

Allianz SE

Annual Report 2008

INSURANCE | ASSET MANAGEMENT | BANKING



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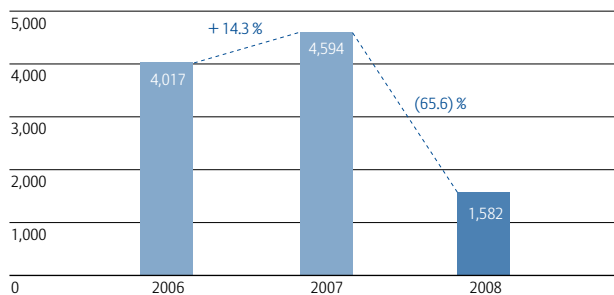
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Allianz SE at a Glance

		2008	Change from previous year in %	2007	Change from previous year in %	2006	Change from previous year in %	Details on page
Gross premiums written	€ mn	3,449	(2.4)	3,533	(19.4)	4,386	(9.5)	17
Retention	in %	83.0	15.2 pts	67.8	2.3 pts	65.5	(3.0) pts	12
Loss ratio (net) Property/Casualty	in %	61.6	3.8 pts	57.8	(2.9) pts	60.7	(1.9) pts	12
Expense ratio (net) Property/Casualty	in %	29.3	0.9 pts	28.4	0.8 pts	27.6	0.7 pts	12
Combined ratio (net) Property/Casualty	in %	90.9	4.7 pts	86.2	(2.1) pts	88.3	(1.2) pts	17
Net underwriting result	€ mn	187	(32.7)	278	(11.6)	315	18.7	12
Net underwriting result after claims equalization and similar reserves	€ mn	(68)	n/a	388	6.5	365	—	12
Non-underwriting result	€ mn	1,069	(71.0)	3,684	37.1	2,687	146.4	13
Income before taxes	€ mn	1,001	(75.4)	4,072	33.4	3,052	216.2	
Taxes	€ mn	581	11.3	522	(45.9)	965	107.2	14
Net income	€ mn	1,582	(65.6)	4,594	14.3	4,017	180.7	14
Investments	€ mn	87,018	2.6	84,782	0.2	84,624	8.7	19
Shareholders' equity	€ mn	41,882	(1.5)	42,525	16.0	36,649	23.6	19
Insurance reserves net	€ mn	9,850	5.0	9,384	(10.5)	10,486	(8.9)	20
Dividend per share	€	3.50	(36.4)	5.50	44.7	3.80	90.0	14
Dividend payment	€ mn	1,586	(35.9)	2,476	50.8	1,642	102.5	14
Share price at year end	€	75.00	(49.3)	147.95	(4.4)	154.76	21.0	
Market capitalization at year end	€ mn	33,979	(49.0)	66,600	(0.4)	66,880	28.7	

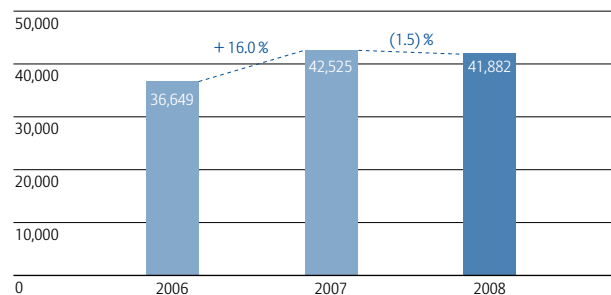
Net income

in € mn



Shareholders' equity

in € mn



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 in the annual report of the Allianz Group. 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

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.



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

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

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

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Management Report of Allianz SE

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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

- Net underwriting result reduced to € 187 million.
- Net income of € 1,582 million after € 8,399 million loss from the sale of the Dresdner Bank AG.
- Proposed dividend of € 3.50 per share.

Earnings Summary

Condensed income statement

	2008 € mn	2007 € mn
Gross premiums written	3,449	3,533
Premiums earned (net)	2,823	2,396
Claims (net)	(1,898)	(1,507)
Underwriting expense (net)	(796)	(658)
Other technical reserves (net)	58	47
Net underwriting result	187	278
Change in claims equalization and similar reserves	(255)	110
Net underwriting result after claims equalization and similar reserves	(68)	388
Investment result	2,130	4,136
Allocated interest return	(134)	(167)
Other non-underwriting result	(927)	(285)
Non-underwriting result	1,069	3,684
Income before taxes	1,001	4,072
Taxes	581	522
Net income	1,582	4,594

Net underwriting result

The positive net underwriting result decreased to € 187 million (2007: € 278 million).

The 2.4% decline in **gross premiums written** to € 3,449 million was mainly due to reduced internal reinsurance business of a large treaty from Allianz Sachversicherung by € 234 million. This was partially offset by our newly founded Zurich branch with € 171 million including an external reinsurance portfolio taken over from Allianz Suisse as of January 1, 2008.

The **premiums earned net** increased by € 427 million largely driven by an increase in the net retention to 83.0%.

The **accident year loss ratio net** in Property-Casualty reinsurance reduced by 1.1 percentage points to 66.3%. Despite several natural catastrophe claims in Germany, Australia and China the overall level of natural catastrophe claims was lower than in 2007 which included the heavy winter storm 'Kyrill'. In combination with a positive run-off result of € 118 million (2007: € 197 million), the calendar year claims ratio net increased to 61.6% (2007: 57.8%).

The **expense ratio net** for our Property-Casualty reinsurance increased to 29.3% (2007: 28.4%). The acquisition expense ratio increased to 27.5% (2007: 27.2%) due to a change in the business mix. The administration expense ratio increased to 1.8% (2007: 1.2%), attributable to the addition of further experts to handle and steer the additional business and to project-driven one-off expenses.

Net underwriting result after claims equalization and similar reserves

The increase of **claims equalization and similar reserves** by € 255 million was mainly driven by the Fire reinsurance business and leads to a loss of € 68 million. In 2007 a similar increase in Fire by € 176 million had been overcompensated by the release of the reserve for the Aviation, aircraft and spacecraft liability line by € 297 million.

Non-underwriting result

The **non-underwriting result** decreased by € 2,615 million to € 1,069 million, mainly driven by a significantly lower investment result.

Investment result

The **investment result** decreased by € 2,006 million to € 2,130 million. Large losses from the sale of the Dresdner Bank AG participation (€ 8,399 million), lower profit transfer from Allianz Deutschland AG (€ 1,849 million) and higher impairment charges on subsidiaries and other investments (€ 1,028 million) were partially offset by an up-streaming of retained earnings (€ 8,298 million).

The **sale of our investment in Dresdner Bank AG** closed on January 12, 2009. Therefore, the carrying value of our participations in Dresdner Bank AG as of December 31, 2008, were impaired to the level of consideration received by certain Group companies ¹⁾.

Loss from the sale

	€ mn
Carrying Value of Dresdner Bank AG at certain Group companies ¹⁾	13,940
Consideration received	(5,541)
Loss	8,399

Consideration received

	€ mn
Cash	2,998
Fair value of cominvest Group ²⁾	652
Fair value of Commerzbank shares ²⁾	1,444
Distribution rights	447
Total	5,541

Allianz SE received a € 5,541 million consideration by profit transfer agreements, which represents 93.2% of the € 5,945 million total consideration received by the Allianz Group. Allianz SE and Group companies with which Allianz SE maintains profit transfer agreements, had carrying values of € 13,940 million, resulting in losses of € 8,399 million.

¹⁾ Certain Group companies which maintain a profit transfer agreement with Allianz SE.

²⁾ Fair value measured according to IDW S1 methodology required by German accounting standards. For details please refer to "Accounting, Valuation and Calculation Method"

These losses are shown in the following line items:

	€ mn
Expenses from losses taken over	
Allianz Finanzbeteiligungs GmbH	(8,050)
Allianz Deutschland AG	(95)
Impairment of Allianz Finanzbeteiligungs GmbH	(254)
Total	(8,399)

Income from profit transfer agreements declined by 54.8% to € 1,828 million. This is primarily attributable to lower profit transfer from Allianz Deutschland AG, which decreased by € 1,849 million to € 1,597 million coming from the extraordinary high level of 2007.

The increase of **depreciations and impairments of investments** by € 1,028 million to € 1,561 million stemmed mainly from our investments in ROSNO (€ 342 million), Allianz Global Investors AG (€ 327 million)³⁾, Allianz Finanzbeteiligungs GmbH (€ 254 million) and other strategic investments.

Realized gains increased by € 8,621 million to € 9,301 million, primarily due to gains in connection with up-streaming of retained earnings in the course of the aggregation of our Western European insurers (€ 8,298 million). In addition, we recorded a gain of € 541 million by closing hedging transactions, while realized gains from sales of shares in listed companies were down by € 143 million compared to the previous year.

Income from affiliated enterprises and participations improved by € 521 million to € 1,725 million. Dividend payments from Allianz of America Inc. contributed significantly to this result with a total amount of € 1,322 million (2007: € 0 million).

Expenses for the management of investments, interest and other investment-related expenses went down by € 131 million, because the interest expenses for internal and external debt incurred in connection with last year's AGF minority buy-out were reduced.

³⁾ Impairment of the shares held by Allianz SE directly. Regarding the impairment of the shares held indirectly see Notes to the Financial Statements, Note No. 24.

Breakdown of investment result

	2008 € mn	2007 € mn	Change € mn
Investment income			
Income from profit transfer agreements	1,828	4,046	(2,218)
Income from affiliated enterprises and participations	1,725	1,204	521
Income from other investments	995	914	81
Realized gains	9,301	680	8,621
Income from reversal of impairments	65	52	13
Subtotal	13,914	6,896	7,018
Investment Expenses			
Expenses for the management of investments, interest and other investment-related expenses	(1,705)	(1,836)	131
Depreciations and impairments of investments	(1,561)	(533)	(1,028)
Realized losses	(335)	(335)	—
Expenses for losses taken over	(8,183)	(56)	(8,127)
Subtotal	(11,784)	(2,760)	(9,024)
Total	2,130	4,136	(2,006)

Other non-underwriting result

The other non-underwriting result decreased from € (285) million to € (927) million. Major drivers were foreign currency translation differences (€ 444 million) primarily stemming from liabilities denominated in U.S. Dollar and increased provisions for financial guarantees (€ 127 million).

Taxes and net income

As far as legally allowed Allianz SE serves as the head of the tax group for German subsidiaries with the exception of e.g. Allianz Lebensversicherungs-AG, Allianz Private Krankenversicherungs-AG and Dresdner Bank AG. Allianz SE files consolidated tax returns for this German insurance tax group.

Due to its activities as a financial holding, Allianz SE has significant tax losses carried forward whereas the majority of the other tax Group companies record significant taxable income. Therefore, Allianz SE was reimbursed in 2008 by these Group companies with € 607 million (2007: € 690 million) for the utilization of the tax losses.

Allianz SE is subject to German minimum taxation rules resulting in a current tax charge of € 26 million.

After the positive tax result **net income** amounted to € 1,582 million (2007: € 4,594 million).

Proposal for Allocation of Profits

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.

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 AktG, the amount attributable to such shares shall be carried forward.

Business Outlook

For 2009, we assume a stable interest income. However, due to the current market conditions realized gains, impairments and defaults cannot be forecasted.

We anticipate increased insurance business volume from Group-internal as well as Third-Party business.

During the renewal of reinsurance contracts for 2009 the rates and conditions remained stable or even improved in areas which experienced a high loss burden in 2008, so that the agreements closed remained at a technically acceptable level.

For 2009, we expect a positive net underwriting result.

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.

Operations by Reinsurance Lines of Business

Gross premiums written originate primarily from Group companies. They decreased in the fiscal year 2008 by 2.4% to € 3,449 million for the following main reasons:

– Allianz Sachversicherung increased its self-retention under internal quota share contracts, leading to lower premium volume of € 234 million.

– The newly founded branch Zurich contributed € 171 million of additional premium income, building upon the external reinsurance business which was taken over from Allianz Suisse as of January 1, 2008.

Gross premiums and net underwriting result by reinsurance lines of business for fiscal years 2008 and 2007

	Gross premiums			Combined ratio P&C only		Change in claim equalization and similar reserves		Net underwriting result	
	2008 € mn	2007 € mn	Change in %	2008 in %	2007 in %	2008 € mn	2007 € mn	2008 € mn	2007 € mn
Fire	708	598	18.4	75.2	64.1	(194)	(176)	(57)	(38)
Motor	661	764	(13.5)	105.0	93.0	(19)	(10)	(47)	10
Personal accident	282	315	(10.5)	89.0	79.8	(2)	(8)	26	22
Life	279	316	(11.7)	n/a	n/a	—	—	(46)	23
Liability	279	298	(6.4)	91.7	67.8	(20)	(37)	1	24
Engineering	216	226	(4.4)	84.1	90.1	—	—	31	18
Credit and bond	181	124	46.0	125.8	81.6	31	25	(14)	47
Household and homeowner	149	175	(14.9)	112.2	104.2	—	—	(13)	(9)
Marine	113	101	11.9	74.6	115.2	(22)	13	5	—
Legal expenses	71	81	(12.3)	97.0	84.1	—	2	1	9
Health	42	55	(23.6)	n/a	n/a	—	—	1	4
Business interruption	18	20	(10.0)	96.3	102.5	—	19	—	18
Aviation, aircraft and spacecraft liability	9	(6)	n/a	64.1	108.4	(4)	297	1	296
Other lines	441	466	(5.4)	92.7	105.8	(25)	(15)	43	(36)
Total	3,449	3,533	(2.4)	90.9	86.2	(255)	110	(68)	388

Gross Premiums in Motor, Liability, Personal Accident, Business Interruption, Household and homeowner, Legal expenses and Other reinsurance reduced compared to 2007 predominantly due to the increased self-retention of Allianz Sachversicherung.

Premium income in **fire reinsurance** increased by 18.4% to € 708 million, mainly due to the additional third party business underwritten in the Zurich branch. The level of claims increased especially in Europe and the Asia-Pacific region (floods and a hailstorm in Australia as well as a snowstorm and the earthquake in China causing losses of € 30 million and € 15 million respectively). Apart from that an overall lower level of accident year claims and a positive run-off result contributed to the increased but still favorable Combined Ratio of 75.2%. These effects were outweighed by higher additions to the claims equalization and similar reserves of € 194 million (2007: € 176 million). The need for

the increase in the claims equalization reserve stems from the increase in net premiums in this line and the fact that the loss ratio continues to be clearly below the average loss ratio for the last 15 years.

Premium income in **motor reinsurance** fell by 13.5% to € 661 million. The Combined Ratio worsened due to a significantly increased level of accident year loss ratio compared to 2007 in particular driven by adverse development due to a hail storm, pricing pressure and negative fleet business in Germany.

In **personal accident** reinsurance our premium income decreased by 10.5% to € 282 million. The positive underwriting result was nearly unchanged.

In **life reinsurance** the premium volume decreased to € 279 million (2007: € 316 million) mainly caused by lower income

from the Asia-Pacific region. The underwriting result was burdened with € 52 million from the variable annuity business written from our subsidiary in Japan. The financial guarantees given as part of these products to our ultimate clients were largely hedged. Including the result of these hedges, shown in the investment result of the profit and loss statement, the overall loss from this business was reduced to € 13 million. The financial crisis also led to an additional € 16 million run-off loss under an old reinsurance contract covering external U.S. variable annuity business.

Premium income in **liability reinsurance** decreased by € 19 million to € 279 million. The combined ratio increased substantially due to a higher level of claims in Germany.

Premium income from **engineering reinsurance** was down by 4.4% mainly as a consequence of reduced business from third parties. The Combined Ratio developed favorably, pushing the result to € 31 million up from € 18 million in 2007.

The premium volume in **credit and bond reinsurance** increased by 46.0% to € 181 million due to additional premium ceded by Euler Hermes. The result of this line of business deteriorated due to a rapidly increasing level of insolvencies given the shortage of liquidity in the credit markets.

Revenues from **household and homeowner reinsurance** reduced by 14.9% to € 149 million. The clearly improved result from Allianz Sachversicherung was outweighed by losses from external clients, which lead to an increase in the Combined Ratio.

Premium income in **marine reinsurance** increased by 11.9% to € 113 million due to additional external business written by our Zurich branch. The run-off developed clearly better than in 2007 which accordingly improved the Combined Ratio to 74.6%. This was almost fully offset by higher additions to the claims equalization and similar reserves of € 22 million (2007: release of € 13 million).

The premium income of **legal expenses reinsurance** reduced by € 10 million. The Combined Ratio suffered from a higher accident year loss and a lower run-off result at Allianz Sachversicherung.

Premiums from **health reinsurance** decreased to € 42 million compared to € 55 million a year ago following the termination of a treaty with Koç Allianz Sigorta.

The Combined Ratio in the small line **business interruption reinsurance** was lower than in 2007. However, the underwriting result decreased, as the level of the claims equalization and similar reserves remained stable whereas in 2007 a release of € 19 million was booked.

Premium volume from **aviation reinsurance** increased to € 9 million from new business with Allianz Global Corporate & Specialty AG and external clients. The underwriting result net amounted to € 1 million. The 2007 result had been boosted by the release of the equalization reserve of € 297 million.

In the '**Other reinsurance lines**', premium volume reduced by € 25 million to € 441 million. The underwriting result turned positive due to a reduced level of natural catastrophe claims.

'Other lines' include the following reinsurance lines:

- emergency assistance
- burglary, theft and robbery
- omnium (comprehensive cover for goods during the manufacturing process)
- extended coverage for fire and interruption to business
- glass
- hail
- water damage
- storm
- animal
- other property and casualty business.

Balance Sheet Review

Largely stable shareholders' equity of € 41.9 billion

Condensed Balance Sheet

	2008 € mn	2007 € mn
Intangible assets	62	40
Investments	87,018	84,782
Receivables	4,610	6,928
Other assets	465	526
Deferred charges and prepaid expenses	160	214
Total assets	92,315	92,490
Shareholders' equity	41,882	42,525
Profit participation certificates	441	441
Subordinated liabilities	6,878	7,510
Insurance reserves	9,850	9,384
Other provisions	4,551	4,649
Funds held with reinsurance business ceded	706	1,095
Payables on reinsurance business	381	419
Other financial liabilities	27,623	26,467
Deferred income	3	—
Total equity and liabilities	92,315	92,490

In addition, the impairments (€ 1.3 billion) primarily comprised of ROSNO (€ 0.3 billion), Allianz Global Investors AG (€ 0.3 billion) and Allianz Finanzbeteiligungs GmbH (€ 0.3 billion) are shown in this position.

Other investments increased by € 1.2 billion to € 13.3 billion. Investments in shares decreased by € 0.6 billion due to group-internal sales and investments in debt securities were reduced by € 0.5 billion. Deposits with banks rose by € 2.3 billion.

As of December 31, 2008 the **fair value** of investments amounted to € 98.2 billion (2007: € 120.7 billion). The carrying amount of these investments in the balance sheet was € 87.0 billion (2007: € 84.8 billion).

Funds held by others under reinsurance business assumed decreased to € 3.9 billion (2007: € 4.1 billion).

Investments

The **book value of Allianz SE investments** increased to € 87.0 billion (2007: € 84.8 billion).

Real estate remained almost unchanged at € 318 million due to offsetting additions and disposals.

Investments in affiliated enterprises and participations increased by € 1.2 billion to € 69.4 billion (2007: € 68.2 billion). The main transactions which led to a higher book value were the aggregation of our Western European insurers (€ 6.5 billion), capital increases of Group companies (€ 3.0 billion) and the acquisitions of investments in the banking sector (€ 1.6 billion) from Dresdner Bank AG (e.g. Oldenburgische Landesbank AG).

In turn, reductions of investment book value primarily result from a capital reserves dissolution of Allianz Finanzbeteiligungs GmbH of € 8.2 billion, which is primarily attributable to the loss in connection with the sale of Dresdner Bank AG.

Shareholders' Equity

As of December 31, 2008, our shareholders' equity amounted to € 41.9 billion (2007: € 42.5 billion). The decrease was primarily driven by the dividend payment for 2007 of € 2.5 billion only partially offset by the net earnings of 2008 of € 1.6 billion and the following capital increases.

In February 2008 the remaining 2.2 million 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 million new shares of Allianz SE resulting from conditional capital were issued leading to proceeds from this increased equity of € 202 million. The new shares are entitled to dividend as of the financial year 2008.

For the employee stock purchase plan 700,000 shares were issued in 2008, leading to an allocation of € 1.8 million and € 43.2 million to paid-in capital and the capital reserve.

	Issued Shares	Issued Capital € thou	Additional paid-in Capital € thou	Appropriated retained earnings € thou	Net earnings € thou	December 31 € thou
December 31, 2007	450,150,000	1,152,384	27,169,089	11,727,756	2,475,825	42,525,054
Warrants "All-in-One"	2,200,000	5,632	196,768	—	—	202,400
Employee Stock Purchase Plan	700,000	1,792	43,218	—	—	45,010
Write-down own shares	—	—	—	(6,026)	—	(6,026)
Dividend Payment for 2007	—	—	—	—	(2,472,109)	(2,472,109)
Unappropriated earnings carried forward	—	—	—	—	(3,716)	(3,716)
Allocation to appropriated retained earnings	—	—	—	5,878	—	5,878
Net earnings	—	—	—	—	1,585,675	1,585,675
December 31, 2008	453,050,000	1,159,808	27,409,075	11,727,608	1,585,675	41,882,166

A total of € 6 million from the net income has been allocated to the retained earnings, increasing the reserve for appropriated retained earnings to € 11.728 million. The board of management proposes to use the remaining net earnings of € 1,586 million for dividend payments.

Insurance reserves net

Insurance reserves increased by € 466 million. € 255 million of this increase relate to the claims equalization reserve. Furthermore the aggregate policy reserve increased by € 206 million due to an increase in net premiums of the Personal Accident business and also due to the Variable Annuity business (€ 54 million).

Liabilities

As of December 31, 2008, Allianz SE had the following outstanding **financial liabilities**:

	2008 € mn	2008 € mn	2007 € mn
Subordinated liabilities		6,877	7,510
Bonds issued to Group companies	5,698		1,905
Liabilities to banks	274		—
Other intra-group financial liabilities	17,410		21,662
Other third party financial liabilities	4,241		2,899
Total other financial liabilities		27,623	26,466
Total financial liabilities		34,500	33,977

Subordinated liabilities declined by € 0.6 billion to € 6.9 billion as a result of a redemption of an intra-group loan amounting to € 2.0 billion and the issuance of a U.S. Dollar 2.0 billion subordinated bond, which is equivalent to € 1.4 billion.

In 2008 we issued 15 bonds amounting to € 3.8 billion to Group companies, increasing the **bonds issued to Group companies** to € 5.7 billion. The respective coupons vary between 4.7% and 5.7%.

The increase of the **liabilities to banks** result from a promissory note of € 0.3 billion.

The reduction of **other intra-group financial liabilities** of € 4.2 billion to € 17.4 billion results primarily from the redemption of third party funding, which was transferred to Allianz SE via intra-company loans.

Other third party financial liabilities increased by € 1.3 billion to € 4.2 billion. In the second half of 2008 we increased the short term funding through European commercial papers by € 1.5 billion to a total of € 3.8 billion. These proceeds were partially offset by a reduction of cash collaterals.

Of the € 34.5 billion (2007: € 34.0 billion) financial liabilities € 27.0 billion (2007: € 29.5 billion) are intra-group liabilities, comprising the following items:

	2008 € mn	2007 € mn
Subordinated intra-group liabilities	3,856	5,931
Bonds issued to Group companies	5,698	1,905
Other intra-group financial liabilities		
Issued securities where the proceeds were transferred to Allianz SE	624	4,278
Intra-group loans	10,289	13,086
Liability from cash pooling	4,498	1,930
Other	1,999	2,368
Total intra-group financial liabilities	26,964	29,498

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 ultimate parent of the Allianz Group.

Squeeze-out of Allianz Lebensversicherungs-AG

The squeeze-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” on page 13.

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 share 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.

Risk Report

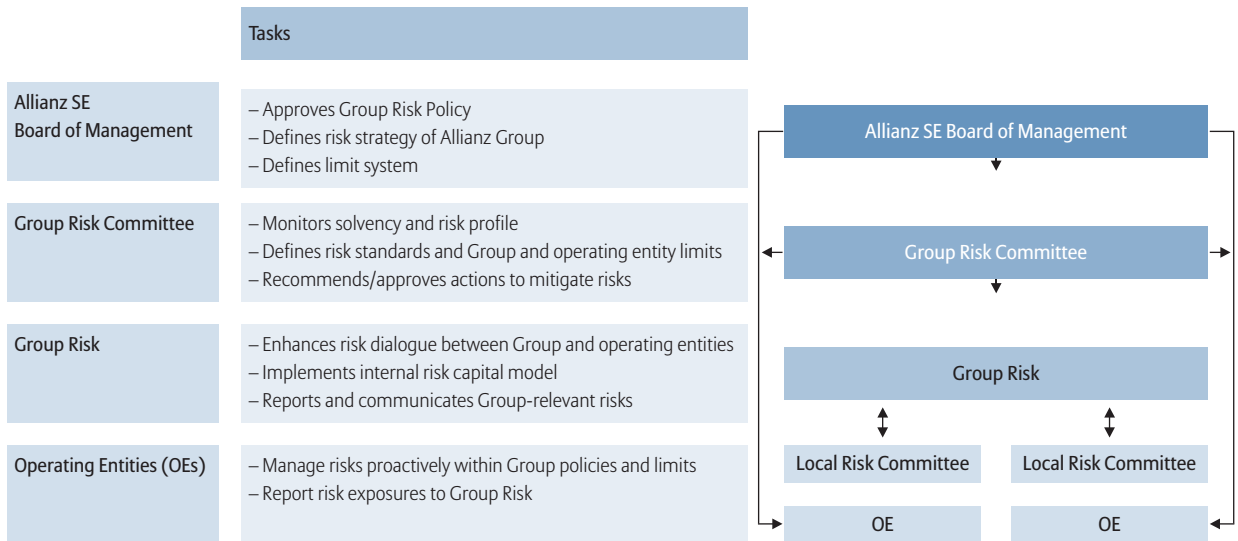
Allianz risk management is designed to add value by focusing on both risk and return.

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. In order to protect the assets of Allianz SE we have established a Group-wide risk management, which has the following key elements:

- 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.



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: – interest rate – equity – real estate – currency ¹⁾	✓ ✓ ✓ ✓	✓ ✓ ✓ ✓ ²⁾	✓ ³⁾	✓ ✓ ✓ ✓	Possible losses caused by changes in interest rates, equity prices, real estate values, commodity prices and foreign exchange rates
Credit risk: – investment – reinsurance, credit insurance	✓ ✓ ⁴⁾	✓ ⁵⁾	✓ 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 credit-worthiness
Actuarial risk: – premium CAT – premium non-CAT – reserve – biometric	✓ ✓ ✓ ✓				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
Business risk: – operational – cost	✓ ✓	✓ ✓	✓ ✓	✓ ✓	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

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

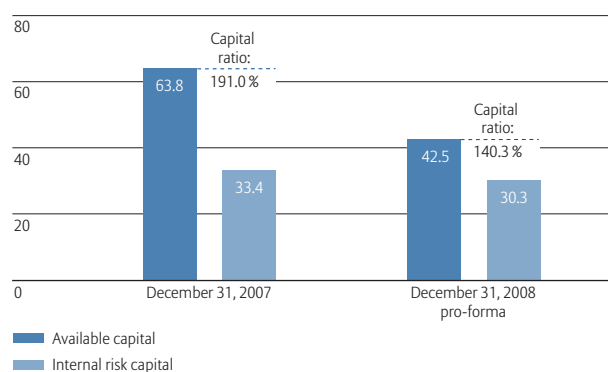
Our objective is to maintain available capital at the Group level in excess of the minimum requirements that are determined by our internal risk capital model according to a solvency probability of 99.97% over a holding period of one year. In support of this objective, we require each of our

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



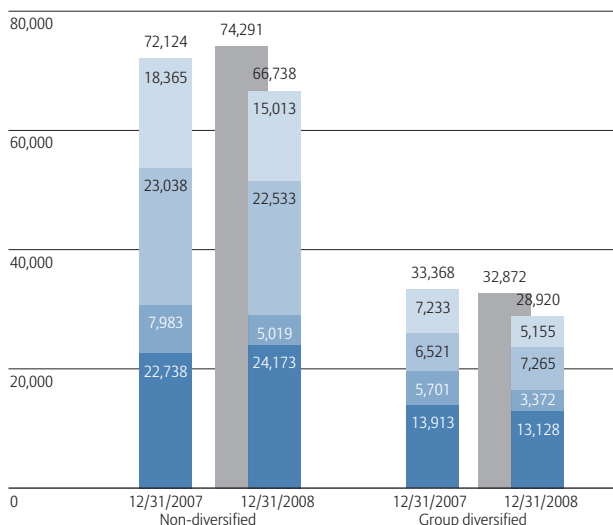
Based on pro-forma calculations assuming the completion of the Dresdner Bank transaction prior to year end of 2008¹⁾, our available capital at December 31, 2008 amounted to €42.5 billion (2007: €63.8 billion), while our corresponding internal risk capital at December 31, 2008 amounted to

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.

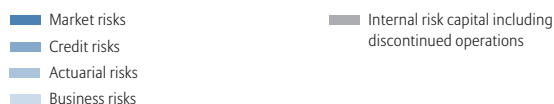
€ 30.3 billion (2007: € 33.4 billion), resulting in a capital ratio of 140% at December 31, 2008, compared to 191% at December 31, 2007¹⁾. The decrease of 33% in available capital was primarily driven by a decrease in shareholders' equity and a decline in the present value of future profits in the Life/Health 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:

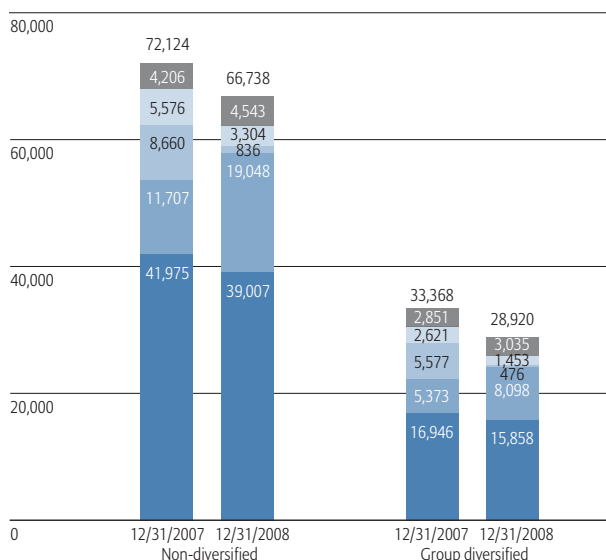
Allocated internal risk capital by risk category
(total portfolio before minority interest)
in € mn



Internal risk capital
2007: including discontinued operations
2008: excluding discontinued operations



Allocated internal risk capital by segment²⁾
(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

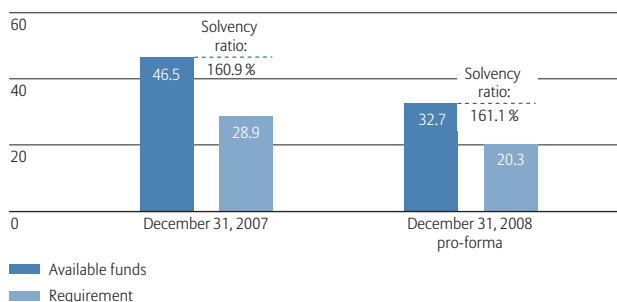
Under the EU Financial Conglomerates Directive, a supplementary European Union directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate 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 2008¹⁾, 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 reserves²⁾, surpassing the minimum legally stipulated level by € 12.4 billion (2007: € 17.6 billion). This margin results in a preliminary pro-forma cover ratio³⁾ 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)

As of December 31,	Non-diversified		Group diversified	
	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 Management⁴⁾	—	—	—	—
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 develop-

ments 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 € mn	High € mn	Low € mn	Average € mn	High € mn	Low € 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 mini-

mum 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.

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

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

As of December 31,	Non-diversified		Group diversified	
	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 Management⁴⁾	—	—	—	—
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.

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 class¹⁾ as of December 31, 2008

in € bn



Credit risk – investment

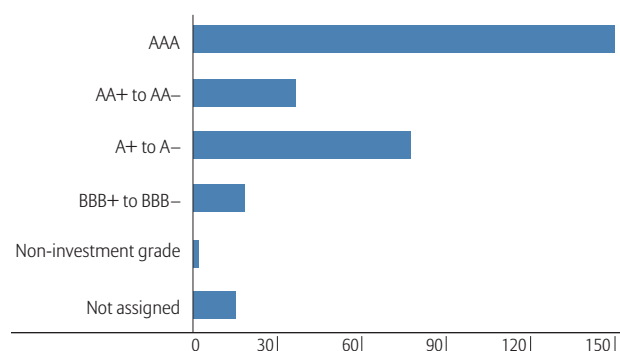
As of December 31, 2008, our operating entities in the U.S. and Germany accounted for 40% of the non-diversified internal risk capital allocated to our Property-Casualty, Life/Health and Corporate segments for investment credit risk.

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 risk¹⁾ (total portfolio before minority interests)

As of December 31,	Non-diversified		Group diversified	
	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
Corporate⁴⁾	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 € mn	High € mn	Low € mn	Average € mn	High € mn	Low € 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)

As of December 31,	Non-diversified		Group diversified	
	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.

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.

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 43.

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 43.

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 43.

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 € 0.6 million (2007: € 0.4 million).

The following table sets out the total remuneration for the Board of Management of Allianz SE. 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 (Chairman)	2008	1,200	26	1,226	1,112	311	2,649	430	720	3,799
	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	460	85	545	587	263	1,395	260	435	2,090
	2007	460	114	574	1,141	346	2,061	392	680	3,133
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	350	12	362	357	123	842	119	199	1,160
	2007	350	17	367	609	161	1,137	196	340	1,673
Jean-Philippe Thierry	2008	175	57	232	155	52	439	237	397	1,073
	2007	700	77	777	311	78	1,166	392	680	2,238
Dr. Herbert Walter ⁷⁾	2008	175	0	175	0	0	175	29	49	253
	2007	175	0	175	231	44	450	98	170	718
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
Total⁸⁾	2008	6,660	599	7,259	6,244	2,093	15,596	2,690	4,502	22,788
	2007	6,935	393	7,328	12,151	2,955	22,434	4,018	6,970	33,422
Change from previous year in %⁸⁾		(4.0)	52.4	(0.9)	(48.6)	(29.2)	(30.5)	(33.1)	(35.4)	(31.8)

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 AG (sale to Commerzbank AG). 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 € 898,775 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 € 21 million (2007: € 30 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	32,547
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	4,968	34,184	83.47 - 239.80	2,411	16,052
Jean-Philippe Thierry	9,884	69,364	83.47 - 239.80	4,797	14,596
Dr. Herbert Walter	1,213	17,331	83.47 - 160.13	589	8,661
Dr. Werner Zedelius	13,074	65,525	83.47 - 239.80	6,345	31,064

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 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 82.

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 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 SE paid € 3 million (2007: € 3 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 € 22 million (2007: € 19 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)	69	400	469
Dr. Paul Achleitner	164	238	402
Oliver Bäte	—	265	265
Clement B. Booth	—	248	248
Enrico Cucchiani	—	162	162
Dr. Joachim Faber	166	219	385
Dr. Helmut Perlet ¹⁾	0	201	201
Dr. Gerhard Rupprecht	35	99	134
Jean-Philippe Thierry	—	35	35
Dr. Herbert Walter	47	53	100
Dr. Werner Zedelius	91	211	302

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.

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

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

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: € 4 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 38 million (2007: € 39 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's 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 were made in the ordinary course of business, were granted on conditions that are comparable to those of loans and overdrafts granted to people in peer groups and did not involve more than the normal risk of collectibility or present other unfavourable features. For members of the Board of Management, this means that the conditions have been set according to the prevailing conditions for Allianz employees.

Other Information

Our Employees ¹⁾

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.

Employee representation in Allianz SE

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.

Statement in Accordance with § 289 (2) No. 4 HGB

Allianz SE operates its reinsurance business from Munich and branch offices in Singapore, Labuan (Malaysia), Dubai, Dublin and Zurich.

Statements in Accordance with § 289 (4) HGB 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 [Aktengesetz, AktG]). Excepted from this are treasury shares held by the Company, which do not entitle the Company to any rights (§ 71 b 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, 53 a 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

¹⁾ For the complete report on our employees please refer to the Allianz Group's Annual Report 2008

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 (§§ 121 a, 7 a 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, BaFin) (§§ 121 a, 13 d 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 Super-

visory 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 §§ 71 a 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 page 41.

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.

Munich, February 13, 2009
Allianz SE

The Board of Management

Diekmann	Dr. Achleitner
Bäte	Booth
Cucchiani	Dr. Faber
Dr. Perlet	Dr. Rupprecht
Thierry	Dr. Zedelius

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Financial Statements

Balance Sheet as of December 31

	Notes Note No.	2008 € thou	2008 € thou	2007 € thou
ASSETS				
A. Intangible assets	1		62,499	40,439
B. Investments	1 – 6			
I. Real estate		317,621		318,486
II. Investments in affiliated enterprises and participations		69,440,485		68,223,521
III. Other investments		13,310,089		12,117,983
IV. Funds held by others under reinsurance business assumed		3,949,457		4,122,317
			87,017,652	84,782,307
C. Receivables				
I. Accounts receivables on reinsurance business		434,985		548,248
thereof from affiliated enterprises: € 117,042 thou (2007: 120,750)				
thereof from participations ¹⁾ : € 6,633 thou (2007: 7,021)				
II. Other receivables	7	4,174,845		6,379,572
thereof from affiliated enterprises: € 3,218,150 thou (2007: 5,093,192)				
thereof from participations ¹⁾ : € 108 thou (2007: 1,681)				
			4,609,830	6,927,820
D. Other assets				
I. Tangible fixed assets and inventories		10,307		10,217
II. Cash with banks, checks and cash on hand		181,757		81,108
III. Own shares		39,197		51,758
computed value: € 1,397 thou (2007: 1,453)				
IV. Miscellaneous assets	8	233,451		382,501
			464,712	525,584
E. Deferred charges and prepaid expenses				
I. Accrued interests and rent		123,532		153,343
II. Other deferred charges and prepaid expenses	9	36,495		60,949
			160,027	214,292
Total Assets			92,314,720	92,490,442

¹⁾ Companies in which we hold participation interest

	Notes Note No.	2008 € thou	2008 € thou	2008 € thou	2007 € thou
EQUITY AND LIABILITIES					
A. Shareholders' equity	11				
I. Issued capital			1,159,808		1,152,384
II. Additional paid-in capital			27,409,075		27,169,089
III. Appropriated retained earnings					
1. Required by law		1,229			1,229
2. For own shares		39,197			51,758
3. Other		11,687,182			11,674,769
			11,727,608		11,727,756
IV. Net earnings			1,585,675		2,475,825
				41,882,166	42,525,054
B. Profit participation certificates	12			441,455	441,455
C. Subordinated liabilities	13, 16			6,877,466	7,509,907
D. Insurance reserves	14				
I. Unearned premiums					
1. Gross		650,555			659,271
2. Less: amounts ceded		97,147			147,023
			553,408		512,248
II. Aggregate policy reserve					
1. Gross		3,507,780			3,633,484
2. Less: amounts ceded		562,828			894,540
			2,944,952		2,738,944
III. Reserve for loss and loss adjustment expenses					
1. Gross		5,895,516			6,339,407
2. Less: amounts ceded		1,528,121			1,925,846
			4,367,395		4,413,561
IV. Reserve for non-experience-rated premium refunds					
1. Gross		90,006			101,569
2. Less: amounts ceded		20,138			44,251
			69,868		57,318
V. Claims equalization and similar reserves			1,813,642		1,558,616
VI. Other insurance reserves					
1. Gross		103,896			104,213
2. Less: amounts ceded		2,824			797
			101,072		103,416
				9,850,337	9,384,103

	Notes Note No.	2008 € thou	2008 € thou	2008 € thou	2007 € thou
EQUITY AND LIABILITIES					
E. Other provisions	15			4,551,118	4,649,336
F. Funds held with reinsurance business ceded				705,683	1,094,531
G. Other liabilities					
I. Account payable on reinsurance business			380,638		418,643
thereof to affiliated enterprises: € 315,943 thou (2007: € 376,387 thou)					
thereof to participations ¹⁾ : € 1,808 thou (2007: € 2,109 thou)					
II. Bonds	16		5,697,873		1,905,180
thereof to affiliated enterprises: € 5,697,873 thou (2007: € 1,905,180 thou)					
III. Liabilities to banks			273,770		—
thereof to affiliated enterprises: € 13,151 thou (2007: —)					
IV. Miscellaneous liabilities	16		21,651,064		24,561,888
including taxes of: € 3,869 thou (2007: € 919 thou)					
thereof to affiliated enterprises: € 17,410,488 thou (2007: € 21,662,394 thou)					
thereof to participations ¹⁾ : € 34,064 thou (2007: € 33,916 thou)					
				28,003,345	26,885,711
H. Deferred income				3,150	345
Total equity and liabilities				92,314,720	92,490,442

¹⁾ Companies in which we hold participation interest

Income Statement for the Period from January 1 to December 31

	Notes Note No.	2008 € thou	2008 € thou	2008 € thou	2007 € thou
I. Underwriting account					
1. Premiums earned (net)					
a) Gross premiums written	18	3,449,077			3,532,840
b) Ceded premiums written		(587,831)			(1,138,188)
			2,861,246		2,394,652
c) Change in gross unearned premiums		12,859			61,883
d) Change in ceded unearned premiums		(51,114)			(60,635)
			(38,255)		1,248
				2,822,991	2,395,900
2. Allocated interest return (net)	19			120,974	123,424
3. Other underwriting income (net)				1,536	2,290
4. Loss and loss adjustment expenses (net)	20				
a) Claims paid					
aa) Gross		(2,396,229)			(3,235,637)
bb) Amounts ceded in reinsurance		537,451			970,712
			(1,858,778)		(2,264,925)
b) Change in reserve for loss and loss adjustment expenses (net)					
aa) Gross		361,332			906,877
bb) Amounts ceded in reinsurance		(400,083)			(148,491)
			(38,751)		758,386
				(1,897,529)	(1,506,539)
5. Change in other insurance reserves (net)	21			(35,774)	(40,615)
6. Expenses for non-experience-rated premium refunds (net)				(10,315)	(13,895)
7. Underwriting expenses (net)	22			(796,079)	(657,888)
8. Other underwriting expenses (net)				(18,828)	(23,955)
9. Subtotal				186,976	278,722
10. Change in claim equalization and similar reserves				(255,026)	109,617
11. Net underwriting result				(68,050)	388,339
II. Non-underwriting account					
1. Investment income	23	13,914,382			6,895,429
2. Investment expenses	24, 25	(11,784,598)			(2,759,502)
			2,129,784		4,135,927
3. Allocated interest return			(134,246)		(166,847)
				1,995,538	3,969,080
4. Other income	26		874,584		1,016,979
5. Other expenses	27		(1,801,394)		(1,302,854)
				(926,810)	(285,875)
6. Non-underwriting result				1,068,728	3,683,205
7. Income before taxes				1,000,678	4,071,544
8. Income taxes	28	(28,884)			(161,359)
less amounts charged to other companies in the Group		607,196			690,465
			578,312		529,106
9. Other taxes			2,821		(7,009)
				581,133	522,097
10. Net income				1,581,811	4,593,641
11. Unappropriated earnings carried forward				3,716	1,798
12. Use of appropriated earnings					
Use of appropriated earnings for own shares				6,026	861
13. Allocation to appropriated earnings					
To other appropriated earnings				(5,878)	(2,120,475)
14. Net earnings	29			1,585,675	2,475,825

Notes to the Financial Statements

Basis of Preparation

The Financial Statements and Management Report have been prepared in accordance with the regulations contained in the German Commercial Code (HGB), German Stock Corporation Act (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

All amounts in the financial statements are stated in thousand of Euros (€ thou), unless stated otherwise.

Accounting, Valuation and Calculation Method

Intangible assets

These items are primarily software and recorded at acquisition cost less tax deductible depreciation.

Real estate, real estate rights and buildings, including buildings on property not owned by Allianz

These items are recorded at acquisition or construction cost less accumulated depreciation. Depreciation is calculated at the highest rates allowable for tax purposes using the straight line or declining balance methods.

In case of a permanent impairment the values of these items are adjusted through unscheduled write-downs.

Investments in affiliated enterprises and participations

These are recorded at cost less impairments in accordance with § 253 (2) sentence 3 HGB.

Impairments are measured as the difference between cost and the respective IDW S1 value. Acquisitions are also measured at IDW S1 value.

Where the market value at the balance sheet date was higher than the previous year's valuation, the value is reversed to the historical acquisition cost, but not above.

Other investments

Stocks, debt securities, and other fixed and variable income securities, interests in funds, miscellaneous investments

These are normally valued in accordance with § 341 b (2) HGB in conjunction with § 253 (1) and (3) HGB using the acquisition cost or the lower of the stock exchange or market value on the day of the balance sheet. From different costs of acquisition of securities of the same type, we calculate an average acquisition cost. Long term investments in mutual

funds are valued according to the regulations that apply to investments pursuant to § 341 b (2) HGB in conjunction with § 253 (1) and (2) HGB using the acquisition cost or the permanently lower value.

Debentures, loans and bank deposits

These are valued at nominal amount less repayments.

Tangible fixed assets, inventories and other assets

These items are recorded at acquisition costs minus tax deductible depreciation. Assets of low cost are written-off according to fiscal regulations. Some of the Allianz share options recorded under other assets are valued according to § 341 b (2) HGB in conjunction with § 253 (1, 3) HGB at acquisition costs or the lower share or market value on the balance sheet date. These options are partly included in hedges between those options and liabilities from intra-group hedges in conjunction with the Group equity incentive plans. Those hedges lead to compensations in measurement between the options and hedged liabilities.

Own shares

These are valued according to § 341 b (2) HGB in conjunction with § 253 (1) and (3) HGB with the acquisition cost or the lower share or market value on the balance sheet date. An average acquisition value has been established for own shares purchased at different acquisition costs.

Other assets

Consist of the following:

- Funds held by others under reinsurance business assumed
- Accounts receivables on reinsurance business
- Other receivables
- Cash with banks, checks and cash on hand
- Accrued interest and rents

These items are recorded at face value less repayments and impairments.

Insurance reserves

Consist of the following:

- Unearned premium reserve
- Aggregate policy reserve
- Reserve for loss and loss adjustment expenses
- Reserve for non-experience-rated premium refunds
- Claims equalization and similar reserves
- Other insurance reserves

Insurance reserves are set up according to statutory requirements. The primary goal is to ensure in all cases our ongoing ability to satisfy reinsurance contract liabilities. Generally, the reinsurance reserves are booked according to the cedent's statements. For claims incurred but not yet or not sufficiently reported, the reserves are calculated using actuarial techniques.

We calculate the underwriting reserves in the ceded reinsurance business as provided for in the contract.

The equalization reserve, the reserve for nuclear plants, the product liability reserve for major pharmaceutical risks, and risks relating to terrorist attacks are calculated according to § 341 h HGB in conjunction with §§ 29 and 30 RechVersV.

Other provisions

Pension accruals are calculated using actuarial techniques based on the updated mortality tables 2005G of Prof. Dr. K. Heubeck. The full amount of this liability is recorded in the financial statements. The other provisions are calculated according to forecast requirements; the reserves for early retirement benefits, employee long-service awards, and phased-in retirement are calculated using actuarial techniques.

Other liabilities

Consist of the following:

- Profit participation certificates
- Subordinated liabilities
- Funds held with reinsurance business ceded
- Other liabilities

These items are evaluated with the amount payable on maturity. Annuities are recorded at their cash value.

Prepaid expenses and deferred income

Premiums and discounts carried forward as prepaid income and expenses are amortized over the remaining life of the related financial instrument.

Currency translation

The valuation of foreign currency shares in affiliated enterprises and participations, loans to affiliated enterprises, stocks, interests in funds, and other variable and fixed income securities is based on the amount in Euro derived from the value in the original currency and the currency rate on the reporting date. The moderated lower-value principle is applied for affiliated enterprises and participations.

In the case of other investments being classified as investment assets, the moderate lower-value principle is applied. If classified as circulating assets, the strict lower-value principle is applied.

Issued debt securities, borrowings, as well as insurance reserves denominated in foreign currency are converted into Euros with the currency rate existing at the reporting date. Unrealized losses of issued debt securities, borrowings, as well as insurance reserves denominated in foreign currency are recognized immediately in the income statement. Unrealized gains are not recognized.

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Supplementary Information on Assets

1 Change of assets A., B.I through B.III. in fiscal year 2008

	Values stated as of December 31, 2007		Additions
	€ thou	%	€ thou
A. Intangible assets			
Other intangible assets	40,439		28,585
B.I. Real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE	318,486	0.4	73,516
B.II. Investments in affiliated enterprises and participations			
1. Shares in affiliated enterprises	65,628,958	81.4	51,939,892
2. Loans to affiliated enterprises	2,221,069	2.7	1,004,826
3. Participations	373,494	0.5	65,881
Subtotal B.II.	68,223,521	84.6	53,010,599
B.III. Other investments			
1. Stocks, interests in funds and other variable income securities	2,087,609	2.6	1,482,829
2. Debt securities and other fixed-income securities	8,301,439	10.3	16,678,608
3. Other loans	—	—	142,551
4. Bank deposits	1,642,831	2.0	2,330,178
5. Miscellaneous investments	86,104	0.1	321,369
Subtotal B.III.	12,117,983	15.0	20,955,535
Subtotal B.I. - III.	80,659,990	100.0	74,039,650
Total	80,700,429		74,068,235

Transfers	Disposals	Revaluation	Depreciation	Net additions (+) Net disposals (-)	Values stated as of December 31, 2008	
					€ thou	%
—	1,060	—	5,465	22,060	62,499	
—	72,844	7,200	8,737	(865)	317,621	0.4
4,098	49,545,721	—	1,304,344	1,093,925	66,722,883	80.3
—	943,366	18,868	18,824	61,504	2,282,573	2.7
(4,098)	0	—	248	61,535	435,029	0.5
—	50,489,087	18,868	1,323,416	1,216,964	69,440,485	83.5
—	2,380,170	964	42,107	(938,484)	1,149,125	1.4
—	17,104,861	38,150	62,791	(450,894)	7,850,545	9.5
—	—	—	124,102	18,449	18,449	0.0
—	—	—	—	2,330,178	3,973,009	4.8
—	88,512	—	—	232,857	318,961	0.4
—	19,573,543	39,114	229,000	1,192,106	13,310,089	16.1
—	70,135,474	65,182	1,561,153	2,408,205	83,068,195	100.0
—	70,136,534	65,182	1,566,618	2,430,265	83,130,694	

2 Market value of investments

As of December 31, 2008 the fair value of investments amounted to € 98.2 bn (2007: € 120.7 bn). The carrying amount of these investments in the balance sheet was € 87.0 bn (2007: € 84.8 bn).

The values are subdivided into individual asset categories as follows:

	December 31, 2008		
	Book value	Fair value	Valuation reserve
	€ bn	€ bn	€ bn
Real estate	0.3	0.5	0.2
Equity securities	68.3	79.0	10.7
Debt securities	7.9	8.1	0.2
Loans	2.3	2.3	—
Bank deposits	4.0	4.0	—
Funds held by others under reinsurance business assumed	3.9	3.9	—
Other investments	0.3	0.4	0.1
Total	87.0	98.2	11.2

The following valuation methods have been used to determine the market value:

Real estate

Land and buildings are regularly measured at cash value, new buildings at cost. The cash value was calculated in the fiscal year.

Dividend-bearing securities

Investments in companies which are quoted at the stock exchange are measured with the stock exchange price quoted on the last trading day of 2008. Non-quoted companies are valued at their net value calculated by the DVFA method. For recent transactions the transaction prices were utilized.

Debt securities and other fixed-income securities

Those items are measured at the stock exchange value quoted on the last trading day of 2008.

Loans, bank deposits and accounts receivables on reinsurance business

There were no material differences between the book value and the fair value in 2008 for those items.

3 Real estate

The book value of own property for own use amounts to € 0 thou (2007: € 547 thou).

4 Investments in affiliated enterprises and participations

Investments in affiliated enterprises and participations increased by € 1.2 bn to € 69.4 bn (2007: € 68.2 bn). The main transactions which led to a higher book value were the aggregation of our Western European insurers (€ 6.5 bn), capital increases of Group companies (€ 3.0 bn) and the acquisitions of investments in the banking sector (€ 1.6 bn) from Dresdner Bank AG (e.g. Oldenburgische Landesbank).

The aggregation of our Western European Insurers resulted in additions and disposals of € 45.6 bn and € 39.1 bn respectively.

In turn, reductions of investment book value primarily result from a capital reserves dissolution of Allianz Finanzbeteiligungs GmbH of € 8.2 bn. This is primarily attributable to the loss in connection with the sale of Dresdner Bank AG. In addition, impairments of affiliated companies amounting to € 1.3 bn are shown in this position.

5 Funds held by others under reinsurance business assumed

This item decreased mainly due to:

- the reduction of the quota share reinsurance contract with Allianz Versicherungs-AG and
- the run-off of a treaty with Allianz Lebensversicherungs-AG, Stuttgart.

6 Disclosure of participations

The disclosure of all affiliated enterprises and participations is published together with the financial statements in the German Electronic Federal Gazette as well as on the Company's website.

7 Other receivables

The total € 2.3 bn decrease in other receivables is essentially due to a € 1.9 bn decrease of receivables to affiliated enterprises, a decrease of € 0.4 bn concerning securities lending, and an increase in tax receivables of € 0.1 bn.

8 Miscellaneous assets

This position mainly involves options on Allianz SE acquired to hedge intra-group obligations relating to the Group Equity incentive plan, variation margins paid in connection with financial derivative transactions and claims resulting from pension plan reinsurance contracts.

9 Other deferred charges and prepaid expenses

This item includes the discount on borrowings from affiliated enterprises, issued bonds and subordinated liabilities amounting to € 36 mn (2007: € 60 mn).

10 Collateral

Assets amounting to € 3.0 bn (2007: € 3.3 bn), thereof € 2.7 bn (2007: € 2.7 bn) to affiliated enterprises, are pledged as collateral for liabilities.

Supplementary Information on Equity and Liabilities

11 Shareholders' Equity

At December 31, 2008 the issued capital registered at the Commercial Register was € 1,159,808,000. The share capital is divided into 453,050,000 registered shares with restricted transferability. The no-par shares have a mathematical value of € 2.56 each as a proportion of the capital stock.

At December 31, 2008 Allianz SE held 545,807 (2007: 567,698) own shares of which 424,035 (2007: 424,035) were held to hedge obligations from the restricted stock units program. The remaining 121,772 shares will be used in 2009 for the quarterly employee stock purchase plan of our affiliated enterprises in the NAFTA region.

The General Meetings of May 2, 2007 and May 21, 2008 authorized the domestic and foreign banks in which Allianz SE holds a majority interest to acquire and sell own shares for trading purposes pursuant to § 71 (1) no. 7 AktG. During the fiscal year, these banks acquired 30,227,150 (2007: 24,780,668) shares of Allianz SE at an average price of € 106.73 (2007: € 131.55) per share, which include previously held Allianz SE shares. Additionally these banks took 716,301 (2007: 716,301) shares of Allianz SE as collateral. During the fiscal year, 30,977,574 shares (2007: 25,348,169) were sold at an average price of € 100.87 (2007: € 127.39) per share. Gains from transactions with own shares amounted to € 20,569 thou (2007: loss of € 110,000 thou), and were transferred from the retained earnings of the respective companies. At December 31, 2008, other Group companies held 1,013,970 (2007: 671,654) shares in Allianz SE.

The own shares represent € 3,993,029.12 or 0.3% of the share capital.

Changes to the number of issued shares outstanding

	2008	2007
Issued shares as of January 1	450,150,000	432,150,000
Capital increase for warrants "All-in-One"	2,200,000	—
Capital increase in connection with buy-out of AGF minority interest	—	16,974,357
Capital increase for employee stock purchase plan	700,000	1,025,643
Total number of issued shares as of December 31	453,050,000	450,150,000
Own shares held for hedging GEI plan	(424,035)	(424,035)
Own shares held for quarterly employee stock purchase plan	(121,772)	(143,663)
Own shares held by affiliated enterprises	(1,013,970)	(671,654)
Total number of shares outstanding as of December 31	451,490,223	448,910,648

As of December 31, 2008 there was authorized capital 2006/I with a nominal amount of € 406,545,646.08 (158,806,893 shares), which can be issued until February 7, 2011. The shareholders' subscription rights can be excluded for capital increases against contribution in kind as well as for fractional amounts. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 AktG do not exceed 10% of the share capital. Finally, shareholders' subscription rights can be excluded to the extent necessary to grant holders of bonds that carry conversion or option rights a subscription right. Another authorized capital (authorized capital 2006/II) can be used until February 7, 2011 to issue shares against cash contributions. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of December 31, 2008 the authorized capital 2006/II amounted to € 8,056,296.96 (3,146,991 shares).

Further as of December 31, 2008, there exists an unissued conditional capital in the amount of € 250,000,000 (97,656,250 shares), authorized in 2006.

Additional paid-in capital

	€ thou
As of December 31, 2007	27,169,089
+ From capital increases 2008	239,986
As of December 31, 2008	27,409,075

Appropriated retained earnings

	As of December 31, 2007 € thou	Appropriation to reserve for own shares € thou	Appropriation to other	As of December 31, 2008 € thou
1. Legal reserve	1,229	—		1,229
2. For own shares	51,758	(12,561)		39,197
3. Other	11,674,769	6,535	5,878	11,687,182
Total	11,727,756	(6,026)	5,878	11,727,608

12 Profit participation certificates

The line item profit participation certificates shows the guaranteed total redemption price that Allianz SE would have to pay in the event the 6,098,665 outstanding participation certificates are cancelled by their holders. The distributions for the year under review attributable to participation certificates are reported under other liabilities.

The General Meeting of May 4, 2005 authorized the Management Board to issue, with the consent of the Supervisory Board, new participation certificates for up to € 25,000,000.00 in order to secure the subscription rights of the holders of the participation certificates already issued, if necessary under the terms of the participation certificates. In the event of a capital increase or the issuance of bonds carrying conversion or option rights granting shareholders subscription rights, the terms of the participation certificates provide for the right of holders of such certificates to subscribe for further participation certificates at conditions that are comparable to the conditions for shareholders.

The terms and conditions for participation certificates provide for an annual distribution of 240.0% of the dividend paid by the company in respect of one Allianz no-par value share. In addition, under certain conditions, certificate holders are granted the right to subscribe to new participation certificates; here the pre-emptive rights of shareholders are excluded. Participation certificates do not confer on their holders any voting rights, any rights to conversion into Allianz shares or any rights to liquidation proceeds. They are unsecured and rank pari passu with the claims of other unsecured creditors.

Participation certificates are redeemable at the option of their holders every five years, beginning December 31, 2001, by giving 12 months' notice. Up to now this right of redemption has been exercised for 358 participation certificates. In this case, the conditions guarantee a redemption price equal to the weighted average of the issue price of all the previous issues of participation certificates.

The current redemption price per certificate is based on the last issue date of April 2003 and is equal to € 72.39.

The company has the right to call the participation certificates for redemption to the end of the financial year upon six months' prior notice every year. In such case, the cash compensation for each participation certificate is equal to 122.9% of the average Allianz share price. Alternatively the company can offer to exchange ten Allianz shares for eight participation certificates. Allianz SE has consistently stated at General Meetings that there is no legal obligation on the part of Allianz SE to call for redemption of the profit participation certificates.

13 Subordinated liabilities

Subordinated liabilities in the amount of € 6.9 bn (2007: € 7.5 bn) result from the issuance of subordinated bonds in the amount of € 3.9 bn (2007: € 5.9 bn) by Allianz Finance II B.V., an affiliated enterprise, which has transferred the proceeds from these issues to Allianz SE. The decrease in 2008 is mainly due to a group-internal loan restructuring in the amount of € 2.0 bn.

Allianz SE provides a performance guarantee for the total amount of bonds issued by Allianz Finance II B.V. adding up to € 5.9 bn (2007: € 5.9 bn).

In addition, an amount of € 3.0 bn (2007: € 1.6 bn) results from bonds issued by Allianz SE directly. In 2008 a new USD 2.0 bn bond was issued which is equivalent to € 1.4 bn.

14 Insurance reserves

Aggregate policy reserve

Aggregate policy reserve increased by € 206 mn in line with the increase in net premiums earned in Personal Accident business. Furthermore € 54 mn are attributable to the Variable Annuity business.

Reserve for loss and loss adjustment expenses

The reserve for loss and loss adjustment expenses decreased by a net amount of € 46 mn. Main drivers for this development are a decrease of € 171 mn due to the increase in self-retention with Allianz Sachversicherung, partially offset by growth and claims development in the Euler-Hermes business (€ 61 mn) and the first time inclusion of our Zurich branch (€ 52 mn).

Claims equalization and similar reserves

The claims equalization and other similar reserves increased by € 255 mn mainly driven by the expansion and low loss ratio in the Fire reinsurance business (€ 190 mn).

15 Other provisions

Allianz SE has assumed joint liability for the pension obligations of German Group companies and has agreed to settle them. Therefore, the pension liabilities of these Group companies are recorded in the financial statements of Allianz SE. In addition, this position contains the liabilities from pension and similar obligations for own employees.

The provisions for taxation decreased by € 178 mn primarily due to payments to fiscal authorities.

The total change in provisions for anticipated losses from € 602 mn to € 409 mn is primarily due to the release of the anticipated loss provision for BITES of € 420 mn and an increase of the provision for long forwards on Allianz shares of € 188 mn.

The increase of other miscellaneous provisions from € 130 mn to € 321 mn is primarily attributable to financial guarantees of € 127 mn. In addition, the provision for unbilled goods and services received increased by € 38 mn. The latter relates primarily to transaction costs in connection with the sale of Dresdner Bank AG.

	Provision	Use (-)	Revenue from the release (-)	Allocation (+)	Provision
	December 31, 2007	2008	2008	2008	December 31, 2008
	€ thou	€ thou	€ thou	€ thou	€ thou
Provisions for pensions and similar liabilities	3,489,880	22,433	127,395	232,257	3,572,309
Tax provisions	427,754	139,927	38,444	—	249,383
Other provisions					
1. Anticipated losses	601,917	355,233	137,339	299,391	408,736
2. Miscellaneous	129,785	84,400	806	276,111	320,690
Total other provisions	4,649,336	601,993	303,984	807,759	4,551,118

16 Maturity of financial liabilities

The residual terms of subordinated liabilities, issued bonds and miscellaneous liabilities is as follows:

Maturity table as of December 31, 2008

	Total € thou	Term up to 1 year € thou	Term 1–3 years € thou	Term 3–5 years € thou	Term 5–10 years € thou	Term > 10 years € thou
Subordinated liabilities (C.)						
Intra-group transmission of proceeds from third party financing	3,855,537	162,075				3,693,462
Subordinated bond issued by Allianz SE	3,021,929	84,838				2,937,091
Subtotal	6,877,466	246,913				6,630,553
Bonds (intra-group – G.II.)	5,697,873	814,873	1,078,000	1,946,000	1,600,000	259,000
Liabilities to banks (G.III.)	273,770	23,770		250,000		
Miscellaneous liabilities (G.IV.)						
Intra-group transmission of proceeds from third party financing	624,371	624,371				
Other intra-group liabilities	16,786,117	13,466,890	1,123,000	1,631,395	564,832	
Subtotal intra-group miscellaneous liabilities	17,410,488	14,091,261	1,123,000	1,631,395	564,832	
Liabilities to third parties	4,240,576	4,240,576				
Subtotal	21,651,064	18,331,837	1,123,000	1,631,395	564,832	
Total	34,500,173	19,417,393	2,201,000	3,827,395	2,164,832	6,889,553

Maturity table as of December 31, 2007

	Total € thou	Term up to 1 year € thou	Term 1–3 years € thou	Term 3–5 years € thou	Term 5–10 years € thou	Term > 10 years € thou
Subordinated liabilities (C.)						
Intra-group transmission of proceeds from third party financing	5,930,571	237,109				5,693,462
Subordinated bond issued by Allianz SE	1,579,336	79,336				1,500,000
Subtotal	7,509,907	316,445				7,193,462
Bonds (intra-group – G.II.)	1,905,180	406,180	125,000	30,000	1,085,000	259,000
Liabilities to banks (G.III.)						
Miscellaneous liabilities (G.IV.)						
Intra-group transmission of proceeds from third party financing	4,277,744	3,083,478	299,266		895,000	
Other intra-group liabilities	17,384,650	11,380,137	1,000,000	3,525,000	1,479,513	
Subtotal intra-group miscellaneous liabilities	21,662,394	14,463,615	1,299,266	3,525,000	2,374,513	
Liabilities to third parties	2,899,494	2,899,494				
Subtotal	24,561,888	17,363,109	1,299,266	3,525,000	2,374,513	
Total	33,976,975	18,085,734	1,424,266	3,555,000	3,459,513	7,452,462

17 Information about derivative financial instruments

Options dealing in shares and share indices

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Long Call	244,316	35,965	71,110	Allianz SE share	Assets D.IV.
Long Call	117,226	24,401	23,355	Bank Pekao share	Assets B.III.
Short Call	563,036	(30,968)	178,767	Allianz SE share	Liabilities G.IV.
Long Put	1,502,542	332,664	179,065	Hang Seng Index, Unicredito share	Assets B.III.
Short Put	267,135	(37,750)	30,616	Hang Seng Index	Liabilities G.III.

European type options are valued with the Black Scholes model and American type options with the binomial model on the basis of the closing price as of the valuation date. Yield curves are derived from the swap rates prevailing on the valuation date. The future dividend yield is estimated

on the basis of the market information as of the valuation date. Volatility is calculated based on current traded implicit volatility, taking into account the residual term and the ratio between strike price and relevant reference price.

Forward contracts in shares, share indices and hedge RSUs

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Long Forward	702,872	(214,993)	227,349	Allianz SE	Liabilities E.
Hedge RSU	344,695	(344,695)	660,992	Allianz SE	Liabilities G.III.

The fair value of a forward contract is determined as the difference between the underlying closing price on the valuation date and the discounted forward price. The applicable discount rate is derived from interpolated swap rates. The net present value of dividend payments due before maturity of the forward contract is also taken into account, unless the dividends are subject to a pass-through agreement.

Liabilities from hedge RSUs, which the Group companies acquire from Allianz SE in order to hedge their liabilities from the Group equity incentive plans, are valued on the basis of the Allianz closing price on the valuation date minus the aggregate of the net present values of estimated future dividends due before maturity of the respective hedge RSUs.

Forward currency contracts

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Long Forward	86,600	1,707	—	SGD, HKD, USD	—
Short Forward	1,097,229	68,842	8,901	SGD, HKD, USD	Liabilities E.

The fair value of a forward currency contract is the difference between the discounted forward price and the spot rate in Euros whereby the discounted forward price is calculated by applying the Euro interest rate as a discount rate and the foreign currency interest rate as a compound interest rate.

Interest Rate Swaps

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Fixed to Floating	93,152	3,067	3,199	Floating rate note	Liabilities E.
Floating to Fixed	296,187	(2,490)	2,490	Floating rate note	Liabilities E.

The fair value of an interest rate swap is the difference between the net present value of the fixed rate leg and the net present value of the floating rate leg of the interest swap whereby future floating rates are estimated by the prevailing forward interest rates.

Options on debt securities

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Short Put Option	1,295,624	159,177	159,177	Debentures	Liabilities E.
Long Put Option	1,295,624	(159,177)	159,177	Debentures	Assets B.III.

These options are group-internal transactions for which hedge accounting (“Bewertungseinheit”) is applied. Therefore these options are recorded at acquisition value. No subsequent measurement of fair values is executed.

Overview over financial instruments

Category	Position of Allianz SE	Nominal € thou	Market Value € thou	Book value € thou
Currency-related transactions	Foreign currency buyer	86,600	1,707	—
Currency-related transactions	Foreign currency seller	1,097,229	68,842	8,901
Share/Index-related transactions	Share/Index buyer	1,331,549	(192,377)	352,431
Share/Index-related transactions	Share/Index seller	2,065,578	301,697	357,833
Hedge RSU	Share seller	344,695	(344,695)	660,992
Interest Rate Swaps	Receive fix, pay variable	93,152	3,067	3,199
Interest Rate Swaps	Receive variable, pay fix	296,187	(2,490)	2,490
Debt security-related transactions	Debt security buyer	1,295,624	(159,177)	159,177
Debt security-related transactions	Debt security seller	1,295,624	159,177	159,177

Supplementary Information to the Income Statement

18 Gross premiums written

	2008 € thou	2007 € thou
Property & Casualty and Health insurance	3,170,361	3,216,577
Life insurance	278,716	316,263
Total	3,449,077	3,532,840

19 Allocated interest return (net)

The amount of interest income transferred under this heading from the non-underwriting section to the underwriting section is calculated in accordance with § 38 RechVersV. Its amount remained almost stable (€ – 2.5 mn) and is the result of a reduced interest rate on an increased net amount of Accident with Premium Refund business.

20 Loss and loss adjustment expenses (net)

The expenditure for insured events increased by € 391 mn. This development was caused by a higher self retention due to the reduction of an external retrocession contract.

21 Change in other insurance reserves (net)

This position contains:

- change in aggregate policy reserves net,
- provision for profit commissions, and
- reserves for additional premiums to be paid to our reinsurers following the Kyrill winter storm in 2007.

	2008 € thou	2007 € thou
Change in aggregate policy reserves net	(40,209)	(20,499)
Other insurance reserves net	4,435	(20,116)
Total	(35,774)	(40,615)

22 Underwriting expenses (net)

The net underwriting expenses developed in line with the overall increase in net premium volume.

	2008 € thou	2007 € thou
Gross	(919,354)	(923,738)
Ceded	123,275	265,850
Net	(796,079)	(657,888)

23 Investment income

	2008 € thou	2008 € thou	2007 € thou
a) Income from shares in affiliated enterprises and participations thereof from affiliated enterprises: € 1,719,939 thou (€ 1,194,800 thou)		1,724,496	1,203,828
b) Income from other investments thereof from affiliated enterprises: € 302,324 thou (€ 383,903 thou)			
ba) Income from real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE	27,839		33,615
bb) Income from other investments	967,252		880,710
		995,091	914,325
c) Income from reversal of impairments		65,182	51,919
d) Realized gains		9,301,172	679,792
e) Income from profit transfer agreements		1,828,441	4,045,565
Total		13,914,382	6,895,429

	2008 € thou	2007 € thou
ba) Income from real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE	27,839	33,615
bb) Income from other investments		
Debt Securities	426,825	382,453
Funds held by others under reinsurance business assumed	150,359	169,672
Bank deposits	137,315	98,418
Loans to affiliated enterprises	132,227	197,229
Interests in funds	90,588	5,210
Stocks	10,361	8,607
Loans to third parties	9,796	—
Receivables from intra-group cash pooling	9,731	17,905
Other	50	1,216
Subtotal	967,252	880,710
Total	995,091	914,325

24 Investment expenses

	2008 € thou	2007 € thou
a) Investment management, interest charges and other investment expenses		
aa) Interest expenses	(1,469,427)	(1,682,677)
ab) Other	(236,007)	(152,845)
b) Depreciation and impairments on investments	(1,561,153)	(533,258)
c) Realized losses	(335,392)	(334,594)
d) Expenses from losses taken over	(8,182,619)	(56,128)
Total	(11,784,598)	(2,759,502)

	2008 € thou	2007 € thou
aa) Interest expenses		
Intra-group subordinated liabilities (intra-group transmission of proceeds from third party financing)	(285,659)	(340,191)
Subordinated bonds issued by Allianz SE	(150,246)	(82,990)
Liabilities from intra-group loans	(526,442)	(928,638)
Liabilities from intra-group bonds	(115,803)	(45,798)
Liabilities from intra-group cash pooling	(206,889)	(132,641)
Liabilities to banks	(36,107)	(62,492)
Liabilities from commercial paper issues	(145,195)	(87,048)
Other	(3,086)	(2,879)
Total	(1,469,427)	(1,682,677)

Ad d) **Expenses from losses taken over** in 2008 mainly result from the loss taken over from Allianz Finanzbeteiligungs GmbH which is composed as follows:

	2008 € thou
Losses from sale of Dresdner Bank AG	(8,049,174)
Impairment of Allianz Global Investors AG	(112,015)
Total	(8,161,189)

25 Depreciation and impairments on investments

The write-off on investments includes unscheduled write-downs in accordance with § 253 (2) sentence 3 HGB of € 3 mn (2007: € 5 mn) on real estate and of € 1,304 mn (2007: € 380 mn) on holdings in affiliated enterprises.

26 Other income

	2008 € thou	2007 € thou
Gains on derivatives	620,637	296,916
Currency gains	117,025	370,843
Refund of pension expenses	71,994	105,379
Intercompany income	30,469	75,246
Other interest and similar income	5,470	41,569
Other	28,989	127,026
Total	874,584	1,016,979

27 Other expenses

	2008 € thou	2007 € thou
Expenses on derivatives	(460,399)	(259,470)
Currency losses	(252,989)	(62,642)
Other company costs	(250,465)	(253,035)
Interest and similar expense	(247,154)	(234,513)
Anticipated losses on derivatives	(239,448)	(215,128)
Expenses from financial guarantees	(127,040)	—
Pension expenses	(71,965)	(105,379)
Intercompany expenses	(5,972)	(17,118)
Other	(145,962)	(155,569)
Total	(1,801,394)	(1,302,854)

Fees for the auditor

Following expenses were recorded for 2008:

	€ thou
a) Audit	(3,671)
b) Other certification and valuation services	(768)
c) Tax advice services	(125)
d) Other services	(4,097)
Total	(8,661)

28 Income taxes

The option ("Bilanzierungshilfe") to record deferred tax assets in accordance with § 274 (2) HGB was not used.

When calculating the tax amount to be charged to subsequent accounting years the company netted the anticipated future tax benefits with the anticipated tax burden.

As the head of the tax unit Allianz SE files a consolidated tax return with most of its German affiliated enterprises. Until the company's tax losses carried forward are fully utilized the taxes charged results in a tax profit.

29 Net earnings

	2008 € thou	2007 € thou
Net income	1,581,811	4,593,641
Unappropriated earnings carried forward	3,716	1,798
Use of appropriated earnings for own shares	6,026	861
Allocation to other appropriated earnings	(5,878)	(2,120,475)
Net earnings	1,585,675	2,475,825

Other Information

Contingent liabilities, legal proceedings and other financial commitments

Guarantees to group companies

The guarantees as described below are provided by Allianz SE to secure liabilities of group companies to third parties:

- Bonds issued by Allianz Finance II B.V., Amsterdam, for € 9.7 bn, thereof € 5.6 bn on a subordinated basis.
- Commercial Papers issued by Allianz Finance Corporation, USA. At the end of the year USD 0.4 bn in commercial papers were issued as part of the program.
- Letters of Credit issued to various operating Allianz entities totaling € 0.8 bn.

Allianz SE is committed to making future capital payments in favor of our North American holding company, Allianz of America, Inc., Wilmington. This will place Allianz of America Inc., Wilmington, in a position to provide sufficient capital to Allianz Global Risks US Insurance Company, Los Angeles, so that this company can meet its payment obligations for claims received in connection with the attack on the World Trade Center. These future capital payments are limited to USD 143 mn and are secured by pledges in securities.

Allianz SE provides a guarantee to Allianz Argos 14 GmbH to secure the payment obligations under the derivative contract entered into with Blue Fin Ltd. in the context of the issuance of a catastrophe bond.

Allianz SE provides a maximum € 1.0 bn guarantee for the obligations of AGF Vie, Paris, under a unit linked pension insurance contract. As of December 31, 2008 the guaranteed obligations amounted € 537 mn.

With respect to Fireman's Fund Insurance Co., Novato, there is a conditional commitment to make capital payments which must, in particular, be made in case of future negative developments of the reserves for the year 2003 and before. The remaining guarantee amount as of December 31, 2008 is USD 141 mn.

Guarantee declarations in a total of € 1.4 bn have also been given for deferred annuity agreements signed by Allianz-RAS Seguros y Reaseguros S.A., Madrid.

Allianz SE provides guarantees in favor of Marsh, Inc. for coverage of potential liabilities for various Allianz subsidiaries. These guarantees have a yearly maturity and are unlimited.

There is an agreement between Allianz Risk Transfer AG, Zurich, and Allianz SE regarding a target minimum capitalization in the form of a Net Worth Maintenance Agreement.

There are financial commitments in connection with the promise of compensation to holders of rights under stock option programs of Assurances Générales de France.

There are also value asset liabilities of € 136 mn for the phased-in retirement liabilities of German group companies.

In connection with the sale of holdings in individual cases, guarantees were given covering the various bases used to determine purchase prices. These can for example relate to tax risks.

In connection with the acquisition of USD 1.75 bn subordinated debentures of The Hartford Financial Services Group Allianz SE provided a guarantee to group companies.

Allianz Bank Zrt., Hungary, received a guarantee from Allianz SE in the amount of CHF 120 mn in connection with a loan granted.

Commitments of Allianz Nederland Schadeverzekering N.V. arising from an insurance contract are guaranteed by Allianz SE with a maximum exposure of € 350 mn.

In addition Allianz SE issued guarantees to various group companies totaling € 50 mn.

Allianz SE has also provided several subsidiaries and associates with either a standard indemnity guarantee or such guarantee as required by the supervisory authorities, which cannot be quantified in figures. This includes in particular a deed of general release for Dresdner Bank AG in accordance with § 5 (10) of the Statute of Deposit Security Arrangement Fund which was withdrawn with effect of January 9, 2009.

Guarantees to third parties

(Dresdner Bank AG as of January 12, 2009)

A guarantee was given to Dresdner Bank AG, Frankfurt, amounting to € 50 mn, for the acquisition of receivables from payments for the rights to use a name in connection with Allianz Arena.

In the context of a Securities Lending Agreement, Allianz SE gave a payment guarantee with respect to the obligations of Dresdner Bank AG, Frankfurt.

A contingent indemnity agreement was entered with respect to securities issued by HT1 Funding GmbH in case HT1 Funding GmbH cannot serve the agreed coupon of the bond partly or in total.

As of December 31, 2008 Allianz SE had contingent liabilities under guarantees amounting to € 9 mn.

Legal obligations

Legal obligations to assume any losses arise on account of management control agreements and/or transfer-of-profit agreements with the following companies:

- ACM-Compagnie Mercur AG
- Allianz Alternative Assets Holding GmbH
- Allianz Argos 14 GmbH
- Allianz Autowelt GmbH
- Allianz Deutschland AG
- Allianz Finanzbeteiligungs GmbH
- Allianz Global Corporate & Specialty AG
- Allianz Investment Management SE
- AZ-Arges Vermögensverwaltungsgesellschaft mbH
- AZ-Argos 3 Vermögensverwaltungsgesellschaft mbH (merged as of December 11, 2008)
- AZ-Argos 10 Vermögensverwaltungsgesellschaft mbH (merged as of December 31, 2007/January 1, 2008)
- IDS GmbH-Analysis and Reporting Services
- META Finanz-Informationssysteme GmbH

Any other control and transfer-of-profit agreements were not concluded by Allianz SE in 2008.

On February 17, 2009 Allianz SE has concluded a control and transfer-of-profit agreement with Allianz Shared Infrastructure Services SE that now requires the consent of the Supervisory Board and the General Meeting of Allianz SE. The contract will come into effect with its registration in the Commercial register of the controlled company.

Financial liabilities of € 203 mn arose in 2008 from advertising agreements.

Potential liabilities amounting to € 30 mn were outstanding at the balance sheet date for calls on equity stocks not fully paid up with respect to affiliated enterprises.

Security deposits for leasing contracts amount to € 0.3 mn financial commitments.

Litigation

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 we 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 court-ordered mediation, AGR US reached a settlement regarding the disputed insurance claims with Silverstein Properties. 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 has commenced in October 2007 and discovery is ongoing. We do not expect any material negative financial impact for Allianz Group 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 SE 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 SE 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. We believe 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 approximately 16 mn shares that were transferred to Allianz SE.

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.

Events after the balance sheet date

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 financial effects see page 13. 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, and cominvest. In addition, Commerzbank AG and Allianz Group entered into a long-term distribution agreement.

Subsequent to the sale, Allianz Group repurchased Collateralized Debt Obligations (CDOs) for a consideration of about € 1.1 bn from Dresdner Bank. Furthermore, Allianz SE will provide by a subsidiary a silent participation of € 750 mn in Dresdner Bank. The terms are identical to SoFFin’s silent participation in Commerzbank AG.

Net loss impact due to storm ‘Klaus’ in Southwest Europe and bushfire in Australia

Until the end of February 2009 the following natural disasters occurred, which according to our current knowledge, led to an estimated net loss of € 83 mn before tax for Allianz SE:

- Storm ‘Klaus’ in the Southwest of France and parts of Spain (€ 48 mn),
- Bushfires in Australia (€ 35 mn).

Board of Management remuneration

As of December 31, 2008 the Board of Management consisted of 11 members, for whose work the expenditure listed below was made.

The remuneration of the Board of Management consists of a fixed component of the basic salary as well as variable components. All members of the Board of Management are eligible to participate in the annual (short-term) and three-year (mid-term) bonus plans as well as in the Group Equity Incentives (GEI). The GEI grant 2008 amounted to 112,102 stock appreciation rights (SAR) and 54,404 restricted stock units (RSU).

	2008 € thou	2007 € thou
Fixed remuneration	(6,660)	(6,935)
Annual Bonus	(6,244)	(12,151)
Perquisites	(599)	(393)
Fixed remuneration, annual bonus and perquisites total	(13,503)	(19,479)
Fair value of SAR at grant date	(2,690)	(4,018)
Fair value of RSU at grant date	(4,502)	(6,970)
Group Equity Incentives at grant date	(7,192)	(10,988)
Total remuneration	(20,695)	(30,467)

In addition, the Board of Management receives a medium-term three year bonus of € 2,093 thou (2007: € 2,955 thou). This bonus amount is an estimated value for 2008 following interim assessment. The actual performance assessment can only take place at the end of the three-year period.

Equity remuneration plan

At Allianz Group Equity Incentives are paid in the form of Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU). The reference price of the Group equity incentive programs for 2008 was € 117.38 (average share closing price of the Allianz share in Xetra trading on ten trading days following the financial press conference on annual results).

Benefits to retired Members of the Board of Management

In 2008, remuneration and other benefits of € 7 mn (2007: € 4 mn) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 38 mn (2007: € 39 mn).

Supervisory Board remuneration

	€	%
Fixed Salary	(700,000)	64.8
Performance-based remuneration	—	—
Committee remuneration	(368,750)	34.2
Cap	36,250	(3.4)
Attendance fees	(47,500)	4.4
Total	(1,080,000)	100.0

For detailed information please refer to the remuneration report on page 41 to 49.

Average number of Employees in 2008

(Excluding members of the Board of Management, trainees, interns, employees in the passive phase of the partial retirement and employees on maternity leave or doing basic military training/community services)

	2008	2007
Full-time staff	958	922
Part-time staff	116	101
Total	1,074	1,023

Staff expenses

	2008 € thou	2007 € thou
1. Wages and salaries	(139,603)	(151,492)
2. Statutory welfare contributions and expenses for optional support payments	(11,698)	(13,019)
3. Expenses for pensions and other post-retirement benefits	(17,456)	(22,771)
Total expenses	(168,757)	(187,282)

Notifications pursuant to § 21 (1) WpHG

The company has received the following notifications pursuant to § 21 (1) WpHG:


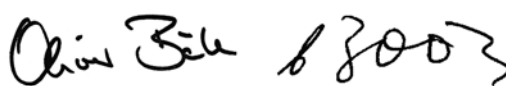

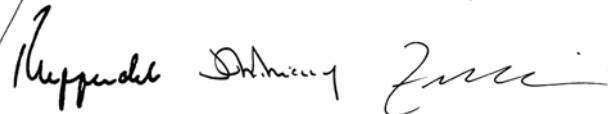
Company Name	Location	+ = Exceeds - = falls below	Thres- hold %	Date	Proportion of Voting Rights %	Amount of voting rights	Attribution pursuant to § 22 WpHG
UBS AG	Zurich	+	3	January 23, 2008	3.80	17,119,551	0.36% voting rights (1,635,947 shares) according to § 22 (1) No. 1
UBS AG	Zurich	-	3	May 2, 2008	2.63	11,881,299	0.41% voting rights (1,857,079 shares) according to § 22 (1) No. 1
UBS AG	Zurich	+	3	May 28, 2008	3.27	14,796,553	0.41% voting rights (1,836,059 shares) according to § 22 (1) No. 1
UBS AG	Zurich	-	3	June 6, 2008	2.39	10,831,373	0.43% voting rights (1,965,391 shares) according to § 22 (1) No. 1

Declaration of Compliance with the German Corporate Governance Code

On December 18, 2008 the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance with the German Corporate Governance Code required by § 161 AktG and made it permanently available to shareholders on the company's website under www.allianz.com/corporate-governance.

Munich, February 13, 2009
Allianz SE

The Board of Management

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements of Allianz SE give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Munich, February 13, 2009
Allianz SE

The Board of Management

Thomas G. J. G. G. G.

Oliver Biele 83003

Stefan Luder

Happendel Anthony J. J.

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Allianz SE, Munich, for the business year from 1 January to 31 December 2008. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with § 317 HGB [„Handelsgesetzbuch“: „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with [German] principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company's position and suitably presents the opportunities and risks of future development.

Munich, March 3, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft

(formerly
KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft)



Dr. Frank Ellenbürger
Wirtschaftsprüfer



Johannes Pastor
Wirtschaftsprüfer

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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ supervisory bodies

Membership in Group bodies Allianz Global Investors Italia SGR S.p.A. (Chairman), Allianz S.p.A., Assurances Générales de France

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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ supervisory bodies Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited

Membership in Group bodies Allianz Hungária Biztosító 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.

List of Abbreviations

AG	Aktiengesellschaft	pts	points
AGF	Assurances Générales de France S.A.	RechVersV	Verordnung über die Rechnungslegung von Versicherungsunternehmen (External Accounting Requirements of Insurance Enterprises)
AGR US	Allianz Global Risks US Insurance Company		
AktG	Aktiengesetz (German Stock Corporation Act)		
A.Ş.	Anonim Şirket		
AZ	Allianz	ROSNO	Russian People's Insurance Society
B.V.	Besloten Vennootschap met beperkte aansprakelijkheid	RSU	Restricted Stock Units
BaFin	Bundesanstalt für Finanzdienstleistungsaufsicht	S.A.	Société Anonyme
BITES	Basket Index Tracking Equity Linked Securities	S.p.A.	Società per Azioni
bn	billion	SAR	Stock Appreciation Rights
CDOs	Collateralized Debt Obligations	SCOR	SCOR SE
CEO	Chief Executive Officer	SE	Societas Europaea
CEIOPS	Committee of European Insurance and Occupational Pensions Supervisors	SoFFin	Sonderfonds Finanzmarktstabilisierung (Special Fund Financial Market Stabilization)
Co.	Company	thou	thousand
CRO Forum	Chief Risk Officer Forum	U.S.	United States
DVFA	Deutsche Vereinigung für Finanzanalyse und Asset Management (e.V.)	UBS	Union Bank of Switzerland
EAD	Exposure At Default	VAG	Versicherungsaufsichtsgesetz (Law on Supervision of Insurance Enterprises)
ERM	Enterprise Risk Management	VaR	Value at Risk
et seq.	et sequentes	VVaG	Versicherungsverein auf Gegenseitigkeit
e.V.	eingetragener Verein	WpHG	Wertpapierhandelsgesetz (German Securities Trading Act)
EVA	Economic Value Added	WpÜG	Wertpapiererwerbs- und Übernahmegesetz (German Takeover Act)
FkSolV	Finanzkonglomerate-Solvabilitäts-Verordnung	WTC	World Trade Center
GEI	Group Equity Incentives	Xetra	Exchange Electronic Trade
GmbH	Gesellschaft mit beschränkter Haftung		
HGB	Handelsgesetzbuch (German Commercial Code)		
IAS	International Accounting Standards		
IDW	Institut der Wirtschaftsprüfer in Deutschland e.V.		
IFRS	International Financial Reporting Standards		
Inc.	Incorporated Company		
LGD	Loss Given Default		
Ltd.	Limited		
MCEV	Market Consistent Embedded Value		
mn	million		
N.V.	Naamloze Vennootschap		
n/a	not applicable		
NAFTA	North American Free Trade Agreement		
No.	Number		
OE	Operating Entity		
plc	public limited company		

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Photography: Andreas Pohlmann

This is a translation of the German Annual Report of Allianz SE.
In case of any divergences, the German original is legally binding.