Allianz Group

Annual Report 2008

INSURANCE | ASSET MANAGEMENT | BANKING

Allianz

Content

To go directly to any chapter, simply click ➤➤ on the headline or the page number

Allianz at a Glance

		2008	Change from previous year	2007	2006	2005	2004	More details on page
Income Statement								
Total revenues [1]	€ mn	92,548	(5.3) %	97,681	94,873	100,967 [2]	96,949 [2]	42
Operating profit [3]	€ mn	7,433	(27.9) %	10,313	9,219	8,003 [2]	7,001 [2]	43
Net income from continuing operations [4]	€ mn	3,967	(45.8) %	7,316	6,640	—	—	44
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings [4]	€ mn	(6,411)	n. m.	650	381	—	—	44
Net income (loss) [5]	€ mn	(2,444)	n. m.	7,966	7,021	4,380	2,266	45
Balance Sheet								
Total assets	€ mn	955,576	(9.9) %	1,061,149	1,110,081	1,054,656	1,058,612	75
Shareholders' equity	€ mn	33,684	(29.5) %	47,753	49,650	38,656	29,995	75
Minority interests	€ mn	3,564	(1.8) %	3,628	7,180	8,386	7,696	218
Share Information								
Basic earnings per share [5]	€	(5.43)	n. m.	18.00	17.09	11.24	6.19	255
Diluted earnings per share [5]	€	(5.47)	n. m.	17.71	16.78	11.14	6.16	255
Dividend per share	€	3.50	(36.4) %	5.50	3.80	2.00	1.75	34
Total dividend	€ mn	1,586	(35.9) %	2,476	1,642	811	674	34
Share price as of December 31	€	75.00	(49.3) %	147.95	154.76	127.94	97.60	33
Market capitalization as of December 31	€ mn	33,979	(49.0) %	66,600	66,880	51,949	35,936 [6]	35
Other Data								
Return on equity after income tax [7]	%	9.7 [8]	(5.3) pts	15.0 [8]	15.0 [8]	12.9	7.8	
Third-party assets under management as of December 31	€ mn	703,478	(8.0) %	764,621	763,855	742,937	584,624	66
Employees		182,865	0.9 %	181,207	166,505	177,625	176,501	111

[1] Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.
[2] Figures for the years ended December 31, 2005 and 2004 do not reflect changes in the presentation relating to the discontinued operations of Dresdner Bank.
[3] The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole.
[4] Following the announcement of the sale on August 31, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on January 12, 2009. Starting as of 2006 the results from these operations are presented in a separate net income line "net income from discontinued operations, net of income taxes and minority interests in earnings".
[5] Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.
[6] Excluding treasury shares.
[7] Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity.
[8] Based on net income from continuing operations.

Allianz Group

The Allianz Group is one of the leading integrated financial services providers worldwide. With nearly 153,000 employees, the Allianz Group serves approximately 75 million customers in about 70 countries. We are able to offer our clients a wide range of insurance and finance products as well as extensive advisory capacity through our subsidiaries under strong and well-known brands. We operate and manage our activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management.

Segment Overview

Property-Casualty

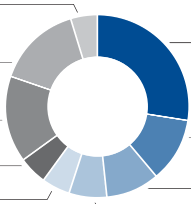
Within our property-casualty segment, we offer a wide range of private insurance products designed to protect our client's property and ensure their personal safety. Furthermore, we are a leading provider of commercial and industrial coverage to enterprises.

- Strong operating profit of € 5,649 million largely unaffected by financial market crisis.
- Selective growth achieved in mixed pricing environments.
- Combined ratio of 95.1 % close to our target.

		2008	2007	2006
Gross premiums written	€ mn	43,387	44,289	43,674
Operating profit	€ mn	5,649	6,299	6,269
Net income	€ mn	4,335	5,174	4,746
Combined ratio	%	95.1	93.6	92.9

Gross premiums written by regions [1) 2)]

in %



1) After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

2) Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

Life/Health

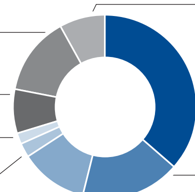
Our product portfolio comprises a variety of life and health insurance solutions for private customers, as well as products for corporate provision needs. Ranging from life insurance policies to complicated pension management issues.

- Difficult market environment heavily impacted sales of investment-oriented products especially through the bancassurance channel.
- Traditional business held firm.
- Operating profit of € 1,206 million despite financial markets turmoil.

		2008	2007	2006
Statutory premiums	€ mn	45,615	49,367	47,421
Operating profit	€ mn	1,206	2,995	2,565
Net income	€ mn	327	1,991	1,643
Statutory expense ratio	%	9.7	9.4	9.6

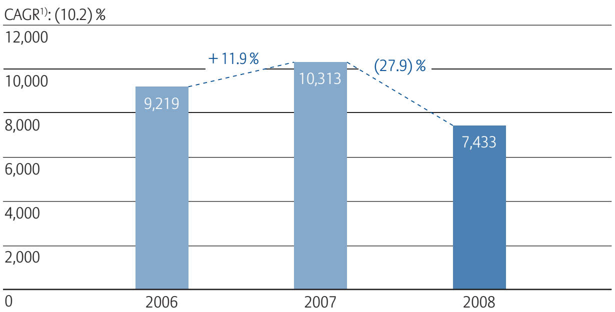
Statutory premiums by regions [1)]

in %



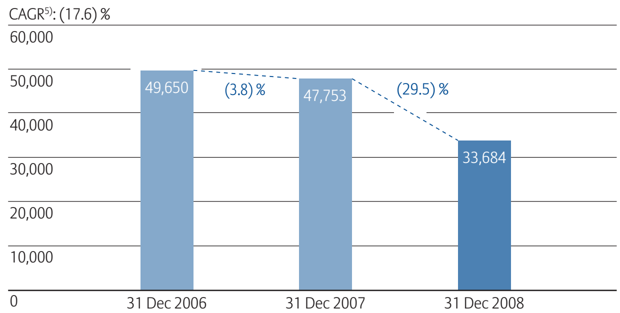
– Underlying fundamentals remained strong despite difficult market environment.
– Revenues fell by € 5,133 million as sales in investment-oriented products were seriously impacted by the financial markets crisis.
– Operating profit of € 7,433 million robust in the circumstances.
– Net income from continuing operations of € 3,967 million in spite of net capital losses.
– Sale of Dresdner Bank completed.

Operating profit
in € mn



[1] Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple year period.

Shareholders' equity[4]
in € mn



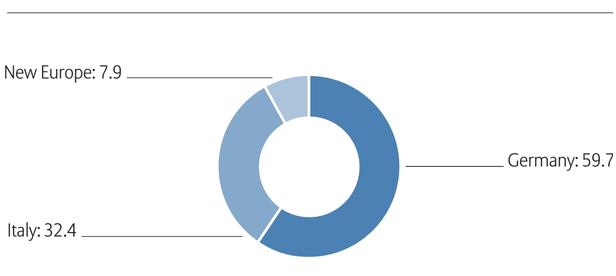
[4] Does not include minority interests.
[5] Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple year period.

Banking[2]
Following the sale of Dresdner Bank, we focus in the banking business on our core market Germany under the brand name "Allianz Bank". Under the roof of Oldenburgische Landesbank we will offer various banking services to our customers. Outside Germany we are represented with our assurbanking in selected regions.

– Continuing banking operations recorded an operating loss of € 31 million.

		2008	2007	2006
Operating revenues	€ mn	544	622	604
Operating profit	€ mn	(31)	32	63
Net income (loss) from continuing operations	€ mn	(114)	55	69
Cost-income ratio	%	100.4	94.1	90.1

Operating revenues by regions[3]
in %



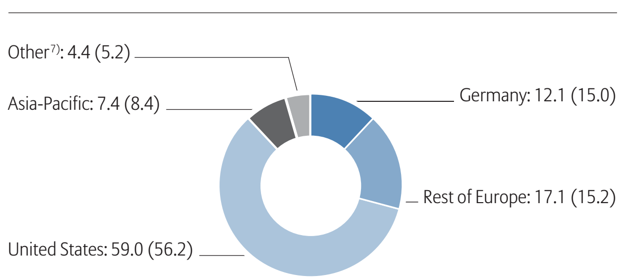
[2] Following the sale of almost all of Dresdner Bank to Commerzbank, our Banking segment reflects our existing banking operations as well as Oldenburgische Landesbank and the banking clients from Dresdner Bank introduced through our tied agents channel.
[3] Our banking activities in France recorded € (0.3) million operating revenues in 2008.

Asset Management
Our business activities in the asset management business consist of products and services both for third-party investors and for the Allianz Group's insurance operations. We conduct our retail asset management business primarily under the brand name "Allianz Global Investors".

– Solid asset base ensures profitability even under extreme conditions.
– Operating profit of € 926 million.
– Fixed income business continued to deliver robust results, while equity business suffered from the difficult market environment.

		2008	2007	2006
Operating revenues	€ mn	2,887	3,259	3,044
Operating profit	€ mn	926	1,359	1,290
Net income	€ mn	379	498	404
Cost-income ratio	%	67.9	58.3	57.6

Third-party assets under management by regions[6]
in %



[6] Based on the origination of assets.
[7] Consists of third-party assets managed by other Allianz Group companies (approximately € 22 bn and € 22 bn as of December 31, 2008 and December 31, 2007, respectively) and Dresdner Bank (approximately € 9 bn and € 18 bn as of December 31, 2008 and December 31, 2007, respectively).

Dear Shareholders,

For Allianz, 2008 was a year of market upheavals, a test of our business model and the sale of Dresdner Bank.

Turbulence. We witnessed a financial and economic crisis of a severity and breadth not seen since the end of World War II. In my last shareholder letter, I told you that 2008 would be no less challenging than 2007. It was much worse than expected. To give you a grasp of the extent of the worldwide upheavals, here is a single global figure: Between January 1 and December 31, 2008, € 19.3 trillion in market capitalization evaporated – that is 4.3times Germany's financial assets of € 4.5 trillion. As I write this letter, the turbulence on the global financial and economic system continues, and it is slowing down the real economy. The result: a flight from risk, massive loss of confidence and a global economic downturn. The general public has begun to realize, to its alarm, how complex and interconnected the global economy is and how far-reaching and abrupt the changes can be – changes that affect everyone. And it is no longer just companies being affected – in 2009, the crisis will hit consumers, the people who buy our products, hard.

Test of our business model. This crisis has been extremely hard on all financial institutions. It ruthlessly revealed whether a company's business model was sustainable and, if so, whether it would remain viable in the future. Allianz passed this test. In spite of the financial unrest, we have remained a reliable partner to our customers and employees. Since the upheavals of 2002 and 2003, our risk function has taken into account the fact that nothing happens as planned, that models cannot reflect reality and that extremely unlikely, even unimaginable events can happen at any time.

The resiliency tests developed as a result of that approach together with our disciplined risk management and our conservative investment policies have proven their value. We kept our promises to customers. Although the net loss is very high, it must be viewed in consideration of the fact that this period also saw the completion of the sale of Dresdner Bank. Our operating business remains stable. No longer carrying Dresdner Bank on our books, we generated an operating profit of € 7.4 billion and achieved income of € 4 billion. I am pleased to report that we passed the difficult test of 2008 exactly because we were able to rely on the hard work, loyalty and dedication of our close on 153,000 employees (without Dresdner Bank) as well as our cooperation partners. I am proud of their commitment and the results they have produced. I am grateful for their efforts.

Unfortunately, Allianz was not immune to the economic downturn and the state of the market is reflected in the revenue and profit from our ongoing business. Customer interest in capital market oriented products dropped sharply in the second half of the year. Unit-linked life insurance revenue was down, standard contracts saw a modest increase. The picture was similar in Asset Management operations: strong outflows for equity funds, small inflows in the fixed-income business. The property-casualty business remained stable. However, like all our competitors, we had to take writedowns on our investment portfolio. All of these factors led to profits that were less than satisfactory. We will work hard to present you with better results in the future.

Sale of Dresdner Bank. The financial and economic crisis hit Dresdner Bank harder than any other part of the Allianz Group. At the same time, we took advantage of the unprecedented opportunity offered by the turmoil on the markets to consolidate the German banking market. The sale of Dresdner Bank to Commerzbank, completed in January 2009, was the main event of the past financial year. At our 2008 General Meeting, I said that the results on the banking side had not reached the quality of our other operating segments and announced discussions targeting the creation of competitive market share in Germany for private banking institutions and the sharp swings in investment banking. I based this statement on the fact that the German banking market has been dominated by public institutions. You, as shareholders, agreed and demanded that Dresdner Bank be placed in a sustainable and successful constellation.

We fulfilled this task under extremely difficult conditions. With the sale of Dresdner Bank to Commerzbank we found a solution that was fair to all the institutions involved. Commerzbank and Dresdner Bank have much greater prospects for future growth working together. The Allianz balance sheet is now free of banking risks dependent on the capital markets. We strengthened our Asset Management operations, which under normal conditions are an engine for growth in the financial services sector, through the takeover of the Commerzbank fund provider cominvest. We retained our important banking distribution channel in Germany which will be further developed as the enlarged Commerzbank will in future be our German banking sales partner.

Of course the board and I have addressed the critical question of the loss of value which arose from the development of earnings and the timing of the transaction. However, it should not be overlooked that in both 2006 and in the first half of 2007, Dresdner Bank notched up the best results in its long history prior to the crisis which sent banks' market values tumbling both here in Germany and abroad. In my view, the swift reaction and the timely closure of a transaction with an industrial logic in such a market situation was a positive achievement for Allianz shareholders.

In our view a market for financial services from a single source continues to exist despite the financial crisis. That is why we are retaining our integrated advisory approach in the private client segment following this transaction. We will leverage the reciprocal exchange of knowledge and experience between Allianz and Dresdner Bank over the last seven years, for the global distribution of our insurance products through our 200 bancassurance partners. In collaboration with the former Dresdner Bank subsidiary Oldenburgische Landesbank, our new Allianz Bank will provide the same service to those German banking customers who were introduced by Allianz tied agents. It will serve as the product supplier for banking services that are required by our insurance customers.

Unfortunately, this financial year has also left its mark on the share price of Allianz. This is clearly a great disappointment. I understand that you, as an owner, may find this unsatisfactory. Although our operating business remained solid, we were unable to avoid the effects of the trend on the stock market for financial service providers. The share price fell by 49.3 percent – about the same amount as at other financial institutions – to close the year at € 75.00. With our dividend proposal of € 1,586 million or € 3.50 per share we are endeavoring to take into account both our earnings performance and the need for an appropriate capital base as well as your justified interest in an attractive dividend.

What does 2009 hold in store?

2009 will be characterized by a global recession that will also reach our customers.

On the sales side we will continue to focus on profitability and resist the temptations of an irrational race for market share. Business opportunities exist among customers who place store on solidity and quality. We intend to offset the decreased sales above all in some life insurance markets via enhanced customer retention in Europe, in the U.S.A. and in growth markets.

Risk management and investment of capital are of particular importance this year. In 2009 it is also important that opportunities and risks should be managed with a particular focus on maintaining the solid capital base of Allianz. This must not be jeopardized as it is this capital base which allows us to take on the appropriate degree of risk for our customers and shareholders.

These statements are of course supported by programs and processes which we describe in full in the chapter Strategy on the pages 30 to 32 of this Annual Report.

Sincerely yours,

Michael Diekmann,
Chairman of the Board of Management

PS: This is the last annual report of Allianz SE for which Dr. Helmut Perlet as Chief Financial Officer will be responsible. Dr. Perlet will be retiring at the end of the summer after 37 very successful years with Allianz, including 13 years on the Board of Management. I have worked very closely with him and I appreciate the extraordinary contributions he has made. Dr. Perlet has contributed significantly to making Allianz what it is today. I think I speak for all of us when I thank him for the work he has done here. He will continue to exercise his duties with undiminished energy in his remaining months here. I would like to take this opportunity to wish him all the best for the future.

Supervisory Board Report

Ladies and Gentlemen,

During financial year 2008, the Supervisory Board observed the duties incumbent on it in accordance with the law and the Statutes. We supervised the management of the company and advised the Board of Management concerning the running of the business. We were directly involved in all decisions of fundamental importance.

Within the scope of our monitoring and advisory activities we were regularly provided by the Board of Management, both verbally and in writing, with timely and comprehensive information on the course of the business, the financial and economic development of the Allianz Group and of Allianz SE, including the risk situation and the risk management, compliance issues as well as basic issues with relation to the company strategy. In Supervisory Board meetings, on the basis of reporting from the Board of Management, we discussed in detail the development of the business and important decisions and business matters. Furthermore we dealt with the Board of Management's planning for the 2009 financial year and medium-term planning, as well as with deviations from plans in the course of the business.

The Supervisory Board met in total five times during the 2008 financial year. The ordinary meetings were held in March, May, September and December. In August 2008, the Supervisory Board also held an extraordinary meeting in relation to the sale of Dresdner Bank AG to Commerzbank AG. In between meetings the Board of Management kept us informed in writing of important issues at all times. Additionally, the chairman of the Supervisory Board was continually kept up to date on major developments and decisions.

The Board of Management reports on the business situation and all the presentations on particular issues were accompanied by written supporting documentation, all of which was sent to each Supervisory Board member prior to the meeting for preparation purposes. The same applied to all the financial statements and auditor's reports. Whenever management actions described in more detail in this report required the approval of the Supervisory Board or one of its committees, resolutions were passed in this respect. Beyond the requirements of the Statutes or Rules of Procedure, the Supervisory Board did not determine further approval requirements.

Wide range of subjects discussed in the plenary Supervisory Board meetings

In every Supervisory Board meeting throughout financial year 2008 (except the extraordinary meeting in August), the Board of Management reported on turnover and results in the Group. The Board of Management also gave further details on how business was running in each individual operating segment and reported on the financial situation. We were kept continually up-to-date by the Board of Management on significant equity investment projects and on the current situation in the U.S. life insurance business.

Within our work on the Supervisory Board we put special emphasis on the worldwide crisis of financial and capital markets which has evolved in the aftermath of the turbulences on the U.S. real estate and mortgage market and which still persists. The Board of Management constantly explained the impact on the Allianz Group and Dresdner Bank. We paid particular attention to the possible effects on the risk situation and liquidity. We also discussed with the Board of Management the valuation issues and the further course of action in the wake of the market disruption.

The primary focus of discussion at the meeting of March 18, 2008 was the annual accounts and consolidated financial statements as well as the recommendation for appropriation of earnings made by the Board of Management for financial year 2007. On the basis of detailed reporting from the Board of Management, we further examined the consequences of the financial market crisis on Dresdner Bank and developments in material legal proceedings. We were also kept up-to-date about the squeeze-out procedure at Allianz Lebensversicherungs-AG, which was completed in December 2008. On the basis of the written and verbal explanations provided by the Board of Management, the Supervisory Board granted the required approval to Allianz SE's management control and transfer-of-profit agreements with Allianz Investment Management SE as well as Allianz Argos 14 GmbH. The Supervisory Board also dealt with the agenda for the 2008 General Meeting of Allianz SE and approved the Supervisory Board's proposed resolutions to the General Meeting. Through a written and verbal report by the Board of Management we formed a detailed picture of the structure and organization of the Compliance function within the Allianz Group.

On May 21, 2008, before the General Meeting, the Board of Management informed us about the quarterly financial statements for the first quarter and the current situation of the Allianz Group. During this meeting we were also informed about the effects of the financial market crisis, discussed about the future of Dresdner Bank and were kept up-to-date on current equity investment projects. We also used the meeting to prepare ourselves for the upcoming General Meeting.

The topic of the extraordinary meeting on August 31, 2008 was the further development of Dresdner Bank and the existing alternative courses of action. In particular, we discussed with the Board of Management continuation of Dresdner Bank on a standalone basis in the Allianz Group, an offer by the Commerzbank and the possibility of the sale of Dresdner Bank to a foreign financial institution. The Board of Management justified its recommendation of sale to Commerzbank and explained to us the key figures that had been negotiated for a merger with Commerzbank. The Board of Management addressed the structure and conditions of the transaction and informed us in detail about the financial and operative effects on Dresdner Bank and the Allianz Group. The transaction was approved after in-depth consultation.

In the meeting on September 11, 2008, we discussed in detail Corporate Governance in the Allianz Group and we specifically reviewed the changes to the German Corporate Governance Code made by the Government Commission in June 2008. After in-depth consultation, the Supervisory Board decided to implement these changes. We also approved the extension of the Board of Management mandate of Mr. Jean-Philippe Thierry to December 31, 2009 and discussed the succession of Dr. Helmut Perlet from September 2009 by Mr. Oliver Bäte. On the basis of the report of the Board of Management on the course of business and the financial situation of the Allianz Group, we also gained an overview of the reorganization of AGF, of the development of material legal issues and of the current situation on the financial and capital markets.

We paid special attention to issues of strategy for the Allianz Group at the September meeting. On the basis of a thorough presentation by the Chairman of the Board of Management, we dealt with the strategic direction of the Allianz Group and the different business segments, with specific emphasis on the German and international outlook for the life insurance business. We welcomed the decision of the Board of Management to offer Allianz shares to employees of the Allianz Group in 24 countries on preferential terms. The Standing Committee consented to the use of Authorized Capital 2006/II for the issue of employee shares.

We used the meeting of December 10, 2008 for our regular review of the efficiency of the Supervisory Board. Previously, all members of the Supervisory Board were surveyed in writing on important aspects of the Supervisory Board's work. At the meeting, without the presence of the Board of Management, we discussed the significant information that emerged from the analysis of the survey, and the opportunities for improvement suggested by that analysis. We also reviewed the remuneration of the Board of Management. After in-depth consultation, we approved the remuneration system, including the main elements of the service contract. In addition to regular reporting over the course of business and the situation of the Allianz Group, we also addressed planning for the 2009 financial year as well as medium-term planning, and issued a declaration of compliance with the German Corporate Governance Code. At the meeting, the Board of Management informed us in detail about a planned change in the transaction structure, which would enable Dresdner Bank to be sold in a single step. This would reduce the complexity and the time required to execute the transaction. We were also informed about the status of preparations for the merger of the two institutions. After discussion of the adjustments presented by the Board of Management, we approved the changed structure. The Board of Management also reported on Allianz Group's financial investment in the Hartford Financial Services Group, an American financial services company.

On January 6, 2009, the Supervisory Board met once again for an extraordinary telephone conference call in connection with the Dresdner Bank transaction. Given the unfavorable market developments in the fourth quarter of 2008, the purpose of the meeting was to discuss Allianz' contribution in a further strengthening of the bank's capital in connection with completion of the transaction and to pass a resolution to that effect. The Supervisory Board approved the actions presented. This ensured that the transaction would be completed quickly on January 12, 2009.

Corporate Governance and Declaration of Compliance

On December 18, 2008 the Board of Management and the Supervisory Board issued our Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz). It is permanently posted on the company website where it can be consulted at will. Allianz SE is in compliance with all recommendations of the June 6, 2008 version of the Government Commission German Corporate Governance Code.

Further explanations on corporate governance in the Allianz Group are available in the combined Board of Management and the Supervisory Board report on corporate governance on pages 11 to 15. The Allianz website at www.allianz.com/corporate-governance also contains further information on corporate governance.

Committee activities

In order to exercise its functions efficiently, the Supervisory Board has set up an Audit Committee, a Standing Committee, a Personnel Committee, a Risk Committee and a Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary session. Furthermore, in appropriate cases, authority to take decisions has been delegated to committees themselves. The Conciliation Committee no longer exists because the German Co-Determination Act (Mitbestimmungsgesetz), which provides for such a committee, does not apply to Allianz SE. The current members of these committees are set out in the following list.

Chair and committees of the Supervisory Board

As of December 31, 2008

Chairman of the Supervisory Board
Dr. Henning Schulte-Noelle

Deputy Chairpersons
Dr. Gerhard Cromme
Claudia Eggert-Lehmann (until January 12, 2009)
Rolf Zimmermann (since March 11, 2009)

Audit Committee
Dr. Franz B. Humer (Chairman)
Dr. Wulf H. Bernotat
Igor Landau
Jean-Jacques Cette
Jörg Reinbrecht

Nomination Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Dr. Franz B. Humer

Personnel Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Claudia Eggert-Lehmann (until January 12, 2009)
Rolf Zimmermann (since February 11, 2009)

Risk Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Wulf H. Bernotat
Prof. Dr. Renate Köcher
Godfrey Robert Hayward
Peter Kossubek

Standing Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Dr. Franz B. Humer
Claudia Eggert-Lehmann (until January 12, 2009)
Karl Grimm (since February 11, 2009)
Rolf Zimmermann

In financial year 2008, the Standing Committee held four regular meetings. These related primarily to corporate governance issues, preparation for the ordinary General Meeting, the employee share purchase program and review of the Supervisory Board's efficiency. In an additional meeting in November 2008, which was held jointly with the Risk Committee and with the presence of the other members of the Supervisory Board, the committee once again dealt primarily with the integration of Dresdner Bank with Commerzbank and the effects of the capital market crisis. During the financial year, the Committee passed resolutions requiring approval on use of Authorized Capital 2006/II for issue of employee shares and granting loans to managers and Directors.

The Personnel Committee met on three occasions. The meetings dealt with staffing matters as well as the structure and amount of Board of Management remuneration. The Personnel Committee prepared the regular review of the Board of Management's remuneration system, including the main elements of the contract, at the December meeting of the Supervisory Board and the adoption of resolutions regarding the remuneration system.

The Audit Committee held five meetings in financial year 2008, in February, March, May, August and November. Together with the auditors the committee discussed the Allianz SE and Allianz Group annual financial statements, the management reports, the auditor's reports and the U.S. Form 20-F report. In addition, the committee checked the semi-annual financial report and the other quarterly financial statements and, together with the auditors, went through details of the auditor's review of these financial statements. After carrying out these checks the Audit Committee saw no reason to raise objections. The committee also covered the auditor's engagement and established priorities for the audit, as well as internal control issues and compliance with the provisions of section 404 of the Sarbanes-Oxley Act. In addition, assignments to the auditors for services not connected to the audit itself were discussed. The committee received reports from the heads of the Group Audit department and Compliance department about audit and compliance issues on an ongoing basis. In February 2008 and February 2009 the committee obtained summary reports on significant audit results for the past financial year from the head of the Group Audit department. In these meetings the Committee also received a report of the General Counsel regarding material legal proceedings.

In the meeting in November Group Audit presented the audit plan for the year 2009.

In addition to the already mentioned joint meeting with the Standing Committee, the Risk Committee held two additional meetings in 2008. At both ordinary meetings, the Board of Management presented the current risk situation of the Allianz Group and we discussed the issue with the Board of Management. The focus of the committee's work was the effects of the financial market crisis and the treatment of risks arising from natural disasters. We also dealt in detail with the effects of the planned risk-oriented further development of the European solvency regulations (equity finance requirements) for insurance companies (Solvency II). We reviewed the particular risk-related statements in the annual accounts and consolidated financial statements as well as in the management reports, and reported to the Audit Committee on the results of this preliminary review.

The Nomination Committee held no meetings in the last financial year. Allianz SE followed the recommendation of the German Corporate Governance Code to establish this type of committee (No. 5.3.3 of the Code). The Nomination Committee comprises the Supervisory Board chairman and two other shareholder representatives elected by the shareholder side. The committee is responsible for drawing up selection criteria for shareholder representatives on the Supervisory Board, seeking suitable candidates for the election of shareholder representatives to the Supervisory Board and proposing suitable Supervisory Board candidates to the Supervisory Board for its election proposals to the General Meeting.

The Supervisory Board was kept regularly and comprehensively up-to-date on the workings of the different committees.

Audit of annual accounts and consolidated financial statements

In compliance with special provisions applying to insurance companies (§ 341 k (2) of the German Commercial Code), the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board and not by the General Meeting. The Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as statutory auditor for the annual accounts and the consolidated financial statements as well as for the review of the half year financial report. KPMG audited the financial statements of Allianz SE and Allianz Group as well as the respective management reports and issued an audit certificate thereon without any reservations. The consolidated financial statements were prepared in accordance with § 315 a German Commercial Code (Handelsgesetzbuch) on the basis of international financial reporting standards IFRS, as to be applied in the European Union. The half year financial report and the other quarterly financial statements were also reviewed by KPMG.

The financial statements and the KPMG auditor's report for financial year 2008 were made available to all members of the Supervisory Board in a timely manner. The financial statements and the results of the KPMG audit were discussed on a provisional basis by the Audit Committee in their meeting held on February 25, 2009. The final financial statements and KPMG auditor's reports were examined on March 11, 2009 by the Audit Committee and in the Supervisory Board plenary session. The auditors took part in these discussions. They gave an account of the main findings of the audit and were available for any questions or further information.

On the basis of our own review of the financial statements of Allianz SE and Allianz Group, the management report and the Group management report and the recommendation for appropriation of earnings, we made no objections and agreed with the result of the KPMG audit. We approved the financial statements for Allianz SE and Allianz Group drawn up by the Board of Management; the company financial statements are therefore adopted. We concur with the proposal of the Board of Management as to the appropriation of earnings.

Members of the Supervisory Board and Board of Management

On January 12, 2009, Dresdner Bank was transferred to Commerzbank and removed from the scope of consolidation of the Allianz Group. Because of this, as an employee of Dresdner Bank, Ms. Claudia Eggert-Lehmann resigned from the Supervisory Board of Allianz SE under the Agreement concerning the Participation of Employees in Allianz SE of September 20, 2006. We recognize her strong commitment to the Supervisory Board and express our gratitude. In accordance with the allocation of seats on the Supervisory Board, an employee representative from Germany was to be named to succeed her. Mr. Karl Grimm was appointed by resolution of January 28, 2009 of the local court (Amtsgericht) of Munich as a member of the Supervisory Board until the next ordinary General Meeting. The employees will nominate him for election to the Supervisory Board at the General Meeting on April 29, 2009. Upon the proposal of the employee representatives, the Supervisory Board elected Rolf Zimmermann on March 11, 2009 to replace Ms. Eggert-Lehmann as further deputy chairperson of the Supervisory Board. The current term of the Supervisory Board expires following the ordinary General Meeting in 2012.

Dr. Herbert Walter resigned from the Board of Management of Allianz SE with the change of ownership at Dresdner Bank on January 12, 2009. The Supervisory Board thanked Dr. Walter for his successful work for the Allianz Group. In the future, Dr. Gerhard Rupprecht will have responsibility for the Allianz Banking Division. The Supervisory Board appointed Mr. Oliver Bäte to the Board of Management effective January 1, 2008. Mr. Bäte holds the position of Chief Operating Officer. Beginning in September 2009, he will take over the area of responsibility of Controlling, Reporting, Risk from Dr. Perlet.

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

Munich, March 11, 2009

For the Supervisory Board:

Dr. Henning Schulte-Noelle
Chairman

Corporate Governance and Remuneration Report

Good Corporate Governance and transparency are key elements for gaining the trust of our shareholders, business partners and employees.

Corporate Governance

Good Corporate Governance is essential for long-term business performance. For this reason it is important that the existing Corporate Governance structures are constantly reviewed and developed further, whenever necessary. After the conversion of Allianz into a European Company and its successful implementation in the preceding years there was no reason for further profound changes to the Corporate Governance structure.

Corporate constitution of the European Company

As a European Company, Allianz SE is, in addition to German stock corporation law, also subject to special European SE regulations and the German law implementing the European Company. This gives rise to some differences with the structure of an Aktiengesellschaft (stock corporation), primarily in relation to the Supervisory Board. The main features of the Company's existing corporate constitution, in particular the two-tier board system (Board of Management and Supervisory Board), as well as the principle of equal employee representation on the Supervisory Board, have been maintained in Allianz SE. For further details on the differences between a German stock corporation and a European Company with registered office in Germany, please refer to our website under www.allianz.com/se.

Board of Management

The Board of Management manages Allianz SE and Allianz Group. It currently comprises 10 members from different countries, making it as international as Allianz itself. Its responsibilities include setting business objectives and strategic direction, coordinating and supervising the operating entities, as well as implementing and supervising an effective risk management system. The chairman of the Board of Management coordinates the Board's activities. As a consequence of the transformation into Allianz SE, the position of the chairman was strengthened by providing him with a right of veto under the Statutes with respect to the Board of Management's decisions. If he objects to a decision, that decision is cancelled. However, the chairman of the Board of Management cannot impose any decision against the majority vote on the Board of Management. In the event of a tied vote, the chairman has the casting vote. Rules of procedure specify in more detail the work of the Board of Management. In these rules the Board has in particular regulated the specific responsibilities of Board members, matters reserved for the whole Board and other ways to pass decisions.

The Board of Management reports regularly and comprehensively to the Supervisory Board on business development, the financial position and earnings, budgeting and achievement of objectives, compliance issues, and on the strategy and existing risk exposure. Certain important decisions of the Board of Management require approval from the Supervisory Board. Some of these decisions subject to special approval are stipulated by law or are included in decisions of the General Meeting, such as approval for the Board of Management to increase the share capital (Authorised Capital), acquire treasury stock, or issue convertible bonds or bonds with warrants. In addition to these decisions, in accordance with § 9 of the Statutes the Supervisory Board also must approve intercompany agreements and the launch of new business segments or closure of existing ones, insofar as such actions are material to the Group. Approval is also required for acquiring companies and holdings in companies as well as divestments of equity stakes in a Group company, whenever such divestment results in the company leaving the Group. In these instances approval is required if it does not involve a financial equity investment and if in a particular case the market value or, in the absence of the market value, the book value of the acquired or divested investment amounts to at least 10.0 % of the equity in the most recent consolidated balance sheet. Pursuant to the Supervisory Board's rules of procedure, the appointment of the member of the Board of Management responsible for employment and social welfare by the Board of Management also requires the approval of the Supervisory Board. An overview of the Board of Management's members can be found on page 27 of this report.

Supervisory Board

The conversion of the Company into an SE has brought noteworthy changes to the Supervisory Board. The German Co-Determination Act (Mitbestimmungsgesetz) no longer applies. The size and the members of the Supervisory Board are now based on the European general regulations on SE's. These regulations have been implemented by provisions in the Statutes and by the Agreement Concerning the Participation of Employees in Allianz SE, which was signed on September 20, 2006 with representatives of European Allianz employees. This agreement can be found on our website under www.allianz.com/se.

The size of the Supervisory Board is stipulated in the Statutes as 12 members appointed by the General Meeting. Six of these twelve members are appointed on the proposal of the employees. The General Meeting is bound to accept the proposals of the employees.

In accordance with the Agreement Concerning the Participation of Employees in Allianz SE, the seats for the six employee representatives are arranged in proportion to the number of Allianz employees in the EU member states. The Supervisory Board currently in office comprises four employee representatives from Germany and one each from France and the United Kingdom. The last election of the Supervisory Board took place in 2007 for a term until the end of the ordinary General Meeting in 2012.

The Supervisory Board oversees and advises the Board of Management on managing the business. Furthermore, the Supervisory Board is responsible for appointing the members of the Board of Management, and reviewing Allianz SE's and Allianz Group's annual financial statements. The Supervisory Board takes all decisions based on a simple majority. The special decision requirements for the appointment of members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee no longer apply to an SE. In the event of a tied vote, the casting vote lies with the chairman of the Supervisory Board. Under Art. 42 of the SE Regulation, the chairman of the Supervisory Board of Allianz SE may only be a shareholder representative. In the event of a tied vote, if the chairman of the Supervisory Board is not present, the casting vote lies with the deputy chairperson from the shareholder side. Another deputy chairperson is elected on the proposal of the employee representatives, but he has no casting vote.

A part of the Supervisory Board's activities is delegated to the following committees of the Supervisory Board.

The Audit Committee is responsible for an initial review of the Company's and the Group's annual financial statements, management reports (including the risk report) and the dividend proposal. In addition, it reviews the quarterly reports and the U.S. annual report on Form 20-F. Finally, the Audit Committee is an important contact for the external auditors, whose independence it also monitors. It also deals with Compliance issues. Allianz follows the suggestion of the German Corporate Governance Code by which former members of the Board of Management should not chair the Audit Committee.

The Standing Committee is responsible for the approval of certain transactions that need to be approved by the Supervisory Board. These include, in particular, certain capital transactions and acquisitions or divestments. Furthermore, it is responsible for preparation of the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz, AktG) as well as for the periodic review of the Company's Corporate Governance. It submits proposals for examining the efficiency of the Supervisory Board's activities to the Supervisory Board plenary session.

The Personnel Committee is responsible for personnel matters concerning members of the Board of Management. It prepares the appointment of members of the Board of Management, takes decisions concerning their contracts with the Company including their individual remuneration and is involved in long-term succession planning for the Board of Management. Following the new recommendation in Section 4.2.2 of the German Corporate Governance Code, the Supervisory Board plenary session shall resolve and regularly review the compensation system of the Board of Management including the main contract elements. It is the Personnel Committee's duty to prepare such resolutions and reviews and to determine the details of the remuneration.

The Risk Committee monitors the risk strategy, the appropriateness of the Company's risk management organisation and related Group policies. It also addresses the Group's overall risk and specific risk developments. This committee is also responsible for prior verification of any particular risk-related statements within the annual financial statements and management report, and for reporting to the Audit Committee on the results of this preliminary review.

In December 2007 the Supervisory Board established a Nomination Committee comprising the chairman of the Supervisory Board and two other shareholder representatives elected by the shareholder side. The committee is responsible for drawing up selection criteria for shareholder representatives on the Supervisory Board, seeking suitable potential shareholder representatives for election and proposing them to the Supervisory Board for its election proposals to the General Meeting. This procedure complies with the recommendation in No. 5.3.3 of the German Corporate Governance Code.

The members of the Supervisory Board and its committees can be found on pages 8 and 26 of this report.

SE works council

In the course of the transformation of the Company into an SE, an SE works council, currently consisting of 31 employee representatives from 26 EU member states, the European Economic Area (EEA) and from Switzerland, was elected to represent the European Allianz employees. The SE works council mainly has information and consultation rights regarding cross-border matters within Europe affecting Allianz Group. As such, the SE works council, in simple terms, is a company-wide representative body for European employees with special responsibility for cross-border matters within Europe affecting Allianz. Details of the SE works council are contained in the Agreement Concerning the Participation of Employees in Allianz SE dated September 20, 2006.

General Meeting

Shareholders exercise their rights in General Meetings. When adopting resolutions, each share grants one vote. To facilitate shareholders' participation, we allow shareholders to follow General Meetings on the Internet and to be represented by proxies appointed by Allianz. The proxies appointed by Allianz exercise the voting rights exclusively on the basis of the instructions given by the shareholder. We constantly promote the use of e-mail and Internet services. Members of the Supervisory Board are elected in General Meetings. As regards the election of employee representatives, General Meetings are bound by the proposals of the employees. General Meetings also approve actions taken by the Board of Management and the Supervisory Board. The General Meeting decides on the appropriation of earnings, capital transactions, approval of intercompany agreements, the remuneration of the Supervisory Board, and on changes to the Company's Statutes. Unless at least half of the share capital is represented in adopting a resolution on a change to the Statutes, such resolutions require a majority of at least two thirds of the votes cast, in accordance with European regulations and the Statutes. Each year, an ordinary General Meeting takes place at which the Board of Management and Supervisory Board give an account of the preceding financial year. For special decisions, the German Stock Corporation Act provides for the calling of an extraordinary General Meeting.

Accounting policies and audit of financial statements

Allianz Group accounts comply with international accounting standards, in particular the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). As the Allianz share is quoted on the New York Stock Exchange (NYSE), we are obliged to file an annual report on Form 20-F with the U.S. Securities and Exchange Commission (SEC), in accordance with the U.S. rules applicable to foreign issuers. In November 2007 the SEC issued amendments to the regulations, according to which financial statements of foreign issuers in the United States are recognized without a reconciliation statement for U.S.-GAAP, provided such financial statements are prepared in compliance with IFRS.

In compliance with special provisions applying to insurance companies (§ 341 k (2) of the German Commercial Code (Handelsgesetzbuch, HGB)), the auditor for the annual financial statements and the auditor for the review of the half year financial report are appointed by the Supervisory Board and not by the General Meeting. The Supervisory Board's Audit Committee carries out the preparatory work for the appointments. The statutory audit of the financial statements covers the Company financial statements of Allianz SE and the consolidated financial statements under German and U.S. law.

Further developments in Corporate Governance

The Government Commission on the German Corporate Governance Code (the "Code") made several amendments to the Code in June 2008. According to a new recommendation of the Code, the Supervisory Board plenary session shall resolve and regularly review the compensation of the Board of Management including the main contract elements. In addition, the former suggestions to introduce severance payment caps in Board of Management contracts became recommendations of the Code.

The German Risk Limitation Act (law on limiting risks arising from financial investments, Risikobegrenzungsgesetz) of August 2008 also introduces new aspects to Corporate Governance. The primary objective of the associated changes is to ensure greater transparency in equity holdings. By enacting respective provisions in their Statutes, companies with registered shares will be in a position to improve the disclosure of shareholders in their share register. This will also reduce the current difficulties encountered in sending general meeting and voting documentation to shareholders, particularly abroad. As a consequence, the advantages of registered shares can be used more effectively.

Further changes will be brought about by the law on the implementation of the EU Directive on shareholders rights (ARUG), which is currently in the legislative procedure. This will foster increased participation by foreign shareholders, inter alia by the possibility to introduce direct voting via internet or voting by correspondence. It is also expected to help increase shareholder attendance at general meetings in the long-term, in conjunction with other measures.

German Corporate Governance Code and Declaration of Compliance

The German Corporate Governance Code is effective as amended dated June 6, 2008. Besides repeating important legal provisions, the Code also contains recommendations and suggestions for proper corporate governance. There is no legal obligation to comply with these standards. Under § 161 of the German Stock Corporation Act, listed companies are, however, obliged to make a declaration of compliance following the terms of the Code's recommendations on the basis "comply or explain".

In Germany the Code is taken as the benchmark of good corporate governance and control. Surveys show that acceptance of the German Corporate Governance Code remains high. At 2008 year end, the DAX-30 companies met an average of 96 % of all recommendations whereas in the M-DAX around 92 % and in the S-DAX about 87 % of the recommendations had been followed by the companies.

On December 18, 2008, the Board of Management and the Supervisory Board issued the Declaration of Compliance of Allianz SE in accordance with § 161 of the German Stock Corporation Act as follows:

"Declaration by the Board of Management and the Supervisory Board of Allianz SE on the recommendations of the Government Commission on the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Act (AktG)

1. Allianz SE will comply with all the recommendations made by the Government Commission on the German Corporate Governance Code (Code version dated June 6, 2008).

2. Since the last Declaration of Compliance dated December 20, 2007, which referred to the German Corporate Governance Code in its June 14, 2007 version, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code then in force.

Munich, December 18, 2008
Allianz SE
For the Board of Management:
signed Michael Diekmann signed Dr. Paul Achleitner
For the Supervisory Board:
signed Dr. Henning Schulte-Noelle"

The Declaration of Compliance can be found on our website under www.allianz.com/corporate-governance.

Furthermore, we also comply with all voluntary recommendations of the German Corporate Governance Code.

The listed Group company Oldenburgische Landesbank AG issued its own declaration of compliance in December 2008. With the exception of the recommendation of a deductible on its Directors & Officers liability insurance, Oldenburgische Landesbank AG complies with all recommendations.

U.S. Corporate Governance Rules

As our shares are listed on the New York Stock Exchange (NYSE) we are subject to U.S. corporate governance rules, insofar as these apply to foreign issuers.

As in previous financial years, we have extensively documented our control system for financial reporting and we test its effectiveness on an ongoing basis. As in preceding years we will disclose the results of auditing our compliance with section 404 of the Sarbanes-Oxley Act in our U.S. annual report on Form 20-F.

In accordance with applicable U.S. legislation, our Audit Committee has established procedures for dealing with complaints relating to accounting policies and financial reporting as well as special procedures to ensure the independence of the statutory auditors. The Allianz SE Supervisory Board has determined that Dr. Wulf Bernotat, Dr. Franz B. Humer and Mr. Igor Landau fulfill the requirements laid down by U.S. legislation to be an "Audit Committee Financial Expert".

In compliance with provisions contained in the Sarbanes-Oxley Act, Allianz SE has drawn up, in addition to the Code of Conduct applying to all employees, a special "Code of Ethics" that applies to the members of the Board of Management and to senior employees in certain divisions, mainly in finance.

At management level in Allianz SE and in the larger Group companies, we have established Disclosure Committees. In the Allianz SE Disclosure Committee first drafts of the financial reports are reviewed and discussed by the heads of the relevant units. In this way the Disclosure Committee assists the Board of Management and particularly the Chairman of the Board of Management and the Chief Financial Officer in providing their certifications of the financial statements to the SEC, as laid down in the Sarbanes-Oxley Act.

In addition, we are subject to the NYSE corporate governance standards. These rules are only partially binding on foreign issuers. Nevertheless, we are obliged to disclose the main differences between our own corporate governance and NYSE standards in summary form. The main differences arise particularly from our two-tier board system with a Board of Management and a Supervisory Board, employee representation on the Supervisory Board and different legislation and best practice standards in Germany and in the EU. A summary of these differences is available on our website under www.allianz.com/corporate-governance.

Directors' Dealings

Members of the Board of Management and the Supervisory Board are required, pursuant to § 15 a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), to disclose any acquisitions or divestments of Allianz SE securities, if the value of such acquisitions or divestments made by the board member or any person close to him or her amounts to at least € 5,000 in one calendar year. These declarations are published on our website under www.allianz.com/corporate-governance. On December 1, 2008 the Chairman of the Board of Management of Allianz SE Michael Diekmann bought 12,500 Allianz shares at a price of € 59.99 each, on December 16, 2008 further 800 Allianz shares at a price of € 69.576 each. On December 5, 2008 Dr.Paul Achleitner, member of the Board of Management of Allianz SE, bought 25,000 Allianz shares at a price of € 64.9865 each. On December 11, 2008 Dr. Joachim Faber, also a member of the Board of Management of Allianz SE, bought 10,125 Allianz shares at a price of € 73.476 each.

Shares held by members of the Board of Management and the Supervisory Board

The total holdings of members of the Board of Management and the Supervisory Board in Allianz SE as of December 31, 2008 amounted to less than 1 % of the Company's issued stock.

Remuneration Report

This Remuneration Report outlines the structure, basic principles and level of remuneration for the Board of Management of Allianz SE. It also sets out the structure and level of remuneration for the members of the Supervisory Board.

The information provided should be considered part of the Group Management Report. It was prepared in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS) and takes account of the recommendations of the German Corporate Governance Code. The information is therefore not repeated in the Notes to the Group Financial Statements.

Board of Management remuneration

The remuneration of the Board of Management is set by the Supervisory Board. The structure of the remuneration is regularly reviewed and discussed by the Supervisory Board. The last review was carried out in December 2008. It confirmed confidence in the current structure, which is seen as appropriate and aligned to the Company's strategic priorities. The structure therefore remains unchanged.

The remuneration of the Board of Management is designed to be competitive given the nature and global scope of activities of the Allianz Group, the environment in which the Group operates and its performance and prospects relative to peers. Its aim is to provide a suitable mix and weight of remuneration components, optimally balance risk and opportunity to achieve an appropriate level of remuneration in different performance scenarios and business circumstances. It is designed to support sustained value-oriented management performance.

The key principles of the remuneration strategy are:

– Total remuneration is set at a level appropriate to attract and retain highly qualified executives.

– Incentive plans are structured to operate effectively throughout the business cycle.

– Incentive awards are earned through the achievement of the financial and strategic goals of the Allianz Group and are consistent with shareholder interests.

– An appropriate balance is maintained between short-term and long-term remuneration components.

– The overall remuneration for individual Board Members is dependent upon their designated role, accountability and performance.

To achieve these objectives, a significant portion of the overall remuneration of the members of the Board of Management is variable. It comprises a three-tier incentive system which includes short- and mid-term cash bonus plans and equity-related long-term incentives.

The remuneration components of the Board of Management are described below:

Fixed salary

Base salary is a fixed amount, paid in twelve monthly instalments. It is normally reviewed every 3 years by the Supervisory Board and reflects the individual's role as well as the market context. Salaries were last reviewed in December 2008 as part of the overall remuneration review carried out by the Supervisory Board. The 2008 base pay levels of the Board of Management are shown on page 18.

Performance-based remuneration

The aim of the three-tier incentive system is to achieve an appropriate balance between components linked to short-term financial performance and those linked to long-term success and sustained shareholder value creation. The Supervisory Board reviews the goals regularly to ensure they remain appropriate in the context of the strategic priorities of the Group. An overview is set out below:

Three-tier incentive system

Annual bonus (short-term)	Three-year bonus (mid-term)	Equity-related remuneration (long-term)
Goal category	**Goal category**	**Goal category**
Allianz Group financial goals	EVA-objectives over three-year performance period	Sustained increase in share price
Business division financial goals	Allianz Group financial goals and strategic objectives	
Individual objectives	Business division financial goals and strategic objectives	
	Individual strategic objectives	

Short-term and mid-term bonus plans

All members of the Board of Management are eligible to participate in the annual (short-term) and three-year (mid-term) bonus plans.

Annual bonus

The annual bonus is a variable pay component that is dependent on the achievement of annual goals, as set out in the table above. The goals are specified at the beginning of the performance period. Performance against these goals is then assessed at the end of the period, with the amount of bonus payable in the beginning of the following year and dependent on the extent to which targets and objectives have been met. The Supervisory Board sets the target bonus level for members of the Board of Management. For 2008, the target bonus amounts to 150.0% of base salary. The maximum achievement is set at 165.0% of target performance.

Details of the annual bonus amounts to be paid in March 2009 to each member of the Board of Management in respect of the performance year 2008 are shown in the Remuneration table on page 18.

Three-year bonus

The three-year or mid-term bonus plan was purposely designed to make the sustained increase in value of the company a priority concern of executive management across the Group. Plan participants include the Board of Management and approximately 100 top managers globally. Bonus payouts under the plan depend on the attainment of financial and strategic goals over the defined three-year performance period, as set out in the table above. The mid-term bonus is paid after completion of the defined three-year performance period, with the amount based on the extent to which goals have been achieved. Certain exceptions apply, for example in the event of retirement. Although an interim assessment of the objectives occurs once a year, these projections are only provisional and informative in nature. Mid-term bonus target levels for members of the Board of Management are set by the Supervisory Board. For the 2007 – 2009 plan, the target bonus amounts to approximately 128.0% of the 2007 base salary over the three-year performance period. The maximum achievement is set at 140.0% of target performance. Details of the mid-term bonus amounts accrued for each member of the Board of Management are shown on page 18.

In exceptional circumstances, the Supervisory Board can decide to award bonuses moderately above maximum level. It can also decide to reduce bonuses where warranted and, in exceptional circumstances, could reduce them to zero. Any material exercise of discretion outside the maximum range will be explained in the Remuneration Report.

Equity-related remuneration

The Board of Management and approximately 800 top managers and high performing prospective future leaders worldwide participate in the Group Equity Incentives (GEI) program. This consists of “virtual stock options”, known as Stock Appreciation Rights (SAR) and “virtual stock” awards, known as Restricted Stock Units (RSU).

The number of SAR and RSU awarded to the members of the Board of Management is dependent upon the discretionary decision of the Supervisory Board based on their designated role as well as the performance of the Group and their respective business division. The value of the GEI program granted in any year cannot exceed the sum of base salary and the annual target bonus.

The SAR have a vesting period of two years and subject to the performance conditions mentioned below, they may be exercised during the following five years, as set out in the plan conditions. They lapse unconditionally at the end of the seven-year term. To align the interests of management with those of shareholders the Supervisory Board has established two performance conditions for the exercise of the SAR, applicable to all plan participants. These are directly linked to the performance of Allianz SE stock. The conditions consist of a relative measure linked to the Dow Jones EURO STOXX Price Index (600) and an absolute measure requiring a set increase in the price of Allianz SE stock over the period between grant and exercise. Also, the program has a cap of 150.0% of the grant price on the potential payout from SAR exercises in recognition of the leverage profile. To encourage long-term value creation the RSU normally have a vesting period of five years, at the end of which they are automatically released as set out in the plan conditions.

Miscellaneous

The members of the Board of Management also receive certain perquisites. These mainly consist of contributions to accident and liability insurances and the provision of a company car. Each member of the Board of Management is responsible for income tax on these perquisites. Where applicable, a travel allowance for non-resident Board Members is provided. For 2008 the total value of the perquisites amounted to € 0.7 million (2007: € 0.5 million).

The following table sets out the total remuneration for the Board of Management of Allianz SE for 2008, including the fair value of the SAR and RSU awards, with previous year figures shown in italics. Although not a requirement, for reasons of transparency, the proportional bonus accrued for each member for 2008 of the three-year bonus plan has been included.

Board of Management		Fixed salary	Perquisites [1]	Total non-performance-based remuneration	Annual bonus [2]	Three-year bonus [3]	Total	Fair value of SAR award at date of grant [4]	Fair value of RSU award at date of grant [5]	Overall total
		€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou	€ thou
Michael Diekmann	2008	1,200	26	1,226	1,112	311	2,649	430	720	3,799
(Chairman)	2007	1,050	24	1,074	2,046	472	3,592	588	1,020	5,200
Dr. Paul Achleitner	2008	800	44	844	704	205	1,753	287	480	2,520
	2007	700	13	713	1,416	310	2,439	392	680	3,511
Oliver Bäte [6]	2008	700	48	748	701	209	1,658	251	420	2,329
	2007	—	—	—	—	—	—	—	—	—
Clement B. Booth	2008	700	93	793	624	205	1,622	251	420	2,293
	2007	700	78	778	1,218	318	2,314	392	680	3,386
Enrico Cucchiani	2008	700	88	788	707	263	1,758	260	435	2,453
	2007	700	118	818	1,261	346	2,425	392	680	3,497
Dr. Joachim Faber	2008	700	19	719	526	211	1,456	261	437	2,154
	2007	700	20	720	1,245	312	2,277	392	680	3,349
Dr. Helmut Perlet	2008	700	206	906	653	214	1,773	251	420	2,444
	2007	700	20	720	1,469	311	2,500	392	680	3,572
Dr. Gerhard Rupprecht	2008	700	24	724	713	246	1,683	238	399	2,320
	2007	700	34	734	1,217	322	2,273	392	680	3,345
Jean-Philippe Thierry	2008	700	68	768	620	209	1,597	237	397	2,231
	2007	700	77	777	1,245	312	2,334	392	680	3,406
Dr. Herbert Walter [7]	2008	700	48	748	0	0	748	116	195	1,059
	2007	700	45	745	923	175	1,843	392	680	2,915
Dr. Werner Zedelius	2008	700	9	709	825	300	1,834	314	525	2,673
	2007	700	14	714	1,363	348	2,425	392	680	3,497
Total [8]	2008	8,300	673	8,973	7,185	2,373	18,531	2,896	4,848	26,275
	2007	8,050	459	8,509	14,505	3,481	26,495	4,508	7,820	38,823
Change from previous year in % [8]		3.1	46.6	5.5	(50.5)	(31.8)	(30.1)	(35.8)	(38.0)	(32.3)

1) Broad range reflects travel allowances for non-German resident Board Members and a long-term service award for Dr. Perlet.
2) Actual bonus paid in 2009 for fiscal year 2008.
3) Estimated amount for 2008 following interim assessment – the actual performance assessment can only take place at the end of the three-year period.
4) Fair value of SAR granted in 2008.
5) Fair value of RSU granted in 2008.
6) Mr. Oliver Bäte joined the Board of Management on January 1, 2008. His mid-term bonus is pro rated to reflect his length of service during the three-year performance period. All other terms are the same as those of the other members.
7) Dr. Herbert Walter resigned from the Board of Management of Allianz SE on January 12, 2009 upon the change of control of Dresdner Bank (sale to Commerzbank). Further, Dr. Walter resigned from the Board of Management of Dresdner Bank AG, upon appointment of Dr. Blessing as Chairman of the Board of Management of Dresdner Bank AG on January 19, 2009. In a separation agreement of December 23, 2008 and in accordance with the terms of his service contract it was agreed that upon his resignation Dr. Walter will receive a gross termination payment amounting to € 3,595,100 as compensation for the termination of his service contract running until December 31, 2012. Pursuant to the terms of his service contract, Dr. Walter will further receive a transition payment for a period of six months after termination of his service (see "Termination of service" below). Dr. Walter has waived his entitlement to his 2008 annual bonus and to his 2008 three-year bonus (pro-rated). His three-year bonus for 2007 (pro-rated) has been calculated according to the terms of his service contract and will be paid out in 2009. With respect to the outstanding Stock Appreciation Rights (SAR) granted to Dr. Walter during his term of service it was agreed that such rights will remain in force. They can be exercised by Dr. Walter subject to the current plan terms and conditions and subject to the applicable exercise hurdles and vesting periods.
8) Mr. Jan Carendi retired from the Board of Management on December 31, 2007. The total remuneration for 2007 and the percentage change between 2007 and 2008 reflects the remuneration of the full Board of Management active in the respective years.

The total remuneration of the Board of Management for fiscal year 2008, excluding the interim assessment value for the three-year bonus plan, was € 24 million (2007: € 35 million).

The following table sets out the details of the awards made to the Board of Management under the GEI program of equity–related remuneration in 2008 and their outstanding holdings at the end of the fiscal year.

Board of Management	Number of SAR granted	Number of SAR held at 31 December	Strike Price Range	Number of RSU granted	Number of RSU held at 31 December
	2008	2008	€	2008	2008
Michael Diekmann (Chairman)	17,930	107,196	83.47 – 239.80	8,701	50,799
Dr. Paul Achleitner	11,953	80,895	83.47 – 239.80	5,801	37,144
Oliver Bäte	10,459	10,459	117.38	5,076	5,076
Clement B. Booth	10,459	29,882	117.38 – 160.13	5,076	14,904
Enrico Cucchiani	10,825	69,894	83.47 – 239.80	5,253	34,547
Dr. Joachim Faber	10,878	70,297	83.47 – 239.80	5,279	32,896
Dr. Helmut Perlet	10,459	71,391	83.47 – 239.80	5,076	33,043
Dr. Gerhard Rupprecht	9,936	68,368	83.47 – 239.80	4,822	32,105
Jean-Philippe Thierry	9,884	69,364	83.47 – 239.80	4,797	14,596
Dr. Herbert Walter	4,850	69,325	83.47 – 160.13	2,354	74,698
Dr. Werner Zedelius	13,074	65,525	83.47 – 239.80	6,345	31,064

The GEI awards are accounted for as cash-settled plans and the fair value of the awards is accrued as compensation expense over the relevant vesting period. Upon vesting, any changes in the fair value of the outstanding SAR are recognized as compensation expense. The fair value at the end of fiscal year 2008 was below prior year. Therefore, no additional compensation expense was recognized.
SAR can be exercised once the two-year vesting period has expired on the condition that the Allianz SE stock price is at least 20.0 % above the price at which the SAR were granted (strike price). Also, the share price of the Allianz SE stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period. The RSU are released on the first trading day after the end of a five-year vesting period.

Remuneration for Allianz Group mandates and for mandates from outside the Allianz Group

If a member of the Board of Management holds a mandate in another company the full compensation amount is transferred to Allianz SE if the company is owned by Allianz. If the mandate is from a company outside the Allianz Group, 50.0 % of the compensation received is normally paid to Allianz SE. The compensation paid by companies outside the Allianz Group is shown in the Annual Reports of the companies concerned.

For a list of Supervisory Board mandates in companies outside the Allianz Group see page 268.

Pensions and similar benefits

The pension agreements for members of the Board of Management up to 2004 provided for retirement benefits of a fixed amount that were not linked to the increases in salary or variable pay. With effect from 2005, Allianz SE changed from this defined benefit arrangement to a contribution-based system. The respective pension rights that existed at that point in time were frozen. As a result of the change, since 2005, annual contributions have been made by the Company instead of the former increase amendments. Interest is accrued on the contributions with a minimum guaranteed rate of 2.75 % per annum. Should the net annual return from the invested contribution exceed 2.75 % the full increase in value is credited to the members the same year. The company reviews the level of contributions annually. The contribution payments are guaranteed only as required for further regular financing of accrued pension rights resulting from defined benefit promises existing on December 31, 2004. In the case of an insured event, the accumulated capital is converted to equivalent annuity payments which are then paid out for the rest of the member's life or, where applicable, to dependents. The increase in reserves for pensions (current service cost) includes the required expenditures for further financing of accrued pension rights as well as the contribution payments for the new contribution-based system.

When a mandate of a member of the Board of Management ends, a pension may become payable at the earliest upon reaching the age of 60, except for cases of occupational or general disability for medical reasons, or in case of death, when a pension may become payable to the dependents. If the mandate is terminated for other reasons before retirement age has been reached, a pension promise is maintained if non-forfeitable. This does not include, however, a right to pension payments beginning immediately.

Allianz Group paid € 4 million (2007: € 4 million) to increase pension reserves and reserves for similar benefits for active members of the Board of Management. On December 31, 2008, pension reserves and reserves for similar benefits to members of the Board of Management who were active at that date, amounted to € 29 million (2007: € 26 million).

The following table sets out the current service cost and contributions arising in relation to the current pension plans for each individual member of the Board of Management of Allianz SE in 2008. For better transparency, we have separated the current service cost for the defined benefit plan (redeemed as of December 31, 2004) from the current pension plans.

Board of Management	Defined Benefit Pension Plan (frozen)	Current Pension Plans	Total
	2008 € thou	2008 € thou	2008 € thou
Michael Diekmann (Chairman)	157	396	553
Dr. Paul Achleitner	237	237	474
Oliver Bäte	–	267	267
Clement B. Booth	–	261	261
Enrico Cucchiani	–	293	293
Dr. Joachim Faber	133	213	346
Dr. Helmut Perlet [1]	0	220	220
Dr. Gerhard Rupprecht	176	196	372
Jean-Philippe Thierry	–	35	35
Dr. Herbert Walter	315	209	524
Dr. Werner Zedelius	81	209	290

Termination of service

Members of the Board of Management who leave the Board after serving a term of at least five years are entitled to a transition payment for a period of six months. The amount payable is calculated on fixed salary and a proportion of the annual target bonus and is paid in monthly instalments.

If service is terminated as a result of a so-called “change of control”, the following separate regulation applies:

A change of control requires that a shareholder of Allianz SE acting alone or together with other shareholders holds more than 50.0% of voting rights in Allianz SE. If the appointment of a member of the Board of Management is unilaterally revoked by the Supervisory Board as a result of such a change of control within a period of twelve months after the event, or if the member terminates service by resignation due to a substantial decrease in managerial responsibilities and, without giving cause for termination, all contracted benefits will be payable in the form of a lump-sum for the duration of the employment contract. The amount to be paid is based on the fixed salary at the time of the change of control, the annual and current three-year bonus, in each case discounted according to market conditions at the time of payment. A target achievement of 100.0% is the basis for the annual and three-year bonus. If the remaining duration of the service contract is not at least three years at the time of change of control, the lump-sum payment in respect of fixed salary and annual bonus is increased to correspond to a term of three years. If the member reaches the age of 60 before the three years have elapsed, the lump-sum payment decreases correspondingly. For the equity-based remuneration the member is treated as having retired. These regulations are also effective if the Board of Management mandate is not extended within two years after the change of control.

For other cases of early termination of appointment to the Board of Management, service contracts do not contain any special rules.

[1] No current service cost for the defined benefit pension plan of Dr. Perlet, as above age 60.

Since their introduction in June 2007, Allianz SE complies with the provisions of rule 4.2.3 sections 4 and 5 of the German Corporate Governance Code setting out suggestions and – later on – recommendations on severance payment caps in case of premature termination of Board of Management contracts without serious cause. Thus, for the appointment of new Board of Management members or for extensions of the existing mandates, the service contract provides that payments for early termination shall neither exceed the value of two times annual compensation (severance payment cap) nor the payments due for the remaining term of the contract. In case of early termination due to a change of control payments shall not exceed 150.0% of the severance payment cap.

Benefits to retired Members of the Board of Management

In 2008, remuneration and other benefits in the amount of € 7 million (2007: € 5 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 47 million (2007: € 49 million).

Remuneration of the Supervisory Board

Remuneration system

The remuneration of the Supervisory Board is governed by § 11 of the Statutes of Allianz SE. In line with § 113 of the German Stock Corporation Act, the General Meeting is responsible for establishing the Supervisory Board's remuneration. Accordingly, the provisions on the amount and structure of the Supervisory Board remuneration in § 11 of the Statutes were ratified by the Annual General Meeting in 2005. Upon the conversion of Allianz AG into Allianz SE in 2006, these provisions were adopted by shareholders without changes.

The key principles of the Supervisory Board remuneration are:

- Total remuneration is set at an appropriate level based on the scale and scope of the Supervisory Board members' duties and responsibilities as well as the Company's activities, business and financial situation.

- An appropriate balance is maintained between fixed remuneration and short-term and long-term performance based components in order to adhere to the principles of neutrality and independence of the Supervisory Board members, while at the same time providing adequate performance incentives.

- The remuneration conforms to the individual functions and responsibilities of the Supervisory Board members, such as chair or vice-chair or committee mandates.

Three components make up the regular remuneration of a member of the Supervisory Board of Allianz SE, i.e. the remuneration without taking into account additional remuneration for the Chairperson, Deputy Chairpersons and/or members and Chairpersons of committees:

- The fixed remuneration amounts to € 50,000 per fiscal year.

- The first performance-based component of remuneration has a short-term focus. It depends on the increase of the consolidated earnings-per-share compared to the previous fiscal year. It amounts to € 150 for each tenth percentage point by which the Group's earnings-per-share increased in comparison to the preceding year and is set at a maximum limit per member of € 24,000.

- The second performance-based component of remuneration depends on the increase of the consolidated earnings-per-share compared to this figure three years ago and therefore seeks to reflect long-term performance. It amounts to € 60 for each tenth percentage point by which the Group's earnings-per-share increased over the past three years. It is also set at a maximum limit of € 24,000.

Maximum regular remuneration

With the two variable remuneration components being capped at a maximum limit of € 24,000 and a fixed sum of € 50,000, the maximum total regular compensation for a Supervisory Board member amounts to € 98,000 per fiscal year. This maximum amount is reached when the previous year's earnings-per-share have risen by 16.0 % and when this indicator has further improved by a total of 40.0 % or more over the last three years. If there has been no improvement in the Allianz Group's earnings-per-share during the relevant period (i.e. the past fiscal year or the past three years), no performance-based remuneration will be awarded.

Compliance with German Corporate Governance Code

The structure of the Supervisory Board's remuneration complies with the recommendation and the suggestion of the German Corporate Governance Code under which members of the Supervisory Board shall receive fixed as well as performance-based compensation that should contain components based on the long-term performance of the business. We believe that this form of the Supervisory Board's remuneration has proven to be effective, and that the earnings-per-share performance measure is appropriate for the calculation of the performance-based remuneration of the Supervisory Board.

Chair and committees, limits and attendance fees

The Chairperson and Deputy Chairpersons of the Supervisory Board as well as the Chairperson and members of Supervisory Board committees receive additional remuneration as follows: The Chairperson of the Supervisory Board receives double, and the Deputy Chairpersons receive one-and-a-half times, the regular remuneration of a member of the Supervisory Board. Members of the Personnel Committee, Standing Committee and Risk Committee receive an additional 25.0 % above the regular remuneration, and the Chairpersons of each of these committees receive 50.0 % over the regular remuneration. Members of the Audit Committee are entitled to a fixed sum of € 30,000 per year and the Audit Committee Chairperson receives € 45,000. No additional remuneration is granted to the members of the Nomination Committee.

There is a maximum limit on the total remuneration of each member of the Supervisory Board. It is reached when the Chairperson of the Supervisory Board has been awarded triple, and the other members of the Supervisory Board double, the regular remuneration of a member of the Supervisory Board.

The members of the Supervisory Board receive a € 500 attendance fee for each Supervisory Board or committee meeting that they attend in person. This sum remains unchanged if several meetings occur on one day or when various meetings are held on consecutive days.

Figures for 2008 fiscal year

The Group's earnings-per-share were negative in 2008. The performance-based remuneration of the Supervisory Board being based on the increase of the Group' earnings-per-share, no short-term or long-term performance-based remuneration will be awarded to the Supervisory Board for 2008. For 2008 the regular remuneration for a member of the Supervisory Board thus amounted to a total of € 50,000, being the fixed remuneration. The maximum limit of remuneration applicable to the Chairman of the Supervisory Board, being three times the regular remuneration, amounted to € 150,000, the maximum limit of remuneration applicable to the other Supervisory Board members amounted to € 100,000.

The total remuneration for the Supervisory Board members including attendance fees amounted to € 1,080,000 in 2008, compared to € 1,598,305 in 2007. Accordingly, the average annual remuneration for the Supervisory Board members decreased to € 90,000 (2007: € 132,274). The reason for this is that no performance-based remuneration was awarded.

Remuneration of the Supervisory Board of Allianz SE

Supervisory Board	Fixed remuneration		Long-term performance based remuneration		Short-term performance based remuneration		Committee remuneration	
	2008 €	2007 €	2008 €	2007 €	2008 €	2007 €	2008 €	2007 €
Dr. Henning Schulte-Noelle (Chairman)	100,000	100,000	0	48,000	0	16,200	75,000	123,150
Dr. Gerhard Cromme (Deputy Chairman)	75,000	75,000	0	36,000	0	12,150	36,250	86,050
Claudia Eggert-Lehmann (Deputy Chairwoman) (until January 12, 2009)	75,000	75,000	0	36,000	0	12,150	25,000	41,050
Dr. Wulf H. Bernotat	50,000	50,000	0	24,000	0	8,100	42,500	50,525
Jean-Jacques Cette	50,000	50,000	0	24,000	0	8,100	30,000	30,000
Godfrey Robert Hayward	50,000	50,000	0	24,000	0	8,100	12,500	20,525
Dr. Franz B. Humer	50,000	50,000	0	24,000	0	8,100	50,000	20,525
Prof. Dr. Renate Köcher	50,000	50,000	0	24,000	0	8,100	12,500	20,525
Peter Kossubek (since May 2, 2007)	50,000	33,334	0	16,000	0	5,400	12,500	13,684
Igor Landau	50,000	50,000	0	24,000	0	8,100	30,000	30,000
Jörg Reinbrecht	50,000	50,000	0	24,000	0	8,100	30,000	30,000
Margit Schoffer (until May 2, 2007)	—	20,834	—	10,000	—	3,375	—	8,553
Rolf Zimmermann	50,000	50,000	0	24,000	0	8,100	12,500	20,525
Total	700,000	704,168	0	338,000	0	114,075	368,750	495,112

Total remuneration including attendance fees

Supervisory Board	Total remuneration (fixed, performance based and committee) (after cap)		Attendance fees		Total amount (total remuneration and attendance fees)	
	2008 €	2007 €	2008 €	2007 €	2008 €	2007 €
Dr. Henning Schulte-Noelle (Chairman)	150,000[3]	246,300[1]	4,000	2,500	154,000	248,800
Dr. Gerhard Cromme (Deputy Chairman)	100,000[4]	164,200[2]	4,000	3,500	104,000	167,700
Claudia Eggert-Lehmann (Deputy Chairwoman) (until January 12, 2009)	100,000	164,200	3,500	2,500	103,500	166,700
Dr. Wulf H. Bernotat	92,500	132,625	4,000	3,000	96,500	135,625
Jean-Jacques Cette	80,000	112,100	4,000	3,000	84,000	115,100
Godfrey Robert Hayward	62,500	102,625	3,500	2,000	66,000	104,625
Dr. Franz B. Humer	100,000	102,625	4,500	2,000	104,500	104,625
Prof. Dr. Renate Köcher	62,500	102,625	3,500	2,000	66,000	104,625
Peter Kossubek (since May 2, 2007)	62,500	68,418	3,500	1,000	66,000	69,418
Igor Landau	80,000	112,100	4,500	3,500	84,500	115,600
Jörg Reinbrecht	80,000	112,100	4,500	3,500	84,500	115,600
Margit Schoffer (until May 2, 2007)	—	42,762	—	2,000	—	44,762
Rolf Zimmermann	62,500	102,625	4,000	2,500	66,500	105,125
Total	1,032,500	1,565,305	47,500	33,000	1,080,000	1,598,305

1) Total calculated remuneration of € 287,350, which is capped at € 246,300 (for Chairman, the limit is three times the 2007 regular remuneration).
2) Total calculated remuneration of € 209,200, which is capped at € 164,200 (limit of two times the 2007 regular remuneration).
3) Total calculated remuneration of € 175,000, which is capped at € 150,000 (for Chairperson, the limit is three times the 2008 regular remuneration).
4) Total calculated remuneration of € 111,250, which is capped at € 100,000 (limit of two times the 2008 regular remuneration).

Remuneration for mandates in other Allianz Group subsidiaries, agent commissions

As member of the Supervisory Board of Dresdner Bank AG Claudia Eggert-Lehmann received € 45,000. Peter Kossubek received € 13,333.33 as member of the Supervisory Board of Allianz Versicherungs-AG. One member of the Supervisory Board received certain small commission payment for ancillary agent activities.

Loans to members of the Board of Management and Supervisory Board

Loans granted by Dresdner Bank AG and other Allianz Group companies to members of the Board of Management and Supervisory Board totaled € 85,000 on the date of balance (December 31, 2008). Loan amounts repaid in 2008 totaled € 50,876. Loans are provided at standard market conditions or at the conditions as applied to employees. Moreover, overdraft facilities were granted to members of the Board of Management and Supervisory Board as part of existing account relationships, likewise corresponding to conditions according to market standard or those applied to employees. The loans and overdrafts mentioned above (1) were made in the ordinary course of business, (2) were granted on conditions that are comparable to those of loans and overdrafts granted to people in peer groups and (3) did not involve more than the normal risk of collectability or present other unfavorable features. For members of the Board of Management, this means that the conditions have been set according to the prevailing conditions for Allianz employees.

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Supervisory Board

Dr. Henning Schulte-Noelle
Chairman
Former Chairman of the Board of Management, Allianz AG

Dr. Gerhard Cromme
Vice Chairman
Chairman of the Supervisory Board, ThyssenKrupp AG

Claudia Eggert-Lehmann until January 12, 2009
Vice Chairwoman
Employee, Dresdner Bank AG

Dr. Wulf H. Bernotat
Chairman of the Board of Management, E.ON AG

Jean-Jacques Cette
Secretary of the Group Commission,
Assurances Générales de France

Karl Grimm since January 28, 2009
Employee, Allianz Deutschland AG

Godfrey Robert Hayward
Employee, Allianz Insurance plc

Dr. Franz B. Humer
President of the Board of Management,
F. Hoffmann-La Roche AG

Prof. Dr. Renate Köcher
Chairwoman, Institut für Demoskopie Allensbach

Peter Kossubek
Employee, Allianz Deutschland AG

Igor Landau
Member of the Board of Management, Sanofi-Aventis S.A.

Jörg Reinbrecht
Union Secretary, ver.di Bundesverwaltung

Rolf Zimmermann
Employee, Allianz Deutschland AG

Board of Management

Michael Diekmann
Chairman of the Board of Management

Dr. Paul Achleitner
Finance

Oliver Bäte
Chief Operating Officer

Clement B. Booth
Insurance Anglo Broker Markets/Global Lines

Enrico Cucchiani
Insurance Europe I (South Europe & South America)

Dr. Joachim Faber
Asset Management Worldwide

Dr. Helmut Perlet until August 31, 2009
Controlling, Reporting, Risk

Dr. Gerhard Rupprecht
Insurance German Speaking Countries
Director responsible for Work and Social Welfare

Jean-Philippe Thierry
Insurance Europe II (France & Benelux)

Dr. Herbert Walter until January 12, 2009
Banking Worldwide

Dr. Werner Zedelius
Insurance Growth Markets

International Executive Committee

In addition to members of the Allianz SE's Board of Management, the International Executive Committee includes the heads of major subsidiaries. Chaired by Michael Diekmann, this body discusses overall strategic issues at an Allianz Group level.

1 **Terry Towell,** Allianz Australia, Sydney
2 **Gerhard Rupprecht,** Allianz SE, Munich
3 **Manfred Knof,** Allianz Suisse, Zurich
4 **Jay Ralph,** Allianz SE, Munich
5 **Jean-Philippe Thierry,** Allianz SE, Munich
6 **Clement B. Booth,** Allianz SE, Munich
7 **Maximilian Zimmerer,** Allianz Deutschland AG, Munich
8 **Thomas Pleines,** Allianz Deutschland AG, Munich
9 **Markus Rieß,** Allianz Deutschland AG, Munich
10 **Paul Achleitner,** Allianz SE, Munich
11 **William S. Thompson,** PIMCO, Newport Beach
12 **Oliver Bäte,** Allianz SE, Munich
13 **Gary C. Bhojwani,** Allianz Life Insurance, Minneapolis
14 **Jacques Richier,** AGF, Paris

15 **Michael E. LaRocco,** Fireman's Fund Insurance Company, Novato
16 **Ulrich Rumm,** Allianz Deutschland AG, Munich
17 **Werner Zedelius,** Allianz SE, Munich
18 **Herbert Walter,** Dresdner Bank, Frankfurt/Main
19 **Axel Theis,** Allianz Global Corporate & Specialty, Munich
20 **Vicente Tardío Barutel,** Allianz Companía de Seguros y Reaseguros, Barcelona
21 **Charles Kavitsky,** Allianz of America, Novato
22 **Michael Diekmann,** Allianz SE, Munich
23 **Wolfram Littich,** Allianz Elementar, Vienna
24 **Enrico Cucchiani,** Allianz SE, Munich
25 **Andrew Torrance,** Allianz Cornhill Insurance, London
26 **Joachim Faber,** Allianz SE, Munich
27 **Helmut Perlet,** Allianz SE, Munich

Strategy

Our strategy has proven its value in the midst of a financial and economic crisis of extraordinary dimensions. We continued to offer the same service quality, and maintained operational and financial soundness in 2008. This reflects our clarity of focus and integrity, and provides further evidence that we have passed important milestones on our path to becoming a global financial services provider enjoying the highest level of trust.

Key drivers underpinning these achievements include:

– The 3+One program, which sets out our most important management objectives, was initiated in 2003 and remains in effect.

– Our sustainability program, in place since 2004, has the goal of continuous improvement in our insurance core skills: risk pricing, claims management, and investment management.

– The transformation of our operating business model launched in 2006 with the objective to place the customer, and the best possible fulfillment of his financial services needs and wishes, at the center of the whole organization. It also facilitates integrating all technical improvements into one common set of business processes.

These measures ensure that all our business units use the highest standards to meet the needs of our customers while delivering benefit for our shareholders. We call this approach "Delivering the Best of Allianz".

However, the financial crisis has clearly left its mark on our numbers, particularly in the second half of 2008. Dresdner Bank was not alone in being hit hard by the crisis; asset management and life insurance also failed to meet their goals. The intensifying global recession will continue to present major challenges in 2009.

Nevertheless, we remain convinced that Allianz will do more than just meet these challenges – it will continue to strengthen its international competitive position.

In spite of the greatest financial crisis in many decades, our performance in the year under review cannot help but inspire confidence:

– Property-casualty insurance profits were excellent again although prices remained at depressed levels.

– Despite the crisis and the financial upheavals, we succeded in transferring Dresdner Bank to Commerzbank, making a major contribution to banking consolidation in Germany.

– And, despite all the difficulties, we are in a position to distribute an attractive dividend to our shareholders, without putting our capital base at risk.

The crisis presents Allianz with enormous opportunities. Many former leading competitors have ceased to exist or have been partly nationalized in recent months. It is not just our customers but many other parts of society that now recognize that financial service providers like Allianz, reliable even in times of crisis, are an increasingly scarce phenomenon. Stable financial institutions that can withstand crises are the foundation of a functioning economic system.

For this reason, we intend to make even greater efforts to achieve our goal of becoming the most trusted global financial services provider. In our pursuit of this goal, we are guided by our fundamental principles and management priorities.

Fundamental principles

We are convinced that we earn the trust of our customers and partners by offering the highest level of expertise, integrity and sustainability.

– Expertise: Our services set the standard in our markets. Our highly qualified employees enjoy the respect of customers and competitors and we are successful in our efforts to achieve continuous improvement in the Allianz Group through a combination of global capabilities and local entrepreneurship.

– Integrity: For us, integrity means more than just keeping our promises, it means only making promises that we can keep. We maintain a strong focus on securing our financial stability in all circumstances, which is especially important in the current environment. In addition, we review our services regularly to ensure the appropriate balance between the needs of our customers and distributors and the interests of our shareholders.

– Sustainability: We achieve sustainability primarily by taking advantage of the major growth opportunities that present themselves to Allianz. The current environment is confirmation that the need for robust and highly ethical investment and insurance services will continue to grow strongly. For too long, the growth dynamics generated during the financial bubble that is now bursting have obscured the increasing systemic risk in our interconnected world: For example, no sustainable model as a solution to the growing problem of global warming and increasingly frequent natural disasters has been developed yet. The same holds true for the growing retirement and health care system deficits faced by aging societies, and for the lack of capital and risk transfer systems in young, rapidly growing economies.

Those who dreamed in recent years that these and other problems could "solve themselves" through increased leverage and the resulting inflationary economic growth have now received a wake-up call. Even the currently popular position that the "circle can be squared" through wealth redistribution and government regulation is steadily losing ground against the backdrop of deteriorating economic conditions.

We remain convinced that Allianz can make a significant contribution towards continuously improving the management of rising retiring and investment risks in our society. In doing this, we not only create sustainable value for our customers and shareholders, we also assume social responsibility in our areas of expertise.

Management priorities

Our management priorities have been proven to be correct in the current financial crisis.

Building on our experiences in the last capital market crisis in 2001/2002, we created our "3+One" program in 2003. This program places emphasis on:

1 Sustainable improvement of our operating profitability,
2 Strengthening our capital base, making us more resilient to crises,
3 Reducing the complexity of structures and procedures,
+ One Strengthening our long-term competitiveness.

We have made significant progress on these priorities in recent years. Through our sustainability initiative, we systematically raised the level of performance group-wide in our insurance units in product pricing, risk assessment and claims procedures. We then expanded this method to our production processes. Our operational transformation program (OTP) reshapes our core processes, raising their productivity to benchmark levels. These group programs have increased our operating profitability every year since 2003, despite the soft markets in property-casualty insurance during this period.

At the same time, we have strengthened our solvency and risk management capabilities and reduced significant concentration risks in our investments. In spite of the dramatic distortions in the financial markets our solvency is strong in comparison to our competitors and remains within our target range of 150 % – 170 %.

We greatly simplified the group structure of Allianz by buying out the minority holdings in RAS in Italy, AGF in France, in Taiwan and Turkey, and finally in Allianz Leben

(Germany). The consolidation of our legal units in Germany also made a major contribution in this area.

And as a prerequisite for long-term growth we have increased our focus on customers and innovation. The introduction of uniform leadership principles has firmly anchored this concept in our culture.

We regard our Customer Focus Initiative (CFI) as the key factor for profitable growth. Since 2006 CFI has been a major success and we shall continue to promote it strongly. Around the globe we regularly measure progress with the help of the Net Promoter Score (NPS) which flags customer satisfaction and their willingness to recommend Allianz to others. NPS scores now flow into the management compensation schemes of most Allianz subsidiaries. Since CFI was launched in 2006 we have seen a trebling in the number of Allianz companies where customer loyalty outstrips that of competitors. CFI will be part of the central market management of our new operating model.

The "3+One" program has more than made the core operations of the Allianz Group leaner, more profitable and more resilient. We have also shown that a core element of our success so far has been the consistent identification and systematic sharing of our best ideas and skills. This knowledge forms the basis for the further development of the 3+One program and our management priorities for the coming years, years that will see great uncertainty and enormous opportunities.

At the same time, maintaining a clear focus on operating profitability, financial strength, reduction of complexity and sustainable improvement of our competitive position remains our firm objective. Our aim is nothing less than "Delivering the Best of Allianz".

- Operating profitability: We will continue to strengthen our profitability by resolutely pursuing operational excellence in every element of our value chain. In addition to the continuous improvement of our operating processes, our focus is now primarily on distribution and on our new market management functions.

- Financial strength: We will continue to improve our capital management and significant economies of scale in investments by further strengthening our Allianz Investment Management unit (AIM) and our group reinsurance program.

- Reducing complexity: We will continue to reduce complexity in 2009 by introducing our "target operating model" (TOM) as a uniform organization platform globally, completing current implementations, and extending the model to additional businesses. The TOM places the strongest possible focus on our leadership structure and allows us to exploit synergies more quickly and consistently. It is also a prerequisite for efficient global best practice transfer.

- Sustainable improvement of our competitive position. Our Target Operating Model does more than drive further efficiency improvements. It enables us to systematically strengthen our customer and market orientation. With the establishment of a market management function in all Allianz units, it redefines the area of responsibility for the systematic identification of new customer needs and services, as well as ensuring a high level of service quality for our customers and distribution channels.

"Delivering the Best of Allianz" thus means resolute costumer orientation and operational excellence supported by best practice transfer. We are confident that through this approach we will make major strides again in 2009 towards our goal of becoming the most trusted global financial services provider.

Dresdner Bank

With the sale of Dresdner Bank to Commerzbank, which was concluded on January 12, 2009, our banking strategy has been realigned. We are going to focus on leveraging our distribution agreements for the sale of insurance and investment products with over 200 banking partners worldwide. Furthermore, in countries where we have a presence through a major network of Allianz representatives, we will complement our product offerings with either our own basic banking products or those of our partners. This allows us to concentrate on banking transactions that are in the interest of customers of our own distribution organizations.

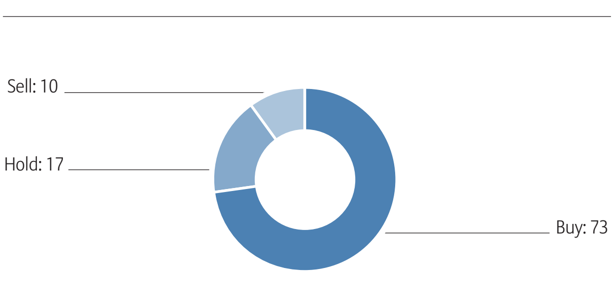
Allianz Share

– Global equity markets fell dramatically in 2008.
– Pressure created by increasing fears of recession hit every sector, not just financials.
– The Allianz share did not remain unaffected by the subsequent downturn of the market. It lost 49.3 % of its value during the year, almost in line with the insurance sector as a whole.

Equity Markets Hit Hard by the Global Financial Crisis

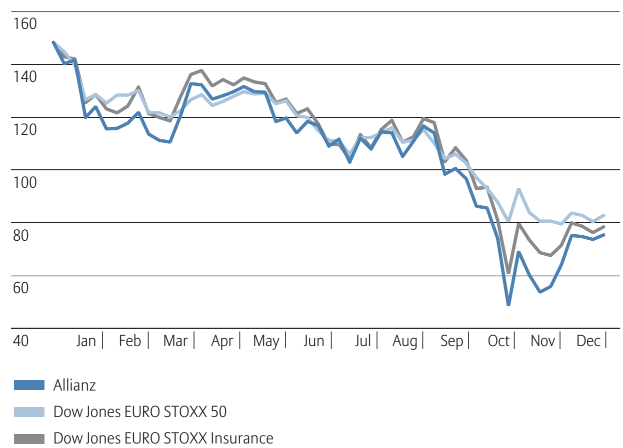
Equity markets suffered heavy losses in 2008. In the previous year, the financial sector was virtually the only sector to disappoint. This year, however, stock prices in all sectors fell dramatically, particularly beginning in the fall, as fears grew that the financial crisis would have a major impact on the real economy. This is reflected in the performance of the Dow Jones EURO STOXX 50 index, which plummeted 44.4 % during the year. Insurance stocks were down on average by 47.3 %, while the share price of Allianz fell 49.3 % to close the year at € 75.00 per share. Our share price has bounced back more than 30 % in the last weeks of 2008 supported by the news that we had succeeded in accelerating the sale of Dresdner Bank. Upon publication of the results for the fiscal year 2008 almost three quarters of analysts recommended to buy the Allianz share, one sixth was neutral and only one in ten advised to sell.

Analysts' recommendations
as of March 5, 2009 in %



Source: Bloomberg

Development of the Allianz share price versus Dow Jones EURO STOXX 50 and Dow Jones EURO STOXX Insurance
indexed on the Allianz share price in €



Source: Thomson Reuters Datastream
Up-to-date information on the development of the Allianz share price is available at www.allianz.com/share.

As a result of the major drop in our share price in 2008, the longer-term performance of Allianz shares is no longer positive either. Our share price has shown a performance similar to that of the insurance sector as a whole for most comparison periods. To calculate the performance of your own investment in Allianz shares, you can use the share performance calculator available online at www.allianz.com/share.

Allianz share performance in comparison
average annual performance in %

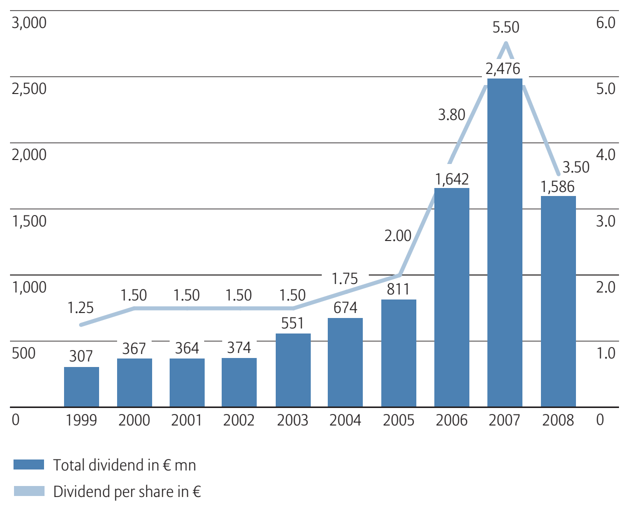
	1 year 2008	5 years 2004–2008	10 years 1999–2008
Allianz (excluding dividends)	(49.3)	(5.6)	(12.4)
Allianz (including dividends)	(47.0)	(3.3)	(11.0)
Dow Jones EURO STOXX Insurance	(47.3)	(4.9)	(8.7)
Dow Jones EURO STOXX 50	(44.4)	(2.4)	(3.1)
DAX	(40.4)	3.9	(0.4)

Source: Thomson Reuters Datastream

Dividends

With our dividend proposal of € 1,586 million or € 3.50 per share we are endeavoring to take into account both our earnings performance and the need for an appropriate capital base as well as the justified shareholder interest in an attractive dividend.

Total dividend and dividend per share



Allianz share key indicators at a glance

		2008	2007	2006
Number of shares outstanding as of December 31		453,050,000	450,150,000	432,150,000
Weighted number of shares outstanding		450,161,145	442,544,977	410,871,602
Share price as of December 31	€	75.00	147.95	154.76
High of the year	€	145.92	178.64	156.75
Low of the year	€	46.64	133.92	111.20
Share price performance in the year	%	(49.3)	(4.4)	21.0
Market capitalization as of December 31	€ bn	34.0	66.6	66.9
Average number of shares traded per day	mn	5.0	4.2	3.3
Beta-Factor [1]		1.3	1.2	1.2
Basic earnings per share	€	(5.43)	18.00	17.09
Price-earnings ratio		—	8.2	9.1
Dividend per share	€	3.50	5.50	3.80
Dividend yield as of December 31	%	4.7	3.7	2.5
Payout ratio	%	40 [2]	31	23
Return on equity after income tax [2] [3]	%	9.7	15.0	15.0

1) In comparison with Dow Jones EURO STOXX 50; source: Bloomberg
2) Based on net income from continuing operations.
3) Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and preceding year's shareholders' equity.

Market Capitalization

Because of the significant drop in our share price, our market capitalization fell to € 34 billion. In spite of this setback, Allianz remains one of the most highly valued financial services providers in the world. We are among the top 10 in the MSCI World Financials Index.

High Weighting in Important Global Indices

The Allianz stock is a component of the major German, European and world indices. Because of its strong market position, it is among the heavyweights in sector indices for insurers, such as the Dow Jones EURO STOXX Insurance where it had a weighting of 22.9 % at year-end, making it the number one stock out of 17 stocks contained in the index. Our stock is also included in the Global Dow Index, created by Dow Jones in November 2008. This index reflects the performance of 150 blue-chip stocks worldwide. In order to be part to this index, a company must already have established itself as a market leader or be well-positioned to gain a top position in emerging, strong-growth markets.

Weighting of the Allianz share in major indices
as of December 31, 2008

	Weighting in %	Ranking	Index members
DAX	7.7	3	30
Dow Jones EURO STOXX 50	2.7	11	50
Dow Jones EURO STOXX Insurance	22.9	1	17
MSCI World Financials	1.52	7	360
MSCI World	0.28	58	1,693

Sources: Deutsche Börse, Dow Jones Indexes/STOXX Ltd., MSCI Barra

Superior Sustainability Ratings

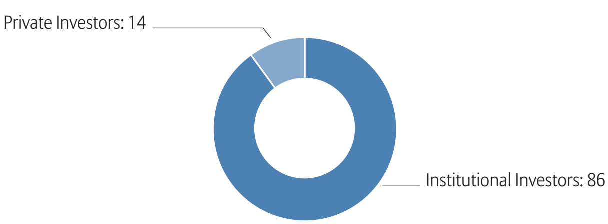
Our holistic entrepreneurial approach has long been recognized and has resulted in our stock's inclusion in major sustainability indices, including the FTSE4Good since 2002 and, since 2004, the Dow Jones Sustainability Index. This is a testament to the attractiveness of Allianz shares for investors taking a socially responsible approach to investment. Please visit www.allianz.com/sustainability for more information on the topic of sustainability.

Shareholder Structure

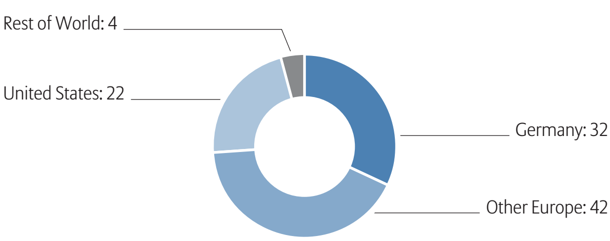
Allianz has around 474,000 shareholders and is one of the biggest publicly owned corporations in Europe. The number of shareholders increased by more than 15 % over the last year. All of our shares continue to be held in free float. At the end of the year, 86 % were held by institutional investors, 14 % (up 4 percentage points) by private investors. The breakdown by country shows that 32 % of Allianz shares were held by German investors, while 68 % were held by non-German investors, including 22 % by investors in the U.S. and 13 % by investors in the United Kingdom. The high percentage of shareholders outside Germany is an indication of the regard in which our stock is held on the international financial markets.

For up-to-date information on our shareholder structure, please visit www.allianz.com/shareholders.

Shareholder structure as of December 31, 2008
in % of subscribed capital



Regional breakdown as of December 31, 2008
in % of subscribed capital



Source: Allianz SE share register

High Level of Interest in our Annual General Meeting

Our Annual General Meeting for the financial year 2007, held on May 21, 2008, was attended by more than 4,400 shareholders. The proportion of the voting share capital represented was 40.2 %, with about 25 % held by equity holders from outside of Germany and close to 15 % by shareholders domiciled in Germany. The Annual General Meeting approved each of the items on the agenda by a significant majority. For detailed information about the Annual General Meeting, please visit www.allianz.com/agm.

Strong Presence in Capital Markets

Communication with investors is very important to us. During our roadshows over the reporting year, we visited 571 investors in 26 cities in Europe, Asia and the U.S. We devoted 38 days to this effort in an extremely turbulent period. This gave many investors the opportunity to meet personally with Members of the Board of Management or our Investor Relations team and to clarify outstanding questions. We held roadshows in Kuwait, Oslo and Copenhagen for the first time and made new contacts there. Including discussions held at the Munich headquarters, we met with analysts and institutional investors a total of 405 times during the year under review.

The annual analysts' conference and the teleconferences on our quarterly results and on the sale of Dresdner Bank attracted considerable interest. We also presented Allianz and its strategy at investor conferences in San Francisco, New York, London, Milan, Berlin and Munich.

Our dialogue with private shareholders is another key component of our Investor Relations work. The number of inquiries we processed from this group of investors was around 8,600, approximately as high in 2008 as in the previous years.

Awards

Our work in the area of Investor Relations was again recognized by analysts and portfolio managers in 2008. Our Investor Relations received second place in IR Magazine's Continental Europe Awards in the industry wide category "Best Investor Relations Germany". Our IR team was top ranked in the independent sector study by Institutional Investor and the head of IR was named "Best IR Professional" in the European insurance sector. The well-known Thomson Reuters Extel Pan European Survey selected our IR team and its Head as number one among European insurers.

Services for Allianz Shareholders

Internet

– Please visit www.allianz.com/investor-relations for up-to-date information on the performance of the Allianz Group and Allianz shares. We broadcast all our analysts' conferences live and make them available as recordings and podcasts afterwards.

– You can access Investor Relations releases on a number of different communication channels – please subscribe to receive our newsletter by e-mail, RSS Newsfeed or directly through SMS on your cell phone. Find out more about this and other services for shareholders at www.allianz.com/services.

– To be informed about our range of services at the Annual General Meeting, please visit www.allianz.com/agm. You can also register there to receive your invitation via e-mail in the future. You can order your ticket on the web and, if you wish, you can print it yourself. These convenient services, which significantly speed up the process and are environmentally friendly, are already being widely used. We also want to ensure that as many shareholders as possible exercise their voting right at the Annual General Meeting and we offer support for this online. At www.allianz.com/agm, you can authorize proxies of Allianz SE , a bank or a shareholders' association to vote on your behalf.

Telephone Inquiries

Our Allianz Investor Line is available for telephone inquiries from 8 a.m. to 8 p.m. CET Monday to Friday.
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Written Inquiries

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80802 Muenchen
Fax: +49 89 3800 3899
E-Mail: investor.relations@allianz.com
Internet: www.allianz.com/investor-relations

Basic Allianz share information

Share type	Registered share with restricted transfer
Denomination	No-par-value share
Stock exchanges	All German stock exchanges, London, Paris, Zurich, Milan, New York
Security Codes	WKN 840 400 ISIN DE 000 840 400 5
Bloomberg	ALV GY
Reuters	ALVG.DE

Financial Calendar

Important dates for shareholders and analysts

April 29, 2009	Annual General Meeting
May 13, 2009	Interim Report 1st quarter 2009
August 7, 2009	Interim Report 2nd quarter 2009
November 9, 2009	Interim Report 3rd quarter 2009
February 25, 2010	Financial press conference for 2009 financial year
February 26, 2010	Analysts' conference for 2009 financial year
March 19, 2010	Annual Report 2009
May 5, 2010	Annual General Meeting

The German Securities Trading Act (Wertpapierhandelsgesetz) obliges issuers to announce immediately any information which may have a substantial price impact, irrespective of the communicated schedules. Therefore we cannot exclude that we have to announce key figures of quarterly and fiscal year results ahead of the dates mentioned above.

As we can never rule out changes of dates, we recommend checking them on the Internet at www.allianz.com/financialcalendar.

Annual Report online

View our 2008 Annual Report on the Internet at www.allianz.com/annualreport. Make the most of the Internet's advantages:
– select individual data and compare key ratios over a number of years,
– download all chapters and tables (in pdf and excel formats),
– access selected data in the report by means of the search function and links.

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To go directly to any chapter, simply click ➤➤ on the headline or the page number

Group Management Report

Detailed Index

Cautionary note regarding forward-looking statements

The statements contained herein may include 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 that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) 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. The matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statement.

Executive Summary and Outlook[1)]

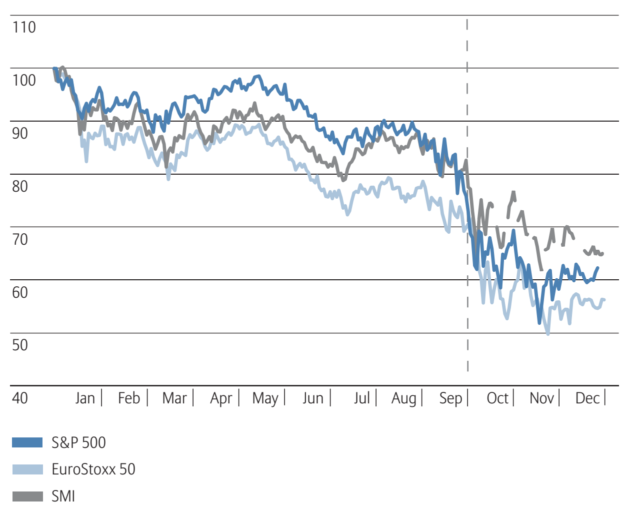
– Underlying fundamentals remained strong despite difficult market environment.
– Revenues fell by € 5,133 million as sales in investment-oriented products were seriously impacted by the financial markets crisis.
– Operating profit of € 7,433 million robust in the circumstances.
– Net income from continuing operations of € 3,967 million in spite of net capital losses.
– Sale of Dresdner Bank completed.

2008 at a Glance

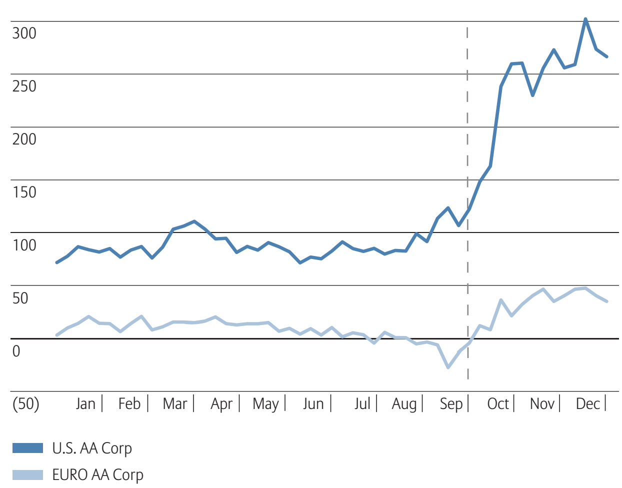
Difficult economic environment

The year under review was marked by the global financial and economic crisis that started in mid-2007 with the collapse of the housing market in the United States. The crisis that was initially observed within the banking sector accelerated in 2008 and spilled-over to various other sectors of the financial industry. Serious disruptions in the global financial system led to deteriorating economic conditions and investors became much more risk averse. In September, the global financial system almost collapsed: large financial institutions faltered, leading to changes in business models, failures, mergers and nationalizations. Some economies were even on the verge of national bancruptcy. In consequence, the weak situation in the financial markets that was observable from falling stock markets and volatile credit spreads became even more intense in the fourth quarter of the year.

Equity markets extremely volatile
in %



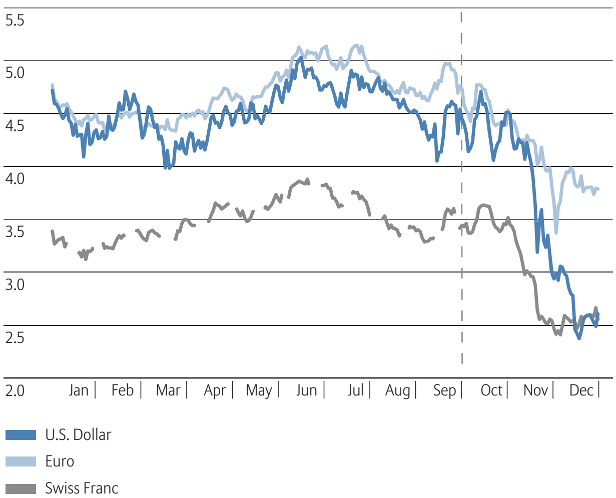
Credit spreads at all time high
in bps



[1)] The Allianz Group operates and manages its activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. Effective January 1, 2006, in addition to our four operating segments and with retrospective application, we introduced a fifth business segment named Corporate.

Interest rates at historic low levels

in %



Unprecedented levels of volatility

in %

Sale of Dresdner Bank completed

On August 31, 2008, Allianz SE (Allianz) and Commerzbank AG (Commerzbank) agreed on the sale of almost all of Dresdner Bank AG (Dresdner Bank) to Commerzbank. Following the announcement, Dresdner Bank qualified as held-for-sale and discontinued operations. Therefore, results from these operations have been eliminated from our results of Banking operations and are now presented in a separate line item "net income from discontinued operations, net of income taxes and minority interests in earnings". In addition to our continuing banking business, our Banking operations also reflect the results from those parts of Dresdner Bank that were not sold to Commerzbank: Oldenburgische Landesbank (OLB) and the banking clients that were introduced through our tied agents channel.[1)]

Overall, the loss from operations and the sale of Dresdner Bank for 2008 amounts to € 6.4 billion. In addition, our results for the first quarter of 2009 will be burdened by another € 0.4 billion stemming from unrealized gains and losses and foreign exchange movements which, according to IFRS 5, can only be taken after the completion of the transaction.[2)]

Allianz Group's Consolidated Results of Operations

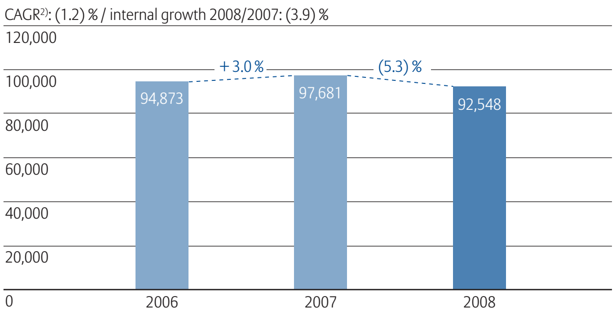
In common with the industry, Allianz was affected by the difficult economic environment, which impacted both results and asset values to varying degrees across our business segments. Initially, the effects were only seen within our banking segment's results with the major impact stemming from the investment banking activities of Dresdner Bank. In contrast, our other business segments proved to be resilient in the early part of the year. However, the worsening of the crisis progressively affected other segments. Sales of investment-oriented products slowed significantly, depressing results from our Life/Health and Asset Management businesses and we recorded a decline in our asset base driven by lower asset values. Furthermore, soaring impairments and decreased harvesting led to a decline in net income from continuing operations of 45.8 % to € 3,967 million. The situation in the financial markets had a strong impact on the results and the sale of Dresdner Bank.

1) For further information on the sale of Dresdner Bank, please refer to page 126.
2) For further information on the impact of the sale of Dresdner Bank on Allianz Group's results, please refer to page 44.

Total revenues [1)]

Total revenues

in € mn



On an internal basis[3)], total revenues decreased by 3.9 %. Whereas we recorded slight growth within our Property-Casualty operations, sales of investment-oriented products within our Life/Health and Asset Management businesses suffered materially from the difficult market conditions. Foreign currency exchange effects were also a significant feature, lowering revenues by € 1,690 million whereas de-consolidation effects only accounted for € 325 million of the reduction. At € 92,548 million, revenues were down by 5.3 % on a nominal basis.

Total revenues – Segments

in € mn

At € 43,728 million, gross premiums written from Property-Casualty operations were up 1.7 % on an internal basis, as we achieved selective growth in mixed pricing environments. Premium growth was largely driven by increased revenues from the United States. Activities in the emerging markets[5)] also contributed to growth. On a nominal basis, gross premiums written decreased by 2.0 % to € 43,387 million. Gross premiums written for 2007 include € 1,134 million of premiums relating to AGF's health business. In 2008, this business was transferred to the Life/Health segment (comparatives not restated).

Statutory premiums from Life/Health insurance amounted to € 46,297 million on an internal basis representing an 8.3 % decline. Whereas sales remained solid in countries where traditional life business is strong, we recorded significantly lower revenues from unit-linked products and from bancassurance sales channels. On a nominal basis, revenues dropped by 7.6 % to € 45,615 million. This premium figure contains € 1,199 million relating to AGF health business in 2008 (comparatives not restated).

1) Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

2) Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple-year period.

3) Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 134 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

4) Total revenues include € 115 mn, € 144 mn and € 130 mn from consolidation for 2008, 2007 and 2006, respectively.

5) New Europe, Asia-Pacific, South America, Mexico, Middle East, Africa.

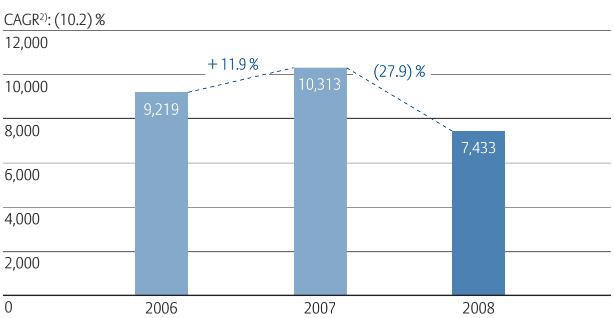
Operating revenues from Banking[1] operations decreased by 12.5 % to € 544 million with all revenue components contributing to this development.

Despite the negative impact the crisis had on the fair value of our assets under management, we still generated positive net inflows in the first nine months of 2008. In contrast, we saw large outflows in the fourth quarter as a consequence of increased investment risk aversion of customers. Net inflows for the year as a whole were nil. Due to significant market-related depreciation, third-party assets under management declined by 8.0 % to € 703 billion at year-end 2008. With this lower asset base, fee and commission income from Asset Management was down by 8.4 % to € 4,032 million. Other revenue components also contributed to the decline.

Operating profit

Operating profit

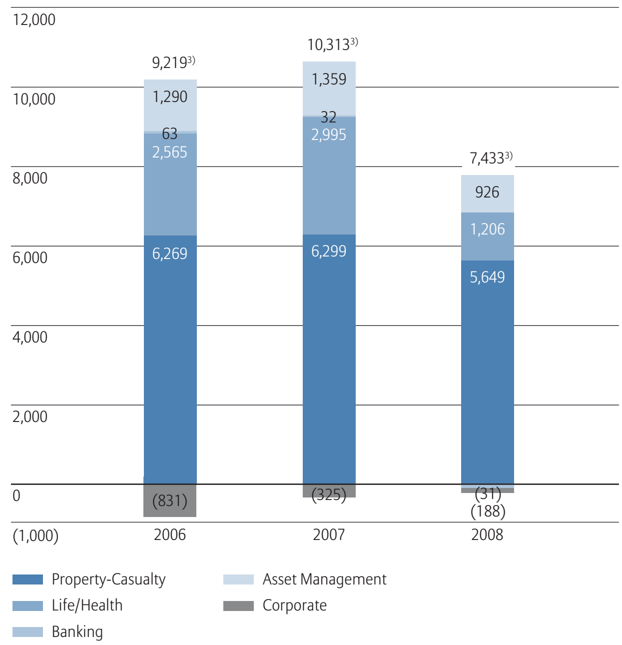
in € mn



Given the difficult market environment, operating profit of € 7,433 million was strong, albeit down by 27.9 %.

Operating profit – Segments

in € mn



At € 5,649 million, the Property-Casualty segment continued to deliver solid returns in operating profit although 10.3 % lower than in the previous year. This decline was mainly attributable to a lower underwriting result. Our combined ratio increased to 95.1 %.

Operating profit from the Life/Health business amounted to € 1,206 million. The 59.7 % decline was mainly due to weak equity markets and widening credit spreads which strongly impacted our net investment result.

In our continuing Banking[1] business, we recorded an operating loss of € 31 million, after a profit of € 32 million in 2007. Lower operating revenues and higher loan loss provisions were only partially outweighed by reduced operating expenses. The cost-income ratio increased by 6.3 percentage points to 100.4 %.

[1] Following the sale of almost all of Dresdner Bank to Commerzbank, our Banking segment reflects our existing banking operations as well as the Oldenburgische Landesbank and the banking clients from Dresdner Bank introduced through our tied agents channel.

[2] Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple-year period.

[3] Includes € (129) mn, € (47) mn and € (137) mn from consolidation in 2008, 2007 and 2006 respectively.

At € 926 million, the operating profit from our Asset Management segment declined by 31.9 % after a strong year in 2007. This development was mainly driven by reduced revenues following lower third-party assets and higher expenses.

The operating loss from Corporate Activities decreased by 42.2 % to € 188 million mainly as result of lower administrative and investment expenses in the Holding Function.

Non-operating result

Non-operating items showed a loss of € 1,960 million coming from a gain of € 250 million in 2007. This was the result of massively higher impairments.

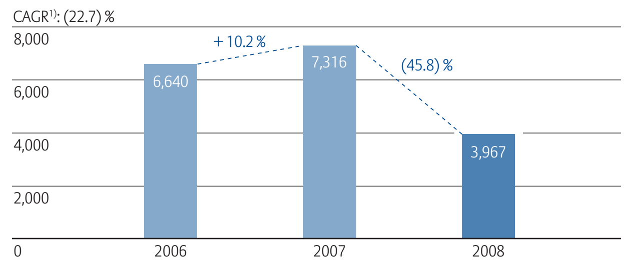
Net realized losses and impairments of investments amounted to € 640 million compared to a positive contribution of € 2,085 million a year ago. Due to the weak condition of the capital markets, impairments on investments recorded as non-operating increased from € 294 million to € 3,296 million, mainly reflecting impairments on equity securities. This decline could not be compensated by realized gains that increased by € 277 million to € 2,656 million, including higher gains on equity securities due to the execution of forward sales and lower losses from debt securities.

Acquisition-related expenses halved to € 245 million, mainly benefiting from lower expenses for PIMCO B-Units as the number of outstanding B-units considerably decreased by one quarter, which more than offset the slight increase in underlying earnings.

Interest expense from external debt reduced by 10.1 % to € 945 million primarily stemming from the redemption of the bridge loan which we had issued in connection with the minority buy-out at AGF in France early in 2007.

Net income from continuing operations

Net income from continuing operations
in € mn



Income from continuing operations before income taxes and minority interests in earnings was almost halved to € 5,473 million. Tax expenses were also reduced by 50.0 % to € 1,287 million. Against this background the effective tax rate was almost stable, down 0.8 percentage points to 23.5 %. Consequently, net income from continuing operations was down by 45.8 % to € 3,967 million.

Income tax expenses were reduced to € 1,287 million due to lower taxable income as well as tax-exempted capital gains and dividends that were only partly offset by trade tax and similar taxes.

Due to the lower pre-tax income and the AGF minority buy-out in 2007, minority interests in earnings decreased by 67.6 % to € 219 million.

Net income (loss) from discontinued operations

Due to the structure of the transaction, Allianz ceased to be exposed to changes in the results of Dresdner Bank Group from the signing date. Instead Allianz is exposed to changes in the fair value of its stake in Commerzbank. Therefore, the loss from discontinued operations is mainly subject to changes in the fair value of the consideration received.

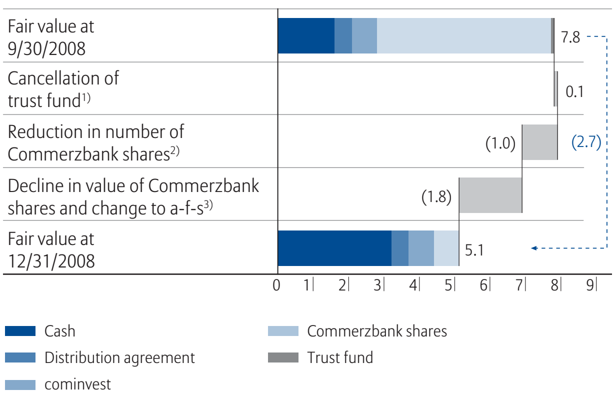
As disclosed in our interim report for the third quarter of 2008, the loss from discontinued operations amounted to € 3.5 billion, stemming from Dresdner Bank's net loss of € 2.1 billion until the change in ownership and an impairment charge of € 1.4 billion, reflecting the difference between the fair value of considerations agreed (€ 7.8 billion)

[1] Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple-year period.

and the carrying value of € 9.2 billion. Between October 1, 2008 and the date of completion of the transaction on January 12, 2009, the fair value of the agreed consideration declined by € 2.7 billion.

Changes in consideration and fair value

in € bn



Including other charges of € 0.2 billion the overall result from discontinued operations for 2008 amounted to € 6,411 million coming from a gain of € 650 million.

	€ bn
Dresdner Bank's net loss until the change in ownership	(2.1)
Impairment charge	(1.4)
Net loss from discontinued operations 1/1/2008 – 9/30/2008	**(3.5)**
Change in fair value of the agreed consideration	(2.7)
Other	(0.2)
Net loss from discontinued operations 1/1/2008 – 12/31/2008	**(6.4)**
First quarter 2009	(0.4)
Total	**(6.8)**

Net income (loss)

The net loss for 2008 amounted to € 2,444 million compared to a net income of € 7,966 million a year ago.

Earnings per share[4]

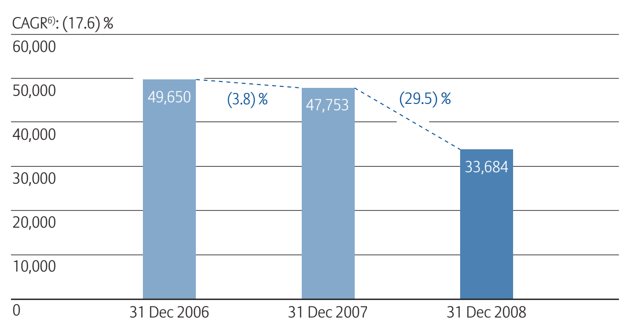
in €

The net loss translates into negative basic earnings per share of € 5.43 (diluted: € (5.47)). Taking only net income from continuing operations into account, basic earnings per share were € 8.81 (diluted: € 8.59).

Shareholders' equity

Shareholders' equity[5]

in € mn



As of December 31, 2008, shareholders' equity amounted to € 33,684 million, down € 14,069 million from previous year. Main drivers for the decline were net unrealized losses from investments of € 8,459 million, the dividend payment of € 2,472 million and the net loss amounting to € 2,444 million.

[1] € 0.25 bn cash received in exchange for cancellation of trust fund valued at € 0.1 bn.
[2] € 1.4 bn cash received as compensation for reduction in number of Commerzbank shares by 152 mn.
[3] Marked-to-market as of 01/12/2009.

[4] For further information please refer to Note 50 to our consolidated financial statements.
[5] Does not include minority interests.
[6] Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple-year period.

Segment Information – Total Revenues [1] and Operating Profit

	Property-Casualty €mn	Life/Health €mn	Banking €mn	Asset Management €mn	Corporate €mn	Consolidation €mn	Group €mn
2008							
Total revenues	43,387	45,615	544	2,887	–	115	92,548
Operating profit (loss)	5,649	1,206	(31)	926	(188)	(129)	7,433
Non-operating items	287	(533)	(130)	(293)	(1,156)	(135)	(1,960)
Income (loss) from continuing operations before income taxes and minority interests in earnings	5,936	673	(161)	633	(1,344)	(264)	5,473
Income taxes	(1,489)	(260)	54	(249)	631	26	(1,287)
Minority interests in earnings	(112)	(86)	(7)	(5)	(12)	3	(219)
Net income (loss) from continuing operations	4,335	327	(114)	379	(725)	(235)	3,967
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	—	—	(6,304)	—	—	(107)	(6,411)
Net income (loss)	4,335	327	(6,418)	379	(725)	(342)	(2,444)
2007							
Total revenues	44,289	49,367	622	3,259	—	144	97,681
Operating profit (loss)	6,299	2,995	32	1,359	(325)	(47)	10,313
Non-operating items	962	107	13	(494)	(29)	(309)	250
Income (loss) from continuing operations before income taxes and minority interests in earnings	7,261	3,102	45	865	(354)	(356)	10,563
Income taxes	(1,656)	(897)	10	(342)	217	96	(2,572)
Minority interests in earnings	(431)	(214)	—	(25)	(21)	16	(675)
Net income (loss) from continuing operations	5,174	1,991	55	498	(158)	(244)	7,316
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	—	—	322	—	—	328	650
Net income (loss)	5,174	1,991	377	498	(158)	84	7,966
2006							
Total revenues	43,674	47,421	604	3,044	—	130	94,873
Operating profit (loss)	6,269	2,565	63	1,290	(831)	(137)	9,219
Non-operating items	1,291	135	13	(555)	(156)	(384)	344
Income (loss) from continuing operations before income taxes and minority interests in earnings	7,560	2,700	76	735	(987)	(521)	9,563
Income taxes	(2,075)	(641)	(1)	(278)	824	451	(1,720)
Minority interests in earnings	(739)	(416)	(6)	(53)	(16)	27	(1,203)
Net income (loss) from continuing operations	4,746	1,643	69	404	(179)	(43)	6,640
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	—	—	849	—	—	(468)	381
Net income (loss)	4,746	1,643	918	404	(179)	(511)	7,021

[1] Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

Impact of the Financial Markets Turbulence

The financial markets crisis had its root cause in the subprime crisis, when rising defaults on subprime mortgages in the United States resulted in significant deterioration of prices for securitized assets. Primarily, this affected collateralized debt obligations (CDO) and residential mortgage-backed securities, especially those originating in the United States (U.S. RMBS). The revaluation of these assets resulted in massive write-downs in the industry. Subsequently, uncertainty about the extent and distribution of losses arose and the interbank market started to freeze. This prompted central banks to take concerted action and provide the capital markets with additional liquidity.

In 2008, the crisis that started as a subprime mortgage crisis, broadly spilled over to other sectors of the financial industry and ultimately also hit the real economy. The year has been characterized by weak equity markets, volatile credit spreads and further declines in U.S. house and mortgage prices. The downgrading of monoline insurers (monoliners) led to further writedowns on derivatives contracts banks held with the insurers. Investors faced further downgrades and market losses on insured bonds. In September, the global financial system almost collapsed: large financial institutions faltered, leading to changes in business models, failures, mergers and nationalization. Furthermore, some economies were on the verge of national bancruptcy. These developments led to continuously deteriorating market sentiments and falling stock markets worldwide. Ultimately, governments took coordinated actions and announced rescue plans and guarantees for distressed institutions.

In common with the industry, Allianz was affected by the turbulence in the financial markets, which impacted both results and asset values. However, the impact varied across our business segments.

Our operations were significantly impacted by impairments on equity and fixed-income securities as well as lower sales of investment-oriented life insurance and asset management products. In addition, credit spread widening, higher volatility and lower interest rates impacted our trading and fair value option (FVO) result significantly.

Impact on the assets of our continuing operations

	2008 € mn	2007 € mn
Operating		
Equities	(5,924)	(882)
Fixed income	(261)	(1)
Real estate	(14)	(8)
Impairments	**(6,199)**	**(891)**
Fair value option / Trading	**(733)**	**(782)**
Non-operating		
Equities	(2,882)	(276)
Fixed income	(354)	(11)
Real estate	(60)	(7)
Impairments	**(3,296)**	**(294)**
Fair value option / Trading	**47**	**(35)**

Asset-backed securities exposure

Of our Property-Casualty asset base, asset-backed securities (ABS) made up € 4.4 billion as of December 31, 2008, which is around 5 % of our asset-base. CDOs accounted for € 0.1 billion of this amount.

Within our Life/Health asset base, ABS amounted to € 15.3 billion as of December 31, 2008, which is less than 5 % of total Life/Health assets. Of these, € 0.3 billion are CDOs. Unrealized losses on CDOs of € 10 million were recorded in our shareholders' equity.

Subprime exposures within CDOs of the insurance portfolio were negligible.

As part of the transaction with Commerzbank on January 12, 2009, Allianz committed to purchase certain CDOs with a notional value of approximately € 2.0 billion for consideration of € 1.1 billion. The CDOs were purchased at fair value and the transaction was executed in February 2009.

Impact on discontinued operations of Dresdner Bank

Dresdner Bank was engaged in various business activities involving structured products. These comprise ABS, credit enhancements, conduits, leveraged buy-out commitments (LBO) and structured investment vehicles (SIV). Furthermore, Dresdner Bank has sold credit protection for third-party ABS and has re-insured these positions with monoliners. With the sale of Dresdner Bank in January 2009, Allianz's exposure to these structured products was largely transferred to

Commerzbank, with the exception of the aforementioned CDOs and also as further discussed in consolidated special purpose entities and off-balance sheet arrangements.

Area of focus	Exposure definition	Exposure		Negative impact on operating profit	
		12/31/2007 € bn	12/31/2008 € bn	4Q 2008 € mn	2008 € mn
1. LBO commitments	Gross exposure	4.5	3.4	572	662
2. Conduits business	Drawn and funded amounts	4.0	4.6	—	—
3. ABS					
a. CDOs[1]	Net exposure[2]	1.5	2.3	511	1,510
b. U.S. RMBS	Net exposure[2]	1.4	0.6	134	714
c. Other ABS	Net exposure[2]	6.3	2.2	232	356
4. Credit enhancements	Gap risk/second loss	2.9	1.6	24	61
5. Monolines	Net counterparty risk[3]	0.8	2.4	694	1,007
6. K2	Gross exposure	16.4	4.7	542	693

Recently Adopted and Issued Accounting Pronouncements and Changes in the Presentation of the Consolidated Financial Statements

For further information on recently adopted and issued accounting pronouncements please refer to Note 3 to our consolidated financial statements.

[1] In January 2009, Allianz repurchased certain CDOs from Dresdner Bank. For further information please refer to page 47.
[2] After markdowns
[3] Gross counterparty risk after counterparty default adjustments (CDA)

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the available net earnings (Bilanzgewinn) of Allianz SE of € 1,585,675,000 for the fiscal year 2008 be appropriated as follows:

– Distribution of a dividend of € 3.50 per no-par share entitled to a dividend: € 1,585,675,000.

The unappropriated retained earnings result from the individual financial statements set up according to the German commercial code (HGB) of Allianz SE.

To the extent Allianz SE holds own shares on the day of the Annual General Meeting, which are not entitled to dividends pursuant to § 71 b of the German Stock Corporation Act (Aktiengesetz), the amount attributable to such shares shall be carried forward to new account.

Munich, February 13, 2009
Allianz SE

Events After the Balance Sheet Date

For further information please refer to “Outlook” and Note 52 to the consolidated financial statements.

Outlook

Economic Outlook

Continuing uncertainty

In the year under review, the global economy entered the deepest recession it has seen in decades. The situation is not expected to stabilize until sometime later in 2009, not least because of the time lag for the massive global expansion of monetary and fiscal policy to have an effect. Nevertheless despite these policy actions, gross national product in the industrialized countries is expected to fall for the year as a whole. In contrast, we expect the emerging economies to grow overall. The financial markets will not be calm in 2009. The distortions from the boom years have not yet fully worked through, particularly in the banking sector. The process of adjustment and consolidation that is required will continue to create an atmosphere of great uncertainty in the markets. Central banks and governments remain obligated to avert the risk of a systemic crisis. Taken together, these developments create a very challenging environment for financial services providers in 2009.

Stabilization

We believe that, following an expansion of a good 2 % last year, the global economy will not grow in 2009 (even including the emerging markets). We expect the industrialized countries to shrink by about 1.5 %, while growth will slow down to around 2.5 % (2008: 6 %) in the emerging markets.

The performance in the emerging markets, however, will be very uneven. Asia remains the most dynamic region, with gains of 3 %. China leads the way here, although it is expected to turn in its lowest growth rate since 1990. We estimate growth in Eastern Europe at 1 %, primarily because recent growth in many Eastern European countries has been financed by the rapid expansion of credit, partly in foreign currencies. These countries have been hit so hard by the financial crisis that some of them have already turned to the International Monetary Fund and the European Union for support. Latin America (with the exception of Mexico) seems to be handling the crisis somewhat better; we expect growth of 2 % there in 2009.

The gross national product in all the industrialized countries will shrink in 2009. We estimate the drop in Japan at 2 %. Although the Japanese economy itself has been relatively untouched by the financial crisis, its dependence on export demand will have a noticeable impact on the economy's performance, given the current environment. The same will hold true for Germany, where we expect economic activity to decline by 1.5 %. Also the economy of the United States will shrink in 2009. We forecast a drop of about 1.5 % there. However, the negative figures for the entire year obscure the fact that a gradual stabilization is expected to take place in the course of the year. The industrialized countries should be back on the path to growth in the second half of the year. There are three reasons – all of them valid globally – that such a recovery is likely: extensive public economic programs designed to stimulate demand, low interest rates resulting from an extremely expansionary monetary policy and a major gain in consumer purchasing power due to the significant drop in commodity prices.

The financial markets will remain uncertain in 2009 because of heavy losses, particularly in the banking sector. Additional public measures may be required to stabilize the financial sector. In any case, a rapid normalization of the markets is not foreseen, but we expect investor confidence to return if the economy picks up during the year. Given the rapid increase in government indebtedness, the focus will likely shift to inflation and rising interest rates. An economic recovery should have a positive impact on the equity markets.

Challenging environment for financial services providers

Financial services providers will continue to face major challenges in 2009 as a result of the global economic crisis. The most obvious of these are gloomy economic prospects, possible impairments on all types of securities and the loss of consumer confidence. It is imperative that providers restore their customers' faith in a reliable long-term partnership.

Property-Casualty will likely see new business slowing because of the weak economy; individual sectors such as credit insurance are being directly affected by the crisis. The difficulties on the capital markets and, in particular, the low interest rates could increase pricing discipline among providers.

The aging of society continues. Sustainable retirement and healthcare cannot be built solely on a pay-as-you-go basis (inter-generational contract) – capital markets are required. The long term fundamentals of the Life/Health insurance operations remain intact, but they will be affected by how effectively mandatory health insurance systems are complemented by privately funded health insurance.

Asset Management operations once again have a solid long-term growth and profit outlook, too. First, however, the fund industry will need to provide convincing arguments to customers wary of highly volatile markets.

2009 will clearly be an extremely difficult year for banks. After the direct impact of the financial crisis, additional impairments are now threatening the traditional lending business, where more defaults are expected during the economic downturn. In 2009, banks will attempt to shore up liquidity and capital, though it is far from clear how long it will take for the changed regulations to provide relief and the degree of impact these changes will have.

Outlook for the Allianz Group

Whilst the challenging environment described above will clearly impact our business in 2009, Allianz is well positioned, with a solid platform for delivering earnings in the core insurance and asset accumulation businesses. We are strongly capitalized, and with a pro-forma solvency ratio of 161 % net of a € 1.6 billion dividend accrual at the end of the current reporting period, we are able to withstand a prolonged difficult market environment.

The underlying fundamentals in our operations are healthy. The major part of our operating profit is driven by our Property-Casualty business, which is least affected by the financial markets crisis. Our combined ratio is strong and expected to benefit from the ongoing efficiency and effectiveness improvements we are realizing from our operational transformation program and sustainability initiative. This will serve to mitigate claims and cost inflation. Even if a severe recession would cause a shortfall in revenues, the short-term impact on operating profit would not be significant. The level of dividend and interest income is robust.

In the Life/Health operations we expect a consistently positive development in traditional business, while a recovery in the investment-oriented products is likely to occur over the longer-term. The investment margins will remain vulnerable to adverse financial market developments.

The investment assets of the Allianz Group amounted to € 443 billion at the end of the current reporting period. We will maintain a defensive portfolio, managed under a sustainable investment strategy and generating a reliable stream of coupons and dividend yields. Whilst this portfolio includes a significantly reduced level of equity exposure, in the ongoing financial crisis, we cannot rule out further impairments, or indeed credit defaults on corporate bonds.

Our asset management business is managing in excess of € 700 billion of third-party assets. Whilst the equities side has been badly affected by the turmoil and investors' loss of confidence, the fixed-income side remains resilient, and we expect that to continue.

As mentioned repeatedly throughout this report, we expect the difficult conditions in the capital markets to continue throughout 2009. We are in the midst of the toughest economic downturn for decades, and reliable statements about profit levels for 2009 are not possible in this environment.

As always, natural catastrophes and adverse developments in the capital markets, as well as the factors stated in our cautionary note regarding forward-looking statements, may severely impact our results of operations.

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Property-Casualty Insurance Operations

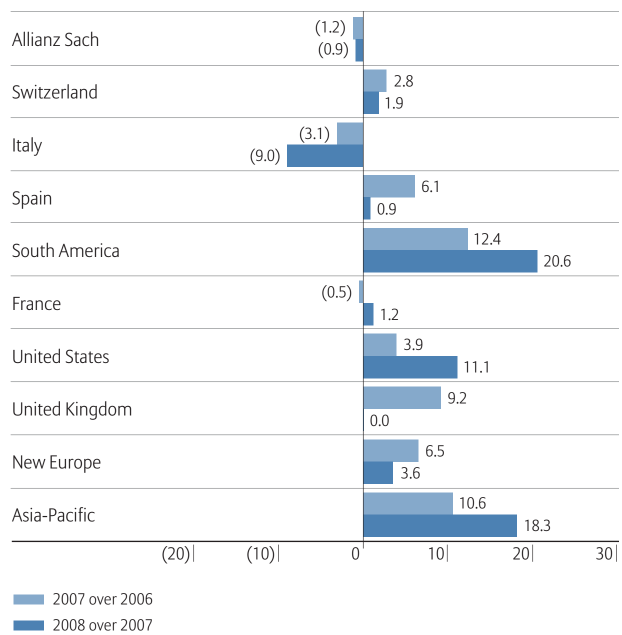
– Strong operating profit of € 5,649 million largely unaffected by financial market crisis.
– Selective growth achieved in mixed pricing environments.
– Combined ratio of 95.1 % close to our target.

Earnings Summary

Gross premiums written [1]

At € 43,728 million, gross premiums written were 1.7 % ahead of the previous year on an internal basis. Despite a slightly negative pricing impact of approximately 0.5 % for the segment, which stemmed from ongoing soft markets in many countries, we achieved selective growth. Premiums increased in the United States and organic growth was evident in South America, France, Poland and our Travel Insurance and Assistance Services business, among others. On a nominal basis, premium growth was impacted by the transfer of AGF's health business to the Life/Health segment in 2008 (respective premiums in 2007: € 1,134 million). Furthermore, negative currency translation effects amounted to € 821 million. Overall, gross premiums written were down by 2.0 % to € 43,387 million.

Gross premiums written – Internal growth rates [2]
in %



Gross premiums written at Allianz Sach in Germany decreased – both on an internal and on a nominal basis – by 0.9 % or € 81 million, in particular due to the soft pricing conditions in the motor insurance market.

In the United States, gross premiums written grew by 11.1 % or € 480 million on an internal basis. In the face of continued pricing pressure, we observed declining revenues in many lines of business. We estimate the negative price effect on premiums written in 2008 to be 3.2 %. Excluding the contribution from crop insurance business, internal premiums were down by 5.2 %. A negative foreign currency translation effect also impacted growth by € 366 million. Nominal growth in the United States was 2.6 %.

[1] We comment on the development of our gross premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

[2] Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

In Italy, premiums declined by € 471 million or 9.0 % on an internal basis. This shortfall was mainly due to a significant decrease in motor insurance business, driven by a lower number of new car registrations and our rigorous underwriting approach. Furthermore, prices were impacted by the Bersani law, which resulted in a market-wide price reduction. The negative pricing impact on our Italian business is estimated to be 2.8 %. On a nominal basis, premiums declined by 9.3 %.

On an internal basis, revenues in France were up by 1.2 % or € 48 million, supported by a positive price effect of approximately 1.9 %. On a nominal basis, the € 1,156 million decrease in revenues was mainly due to the transfer of AGF's health business to the Life/Health segment.

In South America, premiums increased by € 181 million or 20.6 %, mainly driven by Brazil where all lines of business experienced growth, motor insurance in particular. On a nominal basis, premiums were up by 14.3 %.

Adjusted for the consolidation of ROSNO and Progress Garant in Russia as well as ATF-Polis in Kazakhstan, internal revenue growth in New Europe amounted to € 99 million or 3.6 %. The main driver of this development was motor insurance business in Poland and increased property business in Slovakia. On a nominal basis, revenues in New Europe grew by 11.6 %.

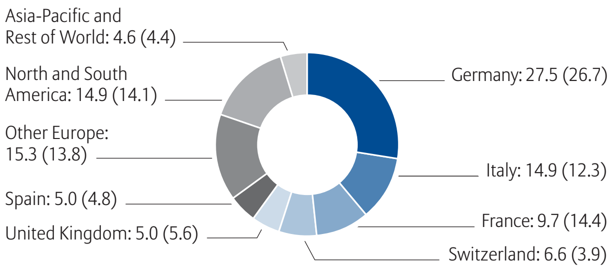
Nominal growth in the emerging markets[1] in total amounted to 12.8 %. Together, these markets contributed € 4,835 million (2007: € 4,286 million) or 11.1 % (2007: 9.7 %) to total gross premiums written.

Travel Insurance and Assistance Services recorded an increase in gross premiums written of € 89 million or 7.8 %, on both an internal and nominal basis.

[1] New Europe, Asia-Pacific, South America, Mexico, Middle East, Africa.

Gross premiums written by regions as of December 31, 2008 (December 31, 2007)[2]

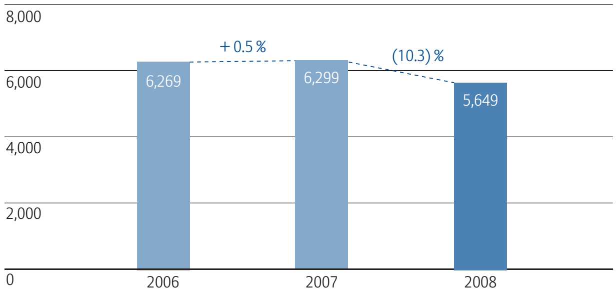
in %



Operating profit

Operating profit

in € mn



Despite the challenging market conditions, the segment delivered another solid operating profit of € 5,649 million, albeit 10.3 % below previous year's value. This is the result of our disciplined underwriting approach, cost control and a stable investment income. The decline was mainly attributable to a lower underwriting result, the majority of which related to credit insurance and the U. S. crop insurance business. The overall higher claims level was partly compensated by a reduction in expenses.

The combined ratio of 95.1 % was close to our target level albeit 1.5 percentage points above 2007, mainly impacted by a 2.2 percentage points increase in the accident year loss ratio, to 71.8 %. In our Credit Insurance business at Euler Hermes, we observed an increase in payment delays, which are the industry's lead indicator for future defaults. In addition, the number of insolvencies – such as the large retailer

[2] After elimination of transactions between Allianz Group companies in different geographic regions and different segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

Woolworths – started to increase. As a result, the accident year loss ratio for credit insurance was 85.0 %, after 57.1 % in 2007. Following a slump in commodity prices in the United States at the end of September, we experienced a lower underwriting result from crop insurance amounting to € (7) million, down from € 79 million in 2007.

In 2008, an increase in overall claims severity was partly compensated by a slightly lower claims frequency. We benefited from a lower level of natural catastrophe claims, which accounted for € 667 million compared to € 774 million in 2007. Major claims in 2008 were the windstorm Emma and the hailstorm Hilal as well as hurricane Ike with € 168 million, € 135 million and € 159 million net impact on the Group, respectively. In contrast to natural catastrophe claims, the impact of other large claims was higher compared to the prior year. There was a favourable net development in prior years' loss reserves was of 3.8 %. Overall, the calendar year loss ratio increased by 1.9 percentage points to 68.0 %.

Acquisition and administrative expenses decreased by 2.4 % to € 10,356 million. This was due to a significant reduction in adminstrative expenses, partly driven by further efficiency improvements contributing savings of € 120 million. As a result, our expense ratio improved by 0.4 percentage points to 27.1 %.

Interest and similar income was stable at € 4,477 million. Higher interest income on debt securities due to an increase in investment volume was offset by the decline in dividend income due to an equity reduction program. Our net outflows from equity investments amounted to € 5.0 billion in 2008.

Net investment income decreased by € 562 million. While interest and similar income was stable, we recorded shortfalls in other investment income, such as the negative market performance of special funds (fair value option, FVO) mainly at AGF, amounting to approximately € (0.2) billion. Additionally, expenses from foreign exchange hedges contributed to the decrease.

Non-operating result

The non-operating result decreased by € 675 million to € 287 million, primarily as a result of higher impairments of investments. These impairments more than offset higher net realized gains.

Net realized gains from investments increased by € 916 million to € 2,349 million mainly due to forward sales of participations in RWE, Linde and Siemens which were already locked-in in 2007.

Non-operating impairments on investments increased by € 1,736 million to € 2,012 million, reflecting the overall weakness in the financial markets.

Net income

The lower operating profit and the decrease in non-operating items were the main drivers of the 16.2 % reduction in net income to € 4,335 million.

Income tax expenses decreased to € 1,489 million. The effective tax rate increased from 22.8 % to 25.1 %. The low tax rate in 2007 was mainly driven by tax benefits due to the tax reform in Germany and tax rate changes in Italy and France.

Minority interests in earnings of € 112 million showed a decline on the prior year following the minority buy-out at AGF.

Property-Casualty segment information [1]

	2008 € mn	2007 € mn	2006 € mn
Gross premiums written [2]	**43,387**	**44,289**	**43,674**
Ceded premiums written	(4,972)	(5,320)	(5,415)
Change in unearned premiums	(202)	(416)	(309)
Premiums earned (net)	**38,213**	**38,553**	**37,950**
Interest and similar income	4,477	4,473	4,096
Operating income from financial assets and liabilities carried at fair value through income (net) [3]	(158)	144	106
Operating realized gains/losses (net) [4]	37	46	46
Fee and commission income	1,247	1,178	1,014
Other income	271	122	69
Income from fully consolidated private equity investments	3	—	—
Operating revenues	**44,090**	**44,516**	**43,281**
Claims and insurance benefits incurred (net)	(25,986)	(25,485)	(24,672)
Changes in reserves for insurance and investment contracts (net)	3	(339)	(425)
Interest expenses	(295)	(402)	(273)
Loan loss provisions	(17)	(6)	(2)
Operating impairments of investments (net) [5]	(437)	(67)	(25)
Investment expenses	(207)	(322)	(300)
Acquisition and administrative expenses (net)	(10,356)	(10,616)	(10,590)
Fee and commission expenses	(1,141)	(967)	(721)
Other expenses	(2)	(13)	(4)
Expenses from fully consolidated private equity investments	(3)	—	—
Operating expenses	**(38,441)**	**(38,217)**	**(37,012)**
Operating profit	**5,649**	**6,299**	**6,269**
Non-operating income from financial assets and liabilities carried at fair value through income (net) [3]	42	(59)	83
Non-operating realized gains/losses (net) [4]	2,349	1,433	1,746
Non-operating impairments of investments (net) [5]	(2,012)	(276)	(175)
Amortization of intangible assets	(17)	(14)	(1)
Restructuring charges	(75)	(122)	(362)
Non-operating items	**287**	**962**	**1,291**
Income before income taxes and minority interests in earnings	**5,936**	**7,261**	**7,560**
Income taxes	(1,489)	(1,656)	(2,075)
Minority interests in earnings	(112)	(431)	(739)
Net income	**4,335**	**5,174**	**4,746**
Loss ratio [6] in %	68.0	66.1	65.0
Expense ratio [7] in %	27.1	27.5	27.9
Combined ratio [8] in %	**95.1**	**93.6**	**92.9**

1) Since 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
2) For the Property-Casualty segment, total revenues are measured based upon gross premiums written.
3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 6 to the consolidated financial statements.
4) The total of these items equals realized gains/losses (net) in the segment income statement included in Note 6 to the consolidated financial statements.
5) The total of these items equals impairments of investments (net) in the segment income statement included in Note 6 to the consolidated financial statements.
6) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
7) Represents acquisition and administrative expenses (net) divided by premiums earned (net).
8) Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Property-Casualty Operations by Business Division

	Gross premiums written					Premiums earned (net)			Operating profit		
	2008 € mn	2007 € mn	2006 € mn	2008 internal[1] € mn	2007 internal[1] € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
Germany[2]	9,358	9,446	9,558	9,358	9,446	7,367	7,223	7,258	1,365	1,411	1,233
Switzerland[2]	1,241	1,804	1,805	1,210	1,188	1,190	1,595	1,706	145	218	228
Austria	900	915	922	900	896	734	748	782	79	86	82
German Speaking Countries	**11,499**	**12,165**	**12,285**	**11,468**	**11,530**	**9,291**	**9,566**	**9,746**	**1,589**	**1,715**	**1,543**
Italy	4,741	5,229	5,396	4,741	5,212	4,647	4,902	4,935	690	719	816
Spain	2,156	2,136	2,013	2,156	2,136	1,863	1,820	1,675	286	253	252
South America	1,049	918	869	1,061	880	764	692	623	82	55	47
Portugal	298	283	287	298	283	247	246	258	36	38	36
Turkey[3]	180	—	—	—	—	128	—	—	9	—	—
Greece	83	79	74	83	79	55	50	46	10	9	10
Europe I incl. South America	**8,507**	**8,645**	**8,639**	**8,339**	**8,590**	**7,704**	**7,710**	**7,537**	**1,113**	**1,074**	**1,161**
France[4]	3,930	5,086	5,110	3,930	3,882	3,281	4,422	4,429	280	486	420
Credit Insurance	1,804	1,762	1,672	1,804	1,762	1,360	1,268	1,113	144	496	442
Travel Insurance and Assistance Services	1,228	1,139	1,044	1,228	1,139	1,196	1,093	1,008	106	97	90
Netherlands	913	927	926	913	927	800	809	813	72	108	150
Belgium[4]	335	374	356	335	325	261	301	298	40	40	30
Africa	62	55	47	62	55	37	32	27	9	8	7
Europe II incl. Africa	**8,272**	**9,343**	**9,155**	**8,272**	**8,090**	**6,935**	**7,925**	**7,688**	**677**[5]	**1,257**[5]	**1,151**[5]
United States	4,420	4,306	4,510	4,786	4,306	3,297	3,341	3,523	273	651	810
Mexico[6]	205	201	192	222	201	83	86	100	20	12	15
NAFTA	**4,625**	**4,507**	**4,702**	**5,008**	**4,507**	**3,380**	**3,427**	**3,623**	**293**	**663**	**825**
Reinsurance PC	3,470	3,191	4,035	3,493	3,548	2,824	2,022	2,585	500	217	245
Allianz Global Corporate & Specialty	2,859	2,811	2,802	2,859	2,896	1,813	1,800	1,545	431	414	404
AZ Insurance plc	1,925	2,236	2,396	2,237	2,236	1,769	1,989	1,874	243	206	288
Australia	1,484	1,543	1,452	1,575	1,543	1,171	1,245	1,195	265	296	225
Ireland	672	691	704	672	691	597	614	622	114	180	222
ART	350	—	—	271	208	168	—	—	55	—	—
Anglo Broker Markets/ Global Lines	**15,385**	**14,979**	**16,091**	**16,115**	**15,629**	**11,722**	**11,097**	**11,444**	**1,901**	**1,976**	**2,209**
Russia[7]	857	678	30	688	678	705	574	4	41	7	1
Hungary	546	580	575	547	580	471	502	499	80	73	68
Poland	460	367	283	426	367	337	246	200	38	24	20
Romania	346	341	291	383	341	135	155	132	10	11	11
Slovakia	348	319	288	323	319	296	273	251	90	112	52
Czech Republic	278	249	253	251	249	208	183	179	44	41	29
Bulgaria	110	103	95	110	103	81	70	70	19	16	16
Croatia	95	86	70	94	86	78	63	53	6	2	4
New Europe[8]	**3,040**	**2,723**	**1,885**	**2,822**	**2,723**	**2,312**	**2,067**	**1,388**	**300**	**256**	**184**
Asia-Pacific (excl. Australia)	425	349	310	413	349	226	170	141	23	16	19
Middle East	54	40	20	57	40	25	21	8	3	2	2
Growth Markets	**3,519**	**3,112**	**2,215**	**3,292**	**3,112**	**2,563**	**2,258**	**1,537**	**326**	**274**	**205**
Consolidation[9]	(3,795)	(3,955)	(4,712)	(3,758)	(3,953)	(2)	(3)	(2)	43	3	—
Total	**43,387**	**44,289**	**43,674**	**43,728**	**42,998**	**38,213**	**38,553**	**37,950**	**5,649**	**6,299**	**6,269**

1) Reflect gross premiums written on an internal basis (adjusted for foreign currency translation and (de-)consolidation effects).
2) Reinsurance business of Allianz Suisse was transferred to Allianz SE. Effective 1Q 2008, renewal business is shown in Germany, and run-off business is shown in Switzerland.
3) Effective July 21, 2008, Koç Allianz Sigorta AS was consolidated following the acquisition of approximately 47.1 % of the shares in Koç Allianz Sigorta AS by the Allianz Group, increasing our holding to approximately 84.2 %.
4) Effective 1Q 2008, health business in France and Belgium is shown within Life/Health segment. Prior year balances have not been adjusted.
5) Contains € 16 mn, € 21 mn and € 20 mn for 2008, 2007 and 2006, respectively, from a former operating entity located in Luxembourg and also € 10 mn, € 1 mn and € (8) mn for 2008, 2007 and 2006, respectively, from AGF UK.
To be continued on page 57.

	Combined ratio			Loss ratio			Expense ratio		
	2008 %	2007 %	2006 %	2008 %	2007 %	2006 %	2008 %	2007 %	2006 %
Germany [2]	95.0	91.0	92.0	69.5	64.9	64.9	25.5	26.1	27.1
Switzerland [2]	92.8	95.1	92.8	70.2	69.5	69.3	22.6	25.6	23.5
Austria	93.7	95.8	98.4	70.1	73.1	73.1	23.6	22.7	25.3
German Speaking Countries	**94.6**	**92.0**	**92.7**	**69.6**	**66.3**	**66.4**	**25.0**	**25.7**	**26.3**
Italy	96.7	94.8	91.8	73.1	71.2	68.8	23.6	23.6	23.0
Spain	90.4	91.4	90.3	69.9	71.6	71.0	20.5	19.8	19.3
South America	98.5	99.0	101.2	65.1	62.9	64.8	33.4	36.1	36.4
Portugal	92.5	91.6	91.2	65.0	65.9	64.4	27.5	25.7	26.8
Turkey [3]	109.5	—	—	85.6	—	—	23.9	—	—
Greece	90.4	88.7	92.4	59.9	58.2	57.7	30.5	30.5	34.7
Europe I incl. South America	**95.4**	**94.2**	**92.2**	**71.4**	**70.3**	**68.7**	**24.0**	**23.9**	**23.5**
France [4]	97.2	97.3	99.2	69.3	70.9	71.0	27.9	26.4	28.2
Credit Insurance	104.3	76.5	77.6	77.6	47.9	49.7	26.7	28.6	27.9
Travel Insurance and Assistance Services	93.3	93.7	101.8	57.6	58.1	58.7	35.7	35.6	43.1
Netherlands	97.7	94.1	88.7	67.4	62.0	57.1	30.3	32.1	31.6
Belgium [4]	96.7	102.3	104.5	60.2	65.7	66.9	36.5	36.6	37.6
Africa	91.7	92.7	89.1	48.8	53.2	39.8	42.9	39.5	49.3
Europe II incl. Africa	**98.0**	**93.5**	**95.8**	**68.3**	**64.5**	**64.8**	**29.7**	**29.0**	**31.0**
United States	101.2	91.1	88.6	74.4	61.3	57.9	26.8	29.8	30.7
Mexico [6]	94.4	95.0	102.5	70.0	71.6	78.8	24.4	23.4	23.7
NAFTA	**101.0**	**91.2**	**88.9**	**74.3**	**61.6**	**58.4**	**26.7**	**29.6**	**30.5**
Reinsurance PC	87.9	94.1	95.6	62.0	64.6	65.8	25.9	29.5	29.8
Allianz Global Corporate & Specialty	89.5	96.0	92.2	62.3	67.9	62.5	27.2	28.1	29.7
AZ Insurance plc	94.7	98.7	94.3	60.4	65.4	63.0	34.3	33.3	31.3
Australia	97.1	95.7	96.2	72.7	70.8	70.3	24.4	24.9	25.9
Ireland	91.9	95.1	74.4	67.0	69.6	50.2	24.9	25.5	24.2
ART	81.3	—	—	31.3	—	—	50.0	—	—
Anglo Broker Markets/ Global Lines	**94.0**	**94.6**	**91.7**	**66.3**	**65.3**	**62.1**	**27.7**	**29.3**	**29.6**
Russia [7]	101.1	104.2	88.5	59.7	64.7	34.7	41.4	39.5	53.8
Hungary	93.3	96.7	97.0	61.2	67.1	64.8	32.1	29.6	32.2
Poland	93.3	94.4	92.8	60.7	58.6	57.4	32.6	35.8	35.4
Romania	102.0	101.2	92.0	73.1	79.7	72.4	28.9	21.5	19.6
Slovakia	77.5	66.8	86.4	46.1	38.2	55.4	31.4	28.6	31.0
Czech Republic	80.8	79.5	82.6	60.5	56.7	61.4	20.3	22.8	21.2
Bulgaria	77.8	85.5	80.2	48.0	43.6	41.7	29.8	41.9	38.5
Croatia	97.7	100.1	95.6	64.8	65.1	63.8	32.9	35.0	31.8
New Europe [8]	**92.7**	**94.3**	**92.0**	**59.0**	**60.8**	**61.1**	**33.7**	**33.5**	**30.9**
Asia-Pacific (excl. Australia)	96.9	98.6	93.8	63.0	60.2	55.7	33.9	38.4	38.1
Middle East	127.2	105.3	101.9	66.0	60.2	33.0	61.2	45.1	68.9
Growth Markets	**93.4**	**94.7**	**92.1**	**59.4**	**60.7**	**60.4**	**34.0**	**34.0**	**31.7**
Consolidation [9]	—	—	—	—	—	—	—	—	—
Total	95.1	93.6	92.9	68.0	66.1	65.0	27.1	27.5	27.9

6) Effective 1Q 2007, life business in Mexico is shown within the Life/Health segment. Prior year balances have not been adjusted.
7) Effective February 21, 2007, Russian People's Insurance Society "Rosno" was consolidated following the acquisition of approximately 49.2% of the shares in ROSNO by the Allianz Group, increasing our holding to approximately 97%. Effective May 21, 2007, we consolidated Progress Garant for the first time.
8) Contains income and expense items from a management holding.
9) Represents elimination of transactions between Allianz Group companies in different geographic regions.

Life/Health Insurance Operations

– Difficult market environment heavily impacted sales of investment-oriented products especially through the bancassurance channel.
– Traditional business held firm.
– Operating profit of € 1,206 million despite financial markets turmoil.

Earnings Summary

The global financial and economic crisis accelerated in the fourth quarter of the year leading to further equity market downturns, unprecedented volatility, widening credit spreads and declining interest rates. As a result, we recorded significantly higher impairments, losses in the fair value option stemming from credit spread widening, trading losses from derivatives, and lower results from harvesting. The impact on operating investment income was a decline of € 6,403 million.

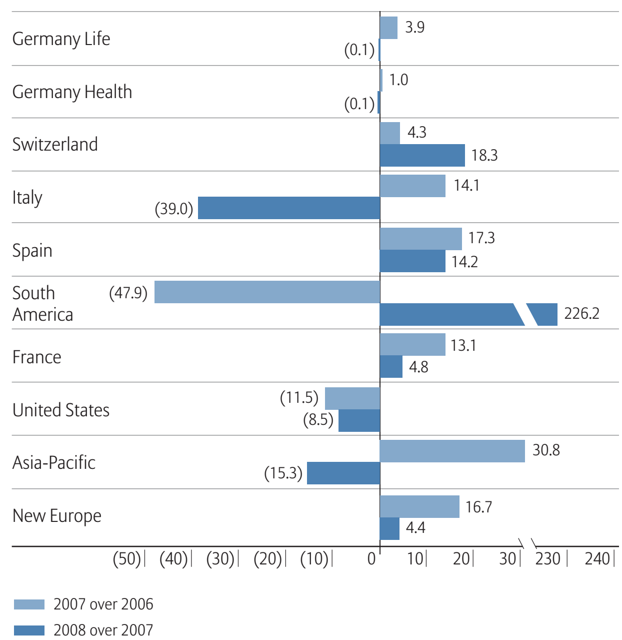
As customers became increasingly cautious about bearing investment risk, we recorded significantly lower sales in investment-oriented products. In consequence, internal revenues were down by € 4,204 million. Overall, operating profit decreased by € 1,789 million, and net income was € 1,664 million lower.

The turbulences in the fourth quarter seriously affected most of Life/Health businesses, of which the biggest impact was recorded in the United States.

Statutory premiums [1]

At € 46,297 million, statutory premiums were down 8.3 % on an internal basis mainly driven by the significant slowdown in sales of unit-linked and other investment-oriented products. In addition, bancassurance partners promoted deposit products rather than unit-linked contracts driven by their own liquidity concerns. On a nominal basis, statutory premiums were down 7.6 % to € 45,615 million, notwithstanding € 1,199 million of premiums in 2008 relating to the AGF health business transferred from the Property-Casualty segment (comparatives not restated).

Statutory premiums – Internal growth rates [2]
in %



Premium growth deteriorated significantly in Italy, Asia-Pacific and the United States. In contrast, sales remained solid in countries where traditional life business is strong such as France, Switzerland and Spain.

In **Italy**, revenues dropped by 39.0 % or € 3,813 million. A continuing weak bancassurance market and lower sales of unit-linked products were the main reasons for this downturn. In addition, sales were impacted as one of our local bancassurance partners withdrew from cooperation following a change in ownership.

[1] We comment on the development of our statutory premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

[2] Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

The financial market conditions left its mark on our operations in the United States, where we recorded lower sales of both fixed index and variable annuity products, which resulted in a statutory premium decline of 8.5 % or € 590 million.

A premium decline was also recorded in Asia-Pacific amounting to 15.3 % or € 711 million. In Taiwan, the market situation and new regulations with regards to unit-linked products suppressed growth. In South Korea, sales of equity-related products, especially single premium products, suffered. The long-lasting strike that only ended in September contributed to this development.

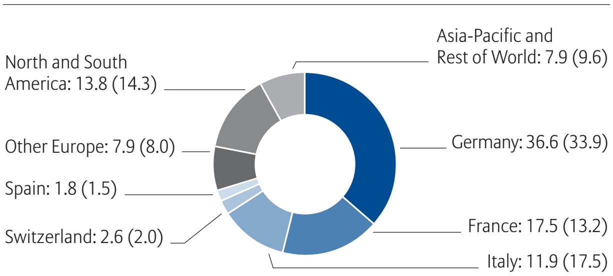
We recorded premium growth in France of 4.8 % or € 367 million, primarily benefiting from two major group life contracts. However, due to the current market environment, sales from unit-linked contracts decreased. On a nominal basis, that includes the effect from the already mentioned reclassification of AGF's health business, revenue growth amounted to 22.0 %.

In Switzerland, we recorded an 18.3 % or € 182 million revenue increase stemming mainly from single premium products, especially in group business.

Our business in Spain grew by 14.2 % or € 105 million. Here we benefited from higher tax free transfers of pension products from banks to insurance companies. Furthermore, short-term investment products and group life business contributed to the increase.

Statutory premiums by regions as of December 31, 2008 (December 31, 2007) [1)]

in %

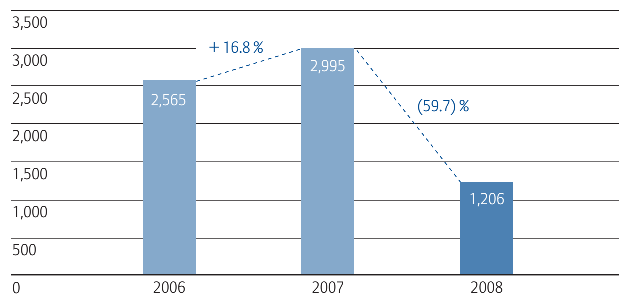


1) After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Operating profit

Operating profit

in € mn



We achieved an operating profit of € 1,206 million. The sharp drop of 59.7 % compared to previous year's figure reflects the impacts from the financial market crisis as already described. The large negative effects recorded in the fourth quarter led to a decline in operating profit for the full year. The highest negative impacts on operating profit were recorded in our operations in the United States, France, South Korea, Italy and Germany.

Net impairments on investments increased by € 4,923 million to € 5,747 million mainly due to weak equity markets. These impairments were almost entirely attributable to our available-for-sale equity portfolio. The highest impairments were recorded in Germany (€ 3,012 million) and France (€ 1,096 million).

At € 874 million, net realized gains dropped by 75.6 % mainly owing to lower realizations compared to 2007 when higher levels of realized gains from equity and real estate were harvested. Furthermore, higher realized losses triggered by the weak capital markets contributed to this development.

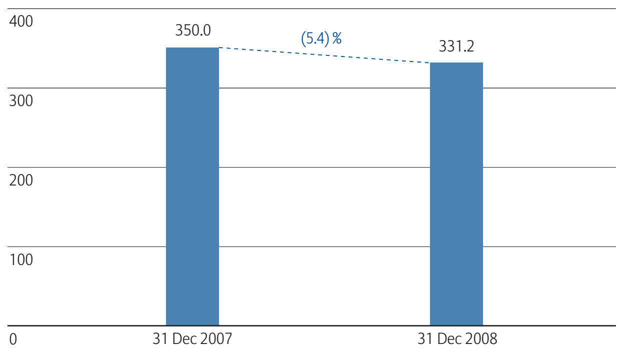
Net loss from financial assets and liabilities carried at fair value through income stood at € 235 million compared to € 945 million a year earlier. This stemmed primarily from higher write-ups and lower write-downs on derivatives in the German life business, which were partly compensated by unfavorable changes in fair value driven by the financial market trends in France and the United States.

Interest and similar income remained stable and on a high level, at € 13,772 million.

As of December 31, 2008, our asset base amounted to € 331.2 billion. Despite net inflows to debt securities of € 17.1 billion, the reduction of € 18.8 billion compared to year-end 2007 was to a large extent attributable to poor equity markets.

Asset base [1]

fair values [2] in € bn



Net claims and insurance benefits incurred were up 11.5 %, amounting to € 19,673 million including the reclassification of AGF's health business from the Property-Casualty segment. In 2007 we benefited from an extraordinary reserve release in South Korea amounting to € 170 million.

Net changes in reserves for insurance and investment contracts halved, amounting to € 5,122 million. This was mainly driven by lower provisions for premium refunds due to negative market impacts.

Our statutory expense ratio increased by 0.3 percentage points to 9.7 %.

Non-operating result

The non-operating loss amounted to € 533 million coming from a gain of € 107 million a year earlier. Similar to the development within operating profit, the major drivers for this development were higher impairments and higher net realized losses.

Net income

We recorded net income of € 327 million, a large decline of € 1,664 million. Income tax expenses decreased by € 637 million to € 260 million with an effective tax rate of 38.6 % (2007: 28.9 %). The relatively high effective tax rate is mainly driven by non-tax-deductible impairments.

Minority interests in earnings declined by 59.8 % to € 86 million, mainly reflecting the the lower income.

[1] For further information on the composition of our Life/Health asset base please refer to page 78.

[2] Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information see Note 2 to the consolidated financial statements.

Life/Health segment information [1]

	2008 € mn	2007 € mn	2006 € mn
Statutory premiums [2]	**45,615**	**49,367**	**47,421**
Ceded premiums written	(588)	(644)	(840)
Change in unearned premiums	(54)	(61)	(221)
Statutory premiums (net)	44,973	48,662	46,360
Deposits from SFAS 97 insurance and investment contracts	(22,742)	(27,853)	(25,786)
Premiums earned (net)	**22,231**	**20,809**	**20,574**
Interest and similar income	13,772	13,417	12,972
Operating income from financial assets and liabilities carried at fair value through income (net) [3]	(235)	(945)	(361)
Operating realized gains/losses (net) [4]	874	3,579	3,087
Fee and commission income	571	701	630
Other income	140	182	43
Income from fully consolidated private equity investments	18	—	—
Operating revenues	**37,371**	**37,743**	**36,945**
Claims and insurance benefits incurred (net)	(19,673)	(17,637)	(17,625)
Changes in reserves for insurance and investment contracts (net)	(5,122)	(10,268)	(10,525)
Interest expenses	(283)	(374)	(280)
Loan loss provisions	(13)	3	(1)
Operating impairments of investments (net) [5]	(5,747)	(824)	(390)
Investment expenses	(673)	(833)	(750)
Acquisition and administrative expenses (net)	(4,375)	(4,588)	(4,437)
Fee and commission expenses	(253)	(209)	(223)
Operating restructuring charges [6]	1	(16)	(140)
Other expenses	(7)	(2)	(9)
Expenses from fully consolidated private equity investments	(20)	—	—
Operating expenses	**(36,165)**	**(34,748)**	**(34,380)**
Operating profit	**1,206**	**2,995**	**2,565**
Non-operating income from financial assets and liabilities carried at fair value through income (net) [3]	(26)	5	—
Non-operating realized gains/losses (net) [4]	(39)	137	195
Non-operating impairments of investments (net) [5]	(414)	(3)	—
Amortization of intangible assets	(3)	(3)	(26)
Non-operating restructuring charges [6]	(51)	(29)	(34)
Non-operating items	**(533)**	**107**	**135**
Income before income taxes and minority interests in earnings	**673**	**3,102**	**2,700**
Income taxes	(260)	(897)	(641)
Minority interests in earnings	(86)	(214)	(416)
Net income (loss)	**327**	**1,991**	**1,643**
Statutory expense ratio [7] in %	**9.7**	**9.4**	**9.6**

1) Since 2008, our health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
2) For the Life/Health segment, total revenues are measured based upon statutory premiums. Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 6 to the consolidated financial statements.
4) The total of these items equals realized gains/losses (net) in the segment income statement included in Note 6 to the consolidated financial statements.
5) The total of these items equals impairments of investments (net) in the segment income statement included in Note 6 to the consolidated financial statements.
6) The total of these items equals restructuring charges in the segment income statement included in Note 6 to the consolidated financial statements.
7) Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Life/Health Operations by Business Division

	Statutory premiums [1]					Premiums earned (net)		
	2008 € mn	2007 € mn	2006 € mn	2008 internal [2] € mn	2007 internal [2] € mn	2008 € mn	2007 € mn	2006 € mn
Germany Life	13,487	13,512	13,009	13,503	13,512	10,313	10,381	10,543
Germany Health [3]	3,119	3,123	3,091	3,119	3,123	3,119	3,123	3,091
Switzerland	1,205	992	1,005	1,174	992	478	432	455
Austria	461	396	380	461	396	277	288	283
German Speaking Countries	**18,272**	**18,023**	**17,485**	**18,257**	**18,023**	**14,187**	**14,224**	**14,372**
Italy	5,996	9,765	8,555	5,952	9,765	930	1,006	1,098
Spain	843	738	629	843	738	394	399	400
Portugal	130	115	98	130	115	80	73	66
Greece	109	105	98	109	105	72	65	62
South America	190	78	147	199	61	183	40	42
Turkey [4]	18	—	—	—	—	17	—	—
Europe I incl. South America	**7,286**	**10,801**	**9,527**	**7,233**	**10,784**	**1,676**	**1,583**	**1,668**
France [5]	7,991	6,550	5,792	8,019	7,652	2,887	1,760	1,436
Belgium [5]	681	664	597	681	713	345	310	302
Netherlands	371	399	424	371	399	133	137	146
Luxembourg	82	83	58	82	83	26	26	30
Africa	40	35	32	40	35	17	15	16
Europe II incl. Africa	**9,165**	**7,731**	**6,903**	**9,193**	**8,882**	**3,408**	**2,248**	**1,930**
United States	6,036	6,931	8,758	6,341	6,931	771	636	533
Mexico [6]	75	37	—	82	37	31	36	—
NAFTA	6,111	6,968	8,758	6,423	6,968	802	672	533
AZ Reinsurance LH	294	313	339	294	313	291	293	317
United Kingdom	—	—	—	—	—	—	—	—
Anglo Broker Markets / Global Lines	**6,405**	**7,281**	**9,097**	**6,717**	**7,281**	**1,093**	**965**	**850**
South Korea	1,580	2,188	2,054	1,971	2,188	709	975	986
Taiwan	997	1,812	1,336	1,035	1,812	148	72	107
Malaysia	142	126	107	147	126	121	104	88
Indonesia	214	224	115	243	224	75	49	38
Other	532	288	121	531	288	125	18	37
Asia-Pacific	3,465	4,638	3,733	3,927	4,638	1,178	1,218	1,256
Hungary	181	141	96	181	141	79	80	75
Slovakia	290	235	183	269	235	175	157	135
Czech Republic	101	96	76	91	96	60	56	54
Poland	428	431	367	401	431	192	121	96
Romania	32	30	25	34	30	15	12	12
Bulgaria	33	35	25	33	35	29	28	23
Croatia	59	58	48	58	58	42	40	36
Russia	17	13	8	18	13	16	12	7
New Europe	1,141	1,039	828	1,085	1,039	608	506	438
Middle East	88	70	68	92	70	81	65	60
Growth Markets	**4,694**	**5,747**	**4,629**	**5,104**	**5,747**	**1,867**	**1,789**	**1,754**
Consolidation [8]	(207)	(216)	(220)	(207)	(216)	—	—	—
Total	45,615	49,367	47,421	46,297	50,501	22,231	20,809	20,574

1) Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
2) Reflect statutory premiums on an internal basis (adjusted for foreign currency translation and (de-) consolidation effects).
3) Loss ratios were 74.7 %, 71.6 % and 68.4 % for 2008, 2007 and 2006, respectively.
4) Effective July 21, 2008, Koç Allianz Hayat ve Emeklilik AS was consolidated following the acquisition of approximately 51 % of the shares in Koç Allianz Hayat ve Emeklilik AS by the Allianz Group, increasing our holding to approximately 89 %.

To be continued on page 63

	Operating profit			Statutory expense ratio		
	2008 € mn	2007 € mn	2006 € mn	2008 %	2007 %	2006 %
Germany Life	620	695	521	8.5	5.8	9.1
Germany Health [3]	112	164	184	9.0	9.8	9.3
Switzerland	71	66	50	9.9	10.6	9.9
Austria	17	40	29	8.8	11.8	12.1
German Speaking Countries	**820**	**965**	**784**	**8.7**	**6.9**	**9.2**
Italy	206	372	339	8.9	5.8	6.4
Spain	103	104	92	8.8	9.2	9.3
Portugal	1	25	25	24.6	26.5	15.1
Greece	2	6	13	22.9	20.7	22.6
South America	10	—	1	10.3	32.6	16.9
Turkey [4]	5	—	—	38.5	—	—
Europe I incl. South America	**327**	**507**	**470**	**9.4**	**6.6**	**7.0**
France [5]	128	632	582	14.9	15.4	12.6
Belgium [5]	53	68	62	9.9	10.1	12.5
Netherlands	(1)	44	50	24.1	9.8	18.4
Luxembourg	3	4	5	10.3	10.8	12.2
Africa	3	2	2	13.4	16.5	19.6
Europe II incl. Africa	**186**	**750**	**701**	**14.9**	**14.6**	**13.0**
United States	(232)	380	418	(0.2)	11.9	8.0
Mexico [6]	4	5	—	9.8	13.8	—
NAFTA	(228)	385	418	(0.1)	11.9	8.0
AZ Reinsurance LH	9	29	41	19.6	21.0	27.8
United Kingdom [7]	(2)	(3)	(2)	—	—	—
Anglo Broker Markets / Global Lines	**(221)**	**411**	**457**	**0.8**	**12.3**	**8.7**
South Korea	96	286	64	13.6	14.4	13.9
Taiwan	11	26	14	11.8	2.9	5.0
Malaysia	9	12	10	15.8	17.2	19.9
Indonesia	12	6	3	15.7	12.7	19.3
Other	(87)	(30)	(10)	17.2	17.0	18.4
Asia-Pacific	41	300	81	13.8	10.1	11.2
Hungary	16	13	12	15.9	20.4	25.7
Slovakia	29	29	16	15.5	16.8	18.2
Czech Republic	4	10	9	14.2	18.0	20.1
Poland	6	10	6	32.6	19.7	17.6
Romania	2	—	—	31.9	33.8	39.3
Bulgaria	2	4	3	17.7	15.0	14.2
Croatia	4	2	4	22.5	17.1	20.4
Russia	(15)	(7)	—	132.2	99.5	28.1
New Europe	48	61	50	24.4	20.0	19.6
Middle East	11	6	5	27.5	24.6	30.4
Growth Markets	**100**	**367**	**136**	**16.6**	**12.1**	**13.0**
Consolidation [8]	(6)	(5)	17	—	—	—
Total	**1,206**	**2,995**	**2,565**	**9.7**	**9.4**	**9.6**

[5] Effective 1Q 2008, our health business in France and Belgium is shown within Life/Health segment. Prior year balances have not been adjusted.

[6] Effective 2007, life business in Mexico is shown within the Life/Health segment. Prior year balances have not been adjusted.

[7] Contains run-off € (2) mn , € (3) mn and € (2) mn for 2008, 2007 and 2006, respectively, from our former life insurance business in the United Kingdom which we sold in December 2004.

[8] Represents elimination of transactions between Allianz Group companies in different geographic regions.

Banking Operations [1]

– Due to the sale of Dresdner Bank, the commentary on the banking segment only refers to the continuing banking operations of the Group.
– Oldenburgische Landesbank and banking customers introduced by Allianz tied agents are included.
– Continuing banking operations recorded an operating loss of € 31 million.

Earnings Summary

Operating revenues

Operating revenues decreased by 12.5 % to € 544 million with all revenue components contributing to this development. The biggest downward movement was recorded in net fee and commission income (down € 58 million to € 237 million) mainly due to lower third-party assets in Italy caused by market-related effects. Net interest income decreased by 4.0 % to € 312 million, as lower at-equity results of investments at Banque AGF [2] outweighed the positive performance in our other banking entities.

Operating profit (loss)

We recorded an operating loss of € 31 million coming from a profit in 2007 of almost the same magnitude. Lower operating revenues and higher loan loss provisions (net additions of € 29 million in 2008 compared to net additions of € 5 million in the previous year) were only partially offset by reduced operating expenses. Operating expenses decreased by 6.7 % to € 546 million whereas our cost-income ratio increased by 6.3 percentage points to 100.4 %.

Non-operating result

The non-operating result was negative at € 130 million compared to a positive result of € 13 million in 2007. This is primarily due to significantly higher net impairments of investments, up € 117 million to € 120 million, which were mainly caused by write-downs on structured products in France. In addition, net realized losses of € 6 million (2007: gains of € 18 million), largely from the sale of investments in France contributed to this development.

Net income (loss) from continuing operations

The net loss from our continuing operations before income taxes and minority interests in earnings amounted to € 161 million (2007: income of € 45 million). Due to the loss, we recorded an income tax credit of € 54 million which led to an effective tax rate of 33.5 % and therefore was comparable to the expected tax rate of 33 %. The effective tax rate last year was (22.2) % due to a positive effect from the German tax reform.

After tax and minority interests, we recorded a net loss from continuing operations of € 114 million, coming from a gain of € 55 million a year earlier.

[1] Following the sale of almost all of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG (Commerzbank), our continuing banking operations consist of Oldenburgische Landesbank AG (OLB) and the clients introduced through the tied agents channel to Dresdner Bank, together with our non-Dresdner Bank existing banking operations. Therefore, all revenue and profit figures presented for our continuing business exclude the parts of Dresdner Bank sold to Commerzbank. Since the third quarter 2008, following the announcement of the sale, Dresdner Bank qualified as held-for-sale and discontinued operations and is presented as "Discontinued Operations of Dresdner Bank" on pages 72 and 73. The results from these operations are presented in a separate net income line "net income from discontinued operations, net of income taxes and minority interests in earnings". For further information please see Note 4 in our consolidated financial statements.

[2] On January 1, 2009, Banque AGF was re-branded to Allianz Banque.

Banking segment information

	2008 € mn	2007 € mn	2006 € mn
Net interest income [1]	312	325	291
Net fee and commission income [2]	237	295	268
Trading income (net) [3]	(5)	2	45
Income from financial assets and liabilities designated at fair value through income (net) [3]	—	—	—
Operating revenues [4]	**544**	**622**	**604**
Administrative expenses	(552)	(589)	(550)
Investment expenses	9	6	6
Other expenses	(3)	(2)	—
Operating expenses	**(546)**	**(585)**	**(544)**
Loan loss provisions	(29)	(5)	3
Operating profit (loss)	**(31)**	**32**	**63**
Realized gains/losses (net)	(6)	18	15
Impairments of investments (net)	(120)	(3)	—
Amortization of intangible assets	(2)	—	—
Restructuring charges	(2)	(2)	(2)
Non-operating items	**(130)**	**13**	**13**
Income (loss) from continuing operations before income taxes and minority interests in earnings	**(161)**	**45**	**76**
Income taxes	54	10	(1)
Minority interests in earnings	(7)	—	(6)
Net income (loss) from continuing operations	**(114)**	**55**	**69**
Cost-income ratio [5] in %	**100.4**	**94.1**	**90.1**

Banking Operations by Geographic Region

The following table sets forth our banking operating revenues, operating profit and cost-income ratio by geographic region for the years ended December 31, 2008, 2007 and 2006. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues			Operating profit (loss)			Cost-income ratio		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 %	2007 %	2006 %
Germany	325	326	320	4	(12)	(4)	92.8	104.1	102.6
Italy	176	219	201	55	76	47	66.7	64.0	75.1
France	—	46	64	(58)	(21)	18	— [6]	145.2	74.1
New Europe	43	31	19	(32)	(11)	2	164.8	126.4	86.2
Total	**544**	**622**	**604**	**(31)**	**32**	**63**	**100.4**	**94.1**	**90.1**

1) Represents interest and similar income less interest expenses.
2) Represents fee and commission income less fee and commission expenses.
3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 6 to the consolidated financial statements.
4) For the Banking segment, total revenues are measured based upon operating revenues.
5) Represents operating expenses divided by operating revenues.
6) Presentation not meaningful.

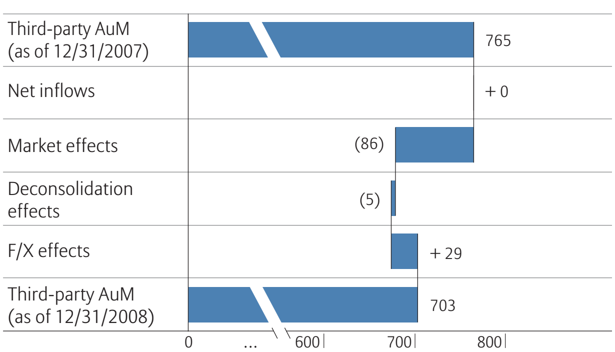
Asset Management Operations

– Solid asset base ensures profitability even under extreme conditions.
– Operating profit of € 926 million.
– Fixed income business continued to deliver robust results, while equity business suffered from the difficult market environment.

Third-Party Assets Under Management of the Allianz Group

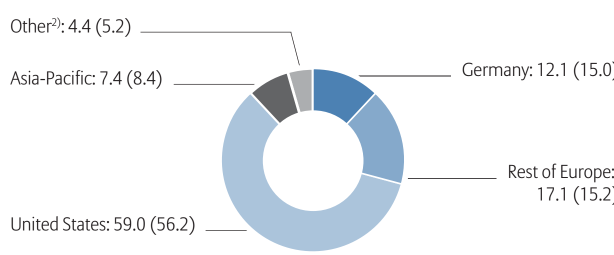
The severe turbulences in the financial markets influenced the development of our third-party assets under management. At € 703 billion, these were € 62 billion below the level of year-end 2007.

Development of third-party assets under management
in € bn



Despite the negative impact the crisis had on the fair value of our assets under management, we still generated positive net inflows in the first nine months of 2008. In contrast, we saw large outflows in the fourth quarter as a consequence of increased risk aversion of investors. The twelve month net inflow figure was zero, as full year inflows of € 11 billion from fixed-income products was entirely offset by outflows from equity products. Following a sharp decline in market values, market-related depreciation amounted to € 86 billion; thereof € 58 billion and € 27 billion related to equity and fixed-income products, respectively. Deconsolidation effects of € 5 billion were to a large extent due to the disposal of our former real estate fund company, DEGI. The strengthening U.S. Dollar versus the Euro resulted in a positive currency translation effect of € 29 billion.

Third-party assets under management by geographic region as of December 31, 2008 (December 31, 2007) [1]
in %



The regional allocation of assets under management moved slightly towards investments originated in the United States, driven by the appreciation of the U.S. Dollar. Strong outflows from the equity business combined with this foreign exchange impact led to a shift from equity to fixed-income products, which made up 15 % and 85 % of the total assets under management, respectively, at year-end 2008. The proportion of institutional (74 %) to retail customers (26 %) increased following stronger outflows from retail products and a shift in investments towards the United States, which has a strong institutional customer base.

1) Based on the origination of assets.
2) Consists of third-party assets managed by other Allianz Group companies (approximately € 22 bn and € 22 bn as of December 31, 2008 and December 31, 2007, respectively) and Dresdner Bank (approximately € 9 bn and € 18 bn as of December 31, 2008 and December, 31 2007 respectively).

Rolling investment performance of Allianz Global Investors [1]
in %

For equity products, 62 % of our assets under management outperformed their respective benchmarks. Fixed income markets were severely hit by unprecedented and unforeseeable market disruptions in the second half of the year, which had a negative impact on our performance track record, driving outperformance down to 48 %.

Major awards received during the year in the asset management business in 2008 include:

– Allianz RCM Global EcoTrends Fund was announced joint winner of “Best Climate Change Fund 2008”, awarded by Holden & Partners Incisive Media.

– Allianz RCM-managed Charter European Trust was awarded “Best European Trust 2008” at Investment Weeks’s Investment Trust of the Year awards.

– Nicholas Applegate Capital Management was named “130/30 Manager of the Year” at Professional Pensions’ Specialist and Alternative Investment Manager Awards 2008.

– A total of 24 Lipper Awards have been awarded to group funds across Asia and Europe.

Earnings Summary [2]

Operating revenues

Operating revenues decreased by 6.0 % to € 2,813 million on an internal basis. The decline in the asset base resulted in lower net fee and commission income. In addition, we recorded a net loss from financial assets and liabilities carried at fair value through income. On a nominal basis, operating revenues were 11.5 % lower.

Net fee and commission income declined by 8.1 % as the lower level of third-party assets under management led to decreasing management fees. The unprecedented market disruptions were reflected in the volatility of performance fees, which more than halved.

	2008 € mn	2007 € mn	2006 € mn
Management fees	3,244	3,496	3,368
Loading and exit fees	250	307	334
Performance fees	82	202	107
Other income	364	292	309
Fee and commission income	**3,940**	**4,297**	**4,118**
Commissions [3]	(770)	(931)	(949)
Other expenses [3]	(358)	(306)	(295)
Fee and commission expenses	**(1,128)**	**(1,237)**	**(1,244)**
Net fee and commission income	**2,812**	**3,060**	**2,874**

[1] AGI account-based, asset-weighted 3-year investment performance of 3rd party assets vs. benchmark including all accounts managed on a discretionary basis by equity and fixed-income managers of AGI (including direct accounts, Spezialfonds and CPMs of Allianz with AGI Germany). For some retail funds the net of fee performance is compared to the median performance of an appropriate peer group (Micropal or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS, the performance of closed funds/accounts is not included in the analysis. Also not included: AGI Taiwan, AGI Singapore, GTJA Allianz China, AGI Korea, AGI France, AGI Netherlands and AGI Italy.

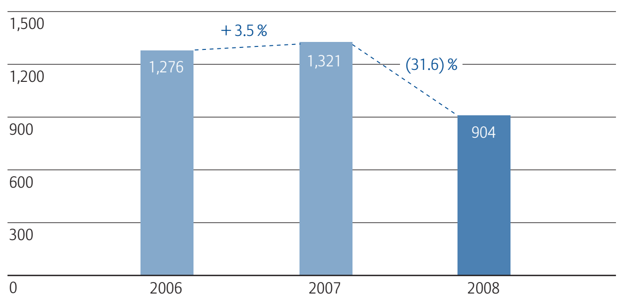
[2] The results of operations of our Asset Management segment are almost exclusively represented by AGI, accounting for 97.4 % (2007: 97.5 %, 2006: 98.2 %) of our total Asset Management segment’s operating revenues and 97.6 % (2007: 97.2 %, 2006: 98.9 %) of our total Asset Management segment’s operating profit for the year ended December 31, 2008. Accordingly, the discussion of our Asset Management segment’s results of operations relates solely to the operations of AGI.

[3] € 54 million have been reclassified from other expenses to commission expenses each for the years ended December 31, 2007 and 2006.

Net loss from financial assets and liabilities carried at fair value through income amounted to € 80 million coming from a gain of € 29 million in 2007. The swing stemmed to a large extent from € 74 million negative mark-to-market valuations of seed money investments.

Operating profit

Operating profit
in € mn



In a difficult market environment, operating profit was down 27.9 % on an internal basis. At € 904 million, it was 31.6 % lower than the previous year's result. This was mainly driven by lower net fee and commission income, negative mark-to-market valuation of seed money investments together with a slight increase in operating expenses.

Administrative expenses of € 1,909 million, were 2.8 % higher than the prior year level mainly as non-personnel expenses showed a double-digit increase driven by business expansions in the fixed-income business and in U.S. distribution units. In addition, expenses increased following higher costs for further improvements of compliance and risk management infrastructures. Personnel expenses declined due to lower bonus costs, partly offset by associated non-bonus related staff costs due to an increase in headcount.

At 67.9 %, the cost-income ratio was up 9.5 percentage points.

Non-operating result

Acquisition-related expenses declined significantly to € 278 million (2007: € 491 million). This was almost exclusively due to a lower number of outstanding PIMCO LLC Class B Units (or B Units). As of December 31, 2008, the Allianz Group had acquired 71,743 of the 150,000 units originally outstanding.

Net income

We recorded net income of € 369 million, a 21.5 % decline compared to a year ago.

Tax charges were reduced by 27.0 % amounting to € 246 million. The effective tax rate was 39.9 % and remained almost unchanged compared to the prior year level of 40.7 %.

Asset Management segment information and AGI

	2008		2007		2006	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Net fee and commission income [1]	2,874	2,812	3,133	3,060	2,924	2,874
Net interest income [2]	62	54	81	75	71	66
Income from financial assets and liabilities carried at fair value through income (net)	(77)	(80)	31	29	38	37
Other income	28	27	14	14	11	12
Operating revenues [3]	**2,887**	**2,813**	**3,259**	**3,178**	**3,044**	**2,989**
Administrative expenses, excluding acquisition-related expenses [4]	(1,961)	(1,909)	(1,900)	(1,857)	(1,754)	(1,713)
Operating expenses	**(1,961)**	**(1,909)**	**(1,900)**	**(1,857)**	**(1,754)**	**(1,713)**
Operating profit	**926**	**904**	**1,359**	**1,321**	**1,290**	**1,276**
Realized gains/losses (net)	5	5	2	4	7	5
Impairments of investments (net)	(19)	(13)	(1)	(1)	(2)	(2)
Acquisition-related expenses [4], thereof:						
Deferred purchases of interests in PIMCO	(278)	(278)	(488)	(488)	(523)	(523)
Other acquisition-related expenses	—	—	(3)	(3)	(9)	(9)
Subtotal	**(278)**	**(278)**	**(491)**	**(491)**	**(532)**	**(532)**
Amortization of intangible assets	(1)	(1)	—	—	(24)	(23)
Restructuring charges	—	—	(4)	(4)	(4)	(4)
Non-operating items	**(293)**	**(287)**	**(494)**	**(492)**	**(555)**	**(556)**
Income before income taxes and minority interests in earnings	**633**	**617**	**865**	**829**	**735**	**720**
Income taxes	(249)	(246)	(342)	(337)	(278)	(276)
Minority interests in earnings	(5)	(2)	(25)	(22)	(53)	(49)
Net income	**379**	**369**	**498**	**470**	**404**	**395**
Cost-income ratio [5] in %	**67.9**	**67.9**	**58.3**	**58.4**	**57.6**	**57.3**

1) Represents fee and commission income less fee and commission expenses.
2) Represents interest and similar income less interest expenses and investment expenses.
3) For the Asset Management segment, total revenues are measured based upon operating revenues.
4) The total of these items equals acquisition and administrative expenses (net) in the segment income statement included in Note 6 to the consolidated financial statements.
5) Represents operating expenses divided by operating revenues.

Corporate Activities

– Operating loss declined by € 137 million mainly driven by foreign currency gains.
– Net loss heavily affected by increased impairments and lower realized gains.

Earnings Summary

The aggregate operating loss decreased by 42.2 % to € 188 million due to lower administrative and investment expenses in the Holding Function.

At € 725 million, the net loss was € 567 million higher than in the prior year reflecting higher impairments and significantly lower realized gains in the Holding Function.

Holding Function

Operating profit (loss)

At € 318 million the operating loss in the holding function was 28.7 % lower than in 2007 largely due to a decline in administrative and investment expenses. The latter benefited from increased foreign currency gains of € 111 million. Revenues declined slightly, as higher interest income was more than offset by a decrease in all other revenue positions.

Non-operating result

The non-operating loss amounted to € 1,154 million coming from a gain of € 37 million in the prior year. Due to the weak market conditions impairments increased significantly by € 638 million and capital gains were € 838 million lower compared to the prior year. Trading income improved and expenses for external debt decreased mostly driven by the redemption of the bridge loan for the minority buy-out at AGF.

Net income (loss)

We recorded a net loss of € 812 million, or a € 644 million larger loss compared to the prior year's level. The lower non-operating result described above was partially compensated by higher tax income of € 662 million. In 2007 tax income was lower due to tax expense from the German tax reform.

Private Equity

Operating profit

Operating profit increased by 7.4 % to € 130 million. This development was driven by a higher margin from fully consolidated private equity investments and a rise in net fee and commission income, whereas interest and similar income declined due to higher profits from private equity fund investments in the prior year when the market environment was friendlier than in 2008.

Non-operating result

The non-operating loss declined from € 66 million to € 2 million, stemming from higher net capital gains.

Net income (loss)

Net income increased by € 77 million to € 87 million mostly as a consequence of the reduced non-operating loss. Income tax expenses amounted to € 31 million compared to € 25 million in 2007.

	Holding Function			Private Equity			Total		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
Operating profit (loss)	(318)	(446)	(824)	130	121	(7)	(188)	(325)	(831)
Non-operating items	(1,154)	37	(455)	(2)	(66)	299	(1,156)	(29)	(156)
Income (loss) before income taxes and minorities	(1,472)	(409)	(1,279)	128	55	292	(1,344)	(354)	(987)
Income taxes	662	242	827	(31)	(25)	(3)	631	217	824
Minority interests in earnings	(2)	(1)	(8)	(10)	(20)	(8)	(12)	(21)	(16)
Net income (loss)	(812)	(168)	(460)	87	10	281	(725)	(158)	(179)

Discontinued Operations of Dresdner Bank[1)]

– Discontinued operations of Dresdner Bank continued to suffer from weak markets.
– Net loss from discontinued operations amounted to € 6,411 million.

In the full year results of 2008, we show results from operating activities only until September 30, 2008. In the discussion below, we do not present operating revenues and operating profit for the period between October 1, 2008 and December 31, 2008 because the value of the Dresdner Bank activities is not measured by their operating performance during this period but rather by the value of Dresdner Bank reflected in the agreements to sell this entity to Commerzbank, as discussed below under "Net loss from discontinued operations for the year ended December 31, 2008". Accordingly, operating revenues and operating profit for 2008 and 2007 are not comparable because the figures are based on a nine month period for 2008 and on a full year calendar period for 2007.

Earnings Summary

Operating revenues for the nine months ended September 30, 2008

Operating revenues decreased significantly and amounted to € 1,910 million with all revenue components contributing to this development. The net dealing loss, which comprises net trading loss and net income (loss) from financial assets and liabilities designated at fair value through income, at € 1,439 million, had the biggest impact on revenues. This income category was heavily affected by the credit crisis. Additionally, we recognized declines in net interest income and net fee and commission income.

Operating profit (loss) for the nine months ended September 30, 2008

As the massive decline in operating revenues could not be outweighed by reductions in operating expenses, we recorded an operating loss of € 1,797 million, which included loan loss provisions of € (327) million.

Result from operating activities of discontinued operations for the nine months ended September 30, 2008

We recorded non-operating items of € 164 million. Despite the negative pre-tax income of € 1,633 million, we recorded an income tax charge of € 398 million. Therefore, we recorded a result from operating activities of discontinued operations of € (2,074) million.

Net loss from discontinued operations for the year ended December 31, 2008

The net loss from discontinued operations amounted to € 6,411 million. This comprised the negative result from operating activities of € 2,074 million, plus an impairment loss recognized as of September 30, 2008 of € 1,409 million representing the remeasurement of assets of disposal group to fair value less costs to sell – together with the result of transaction between September 30, 2008 and December 31, 2008 of € (2,928) million mainly reflecting the change in fair value of the considerations agreed.

[1)] Following the announcement of the sale of Dresdner Bank to Commerzbank in the third quarter, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations since the third quarter 2008. Therefore, Dresdner Bank's financial results have been eliminated from our Banking operation's results and are now presented as "Discontinued Operations of Dresdner Bank". Please see Note 4 to the consolidated financial statements for further information. All numbers are stated on a consolidated basis.

Information on discontinued operations of Dresdner Bank

	2008 [1] € mn	2007 € mn	2006 € mn
Net interest income [2]	1,856	2,821	2,400
Net fee and commission income [3]	1,493	2,527	2,520
Trading income (net) [4]	(1,362)	(463)	1,257
Income from financial assets and liabilities designated at fair value through income (net) [4]	(77)	33	53
Other income	—	—	25
Operating revenues [5]	**1,910**	**4,918**	**6,255**
Administrative expenses	(3,326)	(4,430)	(5,018)
Investment expenses	(2)	(20)	(53)
Other expenses	(52)	3	14
Operating expenses	**(3,380)**	**(4,447)**	**(5,057)**
Loan loss provisions	(327)	131	(31)
Operating profit (loss)	**(1,797)**	**602**	**1,167**
Realized gains/losses (net)	285	540	230
Impairments of investments (net)	(102)	(87)	(215)
Amortization of intangible assets	(2)	—	—
Restructuring charges	(17)	(50)	(422)
Non-operating items	**164**	**403**	**(407)**
Result from discontinued operations before income taxes and minority interests in earnings	**(1,633)**	**1,005**	**760**
Income taxes	(398)	(282)	(293)
Minority interests in earnings	(43)	(73)	(86)
Result from operating activities of discontinued operations	**(2,074)**	**650**	**381**
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008 [6]	(1,409)	—	—
Result of transaction between September 30, 2008 and December 31, 2008 [6]	(2,928)	—	—
After-tax loss on remeasurement of assets of disposal group to fair value less costs to sell	**(4,337)**	—	—
Net income (loss) from discontinued operations	**(6,411)**	**650**	**381**
Cost-income ratio [7] in %	**177.0**	**90.4**	**80.8**

1) For the year ended December 31, 2008, the result from operating activities of discontinued operations represents the nine months ended September 30, 2008. Previous year figures represent 12 months ended December 31 of the relevant year.
2) Represents interest and similar income less interest expenses.
3) Represents fee and commission income less fee and commission expenses.
4) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) included in Note 4 to the consolidated financial statements.
5) For the discontinued operations of Dresdner Bank, total revenues are measured based upon operating revenues.
6) No income taxes were related to the impairment loss of September 30, 2008 and to the result from transaction between September 30, 2008 and December 31, 2008.
7) Represents operating expenses divided by operating revenues.

Balance Sheet Review [1]

– Shareholders' equity of € 33.7 billion.
– Asset allocation of Allianz is well diversified and of high quality.

Consolidated Balance Sheets

As of December 31,	2008 € mn	2007 € mn
ASSETS		
Cash and cash equivalents	8,958	31,337
Financial assets carried at fair value through income [2]	14,240	185,461
Investments [3]	260,147	286,952
Loans and advances to banks and customers	115,655	396,702
Financial assets for unit-linked contracts	50,450	66,060
Reinsurance assets	14,599	15,312
Deferred acquisition costs	22,563	19,613
Deferred tax assets	3,996	4,771
Other assets	34,004	38,025
Non-current assets and assets of disposal groups classified as held-for-sale	419,513	3,503
Intangible assets	11,451	13,413
Total assets	**955,576**	**1,061,149**

As of December 31,	2008 € mn	2007 € mn
LIABILITIES AND EQUITY		
Financial liabilities carried at fair value through income	6,244	126,053
Liabilities to banks and customers	18,451	336,494
Unearned premiums	15,233	15,020
Reserves for loss and loss adjustment expenses	63,924	63,706
thereof attributable to the Property-Casualty segment € 55,616 mn (2007: € 56,943 mn) [4]		
Reserves for insurance and investment contracts	296,557	292,244
thereof attributable to the Life/Health segment € 287,932 mn (2007: € 283,139 mn) [4]		
Financial liabilities for unit-linked contracts	50,450	66,060
Deferred tax liabilities	3,833	3,973
Other liabilities	32,930	48,031
Liabilities of disposal groups classified as held-for-sale	411,816	1,293
Certificated liabilities	9,544	42,070
Participation certificates and subordinated liabilities	9,346	14,824
Total liabilities	**918,328**	**1,009,768**
Shareholders' equity	33,684	47,753
Minority interests	3,564	3,628
Total equity	**37,248**	**51,381**
Total liabilities and equity	**955,576**	**1,061,149**

[1] Due to the disposal of almost all of Dresdner Bank AG to Commerzbank AG, all assets and liabilities that are part of the disposal group have been reclassified and presented in separate line items "Non-current assets and assets from disposal groups classified as held-for-sale" and "Liabilities of disposal groups classified as held-for-sale", respectively, on the face of the consolidated balance sheet as of December 31, 2008. Certain prior period amounts have been reclassified to conform to the current period presentation. For further information please refer to Note 4 to our consolidated financial statements.

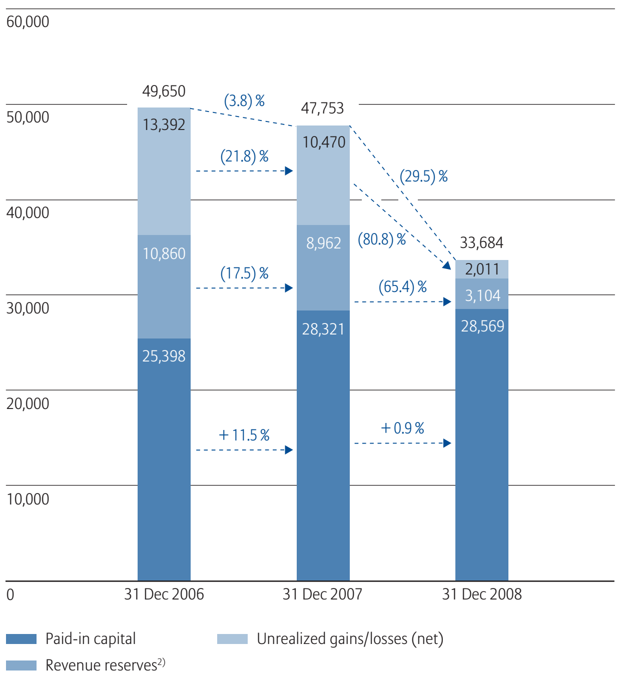
[2] As of December 31, 2008, € 101 mn are pledged to creditors and can be sold or repledged (2007: € 23,163 mn).

[3] As of December 31, 2008, € 826 mn are pledged to creditors and can be sold or repledged (2007: € 7,384 mn).

[4] For further information on our segment reporting please refer to Note 6 to our consolidated financial statements.

Shareholders' Equity [1)]

Shareholders' equity
in € mn



Shareholders' equity

	Shareholders' equity € mn
Balance as of December 31, 2007	**47,753**
Foreign currency translation adjustments	(388)
Available-for-sale investments	
Unrealized gains and losses (net) arising during the year [3)]	(9,170)
Transferred to net income on disposal or impairment [4)]	697
Cash flow hedges	30
Miscellaneous	(65)
Total income and expense recognized directly in shareholders' equity	**(8,896)**
Net loss	(2,444)
Total recognized income and expense for the year	**(11,340)**
Paid-in capital	248
Treasury shares	25
Transactions between equity holders	(530)
Dividends paid	(2,472)
Balance as of December 31, 2008	**33,684**

Regulatory Capital Adequacy

For information on the conglomerate solvency of Allianz Group as of December 31, 2008, please refer to "Risk Report – Capital Management – Regulatory capital adequacy".

Total Assets and Total Liabilities

Total assets and liabilities decreased by € 105.6 billion and € 91.4 billion, respectively.

For detailed information on Allianz SE issued debt outstanding as of December 31, 2008, please refer to the section "Liquidity and Capital Resources" and Note 23 and 24 to our consolidated financial statements.

1) Does not include minority interests of € 3.6 bn, of € 3.6 bn and of € 7.2 bn as of December 31, 2008, 2007 and 2006, respectively. Please refer to Note 25 to the consolidated financial statements for further information.
2) Include foreign currency translation adjustments.

3) During the year ended December 31, 2008 unrealized gains and losses (net) arising during the year included in shareholders' equity are net of deferred tax benefit of € 1,690 mn (2007: € 720 mn; 2006: € 478 mn).
4) During the year ended December 31, 2008, realized gains and losses (net) transferred to net income on disposal or impairment are net of income tax benefit of € 755 mn (2007: income tax charge of € 206 mn; 2006: income tax charge of € 308 mn).

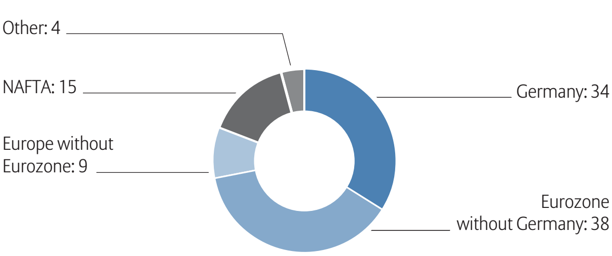
In the following sections, we analyze important developments within the balance sheets of our Property-Casualty, Life/Health and Banking segments as presented on pages 176 and 177. Relative to Allianz Group's total assets and total liabilities, we consider the total assets and total liabilities from our Asset Management segment as immaterial and have, accordingly, excluded these assets and liabilities from the following discussion. Our Asset Management segment's results of operations stem primarily from its management of third-party assets. [1]

Due to timing differences between premium payments and the claim or contractual fulfillment, insurers need to invest the money they collected from their clients. Therefore, insurance assets, including financial assets and liabilities carried at fair value through income, investments, loans and advances to banks and customers, and for the Life/Health segment financial assets for unit-linked contracts, account for the most part of the assets in our consolidated balance sheet.

Asset allocation

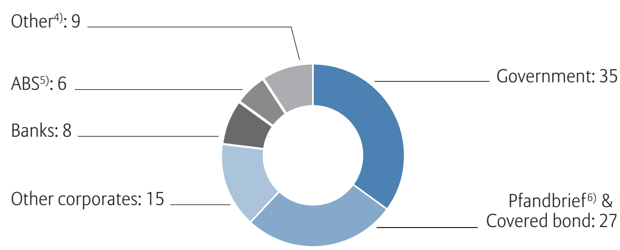
Investment assets from our Property-Casualty, Life/Health and Corporate segments amounted to € 358.2 billion as of December 31, 2008. Thereof, the fixed-income portfolio which comprised bonds and loans [2] accounted for € 315.8 billion, equities for € 33.8 billion and other investment categories for € 8.6 billion. [3]

Fixed-income portfolio of € 315.8 billion by investment country
in %



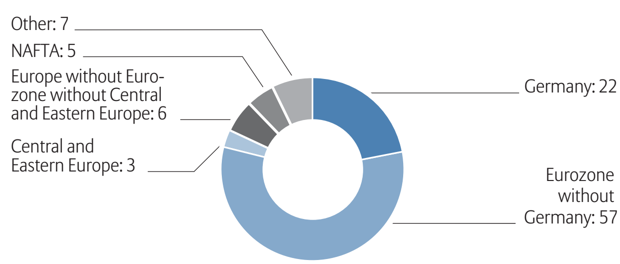
From a regional perspective our portfolio of debt securities is well diversified.

Fixed-income portfolio of € 315.8 billion by type of issuer
in %



We consider our fixed-income portfolio to be both of high quality and well diversified. A share of more than 60 % relate to governments and covered bonds that help mitigate against possible future deteriorations in the credit markets.

Government exposures of € 110.4 billion
in %

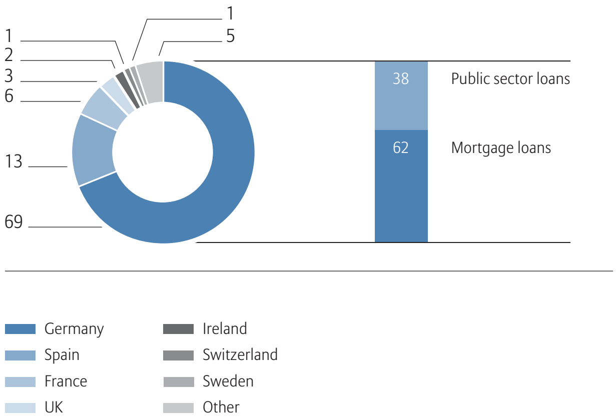


Nearly 80 % of our government exposure was attributable to the Eurozone.

[1] For further information on the development of these third-party assets please refer to pages 66 and 67.
[2] Excluding internal loans.
[3] As part of the transaction with Commerzbank Allianz committed to purchase certain CDOs. For further information please refer to page 47.

[4] 5 %-p are mainly seasoned self-originated German Private Retail Mortgage Loans and 3 %-p are short-term loans.
[5] Includes € 7 bn U.S. Agency MBS.
[6] Type of covered bond issued in Germany.

Pfandbrief and covered bond portfolio of € 85.2 billion
in %

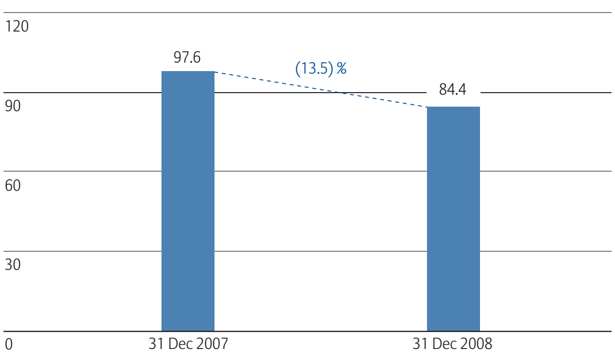


69 % of covered bonds are German Pfandbriefe backed by either public sector loans or mortgage loans. On these as well as on all other covered bond exposures, minimum required security buffers as well as voluntary over-collateralization offer a substantial cushion for house price deterioration and payment defaults.

Assets and liabilities of the Property-Casualty segment

Property-Casualty assets

Property-Casualty asset base
fair values [1] in € bn



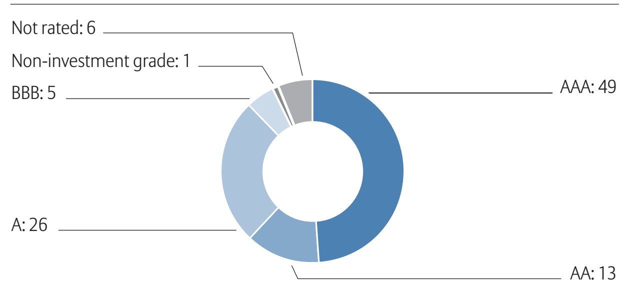
Our Property-Casualty asset base decreased by € 13.2 billion, which was almost entirely attributable to the decline in equity investments. These were down by € 4.9 billion due to reduced equity values following the weak capital markets and by € 5.0 billion due to net divestments stemming from equity realizations. Furthermore, € 2.7 billion stemmed from capital upstreaming from Allianz Sach in Germany to Allianz SE.

Composition of the Property-Casualty asset base
fair values [1]

As of December 31	2008 € bn	2007 € bn
Financial assets and liabilities carried at fair value through income		
Equity	0.2	0.4
Debt	1.5	2.7
Other	0.2	0.1
Subtotal	1.9	3.2
Investments [2]		
Equities	6.4	16.5
Debt securities	51.6	50.3
Other	6.9	6.9
Subtotal	64.9	73.7
Loans and advances to banks and customers	17.6	20.7
Property-Casualty asset base	84.4	97.6

Of our Property-Casualty asset base, ABS made up € 4.4 billion as of December 31, 2008, which is around 5 % of our asset-base. CDOs accounted for € 0.1 billion of this amount. Subprime exposures within CDOs were negligible.

Rating structure of the Property-Casualty fixed-income portfolio [3]
in %

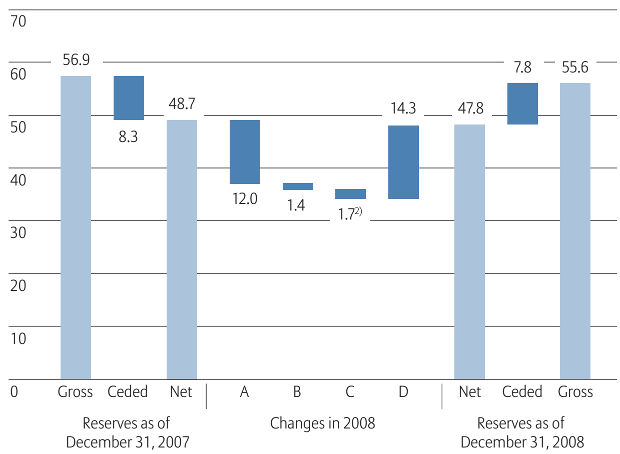


1) Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information please refer to Note 2 to the consolidated financial statements.

2) Do not include affiliates of € 10.7 bn and € 10.0 bn as of December 31, 2008 and 2007, respectively.
3) Includes loans and debt securities.

Property-Casualty liabilities

Development of reserves for loss and loss adjustment expenses [1]
in € bn



A Loss and loss adjustment expenses paid in prior years
B Loss and loss adjustment expenses incurred in prior years
C Foreign currency translation adjustments and other changes, changes in the consolidated subsidiaries of the Allianz Group and reclassifications
D Reserves for loss and loss adjustment expenses in current year

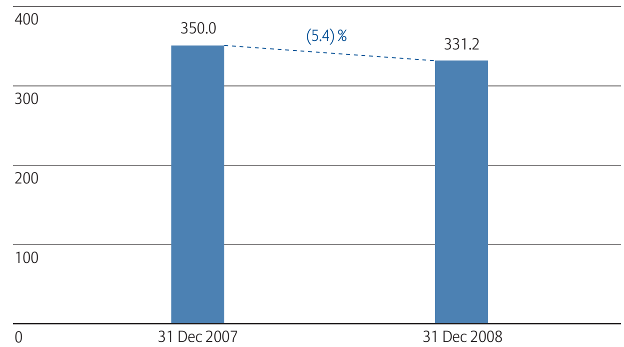
Reserves (gross/net) as of December 31, 2007 and 2008
Changes

In 2008, the segment's gross reserves for loss and loss adjustment expenses decreased by 2.3 % to € 55.6 billion. Main contributors for this development were the reclassification of AGF's health insurance business from the Property-Casualty segment to the Life/Health segment and foreign currency translation effects.

Assets and liabilities of the Life/Health segment

Life/Health assets

Life/Health asset base
fair values [3] in € bn



Our Life/Health asset base declined by 5.4 % to € 331.2 billion. Equity investments were reduced by € 19.0 billion as the weak market environment led to market-related effects of € 14.4 billion and € 4.5 billion of equity securities were disposed of. Furthermore, assets for unit-linked contracts declined by € 15.6 billion of which € 15.3 billion were attributable to market effects.

[1] After group consolidation. For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment please refer to Note 19 to the consolidated financial statements.
[2] Includes approximately € 1.4 bn reclassification of AGF Group's health insurance business from the Property-Casualty segment to the Life/Health segment.

[3] Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information please refer to Note 2 to the consolidated financial statements.

Composition of the Life/Health asset base

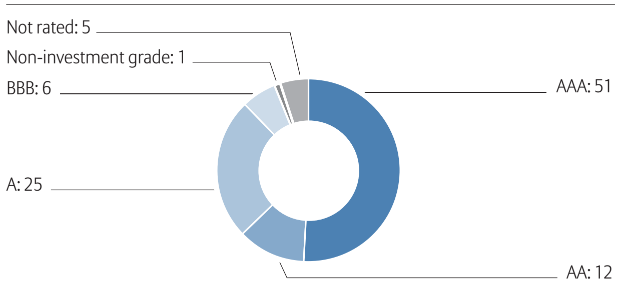
fair values [1]

As of December 31	2008 € bn	2007 € bn
Financial assets and liabilities carried at fair value through income		
Equity	2.5	3.3
Debt	7.7	9.3
Other	(4.3)	(4.5)
Subtotal	5.9	8.1
Investments [2]		
Equities	22.2	41.2
Debt securities	154.4	137.6
Other	7.7	5.8
Subtotal	184.3	184.6
Loans and advances to banks and customers	90.6	91.2
Financial assets for unit-linked contracts [3]	50.4	66.1
Life/Health asset base	331.2	350.0

Within our Life/Health asset base, ABS amounted to € 15.3 billion as of December 31, 2008, which is less than 5 % of total Life/Health assets. Of these, € 0.3 billion are CDOs. Unrealized losses on CDOs of € 10 million were recorded in our shareholders' equity. Subprime exposures within CDOs were negligible.

Rating structure of the Life/Health fixed-income portfolio [4]

in %



[1] Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information please refer to Note 2 to the consolidated financial statements.

[2] Do not include affiliates of € 2.5 bn and € 2.7 bn as of December 31, 2008 and 2007, respectively.

[3] Financial assets for unit-linked contracts represent assets owned by, and managed on the behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts.

[4] Includes loans and debt securities.

Life/Health liabilities

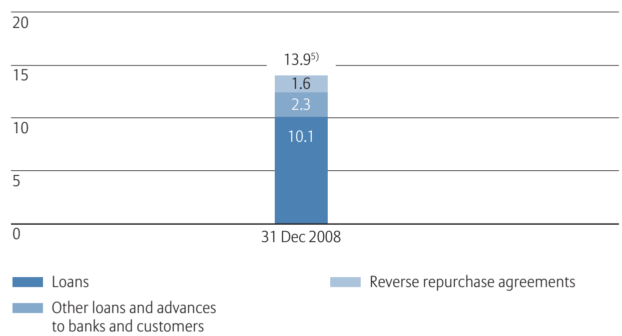
Life/Health reserves for insurance and investment contracts were up 1.7 % to € 287.9 billion including an increase of € 14.2 billion in aggregate policy reserves mainly from the United States, Germany and France. These were partly offset by major reductions in provisions for premium refunds in Germany and France which were down by € 9.2 billion due to negative market impacts. Foreign currency effects increased liabilities by € 1.4 billion including € 2.1 billion and € 0.7 billion from the rising U.S. Dollar and Swiss Franc respectively, counteracted by € (1.6) billion from the declining Korean Won.

Assets and liabilities of the Banking segment

Banking loans and advances to banks and customers

Banking loans and advances to banks and customers

in € bn



In our continuing Banking operations, loans and advances to banks and customers amounted to € 13.9 billion.

Banking liabilities to banks and customers

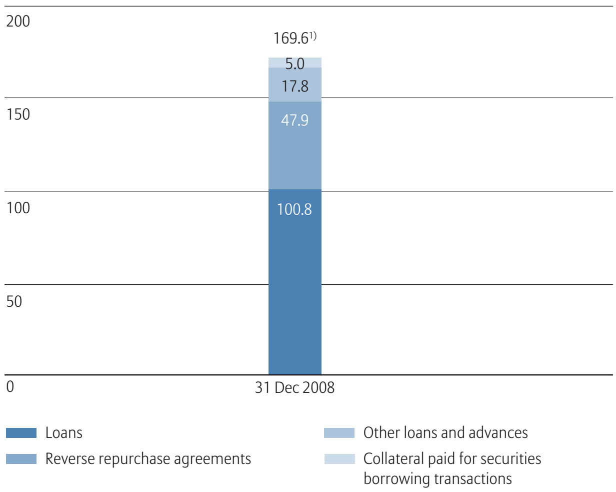
Liabilities to banks and customers amounted to € 16.3 billion. Thereof, term deposits and certificates of deposit accounted for € 4.5 billion, liabilities payable on demand for € 4.2 billion, savings deposits for € 1.6 billion and repurchase agreements for € 1.3 billion.

[5] Includes loan loss allowance of € (0.1) bn as of December 31, 2008.

Assets and liabilities of discontinued operations

Dresdner Bank's loans and advances to banks and customers

Dresdner Bank's loans and advances to banks and customers
in € bn



In the discontinued operations of Dresdner Bank, loans and advances to banks and customers amounted to € 169.6 billion.

Dresdner Bank's liabilities to banks and customers

Liabilities to banks and customers amounted to € 195.7 billion. Thereof, liabilities payable on demand accounted for € 78.5 billion, repurchase agreements for € 24.3 billion, term deposits and certificates of deposit for € 45.9 billion, collaterals received from securities lending transactions for € 5.9 billion and savings deposits for € 3.4 billion.

Consolidated Special Purpose Entities (SPEs)

The Allianz Group is engaged in a variety of SPEs including asset securitization entities, investment funds and investment conduits. In providing these services, the Allianz Group may in some instances have a financial interest in such financing structures. However, the risk of financial loss may be mitigated through participations in such losses by other third-party investors.

The Allianz Group also engages in establishing and managing investment fund SPEs with a goal of developing, marketing and managing these funds. During the establishment phase of these funds, Allianz Group may provide initial capital for the SPEs to acquire securities until either sufficient third-party investors purchase participations in the funds or the SPEs are terminated. Certain of these SPE's funds' obligations may include capital maintenance and/or performance guarantees given to the investors. The guarantees Allianz Group provides differ both in terms of amount and duration according to the relevant arrangements. Allianz Group receives fee and commission income from investors for the management of these SPEs.

As required under IFRS, the Allianz Group consolidates an SPE when the substance of the relationship between Allianz and the SPE indicates that the SPE is controlled by Allianz. The following information focuses on SPEs that are controlled by Allianz by means other than a majority voting interest. It excludes consolidated SPEs where Allianz Group consolidates the SPEs under IFRS and holds the majority of the voting rights.

With the announcement of the sale of Dresdner Bank from Allianz to Commerzbank as of August 31, 2008, Dresdner Bank was classified as a disposal group held-for-sale and discontinued operations. Following this classification, SPEs consolidated by Dresdner Bank (including a former SPE named "K2" which was consolidated on March 18, 2008) are presented as part of the disposal group held-for-sale and discontinued operations.

The consolidated SPE of continuing operations of Allianz Group relate to asset-backed securities (ABS) transactions. The conclusion to consolidate was primarily based on the fact that the Allianz Group has the majority of the benefits and retains the majority of the risks. Compared to the prior year, the set-up of an SPE led to consolidation. Total assets of the consolidated SPE as of December 31, 2008, for continuing operations of the Allianz Group amounted to € 734 million. The amount of consolidated assets which represent collateral for the SPE's obligations are € 734 million, and the creditor's recourse to the Allianz Group assets is € 0. Consolidated assets include loans to corporate customers and cash.

In addition to the Allianz Group's engagement in a variety of SPEs including asset securitization entities, investment

1) Includes loan loss allowance of € (1.9) bn as of December 31, 2008.

funds and investment conduits, the Allianz Group through its subsidiary Dresdner Bank was involved in asset securitization entities through arranging, facilitating, and in certain cases, managing investment conduits for banking customers. The consolidated SPEs that formed part of the disposal group classified as held-for-sale as of December 31, 2008, included asset-backed securities transactions, structured finance transactions, derivatives transactions and investment funds. The ABS transactions comprise mainly commercial paper conduits, securitizations and CDO structures. Structured finance transactions are primarily related to tax efficient structures for different kind of transactions. Total assets of consolidated SPEs that formed part of the disposal group classified as held-for-sale and discontinued operations amounted to € 33,306 million as of December 31, 2008. These SPEs were transferred to Commerzbank in connection with the sale of Dresdner Bank and accordingly have been deconsolidated from Allianz Group's consolidated financial statements. Allianz Group will only continue to be involved with one SPE that was transferred to Commerzbank with a continuing Allianz interest of 40 % in subordinated loans. This SPE was consolidated as of December 31, 2008, because an Allianz Group entity and Dresdner Bank held interests in this SPE and, thus, Allianz Group retained the majority of risks at such time. Total assets of this SPE amounted to € 40 million as of December 31, 2008.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Allianz Group enters into arrangements that, under IFRS, are not recognized on the consolidated balance sheet and do not affect the consolidated income statement. Such arrangements remain off-balance sheet as long as the Allianz Group does not incur an obligation from them or becomes entitled to an asset itself. As soon as an obligation is incurred, it is recognized on Allianz Group's consolidated balance sheet, with the corresponding loss recorded in the consolidated income statement. However, in such cases, the amount recognized on the consolidated balance sheet may or may not, in many instances, represent the full loss potential inherent in such off-balance sheet arrangements. The Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue. In order to provide a comprehensive analysis of Allianz Group's off-balance sheet arrangements and to enable an assessment of our risk exposure arising from such arrangements going-forward we discuss below the types of off-balance sheet arrangements that Allianz is involved in, distinguishing between continuing and discontinued operations.

Types of off-balance sheet arrangements

Commitments and Guarantees

In the normal course of business, we enter into various irrevocable loan commitments, leasing commitments, purchase obligations and various other commitments. We also extend market value guarantees to customers, as well as execute indemnification contracts under existing service, lease or acquisition transactions. Fee income from issuing guarantees is not a significant part of our total income, and losses incurred under guarantees and income from the release of related provisions were insignificant for each of the last three years. [1)]

Non-consolidated SPEs

As described above, Allianz Group is engaged in a variety of SPEs. The methodologies used for determining that Allianz Group has no control over the SPEs and, thus, has not to consolidate the SPEs were those according to the IFRS interpretation SIC-12. The conclusion not to consolidate certain SPEs was mainly based on the fact that Allianz Group does not have to bear the majority of the risks. Compared to the prior year, the conclusion to not consolidate has not changed for the continuing operations. In 2008, Allianz Group did not provide any financial or other support to the SPEs forming part of continuing operations that Allianz Group was not previously required to provide.

The following table sets forth the total assets of non-consolidated SPEs in which the Allianz Group has a significant beneficial interest and that form part of the continuing operations, associated liabilities reported in the consolidated balance sheet, the Allianz Group's maximum exposure to loss associated with these SPEs and further information regarding the Allianz Group's involvement as of December 31, 2008. A significant beneficial interest is considered to be either an investment greater than € 100 million in an SPE, or a smaller investment in an SPE that leads to expected losses greater than € 5 million. The non-consolidated SPEs are aggregated based on principal business activity, as reflected in the first column. The nature of the

1) For further information please refer to Note 46 to our consolidated financial statements.

Allianz Group's interest in these SPEs can take different forms, as described in the second column.

	As of December 31, 2008			
Type of SPE	Nature of Allianz Group's involvement with SPEs	Total assets € mn	Liabilities reported in the consolidated balance sheet € mn	Allianz Group's maximum exposure to loss € mn
Investment funds	Guarantee obligations	1,202	—	1,160
Investment funds	Investment manager and/or equity holder	196	55	55
Other	Client financing transaction	651	1	13
Total		**2,049**	**56**	**1,228**

Allianz Group has various types of interests in certain non-consolidated SPEs including equity interests, fund investment interests and loans. For certain mutual funds, Allianz Group has guaranteed a portion of the investors' principal.

Allianz Group's maximum exposure to loss comprises the total amount of investment, including note positions, or guarantee notionals. It describes a worst case scenario without considering the asset rating, available collateral, other types of protection or hedging activities that can and do significantly reduce the economic exposure of these SPEs to the Allianz Group. The maximum exposure to loss for investment funds related to guarantee obligations includes capital maintenance guarantees that are summarized with a maturity of less than one year. The maximum exposure to loss for investment funds related to investment manager and/or equity holder comprise loans with a maturity of more than five years. For all other SPEs, the maximum exposure to loss consists of equity of € 12 million and loans of € 1 million with a maturity of one to three or more than five years. The difference between the liabilities recorded and Allianz Group's maximum exposure to loss is due to the fact that only in extremely rare cases, the redemption price might be lower than the guaranteed price at the balance sheet date. Only in this case would a provision be recognized in the consolidated financial statements.

In addition to the SPEs that are part of continuing operations, Allianz Group through its subsidiary Dresdner Bank held significant beneficial interests in SPEs. These non-consolidated SPEs that formed part of discontinued operations included ABS transactions, special investment vehicles, investment and hedge funds. Total assets of these non-consolidated SPEs that formed part of discontinued operations amounted to € 11,871 million as of December 31, 2008. With the completion of the sale of Dresdner Bank to Commerzbank, Allianz Group no longer has exposure to these SPEs except for certain CDOs held in vehicles used for the issuance of CDOs, securitization and credit derivative transactions that Allianz Group has repurchased from Dresdner Bank after the completion of the sale to Commerzbank. The fair value of these assets repurchased by Allianz was € 1,115 million with a notional amount of approximately € 2 billion, and is presented in assets of a disposal group classified as held-for-sale as of December 31, 2008. The source of maximum exposure to loss is the investment in the issued notes. Due to the fact that these are investments in SPEs with a static funding structure, consolidation would only be necessary if the structure is changed. For these SPEs, no financial support was provided in 2008 and there are no further obligations for additional liquidity support.

Liquidity and Capital Resources

– Allianz Group is well capitalized.
– Net cash flow provided by operating activities amounted to € 25.3 billion in 2008.

Organization

Liquidity planning is an integral part of the overall financial planning and capital allocation process and is based on strategic decisions which include solvency planning, our dividend target, and expected merger and acquisition activities. The Board of Management of Allianz SE, the holding and ultimate parent company of the Allianz Group, decides after consultation with local management of the Allianz Group companies, on how to allocate capital in the Group.

Liquidity Resources

In order to fund liquidity needs, Allianz Group's financial management is centrally operated by Allianz SE, coordinating and executing external debt financing, for instance through securities issues and other capital raising transactions.

Our liquidity resources result predominantly from the operations of our Property-Casualty, Life/Health, Banking and Asset Management segments, as well as from capital raising activities. Commercial paper, medium-term notes and other credit facilities serve as additional sources of liquidity. As of December 31, 2008, we had access to unused, committed and long-term credit lines as a source of further liquidity with different banks. As a financial services company, our working capital is largely representative of our liquidity. We believe our working capital is sufficient for our present requirements.[1]

Allianz executes external debt financing and other corporate financing purposes primarily through two finance companies: Allianz Finance B.V. and Allianz Finance II B.V., both incorporated in the Netherlands.

[1] For further information regarding the management of our liquidity risk please refer to our Risk Report on page 87.

Debt and Capital Funding

As of December 31, 2008, the majority of Allianz SE's external debt financing was made up of bonds and money market securities. Thereof, approximately one half was applicable to certificated liabilities, and the other half was made up of participation certificates and subordinated liabilities.

As of December 31,	2008 € mn	2007 € mn
Total certificated liabilities outstanding	**9,544**	**42,070**
thereof: due within one year [2]	5,191	28,523
Total participation certificates and subordinated liabilities outstanding	**9,346**	**14,824**
thereof: due within one year [3]	–	1,476

In December 2003, Allianz SE (then Allianz AG) implemented a Medium Term Note (MTN) program which was established for the purposes of external and internal debt issuance. The aggregate volume of debt issued by Allianz Finance B.V. and Allianz Finance II B.V. for the years ended December 31, 2008 and 2007 was € 1.5 billion and € 0.3 billion, respectively.

Short-term financing

As of December 31, 2008, Allianz SE had money market securities outstanding with a carrying value of € 4,103 million, representing an increase in the use of commercial paper as a short-term financing instrument of € 1,174 million compared with 2007. Interest expense on commercial paper rose to € 125.0 million (2007: € 87.0 million) due to increasing interest rates on such financing in 2008, and higher annual average usage. In 2008 there were no difficulties with the roll-over of commercial papers. The average maturity of commercial papers is three months.

[2] Please refer to Note 23 to our consolidated financial statements for further information.
[3] Please refer to Note 24 to our consolidated financial statements for further information. Additionally, see Note 43 to our consolidated financial statements for information regarding how we use certain derivatives to hedge our exposure to interest rate and foreign currency risk related to certificated and subordinated liabilities.

Middle and long-term financing

At the final maturity date of February 18, 2008, the Allianz Group redeemed the remaining 35.65% of the BITES index-linked bond with Munich Re shares.

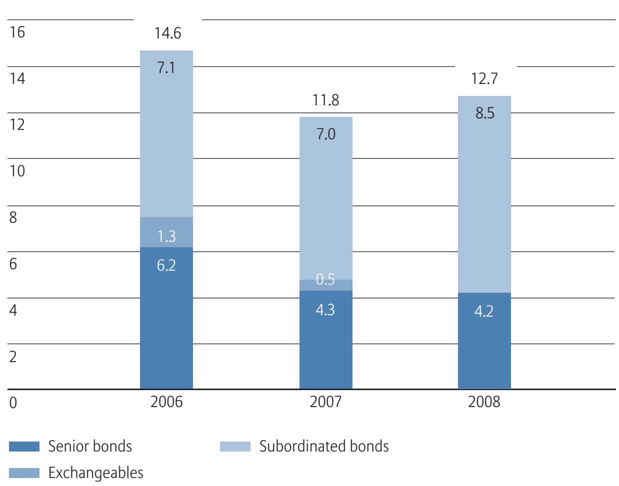
On March 6, 2008, Allianz Finance II B.V. issued € 1.5 billion of senior bonds, guaranteed by Allianz SE, with a coupon rate of 5.0 %. The maturity of this bond is March 6, 2013.

On June 10, 2008, Allianz SE issued USD 2.0 billion of subordinated perpetual bonds with a coupon rate of 8.375 %.

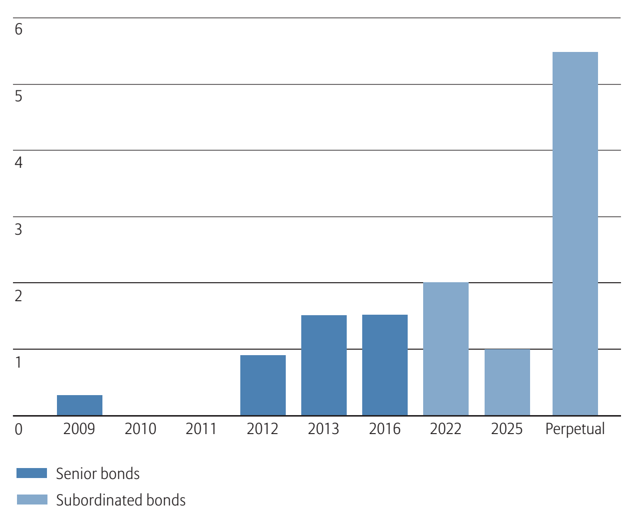
Allianz SE's issued debt[1]

As of December 31,	2008			2007		
	Nominal value € mn	Carrying value € mn	Interest expense € mn	Nominal value € mn	Carrying value € mn	Interest expense € mn
Senior bonds	4,186	4,135	185.7	4,306	4,279	209.3
Subordinated bonds	8,489	8,197	470.5	7,043	6,853	407.1
Exchangeable bonds	—	—	—	450	450	8.3
Total	12,675	12,332	656.2	11,799	11,582	624.7

Allianz SE's outstanding bonds as of December 31,[2]
nominal value in € bn



Maturity structure of Allianz SE's certificated liabilities and subordinated bonds as of December 31, 2008[2]
nominal value in € bn



1) Excludes € 85.1 mn of participation certificates at each December 31, 2008 und 2007, with interest expense of € 9.9 mn and € 16.2 mn, respectively.
2) Excludes € 85.1 mn of participation certificates.

Allianz SE issued debt outstanding as of December 31, 2008

		Interest expense in 2008
1. Senior bonds [1]		
Floating coupon rate bond issued by Allianz Finance II B.V., Amsterdam		
Volume	USD 0.4 bn	
Year of issue	2007	
Maturity date	4/2/2009	
ISIN	XS 029 027 0056	
Interest expense		€ 9.8 mn
5.625 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.9 bn	
Year of issue	2002	
Maturity date	11/29/2012	
ISIN	XS 015 879 238 1	
Interest expense		€ 51.2 mn
5.0 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 bn	
Year of issue	2008	
Maturity date	3/6/2013	
ISIN	DE 000 A0T R7K 7	
Interest expense		€ 63.1 mn
4.00 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 bn	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expense		€ 61.6 mn
Total interest expense for senior bonds		**€ 185.7 mn**
2. Subordinated bonds [2]		
6.125 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 2.0 bn	
Year of issue	2002	
Maturity date	5/31/2022	
ISIN	XS 014 888 756 4	
Interest expense		€ 114.3 mn
6.5 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1.0 bn	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expense		€ 66.0 mn
7.25 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	USD 0.5 bn	
Year of issue	2002	
Maturity date	Perpetual Bond	
ISIN	XS 015 915 072 0	
Interest expense		€ 25.6 mn
5.5 % bond issued by Allianz SE		
Volume	€ 1.5 bn	
Year of issue	2004	
Maturity date	Perpetual Bond	
ISIN	XS 018 716 232 5	
Interest expense		€ 84.3 mn
4.375 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1.4 bn	
Year of issue	2005	
Maturity date	Perpetual Bond	
ISIN	XS 021 163 783 9	
Interest expense		€ 63.0 mn
5.375 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 0.8 bn	
Year of issue	2006	
Maturity date	Perpetual Bond	
ISIN	DE000A0GNPZ3	
Interest expense		€ 46.2 mn
8.375 % bond issued by Allianz SE		
Volume	USD 2.0 bn	
Year of issue	2008	
Maturity date	Perpetual Bond	
ISIN	US 018 805 200 7	
Interest expense		€ 71.1 mn
Total interest expense for subordinated bonds		**€ 470.5 mn**
3. Participation certificates		
Allianz SE participation certificate		
Volume	€ 85.1 mn	
ISIN	DE 000 840 405 4	
Interest expense		€ 9.9 mn
Total interest expense for participation certificates		**€ 9.9 mn**
4. Issues that matured in 2008		
5.0 % bond issued by Allianz Finance B.V., Amsterdam		
Volume	€ 1.6 bn	
Year of issue	1998	
Maturity date	3/25/2008	
ISIN	DE 000 230 600 8	
Interest expense		€ 19.9 mn
0.75 % Basket Index Tracking Equity Linked Securities (BITES) issued by Allianz Finance II B.V., Amsterdam		
Underlying	DAX®	
Volume	€ 0.5 bn	
Year of issue	2005	
Maturity date	2/18/2008	
ISIN	XS 021 157 635 9	
Interest expense		€ 0.3 mn
Total interest expense for matured issues		**€ 20.2 mn**
Total interest expense		**€ 686.3 mn**

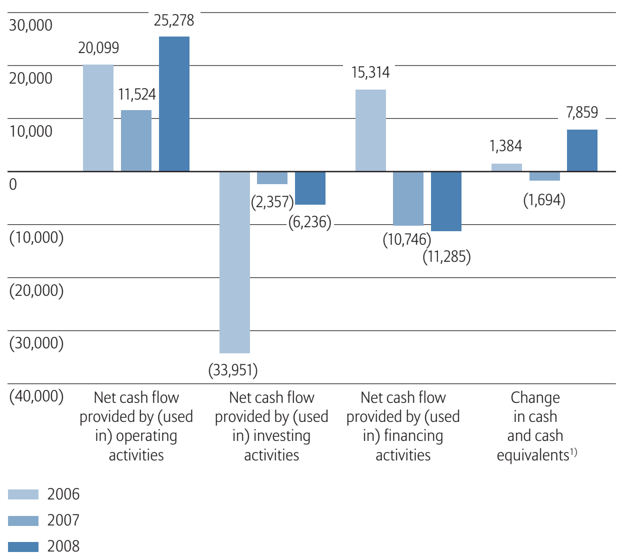
[1] Senior bonds and commercial papers provide for early termination rights in case of non-payment of amounts due under the bond (interest and principal) as well as in case of insolvency of the relevant issuer or, if applicable, the relevant guarantor (Allianz SE). The same applies to two subordinated bonds issued in 2002.

[2] The terms of the subordinated bonds (except for the two subordinated bonds mentioned in footnote 1 above) do not provide for early termination rights in favor of the bond holder. Interest payments are subject to certain conditions which are linked, inter alia, to our net income, and may have to be deferred. Nevertheless, the terms of the relevant bonds provide for alternative settlement mechanisms which allow us to avoid an interest deferral using cash raised from the issuance of specific newly issued instruments.

Allianz Group Consolidated Cash Flows

Change in cash and cash equivalents for the years ended December 31,

in € mn



Net cash flow provided by operating activities amounted to € 25.3 billion in 2008, up € 13.8 billion compared to the prior year. This increase resulted primarily from a higher net inflow from both collateralized refinancing activities mainly in the context of Dresdner Bank and from financial assets and liabilities designated at fair value through income of Dresdner Bank. Additionally, we recorded lower net inflows from financial assets and liabilities held for trading also driven by Dresdner Bank.

Net cash outflow used in investing activities, increased by € 3.9 billion to € 6.2 billion in 2008 compared to an outflow of € 2.4 billion in the prior year, which was mainly attributable to a net cash outflow from available-for-sale investments (Special funds Life/Health, Allianz Life U.S., Dresdner Bank, AGF Vie) driven by and higher net outflows from loans and advances to banks and customers, particularly at Dresdner Bank. These effects were partially compensated by net cash inflows during the fourth quarter 2008 from assets and liabilities of disposal groups classified as held-for-sale.

Net cash outflow provided by financing activities increased by € 0.5 billion to € 11.3 billion in 2008. The main contributing factors were net cash outflows from liabilities to banks and customers, mainly attributable to the redemption of a bridge loan at Allianz France Holding, offset by lower net cash outflows from certificated liabilities, participation certificates and subordinated liabilities mainly due to Dresdner Bank as well as lower outflows from transactions between equity holders (in 2008 mainly Allianz Leben).

Overall, **cash and cash equivalents** increased by € 7.9 billion to € 39.2 billion as of December 31, 2008.

Cash and cash equivalents

As of December 31,	2008 € mn	2007 € mn
Balances with banks payable on demand	7,760	23,848
Balances with central banks	456	6,301
Cash on hand	169	918
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	573	270
Cash and cash equivalents of continuing operations	8,958	31,337
Cash and cash equivalents reclassified to assets of disposal groups held-for-sale	30,238	–
Total	39,196	31,337

Dresdner Bank's cash and cash equivalents increased significantly compared to last year. However, as Dresdner Bank was reclassified to assets of disposal groups held-for-sale we recorded a decline in the cash position of our continuing operations as well as an increase in the cash position of our discontinuing operations. The overall increase in cash and cash equivalents was partially offset by our German entities scaling back securities lendings.

As of December 31, 2008, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 363 million (2007: € 5,473 million)[2].

[1] Includes effect of exchange rate changes on cash and cash equivalents of € 102 mn, € (115) mn and € (78) mn in 2008, 2007 and 2006, respectively.

[2] See Note 7 to our consolidated financial statements for additional information on the Allianz Group's cash and cash equivalents.

Risk Report

Allianz risk management is designed to add value by focusing on both risk and return.

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integrated part of our business processes. The key elements of our risk management framework are:

– Promotion of a strong risk management culture supported by a robust risk governance structure.

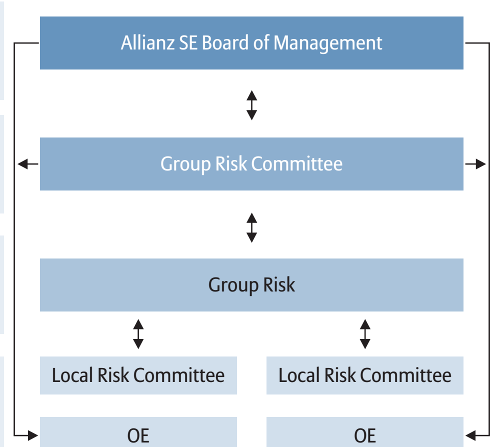
– Integrated risk capital framework consistently applied across the Group to protect our capital base and to support effective capital management.

– Integration of risk considerations and capital needs into management and decision-making processes through the attribution of risk and allocation of capital to the various segments.

Risk Governance Structure

The Allianz risk governance approach is designed to enable us to manage our local and global risks equally and to reduce the likelihood that our overall risk increases in an undetected manner. The following diagram provides an overview regarding risk-related decision-making responsibility within our risk governance structure.

	Tasks
Allianz SE Board of Management	– Approves Group Risk Policy – Defines risk strategy of Allianz Group – Defines limit system
Group Risk Committee	– Monitors solvency and risk profile – Defines risk standards and Group and operating entity limits – Recommends/approves actions to mitigate risks
Group Risk	– Enhances risk dialogue between Group and operating entities – Implements internal risk capital model – Reports and communicates Group-relevant risks
Operating Entities (OEs)	– Manage risks proactively within Group policies and limits – Report risk exposures to Group Risk



The Board of Management of Allianz SE formulates business objectives and allocates capital resources across the Allianz Group, with the objective of balancing return on investment and risk. The Supervisory Board Risk Committee of Allianz SE meets on a regular and ad-hoc basis to monitor the risk profile of the Allianz Group based on risk reports presented by the Chief Financial Officer and Chairman of the Group Risk Committee.

Two additional Board of Management level committees focus on the Group's risk exposure. The Group Risk Committee monitors the Allianz Group's risk profile and availability of capital in an effort to maintain an adequate relationship between return on investment and risk. Its role is to provide for comprehensive risk awareness within the Allianz Group and to continually improve risk control. It also defines risk standards and establishes risk limits. Furthermore, it is responsible for recommending and coordinating measures to mitigate risk. The Group Finance Committee makes decisions about investments and market risks, while complying with the Allianz Group's risk framework.

The Group Risk department ("Group Risk"), which reports to the Chief Financial Officer, develops methods and processes for identifying, assessing and monitoring risks across the Allianz Group based on systematic qualitative and quantitative analysis and regularly informs management concerning the Allianz Group's risk profile. Group Risk develops the Allianz risk framework and oversees the operating entities' adherence to the framework. The core elements of the risk framework are set forth in the Group Risk Policy, which has been approved by the Board of Management of Allianz SE and which defines the minimum requirements for all operating entities within the Allianz Group. Additional risk standards, such as standards related to specific segments or risk categories, are in place for our operating entities worldwide. Group Risk is also responsible for monitoring the accumulation of specific types of risks across business lines, in particular with respect to natural disasters and exposures to counterparties.

Local operating entities assume responsibility for their own risk management, with risk functions and committees that are similar to the Group structure. Independent risk oversight is a fundamental principle of our risk governance structure, with a clear separation between business functions that actively take decisions and assume risk responsibility, on the one hand, and independent risk oversight functions, on the other hand. Risk oversight consists of independent risk identification, assessment, reporting and monitoring and also includes analyzing alternatives and proposing recommendations to the Risk Committees and local management or to the Board of Management of Allianz SE. The local risk departments performing the oversight role in our major operating entities are headed by a local Chief Risk Officer. Group Risk is represented on the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

The risk governance structure is further complemented by Group Audit, Group Compliance and Group Legal Services. On a periodic basis, Group Audit independently reviews the risk governance implementation, performs quality reviews of risk processes and tests adherence to business standards. Group Legal Services seek to mitigate legal risks with support from other departments. Legal risks include legislative changes, major litigation and disputes, regulatory proceedings and contractual clauses that are unclear or construed differently by the courts. The Allianz Group's objective is to ensure that developments in laws and regulations are observed, to react appropriately to all impending legislative changes or new court rulings, to attend to legal disputes and litigation, and to provide legally appropriate solutions for transactions and business processes.

Allianz Group's risk landscape is continually evolving due to changes in our environment. In order to adapt, the Trend Assessment Committee is responsible for early recognition of new risks and opportunities and evaluating long-term trends that may have a significant impact on the Allianz Group's risk profile. Furthermore, Allianz is an active member of the CRO Forum Emerging Risk Initiative that continuously monitors the industry-wide risk landscape and raises awareness of major risks which are relevant for the insurance industry. This initiative promotes stakeholder dialogue and also proposes best practice monitoring and management approaches via regular publications on specific topics.

The Allianz Climate Core Group is a panel of internal experts that specifically examines the possible effects of climate change on our business, developing risk management strategies and identifying potential opportunities resulting from climate change.

Internal Risk Capital Framework

We define internal risk capital as the capital required to protect against unexpected, extreme economic losses. We aggregate internal risk capital consistently across all business segments (Property-Casualty, Life/Health, Banking, Asset Management and Corporate), providing a common standard for measuring and comparing risks across the wide range of different activities that we undertake as an integrated financial service provider.

Value-at-Risk approach

We use an internal risk capital model based on a Value-at-Risk ("VaR") approach, determining a maximum loss in the value of our portfolio of businesses covered within the scope of the model (the "covered business") due to adverse market, credit, insurance and other business events, within a specified timeframe ("holding period") and probability ("confidence level"). More specifically, we calculate the net fair asset value of each of our covered businesses based on values (i) under current best estimate conditions and (ii) under adverse conditions defined by scenarios for each risk category. The required internal risk capital per risk category is defined as the difference between the value of the portfolio under the best estimate scenario and under the adverse scenario. Internal risk capital is determined on a quarterly basis and results per category are aggregated in a manner that takes into account the diversification effect across risk categories and regions.

To calculate internal risk capital using the VaR approach at the Allianz Group level, we assume a confidence level of 99.97 % and a holding period of one year, which is assumed to be equivalent to an "AA" rating of Standard & Poor's. We apply a holding period of one year because it is generally assumed that it may take up to one year to identify a counterparty to whom to transfer the liabilities in our portfolio. This capital requirement is sufficient to cover a loss in any one year equivalent to a 3-in-10,000 year event. Although our internal risk capital is based on extreme events, it nonetheless aims to provide adequate indications to manage the risks resulting from reasonably possible smaller adverse events that we might identify in the near-term, because the results allow us to analyze separately and in aggregate our exposure to each source of risk.

Diversification and correlation assumptions

Our internal risk capital model considers both concentration and correlation when aggregating results on the Allianz Group level, in order to reflect that not all of our potential losses are likely to be realized at the same time. This effect is known as diversification. Managing diversification forms a central element of our risk management framework. The Allianz Group strives to diversify the risks to which it is exposed in order to limit the impact of any single source of risk and to help ensure that the positive developments of some businesses operate in such a manner as to neutralize the possible negative developments of others.

The degree to which diversification can be realized depends in part on the level of relative concentration of those risks. For example, the greatest diversification is in general obtained in a balanced portfolio without any disproportionately large exposures to any one or more risks. In addition, the diversification effect depends upon the relationship between sources of risks. The degree of relationship between two sources of risk is referred to as correlation, characterized by a value between "–1" and "+1". Where possible, we develop correlation parameters for each pair of risks through statistical analysis of historical data. If only insufficient historical data is available, we use conservative professional judgment, ruling out negative correlations, and, in general, we set the correlation parameters to represent the level of interdependency of risks under adverse conditions.

Scope

Our internal risk capital model takes into account the following sources of risk, classified as risk categories per segment:

Risk category	Insurance	Banking	Asset Management	Corporate	Description
Market risk:			✓[3]		Possible losses caused by changes in interest rates, equity prices, real estate values, commodity prices and foreign exchange rates
– interest rate	✓	✓		✓	
– equity	✓	✓		✓	
– real estate	✓	✓		✓	
– currency [1]	✓	✓[2]		✓	
Credit risk:			✓[3]		Possible losses caused by the failure of our debtors, bond issuers, reinsurance partners or counterparties to meet payment obligations or by changes in their creditworthiness
– investment	✓	✓[5]		✓	
– reinsurance, credit insurance	✓[4]				
Actuarial risk:					Unexpected financial losses due to the inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity
– premium CAT	✓				
– premium non-CAT	✓				
– reserve	✓				
– biometric	✓				
Business risk:					Cost risks, as well as operational risks which represent the risk of a loss resulting from inadequate or failed internal processes, or from personnel and systems, or from external events
– operational	✓	✓	✓	✓	
– cost	✓	✓	✓	✓	

Our internal risk capital model covers:

– Substantially all of our major insurance and banking operations.

– Substantially all of our assets (including bonds, mortgages, investment funds, loans, floating rate notes, equities and real estate) and liabilities (including the cash flow profile of all technical reserves as well as deposits and issued securities). For the Life/Health segment, the model reflects the interaction between assets and liabilities and local management decisions such as investment strategies and policyholder participation rules.

– Substantially all of our derivatives (options, swaps and futures), in particular if they form part of the operating entity's regular business model (e.g., at Allianz Life Insurance Company of North America) or if they have a significant impact on the resulting internal risk capital (e.g., hedges of Allianz SE or in the Life/Health segment, if material obligations to policyholders are hedged through financial derivatives). Typically, embedded derivatives contained in a host contract are also included.

1) Foreign currency risks are mainly allocated to the Corporate segment (please see below for further information).
2) As commodity risk is not significant on the Group level, it is covered in our internal risk capital model within currency risk.
3) Although the internal risk capital requirements for the Asset Management segment only reflect business risk (please see below for further information), the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.
4) The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.
5) In the Banking segment, credit risks include default and migration risks arising from the lending and securities business and our derivatives trading activities; for the latter, settlement risk is additionally taken into account. Furthermore, credit risks include country (and transfer) risk.

For smaller insurance operating entities that have an immaterial impact on the Group risk profile, and for the Asset Management segment, we assign internal risk capital requirements based on an approach similar to Standard & Poor's standard model. This uses the same risk categories as our internal risk capital model, thereby allowing us to consistently aggregate internal risk capital for all segments at the Group level. More specifically, approximately 99% of the investments managed by the Asset Management segment are held for the benefit of either third parties or Allianz Group insurance entities and, therefore, do not result in significant market and credit risk for the Asset Management segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk. However, the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

Applying an approach based on risk weighted assets, and following the sale of our former banking subsidiary, Dresdner Bank, to Commerzbank, our continuing banking operations in Germany, Italy, France and New Europe represent only an insignificant amount of approximately 1.3% of total non-diversified internal risk capital. Therefore, risk management with respect to banking operations is not discussed below in detail.

The Allianz Group's policy is to require each operating entity to match the currency of their material assets and liabilities or to otherwise hedge foreign currency risk. As a result, our residual foreign currency risk results primarily from the fair value of the net asset value of our non-Euro operating entities and certain exposures to non-Euro denominated assets and liabilities held at the Group level. This currency risk is monitored and managed centrally at the Allianz Group level by Group Corporate Finance & Treasury and is, therefore, mostly allocated to the Corporate segment.

Following the announcement of the sale of Dresdner Bank to Commerzbank in August 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. For the purpose of this discussion on risk management, we refer to "discontinued operations" to mean the assets and liabilities held by Dresdner Bank upon its sale by Allianz to Commerzbank on January 12, 2009. Certain former assets and liabilities of Dresdner Bank, which Allianz retained and which were not transferred to Commerzbank, were not classified as discontinued operations. We generally present figures as of December 31, 2008 excluding discontinued operations, although we also provide certain information regarding the total Group including discontinued operations for the purpose of comparison. When excluding discontinued operations from internal risk capital calculations, we also take into account, that the discontinuation of certain banking operations results in a smaller diversification effect.

Limitations

Our internal risk capital model expresses the potential "worst case" amount in economic value that we might lose at a certain level of confidence. However, there is a statistically low probability of 0.03% that actual losses could exceed this threshold.

We assume that model parameters derived from historical data can be used to characterize future possible risk events; if future market conditions differ substantially from the past, as in the case of the 2008 financial crisis for which there was no precedent, then our VaR approach may be too conservative or too liberal in ways that can not be predicted. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.97% and one-year holding period. Furthermore, as historical data is used to calibrate the model, it cannot be used for validation. Instead, we validate the model and parameters through external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our model adequately assesses the risks to which we are exposed.

As our internal risk capital model considers the change in economic fair value of our assets and liabilities, it is crucial to accurately estimate the fair market value of each item. For some assets and liabilities, it has become increasingly difficult in today's financial markets, if not impossible, to obtain either a current market price or to apply a mark-to-market approach. For certain assets and liabilities, where a current market price for that instrument or similar instruments is not available, we apply a mark-to-model approach. For some of our liabilities, the accuracy of fair values depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

We apply customized derivative valuation tools which are suitable to our business to reflect substantially all of our derivatives in internal risk capital. Our integrated internal risk capital model for insurance operations currently only allows for the modeling of common derivatives such as equity calls, puts, forwards and interest rate swaps. For internal risk capital calculations, non-standardized instruments, such as derivatives embedded in structured financial products, are represented by the most comparable standard derivative types. The volume of non-standard instruments is not material on either the local or the Allianz Group level, but a more precise modeling of these instruments might impact the fair value and resulting internal risk capital for these derivatives. However, we believe that any such change would not be material.

Capital Management

The Allianz internal risk capital model plays a significant role in solvency management and capital allocation. Our aim is to ensure that the Allianz Group is adequately capitalized at all times, even following a significant adverse event, and that all operating entities meet their respective capital requirements. In addition, we employ a value-based approach (Economic Value Added or "EVA"®), among other approaches, to measure and manage our business activities as well as to optimize capital allocation across the Allianz Group. Internal risk capital is a key parameter of our EVA®-approach.

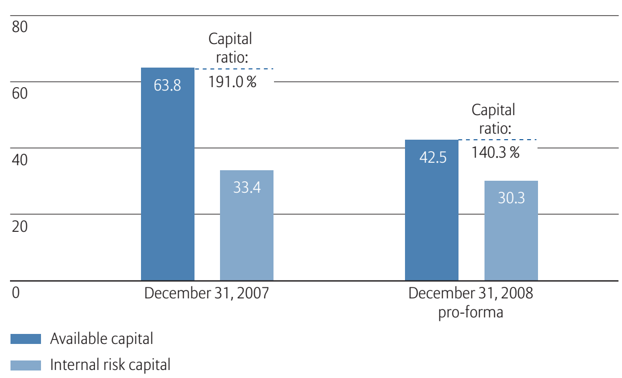
In managing our capital position, we also consider additional external requirements of regulators and rating agencies. While meeting rating agencies' capital requirements forms a strategic business objective of the Allianz Group, capital requirements imposed by regulators constitute a binding constraint. Regulators and rating agencies impose minimum capital rules on the level of both the Allianz Group's operating entities and on the Allianz Group as a whole.

Internal capital adequacy

Our objective is to maintain available capital at the Group level in excess of the minimum requirements that are determined by our internal risk capital model according to a solvency probability of 99.97 % over a holding period of one year. In support of this objective, we require each of our local operating entities to hold available capital resources allowing them to remain solvent at a lower confidence level of 99.93 % over the same one-year holding period. This approach is designed to ensure a consistent capital standard across the Group that helps mitigate potential constraints of capital fungibility - i.e., by requiring our local operating entities to hold such levels of capital resources, the Group is less likely to be required to allocate capital to a local operating entity that may have incurred a loss, and accordingly the Group is less likely to encounter constraints inherent in moving capital across the many different jurisdictions in which the Group conducts business. In addition, we take into account the benefits of a single operating entity being part of a larger, diversified Group.

The Allianz Group's available capital is based on the Group's shareholders' equity as adjusted to reflect the full economic capital base available to absorb any unexpected volatility in results of operations. For example, the present value of future profits in the Life/Health segment and hybrid capital are added to shareholders' equity, whereas goodwill and other intangible assets are subtracted.

Available capital and internal risk capital
in € bn



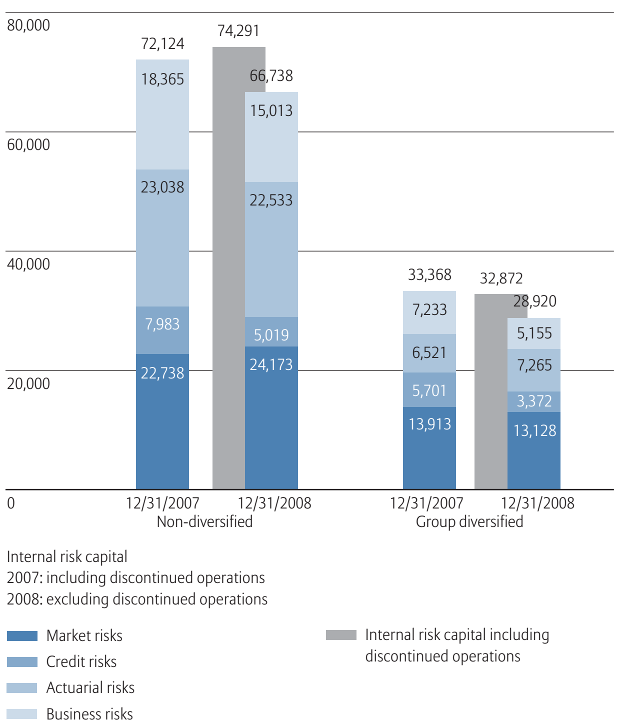
Based on pro-forma calculations assuming the completion of the Dresdner Bank transaction prior to year end of 2008[1], our available capital at December 31, 2008 amounted to €42.5 billion (2007: € 63.8 billion), while our corresponding internal risk capital at December 31, 2008 amounted to

1) Available capital and internal risk capital as of December 31, 2008 including discontinued operations were adjusted to reflect the pro-forma view. For example, we removed hybrid capital and the pension deficit related to Dresdner Bank from available capital, deleted internal risk capital requirements of our discontinued operations and included those related to the shares and the silent participation in Commerzbank.

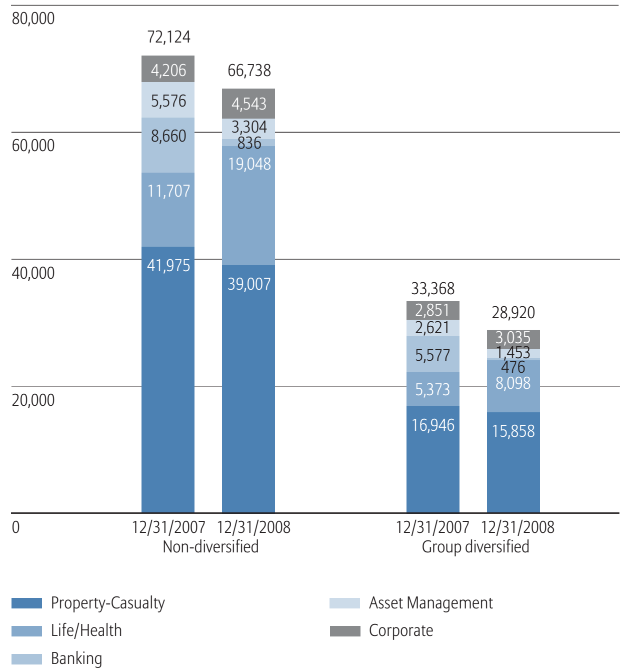
€ 30.3 billion (2007: € 33.4 billion), resulting in a capital ratio of 140 % at December 31, 2008, compared to 191 % at December 31, 2007[1]. The decrease of 33 % in available capital was primarily driven by a decrease in shareholders' equity and a decline in the present value of future profits in the Life/Health segment.

Including discontinued operations, the Allianz Group-wide internal risk capital after Group diversification and before minority interests of € 32.9 billion at December 31, 2008 reflects a realized diversification benefit on the Group level of approximately 56 %. Non-diversified and Group diversified internal risk capital are broken down as follows:

Allocated internal risk capital by risk category (total portfolio before minority interest)
in € mn



Allocated internal risk capital by segment[2] (total portfolio before minority interest)
in € mn



Taking into account discontinued operations as of December 31, 2008, total internal risk capital is still at a comparable level as at December 31, 2007 due to offsetting effects across the different risk categories (e.g., interest rate risk increased while equity risk decreased). The discontinued operations contributed 12 % to total internal risk capital as of December 31, 2008. More detailed discussions of movements are provided in the sections specifically related to the risk categories.

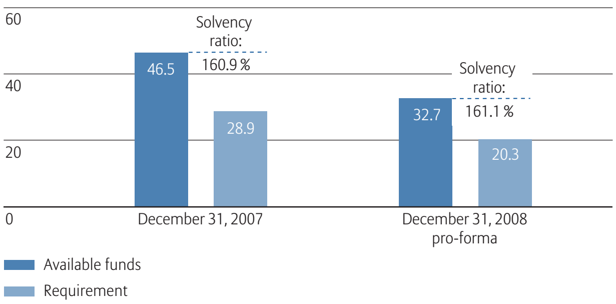
Regulatory capital adequacy

Under the EU Financial Conglomerates Directive, a supplementary European Union directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the Directive and related German law. The law requires that a financial conglomerate calculates the capital needed to meet its solvency requirements on a consolidated basis, which we refer to below as "available funds".

[1] Including discontinued operations, our available capital at December 31, 2008 amounted to € 48.8 billion, while our corresponding internal risk capital at December 31, 2008 amounted to € 32.9 billion, resulting in a capital ratio of 148 % at December 31, 2008.

[2] 2008 figures exclude discontinued operations, while 2007 figures include them.

Financial conglomerate solvency
in € bn



Based on pro-forma calculations assuming the completion of the Dresdner Bank transaction prior to year end of 2008[1], our available funds for the solvency margin, required for our insurance segments and our banking and asset management business, is € 32.7 billion (2007: € 46.5 billion) at December 31, 2008 including off-balance sheet reserves[2], surpassing the minimum legally stipulated level by € 12.4 billion (2007: € 17.6 billion). This margin results in a preliminary pro-forma cover ratio[3] of 161 % at December 31, 2008 (2007: 161 %)[4]. The decrease of 30 % in available funds was primarily driven by a decrease in shareholders' equity.

Rating agency capital adequacy

Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. Assessing capital adequacy is usually an integral part of the rating process. At December 31, 2008, the financial strength of Allianz SE was rated by Standard & Poor's as "AA" (stable outlook), by A. M. Best as "A+" (stable outlook), and by Moody's as "Aa3" (stable outlook).

[1] Available funds and requirement as of December 31, 2008 including discontinued operations were adjusted to reflect the pro-forma view. For example, we removed hybrid capital related to Dresdner Bank from available funds and adjusted the deduction of goodwill and other intangible assets. Furthermore, we deleted the requirement of our discontinued operations.
[2] Off-balance sheet reserves represent the difference between fair value and amortized cost of real estate held for investment and investments in associates and joint ventures, net of deferred taxes, policyholders' participation and minority interests.
[3] Represents the ratio of available funds to required capital.
[4] As of December 31, 2008, our available funds for the solvency margin including discontinued operations, required for our insurance segments and our banking and asset management business, is € 39.5 billion including off-balance sheet reserves , surpassing the minimum legally stipulated level by € 9.9 billion.
Conglomerate solvency is computed according to the adjusted Finanzkonglomerate-Solvabilitäts-Verordnung (FkSolV) published by the German regulator, BaFin, which revised the treatment of unrealized gains and losses in the bond portfolio. As of December 31, 2007, reported under the old method, the solvency ratio was 157 % and available funds were € 45.5 billion.

In addition to its long-term financial strength rating, Standard & Poor's determines a separate rating for "Enterprise Risk Management" (ERM). As of September 2008, Standard & Poor's has assigned Allianz a "Strong" rating for the ERM capabilities of our insurance operations. This rating indicates that Standard & Poor's regards it "unlikely that Allianz SE will experience major losses outside its risk tolerance". Standard & Poor's stated that the assessment is based on the Allianz Group's strong risk management culture, strong controls for the majority of key risks and strong strategic risk management.

Supplementary stress test analysis

In addition to our internal risk capital analysis, we perform regular stress tests that act as early-warning indicators in monitoring the Allianz Group's regulatory solvency capital ratios and its capital position required by rating agencies. We also apply regular stress tests on a local operating entity level in order to monitor capital requirements imposed by local regulators and rating agencies.

For example, stress test results on a Group level indicated that a 10 % price decline in our available-for-sale equity securities as of December 31, 2008 would have resulted in a € 1.7 billion decline in shareholders' equity before minority interests. An increase in the interest rate by 100 basis points would have decreased shareholders' equity before minority interests by € 3.5 billion, if available-for-sale fixed income securities are taken into account as of December 31, 2008.

Concentration of Risks

As we are an integrated financial service provider offering a variety of products across different business segments and geographic regions, diversification is key to our business model. Diversification helps us to manage our risks efficiently by limiting the economic impact of any single event and by contributing to relatively stable results and risk profile in general. As discussed above, the degree to which the diversification effect can be realized depends not only on the correlation between risks but also on the level of relative concentration of those risks. Therefore, our aim is to maintain a balanced risk profile without any one or more disproportionately large risks.

Disproportionately large risks that might accumulate and have the potential to produce substantial losses (e.g., natural catastrophes or credit events) are closely monitored on a standalone basis (i.e., before the diversification effect) and are subject to a global limit framework. For example, the Management Board of Allianz SE has implemented a framework of natural catastrophe limits at both the operating entity and Group levels in an effort to reduce potential earnings volatility and restrict potential losses from events having an occurrence probability of once in 250 years. Group limits are linked to the planned operating profit and the limits on operating entity level are based on the Property-Casualty net asset value. Traditional reinsurance coverage and dedicated financial transactions on Group level are examples of two instruments to mitigate the peak risks and to limit the impact of adverse conditions on our financial results and shareholders' equity.

Similarly, the Group monitors and limits credit exposures to single obligors and groups using its overall limit-setting framework to ensure that Allianz Group's credit and counterparty risk profile is appropriately controlled. As a fundamental principle underlying the limit system, several risk criteria of a counterparty have to be taken into account: financial statements, creditworthiness, country and industry assignment, the current Allianz Group's portfolio composition and the concentration a particular counterparty introduces within the portfolio. Counterparty limits serve not only to restrict the exposure, but also to identify open investment opportunities for the operating entities while at the same time taking into consideration the current portfolio structure at the Group level.

In general, we identify and measure risk concentrations in terms of non-diversified internal risk capital in line with the risk categories covered in our internal risk capital model. In the subsequent sections all risks are presented before and after diversification and concentrations of single sources of risk are discussed accordingly.

Market Risk

In the following table, we present our Group-wide internal risk capital related to market risks.

Allocated internal market risk capital by business segment and source of risk (total portfolio before minority interests)

	Non-diversified		Group diversified	
As of December 31,	2008 [1] € mn	2007 [2] € mn	2008 [1] € mn	2007 [2] € mn
Total Group	**24,173**	**22,738**	**13,128**	**13,913**
Percentage of total Group internal risk capital	36%	32%	45%	42%
Interest rate	12,124	6,691	3,784	655
Equity	9,454	13,508	6,774	10,885
Real estate	2,516	2,238	1,300	1,088
Currency [3]	79	301	1,270	1,285
Property-Casualty	**9,062**	**11,066**	**4,774**	**6,477**
Interest rate	3,550	2,758	1,108	270
Equity	4,183	6,835	2,997	5,508
Real estate	1,250	1,385	646	673
Currency [3]	79	88	23	26
Life/Health	**11,320**	**5,533**	**5,396**	**2,836**
Interest rate	6,163	2,100	1,924	206
Equity	4,039	3,006	2,894	2,422
Real estate	1,118	427	578	208
Currency [3]	—	—	—	—
Banking	**263**	**2,814**	**175**	**1,962**
Asset Management [4]	—	—	—	—
Corporate	**3,528**	**3,325**	**2,783**	**2,638**
Interest rate	2,378	1,628	742	159
Equity	1,002	1,428	718	1,151
Real estate	148	269	76	131
Currency [3]	—	—	1,247	1,197

Internal equity risk capital decreased in the aggregate mainly driven by the worldwide market drop in 2008 and an active reduction of exposure throughout the year. In our insurance segments, parts of the equity exposure were re-invested in fixed income resulting in an increase in internal interest rate risk capital. Furthermore, the drop in interest

1) 2008 figures exclude discontinued operations. On a total Group basis, internal market risk capital would amount to € 26,043 million on a non-diversified basis and € 14,009 million on a Group diversified basis, if discontinued operations were taken into account.
2) 2007 figures include discontinued operations.
3) Foreign currency risks are mainly allocated to the Corporate segment (please refer to "Internal Risk Capital Framework – Scope" for further information).
4) The internal risk capital requirements for the Asset Management segment only reflect business risk (please refer to "Internal Risk Capital Framework – Scope" for further information).

rates across the world raised internal interest rate risk capital as well, in particular in our Life/Health segment which suffered from diminishing "buffers" (e.g., a decrease in unrealized gains in equity investments) that would otherwise help mitigate the impact of adverse developments. In this segment, internal risk capital additionally increased significantly due to the model change for which more details are provided in the following section.

The decline in internal equity risk capital allocated to the Corporate segment was also due to the market developments experienced in 2008, supported by the sale of some strategic participations which were offset in part by the transfer of strategic participations from Dresdner Bank to the Corporate segment.

As previously discussed, we determine internal risk capital figures on a quarterly basis. The table below presents the average internal risk capital for market risk calculated over the four quarters of 2008 and 2007, as well as the high and low quarterly internal risk capital amounts calculated in both years. All figures include discontinued operations.

Average, high and low allocated internal market risk capital by source of risk (total portfolio before minority interests, after Group diversification and including discontinued operations)

	2008			2007		
	Over quarterly results			Over quarterly results		
	Average	High	Low	Average	High	Low
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Total Group	**13,857**	**14,196**	**13,466**	**15,559**	**16,800**	**13,913**
Interest rate	1,983	3,292	1,138	713	764	655
Equity	9,214	10,539	7,838	12,424	13,662	10,885
Real estate	1,286	1,425	1,218	1,072	1,103	1,038
Currency	1,374	1,454	1,301	1,350	1,409	1,285

The Allianz Group holds and uses many different financial instruments in managing its businesses. Grouped according to our internal risk capital model categories, the following are the most significant market risks in terms of market values: equity price risk (including risks arising from common shares and preferred shares) and interest rate risk (arising from bonds, loans and mortgages).

Property-Casualty and Life/Health segments

The Allianz Group's insurance operating entities hold equity investments usually to diversify their portfolios. 66% of the non-diversified internal risk capital allocated to the Property-Casualty and Life/Health segments for equity risk is assigned to our operating entities in Germany, Italy, France and the U.S.

The interest rate risk to which the Property-Casualty and Life/Health segments are exposed arises from the net position between our insurance liabilities and the investments in fixed income instruments, in particular bonds, loans and mortgages, backing policyholder obligations that are different in terms of maturity and size. Our internal risk capital model provides management with information regarding the cash flow profiles of the segments' liabilities, which allows for active monitoring and management of our assets and liabilities. While the potential payments related to our liabilities in the Property-Casualty segment are typically shorter in maturity than the financial assets backing them, the opposite usually holds true for our Life/Health segment, which provides us with a natural hedge at the Allianz Group level.

We have allocated a significant part of the Life/Health segment's non-diversified internal risk capital for interest rate risk to Western Europe (74% as of December 31, 2008), mainly to cover traditional life insurance products. Traditional products sold in Western Europe generally feature policyholder participation in the profits (or losses) of the insurance company issuing the contract, subject to a minimum guaranteed crediting rate. In particular, our Life/Health contracts in Germany, France, Switzerland and Austria comprise a significant level of policyholder participation, limiting all sources of risk, including market, credit, actuarial and cost risks, which would otherwise be borne by Allianz. On the other hand, in accordance with the guarantees related to these arrangements, we must credit minimum rates for individual contracts (e.g., in Germany, France, U.S., Italy and South Korea). As interest rates may fall below the guaranteed crediting rates in those markets, we are exposed to interest rate risk. The valuation of these guarantees, which takes into account the interaction of investment strategy and obligations to policyholders, forms an integral part of our internal risk capital model.

In 2008, we enhanced our internal risk capital model for the purpose of quarterly risk reporting and risk related-performance measurement (EVA®) in the Life/Health segment. The enhanced model is part of an integrated approach and is more closely linked to the calculation of Market Consistent Embedded Value ("MCEV"), which, on an economic basis, is considered the shareholders' future profit embedded in the issued Life/Health business. This model, applied from January 1, 2008, increased 2007 Group diversified internal risk capital for the Life/Health segment by approximately a third.

Banking and Asset Management segments

Following the sale of Dresdner Bank, we do not consider market risk related to our continuing Banking operations to be significant at the Group level.

Although the internal risk capital requirements for the Asset Management segment only reflect business risk, the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities. Our Asset Management operating entities monitor market risks using VaR models, sensitivity analyses and stress tests that estimate the potential loss under extreme market conditions. All underlying models are regularly reviewed by the risk departments of the respective local operating entities.

Corporate segment

The primary Corporate risks are interest rate, equity and foreign currency risks. The Corporate segment manages the equity investments of Allianz SE and its finance subsidiary holding companies, as well as securities issued to fund the capital requirements of the Allianz Group. The issued securities include structured products that might be partly repaid with equity participation securities held in our asset portfolio. Some of the securities issued qualify as eligible capital for existing regulatory solvency requirements to the extent they constitute subordinated debt or are perpetual in nature.

On the level of the Corporate segment we are exposed to foreign currency risk because some of our subsidiaries' local currencies are different from the Euro. If non-Euro foreign exchange rates decline against the Euro, from a Group perspective, the Euro equivalent net asset values also decline. Our primary exposures to foreign currency risk are related to the U.S. Dollar, Swiss Franc, British Pound and South Korean Won.

Credit Risk

Credit risk is defined as the potential loss in portfolio value over a given time horizon due to changes in the credit quality of exposures in the portfolio. Credit risk arises from claims against various obligors such as borrowers, counterparties, issuers, guarantors and insurers, including all relevant product classes such as fixed income investments, lending, credit insurance and reinsurance recoverables. Credit losses may arise from the following events:

- Deterioration in creditworthiness of an obligor, including ultimately its failure to meet payment obligations (default and migration risk); and

- Default on local government debt or temporary suspension of payment obligations ("moratorium"), deterioration of economic or political conditions, expropriation of assets, inability to transfer assets abroad due to sovereign intervention, freezing of converted and unconverted sums of money, etc. (country risk including transfer and conversion risk).

Group Risk's obligor credit risk management framework is comparable to those widely used in the industry and is based on internal ratings, estimates of exposure at default ("EAD") and loss given default ("LGD"). These measurements are all estimated using statistical analysis and professional judgment. Our aggregation methodology is comparable to approaches widely used in the industry known as "structural model". In a structural model, a counterparty is deemed to have defaulted when the value of its total assets is lower than its total liabilities. Since changes in the asset value of a company determine whether it defaults or migrates from one credit class to another, the correlation between different firms' asset values determines the correlation between the firms' defaults and migrations. Estimating these parameters allows us to aggregate credit risk across individual obligors using Monte-Carlo simulations to obtain the loss profile of a given portfolio – i.e., its loss probability distribution. The loss profile is the basis of our internal credit risk capital model.

We monitor and manage credit risks and concentrations within the portfolio based on a counterparty limit system that is applied across the entire Allianz Group. Counterparty limits are calculated taking into account the main risk drivers of credit risk and aim to cut off peak concentrations by industry and counterparty name in the portfolio. For monitoring the credit risk profile of our operating entities' portfolios and the whole Allianz Group portfolio, credit reports for portfolio analysis are provided within a web-based limit system application.

Our internal credit risk capital increased in 2008 mainly due to rating downgrades of some of our counterparties following the financial turmoil throughout 2008. The high credit quality of our investment and reinsurance portfolio mitigated the impact that the broad credit deterioration had on Allianz Group's credit risk profile. In response to the financial crisis, we have initiated a number of actions, for example, weekly review and adjustment of limit settings for the major financial institutions as a temporary measure to assess systemic risks of the financial industry and to recommend short-term actions to our operating entities in light of this severe market volatility.

Allocated internal credit risk capital by business segment and source of risk (total portfolio before minority interests)

	Non-diversified		Group diversified	
As of December 31,	2008 [1] € mn	2007 [2] € mn	2008 [1] € mn	2007 [2] € mn
Total Group	**5,019**	**7,983**	**3,372**	**5,701**
Percentage of total Group internal risk capital	8 %	11 %	12 %	17 %
Investment	2,533	5,839	1,435	4,128
(Re)insurance [3]	2,486	2,144	1,937	1,573
Property-Casualty	**3,196**	**2,779**	**2,305**	**2,016**
Investment	872	832	494	588
(Re)insurance [3]	2,324	1,947	1,811	1,428
Life/Health	**1,321**	**936**	**783**	**668**
Investment	1,159	739	657	523
(Re)insurance [3]	162	197	126	145
Banking	**428**	**4,216**	**242**	**2,981**
Asset Management [4]	—	—	—	—
Corporate	**74**	**52**	**42**	**36**

As previously discussed, we determine internal risk capital figures on a quarterly basis. The table below presents the average internal risk capital for credit risk calculated over the four quarters of 2008 and 2007, as well as the high and low quarterly internal risk capital amounts calculated in both years. All figures include discontinued operations.

Average, high and low allocated internal credit risk capital by source of risk (total portfolio before minority interests, after Group diversification and including discontinued operations)

	2008			2007		
	Over quarterly results			Over quarterly results		
	Average € mn	High € mn	Low € mn	Average € mn	High € mn	Low € mn
Total Group	**6,127**	**6,614**	**5,837**	**5,385**	**5,701**	**5,247**
Investment	4,358	4,771	4,181	3,966	4,128	3,862
(Re)insurance [3]	1,770	1,871	1,656	1,419	1,573	1,356

1) 2008 figures exclude discontinued operations. On a total Group basis, internal credit risk capital would amount to € 9,353 million on a non-diversified basis and € 6,614 million on a Group diversified basis, if discontinued operations were taken into account.
2) 2007 figures include discontinued operations.
3) The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.
4) The internal risk capital requirements for the Asset Management segment only reflect business risk (please refer to "Internal Risk Capital Framework – Scope" for further information).

Property-Casualty, Life/Health and Corporate segments

In the Property-Casualty and Life/Health segments, credit risks arising from reinsurance counterparties are considered separately from issuer and counterparty risks arising from our investment activities, though the same methodology is applied. For the Corporate segment, our internal risk capital model covers only investment credit risk, as reinsurance activities are generally allocated to the Property-Casualty segment.

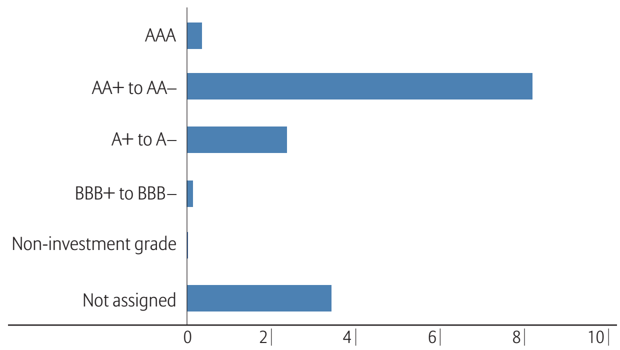
Credit risk – reinsurance and credit insurance

This risk category also covers the premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model, as this type of risk is a special form of credit risk. As of December 31, 2008, it represented 64% of our total Group non-diversified internal risk capital allocated to credit reinsurance risk.

We take steps to limit our liability from insurance business by ceding part of the risks we assume to the international reinsurance market. A dedicated team selects our reinsurance partners and considers only companies with strong credit profiles. We may also require letters of credit, cash deposits or other financial measures to further mitigate our exposure to credit risk. To manage the related credit risk, we compile Allianz Group-wide data on potential and actual recoverables in respect of reinsurance losses. At December 31, 2008, 74% of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A" rating by Standard & Poor's. Non-rated reinsurance recoverables represented 24% of the total reinsurance recoverables at December 31, 2008. Reinsurance recoverables without Standard & Poor's rating include exposures to brokers, companies in run-off and pools, where no rating is available, and companies rated by A.M. Best.

As of December 31, 2008, 9% of our total Group non-diversified internal risk capital allocated to credit reinsurance risk was assigned to our operating entities in the U.S.

Reinsurance recoverables by rating class [1] as of December 31, 2008
in € bn



Credit risk – investment

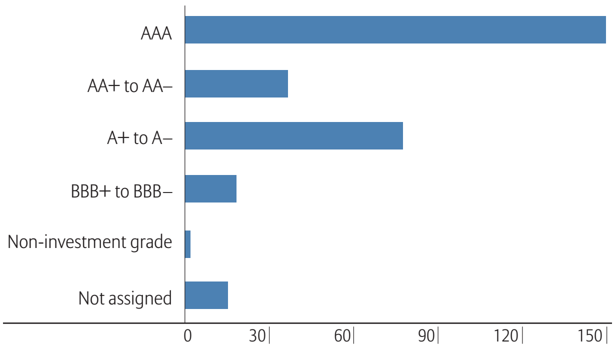
As of December 31, 2008, our operating entities in the U.S. and Germany accounted for 40% of the non-diversified internal risk capital allocated to our Property-Casualty, Life/Health and Corporate segments for investment credit risk.

We limit the credit risk of our fixed income investments by setting high requirements on the creditworthiness of our issuers, by diversifying our investments and by setting limits for credit concentrations. We track the limit utilization by consolidating and monitoring our exposure across individual debtors and across all investment categories and business segments on a monthly basis. At December 31, 2008, approximately 94% of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating and approximately 88% of the fixed income investments were distributed among obligors that had been assigned at least an "A" rating by Standard & Poor's.

[1] Represents gross exposure broken down by reinsurer.

Fixed income investments by rating class as of December 31, 2008

fair values in € bn



In addition to these fixed income investments, Allianz Group also has non-tradable mortgage loan portfolios in Germany and the U.S. As of December 31, 2008, 97 % of the German mortgage portfolio obligors were assigned a Standard & Poor's equivalent investment grade rating based on an internal scoring. The U.S. commercial mortgage loan investments are subject to thorough credit assessment and conservative underwriting by the responsible credit managers. There have been no delinquent or foreclosed non-tradable commercial mortgage loans since 1994, and we thus regard the portfolio as investment grade based on additional stress test analysis. The North American Allianz insurance companies have a residential mortgage portfolio exposure of less than U.S. Dollar 2 million.

Banking and Asset Management segments

Following the sale of Dresdner Bank, we do not consider credit risk related to our continuing Banking operations to be significant at the Group level.

As part of the investment management process, the Asset Management segment's entities assess credit risk affecting their customers' portfolios. Though our Asset Management companies do not engage in any lending transactions, counterparty risks can arise in certain circumstances, such as with broker-related over-the-counter transactions. The Asset Management operating entities analyze the credit worthiness of their counterparties and set limits per counterparty based on objective criteria.

Actuarial Risk

Actuarial risks consist of premium and reserve risks in the Property-Casualty segment as well as biometric risks in our Life/Health segment. In the Banking and Asset Management segments, actuarial risks are not relevant. Although the Corporate segment provides some guarantees that transfer small parts of the actuarial risk away from local entities, such risk is primarily transferred by internal reinsurance and allocated to the Property-Casualty segment.

Allocated internal actuarial risk capital by business segment and source of risk [1] (total portfolio before minority interests)

	Non-diversified		Group diversified	
As of December 31,	2008 [2] € mn	2007 [3] € mn	2008 [2] € mn	2007 [3] € mn
Total Group	**22,533**	**23,038**	**7,265**	**6,521**
Percentage of total Group internal risk capital	34 %	32 %	25 %	20 %
Premium CAT	5,913	5,780	1,390	1,077
Premium non-CAT	8,083	8,284	3,517	3,249
Reserve	7,307	8,037	2,308	2,170
Biometric	1,230	937	50	25
Property-Casualty	**20,851**	**21,705**	**7,072**	**6,389**
Life/Health	**1,244**	**950**	**55**	**29**
Corporate [4]	**438**	**383**	**138**	**103**

[1] As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account.

[2] 2008 figures exclude discontinued operations. On a total Group basis, internal actuarial risk capital would amount to € 22,533 million on a non-diversified basis and € 6,614 million on a Group diversified basis, if discontinued operations were taken into account. Although our discontinued operations are not exposed to actuarial risks, they have an impact on Group diversified internal risk capital due to diversification effects. The discontinuation of certain banking operations results in less diversified insurance operations.

[3] 2007 figures include discontinued operations.

[4] Allianz SE has a conditional commitment to make capital payments to its U.S. subsidiary, Fireman's Fund Insurance Co. In particular, Allianz SE is required to make these payments in case of future negative developments relating to the reserves of Fireman's Fund for the year 2003 and before.

In general, Group-diversified internal actuarial risk capital increased, as the discontinuation of certain banking operations results in less diversified insurance operations and a smaller diversification effect. Before Group diversification, internal premium CAT risk capital remained relatively stable compared to 2007, while it increased after Group diversification additionally driven by a shift in contributions from other risk categories, mainly due to the decline in internal market risk capital.

As previously discussed, we determine internal risk capital figures on a quarterly basis. The table below presents the average internal risk capital calculated for actuarial risks over the four quarters of 2008 and 2007, as well as the high and low quarterly internal risk capital amounts calculated in both years. All figures include discontinued operations.

Average, high and low allocated internal actuarial risk capital by source of risk (total portfolio before minority interests, after Group diversification and including discontinued operations)

	2008			2007		
	Over quarterly results			Over quarterly results		
	Average	High	Low	Average	High	Low
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Total Group	6,597	6,796	6,421	6,311	6,521	6,111
Premium CAT	1,245	1,258	1,218	1,007	1,077	953
Premium non-CAT	3,333	3,399	3,264	3,210	3,249	3,143
Reserve	1,979	2,098	1,872	2,071	2,170	1,984
Biometric	41	45	35	23	25	21

Property-Casualty segment

A substantial portion of the Property-Casualty segment's non-diversified internal actuarial risk capital is assigned to our operating entities in Germany, Italy, France and the U.S. (49% as of December 31, 2008).

Premium risk

Premium risk represents risk that, during a one-year time horizon, underwriting profitability is less than expected. Such risk is subdivided into catastrophe risk (CAT risk) and non-catastrophe risk (non-CAT risk). We primarily quantify and manage premium risk based on actuarial models that are used to derive loss distributions for each risk.

Natural disasters such as earthquakes, storms and floods represent a special challenge for risk management due to their accumulation potential and occurrence volatility. In order to measure such risks and better estimate the potential effects of natural disasters, we use special modeling techniques in which we combine data about our portfolio (such as the geographic distribution and characteristics of insured objects and their values), with simulated natural disaster scenarios to estimate the magnitude and frequency of potential losses. Where such models do not exist (e.g., flood risk in Italy), we use scenario-based methods to estimate probable losses.

More than a third (36% as of December 31, 2008) of the non-diversified internal premium risk capital allocated to natural catastrophe risk was borne by our operating entities in Germany and the U.S. Our exposure to losses from windstorms over Europe (including hail) is our largest exposure to natural catastrophe, followed by U.S. hurricanes and Californian earthquakes. Our loss potential net of reinsurance for European windstorms is approximately € 1.3 billion, measured at a probability level of once in 250 years (i.e., 0.4%).

Reserve risk

Reserve risk represents the risk of losses emerging on claims provisions over a one-year time horizon. We measure and manage reserve risks by constantly monitoring the development of the provisions for insurance claims and change the provision for reserves in line with actuarial standards if necessary. We use approaches that are similar to the methods used for setting the reserves.

Life/Health segment

Biometric risk

We consider mortality and longevity risks which can cause variability in policyholder benefits resulting from the unpredictability of the (non-)incidence of death and the timing of its occurrence. For modeling these risks within our internal risk capital model, we distinguish level, trend and calamity risk. Biometric assumptions, such as life expectancy, play a significant role. To the extent available, we use assumptions approved by supervisory authorities and actuarial associations to enhance our models.

Due to the offsetting effects of mortality risk and longevity risk inherent in the combined portfolios of life insurance and annuity products, as well as due to a geographically diverse portfolio, our Life/Health segment does not have significant concentrations of biometric risk.

Business Risk

Business risks consist of operational risks and cost risks. Operational risks represent the loss resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, such as interruption of business operations due to a break-down of electricity or a flood, damage caused by employee fraud or the losses caused by court cases. Operational risks include legal risk, whereas strategic risk and reputational risks are excluded in accordance with the requirements of Solvency II and Basel II. Cost risks consist of unexpected changes in business assumptions and unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses. They also include the risk of budget deficits resulting from lower revenues or higher costs than budgeted.

Allocated internal business risk capital by business segment (total portfolio before minority interests)

	Non-diversified		Group diversified	
As of December 31,	2008 [1] € mn	2007 [2] € mn	2008 [1] € mn	2007 [2] € mn
Total Group	15,013	18,365	5,155	7,233
Percentage of total Group internal risk capital	22%	25%	18%	22%
Property-Casualty	5,898	6,425	1,707	2,064
Life/Health	5,163	4,288	1,864	1,840
Banking	145	1,630	59	634
Asset Management [3]	3,304	5,576	1,453	2,621
Corporate	503	446	72	74

The decrease in internal business risk capital related to the Asset Management segment is primarily driven by an update of the risk factor incorporated within the model used to derive business risk capital for these operations. The factor was reviewed, and as a result, a level of conservatism within this factor has been reduced to better reflect the risk capital needs of this segment.

As discussed, because substantially all of the investments managed by the Asset Management segment are held for the benefit of either third parties or Allianz insurance entities, we are not exposed to significant market and credit risk in the Asset Management segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk.[4]

Allianz has developed a Group-wide operational risk management framework that focuses on early recognition and pro-active management of operational risks. The framework defines roles and responsibilities, risk processes and methods and has been implemented at the major Allianz Group companies. Local risk managers ensure this framework is implemented in the respective operating entities. The operating entities identify and evaluate relevant operational risks and control weaknesses via a structured self

[1] 2008 figures exclude discontinued operations. On a total Group basis, internal business risk capital would amount to € 16,362 million on a non-diversified basis and € 5,635 million on a Group diversified basis, if discontinued operations were taken into account.
[2] 2007 figures include discontinued operations.
[3] The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).
[4] Internal risk capital for guarantees in the Asset Management segment are not significant.

assessment. Furthermore, operational losses are collected in a central loss database. From the middle of 2008, the data collection has been extended to all our operating entities. An analysis of the causes for significant losses is used to enable the operating entities to implement measures to avoid or reduce future losses. The measures adopted may include revising processes, improving failed or inappropriate controls, installing comprehensive security systems and strengthening emergency plans. This structured reporting is designed to provide comprehensive and timely information to senior management of the Allianz Group and the relevant local operating entities.

Other Risks

There are certain risks that cannot be fully quantified across the Group using our internal risk capital model. For these risks, we also pursue a systematic approach with respect to identification, analysis, assessment and monitoring. In general, the risk assessment is based on qualitative criteria or scenario analyses. The most important of these other risks include liquidity, reputational and strategic risk.

Liquidity risk

Liquidity risk is the risk that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the event of a company liquidity crisis, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount. This risk can arise primarily if there are mismatches in the timing of cash payments and funding obligations. Liquidity risk does not include the risk of a change in market prices due to a worsening of the market liquidity of assets, as this is a component of market risk analyzed through our internal risk capital model (e.g., the assumed volatility of real estate investments takes into account historical observations). Funding risk, a particular form of liquidity risk, arises when the necessary liquidity to fund illiquid asset positions cannot be obtained at the expected terms and when required.

Corporate segment

On the Group level, liquidity risks arise mainly from capital requirements of subsidiaries and necessary refinancing of expiring strategic financial liabilities. The liquidity position of Allianz SE is monitored on a daily basis and reported to the Board of Management regularly. The main tools to limit unforeseen liquidity requirements are committed credit lines from banks, commercial paper facilities, medium-term debt issuance programs, access to the market of sale and repurchase agreements (the so-called "Repo market") as well as internal resources in the form of intra-Group loans and an international cash pooling infrastructure.

Property-Casualty and Life/Health segments

Our insurance operating entities manage liquidity risk locally, using local asset-liability management systems designed to ensure that assets and liabilities are adequately matched. To the extent available, the approaches used to project the liability cash flows for the Property-Casualty segment are similar to the methods used for setting reserves.

Liquidity risk in our insurance segments is a secondary risk following external events, such as natural disasters, that are generally reflected in our internal risk capital model. Therefore, limiting and monitoring of the associated primary risks (such as through the use of reinsurance) also helps limit our liquidity risk related to such events. Extreme adverse changes in business assumptions such as lapse or renewal rates or costs may cause liquidity risk as well. However, these effects are covered by our internal risk capital model.

The quality of our investments also provides comfort that we can meet high liquidity requirements in unlikely events. Furthermore, in the case of an extraordinary event, a portion of the applicable payments may usually be made with a certain time lag, which reduces the risk that short-term current payment obligations cannot be met. We employ actuarial methods for estimating our liabilities arising from insurance contracts. In the course of standard liquidity planning we reconcile the cash flows from our investment portfolio with the estimated liability cash flows. These analyses are performed on the operating entity level and aggregated at the Group level. Excess liquidity is centrally pooled on the Group level and can be transferred to single operating entities if necessary.

Banking and Asset Management segments

Due to the small size of risk weighted assets and total assets (as of December 31, 2008, € 7.4 billion and € 19.8 billion, respectively), liquidity risk related to our continuing Banking operations is not significant at the Group level.

In the Asset Management segment, we limit liquidity risk by continually reconciling the cash flows from our operating business with our commitments to pay liabilities. Forecasting and managing liquidity is a regular process, designed to meet both regulatory requirements and Allianz Group standards.

Reputational risk

Reputational risk is the risk of direct loss or loss in future business caused by a decline in the reputation of the Allianz Group or one or more of its specific operating entities from the perspective of its stakeholders – shareholders, customers, staff, business partners or the general public. First, every action, existing or new transaction or product can lead to losses in the value of our reputation, either directly or indirectly, and can also result in losses in other risk categories. Second, every loss in other risk categories, irrespective of its size, can pose reputational risk to the Allianz Group. Therefore, reputational risk can both cause and result from losses in all risk categories such as market or credit risks.

Our operating entities identify and assess reputational risks within their business processes. In addition, Group Risk identifies and assesses reputational risk qualitatively as part of a quarterly evaluation. On the basis of this evaluation, Group Risk creates an overview of local and global risks which also includes reputational risks, analyses the risk profile of the Allianz Group and regularly informs management about the current situation.

Strategic risk

Strategic risk is the risk of an unexpected negative change in the company value, arising from the adverse effect of management decisions on both business strategies and their implementation. This risk is a function of the compatibility between strategic goals, the business strategies and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyze and react to external factors, which could impact the future direction of the relevant operating entity.

These risks are evaluated and analyzed quarterly in the same way as reputational risk.

Outlook

We plan to continue to strengthen our risk management framework and systems in 2009. In particular, we are striving to constantly improve our accumulation monitoring systems, particularly those related to natural and man-made catastrophes, and are continuing to develop and extend our modeling capabilities for catastrophe risk. In addition, we plan to establish an internal expert network dedicated to emerging insurance risks such as nanotechnology and food additives.

Solvency II is a major European project and is expected to lead to significant changes to the European insurance solvency requirements in the coming years; the Allianz Group is actively participating in the process. We are continuously providing feedback on the proposals and analyses of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the EU Commission. Furthermore, we participate in the Quantitative Impact Studies and give technical advice, for instance, through the Chief Risk Officer Forum, which is comprised of the Chief Risk Officers of the major European insurance companies and financial conglomerates. It is our aim to have our internal risk capital model and our risk management practices comply with the forthcoming internal model supervisory requirements at an early stage. Accordingly, we are constantly reviewing them on the basis of the evolving standards. In order to fulfill future Solvency II requirements, Allianz has launched a Solvency II umbrella project which consists of quantitative and qualitative workstreams. In particular, these workstreams cover activities to (i) improve data quality, (ii) enhance analysis capabilities, (iii) strengthen model robustness and process governance and (iv) ensure that all future qualitative Solvency II requirements will be met.

As a key initiative of the Solvency II umbrella project, we are strengthening our efforts to consolidate our risk analysis infrastructure and to establish a best practice technical platform. The key objectives of this initiative are to (i) improve methodology and increase the scope and (ii) extend the functionality and enhance user benefits within an efficient risk capital process. We are planning to thoroughly test the new model and reconcile its results with the existing model, and aiming to introduce the new internal model framework for our internal risk based performance measurement. This platform will help us establish a framework that fulfills the quantitative Pillar I requirements under the Solvency II project after internal model approval for regulatory purposes.

In addition to the key objectives defined by the Solvency II umbrella project for all risk types, the credit risk implementation project aims to streamline the existing credit risk data submission process and to develop a new web-based Credit Risk Reporting Platform for comprehensive and flexible portfolio analyses as well as for a more powerful limit-setting framework including monitoring and management processes. This reporting tool will support all operating entities and the Group in their decisions regarding asset management and strategic portfolio optimization.

As part of the Solvency II umbrella project, a subproject has been launched to roll-out a new operational risk management platform to all operating entities which will automate the operational risk management process, complemented by a refined risk and control self-assessment based on scenarios.

Business Model and Success Factors

Founded in 1890 and with over 100 years of experience in the financial services industry, the Allianz Group is committed to providing financial security to a broad base of customers ranging from private individuals to large multinational corporations. Beyond the quality of our financial performance a number of other activities and factors are important to the sustainable growth of our competitive strength and company value. These include, but are not limited to, our diversified business model, the reduction of organizational complexity, our value-based management approach, the monitoring of our non-financial performance and of crucial importance, our employees.

The Allianz Group's Business Model

As an integrated and globally operating financial services provider we seek to offer our clients value by providing a wide range of insurance and financial products as well as an extensive advisory capacity through our subsidiaries under strong and well-known brands. We operate and manage our activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. We consider ourselves well-positioned to anticipate and successfully respond to competitive forces affecting our various operations.

Insurance operations

We are one of the leading insurance groups in the world and rank number one in the German property-casualty and life insurance markets based on gross premiums written and statutory premiums, respectively.[1] We are also among the largest insurance companies in a number of the other countries in which we operate. Our product portfolio includes a wide array of property-casualty and life/health insurance products for both private and corporate customers.

Product range of the insurance business

	Property-Casualty	Life/Health
Private Clients	– Motor (liability / own damage) – Liability – Homeowner – Accident – Travel and assistance	– Endowment – Annuity – Term – Disability – Investment-oriented products – Private health insurance
Corporate Clients	– Property – Motor fleets – Directors' and Officers' liability – Credit – Marine, aviation and transport	– Group life products – Pension products for employers

We conduct business in almost every European country, with Germany, Italy and France being our most important markets. We also run operations in the United States and in Central and Eastern Europe as well as in Asia-Pacific. Our operations continue to be expanded worldwide. In 2008, for example, we developed our business operations in the Middle East, in Turkey and in South America with Brazil being one of the key markets[2].

[1] Source: As published by Gesamtverband der deutschen Versicherungswirtschaft e.V. (GDV) in 2008. The GDV is a private association representing the German insurance industry.

[2] For a more detailed description of the global diversification of our insurance business, please refer to page 116.

Our insurance products are distributed via a broad network of self-employed agents, brokers, banks and other channels. Increasingly, we distribute our insurance products in cooperation with car manufacturers and dealers in Europe and Asia-Pacific and also have direct distribution operations in Central Europe, India and Australia. The particular distribution channels vary by product and geographic market.

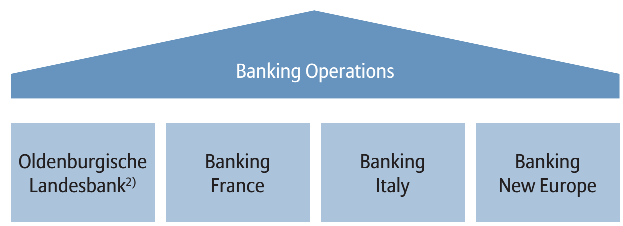
Our more mature insurance markets (e.g. Germany, France, Italy and the United States) are highly competitive. In recent years, we have also experienced increasing competition in emerging markets, as large insurance companies and other financial service providers from more developed countries have entered these markets to participate in their high growth potential. In addition, local institutions have become more experienced and have established strategic relationships, alliances or mergers with our competitors.

The investments of most Allianz insurance companies are managed internally through specialists within the Allianz Group (Allianz Investment Management).

Allianz SE, the Allianz Group's parent company, acts on an arm's length basis as reinsurer for most of our insurance operations and assumed 25.2 %, 26.9 % and 33.3 % of all reinsurance business ceded by Allianz Group companies for the years ended December 31, 2008, 2007 and 2006, respectively. Allianz SE also assumes a relatively small amount of reinsurance from external cedents and cedes risk to third-party reinsurers.The Allianz Group has established a pooling arrangement that offers reinsurance coverage to the Group's subsidiaries against natural catastrophes, which provides the benefit of internal Group diversification.

Banking operations

In the past, our banking activities were primarily conducted through the Dresdner Bank Group which accounted for almost all of our Banking segment's results of operations. Following the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG (Commerzbank)[1], we reduced our banking operations which now comprise Allianz Banking Germany as well as our existing banking operations in Italy, France and New Europe. Allianz Banking Germany is a division under the roof of Allianz Deutschland AG (ADAG) and contains Oldenburgische Landesbank AG (Oldenburgische Landesbank) and the banking customers originally introduced to Dresdner Bank through the tied agents network. Oldenburgische Landesbank will become Allianz's main banking product and service provider in Germany. The bank offers a wide range of products for corporate and retail clients with its main focus on the latter. In addition to our banking activities, the distribution of banking products through our German insurance agents network is important and the banking agencies distribtion network will be expanded to approximately 300 in 2009 (129 as of December 31, 2008).



Asset Management operations

We are one of the four largest asset managers in the world.[3] Our business activities in this segment consist of asset management products and services both for third-party investors and for the Allianz Group's insurance operations.

We serve a comprehensive range of retail and institutional asset management clients. Our institutional customers include corporate and public pension funds, insurance and other financial services companies, governments and charities as well as financial advisors.

Our retail asset management business is primarily conducted under the brand name Allianz Global Investors (AGI) through our operating companies worldwide. In our institutional asset management business, we operate under the brand names of our investment management entities, with AGI serving as an endorsement brand. With € 673 billion of third-party assets as of December 31, 2008, AGI managed 95.7 % (2007: 94.8 %) of our total third-party assets on a worldwide basis.

1) For detailed information on the sale of Dresdner Bank, please refer to page 126

2) Including the banking customers introduced to Dresdner Bank through the tied agent network

3) Based on total assets under management as of December 31, 2008.

The United States and Germany as well as France, Italy and the Asia-Pacific region represent our primary asset management markets.

We have recently expanded our engagement in China by increasing the participation in our joint venture, Guotai Allianz Finanz Management. Furthermore, effective January 12, 2009, we acquired cominvest, the former asset management division of Commerzbank AG, which will add approximately € 60 billion assets under management, predominantly domiciled in Germany, to our third-party assets under management.

AGI's selected product range for retail and institutional customers

Private and corporate clients

Equity	Fixed-Income
– Systematic – Sector funds – Country funds – Stocks Plus	– Money Market – Low Duration – Real Return – Global – Investment Grade – Diversified Income – High Yield – Emerging Markets – Convertible Bonds
Alternatives	**Solutions**
– Hedge fund of funds – Commodity funds – Certificate funds – Real estate – Structured products	– Life-cycle concepts – Multi-asset solution – Variable-annuity products – Asset/Liability management – Risk management concepts

Private and corporate clients

Our distribution channels vary by product and geographic market. In Europe and in the United States, AGI markets and services its institutional products through specialized operations and personnel. Retail products in Europe are mostly distributed through proprietary Allianz Group channels. In the United States, AGI's local asset management operating entities also offer a wide range of retail products. In addition we have committed substantial resources to the expansion of the third-party asset management business in the Asia-Pacific region.

In the asset management business, competition comes from all major international financial institutions and peer insurance companies that also offer asset management products and services, competing for retail and institutional clients.

Corporate segment

Our Corporate segment's activities include the management and support of Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions. The Corporate segment also includes the Group's alternative investment activities coordinated by Allianz Alternative Assets Holding GmbH.

Structure of the Board of Management

Each member of the Board of Management of Allianz SE is responsible for a particular division within the Allianz Group. There are four corporate functions: the Chairman's division, the Controlling/Reporting/Risk division, the Finance division and the Chief Operating Officer's division.

The other divisions reflect business responsibilities, which are either regionally- or operationally-oriented: Europe I, Europe II, German Speaking Countries, Growth Markets, Anglo NAFTA Markets & Global Lines and Asset Management.

Value-Based Management

The goal of our value-based management approach is to sustainably meet our shareholders' return expectations over the long run. Furthermore, we want shareholders, employees, customers and other stakeholders to profit from the value our company creates.

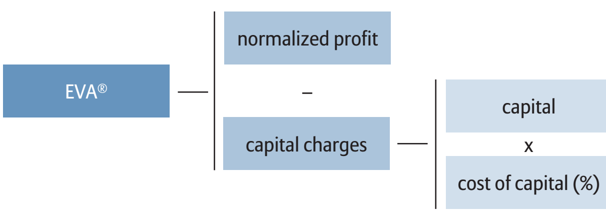
To create value, the capital used by a company must yield a higher return than a comparable alternative investment. In order to accomplish this objective and to measure our success, we apply the EVA®[1] (Economic Value Added) concept, adapted to our specific needs, across the Allianz Group. EVA® involves profit compared to cost of capital, representing the return an investor can expect from an alternative

[1] EVA® is a registered trademark of Stern Stewart & Co.

investment with comparable risk. EVA® – whether positive or negative – is the difference between profit and the cost of capital. A positive EVA® means that an added value has been achieved and a negative EVA® indicates that a shareholder would have received a greater return from another risk equivalent investment than from Allianz SE shares.

EVA® in the Allianz Group

EVA® is an all-encompassing tool for coordination and steering which connects our internal management approach with a capital market orientation. To compute the EVA® we take normalized profit minus capital charges, where capital charges are defined as our capital multiplied with our cost of capital.



To get the normalized profit we smooth the impact of equity market fluctuations by basing our calculations on "normalized" long-term average returns.

For capital charges an important component is the determination of the capital required to cover the financial risks involved in our business activities.[1)]

It is our role to ensure that the sum of our risks is affordable for the Group and that the achieved return justifies the amount of capital employed. Therefore we assign available capital to our operating entities based on their risk-return profile and their strategic position. Using this process, our companies can only ensure that they receive growth capital if they:

- operate in a profitable market or business;
- transform their market position into sustainable creation of value and a leading market position;
- maintain an orientation and competency that fits within the long-term strategy of the Allianz Group; and
- are able to generate distributable earnings in an amount that is at least equal to their cost of capital.

The second component of capital charges is the cost of capital, which in our Group is based on the return from a risk-free alternative investment plus a market risk premium and taking into account the specific risk of Allianz Group in relation to the overall market.

All Allianz Group companies are responsible for generating a return on their risk capital that covers at least their cost of capital. Profits exceeding the cost of capital can be retained by the operating entities to finance further organic growth. That means, that our most profitable entities have direct access to considerable funds. If these funds are not required to finance their organic growth, they will be upstreamed to the holding company.

The requirement to meet the cost of capital is just the minimum we demand. Over the medium-term, our objective is to generate a return of 15 % or more on the capital employed. Therefore, our companies must determine what business activities will increase their value and concentrate their efforts and resources on these activities. Further, new value drivers must be created, for example, through new products, more cost-effective processes and optimized distribution channels. Local management must also prevent value being destroyed along the complete value chain. If value diminishes, countermeasures must be implemented immediately.

Based on the net income our EVA®, after minority interests, reached € 842 million in 2008 (2007: € 3,928 million). Due to the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG, the income from Dresdner Bank is included in this figure with the result generated until the change in ownership. From September onwards until year-end the result from our continuing banking operations is included. The return on risk adjusted capital[2)] in 2008 was 11.9 % (2007: 21.4 %).

[1)] For detailed information on the determination of our internal risk capital please refer to pages 89 to 92 of our risk report.

[2)] Return on risk adjusted capital represents normalized profit divided by average risk adjusted capital.

Management remuneration

Because EVA® is an important factor in managing our business, senior management compensation is based on this measurement to a significant extent.[1] Our incentive-based management compensation system helps to make the continuous increase in the value of the Allianz Group a priority across our entire organization.

Our objective to accomplish a positive EVA® not only benefits our shareholders, but our customers, employees and the communities in which we operate benefit as well. We can only succeed by offering high quality products at attractive prices that satisfy our customers, generate sales to secure jobs and produce profits that allow us to further increase our contribution to society.

Main Initiatives

Allianz continues to develop its business via a number of major initiatives. These are energetically pursued with the goal of establishing "Best of Allianz" as a trusted provider of insurance, asset management and other financial services.

We have in place a Sustainability Program for our insurance segments as well as for distribution. This program is designed to identify and redefine best practices for products, processes and services to make them common practice throughout the Group's insurance operations. In an effort to optimize the management of our client segments and sales channels, we analyze the development of proprietary sales channels, brokers and market management. This includes a continuous focus on customers and on innovation.

The Allianz Group is modernizing its entire organization following a shared Target Operating Model (TOM). In order to drive these change processes and to take best practice experience into account, an Operational Transformation Program has been established.

The objective of our Global Talent Management initiative is to systematically optimize global recruiting, development and reward processes to maximize talent quality and performance in the Group.

[1] For detailed information on the remuneration of the board of management and of the supervisory board see our remuneration report on pages 16 to 24.

Our Employees

As a global financial services provider we base our human resources strategy and activities on the following principles:

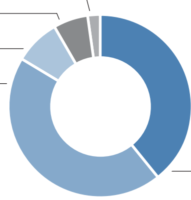
- We strive to be the first choice for the best talent globally.
- We aim to support and develop our employees in the most effective way.
- We appreciate the diversity of our talent base as an asset to be fostered continuously, supporting our diverse customer needs worldwide.
- We acknowledge top performance and reward it appropriately.
- Our compensation and benefits plans are designed to motivate our employees to successfully implement our strategies and business plans.

Attracting the best

Allianz Group is a diverse organization, both from a business and people perspective, offering exciting job and development opportunities. In relevant "Employer of Choice" listings, Allianz improved its ranking in 2008 by 24 places in the Top Employer Web Benchmark (Potentialpark) and by 20 places in the European Student Barometer (Trendence). To further improve our standing, we have embarked on a new global employer value proposition "Opportunities from A – Z". The key channel for this initiative is our global careers webpage to be re-launched in 2009. In addition, Allianz offers dedicated development programs for different job areas, such as actuaries, for newly recruited as well as inhouse talent alike. We have implemented a new online recruiting platform (worldwidejobs@allianz.com) that went live in eight companies across six countries in 2008. As of December 31, 2008, after six months of implementation alone, there were more than 100,000 job views for more than 370 positions posted. Almost 13,000 prospective external candidates registered permanently, in addition to more than 21,000 internal employees.

In 2008 182,865 employees worked for the Allianz Group. This is a change of 1 % to the previous year. Average tenure of our workforce is at 9.5 %[1] years, down from 11.2 % in 2007. Within the Group, German employees still have the longest tenure with 14.3 years. Last year we hired a total of 26,173 people group wide, whilst 24,641 employees left the organization.

Employees by regions as of December 31, 2008 [2]
in %



Employees by countries

Country	2008	2007
Germany[2]	71,267	72,063
France	18,915	19,120
United States	10,627	10,706
United Kingdom	10,207	10,865
Russia	9,106	11,744
Italy	7,211	7,445
Switzerland	4,286	4,117
Australia	3,719	3,608
Spain	3,440	3,299
Hungary	3,427	3,235
Austria	3,272	3,096
Brazil	2,941	2,971
Slovakia	2,682	2,627
Poland	2,458	1,358
China (incl. Hongkong)	2,501	2,137
Romania	2,331	2,292
Other	24,475	20,524
Total	**182,865**	**181,207**

As an employer of choice we are keen to further promote workplace diversity within our organization, starting with addressing gender issues and career management. Women make up 52 % of our total workforce (56 % in 2007). While the ratio of women in management positions in general has increased to 32 %, women in management are still underrepresented with considerable variation across geographic boundaries. We have thoroughly analyzed the reasons behind this apparent imbalance and are strengthening further our efforts to offer attractive career perspectives for all employees, regardless of gender. Flexible working, mentoring and coaching programs, and a close monitoring of talent trends in recruitment as well as talent development activities are among the most important measures taken.

In 2008 we also started an internal diversity awareness campaign, beginning at corporate headquarters, and supported a number of events that received very positive feedback from our employees. For example, we entered into a partnership with the UK-based Jubilee Sailing Trust, sponsoring activities involving both Allianz employees and people with physical disabilities.

Fostering Talent

Our behaviors and actions are guided by a set of mandatory Leadership Values. Allianz Group annually queries its managers worldwide on the implementation of these values. For this Leadership Survey, almost 4,900 managers from 57 Allianz companies were invited to participate in 2008. The high response rate of 85 % demonstrates the significance of our leadership values for our managers.

To complement the leaders' view with that of the workforce at large, we have conducted a centrally organized employee engagement survey in 24 business units, covering over 16,000 employees (respondents). These results largely mirrored the Leaders' survey and demonstrate a high degree of commonly shared perceptions of our business situation and corporate culture.

These surveys allow for a continuous and systematic improvement process for our management.

Regarding the personal and professional development of our managers and high potentials, we have implemented a new talent management approach in all our major units (56 companies), covering almost 3,600 senior leaders and potentials. Local and regional career panels systematically assess the leadership and potential situation (quality, quantity, diversity etc.) in each location, and determine the proper development activities to be taken.

[1] These and the following figures exclude Dresdner Bank.
[2] Includes Dresdner Bank.

As part of our talent development efforts, Allianz runs the Allianz Management Institute (AMI). AMI is embedded into the management development process, is the key body in helping our executives and experts strengthen their leadership skills, and facilitates learning and best-practice sharing between executives of our organizations. In 2008, the central AMI Group welcomed 479 participants from 38 countries into programs. In addition, managers and employees within our operating units attended programs at local and regional levels. Sales Academies (Allianz Deutschland AG, Allianz Global Investors) or the Allianz UK Underwriting Academy are examples of an array of institutionalized training investments in our respective lines of business. They work closely together with the AMI as well as with our functional Centers of Competence and Group Centers, ensuring that best practices and Group standards are adequately taught and implemented at the working level.

We have continued to implement OPEX, the Allianz version of 'Six Sigma', that functions as a core tool for our transformation efforts via projects to increase process efficiency and customer service. By the end of 2008, we had 3,106 staff trained as OPEX Blue Belts (first level). 250 staff were trained as OPEX Black Belts (advanced level) in 2008, bringing our total Black Belts within the workforce to 690, exceeding our target of 500 by the end of 2008.

We placed great emphasis on skill training and spent a total of € 147 million (€ 159 million) and trained 57 % of our people in 2008.[1)]

Developing talent is also achieved by international job placements, serving the dual purpose of individual development measures while at the same time helping to fill critical expertise needs locally. In 2008, around 350 employees from 33 countries were officially sent on long term secondments to 65 different units in 36 countries across the globe.

Rewarding Performance

Our commitment to continuously improve a high performance culture remains a very important aspect of the transformation of Allianz in order to achieve sustained success and excellence. In the current volatile market conditions, it is even more vital that we effectively set and cascade goals to create focus and commitment and maintain a high motivation of our people.

As an ambitious organization the motivation of our people plays a key role in the attainment of the challenges we set out to achieve. Everyone's contribution is needed to help us achieve our goals, ensure we remain competitive, leverage our scale and scope and do all of that in a long-term sustainable way that also reflects our role in society.

In that context, in 2008, we invested in a number of further improvements for our **performance management system to support the implementation of our strategy and vision, guided by our leadership values:**

- Streamlining processes and activities to trim excess bureaucracy.
- Agreeing common solutions to achieve synergies and scale benefits.
- Implementing effective new tools to support line management, accelerate organizational learning and cultural change.
- Reviewing standards across the Group to increase consistency while maintaining sufficient flexibility to account for different businesses and markets.
- Simplifying structures in order to yield even greater efficiency benefits.

Our Total Reward approach ensures that we look at all elements of reward holistically. Our reward programs are regularly reviewed to ensure their suitability and competitiveness and to effectively support our talent strategy.
We have also reviewed and significantly strengthened our Reward Governance mechanisms. This included the introduction of new standards for Compensation Committees to ensure their effective operation as well as the launch of a new global reward framework paving the way to a Group-wide language and more commonality across businesses and regions, as appropriate.

As in 2007, Allianz also launched a global Employee Stock Purchase Plan in 2008, which subject to certain conditions, provides eligible employees with an opportunity to acquire Allianz SE shares at preferential terms. The program aims to

1) Only training sessions with a minimum duration of three hours were counted.

promote share ownership amongst employees and to increase their financial awareness as well as interest in the company's performance. Around 125,000 employees in 24 countries were eligible to participate in the ESPP. Despite highly volatile stock markets at the time of the offer, around 22,000 employees decided to accept the offer. Allianz employees in total represent 1.35 % of our shareholders and own 11.9 % of Allianz shares.

The Group Equity Incentives Program is a key element of our performance-related pay for executives. The program, through its direct link to the performance of the Allianz SE share, helps to focus executives' attention on driving performance and to align their interests with those of our shareholders. They also reward participants with a share of the long-term value they help create. Approximately 800 top managers and future leaders worldwide participated in the program in 2008. For more detail, including the report on the remuneration of the members of the Board of Management, please see pages 16 to 21.

Recognizing the demographic challenge, Allianz offers a number of flexible benefit solutions, particularly deferred compensation schemes, to help employees enhance their retirement income. Numerous such programs are offered in various countries. Equally, Allianz offers flexible work schemes, medical care for employees' families, childcare and permanent sports facilities in a number of locations. For legal, market and cultural reasons, our selection of employee benefits is determined locally as part of the total reward offered.

Total payments made by the Group to its employees worldwide in 2008 amounted to € 9.2[1] billion (€ 9.7 billion). Of this figure, € 1.6 billion or 17 % was solely performance-related. Social security contributions, pensions and other additional employee benefits amounted to € 2.5 billion (€ 2.7 billion).

Employee Relations

The SE Works Council represents the interests of employees of Allianz SE and its subsidiaries with registered offices in the EU member states, the European Economic Area and Switzerland in cross border matters. The Works Council was informed and consulted on several items in its two regular sessions in 2008. Besides the business situation and prospects of Allianz in Europe, the items discussed included cross-border operational strategy, cross-border activities in Europe (e.g. Allianz Infrastructure Services SE, Mondial Assistance Group, Allianz Global Corporate & Specialty, Reinsurance) and cross-border products (e.g. Variable Annuities).

On several occasions the SE Works Council's Executive Committee was also informed and consulted on an ad hoc basis, e.g. with regard to the sale of Dresdner Bank to Commerzbank.

The constructive dialogue with the SE Works Council has helped us to build a good mutual understanding of the challenges ahead and ensures a productive cooperation between management and employee representatives at Allianz.

Public Recognition

In summary, all of these HR activities reflect Allianz Group's firm intention to establish itself as an Employer of Choice, both at the global, but even more importantly at local and business unit levels. These efforts have been honored with prestigious awards by external institutions, reflecting the successful implementation of our HR strategies and best practices around the globe. Examples of such accolades are:

- Winning a top 2 position for the insurance sector in the SAM Rating (Dow Jones Sustainability Index).
- Allianz Slovenská poist´ovna winning the silver medal in the Best Employer in Slovakia 2008 competition.
- Allianz Life Insurance Malaysia Berhad and Allianz China Life Ins. Co. respectively receiving the global LOMA (Life Office Management Association) Excellence in Education 2008 award.
- Allianz Polska (Poland)' CEO, Mr Pawel Dangel, was awarded the 'Eagles of Management' prize as 'best manager of the country over the past 20 years'.
- ADAG (Allianz Germany) has been ranked in the 'top employer' as well as the 'top employer for apprentices' (Top Ausbildungsbetrieb) categories by Trendence, a leader in the employer rating market.

[1] Figures include Dresdner Bank.

– Nicholas Applegate Capital Management was recognized as 'One of the Best Places to Work in California' by the Employers Group.

Corporate Responsibility and Sustainability

As an insurer and investor with a global reach, multi-local presence and robust financial strength, our operations contribute to growth and innovation. We use our cross-sector expertise to put our customers and other stakeholders in a better position to manage risk, protect assets and participate in gains.

Our range of solutions is intended to meet today's greatest challenges: aging societies, overburdened social security systems, climate change and economic change in both the wealthy and poorer regions of the world. People expect us to find sustainable and effective answers to these issues, which will only be growing in significance. This was confirmed once again in a recent survey of economic experts, politicians, corporate representatives and non-governmental organizations. This survey revealed that the public wants Allianz to provide innovative financial products that are as safe as they promise to be; at the same time, there is also a desire for information on risk management and engagement in key areas of society. We are meeting these expectations and developing new kinds of solutions that link economic success to social responsibility.

Process

We created the Group Social Opportunities unit during the year under review in order to strategically combine our social and economic commitments. This unit promotes innovative pilot projects and develops group-wide standards.

One of its tasks is to work with the business and holding units to strengthen the area of sustainable development and make it a regular component of our business activities. For example, we currently invest more than € 5 billion of our customers' money in companies that meet the most demanding social and environmental criteria. We are working with the United Nations to develop a standard that takes account of these criteria in the area of underwriting in the insurance business.

We also promote sustainable business development by encouraging our employees to make social commitments. For example, Fireman's Fund and Allianz Life, our U.S. insurers, operate major social projects that are closely connected to the stories of the founding of the respective companies: support for local fire stations and aid for organizations who have signed up to prevention. Fireman's Fund and Allianz Life also ask their employees to lend support to these social projects financially and by volunteering. In Germany, involvement in a social project is now a basic prerequisite for assuming a leadership role at Allianz.

Initiatives of this type that fulfill certain criteria are given the Allianz4Good seal of approval and employees in other units worldwide are encouraged to emulate these projects. In this way, we seek to provide the greatest possible benefit to society and to create greater awareness of environmental and social issues among our employees and to encourage them to make their own commitments in these areas.

We are also initiating cooperative efforts with external partners with the goal of carrying out joint studies on global challenges and of developing innovative financial solutions. For example, we are working with the United Nations (UNDP and UNEP/FI), with the World Wide Fund For Nature (WWF) and with CARE; the results of these efforts can be seen at www.knowledge.allianz.com.

Main areas of focus

Climate change

Together with the WWF, we are investigating the effects of climate change, which represents a serious business risk and will have far-reaching consequences for people, nature and economic development. This is already clear from the fact that weather-related damage has increased by a factor of 15 in the last 30 years. Among other things, we are working with the WWF to analyze the effects of global warming and climate policy on individual industries.

But we do not stop at studies. In 2007, we founded Allianz Climate Solutions, a subsidiary that invests in renewable energies for our units around the world and for external customers. More than € 400 million has been invested in 10 European wind farms for Allianz alone. The company is developing more product concepts that are, for example, expected to help moderate the effects of climate change through improved energy efficiency. We are also working on solutions to problems in the global trade in emissions rights. In the U.S., we now offer a discounted rate for insurance on LEED-certified properties (LEED: Leadership in Energy and Environmental Design) and in Germany we sell a car insurance policy with ECOmotion that guarantees CO_2 neutrality.

We have been one of the signatories of the international Carbon Disclosure Project for seven years, providing our shareholders a high level of transparency regarding the impact of their financial investments on the climate. In 2008, we were honored for our efforts in innovative climate solutions by our inclusion in the Climate Disclosure Leadership Index. Our internal environmental management system now includes 37 companies and more than 100,000 employees. We are committed to reducing the CO_2 emissions of Allianz by 20% from their 2006 levels by the year 2012.

Demographic age-shift

Birth rates are falling and life expectancy is increasing almost everywhere in the world; this is leading to enormous changes in society's age structure. By 2020, more than a billion people will be over 60 years old – twice as many as today. These changes are already pushing social security systems to their limits. People are worried about financing their retirement and are looking at solutions that involve the use of their own capital. Allianz has been active in this area for decades and has international experience in innovative pension products. In 2008, we created the unit Global Life, which provides pension services internationally, to meet the dynamic demand for these solutions. During the year under review, this unit developed an integrated product, Invest4Life, a product that provides customers a combination of a guaranteed life-long pension and a fund investment. This makes Invest4Life an annuity in which the client remains invested in funds in the pay-out phase, but receives a guaranteed annuity which may increase depending on fund performance.

Micro-insurance

More than two billion people live in extreme poverty and with no social protection. Micro-insurance policies, some of which cost less than one euro a year, can now provide financial support to these people in the event of death, illness or material loss. We have been selling micro-insurance policies in India since 2003, a country where nearly a billion people, 80% of the population, lives on less than two U.S.-dollars per day. Together with the aid organization CARE and more than 180 local non-governmental organizations, Allianz has opened up this enormous market for micro-insurance. New products and distribution channels were developed in cooperation with potential customers and aid organizations. Together with our Indian business partner Bajaj, we now sell life, property, injury, credit and health micro-insurance. We now have about 1.4 million micro-insurance customers in India. We have an additional 200,000 customers for these products in Indonesia and in Africa (Egypt and sub-Saharan countries), where the business was just launched in 2008, there are already 100,000 customers.

Awards

We were also honored for our efforts in the areas of corporate responsibility and sustainability in 2008. Our stock was included in the Dow Jones Sustainability Index for the eighth time in a row; we have been the largest cedent in the index since 2006. We received national awards such as the "Governor's Environmental and Economic Leadership Award" and the "American/International Business Award for the Best Corporate Responsibility Program" for the social commitment of Fireman's Fund as well as international awards, such as our inclusion in the list of the "World's Most Ethical Companies" put out by the Ethisphere Institute. We received a Ruban d'Honneur at the European Business Awards in February 2008.

More information is available at www.allianz.com/sustainability.

Global Diversification of our Insurance Business[1)]

As an integrated financial services provider we offer insurance, banking and asset management products and services to approximately 75 million customers in about 70 countries. With respect to our insurance business, Allianz is the market leader in Germany and has a strong international presence.

Allianz 2008 changes at a glance:

January
– Société Nationale d'Assurances s.a.l. (SNA) Lebanon rebranded Allianz SNA

March
– Allianz Takaful started operations in Bahrain
– AGF Brazil Seguros S.A. rebranded Allianz Seguros S.A.

April
– Allianz Life Japan commenced sales operations
– Euler Hermes World Agency created with the purpose of serving multinational companies
– Allianz becomes the major shareholder of Koç Allianz Sigorta AŞ and Koç Allianz Hayat ve Emeklilik AŞ in Turkey; effective October 2008 the companies operate under the names Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ.

May
– Allianz announced strategic partnership with HSBC at the Annual General Meeting
– ATF-Polis renamed Allianz Kazakhstan

June
– Allianz China Life commenced business in Beijing
– Euler Hermes started operations in Qatar, Oman and Kuwait through fronting agreements with local insurers.

July
– Euler Hermes and Rosno extended cooperative venture in Russia
– Allianz starts expanding agribusiness in Brazil
– Allianz launched variable annuities in Europe and introduced the latest innovation "Invest4Life"

August
– Direct sales channel Allianz24.ch launched in Switzerland
– Announcement of merging marine insurance business from Allianz Global Corporate & Speciality (AGCS) and Fireman's Fund Insurance Company under the umbrella of AGCS to form the largest marine insurer in the world based on gross premiums.

November
– Allianz Life Sri Lanka started operations
– Allianz China Life has been granted a preliminary license to set up a branch in Shandong province.

December
– Mondial Assistance announced two new contracts for Europe and Asia with the car manufacturer Volvo.

Further information on regions, countries and operations is available at www.allianz.com.

1) Please refer to page 258 for a breakdown of selected operating entities.

German Speaking Countries

Countries	Segments			
Germany	■	■	■	■
Switzerland	■	■	■ [1]	■
Austria	■	■	■ [1]	■

■ Property-Casualty ■ Life/Health ■ Banking ■ Asset Management

Germany

We operate in the German insurance market mainly through our insurance companies Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). In addition, Allianz Beratungs- und Vertriebs-AG serves as a distribution company. All entities are organized under the umbrella of the holding company Allianz Deutschland AG. At the end of 2008, Allianz Deutschland AG had a total of 19.3 million customers. The results of our German operations also include property-casualty assumed reinsurance business, which is primarily attributable to Allianz SE.

As the market leader in Germany based on gross premiums written in 2008 [2], Allianz Sach develops and provides property-casualty. We offer a wide variety of insurance products for private and business clients. Our main lines of business are motor liability and own damage, accident, general liability and property insurance. In addition we introduced a new pet health insurance product in 2008. For property-casualty business, we see Germany being a rather mature market with a high degree of competition. One of the key challenges is achieving growth while also maintaining an appropriate level of profitability. To deliver all-encompassing service in emergency cases we will further develop our assistance-services for individuals and corporate customers.

For life insurance, Allianz Leben is market leader based on statutory premiums in 2008 [2]. In addition to Allianz Leben, we operate through a variety of smaller operating entities in the German market. We are active both in the private and commercial markets and offer a comprehensive range of life insurance and related products on both an individual and a group basis. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension arrangements and defined contribution plans. In 2008 we introduced a new variable annuities product. For our life business, we anticipate strong growth opportunities as we see an increasing demand for private retirement products and retirement provisions in general.

Through Allianz Private Kranken, we are the third-largest private health insurer in Germany based on statutory premiums in 2008 [2]. We provide a wide range of products, including full private health care coverage for salaried employees and the self-employed, supplementary insurance for individuals insured under statutory health insurance plans, supplementary care insurance and foreign travel medical insurance. Our health insurance business with its two basic products – full health care coverage and supplementary insurance – will be impacted by the German health care reform in the coming years. We believe that the demand for full health care coverage will grow only slightly. On the other hand, we believe that supplementary insurance will further increase, despite ongoing competition from statutory health insurers which have been allowed to offer special supplementary insurance (so called "Wahltarif") from 2007 onwards.

We offer products not only for all three insurance lines but also with a clear focus on products combining coverage from life, health and property-casualty insurance to better serve customer needs. Sales of these combined products grew in 2008. In order to strengthen our market position, we intend to further develop our customer-focused organization and aim to provide our clients with more integrated products for every stage of their lives.

Our products are distributed mainly through a network of full-time tied agents, while distribution through our new bankagencies and brokers is increasing. From 2010 onwards, Commerzbank will be a further sales channel for Allianz products.

[1] Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to "Major transactions – Major disposals – Sale of Dresdner Bank AG" for further information.
[2] Source: Based on preliminary data provided by German Insurance Association, GDV

Switzerland

We serve the Swiss property-casualty market through Allianz Suisse. Based on gross premiums written in 2007, Allianz Suisse ranks fourth in Switzerland [1]. In the property-casualty business, the most important line of business is motor, contributing almost 50 % of gross premiums written in 2008. In 2008 we expanded our product portfolio for assistance products. In the very competitive property-casualty business in Switzerland, we will continue to focus on profitable growth. In order to further improve our efficiency and effectiveness, we are currently revising our processes and structure for claims handling and management.

We conduct our life/health operations in this region primarily through Allianz Suisse Lebensversicherungs-Gesellschaft and Phénix Vie. In aggregate, these operating entities represent the sixth largest life insurance provider in Switzerland based on statutory premiums in 2007 [1]. In the life/health market, we provide a wide range of individual and group life insurance products, including retirement, death and disability products. We believe there is potential for growth in our life/health business through enhancement of agent, broker networks and, given our relatively high market share in property-casualty, through cross-selling between our segments.

In addition to the traditional sales channels in 2008, we started to distribute our products through the new direct sales channel allianz24.ch and entered into a new retail cooperation with Migros.

[1] Source : Statistics of the Swiss Federal Office of Private Insurance (FOPI).

Austria

We operate in the Austrian insurance market mainly through our insurance companies Allianz Elementar Versicherungs-AG and Allianz Elementar Lebensversicherungs-AG. Via these companies we offer a broad range of property-casualty and life/health products to individual and group customers primarily through salaried sales forces, tied agents and brokers.

Based on gross premiums written in 2008, Allianz Elementar Versicherungs-AG, ranks fourth in the Austrian market in the property-casualty business [2]. With approximately 45 % of the portfolio, motor business is the most important line of business. In the very competitive property-casualty market, we continue our actuarial approach in tariffication in order to act against the expected ongoing weak price-cycle in motor business.

In the life/health business, Allianz Elementar Lebensversicherungs-AG represents the sixth largest life insurance provider in Austria based on statutory premiums in 2008 [2]. Besides the traditional life insurance business, we also offer government subsidized products as well as unit-linked products. For the life business, we anticipate potential for growth due to an increasing demand for retirement provisions.

[2] Source: Based on preliminary data provided by Austrian Insurance Association (VVO) as of February 2009.

Europe I

Countries	Property-Casualty	Life/Health	Banking	Asset Management
Italy	■	■	■	■
Spain	■	■	■	■
Portugal	■	■		■
Greece	■	■		■
South America				
Argentina	■	■		
Brazil	■	■	■ [1]	
Colombia	■	■		
Turkey	■	■		

Italy

Since October 2007, Allianz serves the Italian market as a single company. Allianz S.p.A. (previously RAS S.p.A., Lloyd Adriatico S.p.A., Allianz Subalpina S.p.A.) is the second largest Italian insurance group based on gross premiums written and statutory premiums written in 2007[2]. In addition, we distribute through Genialloyd (a leading company in "direct" via phone and web), Allianz Bank, with its associated Financial Advisors network (one of the top 3 in the market) and bancassurance channel (Unicredit plus others).

The most important line of business in property-casualty is motor. We also have a strong presence in fire, general liability and personal accident insurance. In 2008, pricing in the motor market was under heavy pressure while distribution costs have increased considerably on account of recent regulatory changes (the so-called Bersani law). The negative impact of market developments has been mitigated by the savings, generated by the integration of the previously independent legal entities.

The life market has been declining since 2006, particularly in the bancassurance by far the predominant channel. While Allianz in the past had enjoyed robust growth, it suffered in 2008 primarily due to:

- the heavy contraction of the bancassurance business channelled through Unicredit;
- the decline of the Antonveneta premiums in connection with the new shareholding of the bank, now part of the Monte dei Paschi Group; and
- the steep drop in unit and index-linked premiums due to the developments in the financial markets.

We expect the Italian market to remain very challenging. However, we also expect to benefit from our technical know-how, IT infrastructure and strong brand. We continue to focus on customer service, efficiency enhancement and adherence to profitable underwriting in property-casualty. In life/health as well as in property-casualty, we will seek to deliver further product innovations to our customers.

Spain and Portugal

We serve the Spanish property-casualty market through our operating entities Allianz Compañía de Seguros y Reaseguros S.A. and Fénix Directo S.A. Life products are provided through Allianz Compania de Seguros y Reaseguros S.A. and Eurovida, our joint venture with Banco Popular. Our Portugese company is Allianz Companhia de Seguros.

Our Spanish company sets internal standards for efficiency and customer service. We have initiated a project to achieve synergies and economics of scale between the Spanish and Portugese operations.

Sales in motor insurance, our largest line of business both in Spain and Portugal, remained fairly stable despite a significant drop in new vehicle registration. Besides motor, we offer products for property and liability protection, life and health coverage, as well as workers compensation in Portugal.

We distribute our products through more than 11,000 agents and brokers in Spain, and more than 5,000 in Portugal. In both countries, we also rely on bank distribution partners such as Banco Popular in Spain and BPI in Portugal.

[1] Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to "Major transactions – Major disposals – Sale of Dresdner Bank AG" for further information.
[2] Source: Italian Insurers Association, ANIA.

Economic forecasts for Spain and Portugal are in line with other European countries affected by the economic downturn. We expect market growth to be rather limited. In Spain, we expect life risk products to be affected by the real estate crisis in the short term. Development of life investment products will depend to a significant degree on capital market developments.

South America

In South America, we are present in three countries: In Brazil with Allianz Brazil Seguros S.A., in Colombia with Aseguradora Colseguros S.A. and in Argentina with Allianz Argentina Compania de Seguros S.A.

In all three markets, Allianz is focused on property-casualty with motor generally being the largest individual line of business.

In Brazil, we are also one of the leading health insurers and in Columbia, we also offer life insurance. Our distribution is primarily based on the broker channel.

We believe that the markets in which we are present in South America offer the potential for future growth. We expect an increase in insurance demand.

Turkey

Since July 2008, we serve our Turkish customer base by our majority-owned entities Allianz Sigorta A.S. and Allianz Hayat ve Emeklilik A.S. Both entities have benefited from intensified ties with Allianz Group while maintaining our strong partnership with Koç Group.

We offer a wide variety of property and casualty products, both in retail markets (distributed mainly via agents) and in commercial markets (distributed mainly via brokers). We also provide life and pension solutions to our customers.

We expect the Turkish insurance market to return to its growth path in the near future. We will seek to increase our distribution base and to provide innovative insurance solutions to our customers.

Europe II

Countries	Segments: Property-Casualty	Life/Health	Banking	Asset Management
France	■	■	■	■
Belgium	■	■	■ [1]	
Netherlands	■	■	■ [1]	■
Luxembourg		■	■ [1]	■
Africa				
Benin	■			
Burkina Faso	■	■		
Cameroon	■	■		
Central Africa	■			
Ivory Coast	■	■		
Madagascar	■			
Mali	■			
Mauretania	■			
Senegal	■	■		
Togo	■			

■ Property-Casualty ■ Life/Health ■ Banking ■ Asset Management

France

In France, we operate through the Assurances Générales de France (AGF) Group, a major participant in insurance and financial services. AGF is ranked fourth in the French property-casualty market and eighth in the life/health insurance market, based on gross premiums written and statutory premiums, respectively, in 2007 [2]. AGF's activities encompass several areas, including property-casualty insurance, life/health insurance, asset management and banking.

In 2008, we introduced a plan in order to reduce costs by rationalizing the structure of the company by 2011.

1) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to "Major transactions – Major disposals – Sale of Dresdner Bank AG" for further information.

2) Source: French Insurers Association, FFSA.

The broad range of AGF-branded property-casulty and life/health products for both individuals and corporate customers, including property, injury and liability insurance as well as short-term investment and savings products, are distributed primarily through a network of tied agents, brokers, partnership channels and a salaried salesforce. We also market our products through AGF Banque. We plan to start our direct insurance business in France in 2009.

Operating in a property-casualty market that has seen limited growth in recent years, we seek to focus on maintaining operating profitability while simultaneously implementing selective initiatives aimed at generating growth.

We consider AGF's life business to be a growth area.

Netherlands

The most important lines of property-casualty business in the Netherlands are motor and fire insurance. Our Dutch subsidiary distributes its products through brokers and a direct sales channel. We launched our new direct insurance business in 2008. In the Netherlands, we also offer a broad range of life insurance products.

The Dutch insurance market is characterized by intense competition. Here we expect continuing pressure on the motor tariffs.

Belgium

In Belgium, we market a wide range of life and property-casualty insurance products, which have won several awards. The products are mainly distributed through brokers.

Africa

In Africa we serve the market through AGF Afrique which is the specialist of the Allianz Group in sub-Saharan French-speaking Africa.

We offer property-casualty products in all countries within Africa where we are conducting business.

Life/health products are offered by our operating entities in Burkina Faso, Ivory Coast, Cameroon and Senegal.

We serve the African market through thirteen local subsidiaries in nine sub-Saharan countries, including 400 collaborators and partners in bordering countries. With this capacity, we provide insurance and reinsurance coverage.

We sell contracts adapted to all kinds of risks in fire, auto, miscellaneous insurance, hull and cargo, as well as life.

We intend to consider business opportunities in Africa when appropriate.

Credit Insurance [1]

Through our subsidiary Euler Hermes, the global leader in credit insurance, we underwrite credit insurance in major markets around the world.[2]

Euler Hermes provides enterprises with protection against the risk of non-payment of receivables and insolvency. Additionally, Euler Hermes has developed a comprehensive range of services for the management of companies' accounts receivables.

For credit insurance, we see growth potential in Europe, North America and the emerging markets. By providing high quality services, maintaining a comprehensive information database, and high financial strength rating, Euler Hermes aims to consolidate its leadership.

Travel Insurance and Assistance Services [1]

Through Mondial Assistance Group, we are among the world's largest providers of travel insurance and assistance services based on gross premiums written in 2007[3].

At Mondial Assistance Group, we seek to enter new markets and develop new products.

[1] In contrast to our other geographically-focused insurance businesses, we manage and offer the services of Euler Hermes and Mondial Assistance Group on a worldwide basis.
[2] Source: Own estimate based on information from International Credit Insurance and Surety Association, ICISA.
[3] Source: Own estimate based on published annual reports.

Anglo, NAFTA Markets and Global Lines

Countries	Property-Casualty	Life/Health	Banking	Asset Management
NAFTA				
Mexico	■	■		
United States	■	■	■[1]	■
United Kingdom	■		■[1]	■
Australia	■		■	■
Ireland	■			■

United States

Our property-casualty insurance business in the United States is conducted through Fireman's Fund Insurance Company (Fireman's Fund) as well as Allianz Global Corporate & Specialty (AGCS). Our life and annuity business is run through Allianz Life Insurance Company of North America (Allianz Life U.S.).

We announced the merger of the respective complementary marine operations of Fireman's Fund and AGCS to form a comprehensive world leader in this line of business. At the same time, we brought our commercial and specialty operations under one umbrella in order to increase efficiency. With this reorganization we continued to support our U.S. companies to leverage all of their available resources and assets and to enable them to anticipate more effectively and deliver on customer needs.

Through Fireman's Fund, we underwrite personal, commercial and specialty lines, selling these products primarily through independent agents and brokers. Our personal business unit focuses on affluent and high net worth individuals, while our commercial business unit offers specialized property and casualty coverage for small and medium-sized businesses. Our crop unit offers multiperil crop and hail insurance.

Enhancing customer solutions, introducing new products and services, addressing selected adjacent market niches and leveraging cross-selling through strengthened distribution management continue to be our initiatives for the coming year in order to enable growth for Fireman's Fund in its target markets.

Our life and annuity business primarily underwrites fixed, fixed-indexed and variable annuities, which are sold through independent distribution channels, as well as through large financial institutions.

After a year characterized by challenging financial market developments, Allianz Life U.S. will continue to focus on creating and offering products that help our customers address their financial needs, particularly regarding retirement. The company will seek to further grow its annuity products business by expanding distribution with broker-dealers, banks and wire-houses, designing channel-specific products and also reinforcing development of fixed-indexed and variable products.

United Kingdom

We serve the market in the United Kingdom primarily through our subsidiary Allianz Insurance plc. In 2008, we focused on building up the new retail division for personal and specialty products in order to better serve our customers.

We offer a broad range of property-casualty products, including a number of specialty products, which we sell to retail and commercial customers through a range of distribution channels, including affinity groups.

Operating in a highly competitive market, Allianz Insurance plc continues to concentrate on active "cycle management" in order to support operating profitability. We seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in areas with increasing pricing pressure.

[1] Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to "Major transactions – Major disposals – Sale of Dresdner Bank AG" for further information.

Australia

The large majority of our property-casualty business in Asia-Pacific is generated by Allianz Australia, which serves the Australian and New Zealand markets. Since 2006, Allianz has sold life insurance products in Australia under the company name Allianz Australia Life Insurance Ltd.

Our Australian insurance operations include a variety of products and services, with strong positions in the workers' compensation market, as well as in rehabilitation and occupational health, safety and environment services. We also operate in certain niche markets, including premium financing and pleasure craft insurance. Allianz Australia markets products through brokers and non-tied agents, as well as directly to customers. In 2008, we began offering term life directly over the internet. Further, we expanded our premium financing business to include receivables financing.

In Australia, market conditions remain competitive as insurance margins have declined in recent years. All insurers have begun reacting to lower profitability and decreasing investment returns, resulting in increasing insurance rates across all classes of business. This pattern is expected to continue into 2009.

Ireland

Throughout Ireland we offer a wide variety of property-casualty products, for both commercial and private customers. The products are distributed predominantly through brokers and banks as well as telephone and internet-based direct sales channels. In 2008, two new direct products were introduced, equine insurance and taxi insurance.

In Ireland, we expect private motor and home rates, and to a lesser extent commercial lines, to slowly become more favorable in 2009. Risk volumes in the market, however, could be under pressure if the Irish economic downward movement is severe.

Allianz Global Corporate and Specialty [1)]

Allianz Global Corporate & Specialty delivers solutions for corporate and specialty clients in many industries.

Through Allianz Global Corporate & Specialty, we offer property, liability and engineering solutions to large corporate clients as well as specialty coverage, like marine, aviation and directors & officers insurance.

Through the combination of our international corporate and specialty business within Allianz Global Corporate & Specialty, managing a diversified portfolio of risk management solutions and services, we expect to realize synergies and increase efficiency.

Allianz Worldwide Care [1)]

Allianz Worldwide Care is located in Ireland and offers expatriate health insurance products.

[1)] In contrast to our other geographically-focused insurance businesses, we manage and offer these services of Allianz Global Corporate & Specialty and Allianz Worldwide Care on a worldwide basis. Allianz Worldwide Care does not sell policies in the U.S.A.

Growth Markets

Countries/Key markets	Segments: Property-Casualty	Life/Health	Banking	Asset Management
Asia-Pacific				
China	■	■	■[1]	■
Hong Kong	■			■
Indonesia	■	■		
Japan	■	■	■[1]	■
Malaysia	■	■	■[1]	
Singapore	■		■[1]	■
South Korea		■		■
Taiwan		■		■
Thailand	■	■		
New Europe				
Bulgaria	■	■	■	■
Croatia	■	■		■
Czech Republic	■	■		■
Hungary	■	■	■	■
Kazakhstan	■			
Poland	■	■	■	■
Romania	■	■		■
Russia	■	■	■[1]	■
Slovakia	■	■		■
Ukraine	■			
Middle East and North Africa				
Bahrain	■	■		
Egypt	■	■		
India	■	■		
Lebanon	■	■		
Pakistan		■		
Saudi-Arabia	■	■		
Sri Lanka	■	■		

■ Property-Casualty ■ Life/Health ■ Banking ■ Asset Management

Asia-Pacific

We consider Asia-Pacific to be one of our major growth regions. Allianz has been present in the region since 1917, when we began providing fire and marine insurance in the coastal cities of China.

Today, Allianz is active in all key markets of the region, offering its core businesses of property and casualty insurance, life and health insurance and asset management. With more than 13,000 staff, Allianz serves over 7.2 million customers in the region.

We offer a full suite of products through our distribution network of approximately 70,000 agents in the region. In most countries we operate through multiple distribution channels.

In the Asia-Pacific region we maintain property-casualty operations in Malaysia, Indonesia and other Asia-Pacific countries and key markets, including China, Thailand, Japan, Hong Kong, Singapore, Laos and India.

The majority of our life/health business in this region is conducted in South Korea through Allianz Life Insurance Co. Ltd. (Allianz Life Korea) and in Taiwan through Allianz Taiwan Life Insurance Company. Allianz Life Korea was the sixth-largest life insurance company in South Korea based on statutory premiums in 2007[2]. We also maintain operations in Malaysia, Indonesia, as well as in China, Thailand and since this year also in Japan.

Our South Korean operation markets a wide range of life and health insurance products – and in recent years developed a leading position in equity-indexed products. Allianz Taiwan Life sells investment-oriented products especially through banks.

We are seeking to expand in all of our selected markets in the region through further organic growth and selected acquisitions. We will further strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness. We view especially China as a strategic growth market for Allianz. Our partnership with Industrial and Commercial Bank of China Ltd. emphasizes our long-term commitment to the market and also offers a platform for our strategic expansion.

[1] Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to "Major transactions – Major disposals – Sale of Dresdner Bank AG" for further information.

[2] Source: South Korean Life Insurance Association.

New Europe

Our presence in New Europe dates back to the acquisition of the Hungarian state-run insurance company Hungaria Biztosito in 1989. Today, we operate our business in this region through more than 25 companies in 10 countries, and we are the largest foreign insurer based on both statutory premiums and gross premiums written in 2007 [1]. We offer life, health, property and casualty insurance, as well as pension fund products and banking services.

For **property-casualty** we are the leading international insurance company in New Europe based on gross premiums written in 2007 [1] and serve the market through our operating subsidiaries in Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Poland, Russia, Romania, Slovakia and Ukraine.

The primary products sold in these countries are compulsory motor third-party liability, motor own damage coverage as well as industrial, commercial and private property lines. Motor business and, increasingly, other personal lines continue to be the primary source of our growth. Further expansion in the market and development of our sales network will be in focus for the coming year. We believe we are well-positioned to capture the opportunities of the property-casualty market.

We are present in all key **life and health** markets in this region and are the fourth-ranked life insurance provider, based on statutory premiums in 2007 [1]. New Europe represents the third biggest health portfolio within the Allianz Group.

We continued to expand our life/health product range and sales capacity throughout New Europe by following a multi-channel distribution approach. We also continued to expand offerings of investment-oriented products in life business. In 2008, we also started to offer pension fund products in Romania. New Europe represents one of the fastest growing life insurance markets in the world, primarily resulting from the current low penetration levels. We see a trend in the rising ages of population, which we expect to serve with a strong position in pension fund business. Following the capital market crisis, we expect a shift from investment-oriented to traditional life products.

[1] Source: Own estimate based on published statistics from regulatory bodies and insurance associations.

Middle East and North Africa

To elevate our presence in the Middle East region and to set the course for further internal and external growth, we established the Middle East / North Africa (MENA) as our third major growth region. The regional unit comprises Allianz's entities in Bahrain, Egypt, India, Lebanon, Pakistan, Saudi Arabia and Sri Lanka, and is directed from a central office in Bahrain.

Our Indian joint-ventures contribute more than 90 % to the region's total gross premiums written. We also sell **property-casualty** products in this region mainly through Allianz Egypt and Allianz SNA (Lebanon). Both entities also offer **life/health** products. Allianz Life Egypt has experienced strong growth for some time and is ranked fourth in the period 2007/2008, based on statutory premiums [1]. Allianz SNA is among the top four companies in Lebanon in both Life and property-casualty business based on gross premiums written and statutory premiums, respectively, in 2007 [1].

In Bahrain, we started to sell **life** and **property-casualty** products through our new entity Allianz Takaful. Bahrain will serve as a hub for future operations in other countries of the Middle East.

Throughout the region, more than 250,000 agents distribute our products. Furthermore, we sell products via banks. In property-casualty we also distribute via brokers and dealers, who are a vital part of our distribution force. In India we see the direct channel growing in importance. We intend to further strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness.

We see the Middle Eastern region as a growth market and are seeking to expand in all of our selected markets in the region through further organic growth and selected acquisitions. We are also targeting additional growth in India through our joint venture with Bajaj Allianz Financial Distributors Ltd.

Major Transactions

Legal Structure and Significant Changes

Allianz SE is a European Company (Societas Europaea, or SE) incorporated in the Federal Republic of Germany and organized under the laws of the Federal Republic of Germany and the European Union. Allianz SE is the ultimative parent of the Allianz Group.

Squeeze-out of Allianz Lebensversicherungs-AG

The sqeeze-out procedure of Allianz Lebensversicherungs-AG, which we announced on January 18, 2008, was completed in December 2008.

Major Disposals

Sale of Dresdner Bank AG

On August 31, 2008, Allianz SE (Allianz) and Commerzbank AG (Commerzbank) agreed on the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank which was completed on January 12, 2009.

The consideration comprised a cash component of € 3,215 million, 163.5 million Commerzbank shares, the asset manager cominvest and a 15-year exclusive sales partnership. On January 8, 2009, Allianz announced to subscribe to a silent participation of € 750 million in Dresdner Bank after closing alongside a new equity tranche granted to Commerzbank by the Special Fund Financial Market Stabilization (SoFFin). Like SoFFin, Allianz will receive a 9 % coupon on this investment. In addition, Allianz acquired Collateralized Debt Obligations (CDOs) with a face value of € 2 billion for a consideration of approximately € 1.1 billion. With SoFFin's capital support to Commerzbank, Allianz' stake in Commerzbank will be approximately 14 %. Major financial impacts of the transaction are described in the chapter "Executive Summary and Outlook".

Major Acquisitions

Acquisition of further stakes in Koç Allianz Sigorta AŞ and Koç Allianz Hayat ve Emeklilik AŞ

In April 2008, the Allianz Group signed a share purchase agreement to acquire 47.1 % of shares in the non-life insurer Koç Allianz Sigorta AŞ, Istanbul, and 51.0 % of the shares in the life-insurance and pension company Koç Allianz Hayat ve Emeklilik AŞ, Istanbul, for a total consideration of € 373 million. The transaction became effective on July 21, 2008 so that the Allianz Group now controls 84.2 % and 89.0 % of these companies, respectively. Since October 7, 2008, the companies operate under the name Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ.

Capital investment in The Hartford

On October 6, 2008, Allianz SE announced a binding agreement providing for a capital investment of U.S. Dollar 2.5 billion in The Hartford, one of the largest insurance companies in the United States. We have purchased, for a consideration of U.S. Dollar 2.5 billion, 6 million preferred shares convertible into 24 million shares of common stock after receipt of applicable approvals, warrants for 69 million Hartford shares and junior subordinated debentures with a nominal value of U.S. Dollar 1.75 billion and a 10 % interest coupon. Effective January 9, 2009, the preferred stock has been converted into common stock.

Reorganization

Reorganization of the German Insurance Operations

The reorganization of our German insurance operations was successfully completed by year-end 2008 . This process was part of our ongoing effort to simplify structures and reduce complexity within the Allianz Group with the aim to concentrate stronger on our clients' needs as well as enabling us to react to changes in our markets with greater speed, focus and flexibility. Our goal was to create one joint presence of our insurance operations, with customers perceiving Allianz as one unit with comprehensive high quality services. The reorganization was part of our strategy to further develop our leading position in the German insurance market.

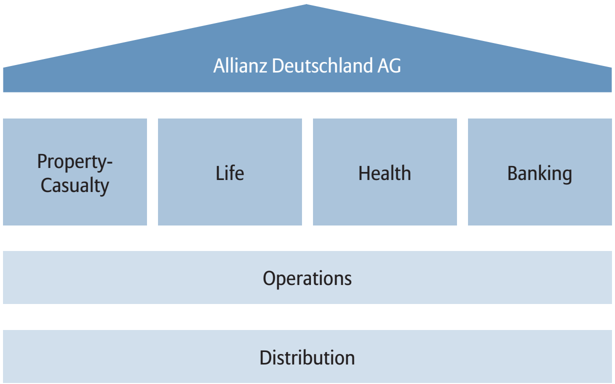
We believe that the reorganization program leads to reduced complexity and will allow us to reduce costs in the long-term.

In the framework of the reorganization, back office functions were lined up based on a shared services approach. This process was already started in 2006 and was implemented in autumn 2008 according to schedule. In the course of 2007, the Allianz north-east service region tested the functionality of the new business model in a pilot phase. In 2008, the remaining three areas were also successfully reorganized.

With effect from January 1, 2009, the newly created Banking division was grouped under the roof of Allianz Deutschland AG. It is headed by a former member of the Board of Managing Directors of Dresdner Bank. The Banking division comprises the Oldenburgische Landesbank and the banking customers introduced by the Allianz sales force within the last couple of years.

Allianz Deutschland AG is now organized according to the following business structure.

Business model of Allianz Deutschland AG



Other Information

Principal Accountant Fees and Services

KPMG AG Wirtschaftsprüfungsgesellschaft (or "KPMG AG") serves as the external auditing firm for the Allianz Group.

The table set forth below contains aggregate fees billed for each of the last two fiscal years by KPMG AG or KPMG AG and the world wide member firms of KPMG International (or "KPMG") in the following categories: (i) Audit fees, which comprise fees billed for services rendered for the audit of the Allianz Group's consolidated financial statements, the statutory audits of the financial statements of Allianz SE and its subsidiaries or services the are normally provided in connection with statutory and regulatory filings or engagements; (ii) Audit-related fees, which comprise fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and which are not reported under (i); (iii) Tax fees, which comprise fees billed for professional services rendered for tax advice and tax compliance; and (iv) All other fees, which comprise fees billed for all other products and services provided other than the services reported under (i) through (iii).

Fees billed

	KPMG worldwide		KPMG AG and affiliated entities[1]	
	2008 € mn	2007 € mn	2008 € mn	2007 € mn
Audit fees	50.5	49.0	27.6	27.7
Audit-related fees	6.1	9.8	4.4	8.6
Tax fees	3.3	4.2	2.0	2.8
All other fees	7.5	4.1	6.8	2.8
Total	**67.4**	**67.1**	**40.8**	**42.0**

[1] KPMG AG and affiliated entities comprises KPMG operations in Germany, the United Kingdom, Spain and Switzerland. Effective October 1, 2007, KPMG operations in Germany and the United Kingdom became affiliated entities; effective October 1, 2008 and retroactively effective October 1, 2007 operations in Spain and Switzerland joined. Fee amounts pertaining to the year 2007 have been adjusted accordingly.

Audit fees

KPMG billed the Allianz Group an aggregate of € 50.5 million (2007: € 49.0 million) in connection with professional services rendered for the audit of our annual consolidated financial statements and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG billed the Allianz Group an aggregate of € 6.1 million (2007: € 9.8 million) for assurance and related services. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG billed the Allianz Group an aggregate of € 3.3 million (2007: € 4.2 million) for professional services, primarily for tax advice.

All other fees

KPMG billed the Allianz Group an aggregate of € 7.5 million (2007: € 4.1 million) for other services, which consisted primarily of services under the guidance of Allianz Group management and general consulting services.

All services provided by KPMG to Allianz Group companies must be approved by the Audit Committee of the Allianz SE Supervisory Board. Services other than audit services must be pre-approved by the Audit Committee. The Audit Committee pre-approval process is based on the use of a "Positive List" of activities decided by the Audit Committee and, in addition, a "Guiding Principles and User Test" is applied. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

Statements in Accordance with § 315 (4) of the German Commercial Code and Explanations

Composition of share capital

The share capital of Allianz SE was € 1,159,808,000 as of December 31, 2008. It was divided into 453,050,000 registered shares with no par value and a corresponding share capital amount of € 2.56 per share. The shares are fully paid in. All shares carry the same rights and obligations. Each no-par-value share grants one vote. The shareholders' share in the Company's profit is determined in proportion to their share in the share capital (§ 60 German Stock Corporation Act (Aktiengesetz, AktG)). Excepted from this are treasury shares held by the Company, which do not entitle the Company to any rights (§ 71b German Stock Corporation Act). Pursuant to § 3 (1) of the Statutes of Allianz SE, shareholders shall not have the right to receive share certificates, unless it is necessary pursuant to the rules applicable at a stock exchange where the shares are listed. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by §§ 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

Under German stock corporation law in case of registered shares only those persons who appear in the share register are deemed by the company to be shareholders (§ 67 (2) German Stock Corporation Act). This is particularly important for such things as taking part in general meetings and making use of voting rights. Appearing in the share register also facilitates direct communications with the shareholders. In this way, for instance, all shareholders can be personally invited to attend general meetings.

Restrictions on voting rights or transfer of shares; exercise of voting rights in case of employee participations in the share capital

Shares may only be transferred with the consent of the Company. Pursuant to § 2 (2) of the Statutes, the Company will withhold a duly applied approval only, if it deems this to be necessary in the interest of the Company on exceptional grounds. The applicant will be informed about the reasons.

The restriction on share transferability goes right back to the creation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. In accordance with the Statutes, the Company will only withhold the approval necessary for transfer of shares when this is for extraordinary reasons and is considered to be in the interest of the Company. For several decades no such case has occurred. With the standardization of share transfer processes, the restriction on share transferability does not cause any delay in the registration in the share register and does not impede in any way the quotation of the shares on stock exchanges.

Shares acquired by employees of the Allianz Group as part of the employee share purchase program are in principle subject to a one-year lock-up period; outside Germany, the lock-up period may in some cases be up to five years for tax reasons. In some countries the employee shares are held throughout the lock-up period by a bank or other natural person or legal entity as trustee, in order to ensure that the lock-up period is observed. Nevertheless, employees may instruct the trustee on exercising voting rights, or have power-of-attorney granted to them to exercise such voting rights. Providing lock-up periods contributes to the employee share purchase programs' purpose to commit employees to the Company and let them participate in the performance of the stock price.

Interests in the share capital exceeding 10 % of the voting rights

Direct or indirect interests in the share capital of Allianz SE that exceed 10 % of the voting rights have not been reported to Allianz SE, nor is it otherwise aware of any such interests.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

Legislation and provisions of the Statutes applicable to the appointment and removal of members of the Board of Management and to amendments of the Statutes

The members of the Board of Management of Allianz SE are appointed by the Supervisory Board for a maximum term of five years (Article 9 (1), Article 39 (2) and Article 46 SE Regulation, §§ 84, 85 German Stock Corporation Act, § 5 (3) of the Statutes). Re-appointments, in each case for a maximum of five years, are permitted. A simple majority of the votes cast in the Supervisory Board is required to appoint members of the Board of Management. In the case of a tie, the vote of the Chairperson of the Supervisory Board, who pursuant to Art. 42 sentence 2 SE Regulation must be a shareholder representative, is decisive (§ 8 (3) of the Statutes). If the Chairperson does not participate in the vote, the Deputy Chairperson has the casting vote, provided that the Deputy Chairperson is a shareholder representative. A Deputy Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). These provisions make sure that the shareholder side of the Supervisory Board has the right to finally decide in case of a tie.

According to § 5 (1) of the Statutes the Board of Management shall consist of at least two persons. Otherwise, the number of the members of the Board of Management is determined by the Supervisory Board. The Supervisory Board has appointed a Chairman of the Board of Management pursuant to § 84 (2) of the German Stock Corporation Act.

The members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (§ 84 (3) German Stock Corporation Act). If a required member of the Board of Management is absent, in urgent cases the court must appoint the member upon the application of an involved party, by virtue of § 85 of the German Stock Corporation Act. With respect to the appointment, it is essential to ensure in particular that the members of the Board of Management are suited to managing an insurance company in terms of reliability and professional competence (§§ 121a, 7a German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) (§§ 121a, 13d No. 1 German Insurance Supervision Act).

Amendments to the Statutes must be resolved upon by the General Meeting. In the case of an SE, the resolution amending the Statutes must be passed with a majority of at least two thirds of the votes cast, unless the laws and regulations in the SE's country of domicile provide for or permit a greater majority (Article 59 (1) SE Regulation). Any member state may stipulate, however, that a simple majority of votes is sufficient, provided at least half of the share capital is represented (Article 59 (2) SE Regulation). German legislation has made use of this in § 51 sentence 1 SE Implementation Act (SE-Ausführungsgesetz). This does not apply to a change in the corporate object, relocation of the registered office to another Member State and to cases in which a higher majority is mandatory by law (§ 51 sentence 2 SE Implementation Act). Accordingly, § 13 (4) sentence 2 of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory legal provision, changes of the Statutes require a majority of two thirds of the votes cast, or, as the case may be, if at least half of the share capital is represented, a simple majority of the votes cast. The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 German Stock Corporation Act and § 10 of the Statutes).

Authorizations of the Board of Management to issue and repurchase shares

The Board of Management has the following authority to issue shares:

- The Board of Management is authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions, up to a total of € 406,545,646.08 (Authorized Capital 2006/I). The Board of Management is authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board for fractional amounts, for safeguarding the rights pertaining to holders of convertible bonds or bonds with warrants, and in the event of a cash capital increase by up to 10 %, if the issue price of the new shares is not significantly less than the stock market price. The Board of Management is furthermore authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind (§ 2 (3) of the Statutes).

- The Board of Management is also authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash, on one or more occasions, up to a total of € 8,056,296.96 (Authorized Capital 2006/II). The Board of Management may exclude the shareholders' subscription rights, upon the approval of the Supervisory Board, in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts (§ 2 (4) of the Statutes).

– The Company has a conditional capital in the amount of € 250,000,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds which Allianz SE or its subsidiaries have issued on the basis of the authorization granted by the General Meeting of February 8, 2006 are exercised, or conversion obligations arising from such bonds are fulfilled (§ 2 (6) of the Statutes).

– The Board of Management has the authority to buy back and use Allianz shares for other purposes on the basis of the authorization of the General Meeting of May 21, 2008 (§ 71 (1) no. 8 German Stock Corporation Act). On that basis, the Company is authorized, on or before November 20, 2009, to acquire treasury shares; together with other treasury shares that are in the possession of Allianz SE or which are attributable to it under Sections 71a et seq. German Stock Corporation Act, such shares may not exceed 10 % of the share capital at any time. The shares acquired according to this authorization may be used, under exclusion of subscription rights, for any legally admissible purposes and in particular those specified in the authorization. According to the authorization of the General Meeting of May 21, 2008, in connection with the acquisition of treasury shares (§ 71 (1) no. 8 German Stock Corporation Act) also derivatives may be used provided that such derivatives do not exceed 5 % of the share capital at the time the resolution was passed.

– There is also an authorization to acquire treasury shares for the purposes of securities trading (§ 71 (1) no. 7 German Stock Corporation Act) that is valid until November 20, 2009. The trading position in shares acquired for this purpose shall not, at the end of any day, exceed 5 % of the share capital of Allianz SE. The treasury shares acquired, together with other treasury shares, shall at no time exceed 10% of the share capital.

The authorities explained to issue convertible bonds or bonds with warrants, to issue new shares out of authorized capital or to acquire and use treasury shares enables the Board of Management to raise capital swiftly and flexibly taking advantage of attractive financing opportunities as and when they arise on the markets and, for example, offer Allianz stock as consideration when making acquisitions of participations. Furthermore Allianz stock can be offered to employees of the Allianz Group. The authority to deal in own stock for trading purposes gives credit institutions that are majority owned by Allianz SE the possibility to deal in Allianz stock.

Essential agreements of the Company which are subject to the condition of a change of control following a takeover bid; compensation agreements of the Company with members of the Board of Management or employees in the event of a takeover bid

Under the terms and conditions of the participation certificates issued by Allianz SE, the participation certificate holders are entitled to call for redemption of the participation certificates and to demand payment of a redemption amount per participation certificate of 122.9 % of the average official price (Einheitskurs) of the Allianz share on the Munich Stock Exchange for the last three months prior to termination of the participation certificate relationship, if an enterprise acquires a majority shareholding in Allianz SE. These rules correspond to usual market practice and protect in an adequate way the interests of holders of participation certificates.

Our reinsurance contracts in principle include a provision under which both parties to the contract have an extraordinary termination right in case that the other party to the contract merges or its ownership or control situation materially changes. Agreements with brokers regarding services in connection with the purchase of re-insurance coverage also provide for termination rights in case of a change of control. Such clauses are market standard.

Bilateral credit agreements in some cases provide for termination rights in case of an acquisition of control of at least 30 % of the voting rights within the meaning of § 29 (2) German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG). In case such termination rights are being exercised the respective credit lines would have to be replaced by new credit lines at conditions then applicable.

The service contracts of the members of the Allianz SE Board of Management contain a change of control clause. If, within 12 months after acquisition of more than 50 % of the share capital by one shareholder or several shareholders acting in concert (change of control), the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, the mandate is ended by mutual agreement, or the mandate is ended by the Management Board Member through resigning his or her office because the responsibilities as a Board Member are significantly reduced without the Board Member's fault, the Member of the Board of Management shall receive his or her contractual remuneration for the remaining term of the service contract in the form of a one-off payment. To the extent the remaining term of the service contract is less than three years, the one-off payment is generally increased with regard to fixed remuneration and the annual bonus in line with a term of 3 years. This applies accordingly if a mandate in the Board of Management that is coming to an end and is not extended within two years of a change of control. In case of new appointments and mandate prolongations the service contracts provide that the severance payment may not exceed three times the fixed remuneration, annual bonus and pro rata mid-term-bonus paid for the preceding fiscal year (severance payment cap).

For further details please refer to the Remuneration Report on pages 16 to 24.

The Group Equity Incentive (GEI) scheme also contains provisions in respect of a change of control. Under this scheme, Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU) are granted as a stock-based remuneration component worldwide to senior management of the Allianz Group. SARs are virtual options on Allianz shares; they obligate the Allianz Group to pay in cash the excess of the market price of the Allianz share over the reference price on the exercise date. They vest after a two years' blocking period and can afterwards be exercised during a five years' exercise period. If a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, in derogation of the above, however, the SARs shall be exercised, pursuant to the general conditions for the SAR, on the day of the change of control by the Company for the relevant plan participants without observing any vesting period.

RSUs are virtual Allianz shares which obligate the Allianz Group to pay in cash an amount corresponding to the average market price for Allianz shares in the ten trading days preceding the vesting date, or to issue one Allianz share, or other equivalent equity instrument, for each RSU granted. RSUs vest after a five years' blocking period and are exercised by the Allianz Group on the first trading day after their vesting date. If a majority of the voting capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, the RSUs shall be exercised, pursuant to the general conditions for the RSUs, on the day of the change of control by the Company for the relevant plan participants without observing any vesting period. In providing for the non application, in the event of a change of control, of the blocking period, account is taken of the fact that the conditions under which the share price moves are very different when there is a change in control.

Reconciliation of Consolidated Operating Profit and Income Before Income Taxes and Minority Interests in Earnings

The previous analysis is based on our consolidated financial statements and should be read in conjunction with them. The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time. Operating profit highlights the portion of income before income taxes and minority interests in earnings attributable to the on-going core operations of the Allianz Group. To better understand the on-going operations of the business, we exclude the effects of acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations; and we exclude interest expense from external debt and non-operating income from financial assets and liabilities carried at fair value through income (net) as these relate to our capital structure.

We believe that trends in the underlying profitability of our business can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments of investment securities, as these are largely dependent on market cycles or issuer-specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Furthermore, the timing of sales that would result in such gains or losses is largely at our discretion.

Similarly, we exclude restructuring charges because the timing of the restructuring charges are largely within our control, and accordingly their exclusion provides additional insight into the operating trends of the underlying business. This differentiation is not made if the profit sources are shared with the policyholder.

Operating profit should be viewed as complementary to, and not a substitute for income before income taxes and minority interests in earnings or net income as determined in accordance with IFRS.

Reconciliation of operating profit on a consolidated basis to the Allianz Group's income before income taxes and minority interests in earnings

	2008 € mn	2007 € mn	2006 € mn
Operating profit	**7,433**	**10,313**	**9,219**
Non-operating realized gains/losses (net) and impairments of investments (net)	(640)	2,085	2,667
Non-operating income from financial assets and liabilities carried at fair value through income (net)	47	(35)	(134)
Interest expenses from external debt	(945)	(1,051)	(775)
Non-operating restructuring charges	(130)	(166)	(402)
Acquisition-related expenses	(245)	(506)	(532)
Amortization of intangible assets	(23)	(17)	(51)
Reclassification of tax benefits	(24)	(60)	(429)
Income before income taxes and minority interests in earnings	**5,473**	**10,563**	**9,563**

Composition of Total Revenue [1] Growth

We also believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or "changes in scope of consolidation") are excluded. Accordingly, in addition to presenting "nominal growth", we also present "internal growth", which excludes the effects of foreign currency translation and changes in scope of consolidation.

Reconciliation of nominal total revenue growth to internal total revenue growth

	Nominal growth %	Changes in scope of consoli-dation %	Foreign currency translation %	Internal growth %
2008				
Property-Casualty	(2.0)	(1.8)	(1.9)	1.7
Life/Health	(7.6)	2.1	(1.4)	(8.3)
Banking	(12.5)	0.5	—	(13.0)
Asset Management	(11.4)	(0.5)	(5.2)	(5.7)
thereof: Allianz Global Investors	(11.5)	0.1	(5.6)	(6.0)
Allianz Group	**(5.3)**	**0.3**	**(1.7)**	**(3.9)**
2007				
Property-Casualty	1.4	1.3	(1.0)	1.1
Life/Health	4.1	0.1	(2.3)	6.3
Banking	2.6	—	—	2.6
Asset Management	7.1	0.8	(7.0)	13.3
thereof: Allianz Global Investors	6.3	—	(7.5)	13.8
Allianz Group	**3.0**	**0.7**	**(1.8)**	**4.1**

Munich, February 23, 2009
Allianz SE

The Board of Management

Diekmann	Dr. Achleitner
Bäte	Booth
Cucchiani	Dr. Faber
Dr. Perlet	Dr. Rupprecht
Thierry	Dr. Zedelius

[1] Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues. Segment growth rates are presented before the elimination of transactions between Allianz Group companies in different segments.

Allianz Group
Consolidated Financial Statements

To go directly to any chapter, simply click ➤➤ on the head-line or the page number

Allianz Group
Consolidated Balance Sheets

As of December 31,	Note	2008 € mn	2007 € mn
ASSETS			
Cash and cash equivalents	7	8,958	31,337
Financial assets carried at fair value through income [1]	8	14,240	185,461
Investments [2]	9	260,147	286,952
Loans and advances to banks and customers	10	115,655	396,702
Financial assets for unit-linked contracts		50,450	66,060
Reinsurance assets	11	14,599	15,312
Deferred acquisition costs	12	22,563	19,613
Deferred tax assets	42	3,996	4,771
Other assets	13	34,004	38,025
Non-current assets and assets of disposal groups classified as held for sale	4, 14	419,513	3,503
Intangible assets	15	11,451	13,413
Total assets		**955,576**	**1,061,149**

As of December 31,	Note	2008 € mn	2007 € mn
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	16	6,244	126,053
Liabilities to banks and customers	17	18,451	336,494
Unearned premiums	18	15,233	15,020
Reserves for loss and loss adjustment expenses	19	63,924	63,706
Reserves for insurance and investment contracts	20	296,557	292,244
Financial liabilities for unit-linked contracts	21	50,450	66,060
Deferred tax liabilities	42	3,833	3,973
Other liabilities	22	32,930	48,031
Liabilities of disposal groups classified as held for sale	4, 14	411,816	1,293
Certificated liabilities	23	9,544	42,070
Participation certificates and subordinated liabilities	24	9,346	14,824
Total liabilities		**918,328**	**1,009,768**
Shareholders' equity		33,684	47,753
Minority interests		3,564	3,628
Total equity	**25**	**37,248**	**51,381**
Total liabilities and equity		**955,576**	**1,061,149**

[1] As of December 31, 2008, € 101 mn are pledged to creditors and can be sold or repledged (2007: € 23,163 mn).
[2] As of December 31, 2008, € 826 mn are pledged to creditors and can be sold or repledged (2007: € 7,384 mn).

Allianz Group
Consolidated Income Statements

	Note	2008 € mn	2007 € mn	2006 € mn
Premiums written		**66,171**	**65,788**	**65,275**
Ceded premiums written		(5,474)	(5,934)	(6,218)
Change in unearned premiums		(253)	(492)	(533)
Premiums earned (net)	26	**60,444**	**59,362**	**58,524**
Interest and similar income	27	19,072	18,624	17,430
Income from financial assets and liabilities carried at fair value through income (net)	28	(686)	(817)	(370)
Realized gains/losses (net)	29	3,603	6,008	5,921
Fee and commission income	30	6,032	6,553	6,025
Other income	31	408	217	61
Income from fully consolidated private equity investments	32	2,549	2,367	1,392
Total income		**91,422**	**92,314**	**88,983**
Claims and insurance benefits incurred (gross)		(48,287)	(46,409)	(45,523)
Claims and insurance benefits incurred (ceded)		2,628	3,287	3,226
Claims and insurance benefits incurred (net)	33	**(45,659)**	**(43,122)**	**(42,297)**
Change in reserves for insurance and investment contracts (net)	34	(5,140)	(10,685)	(11,375)
Interest expenses	35	(1,893)	(2,070)	(1,633)
Loan loss provisions	36	(59)	(18)	(5)
Impairments of investments (net)	37	(9,495)	(1,185)	(560)
Investment expenses	38	(645)	(1,037)	(1,055)
Acquisition and administrative expenses (net)	39	(17,922)	(18,788)	(18,468)
Fee and commission expenses	40	(2,502)	(2,313)	(2,040)
Amortization of intangible assets		(23)	(17)	(51)
Restructuring charges		(129)	(182)	(542)
Other expenses	41	(12)	(17)	(13)
Expenses from fully consolidated private equity investments	32	(2,470)	(2,317)	(1,381)
Total expenses		**(85,949)**	**(81,751)**	**(79,420)**
Income from continuing operations before income taxes and minority interests in earnings		**5,473**	**10,563**	**9,563**
Income taxes	42	(1,287)	(2,572)	(1,720)
Minority interests in earnings		(219)	(675)	(1,203)
Net income from continuing operations		**3,967**	**7,316**	**6,640**
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	4	**(6,411)**	**650**	**381**
Net income (loss)		**(2,444)**	**7,966**	**7,021**

	Note	2008 €	2007 €	2006 €
Basic earnings per share	50	**(5.43)**	**18.00**	**17.09**
from continuing operations		8.81	16.53	16.16
from discontinued operations		(14.24)	1.47	0.93
Diluted earnings per share	50	**(5.47)**	**17.71**	**16.78**
from continuing operations		8.59	16.26	15.87
from discontinued operations		(14.06)	1.45	0.91

Allianz Group
Consolidated Statements of Changes in Equity

	Paid-in capital	Revenue reserves	Foreign currency translation adjustments	Unrealized gains and losses (net)	Share-holders' equity	Minority interests	Total equity
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Balance as of January 1, 2006	**21,616**	**8,020**	**(1,032)**	**10,052**	**38,656**	**8,386**	**47,042**
Foreign currency translation adjustments	—	—	(1,175)	(4)	(1,179)	(276)	(1,455)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year [1]	—	—	—	4,731	4,731	20	4,751
Transferred to net income on disposal or impairment [2]	—	—	—	(1,744)	(1,744)	(146)	(1,890)
Cash flow hedges	—	—	—	1	1	—	1
Miscellaneous	—	246	—	—	246	111	357
Total income and expense recognized directly in shareholders' equity	**—**	**246**	**(1,175)**	**2,984**	**2,055**	**(291)**	**1,764**
Net income	—	7,021	—	—	7,021	1,289	8,310
Total recognized income and expense for the year	**—**	**7,267**	**(1,175)**	**2,984**	**9,076**	**998**	**10,074**
Paid-in capital	129	—	—	—	129	—	129
Treasury shares	—	910	—	—	910	—	910
Transactions between equity holders	3,653	(2,316)	(3)	356	1,690	(1,552)	138
Dividends paid	—	(811)	—	—	(811)	(652)	(1,463)
Balance as of December 31, 2006	**25,398**	**13,070**	**(2,210)**	**13,392**	**49,650**	**7,180**	**56,830**
Foreign currency translation adjustments	—	—	(1,378)	(2)	(1,380)	(214)	(1,594)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year [1]	—	—	—	(1,123)	(1,123)	(41)	(1,164)
Transferred to net income on disposal or impairment [2]	—	—	—	(2,484)	(2,484)	(101)	(2,585)
Cash flow hedges	—	—	—	35	35	—	35
Miscellaneous	—	(77)	—	—	(77)	116	39
Total income and expense recognized directly in shareholders' equity	**—**	**(77)**	**(1,378)**	**(3,574)**	**(5,029)**	**(240)**	**(5,269)**
Net income	—	7,966	—	—	7,966	748	8,714
Total recognized income and expense for the year	**—**	**7,889**	**(1,378)**	**(3,574)**	**2,937**	**508**	**3,445**
Paid-in capital	158	—	—	—	158	—	158
Treasury shares	—	269	—	—	269	—	269
Transactions between equity holders	2,765	(6,968)	(68)	652	(3,619)	(3,707)	(7,326)
Dividends paid	—	(1,642)	—	—	(1,642)	(353)	(1,995)
Balance as of December 31, 2007	**28,321**	**12,618**	**(3,656)**	**10,470**	**47,753**	**3,628**	**51,381**
Foreign currency translation adjustments	—	—	(340)	(48)	(388)	71	(317)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year [1]	—	—	—	(9,170)	(9,170)	(78)	(9,248)
Transferred to net income on disposal or impairment [2]	—	—	—	697	697	34	731
Cash flow hedges	—	—	—	30	30	—	30
Miscellaneous	—	(65)	—	—	(65)	74	9
Total income and expense recognized directly in shareholders' equity	**—**	**(65)**	**(340)**	**(8,491)**	**(8,896)**	**101**	**(8,795)**
Net loss	—	(2,444)	—	—	(2,444)	258	(2,186)
Total recognized income and expense for the year	**—**	**(2,509)**	**(340)**	**(8,491)**	**(11,340)**	**359**	**(10,981)**
Paid-in capital	248	—	—	—	248	—	248
Treasury shares	—	25	—	—	25	—	25
Transactions between equity holders	—	(552)	(10)	32	(530)	(136)	(666)
Dividends paid	—	(2,472)	—	—	(2,472)	(287)	(2,759)
Balance as of December 31, 2008	**28,569**	**7,110**	**(4,006)**	**2,011**	**33,684**	**3,564**	**37,248**

1) During the year ended December 31, 2008 unrealized gains and losses (net) arising during the year included in shareholders' equity are net of deferred tax benefit of € 1,690 mn (2007: € 720 mn; 2006: € 478 mn).

2) During the year ended December 31, 2008, realized gains/losses (net) transferred to net income on disposal or impairment are net of income tax benefit of € 755 mn (2007: income tax charge of € 206 mn; 2006: income tax charge of € 308 mn).

Allianz Group
Consolidated Statements of Cash Flows

	2008 € mn	2007 € mn	2006 € mn
Summary:			
Net cash flow provided by operating activities	25,278	11,524	20,099
Net cash flow used in investing activities	(6,236)	(2,357)	(33,951)
Net cash flow provided by (used in) financing activities	(11,285)	(10,746)	15,314
Effect of exchange rate changes on cash and cash equivalents	102	(115)	(78)
Change in cash and cash equivalents	**7,859**	**(1,694)**	**1,384**
Cash and cash equivalents at beginning of period	31,337	33,031	31,647
Cash and cash equivalents at end of period	**39,196**	**31,337**	**33,031**
Cash and cash equivalents reclassified to assets of disposal groups held for sale	30,238	—	—
Cash and cash equivalents at end of period of continuing operations	**8,958**	**31,337**	**33,031**
Cash flow from operating activities:			
Net income (loss)	**(2,444)**	**7,966**	**7,021**
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities			
Minority interests in earnings	262	748	1,289
Share of earnings from investments in associates and joint ventures	(12)	(521)	(287)
Realized gains/losses (net) and impairments of investments (net) of:			
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008	1,409	—	—
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans to banks and customers	5,710	(5,276)	(5,376)
Other investments, mainly financial assets held for trading and designated at fair value through income	3,497	681	(938)
Result of transaction of Dresdner Bank between September 30 and December 31, 2008	2,928	—	—
Depreciation and amortization	640	891	983
Loan loss provisions	385	(113)	36
Interest credited to policyholder accounts	4,008	3,225	3,126
Net change in:			
Financial assets and liabilities held for trading	6,443	18,948	19,265
Reverse repurchase agreements and collateral paid for securities borrowing transactions	32,463	30,215	(27,294)
Repurchase agreements and collateral received from securities lending transactions	(30,763)	(48,143)	14,188
Reinsurance assets	818	716	663
Deferred acquisition costs	(1,353)	(932)	(1,434)
Unearned premiums	345	341	593
Reserves for losses and loss adjustment expenses	527	(389)	(188)
Reserves for insurance and investment contracts	390	6,675	7,025
Deferred tax assets/liabilities	351	55	292
Financial assets designated at fair value through income (only banking segment)	3,204	(2,286)	(915)
Financial liabilities designated at fair value through income (only banking segment)	2,925	1,104	333
Other (net)	(6,455)	(2,381)	1,717
Subtotal	**27,722**	**3,558**	**13,078**
Net cash flow provided by operating activities	**25,278**	**11,524**	**20,099**

Allianz Group
Consolidated Statements of Cash Flows – continued

	2008 € mn	2007 € mn	2006 € mn
Cash flow from investing activities:			
Proceeds from the sale, maturity or repayment of:			
Financial assets designated at fair value through income	4,105	5,678	5,001
Available-for-sale investments	106,665	130,421	118,747
Held-to-maturity investments	497	317	336
Investments in associates and joint ventures	1,285	1,902	730
Non-current assets and assets of disposal groups classified as held for sale	2,199	4	2,253
Real estate held for investment	491	889	1,376
Loans and advances to banks and customers (purchased loans)	8,557	8,689	8,365
Property and equipment	431	607	453
Subtotal	124,230	148,507	137,261
Payments for the purchase or origination of:			
Financial assets designated at fair value through income	(4,107)	(6,393)	(6,559)
Available-for-sale investments	(114,041)	(129,060)	(131,290)
Held-to-maturity investments	(720)	(301)	(280)
Investments in associates and joint ventures	(610)	(1,509)	(491)
Non-current assets and assets of disposal groups classified as held for sale	(97)	(1,073)	—
Real estate held for investment	(395)	(430)	(860)
Loans and advances to banks and customers (purchased loans)	(9,631)	(12,286)	(10,598)
Property and equipment	(953)	(832)	(1,588)
Subtotal	(130,554)	(151,884)	(151,666)
Business combinations (Note 5):			
Proceeds from sale, net of cash disposed	103	372	—
Acquisition, net of cash acquired	(152)	(670)	(344)
Net cash flows arising during the fourth quarter from assets and liabilities of disposal groups classified as held for sale	9,327	—	—
Change in other loans and advances to banks and customers (originated loans)	(8,673)	43	(19,224)
Other (net)	(517)	1,275	22
Net cash flow used in investing activities	(6,236)	(2,357)	(33,951)
Cash flow from financing activities:			
Policyholders' account deposits	13,205	12,810	13,234
Policyholders' account withdrawals	(10,985)	(9,365)	(8,432)
Net change in liabilities to banks and customers	(4,920)	9,007	13,524
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	40,672	58,087	103,096
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(45,868)	(71,627)	(103,946)
Cash inflow from capital increases	239	115	98
Transactions between equity holders	(666)	(7,326)	(70)
Dividends paid to shareholders	(2,759)	(1,995)	(1,463)
Net cash from sale or purchase of treasury shares	40	(34)	(458)
Other (net)	(243)	(418)	(269)
Net cash flow provided by (used in) financing activities	(11,285)	(10,746)	15,314

The net cash flows provided by (used in) discontinued operations for the first nine months of 2008 contribute to the net cash flows of the operating, investing, and financing activities. Only the net cash flows of discontinued operations of the fourth quarter 2008 are shown on a net basis in one single line within the investing activities.

Allianz Group
Consolidated Statements of Cash Flows – continued

The following table shows the net cash flows provided by (used in) discontinued operations for the year ended December 31, 2008, 2007 and 2006 that are included in the consolidated statement of cash flows above.

	2008 € mn	2007 € mn	2006 € mn
Net cash flow provided by operating activities from discontinued operations	24,367	369	3,187
Net cash flow provided by (used in) investing activities from discontinued operations	(1,888)	7,415	(13,496)
Net cash flow provided by (used in) financing activities from discontinued operations	(8,520)	(12,552)	10,003
Net cash flow provided by (used in) discontinued operations	**13,959**	**(4,768)**	**(306)**

	2008 € mn	2007 € mn	2006 € mn
Supplementary information on the consolidated statement of cash flows:			
Income taxes paid	(2,846)	(2,856)	(2,241)
Dividends received	1,845	2,526	1,946
Interest received	21,361	22,256	20,552
Interest paid	(5,931)	(6,697)	(5,556)
Significant non-cash transactions:			
Settlement of exchangeable bonds issued by Allianz Finance II B.V. with shares:			
Available-for-sale investments	(450)	(812)	(1,074)
Certificated liabilities	(450)	(812)	(1,074)
Novation of quota share reinsurance agreement:			
Reinsurance assets	(29)	(2,469)	(1,111)
Deferred acquisition costs	1	145	76
Payables from reinsurance contracts	(28)	(2,324)	(1,035)
Effects from the merger of RAS with and into Allianz AG (Note 5):			
Revenue reserves	—	—	(2,362)
Minority interests	—	—	(1,659)
Paid-in capital	—	—	3,653
Unrealized gains and losses (net)	—	—	368
Effects from buy-out of AGF minorities (Note 5):			
Revenue reserves	—	(1,843)	—
Unrealized gains and losses (net)	—	146	—
Minority interests	—	(1,068)	—
Paid-in capital	—	2,765	—
Effects from first consolidation of K2:			
Financial assets held for trading	107	—	—
Financial assets designated at fair value through income	8,665	—	—
Loans and advances to banks and customers	1,714	—	—
Other assets	51	—	—
Financial liabilites held for trading	497	—	—
Financial liabilities designated at fair value through income	8,889	—	—
Liabilities to banks and customers	1,076	—	—
Other liabilities	75	—	—
Proceeds from sales of available-for-sale investments:			
Debt securities	60,265	89,355	89,813
Equity securities	26,645	27,485	21,696
Total	86,910	116,840	111,509

Allianz Group Notes to the Consolidated Financial Statements

1 Nature of operations and basis of presentation

Nature of operations

Allianz SE and its subsidiaries ("the Allianz Group") have global Property-Casualty insurance, Life/Health insurance, Banking and Asset Management operations in more than 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarters are located in Munich, Germany. The parent company of the Allianz Group is Allianz SE, Munich. It is recorded in the Commercial Register of the municipal court Munich under its registered address at Koeniginstraße 28, 80802 Munich.

Allianz SE is a stock corporation in the form of a European Company (Societas Europaea) and is listed on all German stock exchanges and the stock exchanges in London, Paris, Zurich, Milan and New York.

The consolidated financial statements of the Allianz Group for the year ended December 31, 2008 were authorized for issue by the Board of Management on February 23, 2009.

Basis of presentation

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards ("IFRS"), as adopted under European Union ("EU") regulations in accordance with section 315 a of the German Commercial Code ("HGB"). The consolidated financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standard Board ("IASB"). The Allianz Group's application of IFRS results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB. Within these consolidated financial statements, the Allianz Group has applied all IFRS issued by the IASB that are compulsory as of December 31, 2008. IFRS comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC").

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts , reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the provisions embodied under accounting principles generally accepted in the United States of America ("US GAAP") have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts.

The accounting policies adopted are consistent with those of the previous financial year except for recently adopted IFRSs effective January 1, 2008 as described in Note 3.

The consolidated financial statements are prepared as of and for the year ended December 31, and presented in millions of Euro (€), unless otherwise stated.

2 Summary of significant accounting policies

Principles of consolidation

Scope of consolidation

The consolidated financial statements of the Allianz Group include those of Allianz SE, its subsidiaries and certain investment funds and special purpose entities ("SPEs"). Subsidiaries, investment funds and SPEs, hereafter "subsidiaries", which are directly or indirectly controlled by the Allianz Group, are consolidated. Control exists when the Allianz Group has the power to govern the financial and operating policies of the subsidiary generally either when the Allianz Group owns directly or indirectly more than half of the voting rights of the subsidiary or when control can be legally evidenced otherwise because of an agreement with other investors or of a specific corporate charter. In order to determine whether control exists, potential voting rights that are currently exercisable or convertible have to be taken into consideration. If no control exists from a legal perspective, it has to be assessed whether control exists from an economic perspective, as in the case of SPEs. Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries are consolidated until the date that the Allianz Group no longer maintains control. The Allianz Group has used interim financial statements for certain subsidiaries whose fiscal year is other than December 31, but not exceeding a lag of three months. Adjustments are then made for the effects of significant transactions or events that occur between that date and the date of the Allianz Group's financial statements.

The Allianz Group transfers financial assets to certain SPEs in revolving securitizations of commercial mortgage or other loan portfolios. The Allianz Group consolidates these SPEs as the Allianz Group continues to control the financial assets transferred and retains the servicing of such loans.

Third party assets held in an agency or fiduciary capacity are not assets of the Allianz Group and are not presented in these consolidated financial statements.

Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions have been eliminated.

Business combinations including acquisitions and disposals of minority interests

A business combination occurs when the Allianz Group obtains control over a business. Business combinations are accounted for using the purchase method. The purchase method requires that the Allianz Group allocates the cost of a business combination on the date of acquisition by recognizing the acquiree's identifiable assets, liabilities and certain contingent liabilities at their fair values. The cost of a business combination represents the fair value of the assets given, equity instruments issued and liabilities incurred or assumed in exchange for control at the acquisition date, plus any costs directly attributable to the acquisition. If the acquisition cost of the business combination exceeds the Allianz Group's proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any minority interest is recorded at the minority's proportion of the fair value of the net assets of the acquiree. If the initial accounting for a business combination can only be determinded provisionally, Allianz Group accounts for the combination using those provisional values. Any adjustments to those provisional amounts as a result of completing the initial accounting are recognized within twelve months of the acquisition date and from the acquisition date. If Allianz Group's proportionate share of the fair value of the net assets exceeds the acquisition cost, Allianz Group reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities as well as the measurement of the cost of the combination and recognises immediately in profit or loss any excess remaining after that assessment. Acquisitions and disposals of minority interests are treated as transactions between equity holders. Therefore, any difference between the acquisition cost or sale price of the minority interest and the carrying amount of the minority interest is recognized as an increase or decrease of equity.

For business combinations with an agreement date before March 31, 2004, minority interests are recorded at the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

Associated enterprises and joint ventures

Associated enterprises are entities over which the Allianz Group can exercise significant influence and which are not joint ventures. Significant influence is the power to participate in, but not to control, the financial and operating policies within an enterprise. Significant influence is presumed to exist where the Allianz Group has at least 20% but not more than 50% of the voting rights unless it can be clearly demonstrated that this is not the case. If the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence unless such influence can be clearly demonstrated. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associated enterprises and joint ventures is included in interest and similar income. The positive difference between the cost of the investment and the Allianz Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. Profits and losses resulting from upstream and downstream transactions between the Allianz Group and an associated enteprise are recognized in Allianz Group's financial statements only to the extent of unrelated interests in the associate. Allianz Group's share in the associate's profits and losses resulting from these transactions is eliminated. Accounting policies of associated enterprises and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

Foreign currency translation

Translation from any foreign currency into functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities recorded in foreign currencies are translated into the functional currency using the closing exchange rate and non-monetary assets and liabilities are translated at historical rates.

Foreign currency gains and losses arising from foreign currency transactions are reported in investment expenses.

Translation to the presentation currency

For purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the functional currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded directly in shareholders' equity, as foreign currency translation adjustments.

Use of estimates and assumptions

The preparation of consolidated financial statements requires the Allianz Group to make estimates and assumptions that affect items reported in the consolidated balance sheets and consolidated income statements, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, loan loss allowance, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

Real estate held for investment

Real estate held for investment (i.e., real estate and rights equivalent to real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. When testing for impairment, the fair value of real estate held for investment is determined by the discounted cash flow method. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

Financial instruments

Classification, recognition and initial measurement

Financial assets within the scope of IAS 39 are either classified as financial assets carried at fair value through income, available-for-sale investments, held-to-maturity investments, loans and advances to banks and customers or as derivative financial instruments used for hedging. Furthermore financial assets comprise funds held by others under reinsurance contracts assumed and financial assets for unit-linked contracts.

Financial liabilities within the scope of IAS 39 are either classified as financial liabilities carried at fair value through income, liabilities to banks and customers, investment contracts with policyholders, derivative financial instruments used for hedging, financial liabilities for puttable equity instruments, certificated liabilities or participation certificates and subordinated liabilities. Furthermore financial liabilities comprise financial liabilities for unit-linked contracts.

The classification depends on the nature and purpose of the financial instrument and is determined at initial recognition.

Financial instruments are initially recognized at fair value plus, in the case of financial instruments not carried at fair value through income, directly attributable transaction costs.

Financial instruments are generally recognized and derecognized on trade date, when the Allianz Group has entered into contractual arrangements with counterparties to purchase or sell securities or incur a liability.

Fair value of financial instruments

The Allianz Group applies the IAS 39 fair value hierarchy to determine the fair value of financial instruments.

Active markets - quoted market price

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and including the balance sheet date. The quoted market price used for a financial asset held by the Allianz Group is the current bid price; the quoted market price used for financial liabilities is the current ask price. The impact of the Allianz Group´s own credit spread on financial liabilities carried at fair value is calculated by discounting future cash flows at a rate which incorporates the Allianz Group´s observable credit spread.

No active markets - valuation techniques

If the market for a financial instrument is not active, the fair value is determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs include references to recently quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets, quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates. Where observable market prices are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are made for credit and measurement risks.

Due to the worldwide financial market crisis, some markets faced a significant shortage of liquidity, which affected the valuation techniques used by the Allianz Group to measure fair value. For certain financial instruments, the market has been completely illiquid and market prices were no longer available. In addition, the market prices of certain asset-backed securities ("ABS")-based products declined significantly.

For ABS-based products the availability of price quotations from a functioning market was limited during 2008 and as of December 31, 2008. Therefore the valuation of these financial instruments is mainly based on quoted market prices or current market values of very similar financial instruments. The market values used were taken from other market participants that are representative of the market. In all other cases Allianz Group used model-based valuation techniques. Regardless of the valuation technique used, that technique reflects current market conditions and appropriate risk adjustments that market participants would make.

No active market – equity instruments

If the fair value cannot be measured reliably, unquoted equity instruments and derivatives linked to such instruments are stated at cost until a fair value can be measured reliably. These financial instruments are subject to the normal impairment procedures.

Amortized cost of financial instruments

The amortized cost of a financial instrument is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Recognition of a day one profit or loss

If the fair value of a financial instrument differs from its initial transaction price (i.e. by comparing it to other observable current market transactions or by using a technical valuation model incorporating only observable market data), it is required that the recognition of a "day one profit or loss" is consistent with the subsequent measurement of the financial instrument with all the other requirements regarding the calculation of fair value. A profit or loss should be recognized after initial recognition only to the extent that it arises from a change in a factor that market participants would consider in setting a price.

Subsequent measurement of financial instruments

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets and liabilities carried at fair value through income

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income.

Financial assets and liabilities are classified as held for trading if they have been principally acquired for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future.

Financial assets consist of debt and equity securities, promissory notes and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting and obligations to deliver assets arising from short sales of securities, which are carried out in order to benefit from short-term price fluctuations. The securities required to close out short sales are obtained through securities borrowing or reverse repurchase agreements.

This treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

Financial assets and liabilities held for trading are measured at fair value. Changes in fair value are recognized directly in the consolidated income statement. The recognized net gains and losses include dividends and interest of the underlying financial instruments.

Financial assets and liabilities designated at fair value through income are measured at fair value with changes in fair value recorded in the consolidated income statement. The recognized net gains and losses include dividends and interest of the underlying financial instruments. A financial instrument may only be designated at inception as held at fair value through income and cannot be subsequently changed.

Available-for-sale investments

Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances to banks and customers, or financial assets carried at fair value through income. Available-for-sale investments are recorded at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are included as a separate component of shareholders' equity, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. When an available-for-sale investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in shareholders´ equity is transferred and recognized in the consolidated income statement. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, as the limited partnerships do not have a quoted market price and fair value cannot be reliably measured. The Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable presumption that the limited partner has no control over the limited partnership.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These securities are recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses. Amortization of premium or discount is included in interest and similar income. Gains and losses from derecognition and impairment of held-to-maturity investments are recognized in the consolidated income statement.

Loans and advances to banks and customers

Loans and advances to banks and customers are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers are initially recorded at fair value plus transaction costs, and subsequently recorded at amortized cost using the effective interest rate method. Interest income is accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans are placed on non-accrual status when the payment of principal or interest is doubtful based on the credit assessment of the borrower. Non-accrual loans consist of loans on which interest income is no longer recognized on an accrued basis, and loans for which a specific provision is recorded for the entire amount of accrued interest receivable. When a loan is placed on non-accrual status, any accrued interest receivable is reversed against interest and similar income. Loans can only be restored to accrual status when interest and principal payments are made current (in accordance with the contractual terms), and future payments in accordance with those terms are reasonably assured. When there is a doubt regarding the ultimate collectibility of the principal of a loan placed in non-accrual status, all cash receipts are applied as reductions of principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If control of the securities remains with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expense.

Loans and advances to customers include the Allianz Group's gross investment in leases, less unearned finance income, related to lease financing transactions for which the Allianz Group is the lessor. The gross investment in leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the Allianz Group. Lease financing transactions include direct financing leases and leveraged leases. The unearned finance income is amortized over the period of the lease in order to produce a constant periodic rate of return on the net investment outstanding with respect to finance leases.

Funds held by others under reinsurance contracts

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairments for balances that are deemed to be not recoverable.

Financial assets for unit-linked contracts

Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

Liabilities to banks and customers

Liabilities to banks and customers are subsequently measured at amortized cost. Herein included are repurchase ("repo") agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If control of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expense from repo transactions is accrued over the duration of the agreements and reported in interest and similar expenses.

In securities lending transactions the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

Investment contracts with policyholders

Fair value for investment and annuity contracts are determined using the cash surrender values of policyholders` and contract holders' accounts.

Financial liabilities for unit-linked contracts

The fair value of financial liabilities for unit-linked contracts is equal to the fair value of the financial assets for unit-linked contracts.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments include the minority interests in shareholders' equity of certain consolidated investment funds. These minority interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset ("puttable instrument"). These liabilities are required to be recorded at redemption amount with changes recognized in income.

Certified liabilities, participation certificates and subordinated liabilities

Certified liabilities, participation certificates and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

Financial guarantee contracts

Financial guarantee contracts issued by the Allianz Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts which are not accounted for as insurance contracts are recognized initially at fair value. Subsequently, unless the financial guarantee contract was designated at inception as at fair value through income, the issuer measures it at the higher of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortisation when appropriate.

Impairment of financial assets

Impairment of available-for-sale and held-to-maturity investments

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. Typically this is due to deterioration in the creditworthiness of the issuer. A decline in fair value below amortized cost due to changes in risk free interest rates does not by itself represent objective evidence of a loss event.

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a significant decline to be one in which the fair value is below the weighted average cost by more than 20% or a prolonged decline to be one in which fair value is below the weighted average cost for greater than nine months. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the Allianz Group's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

In a subsequent period, if the fair value of an available-for sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net). Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

Impairment of loans

Loan loss allowance is recognized for loans for which there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and that loss event has an impact on the estimated future cash flows of the loan that can be reasonably estimated. If there is objective evidence that a loan is impaired, a loan loss allowance is recognized as the difference between the loan's carrying amount and the present value of future cash flows, which includes all contractual interest and principal payments, discounted at the loan's original effective interest rate. The loan loss allowance is reported as a reduction of loans and advances to banks and customers. Provisions for contingent liabilities, such as guarantees, loan commitments and other obligations are reported as other liabilities.

Loans with an outstanding balance greater than € 1 mn are considered to be individually significant, and they are assessed individually to determine whether an impairment exists. Individually significant loans that are not impaired, as well as loans that are not individually significant, are grouped with loans evidencing similar credit characteristics and are collectively assessed for impairment. Loans impaired individually or collectively are eliminated from further testing to ensure that there is no duplication of impairment. The following allowances comprise the total loan loss allowance.

Specific allowances are established to provide for specifically identified counterparty risks. Specific allowances are established for impaired loans. The amount of the impairment is based on the present value of expected future cash flows or based on the fair value of the collateral if the loan is collateralized and foreclosure is probable. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to the loan loss provisions.

General allowances are established to provide for incurred but unidentified losses for individually significant loans that do not have a specific allowance. Loans are segmented into groups of loans with similar risk characteristics and general allowances are calculated using statistical methods of credit risk measurement based on historical loss experience and the evaluation of the loan portfolio under current events and economic conditions.

Portfolio allowances are established for all loans that are not considered individually significant and have not been individually assessed. These loans are segmented into portfolios of homogeneous loans exhibiting similar loss characteristics, and allowances are calculated using statistical methods based upon historical loss rates which are regularly updated. Portfolio allowances are presented within the specific allowance category.

Country risk allowances are established for transfer risk. Transfer risk is a measure of the likely ability of a borrower in a country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in the country. Country risk allowances are based on a country risk rating system that incorporates current and historical economic, political and other data to categorize countries by risk profile. Loans with specific allowances are excluded from the country risk rating system, and countries provided for within the country risk allowance are excluded from the determination of the transfer risk component of the general allowance. Country risk allowances are presented within the specific or general risk category, as appropriate.

Loans are charged-off when all economically sensible means of recovery have been exhausted. At the point of charge-off, the loan, as well as any specific allowance associated with the loan, is removed from the consolidated balance sheet or a charge may be recorded to directly charge-off the loan. A charge-off may be full or partial. Subsequent to a charge-off, recoveries, if any, are recognized as a credit to the loan loss provisions.

The loan loss provisions are the amount necessary to adjust the loan loss allowance to a level determined through the process described above.

Reclassification of financial instruments

Once a financial instrument has been classified into a particular category at initial recognition, transfers into or out of that category from or to another category are impossible for some categories and are rarely done in all other circumstances. Please refer to Note 3 for amendments to IAS 39 with regard to reclassifications.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership or transfers the asset and loses control of the asset. A financial liability is derecognized when it is extinguished.

Derivative financial instruments

The Allianz Group's Property-Casualty and Life/Health segments use derivative financial instruments such as swaps, options and futures to hedge against changes in market prices or interest rates in their investment portfolios.

In the Allianz Group's Banking segment, derivative financial instruments are used both for trading purposes and to hedge against movements in interest rates, currency exchange rates and other price risks of investments, loans, deposit liabilities and other interest sensitive assets and liabilities.

Derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as financial assets held for trading or financial liabilities held for trading. Gains or losses from these derivative financial instruments arising from valuation at fair value are included in income from financial assets and liabilities held for trading. This treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting ("accounting hedges"), the Allianz Group designates the derivative financial instrument as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into various hedge transactions. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. Derivative financial instruments used in accounting hedges are recognized as follows:

Fair value hedges

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the share of the change in fair value of the hedged item attributable to the hedged risk are recognized in net income.

Cash flow hedges

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in shareholders' equity, and are recognized in net income when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in net income.

Hedges of a net investment in a foreign entity

Hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, is recognized in unrealized gains and losses (net) in shareholders' equity, while any ineffectiveness is recognized directly in net income.

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value with changes in fair value recognized in net income, but changes in the fair value of the hedged item are no longer recognized in net income. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in shareholders' equity are recognized when the planned transaction occurs. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in shareholders' equity remain in shareholders' equity until the disposal of the foreign entity.

Derivative financial instruments are netted when there is a legally enforceable right to offset with the same counterparty and the Allianz Group intends to settle on a net basis.

Disclosures relating to financial instruments

IFRS 7 requires to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The scope of IFRS 7 includes recognized and unrecognized financial instruments. Recognized financial instruments are those financial assets and financial liabilities within the scope of IAS 39. Unrecognized financial instruments are financial instruments that are outside of the scope of IAS 39 but within the scope of IFRS 7. The classes of financial instruments within Allianz Group are mainly in line with the categories according to IAS 39.

The risk disclosure requirements of IFRS 7 and the requirements of IAS 1 with regard to capital disclosures are reflected in the risk report in the group management report.

This risk report, with the exception of the "Outlook" section, is an integral part of the audited consolidated financial statements.

The following table summarizes the relations between balance sheet positions, classes according to IFRS 7 and categories according to IAS 39.

Balance sheet line item and IFRS 7 classes of financial assets	Measurement basis	IAS 39 category
Financial assets		
Cash and cash equivalents	Nominal value	—
Financial assets carried at fair value through income		
– Financial assets held for trading	Fair value	Held for trading
– Financial assets designated at fair value through income	Fair value	Designated at fair value through income
Investments		
– Available-for-sale investments	Fair value	Available-for-sale investments
– Held-to-maturity investments	Amortized cost	Held-to-maturity investments
Loans and advances to banks and customers	Amortized cost	Loans and receivables
Financial assets for unit-linked contracts	Fair value	—
Other Assets		
– Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value	—

Balance sheet line item and IFRS 7 classes of financial liabilities	Measurement basis	IAS 39 category
Financial liabilities		
Financial liabilities carried at fair value through income		
– Financial liabilities held for trading	Fair value	Held for trading
– Financial liabilities designated at fair value through income	Fair value	Designated at fair value through income
Liabilities to banks and customers	Amortized cost	Other liabilities - at amortized cost
Reserves for insurance and investment contracts		
– Investment contracts with policyholders	Fair value	—
Financial liabilities for unit-linked contracts	Fair value	—
Other Liabilities		
– Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	Fair value	—
– Financial liabilities for puttable equity instruments	Redemption amount	—
Certificated liabilities	Amortized cost	Other liabilities - at amortized cost
Participation certificates and subordinated liabilities	Amortized cost	Other liabilities - at amortized cost
Off-balance sheet		
Financial guarantees	Nominal value	—
Irrevocable loan commitments	Nominal value	—

Insurance, investment and reinsurance contracts

Insurance and investment contracts

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the provisions of US GAAP, including SFAS 60, SFAS 97 and SFAS 120. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by Allianz that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk according to SFAS 113, deposit accounting is applied as required under SOP 98-7.

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis. Amounts ceded to reinsurers from reserves for insurance and investment contracts are estimated in a manner consistent with the claim liability associated with the reinsured risks. Revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

Deferred acquisition costs

Deferred acquisition costs ("DAC"), present value of future profits ("PVFP") and deferred sales inducements comprise the deferred acquisition costs in the balance sheet.

DAC generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. These acquisition costs are deferred, to the extent they are recoverable, and are subject to recoverability testing at the end of each accounting period.

For short and long duration traditional products (SFAS 60) and limited payment products (SFAS 97), DAC is amortized in proportion to premium revenue recognized. For universal life, participating life, and investment-type products (SFAS 97 and SFAS 120), DAC is amortized over the contract life of a book of contracts based on estimated gross profit ("EGP") or estimated gross margin ("EGM"), as appropriate, based on historical and anticipated future experience, which is evaluated regularly.

For investment contracts, acquisition costs are only deferred if the costs are incremental. Acquisition costs are incremental if the costs would not have been incurred if the related contracts would not have been issued.

PVFP is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition and is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 12.0% to 16.9%. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest accrues on PVFP at rates between 2.0% and 18.7%.

Deferred sales inducements on insurance contracts that meet the following criteria are deferred and amortized using the same methodology and assumptions used for amortized deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Shadow accounting

Shadow accounting is applied to insurance and investment contracts with discretionary participating features, and SFAS 97 universal life type insurance contracts and SFAS 97 investment contracts. Shadow accounting is applied to DAC, PVFP, deferred sales inducements, unearned premium liabilities and the reserves for insurance and investment contracts to take into account the effect of unrealized gains or losses on insurance liabilities or assets in the same way as it is done for a realized gain or loss. These assets or liabilities are adjusted with corresponding charges or credits recognized directly to shareholders' equity as a component of the related unrealized gains and losses.

Unearned premiums

For short-duration insurance contracts, such as property-casualty contracts, in accordance with SFAS 60, premiums written to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent years in relation to the insurance coverage provided.

For long-duration insurance contracts, in accordance with SFAS 97, amounts charged as consideration for origination of the contract (i.e. initiation or front-end fees) are reported as unearned premium. These fees are recognized using the same methodology as DAC amortization.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

1. the deposit component (including any embedded surrender option) can be measured separately (i.e., without taking into account the insurance component); and

2. the Allianz Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Currently, the Allianz Group has no in-force insurance contracts for which all of the rights and obligations related to such contracts have not been recognized. As a result, the Allianz Group has not recognized an unbundled deposit component in respect of any of its insurance contracts, and accordingly the Allianz Group has not recorded any related provisions in its consolidated financial statements.

Bifurcation

Certain of the Allianz Group's universal life-type insurance contracts include options to replicate a market index (market value liability options or "MVLO"). These options are bifurcated from the insurance contracts and accounted for as derivatives.

Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses ("LAE") on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and incurred but not reported reserves ("IBNR").

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly reevaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends, and legislative changes. The Allianz Group reduces the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and an analysis of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. The reserves for loss and loss adjustment expenses for asbestos claims in the United States were reviewed by independent actuaries during the year end of 2005; current reserves reflect subsequent loss developments and reestimation of initial reserves.

Reserves for insurance and investment contracts and financial liabilities for unit-linked contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves for long-duration insurance contracts, such as traditional life and health products, are computed in accordance with SFAS 60 using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

The aggregate policy reserves for traditional participating insurance contracts are computed in accordance with SFAS 120 using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or "premium refunds"). DAC and PVFP for traditional participating insurance products are amortized over the expected life of the contracts in proportion to EGMs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in net income in the period revised.

The aggregate policy reserves for universal life-type insurance contracts and unit-linked insurance contracts in accordance with SFAS 97 are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. DAC and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to EGPs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPs are recognized in net income in the period revised.

Current and historical client data, as well as industry data, are used to determine the assumptions.

Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves were as follows:

	Long-duration insurance contracts (SFAS 60)	Traditional participating insurance contracts (SFAS 120)
Deferred acquisition costs	2.5 – 6.0 %	3.1 – 5.2 %
Aggregate policy reserves	2.5 – 6.0 %	2.0 – 4.3 %

Aggregate policy reserves also include liabilities for guaranteed minimum death, and similar mortality and morbidity benefits related to non-traditional contracts, annuitization options, and sales inducements. These liabilities are calculated based on contractual obligations using actuarial assumptions. Contractually agreed sales inducements to contract holders include persistency bonuses, and are accrued over the period in which the insurance contract must remain in force to qualify for the inducement.

The aggregate policy reserves for unit-linked investment contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserves for non unit-linked investment contracts are equal to amortized cost, or account balance less DAC. DAC for unit-linked and non unit-linked investment contracts are amortized over the expected life of the contracts in proportion to revenues.

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRSs based financial statements and the local financial statements ("latent reserve for premium refunds"), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country	Base	Percentage
Germany		
Life [1]	investments	90 %
Health [1]	investments	80 %
France		
Life	all sources of profit	80 %
Italy		
Life	investments	85 %
Switzerland		
Group Life	all sources of profit	90 %
Individual Life	all sources of profit	100 %

[1] additionally an adequate participation in all other sources of profit.

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized.

Other assets

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments, property and equipment and other assets. Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for own use, equipment and software.

Real estate held for own use (e.g., real estate and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. Costs for repairs and maintenance are expensed as incurred, while improvements if they extend the useful life or increase the value of the asset are capitalized. An impairment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable cost of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 3 to 5 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset or provide additional functionality, are capitalized.

Non-current assets and disposal groups classified as held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be principally recovered through a sale transaction rather than through continuing use. This requires that the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The appropriate level of management must be committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any subsequent increases in fair value less costs shall be recognized as a gain but not in excess of the cumulative impairment loss that has been recognized either in accordance with IFRS 5 or IAS 36. A non-current asset shall not be depreciated while classified as held for sale. A gain or loss not previously recognized by the date of the sale shall be recognized at the date of derecognition.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and

- represents a major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or
- is a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period and the comparable period of the previous years, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations.

Intangible assets
Intangible assets include goodwill, brand names and other intangible assets.

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group's proportionate share of the net fair value of identifiable assets acquired and liabilities and certain contingent liabilities assumed. Goodwill resulting from business combinations is not subject to amortization. It is initially recorded at cost and subsequently measured at cost less accumulated impairments.

The Allianz Group conducts an annual impairment test of goodwill during the 4th quarter or more frequently if there is an indication that goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to each of the Allianz Group's cash generating units that is expected to benefit from the business combination. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and recoverable amount and is allocated to reduce any goodwill, followed by allocation to the carrying amount of any remaining assets. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with indefinite useful lives are not subject to amortization and are subsequently recorded at cost less accumulated impairments. Intangible assets with finite useful lives are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

Similar to goodwill, an intangible asset with an indefinite useful life is subject to an annual impairment test, or more frequently if there is an indication that it is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, the Allianz Group estimates the recoverable amount of the cash generating unit to which the intangible asset belongs. An intangible asset is impaired if the carrying amount is greater than the recoverable amount. The impairment of an intangible asset is equal to the difference between the carrying amount and recoverable amount.

Other liabilities
Other liabilities include payables, unearned income, provisions, deposits retained for reinsurance ceded, derivative financial instruments for hedge accounting purposes that meet the criteria for hedge accounting and firm commitments, financial liabilities for puttable equity instruments and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

Equity
Issued capital represents the mathematical per share value received from the issuance of shares.

Capital reserves represent the premium, or additional paid in capital, received from the issuance of shares.

Revenue reserves include the retained earnings of the Allianz Group and treasury shares. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Foreign currency translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Minority interests represent the proportion of equity that is attributable to minority shareholders.

Premiums earned and claims and insurance benefits paid
Property-casualty insurance premiums are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided.

Health insurance premiums for long-duration contracts such as non-cancelable and guaranteed renewable contracts that are expected to remain in force over an extended period of time are recognized as earned when due. Premiums for short-duration health insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided.

Life insurance premiums from traditional life insurance policies are recognized as earned when due. Premiums from short-duration life insurance policies are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Benefits are recognized when incurred.

Unearned premiums for Property-Casualty and Life/Health contracts are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration and are included within premiums earned (net). Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Interest and similar income/expense

Interest income and interest expense are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when declared. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) represents the share of net income from entities accounted for using the equity method.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expense and transaction costs are included in this line item.

Fee and commission income and expenses

In addition to traditional commission income received on security transactions, fee and commission income in the securities business also includes commissions received in relation to private placements, syndicated loans and financial advisory services. Other fees reflect fees from underwriting business (new issues), commissions received for trust and custody services, for the brokerage of insurance policies, and fees related to credit cards, home loans, savings contracts and real estate. Fee and commission income is recognized in Allianz Group's Banking segment when the corresponding service is provided.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution and servicing fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Income and expenses from fully consolidated private equity investments

All of the income from fully consolidated private equity investments and all of the expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

Income taxes

Income tax expense consists of the current taxes on profits actually charged to the individual Allianz Group subsidiaries and changes in deferred tax assets and liabilities.

The calculation of deferred tax is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for realization.

Leases

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Pensions and similar obligations

The Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 47. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

For each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of: a) 10% of the projected benefit obligation at that date; or b) 10% of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized in net periodic benefit cost in the consolidated income statement over the expected average remaining working lives of the employees participating in the plans.

Share compensation plans

The share-based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with an increase in shareholders' equity, over the vesting period. Equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash settled plans, the Allianz Group accrues the fair value of the award as compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is recognized as compensation expense.

Restructuring plans

Provisions for restructuring are recognized when the Allianz Group has a detailed formal plan for the restructuring and has started to implement the plan or has communicated its main features. The detailed formal plan includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented. The income statement line item, restructuring charges, includes additional restructuring related expenditures that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity but which are not included in the restructuring provisions.

3 Recently adopted and issued accounting pronouncements and changes in the presentation of the consolidated financial statements

Recently adopted accounting pronouncements (effective January 1 and July 1, 2008 and early adoption)

Amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures

In October 2008, the IASB issued amendments to IAS 39, Financial Instruments: Recognition and Measurement, and IFRS 7, Financial Instruments: Disclosures, titled "Reclassification of financial assets". The amendments to IAS 39 permit an entity to reclassify certain non-derivative financial assets out of the "held for trading" ("at fair value through income") category and out of the "available-for-sale" category if the following specific conditions are met.

- Debt instruments, classified as "held for trading" ("at fair value through income") or "available-for-sale" may be reclassified to the "loans and receivable" category, if they meet the definition of loans and receivables at the reclassification date and where the Allianz Group has now the intent and ability to hold the assets for the foreseeable future or until maturity.

- Any other debt instrument and any other equity instrument, classified as "held for trading" ("at fair value through income") may be reclassified to the "held-to-maturity" category (debt instruments) or to the "available-for-sale" category in rare circumstances and where the Allianz Group has no longer the intention to sell or trade the assets in the short term. The IASB acknowledged, that the deterioration of the world's financial markets, that has occurred during the third quarter of 2008 is a possible example of a "rare circumstance".

The amendments to IAS 39 and IFRS 7 are effective July 1, 2008 and should be accounted for on a prospective basis from the date of reclassification. For reclassifications made before November 1, 2008, the amended IAS 39 permits an entity to use fair values as of July 1, 2008 instead of the prevailing fair value at the date of reclassification.

At the reclassification date non-derivative financial assets have to be reclassified at their fair value, which becomes the new cost or amortized cost of the financial asset, as applicable. Previously recognized gains and losses cannot be reversed. After the reclassification date the existing requirements of IAS 39 for measuring financial assets at cost or at amortized cost apply. Any reclassifications under the new requirements of the amended IAS 39 trigger additional extensive disclosure requirements specified in the amendments to IFRS 7.

Allianz Group adopted the amended IAS 39 and IFRS 7 in the third quarter 2008. The adoption of amended IAS 39 and IFRS 7 had no impact on the net income of the Allianz Group for the year ended December 31, 2008.

IFRIC 11, Group and Treasury Share Transactions

In November 2006, the IFRIC issued IFRIC 11, Group and Treasury Share Transactions. IFRIC 11 addresses the application of IFRS 2 to share-based payment arrangements in three cases. When an entity chooses or is required to buy its own equity instruments to settle the share-based payment obligation, the arrangement should be accounted for as equity-settled share-based payment transaction. When a parent grants employees of a subsidiary rights to its equity instruments, assuming the transaction is recorded as an equity-settled transaction in the consolidated financial statements, the subsidiary would also record the transaction as an equity-settled transaction in its financial statements. When a subsidiary grants its employees rights to equity instruments of its parent, the subsidiary should record the transaction as a cash-settled share-based payment transaction. IFRIC 11 is effective for annual periods beginning on or after March 1, 2007. The interpretation did not have a material impact on the Allianz Group's consolidated financial statements.

IFRIC 12, Service Concession Arrangements

In November 2006, the IFRIC issued IFRIC 12, Service Concession Arrangements. IFRIC 12 addresses how service concession operators should apply existing IFRSs to account for the obligations they undertake and rights they receive in service concession arrangements. Service concession arrangements are arrangements whereby a government or other body grants contracts for the supply of public services, such as roads, energy distribution, prisons or hospitals, to private operators. The grantor controls or regulates what services the operator must provide using the assets, to whom, and at what price, and also controls any significant residual interest in the assets at the end of the term of the arrangement. An operator recognises a financial asset and/or an intangible asset in respect of the consideration received or receivable by it, measured at the fair value of the construction or upgrade services it provides. IFRIC 12 is effective for annual periods beginning on or after January 1, 2008. The interpretation does not have a material impact the Allianz Group's consolidated financial statements.

IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

In July 2007, IFRIC issued IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 addresses how entities should determine the limit placed by IAS 19, Employee Benefits, on the amount of a surplus in a pension plan they can recognize as an asset, how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19. The interpretation is mandatory for annual periods beginning on or after January 1, 2008. Earlier application is permitted. The interpretation has not yet been endorsed by the EU, but does not have an impact on the Allianz Group's consolidated financial statements.

Recently issued accounting pronouncements (effective on or after January 1, 2009)

IFRS 8, Operating Segments
In November 2006, the IASB issued IFRS 8, Operating Segments. IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance (i.e., the "management approach"). IFRS 8 requires explanations of how the segment information is prepared as well as reconciliations of total reportable segment revenues, total profits or losses, total assets, total liabilities, and other amounts disclosed for reportable segments to corresponding amounts recognized in the entity's financial statements. IFRS 8 applies to annual financial statements for periods beginning on or after January 1, 2009. IFRS 8 will have no impact on the Allianz Group's financial results or financial position. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of IFRS 8 will have on the Group's segment reporting.

IAS 23, Borrowing Costs - amended
In March 2007, the IASB issued amendments to IAS 23, Borrowing Costs. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The cost of an asset will in future include all costs incurred in getting it ready for use or sale. The revised standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. The amendment is expected to have no impact on the Allianz Group's consolidated financial statements.

IAS 1, Presentation of Financial Statements - revised
In September 2007, the IASB issued the revised IAS 1, Presentation of Financial Statements. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements. The revisions also include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles will be used in accounting standards, but are not mandatory for use in financial statements. Revised IAS 1 applies to annual financial statements for periods beginning on or after January 1, 2009. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of revised IAS 1 will have on the presentation of the Group's financial statements.

IFRS 3, Business Combinations - revised and IAS 27, Consolidated and Separate Financial Statements - revised
In January 2008, the IASB issued a revised version of IFRS 3, Business Combinations, and an amended version of IAS 27, Consolidated and Separate Financial Statements. The revised version of IFRS 3 and the amended version of IAS 27 include the following changes:

– The scope of IFRS 3 has been extended and applies now also to combinations of mutual entities and to combinations achieved by contract alone.

– In partial acquisitions, non-controlling interests are measured as their proportionate interest in the net identifiable assets or at fair value of the interests.

– Under the current IFRS 3, if control is achieved in stages, it is required to measure at fair value every asset and liability at each step for the purpose of calculating a portion of goodwill. The revised version requires that goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

– Acquisition-related costs are generally recognized as expenses and are not included in goodwill.

– Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRSs, usually in profit and loss. Goodwill is no longer adjusted for those changes.

– Transactions with non-controlling interests, i.e., changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

The revised standards apply to annual financial statements for periods beginning on or after July 1, 2009. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of the revised IFRS 3 are not adjusted. The amendments to IAS 27 need to be applied retrospectively with certain exceptions. Earlier application is permitted under certain conditions. The Allianz Group is currently evaluating the potential impact that the adoption of the standards will have on the Group's financial statements.

IFRS 2, Share-based Payment - amended

In January 2008, the IASB issued an amendment to IFRS 2, Share-based Payment. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment applies to annual financial statements for periods beginning on or after January 1, 2009. Earlier application is permitted. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of the amendment of IFRS 2 will have on the Group's financial statements.

IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements - amended

In February 2008, the IASB issued amendments to IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements. IAS 32 requires a financial instrument to be classified as a liability if the holder of that instrument can require the issuer to redeem it for cash. The consequence is that some financial instruments that would usually be considered equity allow the holder to "put" the instrument and are, therefore, considered liabilities rather than equity. The amendments to IAS 32 address this issue and require entities to classify the following types of financial instruments as equity provided they have particular features and meet specific conditions:

– puttable financial instruments (e.g., some shares issued by cooperative entities)

– instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (e.g., some partnership interests and some shares issued by limited life entities).

The amendments apply to annual financial statements for periods beginning on or after January 1, 2009. Earlier application is permitted. The amendments are expected to have no material impact on the Allianz Group's consolidated financial statements.

Improvements to IFRSs

In May 2008, the IASB issued Improvements to IFRSs. The improvements to IFRS project is an annual process that the IASB has adopted to deal with non-urgent but necessary amendments to IFRS (the 'annual improvements process'). The amendments are divided in two parts and include 34 amendments. Part I deals with changes the IASB identified resulting in accounting changes. Part II deals with terminology and editorial amendments that have a minimal impact.

The following table summarizes the changes relating to Part I that are applicable to Allianz Group.

Standard	Description of the change	Effective dates and impact
IFRS 5	If an entity plans to sell the controlling interest in a subsidiary, all of the subsidiary's assets and liabilities will be classified as held for sale under IFRS 5 even when the entity retains a non-controlling interest in the subsidiary after the sale.	Annual periods beginning on or after 1 July 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 1	Assets and liabilities classified as held for trading in accordance with IAS 39 are not automatically classified as current in the balance sheet.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 16	Net selling price is replaced by fair value less costs to sell. Property, plant and equipment held for rental that are routinely sold in the course of business after rental are transferred to inventory when rental ceases and they are held for sale. Proceeds of the sale are shown as revenue. Cash payments on initial recognition of such items, cash receipts from rents and subsequent sales are shown as cash flows from operating activities.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 19	The definition of past service cost is revised to include reductions in benefits related to past services and to exclude reductions in benefits related to future services that arise from plan amendments. Amendments to plans that result in a reduction in benefits related to future services are accounted for as a curtailment. The definition of return on plan assets now excludes plan administration costs if they have already been included in the actuarial assumptions used to measure the defined benefit obligation. The definition of "short-term" and "other long-term"employee benefits is revised to focus on the point in time at which the liability is due to be settled. The reference to the recognition of contingent liabilities is deleted to ensure consistency with IAS 37.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 23	The definition of borrowing costs is revised , i.e., components of interest expense calculated using the effective interest rate method calculated in accordance with IAS 39.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 27	When an entity accounts for a subsidiary at fair value in its separate financial statements, this treatment continues when the subsidiary is subsequently classified as held for sale	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 28	Certain disclosures are required when investments in associates are accounted for at fair value through profit or loss. For the purpose of testing an investment in an associate for impairment, the investment is considered a single asset. Therefore, any impairment is not separately allocated to goodwill included in the investment.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 31	Disclosures are required when interests in jointly controlled entities are accounted for at fair value through profit or loss	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 36	Additional disclosure are required with regard to estimates used to determine recoverable amount	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 38	Expenditures relating to advertising and promotional activities are recognized as expense when the entity has the right to access the goods or has received the services. These activities now also specifically include mail order catalogues. Amendment deletes references to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets with finite useful lives that results in a lower amount of accumulated amortisation than under the straight-line method, thereby effectively allowing the use of the unit of production method.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements
IAS 39	Changes in circumstances relating to derivatives are not reclassifications. When financial assets are reclassified as a result of an insurance company changing its accounting policy in accordance with IFRS 4, this is a change in circumstance, not a reclassification. The reference to "segment" is removed when determining whether an instrument qualifies as a hedge. The use of the revised effective interest rate rather than the original effective interest rate is required when remeasuring a debt instrument on the cessation of fair value hedge accounting.	Annual periods beginning on or after 1 July 2009; impact on Allianz Group's consolidated financial statements currently being evaluated
IAS 40	The scope is being revised now including property that is being constructed or developed for future use as an investment property. Where an entity is unable to determine the fair value of an investment property under construction but expects to be able to determine its fair value on completion, the investment under construction shall be measured at cost until the fair value can be determined or the construction is complete.	Annual periods beginning on or after 1 January 2009; no material impact expected on Allianz Group's consolidated financial statements

Voluntary presentation of improved disclosure requirements for IFRS 7

In October 2008, the IASB released an exposure draft: Improving Disclosures about Financial Instruments, proposed amendments to IFRS 7. This exposure draft proposes in particular amendments to disclosure requirements that are based on a three-level fair value hierarchy (similar to that used in SFAS 157). The amendments apply to financial instruments and require disclosures about:

– the level of the fair value hierarchy into which fair value measurements are categorized in their entirety. This requirement would apply both for fair values included in the consolidated balance sheet and for other fair values that are disclosed but not included in that statement.

– the fair value measurements resulting from the use of significant unobservable inputs to valuation techniques. For these measurements, the disclosures include a reconciliation from the beginning balances to the ending balances.

– the movements between different levels of the fair value hierarchy, and the reasons for those movements.

According to the exposure draft an entity shall apply the amendments for annual periods beginning on or after 1 July 2009. Earlier application is permitted.

An earlier adoption is allowed. In anticipation of the new standard the Allianz Group disclosed voluntarily amendments regarding the fair value hierarchy in the Annual Report 2008. Please refer to Note 44 for details.

IFRIC 13, Customer Loyalty Programmes

In June 2007, the IFRIC issued IFRIC 13, Customer Loyalty Programmes. IFRIC 13 addresses how companies, that grant their customers loyalty award credits (often called "points") when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Customers are implicitly paying for the points they receive when they buy other goods or services. Some revenue should be allocated to the points. Therefore, IFRIC 13 requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. IFRIC 13 is mandatory for annual periods beginning on or after July 1, 2008. Earlier application is permitted. The interpretation is expected to have no material impact the Allianz Group's consolidated financial statements.

IFRIC 15, Agreements for the Construction of Real Estate

In July 2008, the IFRIC issued IFRIC 15, Agreements for the Construction of Real Estate. IFRIC 15 clarifies the definition of a construction contract and the articulation between IAS 11 and IAS 18 and provides guidance on how to account for revenue when the agreement for the construction of real estate falls within the scope of IAS 18. The main expected change is a shift from recognition of revenue using the percentage of completion method to recognition of revenue at a single time (eg at completion, upon or after delivery). Affected agreements will be mainly those accounted for in accordance with IAS 11 that do not meet the definition of a construction contract as interpreted by the IFRIC and do not result in a "continuous transfer" (i.e. agreements in which the entity transfers to the buyer control and the significant risks and rewards of ownership of the work in progress in its current state as construction progresses). IFRIC 15 is effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively. Earlier application is permitted. The interpretation is expected to have no material impact the Allianz Group's consolidated financial statements.

IFRIC 16, Hedges of a Net Investment in a Foreign Operation

In July 2008, the IFRIC issued IFRIC 16, Hedges of a Net Investment in a Foreign Operation. IFRIC 16 provides guidance on:

– identifying the foreign currency risks that qualify as a hedged risk in the hedge of a net investment in a foreign operation;

– where, within a group, hedging instruments that are hedges of a net investment in a foreign operation can be held to qualify for hedge accounting; and

– how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item.

IFRIC 16 concludes that the presentation currency does not create an exposure to which an entity may apply hedge accounting. Consequently, a parent entity may designate as a hedged risk only the foreign exchange differences arising from a difference between its own functional currency and that of its foreign operation. In addition, the hedging instrument(s) may be held by any entity or entities within the group. While IAS 39 must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 must be applied in respect of the hedged item. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008 and is to be applied prospectively. The amendments are expected to have no material impact on Allianz Group's consolidated financial statements.

IFRIC 17, Distributions of Non-cash Assets to Owners

In November 2008, the IFRIC issued IFRIC 17, Distributions of Non-cash Assets to Owners. IFRIC 17 clarifies that:

- a dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity.

- an entity should measure the dividend payable at the fair value of the net assets to be distributed.

- an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.

The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation. IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions. IFRIC 17 is effective for annual periods beginning on or after 1 July 2009 and is to be applied prospectively. Earlier application is permitted. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of IFRIC 17 will have on the Group's consolidated financial statements.

IFRIC 18, Transfers of Assets from Customers

In January 2009, the IFRIC issues IFRIC 18, Transfers of Assets from Customers. IFRIC 18 is particularly relevant for the utility sector. It clarifies the requirements of IFRS for agreements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods and services. The entity might in certain cases receive cash from a customer which must be used only to acquire or construct the item of property, plant and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services or both. IFRIC 18 includes a clarification with regard to

- the circumstances in which the definition of an asset is met,
- the recognition of the asset and measurement of its cost on initial recognition,
- the identification of the separately identifiable services,
- the recognition of revenue,
- the accounting for transfers of cash from customers.

IFRIC 18 is effective for annual periods beginning on or after 1 July 2009 and applies prospectively. Limited retrospective application is permitted. IFRIC 18 is expected to have no material impact on Allianz Group's consolidated financial statements.

Changes in the presentation of the consolidated financial statements

Reclassification of Dresdner Bank Group as disposal group held for sale and discontinued operation

On August 31, 2008, Allianz SE and Commerzbank AG agreed on the sale of Dresdner Bank AG ("Dresdner Bank") to Commerzbank AG. Following the announcement of the sale, Dresdner Bank qualifies as disposal group held for sale and discontinued operation according to the requirements of IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

Thus, almost all assets and liabilities of Dresdner Bank have been reclassified and presented as separate line items "Non-current assets and assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively, on the face of the consolidated balance sheet as of December 31, 2008. Comparative information has not been adjusted in accordance with IFRS 5.

All income and expenses relating to the discontinued operations of Dresdner Bank have been reclassified and presented in a separate line item "Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings" in the consolidated income statements for all years presented in accordance with IFRS 5.

The following table summarizes the impact on the consolidated income statements for the year ended December 31, 2007 and 2006, respectively:

	2007			2006		
	As previously reported	Classified as discontinued operations	Reported as income and expense from continuing operations	As previously reported	Classified as discontinued operations	Reported as income and expense from continuing operations
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Premiums written	65,788	—	65,788	65,275	—	65,275
Ceded premiums written	(5,934)	—	(5,934)	(6,218)	—	(6,218)
Change in unearned premiums	(492)	—	(492)	(533)	—	(533)
Premiums earned (net)	**59,362**	**—**	**59,362**	**58,524**	**—**	**58,524**
Interest and similar income	26,047	(7,423)	18,624	23,956	(6,526)	17,430
Income from financial assets and liabilities carried at fair value through income (net)	(1,247)	430	(817)	940	(1,310)	(370)
Realized gains/losses (net)	6,548	(540)	6,008	6,151	(230)	5,921
Fee and commission income	9,440	(2,887)	6,553	8,856	(2,831)	6,025
Other income	217	—	217	86	(25)	61
Income from fully consolidated private equity investments	2,367	—	2,367	1,392	—	1,392
Total income	**102,734**	**(10,420)**	**92,314**	**99,905**	**(10,922)**	**88,983**
Claims and insurance benefits incurred (gross)	(46,409)	—	(46,409)	(45,523)	—	(45,523)
Claims and Insurance benefits incurred (ceded)	3,287	—	3,287	3,226	—	3,226
Claims and insurance benefits incurred (net)	**(43,122)**	**—**	**(43,122)**	**(42,297)**	**—**	**(42,297)**
Change in reserves for insurance and investment contracts (net)	(10,685)	—	(10,685)	(11,375)	—	(11,375)
Interest expenses	(6,672)	4,602	(2,070)	(5,759)	4,126	(1,633)
Loan loss provisions	113	(131)	(18)	(36)	31	(5)
Impairments of investments (net)	(1,272)	87	(1,185)	(775)	215	(560)
Investment expenses	(1,057)	20	(1,037)	(1,108)	53	(1,055)
Acquisition and administrative expenses (net)	(23,218)	4,430	(18,788)	(23,486)	5,018	(18,468)
Fee and commission expenses	(2,673)	360	(2,313)	(2,351)	311	(2,040)
Amortization of intangible assets	(17)	—	(17)	(51)	—	(51)
Restructuring charges	(232)	50	(182)	(964)	422	(542)
Other expenses	(14)	(3)	(17)	1	(14)	(13)
Expenses from fully consolidated private equity investments	(2,317)	—	(2,317)	(1,381)	—	(1,381)
Total expenses	**(91,166)**	**9,415**	**(81,751)**	**(89,582)**	**10,162**	**(79,420)**
Income before income taxes and minority interests in earnings	**11,568**	**(1,005)**	**10,563**	**10,323**	**(760)**	**9,563**
Income taxes	(2,854)	282	(2,572)	(2,013)	293	(1,720)
Minority interests in earnings	(748)	73	(675)	(1,289)	86	(1,203)
Net income	**7,966**	**(650)**	**7,316**	**7,021**	**(381)**	**6,640**

For a detailed description of the transaction agreement see Note 4.

Change in the presentation from administrative expenses to acquisition costs

Allianz Group discloses the acquisition costs and administrative expenses (net) in the consolidated income statement. Acquisition costs and administrative expenses are disaggregated according to segment and type of costs in Note 39. Acquisition costs relate to the acquisition and administration of insurance policies and include commissions and other acquisition costs paid, commissions and profit received on reinsurance ceded, deferrals of acquisition costs and amortizations of deferred acquisition costs. Administrative expenses include personnel expenses, operating expenses, and other administrative expenses.

Few of Allianz Group's subsidiaries have incorrectly allocated some of the costs into acquisition costs and administrative expenses in the past. These incorrect allocations have been corrected in the notes to the consolidated financial statements. This reclassification from administrative expenses to acquisition costs affects only the Property-Casualty segment.

The change in presentation has had no effect on consolidation, reported earnings or equity.

The following table summarizes the impact that this reclassification has had on the previously reported financial statements:

	Segment			Group		
	As previously reported	Adjustment	As adjusted	As previously reported	Adjustment	As adjusted
2007						
Property Casualty						
Acquisition costs						
Incurred	(7,310)	(380)	(7,690)	(7,310)	(380)	(7,690)
Commissions and profit received on reinsurance business ceded	691	(20)	671	689	(20)	669
Deferrals of acquisition costs	4,511	—	4,511	4,511	—	4,511
Amortization of deferred acquisition costs	(4,384)	—	(4,384)	(4,384)	—	(4,384)
Subtotal	(6,492)	(400)	(6,892)	(6,494)	(400)	(6,894)
Administrative expenses	(4,124)	400	(3,724)	(4,060)	400	(3,660)
Subtotal	(10,616)	—	(10,616)	(10,554)	—	(10,554)
2006						
Property Casualty						
Acquisition costs						
Incurred	(7,131)	(384)	(7,515)	(7,131)	(384)	(7,515)
Commissions and profit received on reinsurance business ceded	722	(5)	717	721	(5)	716
Deferrals of acquisition costs	3,983	—	3,983	3,983	—	3,983
Amortization of deferred acquisition costs	(3,843)	—	(3,843)	(3,843)	—	(3,843)
Subtotal	(6,269)	(389)	(6,658)	(6,270)	(389)	(6,659)
Administrative expenses	(4,321)	389	(3,932)	(4,240)	389	(3,851)
Subtotal	(10,590)	—	(10,590)	(10,510)	—	(10,510)

Reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

4 Assets and liabilities of disposal groups classified as held for sale and discontinued operations

Impact of the sale of Dresdner Bank AG to Commerzbank AG

On August 31, 2008, Allianz SE ("Allianz") and Commerzbank AG ("Commerzbank") agreed on the sale of Dresdner Bank AG ("Dresdner Bank") to Commerzbank. The transaction was planned to take place in two steps. In the first step, Commerzbank would acquire 60.2% of the shares in Dresdner Bank from Allianz. In exchange Allianz would receive cash, the Asset Manager cominvest, a long-term distribution agreement and 163.5 mn new shares in Commerzbank generated from a capital increase against contribution in kind which was equivalent to a share of 18.4% of the increased share capital of Commerzbank. Of the total cash payment of € 2.54 bn, € 975 mn would be provided to a trust account to cover ultimate losses for specific ABS assets. In the second step, which was subject to the approval by the General Meetings of both entities, Dresdner Bank would be merged with Commerzbank and Allianz would receive shares in Commerzbank. The expected stake that Allianz would have held in Commerzbank would have amounted to nearly 30%. The fair value of these considerations amounted to € 7.8 bn as of September 30, 2008. Lastly, it was agreed that Oldenburgische Landesbank AG ("OLB") and the banking clients that were introduced through our tied agent's channel as well as some other bank participations would remain within the Allianz Group.

On November 27, 2008, Allianz and Commerzbank agreed to accelerate the change in ownership of Dresdner Bank. According to the new agreement, Commerzbank will also immediately take ownership of the 39.8% share, which was originally contemplated in the second step, in exchange for an additional cash payment of € 1.4 bn at the beginning of 2009. The trust fund agreed upon in the original transaction agreement will be foregone. In exchange, Allianz will receive a compensation payment of € 250 mn in cash. Other agreements remain unchanged. According to the agreement in November 2008, Allianz will receive a total of € 3.215 bn in cash and 163.5 mn Commerzbank shares equal to an 18.4% stake in Commerzbank's share capital as well as the Asset Manager cominvest and a long-term distribution agreement in exchange for Dresdner Bank. With this new agreement, Dresdner Bank and Commerzbank should be able to merge approximately six to nine months earlier than originally planned.

Additionally, the Special Fund Financial Market Stabilization (SoFFin), Allianz and Commerzbank agreed on January 9, 2009, to strengthen the new Commerzbank's core capital ratio with a silent participation of € 750 mn from Allianz in Dresdner Bank and the acquisition of Collaterized Debt Obligations (CDOs) by Allianz for a consideration of € 1.1 bn. SoFFin will receive a 25% plus one share participation in Commerzbank shareholders' equity. The investment of SoFFin in Commerzbank will dilute the newly acquired stake of Allianz in Commerzbank to about 13.8%. The fair value of these considerations amounts to € 5.1 bn as of December 31, 2008.

The transfer of ownership of Dresdner Bank to Commerzbank was completed on January 12, 2009 as scheduled.

With the agreement of the sale transaction Dresdner Bank qualifies as disposal group held for sale and discontinued operation according to the requirements of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Thus, almost all assets and liabilities of Dresdner Bank have been reclassified and presented as separate line items "Non-current assets and assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively, on the face of the consolidated balance sheet as of December 31, 2008. Comparative information has not been adjusted in accordance with IFRS 5.

All income and expenses relating to the discontinued operations of Dresdner Bank have been reclassified and presented in a separate line item "Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings" in the consolidated income statements for all years presented in accordance with IFRS 5.

The following tables shows the assets and liabilities of disposal groups classified as held for sale.

As of December 31,	2008 € mn
Cash and cash equivalents	30,238
Financial assets carried at fair value through income	201,911
Investments	11,113
Loans and advances to banks and customers	166,718
Deferred tax assets	37
Other assets	7,056
Intangible assets	801
Total assets of disposal groups classified as held for sale	**417,874**

As of December 31,	2008 € mn
Financial liabilities carried at fair value through income	180,249
Liabilities to banks and customers	193,315
Deferred tax liabilities	214
Other liabilities	7,983
Certificated liabilities	22,419
Participation certificates and subordinated liabilities	6,289
Total liabilities of disposal groups classified as held for sale	**410,469**

The following table shows the accumulated other comprehensive income and expenses, net of tax

As of December 31,	2008 € mn
Gains on cash flow hedges, net of tax	60
Cumulative foreign currency translation adjustment, net of tax	(516)
Unrealized gains on securities, net of tax	95
Total accumulated other comprehensive loss, net of tax related to disposal groups classified as held for sale	**(361)**

Net income (loss) from discontinued operations

Due to the structure of the transaction, Allianz ceased to be exposed to changes in the results of Dresdner Bank from the signing date. Instead Allianz is exposed to changes in the fair value of its stake in Commerzbank. Therefore, the loss from discontinued operations is mainly subject to changes in the fair value of the consideration received.

As disclosed in our interim report for the third quarter of 2008, the loss from discontinued operations amounted to € 3.5 bn, stemming from Dresdner Bank's net loss of € 2.1 bn until the change in ownership and an impairment charge of € 1.4 bn, reflecting the difference between the fair value of considerations agreed (€ 7.8 bn) and the carrying value of € 9.2 bn. Between October 1, 2008 and the date of completion of the transaction on January 12, 2009, the fair value of the agreed consideration declined by € 2.7 bn.

Net income (loss) from discontinued operations for the years ended December 31, 2008, 2007 and 2006, respectively is comprised of:

	2008 1) 3) € mn	2007 3) € mn	2006 3) € mn
Interest and similar income	5,257	7,423	6,526
Income from financial assets and liabilities carried at fair value through income (net)	(1,439)	(430)	1,310
Realized gains/losses (net)	285	540	230
Fee and commission income	1,760	2,887	2,831
Other income	—	—	25
Total income from discontinued operations	**5,863**	**10,420**	**10,922**
Interest expenses	(3,401)	(4,602)	(4,126)
Loan loss provisions	(327)	131	(31)
Impairments of investments (net)	(102)	(87)	(215)
Investment expenses	(2)	(20)	(53)
Acquisition and administrative expenses (net)	(3,326)	(4,430)	(5,018)
Fee and commission expenses	(267)	(360)	(311)
Amortization of intangible assets	(2)	—	—
Restructuring charges	(17)	(50)	(422)
Other expenses	(52)	3	14
Total expenses from discontinued operations	**(7,496)**	**(9,415)**	**(10,162)**
Result from discontinued operations before income taxes and minority interests in earnings	**(1,633)**	**1,005**	**760**
Income taxes	(398)	(282)	(293)
Minority interests in earnings	(43)	(73)	(86)
Result from operating activities of discontinued operations	**(2,074)**	**650**	**381**
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008 2)	(1,409)	—	—
Result from transaction between September 30, 2008 and December 31, 2008 2)	(2,928)	—	—
After-tax loss on remeasurement of assets of disposal group to fair value less costs to sell	**(4,337)**	**—**	**—**
Net income (loss) from discontinued operations	**(6,411)**	**650**	**381**

1) For the year ended 2008 the result from operating activities of discontinued operations represents the nine months ended September 30, 2008. Previous year figures represent 12 months ended December 31.
2) No income taxes were related to the impairment loss of September 30, 2008 and to the result from transaction between September 30, 2008 and December 31, 2008.
3) All numbers are stated on a consolidated basis.

5 Consolidation

Scope of consolidation

In addition to Allianz SE, the consolidated financial statements for the period ended December 31, 2008, generally include all German and foreign operating companies in which Allianz SE directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which Allianz SE is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Allianz SE.

Consolidated group	2008	2007	2006
Number of fully consolidated companies (subsidiaries)			
Germany	152	172	143
Other countries [1]	935	1,003	824
Total	**1,087**	**1,175**	**967**
Number of fully consolidated investment funds			
Germany	49	47	51
Other countries	9	12	21
Total	**58**	**59**	**72**
Number of fully consolidated Special Purpose Entities ("SPE")	**59**	**55**	**46**
Total of fully consolidated entities	**1,204**	**1,289**	**1,085**
thereof: Related to the discontinued operation of Dresdner Bank	365		
Number of joint ventures valued at equity	**10**	**4**	**9**
thereof: Related to the discontinued operation of Dresdner Bank	1	—	—
Number of associated entities valued at equity	**167**	**218**	**177**
thereof: Related to the discontinued operation of Dresdner Bank	15	—	—

[1] Includes 10 (2007: 8; 2006: 9) subsidiaries where the Allianz Group owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. ("CreditRas") and Antoniana Veneta Popolare Vita S.p.A. ("Antoniana"). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions of these subsidiaries are performed by the employees of the Allianz Group and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

All subsidiaries, joint ventures and associated enterprises are individually listed in the disclosure of equity investments that will be published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's Website. The disclosure of equity investments includes individually listed commercial partnerships which are exempt from preparing single financial statements in accordance with section 264b of the German Commercial Code ("HGB") as they are included in the consolidated financial statements of the Allianz Group. Selected subsidiaries and associated entities are listed in the selected subsidiaries and other holdings section.

Significant acquisitions

	Equity interest %	Date of first-time consoli-dation	Segment	Goodwill [2] € mn	Transaction
2008					
Allianz Hayat ve Emeklilik AŞ, Istanbul	89.0	07/21/2008	Life/Health	81	Increase in equity interest
Allianz Sigorta AŞ, Istanbul	84.2	07/21/2008	Property-Casualty	166	Increase in equity interest
2007					
Russian People's Insurance Society "ROSNO", Moscow	97.2	02/21/2007	Property-Casualty	514	Increase in equity interest
Selecta AG, Muntelier [1]	100.0	07/03/2007	Corporate	472	Purchase
Insurance Company "Progress Garant", Moscow	100.0	05/31/2007	Property-Casualty	70	Purchase
Commerce Assurance Bhd., Kuala Lumpur	100.0	09/30/2007	Property-Casualty	49	Purchase
JSC Insurance Company "ATF POLICY", Almaty	100.0	09/30/2007	Property-Casualty	8	Purchase
2006					
manroland AG, Offenbach	100.0 [3]	7/18/2006	Corporate	144	Purchase
Home & Legacy Limited, London	100.0	6/15/2006	Property-Casualty	68	Purchase
Premier Line Direct Limited, Lancaster	100.0	10/01/2006	Property-Casualty	36	Purchase

1) Classified as "held for sale"
2) At the date of first-time consolidation
3) Group share through indirect holder Roland Holding GmbH, Munich at the date of first-time consolidation: 65,0%

2008 Significant acquisitions

Allianz Sigorta AŞ, Istanbul and Allianz Hayat ve Emeklilik AŞ, Istanbul

In April 2008, the Allianz Group signed a share purchase agreement to acquire 47.1% of shares in the non-life insurer Allianz Sigorta AŞ, Istanbul, and 51.0% of the shares in the life-insurance and pension company Allianz Hayat ve Emeklilik AŞ, Istanbul, for a total consideration of € 373 mn. The transaction has been approved by the relevant regulatory and competition board on July 21, 2008 so that Allianz Group now holds 84.2% and 89.0% of shares, respectively.

The impact of the acquisition, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2008 was:

	€ mn
Intangible assets	(247)
Other assets	(914)
Other liabilities	870
Minority interests	38
Less: previous investment in Allianz Sigorta and Hayat	101
Acquisition of subsidiary, net of cash acquired	**(152)**

Components of costs

	€ mn
Purchase price Allianz Sigorta AŞ (47.1%)	248
Purchase price Allianz Hayat ve Emeklilik AŞ (51.0%)	125
Transaction costs	—
Total purchase price	**373**

The impact of Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ on the Allianz Group's net income for the year ended December 31, 2008 was € 8.3 mn.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value €mn	Carrying amount €mn
Cash and cash equivalents	221	221
Investments	386	374
Financial assets for unit-linked contracts	150	150
Reinsurance assets	136	136
Deferred acquisition costs	51	6
Other assets	201	183
Total assets	**1 145**	**1 070**
Unearned premiums	249	249
Reserves for loss and loss adjustments	117	117
Reserves for insurance and investment contracts	269	263
Financial liabilities for unit-linked contracts	150	150
Other liabilities	91	85
Total equity	270	206
Total liabilities and equity	**1 145**	**1 070**

At the date of acquisition the goodwill reflects mainly the market position and growth potential of the turkish insurance market.

The premiums written and premiums earned (net) of the combined entity (Allianz Group including Allianz Hayat and Allianz Sigorta) for the year ended December 31, 2008 would have been € 66,417 mn and € 60,660 mn, respectively, if the acquisition date had been on January 1, 2008. The net loss of the combined entity for the year ended December 31, 2008 would have been € 2,415 mn if the acquisition date had been on January 1, 2008.

2007 Significant acquisitions

Russian People's Insurance Society "ROSNO", Moscow

On February 21, 2007, the Allianz Group acquired additional 49.8 % of Russian People´s Insurance Society "ROSNO", Moscow ("ROSNO") at a purchase price of € 572 mn. ROSNO is the second largest insurance company in Russia which offers products in the business segments Property-Casualty, Life/Health and Asset Management.

The impact of the acquisition of ROSNO net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	€mn
Intangible assets	(530)
Other assets	(798)
Other liabilities	717
Deferred tax liabilities	15
Minority interests	10
Less: previous investment in Rosno	78
Acquisition of subsidiary, net of cash acquired	**(508)**

Components of costs

	€mn
Purchase price (49.8 % interest)	571
Subsequent acquisition costs	1
Total purchase price	**572**

The impact on the Allianz Group's net income for the year ended December 31, 2007 was € (11) mn.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value €mn	Carrying amount €mn
Cash and cash equivalents	64	64
Investments	408	408
Reinsurance assets	55	55
Deferred acquisition costs	73	71
Other assets	303	279
Intangible assets	16	—
Total assets	**919**	**877**
Unearned premiums	350	350
Reserves for loss and loss adjustments	122	120
Other liabilities	258	252
Total equity	189	155
Total liabilities and equity	**919**	**877**

At the date of acquisition the goodwill reflects mainly the market position and growth potential of the russian insurance market.

The revenues of the combined entity (Allianz Group including ROSNO) for the year ended December 31, 2007 would have been € 102,785 mn, if the acquisition date had been on January 1, 2007. The net income of the combined entity for the year ended December 31, 2007 would have been € 7,969 mn if the acquisition date had been on January 1, 2007.

Selecta AG, Muntelier

On July 3, 2007, the Allianz Group acquired 100.0 % of Selecta AG, Muntelier at a purchase price of € 1,126 mn. Selecta AG, Muntelier is the leading vending operator in Europe.

The impact of the acquisition of Selecta AG, Muntelier, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	€ mn
Intangible assets	(1,113)
Loans and advances to banks and customers	(107)
Other assets	(301)
Other liabilities	258
Deferred tax liabilities	190
Acquisition of subsidiary, net of cash acquired	**(1,073)**

Components of costs

	€ mn
Purchase price (100.0 % interest)	1,126
Transaction costs	—
Total purchase price	**1,126**

The impact on the Allianz Group's net income for the year ended December 31, 2007 was € (11) mn.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	53	53
Other assets	404	360
Intangible assets	683	46
Total assets	**1,140**	**459**
Other liabilities	448	230
Total equity	692	229
Total liabilities and equity	**1,140**	**459**

The revenues of the combined entity (Allianz Group including Selecta AG) for the year ended December 31, 2007 would have been € 102,978 mn if the acquisition date had been on January 1, 2007. The net income of the combined entity for the year ended December 31, 2007 would have been € 8,013 mn if the acquisition date had been on January 1, 2007.

During the fourth quarter ended December 31, 2007, Selecta AG, Muntelier was reclassified to disposal groups held for sale.

2006 Significant acquisitions

manroland AG, Offenbach

On July 18, 2006, the Allianz Group acquired 100.0 % (Group share through indirect holder Roland Holding GmbH, Munich at the date of first-time consolidation: 65,0 %) of manroland AG, Offenbach, at a purchase price of € 554 mn. Manroland AG is the world's second largest manufacturer of printing systems.

The impact of the acquisition of manroland AG, Offenbach, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2006 was:

	€ mn
Intangible assets	268
Loans and advances to banks and customers	386
Other assets	931
Liabilities to banks and customers	(491)
Other liabilities	(625)
Deferred tax liabilities	(125)
Acquisition of subsidiary, net of cash acquired	**344**

Components of costs

	€ mn
Purchase price (100.0 % interest)	553
Transaction costs	1
Total purchase price	**554**

The impact on the Group's net income for the year ended December 31, 2006 was € 3 mn.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	210	210
Investments	10	7
Other assets	1,316	1,131
Intangible assets	125	78
Total assets	**1,661**	**1,426**
Other liabilities	1,230	1,115
Total equity	431	311
Total liabilities and equity	**1,661**	**1,426**

The revenues of the combined entity (Allianz Group including manroland AG) for the year ended December 31, 2006 would have been € 102,137 mn if the acquisition date had been on January 1, 2006. The net income of the combined entity for the year ended December 31, 2006 would have been € 7,024 mn if the acquisition date had been on January 1, 2006.

Significant disposals

	Equity interest %	Date of deconsolidation	Proceeds from sale € mn	Segment	Goodwill € mn	Transaction
2008						
DEGI Deutsche Gesellschaft für Immobilienfonds m.b.H, Frankfurt am Main	94.0	01/01/2008	103	Banking	—	Sale to third party
2007						
Grundstücksgesellschaft der Vereinten Versicherungen mbH & Co. Besitz- und Betriebs KG, Munich	93.7	12/14/2007	194	Property-Casualty	—	Sale to third party
Les Assurances Fédérales IARD, Strasbourg	60.0	09/30/2007	86	Property-Casualty	—	Sale to third party
Allianz PFI (UK) Ltd., London	100.0	08/17/2007	52	Corporate	—	Sale to third party
Adriática de Seguros C.A., Caracas	98.3	08/31/2007	26	Property-Casualty/Life/Health	—	Sale to third party
2006						
Four Seasons Health Care Ltd., Wilmslow	100.0	8/31/2006	863	Corporate	158	Sale to third party

Acquisitions and disposals of significant minority interests

	Date of acquisition/disposal	Equity interest change %	Costs of acquisition € mn	Increase (decrease) in shareholders' equity € mn	Increase (decrease) of minority interests € mn
2008					
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2008	5.2	425	(352)	(73)
Allianz Global Investors of America L.P., Dover/Delaware	02/28/2008	2.5	122	(122)	—
Russian People's Insurance Society „ROSNO", Moscow	10/27/2008	2.6	34	(30)	(4)
Allianz Mena Holding Bermuda, Beirut	08/25/2008	30.3	26	(16)	(10)
2007					
Assurances Générales de France, Paris [1]	during 2007	39.8	10,052	(3,419)	(3,868)
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2007	3.8	303	(211)	(92)
Allianz Taiwan Life Insurance Co. Ltd., Taipei	04/19/2007	49.6	40	(39)	(1)
2006					
Riunione Adriatica di Sicurtà S.p.A., Milan ("RAS") [1]	10/13/2006	23.7	3,653	1,659	(1,659)
Allianz Global Investors of America L.P., Delaware	during 2006	0.3	70	(70)	—

[1] Impact on shareholders' equity includes increase in equity due to financing of AGF minority buy-out in the year 2007 of € 2,765 mn and RAS minority buy-out in the year 2006 of € 3,653 mn.

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6 Segment reporting

The business activities of the Allianz Group are first segregated by product and type of service: insurance activities, banking activities, asset management activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property-casualty and life/health categories. Thus, the Allianz Group's segments are structured as Property-Casualty, Life/Health, Banking, Asset Management and Corporate. The insurance segments of the Allianz Group are further analyzed by geographical areas or regions.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Transfers between business segments are eliminated in the consolidation.

Property-Casualty

In the Property-Casualty segment, a wide variety of insurance products is offered to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance. The core markets for the Property-Casualty business are Germany, France, Italy and other European countries, like the United Kingdom, Switzerland and Spain. Further operations are run in particular in the United States, Central and Eastern Europe and Asia-Pacific.

Life/Health

In the Life/Health segment a comprehensive range of life and health insurance products on both individual and group basis is offered, including annuity, endowment and term insurance, unit-linked and investment-oriented products as well as full private health and supplemental health and care insurance. The core markets are Germany, France, Italy and the United States.

Banking

After the classification of Dresdner Bank as discontinued operation, the banking segment consists of the banking activites in Germany, France, Italy and Central and Eastern Europe. The banks offer a wide range of products for corporate and retail clients with its main focus on the latter.

Asset Management

The Asset Management segment operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed-income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

Corporate

The Corporate segment activities include the management and support of Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions. The Corporate segment also includes the Group's alternative investment activities.

Operating Profit

The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time. Operating profit highlights the portion of income before income taxes and minority interests in earnings attributable to the on-going core operations of the Allianz Group. To better understand the on-going operations of the business, we exclude the effects of acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations; and we exclude interest expense from external debt and non-operating income from financial assets and liabilities carried at fair value through income (net) as these relate to our capital structure.

The Allianz Group believes that trends in the underlying profitability of its business can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments of investment securities, as these are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at the discretion of the Allianz Group. Similarly, restructuring charges are excluded because the timing of the restructuring charges are largely within the control of the Allianz Group, and accordingly their exclusion provides additional insight into the operating trends of the underlying business. This differentiation is not made if the profit sources are shared with policyholders.

Operating profit should be viewed as complementary to, and not a substitute for, income before income taxes and minority interests in earnings or net income as determined in accordance with IFRS.

Allianz Group
Business Segment Information – Consolidated Balance Sheets

As of December 31,	Property-Casualty 2008 € mn	Property-Casualty 2007 € mn	Life/Health 2008 € mn	Life/Health 2007 € mn
ASSETS				
Cash and cash equivalents	2,669	4,985	4,827	8,779
Financial assets carried at fair value through income	1,998	3,302	11,739	13,216
Investments	75,563	83,741	186,794	187,289
Loans and advances to banks and customers	17,648	20,712	90,619	91,188
Financial assets for unit-linked contracts	—	—	50,450	66,060
Reinsurance assets	9,442	10,317	5,178	5,043
Deferred acquisition costs	3,723	3,681	18,693	15,838
Deferred tax assets	1,579	1,442	737	316
Other assets	23,876	21,409	18,085	13,294
Non-current assets and assets of disposal groups classified as held for sale	—	455	—	777
Intangible assets	2,384	2,332	2,300	2,218
Total assets	**138,882**	**152,376**	**389,422**	**404,018**

As of December 31,	Property-Casualty 2008 € mn	Property-Casualty 2007 € mn	Life/Health 2008 € mn	Life/Health 2007 € mn
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	103	96	5,833	5,147
Liabilities to banks and customers	530	6,865	1,274	6,078
Unearned premiums	12,984	13,163	2,258	1,858
Reserves for loss and loss adjustment expenses	55,616	56,943	8,320	6,773
Reserves for insurance and investment contracts	8,595	8,976	287,932	283,139
Financial liabilities for unit-linked contracts	—	—	50,450	66,060
Deferred tax liabilities	2,580	2,606	833	946
Other liabilities	20,523	22,989	16,625	17,741
Liabilities of disposal groups classified as held for sale	—	—	—	—
Certificated liabilities	167	158	2	3
Participation certificates and subordinated liabilities	846	905	65	60
Total liabilities	**101,944**	**112,701**	**373,592**	**387,805**

Banking		Asset Management		Corporate		Consolidation		Group	
2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn
892	17,307	860	770	515	445	(805)	(949)	8,958	31,337
112	168,339	639	980	631	887	(879)	(1,263)	14,240	185,461
2,670	16,284	818	879	101,455	102,894	(107,153)	(104,135)	260,147	286,952
13,931	295,506	382	469	5,958	4,754	(12,883)	(15,927)	115,655	396,702
—	—	—	—	—	—	—	—	50,450	66,060
—	—	—	—	—	—	(21)	(48)	14,599	15,312
—	—	147	94	—	—	—	—	22,563	19,613
95	1,733	173	161	1,457	935	(45)	184	3,996	4,771
1,947	8,199	3,388	3,452	7,684	8,519	(20,976)	(16,848)	34,004	38,025
420,695	4	—	—	1,639	2,267	(2,821)	—	419,513	3,503
200	2,379	6,327	6,227	240	257	—	—	11,451	13,413
440,542	**509,751**	**12,734**	**13,032**	**119,579**	**120,958**	**(145,583)**	**(138,986)**	**955,576**	**1,061,149**

Banking		Asset Management		Corporate		Consolidation		Group	
2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 € mn	2007 € mn
50	120,383	—	—	873	1,376	(615)	(949)	6,244	126,053
16,260	320,388	702	807	5,970	13,023	(6,285)	(10,667)	18,451	336,494
—	—	—	—	—	—	(9)	(1)	15,233	15,020
—	—	—	—	—	—	(12)	(10)	63,924	63,706
—	—	—	—	227	358	(197)	(229)	296,557	292,244
—	—	—	—	—	—	—	—	50,450	66,060
2	102	28	35	433	88	(43)	196	3,833	3,973
879	11,010	3,307	3,647	16,329	13,333	(24,733)	(20,689)	32,930	48,031
414,360	1	—	—	1,347	1,292	(3,891)	—	411,816	1,293
1,279	34,778	—	—	13,497	9,567	(5,401)	(2,436)	9,544	42,070
185	7,966	14	14	8,493	7,069	(257)	(1,190)	9,346	14,824
433,015	**494,628**	**4,051**	**4,503**	**47,169**	**46,106**	**(41,443)**	**(35,975)**	**918,328**	**1,009,768**
						Total equity		**37,248**	**51,381**
						Total liabilities and equity		955,576	1,061,149

Allianz Group
Business Segment Information – Consolidated Income Statements

	Property-Casualty			Life/Health			Banking		
	2008 €mn	2007 €mn	2006 €mn	2008 €mn	2007 €mn	2006 €mn	2008 €mn	2007 €mn	2006 €mn
Premiums written	**43,387**	**44,289**	**43,674**	**22,809**	**21,522**	**21,614**	**—**	**—**	**—**
Ceded premiums written	(4,972)	(5,320)	(5,415)	(527)	(637)	(816)	—	—	—
Change in unearned premiums	(202)	(416)	(309)	(51)	(76)	(224)	—	—	—
Premiums earned (net)	**38,213**	**38,553**	**37,950**	**22,231**	**20,809**	**20,574**	**—**	**—**	**—**
Interest and similar income	4,477	4,473	4,096	13,772	13,417	12,972	989	883	734
Income from financial assets and liabilities carried at fair value through income (net)	(116)	85	189	(261)	(940)	(361)	(5)	2	45
Realized gains/losses (net)	2,386	1,479	1,792	835	3,716	3,282	(6)	18	15
Fee and commission income	1,247	1,178	1,014	571	701	630	430	528	503
Other income	271	122	69	140	182	43	—	—	—
Income from fully consolidated private equity investments	3	—	—	18	—	—	—	—	—
Total income	**46,481**	**45,890**	**45,110**	**37,306**	**37,885**	**37,140**	**1,408**	**1,431**	**1,297**
Claims and insurance benefits incurred (gross)	(28,157)	(28,131)	(27,028)	(20,146)	(18,292)	(18,520)	—	—	—
Claims and insurance benefits incurred (ceded)	2,171	2,646	2,356	473	655	895	—	—	—
Claims and insurance benefits incurred (net)	**(25,986)**	**(25,485)**	**(24,672)**	**(19,673)**	**(17,637)**	**(17,625)**	**—**	**—**	**—**
Change in reserves for insurance and investment contracts (net)	3	(339)	(425)	(5,122)	(10,268)	(10,525)	—	—	—
Interest expense	(295)	(402)	(273)	(283)	(374)	(280)	(677)	(558)	(443)
Loan loss provisions	(17)	(6)	(2)	(13)	3	(1)	(29)	(5)	3
Impairments of investments (net)	(2,449)	(343)	(200)	(6,161)	(827)	(390)	(120)	(3)	—
Investment expenses	(207)	(322)	(300)	(673)	(833)	(750)	9	6	6
Acquisition and administrative expenses (net)	(10,356)	(10,616)	(10,590)	(4,375)	(4,588)	(4,437)	(552)	(589)	(550)
Fee and commission expenses	(1,141)	(967)	(721)	(253)	(209)	(223)	(193)	(233)	(235)
Amortization of intangible assets	(17)	(14)	(1)	(3)	(3)	(26)	(2)	—	—
Restructuring charges	(75)	(122)	(362)	(50)	(45)	(174)	(2)	(2)	(2)
Other expenses	(2)	(13)	(4)	(7)	(2)	(9)	(3)	(2)	—
Expenses from fully consolidated private equity investments	(3)	—	—	(20)	—	—	—	—	—
Total expenses	**(40,545)**	**(38,629)**	**(37,550)**	**(36,633)**	**(34,783)**	**(34,440)**	**(1,569)**	**(1,386)**	**(1,221)**
Income (loss) from continuing operations before income taxes and minority interests in earnings	**5,936**	**7,261**	**7,560**	**673**	**3,102**	**2,700**	**(161)**	**45**	**76**
Income taxes	(1,489)	(1,656)	(2,075)	(260)	(897)	(641)	54	10	(1)
Minority interests in earnings	(112)	(431)	(739)	(86)	(214)	(416)	(7)	—	(6)
Net income (loss) from continuing operations	**4,335**	**5,174**	**4,746**	**327**	**1,991**	**1,643**	**(114)**	**55**	**69**
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	**—**	**—**	**—**	**—**	**—**	**—**	**(6,304)**	**322**	**849**
Net income (loss)	**4,335**	**5,174**	**4,746**	**327**	**1,991**	**1,643**	**(6,418)**	**377**	**918**

Asset Management			Corporate			Consolidation			Group		
2008 €mn	2007 €mn	2006 €mn	2008 €mn	2007 €mn	2006 €mn	2008 €mn	2007 €mn	2006 €mn	2008 €mn	2007 €mn	2006 €mn
—	—	—	—	—	—	(25)	(23)	(13)	66,171	65,788	65,275
—	—	—	—	—	—	25	23	13	(5,474)	(5,934)	(6,218)
—	—	—	—	—	—	—	—	—	(253)	(492)	(533)
—	—	—	—	—	—	—	—	—	60,444	59,362	58,524
98	135	112	883	855	509	(1,147)	(1,139)	(993)	19,072	18,624	17,430
(77)	31	38	112	51	(334)	(339)	(46)	53	(686)	(817)	(370)
5	2	7	245	980	861	138	(187)	(36)	3,603	6,008	5,921
4,032	4,403	4,186	221	198	190	(469)	(455)	(498)	6,032	6,553	6,025
28	14	11	1	15	28	(32)	(116)	(90)	408	217	61
—	—	—	2,528	2,367	1,392	—	—	—	2,549	2,367	1,392
4,086	4,585	4,354	3,990	4,466	2,646	(1,849)	(1,943)	(1,564)	91,422	92,314	88,983
—	—	—	—	—	—	16	14	25	(48,287)	(46,409)	(45,523)
—	—	—	—	—	—	(16)	(14)	(25)	2,628	3,287	3,226
—	—	—	—	—	—	—	—	—	(45,659)	(43,122)	(42,297)
—	—	—	—	—	—	(21)	(78)	(425)	(5,140)	(10,685)	(11,375)
(35)	(55)	(41)	(1,580)	(1,586)	(1,282)	977	905	686	(1,893)	(2,070)	(1,633)
—	—	—	—	(10)	(5)	—	—	—	(59)	(18)	(5)
(19)	(1)	(2)	(697)	(11)	32	(49)	—	—	(9,495)	(1,185)	(560)
(1)	1	—	11	(115)	(215)	216	226	204	(645)	(1,037)	(1,055)
(2,239)	(2,391)	(2,286)	(444)	(642)	(655)	44	38	50	(17,922)	(18,788)	(18,468)
(1,158)	(1,270)	(1,262)	(170)	(130)	(127)	413	496	528	(2,502)	(2,313)	(2,040)
(1)	—	(24)	—	—	—	—	—	—	(23)	(17)	(51)
—	(4)	(4)	(2)	(9)	—	—	—	—	(129)	(182)	(542)
—	—	—	—	—	—	—	—	—	(12)	(17)	(13)
—	—	—	(2,452)	(2,317)	(1,381)	5	—	—	(2,470)	(2,317)	(1,381)
(3,453)	(3,720)	(3,619)	(5,334)	(4,820)	(3,633)	1,585	1,587	1,043	(85,949)	(81,751)	(79,420)
633	865	735	(1,344)	(354)	(987)	(264)	(356)	(521)	5,473	10,563	9,563
(249)	(342)	(278)	631	217	824	26	96	451	(1,287)	(2,572)	(1,720)
(5)	(25)	(53)	(12)	(21)	(16)	3	16	27	(219)	(675)	(1,203)
379	498	404	(725)	(158)	(179)	(235)	(244)	(43)	3,967	7,316	6,640
—	—	—	—	—	—	(107)	328	(468)	(6,411)	650	381
379	498	404	(725)	(158)	(179)	(342)	84	(511)	(2,444)	7,966	7,021

Consolidated Financial Statements and Notes

Allianz Group
Business Segment Information – Insurance

As of and for the years ended December 31,	Premiums earned (net) 2008 € mn	2007 € mn	2006 € mn	Loss ratio [1] 2008 %	2007 %	2006 %
PROPERTY-CASUALTY						
Europe						
Germany	10,191	9,245	9,843	67.3	64.8	65.1
Italy	4,647	4,902	4,935	73.1	71.2	68.8
France	3,281	4,422	4,429	69.3	70.9	71.0
United Kingdom	1,769	1,989	1,874	60.7	66.3	64.1
Spain	1,863	1,820	1,675	69.9	71.6	71.0
Switzerland	1,190	1,595	1,706	70.2	69.5	69.3
Western and Southern Europe	2,822	2,768	2,819	63.9	67.4	61.7
New Europe	2,312	2,067	1,388	59.0	60.8	61.1
Subtotal	28,075	28,808	28,669	—	—	—
NAFTA	3,380	3,426	3,622	74.3	61.6	58.4
Asia-Pacific	1,397	1,415	1,336	71.1	69.5	68.7
South America	764	692	623	65.1	62.9	64.8
Other	62	53	35	— [2]	— [2]	— [2]
Specialty Lines						
Allianz Global Corporate and Specialty	1,981	1,800	1,545	59.7	67.9	62.5
Credit Insurance	1,360	1,268	1,113	77.6	47.9	49.7
Travel Insurance and Assistance Services	1,196	1,093	1,008	57.6	58.1	58.7
Subtotal	4,537	4,161	3,666	—	—	—
Subtotal	38,215	38,555	37,951	—	—	—
Consolidation [3]	(2)	(2)	(1)	—	—	—
Total	38,213	38,553	37,950	68.0	66.1	65.0

As of and for the years ended December 31,	Statutory premiums [4] 2008 € mn	2007 € mn	2006 € mn	Statutory expense ratio [5] 2008 %	2007 %	2006 %
LIFE/HEALTH						
Europe						
Germany Life	13,487	13,512	13,009	8.5	5.8	9.1
Germany Health	3,119	3,123	3,091	9.0	9.8	9.3
Italy	5,996	9,765	8,555	8.9	5.8	6.4
France	7,991	6,550	5,792	14.9	15.4	12.6
Switzerland	1,205	992	1,005	9.9	10.6	9.9
Spain	843	738	629	8.8	9.2	9.3
Western and Southern Europe	1,852	1,762	1,655	14.5	12.1	14.8
New Europe	1,141	1,039	828	24.4	20.0	19.6
Subtotal	35,634	37,481	34,564	—	—	—
NAFTA	6,111	6,968	8,758	(0.1)	11.9	8.0
Asia-Pacific	3,465	4,638	3,733	13.8	10.2	11.2
South America	190	78	147	10.3	32.6	16.9
Other	422	418	439	— [2]	— [2]	— [2]
Subtotal	45,822	49,583	47,641	—	—	—
Consolidation [3]	(207)	(216)	(220)	—	—	—
Total	45,615	49,367	47,421	9.7	9.4	9.6

[1] Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
[2] Presentation not meaningful.
[3] Represents elimination of intercompany transactions between Allianz Group subsidiaries in different geographic regions.
[4] Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
[5] Represents acquisition and administrative expenses (net) divided by statutory premiums (net).
[6] Represents acquisition and administrative expenses (net) divided by premiums earned (net).

	Expense ratio [6]			Operating profit (loss)			Total assets	
	2008 %	2007 %	2006 %	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn
	25.7	26.8	27.8	1,865	1,628	1,478	42,112	52,034
	23.6	23.6	23.0	690	719	816	13,480	14,307
	27.9	26.4	28.2	280	486	420	26,648	25,748
	34.3	33.3	31.6	253	207	280	4,841	6,434
	20.5	19.8	19.3	286	253	252	4,028	4,185
	22.6	25.6	23.5	145	218	228	4,128	5,678
	26.4	28.0	28.5	376	482	550	9,819	7,952
	33.7	33.5	30.9	300	256	184	5,744	5,773
	—	—	—	4,195	4,249	4,208	110,800	122,111
	26.7	29.6	30.5	293	663	825	11,535	10,818
	25.9	26.5	27.2	288	312	244	4,841	6,073
	33.4	36.1	36.4	82	55	47	1,363	1,340
	—[2]	—[2]	—[2]	12	10	9	990	236
	29.1	28.1	29.7	486	414	404	15,878	16,362
	26.7	28.6	27.9	144	496	442	4,991	4,814
	35.7	35.6	43.1	106	97	90	1,437	1,376
	—	—	—	736	1,007	936	22,306	22,552
	—	—	—	5,606	6,296	6,269	151,835	163,130
	—	—	—	43	3	—	(12,953)	(10,754)
	27.1	27.5	27.9	5,649	6,299	6,269	138,882	152,376

	Operating profit			Total assets	
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn
	620	695	521	146,920	154,903
	112	164	184	20,041	20,637
	206	372	339	43,794	50,294
	128	632	582	73,172	74,321
	71	66	50	9,967	8,930
	103	104	92	6,089	5,818
	78	184	182	17,513	17,316
	48	61	50	3,391	3,165
	1,366	2,278	2,000	320,887	335,384
	(228)	385	418	56,192	54,728
	41	300	81	12,534	14,260
	10	—	1	291	234
	23	37	48	4,677	327
	1,212	3,000	2,548	394,581	404,933
	(6)	(5)	17	(5,159)	(915)
	1,206	2,995	2,565	389,422	404,018

Allianz Group
Business Segment Information – Banking

As of and for the years ended December 31,	Operating revenues			Operating profit (loss)			Cost-income ratio			Total assets	
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 %	2007 %	2006 %	2008 € mn	2007 € mn
Germany	325	326	320	4	(12)	(4)	92.8	104.1	102.6	11,165 [1]	501,797
Italy	176	219	201	55	76	47	66.7	64.0	75.1	4,143	3,711
France	—	46	64	(58)	(21)	18	— [2]	145.2	74.1	3,298	3,392
New Europe	43	31	19	(32)	(11)	2	164.8	126.4	86.2	1,241	851
Total	544	622	604	(31)	32	63	100.4	94.1	90.1	19,847	509,751

1) Does not include € 420,695 mn assets of disposal groups classified as held for sale of Dresdner Bank as of December 31, 2008 .
2) Presentation not meaningful.

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Allianz Group
Business Segment Information – Total revenues and reconciliation of Operating profit (loss) to Net income (loss)

	Property-Casualty [1]			Life/Health [1]			Banking		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
Total revenues [2]	43,387	44,289	43,674	45,615	49,367	47,421	544	622	604
Premiums earned (net)	38,213	38,553	37,950	22,231	20,809	20,574	—	—	—
Interest and similar income	4,477	4,473	4,096	13,772	13,417	12,972	989	883	734
Operating income from financial assets and liabilities carried at fair value through income (net)	(158)	144	106	(235)	(945)	(361)	(5)	2	45
Operating realized gains/losses (net)	37	46	46	874	3,579	3,087	—	—	—
Fee and commission income	1,247	1,178	1,014	571	701	630	430	528	503
Other income	271	122	69	140	182	43	—	—	—
Income from fully consolidated private equity investments	3	—	—	18	—	—	—	—	—
Claims and insurance benefits incurred (net)	(25,986)	(25,485)	(24,672)	(19,673)	(17,637)	(17,625)	—	—	—
Change in reserves for insurance and investment contracts (net)	3	(339)	(425)	(5,122)	(10,268)	(10,525)	—	—	—
Interest expenses, excluding interest expenses from external debt	(295)	(402)	(273)	(283)	(374)	(280)	(677)	(558)	(443)
Loan loss provisions	(17)	(6)	(2)	(13)	3	(1)	(29)	(5)	3
Operating impairments of investments (net)	(437)	(67)	(25)	(5,747)	(824)	(390)	—	—	—
Investment expenses	(207)	(322)	(300)	(673)	(833)	(750)	9	6	6
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(10,356)	(10,616)	(10,590)	(4,375)	(4,588)	(4,437)	(552)	(589)	(550)
Fee and commission expenses	(1,141)	(967)	(721)	(253)	(209)	(223)	(193)	(233)	(235)
Operating restructuring charges	—	—	—	1	(16)	(140)	—	—	—
Other expenses	(2)	(13)	(4)	(7)	(2)	(9)	(3)	(2)	—
Expenses from fully consolidated private equity investments	(3)	—	—	(20)	—	—	—	—	—
Reclassification of tax benefits	—	—	—	—	—	—	—	—	—
Operating profit (loss)	5,649	6,299	6,269	1,206	2,995	2,565	(31)	32	63
Non-operating income from financial assets and liabilities carried at fair value through income (net)	42	(59)	83	(26)	5	—	—	—	—
Non-operating realized gains/losses (net)	2,349	1,433	1,746	(39)	137	195	(6)	18	15
Non-operating impairments of investments (net)	(2,012)	(276)	(175)	(414)	(3)	—	(120)	(3)	—
Interest expenses from external debt	—	—	—	—	—	—	—	—	—
Acquisition-related expenses	—	—	—	—	—	—	—	—	—
Amortization of intangible assets	(17)	(14)	(1)	(3)	(3)	(26)	(2)	—	—
Non-operating restructuring charges	(75)	(122)	(362)	(51)	(29)	(34)	(2)	(2)	(2)
Reclassification of tax benefits	—	—	—	—	—	—	—	—	—
Non-operating items	287	962	1,291	(533)	107	135	(130)	13	13
Income (loss) from continuing operations before income taxes and minority interests in earnings	5,936	7,261	7,560	673	3,102	2,700	(161)	45	76
Income taxes	(1,489)	(1,656)	(2,075)	(260)	(897)	(641)	54	10	(1)
Minority interests in earnings	(112)	(431)	(739)	(86)	(214)	(416)	(7)	—	(6)
Net income (loss) from continuing operations	4,335	5,174	4,746	327	1,991	1,643	(114)	55	69
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	—	—	—	—	—	—	(6,304)	322	849
Net income (loss)	4,335	5,174	4,746	327	1,991	1,643	(6,418)	377	918

1) Since the first quarter 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

2) Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums (including unit-linked and other investment-oriented products), Banking segment's operating revenues and Asset Management segment's operating revenues.

	Asset Management			Corporate			Consolidation			Group		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
	2,887	3,259	3,044	—	—	—	115	144	130	92,548	97,681	94,873
	—	—	—	—	—	—	—	—	—	60,444	59,362	58,524
	98	135	112	883	855	509	(1,147)	(1,139)	(993)	19,072	18,624	17,430
	(77)	31	38	(98)	(26)	(60)	(160)	12	(4)	(733)	(782)	(236)
	—	—	—	—	—	—	36	4	(25)	947	3,629	3,108
	4,032	4,403	4,186	221	198	190	(469)	(455)	(498)	6,032	6,553	6,025
	28	14	11	1	15	28	(32)	(116)	(90)	408	217	61
	—	—	—	2,528	2,367	1,392	—	—	—	2,549	2,367	1,392
	—	—	—	—	—	—	—	—	—	(45,659)	(43,122)	(42,297)
	—	—	—	—	—	—	(21)	(78)	(425)	(5,140)	(10,685)	(11,375)
	(35)	(55)	(41)	(635)	(535)	(507)	977	905	686	(948)	(1,019)	(858)
	—	—	—	—	(10)	(5)	—	—	—	(59)	(18)	(5)
	—	—	—	—	—	—	(15)	—	1	(6,199)	(891)	(414)
	(1)	1	—	11	(115)	(215)	216	226	204	(645)	(1,037)	(1,055)
	(1,961)	(1,900)	(1,754)	(477)	(627)	(655)	44	38	50	(17,677)	(18,282)	(17,936)
	(1,158)	(1,270)	(1,262)	(170)	(130)	(127)	413	496	528	(2,502)	(2,313)	(2,040)
	—	—	—	—	—	—	—	—	—	1	(16)	(140)
	—	—	—	—	—	—	—	—	—	(12)	(17)	(13)
	—	—	—	(2,452)	(2,317)	(1,381)	5	—	—	(2,470)	(2,317)	(1,381)
	—	—	—	—	—	—	24	60	429	24	60	429
	926	1,359	1,290	(188)	(325)	(831)	(129)	(47)	(137)	7,433	10,313	9,219
	—	—	—	210	77	(274)	(179)	(58)	57	47	(35)	(134)
	5	2	7	245	980	861	102	(191)	(11)	2,656	2,379	2,813
	(19)	(1)	(2)	(697)	(11)	32	(34)	—	(1)	(3,296)	(294)	(146)
	—	—	—	(945)	(1,051)	(775)	—	—	—	(945)	(1,051)	(775)
	(278)	(491)	(532)	33	(15)	—	—	—	—	(245)	(506)	(532)
	(1)	—	(24)	—	—	—	—	—	—	(23)	(17)	(51)
	—	(4)	(4)	(2)	(9)	—	—	—	—	(130)	(166)	(402)
	—	—	—	—	—	—	(24)	(60)	(429)	(24)	(60)	(429)
	(293)	(494)	(555)	(1,156)	(29)	(156)	(135)	(309)	(384)	(1,960)	250	344
	633	865	735	(1,344)	(354)	(987)	(264)	(356)	(521)	5,473	10,563	9,563
	(249)	(342)	(278)	631	217	824	26	96	451	(1,287)	(2,572)	(1,720)
	(5)	(25)	(53)	(12)	(21)	(16)	3	16	27	(219)	(675)	(1,203)
	379	498	404	(725)	(158)	(179)	(235)	(244)	(43)	3,967	7,316	6,640
	—	—	—	—	—	—	(107)	328	(468)	(6,411)	650	381
	379	498	404	(725)	(158)	(179)	(342)	84	(511)	(2,444)	7,966	7,021

Property-Casualty Segment [1]

	2008 €mn	2007 €mn	2006 €mn
Gross premiums written [2]	**43,387**	**44,289**	**43,674**
Ceded premiums written	(4,972)	(5,320)	(5,415)
Change in unearned premiums	(202)	(416)	(309)
Premiums earned (net)	**38,213**	**38,553**	**37,950**
Interest and similar income	4,477	4,473	4,096
Operating income from financial assets and liabilities carried at fair value through income (net) [3]	(158)	144	106
Operating realized gains/losses (net) [4]	37	46	46
Fee and commission income	1,247	1,178	1,014
Other income	271	122	69
Income from fully consolidated private equity investments	3	—	—
Operating revenues	**44,090**	**44,516**	**43,281**
Claims and insurance benefits incurred (net)	(25,986)	(25,485)	(24,672)
Changes in reserves for insurance and investment contracts (net)	3	(339)	(425)
Interest expenses	(295)	(402)	(273)
Loan loss provisions	(17)	(6)	(2)
Operating impairments of investments (net) [5]	(437)	(67)	(25)
Investment expenses	(207)	(322)	(300)
Acquisition and administrative expenses (net)	(10,356)	(10,616)	(10,590)
Fee and commission expenses	(1,141)	(967)	(721)
Other expenses	(2)	(13)	(4)
Expenses from fully consolidated private equity investments	(3)	—	—
Operating expenses	**(38,441)**	**(38,217)**	**(37,012)**
Operating profit	**5,649**	**6,299**	**6,269**
Non-operating income from financial assets and liabilities carried at fair value through income (net) [3]	42	(59)	83
Non-operating realized gains/losses (net) [4]	2,349	1,433	1,746
Non-operating impairments of investments (net) [5]	(2,012)	(276)	(175)
Amortization of intangible assets	(17)	(14)	(1)
Restructuring charges	(75)	(122)	(362)
Non-operating items	**287**	**962**	**1,291**
Income before income taxes and minority interests in earnings	**5,936**	**7,261**	**7,560**
Income taxes	(1,489)	(1,656)	(2,075)
Minority interests in earnings	(112)	(431)	(739)
Net income	**4,335**	**5,174**	**4,746**
Loss ratio [6] in %	68.0	66.1	65.0
Expense ratio [7] in %	27.1	27.5	27.9
Combined ratio [8] in %	**95.1**	**93.6**	**92.9**

1) Since 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
2) For the Property-Casualty segment, total revenues are measured based upon gross premiums written.
3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.
4) The total of these items equals realized gains/losses (net) in the segment income statement.
5) The total of these items equals impairments of investments (net) in the segment income statement.
6) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
7) Represents acquisition and administrative expenses (net) divided by premiums earned (net).
8) Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Life/Health Segment [1]

	2008 € mn	2007 € mn	2006 € mn
Statutory premiums [2]	**45,615**	**49,367**	**47,421**
Ceded premiums written	(588)	(644)	(840)
Change in unearned premiums	(54)	(61)	(221)
Statutory premiums (net)	44,973	48,662	46,360
Deposits from SFAS 97 insurance and investment contracts	(22,742)	(27,853)	(25,786)
Premiums earned (net)	**22,231**	**20,809**	**20,574**
Interest and similar income	13,772	13,417	12,972
Operating income from financial assets and liabilities carried at fair value through income (net) [3]	(235)	(945)	(361)
Operating realized gains/losses (net) [4]	874	3,579	3,087
Fee and commission income	571	701	630
Other income	140	182	43
Income from fully consolidated private equity investments	18	—	—
Operating revenues	**37,371**	**37,743**	**36,945**
Claims and insurance benefits incurred (net)	(19,673)	(17,637)	(17,625)
Changes in reserves for insurance and investment contracts (net)	(5,122)	(10,268)	(10,525)
Interest expenses	(283)	(374)	(280)
Loan loss provisions	(13)	3	(1)
Operating impairments of investments (net) [5]	(5,747)	(824)	(390)
Investment expenses	(673)	(833)	(750)
Acquisition and administrative expenses (net)	(4,375)	(4,588)	(4,437)
Fee and commission expenses	(253)	(209)	(223)
Operating restructuring charges [6]	1	(16)	(140)
Other expenses	(7)	(2)	(9)
Expenses from fully consolidated private equity investments	(20)	—	—
Operating expenses	**(36,165)**	**(34,748)**	**(34,380)**
Operating profit	**1,206**	**2,995**	**2,565**
Non-operating income from financial assets and liabilities carried at fair value through income (net) [3]	(26)	5	—
Non-operating realized gains/losses (net) [4]	(39)	137	195
Non-operating impairments of investments (net) [5]	(414)	(3)	—
Amortization of intangible assets	(3)	(3)	(26)
Non-operating restructuring charges [6]	(51)	(29)	(34)
Non-operating items	**(533)**	**107**	**135**
Income before income taxes and minority interests in earnings	**673**	**3,102**	**2,700**
Income taxes	(260)	(897)	(641)
Minority interests in earnings	(86)	(214)	(416)
Net income	**327**	**1,991**	**1,643**
Statutory expense ratio [7] in %	**9.7**	**9.4**	**9.6**

[1] Since 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.
[2] For the Life/Health segment, total revenues are measured based upon statutory premiums. Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
[3] The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.
[4] The total of these items equals realized gains/losses (net) in the segment income statement.
[5] The total of these items equals impairments of investments (net) in the segment income statement.
[6] The total of these items equals restructuring charges in the segment income statement.
[7] Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Banking Segment

	2008 €mn	2007 €mn	2006 €mn
Net interest income [1]	312	325	291
Net fee and commission income [2]	237	295	268
Trading income (net) [3]	(5)	2	45
Income from financial assets and liabilities designated at fair value through income (net) [3]	—	—	—
Operating revenues [4]	**544**	**622**	**604**
Administrative expenses	(552)	(589)	(550)
Investment expenses	9	6	6
Other expenses	(3)	(2)	—
Operating expenses	**(546)**	**(585)**	**(544)**
Loan loss provisions	(29)	(5)	3
Operating profit (loss)	**(31)**	**32**	**63**
Realized gains/losses (net)	(6)	18	15
Impairments of investments (net)	(120)	(3)	—
Amortization of intangible assets	(2)	—	—
Restructuring charges	(2)	(2)	(2)
Non-operating items	**(130)**	**13**	**13**
Income (loss) from continuing operations before income taxes and minority interests in earnings	**(161)**	**45**	**76**
Income taxes	54	10	(1)
Minority interests in earnings	(7)	—	(6)
Net income (loss) from continuing operations	**(114)**	**55**	**69**
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	**(6,304)**	**322**	**849**
Net income (loss)	**(6,418)**	**377**	**918**
Cost-income ratio [5] in %	**100.4**	**94.1**	**90.1**

1) Represents interest and similar income less interest expenses.
2) Represents fee and commission income less fee and commission expenses.
3) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.
4) For the Banking segment, total revenues are measured based upon operating revenues.
5) Represents operating expenses divided by operating revenues.

Asset Management Segment

	2008		2007		2006	
	Asset Management €mn	Allianz Global Investors €mn	Asset Management €mn	Allianz Global Investors €mn	Asset Management €mn	Allianz Global Investors €mn
Net fee and commission income [1]	2,874	2,812	3,133	3,060	2,924	2,874
Net interest income [2]	62	54	81	75	71	66
Income from financial assets and liabilities carried at fair value through income (net)	(77)	(80)	31	29	38	37
Other income	28	27	14	14	11	12
Operating revenues [3]	**2,887**	**2,813**	**3,259**	**3,178**	**3,044**	**2,989**
Administrative expenses, excluding acquisition-related expenses [4]	(1,961)	(1,909)	(1,900)	(1,857)	(1,754)	(1,713)
Operating expenses	**(1,961)**	**(1,909)**	**(1,900)**	**(1,857)**	**(1,754)**	**(1,713)**
Operating profit	**926**	**904**	**1,359**	**1,321**	**1,290**	**1,276**
Realized gains/losses (net)	5	5	2	4	7	5
Impairments of investments (net)	(19)	(13)	(1)	(1)	(2)	(2)
Acquisition-related expenses [4], thereof:						
Deferred purchases of interests in PIMCO	(278)	(278)	(488)	(488)	(523)	(523)
Other acquisition-related expenses	—	—	(3)	(3)	(9)	(9)
Subtotal	**(278)**	**(278)**	**(491)**	**(491)**	**(532)**	**(532)**
Amortization of intangible assets	(1)	(1)	—	—	(24)	(23)
Restructuring charges	—	—	(4)	(4)	(4)	(4)
Non-operating items	**(293)**	**(287)**	**(494)**	**(492)**	**(555)**	**(556)**
Income before income taxes and minority interests in earnings	**633**	**617**	**865**	**829**	**735**	**720**
Income taxes	(249)	(246)	(342)	(337)	(278)	(276)
Minority interests in earnings	(5)	(2)	(25)	(22)	(53)	(49)
Net income	**379**	**369**	**498**	**470**	**404**	**395**
Cost-income ratio [5] in %	**67.9**	**67.9**	**58.3**	**58.4**	**57.6**	**57.3**

[1] Represents fee and commission income less fee and commission expenses.
[2] Represents interest and similar income less interest expenses and investment expenses.
[3] For the Asset Management segment, total revenues are measured based upon operating revenues.
[4] The total of these items equals acquisition and administrative expenses (net) in the segment income statement.
[5] Represents operating expenses divided by operating revenues

Corporate Segment

	2008 € mn	2007 € mn	2006 € mn
Interest and similar income	883	855	509
Operating income from financial assets and liabilities carried at fair value through income (net) [1]	(98)	(26)	(60)
Fee and commission income	221	198	190
Other income	1	15	28
Income from fully consolidated private equity investments	2,528	2,367	1,392
Operating revenues	**3,535**	**3,409**	**2,059**
Interest expenses, excluding interest expenses from external debt [2]	(635)	(535)	(507)
Loan loss provision	—	(10)	(5)
Investment expenses	11	(115)	(215)
Acquisition and administrative expenses (net), excluding acquisition-related expenses [3]	(477)	(627)	(655)
Fee and commission expenses	(170)	(130)	(127)
Expenses from fully consolidated private equity investments	(2,452)	(2,317)	(1,381)
Operating expenses	**(3,723)**	**(3,734)**	**(2,890)**
Operating loss	**(188)**	**(325)**	**(831)**
Non-operating income from financial assets and liabilities carried at fair value through income (net) [1]	210	77	(274)
Realized gains/losses (net)	245	980	861
Interest expenses from external debt [2]	(945)	(1,051)	(775)
Impairments of investments (net)	(697)	(11)	32
Acquisition-related expenses [3]	33	(15)	—
Restructuring charges	(2)	(9)	—
Non-operating items	**(1,156)**	**(29)**	**(156)**
Loss before income taxes and minority interests in earnings	**(1,344)**	**(354)**	**(987)**
Income taxes	631	217	824
Minority interests in earnings	(12)	(21)	(16)
Net loss	**(725)**	**(158)**	**(179)**

1) The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.
2) The total of these items equals interest expenses in the segment income statement.
3) The total of these items equals acquisition and administrative expenses (net) in the segment income statement.

Supplementary Information to the Consolidated Balance Sheets

7 Cash and cash equivalents

As of December 31,	2008[1)] € mn	2007 € mn
Balances with banks payable on demand	7,760	23,848
Balances with central banks	456	6,301
Cash on hand	169	918
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	573	270
Total	8,958	31,337

1) Does not include cash and cash equivalents of Dresdner Bank which were classified as held for sale. See Note 4.

As of December 31, 2008, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 363 mn (2007: € 5,473mn).

8 Financial assets carried at fair value through income

As of December 31,	2008[1)] € mn	2007 € mn
Financial assets held for trading		
Debt securities	547	59,715
Equity securities	99	30,596
Derivative financial instruments	1,978	73,230
Subtotal	2,624	163,541
Financial assets designated at fair value through income		
Debt securities[2)]	8,589	15,924
Equity securities	3,027	4,232
Loans to banks and customers	—	1,764
Subtotal	11,616	21,920
Total	14,240	185,461

1) Does not include financial assets carried at fair value through income of Dresdner Bank which were classified as held for sale. See Note 4.
2) Debt securities designated at fair value through income include € 0.2 bn of asset-backed securities of the Life/Health segment as of December 31, 2008.

Debt and equity securities included in financial assets held for trading

Equity and debt securities included in financial assets held for trading are primarily marketable and listed securities. As of December 31, 2008, the debt securities include € 55 mn (2007: € 17,281 mn) from public sector issuers and € 492 mn (2007: € 42,434 mn) from other issuers.

Credit risk exposure of loans to banks and customers designated at fair value through income

As of December 31, 2008 all of the loans to banks and customers designated at fair value through income related to the discontinued operations of Dresdner Bank and thus have been reclassified and presented as "Non-current assets and assets from disposal groups held for sale" in accordance with IFRS 5.

9 Investments

As of December 31,	2008[1)] € mn	2007 € mn
Available-for-sale investments	242,099	268,001
Held-to-maturity investments	4,934	4,659
Funds held by others under reinsurance contracts assumed	1,039	1,063
Investments in associates and joint ventures	4,524	5,471
Real estate held for investment	7,551	7,758
Total	260,147	286,952

1) Does not include investments of Dresdner Bank which were classified as held for sale. See Note 4.

Consolidated Financial Statements and Notes

Available-for-sale investments

As of December 31,	2008				2007			
	Amortized Cost €mn	Unrealized Gains €mn	Unrealized Losses €mn	Fair Value €mn	Amortized Cost €mn	Unrealized Gains €mn	Unrealized Losses €mn	Fair Value €mn
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)[1]	7,814	177	(2)	7,989	7,628	30	(112)	7,546
Corporate mortgage-backed securities (residential and commercial)[1]	8,714	14	(1,417)	7,311	6,663	39	(101)	6,601
Other asset-backed securities[1]	4,858	16	(385)	4,489	5,384	34	(92)	5,326
Government and government agency bonds								
Germany	10,786	748	(11)	11,523	12,987	127	(187)	12,927
Italy	22,101	428	(353)	22,176	23,090	232	(259)	23,063
France	13,628	1,240	(42)	14,826	13,452	596	(255)	13,793
United States	3,996	343	(22)	4,317	4,544	114	(20)	4,638
Spain	5,414	299	(16)	5,697	6,717	150	(79)	6,788
Belgium	4,571	217	(2)	4,786	5,050	38	(114)	4,974
All other countries	34,246	1,298	(574)	34,970	32,445	77	(565)	31,957
Subtotal	94,742	4,573	(1,020)	98,295	98,285	1,334	(1,479)	98,140
Corporate bonds	98,864	1,367	(7,028)	93,203	86,095	660	(2,356)	84,399
Other	1,283	58	(18)	1,323	2,933	99	(104)	2,928
Subtotal	216,275	6,205	(9,870)	212,610	206,988	2,196	(4,244)	204,940
Equity securities	23,802	6,538	(851)	29,489	40,794	22,734	(467)	63,061
Total	240,077	12,743	(10,721)	242,099	247,782	24,930	(4,711)	268,001

[1] includes asset-backed-securities of the Property-Casualty segment of € 4.4 bn and of the Life/Health segment of € 14.5 bn as of December 31, 2008.

Held-to-maturity investments

As of December 31,	2008				2007			
	Amortized Cost €mn	Unrealized Gains €mn	Unrealized Losses €mn	Fair Value €mn	Amortized Cost €mn	Unrealized Gains €mn	Unrealized Losses €mn	Fair Value €mn
Government and government agency bonds								
Germany	15	3	—	18	130	—	—	130
Italy	374	9	(1)	382	447	9	—	456
All other countries	1,575	64	(6)	1,633	1,555	26	(17)	1,564
Subtotal	1,964	76	(7)	2,033	2,132	35	(17)	2,150
Corporate bonds[1]	2,957	84	(21)	3,020	2,500	31	(3)	2,528
Other	13	—	—	13	27	—	—	27
Total	4,934	160	(28)	5,066	4,659	66	(20)	4,705

[1] includes also corporate mortgage-backed securities.

Unrealized losses on available-for-sale investments and held-to-maturity investments

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, segregated by investment category and length of time such investments have been in a continuous unrealized loss position as of December 31, 2008 and 2007.

	Less than 12 months		Greater than 12 months		Total	
As of December 31,	Fair Value €mn	Unrealized Losses €mn	Fair Value €mn	Unrealized Losses €mn	Fair Value €mn	Unrealized Losses €mn
2008						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	29	(1)	133	(1)	162	(2)
Corporate mortgage-backed securities (residential and commercial)	3,749	(763)	3,196	(655)	6,945	(1,418)
Other asset-backed securities	2,014	(193)	1,673	(192)	3,687	(385)
Government and government agency bonds	7,964	(416)	8,300	(611)	16,264	(1,027)
Corporate bonds	24,370	(2,509)	25,911	(4,539)	50,281	(7,048)
Other	406	(18)	—	—	406	(18)
Subtotal	38,532	(3,900)	39,213	(5,998)	77,745	(9,898)
Equity securities	8,184	(838)	96	(13)	8,280	(851)
Total	46,716	(4,738)	39,309	(6,011)	86,025	(10,749)
2007						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	1,371	(22)	4,115	(90)	5,486	(112)
Corporate mortgage-backed securities (residential and commercial)	2,720	(50)	1,902	(51)	4,622	(101)
Other asset-backed securities	1,527	(50)	979	(42)	2,506	(92)
Government and government agency bonds	36,587	(699)	18,522	(797)	55,109	(1,496)
Corporate bonds	33,724	(1,075)	20,183	(1,284)	53,907	(2,359)
Other	1,062	(50)	487	(54)	1,549	(104)
Subtotal	76,991	(1,946)	46,188	(2,318)	123,179	(4,264)
Equity securities	7,480	(467)	—	—	7,480	(467)
Total	84,471	(2,413)	46,188	(2,318)	130,659	(4,731)

Government and agency mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 2 mn as of December 31, 2008. The unrealized loss positions concern mostly issues of United States government agencies, which are primarily held by Allianz Group's North American entities. These pay-through/pass-through securities are serviced by cash flows from pools of underlying loans to mostly private debtors. The unrealized losses of these mortgage-backed securities were partly caused by interest rate increases between purchase date of the individual securities and the balance sheet date. Also in various instances, price decreases were caused by increased prepayment risk for individual loan pools that were originated in a significantly higher interest rate environment. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, instances of insignificant deterioration of credit quality and without immediate intent to sell the securities, the Allianz Group does not consider these investments to be impaired at December 31, 2008.

Corporate mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 1,418 mn as of December 31, 2008. The unrealized loss positions primarily stem from issues in the US-American security market, which are mostly held be Allianz Group's North American entities. The largest part of these issues is backed by mortgages on commercial rather than residential real estate. The unrealized losses of these mortgage-backed securities were mostly caused by the increased volatility in credit spreads. This effect is characterized by a general market trend and does not allow direct conclusions on the quality of these securities. Based on a detailed analysis of the underlying securities and collaterals the Allianz Group does not consider these investments to be impaired at December 31, 2008.

Government and government agency bonds

Total unrealized losses amounted to € 1,027 mn at December 31, 2008. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). Given the fact that the issuers of these bonds are backed by the fiscal capacity of the issuers and the issuers typically hold an "investment grade" country- and/or issue-rating, credit risk is not a significant factor. Hence, the unrealized losses on Allianz Group's investment in government bonds were mainly caused by interest rate increases between the purchase date of the individual securities and the balance sheet date. In 2008, interest rates decreased and thereby induced a positive effect on unrealized losses on government and government agency bonds by € 469 mn. Because the after these positive effects still existing unrealized loss is attributable to changes in interest rates in prior years and, to a lesser extent, to instances of insignificant deterioration of credit quality, the Allianz Group does not consider these investments to be impaired at December 31, 2008.

Corporate bonds

Total unrealized losses amounted to € 7,048 mn as of December 31, 2008. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". Therefore, the unrealized losses on Allianz Group's investment in corporate debt securities were primarily caused by effects from credit spread widening in 2008. This effect is characterized by a general market trend and does not allow direct conclusions on the quality of these securities. Based on a detailed analysis of the underlying securities the Allianz Group does not consider these investments to be impaired at December 31, 2008.

Equity securities

As of December 31, 2008, unrealized losses from equity securities amounted to € 851 mn. These unrealized losses concern equity securities that did not meet the criteria of Allianz Group's impairment policy for equity securities as described in Note 2. Substantially all of the unrealized losses have been in a continuous loss position for less than 6 months.

Contractual term to maturity

The amortized cost and estimated fair value of available-for-sale debt securities and held-to-maturity debt securities as of December 31, 2008, by contractual term to maturity, are as follows:

As of December 31, 2008	Amortized Cost € mn	Fair Value € mn
Available-for-sale investments		
Due in 1 year or less	16,400	16,444
Due after 1 year and in less than 5 years	68,640	69,013
Due after 5 years and in less than 10 years	60,462	58,910
Due after 10 years	70,773	68,243
Total	**216,275**	**212,610**
Held-to-maturity investments		
Due in 1 year or less	600	601
Due after 1 year and in less than 5 years	1,343	1,364
Due after 5 years and in less than 10 years	1,560	1,591
Due after 10 years	1,431	1,510
Total	**4,934**	**5,066**

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

Equity investments carried at cost

As of December 31, 2008, fair values could not be reliably measured for equity investments with carrying amounts totaling € 473 mn (2007: € 1,742 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended December 31, 2008, such investments with carrying amounts of € 18 mn (2007: € 27 mn) were sold leading to gains of € 1 mn (2007: € 42 mn) and losses of € — mn (2007: € 6 mn).

Investments in associates and joint ventures

As of December 31, 2008, loans to associated enterprises and joint ventures and debt securities available-for-sale issued by associated enterprises and joint ventures held by the Allianz Group amounted to € 73 mn (2007: € 1,232 mn). As of December 31, 2008, the fair value of investments in associates and joint ventures was € 4,560 mn (2007: € 5,654 mn).

Real estate held for investment

	2008 € mn	2007 € mn	2006 € mn
Cost as of January 1,	10,114	13,039	13,090
Accumulated depreciation as of January 1,	(2,356)	(3,484)	(3,521)
Carrying amount as of January 1,	**7,758**	**9,555**	**9,569**
Additions	385	406	792
Changes in the consolidated subsidiaries of the Allianz Group	14	3	68
Disposals	(296)	(564)	(746)
Reclassifications	(102)	69	345
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	(62)	(1,382)	—
Foreign currency translation adjustments	93	(92)	(71)
Depreciation	(165)	(192)	(230)
Impairments	(128)	(51)	(252)
Reversals of impairments	54	6	80
Carrying amount as of December 31,	**7,551**	**7,758**	**9,555**
Accumulated depreciation as of December 31,	2,588	2,356	3,484
Cost as of December 31,	10,139	10,114	13,039

As of December 31, 2008, the fair value of real estate held for investment was € 11,995 mn (2007: € 12,031 mn). As of December 31, 2008, real estate held for investment pledged as security, and other restrictions on title, were € 143 mn (2007: € 146 mn).

10 Loans and advances to banks and customers

As of December 31,	2008[1)]			2007		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Short-term investments and certificates of deposit	9,622	—	9,622	10,316	—	10,316
Reverse repurchase agreements	1,612	5	1,617	68,340	56,991	125,331
Collateral paid for securities borrowing transactions	—	—	—	16,664	23,714	40,378
Loans	63,734	37,501	101,235	74,944	125,403	200,347
Other	3,223	77	3,300	14,012	7,148	21,160
Subtotal	**78,191**	**37,583**	**115,774**	**184,276**	**213,256**	**397,532**
Loan loss allowance	—	(119)	(119)	(3)	(827)	(830)
Total	**78,191**	**37,464**	**115,655**	**184,273**	**212,429**	**396,702**

1) Does not include loans and advances to banks and customers of Dresdner Bank which were classified as held for sale. See Note 4.

Loans and advances to banks and customers by contractual maturity

As of December 31, 2008	Up to 3 months € mn	> 3 months up to 1 year € mn	> 1 year up to 3 years € mn	> 3 years up to 5 years € mn	Greater than 5 years € mn	Total € mn
Loans and advances to banks	12,258	7,180	13,907	9,164	35,682	78,191
Loans and advances to customers	2,706	3,598	4,603	4,689	21,987	37,583
Total	**14,964**	**10,778**	**18,510**	**13,853**	**57,669**	**115,774**

Loans and advances to banks and customers by geographic region

As of December 31,	2008			2007		
	Germany	Other countries	Total	Germany	Other countries	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Short-term investments and certificates of deposit	2,957	6,665	9,622	3,188	7,128	10,316
Reverse repurchase agreements	—	1,617	1,617	23,980	101,351	125,331
Collateral paid for securities borrowing transactions	—	—	—	6,415	33,963	40,378
Loans	86,211	15,024	101,235	148,063	52,284	200,347
Other	287	3,013	3,300	3,409	17,751	21,160
Subtotal	**89,455**	**26,319**	**115,774**	**185,055**	**212,477**	**397,532**
Loan loss allowance	(62)	(57)	(119)	(534)	(296)	(830)
Total	**89,393**	**26,262**	**115,655**	**184,521**	**212,181**	**396,702**

Loans and advances to customers by type of customer

As of December 31,	2008	2007
	€ mn	€ mn
Corporate customers	10,448	148,848
Private customers	23,309	55,761
Public authorities	3,826	8,647
Total	**37,583**	**213,256**

Loans and advances to customers (prior to loan loss allowances) by economic sector

As of December 31,	2008	2007
	€ mn	€ mn
Germany		
Corporate Customers		
Manufacturing industry	792	7,023
Construction	271	1,128
Wholesale and retail trade	425	4,999
Financial institutions (excluding banks) and insurance companies	148	9,626
Service providers	1,126	7,701
Other	1,169	4,469
Subtotal	**3,931**	**34,946**
Public authorities	**3,665**	**3,766**
Private customers	**18,387**	**49,580**
Subtotal	**25,983**	**88,292**
Other countries		
Corporate Customers		
Industry, wholesale and retail trade and service providers	4,129	11,748
Financial institutions (excluding banks) and insurance companies	614	91,369
Other	1,774	10,785
Subtotal	**6,517**	**113,902**
Public authorities	**161**	**4,881**
Private customers	**4,922**	**6,181**
Subtotal	**11,600**	**124,964**
Total	**37,583**	**213,256**

Finance lease receivables

As of December 31, 2008 all finance lease receivables included in loans to banks and customers related to the discontinued operations of Dresdner Bank and thus have been reclassified and presented as "Non-current assets and assets from disposal groups held for sale" in accordance with IFRS 5.

Reconciliation of allowances for credit losses by class of financial assets

As of December 31, 2008, the overall volume of allowance for credit losses includes loan loss allowances deducted from loans and advances to banks and customers in the amount of € 119 mn (2007: € 830 mn; 2006: € 1,054 mn) and provisions for credit losses included in other liabilities in the amount of € 8 mn (2007: € 201 mn; 2006: € 261 mn).

	Loan loss allowance			Provision for credit losses			Total		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
As of January 1,	830	1,054	1,647	201	261	117	1,031	1,315	1,764
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(1)	—	—	—	—	—	(1)
Additions charged to the income statement	76	537	456	3	35	77	79	572	533
Unwinding-interest income [1]	—	(8)	(6)	—	—	—	—	(8)	(6)
Charge-offs	(23)	(376)	(605)	—	—	(10)	(23)	(376)	(615)
Releases	(39)	(397)	(272)	(4)	(88)	(45)	(43)	(485)	(317)
Other additions (reductions)	(1)	35	(152)	—	(6)	126	(1)	29	(26)
Foreign currency translation adjustments	(3)	(15)	(13)	—	(1)	(4)	(3)	(16)	(17)
Reclassifications to non-current assets and assets of disposal groups classified as held for sale	(721)	—	—	(192)	—	—	(913)	—	—
As of December 31,	119	830	1,054	8	201	261	127	1,031	1,315

1) The unwinding-interest income for the year ended December 31, 2006 relates to loans in the non-homogeneous portfolio belonging to the Allianz Group in Germany that have been called in and for which the process of realising the collateral has started. For the year ended December 31, 2007 the unwinding interest income additionally includes loans in the homogeneous portfolio belonging to the Allianz Group in Germany.

Reconciliation of allowances for credit losses by specific and general allowance

	Specific allowance [1]			General allowance [1,2]			Total		
	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn	2008 € mn	2007 € mn	2006 € mn
As of January 1,	573	593	880	458	722	884	1,031	1,315	1,764
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(1)	—	—	—	—	—	(1)
Additions charged to the income statement	47	559	511	32	13	22	79	572	533
Unwinding-interest income [3]	—	(8)	(6)	—	—	—	—	(8)	(6)
Charge-offs	(23)	(376)	(615)	—	—	—	(23)	(376)	(615)
Releases	(16)	(215)	(191)	(27)	(270)	(126)	(43)	(485)	(317)
Other additions (reductions)	1	29	19	(2)	—	(45)	(1)	29	(26)
Foreign currency translation adjustments	—	(9)	(4)	(3)	(7)	(13)	(3)	(16)	(17)
Reclassifications to non-current assets and assets of disposal groups classified as held for sale	(517)	—	—	(396)	—	—	(913)	—	—
As of December 31,	65	573	593	62	458	722	127	1,031	1,315

1) The category country risk allowance, disclosed separately in previous years financial statements, has been be due to simplicity and materiality reasons allocated to the categories of specific and general allowances going forward, using objective criteria. The amount of € 95 mn as of December 31, 2006 have been allocated completely to general allowance.
2) Includes portfolio allowances.
3) The unwinding-interest income for the year ended December 31, 2006 relates to loans in the non-homogeneous portfolio belonging to the Allianz Group in Germany that have been called in and for which the process of realising the collateral has started. For the year ended December 31, 2007 the unwinding interest income additionally includes loans in the homogeneous portfolio belonging to the Allianz Group in Germany.

The following tables present information relating to the Allianz Group's impaired and non-accrual loans:

As of December 31,	2008 € mn	2007 € mn
Impaired loans	654	2,240
Impaired loans with specific allowances	645	1,301
Impaired loans with portfolio allowances	—	420
Non-accrual loans	204	1,555

	2008 € mn	2007 € mn
Average balance of impaired loans	652	2,448
Interest income recognized on impaired loans	6	29
Interest income not recognized from non-accrual loans	19	77
Interest collected and recorded on non-accrual loans	—	3

As of December 31, 2008, the Allianz Group had € — mn (2007: € 40 mn) of commitments to lend additional funds to borrowers whose loans are non-performing or whose terms have been previously restructured.

11 Reinsurance assets

As of December 31,	2008 € mn	2007 € mn
Unearned premiums	1,294	1,342
Reserves for loss and loss adjustment expenses	8,180	8,561
Aggregate policy reserves	5,018	5,319
Other insurance reserves	107	90
Total	**14,599**	**15,312**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

	2008 € mn	2007 € mn	2006 € mn
Carrying amount as of January 1,	**5,319**	**8,223**	**9,772**
Foreign currency translation adjustments	150	(311)	(340)
Changes recorded in consolidated income statements	(47)	108	(7)
Other changes [1]	(404)	(2,701)	(1,202)
Carrying amount as of December 31,	**5,018**	**5,319**	**8,223**

[1] Primarily relating to changes of quota share reinsurance agreements.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. In general international corporate business is either underwritten directly or assumed by Allianz Global Corporate & Specialty ("AGCS") from other Allianz Group's subsidiaries. AGCS buys global reinsurance cover in the external reinsurance market, other parts are reinsured internally by Allianz SE. The Allianz Group maintains a centralized program for natural catastrophe events that pools exposures from a number of subsidiaries by internal reinsurance agreements with Allianz SE. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group maintain individual reinsurance programs. Allianz SE participates as a reinsurer on an arms' length basis in these programs.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the Allianz Group from primary liability under the reinsured policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which includes the credit risk claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting from their reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial measures to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of December 31, 2008 and 2007. The relationships with reinsurers of the Allianz Group focus on Munich Re and Swiss Re.

12 Deferred acquisition costs

As of December 31,	2008 € mn	2007 € mn
Deferred acquisition costs		
Property-Casualty	3,721	3,675
Life/Health	16,709	14,118
Asset Management	147	94
Subtotal	20,577	17,887
Present value of future profits	1,239	1,206
Deferred sales inducements	747	520
Total	22,563	19,613

Deferred acquisition costs

	2008 € mn	2007 € mn	2006 € mn
Property-Casualty			
Carrying amount as of January 1,	3,675	3,692	3,550
Additions	3,754	4,161	3,357
Changes in the consolidated subsidiaries of the Allianz Group	(13)	66	—
Foreign currency translation adjustments	(85)	(72)	(35)
Amortization	(3,610)	(4,172)	(3,180)
Carrying amount as of December 31,	3,721	3,675	3,692
Life/Health			
Carrying amount as of January 1,	14,118	13,619	12,712
Additions	2,400	2,649	2,783
Changes in the consolidated subsidiaries of the Allianz Group	18	—	—
Foreign currency translation adjustments	53	(555)	(464)
Amortization [1]	120	(1,595)	(1,412)
Carrying amount as of December 31,	16,709	14,118	13,619
Asset Management	147	94	50
Total	20,577	17,887	17,361

[1] For the year ended December 31, 2008, consists of amortization of € (1,240) mn (2007: € (1,577) mn; 2006: € (1,628) mn) and of shadow accounting of € 1,360 mn (2007: € (18) mn; 2006: € 216 mn).

Present value of future profits

	2008 € mn	2007 € mn	2006 € mn
Cost as of January 1,	2,344	2,359	2,374
Accumulated amortization as of January 1,	(1,138)	(1,132)	(1,038)
Carrying amount as of January 1,	1,206	1,227	1,336
Changes in the consolidated subsidiaries of the Allianz Group	54	5	—
Foreign currency translation adjustments	3	(6)	(6)
Amortization [1]	(24)	(20)	(103)
Carrying amount as of December 31,	1,239	1,206	1,227
Accumulated amortization as of December 31,	1,176	1,138	1,132
Cost as of December 31,	2,415	2,344	2,359

[1] During the year ended December 31, 2008, includes interest accrued on unamortized PVFP of € 65 mn (2007: € 70 mn; 2006: € 62 mn).

As of December 31, 2008, the percentage of PVFP that is expected to be amortized in 2009 is 12.03% (11.06% in 2010, 10.43% in 2011, 9.50% in 2012 and 8.89% in 2013).

Deferred sales inducements

	2008 € mn	2007 € mn	2006 € mn
Carrying amount as of January 1,	520	547	515
Additions	91	86	120
Foreign currency translation adjustments	28	(59)	(56)
Amortization [1]	108	(54)	(32)
Carrying amount as of December 31,	747	520	547

[1] For the year ended December 31, 2008, consists of amortization of € 10 mn (2007: € (52) mn; 2006: € (39) mn) and of shadow accounting of € 98 mn (2007: € (2) mn; 2006: € 7 mn).

13 Other assets

As of December 31,	2008[1] € mn	2007 € mn
Receivables		
Policyholders	4,467	4,616
Agents	4,129	3,956
Reinsurers	2,989	2,676
Other	3,068	4,994
Less allowance for doubtful accounts	(499)	(389)
Subtotal	**14,154**	**15,853**
Tax receivables		
Income tax	2,467	2,536
Other tax	813	731
Subtotal	**3,280**	**3,267**
Accrued dividends, interest and rent	**5,918**	**8,782**
Prepaid expenses		
Interest and rent	28	29
Other prepaid expenses	313	261
Subtotal	**341**	**290**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	**1,101**	**344**
Property and equipment		
Real estate held for own use	3,122	3,708
Equipment	1,242	1,666
Software	1,116	1,165
Subtotal	**5,480**	**6,539**
Other assets[2]	**3,730**	**2,950**
Total	**34,004**	**38,025**

[1] Does not include other assets of Dresdner Bank which were classified as held for sale. See Note 4.
[2] As of December 31, 2008, includes prepaid benefit costs for defined benefit plans of € 256 mn (2007: € 402 mn).

Other assets due within one year amounted to € 29,490 mn (2007: € 30,229 mn), and those due after more than one year totaled € 4,514 mn (2007: € 7,796 mn).

Property and equipment

Real estate held for own use

	2008 € mn	2007 € mn	2006 € mn
Cost as of January 1,	4,847	6,153	5,894
Accumulated depreciation as of January 1,	(1,139)	(1,395)	(1,503)
Carrying amount as of January 1,	**3,708**	**4,758**	**4,391**
Additions	227	194	284
Changes in the consolidated subsidiaries of the Allianz Group	27	(159)	819
Disposals	(61)	(248)	(248)
Reclassifications	239	(61)	(345)
Reclassifications into non-current assets and assets of disposal groups classified as held for sale	(902)	(574)	—
Foreign currency translation adjustments	(40)	(47)	(24)
Depreciation	(78)	(139)	(117)
Impairments	(9)	(17)	(3)
Reversals of impairments	11	1	1
Carrying amount as of December 31,	**3,122**	**3,708**	**4,758**
Accumulated depreciation as of December 31,	936	1,139	1,395
Cost as of December 31,	4,058	4,847	6,153

As of December 31, 2008, the fair value of real estate held for own use was € 4,497 mn (2007: € 5,070 mn). As of December 31, 2008, assets pledged as security and other restrictions on title were € 216 mn (2007: € 107 mn).

Software

	2008 € mn	2007 € mn	2006 € mn
Cost as of January 1,	3,946	3,764	3,472
Accumulated amortization as of January 1,	(2,781)	(2,686)	(2,381)
Carrying amount as of January 1,	**1,165**	**1,078**	**1,091**
Additions	540	582	523
Changes in the consolidated subsidiaries of the Allianz Group	(10)	(9)	73
Disposals	(55)	(58)	(70)
Foreign currency translation adjustments	1	(21)	(10)
Amortization	(288)	(406)	(496)
Impairments	(3)	(1)	(33)
Reclassification into non-current assets and assets of disposal groups classified as held for sale	(234)	—	—
Carrying amount as of December 31,[1]	**1,116**	**1,165**	**1,078**
Accumulated amortization as of December 31,	2,284	2,781	2,686
Cost as of December 31,	3,400	3,946	3,764

[1] As of December 31, 2008, includes € 701 mn (2007: € 746 mn; 2006: € 683 mn;) for software developed inhouse and € 415 mn (2007: € 419 mn; 2006: € 395 mn) for software purchased from third parties.

14 Non-current assets and assets and liabilities of disposal groups classified as held for sale

As of December 31,	2008 € mn	2007 € mn
Non-current assets and assets of disposal groups classified as held for sale		
Dresdner Bank Group	417,874	—
Selecta AG	1,639	1,543
Real estate held for investment and real estate held for own use in Germany	—	1,950
Other	—	10
Total	**419,513**	**3,503**
Liabilities of disposal groups classified as held for sale		
Dresdner Bank Group	410,469	—
Selecta AG	1,347	1,292
Other	—	1
Total	**411,816**	**1,293**

Dresdner Bank Group

As described in detail in Note 4, with the announcement of the sale of Dresdner Bank Group as of August 31, 2008, Dresdner Bank Group has been classified in accordance with IFRS 5 prospectively as disposal group held for sale in the consolidated balance sheet as of December 31, 2008. As of January 12, 2009 the sale was completed.

15 Intangible assets

As of December 31,	2008[1] € mn	2007 € mn
Goodwill	11,221	12,453
Brand names	24	737
Other[2]	206	223
Total	**11,451**	**13,413**

[1] Does not include intangible assets of Dresdner Bank which were classified as held for sale. See Note 4.
[2] Includes primarily research and development costs, renewal rights and bancassurance agreements.

Amortization expense of intangible assets with finite useful lives is estimated to be € 42 mn in 2009, € 41 mn in 2010, € 40 mn in 2011, € 40 mn in 2012 and € 40 mn in 2013.

Goodwill

	2008 € mn	2007 € mn	2006 € mn
Cost as of January 1,	12,677	12,368	12,384
Accumulated impairments as of January 1,	(224)	(224)	(224)
Carrying amount as of January 1,	**12,453**	**12,144**	**12,160**
Additions	247	1,153	315
Foreign currency translation adjustments	32	(372)	(368)
Reclassification	—	—	37
Reclassification into non-current assets and assets of disposal groups classified as held for sale	(1 511)	(472)	—
Carrying amount as of December 31,	**11,221**	**12,453**	**12,144**
Accumulated impairments as of December 31,	224	224	224
Cost as of December 31,	11,445	12,677	12,368

Additions include goodwill from

– increasing the interest in Allianz Sigorta AŞ, Istanbul, from 37.1 % to 84.2 %,
– increasing the interest in Allianz Hayat ve Emeklilik AŞ, Istanbul, from 38.0 % to 89.0 %.

2008

The reclassification affects the goodwill of Dresdner Bank AG, Frankfurt am Main, which was reclassified to “Non-current assets and assets of disposal groups classified as held for sale”.

2007

The reclassification affects the goodwill of Selecta AG, Muntelier, which was reclassified to “Non-current assets and assets of disposal groups classified as held for sale”.

2006
The reclassification affects intangible assets of Allianz-Slovenská poist'ovna a.s., Bratislava, as they were reclassified to goodwill due to a change in the accounting treatment.

Impairment tests for goodwill and intangible assets with indefinite useful lives
For purposes of impairment testing, the Allianz Group has allocated goodwill to cash generating units. These cash generating units represent the lowest level at which goodwill is monitored for internal measurement purposes.

The Allianz Group has allocated goodwill to nine cash generating units in the Property- Casualty segment, six cash generating units in the Life/ Health segment, one cash generating unit in the Banking segment, one cash generating unit in the Asset Management segment and one cash generating unit in the Corporate segment. In 2007 the goodwill of Dresdner Bank and the brand name 'Dresdner Bank' were allocated to two cash generating units in the Banking segment and to one cash generating unit in the Asset Management segment. In 2008 the goodwill of Dresdner Bank and the brand name 'Dresdner Bank' are reclassified to Non-current assets and assets of disposal groups classified as held for sale. The goodwill for Oldenburgische Landesbank AG is allocated to the cash generating unit Banking.

Cash generating units of the Property-Casualty segment are

- German Speaking Countries,
- Europe I, including Italy, Spain, Portugal, Greece and Turkey,
- Europe II, including France, Netherlands, Belgium, Luxembourg and Africa,
- South America,
- Asia & Middle East,
- New Europe including Bulgaria, Croatia, Czech Republic, Hungary, Slovakia, Poland, Romania and Russia,
- Anglo Broker Markets & Global Lines
- Specialty Lines I, including Allianz Global Corporate & Specialty,
- Specialty Lines II, including Credit Insurance, Travel Insurance and Assistance Services.

Cash generating units of the Life/Health segment are

- German Speaking Countries,
- Health Germany,
- Europe I, including Italy, Spain, Portugal, Greece and Turkey,
- Europe II, including France, Netherlands, Belgium, Luxembourg and Africa,
- Asia & Middle East,
- Anglo Broker Markets & Global Lines.

The recoverable amounts of all cash generating units excluding Private Equity are determined on the basis of value in use calculations. The recoverable amount of the cash generating unit Private Equity is determined on the basis of the fair values of the Private Equity investments. The goodwill of Dresdner Bank and the brand name "Dresdner Bank" are separately tested for impairment according to IFRS 5.[1)]

The Allianz Group applies generally acknowledged valuation principles to determine the value in use. In this regard, the Allianz Group utilizes the capitalized earnings method to derive the value in use for all cash generating units in the Property-Casualty segment and Banking segment as well as for the Asset Management and Health Germany cash generating units. Generally, the basis for the determination of the capitalized earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates which can be assumed to be realistic on a long term basis ("terminal value") of the companies included in the cash generating units. The capitalized earnings value is calculated by discounting the future earnings using an appropriate discount rate.

The business plans applied in the value in use are the results of the structured management dialogues between the Board of Management of the Allianz Group and the companies in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on current market environment.

The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted so that long term sustainable earnings are reflected. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

1) For further Information please refer to Note 4.

The discount rate is based on the capital asset pricing model and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are in general consistent with the parameters used in the Allianz Group's planning and controlling process, specifically those utilized in the calculation of Economic Value Added ®.

The discount rates and eternal growth rates for the significant cash generating units used for the allocation of the fair values are as follows:

Cash generating unit	Discount rate	Eternal growth rate
Property-Casualty		
German Speaking Countries	8.1%	2.0%
Europe I	8.2%	2.0%
Europe II	8.1%	2.0%
New Europe	11.2%	3.0%
Anglo Broker Markets & Global Lines	8.6%	1.0%
Life/Health		
Health Germany	8.3%	1.5%
Anglo Broker Markets & Global Lines	8.3%	n.a.
Asset Management	8.4%	2.0%

Sensitivity analysis with regards to discount rates and/or key value drivers of the business plans were performed. Changes of capitalized earnings values of Property-Casualty cash generating units due to changes in applied long term sustainable combined ratios and changes of capitalized earnings values of the Asset Management cash generating units due to changes in assumptions regarding cost income ratios were analyzed.

For all cash generating units excluding New Europe, Property-Casualty Asia & Middle East and Banking respective capitalized earnings value sensitivities still exceeded respective carrying values.

For all cash generating units in the Life/ Health segment, with the exception of US the fair value for the goodwill impairment test is based on an Appraisal Value which is derived from the Market Consistent Embedded Value, corresponding sensitivities and a multiple of the Market Consistent Value of new business.

The Market Consistent Embedded Value is an industry-specific valuation method to determine the fair value of the current in force portfolio and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach utilized is based on the Allianz Group's Embedded Value guidelines.

Due to the unusual economic circumstances at year end for Taiwan the calculation was based on sensitivities that reflected the average interest level of the last five years. For the US instead of the Market Consistent Embedded Value the Appraisal Value was derived from a traditional Embedded Value Calculation. Taiwan is included in the cash generating unit Asia & Middle East, US is included in the cash generating unit Anglo Broker Market & Global Lines.

Sensitivity analysis with regard to considered new business values are performed. For all Life cash generating units excluding Asia & Middle East, respective Appraisal Value sensitivities still exceeded respective carrying values.

The carrying amounts of goodwill and brand names allocated to Allianz Group's cash generating units as of December 31, 2008 and 2007 are as follows:

As of December 31,	2008		2007	
Cash generating units	Goodwill €mn	Brand names €mn	Goodwill €mn	Brand names €mn
Property-Casualty				
Germany Speaking Countries	277	—	277	—
Europe I	230	—	90	—
Europe II	638	—	638	—
South America	21	—	21	—
Asia & Middle East	79	—	79	—
New Europe	603	24	679	20
Anglo, Broker & Global Lines	388	—	410	—
Specialty Lines I	8	—	7	—
Specialty Lines II	28	—	27	—
Subtotal	**2,272**	**24**	**2,228**	**20**
Life/Health				
Germany Speaking Countries	554	—	554	—
Health Germany	325	—	325	—
Europe I	110	—	43	—
Europe II	538	—	538	—
Asia & Middle East	320	—	320	—
Anglo, Broker & Global Lines	435	—	425	—
Subtotal	**2,282**	**—**	**2,205**	**—**
Banking	**199**	**—**	**1,714**	**656**
Asset Management	**6,325**	**—**	**6,165**	**61**
Corporate	**143**	**—**	**141**	**—**
Total	**11,221**	**24**	**12,453**	**737**

Brand name

2008

The brand name "Dresdner Bank" is reclassified to held for sale and is separately tested for impairment according to IFRS 5.

2007

The brand name "Dresdner Bank" has an indefinite life, as there is no foreseeable end to its economic life; therefore, it is not subject to amortization and it is recorded at cost less accumulated impairments. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

16 Financial liabilities carried at fair value through income

As of December 31,	2008[1) €] mn	2007 € mn
Financial liabilities held for trading		
Obligations to deliver securities	—	34,795
Derivative financial instruments	6,242	76,819
Other trading liabilities	2	12,469
Subtotal	6,244	124,083
Financial liabilities designated at fair value through income	—	1,970
Total	6,244	126,053

1) Does not include financial liabilities carried at fair value through income of Dresdner Bank which were classified as held for sale. See Note 4.

Change in fair value of financial liabilities designated at fair value through income attributable to changes in credit risk

As of December 31, 2008 all of the financial liabilities designated at fair value through income related to the discontinued operations of Dresdner Bank and thus have been reclassified and presented as "Liabilities of disposal groups classified as held for sale" in accordance with IFRS 5.

17 Liabilities to banks and customers

As of December 31,	2008[1)]			2007		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Payable on demand	311	4,096	4,407	11,204	60,443	71,647
Savings deposits	—	1,790	1,790	—	5,304	5,304
Term deposits and certificates of deposit	1,296	3,035	4,331	64,129	72,938	137,067
Repurchase agreements	—	568	568	50,444	42,145	92,589
Collateral received from securities lending transactions	627	—	627	16,235	4,729	20,964
Other	3,194	3,534	6,728	5,513	3,410	8,923
Total	5,428	13,023	18,451	147,525	188,969	336,494

1) Does not include liabilities to banks and customers of Dresdner Bank which were classified as held for sale. See Note 4.

Liabilities to banks and customers by contractual maturity

As of December 31, 2008	Up to 3 months € mn	> 3 months up to 1 year € mn	> 1 year up to 3 years € mn	> 3 years up to 5 years € mn	Greater than 5 years € mn	Total € mn
Liabilities to banks	2,940	800	410	569	709	5,428
Liabilities to customers	10,244	1,496	610	191	482	13,023
Total	13,184	2,296	1,020	760	1,191	18,451

Liabilities to banks and customers by type of customer and geographic region

As of December 31,	2008			2007		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Liabilities to banks	2,854	2,574	5,428	46,137	101,388	147,525
Liabilities to customers						
Corporate customers	2,052	2,051	4,103	55,935	75,644	131,579
Public authorities	168	8	176	5,593	6,894	12,487
Private customers	5,410	3,334	8,744	34,284	10,619	44,903
Subtotal	7,630	5,393	13,023	95,812	93,157	188,969
Total	10,484	7,967	18,451	141,949	194,545	336,494

As of December 31, 2008, liabilities to customers include € 633 mn (2007: € 27,091 mn) of noninterest bearing deposits.

18 Unearned premiums

As of December 31,	2008 € mn	2007 € mn
Property-Casualty	12,984	13,163
Life/Health	2,258	1,858
Consolidation	(9)	(1)
Total	15,233	15,020

19 Reserves for loss and loss adjustment expenses

As of December 31,	2008 € mn	2007 € mn
Property-Casualty	55,616	56,943
Life/Health	8,320	6,773
Consolidation	(12)	(10)
Total	63,924	63,706

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment

	2008			2007			2006		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of January 1,	56,943	(8,266)	48,677	58,664	(9,333)	49,331	60,259	(10,604)	49,655
Loss and loss adjustment expenses incurred									
Current year	30,398	(2,969)	27,429	29,839	(2,994)	26,845	28,214	(2,573)	25,641
Prior years	(2,241)	798	(1,443)	(1,708)	348	(1,360)	(1,186)	217	(969)
Subtotal	28,157	(2,171)	25,986	28,131	(2,646)	25,485	27,028	(2,356)	24,672
Loss and loss adjustment expenses paid									
Current year	(14,049)	919	(13,130)	(13,749)	1,118	(12,631)	(12,436)	675	(11,761)
Prior years	(13,607)	1,602	(12,005)	(14,206)	1,952	(12,254)	(14,696)	2,455	(12,241)
Subtotal	(27,656)	2,521	(25,135)	(27,955)	3,070	(24,885)	(27,132)	3,130	(24,002)
Foreign currency translation adjustments and other changes[1]	(497)	48	(449)	(2,022)	666	(1,356)	(1,491)	497	(994)
Changes in the consolidated subsidiaries of the Allianz Group	127	(39)	88	125	(23)	102	—	—	—
Reclassifications[2]	(1,458)	87	(1,371)	—	—	—	—	—	—
As of December 31,	55,616	(7,820)	47,796	56,943	(8,266)	48,677	58,664	(9,333)	49,331

[1] Includes effects of foreign currency translation adjustments for loss and loss adjustment expenses for prior years claims of gross € (313) mn (2007: € (1,690) mn; 2006: € (1,141) mn) and net of € (284) mn (2007: € (1,052) mn; 2006: € (962) mn).
[2] Since the first Quarter of 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

Prior years' loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended December 31, 2008, the Allianz Group recorded additional income of € 1,443 mn (2007: € 1,360 mn; 2006: € 969 mn) with respect of losses occurring in prior years. During the year ended December 31, 2008, these amounts as percentages of the net balance of the beginning of the year were 3.0% (2007: 2.8%; 2006: 2.0%).

Development of the reserves for loss and loss adjustment expenses for the Property-Casualty segment

The following table illustrates the development of the reserves for loss and loss adjustment expenses over the past five years. The table presents calendar year data, not accident year data. In addition, the table includes (excludes) subsidiaries from the date acquired (disposed).

	2003 € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn
Reserves for loss and loss adjustment expenses (net)	**44,683**	**45,480**	**49,655**	**49,331**	**48,677**	**47,796**
Reserves for loss and loss adjustment expenses (ceded)	12,067	10,049	10,604	9,333	8,266	7,820
Reserves for loss and loss adjustment expenses (gross)	56,750	55,529	60,259	58,664	56,943	55,616
Paid (cumulative) as of						
One year later	14,384	13,282	14,696	14,206	13,607	
Two years later	21,157	20,051	21,909	20,659		
Three years later	26,149	24,801	26,583			
Four years later	29,847	28,206				
Five years later	32,570					
Reserves reestimated as of						
One year later	54,103	56,238	57,932	55,266	52,931	
Two years later	55,365	53,374	54,437	51,809		
Three years later	53,907	51,895	52,676			
Four years later	53,181	50,767				
Five years later	52,356					
Cumulative surplus						
Gross surplus[1]	4,394	4,761	7,583	6,855	4,012	
Gross surplus after changes in the consolidated subsidiaries of the Allianz Group	3,854	4,761	7,583	6,855	2,554	
Net surplus [1]	3,046	4,191	6,037	5,347	3,098	
Net surplus after changes in the consolidated subsidiaries of the Allianz Group	2,593	4,191	6,037	5,347	1,727	
Net Surplus as percentage of initial reserves	**5.8%**	**9.2%**	**12.2%**	**10.8%**	**3.5%**	

[1] Gross/net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years claims and includes foreign currency translation adjustments of gross € 313 mn (2007: € 1,690 mn) and net € 284 mn (2007: € 1,052 mn). This leads to an effective run off result excluding effects of foreign currency translation of gross € 2,241 mn (2007: € 1,708 mn) and net € 1,443 mn (2007: € 1,360 mn) which can be found in the table for changes in the reserves for loss and loss adjustment expenses within this footnote. Please note that the 2007 numbers refer to the surplus presented in the consolidated financial statements 2007 and not the cumulative surplus of the calendar year 2007 presented in the table above.

Discounted loss and loss adjustment expenses

As of December 31, 2008 and 2007, the Allianz Group Property-Casualty reserves for loss and loss adjustment expenses reflected discounts of € 1,139 mn and € 1,100 mn, respectively. The discount reflected in the reserves is related to annuities for certain long-tailed liabilities, primarily in workers' compensation, personal accident, general liability, motor liability, individual and group health disability and employers' liability. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable.

The following table shows, by line of business, the carrying amounts of reserves for loss and loss adjustment expenses that have been discounted, and the interest rates used for discounting:

	Discounted reserves for loss and loss adjustment expenses		Amount of the discount		Interest rate used for discounting	
As of December 31,	2008 € mn	2007 € mn	2008 € mn	2007 € mn	2008 %	2007 %
Motor - Third party liability	632	589	446	414	1.40 – 5.25	1.40 – 5.25
General liability	190	170	164	150	1.40 – 5.25	1.40 – 5.25
Personal accident	325	293	201	182	2.25 – 4.00	2.25 – 4.00
Workers compensation / Employers liability	539	520	309	335	3.00 – 5.25	3.00 – 5.25
Others	26	29	19	19	1.40 – 5.25	1.40 – 5.25
Total	**1,712**	**1,601**	**1,139**	**1,100**	—	—

20 Reserves for insurance and investment contracts

As of December 31,	2008 € mn	2007 € mn
Aggregate policy reserves	278,700	264,243
Reserves for premium refunds	17,195	27,225
Other insurance reserves	662	776
Total	**296,557**	**292,244**

Aggregate policy reserves

As of December 31,	2008 € mn	2007 € mn
Traditional participating insurance contracts (SFAS 120)	129,859	127,502
Long-duration insurance contracts (SFAS 60)	46,943	46,337
Universal life-type insurance contracts (SFAS 97)	101,059	89,840
Non unit-linked investment contracts	839	564
Total	**278,700**	**264,243**

Changes in aggregate policy reserves for traditional participating insurance contracts and long-duration insurance contracts for the years ended December 31, 2008 and 2007 were as follows:

	2008		2007	
	Traditional participating insurance contracts (SFAS 120) € mn	Long-duration insurance contracts (SFAS 60) € mn	Traditional participating insurance contracts (SFAS 120) € mn	Long-duration insurance contracts (SFAS 60) € mn
As of January 1,	**127,502**	**46,337**	**123,835**	**45,390**
Foreign currency translation adjustments	390	(929)	(104)	(755)
Changes in the consolidated subsidiaries of the Allianz Group	—	266	—	10
Changes recorded in consolidated income statements	1,187	828	2,445	954
Dividends allocated to policyholders	1,153	244	1,278	207
Additions and disposals	(160)	(34)	—	(2)
Other changes	(213) [1]	231	48	533 [2]
As of December 31,	**129,859**	**46,943**	**127,502**	**46,337**

[1] For the year ended December 31, 2008, consists of shadow accounting of € (135) mn.
[2] Mainly relating to a reclassification from reserves for premium refunds and other insurances reserves.

Changes in aggregate policy reserves for universal life-type insurance contracts and non unit-linked investment contracts for the years ended December 31, 2008 and 2007 were as follows:

	2008		2007	
	Universal life-type insurance contracts (SFAS 97) € mn	Non unit-linked investment contracts € mn	Universal life-type insurance contracts (SFAS 97) € mn	Non unit-linked investment contracts € mn
As of January 1,	**89,840**	**564**	**86,681**	**427**
Foreign currency translation adjustments	1,655	(16)	(3,933)	(12)
Premiums collected	12,810	395	12,579	231
Separation of embedded derivatives	(472)	—	(473)	—
Interest credited	3,938	70	3,178	47
Releases upon death, surrender and withdrawal	(9,770)	(164)	(8,650)	(105)
Policyholder charges	(1,024)	(13)	(715)	(28)
Additions	—	—	81	—
Portfolio acquisitions and disposals	(14)	—	(37)	—
Reclassifications [1]	4,096	3	1,129	4
As of December 31,	**101,059**	**839**	**89,840**	**564**

[1] The reclassifications mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

As of December 31, 2008, participating life business represented approximately 65% (2007: 65%) of the Allianz Group's gross insurance inforce. During the year ended December 31, 2008, participating policies represented approximately 64% (2007: 61%) of gross statutory premiums written and 64% (2007: 60%) of life premiums earned. As of December 31, 2008, reserves for conventional participating policies were approximately 54% (2007: 54%) of the Allianz Group's consolidated aggregate policy reserves.

Reserves for premium refunds

	2008 € mn	2007 € mn	2006 € mn
Amounts already allocated under local statutory or contractual regulations			
As of January 1,	13,438	12,764	10,915
Foreign currency translation adjustments	6	(15)	(9)
Changes	(986)	689	1,858
As of December 31,	12,458	13,438	12,764
Latent reserves for premium refunds			
As of January 1,	13,787	17,260	16,930
Foreign currency translation adjustments	67	(19)	(24)
Changes due to fluctuations in market value	(7,024)	(4,099)	(50)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(491)
Changes due to valuation differences charged to income	(2,093)	645	895
As of December 31,	4,737	13,787	17,260
Total	17,195	27,225	30,024

Concentration of insurance risk in the Life/Health segment

The Allianz Group's Life/Health segment provides a wide variety of insurance and investment contracts to individuals and groups in approximately 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without consideration of policyholder participation, traditional contracts generally incorporate significant investment risk for the Allianz Group. Traditional contracts include life, endowment, annuity, and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity indexed deferred annuities. Unit-linked contracts generally result in the contract holder assuming investment risk. In addition, in certain markets, the Allianz Group issues contracts for group life, group health and group pension products.

As of December 31, 2008 and 2007, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the Life/Health segment are summarized as follows:

As of December 31,	Deferred acquisition costs € mn	Aggregate policy reserves € mn	Reserves for premium refunds € mn	Other insurance reserves € mn	Total non unit-linked reserves € mn	Liabilities for unit-linked contracts € mn	Total € mn
2008							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk							
Germany Life	6,249	121,146	10,782	3	131,931	1,660	133,591
Germany Health	897	14,159	4,095	5	18,259	—	18,259
France	1,378	45,420	786	163	46,369	11,021	57,390
Italy	948	18,946	(191)	36	18,791	20,307	39,098
Switzerland	237	6,635	589	121	7,345	512	7,857
Austria	269	3,232	124	1	3,357	347	3,704
South Korea	590	4,781	34	—	4,815	499	5,314
Subtotal	**10,568**	**214,319**	**16,219**	**329**	**230,867**	**34,346**	**265,213**
Other Countries							
Belgium	110	5,632	(55)	38	5,615	235	5,850
Spain	23	5,065	308	—	5,373	47	5,420
Other Western and Southern Europe	346	1,978	(29)	13	1,962	3,365	5,327
Eastern Europe	353	1,869	9	4	1,882	789	2,671
United States	6,873	38,627	—	—	38,627	8,473	47,100
Taiwan	200	1,617	—	—	1,617	2,419	4,036
Other Asia-Pacific	212	810	76	5	891	771	1,662
South America	2	226	—	—	226	—	226
Other	6	862	8	2	872	5	877
Subtotal	**8,125**	**56,686**	**317**	**62**	**57,065**	**16,104**	**73,169**
Total	**18,693**	**271,005**	**16,536**	**391**	**287,932**	**50,450**	**338,382**
2007							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk							
Germany Life	5,907	117,478	17,070	3	134,551	1,831	136,382
Germany Health	867	13,339	3,949	4	17,292	—	17,292
France	1,189	42,830	3,603	202	46,635	14,285	60,920
Italy	1,146	19,120	14	—	19,134	25,682	44,816
Switzerland	238	5,695	610	107	6,412	583	6,995
Austria	142	3,195	273	3	3,471	277	3,748
South Korea	785	5,978	47	—	6,025	904	6,929
Subtotal	**10,274**	**207,635**	**25,566**	**319**	**233,520**	**43,562**	**277,082**
Other Countries							
Belgium	112	5,327	17	—	5,344	302	5,646
Spain	25	4,857	138	—	4,995	92	5,087
Other Western and Southern Europe	318	1,865	151	—	2,016	3,819	5,835
Eastern Europe	291	1,596	25	4	1,625	1,076	2,701
United States	4,394	32,291	—	—	32,291	13,954	46,245
Taiwan	250	1,841	—	—	1,841	2,710	4,551
Other Asia-Pacific	172	565	58	—	623	529	1,152
South America	—	93	—	—	93	12	105
Other	2	776	10	5	791	4	795
Subtotal	**5,564**	**49,211**	**399**	**9**	**49,619**	**22,498**	**72,117**
Total	15,838	256,846	25,965	328	283,139	66,060	349,199

A majority of the Allianz Group's Life/Health segment operations is conducted in Western Europe. Insurance laws and regulations in Western Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 48% and 47%, of the Allianz Group's reserves for insurance and investment contracts as of December 31, 2008 and 2007, respectively, include a substantial level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts, because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its traditional contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment can be summarized by country as follows:

As of December 31,	2008 %	2007 %
Country		
Germany Life	3.38	3.46
France	1.31	1.99
Italy	2.87	2.49
Switzerland	2.89	2.87
Spain	4.74	5.05
Netherlands	0.93	0.82
Austria	3.00	3.00
Belgium	3.80	3.95
United States	2.35	2.70
South Korea	5.43	5.29
Taiwan [1]	6.17	5.52

1) Guarantees only on 10.4% of reserves in 2008 and 5.3% in 2007.

In most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. As a result, as of December 31, 2008 and 2007, the Allianz Group does not believe that it is exposed to a significant risk of premium deficiencies in its Life/Health segment. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, South Korea and Taiwan, have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment.

21 Financial liabilities for unit-linked contracts

As of December 31,	2008 € mn	2007 € mn
Unit-linked insurance contracts	29,056	39,323
Unit-linked investment contracts	21,394	26,737
Total	50,450	66,060

Changes in financial liabilities for unit-linked insurance contracts and unit-linked investment contracts for the years ended December 31, 2008 and 2007 were as follows:

	2008		2007	
	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn
As of January 1,	39,323	26,737	36,296	25,568
Foreign currency translation adjustments	697	(15)	(1,954)	(2)
Changes in the consolidated subsidiaries of the Allianz Group	—	152	—	—
Premiums collected	7,775	3,963	9,381	7,903
Interest credited	(10,650)	(2,815)	1,508	(149)
Releases upon death, surrender and withdrawal	(3,323)	(6,314)	(3,740)	(6,286)
Policyholder charges	(838)	(141)	(1,130)	(222)
Portfolio acquisitions and disposals	(1)	(1)	20	—
Reclassifications [1]	(3,927)	(172)	(1,058)	(75)
As of December 31,	29,056	21,394	39,323	26,737

[1] The reclassifications mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

Liquidity Risk

Tabular disclosure of contractual obligations

The table sets forth the Allianz Group's contractual obligations as of December 31, 2008. Contractual obligations do not include contingent liabilities or commitments. Only transactions with parties outside the Allianz Group are considered. With the announcement of the sale of Dresdner Bank from Allianz to Commerzbank as of August 31, 2008, Dresdner Bank was classified as a disposal group held for sale and discontinued operations. Following this classification, contractual obligations of Dresdner Bank are presented as part of the disposal group held for sale and discontinued operations. The following table includes only continuing operations.

The table includes only liabilities that represent fixed and determinable amounts. The table excludes interest on floating rate long-term debt obligations and interest on money market securities, as the contractual interest rate on floating rate interest is not fixed and determinable. The amount and timing of interest on money market securities is not fixed and determinable since these instruments have a daily maturity. For further information, see Notes 23 and 24 to the consolidated financial statements.

Furthermore, reserves for insurance and investment contracts presented in the table include contracts where the timing and amount of payments are considered fixed and determinable and contracts which have no specified maturity dates and may result in a payment to the contract holder depending on mortality and morbidity experience and the incidence of surrenders, lapses, or maturities. For contracts which do not have payments that are fixed and determinable, the Allianz Group has made assumptions to estimate the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits, and future lapse rates. These assumptions represent current best estimates, and may differ from the estimates originally used to establish the reserves for insurance and investment contracts as a result of the lock-in of assumptions on the issue dates of the contracts as required by the Allianz Group's established accounting policy. For further information, see Note 2 to the consolidated financial statements. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods. Furthermore, these amounts do not include premiums and fees expected to be received, investment income earned, expenses incurred to parties other than the policyholders such as agents, or administrative expenses. In addition, these amounts are presented net of reinsurance expected to be received as a result of these cash flows. The amounts presented in this table are undiscounted and therefore exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet. For further information on reserves for insurance and investment contracts, see Note 20 to the consolidated financial statements.

As of December 31, 2008, the income tax obligations amounted to € 1,446 mn. Thereof € 1,106 mn the Allianz Group expects to pay within the twelve months after the balance sheet date. For the remaining amount of € 340 mn an estimate of the timing of cash outflows is not reasonably possible. The income tax obligations are not included in the table below.

	Payments due by period as of December 31, 2008				
	Less than 1 year € mn	1–3 years € mn	3–5 years € mn	More than 5 years € mn	Total € mn
Long-term debt obligations [1]	5,191	329	2,479	10,891	18,890
Interest on long-term debt obligations [2]	21	9	129	285	444
Operating lease obligations [3]	261	470	371	1,108	2,210
Purchase obligations [4]	166	258	116	203	743
Liabilities to banks and customers [5]	15,480	1,020	760	1,191	18,451
Future policy benefits	34,376	99,114	63,172	642,805	839,467
Reserves for loss and loss adjustment expenses [6]	17,271	14,455	7,212	16,678	55,616
Total contractual obligations	**72,766**	**115,655**	**74,239**	**673,161**	**935,821**

1) For further information, see Notes 23 and 24 to the consolidated financial statements. Total obligations of € 56,894 at December 31, 2007 included obligations of Dresdner Bank, which are no longer obligations of the Allianz Group.
2) Amounts included in the table reflect estimates of interest on fixed rate long-term debt obligations to be made to lenders based upon the contractually fixed interest rates.
3) The amount of € 2,210 mn is gross of € 43 mn related to subleases, which represent cash inflow to the Allianz Group.
4) Purchase obligations only include transactions related to goods and services; purchase obligations for financial instruments are excluded.
5) Liabilities to banks and customers include € 311 mn and € 4,096 mn of payables on demand, respectively. For further information, see Note 17 to the consolidated financial statements. Total liabilities of € 336,494 at December 31, 2007 included liabilities of Dresdner Bank, which are no longer liabilities of the Allianz Group.
6) Comprise reserves for loss and loss adjustment expenses from the Property-Casualty insurance operations. Due to the uncertainty of the assumptions used, the amounts presented could be materially different from the actual incurred payments in future periods. The amounts presented in the table above are gross of reinsurance ceded. The corresponding amounts, net of reinsurance ceded, are € 14,621 mn, € 12,339 mn, € 6,215 mn and € 14,620 mn for the periods less than 1 year, 1-3 years, 3-5 years and more than 5 years, respectively. For further information on reserves for loss and loss adjustment expenses, see Note 19 to the consolidated financial statements.

Reconciliation of future policy benefits

The following table presents a reconciliation of future policy benefits to the total balance sheet positions, which include reserves for insurance and investment contracts and financial liabilities for unit-linked contracts, as presented in the consolidated balance sheet:

As of December 31,	2008 € mn
Future policy benefits	**839,467**
Effect of discounting and differences between locked-in and best estimate assumptions	(363,279)
Expected future premiums and expenses	(147,731)
Total consolidated balance sheet positions	**328,457**
Thereof:	
Reserves for insurance and investment contracts	296,557
Financial liabilities for unit-linked contracts	50,450
Market value liability options	5,163
Less:	
Deferred acquisition costs	18,695
Ceded reserves to reinsurers	5,018
Total consolidated balance sheet positions	**328,457**

Reconciling items related to the effect of discounting and differences between locked-in and best estimate assumptions occur because future policy benefits are presented on an undiscounted basis, while reserves for insurance and investment contracts in the consolidated balance sheet reflect the time value of money. Furthermore, future policy benefits are based on current best estimate assumptions such as mortality, morbidity, interest rates, policyholder participation in profits and future lapse rates. For certain contracts (SFAS 60 and SFAS 97), current best estimate assumptions may differ from the locked-in estimates required to be used to establish the reserves for insurance and investment contracts in the consolidated balance sheet, which also include provisions for adverse deviations as required by the Allianz Group's established accounting policy.

Reconciling items related to expected future premiums and expenses occur because future policy benefits take into account best estimates of future premiums expected to be received and future expenditures expected to be incurred.

Future policy benefits implicitly include embedded derivatives or market value liability options ("MVLO") of our equity indexed annuity business that are accounted for as derivatives and are presented within financial liabilities carried at fair value through income in our consolidated balance sheet.

Deferred acquisition costs comprise deferred acquisition costs for our Life/Health segment, present value of future profits and deferred sales inducements. See Note 12 to our consolidated financial statements for more information.

Ceded reserves to reinsurers are presented within reinsurance assets in our consolidated balance sheet.

22 Other liabilities

As of December 31,	2008[1) € mn	2007 € mn
Payables		
Policyholders	4,695	4,806
Reinsurance	2,062	1,844
Agents	1,485	1,743
Subtotal	**8,242**	**8,393**
Payables for social security	**316**	**196**
Tax payables		
Income tax	1,446	2,563
Other	971	1,012
Subtotal	**2,417**	**3,575**
Accrued interest and rent	**723**	**4,226**
Unearned income		
Interest and rent	10	6
Other	361	351
Subtotal	**371**	**357**
Provisions		
Pensions and similar obligations	3,867	4,184
Employee related	1,904	2,956
Share-based compensation	1,295	1,761
Restructuring plans	343	541
Loan commitments	8	201
Contingent losses from non-insurance business	109	134
Other provisions	1,481	1,857
Subtotal	**9,007**	**11,634**
Deposits retained for reinsurance ceded	**2,852**	**3,227**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	**208**	**2,210**
Financial liabilities for puttable equity instruments	**2,718**	**4,162**
Other liabilities	**6,076**	**10,051**
Total	**32,930**	**48,031**

1) Does not include other liabilities of Dresdner Bank which were classified as held for sale. See Note 4.

Other liabilities due within one year amounted to 24,766 mn (2007: € 38,151 mn) and those due after more than one year totaled € 8,164 mn (2007: € 9,880 mn).

23 Certificated liabilities

	Contractual Maturity Date						As of December 31, 2008[1)]	As of December 31, 2007
	2009 € mn[2)]	2010 € mn[2)]	2011 € mn[2)]	2012 € mn[2)]	2013 € mn[2)]	Thereafter € mn[2)]	€ mn	€ mn
Allianz SE[3)]								
Senior bonds								
Fixed rate	—	—	—	882	1,482	1,484	3,848	4,007
Contractual interest rate	—	—	—	5.63 %	5.00 %	4.00 %	—	—
Floating rate	287	—	—	—	—	—	287	272
Current interest rate	4.05 %	—	—	—	—	—	—	—
Subtotal	**287**	**—**	**—**	**882**	**1,482**	**1,484**	**4,135**	**4,279**
Exchangeable bonds								
Fixed rate	—	—	—	—	—	—	—	450
Contractual interest rate	—	—	—	—	—	—	—	—
Money market securities								
Fixed rate	4,103	—	—	—	—	—	4,103	2,929
Contractual interest rate	4.47 %	—	—	—	—	—	—	—
Total Allianz SE[3)]	**4,390**	**—**	**—**	**882**	**1,482**	**1,484**	**8,238**	**7,658**
Banking subsidiaries								
Senior bonds								
Fixed rate	564	172	57	23	22	3	841	11,436
Contractual interest rate	3.77 %	3.73 %	3.75 %	3.28 %	2.93 %	4.48 %	—	—
Floating rate	237	25	30	—	—	145	437	6,675
Current interest rate	4.15 %	5.35 %	4.97 %	—	—	2.84 %	—	—
Subtotal	**801**	**197**	**87**	**23**	**22**	**148**	**1,278**	**18,111**
Money market securities								
Fixed rate	—	—	—	—	—	—	—	16,289
Contractual interest rate	—	—	—	—	—	—	—	—
Floating rate	—	—	—	—	—	—	—	9
Current interest rate	—	—	—	—	—	—	—	—
Subtotal	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**16,298**
Total banking subsidiaries	**801**	**197**	**87**	**23**	**22**	**148**	**1,278**	**34,409**
All other subsidiaries								
Certificated liabilities								
Fixed rate	—	—	—	—	—	3	3	3
Contractual interest rate	—	—	—	—	—	2.11 %	—	—
Floating rate	—	25	—	—	—	—	25	—
Current interest rate	—	4.05 %	—	—	—	—	—	—
Total all other subsidiaries	**—**	**25**	**—**	**—**	**—**	**3**	**28**	**3**
Total	5,191	222	87	905	1,504	1,635	9,544	42,070

1) Does not include certificated liabilities of Dresdner Bank which were classified as held for sale. See Note 4.
2) Except for the interest rates. The interest rates represent the weighted average.
3) Includes senior bonds and exchangeable bonds issued by Allianz Finance B.V. and Allianz Finance II B.V., guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

24 Participation certificates and subordinated liabilities

	Contractual Maturity Date						As of December 31, 2008[1]	As of December 31, 2007
	2009 € mn[2]	2010 € mn[2]	2011 € mn[2]	2012 € mn[2]	2013 € mn[2]	Thereafter € mn[2]	€ mn	€ mn
Allianz SE[3]								
Subordinated bonds								
Fixed rate	—	—	—	—	—	2,548	2,548	1,129
Contractual interest rate	—	—	—	—	—	7.28 %	—	—
Floating rate	—	—	—	—	—	5,649	5,649	5,724
Current interest rate	—	—	—	—	—	5.60 %	—	—
Subtotal	—	—	—	—	—	8,197	8,197	6,853
Participation certificates[4]								
Floating rate	—	—	—	—	—	85	85	85
Total Allianz SE[3]	—	—	—	—	—	8,282	8,282	6,938
Banking subsidiaries								
Subordinated bonds								
Fixed rate	—	20	—	—	70	83	173	1,815
Contractual interest rate	—	3.75 %	—	—	5.66 %	5.14 %	—	—
Floating rate	—	—	—	—	—	—	—	1,007
Current interest rate	—	—	—	—	—	—	—	—
Subtotal	—	20	—	—	70	83	173	2,822
Hybrid equity								
Fixed rate	—	—	—	—	—	—	—	2,429
Contractual interest rate	—	—	—	—	—	—	—	—
Participation certificates								
Fixed rate	—	—	—	—	—	—	—	1,686
Contractual interest rate	—	—	—	—	—	—	—	—
Total banking subsidiaries	—	20	—	—	70	83	173	6,937
All other subsidiaries								
Subordinated liabilities								
Fixed rate	—	—	—	—	—	621	621	678
Contractual interest rate	—	—	—	—	—	5.34 %	—	—
Floating rate	—	—	—	—	—	225	225	226
Current interest rate	—	—	—	—	—	4.45 %	—	—
Subtotal	—	—	—	—	—	846	846	904
Hybrid equity								
Fixed rate	—	—	—	—	—	45	45	45
Contractual interest rate	—	—	—	—	—	6.43 %	—	—
Total all other subsidiaries	—	—	—	—	—	891	891	949
Total	—	20	—	—	70	9,256	9,346	14,824

1) Does not include particiaption certificated and subordinated liabilities of Dresdner Bank which were classified as held for sale. See Note 4.
2) Except for interest rates. Interest rates represent the weighted average.
3) Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.
4) The terms of the profit participation certificates provide for an annual cash distribution of 240 % of the dividend paid by Allianz SE per one Allianz SE share. Holders of profit participation certificates do not have voting rights, or any rights to convert the certificates into Allianz SE shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors. Profit participation certificates can be redeemed by holders upon twelve months prior notice every fifth year. Allianz SE has the right to call the profit participation certificates for redemption, upon six months prior notice every year. The next call date is December 31, 2009. Upon redemption by Allianz SE, the cash redemption price per certificate would be equal to 122.9 % of the then current price of one Allianz SE share during the last three months preceding the call of the participation certificate. In lieu of redemption for cash, Allianz SE may offer 10 Allianz SE ordinary shares per 8 profit participation certificates.

25 Equity

As of December 31,	2008 € mn	2007 € mn
Shareholders' equity		
Issued capital	1,160	1,152
Capital reserve	27,409	27,169
Revenue reserves	7,257	12,790
Treasury shares	(147)	(172)
Foreign currency translation adjustments	(4,006)	(3,656)
Unrealized gains and losses (net)[1]	2,011	10,470
Subtotal	33,684	47,753
Minority interests	3,564	3,628
Total	37,248	51,381

[1] As of December 31, 2008 includes € 203 mn related to cash flow hedges (2007: € 175 mn).

Issued capital

Issued capital at December 31, 2008 amounted to € 1,159,808,000 divided into 453,050,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

Authorized capital

As of December 31, 2008, Allianz SE had € 406,545,646 (158,806,893 shares) of authorized unissued capital (Authorized Capital 2006/I) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the preemptive rights of shareholders if the shares are issued against a contribution in kind and, in certain cases, if they are issued against a cash contribution.

As of December 31, 2008, Allianz SE had € 8,056,297 (3,146,991 shares) of authorized unissued capital (Authorized Capital 2006/II) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the preemptive rights of shareholders if the shares are issued to employees of the Allianz Group. Further, as of December 31, 2008, Allianz SE had an unissued conditional capital in the amount of € 250,000,000 (97,656,250 shares), authorized in 2006. In February 2008 the remaining 2.2 mn warrants were exercised which the Allianz Group had issued in February 2005 as part of the „All-in-One" transaction. In conjunction with the exercise, 2.2 mn new shares of Allianz SE resulting from conditional capital were issued leading to proceeds from this increased equity of € 202 mn. The new shares are entitled to dividend as of the financial year 2008.

A capital increase out of unissued conditional capital will be carried out only to the extent that conversion or option rights are exercised by holders of bonds issued by Allianz SE or any of its subsidiaries or that mandatory conversion obligations are fulfilled.

Changes in the number of issued shares outstanding

	2008	2007	2006
Issued shares outstanding as of January 1,	448,910,648	429,336,291	405,298,397
Capital increase for merger with RAS	—	—	25,123,259
Capital increase for tender offer AGF	—	16,974,357	—
Exercise of warrants	2,200,000	—	—
Capital increase for employee shares	700,000	1,025,643	986,741
Change in treasury shares held for non-trading purposes	(96,521)	(86,431)	(57,232)
Change in treasury shares held for trading purposes	(223,904)	1,660,788	(2,014,874)
Issued shares outstanding as of December 31,	451,490,223	448,910,648	429,336,291
Treasury shares	1,559,777	1,239,352	2,813,709
Total number of issued shares	453,050,000	450,150,000	432,150,000

In November 2008, 700,000 (2007:1,025,643) shares were issued at a price of € 64.30 (2007: € 154.07) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase 660,700 (2007: 881,980) shares at prices ranging from € 45.01 (2007: €107.85) to € 53.58 (2007: € 128.39) per share. The remaining 39,300 (2007:143,663) shares were warehoused and booked as treasury shares for further subscriptions by employees in the context of the employee share purchase plan in 2009. As a result, issued capital increased by € 2 mn and capital reserve increased by € 43 mn.

In April 2007, 16,974,357 new Allianz SE shares were issued for the execution of the minority buy-out of AGF shares. The increase in share capital due to the minority buyout of AGF amounts to € 43 mn; the additional paid-in capital increased by € 2,722 mn.

On October 13, 2006, Allianz AG and RAS merged resulting in the issuance of 25,123,259 shares of Allianz SE to the shareholders of RAS. As a result, share capital increased by € 64 mn and capital reserve increased by € 3,589 mn.

All shares issued during the years ended December 31, 2008, 2007 and 2006 are qualifying shares from the beginning of the year of issue.

Dividends

For the year ended December 31, 2008, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 3.50 per qualifying share. During the years ended December 31, 2007 and 2006, Allianz SE paid a dividend of € 5.50 and € 3.80 , respectively, per qualifying share.

Treasury shares

The Annual General Meeting on May 21, 2008, authorized Allianz SE to acquire its own shares for other purposes pursuant to clause 71(1) no. 8 of the German Stock Corporation Law ("Aktiengesetz"). During the year ended December 31, 2008 the authorization was used to acquire 39,300 (2007: 143,663) shares of Allianz SE.

In order to enable Dresdner Bank Group to trade in shares of Allianz SE, the Annual General Meeting on May 21, 2008 authorized the Allianz Group's domestic or foreign credit institutions in which Allianz SE has a majority holding to acquire treasury shares for trading purposes pursuant to clause 71(1) no. 7 of the Aktiengesetz. During the year ended December 31, 2008, in accordance with this authorization, the credit institutions of the Allianz Group purchased 30,227,150 (2007:24,780,668) of Allianz SE's shares at an average price of € 106.73 per share (2007: € 131.55), which included previously held Allianz SE shares. During the year ended December 31, 2008, 30,977,574 shares (2007: 25,348,169) were disposed of holdings at an average price of € 100.87 per share (2007: € 127.39). During the year ended December 31, 2008, the gains arising from treasury share transactions and in consideration of the holding, were € 21 mn (2007: losses € 110 mn), which were recorded directly in revenue reserves.

Composition of the treasury shares

As of December 31,	Acquisition costs € mn	Number of shares	Issued capital %
2008			
Allianz SE	65	545,807	0.12
Dresdner Bank Group	69	895,558	0.20
Other	13	118,412	0.02
Total	**147**	**1,559,777**	**0.34**
2007			
Allianz SE	72	567,698	0.13
Dresdner Bank Group	100	671,654	0.15
Total	**172**	**1,239,352**	**0.28**

Minority interests

As of December 31,	2008 € mn	2007 € mn
Unrealized gains and losses (net)	20	95
Share of earnings	258	748
Other equity components	3,286	2,785
Total	**3,564**	**3,628**

Capital Requirements

The Allianz Group's capital requirements are primarily dependent on our growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole.

On January 1, 2005, the Financial Conglomerates Directive, a supplementary European Union ("EU") directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German law. The law requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirements on a consolidated basis.

At December 31, 2008, based on the current status of discussion, our eligible capital for the solvency margin, required for our insurance segments and our banking and asset management business, was € 39.5 bn (2007: € 46.5 bn) including off-balance sheet reserves[1], surpassing the minimum legally stipulated level by € 9.9 bn (2007: € 17.6 bn). This margin resulted in a preliminary cover ratio[2] of 133% at December 31, 2008 (2007: 161%). In 2008, all Allianz Group companies also have met their local solvency requirements.

Starting with the third quarter 2008, unrealized gains and losses on bonds are excluded from the calculation of our eligible capital. This new methodology, which better reflects economic reality, added around 6 (2007: 4) percentage points to Allianz Group's Solvency Ratio.

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations.

Certain of the Allianz Group's insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, asset risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

As of December 31, 2008, the Allianz Group's insurance subsidiaries were in compliance with all applicable solvency and capital adequacy requirements.

Certain insurance subsidiaries are subjected to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of Allianz Group's insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws.

Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future. In addition, Allianz SE is not subject to legal restrictions on the amount of dividends it can pay to its shareholders, except the legal reserve in the appropriated retained earnings, which is required according to clause 150 (1) of the Aktiengesetz.

[1] Represents the difference between fair value and amortized cost of real estate held for investment and investments in associates and joint ventures, net of deferred taxes, policyholders' participation and minority interests.
[2] Represents the ratio of eligible capital to required capital.

Supplementary Information to the Consolidated Income Statements

26 Premiums earned (net)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2008				
Premiums written				
Direct	40,116	22,442	—	62,558
Assumed	3,271	367	(25)	3,613
Subtotal	**43,387**	**22,809**	**(25)**	**66,171**
Ceded	(4,972)	(527)	25	(5,474)
Net	**38,415**	**22,282**	**—**	**60,697**
Change in unearned premiums				
Direct	(93)	(49)	—	(142)
Assumed	(36)	(2)	1	(37)
Subtotal	**(129)**	**(51)**	**1**	**(179)**
Ceded	(73)	—	(1)	(74)
Net	**(202)**	**(51)**	**—**	**(253)**
Premiums earned				
Direct	40,023	22,393	—	62,416
Assumed	3,235	365	(24)	3,576
Subtotal	**43,258**	**22,758**	**(24)**	**65,992**
Ceded	(5,045)	(527)	24	(5,548)
Net	**38,213**	**22,231**	**—**	**60,444**
2007				
Premiums written				
Direct	41,526	21,241	—	62,767
Assumed	2,763	281	(23)	3,021
Subtotal	**44,289**	**21,522**	**(23)**	**65,788**
Ceded	(5,320)	(637)	23	(5,934)
Net	**38,969**	**20,885**	**—**	**59,854**
Change in unearned premiums				
Direct	(352)	(77)	—	(429)
Assumed	(68)	2	1	(65)
Subtotal	**(420)**	**(75)**	**1**	**(494)**
Ceded	4	(1)	(1)	2
Net	**(416)**	**(76)**	**—**	**(492)**
Premiums earned				
Direct	41,174	21,164	—	62,338
Assumed	2,695	283	(22)	2,956
Subtotal	**43,869**	**21,447**	**(22)**	**65,294**
Ceded	(5,316)	(638)	22	(5,932)
Net	**38,553**	**20,809**	**—**	**59,362**

26 Premiums earned (net) – continued

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2006				
Premiums written				
Direct	40,967	21,252	—	62,219
Assumed	2,707	362	(13)	3,056
Subtotal	**43,674**	**21,614**	**(13)**	**65,275**
Ceded	(5,415)	(816)	13	(6,218)
Net	**38,259**	**20,798**	**—**	**59,057**
Change in unearned premiums				
Direct	(351)	(225)	—	(576)
Assumed	156	1	—	157
Subtotal	**(195)**	**(224)**	**—**	**(419)**
Ceded	(114)	—	—	(114)
Net	**(309)**	**(224)**	**—**	**(533)**
Premiums earned				
Direct	40,616	21,027	—	61,643
Assumed	2,863	363	(13)	3,213
Subtotal	**43,479**	**21,390**	**(13)**	**64,856**
Ceded	(5,529)	(816)	13	(6,332)
Net	**37,950**	**20,574**	**—**	**58,524**

27 Interest and similar income

	2008 €mn	2007 €mn	2006 €mn
Interest from held-to-maturity investments	243	223	233
Dividends from available-for-sale investments	1,864	2,282	2,086
Interest from available-for-sale investments	10,164	9,164	8,741
Share of earnings from investments in associates and joint ventures	(37)	284	223
Rent from real estate held for investment	703	780	805
Interest from loans to banks and customers	5,928	5,670	5,177
Other interest	207	221	165
Total	19,072	18,624	17,430

28 Income from financial assets and liabilities carried at fair value through income (net)

	Property- Casualty €mn	Life/Health €mn	Banking €mn	Asset Management €mn	Corporate €mn	Consolidation €mn	Group €mn
2008							
Income (expenses) from financial assets and liabilities held for trading	(33)	1,082	(5)	(7)	135	(339)	833
Expenses from financial assets designated at fair value through income	(112)	(2,108)	—	(236)	(24)	—	(2,480)
Income from financial liabilities designated at fair value through income	—	—	—	—	—	—	—
Income from financial liabilities for puttable equity instruments (net)	29	765	—	166	1	—	961
Total	**(116)**	**(261)**	**(5)**	**(77)**	**112**	**(339)**	**(686)**
2007							
Income (expenses) from financial assets and liabilities held for trading	(51)	(1,337)	2	—	44	(37)	(1,379)
Income from financial assets designated at fair value through income	150	345	—	64	7	(8)	558
Income from financial liabilities designated at fair value through income	3	11	—	—	—	(1)	13
Income (expenses) from financial liabilities for puttable equity instruments (net)	(17)	41	—	(33)	—	—	(9)
Total	**85**	**(940)**	**2**	**31**	**51**	**(46)**	**(817)**
2006							
Income (expenses) from financial assets and liabilities held for trading	83	(808)	45	7	(274)	52	(895)
Income (expenses) from financial assets designated at fair value through income	121	742	—	(105)	5	—	763
Expenses from financial liabilities designated at fair value through income	(1)	(2)	—	—	—	1	(2)
Income (expenses) from financial liabilities for puttable equity instruments (net)	(14)	(293)	—	136	(65)	—	(236)
Total	**189**	**(361)**	**45**	**38**	**(334)**	**53**	**(370)**

Income from financial assets and liabilities held for trading (net)

Life/Health Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2008 includes in the Life/Health segment income of € 1,149 mn (2007: expenses of € 1,352 mn; 2006: expenses of € 834 mn) from derivative financial instruments. This includes income of € 1,769 mn (2007: expenses of € 756 mn; 2006: expenses of € 513 mn) from forward sales of equities and the purchase of forward contracts for fixed income of German entities. Also included are expenses from derivative financial instruments in the USA amongst others related to equity indexed annuity contracts and guaranteed benefits under unit-linked contracts of € 1,304 mn (2007: € 622 mn; 2006: € 350 mn) and income from other derivative financial instruments of € 684 mn (2007: income of € 26 mn; 2006: income of € 29 mn).

Corporate Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2008, includes in the Corporate segment expenses of € 186 mn (2007: € 15 mn; 2006: € 152 mn) from derivative financial instruments. In 2008 thereof expenses of € 166 mn (2007: € 15 mn; 2006: € 152 mn) are related to financial derivative instruments for which hedge accounting is not applied. This includes income from financial derivative instruments embedded in exchangeable bonds of € 133 mn (2007: expenses of € 222 mn; 2006: expenses of € 570 mn), expenses from derivative financial instruments of € 7 mn (2007: income of € 164 mn; 2006: income of € 290 mn) which partially hedge the exchangeable bonds, however which do not qualify for hedge accounting, and expenses from other derivative financial instruments of € 292 mn (2007: income of € 43 mn; 2006: income of € 128 mn). Additionally income from financial assets and liabilities held for trading for the year ended December 31, 2008 includes income of € 324 mn (2007: € 60 mn; 2006: expenses of € 122 mn) from the hedges of share based compensation plans granted by restricted stock units.

29 Realized gains/losses (net)

	2008 € mn	2007 € mn	2006 € mn
Realized gains			
Available-for-sale investments			
Equity securities	5,890	6,852	5,003
Debt securities	716	421	742
Subtotal	6,606	7,273	5,745
Investments in associates and joint ventures [1]	158	197	723
Real estate held for investment	268	371	653
Loans to banks and customers	101	52	26
Subtotal	7,133	7,893	7,147
Realized losses			
Available-for-sale investments			
Equity securities	(2,608)	(577)	(326)
Debt securities	(789)	(1,120)	(737)
Subtotal	(3,397)	(1,697)	(1,063)
Investments in associates and joint ventures [2]	(6)	(84)	(4)
Real estate held for investment	(99)	(46)	(134)
Loans to banks and customers	(28)	(58)	(25)
Subtotal	(3,530)	(1,885)	(1,226)
Total	3,603	6,008	5,921

1) During the year ended December 31, 2008, includes realized gains from the disposal of subsidiaries and businesses of € 143 mn (2007: € 164 mn; 2006: € 567 mn).

2) During the year ended December 31, 2008, includes realized losses from the disposal of subsidiaries of € 1 mn (2007: € 83 mn; 2006: € 2 mn).

30 Fee and commission income

	2008			2007			2006		
	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn
Property-Casualty									
Fees from credit and assistance business	769	(2)	767	703	(2)	701	681	—	681
Service agreements	470	(32)	438	475	(24)	451	318	(37)	281
Investment advisory	8	—	8	—	—	—	15	—	15
Subtotal	**1,247**	**(34)**	**1,213**	**1,178**	**(26)**	**1,152**	**1,014**	**(37)**	**977**
Life/Health									
Service agreements	102	(42)	60	174	(15)	159	191	(26)	165
Investment advisory	459	(34)	425	513	(16)	497	423	(28)	395
Other	10	(10)	—	14	(14)	—	16	(16)	—
Subtotal	**571**	**(86)**	**485**	**701**	**(45)**	**656**	**630**	**(70)**	**560**
Banking									
Securities business	97	(1)	96	116	(2)	114	127	—	127
Investment advisory	147	(92)	55	215	(145)	70	287	(152)	135
Payment transactions	53	(1)	52	54	(1)	53	40	—	40
Underwriting business	—	—	—	3	—	3	3	—	3
Other	133	(20)	113	140	(6)	134	46	(5)	41
Subtotal	**430**	**(114)**	**316**	**528**	**(154)**	**374**	**503**	**(157)**	**346**
Asset Management									
Management fees	3,315	(112)	3,203	3,558	(126)	3,432	3,420	(112)	3,308
Loading and exit fees	257	—	257	313	—	313	341	—	341
Performance fees	83	—	83	206	(1)	205	107	1	108
Other	377	(2)	375	326	(11)	315	318	(6)	312
Subtotal	**4,032**	**(114)**	**3,918**	**4,403**	**(138)**	**4,265**	**4,186**	**(117)**	**4,069**
Corporate									
Service agreements	215	(115)	100	198	(92)	106	190	(117)	73
Other	6	(6)	—	—	—	—	—	—	—
Subtotal	**221**	**(121)**	**100**	**198**	**(92)**	**106**	**190**	**(117)**	**73**
Total	6,501	(469)	6,032	7,008	(455)	6,553	6,523	(498)	6,025

31 Other income

	2008 €mn	2007 €mn	2006 €mn
Income from real estate held for own use			
Realized gains from disposals of real estate held for own use	374	210	58
Other income from real estate held for own use	11	2	2
Subtotal	385	212	60
Income from non-current assets and disposal groups held for sale	—	4	1
Other	23	1	—
Total	408	217	61

32 Income and expenses from fully consolidated private equity investments

	manroland AG	Selecta AG	Four Seasons Health Care Ltd.	Other	Total
	€ mn	€ mn	€ mn	€ mn	€ mn
2008					
Income					
Sales and service revenues	1,727	749	—	40	2,516
Other operating revenues	19	—	—	1	20
Interest income	12	—	—	1	13
Subtotal	**1,758**	**749**	**—**	**42**	**2,549**
Expenses					
Cost of goods sold	(1,379)	(238)	—	(27)	(1,644)
Commissions	(155)	—	—	—	(155)
General and administrative expenses	(87)	(391)	—	(3)	(481)
Other operating expenses	(96)	—	—	—	(96)
Interest expenses	(17)	(73)	—	(4)	(94)
Subtotal	**(1,734)**	**(702)**	**—**	**(34)**	**(2,470)**
Total	**24**	**47**	**—**	**8**	**79**
2007					
Income					
Sales and service revenues	1,936	375	—	22	2,333
Other operating revenues	21	—	—	—	21
Interest income	13	—	—	—	13
Subtotal	**1,970**	**375**	**—**	**22**	**2,367**
Expenses					
Cost of goods sold	(1,526)	(234)	—	(3)	(1,763)
Commissions	(164)	—	—	—	(164)
General and administrative expenses	(218)	(106)	—	—	(324)
Other operating expenses	—	—	—	—	—
Interest expenses	(26)	(40)	—	—	(66)
Subtotal	**(1,934)**	**(380)**	**—**	**(3)**	**(2,317)**
Total	**36**	**(5)**	**—**	**19**	**50**
2006					
Income					
Sales and service revenues	1,044	—	327	—	1,371
Other operating revenues	15	—	—	—	15
Interest income	5	—	1	—	6
Subtotal	**1,064**	**—**	**328**	**—**	**1,392**
Expenses					
Cost of goods sold	(849)	—	—	—	(849)
Commissions	(71)	—	—	—	(71)
General and administrative expenses	(40)	—	(264)	—	(304)
Other operating expenses	(93)	—	—	—	(93)
Interest expenses	(14)	—	(50)	—	(64)
Subtotal	**(1,067)**	**—**	**(314)**	**—**	**(1,381)**
Total	**(3)**	**—**	**14**	**—**	**11**

33 Claims and insurance benefits incurred (net)

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2008				
Gross				
Claims and insurance benefits paid	(27,656)	(20,057)	13	(47,700)
Change in loss and loss adjustment expenses	(501)	(89)	3	(587)
Subtotal	(28,157)	(20,146)	16	(48,287)
Ceded				
Claims and insurance benefits paid	2,521	490	(13)	2,998
Change in loss and loss adjustment expenses	(350)	(17)	(3)	(370)
Subtotal	2,171	473	(16)	2,628
Net				
Claims and insurance benefits paid	(25,135)	(19,567)	—	(44,702)
Change in loss and loss adjustment expenses	(851)	(106)	—	(957)
Total	(25,986)	(19,673)	—	(45,659)
2007				
Gross				
Claims and insurance benefits paid	(27,955)	(18,258)	9	(46,204)
Change in loss and loss adjustment expenses	(176)	(34)	5	(205)
Subtotal	(28,131)	(18,292)	14	(46,409)
Ceded				
Claims and insurance benefits paid	3,070	711	(9)	3,772
Change in loss and loss adjustment expenses	(424)	(56)	(5)	(485)
Subtotal	2,646	655	(14)	3,287
Net				
Claims and insurance benefits paid	(24,885)	(17,547)	—	(42,432)
Change in loss and loss adjustment expenses	(600)	(90)	—	(690)
Total	(25,485)	(17,637)	—	(43,122)
2006				
Gross				
Claims and insurance benefits paid	(27,132)	(18,485)	27	(45,590)
Change in loss and loss adjustment expenses	104	(35)	(2)	67
Subtotal	(27,028)	(18,520)	25	(45,523)
Ceded				
Claims and insurance benefits paid	3,130	777	(27)	3,880
Change in loss and loss adjustment expenses	(774)	118	2	(654)
Subtotal	2,356	895	(25)	3,226
Net				
Claims and insurance benefits paid	(24,002)	(17,708)	—	(41,710)
Change in loss and loss adjustment expenses	(670)	83	—	(587)
Total	(24,672)	(17,625)	—	(42,297)

34 Change in reserves for insurance and investment contracts (net)

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2008				
Gross				
Aggregate policy reserves	(154)	(4,045)	(1)	(4,200)
Other insurance reserves	7	(89)	—	(82)
Expenses for premium refunds	142	(1,118)	(22)	(998)
Subtotal	**(5)**	**(5,252)**	**(23)**	**(5,280)**
Ceded				
Aggregate policy reserves	(18)	110	2	94
Other insurance reserves	10	9	—	19
Expenses for premium refunds	16	11	—	27
Subtotal	**8**	**130**	**2**	**140**
Net				
Aggregate policy reserves	(172)	(3,935)	1	(4,106)
Other insurance reserves	17	(80)	—	(63)
Expenses for premium refunds	158	(1,107)	(22)	(971)
Total	**3**	**(5,122)**	**(21)**	**(5,140)**
2007				
Gross				
Aggregate policy reserves	(233)	(4,868)	—	(5,101)
Other insurance reserves	24	(260)	—	(236)
Expenses for premium refunds	(163)	(5,255)	(78)	(5,496)
Subtotal	**(372)**	**(10,383)**	**(78)**	**(10,833)**
Ceded				
Aggregate policy reserves	16	92	—	108
Other insurance reserves	2	5	—	7
Expenses for premium refunds	15	18	—	33
Subtotal	**33**	**115**	**—**	**148**
Net				
Aggregate policy reserves	(217)	(4,776)	—	(4,993)
Other insurance reserves	26	(255)	—	(229)
Expenses for premium refunds	(148)	(5,237)	(78)	(5,463)
Total	**(339)**	**(10,268)**	**(78)**	**(10,685)**
2006				
Gross				
Aggregate policy reserves	(291)	(4,307)	(1)	(4,599)
Other insurance reserves	31	(78)	—	(47)
Expenses for premium refunds	(211)	(6,136)	(426)	(6,773)
Subtotal	**(471)**	**(10,521)**	**(427)**	**(11,419)**
Ceded				
Aggregate policy reserves	29	(38)	2	(7)
Other insurance reserves	2	11	—	13
Expenses for premium refunds	15	23	—	38
Subtotal	**46**	**(4)**	**2**	**44**
Net				
Aggregate policy reserves	(262)	(4,345)	1	(4,606)
Other insurance reserves	33	(67)	—	(34)
Expenses for premium refunds	(196)	(6,113)	(426)	(6,735)
Total	**(425)**	**(10,525)**	**(425)**	**(11,375)**

35 Interest expenses

	2008 € mn	2007 € mn	2006 € mn
Liabilities to banks and customers	(753)	(882)	(488)
Deposits retained on reinsurance ceded	(71)	(101)	(120)
Certificated liabilities	(411)	(479)	(400)
Participating certificates and subordinated liabilities	(492)	(438)	(422)
Other	(166)	(170)	(203)
Total	(1,893)	(2,070)	(1,633)

36 Loan loss provisions

	2008 € mn	2007 € mn	2006 € mn
Additions to allowances including direct impairments	(121)	(110)	(69)
Amounts released	35	58	55
Recoveries on loans previously impaired	27	34	9
Total	(59)	(18)	(5)

37 Impairments of investments (net)

	2008 € mn	2007 € mn	2006 € mn
Impairments			
Available-for-sale investments			
Equity securities	(8,736)	(1,154)	(471)
Debt securities [1]	(698)	(26)	(83)
Subtotal	(9,434)	(1,180)	(554)
Held-to-maturity investments	—	—	(8)
Investments in associates and joint ventures	(71)	(2)	(1)
Real estate held for investment	(128)	(23)	(2)
Subtotal	(9,633)	(1,205)	(565)
Reversals of impairments			
Available-for-sale investments			
Debt securities	84	13	1
Held-to-maturity investments	—	—	1
Real estate held for investment	54	7	3
Subtotal	138	20	5
Total	(9,495)	(1,185)	(560)

[1] Impairments on available-for-sale debt securities include impairments of asset-backed securities of € 0.4 mn for the Property-Casualty segment and € 15.6 mn for the Life/Health segment.

38 Investment expenses

	2008 € mn	2007 € mn	2006 € mn
Investment management expenses	(429)	(432)	(493)
Depreciation from real estate held for investment	(165)	(183)	(210)
Other expenses from real estate held for investment	(177)	(259)	(245)
Foreign currency gains and losses (net)			
Foreign currency gains	1,255	687	473
Foreign currency losses	(1,129)	(850)	(580)
Subtotal	126	(163)	(107)
Total	(645)	(1,037)	(1,055)

39 Acquisition and administrative expenses (net)

	2008			2007			2006		
	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn
Property-Casualty									
Acquisition costs									
Incurred	(7,731)	—	(7,731)	(7,690)	—	(7,690)	(7,515)	—	(7,515)
Commissions and profit received on reinsurance business ceded	643	(5)	638	671	(2)	669	717	(1)	716
Deferrals of acquisition costs	4,146	—	4,146	4,511	—	4,511	3,983	—	3,983
Amortization of deferred acquisition costs	(4,089)	—	(4,089)	(4,384)	—	(4,384)	(3,843)	—	(3,843)
Subtotal	(7,031)	(5)	(7,036)	(6,892)	(2)	(6,894)	(6,658)	(1)	(6,659)
Administrative expenses	(3,325)	6	(3,319)	(3,724)	64	(3,660)	(3,932)	81	(3,851)
Subtotal	(10,356)	1	(10,355)	(10,616)	62	(10,554)	(10,590)	80	(10,510)
Life/Health									
Acquisition costs									
Incurred	(3,829)	5	(3,824)	(3,851)	3	(3,848)	(3,928)	—	(3,928)
Commissions and profit received on reinsurance business ceded	83	—	83	146	—	146	150	—	150
Deferrals of acquisition costs	2,437	—	2,437	2,526	—	2,526	2,771	—	2,771
Amortization of deferred acquisition costs	(1,392)	—	(1,392)	(1,643)	—	(1,643)	(1,772)	—	(1,772)
Subtotal	(2,701)	5	(2,696)	(2,822)	3	(2,819)	(2,779)	—	(2,779)
Administrative expenses	(1,674)	(5)	(1,679)	(1,766)	(72)	(1,838)	(1,658)	(19)	(1,677)
Subtotal	(4,375)	—	(4,375)	(4,588)	(69)	(4,657)	(4,437)	(19)	(4,456)
Banking									
Personnel expenses	(264)	1	(263)	(252)	—	(252)	(254)	—	(254)
Non-personnel expenses	(288)	6	(282)	(337)	20	(317)	(296)	17	(279)
Subtotal	(552)	7	(545)	(589)	20	(569)	(550)	17	(533)
Asset Management									
Personnel expenses	(1,441)	—	(1,441)	(1,705)	—	(1,705)	(1,657)	—	(1,657)
Non-personnel expenses	(798)	13	(785)	(686)	16	(670)	(629)	16	(613)
Subtotal	(2,239)	13	(2,226)	(2,391)	16	(2,375)	(2,286)	16	(2,270)
Corporate									
Administrative expenses	(444)	23	(421)	(642)	9	(633)	(655)	(44)	(699)
Subtotal	(444)	23	(421)	(642)	9	(633)	(655)	(44)	(699)
Total	(17,966)	44	(17,922)	(18,826)	38	(18,788)	(18,518)	50	(18,468)

40 Fee and commission expenses

	2008			2007			2006		
	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn
Property-Casualty									
Fees from credit and assistance business	(606)	—	(606)	(615)	1	(614)	(487)	1	(486)
Service agreements	(535)	34	(501)	(352)	16	(336)	(231)	27	(204)
Investment advisory	—	—	—	—	—	—	(3)	2	(1)
Subtotal	**(1,141)**	**34**	**(1,107)**	**(967)**	**17**	**(950)**	**(721)**	**30**	**(691)**
Life/Health									
Service agreements	(66)	41	(25)	(45)	18	(27)	(88)	27	(61)
Investment advisory	(187)	19	(168)	(164)	6	(158)	(135)	19	(116)
Subtotal	**(253)**	**60**	**(193)**	**(209)**	**24**	**(185)**	**(223)**	**46**	**(177)**
Banking									
Securities business	(7)	—	(7)	(10)	—	(10)	(9)	—	(9)
Investment advisory	(128)	—	(128)	(169)	3	(166)	(178)	3	(175)
Payment transactions	(8)	—	(8)	(5)	—	(5)	(6)	—	(6)
Other	(50)	1	(49)	(49)	5	(44)	(42)	10	(32)
Subtotal	**(193)**	**1**	**(192)**	**(233)**	**8**	**(225)**	**(235)**	**13**	**(222)**
Asset Management									
Commissions	(794)	298	(496)	(948)	435	(513)	(953)	427	(526)
Other	(364)	14	(350)	(322)	5	(317)	(309)	4	(305)
Subtotal	**(1,158)**	**312**	**(846)**	**(1,270)**	**440**	**(830)**	**(1,262)**	**431**	**(831)**
Corporate									
Service agreements	(170)	6	(164)	(130)	7	(123)	(127)	8	(119)
Subtotal	**(170)**	**6**	**(164)**	**(130)**	**7**	**(123)**	**(127)**	**8**	**(119)**
Total	(2,915)	413	(2,502)	(2,809)	496	(2,313)	(2,568)	528	(2,040)

41 Other expenses

	2008 €mn	2007 €mn	2006 €mn
Expenses from real estate held for own use			
Realized losses from disposals of real estate held for own use	(1)	(4)	(9)
Impairments of real estate held for own use	(9)	(10)	(3)
Subtotal	(10)	(14)	(12)
Other	(2)	(3)	(1)
Total	(12)	(17)	(13)

42 Income taxes

	2008 € mn	2007 € mn	2006 € mn
Current income tax expense			
Germany	(181)	(371)	434
Other countries	(925)	(2,066)	(1,886)
Subtotal	(1,106)	(2,437)	(1,452)
Deferred income tax expense			
Germany	(575)	149	155
Other countries	394	(284)	(423)
Subtotal	(181)	(135)	(268)
Total	(1,287)	(2,572)	(1,720)

During the year ended December, 31, 2008, current income tax expense included an expense of € 6 mn (2007: an income of € 20 mn; 2006: an income € 82 mn) related to prior years.

Of the deferred tax charge for the year ended December 31, 2008, an expense of € 387 mn (2007: expense of € 463 mn; 2006: income of € 485 mn) is attributable to the recognition of deferred taxes on temporary differences and an income of € 227 mn (2007: an expense of € 14 mn; 2006: an expense € 747 mn) is attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax expense of € 21 mn (2007 income of € 341 mn; 2006 expense of € 5 mn). In 2007, in this amount is included a tax income of € 291 mn resulting from the German corporate tax reform. Current and deferred tax benefit included in shareholders' equity during the year ended December 31, 2008, amounted to € 1 084 mn (2007: € 870 mn; 2006: € 740 mn).

The recognized income tax expense for the year ended December 31, 2008, is € 312 mn (2007: € 557 mn; 2006: € 1,183 mn) lower than the expected income tax expense. The following table shows the reconciliation from the expected income tax expense of the Allianz Group to the effectively recognized tax expense. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after taking into consideration consolidation effects with impact on the group result. The expected tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax, trade tax and the solidarity surcharge and amounts to 31.00% (2007: 26.38%; 2006: 26.38%, including corporate tax and solidarity surcharge in both prior periods). The German corporate tax reform in 2007 led to a decrease of corporate tax rate and an increase of trade tax rate. Due to the increased relative weight of trade tax and because trade tax ceased to be deductible for corporate tax purposes, trade tax has been included into the expected tax rate in reconciliations of the German Allianz companies.

The effective tax rate is determined on the basis of the effective income tax expense on income before income taxes and minority interests in earnings.

	2008 € mn	2007 € mn	2006 € mn
Income before income taxes and minority interests in earnings			
Germany	3,393	2,367	1,554
Other countries	2,080	8,196	8,009
Total	5,473	10,563	9,563
Expected income tax rate in %	29.2%	29.6%	30.4%
Expected income tax expense	1,599	3,129	2,903
Municipal trade tax and similar taxes	166	405	151
Net tax exempt income	(469)	(592)	(773)
Effects of tax losses	28	(17)	(29)
Effects of German tax law changes	—	(291)	(521)
Other	(37)	(62)	(11)
Income taxes	1,287	2,572	1,720
Effective tax rate in %	23.5%	24.4%	18.0%

The effects of German tax law changes stem, in 2007, from decrease in tax rates due to German corporate tax reform and, in 2006, from the capitalization of corporate tax credits due to the German Reorganization Tax Act ("SEStEG").

During the year ended December 31, 2008, a deferred tax expense of € 5 mn (2007: € 8 mn; 2006: € — mn) was recognized due to devaluation of deferred tax assets on tax losses carried forward. Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax expense diminished by € 19 mn (2007: € 43 mn; 2006: € 27 mn). The recognition of deferred tax assets on tax losses carried forward from earlier periods, for which no deferred taxes had yet been recognized or which had been devalued resulted in a deferred tax income of € 4 mn (2007: € 4 mn; 2006: € 12 mn). The non-recognition of deferred taxes on tax losses for the current fiscal year increased the tax expense by € 46 mn (2007: € 22 mn; 2006: € 10 mn). The above mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group deferred taxes are the applicable national rates, which in 2008 ranged from 10.0% to 42.05%. Changes to tax rates already adopted on December 31, 2008, are taken into account.

Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization.

Deferred tax assets and liabilities

As of December 31,	2008 [1] € mn	2007 [1] € mn
Deferred tax assets		
Financial assets carried at fair value through income	225	166
Investments	4,080	2,501
Deferred acquisition costs	473	546
Other assets	833	932
Intangible assets	156	167
Tax losses carried forward	2,060	4,041
Insurance reserves	3,845	3,610
Pensions and similar obligations	177	357
Other liabilities	712	1,325
Total deferred tax assets	**12,561**	**13,645**
Non recognition or valuation allowance for deferred tax assets on tax losses carried forward	(197)	(814)
Effect of netting	(8,368)	(8,060)
Net deferred tax assets	**3,996**	**4,771**
Deferred tax liabilities		
Financial assets carried at fair value through income	50	543
Investments	3,090	3,191
Deferred acquisition costs	4,531	3,746
Other assets	680	751
Intangible assets	115	349
Insurance reserves	2,465	2,389
Pensions and similar obligations	226	231
Other liabilities	1,044	833
Total deferred tax liabilities	**12,201**	**12,033**
Effect of netting	(8,368)	(8,060)
Net deferred tax liabilities	**3,833**	**3,973**
Net deferred tax assets/(liabilities)	**163**	**798**

[1] Compared to the presentation in prior years notes to the financial statements, the presentation of the individual positions in the above table has been changed in order to better refer to the individual underlying balance sheet positions.

Taxable temporary differences associated with investments in Allianz Group companies, for which no deferred tax liabilities are recognized because Allianz is able to control the timing of their reversal and they will not reverse in the foreseeable future amount to € 267 mn (2007: € 343 mn). Deductible temporary differences arising from investments in Allianz Group companies, for which no deferred tax assets are recognized because it is not probable that they reverse in the foreseeable future amount to € 219 mn (2007: € 588 mn).

Tax losses carried forward

Tax losses carried forward at December 31, 2008, of € 8,856 mn (2007: € 7,169 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 8,244 mn (2007: € 6,618 mn) of the tax losses carried forward can be utilized without time limitation. The Allianz Group believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets.

Tax losses carried forward are scheduled according to their expiry periods as follows:

	2008 € mn
2009	13
2010	26
2011	61
2012	39
2013	92
2014	17
2015	134
2016	34
2017	7
2018	55
>10 years	134
Unlimited	8,244
Total	**8,856**

Other Information

43 Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rates and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter ("OTC") products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

Property-Casualty, Life/Health and Corporate Segments

As of December 31,	2008						2007		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1–5 years	Over 5 years						
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of:									
OTC									
Forwards	450	575	702	1,727	38	(47)	13,061	10	(370)
Swaps	541	7,084	3,988	11,613	429	(166)	31,932	160	(87)
Swaptions	465	200	—	665	4	—	920	46	(17)
Caps	481	7,130	11	7,622	—	(29)	8,155	—	(50)
Floors	—	—	129	129	1	—	106	—	—
Options	—	20	—	20	—	(1)	13	—	—
Exchange traded									
Futures	2,297	—	—	2,297	23	(1)	15,720	67	(62)
Options	—	—	—	—	—	—	21	—	—
Subtotal	**4,234**	**15,009**	**4,830**	**24,073**	**495**	**(244)**	**69,928**	**283**	**(586)**
Equity index contracts, consisting of:									
OTC									
Forwards	1,647	1,225	—	2,872	520	(381)	5,851	39	(2,151)
Swaps	339	—	—	339	122	—	485	12	(19)
Floors	—	—	—	—	—	—	5	5	—
Options [1]	49,494	1,055	2,245	52,794	1,227	(5,567)	61,382	1,029	(4,493)
Warrants	—	—	—	—	—	—	13	13	—
Structured Note	5	—	—	5	4	—	—	—	—
Exchange traded									
Futures	2,312	—	—	2,312	21	(15)	8,520	24	(97)
Options	48	—	—	48	14	—	3	—	(1)
Forwards	—	—	—	—	—	—	450	—	(428)
Warrants	—	19	1	20	9	—	1	3	—
Subtotal	**53,845**	**2,299**	**2,246**	**58,390**	**1,917**	**(5,963)**	**76,710**	**1,125**	**(7,189)**
Foreign exchange contracts, consisting of:									
OTC									
Forwards	11,529	109	20	11,658	550	(48)	6,026	61	(32)
Swaps	800	304	417	1,521	15	(59)	272	10	(21)
Options	11	—	—	11	—	—	71	2	(10)
Subtotal	**12,340**	**413**	**437**	**13,190**	**565**	**(107)**	**6,369**	**73**	**(63)**
Credit contracts, consisting of:									
OTC									
Swaps	414	1,841	524	2,779	46	(55)	1,936	6	(7)
Exchange traded									
Swaps	—	—	—	—	—	—	257	3	—
Subtotal	**414**	**1,841**	**524**	**2,779**	**46**	**(55)**	**2,193**	**9**	**(7)**
Total	70,833	19,562	8,037	98,432	3,023	(6,369)	155,200	1,490	(7,845)

[1] As of December 31, 2008, includes embedded derivatives related to equity indexed annuities with negative fair values of € 5,163 mn (2007: € 4,327 mn).

Banking and Asset Management Segments

As of December 31,	2008						2007		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1–5 years	Over 5 years						
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of:									
OTC									
Forwards	—	—	—	—	—	—	58,151	43	(33)
Swaps	821	359	1,164	2,344	9	(67)	3,474,925	43,098	(41,487)
Swaptions	—	—	—	—	—	—	98,242	750	(1,928)
Caps	23	71	12	106	—	—	56,982	200	(300)
Floors	—	—	—	—	—	—	27,762	147	(119)
Options	—	—	—	—	—	—	1,088	35	(20)
Other	—	—	—	—	—	—	10,170	819	(579)
Exchange traded									
Futures	354	—	—	354	2	—	110,309	1	(1)
Options	13	—	—	13	—	—	459,300	1,432	(1,254)
Subtotal	**1,211**	**430**	**1,176**	**2,817**	**11**	**(67)**	**4,296,929**	**46,525**	**(45,721)**
Equity index contracts, consisting of:									
OTC									
Swaps	—	—	—	—	—	—	28,209	1,042	(1,246)
Options	39	—	—	39	15	—	197,255	11,080	(12,033)
Warrants	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	25	2	(117)
Exchange traded									
Futures	—	—	—	—	—	—	8,706	—	—
Options	215	—	—	215	10	(6)	144,162	6,197	(5,948)
Subtotal	**254**	**—**	**—**	**254**	**25**	**(6)**	**378,357**	**18,321**	**(19,344)**
Foreign exchange contracts, consisting of:									
OTC									
Forwards	279	67	—	346	21	(10)	491,009	6,358	(6,139)
Swaps	—	—	—	—	—	—	93,415	4,128	(3,203)
Options	7	22	—	29	—	—	273,558	2,978	(3,165)
Warrants	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	39	—	—
Exchange traded									
Futures	—	—	—	—	—	—	4,305	21	(15)
Options	—	—	—	—	—	—	1,200	13	(4)
Subtotal	**286**	**89**	**—**	**375**	**21**	**(10)**	**863,526**	**13,498**	**(12,526)**
Credit contracts, consisting of:									
OTC									
Credit default swaps	—	—	—	—	—	—	1,140,527	11,525	(10,993)
Total return swaps	—	—	—	—	—	—	12,879	430	(857)
Subtotal	**—**	**—**	**—**	**—**	**—**	**—**	**1,153,406**	**11,955**	**(11,850)**
Other contracts, consisting of:									
OTC									
Precious metals	—	—	—	—	—	—	15,044	736	(640)
Options	—	—	—	—	—	—	3,932	554	(583)
Other	—	—	—	—	—	—	155	—	(25)
Exchange traded									
Futures	—	—	—	—	—	—	2,197	—	—
Options	—	—	—	—	—	—	—	—	—
Subtotal	**—**	**—**	**—**	**—**	**—**	**—**	**21,328**	**1,290**	**(1,248)**
Total	1,751	519	1,176	3,446	57	(83)	6,713,546	91,589	(90,689)

Derivative financial instruments used in accounting hedges

The Allianz Group principally uses fair value hedging. Important hedging instruments are equity forward contracts, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

Fair value hedges

The Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. The financial instruments used in the related fair value hedges had a total fair value of € 902 mn (2007: € (2,050) mn) as of December 31, 2008.

Additionally the Allianz Group uses fair value hedges to protect against the change in the fair value of financial assets due to movements in interest rates or exchange rates. The derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value as of December 31, 2008 of € 39 mn (2007: positive fair value of € 168 mn).

For the year ended December 31, 2008, the Allianz Group recognized for fair value hedges a net gain of € 2,115 mn (2007: net loss of € 462 mn; 2006: net loss of € 687 mn) on the hedging instrument and a net loss of € 2,027 mn (2007: net gain of € 494 mn; 2006: net gain of € 698 mn) on the hedged item attributable to the hedged risk.

Cash flow hedges

During the year ended December 31, 2008, cash flow hedges were used to hedge variable cash flows exposed to interest rate and exchange rate fluctuations. As of December 31, 2008, the derivative instruments utilized had a positive fair value of € 31 mn (2007: negative fair value of € 2 mn). Other reserves in shareholders' equity increased by € 27 mn (2007: € 35 mn).

Hedge of net investment in foreign operations

As of December 31, 2008, the Allianz Group hedges part of its USD net investments through the issuance of USD denominated liabilities with a nominal amount of 2.4 bn USD.

44 Fair value of financial instruments

Fair values and carrying amounts of financial instruments

The following table presents a comparison of the carrying amount and the fair value of the Allianz Group's classes of financial instruments:

As of December 31,	2008		2007	
	Carrying amount €mn	Fair Value €mn	Carrying amount €mn	Fair Value €mn
Financial assets				
Cash and cash equivalents	8,958	8,958	31,337	31,337
Financial assets held for trading	2,624	2,624	163,541	163,541
Financial assets designated at fair value through income	11,616	11,616	21,920	21,920
Available-for-sale investments	242,099	242,099	268,001	268,001
Held-to-maturity investments	4,934	5,066	4,659	4,705
Loans and advances to banks and customers	115,655	117,944	396,702	394,741
Financial assets for unit-linked contracts	50,450	50,450	66,060	66,060
Derivative financial instruments and firm commitments included in other assets	1,101	1,101	344	344
Financial liabilities				
Financial liabilities held for trading	6,244	6,244	124,083	124,083
Financial liabilities designated at fair value through income	—	—	1,970	1,970
Liabilities to banks and customers	18,451	18,494	336,494	335,394
Investment contracts with policyholders	101,898	101,898	90,404	90,404
Financial liabilities for unit-linked contracts	50,450	50,450	66,060	66,060
Derivative financial instruments and firm commitments included in other liabilities	208	208	2,210	2,210
Financial liabilities for puttable equity instruments	2,718	2,718	4,162	4,162
Certificated liabilities, participation certificates and subordinated liabilities	18,890	17,643	56,894	57,961

The fair value of a financial instrument is defined as the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

For the following financial instruments, carried at fair value in the consolidated balance sheet, the fair value is determined as described in Note 2 "Summary of significant accounting policies":

- Financial assets and liabilities held for trading
- Financial assets and liabilities designated at fair value through income
- Available-for-sale investments
- Financial assets and liabilities for unit-linked contracts
- Derivative financial instruments and firm commitments included in other assets and other liabilities
- Investment contracts with policyholders
- Financial liabilities for puttable equity instruments

In the following the determination of the fair value for financial instruments, that are not carried at fair value in the consolidated balance sheet, but for which a fair value has to be disclosed under IFRS 7, is described:

Cash and cash equivalents

Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. They are carried at nominal value, which represents a reasonable estimate of the fair value for these short term financial instruments.

Held-to-maturity investments

The fair value of held-to-maturity investments is determined using the quoted market price as of the balance sheet date.

Loans and advances to banks and customers

For loans and advances to banks and customers quoted market prices are not available as there are no active markets, where these instruments are traded. The fair value is determined using generally accepted valuation techniques with actual market parameters. For short-term loans the carrying amount represents a reasonable estimate of the fair value. For long-term loans the fair value is estimated by discounting future contractual cash flows using risk-adjusted discount rates. Additionally, the individually assessed component of the allowance for loan losses and the recoverable amounts of collateral was considered in the fair value determination of loans.

Liabilities to banks and customers

For short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting future cash flows. The fair value determination reflects current market interest rates and the credit rating of the Allianz Group.

Certificated liabilities, participation certificates and subordinated liabilities

The fair value of certificated liabilities, participation certificates and subordinated liabilities is determined using quoted market prices, if available. If quoted prices are not available, for short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting the remaining contractual future cash flows at a discount-rate at which Allianz Group could issue debt with similar remaining maturity. The fair value determination reflects current market interest rates and the credit rating of the Allianz Group.

Fair value hierarchy of financial instruments

The fair value of a financial instrument is determined using quoted prices for an identical instrument in active markets (Level I). If quoted prices for an identical instrument in active markets are not available, the fair value is determined using valuation-techniques based on observable market data (Level II). Otherwise valuation-techniques are used, for which any significant input is not based on observable market data (Level III).

The following table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheet as of December 31, 2008.

As of December 31,	2008				2007
	Level I Quoted prices in active markets	Level II Valuation technique - market observable inputs	Level III Valuation technique - non market observable inputs	Total fair value	Total fair value[1]
	€ mn	€ mn	€ mn	€ mn	€ mn
Financial assets					
Financial assets held for trading	1,020	1,550	54	2,624	163,541
Financial assets designated at fair value through income	7,295	4,129	192	11,616	21,920
Available-for-sale investments	190,820	46,710	4,569	242,099	268,001
Financial assets for unit-linked contracts	47,171	3,279	—	50,450	66,060
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	365	736	—	1,101	344
Total financial assets	**246,671**	**56,404**	**4,815**	**307,890**	**519,866**
Financial liabilities					
Financial liabilities held for trading	63	1,018	5,163	6,244	124,083
Financial liabilities designated at fair value through income	—	—	—	—	1,970
Investment contracts with policyholders[2]	35,117	1,037	174	36,328	35,841
Financial liabilities for unit-linked contracts	47,171	3,279	—	50,450	66,060
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	19	189	—	208	2,210
Financial liabilities for puttable equity instruments	2,718	—	—	2,718	4,162
Total financial liabilities	**85,088**	**5,523**	**5,337**	**95,948**	**234,326**

1) Includes as of December 31, 2007 financial assets with a fair value of € 201.8 bn and financial liabilities with a fair value of € 140.6 bn related to the disposal group Dresdner Bank.
2) Excludes Universal Life-Type contracts under US GAAP SFAS 97

For the vast majority of Allianz Group´s financial instruments carried at fair value in the consolidated balance sheet as of December 31, 2008, the fair value is determined using quoted prices in active markets for the identical instrument (Level I).

Available-for-sale investments assigned to Level II included corporate bonds of € 23 bn and ABS-related instruments of € 16 bn as of December 31, 2008 for which valuation techniques with observable market inputs are used.

The fair value of certain financial instruments is determined using valuation techniques with non market observable input parameters (Level III). Within financial assets designated at fair value through income these instruments comprise investments in private equity of € 184 mn. Within available-for-sale investments these instruments relate to investments in private equity of € 2.1 bn, investments in corporate bonds of € 1.7 bn and corporate asset-backed-securities of € 133 mn. Financial liabilities held for trading include € 5.2 bn of embedded derivative financial instruments relating to annuity products.

Due to the sale of Dresdner Bank to Commerzbank on January 12, 2009 the table above does not include certain CDOs that Allianz Group has repurchased from Dresdner Bank after the completion of the sale to Commerzbank. The amount of these assets as of December 31, 2008 was € 1.1 bn and is presented in non-current assets and assets from disposal groups classified as held for sale.

Day one profit

During the year ended December 31, 2008 the Allianz Group did not recognize day one profits. The day one profits of the previous year all related to Dresdner Bank and were reclassified with the related assets to “Non-current assets and assets of disposal groups classified as held for sale”.

45 Related party transactions

Allianz Group companies maintain various types of ordinary course business relations (particularly in the area of insurance, banking and asset management) with related enterprises. In particular, the business relations with associated companies, which are active in the insurance business, take on various forms and may also include special service, computing, reinsurance, costsharing and asset management agreements, whose terms are deemed appropriate by management. Similar relationships may exist with pension funds, foundations, joint ventures and companies, which provide services to Allianz Group companies.

46 Contingent liabilities, commitments, guarantees, and assets pledged and collateral

Contingent liabilities

Litigation

Allianz Group companies are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position or results of operations of Allianz Group, after consideration of any applicable reserves.

On November 5, 2001, a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks US Insurance Company (“AGR US”). The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. Allianz SE was indirectly concerned by this lawsuit as reinsurer of AGR US. In connection with the terrorist attack of September 11, 2001, the Allianz Group recorded net claims expense of approximately € 1.5 bn in 2001 for the Allianz Group on the basis of one occurrence. On October 18, 2006, the United States Court of Appeals for the Second Circuit of New York affirmed an earlier lower court decision in 2004 that had determined that the World Trade Center attack constituted two occurrences under the alleged terms of various coverages. On May 23, 2007, following a court-ordered mediation, AGR US reached a settlement with Silverstein Properties regarding the disputed insurance claims. The settlement amount is within our set case reserve and secured by letters of credit from SCOR, which is a reinsurer of AGR US for the relevant insurance policy. On May 24, 2007, SCOR announced that it considers the settlement agreed between AGR US and Silverstein Properties to not respect the terms and conditions of the Certificate of Reinsurance between SCOR and AGR US and referred the case to arbitration as contemplated under the Certificate of Reinsurance. The arbitration proceeding commenced in October 2007 and discovery is ongoing. Management does not expect any material negative financial impact for Allianz from such arbitration.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"), which is pending with the district court ("Landgericht") of Frankfurt. The Allianz Group believes that a claim to increase the cash settlement does not exist. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all of the approximately 16 mn shares that were transferred to Allianz.

Allianz Global Investors of America L.P. and certain of its subsidiaries have been named as defendants in multiple civil US lawsuits commenced as putative class actions and other proceedings related to matters involving market timing in the mutual fund industry. These lawsuits have been consolidated into and transferred to a multi-district litigation proceeding in the US District Court for the District of Maryland. The potential outcomes cannot be predicted at this time, but management currently does not expect any material negative financial outcome from these matters for the Allianz Group.

Two nearly identical class action civil complaints were filed against Pacific Investment Management Company LLC ("PIMCO"), a subsidiary of Allianz Global Investors of America L.P., in August 2005, in the Northern District of Illinois Eastern Division. The complaints alleged that the plaintiffs each purchased and sold a 10-year Treasury note futures contract and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts. The two actions have been consolidated into one single action and the two separate complaints have been replaced by a consolidated complaint, which claims that PIMCO violated the federal Commodity Exchange Act by engaging in market manipulation. In addition to PIMCO as a named defendant, PIMCO Funds has been added as a defendant to the consolidated action. In July 2007, the court granted class certification of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005. In December 2007, the U.S. Court of Appeals for the Seventh Circuit granted the petition of PIMCO and PIMCO Funds for leave to appeal the class certification ruling. That appeal is pending. Management currently believes the complaint is without merit but the outcome of this action cannot be predicted at this time.

The U.S. Department of Justice has alleged False Claims Act violations related to Fireman's Fund Insurance Company's ("FFIC") involvement as a provider of federal crop insurance from 1997 to 2003. The majority of the allegations concern falsified documentation in FFIC's Lambert, Mississippi and Modesto, California field offices. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. In November 2006, the U.S. Department of Justice proposed to FFIC a resolution of all civil, criminal and administrative allegations in the form of an offer to settle. Discussions between FFIC and the U.S. Department of Justice are continuing and the outcome of this matter cannot be predicted at this stage.

Three members of the Fireman's Fund group of companies in the United States, all subsidiaries of Allianz SE, are among the roughly 135 defendants named in a class action filed on August 1, 2005 in the United States District Court of New Jersey in connection with allegations relating to contingent commissions in the insurance industry. No class has been certified for this class action. The court dismissed with prejudice the federal court causes of action and dismissed without prejudice the state law causes of action. The plaintiffs have appealed the ruling. Unless the Court of Appeal reverses the lower court's decision, the case will remain dismissed. It is not possible to predict potential outcomes or assess any eventual exposure at this time.

Allianz Life Insurance Company of North America ("Allianz Life") has been named as a defendant in various putative class action lawsuits, mainly in Minnesota and California, in connection with the marketing and sale of deferred annuity products. One lawsuit in Minnesota and three in California are currently pending as certified class actions. The complaints allege that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products. The Minnesota lawsuit alleges violation of the Minnesota Consumer Fraud and Deceptive and Unlawful Trade Practices Act. The pending lawsuits have not yet progressed to a stage at which a potential outcome or exposure can be determined.

Other contingencies

In accordance with Section 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagensicherungsfonds"), Allianz SE has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur by reason of supporting measures taken in favour of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & Co.KG and Bankhaus W. Fortmann & Söhner KG.

With the sale of Dresdner Bank becoming effective on January 12, 2009, Allianz terminated the indemnification undertaking issued in 2001 in favour of the Federal Association of German Banks with respect to Dresdner Bank. As a result, the indemnification is only relevant for supporting measures that are based on facts that were already existing at the time of the termination.

Commitments

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown may not be representative of actual liquidity requirements for such commitments.

As of December 31,	2008 € mn	2007 € mn
Advances	160	34,065
Stand-by facilities	29	1,635
Guarantee credits	3	1,604
Discount credits	—	64
Mortgage loans/public-sector loans	85	527
Total	**277**	**37,895**

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of December 31, 2008, the future minimum lease payments under non-cancelable operating leases were as follows:

	2008 € mn
2009	261
2010	253
2011	217
2012	196
2013	175
Thereafter	1,108
Subtotal	**2,210**
Subleases	(43)
Total	**2,167**

Rental expense net of sublease rental income received of € 10 mn, for the year ending December 31, 2008, was € 253 mn (2007: € 429 mn; 2006: € 518 mn).

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of € 5,102 mn (2007: € 4,489 mn) as well as to invest in private equity funds totaling € 2,455 mn (2007: € 2,045 mn) as of December 31, 2008. As of December 31, 2008, commitments outstanding to purchase real estate used by third-parties and owned by the Allianz Group used for its own activities amounted to € 650 mn (2007: € 219 mn). As of December 31, 2008, commitments outstanding to purchase items of equipment amounted to € 3 mn (2007: € 197 mn). In addition, as of December 31, 2008, the Allianz Group has other commitments of € 224 mn (2007: € 229 mn) referring to maintenance, real estate development, sponsoring and purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

Pursuant to para. 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz – VAG"), a mandatory insurance guarantee scheme ("Sicherungsfonds") for life insurers was implemented in Germany. Each member of the scheme is obliged to make to the scheme annual contributions as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation ("Sicherungsfonds-Finanzierungs-Verordnung (Leben) – SichLVFinV"). As of December 31, 2008, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of € 24 mn (2007: € 36 mn) and an obligation for special payments of € 95 mn (2007: € 85 mn).

In December 2002, Protektor Lebensversicherungs-Aktiengesellschaft ("Protektor"), a life insurance company whose role is to protect policyholders of all German life insurers, was founded. Allianz Lebensversicherungs-Aktiengesellschaft and some of its subsidiaries are obligated to provide additional funds either to the mandatory insurance guarantee scheme or to Protektor, in the event that the funds provided to the mandatory insurance guarantee scheme are not sufficient to handle an insolvency case. Such obligation amounts to a maximum of 1 % of the sum of the net underwriting reserve with deduction of payments already provided to the insurance guarantee scheme. As of December 31, 2008, and under inclusion of the contributions to the mandatory insurance scheme mentioned above, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor was € 877 mn (2007: € 809 mn).

Guarantees

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is as follows:

	Letters of credit and other financial guarantees € mn	Market value guarantees € mn	Indemnification contracts € mn
2008			
Up to 1 year	740	—	7
1-3 years	99	439	15
3-5 years	18	478	—
Over 5 years	38	1,224	134
Total	**895**	**2,141**	**156**
Collateral	25	—	10
2007			
Up to 1 year	10,956	59	—
1-3 years	2,371	451	16
3-5 years	2,042	273	—
Over 5 years	994	2,528	244
Total	**16,363**	**3,311**	**260**
Collateral	6,023	—	10

The customers of the letters of credit and of the indemnification contracts have the following external credit ranking:

	2008 € mn
AAA	—
AA	4
A	444
BBB	6
BB	—
B and lower	—
without rating	597
Total	**1,051**

Letters of credit and other financial guarantees

The majority of the Allianz Group's letters of credit and other financial guarantees are issued to customers through the normal course of business of the Allianz Group's Banking segment in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third-parties is treated as a loan to the customer, and is, therefore, principally subject to collateral pledged by the customer as specified in the agreement.

Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of such investments does not meet the guaranteed targets at predefined dates.

The Allianz Group's Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees, as well as the maturity dates, differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of December 31, 2008, the maximum potential amount of future payments of the market value guarantees was € 785 mn (2007: € 1,956 mn), which represents the total value guaranteed under the respective agreements including the obligation that would have been due had the investments matured on that date. The fair value of the investment trust accounts and mutual funds related to these guarantees as of December 31, 2008, was € 822 mn (2007: € 2,151 mn).

The Allianz Group's banking operations in France, in the ordinary course of business, issue market value and performance-at-maturity guarantees in connection with mutual funds offered by the Allianz Group's asset management operations in France. The levels of market value and performance-at-maturity guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, the same mutual fund offers both a market value guarantee and a performance-at-maturity guarantee. Additionally, the performance-at-maturity guarantees are generally linked to the performance of an equity index or group of equity indexes. As of December 31, 2008, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was € 1,356 mn (2007: € 1,355 mn), which represents the total value guaranteed under the respective agreements. The fair value of the mutual funds related to the market guarantees as of December 31, 2008, was approximately € 1,260 mn (2007: € 1,316 mn). Such funds generally have a duration of five to eight years.

Indemnification contracts

Indemnification contracts are executed by the Allianz Group with various counterparties under existing service, lease or acquisition transactions. Such contracts may also be used to indemnify counterparties under various contingencies, such as changes in laws and regulations or litigation claims.

In connection with the sale of various of the Allianz Group's former private equity investments, subsidiaries of the Allianz Group provided indemnities to the respective buyers in the event that certain contractual warranties arise. The terms of the indemnity contracts cover ordinary contractual warranties, environmental costs and any potential tax liabilities the entity incurred while owned by the Allianz Group.

Credit derivatives

Credit derivatives consist of written credit default swaps, which require payment by the Allianz Group in the event of default of debt obligations, as well as written total return swaps, under which the Allianz Group guarantees the performance of the underlying assets. The notional principal amounts and fair values of the Allianz Group's credit derivative positions as of December 31, 2008 are provided in Note 43.

Assets pledged and collateral

The carrying amount of the assets pledged as collateral where the secured party does not have the right by contract or custom to sell or repledge the assets are as follows:

As of December 31,	2008 € mn	2007 € mn
Investments	175	597
Loans and advances to banks and customers	—	1,663
Financial assets carried at fair value through income	—	4,302
Total	**175**	**6,562**

As of December 31, 2008, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 1,672 mn (2007: € 212,894 mn), which the Allianz Group has the right to sell or repledge. As of December 31, 2008, € — mn (2007: € 156,096 mn) related to collateral that the Allianz Group has received and sold or repledged.

As of December 31, 2008 the Allianz Group took possession of collateral it holds as security with a carrying amount of € — mn. These financial assets will be systematically sold in the market.

47 Pensions and similar obligations

Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit plans in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Defined benefit plans

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

As of December 31,	2008 € mn	2007 € mn
Prepaid benefit costs	(256)	(402)
Accrued benefit costs	3,867	4,184
Net amount recognized	**3,611**	**3,782**

The following table sets forth the changes in the projected benefit obligations, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

	2008 € mn	2007 € mn
Change in projected benefit obligations		
Projected benefit obligations as of January 1,	16,142	17,280
Service cost	321	437
Interest cost	672	785
Plan participants' contributions	65	67
Amendments	41	(23)
Actuarial (gains)/losses	(774)	(1,316)
Foreign currency translation adjustments	(182)	(266)
Benefits paid	(570)	(685)
Changes in the consolidated subsidiaries of the Allianz Group	(38)	(137)
Divestitures [1]	(3,430)	—
Projected benefit obligations as of December 31, [2]	12,247	16,142
Change in fair value of plan assets		
Fair value of plan assets as of January 1,	10,931	10,888
Expected return on plan assets	448	577
Actuarial gains/(losses)	(781)	(331)
Employer contributions	500	342
Plan participants' contributions	65	67
Foreign currency translation adjustments	(150)	(229)
Benefits paid [3]	(321)	(315)
Changes in the consolidated subsidiaries of the Allianz Group	(36)	(68)
Divestitures [1]	(2,692)	—
Fair value of plan assets as of December 31,	7,964	10,931
Funded status as of December 31,	4,283	5,211
Unrecognized net actuarial losses	(685)	(1,444)
Unrecognized prior service costs	13	15
Net amount recognized as of December 31,	3,611	3,782

[1] Relates to the reclassification of Dresdner Bank Group to assets / liabilities of disposal groups classified as held for sale.
[2] As of December 31, 2008, includes direct commitments of the consolidated subsidiaries of the Allianz Group of € 4,429 mn (2007: € 4,953 mn) and commitments through plan assets of € 7,818 mn (2007: € 11,189 mn).
[3] In addition, the Allianz Group paid € 249 mn (2007: € 370 mn) directly to plan participants.

As of December 31, 2008, post-retirement health benefits included in the projected benefit obligation and in the net amount recognized amounted to € 60 mn (2007: € 109 mn) and € 92 mn (2007: € 138 mn), respectively.

The net periodic benefit cost related to defined benefit plans of the Allianz Group consists of the following components:

	2008 € mn	2007 € mn	2006 € mn
Service cost	321	382	417
Interest cost	672	617	571
Expected return on plan assets	(448)	(432)	(407)
Amortization of prior service cost	38	—	(33)
Amortization of net actuarial loss	6	62	84
(Income)/expenses of plan curtailments or settlements	—	(51)	(13)
Net periodic benefit cost [1]	**589**	**578**	**619**

[1] 2007 and 2006 adjusted due to the reclassification of net periodic benefit costs of Dresdner Bank Group to net income from discontinued operations

During the year ended December 31, 2008, net periodic benefit cost includes net periodic benefit cost related to post-retirement health benefits of € (7) mn (2007: € — mn; 2006: € 4 mn).

The actual return on plan assets amounted to € (333) mn, € 246 mn and € 467 mn during the years ended December 31, 2008, 2007 and 2006.

A summary of amounts related to defined benefit plans is as follows:

	2008 € mn	2007 € mn	2006 € mn
Projected benefit obligation	12,247	16,142	17,280
Fair value of plan assets	7,964	10,931	10,888
Funded status	4,283	5,211	6,392
Actuarial (gains) / losses from experience adjustments on:			
Plan obligations	(42)	(56)	8
Plan assets	781	331	90

Assumptions

The assumptions for the actuarial computation of the projected benefit obligation and the net periodic benefit cost depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted average value of the assumptions for the Allianz Group's defined benefit plans used to determine projected benefit obligation:

As of December 31,	2008 %	2007 %
Discount rate	5.8	5.5
Rate of compensation increase	2.5	2.6
Rate of pension increase	1.9	1.8

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

The weighted average value of the assumptions used to determine net periodic benefit cost:

	2008 %	2007 %	2006 %
Discount rate	5.5	4.6	4.1
Expected long-term return on plan assets	5.5	5.3	5.3
Rate of compensation increase	2.6	2.6	2.7
Rate of pension increase	1.8	1.5	1.4

For the year ended December 31, 2008, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

	Target allocation %	Weighted expected long-term rate of return %
Equity securities	28.7	7.6
Debt securities	66.4	4.6
Real estate	4.2	4.6
Other	0.7	3.5
Total	**100.0**	**5.5**

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The defined benefit plans' weighted average asset allocations by asset category are as follows:

As of December 31,	2008 %	2007 %
Equity securities	16.2	28.1
Debt securities	78.4	65.1
Real estate	3.6	2.8
Other	1.8	4.0
Total	**100.0**	**100.0**

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich. This entity insures effectively all employees of the German insurance operations and is not part of the Allianz Group.

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase on the long term its actual equity securities allocation for plan assets of defined benefit plans.

Contributions

During the year ending December 31, 2009, the Allianz Group expects to contribute € 226 mn to its defined benefit plans and pay € 240 mn directly to plan participants of its defined benefit plans.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended December 31, 2008, the Allianz Group recognized expense for defined contribution plans of € 212 mn (2007: € 192 mn; 2006: € 136 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 317 mn (2007: € 294 mn; 2006: € 277 mn).

48 Share-based compensation plans

Group Equity Incentives Plans

The Group Equity Incentives Plans ("GEI") of the Allianz Group support the orientation of senior management, in particular the Board of Management, toward the long-term increase of the value of the Allianz Group. The GEI include grants of stock appreciation rights ("SAR") and restricted stock units ("RSU").

Stock appreciation rights

The SARs granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each SAR granted. The excess is capped at 150 % of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. The SARs vest after two years and expire after seven years. Upon vesting, the SARs may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of Allianz SE share has outperformed the Dow Jones Europe STOXX Price Index at least once for a period of five consecutive trading days; and

- the Allianz SE market price is in excess of the reference price by at least 20 % on the exercise date.

In addition, upon death of plan participants, a change of control of the Allianz Group or notice for operational reason the SARs vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SAR will be exercised automatically if the above market conditions have been attained. The SARs are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SARs at grant date is measured using a Cox-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (all plans issued between 2002 and 2008 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the SARs.

The following table provides the assumptions used in estimating the fair value of the SARs at grant date:

	2008	2007	2006
Expected volatility	32.0%	27.9%	28.0%
Risk-free interest rate	3.6%	3.9%	4.1%
Expected dividend rate	5.3%	3.0%	1.6%
Share price	€ 112.83	€ 158.01	€ 123,67
Expected life (years)	7	7	7

The SARs are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SARs as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SARs are recognized as compensation expense. During the year ended December 31, 2008, the Allianz Group recognized compensation expense related to the unexercised SARs of € (116) mn (2007: € 14 mn; 2006: € 102 mn).

As of December 31, 2008, the Allianz Group recorded a liability, in other liabilities, for the unexercised SARs of € 37 mn (2007: € 182 mn).

Restricted stock units

The RSUs granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or issue one Allianz SE share, or other equivalent equity instrument, for each RSU granted. The RSUs vest after five years. The Allianz Group will exercise the RSUs on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each RSU.

In addition, upon death of plan participants, a change of control of the Allianz Group or notice for operational reason the RSUs vest immediately and will be exercised by the company.

The RSUs are notional stocks without dividend payments. The fair value is calculated by substracting the net present value of expected future dividend payments until maturity of the RSUs from the prevailing share price as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

	2008	2007	2006
Average interest rate	3.4%	3.9%	3.8%
Average dividend yield	5.7%	3.2%	1.5%

The RSUs are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSUs as compensation expense over the vesting period. During the year ended December 31, 2008, the Allianz Group recognized compensation expense related to the nonvested RSUs of € (19) mn (2007: € 41 mn; 2006: € 68 mn).

As of December 31, 2008, the Allianz Group recorded a liability, in other liabilities, of € 87 mn (2007: € 209 mn) for the nonvested RSUs.

Share-based compensation plans of subsidiaries of the Allianz Group

PIMCO LLC Class B Unit Purchase Plan

When acquiring AGI L.P. during the year ended December 31, 2000, Allianz SE caused Pacific Investment Management Company LLC ("PIMCO LLC") to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15% priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over 3 to 5 years and are subject to repurchase by AGI L.P. upon death, disability or termination of the participant prior to vesting. As of January 1, 2005, AGI L.P. has the right to repurchase, and the participants have the right to cause AGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is exercisable for the first time 6 months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash settled plan.

Therefore, the Allianz Group accrues the fair value of the Class B equity units as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as compensation expense. During the year ended December 31, 2008, the Allianz Group recognized compensation expense related to the Class B equity units of € 185 mn (2007: € 362 mn; 2006: € 383 mn). In addition, the Allianz Group recognized expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 93 mn (2007: € 126 mn; 2006: € 140 mn). During the year ended December 31, 2008, the Allianz Group called 27,826 Class B equity units. The total amount paid related to the call of the Class B equity units was € 418 mn.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of December 31, 2008, the Allianz Group recorded a liability for the Class B equity units of € 1,151 mn (2007: € 1,350 mn).

PIMCO LLC Class M-Unit

Allianz Global Investors (AGI) has launched a new management share-based payment incentive plan for certain senior level executives of PIMCO LLC and certain of its affiliates. Participants in the plan are granted options to acquire a new class of equity instruments (M-Units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option valuation date. Upon vesting, options will be automatically exercised in a cashless transaction. Participants may elect to defer the receipt of M-Units through the M-Unit Deferral Plan. With the M-Unit Plan, participants can directly participate in PIMCO's performance. Class M-Units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-Units have a right to receive quarterly cash compensation equal to and in lieu of quarterly dividend payments.

The maximum of 250,000 M-Units are authorized for issuance under the M-Unit Plan.

The fair value of the underlying M-Options was measured using the Black-Scholes option-pricing model. Volatility was derived in part by considering the average historical and implied volatility of a select group of peers. The expected life was calculated based upon treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-Options at grant date:

	2008
Weighted average fair value of options granted	€ 577.44
Assumptions:	
Expected term (years)	3.85
Expected volatility	32.5 %
Expected dividends	11.1 %
Risk free rate of return	2.7 %

A summary of the number and weighted average exercise price of the M-Options outstanding and exercisable are as follows:

	Number of options	Weighted average exercise price €
Outstanding as of January 1, 2008	—	—
Granted	27,674	6,230.05
Exercised	—	—
Forfeited	(1,142)	6,230.86
Outstanding as of December 31, 2008	**26,532**	**6,230.01**
Exercisable as of December 31, 2008	—	—

The aggregate intrinsic value of share options outstanding was € (1) mn for the year ended December 31, 2008.

The M-Units outstanding as of December 31, 2008 have an exercise price between of € 6,190.13 and of € 6,230.86 and a weighted average remaining contractual life of 4.46 years.

The shares settled by delivery of PIMCO LLC shares are accounted for as equity settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended December 31, 2008, the Allianz Group recorded compensation expense of € 2 mn related to these share options.

AGF Group share option plan

The AGF Group has awarded share options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants. The primary objective of the share option plan is to encourage the retention of key personnel of AGF Group and to link their compensation to the performance of AGF Group.

During the year ended December 31, 2007, Allianz acquired all of the remaining AGF shares from minority shareholders in the context of the Tender Offer and Squeeze-out. Under the terms of an agreement (the "Liquidity Agreement") between Allianz SE, AGF and the beneficiaries of the AGF share option plans 2003-2006 (AGF employees), Allianz has the right to purchase all AGF shares issued through the exercise of these AGF share option plans after the put period (where the beneficiaries have the right to sell to Allianz). The price payable by Allianz per AGF share is a cash consideration equal to the Allianz 20-day-average share price prior to the date the right to buy or to sell is exercised, multiplied by a ratio representing the consideration proposed in the Tender Offer for each AGF share (€ 126.43) divided by the Allianz share price on January 16, 2007 (€ 155.72). This ratio is subject to adjustments in case of transactions impacting Allianz or AGF share capital or net equity. The cash settlement is based upon the initial offer proposed for each AGF share during the Tender Offer. As of December 31, 2007 all shares issued under these plans were fully vested and exercisable.

Due to the change in settlement arising from the Liquidity Agreement, the Allianz Group accounts for the AGF share option plans as cash settled plans, as all AGF employees will receive cash for their AGF shares. Therefore, the Allianz Group recognizes any change in the fair value of the unexercised plans as compensation expense.

The effects of these modifications that increased the total fair value of the AGF share option plan to the AGF employees were expensed at the date of modification and amounted to € 15 mn in 2007. The modification of the settlement terms from an equity share to cash for vested options was recorded directly in equity, and amounted to € 18 mn during 2007.

Originally, the AGF share options plans were granted independently from the remuneration plans of the Allianz Group. At their original grant dates, the AGF share options had an exercise price of at least 85% of the then prevailing market price. The original maximum term for the AGF share option plans granted was eight years.

The fair value of these options at grant date was calculated using a Cox-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life has been estimated to equal the term to maturity of the options.

The following table provides original fair values at grant date of the AGF share options and the assumptions used in calculating them:

	2006	2005
Fair value	€ 24.87	€ 17.40
Assumptions:		
Share price at grant date	€ 110.20	€ 77.95
Expected life (years)	5	8
Risk free interest rate	3.9%	2.7%
Expected volatility	28.0%	27.5%
Dividend yield	4.5%	4.0%

Due to the Liquidity Agreement which became effective on June 30, 2007, the parameters for the valuation of the AGF share option plans were changed.

The following table provides an overview about the underlying assumptions used for the valuation after taking into account the impact of the Liquidity Agreement:

	2006	2005
Fair value	€ 48.38	€ 64.73
Assumptions:		
Share price at modification date	€ 172.95	€ 172.95
Expected life (years)	6	5
Risk free interest rate	4.5%	4.5%
Expected volatility	28.0%	30.0%
Dividend yield	3.2%	3.1%

During the year ended December 31, 2008, the Allianz Group recognized total compensation expenses related to the modified AGF share option plans of € (33) mn (2007: € 15 mn). As of December 31, 2008, the Allianz Group recorded a liability for the AGF plans of € 11 mn (2007: € 46 mn).

RAS Group Allianz SE share option plan (modified RAS Group share option plan 2005)

The RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares. The share options had a vesting period of 18 months to 2 years and a term of 6.5 to 7 years.

The share options allow for exercise at any time after the vesting period and before expiration, provided that:

- on the date of exercise, the RAS share price is at least 20% higher than the average share price in January of the grant year (for share options granted during the year ended December 31, 2001, the hurdle is 10%), and

- the performance of the RAS share in the year of grant exceeds the Milan Insurance Index in the same year.

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal to the term to maturity of the options.

The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2005
Fair value	€ 1.91
Assumptions:	
Share price at grant date	€ 17.32
Expected life (years)	7
Risk free interest rate	3.4 %
Expected volatility	18.0 %
Dividend yield	7.1 %

A summary of the number and weighted average exercise price of the options outstanding and exercisable are as follows:

	Number of options	Weighted average exercise price €
Outstanding as of January 1, 2005	**2,261,000**	**13.55**
Granted	1,200,000	17.09
Exercised	(2,041,000)	13.47
Forfeited	(467,000)	15.78
Outstanding RAS share options as of December 31, 2005	**953,000**	**17.09**
Modification	(953,000)	17.09
Outstanding as of December 31, 2006	—	—
Exercisable as of December 31, 2006	—	—

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, on the date of the merger were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.501 RAS share options outstanding. The outstanding RAS Group options of 953,000 were replaced by 173,241 Allianz SE options. The Allianz SE share options have the same vesting period of 2 years; however, the market conditions noted above were replaced with a performance condition, which was already achieved on the date of the modification.

During the year ended December 31, 2006, the Allianz Group recorded compensation expense of € 1 mn (2005: € 1 mn) related to these share options.

After modification the valuation model for the RAS Group Allianz SE share option plan remain unchanged. Nevertheless the underlying assumptions had to be adjusted. The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2006
Fair value	€ 66.35
Assumptions:	
Share price on modification date	€ 145.41
Expected life (years)	5
Risk free interest rate	3.9 %
Expected volatility	30.5 %
Dividend yield	1.5 %

A summary of the number and weighted average exercise price of the options outstanding and exercisable are as follows:

	2008		2007		2006	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of January 1,	**131,249**	**80.74**	**173,241**	**93.99**	—	—
Granted	—	—	—	—	173,241	93.99
Exercised	(13,424)	48.96	—	—	—	—
Forfeited	—	—	(41,992)	84.74	—	—
Outstanding as of December 31,	**117,825**	**48.96**	**131,249**	**80.74**	**173,241**	**93.99**
Exercisable as of December 31,	**117,825**	**48.96**	—	—	—	—

The aggregate intrinsic value of share options outstanding was € 6 mn for the year ended December 31, 2008 (2007: € 11 mn).

The options outstanding as of December 31, 2008 have an exercise price of € 48.96 and a weighted average remaining contractual life of 3 years.

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by the RAS Group. Therefore, the RAS Group measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended December 31, 2008, the Allianz Group recorded compensation expense of € — mn (2007: € 4 mn; 2006: € 6 mn) related to these share options.

Employee Stock purchase plans

The Allianz Group offers Allianz SE shares in 22 countries to qualified employees at favorable conditions. The shares have a minimum holding period of 1 to 5 years. During the year ended December 31, 2008, the number of shares sold to employees under these plans was 721,830 (2007: 939,303; 2006: 929,509). During the year ended December 31, 2008, the Allianz Group recognized compensation expense, the difference between the market price (lowest quoted price of the Allianz SE stock at the official market in Germany on October 10, 2008) and the discounted price of the shares purchased by employees, of € 10 mn (2007: € 30 mn; 2006: € 25 mn).

In addition, during the year ended December 31, 2006, the AGF Group offered AGF shares to qualified employees in France at favorable conditions. During the year ended December 31, 2006 the number of shares sold to employees under this plan was 651,012. During the year ended December 31, 2006 the compensation expense recorded was € 12 mn. Due to the Tender Offer all AGF shares were purchased by Allianz SE.

Other share option and shareholding plans

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended December 31, 2008, the total expense, in the aggregate, recorded for these plans was € 2 mn (2007: € 7 mn; 2006: € 6 mn).

49 Restructuring plans

As of December 31, 2008, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

Changes in the provisions for restructuring were:

	Allianz Deutschland AG € mn	Dresdner Bank Group € mn	AGF Group € mn	Other € mn	Total € mn
As of January 1, 2006	—	90	—	96	186
New provisions	526	328	—	41	895
Additions to existing provisions	—	9	—	1	10
Release of provisions recognized in previous years	—	(15)	—	(5)	(20)
Release of provisions via payments	(2)	(13)	—	(83)	(98)
Release of provisions via transfers	(69)	(20)	—	—	(89)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	—	4	4
Foreign currency translation adjustments	—	—	—	(1)	(1)
As of December 31, 2006	455	379	—	53	887
As of January 1, 2007	455	379	—	53	887
New provisions	—	8	—	145	153
Additions to existing provisions	22	19	—	4	45
Release of provisions recognized in previous years	(65)	(29)	—	(1)	(95)
Release of provisions via payments	(27)	(65)	—	(52)	(144)
Release of provisions via transfers	(159)	(140)	—	—	(299)
Foreign currency translation adjustments	—	(6)	—	—	(6)
As of December 31, 2007	226	166	—	149	541
As of January 1, 2008	226	166	—	149	541
New provisions	—	—	77	31	108
Additions to existing provisions	3	—	—	16	19
Release of provisions recognized in previous years	(10)	—	—	(1)	(11)
Release of provisions via payments	(10)	—	(2)	(70)	(82)
Release of provisions via transfers	(61)	—	—	(5)	(66)
Reclassification to liabilities of disposal groups classified as held for sale	—	(166)	—	—	(166)
As of December 31, 2008	148	—	75	120	343

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized prior to when they qualify to be recognized under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already "locked in", have been transferred to the provision type, which would have been used not having a restructuring initiative in place. This applies for each single contract.

For personnel costs, at the time an employee has contractually agreed to leave Allianz Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement the respective part of the restructuring provision has been transferred to provisions for employee expenses. In addition, provisions for vacant office spaces that result from restructuring initiatives have been transferred to "other" provisions after the offices have been completely vacated.

Allianz Deutschland AG´s provisions for restructuring

In 2006, Allianz Deutschland AG announced a restructuring plan for the insurance business in Germany, that should be terminated in 2008. In the course of the fiscal year 2008 the restructuring plan has been extended for another year up to 2009. The objective of the restructuring program is to make the insurance business more customer focused, operate more efficiently and achieve growth.

During the year ended December 31, 2008, Allianz Deutschland AG recorded restructuring charges of € (9) mn (2007: € (16) mn). This amount includes additions to existing provisions, release of provisions recognized in previous years, and restructuring charges as reflected in the consolidated income statement. The reduction of staff within this program shall occur in consent with the employees. The plan includes a reduction of approximately 5,345 positions. Approximately 4,695 full time equivalent positions have already been terminated, a part of which are related to natural employee turnover and early retirement agreements (Altersteilzeit) that were agreed upon before the restructuring provision was recorded and are not part of the restructuring provision.

	2008 € mn
New provisions	—
Additions to existing provisions	3
Release of provisions recognized in previous years	(10)
Restructuring charges directly reflected in the consolidated income statement	(2)
Total restructuring charges during the year ended December 31, 2008	**(9)**
Total restructuring charges incurred to date	501

A summary of the changes in the provisions for restructuring of the Allianz Deutschland AG during the year ended December 31, 2008 is:

	Provisions as of January 1, 2008	Provisions recorded during 2008				Release of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2008
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Release of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Program 2006									
Personnel costs	187	—	3	(10)	—	(61)	—	—	119
Contract termination costs	39	—	—	—	(10)	—	—	—	29
Other	—	—	—	—	—	—	—	—	—
Total	226	—	3	(10)	(10)	(61)	—	—	148

Allianz Deutschland AG recorded releases of provisions via transfers to other provision categories of € 61 mn as of December 31, 2008 (2007: € 159 mn).

Assurance Générales de France (AGF Group)'s provisions for restructuring

In 2008, the AGF Group announced a restructuring plan, so called "Comprehensive Adaptation Plan" ("Plan Global d'Adaptation"), for the insurance business in France which is expected to continue through 2011. The objectives of the restructuring program are to regain market shares and increase the quality of service, by

– increasing commercial staff and sales effectiveness,
– developing employees' competencies, and
– implementing a comprehensive plan of competitiveness.

The restructuring activities of the AGF Group will result in a reduction of locations within France from 14 to 10 and a relocation of workers and activities with critical team size purpose as well as a strong reduction of non-HR costs (especially IT, purchasing, facilities).

Through the Comprehensive Adaptation Plan, the AGF Group plans to reduce the number of administrative jobs by 688 and increase the number of commercial employees by 506 . The reduction of staff within this program includes measures for voluntary termination under restricted conditions and early retirement for the employees affected by the close-down of locations.

During the year ended December 31, 2008, the AGF Group recorded restructuring charges of € 81 mn as follows:

	2008 € mn
New provisions	77
Additions to existing provisions	—
Release of provisions recognized in previous years	—
Restructuring charges directly reflected in the consolidated income statement	4
Total restructuring charges during the year ended December 31, 2008	**81**
Total restructuring charges incurred to date	81

A summary of the changes in the provisions for restructuring of the AGF Group during the year ended December 31, 2008 is:

	Provisions as of January 1, 2008	Provisions recorded during 2008				Release of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2008
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Release of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Comprehensive Adaptation Plan									
Personnel costs	—	76	—	—	(2)	—	—	—	74
Contract termination costs	—	—	—	—	—	—	—	—	—
Other	—	1	—	—	—	—	—	—	1
Total	**—**	**77**	**—**	**—**	**(2)**	**—**	**—**	**—**	**75**

Other restructuring plans

For 2008, amongst others the following restructuring plans were reflected:

Allianz S.p.A., Italy

In 2007, the Boards of RAS, Lloyd Adriatico and AZ Subalpina announced a restructuring program for the integration of these three companies into Allianz S.p.A effective since October 1, 2007.

The objective is to reorganize its strategic and commercial direction by aligning the underwriting strategies, refocusing some lines of business in the insurance business, as well as in the asset management segment, unifying all the support functions leveraging on best practices. Further some activities will be relocated within Italian sites whereas other operations will be integrated into one single organization.

During the year ended December 31, 2008, Allianz S.p.A. together with its group companies recognized restructuring charges of € 2 mn (2007: € 73 mn). As of December 31, 2008 Allianz S.p.A. recorded a provision of € 36 mn (2007: € 52 mn).

Allianz Shared Infrastructure Service SE ("ASIC SE")

During 2007, ASIC SE recorded a provision for restructuring. The reason for the restructuring program are outsourcing activities for the divisions Desktop, Network and Telecommunication Services of ASIC SE (former Allianz Shared Infrastructure Service GmbH), Munich.

During the year ended December 31, 2008, ASIC SE recognized restructuring charges of € — mn (2007: € 79 mn) in total. As of December 31, 2008 ASIC SE recorded a provision for restructuring of € 15 mn (2007: € 42 mn).

50 Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period.

	2008 € mn	2007 € mn	2006 € mn
Net income (loss) used to calculate basic earnings per share	(2,444)	7,966	7,021
from continuing operations	3,967	7,316	6,640
from discontinued operations	(6,411)	650	381
Weighted average number of common shares outstanding	450,161,145	442,544,977	410,871,602
Basic earnings per share (in €)	(5.43)	18.00	17.09
from continuing operations (in €)	8.81	16.53	16.16
from discontinued operations (in €)	(14.24)	1.47	0.93

Diluted earnings per share

Diluted earnings per share are calculated by dividing net income (loss) by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potential dilutive common shares. Potential dilutive common shares arise from the assumed conversion of participation certificates issued by Allianz SE, warrants issued by Allianz SE and share-based compensation plans into Allianz shares, as well as from the conversion of derivatives on own shares.

	2008 € mn	2007 € mn	2006 € mn
Net income (loss)	(2,444)	7,966	7,021
Effect of potential dilutive common shares	(49)	(4)	(3)
Net income (loss) used to calculate diluted earnings per share	(2,493)	7,962	7,018
from continuing operations	3,918	7,312	6,637
from discontinued operations	(6,411)	650	381
Weighted average number of common shares outstanding	450,161,145	442,544,977	410,871,602
Potentially dilutive common shares resulting from assumed conversion of:			
Participation certificates	1,469,443	1,469,443	1,469,443
Warrants	36,338	962,547	737,847
Share-based compensation plans	3,226,670	1,321,100	335,346
Derivatives on own shares	1,139,945	3,265,298	4,868,560
Subtotal	5,872,396	7,018,388	7,411,196
Weighted average number of common shares outstanding after assumed conversion	456,033,541	449,563,365	418,282,798
Diluted earnings per share (in €)	(5.47)	17.71	16.78
from continuing operations (in €)	8.59	16.26	15.87
from discontinued operations (in €)	(14.06)	1.45	0.91

During the year ended December 31, 2008, the weighted average number of common shares does not include 2,004,155 (2007: 1,130,838; 2006: 730,391) treasury shares held by the Allianz Group.

51 Other Information

Employee information

As of December 31,	2008	2007
Germany	71,267	72,063
Other countries	111,598	109,144
Total [1]	182,865	181,207

[1] Includes as of December 31, 2008, 27,597 employees of Dresdner Bank Group.

The average total number of employees for the year ended December 31, 2008 was 181,549 people.

Personnel expenses

	2008 € mn	2007 € mn	2006 € mn
Salaries and wages	9,153	9,741	10,230
Social security contributions and employee assistance	1,298	1,666	1,731
Expenses for pensions and other post-retirement benefits	1,223	1,028	1,005
Total	11,674	12,435	12,966

In the table above are included the personnel expenses from the discontinued operations of Dresdner Bank, which amounted to € 2,532 mn in 2008.

Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG

On December 18, 2008, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to clause 161 AktG and made it available on a permanent basis to the shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2008 and was made permanently available to the shareholders.

Principal accountant fees and services

For a summary of fees billed by the Allianz Group's principal auditors, see page 128. The information provided there is considered part of these consolidated financial statements.

Compensation for the Board of Management

As of December 31, 2008, the Board of Management had 11 (2007: 11) members.

Total compensation of the Board of Management for the year ended December 31, 2008 amounts to € 18.5 mn (2007: € 26.5 mn). Furthermore 120,707 (2007: 102,950) stock appreciation rights and 58,580 (2007: 51,805) restricted stock units with a total fair value at grant date of € 7.7 mn (2007: € 12.3 mn) were granted to the Board of Management for the year ended December 31, 2008.

Compensation to former members of the Board of Management and their beneficiaries totaled € 7.0 mn (2007: € 5.0 mn). Pension obligations to former members of the Board of Management and their beneficiaries are accrued in the amount of € 47.0 mn (2007: € 49.0 mn).

Total compensation to the Supervisory Board amounts to € 1.1 mn (2007: € 1.6 mn).

Board of Management and Supervisory Board compensation by individual is included in the Corporate Governance section of this Annual Report. The information provided there is considered part of these consolidated financial statements.

52 Subsequent events

Sale of Dresdner Bank AG to Commerzbank AG

On August 31, 2008, Allianz SE and Commerzbank AG agreed on the sale of Dresdner Bank AG to Commerzbank AG. The transaction agreement was adjusted on November 27, 2008, and January 9, 2009. For details on the transaction agreement and financial effects please refer to Note 4 of the consolidated financial statements. The transaction was closed as scheduled on January 12, 2009. In exchange for Dresdner Bank AG, Allianz Group received a cash payment of € 3.2 bn, 163.5 mn shares of Commerzbank AG accounted for as available-for-sale equity investments, and cominvest which will be first consolidated in the first quarter of 2009. In addition, Commerzbank AG and Allianz Group entered into a long-term distribution agreement.

Subsequent to the sale, Allianz Group repurchased Colleraterized Debt Obligations (CDOs) for a consideration of about € 1.1 bn from Dresdner Bank AG. Furthermore, Allianz will provide a silent participation of € 750 mn in Dresdner Bank AG. The terms are identical to SoFFin's silent participation in Commerzbank AG.

Net claims from the storms "Klaus" and "Quinten" in Southwest Europe and the bushfires in Australia

Until end of February 2009 several natural catastrophes took place. Based on the current information the Allianz Group expected net claims to an amount of approximately € 236 mn before taxes:

- Storm "Klaus" in the Southwest of France and parts of Spain (€ 163 mn),
- Winterstorm "Quinten" in France (€ 32 mn),
- Bushfires in Australia (€ 41 mn).

Munich, February 23, 2008

Allianz SE
The Board of Management

Selected subsidiaries and other holdings

Operating Subsidiaries	Equity € mn	% owned [1]
Germany		
Allianz Capital Partners GmbH, Munich	0.03	100.0
Allianz Capital Partners Verwaltungs GmbH, Munich	632	100.0
Allianz Climate Solutions GmbH, Munich	0.04	100.0
Allianz Dresdner Bauspar AG, Bad Vilbel [2]	99	100.0
Allianz Global Corporate & Specialty AG, Munich	778	100.0
Allianz Global Investors Advisory GmbH, Frankfurt/Main	3	100.0
Allianz Global Investors AG, Munich	2,401	100.0
Allianz Global Investors Europe GmbH, Munich	17	100.0
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main	146	100.0
Allianz Global Investors Product Solutions GmbH, Munich	0.1	100.0
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	1,456	100.0
Allianz Pension Partners GmbH, Munich	0.5	100.0
Allianz Pensionskasse Aktiengesellschaft, Munich	182	100.0
Allianz Private Equity Partners GmbH, Munich	0.04	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	360	100.0
Allianz ProzessFinanz GmbH, Munich	0.4	100.0
Allianz Real Estate Germany GmbH, Stuttgart	5	100.0
Allianz Shared Infrastructure Services SE, Munich	111	100.0
Allianz Treuhand GmbH, Munich	0.01	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	2,566	100.0
AZT Automotive GmbH, Ismaning	0.2	100.0
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	56	100.0
Dresdner Bank Aktiengesellschaft, Frankfurt/Main [2]	2,496	100.0
Euler Hermes Kreditversicherungs-AG, Hamburg	220	100.0
manroland AG, Offenbach	332	100.0 [3]
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	7	62.5
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	502	89.6
Reuschel & Co. Kommanditgesellschaft, Munich [2]	140	97.5
risklab germany GmbH, Munich	0.03	100.0
Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	4	100.0
Vereinte Spezial Versicherung AG, Munich	45	100.0

1) Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0 %.
2) No subsidiary of the Allianz Group since January 12, 2009
3) Group share through indirect holder Roland Holding GmbH, Munich: 62,0 %

Property-Casualty
Life/Health
Banking
Asset Management
Corporate
Operating entity contributes a substantial portion of our total revenues within our primary geographic markets. Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Argentina		
Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	19	100.0
Australia		
Allianz Australia Limited, Sydney	803	100.0
Austria		
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	73	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	368	100.0
Privatinvest Bank AG, Salzburg	7	74.0
Belgium		
Allianz Belgium Insurance S.A., Brussels	689	100.0
Brazil		
Allianz Seguros S.A., Sao Paulo	163	72.5
Bulgaria		
Allianz Bank Bulgaria JSC, Sofia	72	99.8
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	22	78.0
Allianz Bulgaria Life Insurance Company Ltd., Sofia	12	99.0
China		
Allianz China Life Insurance Co. Ltd., Shanghai	56	51.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	65	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	3	100.0
Dresdner Kleinwort (Japan) Limited, Hong Kong [2]	378	100.0
RCM Asia Pacific Ltd., Hong Kong	14	100.0
Colombia		
Aseguradora Colseguros S.A., Bogota	39	100.0
Croatia		
Allianz Zagreb d.d., Zagreb	26	83.2
Czech Republic		
Allianz pojistovna a.s., Prague	108	100.0
Egypt		
Allianz Egypt Insurance Company S.A.E., Cairo	2	85.0
Allianz Egypt Life Company S.A.E., Cairo	(1)	100.0
France		
AAAM S.A., Paris	15	84.9
Allianz Global Corporate & Specialty France, Paris	238	100.0
Allianz Global Investors S.A., Paris	93	99.8
Assurances Générales de France IART S.A., Paris	2,719	100.0
Assurances Générales de France Vie S.A., Paris	2,592	100.0
Assurances Générales de France, Paris	6,821	100.0
Banque AGF S.A., Paris	110	100.0
Euler Hermes SFAC S.A., Paris	337	100.0
Mondial Assistance S.A.S., Paris Cedex	244	100.0
Greece		
Allianz Hellas Insurance Company S.A., Athen	65	100.0
Hungary		
Allianz Hungária Biztosító Zrt., Budapest	206	100.0
Indonesia		
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	28	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	14	76.0
Ireland		
Allianz Global Investors Ireland Ltd., Dublin	9	100.0
Allianz Irish Life Holdings p.l.c., Dublin	285	66.4
Allianz Re Dublin Limited, Dublin	93	100.0
Allianz Worldwide Care Ltd., Dublin	6	100.0

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0 %.
[2] No subsidiary of the Allianz Group since January 12, 2009.

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Italy		
ALLIANZ SUBALPINA HOLDINGS S.p.A., Torino	280	98.0
Allianz Global Investors Italia S.p.A, Milan	48	100.0
Allianz S.p.A., Trieste	2,924	100.0
Genialloyd S.p.A., Milan	280	100.0
Investitori SGR S.p.A., Milan	17	98.3
RB Vita S.p.A., Milano	209	100.0
Japan		
RCM Japan Co. Ltd. , Tokyo	0.6	100.0
Laos		
Assurances Générales du Laos Ltd., Vientiane	2	51.0
Luxembourg		
Allianz Global Investors Luxembourg S.A., Senningerberg	70	100.0
Dresdner Bank Luxembourg S.A., Luxembourg [2]	796	100.0
Malaysia		
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	25	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	48	100.0
Mexico		
Allianz México S.A. Compañia de Seguros, Mexico City	61	100.0
Netherlands		
Allianz Europe Ltd., Amsterdam	27,315	100.0
Allianz Nederland Asset Management B.V., Amsterdam	33	100.0
Allianz Nederland Levensverzekering N.V., Utrecht	207	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	260	100.0
Dresdner VPV N.V., Gouda [2]	47	100.0
Poland		
TU Allianz Polska S.A., Warsaw	154	100.0
TU Allianz Zycie Polska S.A., Warsaw	38	100.0
Portugal		
Companhia de Seguros Allianz Portugal S.A., Lisboa	161	64.8
Republic of Korea		
Allianz Global Investors Korea Limited, Seoul	14	100.0
Allianz Life Insurance Co. Ltd., Seoul	398	100.0
Romania		
Allianz Tiriac Asigurari SA, Bukarest	120	52.2
Russia		
Dresdner Bank ZAO, St. Petersburg [2]	89	100.0
Insurance Company "Progress Garant", Moscow	28	100.0
Insurance Joint Stock Company „Allianz", Moscow	7	100.0
Russian People's Insurance Society "ROSNO", Moscow	107	100.0
Singapore		
Allianz Global Investors Singapore Ltd., Singapore	2	100.0
Slovakia		
Allianz-Slovenská poist'ovna a.s., Bratislava	501	84.6
Spain		
Allianz Compañia de Seguros y Reaseguros S.A., Madrid	458	99.9
Euler Hermes Crédito Compañia de Seguros y Reaseguros, S.A., Madrid	7	100.0
Eurovida, S.A. Compañia de Seguros y Reaseguros, Madrid	94	51.0

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.
[2] No subsidiary of the Allianz Group since January 12, 2009.

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Switzerland		
Alba Allgemeine Versicherungs-Gesellschaft, Basel	54	100.0
Allianz Risk Transfer AG, Zurich	285	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	604	100.0
Allianz Suisse Versicherungs-Gesellschaft, Zurich	450	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Zürich	4	100.0
Dresdner Bank (Schweiz) AG, Zurich [2]	131	99.8
ELVIA Reiseversicherungs-Gesellschaft AG, Wallisellen	224	100.0
Selecta AG, Muntelier [3]	113	100.0
Taiwan		
Allianz Global Investors Taiwan Ltd., Taipei	29	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	21	99.7
Turkey		
Allianz Hayat ve Emeklilik AS, Istanbul	87	89.0
Allianz Sigorta AS, Istanbul	157	84.2
United Kingdom		
Allianz (UK) Limited, Guildford	418	100.0
Allianz Insurance plc., Guildford	861	98.0 [4]
Dresdner Kleinwort Group Limited, London [2]	45	100.0
Dresdner Kleinwort Limited, London [2]	258	100.0
Kleinwort Benson Channel Islands Holdings Limited, St. Peter Port [2]	225	100.0
Kleinwort Benson Private Bank Limited, London [2]	65	100.0
RCM (UK) Ltd., London	18	100.0
United States		
Allianz Global Investors of America L.P., Dover/Delaware	1,395	100.0
Allianz Global Risks US Insurance Company, Burbank/California	2,909	100.0
Allianz Life Insurance Company of North America, Minneapolis/Minnesota	2,201	100.0
Allianz of America Inc., Westport, CT	8,692	100.0
Allianz Underwriters Insurance Company, Burbank/California	44	100.0
Dresdner Kleinwort Securities LLC, Wilmington/Delaware [2]	250	100.0
Fireman's Fund Insurance Company, Novato/California	2,272	100.0
Nicholas Applegate Capital Management LLC, Dover/Delaware	11	100.0
Pacific Investment Management Company LLC, Wilmington/Delaware	205	92.1
RCM Capital Management LLC, Wilmington/Delaware	9	100.0
Wm. H McGee & Co. Inc., New York/New York	4	100.0

1) Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0 %.
2) No subsidiary of the Allianz Group since January 12, 2009.
3) Classified as "held for sale".
4) 99.99 % of the voting share capital.

Associated Enterprises [1]	Equity € mn	% owned [2]
Phenix Alternative Holding, Paris	2 007	41.6
AGF SECURICASH L, Paris	1 583	27.2
Allianz Euribor, Paris	1 162	45.8
AGF Eurocash, Paris	848	43.6
Allianz Euro Liquid, Paris	675	42.5
Natinium 2007-1, Dublin	622	48.4
Oddo, Paris	285	20.0
Allianz-dit Euro Bond Total Return Fonds, Senningerberg	254	49.9
Cofitem Cofimur, Paris	253	22.1
AGF Peh Eur. IV FCPR, Paris	191	43.5
Citylife Srl., Milano	191	26.7
PHRV (Paris Hotels Roissy Vaugirard), Paris	181	30.6
Henderson UK Outlet Mall Partnership LP., Edinburgh	174	19.5 [3]
Harwanne SA, Genève	174	21.5
Bajaj Allianz Life Insurance Company Ltd., Pune	147	26.0
Ayudhya Allianz C.P. Life Public Company Limited, Bangkok	146	25.0
FONDO IMMOBILIARE DOMUS, Rome	133	25.5
Allianz PIMCO Euro Bond Total Return, Luxemburg	112	36.8
Argos, Paris	102	47.4
OeKB EH Beteiligungss- und Management AG, Vienna,	92	49.0
Bajaj Allianz General Insurance Company Ltd., Pune	82	26.0
PGREF V 1301 SIXTH HOLDING LP, Wilmington	78	24.5
SDU Finco B.V., Amsterdam	47	49.7

1) Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Allianz Group has an interest of between 20.0% and 50.0% regardless of whether a significant influence is exercised or not. The presented associated enterprises represent 90.0% of total carrying amount of investments in associated enterprises.

2) Including shares held by dependent subsidiaries.

3) Significant influence due to Allianz's role in the (funds') management and its ownership share.

Other selected holdings in listed companies [1]	Market value € mn	owned %[2]	Group equity € mn	Net profit € mn	Balance sheet date
Banco BPI, S.A., Porto	139	8.8	1,905	372	12/31/2007
Banco Popular Espanol S.A., Madrid	706	9.6	6,641	1,337	12/31/2007
BASF SE, Ludwigshafen	669	2.6	20,098	4,326	12/31/2007
Bayer AG, Leverkusen	827	2.6	16,821	4,716	12/31/2007
Beiersdorf AG, Hamburg	622	5.9	2,070	442	12/31/2007
E.ON AG, Duesseldorf	1,459	2.6	55,130	7,724	12/31/2007
GEA Group Aktiengesellschaft, Bochum	232	10.2	1,414	284	12/31/2007
The Hartford Financial Services Group, Inc., Hartford	286	8.1	13,784	2,117	12/31/2007
Industrial & Commercial Bank of China Limited, Beijing	2,433	1.9	56,996	8,623	12/31/2007
Nestlé S.A., Vevey	634	0.6	35,114	7,369	12/31/2007
SGS SA, Geneve	312	5.4	1,206	462	12/31/2008
UniCredito Italiano S.p.A., Milan	535	2.3	62,464	6,678	12/31/2007
Zagrebacka banka d.d., Zagreb	184	11.7	1,703	178	12/31/2007

[1] Market value greater than or equal to € 100 mn and percentage of shares owned greater than or equal to 5.0%, or market value greater than or equal to € 500 mn, excluding trading portfolio of banking business.
[2] Including shares held by dependent subsidiaries (incl. consolidated investment funds).

Disclosure of equity investments

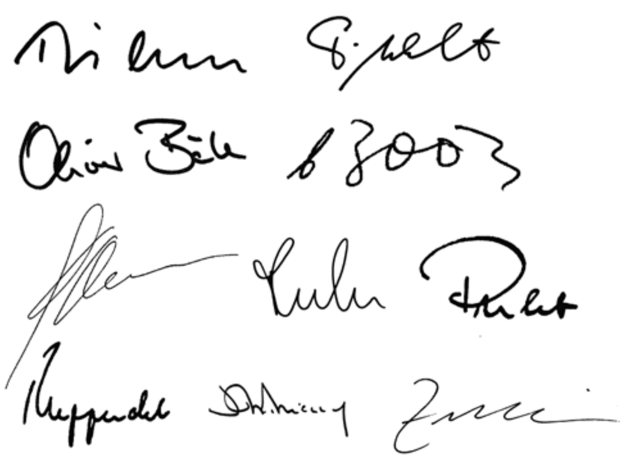
Information according to clause 313 (2) German Commercial Code is published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's website.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the group management report includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group.

Munich, February 23, 2009

Allianz SE
The Board of Management



Auditor's Report

We have audited the consolidated financial statements prepared by Allianz SE, Munich – comprising the balance sheet, the income statement, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements – together with the group management report for the business year from January 1 to December 31, 2008. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB (Handelsgesetzbuch, "German Commercial Code") and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftspüfer (IDW, Institute of Public Auditors in Germany), and in supplementary compliance with the Standards of the Public Company Accounting Oversight Board (United States). 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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group 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 consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group 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 consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB and supplementary provisions of the articles of incorporation and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 3, 2009

KPMG AG
Wirtschaftprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)

Dr. Frank Ellenbürger
Independent Auditor

Johannes Pastor
Independent Auditor

Joint Advisory Council of the Allianz Companies

Dr. Henning Schulte-Noelle
Chairman
Chairman of the Supervisory Board, Allianz SE

Franz Fehrenbach, since March 11, 2009
Chairman of the Board of Management,
Robert Bosch GmbH

Professor Dr. Bernd Gottschalk
Autovalue GmbH

Professor Dr. Peter Gruss
President, Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.

Herbert Hainer
Chairman of the Board of Management, adidas AG

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors, BASF SE

Professor Dr. h. c. Hans-Olaf Henkel
Bank of America, NA

Dr. Jürgen Heraeus
Chairman of the Supervisory Board,
Heraeus Holding GmbH

Dr.-Ing. Dieter Hundt, Honorary Senator
Chairman of the Supervisory Board, Allgaier Werke GmbH

Dr. Hans-Peter Keitel
Member of the Supervisory Board, Hochtief AG

Peter Löscher
Chairman of the Board of Management, Siemens AG

Dr.-Ing. h.c. Hartmut Mehdorn
Chairman of the Board of Management,
Deutsche Bahn AG

Dr. Bernd Pischetsrieder
Volkswagen AG

Professor Dr. Klaus Pohle

Dr.-Ing. Norbert Reithofer
Chairman of the Board of Management, BMW Group

Harry Roels

Dr. h. c. Walter Scheel
Former President of the Federal Republic of Germany

Dr. Manfred Schneider
Chairman of the Supervisory Board, Bayer AG

Professor Dr. Dennis J. Snower
President, Institut für Weltwirtschaft, University of Kiel

Dipl.-Kfm. Holger Strait
Managing Partner, J. G. Niederegger GmbH & Co. KG

Dr. h. c. Heinrich Weiss
Chairman of the Board of Management, SMS GmbH

Manfred Wennemer
Former Chairman of the Board of Mangement,
Continental AG

International Advisory Board

Khalifa Al-Kindi
Managing Director, Abu Dhabi Investment Council

Donald R. Argus AO
Chairman, BHP Billiton Group

Belmiro de Azevedo
Presidente, Sonae SGPS SA

Alfonso Cortina de Alcocer
Senior Advisor, Rothschild
Senior Advisor, Texas Pacific Group

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors, BASF SE

Rahmi Koç
Honorary Chairman of the Board of Directors, Koç Holding AS

Minoru Makihara
Senior Corporate Advisor, Mitsubishi Corporation

Jacques A. Nasser
Senior Partner, One Equity Partners LLC

James W. Owens
Chairman and CEO, Caterpillar Inc.

Dr. Marco Tronchetti Provera
Chairman and CEO, Pirelli & Co. S.p.A.

Dr. Gianfelice Rocca
Chairman, Techint Group

Anthony Salim
President and CEO, Salim Group

Louis Schweitzer
Chairman, Renault SA

Peter Sutherland
Chairman, BP plc

Iain Lord Vallance of Tummel

Angel Ron
Chairman, Banco Popular

Mandates of the Members of the Supervisory Board

Dr. Henning Schulte-Noelle
Membership in other statutory supervisory boards and SE administrative councils in Germany E.ON AG, ThyssenKrupp AG

Dr. Wulf H. Bernotat
Membership in other statutory supervisory boards and SE administrative councils in Germany Bertelsmann AG, METRO AG

Membership in group bodies E.ON Energie AG (Chairman), E.ON Ruhrgas AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in group bodies E.ON Nordic AB (Chairman), E.ON Sverige AB (Chairman), E.ON U.S. Investments Corp. (Chairman)

Jean-Jacques Cette
Membership in comparable [1] supervisory bodies
Assurances Générales de France

Dr. Gerhard Cromme
Membership in other statutory supervisory boards and SE administrative councils in Germany Axel Springer AG, Siemens AG (Chairman), ThyssenKrupp AG (Chairman)

Membership in comparable [1] supervisory bodies Compagnie de Saint-Gobain S.A.

Claudia Eggert-Lehmann until January 12, 2009
Membership in other statutory supervisory boards and SE administrative councils in Germany Dresdner Bank AG (Vice Chairwoman)

Karl Grimm since January 28, 2009
Membership in other statutory supervisory boards and SE administrative councils in Germany
Membership in group bodies Allianz Deutschland AG (Deputy Chairman), Allianz Versorgungskasse VVaG (Deputy Chairman)

Godfrey Robert Hayward

Dr. Franz B. Humer
Membership in comparable [1] supervisory bodies
DIAGEO plc (Chairman)

Membership in group bodies Chugai Pharmaceutical Co. Ltd., Roche Holding AG (Chairman)

Prof. Dr. Renate Köcher
Membership in other statutory supervisory boards and SE administrative councils in Germany BMW AG, Infineon Technologies AG, MAN AG

Peter Kossubek
Membership in other statutory supervisory boards and SE administrative councils in Germany
Membership in group bodies Allianz Versorgungskasse VVaG

Igor Landau
Membership in other statutory supervisory boards and SE administrative councils in Germany adidas AG (Deputy Chairman)

Membership in comparable [1] supervisory bodies
HSBC France, Sanofi-Aventis S.A.

Jörg Reinbrecht
Membership in other statutory supervisory boards and SE administrative councils in Germany SEB AG

Rolf Zimmermann

As of December 31, 2008 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Mandates of the Members of Board of Management

Michael Diekmann

Membership in other statutory supervisory boards and SE administrative councils in Germany BASF SE (Deputy Chairman), Linde AG (Deputy Chairman), Siemens AG

Membership in Group bodies Allianz Deutschland AG (Chairman), Allianz Global Investors AG (Chairman), Dresdner Bank AG (Chairman) (until January 12, 2009)

Membership in comparable[1] supervisory bodies
Membership in Group bodies Allianz S.p.A. (Vice President), Assurances Générales de France (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards and SE administrative councils in Germany Bayer AG, RWE AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Investors AG, Allianz Investment Management SE (Chairman)

Oliver Bäte

Membership in other statutory supervisory boards and SE administrative councils in Germany
Membership in Group bodies Allianz Shared Infrastructure Services SE (Chairman)

Clement B. Booth

Membership in other statutory supervisory boards and SE administrative councils in Germany
Membership in Group bodies Allianz Global Corporate & Specialty AG (Chairman)

Membership in comparable[1] supervisory bodies
Membership in Group bodies Allianz Australia Limited, Allianz Insurance Holdings plc (Chairman), Allianz Irish Life Holdings plc, Allianz Life Insurance Company of North America, Fireman's Fund Insurance Company

Enrico Cucchiani

Membership in comparable [1] supervisory bodies
Pirelli & C. S.p.A., Unicredit S.p.A.

Membership in Group bodies Allianz Compañía de Seguros S.A. Barcelona (Vice Chairman), Allianz Hayat ve Emeklilik A.Ş. (Vice Chairman), Allianz Sigorta A.Ş. (Vice Chairman), Allianz S.p.A. (CEO), Companhia de Seguros Allianz Portugal S.A. (Vice Chairman)

Dr. Joachim Faber

Membership in other statutory supervisory boards and SE administrative councils in Germany Bayerische Börse AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Vice Chairman), Allianz Global Investors Deutschland GmbH (Chairman), Allianz Global Investors Kapitalanlagegesellschaft mbH (Chairman)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz Global Investors Italia SGR S.p.A. (Chairman), Allianz S.p.A., Assurances Générales de France

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As of December 31, 2008 or (with members who resigned) day of resignation
1) We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Dr. Helmut Perlet until August 31, 2009
Membership in other statutory supervisory boards and SE administrative councils in Germany GEA Group AG

Membership in Group bodies Allianz Deutschland AG (Vice Chairman), Allianz Global Corporate & Specialty AG (Vice Chairman), Allianz Global Investors AG, Allianz Investment Management SE (Vice Chairman), Dresdner Bank AG

Membership in comparable [1] supervisory bodies
Membership in Group bodies Allianz Life Insurance Company of North America, Allianz of America, Inc., Allianz S.p.A., Fireman's Fund Insurance Company

Dr. Gerhard Rupprecht
Membership in other statutory supervisory boards and SE administrative councils in Germany Fresenius SE, Heidelberger Druckmaschinen AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Chairman), Allianz Lebensversicherungs-AG (Chairman), Allianz Private Krankenversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG (Vice Chairman), Allianz Suisse Lebensversicherungs-Gesellschaft, Allianz Suisse Versicherungs-Gesellschaft

Jean-Philippe Thierry
Membership in comparable [1] supervisory bodies
Atos Origin (Chairman), Baron Philippe de Rothschild, Eurazeo, Paris Orléans, Pinault Printemps Redoute, Société Financière et Foncière de participation

Membership in Group bodies AGF S.A. (Chairman), AGF International (Chairman), Euler Hermes S.A. (Chairman), Mondial Assistance AG (Chairman)

Dr. Herbert Walter until January 12, 2009
Membership in other statutory supervisory boards and SE administrative councils in Germany Deutsche Lufthansa AG, Deutsche Börse AG, E.ON Ruhrgas AG

Membership in comparable [1] supervisory bodies
Banco BPI S.A., Banco Popular Español S.A.

Dr. Werner Zedelius
Membership in other statutory supervisory boards and SE administrative councils in Germany
Membership in Group bodies Allianz Private Krankenversicherungs-AG (Vice Chairman)

Membership in comparable [1] supervisory bodies
Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited

Membership in Group bodies Allianz Hungária Biztositó Rt. (Chairman), Allianz pojistovna a.s. (Chairman), Allianz-Slovenska poistovna a.s. (Chairman), T. U. Allianz Polska S.A. (Chairman), T. U. Allianz Życie Polska S.A. (Chairman), ROSNO (Chairman)

As of December 31, 2008 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments of the insurance or banking business has not been included.

Acquisition cost
The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises
The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses
The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration. General allowances for loan losses have been established on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of a certain country to serve its external debt. These country risk allowances are based on an internal country rating system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management
The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

Associated enterprises
All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

At amortized cost
Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Available-for-sale investments
Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are shown at fair value on the balance sheet.

Business combination
A business combination is the bringing together of separate entities or businesses into one reporting entity.

Cash flow statement
Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:
- operating activities
- investing activities
- financing activities

Certificated liabilities
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Combined ratio
Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Consolidated interest (%)
The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities
Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach
With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is redemption made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

Cost-income ratio
Represents operating expenses divided by operating revenues.

Coverage ratio
Represents ratio of total loan loss provisions to total risk elements according to SEC guide 3 (non-performing loans and potential problem loans).

Credit risk
The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current employer service cost
Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

Deferred acquisition costs
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities
The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans
For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

Defined contribution plans
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.

Derivative financial instruments (derivatives)
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings per share (basic/diluted)
Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation
The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method
Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio
Represents acquisition and administrative expenses (net) divided by premiums earned (net).

Fair value
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS
US Financial Accounting Standards on which the details of US GAAP (Generally Accepted Accounting Principles) are based.

Financial assets carried at fair value through income
Financial assets carried at fair value through income include debt and equity securities as well as other financial instruments (essentially derivatives, loans and precious metal holdings) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

Financial liabilities carried at fair value through income
Financial liabilities carried at fair value through income include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Shorts sales of securities are recorded at market value on the balance sheet date. Derivatives shown as financial liabilities carried at fair value through income are valued the same way as financial assets carried at fair value through income.

Forwards
The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Functional currency
The functional currency is the currency of the primary economic environment in which the entity operates i.e. the one in which the entity primarily generates and expends cash.

Funds held by/for others under reinsurance contracts
Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures
Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill
Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition.

Gross/Net
In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

Hedging
The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

Held for sale
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than though continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

Held-to-maturity investments
Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS Framework
The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Income from financial assets and liabilities carried at fair value through income (net)
Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized profits and losses from financial assets carried at fair value through income and financial liabilities carried at fair value through income. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

Issued capital and capital reserve
This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture
An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency
Number of losses in relation to the number of insured risks.

Loss ratio
Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

Market value
The amount obtainable from the sale of an investment in an active market.

Minority interests in earnings
That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

Minority interests
Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

New cost basis
Historical cost adjusted by depreciation to reflect permanent diminution in value.

Options
Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives
Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Participating certificates
Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Pension and similar obligations
Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

Premiums written/earned
Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance
Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements
A repurchase ("repo") transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

Reserves for loss and loss adjustment expenses
Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds
That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company bylaw obligations, or voluntary undertaking.

Revenue reserves
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Segment reporting
Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Banking, Asset Management and Corporate) and by regions.

Subordinated liabilities
Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps
Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Unearned premiums
Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses
Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also "corridor approach").

Unrecognized past service cost
Present value of increases in pension benefits relating to previous years' service, not yet recognized in the pension reserve.

US GAAP
Generally Accepted Accounting Principles in the United States of America.

Variable annuities
The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

Index

Financial Calendar

Important dates for shareholders and analysts

April 29, 2009	Annual General Meeting
May 13, 2009	Interim report 1st quarter 2009
August 7, 2009	Interim report 2nd quarter 2009
November 9, 2009	Interim report 3rd quarter 2009
February 25, 2010	Financial press conference for 2009 financial year
February 26, 2010	Analysts' conference for 2009 financial year
March 19, 2010	Annual Report 2009
May 5, 2010	Annual General Meeting

The German Securities Trading Act obliges issuers to announce immediately any information which has a substantial potential price impact, irrespective of the communicated schedules. It is therefore possible that we will announce key figures of quarterly and fiscal year results ahead of the dates mentioned above.

As we can never rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

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