio improved to 85.9% (114.9%).

Deal Income for Allianz Risk Transfer (LoB ART) amounted to € 91.4 (89.5) million. The 2.1% increase is driven by positive development in Reinsurance Solutions, triggered by major portfolio reserve releases. This was offset in large part by a decrease in Discontinued Operations, mainly driven by reserve strengthening in one major deal, while Insurance Linked Market and Corporate Solutions Deal Income remained relatively stable.

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
until May 8, 2013

Dr. Helga Jung
Member of the Board
of Management
Allianz SE
Deputy Chairman
since May 8, 2013

Jacques Richier
Chairman of the Board
of Management
Allianz France SA
until June 30, 2013

Robert Franssen
Chairman of the Board
of Management
Allianz Belgium
since July 1, 2013

Dr. Hermann Jörissen
former Member
of the Board of Management
AGCS AG

Bernadette Ziegler
Personnel Officer
Employee representative

Senol Sabah
IT specialist
Employee representative
until November 11, 2013

Caroline Krief
Lawyer
Employee representative
since November 11, 2013

Board of Management

Dr. Axel Theis
CEO
Chairman

Andreas Berger
CRMO

Sinéad Browne
COO

Chris Fischer Hirs
CFO

Hartmut Mai
CUO Corporate

Arthur Moossmann
CUO Specialty

William Scaldaferri
CUO Allianz Risk Transfer
& Reinsurance

General Managers

Branch Office United Kingdom

Carsten Scheffel
Chief Executive

Branch Office France

Gilles Mareuse
Chief Executive
until November 30, 2013

Thierry van Santen
Chief Executive
since December 1, 2013

Branch Office Austria

Thomas Gonser
Chief Executive

Branch Office Nordic Region

Stig Jensen
Chief Executive

Branch Office Sweden
since September 1, 2013

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
until May 14, 2013

Arthur van Essen
Chief Executive
since May 15, 2013

Singapore Branch Office

Kevin Leong
Chief Executive
until June 30, 2013

Alexander Ankel
Chief Executive
since July 1, 2013

Hong Kong Branch Office

Kevin Northcott
Chief Executive
until January 13, 2013

Mark Mitchell
Chief Executive
since January 14, 2013

Report of the Supervisory Board

We continuously 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 2013 and the Management Report presented to it. In its meeting on April 9, 2014, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are hereby confirmed.

Effective November 11, 2013, Mr. Senol Sabah, employee representative on the Supervisory Board, retired from the Supervisory Board when the company changed its legal form to Allianz Global Corporate & Specialty SE. We thanked Mr. Sabah for his work as employee representative on the Supervisory Board. In the course of the negotiations about employee participation in the Supervisory Board, the Special Negotiation Committee appointed Mrs. Caroline Krief as employee representative on the Supervisory Board of Allianz Global Corporate & Specialty SE, effective November 11, 2013.

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

Munich, April 9, 2014

For the Supervisory Board

Clement Booth

Management Report of Allianz Global Corporate & Specialty SE

The strength of the business model of Allianz Global Corporate & Specialty SE, which is the worldwide underwriting of international industrial insurance as well as aviation and marine risk was proven once again in 2013. Despite the continuing difficult market context the company succeeded in achieving a new profit record. A key element of this success was the merger of the former French subsidiary Allianz Global Corporate & Specialty (France) with Allianz Global Corporate & Specialty AG and the simultaneous conversion of the company into a Societas Europaea (SE).

Gross premiums written as well as net premiums earned increased slightly in the reporting year. At the same time, claims expenses were lower than in the previous year, mainly due to fewer major losses. In addition to the merger with Allianz Global Corporate & Specialty (France), proportional reinsurance contracts in aviation insurance were an essential factor for the development of premiums and claims.

Investment income was down, which is essentially attributable to lower distributions from our investment funds as well as our Swiss subsidiary, in a context of continually low re-investment interest rates. But our investments continue to have high valuation reserves.

The profit of € 542 million transferred by Allianz Global Corporate & Specialty SE to Allianz SE represents a new record for the converted company. This amount includes a merger gain of € 163 million. Since the founding of the company in 2006, a total of more than € 2 billion was transferred to Allianz SE.

The global orientation of Allianz Global Corporate & Specialty SE was again pursued consistently and with good results in the reporting year. We not only completed the merger and conversion into a European company as described, but we also opened a new branch office in Sweden, with which we strengthened our local presence.

Since no retroactive adjustment of the prior-year figures to the new structure in both the technical and the non-technical income statement was made, the figures for the reporting year can be compared with the prior-year figures for absolute values and relative changes to a limited extent only. However, the prior-year comparison figures for all balance sheet-related indications in the management report refer to Allianz Global Corporate & Specialty SE as of January 1, 2013.

Merger and conversion

In 2013 Allianz Global Corporate & Specialty (France), a fully owned subsidiary of Allianz Global Corporate & Specialty AG, was merged into Allianz Global Corporate & Specialty AG. Simultaneously, the company was converted into an Societas Europaea (SE). The transferred portfolio Allianz Global Corporate & Specialty (France) is now handled by the existing French branch of Allianz Global Corporate & Specialty SE. The merger was registered in the Commercial Register of the Munich Local Court in November 2013 with retroactive effect as of January 1, 2013. The restructuring will enable the company to serve the needs of its global clients in a more effective way and to react more flexibly to Solvency II requirements.

Development overview

The business of Allianz Global Corporate & Specialty SE includes the national and International Corporate Business, 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 continually strengthen our offer of insurance solutions for specific needs as well as our comprehensive service. In a market context characterized by competitive pressures, we steadfastly pursued our risk-adequate and selective underwriting and reinsurance policy. In the past year, we continued to invest in the global harmonization and optimization of business processes in all business units, particularly in the course of the merger of Allianz Global Corporate & Specialty (France) into Allianz Global Corporate & Specialty AG.

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 by € 339.9 million and reached a total of € 3.36 (3.02) billion. In Germany, premium income decreased by € 252.0 million to € 1.51 (1.76) billion. The decrease was essentially recorded in the indirect business (– € 227.1 million), including € 85.0 million from the dissolution of the reinsurance relationship with Allianz Global Corporate & Specialty (France) in the course of the merger. In the branch offices, however, premium income rose significantly by € 591.5 million from € 1.26 billion in the prior year to € 1.85 billion. This is essentially due to the French branch office, which reported an increase to € 549.1 (28.0) million as a result of the merger. The branch office Belgium posted an increase by € 32.7 million to € 94.8 (62.1) million, the Singapore branch an increase by € 31.2 million to € 109.9 (78.7) million, the Hong Kong branch an increase by € 10.1 million to € 58.1 (48.0) million, the branch office in the Netherlands an increase by € 9.5 million to € 86.8 (77.3) million and the branch office in Denmark an increase by € 9.4 million to € 55.6 (46.2) million, On the contrary, premium income in the UK of € 633.8 (644.6) million, in Italy of € 116.0 (126.0) million, in Austria of € 27.9 (29.1) million and in Spain of € 120.2 (120.9) million was slightly below the prior-year figure. The Swedish branch office, which was opened in the second half of the reporting year, was able to generate premium income of € 0.2 million.

Gross premiums written rose significantly by € 335.8 million to € 3.30 (2.96) billion. Due to higher reinsurance cessions of € 1.44 (1.11) billion, net premiums earned of € 1.86 (1.85) billion were only € 10.0 million above the prior-year figure.

Claims expenses due to natural catastrophes in the reporting years decreased by € 112.5 million from the prior year to € 94.5 (207.0) million gross and were mainly impacted by the floods in Germany and the storm “Andreas”. Claims expenses due to major losses and medium-sized losses also declined.

As a result, the gross loss ratio decreased from 71.9 percent in the previous year to 62.9 percent in the reporting year. The positive run-off of prior-year claims was more favorable than in the previous year and increased by € 102.5 million to € 297.0 (194.5) million.

Overall, gross claims expenses for insurance losses decreased by € 158.7 million from the previous year to a total of € 1.78 (1.94) billion. With respect to the overall portfolio, the gross loss ratio thus decreased by 11.5 percent from 65.4 percent in the previous year to 53.9 percent in the reporting year.

Gross underwriting expenses rose by € 101.8 million to 707.9 (€ 606.1) million. This resulted in an increase of the gross cost ratio to 21.6 (20.5) percent.

The claims equalization and similar reserves, which by law must be recognized in the balance sheet, required withdrawals of € 23.8 million, compared to allocations of € 137.0 million in the prior year.

Overall, this led to a substantially improved underwriting result for own account of € + 209.8 (+ 5.2) million.

The business model of Allianz Global Corporate & Specialty SE aims to be closer to the client through direct underwriting by local offices.
Due to the continuous expansion of our branch office network, the past years saw a shift from reinsurance assumed to direct business. But basically, this is still the same insurance business.

Gross premium income from direct insurance increased by € 395.7 million to € 1.96 (1.56) billion, which is essentially due to the increase of € 374.2 million caused by the merger in France. At the same time, premiums in indirect insurance decreased by € 56.4 million from € 1.46 billion to € 1.40 billion.

Due to the clearly lower claims from major losses and natural catastrophes, the fiscal year loss ratio improved in both the direct and indirect insurance business. In direct insurance, the fiscal year’s loss ratio dropped to 67.9 (82.8) percent. Taking into account the run-off of prior-year losses of € 227.7 (162.0) million, the loss ratio in the direct insurance business was 56.1 (72.3) percent. The fiscal year loss ratio in the indirect insurance business declined from 60.1 percent to 55.8 percent. The run-off of prior-year claims increased from € 32.5 million to € 69.3 million, reducing the gross loss in the indirect business from 57.9 percent to 50.7 percent.

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

Direct insurance business

- In Personal Accident Insurance premium income this year decreased by € 3.1 million to € 11.4 (14.5) million. Claims expenses of € 1.8 (3.4) million were lower than in the previous year, which resulted in a lower gross loss ratio of 15.3 (25.5) percent. After an allocation to the equalization reserve of € 0.1 (allocation of 0.3) million, the underwriting profit of € 5.7 (5.9) million was slightly below the prior-year level.

- In Liability Insurance premium income in the reporting year grew by € 138.4 million to € 703.5 (565.1) million. Claims expenses increased by € 112.4 million to € 476.5 (364.1) million, which is due to both an increase of the fiscal year's losses and lower gains from the run-off of prior year losses. The loss ratio therefore rose to 70.2 (67.0) percent. After an allocation of € 9.9 (allocation of 4.1) million to the equalization reserve, an underwriting profit of € 12.9 (9.4) million was posted.

- Premium income in the insurance branch groups Automotive Liability Insurance and Other Automotive Insurance increased by € 7.3 million from the prior year, to € 21.4 (14.1) million. This development is exclusively due to the Hong Kong branch office, which was once again the only branch office of Allianz Global Corporate & Specialty SE to write this type of insurance. Claims expenses of € 18.7 million resulted in a loss ratio of 97.0 percent. In fiscal 2013, this insurance branch group reported a loss of € 1.7 (profit of 0.6) million.

- Gross premium income in the insurance branch groups Fire Insurance and other Property Insurance increased by € 127.4 million to € 518.6 (391.2) million.
  Premium income in Fire Insurance rose by € 67.2 million to € 224.5 (157.3). Claims expenses of € 32.1 (123.2) million were clearly below the prior-year level, due to lower claims from losses in the reporting year. The loss ratio for the fiscal year came to 14.3 (72.4) percent.
  Due to this low ratio, € 64.3 (withdrawal of € 8.0) million were allocated to the equalization reserve, resulting in an underwriting loss of € 15.6 (loss of 20.3) million.
  Premium income from Other Property Insurance was higher than in the previous year and amounted to € 294.1 (233.9) million. Claims expenses increased by € 53.8 million over the prior-year level to € 190.6 (136.8) million and resulted in a deteriorated loss ratio of 66.5 (60.2) percent. After an allocation to the equalization reserve of € 0.6 (withdrawal of 3.7) million, Other Property Insurance posted a loss of € 17.7 (loss of 45.9) million.
  Overall, the insurance branch group Fire Insurance and other Property Insurance ended the year with an underwriting loss of € 33.3 (loss of 66.2) million. The allocation to the equalization reserve amounted to € 64.9 (withdrawal of 11.7) million.

- Premium income in Marine and Aviation Insurance increased to € 582.5 (477.8) million in the reporting year. In Marine insurance, gross premium income increased by € 92.3 million to € 340.5 (248.2) million. Despite claims expenses of € 234.6 (185.6) million, which were essentially attributable to losses incurred in the course of the year, the gross loss ratio improved to 68.9 (75.0) percent. Overall, this insurance line reported an underwriting loss of € 2.6 (loss of 23.0) million after changes to the equalization reserve.
  Aviation Insurance recorded an increase in premium income by € 12.4 million to € 242.0 (229.6) million, while gross claims expenses declined by € 25.2 million to € 115.2 (140.4) million. The loss ratio followed this development with an improvement by 16.4 percent to 44.0 (60.4) percent. After withdrawal of € 30.1 (allocation of 40.6) million from the equalization reserve an underwriting profit of € 46.4 (profit of 9.8) million was posted.
  Overall, the insurance branch group's result improved to a profit of € 43.9 (loss of 13.1) million after a withdrawal of € 30.2 million from the equalization reserve.

- In the insurance branch Other Insurance, gross premium income increased by € 21.0 million to € 117.2 (96.2) million. Gross claims expenses decreased by € 140.1 million to € 21.2 (161.3) million, which was mainly due to a € 122.8 million drop in the fiscal year's claims expenses in business interruption insurance.
  Accordingly, the loss ratio decreased to 17.8 (158.0) percent.
  After an allocation to the equalization reserve of € 0.7 (allocation of 0.5) million, Other Insurance posted an underwriting profit of € 23.1 (loss of 74.2) million.

Reinsurance business assumed

- Premium income in Personal Accident Insurance decreased by € 0.5 million to € 8.8 (9.3) million. Claims expenses rose by € 0.5 million to € 2.5 (2.0) million. This insurance line ended the year with an overall underwriting profit of € 2.7 (5.0) million.

- Gross premium income in Liability Insurance came to € 327.1 (307.1) million in the reporting year, which was € 20.0 million above the prior-year level. Gross claims expenses decreased by € 28.9 million to € 96.9 (125.8) million, which brought down the total loss ratio to 31.3 (42.4) percent. € 11.3 (31.1) million were allocated to the claims equalization reserve. Due to the less favorable development of business ceded, a profit of € 13.5 (84.0) million was reported, lower than in the previous year.

- In Automotive Liability Insurance and Other Automotive Insurance premium income in the reporting year declined by € 4.2 million to € 1.7 (5.9) million. With claims expenses totaling € 0.4 (10.8) million and the first-time constitution of an equalization reserve of € 2.3 million, these branch groups ended the year with an underwriting loss of € 0.7 (loss of 3.4) million.

- Gross premium income in Fire Insurance and other Property Insurance decreased by € 41.5 million to € 590.4 (631.9) million.
  The decline of premium income in Fire Insurance to € 317.2 (358.5) million is mainly due to the fact that less business from Latin America was assumed in the reporting year. Despite lower premium income, gross claims expenses remained nearly stable at € 136.5 (135.4) million. As a result, the loss ratio rose to 44.5 (37.9) percent. After cessions for insurance business ceded and a withdrawal of € 12.7 (allocation of € 20.1) million from the equalization reserve, an underwriting profit of € 49.3 (profit of 23.7) million was posted.
  Premium income from Other Property Insurance remained at the prior-year level of € 273.2 (273.4) million. However, a more favorable run-off from prior-year losses resulted in lower claims expenses of € 107.8 (167.5) million and a decline of the loss ratio from 65.0 percent to 42.6 percent. After an allocation to the equalization reserve of € 0.1 (withdrawal of 0.6) million, the insurance line posted an underwriting profit of € 26.8 (profit of 68.3) million.
  Overall, the insurance branch group Fire Insurance and other Property Insurance ended the year with an underwriting profit of € 76.1 (profit of 92.0) million, after a withdrawal from the equalization reserve of € 12.5 (allocation of 19.5) million.

- Premium income in Marine and Aviation Insurance amounted to € 364.3 (405.2) million.
  In Marine Insurance, gross premium income dropped € 47.8 million below the prior-year level to € 168.6 (216.4) million, which is partially attributable to the restructuring of the Brazilian business within the global structure of AGCS. Claims expenses fell to € 159.5 (242.8) million, which was essentially attributable to lower losses from natural catastrophes. After an allocation of € 19.6 (allocation of 30.2) million to the claims equalization reserve, an underwriting loss at the prior-year level of € 44.9 (loss of 45.0) was reported.
  In Aviation Insurance, gross premium income amounted to € 195.7 (188.8) million, while gross claims expenses increased by € 42.8 million to € 126.2 (83.4) million, which resulted in an increase of the loss ratio to 64.2 (44.6) percent. After a withdrawal of € 90.0 (allocation of € 22.3) million from the equalization reserve, an underwriting profit of € 77.5 (profit of 3.9) million was posted.
  Overall, the insurance branch group reported an underwriting profit of € 32.6 (loss of 41.1) million after changes to the equalization reserve.

- Gross premiums written in Other insurance rose to € 111.6 (100.7) million in the reporting year. While claims expenses increased to € 58.9 (52.2) million, the loss ratio fell to 53.0 (63.2) percent. Overall, the branch group closed the year with an underwriting profit of € 35.2 (6.3) 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. For aviation insurance business the company for the first time additionally concluded two proportional reinsurance contracts.
The largest part of the business ceded to Group companies is assumed by Allianz Risk Transfer AG, Zurich, while Münchener Rückversicherungs-Gesellschaft AG (Munich Re) in Munich is the company's leading external reinsurer. Premiums ceded to reinsurers increased by a total of € 294.1 million to € 1.44 (1.15) billion, which is essentially due to higher facultative reinsurance cessions in the amount of € 821.6 (706.9) million and to newly concluded reinsurance contracts for aviation insurance. Passive reinsurance posted a result of € 621.6 (273.8) million from the perspective of the reinsurers. In addition to higher premium cessions this was due to lower claims expenses of the reinsurers in the reporting year.

Supplementary information to the Management Report

The various insurance lines and types offered are presented in detail on page 47.

Developments in the capital markets and their impact on investments

Allianz Global Corporate & Specialty SE continued its successful, safety-oriented investment strategy in 2013. 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 concentrated on mortgage bonds and international government bonds as well as bonds from sub-sovereign issuers. For mortgage bonds, we focus on German mortgage bonds as well as mortgage bonds from other Euro zone issuers. Mortgage bonds are backed by valuable securities such as communal loans or senior mortgage loans, which makes them highly secure investments.
A large part of the government bonds as well as bonds from sub-sovereign issuers are concentrated on the Euro zone core countries. At the end of 2013, 1.0 (0.6) 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 remained nearly constant. The investment in Singapore dollars was increased slightly. In the course of the year, the value of all major currencies declined with respect to the Euro.

To ensure an attractive return on its investment portfolio over the log-term, the company continues to adhere to a broad diversification of its portfolio. At the end of the year, the share of corporate bonds in the overall portfolio was 23.3 percent (based on market values). 4.8 percent were invested in bonds from emerging countries. Our new investments in the area of direct loans amounted to € 85 million. € 410 million net were invested in shares through investment funds, putting the emphasis on regional diversification. Real estate investments amounted to € 88 million net. At the end of fiscal 2013, the share of stocks in our portfolio was 4.9 percent (based on market value), taking into account hedging arrangements.

We assess the risk situation with respect to our capital base as well as the coverage of our financial obligations with qualified investments from two perspectives: external and regulatory requirements on the one hand and internal risk capital requirements on the other. For both areas we use stress test models as well as an early warning system and a risk capital model. These tests are performed on an ongoing basis and our investments passed all of them without exception in the reporting year.

Investments

Taking into account the merger into Allianz Global Corporate & Specialty SE, the book value of investments remained nearly unchanged at € 7,360.1 (7,409.8) million in the reporting year.

Investments in affiliated enterprises and participations rose to € 463.7 (410.7) million. This increase is mainly due to investments in real estate investment funds.

The book value of directly held real estate increased to € 57.1 (23.6) million.

The book value of shares, investment certificates and other variable-income securities amounted to € 3,051.2 (2,803.9) million at the end of the year. The increase is in particular due to allocations of investment certificates in connection with stocks.

The book value of bearer bonds decreased slightly to € 2,463.1 (2,550.5) million; other loans also decreased slightly to € 1,145.7 (1,206.4) million.

Bank deposits fell to € 54.9 (265.0) million in the course of the year, while funds held by others came to € 124.3 (149.4) million at the end of the year.

Investment income

Current income from investments was down from the prior year and amounted to € 260.3 (380.2) million. The decline is essentially due to lower distributions from investment funds and lower dividend distributions of the affiliated enterprises.

The disposal of investments produced income of € 22.6 (32.4) million and losses of € 16.7 (14.9) million. These were for the most part generated from the sale of investment fund shares and bearer bonds. Gains from write-ups in 2013 amounted to € 0.1 (3.4) million and were entirely attributable to bearer bonds.

Depreciation of investments in the reporting year amounted to € 63.5 (8.6) million, of which € 1.1 million were attributable to scheduled write-downs on real estate. € 62.4 million were attributable to bearer bonds, mainly in foreign currencies; the largest contributing factor was the devaluation of the Australian dollar and the Singapore dollar.

Investment management and interest expenses came to € 11.3 (7.0) million.

Total investment income of € 191.4 (385.4) million was below the high prior-year figure.

Valuation reserves on investments decreased to a total of € 964.3 (1,018.5) million. The increase of the valuation reserves on shares in associated enterprises of € 509.7 (422.0) million mainly results from the increase of the fair value of Allianz Risk Transfer AG. The reserves for directly held real estate amounted to € 3.5 (0.5) million. The valuation reserves on investment certificates fell to € 273.8 (300.8) million, those on bearer bonds to € 99.5 (175.2) million. For other loans, the valuation reserves amounted to € 75.3 (115.5) million.

The reserve ratio, i.e. the percentage of valuation reserves in relation to the book value of total investments, stood at 13.1 (13.7) percent at the end of the year.

Other non-underwriting business

Other non-underwriting business produced a profit of € 82.5 (7.2) million, which was primarily due to currency exchange gains.

The overall result of the non-underwriting business thus amounted to € 273.9 (392.6) 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 € 0.6 (0.7) million. But the extraordinary result essentially contains a merger gain of € 163.4 million from the merger of Allianz Global Corporate & Specialty (France), Paris, into the former Allianz Global Corporate & Specialty AG.

Overall result

Tax charges for the reporting year (including intra-group charges) came to € 104.7 (88.2) million.

The overall result after taxes was a profit of € 541.8 (308.9) 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 SE are Allianz SE and SAS Allianz Colisée.
Allianz SE and Allianz Global Corporate & Specialty SE are linked by a management control and transfer-of-profit agreement.

Branch offices

Allianz Global Corporate & Specialty SE maintains branch offices in London (UK), Paris (France), Vienna (Austria), Copenhagen (Denmark), Milan (Italy), Antwerp (Belgium), Madrid (Spain), Rotterdam (Netherlands), Stockholm (Sweden), 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 SE by Allianz Managed Operations & Services SE, Munich.

Employees

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

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

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

One of the key areas of our HR efforts in 2013 was the implementation of the group-wide Allianz Grading Systems (AGS) as well as 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. Another important key area of our work was the continued education and professional development of our employees.

The Allianz Grading system accounts for the continuing globalization of Allianz Global Corporate & Specialty SE and ensures better comparability of positions across regions and thus enhanced employee mobility.

Allianz Global Corporate & Specialty SE continues to use the instrument of regular surveys of all employees and managers worldwide (Allianz Engagement Survey). 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 2013, Allianz Global Corporate & Specialty SE had a total of 2,415 in-house employees.
The increase is essentially due to the merger of Allianz Global Corporate & Specialty (France).

Facts and figures

	12/31/2013	12/31/2012
Employees [1]	**2,415**	**2,012**
of which full-time staff	2,380	1,984
of which other employees (temps and interns)	35	28
Share of women	46%	44%
Share of men	54%	56%
Share of full-time staff	86%	87%
Share of part-time staff	14%	13%
Age (average in years)	42.5	42.0
Time with the Group (average in years)	11.7	11.2

[1] 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 SE. 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 SE 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 analyses and evaluations and ensures the regular or – in case of need – spontaneous reporting of essential risks to the Board of Management and to Allianz SE.

Headed by the Chief Financial Officer, the Allianz Global Corporate & Specialty SE Risk Committee examines all relevant risks on a quarterly basis and agrees on measures for risk mitigation and the continued development of our risk management processes. The Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer Corporate, the Chief Operating Officer, the 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 Allianz Global Corporate & Specialty SE 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, the Loss Reserve Committee, the Underwriting Committee as well as the Finance Committee.
The risk management of Allianz Global Corporate & Specialty SE is tied into the risk control system of Allianz SE. Its binding guidelines are the Group Risk Strategy and the Group Risk Policy set down by Allianz SE as well as additional directives for risk management and the modeling of internal risk capital. The controlling body for the risk management of Allianz Global Corporate & Specialty SE 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 the Internal Audit.

Risk strategy and risk reporting

The risk strategy defines the core risks of Allianz Global Corporate & Specialty SE, the risk bearing capacity of the company as well as the risk tolerance of the Board of Management of Allianz Global Corporate & Specialty SE.

The quarterly risk report contains risk indicators with specified fixed threshold values and is used by management for the systematic control of the current risk profile. On the basis of this report the Risk Committee decides on the implementation of risk mitigation measures. After review by the Risk Committee, the risk report is circulated to the Board of Management, senior management and Allianz SE.

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 SE 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 risk: The risk of potential losses in the portfolio value of fixed-income investments or stocks as well as the foreign currency and interest risk. In this context we also monitor the liquidity risk in order to ensure our ability to meet our financial obligations whenever they become due.
- Credit 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 analyses 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, 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 SE 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 SE. The investment strategy is implemented by AIM SE within the framework of an investment risk and limit system established by Allianz Global Corporate & Specialty SE. This risk and limit system is adjusted annually and adopted by the Allianz Global Corporate & Specialty SE Risk Committee and the Finance Committee.
The efficient implementation of the investment strategy also involves the use of derivatives and structured products.

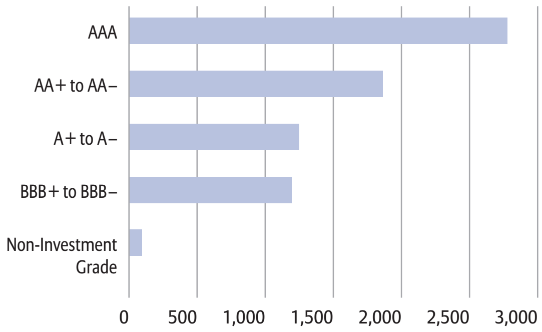
Our investments are broadly diversified according to type of investment (shareholdings, stocks, fixed-income securities), solvency and geographic location.
A continuous risk analysis is performed by our investment management. Allianz Global Corporate & Specialty SE holds a conservative investment portfolio. In the course of the year, the stock portfolio was built up continually. At the end of the year, the share of stocks (based on market prices) amounted to 4.9 percent, taking into account hedging provisions. 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 SE, large parts of the reserves are constituted in foreign currencies. Overall, the currencies of the insurance reserves including unearned premiums amounts to approximately 34 percent. Our primary exposures are in USD (19 percent) and GBP (9 percent). Allianz Global Corporate & Specialty SE 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 2013, the current premium and investment income of Allianz Global Corporate & Specialty SE 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 47 percent are fixed-income investments with banks; of these, about 69 percent are secured as German or other covered bonds, while 10 percent are investments with sub-sovereign issuers. 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, 2013, in € million, including fund holdings at fair value:



Credit limits are centrally controlled by Allianz SE, and the compliance with them is monitored by Allianz Global Corporate & Specialty SE.

To cope with the continuing crisis of the financial markets which entails growing solvency risks, particularly for banks, 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 2013, 1.3 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, 2013, approximately 27 percent of our reserves were ceded to reinsurers within the Allianz Group, and 73 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 2013 as of December 31, 2012. It showed that 61.5 percent of our reserves were ceded to reinsurers that had been assigned at least an “A” rating by Standard & Poor’s. Setting aside captives and pools, which for the most part have no ratings of their own, 84 percent of the reserves were ceded to reinsurers with at least an A rating. Since pools have no ratings of their own, cessions are made only after a special investigation has determined that the participating reinsurers meet the Allianz-internal minimum requirements for reinsurance partners and explicit approval by an expert has been obtained. In addition, letters of credit, deposits and other financial measures to further minimize the credit risk may be requested.

At December 31, 2013, total third-party receivables with due dates exceeding 90 days amounted to € 128.9 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.
We identify and evaluate possible operational risks by means of a scenario-based structured self-assessment. In addition, we analyze substantial operating losses incurred. If high losses are incurred, we analyze the causes with the objective of avoiding or at least reducing such losses in the future. The measures taken may involve a review of existing operating procedures, improving failed or insufficient controls, setting up comprehensive security systems and improving emergency plans.
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 2013.
We meet the requirements of our expanding business as an industrial insurer by continually integrating and upgrading our IT system landscape.

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 2013 was passed with 272 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 2014 to 2016, with a focus on 2014, is based on the assumption that our business results will continue their positive development.

Outlook

For the coming three years, Allianz Global Corporate & Specialty SE expects average premium growth of 3 percent. The main driver will be new business anticipated in the growth markets defined by Allianz Global Corporate & Specialty SE, mainly in Asia, South America and Africa. But the branch office in Sweden, which was newly founded in 2013, as well as reinsured business from the Russian Federation, will also contribute to our growth. These markets are experiencing double-digit growth, albeit with a lower basic volume. We are also forecasting a growth contribution by the mature markets, but at a lower level of about 2 percent on average over the next three years. A driver for this development are new products with which Allianz Global Corporate & Specialty SE offers its clients protection against IT risks such as cyber criminality. The by far greatest premium increase over the next three years is therefore expected in Financial Lines. Additional substantial growth is forecast for the Liability, Property and Marine lines.

There are no indications of general rate increases across all markets, primarily because of persistently low interest rates and easily available capital. Rather, there will be rate increases in individual regions, segments or product lines.

Premium growth of any type must be profitable growth.

For the next three years we are aiming for a combined ratio of about 97 percent. As a capital optimization tool, we are considering the conclusion of a proportional reinsurance contract with Allianz SE as of 2015.

The majority of the reinsurance contracts existing in 2013 were renewed for 2014. Due to the abundance of available reinsurance capacities, there was strong competition, which resulted in stable prices and, in some areas, even lower prices.

Allianz Global Corporate & Specialty SE 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. The steady decline of interest rates in the past years to a historically low level results in a further decline of expected interest income in the coming years. For this reason we are continuing the diversification of the investment portfolio of Allianz Global Corporate & Specialty SE and plan a further increase of our investments in real estate and infrastructure as well as direct credits and loans.

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 SE. The investment income plans of Allianz Global Corporate & Specialty SE are based on the assumption that the capital markets will be stable.

Due to one-time special effects in fiscal 2013, in particular the gain from the merger of Allianz Global Corporate & Specialty (France) into the former Allianz Global Corporate & Specialty AG, we assume that the profit transferred in the coming two years will be lower than this year.

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, 2014
Allianz Global Corporate & Specialty SE

The Board of Management

Dr. Theis	Berger	Browne
Fischer Hirs	Mai	Moossmann
Scaldaferri		

Annual Financial Statements
of Allianz Global Corporate & Specialty SE

Balance Sheet as of December 31, 2013

Assets

	12/31/2013 € thou	12/31/2013 € thou	12/31/2013 € thou	01/01/2013 € thou	12/31/2012 € thou
A. Intangible assets					
Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets			46,082	39,735	39,456
B. Investments					
I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS		57,105		23,612	23,612
II. Investments in affiliated and associated enterprises		463,734		410,744	708,395
III. Other Investments		6,714,937		6,825,956	5,639,402
IV. Funds held by others under reinsurance business assumed		124,329		149,445	46,451
			7,360,105	7,409,757	6,417,860
C. Receivables					
I. Accounts receivable from direct insurance business					
1. Policy holders	44,581			67,911	69,672
2. Insurance brokers	391,180			443,422	296,198
including from affiliated enterprises: € thou 653 (355)					
		435,761		511,333	365,870
II. Accounts receivable on reinsurance business		492,086		553,899	385,515
including from affiliated enterprises: € thou 137,504 (213,557)					
III. Other receivables		249,458		289,412	243,726
including taxes of: € thou 27,844 (11,574)					
including from affiliated enterprises: € thou 50,691 (91,658)					
			1,177,305	1,354,644	995,111
D. Other assets					
I. Cash with banks, checks and cash on hand		74,831		86,259	70,801
II. Miscellaneous assets		66,025		66,941	62,401
			140,856	153,200	133,202
E. Deferred income and prepaid expenses					
I. Accrued interest and rent		65,552		67,570	44,996
II. Other prepaid expenses and deferred income		–		3,568	237
			65,552	71,138	45,233
F. Excess of plan assets over pension liabilities / pension provisions			419	439	439
Total assets			8,790,319	9,028,913	7,631,301

The "including" items in the balance sheet refer to the AGCS SE figures as of January 1, 2013.

Equity and Liabilities

	12/31/2013 € thou	12/31/2013 € thou	12/31/2013 € thou	01/01/2013 € thou	12/31/2012 € thou
A. Shareholders' equity					
I. Capital stock		36,740		36,740	36,740
II. Additional paid-in capital		1,099,141		1,099,141	1,108,296
III. Appropriated retained earnings					
other retained earnings		8,355		8,355	8,355
			1,144,236	1,144,236	1,153,391
B. Insurance reserves					
I. Unearned premiums					
1. Gross	999,682			993,068	880,918
2. Less: amounts ceded	339,539			359,957	320,527
		660,143		633,111	560,391
II. Reserve for loss and loss adjustment expenses					
1. Gross	6,812,333			7,319,110	5,660,748
2. Less: share in reinsured insurance business	2,428,955			2,602,262	1,834,905
		4,383,378		4,716,848	3,825,843
III. Claims equalization reserve and similar reserves		999,977		1,023,726	991,748
IV. Other insurance reserves					
1. Gross	36,264			40,635	37,652
2. Less: share in reinsured insurance business	4,257			3,987	3,987
		32,007		36,648	33,665
			6,075,505	6,410,333	5,411,647
C. Other accrued liabilities			166,248	159,670	138,639
D. Funds held under reinsurance business ceded			280,094	62,669	35,642
E. Other liabilities					
I. Accounts payable on direct insurance business to					
1. Policy holders	3,560			3,757	2,546
including residual term of up to one year:					
€ thou 3,560 (3,757)					
2. Agents	50,247			58,339	49,257
including to affiliated enterprises:					
€ thou 9,338 (9,614)					
including residual term of up to one year:					
€ thou 50,247 (58,339)					
		53,807		62,096	51,803
II. Accounts payable on reinsurance business		253,889		291,476	216,840
including to affiliated enterprises:					
€ thou 65,272 (32,574)					
including residual term of up to one year:					
€ thou 253,889 (291,476)					
III. Liabilities to banks		–		2,859	53
including residual term of up to one year:					
€ thou – (2,859)					
IV. Miscellaneous liabilities		792,300		866,493	594,219
including from taxes: € thou 61,858 (66,109)					
including to affiliated enterprises:					
€ thou 606,328 (429,822)					
including residual term of up to one year:					
€ thou 792,300 (866,493)					
			1,099,996	1,222,924	862,915
F. Deferred income			24,240	29,081	29,067
Total equity and liability			8,790,319	9,028,913	7,631,301

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

Munich, January 28, 2014
The Responsible Actuary
Klaus-Peter Mangold

Explanation of the adjusted balance sheet figures of the previous year

Assets

	12/31/2012 Allianz Global Corporate & Specialty AG	12/31/2012 Allianz Global Corporate & Specialty (France)	Consolidation	01/01/2013 Allianz Global Corporate & Specialty SE (after the merger)
	€ thou	€ thou	€ thou	€ thou
A. Intangible assets	39,456	279	–	39,735
B. Investments	6,417,860	1,367,532	– 375,635	7,409,757
C. Receivables	995,111	387,910	– 28,377	1,354,644
D. Other assets	133,202	19,998	–	153,200
E. Deferred income and prepaid expenses	45,233	25,905	–	71,138
F. Excess of plan assets over pension liabilities / pension provisions	439	–	–	439
Total assets	7,631,301	1,801,624	– 404,012	9,028,913

The merger gain resulting from the capital consolidation in the course of the merger of Allianz Global Corporate & Specialty (France) into Allianz Global Corporate & Specialty AG is reported under "other liabilities".

In addition to the capital consolidation, accounts receivable and accounts payable between the two units were eliminated. An item which may not be recognized under HGB rules was offset in shareholders' equity with no effect on income.

Equity and Liabilities

	12/31/2012 Allianz Global Corporate & Specialty AG € thou	12/31/2012 Allianz Global Corporate & Specialty (France) € thou	Consolidation € thou	01/01/2013 Allianz Global Corporate & Specialty SE (after the merger) € thou
A. Shareholders' equity	1,153,391	539,018	– 548,173	1,144,236
B. Insurance reserves	5,411,647	989,531	9,155	6,410,333
C. Other accrued liabilities	138,639	21,031	–	159,670
D. Funds held under reinsurance	35,642	27,448	– 421	62,669
E. Other liabilities	862,915	224,582	135,427	1,222,924
F. Deferred income	29,067	14	–	29,081
Total equity and liability	7,631,301	1,801,624	– 404,012	9,028,913

Income Statement

For the period from January 1 to December 31, 2013

	2013 € thou	2013 € thou	2013 € thou	2012 € thou
I. Technical account				
1. Premiums earned – net				
a) Gross premiums written	3,358,509			3,019,176
b) Premiums ceded	– 1,442,491			– 1,148,406
		1,916,018		1,870,770
c) Change in unearned premiums – gross	– 58,590			– 55,032
d) Change in unearned premiums ceded – gross	5,719			37,423
		– 52,871		– 17,609
			1,863,147	1,853,161
2. Allocated interest return – net			–	– 5
3. Other underwriting income – net			1,180	1,180
4. Loss and loss adjustment expenses – net				
a) Claims paid				
aa) Gross	– 1,820,423			– 1,541,324
bb) Amounts ceded in reinsurance	457,269			521,756
		– 1,363,154		– 1,019,568
b) Change in reserves for loss and loss adjustment expenses				
aa) Gross	41,188			– 396,629
bb) Amounts ceded in reinsurance	194,178			209,014
		235,366		– 187,615
			– 1,127,788	– 1,207,183
5. Change in other insurance reserves – net			– 1,048	– 1,396
6. Underwriting expenses – net			– 544,433	– 500,477
7. Other underwriting expenses – net			– 4,962	– 3,084
8. Subtotal			186,096	142,196
9. Change in claims equalization and similar reserves			23,751	– 136,959
10. Net technical result			209,847	5,237

	2013 € thou	2013 € thou	2012 € thou
II. Non-technical account			
1. Investment income	283,014		415,945
2. Investment expenses	– 91,632		– 30,538
		191,382	385,407
3. Allocated interest return	– 14		– 19
		191,368	385,388
4. Other income	204,070		91,990
5. Other expenses	– 121,517		– 84,762
		82,553	7,228
6. Non-technical result		273,921	392,616
7. Earnings from ordinary activities before taxes		483,768	397,853
8. Extraordinary income	163,383		–
9. Extraordinary expenses	– 647		– 674
10. Extraordinary result		162,736	– 674
11. Income taxes	– 103,092		– 87,906
including amounts charged to other group companies: € thou 61,756 (47,504)			
12. Other taxes	– 1,568		– 337
		– 104,660	– 88,243
		541,844	308,936
13. Profits transferred because of a profit pool, a transfer-of-profit or transfer-of-partial profit agreement	– 541,844		– 308,936
14. Net income		–	–

Notes to the Financial Statements

Merger and conversion

In 2013 Allianz Global Corporate & Specialty (France), a fully owned subsidiary of Allianz Global Corporate & Specialty AG, was merged into Allianz Global Corporate & Specialty AG. Simultaneously, the company was converted into an SE (Societas Europaea). The transferred portfolio Allianz Global Corporate & Specialty (France) is now handled by the existing French branch of Allianz Global Corporate & Specialty SE. The merger was registered in the Commercial Register of the Munich Local Court in November 2013 with retroactive effect as of January 1, 2013. The restructuring will enable the company to serve the needs of its global clients in a more effective way and to react more flexibly to Solvency II requirements.

The prior-year figures for all balance sheet-related indications in the notes to the financial statements refer to Allianz Global Corporate & Specialty SE as of January 1, 2013.

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 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 2013 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 341 c HGB these items are recorded at face value.

Receivables and other assets

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

These are recorded at face value less repayments.
For accounts receivable 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 of quota charges with participation in the original costs, the proportional unearned premiums were accordingly deducted from the quota share of the reinsurer.

Reserve for loss and loss adjustment expenses

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

Reserves for known insured losses (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 section 341g (1, 2) HGB.

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 SE 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

In principle, other accrued liabilities are stated in the required amounts payable on maturity.
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 2013, 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, 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 "Supplementary information on Equity and Liabilities" and "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 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 2013

	Values stated as of 12/31/2012 Allianz Global Corporate & Specialty AG € thou	%	AGCS (France) € thou	Balance sheet value after the merger € 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	39,456		279	39,735
B.I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS	23,612	0.4		23,612
B.II. Investments in affiliated and associated enterprises				
1. Shares in affiliated and associated enterprises	685,606	10.8	– 361,651	323,955
2. Loans to affiliated enterprises	19,819	0.3	64,000	83,819
3. Participations	2,970			2,970
Subtotal B.II.	**708,395**	**11.1**	**– 297,651**	**410,744**
B.III. Other investments				
1. Stocks, investment fund units and other variable income securities	2,803,935	44.0		2,803,935
2. Bearer bonds and other fixed-income securities	1,398,989	22.0	1,151,554	2,550,543
3. Other loans				
a) Registered bonds[1]	954,037	15.0		954,037
b) Note loans and loans[1]	252,397	4.0		252,397
4. Bank deposits	230,044	3.6	35,000	265,044
Subtotal B.III.	**5,639,402**	**88.5**	**1,186,554**	**6,825,956**
Subtotal B.I. through B.III.	**6,371,409**	**100.0**	**888,903**	**7,260,312**
Total	**6,410,865**		**889,182**	**7,300,047**

[1] Reclassification of unsecured bearer bonds, which had been carried as promissory notes until 2013, as bearer bonds (€ thou 10,000).

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 2013:

	12/31/2013 € thou	01/01/2013 € thou
Shares in affiliated enterprises		
Allianz Risk Transfer AG, Zurich	186,242	186,242
AGR Services Pte Ltd., Singapore[1]	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
Sirius S. A., Luxemburg	31,747	–
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	17,965	19,146
Q 207 S.C.S., Luxemburg	12,793	12,874
SpaceCo, Paris	10,770	10,770
Allianz Finance VIII S. A., Luxemburg	22,147	5,422
Others	14,649	14,720
	371,094	**323,955**
Loans to affiliated enterprises		
Allianz Finance VII S. A., Luxemburg	25,670	19,819
Allianz SE, Munich	64,000	64,000
	89,670	**83,819**
Participations		
National Insurance Company Berhad, Brunei	2,970	2,970
Total investments in affiliated enterprises	**463,734**	**410,744**

[1] formerly Allianz Insurance Company of Singapore Pte Ltd., Singapore

Additions € thou	Reclassification € thou	Disposals € thou	Additions € thou	Disposals € thou	Net additions (+) disposals (–) € thou	Values stated as of 12/31/2013 Allianz Global Corporate & Specialty SE € thou	%
20,788	–	–	–	14,441	6,348	46,082	–
34,634	–	–	–	1,141	33,493	57,105	0.8
48,475	–	1,336	–	–	47,139	371,094	5.1
11,908	–	6,052	–	5	5,851	89,670	1.2
–	–	–	–	–	–	2,970	–
60,383	**–**	**7,388**	**–**	**5**	**52,990**	**463,734**	**6.4**
317,935	–	70,689	–	–	247,246	3,051,181	42.2
1,246,320	–	1,271,435	103	62,404	– 87,416	2,463,127	34.0
77,494	10,000	193,787	–	–	– 106,293	847,744	11.7
139,266	– 10,000	83,712	–	–	45,554	297,951	4.1
–	–	210,110	–		– 210,110	54,934	0.8
1,781,015	**–**	**1,829,733**	**103**	**62,404**	**– 111,019**	**6,714,937**	**92.8**
1,876,032	**–**	**1,837,121**	**103**	**63,550**	**– 24,536**	**7,235,776**	**100.0**
1,896,820	**–**	**1,837,121**	**103**	**77,991**	**– 18,188**	**7,281,858**	

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

Name of fund	Investment goal	Redemption of fund shares	Balance sheet value 12/31/2013 € thou	Fair value 12/31/2013 € thou	Valuation reserve 12/31/2013 € thou	Dividend distribution fiscal 2013 € thou
Mixed funds						
ALLIANZ GLR FONDS	Mixed funds	each trading day	1,047,701	1,081,702	34,001	4,514
Subtotal	**Mixed funds**		**1,047,701**	**1,081,702**	**34,001**	**4,514**
Bond funds						
ALLIANZ GLU FONDS	Bond funds	each trading day	587,549	588,301	753	5,159
ALLIANZ GRGB FONDS	Bond funds	each trading day	242,451	263,310	20,859	2,159
ALLIANZ GLRS FONDS	Bond funds	each trading day	1,172,839	1,390,983	218,143	13,062
Subtotal	**Bond funds**		**2,002,839**	**2,242,594**	**239,755**	**20,380**
Total			**3,050,540**	**3,324,296**	**273,756**	**24,894**

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

Name and location	Interest %	Equity € thou	Net income € thou
Allianz Risk Transfer AG, Zurich [4]	100.00	665,389	96,986
Allianz Risk Transfer Inc., New York [3]	100.00	64,543	635
Allianz Risk Transfer (Bermuda) Ltd., Bermuda [3]	100.00	31,753	– 3,322
Allianz Risk Transfer N.V., Amsterdam	100.00	31,054	277
AGR Services Pte Ltd., Singapore [8] [12]	100.00	36,235	3,628
Allianz Services (UK) Ltd., London [2]	100.00	16,260	766
Prism Re, Bermuda [3]	99.00	14,080	418
Allianz Insurance (Hong Kong) Ltd., Hong Kong [7]	100.00	25,067	4,647
Allianz Marine (UK) Ltd., London [2]	100.00	11,174	73
SpaceCo, Paris	100.00	9,395	3,964
Allianz Fire and Marine Insurance Japan Ltd., Tokyo [1] [6]	100.00	15,507	1,263
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg [5]	100.00	7,123	– 412
Allianz of South Africa (Proprietary) Limited, Johannesburg [5]	100.00	6,966	– 412
Assurance France Aviation S. A., Paris	99.76	3,118	– 90
Allianz Risk Transfer (UK) Ltd., London [2]	100.00	1,584	– 49
Allianz Risk Consulting GmbH, Munich	100.00	1,551	44
EF Solutions LLC, New York [3]	100.00	– 5,837	– 2,676
Allianz Finance VIII Luxembourg SA, Luxemburg	20.00	27,051	58
Allianz Risk Consultants B.V., Rotterdam	100.00	140	– 6
Allianz Global Corporate & Specialty AG, Escritorio de Representacao no Brasil Ltda., Sao Paulo [9]	99.99	1	– 15
Brunei National Insurance Company Berhad Ltd., Brunei [10]	25.00	7,169	776
Allianz Global Corporate & Specialty Resseguros Brasil S.A., Rio de Janeiro [9] [11]	100.00	42,761	– 2,093
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro [9]	100.00	46,556	– 67

All figures from 2012
1) Fiscal year from May to April; figures from May 2013
2) Converted from GBP to EUR closing rate 12/31/2013: 0.83200
3) Converted from USD to EUR closing rate 12/31/2013: 1.37795
4) Converted from CHF in EUR to EUR closing rate 12/31/2013: 1.2255
5) Converted from ZAR in EUR to EUR closing rate 12/31/2013: 14.43230
6) Converted from JPY to EUR closing rate 12/31/2013: 144.82945
7) Converted from HKD to EUR closing rate 12/31/2013: 10.68430
8) Converted from SGD to EUR closing rate 12/31/2013: 1.73980
9) Converted from BRL to EUR closing rate 12/31/2013: 3.25095
10) Converted from BND to EUR closing rate 12/31/2013: 1.73980
11) formerly Allianz Global Corporate & Specialty Participações Ltda., Rio de Janeiro
12) formerly Allianz Insurance Company of Singapore Pte Ltd., Singapore

Market value of investments

	Market value 12/31/2013 € thou	Market value 01/01/2013 € thou
B.I. Real estate, real property and equivalent rights including buildings on land not owned by AGCS	60,574	24,120
B.II. Investments in affiliated and associated enterprises		
1. Shares in affliated and associated enterprises	880,754	745,981
2. Loans to affiliated and associated enterprises	92,228	88,276
3. Participations	2,970	2,970
B.III. Other investments		
1. Shares, investment fund units and other variable interest securities	3,325,029	3,104,714
2. Bearer bonds and other fixed-interest securities	2,562,605	2,725,757
3. Other loans		
a) Registered bonds	913,860	1,049,961
b) Promissory notes and loans	307,088	271,963
4. Overnight and fixed-term funds	54,934	265,044
B.IV. Funds held by others under reinsurance business assumed	124,329	149,445
Total investments	8,324,371	8,428,231

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 were 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 € 3,553 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 € 419 (439) 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 € 359 (357) 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 (Assets D.II.)

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 2017 is determined by means of the critical term match method.

At the balance sheet date, the underlying transactions, which consist of benefits to be provided at a future date, amounted to a total of € 41,635 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	55,759	558	Binomial model	Discount rate 0.2 %	Assets D.II.	558
€ 160.13				Volatility 19.5 %	Miscellaneous	
March 2014				Dividend yield 4.0 %	Assets	
(Hedge-Sar 2007)				Share price € 130.35		
				Cap € 400.33		
Allianz Long Call	83,789	1,260,187	Binomial model	Discount rate 0.2 %	Assets D.II.	948,022
€ 117.38				Volatility 20.6 %	Miscellaneous	
March 2015				Dividend yield 4.1 %	Assets	
(Hedge-Sar 2008)				Share price € 130.35		
				Cap € 293.45		
Allianz Long Call	13,982	1,089,617	Binomial model	Discount rate 0.1 %	Assets D.II.	309,339
€ 51.95				Volatility 27.4 %	Miscellaneous	
March 2016				Dividend yield 4.2 %	Assets	
(Hedge-Sar 2009)				Share price € 130.35		
				Cap € 129.88		
Allianz Long Call	146,477	6,305,835	Binomial model	Discount rate 0.4 %	Assets D.II.	2,072,320
€ 87.36				Volatility 22.0 %	Miscellaneous	
March 2017				Dividend yield 4.2 %	Assets	
(Hedge-Sar 2010)				Share price € 130.35		
				Cap € 218.40		

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

At December 31, 2013, 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 a 90.1 percent interest in Allianz Global Corporate & Specialty SE and SAS Allianz Colisée a 9.9 percent interest.

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

	Total		Including:			
			Gross reserves for loss and loss adjustment expenses		Claims equalization reserve and similar reserves	
	12/31/2013	01/01/2013	12/31/2013	01/01/2013	12/31/2013	01/01/2013
Direct insurance business written						
Personal accident	17,413	20,462	8,778	10,417	1,940	1,808
3rd party liability	2,857,126	2,601,418	2,498,632	2,276,669	130,419	120,564
Automotive liability	9,454	4,435	5,720	1,730	–	–
Other automotive	22,121	16,958	17,631	13,224	–	–
Fire and property	853,097	844,569	563,949	625,725	65,080	140
including fire insurance	276,840	311,711	155,745	257,032	64,326	–
including other property insurance	576,257	532,858	408,204	368,693	754	140
Transport and aviation insurance	1,262,743	1,398,036	1,106,172	1,188,152	53,894	84,045
Other insurance	171,707	243,806	125,042	195,048	13,431	12,755
Total*)	**5,193,668**	**5,129,695**	**4,325,931**	**4,310,974**	**264,764**	**219,313**
Reinsurance business assumed						
Total	**3,654,588**	**4,246,844**	**2,486,402**	**3,008,136**	**735,213**	**804,413**
Insurance business total	**8,848,256**	**9,376,539**	**6,812,333**	**7,319,110**	**999,977**	**1,023,726**

*) 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.

Other accrued liabilities (Equity and Liabilities C.)

Pension reserves and similar commitments

Allianz Global Corporate & Specialty SE 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.

	12/31/2013 %	12/31/2012 %
Discount rate	4.90	5.06
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 2013, reserves in the amount of € 3,019 (2,781) 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 SE 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 € 56,879 (47,959) thou, and the fair value of these assets is € 57,473 (48.515) thou. The settlement amount of the offset liabilities is € 61,213 (52,072) thou.

Other reserves

Other reserves for fiscal 2013 include the following positions:

	12/31/2013 € thou	01/01/2013 € thou
Reserves for:		
1. Remunerations not yet definitely determined	52,223	43,641
2. Group Equity Incentives	25,617	25,133
3. Invoices not yet received	15,218	11,855
4. Holidays and flexible working hours	10,005	12,915
5. Employee jubilees	5,342	5,215
6. Restructuring	1,800	5,524
7. Phased-in retirement and value account model	721	1,212
8. Severance payments	482	1,499
9. Other	3,577	3,750
Total other provisions	114,984	110,744

Tax reserves

In the reporting year tax reserves were constituted for the following branch offices: UK € 18,764 (18,459) thou, France €18,322 (12,527) thou, Italy € 7,240 (10,846) thou, Netherlands € 2,067 (2,910) thou, Singapore € 861 (951) thou, Austria € 455 (455) thou, Hong Kong € 105 (1,296) thou, Denmark € 8 (0) thou, Spain € 0 (396) 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 5 years.

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

	Gross premiums written		Gross earned premiums		Net earned premiums	
	2013 € thou	2012 € thou	2013 € thou	2012 € thou	2013 € thou	2012 € thou
Direct insurance business written						
Personal accident	11,437	14,526	11,980	13,373	9,477	10,833
3rd party liability	703,512	565,146	678,996	543,320	490,239	382,783
Automotive liability	9,258	5,202	8,050	3,304	– 253	– 348
Other automotive	12,185	8,879	11,240	7,674	– 240	996
Fire and property	518,605	391,224	510,768	397,205	266,497	195,201
including fire insurance	224,483	157,313	224,010	170,076	91,171	52,256
including other property insurance	294,122	233,911	286,758	227,129	175,326	142,945
Transport and aviation insurance	582,538	477,812	602,699	479,714	386,057	353,967
Other insurance	117,151	96,185	118,923	102,075	51,731	51,966
Total*)	1,954,686	1,558,968	1,942,656	1,546,661	1,203,508	995,393
Reinsurance business assumed						
Total	1,403,823	1,460,208	1,357,263	1,417,483	659,639	857,768
Insurance business total	3,358,509	3,019,176	3,299,919	2,964,144	1,863,147	1,853,161

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

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

	Germany		EU		Other countries	
	2013 € thou	2012 € thou	2013 € thou	2012 € thou	2013 € thou	2012 € thou
Personal accident	6,139	10,325	2,860	2,639	2,439	1,562
3rd party liability	306,102	285,294	335,547	238,979	61,705	40,873
Automotive liability	– 18	– 32	–	–	9,276	5,234
Other automotive	– 85	– 144	–	–	12,270	9,023
Fire and property	194,825	187,266	279,573	162,936	40,593	41,022
including fire insurance	80,574	71,636	116,993	55,185	26,900	30,492
including other property insurance	114,252	115,630	162,580	107,751	13,693	10,530
Marine and aviation insurance	202,043	216,409	310,691	204,148	69,805	57,254
Other insurance	51,680	64,559	55,453	25,432	13,789	6,189
Total	760,686	763,677	984,124	634,134	209,876	161,157

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 € 114,960 (113,081) thou net; in business assumed it was € 94,356 (114,729) 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	
2013 € thou	2012 € thou	2013 € thou	2012 € thou	2013 € thou	2012 € thou	2013 € thou	2012 € thou	2013	2012
1,838	3,415	3,133	2,301	– 1,209	– 1,495	5,666	5,898	6,819	7,707
476,454	364,126	126,026	104,186	– 52,578	– 60,749	12,860	9,381	17,598	17,121
6,336	434	3,067	1,728	1,898	– 903	545	240	33,458	23,329
12,366	2,863	6,353	2,984	5,228	– 1,419	– 2,251	409	–	–
222,673	259,950	92,351	103,329	– 161,701	– 110,393	– 33,271	– 66,164	26,581	27,449
32,085	123,173	34,161	35,555	– 107,833	– 38,608	– 15,556	– 20,312	9,503	11,053
190,588	136,777	58,190	67,774	– 53,868	– 71,785	– 17,715	– 45,852	17,078	16,396
349,778	325,946	121,434	115,957	– 119,153	– 10,343	43,893	– 13,107	24,063	18,053
21,216	161,279	12,272	19,288	– 61,171	6,020	23,057	– 74,231	4,555	2,880
1,090,659	**1,118,002**	**364,636**	**349,772**	**– 388,686**	**– 179,280**	**50,502**	**– 137,567**	**113,074**	**96,539**
688,576	819,951	343,305	256,341	– 232,913	– 94,507	159,345	142,804		
1,779,235	1,937,953	707,941	606,113	– 621,599	– 273,787	209,847	5,237		

Underwriting expenses – net (Income Statement I.6.)

	2013 € thou	2012 € thou
a) Gross expenditure for insurance business	707,941	606,113
b) Less: received provisions and profit sharing		
from reinsurance ceded	163,508	105,636
Total	**544,433**	**500,477**

Of the gross expenditures for insurance business, € 664,172 (572,249) thou are attributable to closing expenses and € 43,769 (33,865) thou to administrative expenses.

Commissions and other remuneration for insurance agents, payroll costs

	2013 € thou	2012 € thou
a) Commission of any kind for insurance agents within the meaning of clause 92 HGB		
for direct insurance business	182,515	146,732
b) Other remuneration of insurance agents within the meaning of section 92 HGB	14	30
c) Wages and salaries	221,070	179,864
d) Social security contributions and other social contributions	38,500	21,856
e) Pension costs	22,883	15,702
Total	**464,982**	**364,184**

Investment income (Income Statement II.1.)

	2013 € thou	2012 € thou
a) Income from investments		
ai) Income from participations		
including affiliated enterprises: € thou 101,380 (155,662)	101,440	155,727
aii) Income from other investments	158,893	224,489
aa) Income from real estate, real property and equivalent rights		
including buildings on land not owned by AGCS	3,556	647
bb) Income from other investments	155,336	223,842
b) Income from write-ups	103	3,367
c) Gains froms disposals	22,578	32,362
Total	**283,014**	**415,945**

Investment expenses (Income Statement II.2.)

	2013 € thou	2012 € thou
a) Investment management, interest, charges and other investment expenses	11,343	7,043
b) Depreciation and write-downs on investments	63,550	8,554
c) Losses from disposals	16,739	14,941
Total	**91,632**	**30,538**

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 accounts their respective useful lives. Scheduled write-downs were made for a total of € 14,441 (20,786) thou.

Depreciation and impairments of investments

Unscheduled write-downs in accordance with section 253 (4) HGB were made on bearer bonds in the amount of € 62,404 (8,301) thou.

Other income and other expenses

Other income and other expenses include:

	Pensions and similar obligations 2013 € thou	Other obligations 2013 € thou
Actual return from the fair value of the offset assets	– 1,751	– 52
Imputed interest cost for the settlement amount of the offset liabilities	1,928	227
Effect resulting from the change in the discount rate for the settlement amount	101	6
Net amount of the offset income and expenses	**278**	**181**

Other income includes currency gains in the amount of € 102,593 (14,291) thou.

Extraordinary result (Income Statement II.8.)

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 € 647 (674) thou. But the extraordinary result essentially contains a merger gain of € 163,383 thou from the merger of Allianz Global Corporate & Specialty (France), Paris, into the former Allianz Global Corporate & Specialty AG.

Income taxes (Income Statement II.10.)

The higher income taxes for Allianz Global Corporate & Specialty SE of € 103,092 (87,906) thou are essentially due to higher taxable income in Germany and in the French 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 SE.

Allianz Global Corporate & Specialty SE has a legal obligation to make employer contributions and to cover the administrative costs of AVK on a pro-rated basis if required.

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. Allianz Global Corporate & Specialty SE's joint and several liability from these pension commitments and the corresponding liability matched by rights of relief against Allianz SE amount to:

	12/31/2013 € thou	01/01/2013 € thou
Settlement amount of the offset liabilities	54,836	51,790
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	7,059	7,706
Joint liability and / or rights of relief against Allianz SE	47,777	44,084

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 € 93,190 (103,365), 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 (31/12/2013) liens on capital investments in the amount of € 493,879 (506,185) thou were granted in connection with group-internal cessions. Liens in the amount of € 480,894 (490,436) thou were granted to affiliated enterprises. In addition, € 256,951 (295,140) thou were deposited in trust accounts, including € 240,630 (289,628) thou in favor of affiliated enterprises. These contingent liabilities will only be claimed if Allianz Global Corporate & Specialty SE is unable to fulfill its obligations from the reinsurance business. In view of the solid capitalization and the adequate reserves of Allianz Global Corporate & Specialty SE the risk of such a claim is considered to be very low. Liabilities for real estate acquisition contracts amount to € 613 (37,936) thou.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 9,047 thou in the reporting year.

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

	12/31/2013 € thou	01/01/2013 € thou
Historical costs of the offset assets	4,217	2,272
Fair value of the offset assets	4,217	2,272
Settlement amount of the offset liabilities	5,496	3,434
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	243	265
Excess of plan assets over pension liability / Pension provisions	1,036	897

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

A total of 28,181 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 € 2,425 thou.

The total remuneration of the Supervisory Board of Allianz Global Corporate & Specialty SE amounted to € 46 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 SE for the reporting year was 2,415 (1,959) (not including members of the Board of Management, trainees, interns and employees on parental leave or in basic military / civil service).

	2013 Number	2012 Number
Full-time employees	2,091	1,713
Part-time employees	324	246
Total	**2,415**	**1,959**

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

Allianz Global Corporate & Specialty SE 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 SE 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 SE does not establish Consolidated Financial Statements and a Management Report of its own.

Munich, January 29, 2014
Allianz Global Corporate & Specialty SE

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 SE, Munich, for the business year from January 1 to December 31, 2013. 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 21, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Zeitler	Lilje
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

Insurance lines covered

Direct insurance business written:

General personal accident insurance
Test persons, aviation personal accident, automobile 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 assumed:

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
former CEO
BMW Financial Services

Werner Baumann
Member of the Board of Management
Bayer AG

Georg Denoke
Member of the Board of Management
Linde AG

Klaus Eberhardt
former 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
former Chairman
of the Board of Management
DFS Deutsche Flugsicherung GmbH

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

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

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

Christoph Kübel
Managing Partner
Robert Bosch GmbH

Robert Lorenz-Meyer
Chairman
Ernst Russ GmbH & Co. KG

Simone Menne
Member of the Board of Management
Deutsche Lufthansa AG

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 Administration
Oettinger Davidoff Group

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

Bernhard Schreier
former 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
President
VDI Verein Deutscher Ingenieure e.V.

Thomas Unger
CEO
Constantia Flexibles GmbH

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
Fraport AG

Dr. Reinhard Zinkann
Managing Partner
Miele & Cie. KG

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