Allianz Global Corporate & Specialty

2015

Allianz Global Corporate & Specialty SE
Annual Report 2015

Allianz

Contents

Foreword

The environment for the insurance industry remains challenging. Intensified competition and high cost pressure are driving accelerated consolidation; disruptive innovation and changes in client demand are threatening incumbent business models. Beyond market conditions, the current accumulation of economic and political risks around plunging oil prices, slowing growth in China and increasing political uncertainty is creating a world of volatility and complexity for both insurers and their corporate clients.

In this challenging environment Allianz Global Corporate & Specialty (AGCS) managed to sustain its solid performance and growth in 2015. AGCS generated a premium income of €8.1 billion, exceeding the previous year by €2.7 billion. This extraordinary development is largely driven by the integration of Fireman's Fund Insurance Company (FFIC) into AGCS and by positive foreign exchange impact, but also by new business wins of about €200 million. This positive top line development translated into a growth of Net Premiums Earned of €1.9 billion.

2015's combined ratio of 102.9 percent was impacted by the negative run-off effects from prior year underwriting, mainly related to reserve strengthening of parts of the legacy FFIC business, despite a solid performance from the active business which continues to demonstrate the value of a globally diversified portfolio. Supported by increased investment income from the combined asset base of AGCS and FFIC, and taking into account one-off effects such as the gain on sale of FFIC's Personal Insurance business and restructuring expenses, operating profit for 2015 totaled €423 million (2014: €506 million).

For AGCS, 2015 was a year of implementation and realization of strategic initiatives which were started in the previous year. First of all, we have been successfully driving forward the integration of FFIC into AGCS. This has enabled us to harness opportunities from the combined business, such as a stronger market presence under one brand in the key US market and the benefits from extended distribution networks and resource synergies. Building on the combined expertise of FFIC and AGCS we have launched several new lines of business in the US such as Financial Lines, Transportation & Logistics, and Motorsports as a new segment within Entertainment, as well as expanding our US Liability business. Furthermore, using ex-FFIC expertise, we are now able to expand our global product range, offering coverages such as Entertainment or Farm & Ranch in an increasing number of countries. Beyond the North American market, Europe and Asia in particular have been strongly contributing to the overall growth and profitability of AGCS.

On the product side, demand for our crisis management cover is increasing, reflecting the rise of geo-political tensions and political violence that threaten our clients' assets and staff. This new offering, which combines product recall, terrorism cover and solutions for hostile environments, has been established in many European and Asian markets in the past year and will be extended to the US, Canada, Benelux, Nordics and Australia in 2016. Cyber insurance is also growing quickly and developing into a core element of corporate strategies to counter cyber risk. We aim to be one of the market leaders in this new segment in Europe and will also enter the more mature US market for cyber insurance. For another year, we have also seen solid growth in International Insurance Solutions. The number of such global insurance programs managed by AGCS increased by 10 percent to 2,500, with more than 16,000 local policies recorded.

In 2016, the tenth year since our foundation, our global business model and organization are well-proven and mature, allowing us to continue to focus on profitable growth globally. We will explore new options to optimize capital while maintaining the financial strength required to sustainably run our business under the new Solvency II regime. We are also constantly monitoring the quality of our portfolio to identify new, attractive business opportunities or markets. In parallel, we continue to invest significantly in business processes and systems, to maximize efficiency and service delivery.

AGCS also intends to play a leading role in the new strategic direction for Allianz Group, which is now led by Oliver Bäte as CEO. Implementing the priorities of Allianz Group's 'Renewal Agenda', AGCS has designed a customer experience measurement program to bring the customer to the heart of what we do, and drive business value. A new performance management framework aims to empower leadership, incentivize collaboration and simplify processes. Digitalization, another key area of the Renewal Agenda, is quickly transforming many dimensions of our business as well. Big data analytics are adopted in claims and risk assessment and the new portal myAGCS.com provides clients and brokers with secure online access to key insurance data.

AGCS has been a consistent success story for the first ten years of its existence. We now aim to build the foundation for sustainable success and further growth in the coming decade. It is our staff who are at the source of this success. On behalf of the AGCS Board of Management, I extend our very sincere thanks to each and every one of our people for their extraordinary contribution in building and expanding AGCS in the past ten years. I am sure that the next decade of our joint journey will be equally as challenging and exciting, but trust that the expertise and commitment of our staff will be leveraged in a new culture built on communication, collaboration and empowerment, enabling our company to reach new levels.

Chris Fischer Hirs,
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.

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. As of January 1, 2015 Fireman's Fund Insurance Company (FFIC) including its subsidiaries is fully owned by AGR US.

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 accommodate the economic and regulatory requirements in the Brazilian market, Allianz Risk Transfer AG has established a local reinsurance company.

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.

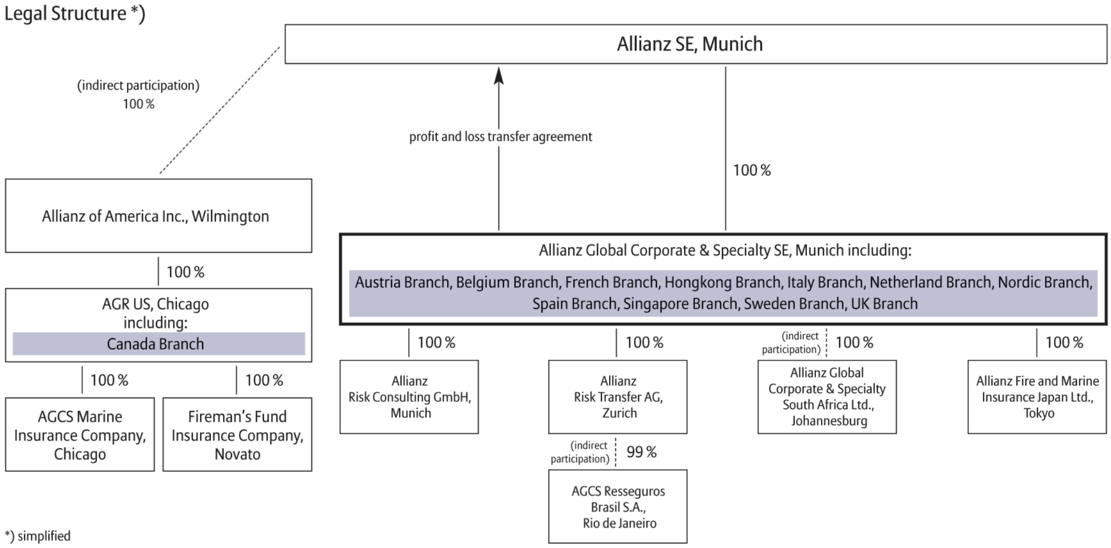
AGCS SE's subsidiary Allianz Risk Consulting GmbH, Munich/Germany, provides supplemental loss control engineering services in the form of risk analysis and claims expertise.

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 of all AGCS companies. 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. In order to allow for better prior year comparability, the lines of business summaries exclude impact from integration of Fireman's Fund Insurance Company (FFIC) into AGCS in 2015.

Total global gross consolidated premiums written amounted to € 6,227 million, an increase of 16 % relative to 2014 (€ 5,389 million) as a result of positive FX effect, new business following expansion of geographic footprint and product offerings, more captive accounts and growth in Insurance Linked Market business in Allianz Risk Transfer. Growth was accompanied by a strong combined ratio of 94.0 % which is 0.8 %-p below prior year primarily driven by higher favorable prior year development in Aviation, Engineering and Property. This improvement in technical underwriting more than offsets the decline in investment results, yielding in a slightly higher operating profit of € 514 million (€ 506 million).

Gross premiums written for **Aviation** amounted to € 587.0 (571.1) million which is 2.8 % above the prior year driven by positive FX effect. Corrected for FX, gross premiums written are below prior year levels due to the competitive market environment that persisted despite recent large market losses. The decrease was mainly on General Aviation business covering smaller aircraft, Airlines and Space business, where no Russian risks were underwritten due to sanctions. The calendar year loss ratio of 54.3% was well below last year (62.9 %) due to favorable prior year development for all sublines, offsetting the impact of current year large losses for the Airlines, Space and Generel Aviation business. The combined ratio improved to 84.0 % (89.7 %).

Gross premiums written for **Energy** of € 233.9 (216.3) million represents an 8.1 % increase compared to last year largely as a result of favorable FX movements. The Energy sector challenges continued for all geographies with reductions to both rates and activity as a result of declining crude prices. Regardless, a strong underwriting profit was achieved primarily as a result of benign claims activity especially in Onshore. The calendar year loss ratio of 30.8 % (50.0 %) generated an impressive 52.7 % (71.9 %) combined ratio.

Gross premiums written for **Engineering** amounted to € 663.4 (558.4) million, an increase of 18.8 % versus prior year largely driven by new captive business written in Asia, positive FX impacts and strong project and offshore wind business in Germany. The calendar year loss ratio of 56.1 % was lower than in 2014 (69.8 %) reflecting both, lower large losses compared to 2014 and higher favorable prior accident year development. The combined ratio improved to 82.3 % (98.1 %).

Gross premiums written for **Financial Lines** amounted to € 472.4 (401.3) million, an increase of 17.7 % compared to prior year. This reflects growth in all regions (with the exceptions of Brazil due to loss of fronting business) and an overall positive FX effect. The calendar year loss ratio of 70.1 % improved versus last year (85.2 %) mainly due to prior accident year reserve releases. The current accident year loss ratio of 72.6 % remained at the 2014 level. As a result, the combined ratio decreased to 97.4 % (113.4 %).

Gross premiums written for **Liability** amounted to € 931.7 (844.2) million, a growth compared to prior year of 10.4 %. This was driven by solid new business growth in North America and London, new captive business in the Mediterranean region, and the launch of the new crisis management product globally. The calendar year loss ratio remained at an extraordinary level of 56.7 %, however slightly higher than last year (47.8 %), reflecting continued strong favorable prior accident year development. The combined ratio increased to 77.4 % compared to last year's extraordinary low level (68.7 %).

Gross premiums written in **Marine** amounted to € 1,224.2 (1,078.7) million. The 13.5 % increase results in large part from positive FX effect. Corrected for FX, growth is mostly driven by Inland Marine in the US. The calendar year loss ratio deteriorated to 84.6 % (64.5 %) due to unfavorable loss development in all segments with Cargo results particularly under pressure. Combined ratio at 117.1 % (95.9 %) additionally impacted by lower premium base with detrimental effect on the expense ratio and unfavorable claims performance resulting in an underwriting loss.

Gross premium written in **MidCorp** amounted to € 114.8 million, including premium for new inward reinsurance treaties with FFIC of € 33.4 million. Adjusted for this one-off, topline grew by 58.3 % over the 2014 volume (€ 51.5 million), driven by significant growth across all regions, predominantly in Canada. The calendar year loss ratio of 51.2 % (46.1 %) reflects an increase on the current accident loss ratio as well as lower prior accident year development, strongly diluted by the positive premium effect mentioned above. Also benefitting from this effect overall combined ratio decreased to 86.1 % (91.5 %).

Gross premium written in **Property** amounted to € 1,000.0 (910.6) million. The 9.8 % increase over prior year is not only driven by a strongly favorable FX effect, but also by higher captive business in Spain and stronger new business in Germany. The calendar year loss ratio decreased to 66.4 % (91.2 %) largely driven by significant favorable prior accident year development. The combined ratio improved to 96.8 % (118.3 %).

Gross premium written in **Allianz Risk Transfer** (LoB ART) amounted to € 1050.3 (685.0) million. The 53.3 % increase is driven by higher premiums in ILM, mainly due to expansion of business flowing into existing highly structured deals and by new contracts with Managing General Agents (MGAs). The USD appreciation has a € 166.9 million positive FX effect at prior year level. The calendar year loss ratio remains almost unchanged with 70.3 % compared to prior year (69.9 %). The combined ratio improved to 58.1 % (60.3 %) as a result of higher commission income, improving the expense ratio.

In 2015, AGCS integrated **Fireman's Fund Insurance Company** (FFIC), an Allianz subsidiary headquartered in the United States, into its business model. Gross premiums written include € 364 million Personal Insurance business fronted for ACE. Adjusted for the Personal Insurance book, the remaining volume (€ 1,345.3 million) increased by 5.0 % compared to 2014 (€ 1,280.8 million) as the favorable FX more than offsets the decline in new business volume and the selective renewals. The calendar year loss ratio remained basically unchanged at 86.1 % (85.6 %). Driven by a higher expense ratio, the combined ratio increased to 124.8 % (120.0 %).

Supervisory Board

Dr. Axel Theis
Member of the Board of Management
Allianz SE
Chairman

Dr. Helga Jung
Member of the Board of Management
Allianz SE
Deputy Chairman

Robert Franssen
Chairman of the Board of Management
Allianz Belgium

Dr. Hermann Jörissen
Former member of the Board of Management
AGCS AG

Caroline Krief
Lawyer
Employee representative

Bernadette Ziegler
Personnel Officer
Employee representative

Board of Management

Chris Fischer Hirs
CEO
Chairman

Andreas Berger
CRMO – Region 1

Sinéad Browne
COO

Nina Klingspor
CFO

Alexander Mack
CCO

Hartmut Mai
CUO Corporate

Arthur Moossmann
CRMO – Region 2

William Scaldaferri
CUO Specialty & ART

Carsten Scheffel
CRMO – Region 3

General Managers

Branch Office United Kingdom

Carsten Scheffel
Chief Executive
until 25 October 2015

Brian Kirwan
Chief Executive
since 26 October 2015

Branch Office France

Thierry van Santen
Chief Executive

Branch Office Austria

Ole Ohlmeyer
Chief Executive

Branch Office Nordic Region

Stig Jensen
Chief Executive
until 9 July 2015

Carsten Scheffel
Chief Executive
since 10 July 2015

Branch Office Sweden

Stig Jensen
Chief Executive
until 9 July 2015

Carsten Scheffel
Chief Executive
since 10 July 2015

Branch Office Italy

Giorgio Bidoli
Chief Executive

Branch Office Belgium

Patrick Thiels
Chief Executive

Branch Office Spain

Juan Manuel Negro
Chief Executive

Branch Office Netherlands

Arthur van Essen
Chief Executive

Branch Office Singapore

Mark Mitchell
Chief Executive

Branch Office Hong Kong

Chi Feng
Chief Executive

Report of the Supervisory Board

Dear Sir or Madam,

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 2015 and the Management Report presented to it. In its meeting on 4 April 2016, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are hereby confirmed.

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)(old version).

Munich, 4 April 2016

For the Supervisory Board:

Theis

Dr. Axel Theis
Chairman

Management report

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 risks, was proven once again in 2015. In a continuing difficult market context, the company succeeded in ending the year with a new record profit.

Gross premiums written as well as net premiums earned were substantially higher than in the previous year. At the same time, claims expenses increased due to the growing business volume, but also as a result of higher losses from natural catastrophes (not taking into account the new net quota share reinsurance agreement concluded in the fiscal year). This increase could not be compensated by a decline of claims expenses for major losses.

The significant increase of the investment income is primarily attributable to higher dividend distributions from investment funds. In a context of persistently low re-investment interest rates, our investments continue to have high valuation reserves.

Allianz Global Corporate & Specialty SE ended the year 2015 with a profit transfer of € 686 million to Allianz SE. Since the founding of the company in 2006, a total of almost € 3 billion has thus been transferred to Allianz SE.

Net quota share reinsurance agreement with Allianz SE

Effective 1 January 2015 the company concluded a quota share reinsurance agreement with Allianz SE, Munich. This agreement provides for the cession of 100 percent of the business of the German head office after preceding facultative and obligatory reinsurance. On 1 January 2015 Allianz SE entered into the premium portfolio of the contracts concluded in or before 2014 whose cover extends beyond 31 December 2014 (€ 211.4 million) as well as the portfolio of the loss reserves constituted in or before 2014 (€ 1.98 billion).

For the underwriting reserves covered by the agreement, Allianz SE constituted a cash deposit that is managed by Allianz Global Corporate & Specialty SE.

The agreement reduces the net earned premiums of Allianz Global Corporate & Specialty SE by € 1.02 billion and net claims incurred by € 767.7 million. Due to the implicit decrease of underwriting risks, the claims equalization reserve is reduced by € 369.9 million.

Because of this agreement, the fiscal year figures for own account presented below are comparable to the prior year figures to a limited extent only.

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 diversification of insurance risks enable 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, the company steadfastly pursued its risk-adequate and selective underwriting and reinsurance policy. In the past year, the company continued to invest in the global harmonization and optimization of business processes in all business units.

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 € 474.2 million and reached a total of € 4.06 (3.59) billion. In Germany, premium income increased by € 228.1 million to € 1.80 (1.58) billion. The increase was essentially recorded in the indirect business (€ 215.7 million).

In the branch offices, premium income rose by a total of € 246.0 million from € 2.01 billion in the previous year to € 2.26 billion in the reporting year. The UK branch office posted an increase by € 99.5 million to € 806.8 (707.3) million, the Belgian branch office an increase by € 56.0 million to € 151.6 (95.6) million, the Spanish branch office an increase by € 38.6 million to € 191.7 (153.1) million, the Hong Kong branch office an increase by € 25.1 million to € 94.0 (68.9) million, the Singapore branch office an increase by € 12.7 million to € 141.0 (128.3) million and the Danish branch office an increase by € 10.5 million to € 77.0 (66.5) million. Premium income was slightly above the prior year level in the Netherlands with € 96.2 (89.3) million, in Sweden with € 11.0 (6.5) million, in Italy with € 118.9 (116.1) million as well as in Austria with € 31.7 (28.8) million. The French branch office reported a decrease by € 13.5 million to 539.8 (553.3) million.

Gross premiums written increased by € 480.5 million to € 4.01 (3.53) billion. Due to the quota share agreement with Allianz SE, reinsurance cessions rose to € 2.73 (1.46) billion. Net premiums earned of € 1.28 (2.07) billion thus fell below the prior year figure by € 788.1 million.

Claims expenses due to natural catastrophes in the reporting year increased by € 170.0 million from the prior year to € 236.8 (66.8) million gross. At the same time, claims expenses due to major losses fell by € 53.6 million to € 552.9 (606.5) million gross. Overall, gross claims expenses increased by € 245.7 million in the reporting year.

Payouts for frequency losses also decreased, so that the overall gross loss ratio for the fiscal year of 70.1 percent was slightly lower than in the previous year (72.6 percent). The positive run-off of prior year losses was less favorable than in the previous year and decreased by € 73.8 million to € 452.8 (526.6) million. Overall, gross claims expenses for insurance losses increased by € 319.5 million from the previous year to a total of € 2.36 (2.04) billion. With respect to the overall portfolio, the gross loss ratio thus increased by 1.1 percent from 57.7 percent in the previous year to 58.8 percent in the reporting year.

Gross expenditures for the insurance business rose by € 97.2 million to € 860.6 (763.4) million, corresponding to premium growth. The gross cost ratio of 21.5 percent remained slightly below the prior year level of 21.7 percent. Of the expenditures for the insurance business, € 799.3 (705.1) million are attributable to closing expenses and € 61.3 (58.3) million to administrative expenses.

The claims equalization reserves and similar reserves, which by law must be recognized in the balance sheet, required withdrawals of € 353.4 million, compared to allocations of € 116.1 million in the prior year.

Overall, this led to an underwriting result for own account of € +551.7 (+114.4) million.

Due to the international orientation of our business segment, direct insurance and reinsurance business assumed must be considered together to be able to evaluate their development. Gross premium income in the direct insurance business increased in the reporting year by € 100.5 million from € 1.99 billion to € 2.09 billion and premiums in the indirect insurance business rose by € 373.7 million from € 1.60 billion to € 1.97 billion. The increase in the indirect business is in particular driven by North America and the growth markets in Asia and Latin America, where Allianz Global Corporate & Specialty SE has no branch offices but lets the business be pre-written by local Allianz companies and subsequently assumes it as reinsurance.

In direct insurance, the fiscal year's loss ratio rose to 84.4 (77.3) percent. Taking into account the run-off of prior-year losses of € +220.4 (+246.2) million, the gross loss ratio in the direct insurance business was 73.8 (64.8) percent. The fiscal year loss ratio in the indirect insurance business decreased from 66.8 percent to 54.7 percent. The run-off of prior-year claims decreased from € +280.4 million to € +232.4 million. Despite this decrease, the gross loss ratio in the indirect business decreased from 48.9 percent to 42.8 percent.

The following comments on business developments 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 increased by € 0.5 million to € 12.3 (11.8) million. Claims expenses of € 2.8 (5.0) million were lower than in the previous year, which resulted in a gross loss ratio of 21.6 (43.2) percent. After an allocation to the equalization reserve and similar reserves of € 0.2 (allocation of 0.1) million, the underwriting profit of € 2.8 (2.5) million was slightly above the prior-year level.

In Liability Insurance premium income in the reporting year grew by € 61.0 million to € 818.6 (757.6) million. Claims expenses decreased by € 23.7 million to € 545.1 (568.8) million, which is due to the fact that the higher fiscal year's losses were compensated by higher gains from the run-off of prior year losses of € 91.8 (2.6) million. The loss ratio therefore fell to 66.8 (76.7) percent. After a withdrawal of € 21.3 (allocation of 2.2) million from the equalization reserve and similar reserves, an underwriting loss of € 1.3 (loss of 3.2) million was posted.

Premium income in the insurance branch groups Automotive Liability Insurance and Other Automotive Insurance increased by € 6.0 million from the prior year to € 28.3 (22.3) million. As in the previous years, the Hong Kong branch office is the only branch office of Allianz Global Corporate & Specialty SE to write this type of insurance. Claims expenses increased from € 14.7 million in the prior year to € 17.2 million. But due to higher premiums, the loss ratio fell to 61.3 (64.2) percent. The two insurance branch groups ended the year with a loss of € 0.1 (profit of 0.9) million.

Gross premium income in the insurance branch groups Fire Insurance and Other Property Insurance increased by € 31.0 million, resulting in a total premium volume of € 539.0 (508.0) million. Premium income in Fire Insurance increased to € 209.0 (206.8) million. Due to higher fiscal year losses, gross claims expenses of € 142.0 (50.1) million exceeded the prior-year level. Accordingly, the loss ratio increased to 66.0 (24.5) percent. After a withdrawal of € 1.0 million (allocation of € 34.7 million in the prior year) from the equalization reserve and similar reserves, an underwriting loss of € 23.6 (loss of 16.4) million was reported.
Premium income from Other Property Insurance increased by € 28.7 million to € 329.9 (301.2) million. Claims expenses increased by € 50.6 million to € 168.0 (117.4) million and resulted in a deteriorated loss ratio of 54.8 (41.1) percent. While the payout for losses in the reporting year decreased slightly, the lower run-off of prior-year losses led to an increase of the loss ratio. After an allocation to the equalization reserve and similar reserves of € 6.2 (allocation of 0.1) million, Other Property Insurance posted a profit of € 0.3 (profit of 9.3) million.
Overall, the insurance branch group Fire Insurance and Other Property Insurance ended the year with an underwriting loss of € 23.3 (loss of 7.1) million. The allocation to the equalization reserve and similar reserves amounted to € 5.2 (allocation of 34.8) million.

Premium income in Marine and Aviation Insurance increased to € 585.8 (577.5) million in the reporting year. In Marine insurance, gross premium income remained nearly at the prior year level of € 325.2 (324.3) million. Due to higher gross claims expenses of € 275.9 (192.3) million, which resulted in particular from higher fiscal year losses, the gross loss ratio rose to 84.5 (58.7) percent. Overall, this insurance line reported an underwriting loss of € 29.2 (loss of 23.6) million after a withdrawal of € 29.1 (allocation of 29.1) million from the equalization reserve and similar reserves.
Aviation Insurance recorded an increase in premium income by € 7.4 million to € 260.6 (253.2) million. Due to several major losses, gross claims expenses for fiscal year losses increased to € 337.3 (250.4) million. The run-off of prior year losses resulted in a loss of € 8.6 (profit of 92.5) million. Therefore, the loss ratio increased substantially by 71.3 percentage points to 132.2 (60.9) percent. After a withdrawal of € 21.9 (allocation of € 7.4) million from the equalization reserve and similar reserves, an underwriting profit of € 56.8 (profit of 8.2) million was posted.
Overall, the insurance branch group's underwriting result came to a profit of € 27.6 (loss of 15.4) million after a withdrawal of € 51.0 (allocation of 36.5) million from the equalization reserve and similar reserves.

In the insurance branch Other Insurance, gross premium income decreased by € 6.2 million to € 105.1 (111.3) million. Gross claims expenses decreased by € 135.3 million to € 29.1 (164.4) million, which was mainly due to a € 92.5 million decrease in the fiscal year's claims expenses in business interruption insurance. Accordingly, the loss ratio fell to 28.7 (150.4) percent.
After a withdrawal from the equalization reserve and similar reserves of € 7.8 (withdrawal of 4.9) million, the branch group posted an underwriting profit of € 25.2 (loss of 61.3) million.

Reinsurance business assumed

Premium income in Personal Accident Insurance came to € 9.8 million as in the prior year. Claims expenses decreased by € 1.1 million to € 2.5 (3.6) million. This insurance line ended the year with an underwriting profit of € 2.9 (profit of 1.9) million.

Gross premium income in Liability Insurance came to € 456.8 (355.4) million in the reporting year, which was € 101.4 million above the prior-year level. Gross claims expenses increased by € 197.9 million to € 217.8 (19.9) million, due to the less favorable run-off of prior year losses as well as higher claims expenses for fiscal year losses, which drove up the total loss ratio to 49.0 (5.8) percent. € 123.0 (allocation of 74.1) million were withdrawn from the claims equalization reserve and similar reserves. Overall, an underwriting profit of € 175.7 (profit of 87.9) million was reported.

Premium income in the insurance branch groups Automotive Liability Insurance and Other Automotive Insurance increased in the reporting year by € 0.6 million to € 0.8 (0.2) million. Claims expenses fell to € 0.2 (3.6) million. Overall, an underwriting profit of € 0.4 (loss of 1.4) million was reported.

Gross premium income in Fire Insurance and Other Property Insurance increased by € 233.6 million to € 961.0 (727.4) million. Premium income in Fire Insurance rose by € 73.4 million to € 438.4 (365.0) million. Due to the favorable run-off of prior-year claims, gross claims expenses decreased by € 130.5 million to 62.5 (193.0) million. Accordingly, the loss ratio fell to 14.3 (55.1) percent. After a withdrawal of € 34.9 (withdrawal of 4.3) million from the equalization reserve and similar reserves, an underwriting profit of € 91.4 (profit of 34.9) million was recorded.
Premium income from Other Property Insurance increased to € 522.5 (362.4) million. However, due the simultaneous increase in claims expenses by € 133.9 million to € 286.3, the loss ratio was higher than in the prior year and came to 56.5 percent (37.5 percent). After a withdrawal from the equalization reserve and similar reserves of € 2.8 (allocation of 3.8) million, the insurance line posted an underwriting profit of € 36.4 (profit of 61.3) million.
Overall, the insurance branch group Fire Insurance and Other Property Insurance ended the year with an underwriting profit of € 127.8 (profit of 96.2) million, after a withdrawal of € 37.7 (withdrawal of 0.5) million from the equalization reserve and similar reserves.

Premium income in Marine and Aviation Insurance amounted to € 443.3 (383.1) million. In Marine Insurance, gross premium income of € 236.6 (188.0) million exceeded the prior year level by € 48.6 million. However, gross claims expenses rose to € 173.9 (82.1)

million, which was essentially attributable to fiscal year losses. After a withdrawal of € 87.7 (withdrawal of 32.2) million from the claims equalization reserve and similar reserves, an underwriting profit of € 95.5 (profit of 59.9) million was reported.
In Aviation Insurance, gross premium income amounted to € 206.6 (195.1) million. Due to low fiscal year losses, gross claims expenses decreased by € 108.6 million to € 80.1 (188.7) million, which brought down the loss ratio to 38.3 (94.8) percent. After a withdrawal of € 30.3 (allocation of 8.3) million from the equalization reserve and similar reserves, an underwriting profit of € 72.1 (loss of 6.7) million was posted.
Overall, the insurance branch group reported an underwriting profit of € 167.6 (profit of 53.2) million, after a withdrawal of € 117.9 (withdrawal of 23.9) million from the equalization reserve and similar reserves.

Gross premiums written in Other Insurance fell below the prior year level to € 102.1 (121.5) million. Due to the decrease of gross claims expenses by € 133.5 million to € 6.2 (139.7) million, the loss ratio dropped to 6.3 (116.5) percent. This decrease is essentially due to lower claims in business interruption insurance, which fell by € 143.6 million in the fiscal year. Overall, the branch group closed the year with an underwriting profit of € 46.3 (loss of 38.0) million.

Reinsurance business ceded

In addition to the abovementioned new quota share agreement with Allianz SE for the business of the German head office, the company once again ceded its insurance business in part to 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 a number of reinsurers. At the same time, a growing number of proportional reinsurance contracts were concluded, particularly in Aviation and Energy. Reinsurance ceded selectively covers maximum risks and natural disasters in most insurance lines though non-proportional contracts.

The largest part of the business ceded to other Group companies is assumed by Allianz SE, Munich, while Swiss Re AG in Zurich is the company's leading external reinsurer. Premiums ceded to reinsurers increased by a total of € 1.51 billion to € 2.98 (1.47) billion. With respect to premiums written, the retention ratio decreased from 59 percent to 26.7 percent. Assumed reinsurance posted a result of € 595.0 (496.2) million from the perspective of the reinsurers.

Supplementary information to the Management Report

The various insurance lines and types offered are presented in detail on page 53.

Investment strategy

Allianz Global Corporate & Specialty SE continued its safety-oriented investment strategy in 2015.The company's objective is to generate as high a return as possible while limiting the risk. By spreading investments over many different investment segments and currencies, it was possible to cushion the effects of historically low interest rates this year as well.

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

Fixed-income investments are concentrated on mortgage bonds and international government bonds as well as bonds from sub-sovereign issuers. For mortgage bonds, the focus is 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.

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 24.4 percent (based on market values). 4.7 percent were invested in bonds from emerging countries. In addition, 4.7 percent of the portfolio was invested in government bonds in Singapore and Hong Kong to cover liabilities of the local branch offices. New investments in the area of direct loans amounted to € 105 million. Real estate investments increased by € 75 million net. At the end of fiscal 2015, the share of stocks in the portfolio was 8.3 percent (based on market value). Most stock investments are hedged with put options for an average strike level of 80 percent of current market values.

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

The percentage of investments held in foreign currencies as matching cover for underwriting liabilities came to 80.7 percent in US Dollar and to 93.2 percent in British Pounds. Investments in Singapore dollars were increased slightly. In the course of the year, the value of all major currencies increased with respect to the Euro.

Development of investments

The book value of the investments of Allianz Global Corporate & Specialty SE increased to € 7,973.9 (7,350.7) million in the reporting year.

Investments in associated enterprises and participations rose to € 543.5 (496.1) million.

The book value of directly held real estate remained nearly unchanged at € 77.3 (78.7) million.

The book value of stocks, shares or investment certificates and other variable-income securities amounted to € 3,446.7 (3,207.0) million at the end of the year.

The book value of bearer bonds increased to € 2,668.5 (2,416.7) million. In addition, mortgage loans of € 21.8 (0) million resulted in a new item, while other loans also increased to € 1,022.0 (981.6) million.

Bank deposits increased to € 97.5 (51.4) million in the course of the year, while funds held by others decreased slightly to € 96.6 (119.2) million at the end of the year.

Investment income

Current income from investments was up from the prior year and amounted to € 450.2 (231.1) million. The increase is essentially due to higher income from funds.

The disposal of investments produced income of € 133.3 (65.5) million and losses of € 12.4 (2.6) million. The gains were for the most part generated from the sale of bearer bonds and fixed-income investments.

Gains from write-ups in 2015 amounted to € 0.2 (27.8) million.

Depreciation of investments in the reporting year amounted to € 36.0 (5.3) million, of which € 33.9 million were attributable to write-downs on bearer bonds.

Investment management and interest expenses came to € 12.2 (9.9) million.

Due to the effects stated above, total investment income of € 523.0 (306.8) million was clearly above the prior-year figure.

Valuation reserves on investments increased to a total of € 1,856.9 (1,463.0) million. The valuation reserves include undisclosed assets of € 1,863.0 (1,467.9) million and undisclosed liabilities of € 6.1 (4.9) million. The valuation reserves on investments in associated enterprises and participations increased to € 1,111.3 (538.0) million. The reserves for directly held real estate amounted to € 9.8 (3.3) million. The valuation reserves on investment certificates decreased to € 460.8 (586.0) million, those on bearer bonds to € 201.1 (230.2) million. For other loans, the valuation reserves amounted to € 73.8 (105.5) million.

The reserve ratio, i.e. the percentage of valuation reserves in relation to the book value of total investments, stood at 23.6 (20.2) percent at the end of the year.

Other non-underwriting business

Other non-underwriting business produced a loss of € 235.8 (191.6) million, which was primarily due to currency exchange losses and the revaluation of the US Dollar with respect to the Euro.

The overall result of the non-underwriting business thus amounted to € 287.1 (115.2) million.

Extraordinary result

The extraordinary result in fiscal 2015 includes profit from the liquidation of Allianz Insurance (Hong Kong) Ltd., Hong Kong, in the amount of € 12.1 million. The extraordinary result in fiscal 2014 included the full recognition of all still outstanding instalments from the initial application of the German Accounting Law Modernization Act (BilMoG), which were recorded in 2014 as extraordinary expense of € 7.1 million.

Overall result

Tax charges for the reporting year (including intra-group charges) came to € 165.3 (146.5) million.

On the whole, business developed favorably in 2015, even without the effects of the new quota share agreement with Allianz SE. The overall result after taxes was a profit of € 685.7 (76.0) million. Under the terms of the existing management control and transfer-of-profit agreement, this profit was transferred to Allianz SE.

Corporate agreements

The sole shareholder of Allianz Global Corporate & Specialty SE is Allianz SE. Both companies 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 branch offices in London, Paris, Antwerp and in Asia. 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, among others, PIMCO Deutschland GmbH Munich, PIMCO, Newport Beach, Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main, Robeco Institutional Asset Management B.V., Rotterdam, Allianz Real Estate GmbH, Munich, and Allianz Capital Partners 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.

Essential for the company is a performance-oriented corporate culture based on fairness and trust.

Allianz Global Corporate & Specialty SE relies on management by objective and performance-based remuneration. By combining company objectives with individual annual objectives, all employees and managers take direct responsibility for the contribution they make to the success of the company.

The continued training and development of the employees remained at the center of the company's efforts in 2015. In the past year, career development paths were implemented in all activities. These paths systematically outline the development possibilities from the different positions within the company.

Another strategic focus in the HR area is the subject of "wellbeing", i.e. the creation of a working environment that favors the balance between private and work life. In numerous workshops designed to strengthen resilience, managers and employees were made aware of the mindful use of their personal resources.

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. Under the motto "Diversity of Minds", we promote diversity throughout Allianz Global Corporate & Specialty SE. Diversity Days in the regions helped to get a better understanding of the different aspects of diversity.

An important offer in 2015 were training sessions on the subject of "unconscious bias", which should raise the awareness – particularly amongst managers – of unconscious prejudices that might arise in job interviews and employee appraisals.

The company used the implementation of the German Act on the Equal Participation of Women and Men in Management Positions in the Private and Public Sector as an occasion to further expand its existing initiatives. It has been working on putting a corresponding framework in place, adjusting HR processes and implementing a number of measures. These range from offers to allow employees to strike a better balance between work and family life (the Work Well Initiative) to global talent management with sponsorship and mentoring programs.

The optimization of essential global HR processes was further advanced. In 2015, special emphasis was put on the worldwide adaptation of these processes as well as their simplification.

The strategic expansion of recruiting activities and the continued focus on digital media and social networks continued to play an important role in 2015.

Allianz Global Corporate & Specialty SE uses the instrument of regular surveys of all employees and managers worldwide (Allianz Engagement Survey) to identify the need for optimization and to define and implement the measures required.

At the end of 2015, Allianz Global Corporate & Specialty SE had a total of 2,521 in-house employees.

Facts and figures

		31.12.2015	31.12.2014
Employees [1]		2 521	2 448
of which full-time staff		2 470	2 407
of which other employees (temps and interns)		51	41
Share of women	%	47	47
Share of men	%	53	53
Share of full-time staff	%	86	86
Share of part-time staff	%	14	14
Age (average in years)		42.8	42.7
Time with the Group (average in years)		12.0	11.9

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.

Statement on Corporate Management pursuant to section 289a (4) in conjunction with (2, no. 4) HGB

To implement the German Act on Equal Participation of Women and Men in Executive Positions in the Private and the Public Sector, Allianz Global Corporate & Specialty SE has set the following objectives for the proportion of women. The deadline for achieving all of these objectives has been set uniformly at 30 June 2017.

- The objective for the proportion of women on the Supervisory Board is 30 percent (actual proportion at 31 December 2015: 50 percent).
- The objective for the proportion of women on the Board of Management is 22 percent (actual proportion at 31 December 2015: 22 percent). Since the law does not allow the implementation period to go beyond 30 June 2017 and since no immediate changes can be expected, the objective is based on the status quo.
- The objective for the proportion of women on the first management level below the Board of Management is 20 percent (actual proportion at 31 December 2015: 14 percent).
- The objective for the proportion of women on the second management level below the Board of Management is 20 percent (actual proportion at 31 December 2015: 21 percent). This means that the proportion of women has been increased since the time the targets were decided and already meets them at present.

The primary concern of Allianz Global Corporate & Specialty SE in this respect is not just meeting statutory requirements. The company can be successful only if it provides equal career opportunities to women and promotes women to leadership positions based on their performance. Allianz Global Corporate & Specialty SE made a commitment to promoting diversity within the company early on. It has been working on putting a corresponding framework in place, adjusting HR processes and implementing targeted measures. Besides measures to allow employees to strike a better balance between work and family life, these schemes range from a global talent management initiative featuring sponsorship and mentoring programs to training sessions on „unconscious bias".

Risk Report

Assuming and managing risk is part of the business model of Allianz Global Corporate & Specialty SE. Well-developed risk awareness and the careful weighing of opportunities and risks are therefore an integral part of the company's business processes. The key elements of the risk management of Allianz Global Corporate & Specialty SE 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 the 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. The risk propensity is described in the risk strategy and made operational by the limit system contained therein. In addition, further limits are substantiated and detailed in specific standards and directives. Strict risk control and the corresponding reports ensure the early detection of any possible deviations from the 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 (CRO), 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 CRO makes sure that appropriate measures are taken, for instance in cases where the reduction or avoidance of a risk position is required, and the CRO 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 the risk management processes. The Chief Executive Officer, the Chief Financial Officer, the Chief Underwriting Officer Corporate, the Chief Underwriting Officer Specialty & Allianz Risk Transfer, the Chief Operating Officer and the Chief Claims Officer as well as the Chief Regions and Market Officer Region 1 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 Finance Committee, the Loss Reserve Committee, the Underwriting Committee and the Reinsurance 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 requirements. 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, the Internal Audit and the Independent Auditors.

Risk strategy and risk reporting

The AGCS Risk Policy defines the risk categories of Allianz Global Corporate & Specialty SE that must be monitored. On the basis of these categories, the risk categories, the risk bearing capacity of the company as well as the risk tolerance of the Board of Management of Allianz Global Corporate & Specialty SE are determined.

The quarterly risk report provides information about risk indicators defined within the framework of the limit system and the corresponding threshold values and is used by management for the systematic control of the current risk profile. On the basis of this information, the AGCS 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

The German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin) sets mandatory requirements for risk management. For grouping its risks, Allianz Global Corporate & Specialty SE uses internal categories which comply with both the mandatory minimum requirements for Risk Management (Ma Risk (VA)) applicable until 31 December 2015, and the requirements within the framework of Solvency II, which apply as of 1 January 2016. In particular, Allianz Global Corporate & Specialty SE monitors and controls:

- Underwriting risk, which is subdivided into premium and reserve risk, i.e. the risk that insurance premiums will not be sufficient to cover future losses or that existing losses will result in run-off losses with respect to the loss reserves constituted. Premium risk is further subdivided into event losses, which concern more than one insured risk and may be caused, for example, by natural catastrophes, as well as risk due to other losses.
- Market risks, i.e. the risk of market value fluctuations differentiated by type of investment. The essential risks are interest risk, currency risk, stock risk and credit spread risk.
- Credit risks (including country risks) such as the counterparty 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 as well as legal and compliance risks.

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

- Liquidity risk is defined as the risk that payment obligations cannot be met when they become due.
- 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 by means of underwriting guidelines, among others. These underwriting guidelines limit the insurance or liability amount per contract. To take into account the volatility of the different insurance lines, the underwriting guidelines vary as a function of the insurance line concerned. In addition, premiums are based on specially developed rates, which make use of current experience and actuarial methods.

In the risk model for premium risk we distinguish between event risks, which are further subdivided into natural catastrophes, terrorism, man-made catastrophes and other losses. In the case of natural catastrophes and terrorism, the internal model is based on probabilistic models and reflects the currently underwritten exposure of Allianz Global Corporate & Specialty SE. Event losses (with the exception of natural catastrophes) are modeled on the basis of the maximum existing exposures, while the model for other losses is based on expected business volumes combined with proprietary loss models. All models take into account underwriting ceilings and the existing reinsurance protection.

Event losses, which can occur as part of the concentration risk, represent a special challenge for risk management. To control such risks and estimate their potential impact, we use special modeling techniques based on probability. These involve the correlation of information on the portfolios – for example the geographic risk distribution as well as the value and nature of the insured objects – with simulated natural disaster scenarios to estimate potential damages. The level of detail of the underlying data is being continually improved. For example, flood protection measures are incorporated into the models. With this approach, the possible effects and concentration of such events can be determined. Where such models do not exist, we use scenario-based deterministic approaches. The exposure to natural catastrophes is controlled by means of a global limit system, the visualization of accumulations and the control of possible damages. The insights gained this way are used to optimize the portfolios and, if possible, to limit the underwritten risk or to calculate the capital efficiency of a risk transfer toward the reinsurance market.

Reserve risks concern the settlement of already existing claims. This includes both the settlement of claims already known as well as late claims not yet known. By means of actuarial models based on the claims history observed, which are also used to determine expected payouts, the degree of insecurity in the reserves estimate is determined.

Market risks The investments of Allianz Global Corporate & Specialty SE are centrally managed by the specialists of Allianz Investment Management 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 Allianz Investment Management 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.

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

The investments of Allianz Global Corporate & Specialty SE are broadly diversified according to type of investment (shareholdings, stocks, fixed-income securities), solvency and geographic location. A continuous risk analysis is performed by investment management. Allianz Global Corporate & Specialty SE holds a well-diversified investment portfolio within clearly defined risk limits. 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 7.8 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.

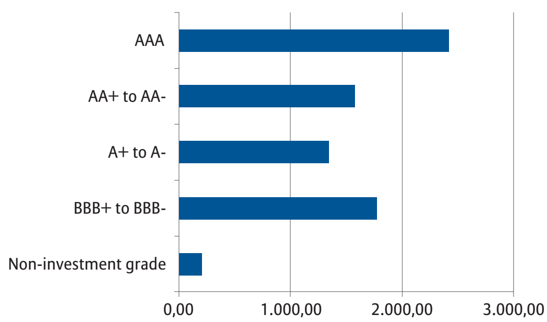
Market risks from derivatives are assessed and controlled by means of up-to-date value-at-risk calculations, stress tests and the setting of limits.

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 foreign currencies of the insurance reserves including unearned premiums amount to approximately 47 percent. The primary exposures are in USD (24 percent) and GBP (18 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. This includes provisions as well as all receivables and liabilities and investments in foreign currencies. In addition to using foreign investments to hedge currency exposure, the company also uses FX derivatives within precisely defined limits to obtain an effective and timely minimization of currency risks. Currency risks are controlled on the basis of monthly data.

In fiscal year 2015, 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, Allianz Global Corporate & Specialty SE invests a large part of its investments in highly liquid government bonds, and the 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 the fixed-income investments Allianz Global Corporate & Specialty SE are predominantly governments and banks. The company has set limits with respect to minimum rating classes and in view of concentration risks. Of the total investments approximately 38 percent are fixed-income investments with banks; of these, about 74 percent are secured as German or other covered bonds, while 16 percent are investments with sub-sovereign issuers. Overall, the great majority of the fixed-income securities are issued in Germany or the euro zone.

Fixed-income investments by rating class as of 31 December 2015, 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. Allianz Global Corporate & Specialty SE assigns credit limits on the basis of the economic capital, taking into account the risk bearing capacity.

If necessary, Allianz Global Corporate & Specialty SE assigns more restrictive credit limits, taking into account the own risk bearing capacity on the basis of eligible capital in the market value balance sheet.

At the end of 2015, 1.8 percent (based on market value) of the investments of Allianz Global Corporate & Specialty SE were in Italian and 0.7 percent in Spanish government bonds. Holdings in government bonds from Greece, Ireland and Portugal were already completely divested in 2010.

For the quantification of the credit risk resulting from reinsurance, the company uses information on ceded reserves compiled Group-wide. To control the credit risk with respect to reinsurance partners, only companies that offer excellent collateral are considered. At 31 December 2015, approximately 55 percent of the reserves of Allianz Global Corporate & Specialty SE were ceded to reinsurers within the Allianz Group, and the rest to external reinsurers. The increase from the prior year is mainly due to the quota share agreement with Allianz SE. The solvency of the reinsurance exposure is tested once a year; the most recent test was performed in September 2015 as of 31 December 2014. It showed that 77 percent of the company's 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, 95 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 a team of experts has been obtained. In addition, letters of credit, deposits and other financial measures to further minimize the credit risk may be requested.

At 31 December 2015, total third-party receivables with due dates exceeding 90 days amounted to € 117.6 million (not including explicit write-offs for impairment). The average default rate for the past three years was less than 1 percent.

Operational risks refer to unexpected losses for Allianz Global Corporate & Specialty SE, which arise because of inadequate or faulty internal business processes, inappropriate human behavior or errors, or because of external events such as power failures.

The risk management system of Allianz Global Corporate & Specialty SE for operational risks was specifically developed to:

- Learn from operational risks that occurred in the past and to
- Avoid unexpected effects of operational risks on Allianz Global Corporate & Specialty SE.

The objective of this approach is to prevent the occurrence of operational risks outside the risk tolerance of Allianz Global Corporate & Specialty SE. Operational risks are controlled by taking a number of appropriate and effective countermeasures, e.g. through controls of the respective risks.

First of all, one needs to gain an understand of what could possibly happen. This is done in two respects:

- In retrospect, operational risks that occurred in the past are continually analyzed and their causes are determined. This process also takes into account external operational events that are made available by Allianz SE.
- Looking forward, concrete scenarios with potentially negative effects are analyzed on an annual basis.

By means of this structured approach, Allianz Global Corporate & Specialty SE identifies, evaluates and controls operational risks and weaknesses in the control system.

Possible control measures can consist in revising operating procedures, improve failed or insufficient controls, establish comprehensive safety systems and improve emergency plans.

Allianz Global Corporate & Specialty SE controls operational risks 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). In particular, all processes that can have an impact on financial reporting are documented and examined. Possible operational risks are minimized by controls. The implementation and internal testing of the corresponding controls was applied to the entire fiscal year 2015. In addition, the internal control processes are regularly examined by the internal audit function.

The requirements of the expanding business of Allianz Global Corporate & Specialty SE as an industrial specialty insurer the company meets, for example, by continually integrating and upgrading its IT system landscape.

Limiting the legal risks of Allianz Global Corporate & Specialty SE is a task that is carried out to an equal extent by the legal department and the specialized departments concerned. 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 currency area. In addition to monitoring risks stemming from the present economic context, the assessment also made sure that strategic business decisions were effectively implemented.

Reputational risks are controlled by including all potentially concerned functions such as 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 the company's actions, isolated critical cases are subject to a rigorous review process that actively involves the communication department as well as risk management, if required.

Risk and solvency assessment

The Solvency I indicator at the end of 2015 stands at 271 percent. In addition, the stress tests required by the German Federal Financial Supervisory Authority were passed with a wide safety margin. The Solvency I ratio, including the effects of the stress test, is at least 256 percent. On 1 January 2016, the regulatory requirements according to Solvency II have replaced the Solvency I supervision system.

Allianz Global Corporate & Specialty SE has made all necessary preparations for compliance with the regulatory requirements according to Solvency II. Among others, these requirements concern the governance system, the determination of available and required capital, but also the regulatory reporting and disclosure obligations.

To determine the risk capital requirements according to Solvency II, Allianz Global Corporate & Specialty SE uses the Allianz Group's internal model, which was approved by the German Supervisory Authorities on 18 November 2015. At the end of 2015, the Solvency II solvency ratio is 205 percent. The solvency capital requirement is € 1,388 million.

Breakdown of solvency capital requirements by risk categories at 31 December 2015:

Risk category	Solvency II capital requirements (€ million)
Property / Casualty	1 524.2
Market	1 280.6
Credit	216.1
Operational risks	347.7
Diversification effect	– 1 931.2
Total before taxes	1 437.4
Tax relief	– 49.4
Total after taxes	**1 388.0**

The sensitivity of this ratio is tested by means of stress tests at every quarterly balance sheet date. Taking into account the effects of the stress tests, the Solvency II solvency ratio at the end of 2015 is at least 196 percent. This means that the company's risk bearing capacity is stable and comfortable.

The risk management function of Allianz Global Corporate & Specialty SE establishes quarterly reports about the main risks of the company and its coverage ratio. These reports also cover the solvency of all subsidiaries and branch offices for which separate target ratios were defined in the risk strategy. In addition, at least once a year an ORSA report is established, which evaluates the company's own risk and solvability situation. All reports are discussed with the Board of Management and subsequently submitted to the Supervisory Council and the supervisory authority BaFin.

In planning the future development of the company, Allianz Global Corporate & Specialty SE takes into account a three-year time horizon.

Outlook

Premium growth of approximately 13 percent in 2015 substantially exceeded prior year forecasts and was essentially driven by positive currency effects. In addition, the Captive and Fronting business continued to grow, particularly at Allianz Risk Transfer AG in Switzerland. New business in Financial Lines increased most of all in the London branch office. The growth of reinsurance assumed in the US is due to the integration of Allianz SE's US subsidiary, Fireman's Fund Insurance Company, in 2015.

It is expected that premium development in the coming years will continue to be impacted by continually growing competition as more and more primary and reinsurers will expand into the industrial insurance market to counteract diminishing growth chances in their core business. Based on current prognoses, the pressure on rate developments will therefore continue unabated. Since profitability is the key objective, Allianz Global Corporate & Specialty SE expects a slight overall decline of its premium growth in 2016.

With a net combined ratio of 85 percent in 2015, the company was able to increase its profitability by 4 percentage points over the prior year, thereby going well beyond the prior year forecast of 95 percent. This is primarily due to the positive development of reserves constituted for prior year losses. Compared to 2014, Allianz Global Corporate & Specialty SE benefitted in in 2015 from lower net payouts for losses in the current fiscal year and from a lower expense ratio, which was partially compensated by the fact that the dissolutions of claims reserves for prior year losses were lower than in 2014.

For 2016, a combined ratio of slightly over 95 percent is expected.

The proportional reinsurance contract of Allianz Global Corporate & Specialty SE with Allianz SE, which took effect in 2015, has been renewed for 2016.

For 2016, Allianz Global Corporate & Specialty SE succeeded in further optimizing its reinsurance cover. A large part of the non-proportional contract reinsurance is being placed with Allianz Re. Favored by the strong competition in the reinsurance market, it was possible to renew contracts for 2016 with the same reinsurance premiums; in some cases, even lower premiums were obtained.

Allianz Global Corporate & Specialty SE is going to pursue its safety-oriented investment strategy. In this respect Allianz Global Corporate & Specialty SE will continue to rely on the Allianz Group's wealth of experience with investments in Germany and other countries. To reduce dependence on capital market developments and to further diversify the investment portfolio of Allianz Global Corporate & Specialty SE, we are planning to continue the expansion of investments in infrastructure and renewable energies as well as the granting of direct credits and loans. We continue to consider real estate as an interesting investment class that offers risk-adjusted attractive return and a certain degree of protection against inflation.

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

Safety-oriented investments in connection with lower reinvestment interest rates will lead to a decline of expected interest income in the coming year. The uncertainty about the further development of the capital markets can produce the corresponding negative but also positive effects on the market values and investment income of Allianz Global Corporate & Specialty SE in the following year.

The current planning with focus on 2016 is based on the assumption that the development of business results will continue to be positive.

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 the forecasts to a greater or lesser extent.

No events of special significance have occurred since the end of the reporting period.

Munich, 29 February 2016

Allianz Global Corporate & Specialty SE
The Board of Management

Fischer Hirs | Berger
Browne | Klingspor
Mack | Mai
Moossmann | Scaldaferri
Scheffel

Cautionary note regarding forward-looking statements

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events) (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. No duty to update The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

Annual Financial Statements

Balance sheet as of 31 December 2015

		31.12.2015 € thou	31.12.2015 € thou	31.12.2015 € thou	31.12.2014 € thou
Assets					
A	Intangible assets				
I	Self-produced industrial property rights and similar rights and assets		9 162		–
II	Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets		71 364		62 993
				80 526	62 993
B	Investments				
I	Real estate, real property and equivalent rights including buildings on land not owned by AGCS		77 295		78 708
II	Investments in affiliated and associated enterprises		543 542		496 056
III	Other investments		7 256 506		6 656 727
IV	Funds held by others under reinsurance business assumed		96 592		119 179
				7 973 935	7 350 670
C	Receivables				
I	Accounts receivable from direct insurance business				
	1 Policy holders	34 725			58 972
	2 Insurance brokers	421 255			443 841
	including from affiliated enterprises: € 2,564 (2,528) thou				
			455 980		502 813
II	Accounts receivable on reinsurance business		650 960		490 432
	including from affiliated enterprises: € 205,652 (175,614) thou				
III	Other receivables		231 441		235 362
	including taxes of: € 36,740 (43,282) thou				
	including from affiliated enterprises: € 42,954 (33,249) thou				
				1 338 381	1 228 607
D	Other assets				
I	Cash with banks, checks and cash on hand		83 033		165 332
II	Miscellaneous assets		55 168		65 849
				138 201	231 181
E	Deferred income and prepaid expenses				
I	Accrued interest and rent		57 433		53 410
II	Other prepaid expenses and deferred income		2 001		1 902
				59 434	55 312
F	Excess of plan assets over pension liabilities/pension provisions			128	3 144
Total assets				9 590 605	8 931 907

	31.12.2015 € thou	31.12.2015 € thou	31.12.2015 € thou	31.12.2014 € thou
Equity and liabilities				
A Shareholders' equity				
I Capital stock		36 740		36 740
II Additional paid-in capital		1 099 141		1 099 141
III Appropriated retained earnings				
other retained earnings		8 355		8 355
			1 144 236	1 144 236
B Insurance reserves				
I Unearned premiums				
1 Gross	1 237 182			1 128 828
2 Less: amounts ceded	661 250			384 430
		575 932		744 398
II Reserve for loss and loss adjustment expenses				
1 Gross	7 892 002			7 306 756
2 Less: share in reinsured insurance business	4 871 692			2 431 622
		3 020 310		4 875 134
III Claims equalization reserve and similar reserves		762 692		1 116 060
IV Other insurance reserves				
1 Gross	36 972			35 412
2 Less: share in reinsured insurance business	9 239			3 099
		27 733		32 313
			4 386 667	6 767 905
C Other accrued liabilities			170 634	175 967
D Funds held under reinsurance business ceded			2 467 902	39 339
E Other liabilities				
I Accounts payable on direct insurance business to:				
1 Policy holders	2 112			5 499
including residual term of up to one year: € 2,112 (5,499) thou				
2 Agents	47 797			66 322
including to affiliated enterprises: € 10,618 (12,427) thou				
including residual term of up to one year: € 47,797 (66,322) thou				
		49 909		71 821
II Accounts payable on reinsurance business		407 038		332 280
including to affiliated enterprises: € 124,996 (52,592) thou				
including residual term of up to one year: € 407,038 (332,280) thou				
III Miscellaneous liabilities		948 965		379 989
including from taxes: € 40,146 (32,191) thou				
including to affiliated enterprises: € 799,410 (159,121) thou				
including residual term of up to one year: € 948,965 (379,989) thou				
			1 405 912	784 090
F Deferred income			15 254	20 370
Total equity and liability			9 590 605	8 931 907

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

Munich, 26 January 2016

Klaus-Peter Mangold
The Responsible Actuary

Income statement
For the period from 1 January to 31 December 2015

	2015 € thou	2015 € thou	2015 € thou	2014 € thou
I Technical account				
1 Premiums earned - net				
a Gross premiums written	4 062 808			3 588 639
b Premiums ceded	– 2 979 106			– 1 471 993
		1 083 702		2 116 646
c Change in unearned premiums - gross	– 54 224			– 60 510
d Change in unearned premiums ceded - gross	253 954			15 378
		199 730		– 45 132
			1 283 432	2 071 514
2 Allocated interest return - net			1	1
3 Loss and loss adjustment expenses - net				
a Claims paid				
aa Gross	– 2 049 014			– 1 864 807
bb Amounts ceded in reinsurance	– 683 207			943 485
		– 2 732 221		– 921 322
b Change in reserves for loss and loss adjustment expenses				
aa Gross	– 306 334			– 171 064
bb Amounts ceded in reinsurance	2 317 880			– 131 508
		2 011 546		– 302 572
			– 720 675	– 1 223 894
4 Change in other insurance reserves - net			5 637	1 032
5 Underwriting expenses - net			– 365 409	– 615 367
6 Other underwriting expenses - net			– 4 615	– 2 807
7 Subtotal			198 371	230 479
8 Change in claims equalization and similar reserves			353 368	– 116 083
9 Net technical result			551 739	114 396

		2015 € thou	2015 € thou	2014 € thou
II	Non-technical account			
1	Investment income	583 642		324 469
2	Investment expenses	– 60 678		– 17 714
			522 964	306 755
3	Allocated interest return	– 14		– 13
			522 950	306 742
4	Other income	101 600		81 167
5	Other expenses	– 337 414		– 272 730
			– 235 814	– 191 563
6	Non-technical result		287 136	115 179
7	Earnings from ordinary activities before taxes		838 875	229 575
8	Extraordinary income	12 117		–
9	Extraordinary expenses	–		– 7 059
10	Extraordinary result		12 117	– 7 059
11	Income taxes, including amounts charged to other group companies: € 97,686 (85,111) thou	– 164 652		– 145 674
12	Other taxes	– 684		– 840
			– 165 336	– 146 514
			685 656	76 002
13	Profits transferred because of a profit pool, a transfer-of-profit or transfer-of-partial profit agreement		– 685 656	– 76 002
14	Unappropriated retained earnings		–	–

Notes to the Financial Statements

Applicable legal regulations

The company's Financial Statements and the Management Report are prepared in accordance with the regulations contained in the German Commercial Code (HGB), taking into account the 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 341b 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 the reporting opted to not recognize temporary impairments for economic reasons. This results in undisclosed liabilities.

Mortgages, land charges and annuity land charges, registered bonds, promissory notes 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; mortgages and land charges are amortized on a linear basis over the remaining period.

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.

Structured products

The portfolio contains structured products in the form of registered bonds, loans, participatory notes and bearer bonds, which are posted uniformly in the balance sheet. They are valued and recognized according to the balance sheet item under which they are recorded.

Bank deposits

These are recorded at face value.

Requirement to reinstate original values and write-ups

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

Funds held by others under reinsurance business assumed

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

Receivables and other assets

These include the following:

a) Accounts receivable on direct insurance business
b) Accounts receivable on reinsurance business
c) Other receivables
d) Cash with banks, checks and cash on hand
e) Other assets

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

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

Since 2015, accounts receivable on reinsurance business are accounted for separately under reinsurance assumed and reinsurance ceded for each contracting party.

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

In accordance with section 274 HGB, the company does not use its capitalization option 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 are determined on the basis of the information provided by the ceding insurers. The reinsurers' share deducted from the gross unearned premiums are predominantly determined according to the daily calculation method, 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 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 can be distributed over a period of up to fifteen years. In the years up to and including fiscal 2013, the company made use of this distribution option and essentially recognized one fifteenth of this amount as an extraordinary expense. In fiscal 2014, all outstanding instalments were recognized in full as an extraordinary expense. This expense results from the retirement commitments, which are centrally recorded at Allianz SE (see section on "Contingent Liabilities"). The provisions for jubilee payments, phased-in early retirement and early retirement benefits are also calculated on the basis of actuarial principles and recognized as a liability in the full amount. With respect to the discount rate, the simplification option set out in section 253 (2, 2) HGB has been applied (remaining duration of fifteen years), but contrary to the prior year, an interest rate forecast as of the balance sheet was applied. This was done in view of the significant drop of the discount rate since 2014. 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.

Since 2015, accounts payable on reinsurance business are accounted for separately under reinsurance assumed and reinsurance ceded for each contracting party.

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 256a (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 341e (1) HGB and converted with the middle forex spot rate. Prepaid expenses and deferred income are converted with the middle forex spot rate.

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.

Supplementary information on assets

Change of assets A., B.I. through B.III. in fiscal year 2015

		Balance sheet value 31.12.2014 € thou	%
A	Intangible assets		
I	Self-produced industrial property rights and similar rights and assets	–	–
II	Licenses acquired against payment, industrial property rights and similar rights and assets as well as licenses for such rights and assets	62 993	–
B.I	Real estate, real property and equivalent rights including buildings on land not owned by AGSC	78 708	1.1
B.II	Investments in affiliated and associated enterprises		
	1 Shares in affiliated and associated enterprises	389 601	5.4
	2 Loans to affiliated enterprises	103 485	1.4
	3 Participations	2 970	–
	4 Loans to companies in which participations are held		
	Subtotal B.II.	**496 056**	**6.9**
B.III	Other investments		
	1 Stocks, investment fund units and other variable income securities	3 207 038	44.3
	2 Bearer bonds an other fixed-income securities	2 416 733	33.4
	3 Mortgages, land charges and annuity land charges	–	–
	4 Other loans		
	a Registered bonds	727 126	10.1
	b Note loans and loans	254 436	3.5
	5 Bank deposits	51 394	0.7
	Subtotal B.III.	**6 656 727**	**92.1**
	Subtotal B.I. through B.III.	**7 231 491**	**100.0**
Total		**7 294 484**	

Intangible assets (Assets A.)

This balance sheet position essentially comprises the capitalized expenses for the system integration of own and third-party software as well as the acquisition cost of the insurance portfolios acquired within the Group, less scheduled depreciation. The total amount of the research and development costs for self-generated immaterial assets in fiscal 2015 is € 6,374 thou, of which € 5,774 thou were capitalized.

Investments in affiliated and associated enterprises (Assets B.II.)

Shares in affiliated and associated enterprises were composed as follows in fiscal 2015:

	31.12.2015 € thou	31.12.2014 € thou
Shares in affiliated enterprises		
Allianz Risk Transfer AG, Zurich	186 242	186 242
Allianz Finance VIII S.A., Luxemburg	48 122	24 264
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	37 381	37 381
Sirius S.A., Luxemburg	32 328	32 332
Infrastructure Lux HoldCo II, Luxemburg	22 663	19 651
AGR Services Pte Ltd, Singapore	22 000	22 000
Alida Grundstücksgesellschaft mbH & Co. KG, Hamburg	17 133	17 398
Q 207 S.C.S., Luxemburg	12 474	12 794
Caroline Berlin S.C.S., Luxemburg	8 332	–
SpaceCo, Paris	7 486	7 486
Allianz Insurance (Hong Kong) Ltd., Hong Kong	–	15 400
Others	15 608	14 653
Subtotal	**409 769**	**389 601**
Loans to affiliated enterprises		
Allianz Finance VII S.A., Luxemburg	26 906	29 651
Allianz Fund Investments S.A., Luxemburg	20 297	9 834
Allianz Managed Operations & Services SE, Munich	17 600	–
Allianz SE, Munich	–	64 000
Subtotal	**64 803**	**103 485**

Additions € thou	Disposals € thou	Revaluation € thou	Depreciation € thou	Net change € thou	 € thou	Balance sheet value 31.12.2015 € thou	 %
5 774	3 699			311	9 162	9 162	–
23 455	– 3 699	137		11 248	8 371	71 364	–
202		3		1 612	– 1 413	77 295	1.0
36 157		15 989			20 168	409 769	5.2
44 139		82 364	40	497	– 38 682	64 803	0.8
5 269					5 269	8 239	0.1
63 701		2 970			60 731	60 731	0.8
149 266		**101 322**	**40**	**497**	**47 487**	**543 542**	**6.9**
452 355		212 682			239 673	3 446 711	43.8
1 238 238		952 759	188	33 923	251 744	2 668 477	33.9
21 843					21 843	21 843	0.3
213 723		218 786			– 5 063	722 063	9.2
101 005		55 547			45 458	299 894	3.8
46 124					46 124	97 518	1.2
2 073 288		**1 439 774**	**188**	**33 923**	**599 780**	**7 256 506**	**92.1**
2 222 756		**1 541 100**	**228**	**36 032**	**645 854**	**7 877 343**	**100.0**
2 251 985		**1 541 237**	**228**	**47 591**	**663 387**	**7 957 869**	

	31.12.2015 € thou	31.12.2014 € thou
Participations		
National Insurance Company Berhad, Brunei	2 970	2 970
T&R Real estate GmbH, Bonn	1 500	–
T&R Investment GmbH & Co. KG, Frankfurt/Main	3 732	–
Triskelion Property Holding Designated Activity Company, Dublin	37	–
Subtotal	**8 239**	**2 970**
Loans to companies in which participations are held		
Triskelion Property Holding Designated Activity Company, Dublin	45 826	–
T&R Investment GmbH & Co. KG, Frankfurt/Main	14 905	–
Subtotal	**60 731**	**–**
Total investments in affiliated enterprises	**543 542**	**496 056**

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

Name of fund	Investment goal	Redemption of fund shares	Balancesheet value 31.12.2015 € thou	Fair value 31.12.2015 € thou	Valuation reserve 31.12.2015 € thou	Dividend distribution for the fiscal year € thou
Mixed funds						
ALLIANZ GLR FONDS	Mixed funds	each trading day	1 219 621	1 399 827	180 206	14 286
Summe			1 219 621	1 399 827	180 206	14 286
Bond funds						
ALLIANZ GLU FONDS	Bond fund	each trading day	687 043	833 680	146 637	4 451
ALLIANZ GRGB FONDS	Bond fund	each trading day	316 285	382 285	66 000	2 126
ALLIANZ GLRS FONDS	Bond fund	each trading day	1 223 318	1 291 218	67 900	224 013
Subtotal			2 226 646	2 507 183	280 537	230 590
Total			3 446 267	3 907 010	460 743	244 876

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

Name and location	Interest %	Equity € thou	Net income € thou
AGCS Vermögensverwaltungsgesellschaft mbH & Co. KG, Munich	100.00	–	–
AGR Services Pte Ltd, Singapore [7]	100.00	40 829	– 70
Allianz Finance VIII Luxembourg SA, Luxemburg	20.00	121 213	14
Allianz Fire and Marine Insurance Japan Ltd., Tokyo [1, 6]	100.00	19 514	2 617
Allianz Global Corporate & Specialty do Brasil Participações Ltda., Rio de Janeiro [8]	100.00	45 570	– 7 151
Allianz Global Corporate & Specialty of Africa (Proprietary) Ltd., Johannesburg [5]	100.00	6 160	221
Allianz Global Corporate & Specialty Resseguros Brasil S.A., Rio de Janeiro [8]	100.00	45 006	– 7 092
Allianz Global Corporate & Specialty SE, Escritorio de Representacao no Brasil Ltda., Rio de Janeiro [8]	99.99	15	10
Allianz Global Corporate & Specialty South Africa Ltd., Johannesburg [5]	100.00	6 294	220
Allianz Marine (UK) Ltd., London [2]	100.00	12 741	66
Allianz Risk Consultants B.V., Rotterdam	100.00	130	– 6
Allianz Risk Consulting GmbH, Munich	100.00	1 424	– 177
Allianz Risk Transfer AG, Zurich [4]	100.00	711 433	67 696
Allianz Risk Transfer (Bermuda) Ltd., Hamilton [3]	100.00	51 616	4 687
Allianz Risk Transfer Inc., New York [3]	100.00	75 372	2 496
Allianz Risk Transfer N.V., Amsterdam	100.00	31 876	244
Allianz Risk Transfer (UK) Ltd., London [2]	100.00	1 775	11
Allianz Services (UK) Ltd., London [2]	100.00	6 952	– 221
Assurance France Aviation S.A., Paris	99.88	2 908	– 79
Brunei National Insurance Company Berhad Ltd., Brunei [9]	25.00	8 959	1 660
EF Solutions LLC, Wilmington [3]	100.00	9 924	681
SpaceCo, Paris	100.00	7 364	1 883

All figures from 2014
1 Fiscal year from April to March figures from March
2 Converted from GBP to EUR closing rate 31.12.2015: 0.73705
3 Converted from USD to EUR closing rate 31.12.2015: 1.08630
4 Converted from CHF to EUR closing rate 31.12.2015: 1.08740
5 Converted from ZAR to EUR closing rate 31.12.2015: 16.83275
6 Converted from JPY to EUR closing rate 31.12.2015: 130.67645
7 Converted from SGD to EUR closing rate 31.12.2015: 1.54110
8 Converted from BRL to EUR closing rate 31.12.2015: 4.29765
9 Converted from BND to EUR closing rate 31.12.2015: 1.54110

Fair value of investments

	Market value 31.12.2015 € thou	Market value 31.12.2014 € thou
B.I Real estate, real property and equivalent rights including buildings on land not owned by AGCS	87 110	82 034
B.II Investments in affiliated and associated enterprises		
1 Shares in affiliated and associated enterprises	1 518 408	925 381
2 Loans to affiliated and associated enterprises	66 716	105 417
3 Participations	9 035	3 223
4 Loans to companies in which participations are held	60 731	–
B.III Other investments		
1 Shares, investment fund units and other variable interest securities	3 907 520	3 793 061
2 Bearer bonds and other fixed-interest securities	2 869 620	2 646 929
3 Mortgages, land charges and annuity land charges	21 851	–
4 Other loans		
a Registered bonds	777 629	809 564
b Promissory notes and loans	318 118	277 464
5 Bank deposits	97 518	51 394
B.IV Funds held by others under reinsurance business assumed	96 592	119 179
Total investments	9 830 848	8 813 646

The following valuation methods were used to determine fair values:

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

The fair value of shares in affiliated enterprises and participations are determined by different methods depending on the purpose and the size of the enterprise. Insurance companies and similar enterprises are valued by means of the German income approach or based on proportional equity. For asset holdings, the look-through principle is used to determine the fair value. In this method, those assets that are used to determine net assets are valued by different valuation methods such as the net-asset value method, stock values and the discounted cash-flow method. Individual shares in associated enterprises were carried at acquisition cost in the first year of investment. Non-essential companies are valued at book value. In certain individual cases, the net asset valuation model is used.

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.

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 € 6,112 thou. The book value amounts to € 152,708 thou, the fair value to € 145,596 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 fair 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 € 128 (3,144) 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 € 9,258 (424) thou and concerns the recognition of self-generated intangible assets in the amount of € 9,162 (0) thou and the valuation of plan assets at fair value according to section 246 (2) HGB in the amount of € 96 (424) thou. The amount barred from dividend distribution is completely covered by unappropriated reserves and is thus transferred in full.

Valuation units

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

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

The prospective and retrospective effectiveness of the valuation units for the equity-based remunerations plans which will expire at the latest in 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 € 39,044 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 51,95 € March 2016 (Hedge-Sar 2009)	4 547	354 393	Binomial model	Discount rate -0,2% Volatility 105,5% Dividend yield 0,0% Share price 163,55 € Cap 129,88 €	Assets D.II. Miscellaneous Assets	93 168
Allianz Long Call 87.36 € March 2017 (Hedge-Sar 2010)	24 779	1 887 912	Binomial model	Discount rate -0,3% Volatility 22,5% Dividend yield 4,5% Share price 163,55 € Cap 218,40 €	Assets D.II. Miscellaneous Assets	372 181

Supplementary information on equity and liabilities

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

At 31 December 2015, 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 is the sole shareholder of Allianz Global Corporate & Specialty SE.

Gross insurance reserves (included in Equity and Liabilities B.)

According to insurance branch groups, insurance branches and types of insurance

	Total		Including Gross reserves for loss and loss adjustment expenses		Including Claims equalization reserve and similar reserves	
	31.12.2015 € thou	31.12.2014 € thou	**31.12.2015** € thou	31.12.2014 € thou	**31.12.2015** € thou	31.12.2014 € thou
Direct insurance business written						
Personal accident[1]	21 142	21 000	12 169	11 772	2 288	2 064
3rd party liability[1]	3 253 205	2 994 222	2 878 453	2 607 925	111 341	132 614
Automotive liability	12 217	10 382	8 582	7 310	–	–
Other automotive	22 534	23 397	17 112	17 978	–	–
Fire and property	955 081	855 785	571 117	504 149	105 045	99 891
including						
Fire insurance	361 064	294 198	201 087	132 067	97 958	98 993
Other property insurance	594 017	561 587	370 030	372 082	7 087	898
Transport and aviation insurance	1 648 284	1 420 612	1 502 693	1 230 105	39 394	90 440
Other insurance	182 697	244 418	144 660	200 886	754	8 515
Total[1]	**6 095 163**	**5 569 819**	**5 134 789**	**4 580 129**	**258 822**	**333 524**
Reinsurance business assumed Total	3 833 684	4 017 237	2 757 213	2 726 627	503 870	782 536
Insurance business total	9 928 847	9 587 056	7 892 002	7 306 756	762 692	1 116 060

1 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 commitments is secured by a Contractual Trust Arrangement (Methusalem Trust e.V.). 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. For securities-linked commitments, the fair value of the underlying assets is used.

	31.12.2015 %	31.12.2014 %
Discount rate [1]	3,89	4,50
Rate of assumed pension increase	1,70	1,70
Rate of assumed salary increase (incl. average career trend)	3,25	3,25

1 The discount rate was derived on the basis of the previously applicable German regulation on the discounting of provisions as a 7-year-average.

Other than explained 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 Prof. 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 year 2015, reserves in the amount of € 5,112 (771) 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 € 70,601 (68,637) thou and the fair value of these assets is € 70,758 (69,322). The settlement amount of the offset liabilities is € 76,477 (70,564) thou.

Other reserves
Other reserves for fiscal 2015 include the following positions:

	31.12.2015 € thou	31.12.2014 € thou
Provisions for:		
Remunerations not yet definitely determined	61 102	64 058
Invoices not yet received	23 333	15 057
Allianz Equity Incentives	22 141	28 410
Holidays and flexible working hours	12 160	11 218
Employee jubilees	5 504	5 535
Severance payments	753	1 371
Phased-in retirement and value account model	735	608
Restructuring	561	738
Other	9 070	7 854
Total other provisions	135 359	134 849

Tax reserves
In the reporting year tax reserves in the amount of € 30,159 (37,243) thou were constituted essentially in the branch offices in France, Italy and the Netherlands.

Funds held under reinsurance business ceded (Equity and Liabilities D.)

This item essentially contains premiums from the new quota share agreement with Allianz SE that was concluded in 2015.

Deferred income (Equity and Liabilities F.)

This item essentially contains a compensation payment from the previous tenant on the lease contract for the building in which the UK branch office is housed. The remaining period is 3 years.

Supplementary information on the income statement

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

	Gross premiums written		Gross earned premiums		Net earned premiums	
	2015 € thou	2014 € thou	**2015** € thou	2014 € thou	**2015** € thou	2014 € thou
Direct insurance business written						
Personal accident	12 271	11 840	12 871	11 627	8 410	8 819
3rd party liability	818 626	757 592	816 528	741 274	426 354	541 663
Automotive liability	12 610	9 485	12 404	10 382	– 82	– 16
Other automotive	15 671	12 826	15 688	12 521	– 27	34
Fire and property	538 966	508 015	521 380	489 698	150 482	236 274
including:						
Fire insurance	209 048	206 796	215 096	204 250	78 337	82 362
Other property insurance	329 918	301 219	306 284	285 448	72 145	153 912
Transport and aviation insurance	585 808	577 550	588 052	587 219	223 697	380 876
Other insurance	105 093	111 251	101 426	109 254	24 807	50 544
Total [1]	**2 089 046**	**1 988 561**	**2 068 351**	**1 961 975**	**833 643**	**1 218 194**
Reinsurance business assumed	1 973 762	1 600 078	1 940 233	1 566 154	449 789	853 320
Insurance business total	**4 062 808**	**3 588 639**	**4 008 583**	**3 528 129**	**1 283 432**	**2 071 514**

1 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	
	2015 € thou	2014 € thou	**2015** € thou	2014 € thou	**2015** € thou	2014 € thou
Personal accident	4 223	5 509	4 806	2 797	3 242	3 534
3rd party liability	290 783	317 853	445 493	372 383	82 350	67 356
Automotive liability	– 11	– 9	–	–	12 621	9 494
Other automotive	–	8	–	–	15 671	12 818
Fire and property	190 109	191 695	297 577	268 509	51 280	47 811
including						
Fire insurance	70 117	76 066	110 173	98 877	28 758	31 853
Other property insurance	119 992	115 629	187 404	169 632	22 522	15 958
Transport and aviation insurance	178 863	210 534	321 818	296 184	85 127	70 832
Other insurance	44 243	49 208	46 807	48 775	14 043	13 268
Total	**708 210**	**774 798**	**1 116 502**	**988 648**	**264 334**	**225 115**

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 € 112,430 (146,923) thou net; in business assumed it was € 112,357 (293,761) 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	
2015 € thou	2014 € thou	**2015** € thou	2014 € thou	**2015** € thou	2014 € thou	**2015** € thou	2014 € thou	**2015**	2014
2 781	5 017	3 154	3 964	– 3 922	– 42	2 802	2 482	5 970	6 471
545 117	568 745	174 070	158 702	– 121 707	– 14 683	– 1 317	– 3 214	20 217	19 692
7 230	6 110	5 111	3 753	– 42	– 666	21	– 148	38 321	36 009
10 003	8 601	5 727	4 359	– 62	1 468	– 105	1 030	–	–
309 989	167 506	108 432	93 267	– 120 758	– 199 477	– 23 254	– 7 092	27 475	27 911
142 038	50 107	49 751	36 604	– 46 864	– 97 430	– 23 580	– 16 348	9 400	9 733
167 951	117 399	58 681	56 663	– 73 894	– 102 047	326	9 256	18 075	18 178
621 772	350 185	147 041	142 248	155 171	– 74 116	27 611	– 15 398	20 354	22 551
29 062	164 365	12 595	13 602	– 42 211	2 917	25 158	– 61 297	4 952	4 726
1 525 954	**1 270 525**	**456 130**	**419 895**	**– 133 531**	**– 284 599**	**30 918**	**– 83 634**	**117 289**	**117 360**
829 394	765 346	404 432	343 460	– 461 794	– 212 051	520 820	198 030		
2 355 348	**2 035 871**	**860 563**	**763 355**	**– 595 325**	**– 496 650**	**551 739**	**114 396**		

Expenditure for own-account insurance business (Income Statement I.5.)

		2015 € thou	2014 € thou
a	Gross expenditure for insurance business	860 563	763 355
b	Less: received provisions and profit sharing from reinsurance ceded	495 154	147 988
Total		**365 409**	**615 367**

Of the gross expenditures for insurance business, € 799,288 (705,077) thou are attributable to closing expenses and € 61,275 (58,278) thou to administrative expenses.

Commissions and other remuneration for insurance agents, payroll costs

		2015 € thou	2014 € thou
a	Commission of any kind for insurance agents within the meaning of clause 92 HGB for direct insurance business	224 845	199 696
b	Other remuneration of insurance agents within the meaning of section 92 HGB	14	10
c	Wages and salaries	263 112	244 154
d	Social security contributions and other social contributions	41 454	41 209
e	Pension costs	22 700	23 282
Total		**552 125**	**508 351**

Investment income (Income Statement II.1.)

		2015 € thou	2014 € thou
a	Income from investments	450 157	231 130
ai	Income from participations including in affiliated enterprises € thou 80,914 (77,934)	81 073	78 020
aii	Income from other investments	369 084	153 110
	aa income form real estate, real property and equivalent rights including buildings on land not owned by AGCS	5 027	4 387
	bb Income from other investments	364 057	148 723
b	Income from write-ups	228	27 810
c	Gains from disposals	133 257	65 529
Total		583 642	324 469

Investment expenses (Income Statement II.2.)

		2015 € thou	2014 € thou
a	Investment management, interest, charges and other investment expenses	12 244	9 897
b	Depreciation and write-downs on investments	36 032	5 266
c	Losses from disposals	12 402	2 551
Total		60 678	17 714

Write-downs on intangible assets

According to section 253 (3) HGB, scheduled write-downs on intangible assets, taking into accounts their respective useful lives, were made in the reporting year for a total of € 11,559 (12,552) thou.

Depreciation of investments

Unscheduled write-downs in accordance with section 253 (3) HGB were made on participations in affiliated enterprises in the amount of € 0 (3,284) thou. Unscheduled write-downs in accordance with section 253 (4) HGB were made on bearer bonds in the amount of € 33,923 (526) thou.

Other income and other expenses (Income Statement II.4/5.)

Other income and other expenses include:

	Pensions and similar obligations 2015 € thou	Other obligations 2015 € thou
Actual return from the fair value of the offset assets	2 364	45
Imputed interest cost for the settlement amount of the offset liabilities	– 2 710	– 138
Effect resulting from the change in the discount rate for the settlement amount	– 301	– 16
Net amount of the offset income and expenses	– 647	– 109

In addition, other income includes currency losses in the amount of € 203,072 (185,786) thou.

Extraordinary result (Income Statement II.10.)

The liquidation of Allianz Insurance (Hong Kong) Ltd., Hong Kong in 2015 resulted in an extraordinary profit of € 12,117 thou. The extraordinary result for 2014 included the full recognition of all outstanding instalments resulting from the initial application of the German Accounting Law Modernization Act (BilMoG), which in 2014 were recognized as extraordinary expenses in the amount of € 7,059 thou.

Income taxes (Income Statement II.11.)

The higher income taxes for Allianz Global Corporate & Specialty SE of € 164,652 thou – compared to € 145,674 thou in the prior year – are due to higher taxable income in Germany.

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 Global Corporate & Specialty SE who entered until 31 December 2014 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. For employees who joined before 31 December 2014, the member companies also make contributions to the Allianz Pensionsverein e.V. (APV), an insurance-backed Group support fund.

Due to the substantially lower discount rate, the plan assets of APV on 31 December 2015 are lower than its pension commitments. The missing amount 31 December 2015, is € 8,212 thou.

The company made use of its option right according to section 28 (1,1) EGHGB to not constitute a provision for contingent liabilities in this respect because the legally required adjustment of pensions to the consumer price index is financed by means of additional contributions to APV. Both AVK and APV were closed to new entrant effective 1 January 2015.

For new entrants since 1 January 2015, the company pension plan was uniformly reorganized. For new entrants since 1 January 2015, the company pays a monthly contribution to a direct insurance plan with Allianz Lebensversicherungs-AG, which is financed by the employee in the framework of deferred compensation. In addition, a monthly employer contribution is granted as a direct commitment.

Allianz SE has assumed joint and several liability for part of the pension commitments of Allianz Global Corporate & Specialty SE. The latter reimburses the cost, and Allianz SE has undertaken to fulfill these commitments. For this reason, the pension commitments are reported by Allianz SE and not by Allianz Global Corporate & Specialty SE. In 2015, the cost reimbursement agreement was changed to the effect that Allianz SE will bear the interest risk in the future. As compensation for the interest risk, the company made a one-off payment of € 13,186 thou. Allianz Global Corporate & Specialty SE's joint and several liability from these pension commitments and the corresponding liability, which are matched by rights of relief against Allianz SE, amount to:

	31.12.2015 € thou	31.12.2014 € thou
Settlement amount of the offset liabilities	62 086	58 590
Provision amount that has not yet been recognized (article 67 (2) EGHGB)	–	–
Joint liability and/or rights of relief against Allianz SE	62 086	58 590

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 joint and several liability of € 72 (83) thou, 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 December 2015), no liens on capital investments were granted in connection with group-internal cessions, and no such liens were granted to affiliated enterprises. € 276,510 (331,112) thou were deposited in trust accounts, including € 258,818 (314,090) 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. Other liabilities from loans amount to € 11,866 (5,957) thou, from purchasing contracts in the amount of € 10,795 (0) thou and in particular from real estate purchasing contracts in the amount of € 10,652 (0) thou.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 7,686 thou in the reporting year.

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

	31.12.2015 € thou	31.12.2014 € thou
Historical costs of the offset assets	4 039	3 964
Fair value of the offset assets	4 039	3 964
Settlement amount of the offset liabilities	5 450	5 221
Provision amount that has not yet been recognized (Article 67 (2) EGHGB)	–	–
Excess of plan assets over pension liability/Pension provisions	1 411	1 257

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

A total of 24,308 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 € 2,994 thou.

The total remuneration of the Supervisory Board of Allianz Global Corporate & Specialty SE amounted to € 45 thou.

The members of the Supervisory Board and the Board of Management are listed on page 7.

Number of employees (annual average)

The average number of employees of Allianz Global Corporate & Specialty SE for the reporting year was 2,509 (2,431) (not including members of the Board of Management, trainees, interns and employees on parental leave or in basic military / civil service).

	2015	2014
Full-time employees	2 158	2 098
Part-time employees	351	333
Total	2 509	2 431

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

The total remuneration of the auditor is reported in the corporate financial statements of Allianz SE, Munich.

Group affiliation

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 SE 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, 26 January 2016

Allianz Global Corporate & Specialty SE
The Board of Management

Fischer Hirs	Berger
Browne	Klingspor
Mack	Mai
Moossmann	Scaldaferri
Scheffel	

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 1 January to 31 December 2015. 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, 18 March 2016

KPMG AG
Wirtschaftsprüfungsgesellschaft

Zeitler	**Dielehner**
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

INSURANCE LINES COVERED

Direct insurance business:

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

Storm 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

Storm 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

Klaus Eberhardt
(Chairman)
former Chairman of the Board of Management
Rheinmetall AG

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 Entenmann
Chairman of the Board of Management
Daimler Financial Services AG

Dr. Jürgen M. Geißinger
former chairman of the Board of Management
Schaeffler AG

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

Dr. Frank Heinricht
Chairman of the Board of Management
Schott AG

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

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

Hans-Georg Krabbe
Chairman of the Board of Management
ABB AG

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
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Deutsche Lufthansa AG

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

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Chairman of the Board of Management
DFS Deutsche Flugsicherung GmbH

Andreas Schmid
Chairman of the Board of Administration
Oettinger Davidoff Group

Eckhard Schulte
Member of the Board of Management
SMS Holding GmbH

Thomas Unger
CEO
Constantia Flexibles GmbH

Advisory council

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Chairman of the Board of Management
Volkswagen Financial Services AG

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Member of the Board of Management, Controlling and Finance
Fraport AG

Dr. Reinhard Zinkann
Managing Partner
Miele & Cie. KG

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