

SUPERVISORY BOARD REPORT

Ladies and Gentlemen,

During the financial year 2017, the Supervisory Board fulfilled all its duties and obligations as laid out in the company statutes and applicable law. It monitored the management of the company, devoted particular attention to succession matters related to the Board of Management, and advised the Board of Management regarding the conduct of business.

OVERVIEW

In the financial year 2017, the Supervisory Board held seven meetings and a conference call. The regular meetings took place in February, March, May, August, October, and December. In addition, a constituent meeting took place after the election of the new Supervisory Board by the Annual General Meeting (AGM) 2017.

In all of the Supervisory Board's 2017 meetings, the Board of Management reported on Group revenues and results as well as developments in individual business segments. The Board of Management informed us on the course of business as well as on the development of the Allianz SE and Allianz Group, including deviations in actual business developments from the planning. The Board of Management reported to the Supervisory Board on a regular basis and in a timely and comprehensive manner, both verbally and in writing.

Key reporting issues were strategic topics, such as the implementation of the Renewal Agenda and the portfolio strategy, the risk strategy and capital management, as well as the strategy in the Asset Management business segment and the global health insurance. In addition, the Supervisory Board was extensively involved in the Board of Management's planning for both the financial year 2018 and the three-year period from 2018 to 2020. Cyber risk security was discussed regularly. A Technology Committee was established to carry out in-depth reviews of IT issues, the digitalization of the business model, and new technologies. In addition, the Supervisory Board dealt with the implementation of the new recommendations of the German Corporate Governance Code (Code), the legislation regarding the implementation of the EU guideline on corporate social responsibility (CSR), as well as the supervisory authority's (BaFin's) new requirements for self-assessments by the Supervisory Board. In November 2017, a conference call was held regarding the Board of Management's considerations for a potential further share buy-back program.

The Board of Management's verbal reports at the meetings were accompanied by written documents, which were sent to each member of the Supervisory Board in time for the relevant meeting. The Board of Management also informed us in writing of important events that occurred between meetings. The chairmen of the Supervisory and Management Boards also had regular discussions about major developments and decisions. The Chairman of the Supervisory Board also had individual discussions with each member of the Board of Management about their respective half-year as well as full-year performance.

Details on each member's participation at meetings of the Supervisory Board and its committees can be found in the [Corporate Governance Report](#), starting on  **page 12**. Members of the Supervisory Board who were unable to attend meetings of the Supervisory Board or its committees were excused and, as a rule, cast their votes in writing.

ISSUES DISCUSSED IN THE SUPERVISORY BOARD PLENARY SESSIONS

In the meeting of 16 February 2017, the Supervisory Board dealt comprehensively with the preliminary financial figures for the financial year 2016, the Board of Management's dividend strategy, and the consideration of a share buy-back program. The appointed audit firm, KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Munich, reported in detail on the preliminary results of their audit. The Chief Compliance Officer then gave his annual report on the compliance organization and key compliance-related matters. In the further course of the meeting, the Supervisory Board also examined the portfolio strategy in growth markets, discussed the target achievement of the individual members of the Board of Management, and finally set their variable remuneration for the financial year 2016. In the course of the performance assessment, the fitness and propriety of the members of the Board of Management was also confirmed.

In the meeting of 9 March 2017, the Supervisory Board discussed the audited annual Allianz SE and consolidated financial statements as well as the recommendation for the appropriation of earnings by the Board of Man-

agement for the financial year 2016. The auditors confirmed that there were no discrepancies to their February report, and issued an unqualified auditor's report for the individual and consolidated financial statements. In addition, the Board of Management submitted its report on risk developments in 2016 and the head of internal audit presented his annual review. Furthermore, the Supervisory Board dealt with the agenda and the proposals for resolution for the 2017 AGM of Allianz SE. It also resolved to appoint KPMG as auditor for the individual and consolidated financial statements for the financial year 2017 and for the auditor's review of the 2017 half-yearly financial report. Given the legally required rotation of the auditors, the Supervisory Board approved the proposal of the Audit Committee to select PriceWaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) to audit the individual and consolidated financial statements of Allianz SE as from financial year 2018. In addition, the Supervisory Board was also informed about the implementation status of the Renewal Agenda as well as the strategy pursued in the Asset Management business segment. The Supervisory Board dealt extensively with personnel matters related to the Board of Management, specifically regarding Dr. Mascher, Dr. Wemmer, and Dr. Zedelius, whose appointments expired at the end of 2017. Dr. Mascher's appointment was renewed for three years. As successors to Dr. Wemmer and Dr. Zedelius, who had both reached retirement age, the Supervisory Board appointed Niran Peiris and Giulio Terzariol to the Board of Management with effect from 1 January 2018.

On 3 May 2017, just before the AGM, the Board of Management briefed us on the first quarter 2017 performance and on the Group's current situation. In addition, the Board dealt with the results of the BaFin's review of the system of governance at Allianz SE in November 2016.

Due to the elections to the Supervisory Board at the AGM 2017, a constituent meeting was held on 3 May 2017, immediately after the AGM. At this constituent meeting Dr. Perlet was initially elected as Chairman of the Supervisory Board for the brief period until 6 May 2017. Mr. Diekmann was elected to succeed him, effective 7 May 2017. This transitional arrangement was necessary due to the two-year waiting period applicable for Mr. Diekmann under corporate law. Mr. Snabe and Mr. Zimmermann were elected as Deputy Chairmen. In addition, the Supervisory Board elected the members of the committees and approved Dr. Eichiner to be the financial expert as defined in § 100(5) of the German Stock Corporation Act (AktG). The Supervisory Board also adopted a resolution to establish an additional Board committee: the Technology Committee. In June 2017, the new members of the Supervisory Board attended a separate information session in order to familiarize themselves with the Allianz business model and the structures of the Allianz Group.

At the meeting on 3 August 2017, the Board of Management first reported extensively on the half-yearly results. It additionally addressed the upcoming investment in the UK property insurance firm Liverpool Victoria, the sale of the Allianz holding in Oldenburgische Landesbank AG, and the impact of Banco Santander's acquisition of Banco Popular, a long-standing distribution and joint venture partner in Spain. The Board of Management then reported on the strategic dialog with the Group companies, particularly regarding the progress of the Renewal Agenda. In addition, the Board of Management provided a status report on cyber risk security. The Supervisory Board amended the Rules of Information for Reports by the Board of Management to the Supervisory Board in order to comply with new regulatory requirements. Finally, the Board of Management reported on the percentage of women in management positions. Thereafter, the Supervisory Board set a new target for the percentage of women in Allianz SE's Board of Management. This target is also a component of the diversity concept for the Board of Management, which was to be established in accordance with the new CSR regulations. A corresponding diversity concept for the Supervisory Board was included into the objectives for the composition of the Supervisory Board, as well as a profile of skills and expertise for the Supervisory Board which is required under a new Code recommendation (see  **page 15**).

The meeting on 13 October 2017 mainly focused on the strategy of the Allianz Group, in particular the respective external conditions including potentially disruptive developments and the implementation status of the Renewal Agenda, as well as the strategy of Allianz SE (solo). In addition, the Supervisory Board dealt in detail with the global health insurance business. The review of the Board of Management's report on the development of business also covered the effects of the recent natural catastrophes in the Caribbean and Mexico, the implementation of the European Data Protection Regulation in the Allianz Group, and the change of the Chairman of the Board of Management at Allianz Deutschland AG.

At the meeting on 14 December 2017, the Board of Management briefed us on the results of the third quarter, further business developments and the situation of the Allianz Group, capital adequacy, and the planned tender offer to the minority shareholders of Euler Hermes S.A. The Supervisory Board additionally dealt with the

planning for financial year 2018 and the three-year plan 2018 to 2020, as well as the new requirements for non-financial reporting that follow from the implementation of the European CSR Directive. In this regard, we approved the recommendation of the Audit Committee to engage PwC to perform a limited assurance engagement of the combined separate non-financial report for the financial year 2017. The Board of Management also provided a status report on the issue of cyber risk security and the efficiency of distribution channels. We then covered the Code's Declaration of Conformity and the annual report on the succession planning for the Board of Management. The Supervisory Board reviewed the appropriateness of the remuneration of the Board of Management based on a vertical and horizontal comparison, and decided to increase the remuneration of the Chairman of the Board of Management in accordance with the identified need for adjustment. Finally, it set targets for the variable remuneration of the members of the Board of Management for 2018.

DECLARATION OF CONFORMITY WITH THE GERMAN CORPORATE GOVERNANCE CODE

On 14 December 2017, the Board of Management and the Supervisory Board issued the Declaration of Conformity in accordance with § 161 of the German Stock Corporation Act ("Aktiengesetz"). The Declaration was posted on the company website, where it is available to shareholders at all times. Allianz SE fully complies and will continue to fully comply with the recommendations of the German Corporate Governance Code in its version of 7 February 2017.

Further explanations on corporate governance in the Allianz Group can be found in the [Corporate Governance Report](#) starting on [page 12](#) and the [Statement on Corporate Management pursuant to § 315d and § 289f of the HGB](#) starting on [page 17](#). The Allianz website also provides more details on corporate governance: www.allianz.com/corporate-governance.

COMMITTEE ACTIVITIES

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

The **Standing Committee** conducted three meetings in 2017. It dealt primarily with issues of corporate governance, particularly the implementation of the Code's new recommendations, the modification of the Rules of Information for Reports by the Board of Management to the Supervisory Board, the preparations for the Annual General Meeting, the employee stock purchase program, and the Supervisory Board's self-assessment as well as the resulting development plan. In addition, the Standing Committee dealt with the appropriateness of the remuneration of the Supervisory Board. The committee also passed resolutions to approve loans to senior executives.

The **Personnel Committee** held four meetings in 2017. It dealt extensively with the issue of succession to Dr. Wemmer and Dr. Zedelius. The committee also looked at other mandate matters for active and former members of the Board of Management and the target achievement among Board of Management members for 2016. Besides setting the targets for variable remuneration in 2018, the committee also prepared the adequacy assessment of the remuneration system. As a result, the committee identified the need to adjust the remuneration of the Chairman of the Board of Management. Furthermore, the Personnel Committee also dealt with the diversity concept for the Board of Management, including the legally required target for the percentage of women in the Board of Management.

The **Audit Committee** held five regular meetings and adopted two resolutions by written procedure in 2017. In the presence of the auditors, it discussed the annual financial statements of Allianz SE and the consolidated financial statements of the Allianz Group, the management reports and auditor's reports, and the half-yearly financial report. The Audit Committee saw no reason to raise any objections. In addition, the Board of Management submitted its report on the results of the first and third quarter. The committee also dealt with the auditor's engagement and established audit areas of focus for the 2017 financial year. It further discussed assignments to the auditors for non-audit services and approved an appropriate positive list for audit and non-audit services authorized in advance. In addition, it dealt extensively with the compliance system, the internal audit system, and the financial reporting process as well as the respective internal controls. The committee was also updated on the procedures and programs for complaints concerning matters in accounting, internal controls, and auditing. The committee received regular reports on legal and compliance issues and on the work of the Internal Audit department. In addition, the Audit Committee dealt with the preparations for the auditor rotation starting from the financial year 2018, including the process of transitioning to the new auditing compa-

ny, as well as the 2017 audit plan of the Internal Audit function. The committee's work focused on several issues regarding Solvency II, including Solvency II governance and Solvency II reporting. In this respect, it also initiated a follow-up review of the group-wide implementation of governance requirements. The committee also addressed the findings of a BaFin review as well as the new legal requirements for non-financial reporting (CSR) and the Supervisory Board's role in this regard. In addition, the head of the Group Actuarial function presented its annual report. The committee adopted two written resolutions approving the engagement of the current and future auditors to perform non-audit services at foreign Group companies.

The **Risk Committee** held two meetings in 2017, during which it discussed the current risk situation of the Allianz Group and Allianz SE with the Board of Management. The risk report and other risk-related statements contained in the annual financial statements – both of Allianz SE and consolidated – were reviewed with the auditor, as were the respective management reports, and the Audit Committee was informed of the result. The appropriateness of the early risk recognition system at Allianz and the result of further, voluntary risk assessments by the auditor were also discussed. The committee took a detailed look at the risk strategy and capital management, as well as the effectiveness of the risk management system, in particular the limit system for the Allianz Group and Allianz SE. It also dealt extensively with the interest rate sensitivity in the life insurance business, discussed possible measures to reduce it, and addressed the investment risk currently associated with equity investments and credit spreads. Other matters considered included the risk strategy of Allianz SE and the Allianz Group, the changes planned in 2017 to the internal Solvency II model, and the report on the own risk and solvency assessment (ORSA). In addition, the Risk Committee dealt with the designation of Allianz as a systemically relevant insurer (G-SII).

The **Technology Committee** held two meetings in 2017. In the first meeting it dealt with the major focus and organization of the committee's work as well as the current IT-Systems and the IT-Architecture within the Allianz Group. In both meetings the committee dealt with the status of the project to assess the future readiness of the Allianz Group's IT. In addition, the committee discussed IT Governance and IT Security.

The **Nomination Committee** had no reason to convene a meeting in the financial year 2017.

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

CHAIR AND COMMITTEES OF THE SUPERVISORY BOARD – AS OF 31 DECEMBER 2017

Chairman: Michael Diekmann

Vice Chairmen: Jim Hagemann Snabe, Rolf Zimmermann

Standing Committee: Michael Diekmann (Chairman), Gabriele Burkhardt-Berg, Herbert Hainer, Jürgen Lawrenz, Jim Hagemann Snabe

Personnel Committee: Michael Diekmann (Chairman), Herbert Hainer, Rolf Zimmermann

Audit Committee: Dr. Friedrich Eichiner (Chairman), Sophie Boissard, Jean-Jacques Cette, Michael Diekmann, Martina Grundler

Risk Committee: Michael Diekmann (Chairman), Christine Bosse, Dr. Friedrich Eichiner, Godfrey Hayward, Jürgen Lawrenz

Technology Committee: Jim Hagemann Snabe (Chairman), Gabriele Burkhardt-Berg, Michael Diekmann, Dr. Friedrich Eichiner, Rolf Zimmermann

Nomination Committee: Michael Diekmann (Chairman), Christine Bosse, Jim Hagemann Snabe

AUDIT OF ANNUAL ACCOUNTS AND CONSOLIDATED FINANCIAL STATEMENTS

In compliance with the special legal provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half-yearly financial report are appointed by the Supervisory Board of Allianz SE, not by the AGM. The Supervisory Board appointed KPMG as statutory auditor for the annual Allianz SE and consolidated financial statements, as well as for the review of the half-yearly financial report of the financial year 2017. KPMG audited the financial statements of Allianz SE and the Allianz Group as well as the respective management reports. They issued an auditor's report without any reservations. The consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS), as adopted in the European Union. KPMG performed a review of the half-yearly financial report. In addition, KPMG was also mandated to perform an audit of the market value balance sheet according to Solvency II as of 31 December 2017, for Allianz SE and the Allianz Group.

All Supervisory Board members received the documentation relating to the annual financial statements and the auditor's reports from KPMG on schedule. The preliminary financial statements and KPMG's preliminary audit results were discussed in the Audit Committee on 14 February 2018 as well as in the plenary session of the Supervisory Board on 15 February 2018. The final financial statements and KPMG's audit reports (dated 28 February 2018) were reviewed on 8 March 2018, both by the Audit Committee and in the Supervisory Board plenary session. The auditors participated in these discussions and presented the key results from their audit. Particular focus was given to the key audit matters described in the auditor's report and the audit procedures performed. No material weaknesses in the internal financial reporting control process were discovered. There were no circumstances that might give cause for concern about the auditor's independence. In addition, the market value balance sheets for Allianz SE and the Allianz Group as of 31 December 2017, as well as the respective KPMG reports were addressed by the Audit Committee and Supervisory Board.

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

The Supervisory Board would like to thank all Allianz Group employees for their great personal commitment over the past year.

LIMITED ASSURANCE ENGAGEMENT OF THE COMBINED SEPARATE NON-FINANCIAL REPORT

The financial year 2017 was the first year for which the company was required to issue a separate non-financial report. This report was combined for Allianz SE and the Allianz Group. The Supervisory Board commissioned PwC to perform a limited assurance engagement of this report. All Supervisory Board members received the combined separate non-financial report and the independent practitioner's limited assurance report from PwC in due time. The report and PwC's assurance report were discussed in the plenary session of the Supervisory Board on 8 March 2018. The auditors from PwC participated in these discussions and presented the results of their assurance engagement. Based on its own review of the combined separate non-financial report, the Supervisory Board did not raise any objections and approved by acknowledgement the results of the PwC limited assurance engagement.

MEMBERS OF THE SUPERVISORY BOARD AND BOARD OF MANAGEMENT

The term of the Supervisory Board expired with the conclusion of the AGM on 3 May 2017. The new employee representatives had been appointed by the SE Works Council pursuant to the Agreement concerning the Participation of Employees in Allianz SE, effective from the conclusion of the Annual General Meeting on 3 May 2017. The Annual General Meeting 2017 elected the new shareholder representatives. The Supervisory Board mandates of Prof. Dr. Renate Köcher, Dante Barban, and Dr. Wulf H. Bernotat ended with the conclusion of the Annual General Meeting on 3 May 2017. Dr. Helmut Perlet resigned from the Supervisory Board with effect from the end of 6 May 2017. The Supervisory Board thanked all retired members for their many years of support for the Allianz Group as well as for the valuable and trusting collaboration in this board.

As mentioned earlier, the 2017 financial year also saw personnel changes within Allianz SE's Board of Management. Dr. Dieter Wemmer and Dr. Werner Zedelius stepped down from the Board of Management with effect from 31 December 2017. Mr. Niran Peiris and Giulio Terzariol were appointed as successors, effective 1 January 2018.

Munich, 8 March 2018

For the Supervisory Board:



Michael Diekmann

Chairman