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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

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FACING PAGE
Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

Washington, DC

REPORT FOR THE PERIOD BEGINNING 01/01/2010 AND ENDING 12/31/2010
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Allianz Life Financial Services, LLC

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

5701 Golden Hills Drive

(No. and Street)

Minneapolis, MN 55416

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Angela Forsman 763-765-6430

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG, LLP

(Name - if individual, state last, first, middle name)

4200 Wells Fargo Center, 90 South 7th Street, Minneapolis, MN 55402

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- [X] Certified Public Accountant
[] Public Accountant
[] Accountant not resident in United States or any of its possessions.

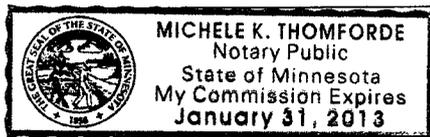
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*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant
must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

3/6

OATH OR AFFIRMATION

I, Angela Forsman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Allianz Life Financial Services, LLC, as of December 31, 2010, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Handwritten signature of the Chief Financial Officer.

Signature

Chief Financial Officer
Title

Handwritten signature of Michele K. Thomforde, Notary Public.

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

ALLIANZ LIFE FINANCIAL SERVICES, LLC

December 31, 2010

Table of Contents

	Page
Report of Independent Registered Public Accounting Firm	1
Statement of Financial Condition	2
Statement of Operations	3
Statement of Member's Equity	4
Statement of Cash Flows	5
Notes to Financial Statements	6
Supplementary Schedule	
Computation of Net Capital and Aggregate Indebtedness Under Rule 15c3-1 of the Securities and Exchange Commission	11
Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5	12



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Report of Independent Registered Public Accounting Firm

The Board of Governors and Member
Allianz Life Financial Services, LLC:

We have audited the accompanying statement of financial condition of Allianz Life Financial Services, LLC (the Company) as of December 31, 2010, and the related statements of operations, member's equity, and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Allianz Life Financial Services, LLC as of December 31, 2010, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the Supplementary Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

February 24, 2011

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Statement of Financial Condition

December 31, 2010

Assets

Cash and cash equivalents	\$	2,666,782
Investment in U.S. Treasury notes, at fair value (amortized cost: \$21,168,999)		21,962,286
Prepaid expenses		113,263
Accrued interest receivable		87,225
Receivable from Allianz Life Insurance Company of North America		<u>19,468,576</u>
Total assets	\$	<u>44,298,132</u>

Liabilities and Member's Equity

Liabilities:		
Payable to broker dealers	\$	21,323,106
State taxes and fees payable		<u>11,790</u>
Total liabilities		21,334,896
Member's equity		<u>22,963,236</u>
Total liabilities and member's equity	\$	<u>44,298,132</u>

See accompanying notes to financial statements.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Statement of Operations

Year ended December 31, 2010

Revenues:

Commissions earned	\$ 236,905,985
12b-1 fees earned	29,453,579
Marketing stipend	12,755,528
Investment income	664,949
	<u>279,780,041</u>
Total revenues	<u>279,780,041</u>

Expenses:

Commissions	236,905,985
Salaries and employee benefit charges	42,954,110
Marketing	14,773,194
Travel and entertainment	5,710,832
Advertising and public relations	1,953,871
Information technology charges	1,475,638
Meetings and seminars	1,124,434
Outside administrative fees	1,034,167
Occupancy charges	843,024
Printing and office supplies	591,082
Taxes, licenses, and fees	487,696
Other expenses	483,849
General and administrative charges	371,708
Postage and telephone	291,739
Legal expenses	169,790
	<u>309,171,119</u>

Total expenses

309,171,119

Loss from operations

(29,391,078)

Reimbursement of excess of expenses over revenues from
Allianz Life Insurance Company of North America

29,391,078

Income before change in net unrealized appreciation of investments

—

Change in net unrealized appreciation of investments

(70,845)

Net comprehensive loss

\$ (70,845)

See accompanying notes to financial statements.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Statement of Member's Equity

Year ended December 31, 2010

Balance at December 31, 2009	\$ 23,034,081
Net comprehensive loss	<u>(70,845)</u>
Balance at December 31, 2010	<u>\$ 22,963,236</u>

See accompanying notes to financial statements.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Statement of Cash Flows

Year ended December 31, 2010

Cash flows from operating activities:	
Net comprehensive loss	\$ (70,845)
Adjustments to reconcile net comprehensive loss to net cash provided by operating activities:	
Change in net unrealized appreciation of investments	70,845
Amortization of U.S. Treasury notes	321,213
Increase in interest receivable on U.S. Treasury notes	(170)
Increase in prepaid expenses	(22,430)
Increase in receivable from Allianz Life Insurance Company of North America	(3,252,244)
Increase in payable to broker dealers	3,953,499
Net cash provided by operating activities	<u>999,868</u>
Net increase in cash and cash equivalents	999,868
Cash and cash equivalents, beginning of year	<u>1,666,914</u>
Cash and cash equivalents, end of year	<u><u>\$ 2,666,782</u></u>

See accompanying notes to financial statements.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Notes to Financial Statements

December 31, 2010

(1) Nature of Business and Significant Accounting Policies

Allianz Life Financial Services, LLC (the Company) is a wholly owned subsidiary of Allianz Life Insurance Company of North America (Allianz Life). Allianz Life is a wholly owned subsidiary of Allianz of America, Inc. (AZOA), a wholly owned subsidiary of Allianz Societas Europaea (Allianz SE), a European company incorporated in Germany. The Company is a registered broker dealer in securities organized under the laws of Minnesota as a limited liability company. The Company is the distributor of variable annuity products for Allianz Life and Allianz Life Insurance Company of New York (Allianz of New York), a wholly owned subsidiary of Allianz Life. The Company's results of operations may not be indicative of the results that might have been obtained had it operated independently of Allianz Life. Historically and in the foreseeable future, the Company is dependent on Allianz Life to fund its operating losses.

The Company does not carry or hold securities for customer accounts.

The following is a summary of significant accounting policies followed by the Company:

- Commission revenue from sales of variable products is recorded monthly as the related premium is recorded by Allianz Life. Commission expense is recognized in the same manner as the related income is earned.
- 12b-1 fee revenue is recorded monthly based on a percentage of Allianz Life assets under management by certain fund companies. Distribution expenses are allocated from Allianz Life and recognized in the month the related income is earned.
- Marketing stipend revenue from sales of variable products is recorded monthly based on the assets under management and sales of products sold by certain broker dealers. Related marketing expense is recognized in the month the income is earned. The Company has agreements set up with retail broker dealers to facilitate distribution of the variable product line. These agreements generally contain fees paid by the Company to the retail broker dealer as a marketing allowance that is to be used for promotional costs (marketing brochures, web site presence, etc.).
- Investments in securities are valued at fair value as determined by published quotations. Net unrealized appreciation or depreciation in fair value is included as comprehensive income or loss on the statement of operations.
- Deposits paid to the Financial Industry Regulatory Authority (FINRA) for advertising and representative fees are recorded as a prepaid asset and expensed as incurred. At December 31, 2010, \$113,263 has been recognized as a prepaid expense on the Statement of Financial Condition.

The Company is a single member limited liability company treated as a disregarded entity pursuant to the Internal Revenue Service's "check-the-box" regulations. While the Company is not liable to file any tax returns with the Internal Revenue Service, its attributes are included in the AZOA federal income tax return. If the Company were to file a federal income tax return on a "stand alone basis," the Company would incur tax expense of \$534,646.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Notes to Financial Statements

December 31, 2010

The Company is required by the State of California to pay an \$800 annual tax for doing business in the state and must pay a fee based on annual income apportioned to California. The Company incurred \$12,590 of taxes and fees that are included in taxes, licenses, and fees on the statement of operations, of which \$11,790 was payable at December 31, 2010.

In 2010, the State of Michigan required LLC's that were disregarded for federal income tax purposes to pay a business tax that consists of two pieces: gross receipts tax and income tax. Although the legislation came into effect in 2010, it was retroactive to 2009. The Company incurred Michigan business tax of \$163,653 and \$44,343 in 2010 for the 2010 and 2009 tax years, respectively.

The Company adopted the provisions of new guidance within the Income Taxes topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) on January 1, 2007. The Company had no unrecognized tax benefits as of January 1, 2010 or any unrecognized tax benefits as of December 31, 2010. The Company does not expect any significant changes related to unrecognized tax benefits during the next twelve months.

The Company recognizes interest and penalties accrued related to unrecognized tax benefits in federal income tax expense. As of December 31, 2010, the Company had not recognized any interest and penalties.

The financial statements have been prepared in accordance with U.S. generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such changes in estimates are recorded in the period they are determined.

(2) Fair Value Measurements

U.S. Treasury notes are carried at fair value on a recurring basis in the Company's financial statements.

The Fair Value Measurements and Disclosures topic of the Codification establishes a fair value hierarchy that prioritizes the inputs used in the valuation techniques to measure fair value.

Level 1 – Unadjusted quoted prices for identical assets or liabilities in active markets that the Company has the ability to access at the measurement date.

Level 2 – Valuations derived from techniques that utilize observable inputs, other than quoted prices included in Level 1, which are observable for the asset or liability either directly or indirectly, such as:

- (a) Quoted prices for similar assets or liabilities in active markets.
- (b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- (c) Inputs other than quoted prices that are observable.
- (d) Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Notes to Financial Statements

December 31, 2010

Level 3 – Valuations derived from techniques in which the significant inputs are unobservable. Level 3 fair values reflect the Company's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk).

The Company has analyzed the valuation techniques and related inputs, evaluated its assets and liabilities reported at fair value, and determined an appropriate fair value hierarchy level based upon trading activity and the observability of market inputs. Based on the results of this evaluation and investment class analysis, each valuation was classified into Level 1, 2, or 3.

The following table presents the assets measured at fair value on a recurring basis and their corresponding fair value hierarchy at December 31, 2010:

	<u>Total</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Assets accounted for at fair value:				
Investment in U.S. Treasury notes	\$ 21,962,286	\$ 21,962,286	\$ —	\$ —
Total assets accounted for at fair value	<u>\$ 21,962,286</u>	<u>\$ 21,962,286</u>	<u>\$ —</u>	<u>\$ —</u>

The following is a discussion of the methodologies used to determine fair values for the financial instruments listed in the above table. These fair values represent an exit price (i.e., what a buyer in the market place would pay for a security in a current sale or charge to transfer a liability).

Valuation of U.S. Treasury Notes

The fair value of U.S. Treasury Notes is based on quoted market prices.

Transfers

The Company reviews its fair value hierarchy classifications annually. Changes in the observability of significant valuation inputs identified during this review may cause reclassification of fair value hierarchy levels of financial assets and liabilities. These reclassifications are reported as transfers in/out of the various levels in the beginning of the period in which the change occurs. The Company has no Level 3 financial assets or liabilities. In addition, there were no transfers in/out of Level 1 and 2.

Non-Recurring Fair Value Measurements

Occasionally, certain assets and liabilities are measured at fair value on a non-recurring basis (e.g., impaired assets). At December 31, 2010, there were no assets or liabilities reported at fair value on a nonrecurring basis.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Notes to Financial Statements

December 31, 2010

(3) Transactions with Related Parties

For the year ended December 31, 2010, the Company earned commission revenues of \$236,905,985 from Allianz Life and Allianz of New York.

For the year ended December 31, 2010, the Company earned administrative fees of \$50,000 from Allianz Life Advisers, LLC, a wholly owned subsidiary of Allianz Life. The amount is included in the 12b-1 fees earned on the Statement of Operations.

The Company has no employees. Management agreements entered into by and between the Company and Allianz Life and Allianz of New York exist, whereby all expenses, except for commissions, legal, and marketing expenses, incurred by Allianz Life and Allianz of New York on behalf of the Company are allocated to the Company, including salaries, employee benefits, operating costs, and administrative services incurred by Allianz Life and Allianz of New York on behalf of the Company. During 2010, \$57,322,151 was allocated to the Company using an allocation method developed by management of Allianz Life and Allianz of New York. The balance due to Allianz Life and Allianz of New York was \$1,854,530 as of December 31, 2010.

Under these same agreements with the Company, Allianz Life and Allianz of New York have also agreed to reimburse the Company for the excess of expenses over revenues, exclusive of unrealized investment gains or losses. A management fee for services rendered by Allianz Life and Allianz of New York may be charged as an additional expense in the event that revenues exceed the other expenses. For the year ended December 31, 2010, total expenses exceeded revenues. The total reimbursement from Allianz Life and Allianz of New York to the Company was \$29,391,078 under this agreement.

Commissions due to broker dealers are paid by Allianz Life and Allianz of New York on behalf of the Company. At December 31, 2010, the Company has a payable due to broker dealers of \$21,323,106 with a corresponding receivable from Allianz Life and Allianz of New York for commission revenue, as discussed in note 1. The receivable is net with management expenses allocated of \$1,854,530 for a net receivable from Allianz Life and Allianz of New York of \$19,468,576 as of December 31, 2010.

The Company maintains a selling agreement with Questar Capital Corporation, a wholly owned subsidiary of Allianz Life. For the year ended December 31, 2010, the agreement resulted in \$2,959,033 in commission revenue for the Company, which is 1.25% of total commissions earned by the Company.

(4) Net Capital Requirement

The Company is subject to the Securities and Exchange Commission (SEC) Uniform Net Capital Rule (Rule 15c3-1), and is required to maintain minimum net capital of \$1,422,326 as of December 31, 2010. At December 31, 2010, the Company had net capital of \$2,912,016 which was \$1,489,690 in excess of the minimum required. The Company's net capital ratio (ratio of aggregate indebtedness to net capital) was 7.33:1 at December 31, 2010.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Notes to Financial Statements

December 31, 2010

(5) Rule 15c3-3 Exemption

The Company does not hold customer funds or safekeep customer securities and is therefore exempt from Rule 15c3-3 of the SEC under subsection (k)1(i). Under this exemption, the “Computation for Determination of Reserve Requirements” and “Information Relating to the Possession or Control Requirements” are not required.

(6) Commitments and Contingencies

The Company may be involved in various pending or threatened litigation arising out of the normal course of business. In the opinion of management, the ultimate resolution of such litigation will not have a material adverse effect on the financial position or results of the Company.

(7) Subsequent Events

Subsequent events have been evaluated through February 24, 2011, which is the date the financial statements were available to be issued.

ALLIANZ LIFE FINANCIAL SERVICES, LLC

Computation of Net Capital and Aggregate Indebtedness
Under Rule 15c3-1 of the Securities and Exchange Commission

December 31, 2010

Member's equity	\$ 22,963,236
Deduct – nonallowable assets:	
Receivable from Allianz Life Insurance Company of North America	19,468,576
Accrued interest receivable	87,225
Prepaid expenses	113,263
	<u>3,294,172</u>
Net capital before haircuts on securities positions	3,294,172
Haircuts on U.S. Treasury notes and cash equivalents	<u>382,156</u>
Net capital	2,912,016
Minimum capital required to be maintained (greater of 6-2/3% of aggregate indebtedness or \$5,000)	<u>1,422,326</u>
Net capital in excess of requirement	<u>\$ 1,489,690</u>
Aggregate indebtedness	\$ 21,334,896
Ratio of aggregate indebtedness to net capital	7.33:1

There were no material differences in the computation of net capital or aggregate indebtedness between the amounts included in Part II of Form X-17A-5 and the above audited computation.

See accompanying independent auditors' report.



KPMG LLP
4200 Wells Fargo Center
90 South Seventh Street
Minneapolis, MN 55402

Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5

The Board of Governors and Member
Allianz Life Financial Services, LLC:

In planning and performing our audit of the financial statements of Allianz Life Financial Services, LLC (the Company) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13.
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2010, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Governors and Member, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 24, 2011



ALLIANZ LIFE FINANCIAL SERVICES, LLC

Financial Statements with Supplementary Schedule and

Independent Auditors' Report on Internal Control

December 31, 2010

(With Report of Independent Registered Public Accounting Firm Thereon)