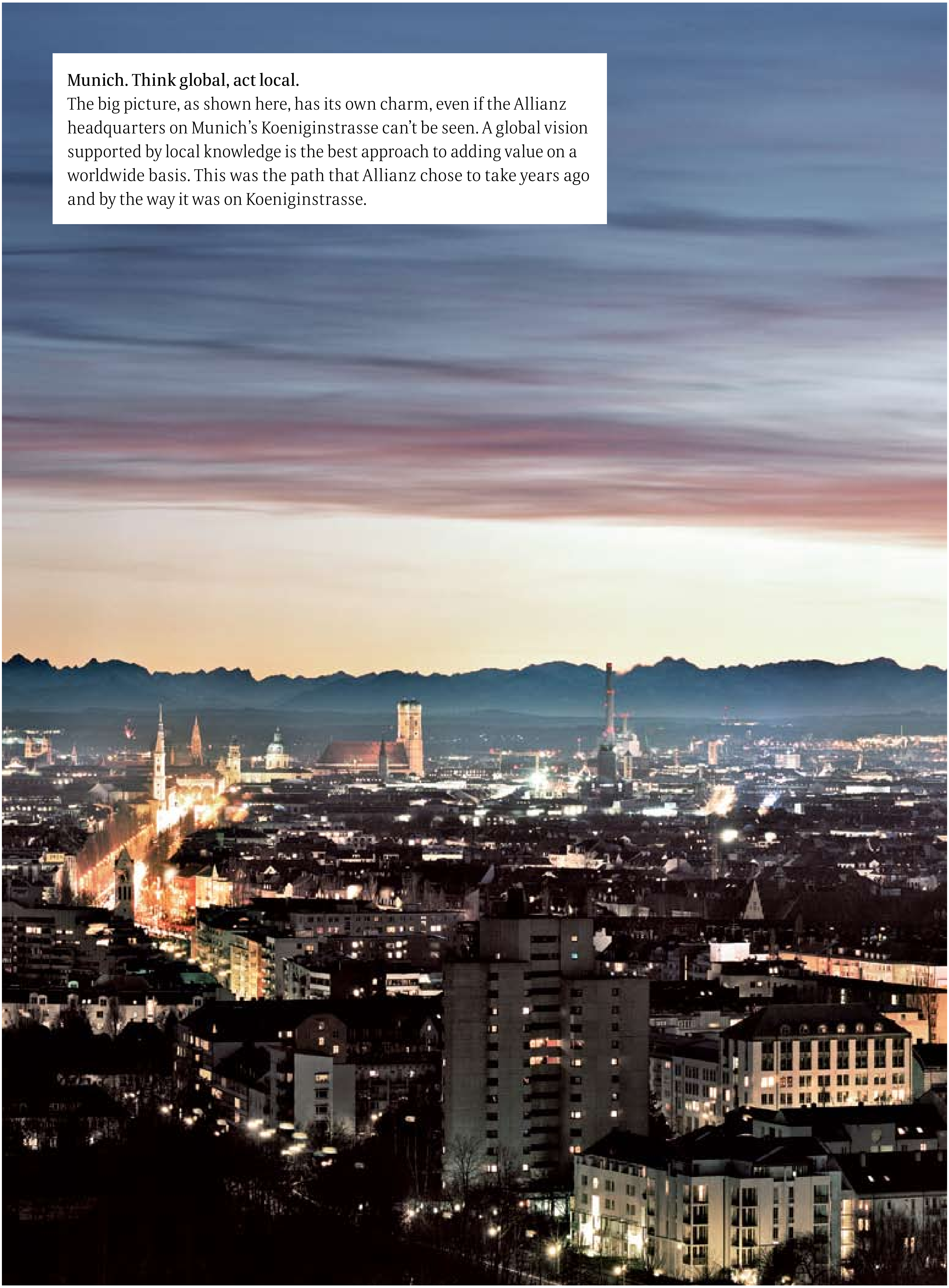
Allianz Group

Annual Report 2009

Allianz



Munich. Think global, act local.
The big picture, as shown here, has its own charm, even if the Allianz headquarters on Munich's Koeniginstrasse can't be seen. A global vision supported by local knowledge is the best approach to adding value on a worldwide basis. This was the path that Allianz chose to take years ago and by the way it was on Koeniginstrasse.

Content

Allianz Group

Allianz Group is one of the leading global financial services providers and offers insurance and asset management solutions to approximately 75 million customers worldwide.

In its core businesses Property-Casualty insurance, Life/Health insurance and Asset Management, Allianz ranks among the top five players in 32 markets around the globe.

Local Presence and Global Diversification | ► page 68

Allianz Group

€ 40.2 bn

Shareholders' equity | ► page 110

€ 4.10

Dividend per share | ► page 35

€ 87.15

Share price as of December 31, 2009 | ► page 34

+ 5.2 %

Increase in total revenues | ► page 107

+ 13.2 %

Increase in net income from continuing operations | ► page 109

€ 7,182 mn

Operating profit | ► page 108

Allianz at a Glance

		2009	Change from previous year	2008	2007	2006	2005 [4]	More details on page
Income Statement								
Total revenues [1]	€ mn	97,385	5.2 %	92,568	97,689	94,873 [2]	100,967 [2]	107
Operating profit [3]	€ mn	7,182	(2.0) %	7,329	10,320	9,219 [2]	8,003 [2]	108
Net income from continuing operations [4]	€ mn	4,740	13.2 %	4,186	7,991	7,843	—	109
Net income (loss) from discontinued operations, net of income taxes [4]	€ mn	(395)	(93.8) %	(6,373)	723	467	—	110
Net income (loss)	€ mn	4,345	n. m.	(2,187)	8,714	8,310	5,766	110
Balance Sheet								
Total assets	€ mn	584,045	(38.9) %	955,576	1,061,149	1,110,081	1,054,656	150
Shareholders' equity	€ mn	40,166	19.2 %	33,684	47,753	49,650	38,656	149
Minority interests	€ mn	2,121	(40.5) %	3,564	3,628	7,180	8,386	291
Share Information								
Basic earnings per share	€	9.53	n. m.	(5.43)	18.00	17.09	11.24	335
Diluted earnings per share	€	9.50	n. m.	(5.47)	17.71	16.78	11.14	335
Dividend per share	€	4.10 [5]	17.1 %	3.50	5.50	3.80	2.00	35
Total dividend	€ mn	1,861 [5]	17.8 %	1,580	2,472	1,642	811	35
Share price as of December 31	€	87.15	16.2 %	75.00	147.95	154.76	127.94	34
Market capitalization as of December 31	€ mn	39,557	16.4 %	33,979	66,600	66,880	51,949	35
Other Data								
Return on equity after income taxes [6]	%	12.7 [7]	3.0 pts	9.7 [7]	15.0 [7]	15.0 [7]	12.9	35
Third-party assets under management as of December 31	€ mn	925,699	31.6 %	703,478	764,621	763,855	742,937	134
Employees		153,203	(16.2) %	182,865	181,207	166,505	177,625	51

1) Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).
2) Figures do not reflect changes in the presentation implemented in 2009.
3) The Allianz Group uses operating profit as a key financial indicator to assess the performance of its business segments and the Group as a whole.
4) Following the announcement of the sale on August 31, 2008, Dresdner Bank was classified as held for sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on January 12, 2009. Starting as of 2006 the results from these operations are presented in a separate net income line "net income (loss) from discontinued operations, net of income taxes".
5) Proposal.
6) Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity.
7) Based on net income from continuing operations after minority interests.

Segment Overview

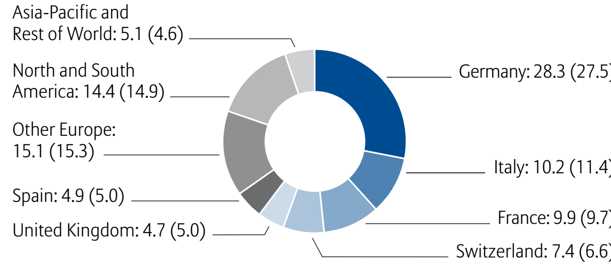
Property-Casualty

- Development in gross premiums written reflects recession and selective underwriting
- Solid operating profit of € 4.1 billion in a difficult environment

97.4 %

Combined Ratio | ► pages 120 – 127

Gross premiums written by regions
as of December 31, 2009 (December 31, 2008) [1) 2)]
in %



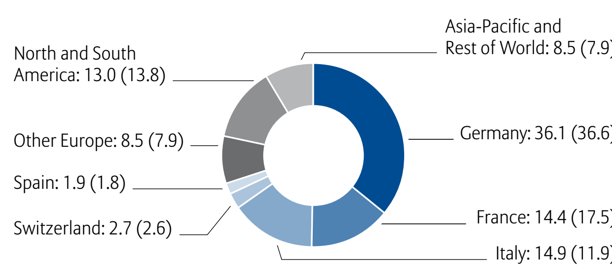
Life/Health

- Double-digit revenue growth to € 50.8 billion
- Investment results recovered

€ 2,808 mn

Operating profit | ► pages 128 – 133

Statutory premiums by regions
as of December 31, 2009 (December 31, 2008) [1)]
in %



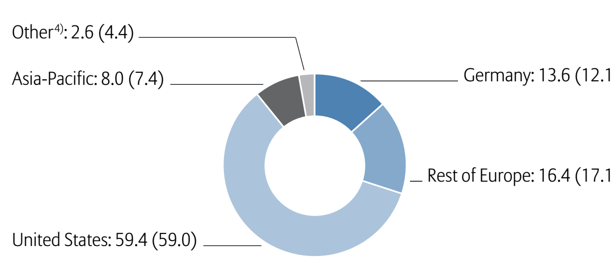
Asset Management

- Net inflows of € 84 billion compared to net zero in the previous year
- Outstanding operating profit of € 1.4 billion

€ 1,202 bn

Assets under management | ► pages 134 – 136

Third-party assets under management by regions
as of December 31, 2009 (December 31, 2008) [3)]
in %



1) After elimination of transactions between Allianz Group companies in different geographic regions and different segments.
2) Gross premiums written from our specialty lines have been allocated to the respective geographic regions.
3) Based on the origination of assets.
4) Consists of third-party assets managed by other Allianz Group companies (approximately € 24 bn as of December 31, 2009 and € 22 bn as of December 31, 2008, respectively) and Dresdner Bank (approximately € 9 bn as of December 31, 2008).

Dear Shareholders,

In spite of the global economic crisis, Allianz is in excellent form. We are now focused on making the most of the opportunities provided by this favorable position.

In the midst of profound economic upheaval during the year under review, we achieved a solid operating profit and strong net income. While some financial services providers are being hurt by the market situation, your company fulfils its promises – day after day, week after week, year after year.

No one predicted the recent economic crash with any accuracy. But when it took place, we were rewarded for having previously made our business model weatherproof. This is reflected in our 2009 financial numbers: Results in life insurance are good overall and results in asset management are excellent. But we are not fully satisfied with the performance of the property and casualty segment, where we face ongoing severe price competition. Our capital base remained comfortable. Even in the most turbulent times, we were never in danger of falling below our ambitious target ratio of 150 % to 170 % of the regulatory requirement. The fact that we have retained a Standard & Poor's rating of "AA" with a "stable outlook" is the best testament to this. This is the top rating in the European primary insurance industry.

The stock market rewarded this performance and our share price rose 16.2 % – an above-average performance for the industry, but not enough to offset the valuation losses of last year. Are we satisfied with this result? Of course not! We are trying hard to convince analysts and investors of Allianz' strength. However "buy" recommendations until now have not led to a resounding effect on the share price. We have not let this discourage us and are concentrating on areas we can influence directly. We continue to strengthen our business model and improve our competitive position in all markets. We are proposing to you that the dividend per share be increased from € 3.50 to € 4.10. This is 17 % more than the previous year and a figure that is only exceeded by our record dividend of 2007.

Where does the strength to make this payout come from?

The answer can be found in my last shareholder letter. There is no more important factor in the success of your Allianz than the knowledge, dedication and reliability of our 153,203 employees. It is primarily their commitment, their daily decisions and their dedication to our customers that determine the results at the end of the year. I thank them sincerely for their outstanding work and extend my thanks also to our distribution networks, who have to cope with significant challenges in difficult economic times.

In my last letter to you, I also wrote that we would place particular emphasis on risk management in 2009. Concentration risks have been reduced and risk management strengthened. Our solid capital base represents a high level of security for customers, employees, investors and the company. In a changing economic order, this is indispensable for the success of our company.

From today's perspective, we expect moderate economic growth for the current financial year and reduced income from investments as a result of historically low interest rates. We are seeing a greater risk aversion and an increasing desire for security among all market participants and we will soon see important regulatory decisions that affect the entire financial industry.

I am convinced that this environment will give your Allianz the chance to take advantage of its existing strengths for future opportunities. The fundamental robustness of our business model allows us to cope with any challenge, as the crisis has shown. We are better prepared than ever to fulfil our core mission, namely to reduce the effects of unpredictable events in a period of great uncertainty. That makes us a somewhat conservatively predisposed, but therefore reliable and sought-after partner, particularly following our recent experience weathering this crisis. We want to use these strengths to position your company at the centre of a strong financial community – together with you, our employees, our distribution partners and our customers worldwide.

Our responsibility is to generate solid results and to create value for all our stakeholders. At the last Annual General Meeting, I showed you the cash flows from us to our customers, employees, distributors, third parties and to you, the owners of the company. I did this because the focus these days is too often entirely on market failures, shortcomings in the economic system and biased views of shareholder interests. This criticism fails to recognize the socially desirable achievements of companies that are oriented towards growth and balance – not to mention the creation of jobs. Selfishness, vested interests and flash-in-the-pan earnings were never part of our attitude. This was made extremely clear during the year under review by the revision of our remuneration structure (for more information, see page 17).

I am certain that integrity and the idea of a truly strong financial community, which unites the interests of all parties under the rubrics of "security" and "earnings stability", will be key factors in determining success in the years to come – and perhaps also an indicator of what we refer to as the new fundamental conditions. We, your Allianz, will meet these demands.

What comes next?

We continue to work on refining our business model and creating an attractive value proposition for all stakeholders.

- In property and casualty insurance, we will continue to manage the business via the operating margin. Gains in operating efficiency and customer service through our new operating model will give us a major advantage to overcome ongoing price competition.

- In life and health insurance we intend to retain and build on the solid performance of 2009. However, in 2010 we probably may not be able to match the performance achieved in the year under review, which was influenced by the recovery of credit spreads in the bond markets. The performance of the labor markets will be an important factor in the development of our revenue volume.

- In asset management we will benefit from the significant increase in cash inflows experienced in 2009. We expect net cash inflows again in 2010, which will allow us to strengthen and build on our excellent position.

- Our investment strategy remains focused on generating attractive returns in spite of an environment of low interest rates and on minimizing vulnerability to price fluctuations.

Will we be able to expand the business, too? Despite the sputtering global economy, we believe in organic growth. Customers have gained a better understanding of risk in this crisis and see clearly that Allianz has stood firm and has invested strongly in its systems, distribution and employees. We see opportunities for continued expansion, particularly in life insurance, asset management and in Asia. People know that government pension schemes are reaching their limits and that private pensions are indispensable. Our global presence and our strong position in all major countries will drive growth, particularly for corporate and private retirement plans.

An accurate forecast in the current environment remains difficult. But I am sure that our business model will be put to the test again in 2010. We have received top marks in the categories of "moderation" and "risk management". There is a palpable change of pace in the company. The business is going in the right direction. We are well positioned to mitigate risks and exploit opportunities. Assuming there are no significant disruptions in the capital markets and in the absence of major disasters, I am confident that, as we did in 2009, we will again produce solid results in 2010. I would be delighted if you, our owners, share in this assessment and continue to invest in Allianz.

Sincerely yours,

Michael Diekmann,
Chairman of the Board of Management

Supervisory Board Report

Ladies and Gentlemen,

During the fiscal year 2009, the Supervisory Board observed the duties incumbent upon 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 to the company.

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 risk management, compliance issues as well as basic issues of company strategy. Based on the reports provided by the Board of Management, in the Supervisory Board meetings, we discussed in detail the development of the business as well as decisions and processes of importance to the company. In addition, we were involved in the Board of Management's planning for the 2010 fiscal year and medium-term planning as well as areas in which actual business development deviated from plan. We also discussed in depth the remuneration of the Board of Management, adopted a new remuneration system to begin in 2010 and established the future total compensation of the individual members of the Board of Management.

In the fiscal year 2009, the Supervisory Board held five meetings and one discussion via telephone. The regular meetings were held in March, April, September and December. In January 2009, the Supervisory Board held an extraordinary meeting (conference call) in connection with the sale of Dresdner Bank AG to Commerzbank AG. In addition, following the meeting of the audit committee in February 2009, a discussion on the dividend proposal of the Board of Management was held in which all Supervisory Board members had the opportunity to participate by telephone. 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 presentations on particular issues were accompanied by written presentations and documents that were sent before each meeting to each Supervisory Board member for the purposes of preparation. This was also the case with all financial statements and auditor's reports. Resolutions were adopted regarding all management actions described in detail in this report which required the approval of the Supervisory Board or one of its committees. The Supervisory Board did not establish any additional approval requirements beyond those set out in the Statutes or the Rules of Procedure.

Wide Range of Topics Discussed in the Plenary Supervisory Board Meetings

In every Supervisory Board meeting in the fiscal year 2009 (except the January 2009 conference call), 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. The Board of Management informed us regularly about the status of the Hartford investment, the U.S. life insurance business, Allianz Banking and the development of the credit insurance business at Euler Hermes and advised us of the status of major legal disputes.

Within our work on the Supervisory Board we put special emphasis on the crisis on the global financial and capital markets which arose in the aftermath of the turbulence on the U.S. real estate and mortgage market. The Board of Management provided regular reports on the impact of this crisis on the Allianz Group. We paid particular attention to the possible effects on the risk situation and on liquidity. We also discussed with the Board of Management valuation issues and the further course of action required in the wake of these market disruptions.

After being involved in several meetings in 2008 regarding the sale of Dresdner Bank to Commerzbank, the Supervisory Board held another extraordinary conference call on this topic on January 6, 2009. Given the market trends of the fourth quarter of 2008, we gave advice on the participation of Allianz in additional capital strengthening of the bank in connection with the sale and adopted a resolution in which the Supervisory Board gave its approval of the proposed measures. This brought the Dresdner Bank transaction to a quick conclusion on January 12, 2009.

With Ms. Eggert-Lehmann having left the Supervisory Board with the sale of Dresdner Bank, at the meeting on March 11, 2009 the Supervisory Board elected Mr. Rolf Zimmermann as an additional deputy chairman of the Supervisory Board at the recommendation of the employee representatives. The Supervisory Board approved the extension of the mandates of Dr. Achleitner and Dr. Zedelius to December 31, 2014. With Dr. Faber reaching his 60th birthday in 2010, his mandate was extended to December 31, 2010. In the following meeting, we dealt primarily with the annual and the consolidated financial statements and the Board of Management's recommendation for the appropriation of profits from the 2008 fiscal year. On the basis of the Board of Management's report, we continued to give advice on the implications of the sale of Dresdner Bank. KPMG reported on the material findings of the audit. The Supervisory Board gave the necessary approval to the profit transfer agreement of Allianz SE with Allianz Shared Infrastructure Services SE on the basis of the written and verbal explanations provided by the Board of Management. In addition, the Supervisory Board dealt with the agenda for the 2009 General Meeting of Allianz SE and adopted the resolutions proposed by the Supervisory Board regarding the General Meeting. A written and verbal report provided by the Board of Management also gave us a detailed picture of the structure and organization of the investment management function within the Allianz Group.

On April 29, 2009, just before the General Meeting, we were briefed by the Board of Management on business in the first quarter and on the current situation of the Allianz Group. We also used the meeting to prepare for the upcoming General Meeting.

In an Executive Session at the meeting on September 10, 2009, we dealt in detail with the legal changes brought about by the German Act on Appropriateness of Management Remuneration (VorstAG). As a result of these changes and the public discussion of compensation in connection with the financial crisis, we discussed the adaptation of the remuneration system of the Board of Management of Allianz SE to the current situation, in particular with a view to strengthening long-term variable remuneration components. After extensive consultation, the Supervisory Board approved the key points of a new compensation system, subject to the resolution's final adoption at the December 2009 meeting. We also studied in detail the current changes in stock corporation law brought about by the German Accounting Law Modernisation Act (BilMoG) and the German Corporate Governance Code and adopted corresponding amendments to the Supervisory Board's rules of procedure. In connection with the amendments to the German Stock Corporation Act brought about by the Accounting Law Modernisation Act, the Supervisory Board established that Dr. Humer (until December 31, 2009), Dr. Bernotat and Mr. Landau are to be considered independent and expert members of the audit committee, pursuant to § 100 (5) of the German Stock Corporation Act. At this meeting the Supervisory Board also discussed the succession of Dr. Humer, who resigned his Supervisory Board position effective December 31, 2009. The Supervisory Board followed the recommendation of the Nomination Committee to have Mr. Peter Sutherland appointed by the court to the Supervisory Board effective January 1, 2010 and to decide in March 2010 on the proposal to the General Meeting of his election to the Supervisory Board. Furthermore, we approved the appointment of Dr. Christof Mascher effective September 10, 2009 and Mr. Jay Ralph effective January 1, 2010 to the Board of Management of Allianz SE. Upon completion of the Executive Session, the Board of Management reported in detail on the business performance and financial condition of the Allianz Group and the development of the individual segments. The Supervisory Board welcomed the decision by the Board of Management to give employees of the Allianz Group in 19 countries the opportunity to buy Allianz shares under favorable conditions. The Standing Committee approved the use of Authorized Capital 2006/II to issue these employee shares.

At the meeting on December 9, 2009, we once again held an Executive Session to review the proposed changes to the compensation structure for the Board of Management. Following extensive consultations, the Supervisory Board approved the amended compensation system, which is adapted to the regulations of the German Act on Appropriateness of Management Remuneration, and used this as the basis to establish the targets for variable compensation and total remuneration of individual members of the Board of Management. We also approved an adjustment to the Board of Management's pensions. Finally, the Supervisory Board issued the proposed changes in the Directors and Officers Liability Insurance, particularly the application of the minimum deductibles, required by law and by the German Corporate Governance Code for the Board of Management and the Supervisory Board. We then used the meeting for our regular review of the efficiency of the Supervisory Board. Having been prepared by the Standing Committee, we discussed existing opportunities for improvement and then established appropriate measures for the future. Later in the meeting, the Board of Management informed us about the performance and the position of the Allianz Group. We then discussed planning for fiscal 2010 as well as medium-term planning and issued the Declaration of Compliance with the German Corporate Governance Code.

Corporate Governance and the Declaration of Compliance

On December 17, 2009 the Board of Management and the Supervisory Board issued our Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz). The Declaration was posted to the company website, where it is available to shareholders at all times. Allianz SE is in compliance with all recommendations of the June 18, 2009 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 Statement on Corporate Management including the report on Corporate Governance beginning on page 10. 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, the authority to adopt resolutions has been delegated to the 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, 2009
(and subsequent changes)

Chairman of the Supervisory Board
Dr. Henning Schulte-Noelle

Deputy Chairpersons
Dr. Gerhard Cromme
Rolf Zimmermann

Audit Committee
Dr. Franz B. Humer (Chairman) (until December 31, 2009)
Dr. Wulf H. Bernotat (Chairman since January 1, 2010)
Igor Landau
Dr. Henning Schulte-Noelle (since January 1, 2010)
Jean-Jacques Cette
Jörg Reinbrecht

Nomination Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Dr. Franz B. Humer (until December 31, 2009)
Prof. Dr. Renate Köcher (since January 1, 2010)

Personnel Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Rolf Zimmermann

Risk Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Wulf H. Bernotat (until December 31, 2009)
Prof. Dr. Renate Köcher
Peter Sutherland (since January 1, 2010)
Godfrey Robert Hayward
Peter Kossubek

Standing Committee
Dr. Henning Schulte-Noelle (Chairman)
Dr. Gerhard Cromme
Dr. Wulf H. Bernotat (since January 1, 2010)
Dr. Franz B. Humer (until December 31, 2009)
Karl Grimm
Rolf Zimmermann

In the 2009 fiscal year, the Standing Committee held three 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. During the fiscal year, the committee passed resolutions requiring approval on the use of Authorized Capital 2006/II for the issue of employee shares as well as the granting of loans to managers and Board members.

The Personnel Committee met four times. The meetings dealt with staffing matters as well as the structure and amount of Board of Management remuneration. The Personnel Committee prepared the review of the Board of Management's remuneration system, including the main elements of the contract, and submitted a proposal for a revision of the remuneration system to the plenary Supervisory Board. Furthermore, the committee also arranged for the setting of the total remuneration of individual members of the Board of Management, including the targets for variable remuneration. The committee also concerned itself with the achievement of targets by members of the Board of Management during the 2009 fiscal year. In February 2010, based on the recommendations submitted by the Personnel Committee, the plenary Supervisory Board dealt with the achievement of targets by individual members of the Board of Management and set the variable remuneration for the 2009 fiscal year.

The Audit Committee held six meetings in fiscal 2009, which took place in February, twice in March, in 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, for the year 2008, the U.S. Form 20-F report for 2008 was also examined. 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, for the 2008 fiscal year, compliance with the provisions of section 404 of the Sarbanes-Oxley Act. The Board of Management informed the committee about the deregistration of Allianz shares on the New York Stock Exchange and its effects in particular on accounting and internal controls. 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 Group Compliance department about audit and compliance issues on an ongoing basis. The committee obtained summary reports on significant audit results for the past fiscal year from the head of the Group Audit department. The Committee also regularly received a report from the General Counsel regarding material legal proceedings. In the meeting in November 2009, Group Audit presented the audit plan for the year 2010.

The Risk Committee held two meetings in 2009. At both meetings, the Board of Management presented the current risk situation of the Allianz Group and we discussed the issues with the Board of Management. Other areas of focus of the committee's work included the effects of the financial market crisis and the treatment of risks arising from natural disasters. We also dealt in detail with the effects of the planned risk-oriented changes to European solvency regulations (equity finance requirements) for insurance companies (Solvency II). We also dealt with the regulatory minimum requirements of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) on the risk management of insurance companies (MaRisk VA) and discussed their implementation within the Allianz Group. 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 met once during the fiscal year. In August 2009, the committee agreed on the selection criteria for shareholder representatives on the Supervisory Board and discussed possible candidates for a successor to Dr. Humer. The committee nominated Mr. Peter Sutherland to the plenary Supervisory Board as his successor.

The committees of the Supervisory Board received regular comprehensive reports on the activities of the committees.

Audit of Annual Accounts and Consolidated Financial Statements

In compliance with special provisions applying to insurance companies (§ 341 k (2) of the German Commercial Code), the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board of Allianz SE 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 of the German Commercial Code (Handelsgesetzbuch) on the basis of international financial reporting standards IFRS, as 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 fiscal year 2009 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 24, 2010. There was also a Supervisory Board meeting held on this day, in which the dividend proposal of the Board of Management was discussed.

The final financial statements and KPMG auditor's reports were examined on March 17, 2010 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, 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 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, Ms. Claudia Eggert-Lehmann resigned from the Supervisory Board following the sale of Dresdner Bank to Commerzbank. For her strong commitment the Supervisory Board has expressed its gratitude. As the successor to Ms. Claudia Eggert-Lehmann Mr. Karl Grimm was initially appointed by the resolution of the court. Mr. Grimm was then elected by the General Meeting following his nomination by the employees on the Supervisory Board. Upon the recommendation of the employee representatives, the Supervisory Board elected Mr. Rolf Zimmermann on March 11, 2009 to replace Ms. Eggert-Lehmann as further deputy chairperson of the Supervisory Board.

Dr. Franz B. Humer resigned his position as shareholder representative on the Supervisory Board of Allianz SE effective December 31, 2009. We are grateful to Dr. Humer for his valuable contributions to the work of the Supervisory Board. By resolution of December 28, 2009, the local court (Amtsgericht) of Munich named Mr. Peter Sutherland, through to the end of 2009 Chairman of BP p.l.c., London, as Dr. Humer's successor on the Supervisory Board until the next General Meeting. The Supervisory Board will nominate Mr. Sutherland for election to the Supervisory Board at the General Meeting in 2010. The current term of the Supervisory Board expires following the ordinary General Meeting in 2012.

Dr. Helmut Perlet stepped down from the Board of Management of Allianz SE on August 31, 2009 and has retired. The Supervisory Board expressed its gratitude to Dr. Perlet for his work. In his more than 36 years of involvement with the Allianz Group, Dr. Perlet has played a major role in shaping today's Allianz. In addition, Mr. Jean-Philippe Thierry stepped down from the Board of Management of Allianz SE on December 31, 2009 and has retired. The Supervisory Board expressed its gratitude to Mr. Thierry for his achievements with the Allianz Group.

Effective September 10, 2009, the Supervisory Board has appointed Dr. Christof Mascher to the Board of Management of Allianz SE. Dr. Mascher, also a member of the Board of Management of Allianz Deutschland AG, is the Board member responsible for the Operations Division as well as for Assistance and Travel Insurance. In addition, the Supervisory Board appointed Mr. Jay Ralph to the Board of Management of Allianz SE, effective January 1, 2010. Mr. Ralph is also Chairman of the U.S. Group companies Allianz of America, Allianz Life Insurance Company of North America and Fireman's Fund Insurance Company. On the Board of Management of Allianz SE, Mr. Ralph is responsible for the insurance business in North America and Mexico. Both men have worked for the Allianz Group for many years. Mr. Enrico Cucchiani will assume the regional responsibilities previously held by Mr. Thierry effective January 1, 2010, which include the insurance business in Europe, South America and Africa. The credit insurance business has been handed over to Mr. Clement B. Booth, in addition to his current responsibilities. Mr. Oliver Bäte assumed responsibility for the area of Controlling, Reporting, Risk on September 1, 2009.

Dr. Gerhard Rupprecht will retire at the end of the year 2010. Dr. Werner Zedelius, currently responsible for Growth Markets, will take over Dr. Rupprecht's board responsibility for Germany, Switzerland and Austria on January 1, 2011. The Supervisory Board has appointed Mr. Manuel Bauer, who is currently responsible for the Allianz region Central and Eastern Europe, Middle East and North Africa, to the Board of Management as of January 1, 2011. Mr. Bauer is to assume responsibility for Growth Markets.

The Supervisory Board was informed by the Board of Management of the responsibilities of the individual members of the Board of Management and offered its advice in this regard.

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

Munich, March 17, 2010

For the Supervisory Board:

Dr. Henning Schulte-Noelle
Chairman

Statement on Corporate Management, Corporate Governance Report and Remuneration Report

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

Statement on Corporate Management pursuant to § 289 a of the German Commercial Code (HGB) and Corporate Governance Report

Good Corporate Governance is essential for sustainable business performance. For this reason it is important that the existing Corporate Governance structures are constantly reviewed and developed further, whenever necessary. In the last year, this continued development primarily resulted from the German Accounting Law Modernisation Act (BilMoG) and the German Act on Appropriateness of Management Remuneration (VorstAG). These acts emphasize the importance of the Audit Committee in the review of our internal control systems and strengthen the role of the plenary Supervisory Board in determining Board of Management remuneration.

Corporate constitution of the European Company

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

Function of the Board of Management

The Board of Management manages Allianz SE and the Allianz Group. It currently comprises 10 members from different countries, making it as international as Allianz itself. Its responsibilities include setting business objectives and strategic direction, coordinating and supervising the operating entities, as well as implementing and supervising an effective risk management system.

The members of the Board of Management have joint responsibility for overall management. Notwithstanding the overall responsibility of all members of the Board of Management, the individual members of the Board head the departments they have been assigned independently and on their own responsibility. Rules of procedure specify in more detail the work of the Board of Management. In these rules the Board has in particular regulated the specific responsibilities of Board members, matters reserved for the whole Board and other ways to pass resolutions.

The Board meets regularly at Board of Management meetings convened by the Chairman of the Board. Each member of the Board may request that a meeting be convened while providing notification of the agenda. Under the Board's rules of procedure, the entire Board makes decisions by resolution by a simple majority of the members participating in the resolution.

The chairman of the Board of Management coordinates the Board's activities. As a consequence of the transformation into Allianz SE, the position of the chairman was strengthened by providing him with a right of veto under the Statutes with respect to the Board of Management's decisions. If he objects to a decision, that decision is cancelled. However, the chairman of the Board of Management cannot impose any decision against the majority vote on the Board of Management. In the event of a tied vote, the chairman has the casting vote.

The Board of Management's committees, the Group Finance Committee, the Group Risk Committee and the Group Capital Committee, are made up of Board members. The task of the Group Finance Committee is the preparation and monitoring of the principles of the Group-wide investment policy as well as Group financing and intra-Group capital management. The Group Risk Committee is responsible for establishing and overseeing a Group-wide risk management and risk monitoring system, including dynamic stress tests. The Group Capital Committee submits proposals to the Board of Management concerning risk strategy and the strategic asset allocation and risk allocation within the Group. Together with Boards of other Group companies, the Board has also formed the Compensation Committee and the International Executive Committee as permanent Group commissions. The Group commissions have the task of preparing decisions reserved for the entire Board of Management of Allianz SE, submitting proposals for resolutions and ensuring the exchange of information within the Group. The responsibilities and composition of the Board of Management Committees and the Group commissions are set out in the respective rules of procedure, which require the approval of the Board of Management.

The Board of Management reports regularly and comprehensively to the Supervisory Board on business development, the financial position and earnings, budgeting and achievement of objectives, compliance issues, and on the strategy and existing risk exposure. Pursuant to the recommendation of the German Corporate Governance Code, the Supervisory Board has issued a reporting order which more closely defines the information and reporting requirements of the Board of Management.

Certain important decisions of the Board of Management require approval from the Supervisory Board. Some of these decisions subject to special approval are stipulated by law or are included in decisions of the General Meeting, such as approval for the Board of Management to increase the share capital (Authorized Capital), acquire treasury stock, or issue convertible bonds or bonds with warrants. In addition to these decisions, in accordance with § 9 of the Statutes the Supervisory Board also must approve intercompany agreements and the launch of new business segments or closure of existing ones, insofar as such actions are material to the Group. Approval is also required for acquiring companies and holdings in companies as well as divestments of equity stakes in a Group company, whenever such divestment results in the company leaving the Group. In these instances approval is required if it does not involve a financial equity investment and if in a particular case the market value or, in the absence of the market value, the book value of the acquired or divested investment amounts to at least 10.0 % of the equity in the most recent consolidated balance sheet. Pursuant to the Supervisory Board's rules of procedure, the appointment of the member of the Board of Management responsible for employment and social welfare by the Board of Management also requires the approval of the Supervisory Board. An overview of the Board of Management's members can be found on page 31 of this report.

Principles and functions of the Supervisory Board

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

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

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

The Supervisory Board oversees and advises the Board of Management on managing the business. Furthermore, the Supervisory Board is responsible for appointing the members of the Board of Management, determining the remuneration of the members of the Board of Management and reviewing Allianz SE's and Allianz Group's annual financial statements. The Supervisory Board's activities in the 2009 business year are described in the Supervisory Board Report.

The Supervisory Board holds four regular meetings in March, in April or May, in September and in December. Additionally, extraordinary meetings may be convened as needed. The committees also hold regular meetings. The Supervisory Board takes all decisions based on a simple majority. The special decision requirements for the appointment of members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee no longer apply to an SE. In the event of a tied vote, the casting vote lies with the chairman of the Supervisory Board. The chairman of the Supervisory Board of Allianz SE may only be a shareholder representative. In the event of a tied vote, if the chairman of the Supervisory Board is not present, the casting vote lies with the deputy chairperson from the shareholder side. Another deputy chairperson is elected on the proposal of the employee representatives, but he has no casting vote.

The Supervisory Board regularly reviews the efficiency of its activities. The efficiency review is prepared by the Standing Committee. The plenary Supervisory Board then offers recommendations for improvements and, where appropriate, adopts corresponding measures.

A part of the Supervisory Board's activities is delegated to the committees of the Supervisory Board. The composition of the committees and the tasks assigned to these committees are regulated in the Supervisory Board's rules of procedure. The Supervisory Board receives regular reports on the activities of the committees.

The Audit Committee has five members. Three members are nominated by the shareholders and two members are nominated by the employee representatives on the Supervisory Board. The chairman of the committee is also elected by the Supervisory Board. The Audit Committee is responsible for an initial review of the Company's and the Group's annual financial statements, management reports (including the risk report) and the dividend proposal. In addition, it reviews the quarterly reports. The Audit Committee oversees the financial reporting process and the effectiveness of the internal control system, the risk management system and the internal audit system and deals with issues of compliance. Finally, the Audit Committee is an important contact for the external auditors, whose independence and additional services it also monitors.

Allianz follows the suggestion of the German Corporate Governance Code under which the chairperson of the Audit Committee is expected to be independent and should not be a former member of the Board of Management whose terms expired less than two years ago. Furthermore, at least one independent member of the Audit Committee must have expertise in the fields of accounting or auditing. The Supervisory Board has determined that Dr. Wulf H. Bernotat, Mr. Igor Landau and Dr. Franz B. Humer, who has left the Supervisory Board on December 31, 2009, meet these requirements. The Audit Committee has created rules of procedure which specify in greater detail the committee's tasks and functions in coordination with the Supervisory Board's rules of procedure.

The Standing Committee has five members that are elected by the Supervisory Board. Its members include the chairman of the Supervisory Board as well as two members nominated by the shareholder side and two nominated by the employee side of the Supervisory Board. One of the members nominated by the employee side to the Standing Committee shall be the Supervisory Board deputy chairperson that had been elected upon proposal of the employee side. The Chairman of the Supervisory Board also serves as chairman of this committee. The Standing Committee is responsible for the approval of certain transactions that need to be approved by the Supervisory Board. These include, in particular, certain capital transactions and acquisitions or divestments. Furthermore, it is responsible for preparation of the Declaration of Compliance pursuant to § 161 of the German Stock Corporation Act (Aktiengesetz, AktG) as well as for the regular review of the Company's Corporate Governance. It submits proposals for examining the efficiency of the Supervisory Board's activities to the Supervisory Board plenary session.

The members of the Personnel Committee include the chairman of the Supervisory Board as well as one member each, elected by the Supervisory Board, upon nomination by the employee representatives and the shareholder representatives of the Supervisory Board. The Chairman of the Supervisory Board also serves as chairman of this committee. The Personnel Committee is responsible for personnel matters concerning members of the Board of Management as well as the preparation of the Supervisory Board's plenary session in this area. It prepares the appointment of members of the Board of Management as well as the decision of the plenary session on the remuneration system and the overall remuneration of the individual members of the Board of Management; it also submits proposals for resolutions to the plenary session. The committee is involved in the long-term succession planning for the Board of Management.

The Risk Committee has five members to be elected by the Supervisory Board. Three members are nominated by the shareholders and two members are nominated by the employee representatives on the Supervisory Board. The chairman of the committee is also elected by the Supervisory Board. The Risk Committee monitors the overall risk situation and the specific risk developments in the Allianz Group. This committee is also responsible for prior verification of any particular risk-related statements within the annual financial statements and management report, and for reporting to the Audit Committee on the results of this preliminary review. The Risk Committee also has rules of procedure, which govern the responsibilities of the committee and its activities on the basis of the rules of procedure of the Supervisory Board.

In December 2007, in compliance with No. 5.3.3 of the German Corporate Governance Code, the Supervisory Board established a Nomination Committee comprising the chairman of the Supervisory Board and two other shareholder representatives elected by the shareholder side. The Chairman of the Supervisory Board also serves as chairman of this committee. The committee is responsible for drawing up selection criteria for shareholder representatives on the Supervisory Board, seeking suitable potential shareholder representatives for election and proposing them to the Supervisory Board for its election proposals to the General Meeting. In addition to the statutory requirements, the committee ensures compliance with the Code's recommendations on the composition of the Supervisory Board and also monitors the diversity of its members.

The members of the Supervisory Board and its committees can be found on pages 7 and 30 of this report.

SE Works Council

The SE works council exists to represent the interests of European Allianz employees. It currently consists of 34 employee representatives from 26 EU member states, signatory states to the European Economic Area (EEA) and Switzerland. The SE works council mainly has information and consultation rights regarding cross-border matters within Europe affecting Allianz Group. As such, the SE works council is a company-wide representative body for European employees with special responsibility for cross-border matters within Europe affecting Allianz. Details of the SE works council are contained in the Agreement Concerning the Participation of Employees in Allianz SE dated September 20, 2006.

General Meeting

Shareholders exercise their rights in General Meetings. When adopting resolutions, each share grants one vote. To facilitate shareholders' participation, we allow shareholders to follow General Meetings on the Internet and to be represented by proxies appointed by Allianz. The proxies appointed by Allianz exercise the voting rights exclusively on the basis of the instructions given by the shareholder. The option of voting by mail or online also exists. Allianz constantly promotes the use of e-mail and Internet services.

Members of the Supervisory Board are elected in General Meetings. As regards the election of employee representatives General Meetings are bound by the proposals of the employees. General Meetings also approve actions taken by the Board of Management and the Supervisory Board. The General Meeting decides on the appropriation of earnings, capital transactions, approval of intercompany agreements, the remuneration of the Supervisory Board, and on changes to the Company's Statutes. Unless at least half of the share capital is represented in adopting a resolution on a change to the Statutes, such resolutions require a majority of at least two thirds of the votes cast, in accordance with European regulations and the Statutes. Each year, an ordinary General Meeting takes place at which the Board of Management and Supervisory Board give an account of the preceding financial year. For special decisions, the German Stock Corporation Act provides for the calling of an extraordinary General Meeting.

Accounting policies and audit of financial statements

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (EU) regulations in accordance with § 315 a of the German Commercial Code (Handelsgesetzbuch). The financial statements of Allianz SE have been prepared in accordance with German law, in particular the German Commercial Code (HGB).

In compliance with special provisions applying to insurance companies, the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board of Allianz SE and not by the General Meeting. The Supervisory Board's Audit Committee carries out the preparatory work for the appointments. The statutory audit of the financial statements covers the Company financial statements of Allianz SE and the consolidated financial statements of the Allianz Group.

To ensure maximum transparency, we inform our shareholders, financial analysts, media and the general public regularly about the Company's situation. The financial statements of Allianz SE and the Allianz Group's consolidated financial statements and management reports are published within 90 days after the end of each financial year. In addition, half year financial report and the quarterly financial reports of the Allianz Group provide information to shareholders and third parties. The half year financial report and the quarterly financial reports are subject to a review by the auditor. Information is also made available at the General Meeting, in press conferences and analysts' conferences, as well as on the website of the Allianz Group. The Allianz website also provides access to a financial calendar that lists the dates of major publications and events such as annual reports, quarterly reports and general meetings.

Statement on Corporate Management – Allianz Compliance and Anti-Money Laundering Program

The sustained success of the Allianz Group is based on trust, respect and the responsible, integrity-enriched behaviour of all Group employees. In 2008, the Ethisphere Institute named Allianz one of the world's most ethical companies.

With its compliance and anti-money laundering program, Allianz supports and follows internationally and nationally recognised guidelines and standards for rules-compliant and value-based corporate leadership. These include, among others, the German Corporate Governance Code, the UN Global Compact Program, OECD Guidelines for Multinational Enterprises and the recommendations of the Financial Action Task Force on Money Laundering (FATF). By recognizing and supporting these international and national principles, Allianz manages the risk of violating legal and regulatory provisions and requirements (compliance risk). This also means that our customers benefit from the fact that sustainability and social responsibility are integrated into corporate behaviour.

The standards for conduct established by the Allianz Group's Code of Conduct for Business Ethics and Compliance serve to implement these guidelines and principles, and are obligatory for all employees worldwide.

The Code of Conduct and the internal guidelines adopted on its basis provide all employees with clear guidance on conduct that is in accordance with the values of Allianz. They provide employees with practical guidelines for making their own decisions and avoiding potential conflicts of interest. These guidelines also help employees recognise when they are approaching a critical limit, such as the acceptance of gifts or invitations from business partners. The Code of Conduct also forms the basis for guidelines and controls to ensure fair dealings with Allianz customers (Sales Compliance).

In cases of doubt, the designated compliance department can provide advice. The tasks of the employees of the compliance departments include advising the business units on laws, provisions and other regulations, the creation, implementation and monitoring of compliance with internal guidelines and standards as well as regular training of employees on the rules which are applicable to them.

In almost all countries in which Allianz has a presence, there are legal provisions against corruption and bribery. For this reason, a global Anti-Corruption Program was established in the summer of 2009, which guarantees the continuous monitoring and improvement of internal anti-corruption controls.

A major component of the compliance program of Allianz is a whistleblower system that allows employees to alert the relevant compliance department confidentially about irregularities. Employees who voice concerns about irregularities in good faith should not fear retribution in any form, even if the charge later turns out to be unfounded.

To transmit the principles of the Code of Conduct and other compliance guidelines and controls effectively, Allianz has developed interactive training programs around the world.

Group Compliance is responsible, in close cooperation with local compliance departments, for ensuring the effective implementation and monitoring of compliance and anti-money laundering programs within Allianz.

Further Developments in Corporate Governance

The Government Commission on the German Corporate Governance Code made several amendments to the Code in June 2009. According to a new recommendation, members of the Board of Management of listed companies should have no more than three supervisory board mandates outside the company. It was also recommended that diversity be kept in mind when making appointments to the Board of Management and the Supervisory Board.

The German Accounting Law Modernization Act served to further strengthen the role of the Audit Committee in the Supervisory Board. This Act stipulates that at least one independent member of the Audit Committee must have expertise in the fields of accounting or auditing. In addition, the Act describes the duties of the Audit Committee explicitly for the first time. The German Act on Appropriateness of Management Remuneration increases the requirements for the structure of remuneration and assigns responsibility for the total remuneration of individual Board of Management members to the plenary Supervisory Board.

The Law on Strengthening the Supervision of the Financial Market and Insurance Sector of July 29, 2009 (Gesetz zur Stärkung der Finanzmarkt- und Versicherungsaufsicht) more closely regulates the requirements for the qualifications of members of the supervisory boards of insurance companies. In this connection, the new provision in § 7 a Insurance Regulatory Act (VAG) stipulates that Supervisory Board members must be reliable and must possess the professional expertise required to carry out their control function as well as to assess and monitor the operations of the insurance company.

Overall, the changes to the law and to the Code correspond to the general trend towards greater professionalization in the work of the Supervisory Board.

The German Risk Limitation Act (law on limiting risks arising from financial investments, Risikobegrenzungsgesetz) of August 2008 also introduces new aspects to Corporate Governance. The primary objective of the changes to stock corporation law is to ensure greater transparency in equity holdings. The 2009 General Meeting of Allianz SE adopted a rule in its Statutes in this regard, under which nominees who reach a certain threshold in the share register of Allianz SE are required to disclose for whom they hold shares. This improved transparency should in future reduce obstacles to the transmission of General Meeting documents and to the exercise of voting rights, particularly internationally. The benefits offered by registered shares can thus be better used.

German Corporate Governance Code and the Declaration of Compliance

The German Corporate Governance Code is effective as amended dated June 18, 2009. Besides repeating important legal provisions, the Code also contains recommendations and suggestions for proper Corporate Governance. There is no legal obligation to comply with these standards. Under § 161 of the German Stock Corporation Act, listed companies are, however, obliged to make an annual Declaration of Compliance with the terms of the Code's recommendations on the basis "comply or explain". This declaration explains any deviations from the Code's recommendations.

In Germany the Code is taken as the benchmark of good Corporate Governance and control. Surveys show that acceptance of the German Corporate Governance Code remains high. At 2009 year end, the DAX-30 companies met an average of 96 % of all recommendations, while in the M-DAX around 92 % and in the S-DAX about 86 % of the recommendations had been followed by the companies.

On December 17, 2009, the Board of Management and the Supervisory Board issued the Declaration of Compliance of Allianz SE with the German Corporate Governance Code as follows:

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

1. Allianz SE will comply with all the recommendations made by the Government Commission on the German Corporate Governance Code (Code version dated June 18, 2009).

2. Since the last Declaration of Compliance dated December 18, 2008, which referred to the German Corporate Governance Code in its June 6, 2008 version, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code then in force.

Munich, December 17, 2009
Allianz SE

For the Board of Management:
signed Michael Diekmann signed Dr. Paul Achleitner

For the Supervisory Board:
signed Dr. Henning Schulte-Noelle"

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

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

The listed Group company Oldenburgische Landesbank AG issued its own declaration of compliance in December 2009 which states that in future Oldenburgische Landesbank AG will comply with all recommendations of the German Corporate Governance Code.

U.S. Corporate Governance Rules

Following the delisting of the Allianz shares from the New York Stock Exchange (NYSE) on October 26, 2009 and our deregistration with the U.S. Securities and Exchange Commission that took effect on January 29, 2010, we are no longer subject to those U.S. corporate governance rules for foreign issuers that are connected to a listing on the U.S. exchanges.

Nevertheless, we will largely maintain these standards, which we introduced in previous financial years. The internal control system in the area of financial reporting will continue to be comprehensively documented and regularly reviewed for effectiveness.

Our Audit Committee will continue to carry out those tasks which it was originally assigned in accordance with U.S. law. This includes in particular the continuation of the established procedures for handling complaints relating to accounting or financial reporting, and special procedures to ensure auditor independence. The condition that at least one of the members of the Audit Committee meet the requirements established under U.S. law for an "Audit Committee Financial Expert" no longer applies. Instead, the above requirement for stock corporations concerning independent, expert members of the Audit Committee apply.

In compliance with the provisions of the Sarbanes-Oxley Act, Allianz SE has, in addition to the Code of Conduct, which applies to all employees, also adopted a special Code of Ethics for members of the Board of Management and senior management of certain departments, primarily in the financial area. This Code remains unchanged.

The Disclosure Committees established at the level of management of Allianz SE and of major Group companies will continue to carry out their defined tasks. In the Disclosure Committee of Allianz SE, the heads of relevant departments review and discuss the draft financial statements. The Disclosure Committee thus supports the Board of Management in financial reporting and the submission of the Responsibility Statement.

Directors' Dealings

Members of the Board of Management and the Supervisory Board are required, pursuant to § 15 a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), to disclose any acquisitions or divestments of Allianz SE securities, if the value of such acquisitions or divestments made by the Board member or any person close to him or her amounts to at least € 5,000 in one calendar year. These declarations are published on our website under www.allianz.com/corporate-governance. On February 27, 2009, Dr. Ute Geipel-Faber, the wife of Dr. Joachim Faber, member of the Board of Management of Allianz SE, bought 2,000 Allianz shares at a price of € 54.30 each. On February 27, 2009, Mr. Nicolas Faber, the son of Dr. Joachim Faber, member of the Board of Management of Allianz SE, bought 1,000 Allianz shares at a price of € 54.30 each. On March 3, 2009, Mr. Jean-Jacques Cette, member of the Supervisory Board of Allianz SE, bought 800 Allianz shares at a price of € 50.30 each. On May 14, 2009, Mr. Gustav Diekmann, other relative of Mr. Michael Diekmann, Chairman of the Board of Management of Allianz SE, bought 1,800 shares at a price of € 69.00 each. On December 22, 2009, Ms. Magda Svoboda-Mascher, the wife of Dr. Christof Mascher, member of the Board of Management of Allianz SE, sold 67 Allianz shares at a price of € 86.38 each.

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

The total holdings of members of the Board of Management and the Supervisory Board in Allianz SE as at December 31, 2009 amounted to less than 1 % of the Company's issued stock.

Remuneration Report

This Remuneration Report outlines the strategic principles, structure and level of remuneration for top executives of Allianz SE, which covers the Board of Management and senior executives. It describes the remuneration arrangements in effect until December 31, 2009 and gives a summary of the changes introduced for the Board of Management and senior executives from January 1, 2010.

The report also sets out the remuneration system and payments for the Supervisory Board.

All information provided is part of the Group Management Report. It was prepared in accordance with the requirements of the German Commercial Code (HGB) and International Financial Reporting Standards (IFRS). It also takes account of the recommendations of the German Corporate Governance Code.

Executive remuneration principles

The remuneration of the Board of Management and senior executives is designed to be competitive for Allianz' scope of business activities, operating environment, and performance relative to peers. The remuneration program's overall goal is to support and encourage sustained value-oriented management.

Strategic principles:

- The total remuneration is designed to be appropriate to attract and retain highly qualified executives. Its composition and the proportions of fixed versus performance-based remunerations vary with different levels of responsibility. Generally, as an executive's influence on the results of the Group/business division/operating entity increases, the proportion of remuneration "at risk" rises, as well as that linked to longer-term performance.

- Incentive remuneration is structured to operate effectively in different performance scenarios and business circumstances. The mix and weight of incentives aims to optimally balance risk and opportunity as well as the time horizon of potential payouts.

- Performance-based remuneration is awarded for achieving the Allianz Group's financial and strategic goals consistent with shareholder interests. The goals measure quantitative and qualitative business results as well as behaviors such as the role modeling of the Allianz Leadership Values and compliance with the Code of Conduct.

Board of Management Remuneration

The remuneration of the Board of Management is set by the Supervisory Board. Its structure is regularly reviewed and discussed. The last review was carried out in December 2009 and resulted in certain adjustments, effective from January 1, 2010, as described later in this report.

Remuneration structure

The remuneration for individual Board Members is dependent upon their designated role, accountability and performance. It comprises the following elements:

Fixed salary

Base salary is a fixed amount, paid in twelve monthly instalments. Salaries were last reviewed in December 2009.

Performance-based remuneration

The three-tier incentive system aims for an appropriate balance between short-term financial performance, longer-term success and sustained shareholder value creation. The target performance expectation and key performance indicators take risk into account by reference to EVA®[1]. This significantly reduces the likelihood of rewarding profit without appropriately considering the underlying business risk.

The Supervisory Board reviews the goals regularly to ensure they remain appropriate in the context of the strategic priorities of the Group.

Three-tier incentive system valid until December 31, 2009

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®[1] 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	

Annual bonus (short-term)

The annual bonus is a variable component payable upon the achievement of challenging annual goals. The above table shows typical goal categories. Goals are set at the beginning of the year, with performance measured and assessed after completion of the one-year performance period. The bonus payout amount depends on the extent to which targets and objectives have been met. The Supervisory Board sets the target bonus for members of the Board of Management. For 2009, it amounts to 150% of base salary. The maximum bonus achievable is capped at 165% of the target annual bonus.

Three-year bonus (mid-term)

The mid-term bonus plan aims to make a sustained increase in the value of the company a priority concern of executive management across the Group. Bonus payouts under the plan depend on the attainment of financial and strategic goals over the defined three-year performance period. Performance is assessed and, if appropriate, a mid-term bonus paid after the completion of the three-year performance period. Certain exceptions apply, for example in the event of retirement. The Supervisory Board sets the target mid-term bonus for members of the Board of Management. For the 2007 to 2009 plan, it amounts to approximately 128% of the 2007 base salary over the three-year performance period. The maximum bonus achievable is capped at 140% of the target mid-term bonus.

[1] EVA® (Economic Value Added) – whether positive or negative – is the difference between profit and the cost of capital (see page 61 for further details).

Equity-related remuneration (long-term)
The Allianz Group Equity Incentive (GEI) program consists of virtual stock options, known as Stock Appreciation Rights (SAR) and virtual stock awards, known as Restricted Stock Units (RSU).

The Supervisory Board decides annually on the offer of any long-term incentives and the appropriate allocation to each member of the Board of Management. The number of SAR and RSU awarded is based on each Board Member's designated role, the performance of the Group and, where applicable, that of their respective business division. The calculation basis for the annual GEI grant cannot exceed the sum of base salary and annual target bonus.

In anticipation of the new German law on the appropriateness of Board remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG), which stipulates a four-year vesting period for stock options from January 2010, the vesting for the 2009 SAR was extended from two to four years.

To align the interests of management with those of shareholders the Supervisory Board has established two performance conditions for the exercise of the SAR. Subject to the performance conditions (please refer to footnote below the GEI grant table on page 21) the SAR may be exercised during the three years following their vesting. In recognition of the SAR leverage profile, the potential payout at exercise is capped at 150% of the grant price.

The RSU have a five-year vesting period, at the end of which they are automatically released.

Pensions and similar benefits
Until 2004, pension arrangements for members of the Board of Management yielded fixed amounts. This means retirement benefits were not linked to increases in salary or variable pay. Allianz SE introduced a contribution-based system effective January 1, 2005, with the accrued pension rights under the old plan frozen at that time. The minimum guaranteed interest rate on contributions amounts to 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 in the same year.

The Supervisory Board reviews the level of contributions annually. In recognition of market norms the Supervisory Board decided on an adjustment of the rate of pension contributions to recognize long tenure on the Board with effect from January 1, 2009. Therefore, the regular pension contribution increases from currently 30% to 37.5% of fixed salary after five years and to 45% after ten years of service on the Board of Management of Allianz SE.

Contributions are guaranteed only as required for the further regular financing of the accrued pension rights from defined benefit promises per December 31, 2004. In case of an insured event, the accumulated capital is converted to an equivalent annuity payable until death of the plan participant or, where applicable, to dependents. The increase in reserves for pensions (i.e. current service cost) includes the required expenditures for the further financing of accrued pension rights as well as the contributions for the new plan.

A pension can earliest be received from age 60, except for cases of occupational or general disability for medical reasons, when a pension may become payable earlier-on, or death, when a pension may be paid to dependents. If a mandate ends before retirement age for other reasons, a pension promise is maintained when vesting requirements are met.

Miscellaneous
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 2009 the total value of the perquisites amounted to € 0.6 million (2008: € 0.7 million).

If a member of the Board of Management holds a mandate in another company within the Allianz Group, the full compensation amount is transferred to Allianz SE. If the mandate is from a company outside the Allianz Group, 50% of the compensation received is paid to Allianz SE. A Board Member retains the full compensation only if the Supervisory Board qualifies the mandate as a personal one. 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 please refer to page 348.

2009 Remuneration

The following table sets out the fixed and performance based remuneration for the Board of Management of Allianz SE for 2009.

		Non-performance based		Performance-based				
Board of Management		Fixed salary € thou	Perquisites [1] € thou	Annual bonus (short-term) [2] € thou	Three-year bonus (mid-term) [3] € thou	Fair value of SAR award at date of grant (long-term) [4] € thou	Fair value of RSU award at date of grant (long-term) [4] € thou	Total € thou
Michael Diekmann	2009	1,200	28	2,081	257	505	750	4,821
(Chairman)	2008	1,200	26	1,112	311	430	720	3,799
Dr. Paul Achleitner	2009	800	49	1,387	165	335	498	3,234
	2008	800	44	704	205	287	480	2,520
Oliver Bäte	2009	700	56	1,175	241	297	440	2,909
	2008	700	48	701	209	251	420	2,329
Clement B. Booth	2009	700	110	1,148	264	386	567	3,175
	2008	700	93	624	205	251	420	2,293
Enrico Cucchiani	2009	700	99	1,090	105	361	457	2,812
	2008	700	88	707	263	260	435	2,453
Dr. Joachim Faber	2009	700	23	1,244	215	434	612	3,228
	2008	700	19	526	211	261	437	2,154
Dr. Christof Mascher [5]	2009	216	12	324	62	145	245	1,004
	2008	—	—	—	—	—	—	—
Dr. Helmut Perlet [6]	2009	467	40	786	104	74	63	1,534
	2008	700	206	653	214	251	420	2,444
Dr. Gerhard Rupprecht	2009	700	78	1,021	107	383	481	2,770
	2008	700	24	713	246	238	399	2,320
Jean-Philippe Thierry	2009	700	58	987	58	99	84	1,986
	2008	700	68	620	209	237	397	2,231
Dr. Herbert Walter [7]	2009	37	1	0	0	0	0	38
	2008	700	48	0	0	116	195	1,059
Dr. Werner Zedelius	2009	700	16	1,115	75	647	801	3,354
	2008	700	9	825	300	314	525	2,673
Total	2009	**7,620**	**570**	**12,358**	**1,653**	**3,666**	**4,998**	**30,865**
	2008	**8,300**	**673**	**7,185**	**2,373**	**2,896**	**4,848**	**26,275**
Change from previous year %		**(8.19)%**	**(15.30)%**	**72.00%**	**(30.34)%**	**26.59%**	**3.09%**	**17.47%**

1) Broad range reflects travel allowances for non-German resident Board Members.
2) Actual bonus paid in 2010 for fiscal year 2009.
3) Three-year bonus tranche accrued for 2009 for each member.
4) The new remuneration structure and the target variable remuneration effective January 1, 2010 (see page 23) were confirmed to Board members via their new contracts dated and signed on December 9, 2009. Therefore, the SAR and RSU 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the remuneration table includes the SAR and RSU granted on March 12, 2009 as well as a best estimation of the SAR and RSU grants delivered in March 2010.
5) Dr. Christof Mascher joined the Board of Management of Allianz SE on September 10, 2009. For the period from September 10 to December 31, 2009 he received a pro-rata fixed salary amounting to € 216,000, a pro-rata annual bonus and a pro-rata three-year bonus.
6) Dr. Helmut Perlet retired from the Board of Management of Allianz SE on August 31, 2009. Therefore, amounts given here are pro-rata. As required by the terms of his service contract, Dr. Perlet received a transition payment for a period of six months after termination of service calculated on the basis of his fixed salary and a proportion of the annual target bonus. The monthly transition payment was reduced by pension payments made during this period. His pro-rata annual bonus for 2009 awarded as part of his transition payment amounts to € 525,000 and will be paid in March 2010.
7) Dr. Herbert Walter resigned from the Board of Management of Allianz SE on January 12, 2009, upon the change of control at Dresdner Bank AG (i.e. sale to Commerzbank AG). Further, Dr. Walter resigned from the Board of Management of Dresdner Bank AG on January 19, 2009. He was paid a pro-rata fixed salary of € 36,945 for January 2009 and a pro-rata three-year bonus for 2007 to 2009. In line with the terms of his service contract with Dresdner Bank, Dr. Walter further received a transition payment for a period of six months after termination of his service (please refer to section "Termination of service") totaling €1,025,000. Dr. Walter waived his rights to a termination payment of € 3,595,100 agreed in the separation agreement of December 23, 2008 as well as his 2008 annual bonus and the 2008 tranche of his three-year bonus.

The individualized remuneration table shows the 2009 annual tranche of the three-year bonus 2007 to 2009 per member of the Board of Management to provide the disclosed individual remuneration information in a way comparable to prior years. However, regulation requires to also disclose the final cash payout. As a consequence, this remuneration component is disclosed twice over the relevant period: once by showing the bonus tranche for the year 2009 (see previous remuneration table) and once by showing the total payout for the performance period 2007 to 2009. Following the final assessment of performance for the three-year bonus plan, a total payout of € 7,277 thousand was approved by the Supervisory Board.

Three-year bonus payouts per member of the Board of Management as well as their corresponding adjusted total remuneration amounts (in parentheses) for the year 2009 are as follows:

Michael Diekmann € 1,040 (5,604) thousand,
Dr. Paul Achleitner € 680 (3,749) thousand,
Oliver Bäte € 450 (3,118) thousand,
Clement B. Booth € 787 (3,698) thousand,
Enrico Cucchiani € 714 (3,421) thousand,
Dr. Joachim Faber € 738 (3,751) thousand,
Dr. Christof Mascher € 62 (1,004) thousand,
Dr. Helmut Perlet € 629 (2,059) thousand,
Dr. Gerhard Rupprecht € 675 (3,338) thousand,
Jean-Philippe Thierry € 579 (2,507) thousand,
Dr. Herbert Walter € 200 (238) thousand,
Dr. Werner Zedelius € 723 (4,002) thousand.

The total remuneration of the Board of Management of Allianz SE for 2009 including the three-year bonus 2007 to 2009 payout amounts to € 36 million (2008: € 24 million excluding the interim assessment value for the three-year bonus tranche).

Grants and outstanding holdings under the GEI program

Board of Management	Number of SAR granted on 3/12/2009	Number of SAR granted on 3/11/2010 [1]	Number of SAR held at 12/31/2009	Strike price range €	Number of RSU granted on 3/12/2009	Number of RSU granted on 3/11/2010 [1]	Number of RSU held at 12/31/2009
Michael Diekmann (Chairman)	6,139	22,806	108,252	51.95 – 160.13	3,015	11,321	42,345
Dr. Paul Achleitner	3,993	15,204	78,699	51.95 – 160.13	1,961	7,547	29,785
Oliver Bäte	3,720	13,303	14,179	51.95 – 117.38	1,827	6,604	6,903
Clement B. Booth	5,010	17,004	34,892	51.95 – 160.13	2,460	8,441	17,364
Enrico Cucchiani	8,966	10,654	74,609	51.95 – 160.13	4,403	5,289	29,452
Dr. Joachim Faber	7,243	17,212	73,341	51.95 – 160.13	3,557	8,544	28,992
Dr. Christof Mascher	—	8,695	28,282	51.95 – 160.13	—	4,317	12,306
Dr. Helmut Perlet	3,592	—	70,010	51.95 – 160.13	1,764	—	26,907
Dr. Gerhard Rupprecht	9,755	11,024	74,255	51.95 – 160.13	4,791	5,472	29,435
Jean-Philippe Thierry	4,819	—	72,454	51.95 – 160.13	2,367	—	16,963
Dr. Herbert Walter	—	—	69,325	83.47 – 160.13	—	—	—
Dr. Werner Zedelius	17,108	17,795	79,539	51.95 – 160.13	8,402	8,833	33,497

The GEI is accounted for as a cash-settled plan. Any changes in fair value of the grants are accrued as compensation expense over the relevant vesting period. Upon vesting, any changes in the fair value of the unexercised SAR are recognized as compensation expense. The GEI compensation expense in 2009 amounted to € 10,026 thou, for Mr. Diekmann € 1,302 thou, for Dr. Achleitner € 913 thou, for Mr. Bäte € 294 thou, for Mr. Booth € 560 thou, for Mr. Cucchiani € 864 thou, for Dr. Faber € 903 thou, for Dr. Mascher € 389 thou, for Dr. Perlet € 711 thou, for Dr. Rupprecht € 863 thou, for Mr. Thierry € 335 thou, for Dr. Walter € 1,873 thou and for Dr. Zedelius € 1,018 thou.
SAR are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are taken. For SAR granted until and including 2008, the vesting period was two years. For SAR granted from 2009, the company has extended vesting to four years. SAR can be exercised on the condition that the price of the Allianz SE stock is at least 20 % above their strike price at time of grant. Also, the price of the Allianz SE stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period.
RSU are released to plan participants on the first trading day after the end of the five-year vesting period.

[1] The new remuneration structure and the target variable remuneration effective January 1, 2010 (see page 23) were confirmed to Board members via their new contracts dated and signed on December 9, 2009. Therefore, the SAR and RSU 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the remuneration table includes the SAR and RSU granted on March 12, 2009 as well as a best estimation of the SAR and RSU grants delivered in March 2010.

Allianz Group paid € 4 million (2008: € 4 million) to increase reserves for pensions and similar benefits for active members of the Board of Management. On December 31, 2009, reserves for pensions and similar benefits for members of the Board of Management active at that date, amounted to € 28 million (2008: € 29 million).

The following table sets out the 2009 service cost and contributions arising in relation to the current pension plans for each member of the Board of Management of Allianz SE. For enhanced transparency, we have separated the current service cost for the defined benefit plan (redeemed as of December 31, 2004) from the current pension plan.

Board of Management	Defined benefit pension plan (frozen)	Current pension plans	Total
	2009 € thou	2009 € thou	2009 € thou
Michael Diekmann (Chairman)	157	571	728
Dr. Paul Achleitner	233	292	525
Oliver Bäte	—	294	294
Clement B. Booth	—	260	260
Enrico Cucchiani	—	286	286
Dr. Joachim Faber	133	288	421
Dr. Christof Mascher	—	247	247
Dr. Helmut Perlet[1]	0	211	211
Dr. Gerhard Rupprecht[1]	0	356	356
Jean-Philippe Thierry	—	18	18
Dr. Herbert Walter	—	—	—
Dr. Werner Zedelius	81	277	358

The total remuneration of the Board of Management of Allianz SE for 2009 including pension service costs amounts to € 40 million.

In 2009, remuneration and other benefits totaling € 4 million (2008: € 7 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 52 million (2008: € 47 million).

Termination of service

Board Members leaving the Allianz SE Board after serving a term of at least five years are entitled to a six-month transition payment. The payment is calculated based on the fixed salary and a proportion of the annual target bonus. An Allianz pension, where immediately payable, is taken into account.

If service is terminated as a result of a so-called "change of control", the following special terms apply:

Definition of a change of control requires that a shareholder of Allianz SE acting alone or together with other shareholders holds more than 50% 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, all contracted benefits for the duration of the employment contract are payable in the form of a lump sum. The same applies if the Board member terminates service by resignation due to a substantial decrease in managerial responsibilities and without giving cause for termination. The amount payable 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% is the basis for the annual and three-year bonus. If the remaining duration of the service contract is less than three years at the time of change of control,

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

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.

Allianz SE complies with the provisions of rule 4.2.3 sections 4 and 5 of the German Corporate Governance Code setting out suggestions on severance payment caps in case of premature termination of Board of Management contracts without serious cause. Thus, our service contracts provide that payments for early termination shall neither exceed the value of two times annual compensation, nor the payments due for the remaining term of the contract. For this purpose, the annual compensation is defined as the remuneration paid in the previous year with any mid-term bonus being calculated on a pro-rata basis (severance payment cap). In case of early termination due to a change of control, payments shall not exceed 150% of the severance payment cap.

New Remuneration System for the Board of Management effective January 1, 2010

The remuneration system for the members of the Board of Management was reviewed by the Supervisory Board last year on the basis of the new regulations on board remuneration in force since August 2009. The structure of the performance-related remuneration was adjusted taking into particular account the aspect of sustainability. In addition, certain changes to the target structure for the performance-based remuneration were decided. With the approval of all members of the Board of Management, these adjustments were implemented through amendment of service contracts with effect from January 1, 2010. This ensures the uniformity of the remuneration structure.

The total remuneration consists of fixed and performance-related remuneration, with the ratio of the annual fixed to target variable remuneration remaining at 25:75. The key components of the performance-related remuneration are retained; its composition, however, has been amended compared to the previous year in the interest of a stronger alignment with the long-term success of the company. Under the new system, the variable target remuneration consists of the following components in equal parts: a performance-related cash payment after one year (annual bonus), a performance-related cash payment after three years (three-year bonus) and an equity-related award (payout after five years). This strengthens the remuneration element that is based on a multiple-year performance assessment (three-year bonus) at the expense of the annual bonus. The level of the fixed remuneration and the total performance-related target remuneration remain unchanged compared to the previous year.

Structure and level of annual target remuneration

	Percentage (to date) %	Percentage (new) %	Ordinary Member of the Board of Management[1] € thou	Chairperson € thou
Fixed remuneration	25	25	700	1,200
Performance-related target remuneration				
Annual bonus (short-term)	37	25	700	1,180
Three-year bonus (mid-term)	11	25	700	1,180
Equity-related remuneration (long-term)	27[2]	25	700	1,180
Total target remuneration	**100**	**100**	**2,800**	**4,740**

Each year, the Supervisory Board agrees performance goals (targets) for the variable remuneration with the members of the Board of Management. These are documented in a target letter (performance contract) which sets out the quantitative and qualitative targets for the upcoming financial year and, every three years, for a three-year period. The general conditions for the variable remuneration components are set forth in the globally applicable rules of the Allianz Sustained Performance Plan (ASPP).

[1] All members of the Board of Management except Dr. Achleitner (remuneration target € 3,200) and the Chairperson.
[2] Average 2005 – 2009.

The annual bonus payout depends on the target achievement for the respective financial year, as determined by the Supervisory Board.

The three-year bonus recognizes sustained target achievement over the three-year period. At the end of each three-year performance period, the Supervisory Board assesses the target achievement based on the set three-year targets. Payout takes place following the Supervisory Board's determination of the appropriate amounts.

Equity-related remuneration is granted in the form of virtual shares, so-called Restricted Stock Units (RSU). Grants take place after the end of the financial year in conjunction with the determination of the annual bonus amounts. The number of RSU results from dividing the annual bonus amount for the completed financial year by the calculated market value of an RSU at time of the grant. The exercise of the RSU is subject to a four-year vesting period starting with the day of grant; after expiry of the vesting period the Company pays out the equivalent amount in cash for the RSU based on the then current market price of the Allianz SE stock. Virtual stock options, so-called Stock Appreciation Rights (SAR), previously part of the equity-related remuneration, are no longer granted under the new remuneration system.

The maximum target achievement for the variable remuneration is limited to 165% (cap). Thus, the Supervisory Board can set the performance-related remuneration based on its assessment of the corresponding target achievement in the range of 0% to a maximum of 165% of target variable remuneration. Additionally, the increase in value of the RSU is limited to a maximum of 200% of the share price at grant.

The target structure for the performance-related remuneration was also realigned and the target-setting process simplified. Quantitative and qualitative targets are set for the measurement of performance of the annual bonus. The quantitative targets consist of Group targets, weighted at 50%, and targets for the business division or corporate center function within the responsibility of the respective Board member, weighted at 25%.

Annual targets for the Group are based on consolidated operating profit and consolidated net income for the respective financial year; prior year reference to Economic Value Added (EVA®) is omitted. Annual quantitative targets for the business divisions are based on operating profit. For each corporate center, relevant functional targets, e.g. for the solvency ratio or investment results, are set.

The qualitative goals, which are weighted at 25% for both the annual bonus and the three-year- bonus, are composed of five categories essential to the Group strategy. Within these categories, more concrete targets are assigned to each respective Board member.

For the three-year bonus, quantitative three-year targets focus on portfolio development, as measured by growth and profit. At Group level, reference is made to the average growth rate in the three-year performance period and the return on capital, based on the consolidated operating profit and consolidated net income for the last financial year within this three-year period. The assessment of the business divisions' business development is made on the basis of their average growth over 2010 to 2012 as well as the return on capital, based on operating profit.

The Supervisory Board assesses the target achievement on the basis of the set three-year-targets and qualitative sustainability criteria.

Target categories for performance-based cash remuneration (2010 annual targets and three-year targets for 2010 to 2012)

Annual bonus	
Quantitative Targets 75%	
Group targets 50%	2010 operating profit 2010 net income
Targets of the Business Divisions/Corporate Center Functions 25%	2010 operating profit of the Business Division 2010 specific targets for Finance, Investment and Chief Operating Officer (COO) functions
Qualitative Targets 25%	**5 categories that are essential to the 2010 - 2012 Group strategy** • "Partner of Choice" for Stakeholders (customers, employees, investors, general public) • Profitable growth • Strengthening of competitiveness • Development of market management (including e. g. addressing the sales channel conflicts, increasing the focus on younger customer segments and continued profitable customer base growth) • Protection of shareholders' equity

Three-year bonus
Portfolio Development
Basis at Group level: 2010 – 2012 average growth 2012 return on capital (based on operating profit and net income) **Basis at the level of the Business Division:** 2010 - 2012 average growth 2012 return on capital (based on operating profit)
Sustainability assessment based on qualitative criteria: • Actual growth versus expectations • Profitability development • Comparison with peers • Extraordinary events • Capital situation against internal risk capital model • Additional sustainability criteria

The amount of equity-related remuneration depends on the sustained performance of the Allianz SE stock over the four-year period from RSU grant date until expiry of the vesting period.

Regarding the pension provisions and fringe benefits please refer to the above explanations (sections "Pensions and similar benefits" and "Miscellaneous", see page 19). The principles detailed above also apply to the provisions for early termination of a Board of Management mandate with the condition that the basis for calculation of the maximum severance pay amount (cap) has been changed to the annual fixed remuneration plus 50% of the variable target remuneration.

The entitlement to a transition payment for the first six months after leaving the Board of Management after having served a term of at least five years does not apply to new appointments from January 1, 2010 onwards. For existing service contracts, a six month non-compete clause has been added to the provisions governing the transition payment.

The remuneration system complies with both the new statutory requirements as well as the remuneration circular of the Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht, BaFin) dated December 21, 2009 which implements in Germany the remuneration standards for the financial sector developed by the Financial Stability Board (FSB) for the G20 member states.

Executive remuneration below the Board of Management

Below the Board of Management, the same general Allianz governance standards and best practice guidelines to determining executive remuneration apply.

The information provided below refers to the circular of the German BaFin for remuneration systems in the insurance sector dated December 21, 2009. For the purposes of this report, senior executives are defined as holders of key positions. Allianz' overall governance and control system ensures that only appropriate levels of risk are assumed. Remuneration structures and incentives are designed to encourage sustainable value-creating activities for Allianz.

Allianz operates an effective system of business, regional and company level compensation committees that periodically review remuneration guidelines and practices below the Board. Additionally, approval by a Group-level compensation committee is required for payments or individual agreements exceeding certain materiality thresholds or plans creating long-term liabilities.

Allianz deploys a number of different remuneration structures and strategies across the Group. They take into account the particular roles of executives, business activities and local remuneration and regulatory environments. This enables the business divisions to effectively compete in their respective markets, observing relevant market practice while adhering to the global principles and boundaries defined by Allianz Group. Based on the specific nature, scale and scope of each business the Board of Management has defined the appropriate level of compensation committee oversight. In general, these committees are comprised of members of the Board of Management of Allianz SE, other Regional Chief Executive Officers (CEOs), Business Division Heads, Chief Financial Officers (CFOs) or Chief Operating Officers (COOs), usually with the Human Resources head acting as adviser and/or secretary. Attention is paid to ensuring that each compensation committee also includes independent members to mitigate against potential conflicts of interest.

Allianz' global governance frameworks and minimum standards are centrally managed. This ensures global consistency and allows for timely updates to reflect changing business needs and evolving regulatory requirements. It also allows for continuous improvement in sustainable performance management and exemplary governance principles.

For the minority of operations that have either asset management or alternative investment businesses for Allianz or third-party assets, there are also tailored incentive programs and reward structures. These may deviate from the general Allianz incentive program descriptions and may include profit sharing, co-investment and other cash-based incentive plans. These businesses use both appropriate risk control measures and oversight through their respective compensation committees whose members have the competence and industry expertise.

Executives below the Board of Management are more directly responsible for specific lines of business or product groups. Likewise, their remuneration is more closely aligned with their specific country or regional business operating environments. Consequently, there is a higher degree of variation in remuneration practices and levels. However, the same principles and general structure described for the Board of Management apply here as well.

The remuneration for senior executives is primarily composed of the following elements, though not everyone in this group receives all of them, nor in the same proportions:

- Fixed salary
- Performance-based remuneration
- Short- and, where applicable, medium-term incentives
- Long-term incentives in form of equity-related remuneration

Additionally, depending on the specific market, Allianz operates a number of pension and flexible benefit plan solutions, particularly also deferred compensation schemes which may help enhance participants' retirement income.

The 2009 group-wide ratio of fixed versus performance-based remuneration at target for senior executives who may assume positions of high risk in the sense of the above-mentioned BaFin Circular (including the Allianz SE Board of Management) is approximately 49 %: 51 %.

Senior executives may also participate in the global Employee Stock Purchase Plan (as discussed in the "Our Employees" section on page 52) though these amounts are not significant relative to their total remuneration.

As part of the changes discussed earlier-on for the Board of Management, the remuneration changes for executives below the Board principally also become effective from January 1, 2010.

Remuneration of the Supervisory Board

Supervisory Board remuneration is designed primarily to sustain and support shareholder interests and to ensure appropriate separation of remuneration practices between the Supervisory Board and the Board of Management, accounting for the difference in roles. The remuneration structure of the Supervisory Board is designed to allow for proper oversight of the business and independent decision making on the remuneration of the Board of Management.

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 Supervisory Board's remuneration is determined by the Company's General Meeting. Accordingly, the provisions of § 11 of the Statutes governing the amount and structure of Supervisory Board remuneration were ratified by the Annual General Meeting in 2005. They were adopted without changes when Allianz AG was converted into Allianz SE in 2006.

The structure of the remuneration of the Supervisory Board complies with the German Corporate Governance Code. Its members receive fixed as well as performance-based remuneration, also reflecting the long-term performance of the business. The performance-based remuneration uses earnings-per-share as a performance measure, which is both appropriate and effective.

The remuneration program is regularly reviewed in light of additional German, European and international recommendations and regulations.

Strategic principles

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

- 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.

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

Remuneration structure

The basic remuneration is made up of fixed remuneration and two performance-based components. Chairperson, Deputy Chairpersons and/or committee Chairpersons or members receive additional remuneration as described later in this section.

Fixed remuneration

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

Performance-based remuneration

- Short-term performance-based remuneration depends on the growth of consolidated earnings-per-share (EPS) compared to the previous year [1]. Zero payout occurs if no growth (0 %) is achieved, and a maximum payout of € 24,000 occurs if 16 % EPS growth is achieved.

- Long-term performance-based remuneration depends on the growth of the consolidated earnings-per-share (EPS) compared to the value of the same measure three years ago [2]. There is no payout if there is no EPS growth. The maximum payout amounts to € 24,000 and is reached upon the achievement of 40 % EPS growth.

For both performance-based remuneration components, earnings-per-share growth only above a € 5 threshold is measured. Allianz must produce EPS growth above this threshold for the Supervisory Board to be able to receive any performance-based remuneration.

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:

Chair

Function	Remuneration
Chairperson of Supervisory Board	receives 2 times basic remuneration
Deputy Chairperson of Supervisory Board	receives 1.5 times basic remuneration

[1] € 150 for each tenth percentage point by which the Group's earnings-per-share increased in comparison to the preceding year.

[2] € 60 for each tenth percentage point by which the Group's earnings-per-share increased over the past three years.

Committees

Function		Additional remuneration
Audit Committee	Chairperson	€ 45,000
	Member	€ 30,000
Nomination Committee	Chairperson	€ 0
	Member	€ 0
Other Committees (Personnel Committee, Standing Committee and Risk Committee)	Chairperson	50 % of basic remuneration
	Member	25 % of basic remuneration

With the two performance-based remuneration components being capped at a maximum of € 24,000 and a fixed remuneration sum of € 50,000, the maximum total basic remuneration for a Supervisory Board member amounts to € 98,000 per year. It is reached when the previous year's earnings-per-share measure has risen by 16 % and when this indicator has further improved by a total of 40 % over the prior three years.

The members of the Supervisory Board receive a € 500 fee for each Supervisory Board or committee meeting attended in person. No additional attendance fees are paid if several meetings occur on one day or on consecutive days.

There is a cap on the total remuneration of each member of the Supervisory Board. Fees for the Chairman of the Supervisory Board must not exceed 300 % of the basic remuneration of a member. For other members, the limit is set at 200 % of the basic remuneration.

2009 Remuneration

The Group's earnings-per-share amounted to € 9.53 in 2009. Compared to the year 2008, it increased by 90.6 % above the minimum threshold of € 5. There was no increase related to the year 2006. Therefore, the basic remuneration for the year 2009 consists of the following remuneration components:

Basic remuneration component	2009 €	2008 €
Fixed remuneration	50,000	50,000
Short-term performance-based remuneration	24,000	0
Long-term performance-based remuneration	0	0
Total basic remuneration	**74,000**	**50,000**

The maximum possible remuneration (excluding attendance fees) for the year 2009 amounted to € 222,000 for the Chairman of the Supervisory Board, and to € 148,000 for the other Supervisory Board members.

The total remuneration for the Supervisory Board members, including attendance fees, amounted to € 1,491,086 in 2009, compared to € 1,080,000 in 2008. Accordingly, the average annual remuneration for the Supervisory Board members increased to € 123,400 (2008: € 90,000). No performance-based remuneration was awarded for 2008.

The following table sets out the individual remuneration for the Supervisory Board for 2009. Previous year figures are shown for reasons of transparency.

Members of the Supervisory Board		Fixed remuneration €	Short-term performance-based remuneration €	Long-term performance-based remuneration €	Committee remuneration €	Attendance fees €	Total remuneration (after cap) €
Dr. Henning Schulte-Noelle	2009	100,000	48,000	0	111,000	2,500	224,500[1]
(Chairman)	2008	100,000	0	0	75,000	4,000	154,000[2]
Dr. Gerhard Cromme	2009	75,000	36,000	0	37,000	2,000	150,000
(Deputy Chairman)	2008	75,000	0	0	36,250	4,000	104,000[3]
Rolf Zimmermann	2009	70,834	34,000	0	35,459	2,500	142,793
(Deputy Chairman)	2008	50,000	0	0	12,500	4,000	66,500
Claudia Eggert-Lehmann	2009	6,250	3,000	0	3,084	0	12,334
(former Deputy Chairwoman)	2008	75,000	0	0	25,000	3,500	103,500
(until January 12, 2009)							
Dr. Wulf H. Bernotat	2009	50,000	24,000	0	48,500	2,000	124,500
	2008	50,000	0	0	42,500	4,000	96,500
Jean-Jacques Cette	2009	50,000	24,000	0	30,000	3,500	107,500
	2008	50,000	0	0	30,000	4,000	84,000
Karl Grimm	2009	50,000	24,000	0	16,959	1,500	92,459
(since January 28, 2009)	2008	—	—	—	—	—	—
Godfrey Robert Hayward	2009	50,000	24,000	0	18,500	2,000	94,500
	2008	50,000	0	0	12,500	3,500	66,000
Dr. Franz B. Humer	2009	50,000	24,000	0	63,500	3,000	140,500
	2008	50,000	0	0	50,000	4,500	104,500
Prof. Dr. Renate Köcher	2009	50,000	24,000	0	18,500	2,000	94,500
	2008	50,000	0	0	12,500	3,500	66,000
Peter Kossubek	2009	50,000	24,000	0	18,500	2,000	94,500
	2008	50,000	0	0	12,500	3,500	66,000
Igor Landau	2009	50,000	24,000	0	30,000	2,500	106,500
	2008	50,000	0	0	30,000	4,500	84,500
Jörg Reinbrecht	2009	50,000	24,000	0	30,000	2,500	106,500
	2008	50,000	0	0	30,000	4,500	84,500
Total	2009	**702,084**	**337,000**	**0**	**461,002**	**28,000**	**1,491,086**
	2008	**700,000**	**0**	**0**	**368,750**	**47,500**	**1,080,000**
Change from previous year							+ 38.1 %

Remuneration for mandates in other Allianz Group subsidiaries

As a member of the supervisory board of the former Allianz Group company Dresdner Bank AG, Claudia Eggert-Lehmann received € 45,000. As member of the supervisory board (until April 2, 2009) of Allianz Deutschland AG, Mr. Karl Grimm received € 20,000.

Loans to members of the Board of Management and Supervisory Board

On the date of balance (December 31, 2009), there were no outstanding loans granted by Allianz Group companies to members of the Board of Management and Supervisory Board of Allianz SE. When granted, these loans are provided at standard market conditions or on the same conditions that apply to employees. Overdraft facilities are granted to members of the Board of Management and Supervisory Board as part of existing account relationships, again in line with standard market conditions or those applied to employees. These overdrafts are made in the ordinary course of business on terms comparable to loans and overdrafts made available to individuals in peer groups. They do not involve any more than normal risks threatening repayment and do not present any other unfavorable features. Loans and overdrafts to members of the Board of Management are set according to the conditions prevailing for Allianz employees.

[1] Total remuneration (excl. attendance fees) is capped at € 222,000 (for Chairperson, the limit is three times the 2009 basic remuneration).
[2] Total remuneration (excl. attendance fees) was capped at € 150,000 (for Chairperson, the limit is three times the 2008 basic remuneration).
[3] Total remuneration (excl. attendance fees) was capped at € 100,000 (limit of twice the 2008 basic remuneration).

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

Rolf Zimmermann
Vice Chairman since March 11, 2009
Employee, Allianz Deutschland AG

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

Jean-Jacques Cette
Secretary of the Group Commission,
Allianz France S.A.

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

Godfrey Robert Hayward
Employee, Allianz Insurance plc

Dr. Franz B. Humer until December 31, 2009
President of the Administrative Board,
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 Administrative Board, Sanofi-Aventis S.A.

Jörg Reinbrecht
Union Secretary, ver.di Bundesverwaltung

Peter Sutherland since January 1, 2010
Chairman, Goldman Sachs International

Board of Management

Michael Diekmann
Chairman of the Board of Management

Dr. Paul Achleitner
Finance

Oliver Bäte
Chief Operating Officer until September 9, 2009
Controlling, Reporting, Risk since September 1, 2009

Clement B. Booth
Insurance Anglo Broker Markets/Global Lines
until December 31, 2009
Global Insurance Lines & Anglo Markets
since January 1, 2010

Enrico Cucchiani
Insurance Europe I (South Europe & South America)
until December 31, 2009
Insurance Europe (& South America)
since January 1, 2010

Dr. Joachim Faber
Asset Management (Worldwide)

Dr. Christof Mascher
Operations since September 10, 2009

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

Jay Ralph since January 1, 2010
Insurance NAFTA Markets

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

Jean-Philippe Thierry until December 31, 2009
Insurance Europe II (France & Benelux)

Dr. Herbert Walter until January 12, 2009
Banking Worldwide

Dr. Werner Zedelius
Insurance Growth Markets

International Executive Committee

The International Executive Committee includes all members of Allianz SE's Board of Management and heads of major Allianz subsidiaries. Chaired by Michael Diekmann, this body discusses overall strategic issues for the Allianz Group.

1 Terry Towell, Allianz Australia, Sydney
2 Gerhard Rupprecht, Allianz SE, Munich
3 Manfred Knof, Allianz Suisse, Zurich
4 Jay Ralph, Allianz SE, Munich
5 Christof Mascher, Allianz SE, Munich
6 Clement B. Booth, Allianz SE, Munich
7 Maximilian Zimmerer, Allianz Deutschland AG, Munich
8 Thomas Pleines, Allianz Deutschland AG, Munich
9 Markus Rieß, Allianz Deutschland AG, Munich
10 Paul Achleitner, Allianz SE, Munich
11 Karl-Hermann Lowe, Allianz Investment Management SE, Munich
12 Oliver Bäte, Allianz SE, Munich
13 Gary C. Bhojwani, Allianz Life Insurance, Minneapolis
14 Marna Whittington, Allianz Global Investors, Munich

15 Jacques Richier, Allianz France, Paris
16 Michael E. LaRocco, Fireman's Fund Insurance Company, Novato
17 Ulrich Rumm, Allianz Deutschland AG, Munich
18 Werner Zedelius, Allianz SE, Munich
19 Bruce Bowers, Allianz Asia Pacific, Singapore
20 Axel Theis, Allianz Global Corporate & Specialty, Munich
21 Vicente Tardío Barutel, Allianz Companía de Seguros y Reaseguros, Barcelona
22 Massimo Michaud, Allianz S.p.A., Milan
23 Michael Diekmann, Allianz SE, Munich
24 Wolfram Littich, Allianz Elementar, Vienna
25 Enrico Cucchiani, Allianz SE, Munich
26 Kamesh Goyal, Bajaj Allianz Life, Pune
27 Andrew Torrance, Allianz Insurance PLC, London
28 Joachim Faber, Allianz SE, Munich
29 Clemens von Weichs, Allianz Re, Munich

Allianz Share

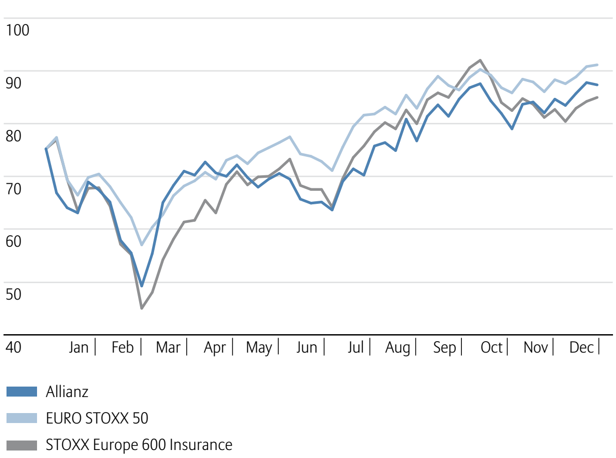
– After recording losses at the beginning of the year, global equity markets ended 2009 with strong gains.
– The Allianz share price rose by 16.2 %, outperforming the sector index.
– We propose to the Annual General Meeting to pay a dividend of € 4.10 per share to the shareholders.

Recovery on the Equity Markets

In the first few months of 2009 there were still concerns about the effects of the global recession. This sentiment put pressure on equity market prices. However, fuelled by hopes that the recession might be short-lived, investors grew more optimistic and the global equity markets registered significant gains. The EURO STOXX 50 was up by 21.1 % compared to previous year and the DAX increased by 23.8 % in 2009.

Development of the Allianz share price versus EURO STOXX 50 and STOXX Europe 600 Insurance

indexed on the Allianz share price in €

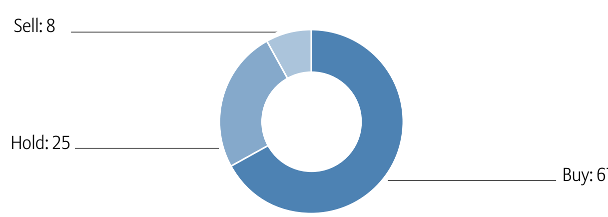


Source: Thomson Reuters Datastream
Up-to-date information on the development of the Allianz share price is available at www.allianz.com/share.

Insurance stocks were weaker than broad-based indices, as the creditworthiness of some countries was viewed with considerable scepticism in the final quarter. Insurers, as major investors, were hurt by this development. As a result, the STOXX Europe 600 Insurance was up just 12.9 %, while the Allianz share price increased by 16.2 % to € 87.15 as it got a significant boost in the last weeks of trading from the release of our third-quarter results. The majority of analysts polled by Bloomberg take a positive view of our share. Upon publication of the results for the fiscal year 2009 two-thirds of analysts recommended buying the Allianz share. The average target price was € 99.

Analysts' recommendations

as of March 1, 2010 in %



Source: Bloomberg

However, the increase in the Allianz share price in 2009 did not compensate for last year's major drop. As a result, the longer-term performance of Allianz shares is negative for most comparison periods. In the five- and ten-year comparisons, the performance of our shares is approximately in line with the overall insurance sector.

Allianz share performance in comparison

average annual performance in %

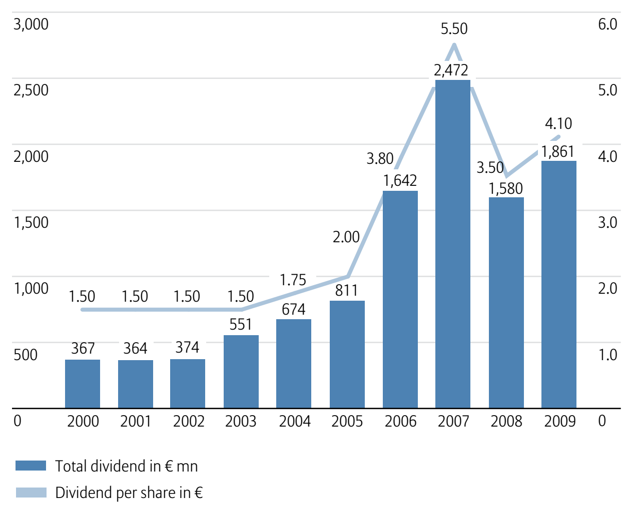
	1 year 2009	5 years 2005 – 2009	10 years 2000 – 2009
Allianz (excluding dividends)	16.2	(2.2)	(11.6)
Allianz (including dividends)	22.0	0.7	(9.7)
STOXX Europe 600 Insurance	12.9	(4.1)	(9.1)
EURO STOXX 50	21.1	0.1	(4.9)
DAX	23.8	7.0	(1.5)

Source: Thomson Reuters Datastream

Dividend

We want our shareholders to participate in our positive results and for this reason we propose to the Annual General Meeting to increase the dividend payment from € 3.50 to € 4.10 per share. This equals a dividend yield of 4.7 %. As measured by net income from continuing operations, the payout ratio is 40 %.

Total dividend and dividend per share



Allianz share key indicators at a glance

		2009	2008	2007
Number of shares outstanding as of 12/31		453,900,000	453,050,000	450,150,000
Weighted number of shares outstanding		450,845,024	450,161,145	442,544,977
Share price as of 12/31	€	87.15	75.00	147.95
High of the year	€	88.36	145.92	178.64
Low of the year	€	48.68	46.64	133.92
Share price performance in the year	%	16.2	(49.3)	(4.4)
Market capitalization as of 12/31	€ bn	39.6	34.0	66.6
Average number of shares traded per day (Xetra)	mn	3.0	4.9	4.1
Beta coefficient [1]		1.4	1.3	1.2
Basic earnings per share	€	9.53	(5.43)	18.00
Price-earnings ratio		9.1	—	8.2
Dividend per share	€	4.10 [2]	3.50	5.50
Dividend yield as of 12/31	%	4.7	4.7	3.7
Payout ratio	%	40 [3]	40 [3]	31
Return on equity after income tax [3] [4]	%	12.7	9.7	15.0

[1] In comparison with EURO STOXX 50; source: Bloomberg.
[2] Proposal.
[3] Based on net income from continuing operations after minority interests.
[4] Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity.

High Weighting in Major Indices

During 2009, the market capitalization of Allianz increased by more than € 5 billion to € 39.6 billion. This makes our company one of the most highly valued financial services providers in the world. The company's strength and the strength of its share are reflected in the weighting of Allianz shares in the major German, European and world indices. Allianz is number one among the 35 insurers represented in the STOXX Europe 600 Insurance. At year-end 2009 our shares had a weighting of 14 % in this index. We are also among the top companies in the MSCI World Financials index.

Weighting of the Allianz share in major indices

as of December 31, 2009

	Weighting in %	Ranking	Index members
DAX	7.4	5	30
EURO STOXX 50	2.4	13	50
STOXX Europe 600 Insurance	14.0	1	35
MSCI World Financials	1.3	14	339
MSCI World	0.3	68	1,656

Sources: Deutsche Börse, STOXX Ltd., MSCI Barra

Superior Sustainability Ratings

Our holistic entrepreneurial approach has long been recognized and has resulted in our stock's inclusion in major sustainability indices, including the Dow Jones Sustainability Index and the FTSE4Good. This is testimony to the attractiveness of Allianz shares for investors taking a socially responsible approach to investment. Please visit www.allianz.com/sustainability for more information on the topic of sustainability or read about it in our chapter "Allianz Group Profile" on page 55 in this Annual Report.

Delistings

In order to concentrate on the most liquid market, we decided to delist from the European exchanges in London, Paris, Milan as well as the Swiss Exchange. Listings were discontinued at the end of 2009 and the beginning of 2010, respectively. Allianz also discontinued its listing on the New York Stock Exchange (NYSE). Since its withdrawal from the NYSE on October 26, 2009, Allianz has continued its American Depositary Receipt (ADR) program in the U.S. over-the-counter market and is listed on the OTCQX trading platform, the premium sector for OTC trades. Allianz shares continue to be traded on all German exchanges and on Xetra.

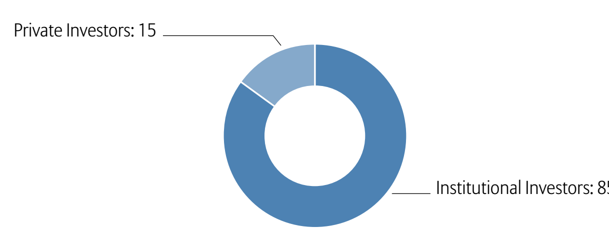
Shareholder Structure

With around 485,000 shareholders Allianz is one of the largest publicly owned corporations in Europe. All of our shares continue to be held in free float. At the end of the year, 85 % were held by institutional investors and 15 % by private investors. The breakdown by country shows that 32 % of Allianz shares were held by German investors, while 68 % were held by non-German investors. The number of shareholders rose by about 11,000 compared to the previous year, an increase of 2 %.

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

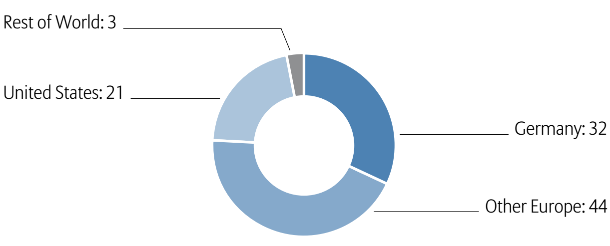
Shareholder structure as of December 31, 2009

in % of subscribed capital



Source: Allianz SE share register

Regional breakdown as of December 31, 2009
in % of subscribed capital

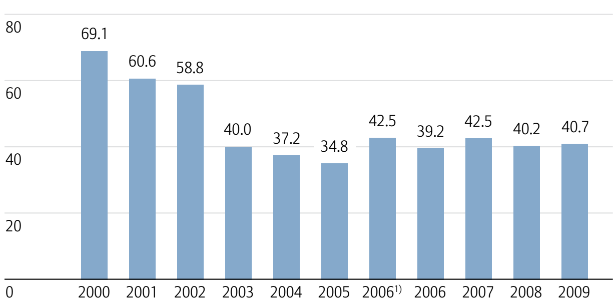


Source: Allianz SE share register

High Level of Interest in our Annual General Meeting

Our Annual General Meeting for the financial year 2008 was held on April 29, 2009 in Munich. Although presence at shareholder meetings of the DAX 30 companies decreased in 2009, it rose at the Allianz Annual General Meeting by 0.5 percentage points to 40.7 % of the subscribed capital. Of this, 27.5 % were investors from outside of Germany and 13.2 % were shareholders domiciled in Germany.

Presence at the Annual General Meeting
in % of subscribed capital



Dialogue with the Capital Markets

Communication with investors is very important to us. In the year under review, we visited institutional investors in 29 cities in Europe, Asia, the U.S. and Canada during our roadshows. We allocated 45 days to this exchange about our strategy and about our business in a changed environment. This gave many investors the opportunity to clarify outstanding questions in personal meetings with members of the Board of Management or our Investor Relations team. We held roadshows in Beijing, Shanghai, Helsinki and Lisbon for the first time and made new contacts there. Including discussions held at our Munich headquarters, we met with analysts and institutional investors a total of 386 times during the year under review.

Our annual analysts' conference and the teleconferences on our quarterly results attracted considerable interest once again. We also made presentations about Allianz and its strategy at ten investor conferences.

Our dialogue with private shareholders is another key component of our Investor Relations work. The number of inquiries we processed from this group of investors was around 8,500, approximately at the same level as in the previous year.

Awards

Our work in the area of Investor Relations was again recognized by analysts and portfolio managers in 2009. Amongst others, our work was ranked best in the European insurance sector in the prestigious Extel Pan European Survey by Thomson Reuters. A cross-sector study by the German Investor Relations Association (DIRK) named our head of Investor Relations the best IR Professional; the Association awarded him the "German Investor Relations Award".

[1] Extraordinary General Meeting.

Services for Allianz Shareholders

Internet and news services

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

- You can access Investor Relations releases on a number of different communication channels. Please subscribe to receive our newsletter, RSS Newsfeed or SMS service at www.allianz.com/services.

Online services for the Annual General Meeting

- To learn about our wide range of services for the Annual General Meeting, please visit www.allianz.com/agm. You can also register there to receive your invitation conveniently via e-mail in the future rather than by post. You can also order your ticket to the Annual General Meeting online and, if you wish, print it yourself. These time-saving and environmentally friendly services were in strong demand in recent years.

- We want to ensure that as many shareholders as possible exercise their voting rights at the Annual General Meeting. At www.allianz.com/agm, you can authorize proxies of Allianz SE, banks or shareholders' associations, participating in our online service. The law implementing the EU Shareholders' Rights Directive (ARUG) took effect on September 1, 2009. It adapts the German stock corporation law to the internet age and makes it easier for investors to exercise their shareholder rights, particularly in cross-border voting. At the next Annual General Meeting on May 5, 2010 we enable our shareholders to exercise their voting rights by mail or online. For more information on this topic, please see the Statement on Corporate Management, Corporate Governance Report on pages 10 to 17.

Telephone inquiries

Our Allianz Investor Line is available for telephone inquiries from 8 a.m. to 8 p.m. CET Monday to Friday.
+49 1802 2554269
+49 1802 Allianz

Written inquiries

Allianz SE
Investor Relations
Koeniginstrasse 28
80802 Muenchen
Fax: +49 89 3800 3899
E-Mail: investor.relations@allianz.com
www.allianz.com/investor-relations

Basic Allianz share information

Share type	Registered share with restricted transfer
Security Codes	WKN 840 400 ISIN DE 000 840 400 5
Bloomberg	ALV GY
Reuters	ALVG.DE

Financial Calendar

Important dates for shareholders and analysts [1]

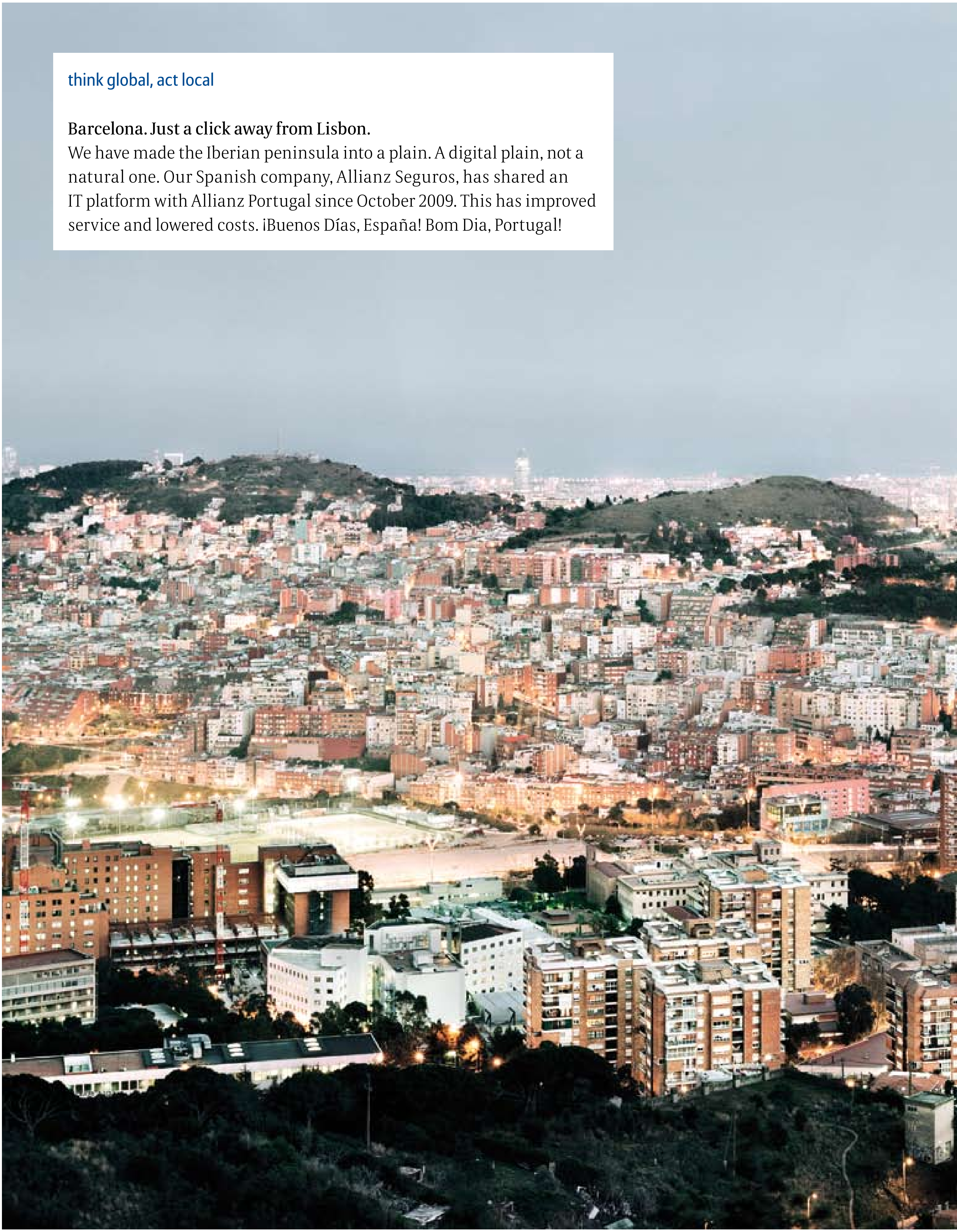
May 5, 2010	Annual General Meeting
May 12, 2010	Interim Report 1st quarter 2010
August 10, 2010	Interim Report 2nd quarter 2010
November 10, 2010	Interim Report 3rd quarter 2010
February 24, 2011	Financial press conference for the financial year 2010
February 25, 2011	Analysts' conference for the financial year 2010
March 18, 2011	Annual Report 2010
May 4, 2011	Annual General Meeting

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

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

think global, act local

Barcelona. Just a click away from Lisbon.
We have made the Iberian peninsula into a plain. A digital plain, not a natural one. Our Spanish company, Allianz Seguros, has shared an IT platform with Allianz Portugal since October 2009. This has improved service and lowered costs. ¡Buenos Días, España! Bom Dia, Portugal!




EPSON

think global, act local

Hong Kong. Just one of our investment centers.
The Hong Kong stock market is about to open. It is followed a few hours later by Frankfurt, then New York. The 5,000 Allianz Global Investors employees manage a total of € 1.2 trillion. They work in a global network that combines local capital market expertise with a global knowledge of asset management. As a network, they are always open for business. When the trading day ends at one exchange, it’s already under way again somewhere else.

think global, act local

Warsaw. No opportunities without risk.
"The new Europe", part of the continent on the move, a place where the entrepreneurial spirit got a new chance twenty years ago. When the call came to "Go East!" many feared the risks and let opportunities pass them by. Not Allianz. We had faith in our ability to bring together the courage of the entrepreneur with the caution of the risk manager, to everyone's benefit. That's how we found our way in a fast-growing region. Good business for us and for everyone who works with Allianz.


LOT POLSKIE LINIE LOTNICZE

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 company assumes no obligation to update any forward-looking statement.

Group Management Report

Detailed Index

Management Discussion and Analysis of 2009

Allianz Group Profile

Founded in 1890 and with over 100 years of experience in the financial services industry, the Allianz Group is committed to providing financial security to a broad base of customers ranging from private individuals to large multinational corporations.

As an integrated and globally operating financial services provider, we own strong and well-known brands which offer our clients value by providing a wide range of insurance and financial products, as well as an extensive advisory capacity, through our multi-channel distribution structures. We consider ourselves well-positioned to anticipate and successfully respond to competitive forces affecting our various operations.

The Allianz Brand

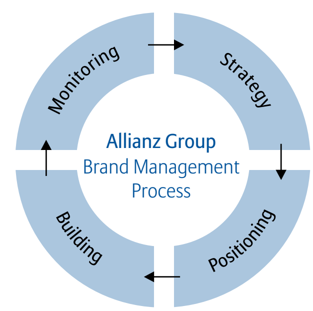
The Allianz brand stands for trust, identification and orientation for our actual and prospective customers.

Some key facts about the Allianz brand

- Allianz is active in more than 70 countries, with over 80% of Allianz branded turnover.
- Our Allianz trademark is registered and protected worldwide, as are our web domains.
- In 70% of all our monitored markets, respondents rank Allianz among the top 3 "most trusted brands". In 40% of all markets we are the most trusted brand.
- Allianz is ranked among the top 100 most valuable brands. In the renowned global brand value rankings (such as Interbrand or Millward Brown) Allianz holds one of the leading positions for insurance companies.

Steering the brand: end-to-end brand management

Our brand management process includes strategy setting, brand positioning, brand building and brand monitoring.



Brand strategy

All brands in our portfolio are set within a solid brand architecture and underpinned by a corporate identity framework. Our long-term brand strategy follows a one-brand vision, but leaves room also for renowned specialty brands such as PIMCO, the largest fixed-income asset manager in the U.S., as well as Euler Hermes, the world's number one credit insurance provider.

Brand positioning

The customer value proposition defines what our brand stands for. Allianz is the reliable partner, always there when needed and in those key moments delivers superior value. The different facets of the Allianz brand personality are the means by which Allianz earns the trust of its key stakeholders. We are a committed, competent and competitive partner. This holds true across different customer groups, business fields and markets.

Brand building

Our global brand building is based on internal as well as external communication. Our internal brand-building is driven by employees sharing their personal moments as part of a global intranet community. This platform carries some 400 stories and has hosted approximately 180,000 visits from Allianz colleagues worldwide. Our external brand building uses public communication approaches of all types. Not only does Allianz run global and local campaigns – using channels such as out-of-home media at airports, and advertisements in magazines and on television – we are also active in high-profile sports sponsoring such as Formula One™, golf, FC Bayern Munich and the well known Allianz Arena. Changing needs and the lessons of the global financial crisis are prompting customers to look for new ways to relate to financial institutions and be better informed about their financial planning. Therefore Allianz is taking a pro-active role in promoting financial literacy.

Brand monitoring

Monitoring the brand is important for understanding its key drivers in local markets and for providing constant feedback into our brand management. In addition, it is crucial for steering activities and optimizing our resource allocation. Our brand evaluation system is based on:

- Annual brand performance monitoring
- Brand investment efficiency analysis and budget simulation
- Brand strength evaluation and identification of value drivers

Customer Focus at Allianz

Our customer is in the focus of the strategy in all our business segments. In order to achieve our objective of building a strong community of satisfied customers, we seek excellence in all areas:

- our objective is cost leadership through efficient organizational structures and business processes – we aim to achieve this by implementing our Target Operating Model;

- we want motivated employees who are committed to the needs of their customers – we aim to achieve this with a new remuneration model attaching equal importance to financial parameters and customer satisfaction;

- our constant goal is transparent and comprehensible products – we aim to achieve this by gearing our product development work to what the customer actually wants;

- we want to provide fast, straightforward contact with the Allianz Group – we aim to achieve this by integrating all sales channels;

- we must have a solid capital base to lend credibility to our service promise – we aim to achieve this by maintaining a prudent investment strategy and meticulous risk management.

As part of our Customer Focus activities we have globally established key tools such as Net Promoter Score (NPS) and Complaint Management to continuously listen to our customers, identify their needs, learn from them and act accordingly.

The Net Promoter Score (measurement of customers' willingness to recommend Allianz) is our key global metric for measuring customer loyalty.

We have two main ways of using NPS in Allianz:

Firstly we benchmark ourselves on customer loyalty every year against competitors within each market. In 2009 this was done in 57 regional markets worldwide. Management commitment to customer orientation is underlined by the fact that CEO targets include the achievement of relative NPS improvement towards loyalty leadership.

Secondly we have established NPS in 40 Allianz companies (representing approximately 90% GPW) to systematically collect feedback from almost 1,000,000 customers in 2009 on key interactions such as claims and sales. Since frontline Allianz employees made customer calls, NPS served as a optimal change management and mobilization tool for supporting ongoing improvements on all levels.

We take our customers' feedback seriously. To ensure that NPS feedback as well as customer complaints are addressed with the high proficiency required by global quality standards, Allianz companies went through an internal certification process that enabled us to make good practice common practice.

Building on all these valuable insights we are well positioned to continuously improve our services, processes and products according to customer requirements.

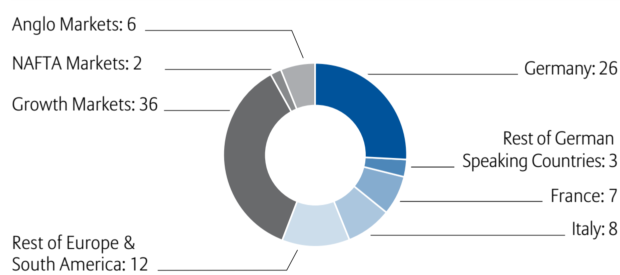
Our NPS measurement shows that our efforts are successful: the number of Allianz companies with customer loyalty significantly above peer average has continuously increased since the first NPS measurement in 2006.

In addition, we started to use NPS to measure the satisfaction of our distributors to ensure they are fully enabled to serve our customers according to their needs.

In order to further understand our strengths and potential weaknesses in the sales process, we started to measure the quality of service to our customers at the point of sale via Mystery Shopping (test visits by trained observers in the role of potential customers). We will further enhance those activities in 2010.

Customers by region as of December 31, 2009

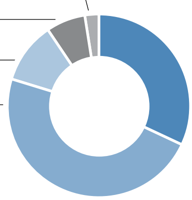
in %



Our Employees

As of December 31, 2009, 153,203 employees worked for the Allianz Group. This was a 16% fall in overall headcount as a result largely of the sale of Dresdner Bank.

Employees by region as of December 31, 2009
in %



Employees by countries

as of December 31,	2009	2008 [1]
Germany	49,051	71,267
France	18,489	18,915
United States	9,908	10,627
Russia	8,311	9,106
United Kingdom	7,043	10,207
Italy	6,961	7,211
Switzerland	3,984	4,286
Australia	3,866	3,719
Spain	3,426	3,440
Austria	3,194	3,272
Brazil	2,963	2,941
Poland	2,589	2,458
Slovakia	2,487	2,682
Hungary	2,454	3,427
China (incl. Hong Kong)	2,225	2,501
Romania	2,152	2,331
Other	24,100	24,475
Total	**153,203**	**182,865**

In 2009, our focus in Human Resources (HR) was on:

- adopting the principles of the new Target Operating Model (TOM) in the HR function, while supporting the implementation of TOM in our operating entities
- refining our Allianz Talent Management Concept (see Annual Report 2008, page 111) and implementing all respective tools and processes
- adjusting our executive performance and reward programs to the new regulatory environment
- substantially strengthening our efforts as a preferred employer internally and externally
- preparing for future HR demands, addressing global demographic and socio-economic trends

HR and TOM

As part of the new Allianz Target Operating Model (TOM), we have developed a functional blueprint for the human resources function. This standardization of the HR organization (job roles, functions, objectives) is key to sustainably increasing the efficiency and quality of HR-related services.

Supporting this effort, a benchmarking exercise with respect to the efficiency and service quality of HR functions was carried out across our largest operational units. The results of this analysis were used to identify potential savings some of which will be reinvested in improving HR service quality. While aligning itself to the requirements of TOM, HR at the same time supported the business in implementing its own transformation to TOM worldwide. New operational workforce deployment tools, requisite training measures, and change management action plans all helped to make this transition an efficient and swift exercise.

[1] Includes Dresdner Bank.

Talent Management fully implemented

The objective of our Allianz Talent Management initiative is to systematically ensure that, when required, we have the right talent in the right place to meet our current and future business challenges.

After successfully implementing a new system of talent analysis, talent assessment and succession planning worldwide in 2007 – 2008, we further refined this approach by setting new standards in all areas concerning talent management, including recruiting, performance and reward, career management, learning and development, and even the way we handle people leaving the company.

In our tested and proven Career Development Conferences (CDCs), we continued to address succession planning issues and define development plans for more than 4,000 leaders and high potentials across our operating entities. These CDCs also facilitate global, cross-company career planning and help open up international opportunities for our top talents. Reflecting our matrix organization, CDCs are organized along hierarchical business lines and functions.

Executive Reward management to meet challenges in a new regulatory environment

In 2009 we took the simultaneous occurrence of substantial regulatory changes and the end of the three-year performance period 2007 – 2009 of the mid-term bonus plan for our top managers as an opportunity for a more comprehensive review of our executive remuneration system. Building on our existing remuneration principles, the review focused on a simplification of different reward components as well as their further harmonization to establish a more consistent approach across the Group. These changes apply to the Board of Management of Allianz SE and several hundred top managers at the next two management levels. The new concept becomes effective in most locations as of January 1, 2010. For details regarding these changes please refer to the Remuneration Report for Executives on pages 17 to 26.

The incentive structure is designed to optimally balance risk and opportunity in different performance scenarios and business circumstances. Respective maximum achievement levels (“caps”) apply to all of these instruments.

All of the changes to our remuneration systems are in accordance with our business strategy, aimed at reducing complexity, increasing transparency and consistency across the Group, supporting our performance culture, and strengthening our attractiveness as an employer of choice.

Allianz continues to offer flexible benefit solutions, particularly deferred compensation schemes, in numerous countries. Equally, Allianz offers flexible working arrangements, part-time employment, medical care for employees’ families, childcare and even permanent sports facilities in a number of locations. For legal, market and cultural reasons, the package of employee benefits we offer is determined locally and thus varies between countries and companies.

As in prior years, we again offered a global Employee Stock Purchase Plan in 2009 which, subject to certain conditions, provides eligible employees with an opportunity to acquire Allianz SE shares at preferential terms. The program aims to promote share ownership amongst employees, and to increase their financial awareness and interest in the company’s strategy and performance. Around 92,000 employees in 21 countries were eligible to participate in the global Employee Stock Purchase Plan. Around 16,000 employees accepted the offer. Allianz employees in total represent 8.19 % of our shareholders and own 1.09 % of Allianz shares.

For our senior leadership, we continued to offer our Group Equity Incentives program. Approximately 700 top managers and future leaders worldwide participated in the Group Equity Incentives program in 2009. For more detail, including the report on the remuneration of the members of the Board of Management, please see our Remuneration Report on pages 17 to 26.

Total payments made by the Group to its employees worldwide in 2009 amounted to € 7.7 (9.2 [1]) billion. Of this figure, € 1.5 billion or approximately 20 % was solely performance-related. Social security contributions, pensions and other additional employee benefits amounted to € 2.2 (2.5 [1]) billion.

Striving to become a preferred employer

We compete for talent worldwide, an increasingly scarce resource given global demographic trends and an ever-increasing competition for well educated, high-performing people. To compete successfully, we aim to improve our standing as an employer, both in external labor markets and towards our existing employees, where fair and equal career opportunities are a key element of employee engagement.

Competing for external talent

To communicate our employer value proposition globally we have completely redesigned the internet careers section of our Allianz Group Portal. Prospective applicants can access information on a wide range of jobs, ranging from actuary to sales representative.The portal profiles interviews with over 50 Allianz colleagues from 20 different countries who talk about opportunities at Allianz which have shaped their careers.

To attract, develop and retain professional staff, Allianz has furthermore developed target group-specific recruiting and development programs. For example a global development initiative for actuaries was successfully launched and is being offered to internal as well as external candidates. A targeted marketing campaign for this program was conducted in major actuarial websites.

Our online group-wide job search and application management platform was further expanded to ten companies globally, who posted more than 2,200 jobs and received more than 420,000 job views. Our global pool has more than 97,000 registered people of whom 27 % are internal employees worldwide.

In Germany, notably, new Allianz employer-branding campaigns by our domestic insurance companies resulted in a strong improvement in all significant rankings marked by an award publicly recognizing Allianz as a top company in "Best Brand Campaigns and Best Employer Websites" (DAPM-Awards 2009).

Diversity management as a key employee value proposition

Being active in over 70 different markets, appreciating and actively making use of the diversity of our people is a key component of our success. We have concentrated our global diversity efforts on general gender and disability issues, whilst complementing this locally with driving other diversity topics such as:

- flexible working models, enabling the continuation of job and career engagement in child- or parental care situations
- mentoring, networking, career workshops and coaching for women
- common accessibility standards (buildings, websites, workstations including ergonomics) in order to create workplaces that welcome and integrate people with disabilities
- careers in sales for pensioners (selected companies such as Allianz Portugal)
- programs such as "We Speak your Language" to address our Turkish customers in Germany
- recruitment programs such as "Women Choice" to recruit more women into sales.

As an indicator of our focus on diversity and career development opportunities, we currently have female incumbents in 32 % of our management positions group-wide. For our senior management positions, we have set a target to increase the current 16 % ratio of women by ensuring that we have an adequate share of female potential candidates for succession planning at all levels in the hierarchy.

[1] 2008 figures include Dresdner Bank.

Investing in Learning and Development

Supporting the activities to nurture and grow our talent base is our Allianz Management Institute (AMI). Founded in 1999 the AMI just celebrated its 10th anniversary and was reaccredited by the European Foundation for Management Development (EFMD) with its prestigious CLIP (Corporate Learning Improvement Process) award for corporate universities. AMI provides a consistent business orientation and capability training for leadership at a global (AMI Group) as well as regional and local levels via so-called Academies or equivalent. A total of 5,542 [1] leaders and high potentials participated in training via the AMI academies in 2009, representing a 14 % growth over 2008 (4,860 participants). In 2009, the AMI network grew to incorporate training and development activities through five academies: AMI Group, AMI Germany, AMI Asia, AMI AGCS Academy, AMI OPEX Academy. Programs offered by the flagship academy, AMI Group, increased from 20 to 36, serving all together 644 participants.

We have continued to implement OPEX (Operational Excellence), the Allianz version of 'Six Sigma', as a core tool in support of our various transformation programs. OPEX aims at substantially increasing process efficiency while at the same time improving customer service capability. OPEX is founded on systematic training and certification activities. In 2009, we had 4,295 staff trained as OPEX Blue Belts (first level qualification), and 907 trained as Black Belts (advanced level).

Allianz Group spent a total of € 147 million on all types of training, or on average € 1,100 per employee worldwide. In addition, learning through international job transfers continues to be an integral part of our development concept. In 2009, 379 employees were sent on longer-term secondments to different countries.

Engaged employees

Employee engagement, at leadership and staff levels alike, is a key success factor for achieving our business targets and for enhancing our customer focus ability. While engagement is positively affected by all of the measures above, measuring and monitoring engagement trends is crucial to planning the proper activities to further improve skills and morale.

For the seventh consecutive year, we have conducted a global Leadership Survey, covering over 5,900 managers in 63 Allianz companies. The remarkably high response rate of 90 % demonstrates the significance our leaders and managers place on this feedback instrument.

To complement the managers' views with those of the general workforce, we have also again conducted a global Employee Engagement Survey, expanding the scope to 39 companies (up from 24 in 2008). Again, the high participation rate (79 %) confirms the importance of this measure. The results of both surveys show a high degree of commonly shared perceptions of our corporate culture. All companies are charged with turning their respective results into concrete action plans to address specific employee engagement issues.

Preparing ourselves for the road ahead: Workforce Planning

The strategic workforce planning initiative at Allianz identifies and addresses future workforce opportunities and challenges globally and/or locally. Workforce planning aims to ensure that we will always be able to allocate sufficient skilled employees in the right place and at the right time. Influencing factors to be considered range from the retirement-related outflow of professional expertise to future shortages of crucial skills in key labor markets. Possible changes in employee behaviors, evolving loyalty patterns, work-life balance demands as well as productivity patterns have to be assessed against our strategic business objectives. Initial pilots in our key German market already offer important insights into the opportunities that such workforce planning brings.

[1] The total AMI network numbers incl. 1,510 participants from the AMI OPEX Academy.

Public acknowledgement of our HR achievements

In 2009, a number of prestigious awards were given to Allianz HR projects and initiatives.

In Germany, Allianz Deutschland won the "InnoWard", an award for special educational achievements, by the "Berufsbildungswerk der Deutschen Versicherungswirtschaft" (BWV – Institute for Professional Apprenticeship for the German Insurance Industry).

Allianz China Life won the "100 Best Human Resources Management Companies", the "100 Best training companies", as well as the "TOP 50 Work Place" award by China Business Journal.

In the UK, Euler Hermes, was presented the "Investors in People" award, a national recognition for excelling in their training efforts for employees.

Our Allianz Life Insurance company in Indonesia was the winner of the "Human Capital Index 2009 for the Financial Service Industry", a leading national contest to determine the top employer of choice in the market.

Finally, Allianz Australia received the 2009 Employer of Choice for Women citation. This citation is available through the Equal Opportunity for Women in the Workplace Agency (EOWA), and is a public acknowledgement of organizations who support and advance women in the workplace.

Corporate Social Responsibility

Our approach

Managing our clients risks and protecting their assets requires us to take social and environmental issues into consideration. This is why the idea of corporate responsibility is embedded into our core business.

A number of initiatives translate our strategic approach into action, ranging from Allianz' efforts to mitigate the effects of climate change through our renewable energy portfolio, to helping people in poor countries to build up assets to secure education for their children. Here are some examples of our contributions:

Climate change

Climate change is closely linked to our core business with an estimated 40% of Allianz' industrial claims being caused by natural catastrophes. Allianz offers over 50 ecoproducts, such as the "Green Card" from Fireman's Fund, an Allianz subsidiary based in the United States, and has built up an investment portfolio exceeding € 500 million in wind parks across Italy, Germany and France. In an effort to reduce our own carbon emissions by 20% in 2012 some Allianz subsidiaries (Allianz Australia, Mondial Assistance, Allianz Ireland) have already achieved their individual targets.

Microinsurance

Over 3.5 million people in Africa, Asia and Latin America are insured against disability, accident, or property damage through an Allianz microinsurance program. By helping financial inclusion in developing countries Allianz is not only making a social contribution but also entering in the early stages of potentially large markets

Financial literacy

In the year under review, Allianz started a wide-ranging program to promote financial literacy amongst youths aged 11 to 16. The goal of the program is to provide the basic skills needed to make educated financial decisions in an era of increased financial self-responsibility. The program is delivered by Allianz employee volunteers in close cooperation with partner schools and their teachers. Our goal is to reach over 50,000 youths.

Community engagement

In the year under review, Allianz also started a program offering the services of Allianz "Black Belt" process improvement experts to social entrepreneurs. By bringing our core business expertise to community work, we aim to help civil society organisations to achieve their social targets more effectively.

Partnerships

In order to take better account of environmental and social criteria in its business decisions, Allianz cooperates with a number of selected organisations for different purposes: Care International helped us to understand the product needs of low-income clients that we now serve through microinsurance; with the environmental group WWF we defined the risks and opportunities that climate change has in store for our business and with the United Nations Environmental Programme, we are defining "Principles of Sustainable Insurance".

Recognition

Allianz was again recognized in the year under review for its efforts in corporate responsibility and sustainable development. Since 2003 we have been included in the Dow Jones Sustainability Index, and were recognized in 2009 as "best in class" in the categories business risks and opportunities, environmental management and stakeholder engagement. In the year under review, we were also included in the "leadership index" of the Carbon Disclosure Project. For more information on our management approach, activities and performance, please visit www.allianz.com/sustainability.

Business Operations and Steering

The Allianz Group's insurance and asset management businesses provide a comprehensive product range through multiple sales channels. We manage and steer our operations via four segments and ten divisions.

Insurance Operations

Our product portfolio includes a wide array of property-casualty and life/health insurance products for both private and corporate customers.

Product range of the insurance business

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

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

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

Reinsurance

Allianz SE, the Allianz Group's parent company, acts on an arm's length basis as reinsurer for most of our insurance operations and assumed 27.4% and 25.2% of all reinsurance business ceded by Allianz Group companies for the years ended December 31, 2009 and 2008, respectively. Allianz SE also assumes a relatively small amount of reinsurance from external cedents and cedes risk to third-party reinsurers. The Allianz Group has established a pooling arrangement that offers reinsurance coverage to the Group's subsidiaries against natural catastrophes, which provides the benefit of internal Group diversification.

Main initiatives in the insurance business

Allianz continues to develop its business via a number of major initiatives. These are energetically pursued with the goal of building the world's strongest financial community.

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

In the insurance industry Allianz wants to be the first insurance company that takes full advantage of its scale by leveraging a superior operating model. This is the reason why we are modernizing our entire organization following a shared Target Operating Model (TOM). In order to drive these change processes and to ensure that the findings from the Sustainability Program are brought into practice, an Operational Transformation Program (OTP) has been established.

As a result of OTP we have created the investment management function Allianz Investment Management (AIM), to handle the investments of Allianz insurance companies worldwide in order to enhance the capability to invest proactively on a global scale. We consider it important to separate the responsibilities for managing our insurance businesses from managing the investments covering their reserves and capital. Given the huge volume of investments, their management is one of the most important factors for an insurance group as the investment result has a big impact on our overall value creation. To accomplish this value creation AIM is asked to drive investment management decision-making with a systematic and efficient focus on the most relevant value drivers and to ensure best practice investment management operations at all of our insurance entities.

AIM is responsible for contributing to capital efficiency by maximizing risk adjusted investment return based on given risk limits and Group targets. Thus AIM covers three major tasks:

- identifying the liability requirements by defining the possible risk free return
- developing and implementing the Group's (strategic) asset allocation by defining the systematic risk taking (beta)
- driving tactical investment decision making as a basis for additional, skill-based returns (alpha)

Investment decisions are developed into asset management mandates. By this means, AIM is mandating and controlling asset managers but does not manage assets. They are organized in five regional investment hubs (Milan, Minneapolis, Munich, Paris and Singapore) to cover all major markets and time zones. Each of the hubs is headed by a regional Chief Investment Officer (CIO). Every insurance entity belongs to a hub, its chief investment manager reports to the regional CIO. While AIM works very closely with the operating entities (several of the CIOs and chief investment managers being themselves members of local Boards), investment decision making and risk taking is driven in regular, formal committees organized by AIM.

Asset Management Operations

We are one of the four largest active asset managers in the world. Total assets managed by our Asset Management operations as of December 31, 2009 were € 1,202 billion. Our business activities in this segment consist of asset management products and services both for third-party investors and for the Allianz Group's insurance operations.

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

Our retail asset management business is primarily conducted under the brand name Allianz Global Investors (AGI) through our operating companies worldwide. In our institutional asset management business, we operate under the brand names of our investment management entities (PIMCO, RCM, AGI Capital), with AGI serving as an endorsement brand. With € 902 billion of third-party assets as of December 31, 2009, AGI managed 97.4 % (2008: 95.7 %) of our total third-party assets on a worldwide basis. AGI operates on a global basis with investment and distribution capacities in all major markets with particular strongholds in the U.S., Germany, France, Italy, United Kingdom and in the Asia-Pacific region. Effective January 12, 2009, we acquired cominvest, the former asset management division of Commerzbank AG, which added € 49 billion of assets, predominantly domiciled in Germany, to our third-party assets under management. Furthermore, we have expanded our engagement in China by increasing the participation in our joint venture, Guotai Allianz Finance Management. We have positioned ourselves in India with the creation of Bajaj Allianz Global Investors, a joint venture with Bajaj.

AGI's selected product range for retail and institutional customers

Retail and institutional clients

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

Our distribution channels vary by product and geographic market. In Europe and in the United States, AGI markets and services its institutional products through specialized operations and personnel. Retail products in Europe are mostly distributed through proprietary Allianz Group channels. In the United States, AGI's local asset management operating entities also offer a wide range of retail products.

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

Banking Operations

Following the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG (Commerzbank), our banking operations now comprise operations in Germany, Italy, France and New Europe. Allianz Banking Germany is a division of Allianz Deutschland AG (ADAG) and contains Oldenburgische Landesbank AG (Oldenburgische Landesbank) and the banking customers originally introduced to Dresdner Bank through the tied agents network. Oldenburgische Landesbank is Allianz's main banking product and service provider in Germany. The bank offers a wide range of products for corporate and retail clients with its main focus on the latter. In addition to our banking activities, the distribution of banking products through our German insurance agents network is important. As of December 2009, we owned 130 banking agencies. Due to their limited size, banking operations are reported as part of the Corporate and Other segment.

Steering

Board of Management

Each member of the Board of Management of Allianz SE is responsible for a particular division within the Allianz Group. There are four functional divisions and these are part of the Corporate and Other segment: the Chairman's division, the Controlling/Reporting/Risk division, the Finance division and the Chief Operating Officer's division. The Corporate and Other segment's activities include the management and support of Allianz Group's businesses through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions, as well as Banking and Alternative Investments.

The other divisions reflect business responsibilities, which are either regionally- or operationally-oriented. Until December 31, 2009, these were Europe I, Europe II, German Speaking Countries, Growth Markets, Anglo Broker & NAFTA Markets / Global Lines and Asset Management.

From January 1, 2010, some responsibilities in the Board of Management changed: Europe I and Europe II were merged into Europe and Anglo Broker & NAFTA Markets/Global Lines was re-configured to form Anglo Broker Markets & Global Lines and NAFTA Markets. Furthermore the Assistance business (Mondial) was separated from Europe II and integrated into the Chief Operating Officer's division.

Segment and divisional structure

Our main business activities can be classified in: Property-Casualty, Life/Health and Asset Management.

The two insurance business segments Property-Casualty and Life/Health are further subdivided into five business divisions reflecting the responsibility of different members of the Board of Management. Asset Management is a stand alone segment again with effect from the fourth quarter 2009, retrospectively applied. Our ongoing Banking and Alternative Investments activities are now grouped together under the roof of the Corporate and Other segment together with Holding & Treasury activities with the same effective date.

Segment and Business Division structure 2009 and 2010

Allianz Group 2009

	Property-Casualty Insurance	Life/Health Insurance	Asset Management	Corporate and Other
Michael Diekmann Dr. Paul Achleitner Oliver Bäte Dr. Christof Mascher	–	–	–	Chairman's division Finance division Controlling/Reporting/Risk Operations division
Enrico Cucchiani	Europe I, incl. South America		–	–
Jean-Philippe Thierry	Europe II, incl. Africa		–	–
Dr. Gerhard Rupprecht	German Speaking Countries		–	Banking
Dr. Werner Zedelius	Growth Markets		–	–
Clement B. Booth	Anglo Broker Markets & Global Lines		–	–
Dr. Joachim Faber	–	–	Asset Management worldwide	–

Allianz Group 2010

	Property-Casualty Insurance	Life/Health Insurance	Asset Management	Corporate and Other
Michael Diekmann Dr. Paul Achleitner Oliver Bäte Dr. Christof Mascher	Assistance Business	–	–	Chairman's division Finance division Controlling/Reporting/Risk Operations division
Enrico Cucchiani	Europe (incl. South America/Africa)		–	–
Jay Ralph	NAFTA Markets		–	–
Dr. Gerhard Rupprecht	German Speaking Countries		–	Banking
Dr. Werner Zedelius	Growth Markets		–	–
Clement B. Booth	Global Lines & Anglo Broker Markets		–	–
Dr. Joachim Faber	–	–	Asset Management worldwide	–

Target setting and monitoring

The Allianz Group steers its operating entities and business segments via an integrated management and control process. The management process starts with the definition of the business-specific strategy and goals, which are discussed and agreed between the Holding and the operating entities. According to this strategy, a corresponding plan is prepared by our operating entities and aggregated to form the plans for the business divisions as well as the Allianz Group. This plan is then presented to the Supervisory Board for approval and the Supervisory Board sets corresponding targets, which form the basis for the performance based remuneration of the Board of Management (for further details please refer to the Remuneration Report on page 17 to 29). The control process ensures that progress against these targets is continuously monitored and that appropriate measures can be taken in the event of negative developments.Throughout these processes financial and operational key figures are important factors. Important financial performance indicators, which we use across all business segments, are for example the operating profit and the EVA®[1] (Economic Value Added). Additionally, we also use segment specific figures – for example the combined ratio in the Property-Casualty segment and the new business value in the Life/Health segment. Apart from these financial performance indicators, operational performance indicators yield additional information about the future development of our business. For example in the property-casualty business information about price and volume change are important in order to assess the development of our underwriting profitability. The contents of the methodology are constantly being refined.

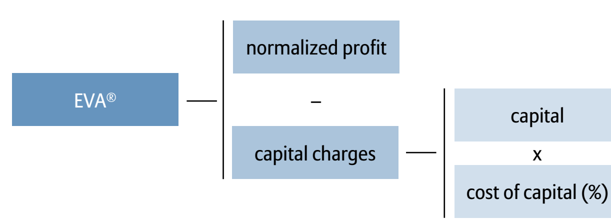
Value-based management

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

To create value, the capital used by a company must yield a higher return than a comparable alternative investment. In order to accomplish this objective and to measure our success, we apply the EVA® concept, adapted to our specific needs, across the operating entities of the Allianz Group. EVA® involves profit compared to cost of capital, representing the return an investor can expect from an alternative investment with comparable risk. EVA® – whether positive or negative – is the difference between profit and the cost of capital. A positive EVA® means that an added value has been achieved and a negative EVA® indicates that a shareholder would have received a greater return from another risk-equivalent investment than from Allianz SE shares.

EVA® in the Allianz Group

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



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

For capital charges an important component is the determination of the capital required to cover the financial risks involved in our business activities.[2]

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

[2] For detailed information on the determination of our internal risk capital please refer to our Risk Report on pages 178 to 203.

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

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

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

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

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

Based on the net income our EVA® after minority interests, reached € 1,757 million in 2009 (2008: € 2,783 million[1]). The return on risk adjusted capital[2] in 2009 was 15.1% (2008: 18.6%[1]).

1) 2008 figure without Dresdner Bank discontinued business.
2) Return on risk adjusted capital represents normalized profit divided by average risk adjusted capital.

Strategy

We have successfully steered Allianz through another year of financial market turmoil and global economic contraction by executing our strategy consistently. Determined to always deliver on our promises and become the most trusted global brand in financial services, we are more than ever dedicated to financial resilience, operational excellence and customer focus.

Developments in 2009

The year 2009 saw our industry challenged in fundamental ways. The severe situation on the financial markets in the fourth quarter of 2008 created significant spill-over effects well into 2009. Moreover, the real economy contracted by 2 % globally and 4 % in Europe creating high pressure for our property-casualty business in many core markets.

On top of this we suffered significant losses from weather-related events, so that property-casualty operating profit fell from € 5.6 billion to € 4.1 billion. Widening credit spreads and sharply falling interest rates exercised further pressure on industry economics. With the revitalization of equity markets and the step-by-step reduction in volatilities and spreads in the second half of 2009, financial pressure eased somewhat.

We have proudly reported that, as predicted, our life and asset management businesses profited strongly from a global flight to quality. Our revenues in life/health and asset management grew by more than 11 % and 27 %, respectively, and operating profit jumped to € 2.8 billion in life/health and € 1.4 billion in asset management.

Overall we were able to grow net income by 13.2 % to € 4.7 billion from continuing operations and despite the tough property-casualty conditions, achieved an operating profit of € 7.2 billion.

As we look to the future, we remain concerned about the fragility of the economy, the excess liquidity and volatility in financial markets, the level of public debt, and the continuing soft cycle in the property-casualty markets. We will continue to steer Allianz through these challenging times, consistently following our strategy and adhering to our management priorities and fundamental principles. In doing so, we will position ourselves to benefit from the opportunities referred to below.

Opportunities

We see many strategic opportunities for us on the road ahead. These vary by country and market, as described in the Local Presence and Global Diversification chapter that follows. At the macro level, we see some trends that have been building for some time, and others that have arisen directly out of the financial crisis. Here are a just a few examples:

The **image of insurance products** has changed. Following the financial markets turmoil insurance products are now enjoying a renaissance. More caution and increased risk awareness are one of the driving forces behind rising demand.

Demographic change continues to be another key driver of our growth. Governments in many countries are increasingly overwhelmed by their duty to offer all-round old-age and healthcare provision, all the more so in the wake of the financial crisis. Hence, it is a must for individuals to organize additional provision on their own initiative. In this respect, the Allianz Group recognizes the fact that demographic changes go hand-in-hand with fundamental changes to social structures and lifestyles. More and more older people are living alone and living their lives as they choose, remaining active well into old age. We want to help this group remain in control of their own lives by expanding the range of assistance products that we offer.

The **rise of developing markets** is another area of opportunity. Demand for financial products tends not to increase significantly until broad sections of the population have exceeded a certain income level. As these groups continue to accumulate assets, the demand for security and professional management then rises disproportionately. Many emerging markets are currently breaking through this income threshold, giving birth to a new global middle class whose insurance product requirements need to be addressed. The Allianz Group has a strong presence and long experience in many of these markets, that will allow us to benefit from this trend.

A growing number of customers want to make their own decisions – and also have access to the information required to do so. By offering improved access to all Allianz products irrespective of the sales channel, we intend to make ourselves more attractive to precisely this growing group of individuals whose decisions are entirely self-determined.

More than ever, customers want to know that their insurance provider will be there when they are needed. Our ability to weather the storms on the financial markets, helped by our strong capital base and rigorous risk management, demonstrated once again that Allianz embodies precisely what customers want – a reliable and highly trusted partner.

Management Priorities

For the next three years we have set the following priorities with the intention of delivering the "Best of Allianz " at all times:

1. Become the partner of choice for all stakeholders
2. Drive profitable growth
3. Strengthen our competitiveness
4. Increase market and customer focus
5. Maintain capital management discipline

Become the partner of choice for all stakeholders

We can only continue to thrive if Allianz manages to balance the interests of all of our key stakeholders: customers, employees, investors and the public.

Our customers have to be our priority. We have been on the path to a more customer-focussed organization for a few years and the implementation of our target operating model puts market management and customer value at center-stage. While customer preferences and service models may vary across markets, it will be essential for us to further strengthen customer value on a global basis. And the economic crisis has once more underlined the growing attention on "value for money" and better customer advice and services at all points of contact. Allianz' continuing efforts in these domains will further strengthen our brand, already trusted for competence, security and stability.

In order to assure our progress we are constantly measuring our customers' satisfaction and their willingness to recommend our services. Moreover, we are regularly measuring the strength of our brand from awareness down to actual purchasing behavior.

We cannot excel in customer service and market success without the support and commitment of our employees. We are strongly investing in our talent pool, providing local and global opportunities for personal and institutional development. With our annual leadership culture and employee engagement surveys we are measuring staff development progress globally and regularly. In addition, we are going to achieve both better talent development and higher productivity through the roll out of our workforce planning approach, optimizing skill demand and supply on a consistent group-wide basis.

Only our investors provide us with the capital necessary to grow our businesses. In these times of high uncertainty we must strive not only to protect their investments but continue to provide attractive returns and dividends. This matters even more as, during the crisis, our industry as a whole has unduly suffered from a reduction in investors' confidence. We are constantly monitoring investors' sentiment and are striving to address their suggestions and concerns in a timely fashion. Our disclosure practices are constantly kept at a best practice level and our investor relations efforts have repeatedly been rated at the top of the class.

No enterprise can survive without the support of society. At Allianz, Corporate Social Responsibility (CSR) is not a slogan. For many years we have been on the forefront of the climate debate and driving the development of sustainable investment practices. The results are speaking for themselves: We have been ranked the leading insurer in the Dow Jones Sustainability Index in 2006 and 2007, remaining under the top two positions in 2008 and 2009. Allianz Group has also been included in the FTSE4Good Index since 2001. Going forward, we will further drive our CSR agenda to reflect even higher public attention to carbon emission control, financial literacy and especially better financial advice.

Drive profitable growth

With more than 5 % revenue growth we have clearly achieved our growth target in 2009. And this despite a contraction of global gross domestic product (GDP) of 2 % and a continuing severe soft cycle in a number of our core property-casualty markets.

For the next three years we plan to strengthen our drive for profitable growth.

In property-casualty we will only grow where target margins can be achieved. But we will also work more aggressively across our distribution formats to increase sales productivity and customer retention. Adjusting management and sales incentives to more clearly reflect our aspiration to achieve continuous net growth in profitable clients will become a key success factor.

In life/health insurance we can build on a strong capital position, growing asset base and attractive new business margins. As in property-casualty we will not write business to create top line only. We are committed to drive value growth and we are going to leverage our retirement and risk management expertise on behalf of those clients and distribution partners who reward competence and financial stability.

Our strategy has served us well in asset management where we are diversifying revenues and risks into different asset classes with an overweight in fixed income investments and regions. With the significant growth in assets under management in 2009, our highly esteemed fixed income expertise, competitive equity track records and dedicated distribution capacities we are strongly positioned for further profitable growth.

Across all our businesses and geographies we need to strengthen our ability to access new sources of profitable growth. Both in mature and developing markets our opportunities are and will remain plentiful, whether through helping to fund our growing pension deficits, providing state-of-the-art asset accumulation products or offering effective risk transfer solutions in an environment of decreasing financial security.

Strengthen our competitiveness

Building a truly customer-focused organization also calls for a higher level of efficiency and cost discipline. New technologies allow for better and more reliable customer service at lower costs. Allianz will continue adapting its business models, products and customer interactions accordingly. Hence we are going to accelerate our efforts to drive efficiencies, reduce complexity and leverage new web-based technology along the entire value chain in order to achieve productivity benchmarks.

While efficient operations are indeed a necessity for future competitiveness, we win or lose in the market place through our ability to price, underwrite and manage risks better than others. Through our sustainability programs we have laid the foundation for excellence in global underwriting and claims management.

Continuing softness in a number of our core property-casualty markets reinforces the need to carefully trade off customer retention and margin protection. And the experience of 2009 has shown clearly that the combination of global GDP contraction and falling short term interest rates can significantly impair our value creation in property-casualty. Going forward, we are committed to attain our target combined ratio of 96% over the cycle and further strengthen our solid reserve position.

In life/health insurance we are going to leverage our leading position to manage biometric risks and financial guarantees even more systematically for superior value growth. We carefully steer new and in-force business with market consistent metrics and incentives, avoiding bets on excess asset returns and volatility.

In asset management we plan to accelerate business growth by further investing in distribution, risk management, technology, innovative products and solutions, also leveraging out strong life pensions know-how. Our competitive bar remains top quartile positions versus our peers in product quality, customer loyalty and shareholder return over a full market cycle.

And across all businesses we are careful to avoid markets and business models which appear to generate revenue and accounting earning growths, but do not create economic value.

Increase market and customer focus

We have created the foundations for Allianz to become a customer-centric organization through our customer focus and innovation programs. Going forward we are further strengthening our customer segmentation and the delivery of segment-specific offerings.

At all important points of contact, we are measuring the propensity of our customers and distribution partners to recommend our products and services to others. And we have been tying our frontline managers' incentives to systematically improving the service experiences of our clients.

Beyond executing on the delivery of continuous improvement of the customer experience, we are working to improve our ability to retain and grow market and customer segments with attractive margin and growth characteristics.

Furthermore, we are creating a channel architecture which allows customers and distribution partners to experience more targeted value propositions, service offerings and price positions which are easy to understand and consistently delivered.

Maintain capital management discipline

To date we have successfully steered Allianz through one of the most severe financial crises ever. Our solvency is strong and our capital base grew almost 20% to more than € 40 billion. We have further strengthened our risk management function and de-risked our investment portfolio to appropriately adjust to the rising uncertainty in the real economy. Our "AA" rating is sound and stable.

Under the conditions of a "New Normal" economic regime we have continued to protect our net asset value and carefully balance cash generation and investment opportunities. Moreover, we are managing the transition to the new Solvency II framework. And we are leveraging this process to place state-of-the-art risk management technology into the hands of our business leaders for even better day-to-day decision making.

We are further integrating our global investment, capital, accounting and cash management functions at the holding level to more strongly leverage our scale. By pursuing our five management priorities together with the adherence to our fundamental principles, we continue to grow the value of Allianz significantly.

Finally, in order to reinforce these objectives we have tied managements' qualitative and quantitative targets and incentives to these priorities and principles in a holistic and consistent way.

Fundamental Principles

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

Expertise

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

Integrity

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

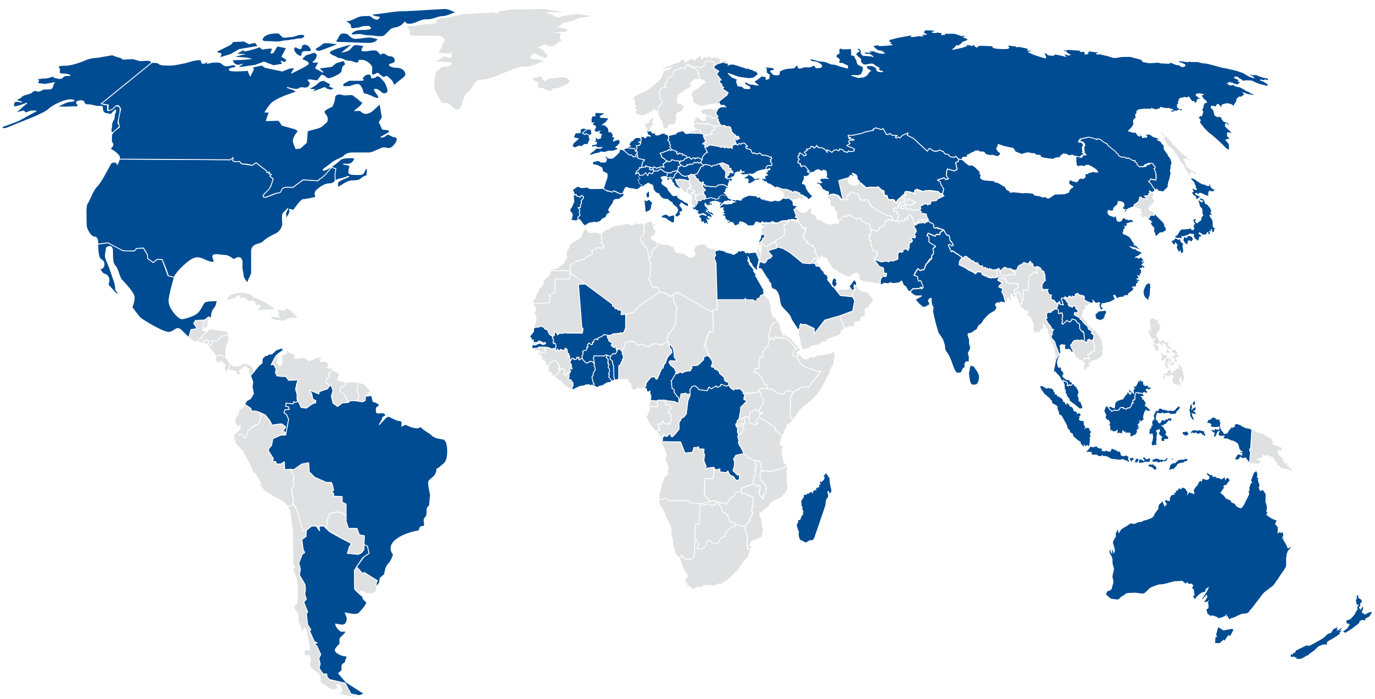
Sustainability

We achieve long term success by taking advantage of the major growth opportunities that present themselves to Allianz. The current environment is confirmation that the need for robust and highly ethical investment and insurance services will continue to grow strongly.

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

Local Presence and Global Diversification

As a global financial services provider we offer insurance and asset management products and services to approximately 75 million customers in about 70 countries. Allianz has a strong international prescence and is among the top five in 32 markets.



Our Business Divisions

Insurance German Speaking Countries

Countries	Segments		
Germany	■	■	■
Switzerland	■	■	
Austria	■	■	

Insurance NAFTA Markets

Countries	Segments		
Mexico	■	■	
United States	■	■	

Global Insurance Lines & Anglo Markets

Countries / global insurance lines	Segments		
United Kingdom	■		
Australia	■	■	■
Ireland	■		
Allianz Global Corporate and Specialty	■		
Credit Insurance	■		
Reinsurance	■	■	
Allianz Worldwide Care		■	

■ Property-Casualty ■ Life/Health ■ Banking

Insurance Europe

Countries	Segments		
Italy	■	■	■
Spain	■	■	
Portugal	■	■	
Greece	■	■	
South America			
Argentina	■		
Brazil	■	■	
Colombia	■	■	
Turkey	■	■	
France	■	■	■
Belgium	■	■	
Netherlands	■	■	
Luxembourg	■	■	
Africa			
Benin	■		
Burkina Faso	■	■	
Cameroon	■	■	
Central Africa	■		
Ghana	■		
Ivory Coast	■	■	
Madagascar	■		
Mali	■		
Senegal	■	■	
Togo	■		

Insurance Growth Markets

Countries	Segments		
Asia-Pacific			
Brunei	■		
China	■	■	
Hong Kong	■		
Indonesia	■	■	
Japan	■	■	
Laos	■	■	
Malaysia	■	■	
Singapore	■		
South Korea		■	
Taiwan		■	
Thailand	■	■	
New Europe			
Bulgaria	■	■	■
Croatia	■	■	
Czech Republic	■	■	
Hungary	■	■	■
Kazakhstan	■		
Poland	■	■	■
Romania	■	■	
Russia	■	■	
Slovakia	■	■	
Ukraine	■		
Middle East and North Africa			
Bahrain	■	■	
Egypt	■	■	
India	■	■	
Lebanon	■	■	
Pakistan		■	
Saudi-Arabia	■	■	
Sri Lanka	■	■	

■ Property-Casualty ■ Life/Health ■ Banking

Asset Management

Countries	Client Segments
America	
United States	■ ■
Canada	■
Europe/Middle East	
Germany	■ ■
France	■ ■
Italy	■ ■
Portugal	■ ■
Spain	■ ■
Switzerland	■ ■
Austria	■ ■
Netherlands	■
UK	■ ■
Nordics	■
Middle East	■
Asia-Pacifics	
Japan	■ ■
Hong Kong	■ ■
Taiwan	■ ■
Singapore	■ ■
South Korea	■ ■
China	■ ■
India	■ ■
Australia	■ ■

Travel Insurance and Assistance Service

Via Mondial Assistance Group, we are the worldwide leader of travel insurance and assistance services, based on turnover[1]. Mondial Assistance is one of our fast growing entities, entering new markets and successfully developing highly sophisticated new products. Some services provided by Mondial are sold with our insurance products, thus enriching our global portfolio.

[1] Source: Own estimations based on published annual reports from 2008.

■ Retail ■ Institutional

Our Largest Insurance Markets and Companies

For us, globalization is more than just a buzzword; it is rooted in the reality of our day-to-day business. We are confident that we can best strengthen and build upon our market position in established markets, and participate in rapid growth in the emerging markets, by adhering to high standards worldwide. In general, our legal entities are organized by country. Additionally, we also have global insurance business lines such as Allianz Global Corporate & Specialty, Mondial Assistance Group, Credit Insurance, Reinsurance and Allianz Worldwide Care. Our local legal entities and our global lines are grouped in different business divisions.[1)]

Insurance German Speaking Countries

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums[2)]	Statutory gross premiums written	Operating profit	Number of customers[3)] (mn)	Proprietary networks[4)] (thou)	Number of brokers (thou)	Number of employees (thou)
Germany	I.	36% 64%	I.	74% 26%	€ 27,460 mn	€ 1,568 mn	19.6	15.4	10.4	29.0
Switzerland	II.	48% 52%	III.	43% 57%	€ 2,673 mn	€ 193 mn	1.0	1.1	0.6	2.3
Austria	II.	44% 56%	III.	76% 24%	€ 1,335 mn	€ 100 mn	1.1	1.4	0.9	2.9

Property-Casualty Life/Health Market position by gross premiums written[5)]: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. not in the top 10

Germany

We operate in the German insurance market mainly through our insurance companies Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). In addition, in 2009 Allianz in Germany (including Oldenburgische Landesbank AG) began to offer a variety of banking products. The Allianz Beratungs- und Vertriebs-AG serves as a distribution company. All entities are organized under the umbrella of the holding company Allianz Deutschland AG.

As the market leader in the German property-casualty market, we offer a wide variety of insurance products for private and business clients. Germany is rather a mature market for property-casualty business, with a high degree of competition. We expect the market to remain challenging in 2010 with a decrease in premiums especially in motor. Therefore, our key challenge is to maintain profitability by enforcing a strong underwriting discipline as well as effective claims management. We will furthermore expand our sales capacity and extend our cooperation with the automobile industry.

For life insurance, we are active in the private and commercial markets and offer a comprehensive range of life insurance and related products. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension arrangements and defined contribution plans. For our life business, we anticipate strong growth opportunities as we see an increasing demand for private retirement products and retirement provisions in general.

Through Allianz Private Kranken, we provide a wide range of health insurance products, including full private health care coverage, supplementary health and care insurance as well as foreign travel medical insurance. Our health insurance business with its two basic products – full health care coverage and supplementary insurance – will be impacted by the German health care reform in the coming years. We expect the demand for full health care coverage to grow slightly. However, we believe that supplementary insurance

1) For further information on the business division structure of the Allianz Group please refer to page 57 to 62.
2) We define IFRS-premiums as "traditional" and deposits from insurance and investment contracts as "non-traditional". This applies also for the following pages.
3) Customer figures are not directly comparable to financial figures. In addition, Country specifics are excluded (e. g. Microinsurance Clients, Pension Funds Clients and Pet Plan Clients). This applies also for the following pages.
4) Including agents and financial advisors. This applies also for the following pages.
5) Source: Own local estimations as of 2008. This applies also for the following pages.

will further increase. The strategic cooperation of Allianz Private Krankenversicherungs-AG with the newly formed KKH-Allianz, resulting from the merger of Allianz Betriebskrankenkasse with the Kaufmännische Krankenkasse (KKH), extended our sales channel for supplementary products.

In order to further strengthen our German market position, we intend to further develop our customer-focused organization and aim to provide our clients with more integrated products from all our segments for every stage of their lives. Our products are distributed mainly through a network of full-time tied agents, although distribution through our new bank agencies and brokers is increasing. From 2010 onwards, Commerzbank will be a further sales channel for Allianz products.

Switzerland

We serve the Swiss property-casualty market through Allianz Suisse Versicherungs-Gesellschaft, Alba Allgemeine Versicherungsgesellschaft AG, Phenix IART, CAP Rechtsschutz AG and Quality 1 . The biggest and most important line of business in property-casualty is motor with a market share of 15%. Besides motor, property, liability, accident and health are part of our broad product range which we offer to private and commercial customers. In 2009, the property-casualty market was highly affected by strong price pressure, especially in motor. With the implementation of the "FIT for the future" program, the focus has been set on improving customer focus and on a new cost efficient structure which is compliant with the Group's target operating model. We expect the market to remain soft in 2010. We will remain focused on profitability and expect to return to a growth path in 2011.

We conduct our life operations in this region through Allianz Suisse Lebensversicherungs-Gesellschaft and Phenix Vie. In the life market, we provide a wide range of individual and group life insurance products, including retirement, death and disability products. In 2009 we observed a shift in the market from unit-linked to traditional products with minimum guarantees. We were able to overcompensate the pressure on the unit-linked products and outperformed the market in both individual life and group life products. With the need for financial precaution increasing and the high levels of disposal income and per capita wealth in Switzerland, we believe that the market environment there offers further potential for growth in our retirement and investment products. For 2010 we expect growth opportunities in the individual life business, as group life could suffer from the economic downturn.

We expect the Swiss insurance market to remain competitive. However, we also expect to take advantage of our efficiency, effectiveness and distinct customer focus. In life as well as in property-casualty, we will offer new and innovative products to our customers. It is worthy of note that we extended our range of products through the direct sales channel Allianz24.ch

Austria

With our Austrian companies Allianz Elementar Versicherungs-AG and Allianz Elementar Lebensversicherungs-AG, we offer a broad range of property-casualty and life/health products to individual and group customers primarily through salaried sales forces, tied agents and brokers.

The Austrian property-casualty market is very competitive. In 2009 Allianz Austria and all peers faced a significant decline in premium volumes and deterioration in profitability. Drivers were strong price pressure in motor and the brake put on the indexation of existing business bylow inflation. We believe this unfavorable development will continue in 2010 when we will put our short term focus on maintaining our good levels of profitability and benefiting from our excellent technical know-how.

In Austria we offer traditional life/health insurance contracts, government subsidized products as well as unit-linked investment-oriented products. In 2009 we observed a substantial decline in growth due to a shortfall mainly in unit-linked products and sales via Independent Financial Advisors. Nevertheless, Allianz Austria remains in a good position within the peer group in terms of growth and profitability. We believe 2010 will still be impacted by the recession, higher unemployment and an increase in bankruptcies, but we anticipate further mid-term growth potential due to an increasing demand for retirement products.

Allianz Austria will continue to put profitibility first and we believe that there is a good mid-term growth potential for the Austrian market, when financial market conditions improve further.

Insurance Europe

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
Italy	II.	59 % / 41 %	II.	9 % / 91 %	€ 12,854 mn	€ 591 mn	6.1	17.2	0.5	5.7
Spain	II.	61 % / 39 %	IV	49 % / 51 %	€ 3,049 mn	€ 408 mn	3.3	6.9	4.2	2.4
France	II.	43 % / 57 %	III.	42 % / 58 %	€ 10,667 mn	€ 688 mn	5.2	5.9	1.8	12.9
Netherlands	III.	61 % / 39 %	III.	45 % / 55 %	€ 1,270 mn	€ 100 mn	1.3	—	6.6	1.3

■ Property-Casualty ■ Life/Health   Market position by gross premiums written: I. Position 1   II. Position 2 to 5   III. Position 6 to 10   IV. not in the top 10

Italy

We serve the Italian market predominantly through Allianz S.p.A , which is the company dedicated to our agent channel. Besides our agents network, we distribute our products through Genialloyd (a leading company in direct business), Allianz Bank, with its associated Financial Advisors network (one of the top 5 in the market) and the bancassurance channel (Unicredit as main partner).

The most important line of business in property-casualty is motor. We also have a strong presence in fire, general liability and personal accident insurance. In 2009, pricing in the motor market was under heavy pressure reflecting the technical impact of the Bersani law while distribution costs have increased considerably (on account of the same new law). At the same time, claims costs also increased due to the new Milan indemnification tables for bodily damages. The negative impact of market developments has been mitigated by savings realized through synergies from integration of further entities into Allianz S.p.A., and prudent underwriting. We expect for 2010 a general market hardening, with insurance companies strongly increasing tariffs to recover profitability. That will allow us to re-start growth and further improve our combined ratio, which is already considerably better than the market average.

The life market has rebounded after 2008, particularly in the bancassurance business, by far the predominant sales channel. Here we could benefit from our strong distribution partners. We believe that there is potential for growth in the Italian life market, as financial market conditions improve. We are ready to benefit from this and in particular to exploit high-value growth in our proprietary sales channel (agents and financial advisors).

We expect the Italian property-casualty and life market to remain very challenging. However, we also expect to benefit from our technical know-how, IT infrastructure and strong brand. We continue to focus on customer service, efficiency enhancement and adherence to profitable underwriting in property-casualty. In life/health as well as in property-casualty, we will seek to deliver further product innovations to our customers.

Spain and Portugal

We serve the Spanish property-casualty market through our operating entities Allianz Compañía de Seguros y Reaseguros S.A. and Fénix Directo S.A. Life products are provided through Allianz Compania de Seguros y Reaseguros S.A. and Eurovida, our joint venture with Banco Popular. Our Portugese company is Allianz Companhia de Seguros.

Besides motor, which is our largest line of business, we offer products for property and liability protection, life and health coverage in both Spain and Portugal, as well as workers compensation in Portugal only. We distribute our products through more than 11,000 agents and brokers in Spain, and more than 3,600 in Portugal. In both countries, we also rely on bank distribution partners such as Banco Popular in Spain and BPI in Portugal.

In 2009, Spain and Portugal were severely hit by the economic recession. The property-casualty market was most affected by the crisis in both countries. While the Spanish life/health market grew, the market decreased in Portugal where customers preferred bank products over insurance investment products.

In our property-casualty business, stiff price competition in the motor and commercial insurance markets and lower client turnover in the sectors most affected by the crisis were addressed with a cautious underwriting policy and further efficiency improvements. This includes the implementation of a single IT platform for Spain and Portugal, which allowed our companies to grow their customer base while maintaining competitive levels of profitability.

Our life/health companies managed to capture market opportunities through the launch of innovative investment products and successful individual pension solutions, marketed both through the agent and bank channels.

The Iberian region is expected to recover more slowly than other Euro countries from the economic crisis. Spain will have to deal with a high rate of unemployment and a depressed construction sector, once its growth driver. Uncertain economic perspective and budget deficit are further burdens for both countries. In Spain, the so-called "crisis package" supporting new car sales should allow us to further grow our customer base in the first half of 2010. In 2010, we will fully leverage our Iberian platform and further grow our customer base in Spain and Portugal by increasing our sales network.

We believe that our efficient platforms and processes, along with a strong and growing agents channel and our partnerships with banks in both countries – Banco Popular in Spain and our minority shareholding of Banco BPI in Portugal – should enable Allianz to further gain competitive edge in property-casualty and life.

France

In France we operate through Allianz France, formerly known as Assurances Générales de France (AGF) Group, a major participant in insurance and financial services. Our sales force of more than 2,200 agents, 2,700 life consultants, 350 health consultants, 1,200 brokers, more than 1,000 independent financial advisors and many partnerships serves more than 5 million clients. In September 2009, AGF was successfully re-branded to Allianz France. Allianz activities in France encompass many areas, including property-casualty insurance, life/health insurance, asset management and banking.

The broad range of Allianz-branded property-casualty and life/health products for both individuals and corporate customers, including property, injury and liability insurance as well as short-term investment and savings products, are distributed primarily through a network of agents, brokers, partnership channels and salaried sales forces. In addition to the traditional sales channels, in 2009 we started to distribute our products through the new direct sales channel AllSecur. We also market our products through Allianz Banque, formerly AGF Banque.

The French property-casualty market has seen limited growth in recent years and was significantly impacted by natural catastrophes in 2009. Therefore, we focus on maintaining operating profitability and triggering tariff adjustments for 2010, including for major mutual companies, while simultaneously implementing selective initiatives aimed at generating growth. In 2009, we maintained our focus on reducing costs by rationalizing the structure of the company. This is planned for completion by 2011. In 2010, we will introduce 32 new actions in accordance with our strategic plan based on four main topics, financial & technical performance, profitable growth, operational excellence and performance culture.

We consider the life business to be a growth area. However, a highly competitive market imposes continuously increasing demands on product innovations. As with property-casualty, we focus on operating profitability.

Netherlands

The most important lines of property-casualty business in the Netherlands are motor and fire insurance. Allianz Nederland Group N.V. distributes its products through brokers and a direct sales channel. In 2009 we extended the range of products of our direct insurance business. In the Netherlands, we also offer a broad range of life insurance products.

The Dutch insurance market is characterized by intense competition. Here we expect continuing pressure on the motor tariffs. The Dutch unit-linked market suffered from discussions in the media about the transparency of cost loadings, which raised the pressure on new business profitability.

Belgium

Allianz Belgium S.A. markets a wide range of life and property-casualty insurance products. As we distribute our products and services only through brokers, winning the Brokers Award and being designated by them as their reference life insurance company in 2009 is a strong symbol of trust and a major achievement. For the fifth time in six years, Invest for Life, our leading life product, was nominated best life insurance product in 2009. Our new motor insurance product launched in 2008 was favorably selected by more and more brokers in 2009.

Turkey

We serve the Turkish market by our entities Allianz Sigorta A.S. and Allianz Hayat ve Emeklilik A.S. In January 2009 we successfully launched the Allianz brand.

We offer a wide variety of property-casualty products, both in retail markets (distributed mainly via agents) and in commercial markets (distributed mainly via brokers). We also provide life insurance and pension solutions to our customers.

We expect the Turkish insurance market to return to its growth path in the near future. We will seek to increase our distribution base and to provide innovative insurance solutions to our customers. In 2009 we successfully built-up our distribution capacity with new partners, such as HSBC.

South America

In South America, we are present in three countries: In Brazil with Allianz Brazil Seguros S.A., in Colombia with Aseguradora Colseguros S.A. and in Argentina with Allianz Argentina Compania de Seguros S.A.

In all three markets, Allianz is focused on property-casualty with motor generally being the largest individual line of business.

In both Brazil and Colombia, we are also one of the leading health insurers. Additionally, we also offer life insurance in Colombia. Distribution is primarily done via brokers.

We believe that the markets in which we are present in South America offer the potential for future growth. We expect an increase in insurance demand.

Africa

In Africa we serve the market through Allianz Africa, formely known as AGF Afrique, the specialist of Allianz in sub-Saharan Africa.

We are present in ten sub-Saharan countries with our local subsidiaries, including 400 employees and additional partners in bordering countries. We serve the market via a multi-channel distribution network consisting of agents, local and international brokers, as well as direct and bancassurance partnerships. With this capacity, we provide both insurance and reinsurance coverage. We offer property-casualty products in all African countries where we are present. Life products are offered by our operating entities in Burkina Faso, Ivory Coast, Cameroon, Madagascar and Senegal.

One of our main achievements in 2009 was the opening of a property-casualty subsidiary in Ghana.

We intend to consider further business opportunities in Africa when appropriate.

Insurance NAFTA Markets

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
United States	IV.	6% / 94%	IV.	12% / 88%	€ 10,028 mn	€ 911 mn	1.5	—	30.0 [1]	5.3

Property-Casualty Life/Health Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. not in the top 10

United States

Our property-casualty insurance business in the United States is conducted through Fireman's Fund Insurance Company (Fireman's Fund) as well as the U.S. operations of Allianz Global Corporate & Specialty (AGCS). Our life and annuity business is run through Allianz Life Insurance Company of North America (Allianz Life U.S.).

Through Fireman's Fund, we underwrite personal, commercial and agribusiness lines, selling these products through independent agents and brokers. Our personal business unit focuses on affluent and high net worth individuals, while our commercial business unit offers specialized property and casualty coverage for small and medium-sized businesses. Our agribusiness unit offers crop, farm and ranch insurance.

Overall, the U.S. property-casualty insurance market experienced a benign year which was mainly due to a relatively mild catastrophe season in 2009 and favorable investment market developments. Market conditions for the U.S. property-casualty business remained challenging and, in aggregate, price levels continued to decline in 2009, although at a steadily slowing rate over the course of the year.

In order to better capitalize on our experience in the U.S. property and casualty business, we are in the early stages of an investment in our systems infrastructure. We are doing this to further increase efficiency and make it easier to do business with us. We will leverage these capabilities to expand our presence in the small commercial as well as personal motor and property markets. Here our product offerings have grown as we released our first general market property and motor products, both branded under the Allianz name. Along with our continued focus on niche market strengths, these actions will allow us to address a significantly larger part of the market and provide additional attractive growth opportunities.

However, we expect market conditions to remain challenging in 2010. The soft-market has persisted longer than many expected, with revenues further pressured by economic conditions and lower exposures. Whilst pricing has declined at a slower rate, claims inflation will continue to exert pressure on underwriting results. On the other hand, as economic conditions improved in 2009, there is less pressure on the contribution from investments to our results.

Our life and annuity business primarily underwrites fixed, fixed-indexed and variable annuities, which are sold through independent distribution channels, as well as large financial institutions such as banks and wirehouses.

Market conditions for the U.S. life insurance industry remained challenging in 2009. The industry as a whole reacted to the economic crisis by re-designing their product offerings, in particular the Variable Annuity products. Our life insurance business in the U.S. made significant changes to its product portfolio this year, with the aim of continuing to create and offer value-added products to help our customers address their financial needs, particularly in the retirement market.

We expect the U.S. life insurance market to remain challenging in 2010. Whilst the U.S. industry is past the worst of the turmoil, we expect life insurance sales to recover only gradually, particularly in the annuity market. We continue to believe that the U.S. demographic development presents a compelling opportunity in the retirement market. In addition, to position ourselves for this opportunity we will further strengthen our distribution network and value proposition to our policyholders.

[1] Including brokers and independent agents.

Global Insurance Lines and Anglo Markets

Selected markets		motor/non-motor as % of total property-casualty gross premiums	traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
Australia	II.	47% 53%	—	€ 1,607 mn	€ 235 mn	2.9	—	1.5	3.4
United Kingdom	III.	27% 73%	—	€ 1,783 mn	€ 230 mn	1.0	—	5.3	4.2

■ Property-Casualty ■ Life/Health Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. not in the top 10

Australia

The large majority of our property-casualty business in Asia-Pacific is generated by Allianz Australia, which serves the Australian and New Zealand markets. Since 2006, Allianz has sold life insurance products in Australia under the company name Allianz Australia Life Insurance Ltd.

Our Australian insurance operations include a variety of products and services, with strong positions in the workers' compensation market, as well as in rehabilitation and occupational health, safety and environment services. We also operate in certain niche markets, including premium financing and pleasure craft insurance. Allianz Australia markets products through brokers and non-tied agents, as well as directly to customers. Further, we expanded our premium financing business to include receivables financing.

In Australia, market conditions remain competitive. All insurers have begun reacting to lower profitability and decreasing investment returns, resulting in increasing insurance rates across all classes of business. This pattern is expected to continue into 2010.

Ireland

In Ireland, Allianz p.l.c. offers a wide variety of property-casualty products for both commercial and private customers. The products are distributed through brokers, banks and direct channels (internet and telephone based). We continued to promote the growing direct channel with enhanced mobile phone and internet offerings during 2009.

The fall in economic activity in the Irish economy had a material impact on market premium and renewal levels. In 2009, markets hardened slightly but rates remained at unsustainable levels in certain lines. We faced strong price competition throughout the year.

Allianz instituted a restructuring program in 2009 to reflect the impact of this challenging environment in the local market. Price correction in personal lines should gain pace during 2010 in light of severe weather-related events at the end of 2009. However, the anticipated lag in the recovery of Ireland's economic position compared to other countries may remain a challenge for commercial business in 2010. An improved rating environment, coupled with our continued focus on the customer, process efficiencies and cost control should lead to improved results in 2010 and a very competitive position for Allianz Ireland in advance of a return to economic growth in Ireland.

United Kingdom

We serve the market in the United Kingdom primarily through our subsidiary Allianz Insurance plc. In 2009, we focused on enhancing the new retail division for personal and specialty products in order to better serve our customers.

We offer a broad range of property-casualty products, including a number of specialty products, which we sell to retail and commercial customers through a range of distribution channels, including affinity groups. In 2009, we agreed partnerships with major car manufacturers like BMW, Volkswagen and Audi Group as well as with car retailers.

Operating in a highly competitive market, Allianz Insurance plc continues to concentrate on active cycle management in order to support operating profitability. We seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in areas which do not offer an adequate risk return.

Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty is the dedicated insurer for corporate and specialty clients in numerous industries and countries around the world. We operate our corporate and specialty business in approximately 70 countries. Through Allianz Global Corporate & Specialty, we offer property, liability and engineering insurance solutions to large corporate clients as well as specialty coverage, like marine, aviation, energy, global automotive and financial lines.

We continue to combine our international corporate and specialty business under a single structure and framework, thereby managing a diversified portfolio of risk management solutions and services while realizing synergies and increasing efficiency. During 2009 we integrated the U.S. marine business from Fireman's Fund and the French corporate & specialty portfolio from Allianz France. Furthermore, we started to expand our operations and reach into Asia beginning with Japan, and have initiated underwriting activities in Brazil and Mexico. Additionally, Allianz Global Corporate & Specialty works closely with Allianz Risk Transfer to develop and deliver customized non-traditional risk transfer solutions for complex risks.

While 2009 was a profitable year, there were a number of large losses, particularly in aviation resulting from well-publicized events worldwide. Large losses, however, are an inherent and expected occurrence in corporate and specialty business. Overall, our outlook remains positive while we further expand our reach around the world. We expect the market for corporate and specialty, as a whole, to be stable in terms of pricing with rates particularly strong in aviation and financial lines.

Credit Insurance

Through our subsidiary Euler Hermes, the global leader in credit insurance[1], we underwrite credit insurance in major markets around the world. Euler Hermes provides enterprises with protection against the risk of non-payment of receivables and insolvency. Additionally, Euler Hermes has developed a comprehensive range of services for the management of companies' accounts receivables.

In 2008 and 2009, we saw significant deteriorations of the credit insurance market with high losses due to the global financial crisis. This has led to the need to implement much more restrictive underwriting rules and to cut extensively exposures in higher risk classes, which has reduced our total premium volume. In 2009, our credit business was extensively re-priced to counteract the negative effect of the financial crisis. As a safety net, we have increased our reinsurance cover. The commercial and risk action plans taken in 2009 will produce their full impact in 2010 and should generate a significant improvement of Euler Hermes' financial results.

We consider that the recovery of the world economy in 2010 will remain fragile as internal demand in all major industrialized countries is weakened by rising unemployment and insecurity among consumers fearing the loss of purchasing power. The direct consequence of the weak recovery scenario is that corporate insolvencies, which already reached a historic peak in 2009, will continue to stay at very high levels in 2010. Nevertheless, even if Euler Hermes needs to remain prudent in the current environment, it will support its policyholders in this economic recovery phase by increasing its risk exposures whenever it can afford to.

For credit insurance, we see growth potential in Europe, North America and the emerging markets. By providing high quality services, maintaining a comprehensive information database, and high financial strength rating, Euler Hermes aims to consolidate its leadership.

Allianz Worldwide Care

Allianz Worldwide Care (AWC) is our specialist health insurer based in Dublin offering international health products to expatriates worldwide and to high net worth individuals in emerging markets. We retail our products mainly via brokers and agents, but also have a direct internet and call center offering. 2009 was another year of growth for AWC. Healthy levels of profitability were maintained via a tight control on expenses, rigorous underwriting discipline, and implementing process improvements, all of which should have AWC well positioned for 2010.

[1] Source: Own estimate based on information from International Credit Insurance and Surety Association, ICISA.

Insurance Growth Markets

Selected markets		motor/non-motor as % of total property-casualty gross premiums		traditional/non-traditional as % of total life statutory premiums	Statutory gross premiums written	Operating profit	Number of customers (mn)	Proprietary networks (thou)	Number of brokers (thou)	Number of employees (thou)
South Korea	—		III.	45 % 55 %	€ 1,440 mn	€ 61 mn	1.2	6.1	0.5	1.6
Taiwan	—		III.	7 % 93 %	€ 1,782 mn	€ 17 mn	0.3	6.9	8.0	0.5
Malaysia	I.	43 % 57 %	III.	97 % 3 %	€ 422 mn	€ 45 mn	2.1	5.9	1.8	1.5
Indonesia	III.	31 % 69 %	III.	45 % 55 %	€ 318 mn	€ 20 mn	0.6	12.1	—	0.9
Hungary	I.	68 % 32 %	II.	52 % 48 %	€ 578 mn	€ 77 mn	1.8	1.8	0.5	2.3
Poland	II.	53 % 47 %	III.	43 % 57 %	€ 800 mn	€ 28 mn	1.2	4.3	—	1.1
Russia	II.	34 % 66 %	IV.	100 %	€ 702 mn	€ 19 mn	0.8	19.7	0.9	8.2

■ Property-Casualty ■ Life/Health Market position by gross premiums written: I. Position 1 II. Position 2 to 5 III. Position 6 to 10 IV. not in the top 10

Asia-Pacific

We consider Asia-Pacific to be one of our major growth regions, and our operations there to be among the leading international players. Allianz has been present in the region since 1917, when we began providing fire and marine insurance in the coastal cities of China. Today, Allianz is active in all key markets of the region, offering its core businesses of property-casualty insurance, life/health insurance and asset management. With more than 13,000 employees, Allianz serves over 5.5 million customers in the region. We offer a full suite of products through our distribution network of approximately 70,000 agents in the region. In most countries we operate through multiple distribution channels.

In the Asia-Pacific region we maintain property-casualty operations in Malaysia, Indonesia and other Asia-Pacific countries and key markets, including China, Thailand, Japan, Hong Kong, Singapore and Laos. In Indonesia, we are one of the leading micro-insurers with more than 230,000 people insured.

The majority of our life/health business in this region is written in South Korea through Allianz Life Insurance Co. Ltd. (Allianz Life Korea) and in Taiwan through Allianz Taiwan Life Insurance Company. We also maintain operations in Malaysia, Indonesia, China, Thailand and since last year also in Japan. Allianz Life Insurance Japan broadened its market reach following new distribution partnerships with several major banks.

Our South Korean operation markets a wide range of life and health insurance products – and in recent years developed a leading position in equity-indexed products. Allianz Taiwan Life sells investment-oriented products mainly through bank distribution tie-ups.

We are seeking to expand in all of our selected markets in the region through further organic growth and selected acquisitions. We will strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness. China is one of the group's three core global growth markets. In the course of our further expansion in China we opened a Branch in Shangdong in 2009. The Asian capital market recovery is ahead of the U.S. and Europe, and we see this developing further in 2010. We aim to take advantage of this opportunity by strengthening our distribution and product propositions.

New Europe

Allianz is active in 11 countries and ranks among the top 3 players in 6 of the largest markets in New Europe, serving 7.3 million customers. We offer life, health, property-casualty products as well as pension fund products and banking services. Our operating subsidiaries are located in Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Poland, Russia, Romania, Slovakia, Slovenia and Ukraine. Within two decades we have become the leading international insurer in the region with a market share of over 8%. New Europe is one of our most important growth regions in the world.

In property-casualty primary products sold are motor third party liability, motor own damage, property, liability and marine insurance lines for retail as well as commercial and industrial clients. Our motor business was seriously affected by the difficult economic conditions in 2009, in particular due to the slow-down of new car sales in most of the markets. In addition we experienced intensifying price competition in many countries. Therefore we implemented several initiatives to secure our strong market share and profitability, like new product launches, re-pricing and strict underwriting. Following our endeavors, Allianz New Europe is still well on course despite the challenging economic environment.

The fast growth of life insurance markets in New Europe slowed down in 2009. Following the capital market crisis we experienced a lack of demand due to lower available incomes as well as a shift from investment-oriented to traditional life products. In health, where the New Europe region represents the third biggest portfolio within the Allianz Group, we were confronted with strong pricing pressure, especially in Russia. Despite these trends we successfully defended our strong position. As New Europe represents one of the fastest growing insurance markets in the world we believe that the markets will soon pick up due to rising ages of population and increasing needs for financial security including retirement, death and health products.

In 2009, our multi-distribution approach once more turned out to be a solid pillar of our business activities. We will continue to enhance our distribution model using new and existing channels with a special focus on the build up of our tied agents sales force as well as new innovate approaches, like the integation of our tied agents units with our bank branches in Poland. Furthermore we plan to keep the existing focus on process optimization and tight cost control in all of our markets. In Life we plan to strengthen our bancassurance business with diversified bank partners and our own Allianz Banks. We believe that market conditions will be more competitive in the future, but despite the challenging economic environment in New Europe we are confident of continuing our growth and success story in a region that still shows enormous potential for the future.

Middle East and North Africa

To extend our worldwide presence and to set the course for further growth, we established entities in the Middle East/ North Africa (MENA). The central office in Bahrain directs Allianz units in Egypt, Lebanon, Pakistan, Saudi Arabia, Bahrain, Qatar, India and Sri Lanka.[1)]

Allianz in India is ranked second, based on gross premiums written, in property-casualty and life business among private insurance companies. India is by far the largest premium contributing country for Allianz in the MENA region, writing more than 90% of total gross premiums written. With our multi-channel distribution, and with our 153,000 agents working for us, we serve our customer base of around 14 million clients in 2009 through commercial, industrial and retail business. We reach more than 2.5 million insured people with our micro-insurance products. The direct channel is growing in importance, therefore we recently started to sell a customized unit-linked product through the internet. Despite a more intensified competition, with our strategy of promoting our distribution channels, product innovations and customer segmentation we aim to outperform the market and gross domestic product growth in 2010.

1) In 2009, India and Sri Lanka were part of MENA section, from 2010 onwards India and Sri Lanka are directed via Singapore as part of the Asia-Pacific section.

Through Allianz Egypt and Allianz SNA (Lebanon) we offer both, property-casualty as well as life/health products. Allianz Life Egypt has experienced strong growth for some time and is ranked fourth in the period 2008/2009, based on statutory premiums. Allianz SNA was among the top three companies in Lebanon in both life and property-casualty business based on gross premiums written and statutory premiums, respectively in 2009. The Lebanese and Egyptian companies provide the region with a base of experience and resources for expanding into the Arabian Peninsula.

In Bahrain, we started the Takaful business being the first international player with protection, savings, group health and property-casualty products. Takaful denominates Sharia-compliant insurance, which carries a business risk similar to conventional insurance companies, but does not comprise an insurance risk. In 2009, we branched out with Allianz Takaful Bahrain into Qatar.

We sell products via agents, banks and in property-casualty we also distribute via brokers and dealers, who are a vital part of our distribution force. In 2010, premium growth will be a challenge in many markets following the setbacks they suffered in 2008/2009. However, the focus will remain sustainable and we expect to see solid profit growth. We are continuously seeking to expand in selected markets in the region through further organic growth and selected acquisitions.

Controls and Procedures

Financial Reporting Framework

Internal Control Over Financial Reporting

In line with both a prudent risk governance structure and regulatory requirements, we utilize a system of internal control over financial reporting to identify and mitigate risks that could lead to material misstatements in the Allianz Group consolidated financial statements. These financial misstatement risks include the risk of errors occurring during the origination or processing of transactions and during the preparation of financial reports, as well as misstatements resulting from fraudulent activities. The control framework developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) serves as the basis upon which our system of internal control is designed.

Governance

Responsibility for ensuring the completeness, accuracy and reliability of the Allianz Group's consolidated financial statements rests with the Chief Executive Officer and Chief Financial Officer of Allianz SE, who are supported by the Group Financial Control department (Group Financial Control) and the Group Financial Reporting and Disclosure Committee (Disclosure Committee).

The primary role of Group Financial Control includes setting the internal control policy and determining the scope of our system of internal controls to ensure we minimize financial misstatement risk. It is also responsible for ensuring that any internal control weaknesses that are identified are remedied and for assessing the significance for the Group of the sum of weaknesses identified at the level of local operating entities.

The Disclosure Committee has been established to ensure that the Chief Executive Officer and Chief Financial Officer of Allianz SE are aware of all material information that could affect our disclosures and to ascertain the completeness and accuracy of the information provided in the financial reports. The committee meets on a quarterly basis before the issuance of financial reports and is comprised of the heads of key departments, such as Group Risk and Group Accounting.

At the local level, operating entities within the scope of our system of internal control are individually responsible for adhering to the Group's internal control policy and creating local Financial Reporting and Disclosure Committees that are similar to the Group level committee. The operating entities' Chief Executive Officers and Chief Financial Officers provide periodic sign-offs to the management of Allianz SE certifying the effectiveness of their local system of internal control as well as the completeness, accuracy and reliability of financial data reported to the Group.

Internal control approach

A top-down, risk based approach is used to establish the scope of our system of internal control. On an annual basis we conduct a combined qualitative and quantitative analysis of the Allianz Group's consolidated financial statements and disclosures to identify those accounts most susceptible to fraud or errors. Once these significantaccounts are determined, further analysis identifies those operating entities with the highest contributions toward the consolidated account balances. These are required to implement, maintain and assess a system of internal control (in-scope operating entities).

At the local level, in-scope operating entities identify processes and risk scenarios for the significant accounts defined by the Group that could lead to material financial misstatements based on a combination of the likelihood of the risk scenario occurring and the potential magnitude of any resulting error. In general, risk scenarios which are reasonably likely to occur and with a potential magnitude of greater than 1 % of the Group's consolidated pre-tax income are considered significant risks at the Group level. In addition to this quantitative threshold, qualitative considerations such as account composition are an integral part of the risk identification process. For each significant risk identified within each process, controls are in place that mitigate the likelihood and potential magnitude of a financial misstatement resulting from occurrence of the risk (process level controls).

In-scope operating entities are additionally required to maintain a certain standard of entity level controls. Entity level controls include those controls affecting an operating entity's entire internal control structure and therefore do not correspond to specific accounts. In accordance with the COSO framework, these include controls relating to the control environment of an organization, the effectiveness of information and communication flows, the risk assessment process and the ongoing monitoring of the system of internal control.

Financial reporting processes are also heavily dependent upon and driven by IT systems. Such systems are integrated into the initiation, recording, processing and reporting of financial transactions and are therefore closely linked to the overall financial reporting process. Consequently, the role of IT and its corresponding controls ("IT controls") is crucial to achieve our objective of establishing a strong system of internal control which is mandatory at all operating entities.

On an annual basis we conduct an assessment of our system of internal control by testing the effectiveness of the most important process level, entity level and IT controls.

Group Audit and local internal audit functions continuously assure the overall quality of our system of internal control through monitoring and assessing its effectiveness.

Approach to internal control over financial reporting

Scoping		Risks		Key controls		Assessment
Determination of significant accounts and operating entities to be covered by systems of internal control	→	Identification of risk scenarios that could result in a material financial misstatement	→	Identification of key controls that prevent or detect errors or fraud resulting from risk scenarios	→	Assessment of the design and operating effectiveness of key controls

Financial misstatement risk assessment

Expansion to other areas

We are currently following a strategy to establish enhanced internal control environments similar to our system of internal control over financial reporting to selected management reporting processes and other areas. By the end of 2010, for example, enhanced controls should be applied to the computation of the Market Consistent Embedded Value (MCEV). The Allianz Group management views a strong internal control environment as a key factor for successful business development and establishing the trust of external parties.

Use of Estimates and Assumptions

The results reported for the year 2009, need to be understood in the light of accounting policies chosen and estimates and assumptions used that affect the reported figures.

As an insurance company, both sides of our balance sheet have a high degree of estimation and numerous assumptions embedded in the valuation of assets and liabilities. The estimation process and selection of appropriate assumptions requires significant judgment to be applied and management decisions to be taken in order to establish appropriate values for these assets and liabilities. Likewise, the inherent uncertainties which result from using assumptions and estimates means that these values can vary from period to period due to information evolving over time. Any change in the assumptions and estimates could, in certain circumstances, significantly affect the values and results we report. In addition, the actual results achieved when these uncertainties are resolved will often differ from those values reported in prior periods.

In addition to our financial statement results, certain of our management reporting processes are subject to the same inherent uncertainties involved in using assumptions and estimates. One such process is the determination of our risk capital. The Allianz Group internal risk capital framework plays a significant role in helping us to achieve our objective of being adequately capitalized as well as supporting capital management and allocation. Similar to our accounting estimates noted above, the determination of risk capital is significantly affected by the extent of assumptions and estimates that have to be used in its calculation.

As a leading player in our industry, we understand the degree of impact of these judgments and, therefore, the crucial importance of having a strong system of governance, controls and policies in place to ensure consistency and soundness over these judgments. As such, we have established policies and procedures intended to ensure that these estimates, including the techniques used and relevant assumptions made, are adequately controlled and independently reviewed.

The estimation process can be as much art as science and most often leads to a range of possible values. While we identify our best estimate of a value within a range, others might believe that amounts higher or lower than ours might be the 'best estimate'. Additionally, you should be aware that the range of reasonable judgment in some cases may be very large. Given all of this inherent uncertainty and potentially broad ranges of possible results, we strive for consistency and generally tend toward prudence. We strongly believe that these thorough and strict policies and procedures reduce to the extent possible the subjectivity inherent in the estimation process.

Allianz Group accounting departments operate in a culture that is strongly committed to reliability. The tone from the top sets this culture which encourages open and transparent discussions, provides a venue for asking questions and admitting mistakes, recognizes experts and expertise, and respects the four eyes principle of review.

In addition, the Allianz Group has strong entity level controls which further promote a culture of good judgment and sound decision-making around accounting estimates. These include providing training programs, hiring people with the right background for the job (i.e., certified or experienced accountants, actuaries and finance professionals), providing formalized policies and procedures manuals for accounting and internal controls, creating a confidential and non-punitive avenue for complaints, and establishing reasonable targets.

In other words, the culture provides a proper environment for the operations of the Allianz Group's financial reporting and related committees. Complex accounting areas described in the section that follows are especially sensitive to the estimates and assumptions we apply. As can be understood from the following pages, we have processes and committees in place to ensure consistency and soundness of judgments. The committees, none of which are chaired by the CFO of the Allianz Group, ensure that judgmental decisions and selection of assumptions are discussed in an open setting among experts, and inconsistencies are identified and resolved.

Reserves for loss and loss adjustment expenses, insurance and investment contracts and deferred aquisition costs

Within the Allianz Group consolidated financial statements, there are three major line items related to our insurance business, all of which are very sensitive to the estimates and assumptions we make. As of December 31, 2009, the Allianz Group reported:

- reserves for insurance and investment contracts of € 322,188 million for our Life/Health operations,
- reserves for loss and loss adjustments expenses of € 64,441 million mainly for our Property-Casualty operations, including run-off business and reinsurance business assumed,
- deferred acquisition costs of € 20,623 million for both insurance operations.

The Life/Health reserves are particularly dependent on crucial assumptions about, e.g. the life expectancy of an insured individual (mortality and longevity risk) or the development of interest rates and investment returns (asset-liability mismatch risk). These assumptions also have an impact on the presentation of costs arising from the origination of insurance business (acquisition costs and sales inducements) and the value of acquired insurance business (present value of future profits).

In order to ensure consistency in the application of actuarial methods and assumptions in the reserving process throughout the Group, we have designed a two stage reserving process which is applied for Life/Health operations. In a first stage, Life/Health reserves are set by qualified local staff experienced in the business of the operating entities become the basis for the Group's reserves. The process follows Group-wide standards for applying consistent and plausible assumptions. The appropriateness of the reserves and compliance with the Group-wide applicable standards is confirmed by the local actuary. In a second stage, the Group Actuarial Department regularly reviews the local reserving processes, including the appropriateness and consistency of assumptions, validates the reserves, and reviews and/or conducts tests of the adequacy of the premiums and reserves to satisfy claims and expenses (premium deficiency tests and liability adequacy tests). Any adjustments to reserves and other insurance related reporting items are reported to and analyzed together with the Group Reserve Committee. [1)]

The Property-Casualty reserving process is particularly characterized by the use of estimates and judgment regarding the loss reserves' development. [2)]

Fair value and impairments of financial instruments

The Allianz Group applies significant management judgment when estimating the fair value of illiquid instruments, for which there is little or no market-based discovery of prices or related factors. Instruments of this nature are classified within level 3 of the fair value hierarchy, and, when appropriate, values adjusted on the basis of available market information including pricing, credit-related factors, volatility levels, and liquidity considerations. The availability of market information is determined by the relative trading levels of identical or similar instruments in the market, with emphasis placed on information that represents actual market activity or binding quotations from brokers or dealers. If sufficient market information is unavailable, management's best estimate of value is used. Consequently, the fair value we assign to a particular financial instrument may differ from the fair value another holder assigns to that same instrument. For investment assets carried at fair value, those classified within level 3 of the fair value hierarchy constitute no more than € 6,193 million, or less than 2 % of the Group's total investment assets carried at fair value.[3)]

The evaluation of whether our financial assets are subject to impairments may also involve significant management judgment. For example, we maximize current publicly available information relating to the issuer, the particular security and its related market to consider impairment loss events affecting our financial assets. While loss events such as breaches of contract and bankruptcy generally occur as a matter of fact, other impairment loss events, including whether an issuer is experiencing significant financial

1) Please refer to the consolidated financial statements, Note 2 Summary of significant accounting policies and for further details to Note 12 Deferred acquisition costs and Note 20 Reserves for insurance and investment contracts.

2) For a very detailed overview of the loss reserving process regarding our Property-Casualty operations including also a description of prior years' loss reserve development, please refer to the Property-Casualty Insurance Reserves section of the Balance Sheet Review on pages 159 – 170, and to Note 2 Summary of significant accounting policies and to Note 19 Reserves for loss and loss adjustment expenses.

3) Please refer to the consolidated financial statements Note 2 Summary of significant accounting policies and Note 44 Financial instruments for further details regarding the fair value of our financial instruments.

difficulty, may require more subjective consideration. To the extent we are required to measure impairment losses on the basis of estimated future cash flows for a particular security, we apply judgment in applying a combination of internal data and information available from third-party sources such as credit rating agencies. [1)]

In general, operating entities assume responsibility for assessing fair values and evaluating impairments of financial instruments. This process is consistent with our decentralized organizational structure and reflects the fact that local managers are often best suited to analyze securities trading in local markets. Nevertheless, those local operating entities are responsible for adhering to the Group's internal control policy regarding financial reporting and disclosure. They must report all impairment decisions on debt securities to the Group Financial Reporting department, which then reviews them for consistency and resolves discrepancies.

Apart from the financial reporting controls the Group has procedures that ensure appropriate reporting of our financial instruments. On the Group level, all strategic or significant non-routine transactions are subject to the approval of the Group Finance Committee, which sets investment guidelines and guidelines for the internal rules of procedure of the finance committees of local operating entities. Additionally, investments for which the appropriate recognition and measurement involves significant uncertainty are subject to independent review and approval at the Group level.

Goodwill and other intangible assets

Goodwill represents the excess of the cost of a business over the fair value of net assets acquired. Upon acquisition, goodwill is allocated to the business units that are expected to benefit from the acquisition. This allocation is based on how the business units are managed as well as how business unit performance is monitored by the Board of Management. At year end 2009, we had 18 business units with allocated goodwill. As of December 31, 2009, our total goodwill was € 12,014 million, of which € 6,690 million relates to our asset management business, € 4,544 million relates to our insurance businesses, and € 780 million relates to our banking business and corporate segment.

In addition to goodwill, we have a smaller portion of other intangible assets, many of which were acquired in 2009. At year end, these intangible assets primarily consisteed of a brand name associated with a private equity investment (€ 286 million), long-term distribution agreements with Commerzbank AG (€ 620 million), and costs incurred to acquire customer relationships (€ 352 million). Although certain of these intangible assets (with a definitive useful life) are amortized, all of these assets are subject to essentially the same recoverability assessments as goodwill.

Since goodwill is not amortized, when circumstances dictate, or at least on an annual basis, we must evaluate whether the carrying value – which includes the allocated goodwill and any specific intangible assets – of the various business units is deemed recoverable. The unit's carrying value is deemed recoverable as long as it is not in excess of the unit's estimated value in use (present value of expected cash flows). If the carrying value is not deemed recoverable, the excess goodwill will need to be written off.

The determination of a unit's estimated recoverable value requires significant judgment regarding the selection of appropriate valuation techniques and assumptions. These assumptions include selection of appropriate discount rates, planning horizons, capitalization requirements and the expected future business results. Since future business results become less predictable as periods move farther into the future, we also must estimate what the long-term, sustainable

[1)] Please refer to the consolidated financial statements Note 2 Summary of significant accounting policies and Note 37 Impairments of investments (net) for further details regarding impairment of financial assets.

earnings of the unit will be. Additionally, for many of the business units within our Life/Health segment, recoverable value is based on industry-specific valuation methods.

All of the assumptions and the related valuation techniques require the application of significant judgment. Moreover, assumptions may need to change as economic, market and business conditions change. As such, we must continually evaluate external conditions and the operating performances of our business units to determine if an assessment of carrying value is required.

Our processes and controls around the estimation of recoverable value are generally applied at the Group level and are designed to minimize subjectivity. For example, the assumptions inherent in estimating realizable value are required to be consistent with the parameters used in our well defined planning and controlling processes. Additionally, the valuation methods used within the Life/Health segment are based on our Market Consistent Embedded Value guidelines which are well controlled and designed to be both consistently applied and transparent.

Given the significance and inherent uncertainties around estimates of recoverable values, we also perform other high level plausibility tests. For example, we perform sensitivity analyses with regards to discount rates and/or key value drivers of the business plans to identify where particular rigor over particular assumptions is warranted. We also review market-based business transaction multiples where available. This information is used to assess reasonableness since directly comparable market value information is not generally available. Although we believe short term fluctuations in our market capitalization do not reflect the long-term value of the aggregate of our business units, we also compare our market capitalization to the aggregate of our business unit realizable values as a high level test of the entire process.

We believe our controls over assessing the recoverability of goodwill and other intangible assets ensures both consistent and reliable results. Over the last six years, our write downs of goodwill have not been significant. [1]

Deferred tax assets

Income tax expense consists of current taxes on taxable income actually charged to the individual Allianz Group companies and changes in deferred tax assets and liabilities, excluding taxes directly recognised in equity.

Deferred taxes are determined based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases, on unused tax credits and on tax loss carryforwards. The tax rates applied for the calculation of the respective tax assets and liabilities is based on current tax laws of the respective jurisdiction; tax rate changes that are (substantively) enacted at the reporting date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization. If deferred tax assets are not expected to be recovered they are not recognized or a valuation allowance is recorded. As of December 31, 2009, the deferred tax assets amount to € 2.7 billion. Thereof, € 2.1 billion result from tax losses which may be carried forward to future periods.

Assessments as to the recoverability of deferred tax assets require the use of judgment regarding assumptions related to estimated future taxable profits. The assessment of future taxable profits includes the character and amounts of future profits as well as the periods in which those profits are expected to occur. The estimates and assumptions can change from period to period as the business environment and, therefore, projected operating results change. The analysis and forecasting required in this process is performed for individual jurisdictions in which we operate. The respective tax laws and regulations may be complex and subject to interpretations and changes. Since the effects of changes in assumptions and estimates are recorded in our results in the period of change, they may have a significant effect on the tax expense recognized in the respective year.

[1] Please refer to the consolidated financial statements Note 2 Summary of significant accounting policies and Note 15 Intangible assets for further details.

Given the potential significance surrounding these estimates and assumptions, we have policies and procedures designed to ensure consistency, rigor and reliability around the recoverability assessment process. Forecasted operating results are based upon approved business plans which are themselves subject to a well defined process of control. As a matter of policy, especially strong evidence supporting the recognition of a tax asset is required if an entity has suffered a loss in either the current or preceding periods and the utilization of deferred tax asset is dependent on future taxable profits in excess of the profits resulting from the reversal of existing taxable temporary differences. Assessments of realizability of deferred tax assets are made by qualified local tax and financial professionals and, depending upon significance, are subject to further review by the Allianz Group tax professionals and the Group Tax Committee of Allianz SE. The Group Tax Committee consists of senior Group financial staff and is chaired by the Head of Group Tax. The processes and controls are thoroughly documented. We believe that the established processes and the scope of people involved ensure that tax related estimates are consistently applied and the judgmental aspects are minimized. [1]

Reserves for pensions

Allianz has a number of pension plans covering a significant number of its domestic and international employees as well as tied agents in Germany. The pension liability for our defined benefit plans amounted to € 13.7 billion which is offset by the fair value of plan assets of € 8.9 billion as of December 31, 2009. Pension expense was € 571 million in 2009. In order to determine the pension expenses and liabilities associated with these plans, extensive use of assumptions is necessary. The key assumptions, which include discount rate, inflation rates and expected return, are centrally defined at the Allianz Group level involving experts from the actuarial and economic disciplines. The input parameters are discussed and defined taking into consideration economic developments, peer reviews, currently available market and industry data as well as historical performance of the plans and their assets. The defined parameters are then used by the local operating entities to determine pension expenses and pension liabilities, which are in return submitted to the Group and reviewed also by external experts.

The actuarial assumptions used by Allianz Group are best estimates of the actual and future situation. These best estimates may vary and change e.g. due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Such differences could have a significant impact on the amount of pension expense recorded. We are required to estimate the expected rate of return on plan assets, which is then used to compute pension expenses. Estimating future returns is particularly subjective as the estimate requires an assessment of possible future market returns based on the plan asset mix and observed historical returns. Central review ensures consistency throughout the Group. [2]

Risk Capital Framework

As part of our risk capital framework, we measure and allocate internal risk capital to protect against unexpected economic losses. This requires the quantification of the risks inherent in our business activities. By estimating the economic fair value of assets and liabilities, we also determine the capital which is available to cover these risks. As described previously in the risk report, the aggregation of the risks across Allianz Group also involves estimating the benefit from the diversified nature of our operations.
The economic valuation of the assets and liabilities as well as the internal risk capital calculation and aggregation make use of models and other techniques which require the application of a significant number of estimates and assumptions applied to risk and financial data, both internally and externally derived. Inadequate controls over the risk capital process would leave us exposed to risk factors we did not fully anticipate or correctly evaluate in quantitative models.

[1] Please refer to the consolidated financial statements Note 2 Summary of significant accounting policies and Note 42 Income taxes for further details.

[2] Please refer to the consolidated financial statements Note 2 Summary of significant accounting policies and Note 47 Pensions and similar obligations for details on the assumptions.

The risk capital framework has already been used for several years to steer our business. We are constantly reviewing and improving our internal risk capital model and risk processes, in particular given the uncertainty surrounding changes of regulatory requirements and their interpretation. In addition, the risk landscape continuously evolves. As such, the framework must also evolve but the pace of any changes requires constant balancing of a need for consistency with commensurate reliability.

As described in the risk report, we have a robust risk governance structure surrounding all of our risks. This governance structure is supported by audit, compliance and independent review functions – similar to our financial reporting governance. However, since our risk capital determination incorporates economic factors not fully reflected in accounting results, we have also implemented additional controls within our management reporting processes intended to ensure that these additional estimates, including the techniques used and relevant assumptions taken, are adequately controlled.

These controls include the validation of models and assumptions by independent external reviews and continuous benchmarking to market and/or peer assumptions and practices. To the extent available, we also require to use non-market assumptions approved by supervisory authorities and actuarial associations to enhance our models. To the extent we are using internal data, we help the market understand our assumptions by making transparent key drivers like MCEV.

Overall, just as with estimates and assumptions involving financial reporting, management reporting processes that underpin our risk capital framework are well controlled, consistently applied and prudent.

Other Information

Takeover-related Statements and Explanations

The following statements are made pursuant to § 315 (4) of the German Commercial Code:

Composition of share capital

The share capital of Allianz SE was € 1,161,984,000 as of December 31, 2009. It was divided into 453,900,000 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 carries one vote.

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 foundation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. For several decades the Company has in no case withheld its transfer approval. 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, an other natural person or a 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). Reappointments, 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. If a required member of the Board of Management is missing, in urgent cases the court must appoint such member upon the application of an involved party, by virtue of § 85 of the German Stock Corporation Act.

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.

In making appointments it is essential to ensure in particular that the members of the Board of Management have the reliability and professional competence needed to manage an insurance company. A person cannot be become a member of the Board of Management if he or she is already appointed as business manager in two insurance undertakings, pension funds, insurance holding companies or insurance special purpose vehicles. However, the supervisory authority may grant exceptions in case of mandates held within the same group (§§ 121 a, 7a German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) (§§ 121 a, 13 d No. 1 German Insurance Supervision Act). 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).

Amendments to the Statutes must be adopted by the General Meeting. § 13 (4) sentence 2 of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory legal provision, changes to 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 Statutes thereby make use of the option stipulated in § 51 sentence 1 SE Implementation Act (SE-Ausführungsgesetz) which is based upon Article 59 (1) and (2) SE Regulation. A larger majority is, inter alia, required for a change in the corporate object or the relocation of the registered office to another Member State (§ 51 sentence 2 SE Implementation Act). 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 as well as to acquire and use treasury 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 of up to 10% if the issue price of the new shares is not significantly less than the stock market price. The Board of Management is furthermore authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind (§ 2 (3) of the Statutes).

- The Board of Management is also authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash, on one or more occasions, up to a total of € 5,880,296.96 (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's share capital is conditionally increased by up to € 250,000,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds issued by Allianz SE or its subsidiaries on the basis of the authorization of the General Meeting of February 8, 2006 are exercised, or that conversion obligations tied to 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 April 29, 2009 (§ 71 (1) no. 8 German Stock Corporation Act). On that basis, the Company is authorized, on or before October 28, 2010, to acquire treasury shares. Together with other treasury shares that are in the possession of Allianz SE or which are attributable to it under Sections 71a et seq. German Stock Corporation Act, such shares may not exceed 10 % of the share capital at any time. The shares acquired according to this authorization may be used, under exclusion of subscription rights, for any legally admissible purposes and in particular those specified in the authorization. According to the authorization of the General Meeting of April 29, 2009, 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 October 28, 2010. 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.

These authorizations to issue convertible bonds or bonds with warrants, to issue new shares out of authorized capital or to acquire and use treasury shares enable 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.

Compensation agreements and essential agreements with conditions for the case of a change of control

The following essential agreements of the Company are subject to a change of control following a takeover bid:

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 changes materially. Agreements with brokers regarding services in connection with the purchase of reinsurance 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 a change of control, mostly defined as the acquisition 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 exercised the respective credit lines would have to be replaced by new credit lines at conditions then applicable.

If an enterprise acquires a majority shareholding in Allianz SE, the participation certificates issued by Allianz SE, and terminated by it as per December 31, 2009, provided for a right of the holders 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 three months prior to termination of the participation certificate relationship.

The following compensation agreements have been entered into by the Company with members of the Board of Management or employees in the event of a takeover bid:

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, or if the mandate is ended by mutual agreement, or if the Management Board Member resigns his or her office because the responsibilities as a

Board Member are significantly reduced through no fault of the Board Member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract in the form of a one-off payment. The one-off payment is based on the fixed remuneration and 50% of the variable remuneration. To the extent the remaining term of the service contract is less than three years, the one-off payment is generally increased in line with a term of three years. This applies accordingly if, within two years of a change of control, a mandate in the Board of Management is coming to an end and is not extended; the one-off payment will then be granted for the period between the end of the mandate and the end of the three year period after the change of control.

For further details please refer to the Remuneration Report on pages 17 to 29.

The Group Equity Incentive (GEI) scheme also contains provisions in respect of a change of control. Under this scheme, Stock Appreciation Rights (SAR), i.e. virtual options on Allianz shares, and Restricted Stock Units (RSU), i.e. virtual Allianz shares, are granted as a stock-based remuneration component to senior management of the Allianz Group worldwide.

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, there will be a derogation from the usual exercise periods. The SARs shall then be exercised, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period. The RSUs shall be exercised in the case of such majority acquisition, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period otherwise applicable. The cash amount payable per RSU has to be at least the price offered per Allianz share in a preceding tender offer. In providing for the non application of the blocking period in the event of a change of control, 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.

For further details please refer to note 48 to our consolidated financial statements.

Principal Accountant Fees and Services

KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG AG) serves as the external auditing firm for the Allianz Group.

Fees billed by KPMG AG and affiliated entities and KPMG AG and the world wide member firms of KPMG International (KPMG) are disclosed in four categories:

Fees billed

	KPMG worldwide		thereof: KPMG AG and affiliated entities[1]	
	2009 € mn	2008 € mn	2009 € mn	2008 € mn
Audit fees	35.5	50.5	16.3	31.0
Audit-related fees	5.0	6.1	4.3	3.8
Tax fees	1.6	3.3	1.0	2.6
All other fees	2.6	7.5	2.4	7.0
Total	**44.7**	**67.4**	**24.0**	**44.4**

Audit fees

KPMG billed the Allianz Group an aggregate of € 35.5 million (2008: € 50.5 million) in connection with professional services rendered for the audit of the Allianz Group's consolidated financial statements, statutory audits of the financial statements of Allianz SE and its subsidiaries and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG charged the Allianz Group an aggregate of € 5.0 million (2008: € 6.1 million) for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and are not reported

[1] As of December 31, 2008 KPMG AG and affiliated entities comprised KPMG operations in Germany, the United Kingdom, Spain and Switzerland. Effective April 1, 2009 and October 1, 2009 KPMG operations in Belgium and KPMG operations in the Netherlands, Luxemburg and Turkey joined. Fee amounts pertaining to the year 2008 have been adjusted accordingly.

within audit fees. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG fees for professional services, rendered for tax advice and tax compliance, amounted to € 1.6 million (2008: € 3.3 million) and resulted primarily from tax advice.

All other fees

KPMG invoiced the Allianz Group an aggregate of € 2.6 million (2008: € 7.5 million) for other products and services, which consisted primarily of services under the guidance of Allianz Group management and general consulting services.

All services provided by KPMG to Allianz Group companies must be approved by the Audit Committee of the Allianz SE Supervisory Board. Services other than audit services must be pre-approved by the Audit Committee. The Audit Committee pre-approval process is based on the use of a "Positive List" of activities decided by the Audit Committee and, in addition, a "Guiding Principles and User Test" is applied. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

KPMG is the main auditing firm for Allianz Group and assigned in more than 75 % of all audit-related tasks. Auditing firms other than KPMG billed the Allianz Group an aggregate of € 12.3 million (2008: € 10.4 million).

think global, act local

Vienna. Excellent skiing and climbing.
More than recreation awaits athletes who heed the call of the Austrian Alps. As the accident statistics show, there are always risks. To ease the pain, a new safety concept was developed in the lowlands, down in Vienna. It is offered by Allianz Elementar. It covers expensive recovery costs at a price that is no higher than a lift or funicular ticket. With protection like this, sports fans will be even happier to hear the call of the mountains.

think global, act local

Paris. "Allianz, avec vous de A à Z".
In Paris, the city of passion, two slogans have become one. Assurances Générales de France, the French face of Allianz, has been wooing customers with "AGF avec vous" for ten years. Allianz in turn advertises its expertise worldwide with the slogan "Allianz, from A to Z". As can be seen in the caption above, we've combined these slogans for the launch of the Allianz France brand.

think global, act local

Newport. A small town with big capital.
PIMCO has its home in upscale Newport Beach. A view of the Pacific and no city noise. But the volume of assets that PIMCO manages for its customers –1 trillion U.S. Dollars – makes it clear that this is no provincial asset manager. PIMCO has offices in New York, Toronto, London, Munich, Hong Kong, Singapore, Tokyo and Sydney. Its bond funds are among the largest in the world. And what's that got to do with Allianz? PIMCO is an Allianz Global Investors company.

Management Discussion and Analysis of 2009

Business Environment

– Challenging economic environment, but signs of stabilization.

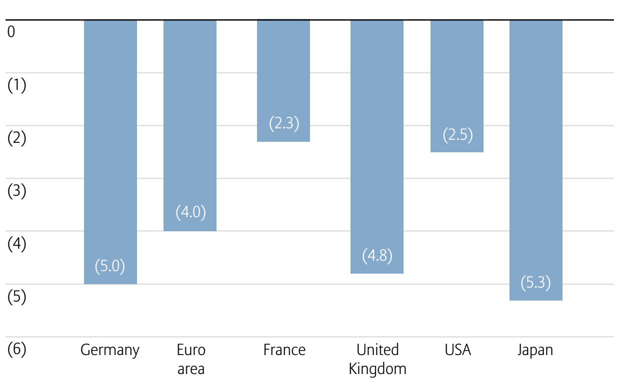
Economic Environment

Deep economic crisis, but signs of stabilization

The economic crisis reached its peak in the first half of 2009, with gross domestic product taking a particularly heavy tumble in export-driven economies like Germany and Japan. However, economic expectations in the corporate sector started to stabilize as early as the spring of 2009 – a precursor to the economic recovery that began to take root in many economies from the middle of the year onwards. Slowly but surely, world trade started to get back into gear as well.

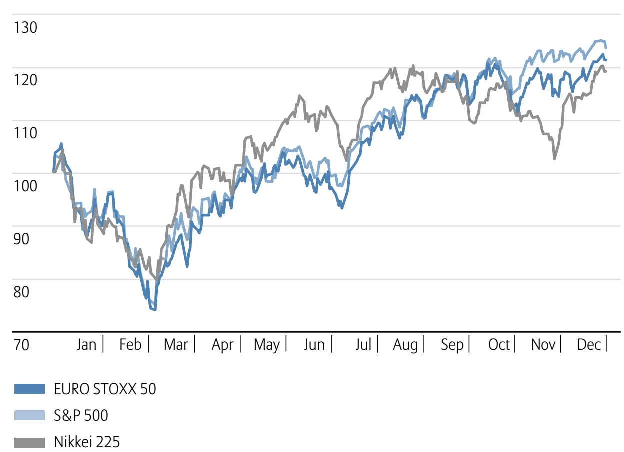
Gross domestic product in the industrialized nations slid by an average of more than 3% in 2009 as a whole. The emerging markets saw a small increase, with Asian emerging markets delivering by far the best performance with growth in the region of 5%, testimony to the increasing clout of these markets on the global stage.

Steep decline in gross domestic product – industrialized nations
in %



The economic stabilization that emerged in the course of 2009 owed its success not only to very expansive fiscal policy and the low interest rate environment engineered by the central banks, but also to a more temperate mood in the financial markets. The stock markets, which had reached a low point in March, actually clocked up substantial gains by the end of the year. Long-term interest rates in the U.S. and the euro area remained at historically low levels, while the high spreads on corporate bonds and emerging market bonds narrowed considerably in the course of the year. Spreads in some EMU member states, however, were unable to benefit from this general decline in risk premiums. Concerns among investors at the deterioration of public finances in these countries meant they were only able to borrow on the capital market on relatively unfavorable conditions. As 2009 progressed, the immense scale of the challenge posed by public budget consolidation in the wake of the economic and financial market crisis became increasingly apparent.

Stock markets recovered in 2009
in %



Long-term interest rates still low
in %

Corporate bond yield spreads narrow
in %

Short-term interest rates very low
in %

Insurance Industry

Market conditions in 2009 were initially characterized by a climate of uncertainty, even fear. Then, from a low point in March, financial markets surged upwards and the industry's balance sheets recovered and capital positions were restored. By-and-large, this occurred against a background of asset risk-reduction and without recourse to new capital. Nevertheless, the industry's operating environment remains fragile due to weak demand, surplus capital and impending regulatory changes.

In the property-casualty sector, the general trend of falling prices and lower underlying margins persisted. Hopes for an upturn in pricing at the beginning of the year faded rapidly as the year progressed: investment values recovered rapidly to rebuild balance sheets, there was an absence of major catastrophe-related losses, and buyer demand dropped back due to the global economic recession. As a consequence, industry's capital increased, but premium income fell. In essence, there was and there remains overall an excess of supply (insurers' capital) over demand; and, as a consequence insurance pricing has continued its downward drift in most markets. This softening in the market is reflected in January 1, 2010 reinsurance price renewals. Rates either fell or were flat in most lines, like property cat in the U.S. and Europe, U.S. casualty, European motor liability, and marine. There were only few exceptions to this downward trend, such as political risk, credit and aviation. Without a large contraction in available capital this situation may persist for some years to come.

In the life sector in 2009, assets under management recovered by a high single digit percentage. This was mainly due to the recovery of capital markets rather than net inflows, which remained subdued. In mature markets, sales growth remained lackluster during the year with policyholders continuing to be risk averse and prefering traditional guaranteed products over unit-linked products. More generally, consumer trends and preferences are changing. Consumers seek more value for money, which does not only mean they are more price sensitive but also they are carefully assessing the value of the product and service. This goes hand-in-hand with calls for greater openness, clarity and honesty. Consumers are increasingly supported in demands for greater transparency by regulators and consumer protection agencies.

However, the European sector's market capitalization fared better. For the year as a whole it increased by approximately 20% (and by an astonishing 110% from its low in March) to € 323 billion.

Changes in Segment Structure, Presentation and Accounting Policies

New Segment Structure to Reflect Lines of Business

Our activities are operated and managed through four reportable segments: Property-Casualty, Life/Health, Asset Management and Corporate and Other.

In order to better reflect Allianz Group's core business activities, we implemented a new segment reporting structure in the fourth quarter of 2009. Asset Management is shown on a stand-alone basis. Banking and Alternative Investments are reflected together with the Holding function under a new segment Corporate and Other. [1]

Changes in Presentation and Accounting Policies

With year-end reporting 2009, we changed the presentation of net income (loss). Allianz Group now includes all interests in net income (loss). The allocation attributable to shareholders and attributable to minority interests is disclosed just below net income (loss).

Reconciliation of net income (loss) presentation

	2009 € mn	2008 € mn	2007 € mn
2008 format: Net income from continuing operations	**4,692**	**3,967**	**7,316**
Minority interests in net income from continuing operations	48	219	675
2009 format: Net income from continuing operations	**4,740**	**4,186**	**7,991**
2008 format: Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings	**(395)**	**(6,411)**	**650**
Minority interests in net income (loss) from discontinued operations	—	38	73
2009 format: Net income (loss) from discontinued operations, net of income taxes	**(395)**	**(6,373)**	**723**
2008 format: Net income (loss)[2]	**4,297**	**(2,444)**	**7,966**
Minority interests in net income from continuing operations	48	219	675
Minority interests in net income (loss) from discontinued operations	—	38	73
2009 format: Net income (loss)	**4,345**	**(2,187)**	**8,714**

In addition, we changed certain accounting policies with impact on the consolidated income statements. These changes relate to Group Equity Incentive (GEI) expenses, expenses of Alternative Investment managers, and foreign currency gains and losses. [3]

[1] For further details on our segment structure and steering please refer to the Business Operations and Steering chapter on pages 57 to 62.

[2] Reflects net income (loss) attributable to shareholders in the 2009 format.

[3] For further details on changes in presentation and accounting policies please refer to Note 3 to the consolidated financial statements.

Executive Summary of 2009 Results

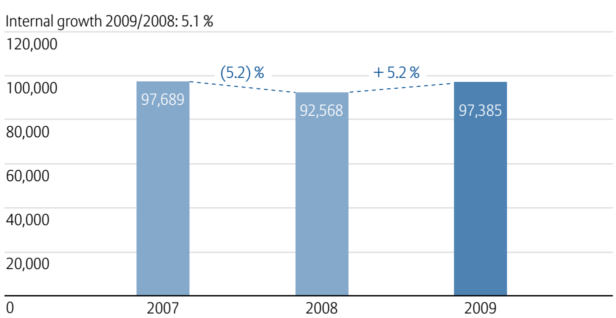
– Revenue growth of 5.2 %, driven by double-digit growth in Life/Health and Asset Management.
– Strong operating profit of € 7.2 billion, despite challenging economic environment.
– Net income from continuing operations of € 4.7 billion, up by 13.2 %.
– Solvency ratio of 164 %.

Earnings Summary

Allianz delivered solid results in 2009. Life/Health performed very well and Asset Management delivered excellent results, while soft markets negatively impacted business development in the Property-Casualty segment.

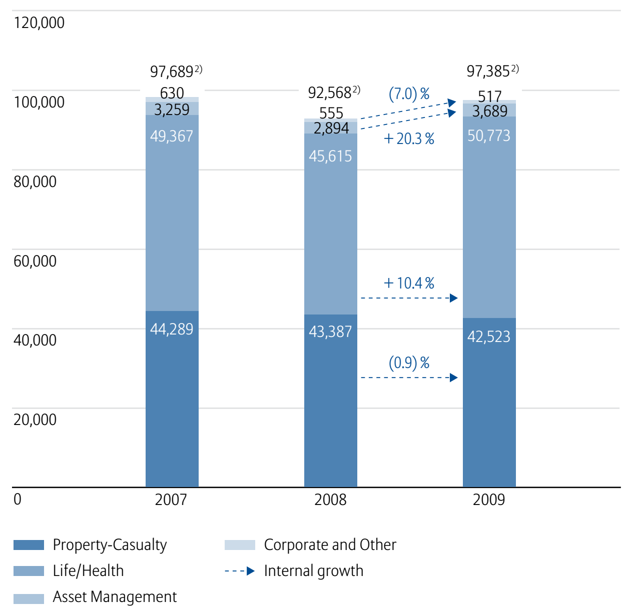
Total revenues [1]

Total revenues
in € mn



In 2009, we generated total revenues of € 97,385 million. On an internal basis, growth amounted to 5.1 %. Our Life/Health business delivered the majority of the growth with an additional € 5,158 million of revenues. Asset Management achieved a high double-digit increase in operating revenues. As expected, in Property-Casualty, premiums decreased compared to 2008.

Total revenues – Segments
in € mn



Gross premiums written from **Property-Casualty** insurance, at € 42,523 million, were down by 2.0 %. Adjusted for foreign currency and consolidation effects, this translates into a decline of 0.9 %. In a soft market and an overall recessionary environment, we were able to achieve a positive price impact on revenues. We maintained our selective underwriting which led to lower premium volume.

[1] Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

[2] Total revenues include € (117) mn, € 117 mn and € 144 mn from consolidation for 2009, 2008 and 2007, respectively.

Our Life/Health insurance operations benefited from continuing strong demand for products with minimum guarantees and participating components. Statutory premiums amounted to € 50,773 million. On an internal basis premiums increased by 10.4%.

In the Asset Management segment we profited from the recovery of the financial markets and strong net inflows. Operating revenues amounted to € 3,689 million, up 20.3% on an internal basis, primarily driven by higher fee and commission income. In particular, performance fees were high and mainly driven by our fixed-income business.

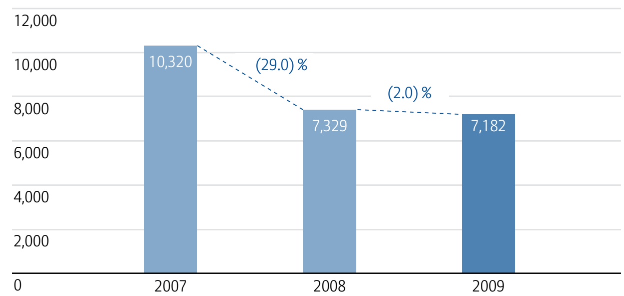
Total revenues from our Corporate and Other segment, which are entirely attributable to our Banking operations, amounted to € 517 million, down from € 555 million in the previous year, driven by lower net fee and commission income.[1)]

Reconciliation of nominal total revenue growth to internal total revenue growth

2009	Internal growth %	Changes in scope of consolidation %	Foreign currency translation %	Nominal growth %
Property-Casualty	(0.9)	(0.4)	(0.7)	(2.0)
Life/Health	10.4	0.5	0.4	11.3
Asset Management	20.3	4.9	2.3	27.5
Corporate and Other	(7.0)	0.0	0.2	(6.8)
Allianz Group	**5.1**	**0.2**	**(0.1)**	**5.2**

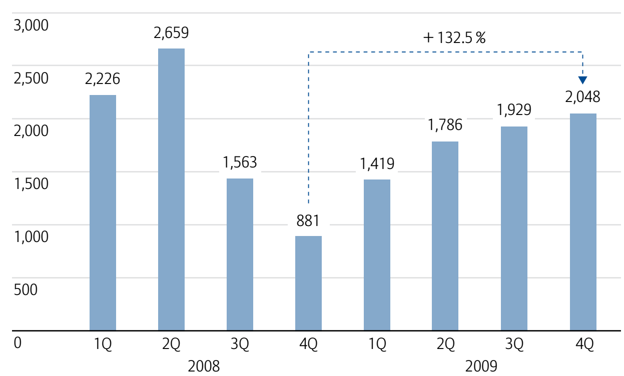
Operating profit

Operating profit
in € mn



In 2009, we managed to continuously increase our operating profit through each of the four consecutive quarters.

Operating profit
in € mn

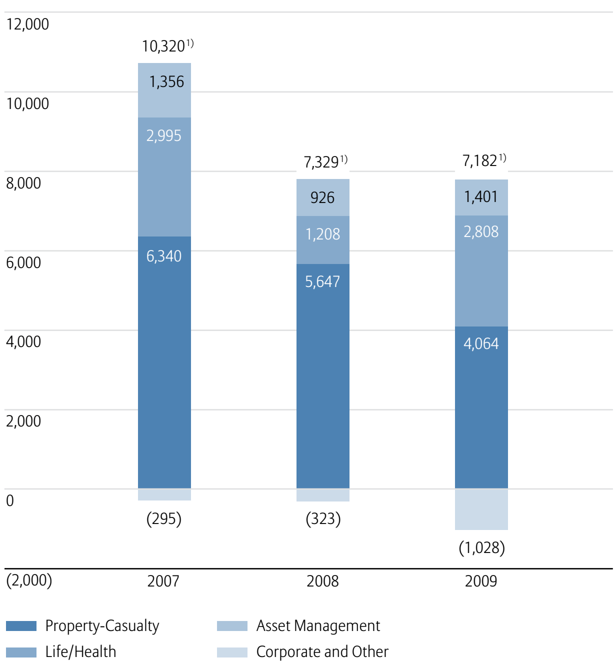


On a year-over-year basis, operating profit was down slightly by 2.0% to € 7,182 million, a very strong result given the challenging economic environment. Considerable profit improvements in Life/Health and Asset Management nearly outweighed the decline in operating profit from Property-Casualty insurance and the increased loss from Corporate and Other. Operating profit development in both insurance segments was to a large extent driven by our investment results.

[1)] For further information on the composition of total revenues please refer to page 148.

Operating profit – Segments

in € mn



In Property-Casualty, operating profit fell by 28.0 % to € 4,064 million. Lower net investment income explained approximately one third of the decline in operating profit, primarily because of lower interest rates and, in addition, lower dividend yields. Our underwriting result declined as the combined ratio increased by 2.0 percentage points to 97.4 %. This development was mainly attributable to Germany, Italy and France as well as our credit insurance business.

Operating profit from our Life/Health segment more than doubled to € 2,808 million. The investment performance, which had suffered exceptionally high impairments of investments last year, benefited from improved conditions on capital markets. Recovery effects in France and the U.S. balanced low net harvesting income. Interest and similar income grew as strong net inflows more than outweighed reduced yields.

In Asset Management operating profit grew by 51.3 % to € 1,401 million. This development was driven by significantly increased management and performance fees as well as tight cost management. Our cost-income ratio dropped by 6.0 percentage points to 62.0 %.

The aggregate operating loss from Corporate and Other amounted to € 1,028 million. The additional loss of € 705 million compared to 2008 was driven by a lower net interest result and a significant unfavorable swing in foreign currency exchange movements. Furthermore, the Banking set-up cost for Allianz Bank in Germany added to the development.

Non-operating result

While the non-operating loss remained stable at € 1,854 million, its composition changed significantly compared to the previous year.

Following the capital market recovery net impairments were down by € 2,302 million to € 994 million, by far the biggest movement within non-operating items. Net realized gains decreased by 39.1 % to € 1,617 million as the 2008 result benefited from closed forward sales. The largest realized gain in 2009 stemmed from the sale of 3.2 billion ICBC shares which resulted in a gain of approximately € 0.7 billion.

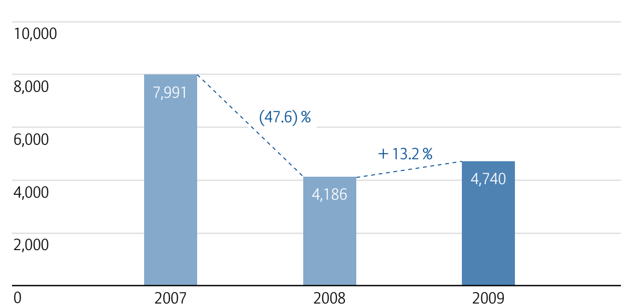
Acquisition-related expenses grew to € 406 million, mainly resulting from higher expenses for PIMCO B-Units following significantly improved underlying earnings.

Net income

Net income from continuing operations improved substantially by 13.2 % to € 4,740 million.

Net income from continuing operations

in € mn



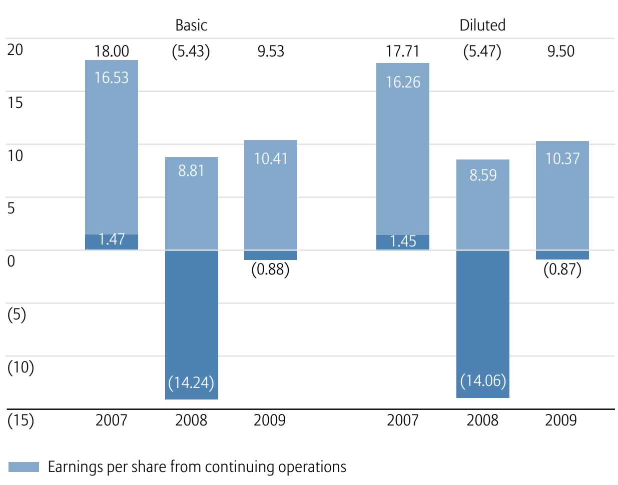
1) Includes € (63) mn, € (129) mn and € (76) mn from consolidation in 2009, 2008 and 2007 respectively.

Inclusive of discontinued operations, we achieved net income for 2009 of € 4,345 million compared to a net loss of € 2,187 million for 2008, mostly stemming from the sale of Dresdner Bank. The 2009 loss from discontinued operations of € 395 million was the final effect from the sale and deconsolidation of Dresdner Bank and, in accordance with IFRS, had to be recorded at the completion of the transaction on January 12, 2009.[1] The loss reflects the recognition of unrealized gains and losses and foreign exchange movements resulting from the sale of Dresdner Bank. The 2008 loss from the sale was computed on the basis of the transactional values as of the closing date. Therefore, the losses of Dresdner Bank during the first twelve days of 2009 were already reflected in our financial statements as of December 31, 2008.

Net income attributable to shareholders grew to € 4,297 million, after a loss of € 2,444 million last year.

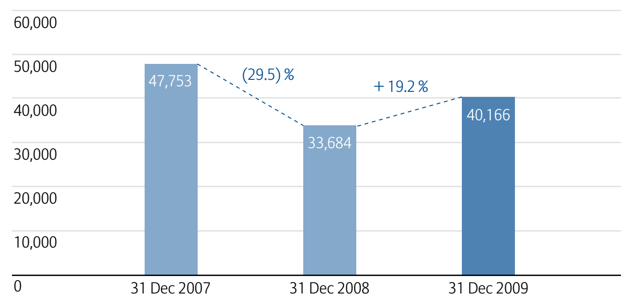
The effective tax rate amounted to 11.0 % compared to an expected tax rate of 29.9 %. The effect of tax free transactions, mainly realized capital gains, accounted for 11.2 percentage points of the difference. In addition, tax income of prior years, mainly due to a favorable court ruling led to a reduction of the effective tax rate by further 9.4 percentage points.

Earnings per share [2]
in €



Shareholders' equity

Shareholders' equity [3]
in € mn



Shareholders' equity amounted to € 40,166 million as of December 31, 2009, up 19.2 % compared to year-end 2008. Net income attributable to shareholders and unrealized gains increased our equity by € 4,297 million and € 3,446 million respectively. The dividend for 2008 paid in the second quarter 2009 reduced equity by € 1,580 million.

As of December 31, 2009 the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the asset management and banking business, was € 34.8 billion (2008: € 31.8 billion) including off-balance sheet reserves [4] of € 2.0 billion (2008: € 2.2 billion), surpassing the minimum legally stipulated level by € 13.6 billion (2008: € 11.5 billion). This margin resulted in a preliminary cover ratio [5] of 164 % (2008: 157 % [6]) as of December 31, 2009.

[1] See Note 4 to our consolidated financial statements for detailed information on the impact.
[2] For further information please refer to Note 50 to our consolidated financial statements.

[3] Does not include minority interests.
[4] Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 155 (2008: 146) %.
[5] Intangible assets in relation to fully consolidated private equity investments have been fully deducted from the available funds for the first time.
[6] Available funds and requirement as of December 31, 2008 including discontinued operations were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. 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.

Total revenues and reconciliation of operating profit to net income (loss)

	2009 € mn	2008 € mn	2007 € mn
Total revenues [1]	**97,385**	**92,568**	**97,689**
Premiums earned (net)	59,857	60,444	59,362
Interest and similar income	18,233	19,072	18,624
Operating income from financial assets and liabilities carried at fair value through income (net)	806	(413)	(854)
Operating realized gains/losses (net)	1,799	947	3,629
Fee and commission income	6,239	6,032	6,553
Other income	41	408	217
Claims and insurance benefits incurred (net)	(45,646)	(45,659)	(43,122)
Change in reserves for insurance and investment contracts (net)	(9,560)	(5,140)	(10,685)
Interest expenses, excluding interest expenses from external debt	(579)	(948)	(1,019)
Loan loss provisions	(141)	(59)	(18)
Operating impairments of investments (net)	(1,738)	(6,199)	(891)
Investment expenses	(755)	(771)	(874)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(19,919)	(18,054)	(18,432)
Fee and commission expenses	(2,212)	(2,344)	(2,197)
Operating restructuring charges	(15)	1	(16)
Other expenses	(2)	(12)	(17)
Reclassification of tax benefits	774	24	60
Operating profit	**7,182**	**7,329**	**10,320**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	148	72	(94)
Non-operating realized gains/losses (net)	1,617	2,656	2,379
Income from fully consolidated private equity investments (net)	(232)	79	50
Interest expenses from external debt	(905)	(945)	(1,051)
Non-operating impairments of investments (net)	(994)	(3,296)	(294)
Acquisition-related expenses	(406)	(245)	(504)
Amortization of intangible assets	(125)	(23)	(17)
Non-operating restructuring charges	(183)	(130)	(166)
Reclassification of tax benefits	(774)[2]	(24)	(60)
Non-operating items	**(1,854)**	**(1,856)**	**243**
Income from continuing operations before income taxes	**5,328**	**5,473**	**10,563**
Income taxes	(588)	(1,287)	(2,572)
Net income from continuing operations	**4,740**	**4,186**	**7,991**
Net income (loss) from discontinued operations, net of income taxes	**(395)**	**(6,373)**	**723**
Net income (loss)	**4,345**	**(2,187)**	**8,714**
Net income (loss) attributable to:			
Minority interests in earnings	48	257	748
Shareholders	4,297	(2,444)	7,966

1) Total revenues comprise statutory gross premiums written in Property-Casualty and in Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

2) In the segment reporting certain tax benefits are shown as operating income in order to properly reflect the policyholder participation in tax benefits. IFRS requires that the Allianz Group Consolidated Income Statement presents all tax benefits in the tax line, irrespective of the policyholders.

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the available net earnings (“Bilanzgewinn”) of Allianz SE of € 1,860,990,000 for the fiscal year 2009 shall be appropriated as follows:

- Distribution of a dividend of € 4.10 per no-par share entitled to a dividend: € 1,860,990,000.

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

To the extent Allianz SE holds own shares on the day of the Annual General Meeting, which are not entitled to dividends pursuant to § 71 b AktG, the amount attributable to such shares shall be carried forward.

Munich, February 22, 2010
Allianz SE

Events After the Balance Sheet Date

Sale of Industrial and Commercial Bank of China (ICBC) shares

In February 2010 the Allianz Group sold 1 billion ICBC shares with a capital gain of approximately € 0.4 billion.

For further information please refer to Note 52 to the consolidated financial statements.

Storm “Xynthia” in Western Europe

On February 28, 2010 the storm “Xynthia” has caused great damage in parts of Western Europe, mainly France, Spain and Germany. The Allianz Group with its Property and Casualty subsidiaries is engaged in those countries. Currently a reliable forecast of net claims arising from this storm is not possible [1].

[1] First estimates as of mid March 2010 indicate a net loss of between € 170 mn and € 190 mn for Allianz Group.

Outlook 2010

– Economic environment remains challenging for financial services providers.
– Allianz Group operating profit for 2010 around the same level as 2009.

Highlights 2009: Actual versus Prior Year Outlook

Group		Property-Casualty	
Outlook in Annual Report 2008	Results 2009	Outlook in Annual Report 2008	Results 2009
Allianz is well positioned, with a solid platform for delivering earnings in the core insurance and asset accumulation businesses.	Operating profit of € 7,182 million compared to € 7,329 million in 2008.	New business slowing down.	Internal revenue growth of (0.9) %.
Particular focus on maintaining the solid capital base of Allianz.	Preliminary solvency ratio improved by 7 percentage points to 164 %.	Even if a severe recession would cause a shortfall in revenues, the short term impact on operating profit would not be significant.	Gross premiums written down by € 864 million, net premiums earned down by € 385 million. Operating profit effect approximately € (50) million.
On the sales side we will continue to focus on profitability and resist the temptations of an irrational race for market share.	Sound risk selection has remained our highest priority in underwriting.	Increased pricing discipline among insurers.	Estimated positive price effect on gross premiums written of 0.8 %.
We will maintain a defensive portfolio, managed under a sustainable investment strategy and generating a reliable stream of coupons and dividend yields.	Lower impairments than last year	The level of dividend and interest income is robust.	Interest and similar income (net of interest expenses) at € 3,508 million, down 16.1 %.

Life/Health		Asset Management	
Outlook in Annual Report 2008	Results 2009	Outlook in Annual Report 2008	Results 2009
Positive development in traditional business.	Premiums from traditional products declined slightly to € 22,592 million.	Solid long-term growth and profit outlook.	Operating revenues increased by 27.5 % and operating profit by 51.3 %.
Recovery in the investment-oriented products.	Premiums from investment-oriented products up by 23.6 % to € 28,181 million.	Fixed-income side is expected to remain resilient to the financial crisis.	Fixed income net inflows of € 91.0 billion.
We intend to offset the decreased sales above all in some life insurance markets via enhanced customer retention in Europe, in the U.S. and in growth markets.	Statutory premium growth in all major life markets, except for France. The decline in France was mainly driven by exceptionally high group insurance contracts in 2008.		
Investment margins will remain vulnerable to adverse financial market developments.	Operating investment income increased from € 8,007 million to € 14,157 million as capital markets improved significantly.		

Economic Outlook

Emerging from the crisis

In the year under review the world economy experienced the steepest slide in output for decades, although the situation did stabilize appreciably in the second half of the year. We expect the economic recovery to continue in the course of 2010, particularly as fiscal and monetary policy will still be having an expansionary impact. However, in a host of countries it will take several years until output is back at pre-crisis levels. The financial markets, which by and large re-gained their composure surprisingly quickly, are likely to remain sensitive for a while. In view of the risks stemming from the ongoing need for adjustment and consolidation, financial services providers will continue to operate in an uncertain environment.

Moderate growth

Having shrunk by around 2% last year, the world economy is likely to see growth in the region of 3% in 2010. The picture in the industrial countries is not quite so favorable. Expected growth of 2 – 2.5% this year will still not fully offset last year's drop of almost 3.5%. The importance of the emerging markets in the world economy has continued to grow. They have become the global growth engine. Their overall output is set to rise by 5% in 2010 following stagnation in 2009.

Economies without over-indebted private and public sectors will tend to recover more quickly than countries where consolidation is of the essence. This also explains why the emerging but in some cases heavily indebted, economies of Eastern Europe are getting back into their stride more slowly than the Asian emerging markets with their surpluses. The robust performance in key Latin American countries is a positive surprise.

The U.S. economy has shaken off the crisis in the second half of 2009. There are now indications that it will record slightly higher growth than the Euro area in 2010. In Europe, the German economy is likely to record a slightly above-average performance.

Just as important as the immediate economic outlook, however, are the medium-term economic prospects. The financial market crisis will have a lasting impact on growth momentum and growth patterns in the world economy. Given the need for public-sector debt consolidation, along with higher capital requirements and tighter regulation for banks, growth will be more moderate than in the years before the crisis. The catching-up process of emerging markets in Asia, Latin America, and, with a time lag, also in Eastern Europe, will continue and the attractiveness of these markets for the insurance industry will increase further.

The financial market crisis had a substantial impact on asset prices. First and foremost, the flight to safety triggered a dramatic slide in government bond yields. We do not expect yields to languish permanently at a low level. We expect to see a slight pickup in inflation, hefty government bond issuance weighing heavily on capital markets and a gradual reining in of expansionary monetary policy. In a somewhat more friendly economic environment, all of this will serve to push up capital market yields. The economic recovery will provide a positive boost to stock markets.

Environment set to remain challenging for financial services providers

The economic environment developed less severe than expected. Resolute intervention on the part of the central banks and financial policymakers contributed to the stabilization of the financial markets and as a result created better conditions for financial services providers. 2010 is not, however, expected to herald the unperturbed continuation of this positive trend. As the numerous stimulus programs gradually start to peter out, the markets will become more nervous and volatile again.

The economic recovery looks set to remain fragile, while the varying tempo of the upswing, coupled with escalating government debt, will cause tension. Last but not least, the political pressure on the finance industry is mounting. Efforts to establish a new global financial market architecture are nearing the critical phase, and there is no doubt that they will place an additional strain on financial institutions. In this difficult environment, the main challenge facing all providers will be to win back the trust of their customers and re-establish themselves as reliable partners for the long haul.

Developments in the property and casualty insurance business are closely linked to economic trends. Any impetus from new business is likely to remain generally weak given the subdued economic outlook. Some segments, such as the credit insurance sector, are still feeling the direct impact of the financial crisis. Given that most insurance companies have been relatively successful in mastering the crisis – and that they were not hit by any major catastrophes in 2009 either – the market is still awash with sufficient capacity, meaning that prices, too, look set to remain under pressure.

The outlook for the life insurance segment is marred primarily by the fact that many consumers have adopted a very cautious stance when it comes to making long-term premium commitments due to what remains a difficult economic environment and in the face of rising unemployment. Extremely low long-term interest rates are no help in this respect either. The financial crisis has left its marks on the long-term foundations of the life and health insurance business. However, rising government debt highlights just how crucial it is for individuals to make their own additional provisions for their retirement and healthcare. The overhaul of social welfare systems must continue even after the financial crisis has run its course. Retirement provision founded on several pillars is an absolute must and capital cover is indispensible in this regard.

This situation will mean good long-term business prospects for asset management. It will not be enough to simply tag along after the inevitable ups and downs of the markets. With experience of the financial crisis under their belts, customers are demanding active investment strategies that can guarantee long-term returns. The fund industry will have to make sure that it has the right solutions on hand to win these customers over.

Outlook for the Allianz Group

As pointed out earlier in this section, the numerous government stimulus programs in place will continue to have an expansionary impact on the economy in 2010, however the effects of these programs will gradually start to peter out, and the markets will become more volatile again. Financial services providers will continue to face an uncertain operating environment. The outlook provided here assumes that there will be no deepening of the financial crisis, and there is only a limited likelihood of severe shocks such as major geo-political tensions or sovereign debt crises in large industrial countries.

We show the operating profit outlook for the Group and each segment, together with the main sensitivity factors and their possible impacts. The operating profit outlook for the Group reflects a stabilizing diversification effect that is inherent in our global, multi-segment portfolio.

Expectations for 2010

Assumptions

Our outlook is based on the following assumptions:

- Further stabilization of the overall economic environment, and a return to moderate growth;
- slightly increasing interest rates;
- no interest rate whip, no severe disruptions of the capital markets.

We foresee no major changes with regard to business mix or profitability contributions, whereas we anticipate that some positive and negative effects observed in 2009 will not recur in 2010. Despite the assumed further stabilization of the overall economy, we anticipate that there will be pressure on investment results and that this will be partially offset by better operational performance in the business segments.

Due to the magnitude of mark-to-market valuations in our profit and loss account, a precise prediction of net income for the year 2010 is not possible at this point.

Allianz Group summary

Our 2009 operating profit amounted to € 7.2 billion, and we believe that our 2010 operating profit will be around the same level. Operating profit is sensitive to changes in interest rates and foreign exchange rates: A 100 bps increase (decrease) of interest rates will boost (reduce) operating profit by of approximatly € 0.2 billion. A 10 % weakening (strengthening) of the U.S. Dollar versus our planned rate of 1.45 to the Euro has a negative (positive) impact of approximatly € 0.2 billion. While operating profit can vary, we expect the variation not to exceed € 0.5 billion, except in case of huge deviations from the assumptions stated here and the segment-specific sensitivities mentioned below.

Property-Casualty insurance

Underwriting prices in Property-Casualty insurance are dependent on market cycles, which vary from country to country. Overall, we expect that gross premiums written will increase only slightly, due to the continuation of the soft cycle and our strict underwriting discipline.

The operating profit from the Property-Casualty segment amounted to € 4.1 billion in 2009, with a combined ratio of 97.4 %. In 2010, we anticipate that the aggregate effect of improvements in pricing, claims management and productivity gains is going to more than compensate for underlying claims inflation and a slight decline of investment income. We assume that natural catastrophe and other weather-related claims experience will return to normal levels. We expect large claims stemming from natural catastrophes to be around € 900 million. It must be noted however that higher frequencies of weather-related and manmade claims can occur unexpectedly, as was the case for our large operating entities in Germany, France and Italy in 2009. It is important to recognize that investment income for this business is sensitive to interest rate movements, especially at the short end of the yield curve. We expect operating profit to be in the range € 4.0 billion to € 5.0 billion.

We believe that over the cycle, a combined ratio of 96 % is possible, and we forecast that our combined ratio for 2010 will improve towards that mark. A 1 %-point change in the combined ratio would have an operating profit impact in 2010 of around € 0.4 billion.

Life/Health insurance

Revenues increased in 2009 by more than € 5 billion to € 50.8 billion, with strong growth in Germany and Italy being boosted by non-recurring effects. We expect statutory premiums to reach around € 47 billion in 2010.

Operating profit increased in 2009 by € 1.6 billion to € 2.8 billion, benefiting from catch-up effects such as credit spread narrowing and positive equity markets, worth an estimated € 0.4 billion. The observed level of recovery impacts in France and the U.S. may not be repeated in 2010. On the other hand, 2009 with € 0.1 billion gross realized gains net of impairments was below the level seen in a calmer capital market environment, leaving room for improvement in 2010.

We expect operating profit in our Life/Health business to be within the range € 2.2 billion to € 2.8 billion. It must be noted that market volatility and the level of net harvesting can significantly impact the Life/Health segment results.

Asset Management

Our Asset Management business was a strong outperformer in 2009. Massive net inflows and a strong market return brought our third party assets under management to record levels. Net fee and commission income increased by 25 %, driven by high performance fees, boosted operating profit by more than 50 % to € 1.4 billion.

In 2010 we expect further strong inflows, especially into fixed-income products. However, it should be borne in mind that net fee and commission income, including performance fees, is highly dependent on market values, investment performance and business mix.

Whilst the very strong development experienced in 2009 is unlikely to be repeated, we expect to deliver another high operating profit in 2010 in the range € 1.1 billion to € 1.3 billion, subject to inflows, markets, investment performance and investor sentiment. The cost-income ratio is expected to remain below 65 %.

Corporate and Other and consolidation

In 2009, our Corporate segment made a negative operating profit of slightly more than € 1 billion. Contained in this result was a negative foreign exchange impact of € 0.2 billion, and set-up costs for Allianz Bank of more than € 0.1 billion. Management actions are underway to mitigate the risk of further foreign exchange variances in the Corporate segment, and there will be a significant reduction of banking set-up costs. However, due to the current low interest rate environment and the volatility in the fair value of assets and liabilities, we expect the run rate for Corporate for the year 2010 to be a loss in the range € 0.8 billion to € 1.0 billion, comprised mainly of expenses in the Holding & Treasury function and interest on debt. Consolidation effects at the group level normally reduce operating profit by around € 0.1 billion.

Outlook for 2011 and beyond

We believe that the results and financial position of the Allianz Group will continue to improve in the coming years. However, because of the volatile economic environment, it is not possible to make reliable predictions beyond 2010.

Property-Casualty Insurance Operations

– Development in gross premiums written reflects recession and selective underwriting.
– Combined ratio of 97.4 %.
– Solid operating profit of € 4.1 billion in a difficult environment.

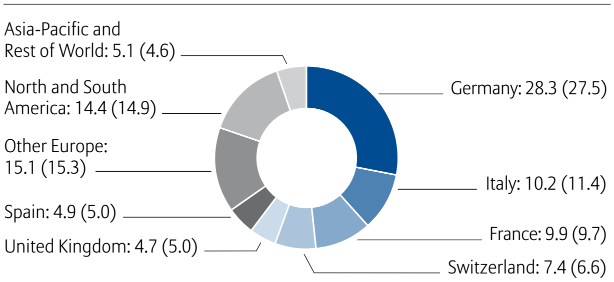
Earnings Summary

Gross premiums written [1]

Overall, gross premiums written were down by 0.9 % on an internal basis. This development was mainly driven by lower volume from our operations in Germany (down by 3.0 %), France (down by 3.0 %), Italy (down by 8.6 %) and our credit insurance business (down by 17.6 %). The positive price effect amounted to 0.8 %.

On a nominal basis, revenues declined by 2.0 % or € 864 million to € 42,523 million. The main reasons for the decline were the change in our U.S. Crop Insurance Program with a negative effect of € 406 million, an unfavorable foreign currency translation effect of € 316 million and the sale of parts of the Swiss health business. These effects were partially compensated by the consolidation of our subsidiary in Turkey from July 2008, with a positive effect of € 246 million.

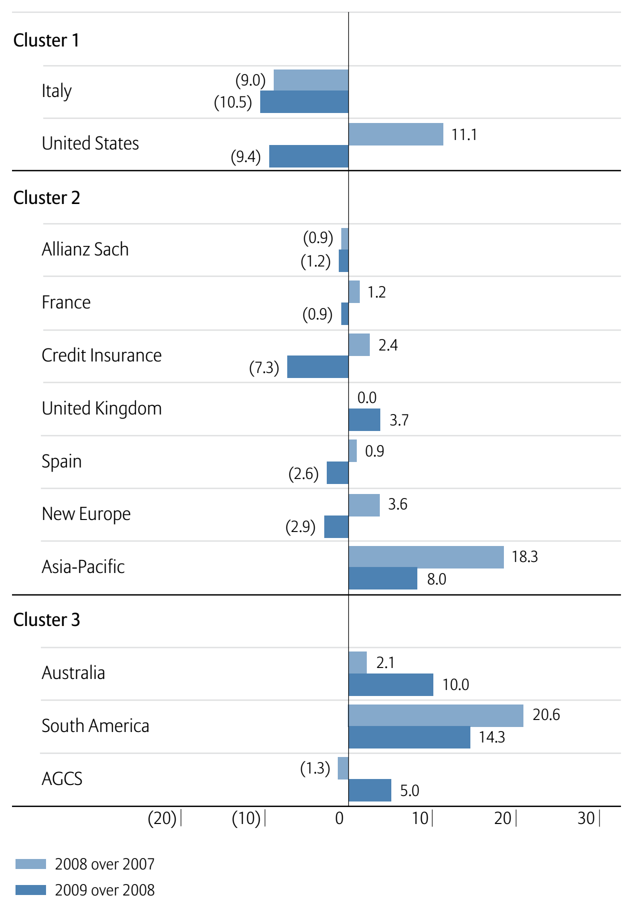
Gross premiums written by regions as of December 31, 2009 (December 31, 2008) [2]
in %



We analyze our property-casualty internal premium growth according to 'price' and 'volume'-effects. This produces the following combination of clusters:

Cluster 1: Both price and volume effects are negative
Cluster 2: Either price or volume effects are positive
Cluster 3: Both price and volume effects are positive

Gross premiums written – Internal growth rates [3]
in %



[1] In the following section we comment on the development of our gross premiums written on an internal basis, meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
[2] After elimination of transactions between Allianz Group companies in different geographic regions and different segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

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

Cluster 1

In Italy we recorded revenues of € 4,190 million. The internal decline in premiums, excluding the renewal rights transfer of large corporate customer business to AGCS, was 10.5% and mainly stemmed from lower average premiums in the motor business which continued to be impacted by the so-called "Bersani law". Strong tariff increases implemented in the last quarter of the year could not compensate for this effect in 2009. Volume growth in our non-motor business was burdened by the consequences of the financial crisis. We stood by our underwriting rules and active portfolio cleaning in order to maintain our top position in the market with regards to profitability. This resulted in a decrease in volume. We estimate the negative price effect on premiums written to be 2.0%.

Revenues in the United States declined by 9.4%, mostly in our crop business (impact of € 172 million) due to lower commodity prices. In addition we recorded lower volume in personal and commercial business. Prices overall continued to decline in 2009, even though at a slower rate. We estimate the negative price effect on premiums written to be 1.6%. Yet, we still saw an improvement in conditions during the course of the year. On a nominal basis revenues were down by 20.3% to € 3,521 million. This development was mainly due to changes in our Crop Insurance Program where a proportion of the gross business that previously passed-through our books is now being passed directly from the scheme administrator to third parties. The effect on our net premiums written is zero. Together with the internal transfer of marine business to AGCS, this led to a significantly higher nominal reduction of gross premiums written.

Cluster 2

At Allianz Sach in Germany revenues fell by 1.2% to € 9,235 million. This decline was driven by a reduction of volume, mainly relating to our motor business and to continued portfolio cleaning activities, particularly in the non-profitable fleet business. While prices remained flat in our motor business, we recorded rising prices in our non-motor business. We estimate the positive overall price effect to be 1.9%.

Gross premiums written in France amounted to € 3,368 million. Excluding the effect of the transfer of large corporate customer business from our French entity to AGCS, we recorded a decline of 0.9% on an internal basis. We accepted the loss of some volume, particularly in our business with small- and medium-sized enterprises and our personal non-motor business. However, volume losses were nearly counterbalanced by price increases in almost all business lines prompted by unsatisfactory profitability. The estimated positive price effect on premiums written was 2.1%.

In our credit insurance business premiums declined by 7.3% to € 1,672 million. Volume was down by 17.6% or € 317 million following a deliberate and drastic reduction of our exposure in high risk classes as well as a fall in the business turnover of our customers. At the same time, we increased prices by an average of 10.3%.

In the United Kingdom revenues stood at € 1,783 million. On an internal basis, excluding a negative foreign currency effect of € 213 million stemming from a weaker sterling exchange rate, premiums went up by 3.7%. This was mainly due to increased rates in personal and commercial lines. Active portfolio cleaning to improve our profitability had a slightly offsetting effect leading to a reduction in volume. We estimate the positive price effect to be 7.0%.

Revenues in Spain were impacted by the strong economic recession and declined by 2.6% to € 2,101 million. We recorded higher volume due to an increase in the number of policies and customers, supported by the recovery of private car sales at the end of the year. However, prices fell, mainly due to a combination of tough competition in motor and in commercial lines and a generally soft market environment. Despite the negative price impact – we estimate it to be around 5.7% – our Spanish operation is one of our most profitable businesses.

In New Europe, revenues amounted to € 2,615 million. On an internal basis, excluding a negative foreign currency translation impact of € 338 million, the decline was 2.9% and was driven by a fall in new car sales and reduced premium levels, especially in our motor business as prices came under pressure in a highly competitive market.

Gross premiums written in Asia-Pacific amounted to € 472 million. Growth was 8.0 % mainly driven by higher volume which stemmed mostly from our Malaysian operations driven by motor, property and marine business.

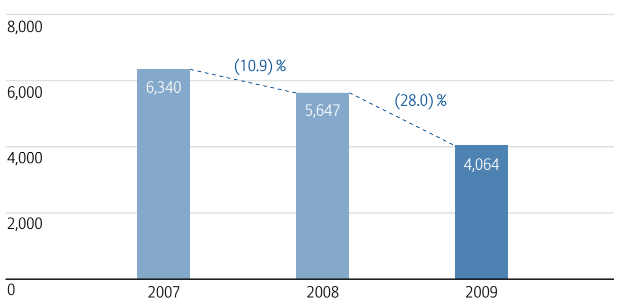
Cluster 3

At AGCS, premiums amounted to € 3,806 million. We recorded an increase of 5.0 %, largely from volume growth and price increases in financial lines and aviation. On a nominal basis revenues increased by 33.1 % mainly due to the transfers of portfolios from other operations to AGCS previously mentioned above, in particular the marine business from the United States.

Operating profit

Operating profit

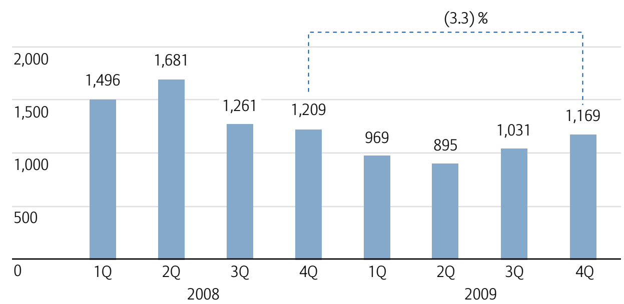
in € mn



The segment's operating profit was down by 28.0 % and amounted to € 4,064 million. Our underwriting result decreased by € 728 million to € 866 million. Lower net investment income explained approximately one third of the decline in operating profit, primarily because of lower interest rates and, in addition, lower dividend yields.

Operating profit on a quarterly basis

in € mn



However, on a quarterly basis we saw a positive development in operating profit in the second half of the year. Especially our operations in Germany, France and the credit insurance business recovered significantly in the second half of 2009, mainly with regards to the underwriting result. Operating profit in the fourth quarter was the best quarterly result of the year at € 1,169 million, up by 13.4 % compared to the third quarter and up by 30.6 % compared to the second quarter.

The combined ratio stood at 97.4 %. The increase of 2.0 percentage points compared to year-end 2008, stemmed from an increase in our accident year loss ratio of 0.5 percentage points to 72.3 % and an increase in our expense ratio of 0.5 percentage points to 27.9 %. Run-off ratio was 2.8 %, one percentage point lower than last year.

Some of the large business operations experienced a difficult year notably in Germany, France and Italy, as did the credit insurance business. Nonetheless, during the third and fourth quarters we observed a recovery in Germany and France as well as in the credit insurance business. Although partly due to negative non-recurring effects at the beginning of the year, this also indicated a positive trend.

- Our operations in Germany added 0.6 percentage points to our combined ratio development mainly driven by non-recurring effects. These included an exceptionally high number of tap water claims in the first quarter 2009 as a result of the strong winter and strengthening of reserves for some large claims. In addition, our claims handling processes are not yet working smoothly following restructuring. However, we observed some recovery in particular in the fourth quarter.

- In France we observed an increase in man-made large claims especially in the first half of 2009 which we believe were mainly triggered by recession. In addition, we recorded a higher load from natural catastrophes (e.g. windstorms "Klaus" and "Quinten") and lower gross premiums written as discussed above. This added 0.8 percentage points to our combined ratio development. However, the claims situation stabilized in the last quarter of the year.

- Italy still suffers from the so called "Bersani law" which put average premiums and commissions under pressure. Moreover, the earthquake in the Abruzzo mountains and the introduction of the so called "Milan tables" (new invalidity tables for bodily injury claims) had further negative impact. With its market still under pressure, Italy's impact on our combined ratio development was an increase of 0.4 percentage points.

- Our credit insurance business added another 0.1 percentage points to the development of our combined ratio. The credit insurance business was impacted by a strong increase in claims frequency worldwide. In addition, revenues declined for the reasons mentioned above. Nonetheless, in the second half of 2009 claims frequency steadily improved following some commercial actions and drastic reduction in risk exposure. A slight recovery of the macroeconomic environment also helped.

- Some relief, (0.2) percentage points to the development of our combined ratio, came from our business operations in the United States. Improvements were attributable to a lower natural catastrophe loading in 2009 and a reduced impact from our Crop Insurance Program which had suffered a big loss related to falling commodity prices in the third quarter of 2008.

Our accident year loss ratio has considerably improved throughout 2009, starting at a level of 73.4% in the first quarter and ending at a level of 71.5% in the fourth quarter. However, on a year-over-year basis, the accident year loss ratio went up from 71.8% to 72.3%.

Natural catastrophe claims accounted for € 447 million (1.2 percentage points impact on accident year loss ratio) in 2009 compared to € 667 million (1.8 percentage points impact) in the prior year. The most significant event in 2009 was windstorm "Klaus", mainly affecting our operations in France with € 131 million net impact on the Group and an impact of 0.3 percentage points on our accident year loss ratio.

Releases of prior years' loss reserves were down by € 376 million to € 1,067 million, significantly below the previous year. Consequently, our run-off ratio was 2.8%, one percentage point lower than last year, but at a level we consider as normal.

The expense ratio went up by 0.5 percentage points to 27.9%.

Acquisition and administrative expenses remained largely flat with a slight increase of 0.6% to € 10,540 million, mainly stemming from investments in our sales capacity in Germany and in IT infrastructure in the United States. These effects amounted to approximately € 140 million. In addition, we recorded a positive one-off effect for our reinsurance business in 2008 from continuing to cede less business to external reinsurers. If we exclude these effects, as well as cost inflation and the consolidation of our subsidiary in Turkey from July 2008, we can see that the benefits of expenditure savings are beginning to show through.

Operating net investment income

	2009 € mn	2008 € mn	2007 € mn
Interest and similar income (net of interest expenses)	3,508	4,182	4,071
Operating income from financial assets and liabilities carried at fair value through income (net)	118	9	178
Operating realized gains/losses (net)	57	37	46
Operating impairments of investments (net)	(75)	(437)	(67)
Investment expenses	(238)	(254)	(300)
Changes in reserves for insurance and investment contracts (premium refunds)	(253)	158	(148)
Operating net investment income	**3,117**	**3,695**	**3,780**

Net investment income decreased 15.6 % to € 3,117 million, mainly due to a decline of € 674 million in interest and similar income (net of interest expenses) to € 3,508 million. Interest rate-related impacts on our net investment income from Property-Casualty accounted for approximately € 0.3 billion of the decline. During 2009, as part of our risk reduction strategy, we further sold equities and reinvested the proceeds into interest-bearing securities. However, given the level of interest rates in 2009, investment opportunities yielding high returns were limited which meant we exchanged the high dividend yields of 2008 for relatively low interest rates of 2009. To be well positioned for potential interest rate increases in the coming years, we slightly reduced duration and reinvested the proceeds at the lower end of the interest rate curve.

In contrast operating impairments of investments (net) were down by € 362 million to € 75 million. This recovery reflected the improvement in market conditions during 2009 after the financial crisis that had severely affected us in 2008.

Similarly, operating income from financial assets and liabilities carried at fair value through income (net) was up by € 109 million amounting to € 118 million.

Changes in reserves for insurance and investment contracts (premium refunds) amounted to € (253) million in 2009 after an income of € 158 million last year following negative investment performance.

Investment expenses decreased by € 16 million to € 238 million, due to lower real estate related expenses within our German entity.

Property-Casualty segment information

	2009 € mn	2008 € mn	2007 € mn
Gross premiums written [1]	**42,523**	**43,387**	**44,289**
Ceded premiums written	(4,574)	(4,972)	(5,320)
Change in unearned premiums	(121)	(202)	(416)
Premiums earned (net)	**37,828**	**38,213**	**38,553**
Interest and similar income	3,612	4,477	4,473
Operating income from financial assets and liabilities carried at fair value through income (net)	118	9	178
Operating realized gains/losses (net)	57	37	46
Fee and commission income	1,075	1,247	1,178
Other income	19	271	122
Operating revenues	**42,709**	**44,254**	**44,550**
Claims and insurance benefits incurred (net)	(26,320)	(25,986)	(25,485)
Changes in reserves for insurance and investment contracts (net)	(355)	3	(339)
Interest expenses	(104)	(295)	(402)
Loan loss provisions	(18)	(17)	(6)
Operating impairments of investments (net)	(75)	(437)	(67)
Investment expenses	(238)	(254)	(300)
Acquisition and administrative expenses (net)	(10,540)	(10,478)	(10,631)
Fee and commission expenses	(995)	(1,141)	(967)
Other expenses	—	(2)	(13)
Operating expenses	**(38,645)**	**(38,607)**	**(38,210)**
Operating profit	**4,064**	**5,647**	**6,340**
Loss ratio [2] in %	69.5	68.0	66.1
Expense ratio [3] in %	27.9	27.4	27.6
Combined ratio [4] **in %**	**97.4**	**95.4**	**93.7**

1) For the Property-Casualty segment, total revenues are measured based upon gross premiums written.
2) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3) Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4) Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Property-Casualty Operations by Business Division

	Gross premiums written					Premiums earned (net)			Operating profit		
	2009 € mn	2008 € mn	2007 € mn	2009 internal[1] € mn	2008 internal[1] € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
Germany	9,235	9,344	9,425	9,235	9,344	7,263	7,356	7,212	739	1,375	1,313
Switzerland[2]	1,309	1,241	1,267	1,232	1,233	1,274	1,190	1,236	150	147	161
Austria	888	900	915	888	900	704	734	748	75	81	88
German Speaking Countries	**11,432**	**11,485**	**11,607**	**11,355**	**11,477**	**9,241**	**9,280**	**9,196**	**964**	**1,603**	**1,562**
Italy	4,190	4,740	5,229	4,190	4,684	4,182	4,647	4,901	346	692	721
Spain	2,101	2,156	2,136	2,101	2,156	1,803	1,863	1,820	293	287	254
South America	1,151	1,049	918	1,199	1,049	825	764	692	73	82	55
Portugal	288	298	282	288	298	238	247	246	37	36	37
Turkey[4]	417	180	—	218	180	261	128	—	16	9	—
Greece	99	83	79	99	83	63	55	50	11	10	9
Europe I incl. South America	**8,246**	**8,506**	**8,644**	**8,095**	**8,450**	**7,372**	**7,704**	**7,709**	**776**	**1,116**	**1,076**
France[5] [6]	3,368	3,930	5,086	3,368	3,398	3,118	3,281	4,422	26	282	487
Credit Insurance	1,672	1,804	1,762	1,672	1,804	1,111	1,360	1,267	13	145	496
Travel Insurance and Assistance Services	1,355	1,227	1,139	1,355	1,227	1,307	1,196	1,093	95	107	96
Netherlands	916	913	927	916	913	803	800	809	53	73	108
Belgium[5]	353	335	374	353	335	265	261	301	43	40	40
Africa	67	62	55	67	62	40	37	32	5	10	8
Europe II incl. Africa	**7,731**	**8,271**	**9,343**	**7,731**	**7,739**	**6,644**	**6,935**	**7,924**	**257**[7]	**683**[7]	**1,257**
United States[8]	3,521	4,420	4,306	3,310	3,652[9]	3,010	3,297	3,341	341	280	650
Mexico	192	205	201	221	205	76	82	86	14	19	11
NAFTA	**3,713**	**4,625**	**4,507**	**3,531**	**3,857**	**3,086**	**3,379**	**3,427**	**355**	**299**	**661**
Reinsurance PC[2]	3,719	3,470	3,191	3,771	3,439	3,076	2,823	2,022	365	498	218
Allianz Global Corporate & Specialty[6] [8]	3,806	2,859	2,810	3,806	3,626	2,487	1,813	1,800	591	435	413
United Kingdom	1,783	1,925	2,236	1,996	1,925	1,603	1,769	1,989	230	245	208
Australia	1,607	1,484	1,543	1,633	1,484	1,203	1,171	1,245	235	267	297
Ireland	627	672	691	627	672	570	597	614	(30)	115	180
ART	452	349	536	428	349	176	168	359	50	55	56
Anglo Broker Markets/ Global Lines	**15,707**	**15,384**	**15,514**	**15,792**	**15,352**	**12,201**	**11,720**	**11,456**	**1,796**	**1,914**	**2,033**
Russia/CIS[10]	684	857	678	819	857	537	705	574	27	41	7
Hungary	454	546	580	509	546	414	471	502	65	81	73
Poland	372	460	367	459	460	297	337	246	12	38	24
Romania	282	346	341	325	346	140	135	155	5	10	11
Slovakia	361	348	319	361	348	306	296	274	75	90	112
Czech Republic	274	278	249	290	278	219	209	183	41	44	41
Bulgaria	101	110	103	101	110	75	81	70	19	18	16
Croatia	87	95	86	89	95	77	78	63	7	6	2
New Europe[11]	**2,615**	**3,040**	**2,723**	**2,953**	**3,040**	**2,065**	**2,312**	**2,067**	**230**	**300**	**255**
Asia-Pacific (excl. Australia)	472	426	349	460	426	259	226	170	36	23	16
Middle East	69	54	40	66	54	35	25	21	1	3	2
Growth Markets	**3,156**	**3,520**	**3,112**	**3,479**	**3,520**	**2,359**	**2,563**	**2,258**	**267**	**326**	**273**
Consolidation[12]	(3,749)	(3,779)	(3,931)	(3,859)	(3,565)	11	11	10	4	5	139
Total	**42,523**	**43,387**	**44,289**	**42,593**	**42,973**	**37,828**	**38,213**	**38,553**	**4,064**	**5,647**	**6,340**

1) Reflect gross premiums written on an internal basis (adjusted for foreign currency translation and (de-)consolidation effects).
2) Reinsurance business of Allianz Suisse was transferred to Reinsurance PC. From 1Q 2008, renewal business is shown in Reinsurance PC, and run-off business is shown in Switzerland.
3) Net change of reserves related to savings component of UBR-business now included in claims (claims reduction of € 48.9 mn). Prior periods have not been retrospectively adjusted.
4) From July 21, 2008, Koç Allianz Sigorta AS was consolidated following the acquisition of approximately 47.1 % of the shares in Koç Allianz Sigorta AS by the Allianz Group, increasing our holding to approximately 84.2 %.
5) From 1Q 2008, health business in France and Belgium is shown within Life/Health segment. Prior year balances have not been adjusted.
6) Corporate customer business in France transferred to AGCS in 2009.
7) Contains € 14 mn and € 16 mn for 2009 and 2008, respectively, from a management holding located in Luxembourg and also € 8 mn and € 10 mn for 2009 and 2008, respectively, from the former operating entity AGF UK.
To be continued on page 127.

	Combined ratio			Loss ratio			Expense ratio		
	2009 %	2008 %	2007 %	2009 %	2008 %	2007 %	2009 %	2008 %	2007 %
Germany	98.7[3]	95.5	92.5	70.9[3]	69.4	66.3	27.8	26.1	26.2
Switzerland[2]	93.5	93.1	93.7	70.5	70.2	70.4	23.0	22.9	23.3
Austria	95.9	94.1	95.9	69.2	70.0	73.1	26.7	24.1	22.8
German Speaking Countries	**97.8**	**95.1**	**92.9**	**70.8**	**69.5**	**67.4**	**27.0**	**25.6**	**25.5**
Italy	100.8	96.9	94.8	76.0	73.1	71.1	24.8	23.8	23.7
Spain	89.7	90.6	91.5	69.3	69.9	71.6	20.4	20.7	19.9
South America	98.4	98.5	99.0	66.0	65.0	62.9	32.4	33.5	36.1
Portugal	92.8	92.8	91.9	65.8	65.1	65.9	27.0	27.7	26.0
Turkey[4]	105.8	109.5	—	79.4	85.6	—	26.4	23.9	—
Greece	90.7	91.1	88.1	61.2	59.9	58.2	29.5	31.2	29.9
Europe I incl. South America	**97.6**	**95.6**	**94.3**	**72.9**	**71.4**	**70.3**	**24.7**	**24.2**	**24.0**
France[5][6]	106.8	97.5	97.3	78.7	69.3	70.9	28.1	28.2	26.4
Credit Insurance	110.4	104.8	76.6	82.4	77.7	47.9	28.0	27.1	28.7
Travel Insurance and Assistance Services	95.5	93.4	93.8	60.1	57.6	58.2	35.4	35.8	35.6
Netherlands	98.8	98.0	94.2	69.2	67.5	62.0	29.6	30.5	32.2
Belgium[5]	97.3	97.1	102.4	61.1	60.2	65.8	36.2	36.9	36.6
Africa	98.4	91.7	92.7	48.8	48.8	53.2	49.6	42.9	39.5
Europe II incl. Africa	**103.8**	**98.3**	**93.6**	**73.6**	**68.4**	**64.5**	**30.2**	**29.9**	**29.1**
United States[8]	99.8	101.3	91.2	69.9	74.3	61.3	29.9	27.0	29.9
Mexico	89.4	95.4	95.2	64.3	70.0	71.6	25.1	25.4	23.6
NAFTA	**99.6**	**101.2**	**91.3**	**69.8**	**74.3**	**61.6**	**29.8**	**26.9**	**29.7**
Reinsurance PC[2]	92.3	87.9	94.1	66.4	61.9	64.6	25.9	26.0	29.5
Allianz Global Corporate & Specialty[6][8]	87.2	90.1	96.4	61.9	62.3	67.9	25.3	27.8	28.5
United Kingdom	92.9	95.1	98.8	59.3	60.4	65.4	33.6	34.7	33.4
Australia	94.8	97.5	95.7	70.2	72.6	70.7	24.6	24.9	25.0
Ireland	114.5	92.4	95.2	84.7	67.0	69.6	29.8	25.4	25.6
ART	89.4	81.3	100.2	47.1	31.3	66.3	42.3	50.0	33.9
Anglo Broker Markets/ Global Lines	**94.4**	**94.3**	**94.9**	**66.3**	**66.2**	**65.3**	**28.1**	**28.1**	**29.6**
Russia/CIS[10]	98.3	101.1	104.2	58.7	59.7	64.7	39.6	41.4	39.5
Hungary	94.0	93.5	96.8	60.8	61.1	67.1	33.2	32.4	29.7
Poland	99.9	93.4	94.4	65.3	60.6	58.6	34.6	32.8	35.8
Romania	100.6	102.2	101.3	78.9	73.1	79.7	21.7	29.1	21.6
Slovakia	79.9	77.5	66.8	51.1	46.1	38.2	28.8	31.4	28.6
Czech Republic	82.9	81.0	79.5	56.9	60.5	56.6	26.0	20.5	22.9
Bulgaria	79.0	78.4	85.5	44.6	48.0	43.5	34.4	30.4	42.0
Croatia	99.3	98.1	100.2	60.6	64.9	65.1	38.7	33.2	35.1
New Europe[11]	**92.9**	**92.9**	**94.3**	**59.7**	**59.0**	**60.7**	**33.2**	**33.9**	**33.6**
Asia-Pacific (excl. Australia)	93.1	96.9	98.6	58.6	63.0	60.2	34.5	33.9	38.4
Middle East	135.4	128.8	105.8	72.2	65.9	60.2	63.2	62.9	45.6
Growth Markets	**93.6**	**93.6**	**94.7**	**59.8**	**59.4**	**60.7**	**33.8**	**34.2**	**34.0**
Consolidation[12]	—	—	—	—	—	—	—	—	—
Total	**97.4**	**95.4**	**93.7**	**69.5**	**68.0**	**66.1**	**27.9**	**27.4**	**27.6**

8) In the beginning of 2009 the marine business of the United States was transferred to Allianz Global Corporate & Specialty.

9) We adjusted our internal growth figure for 2008 for the change in our Crop Insurance Programm with an impact of € 406 mn.

10) Effective February 21, 2007, Russian People's Insurance Society "Rosno" was consolidated following the acquisition of approximately 49.2 % of the shares in ROSNO by the Allianz Group, increasing our holding to approximately 97 %. Effective May 21, 2007, we consolidated Progress Garant for the first time.

11) Contains income and expense items from a management holding.

12) Represents elimination of transactions between Allianz Group companies in different geographic regions.

Life/Health Insurance Operations

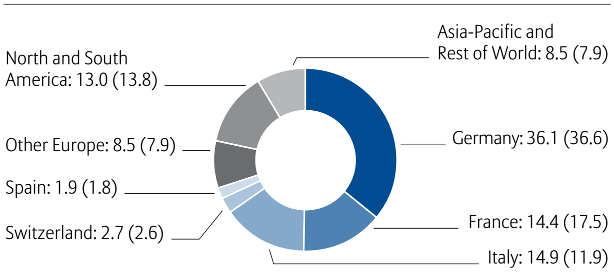
– Double-digit revenue growth to € 50.8 billion.
– Strong operating profit of € 2,808 million.
– Investment result recovered.

Earnings Summary

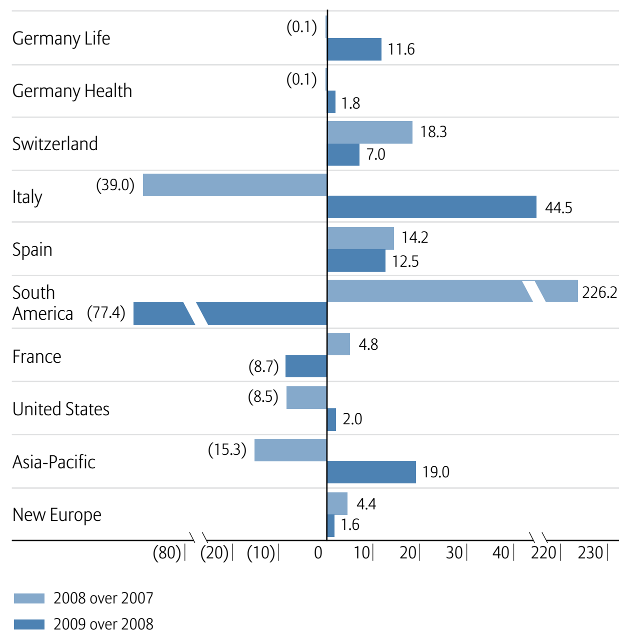
Statutory premiums [1]

With the recovery of capital markets from the second quarter onwards, we capitalized on returning consumer confidence in life insurance and investment products in our major markets. As consumers were still cautious about bearing investment risks following the financial crisis, products with minimum guarantees and participating components were preferred. Our statutory premiums grew by 11.3% or € 5,158 million on a nominal basis and 10.4% on an internal basis. Pure unit-linked business was still impacted by consumer aversion to equity and investment risk. Our premiums from traditional products fell by € 217 million or 1.0% on a nominal basis and 1.6% on an internal basis.

Statutory premiums by regions as of December 31, 2009 (December 31, 2008) [2]
in %



Statutory premiums – Internal growth rates [3),4)]
in %



Premiums in our German life business grew by 11.6% to € 15,049 million. Growth was mainly driven by the high demand for single premium investment products from private and commercial customers. Regular premium business declined due to a high level of maturities in the year. The German health business recorded a small but stable revenue growth.

In Switzerland premiums increased to € 1,364 million. The growth rate amounted to 7.0% and was mainly driven by single premiums from traditional life products with minimum guarantees and group life contracts.

1) In the following section we comment on the development of our statutory premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.
2) After elimination of transactions between Allianz Group companies in different geographic regions and different segments.
3) The order of countries follows to our business division structure as presented on pages 57 - 62.
4) Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Premiums in Italy were up by 44.5% to € 8,664 million, driven by higher sales of products with minimum guarantees and a participating component sold via our bancassurance channel. This channel responded well to changing consumer demand and gained market share with new investment contracts. The increase in products with minimum guarantees and a participating component compensated for the continued low demand for pure unit-linked business with equity participation.

Our premiums in France decreased by 8.7% to € 7,299 million. This decline was mainly due to the effect of exceptionally high group pension contracts in 2008. Excluding these, we recorded an increase in our sales of traditional life as well as investment-oriented products. Consumers remained risk averse keeping demand for pure unit-linked products at a low level.

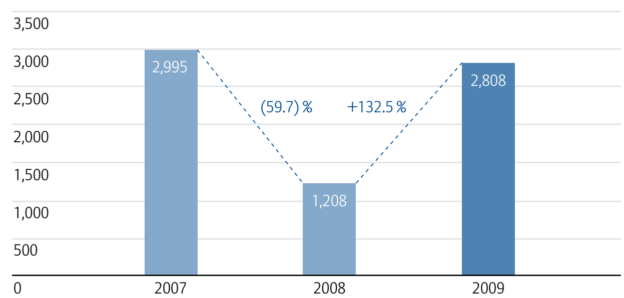
In the United States, we have made significant changes in our product portfolio. Our new products have a more balanced risk-reward profile between us and our customers. Despite the suspension of our variable annuity living benefit riders, our premiums increased to € 6,507 million. The increase amounted to 2.0%. Strong sales of fixed index annuity products offset the impact of lower sales of traditional fixed annuity and variable annuity products. However variable annuity sales picked up in the fourth quarter as new riders were successfully launched in August.

Our business in Asia-Pacific delivered premiums of € 4,197 million. Growth was 19.0%. We saw remarkable signs of recovery throughout the region, particularly in the second half of 2009. This development was mainly driven by an increase in sales by 76.9% or € 767 million in Taiwan, where consumer confidence returned in line with the capital market recovery, and demand for pure unit-linked products increased significantly. The high demand for our pure unit-linked products backed by Exchange Traded Funds arises from the strong performance of the Taiwan Stock Exchange, which grew by more than 70% during the course of the year.

Business in New Europe was still impacted by recession. Lower disposable income decreased customer demand for savings products in most countries. However, higher demand for single premium investment products in Poland offset declines in other countries in the region. Growth amounted to 1.6%. Due to unfavorable currency effects, premiums decreased on a nominal basis by 9.6% to € 1,032 million.

Operating profit

Operating profit
in € mn



Operating profit recovered after the sharp drop in 2008, increasing from € 1,208 million to a strong € 2,808 million. In 2008, our result was heavily impacted by difficult capital market conditions with exceptionally high impairments in the last two quarters. This difficulty continued in the first quarter of 2009 and was then followed by a significant improvement of capital market conditions. Overall, investment income before policyholder participation increased by € 6.3 billion to € 14.0 billion and is now back to a more normal level. Positive market development in the United States and France due to higher fair value income [1], was offset by low harvesting income of only € 92 million. After policyholder participation, investment income increased by € 1.7 billion to € 2.0 billion. This is in line with our expected share of gross investment income for our shareholders. Our technical result decreased by € 134 million to € 888 million. The expense result increased marginally by € 8 million.

Interest and similar income net of interest expenses amounted to € 13,844 million, equating to an annual yield for equities of 3.0% and for debt [2] of 4.7%. We recorded an increase of € 355 million mainly due to a growing debt portfolio, which outweighed negative effects from lower interest rates.

[1] Recorded in net gain from financial assets and liabilities carried at fair value through income.
[2] On debt securities including cash components, based on an average asset base of € 270.9 bn.

Net gain from financial assets and liabilities carried at fair value through income increased significantly to € 716 million. Recovering equity markets and narrowing of credit spreads resulted in positive results in fair value. While the trading result decreased significantly, positive contributions from assets accounted for under the fair value option, mainly in France and the U.S., impacted the operating profit positively by € 1,098 million.

Investment expenses increased by € 39 million to € 622 million.

Net harvesting amounted to € 92 million in 2009 and remained at a low level. The increase of € 4,965 million is driven by lower impairments compared to 2008. Improved market conditions allowed for net realized gains, which increased by € 881 million to € 1,755 million as our harvesting activity returned to a more normal level.

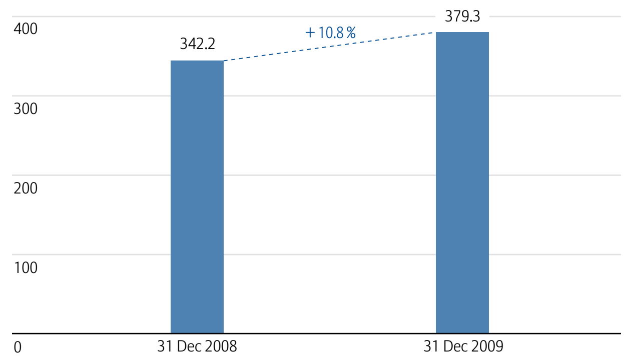
Composition of net harvesting

	2009 € mn	2008 € mn
Operating realized gains and losses (net)	1,755	874
Operating impairments of investments (net)	(1,663)	(5,747)
Net harvesting	**92**	**(4,873)**

Net impairments of investments decreased significantly by € 4,084 million to € 1,663 million. Last year's high impairments, especially in Germany and France, were not repeated this year as financial markets rebounded. Remaining impairments arose primarily in the first quarter of 2009 and were mostly attributable to our available-for-sale equity portfolio. Impairments in the following quarters mainly related to private equity investments, for which valuation is lagging behind actively traded markets.

Asset base [1)]

fair values [2)] in € bn



Changes in reserves for insurance and investment contracts (net) amounted to € 8,299 million, € 3,177 million higher than in 2008. This was driven by an increase in reserves for premium refunds to policyholders as a consequence of significantly higher investment income.

Net claims and insurance benefits incurred decreased by 1.8 % to € 19,326 million.

Acquisition and administrative expenses (net) amounted to € 5,798 million, up by 32.0 %. Administrative expenses declined by 10.2 %, whereas acquisition costs increased by 57.9 %, mainly driven by higher amortization of deferred acquisition costs at Allianz Life in the U.S. as gross margins improved.

Our statutory expense ratio increased by 1.8 percentage points to 11.5 %. The increase of our statutory premiums was offset by higher acquisition expenses due to higher amortization of deferred acquisition costs.

Our cost-income ratio improved by 2.1 percentage points to 95.6 % due to better investment performance compared to the premiums generated in the period.

1) For further information on the composition of our Life/Health asset base please refer to page 155.
2) Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information see note 2 to the consolidated financial statements.

Life/Health segment information

	2009 € mn	2008 € mn	2007 € mn
Statutory premiums [1]	**50,773**	**45,615**	**49,367**
Ceded premiums written	(548)	(588)	(644)
Change in unearned premiums	(52)	(54)	(61)
Statutory premiums (net)	50,173	44,973	48,662
Deposits from insurance and investment contracts	(28,144)	(22,742)	(27,853)
Premiums earned (net)	**22,029**	**22,231**	**20,809**
Interest and similar income	13,971	13,772	13,417
Operating income from financial assets and liabilities carried at fair value through income (net)	716	(309)	(1,135)
Operating realized gains/losses (net)	1,755	874	3,579
Fee and commission income	491	571	701
Other income	17	140	182
Operating revenues	**38,979**	**37,279**	**37,553**
Claims and insurance benefits incurred (net)	(19,326)	(19,673)	(17,637)
Changes in reserves for insurance and investment contracts (net)	(8,299)	(5,122)	(10,268)
Interest expenses	(127)	(283)	(374)
Loan loss provisions	(75)	(13)	3
Operating impairments of investments (net)	(1,663)	(5,747)	(824)
Investment expenses	(622)	(583)	(640)
Acquisition and administrative expenses (net)	(5,798)	(4,391)	(4,591)
Fee and commission expenses	(246)	(253)	(209)
Operating restructuring charges	(15)	1	(16)
Other expenses	—	(7)	(2)
Operating expenses	**(36,171)**	**(36,071)**	**(34,558)**
Operating profit (loss)	**2,808**	**1,208**	**2,995**
Cost-income ratio [2] in %	**95.6**	**97.7**	**95.3**

1) For the Life/Health segment, total revenues are based upon statutory premiums. Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

2) Represents deposits from insurance and investment contracts, claims and insurance benefits incurred (net), changes in reserves for insurance and investment contracts (net) and acquisition and administrative expenses (net) divided by statutory premiums (net), interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), operating realized gains/losses (net), fee and commission income, other income, interest expenses, loan loss provisions, operating impairments of investments (net), investment expenses, fee and commission expenses, operating restructuring charges and other expenses.

Life/Health Operations by Business Division

	Statutory premiums [1]					Premiums earned (net)		
	2009 € mn	2008 € mn	2007 € mn	2009 internal [2] € mn	2008 internal [2] € mn	2009 € mn	2008 € mn	2007 € mn
Germany Life	15,049	13,487	13,512	15,049	13,487	10,137	10,313	10,381
Germany Health [3]	3,176	3,120	3,123	3,176	3,120	3,176	3,120	3,123
Switzerland	1,364	1,205	992	1,289	1,205	577	478	432
Austria	447	461	396	447	461	296	277	288
German Speaking Countries	**20,036**	**18,273**	**18,023**	**19,961**	**18,273**	**14,186**	**14,188**	**14,224**
Italy	8,664	5,996	9,765	8,664	5,996	763	929	1,007
Spain	948	843	738	948	843	449	394	399
Portugal	158	130	115	158	130	82	80	73
Greece	119	110	105	119	110	67	72	65
South America	43	190	78	43	190	36	183	40
Turkey [4]	83	18	—	37	40	35	17	—
Europe I incl. South America	**10,015**	**7,287**	**10,801**	**9,969**	**7,309**	**1,432**	**1,675**	**1,584**
France	7,299	7,991	6,550	7,299	7,991	2,860	2,887	1,760
Belgium	696	681	664	696	681	348	345	310
Netherlands	354	371	399	354	371	151	133	137
Luxembourg	138	82	83	138	82	27	26	26
Africa	42	39	35	42	39	20	17	15
Global Life	182	—	—	182	—	4	—	—
Europe II incl. Africa	**8,711**	**9,164**	**7,731**	**8,711**	**9,164**	**3,410**	**3,408**	**2,248**
United States	6,507	6,036	6,931	6,159	6,036	656	771	636
Mexico	50	75	37	58	75	33	31	36
NAFTA	6,557	6,111	6,968	6,217	6,111	689	802	672
AZ Reinsurance LH	350	294	313	350	294	343	291	292
Anglo Broker Markets/Global Lines [5]	**6,907**	**6,405**	**7,281**	**6,567**	**6,405**	**1,032**	**1,093**	**964**
South Korea	1,440	1,580	2,188	1,604	1,580	641	709	975
Taiwan	1,782	997	1,812	1,764	997	117	148	72
Malaysia	177	142	126	178	142	154	121	104
Indonesia	255	214	225	256	214	80	75	49
Other	543	532	288	320	532	301	124	19
Asia-Pacific	4,197	3,465	4,639	4,122	3,465	1,293	1,177	1,219
Hungary	124	181	141	137	181	65	79	80
Slovakia	256	290	235	256	290	170	175	157
Czech Republic	112	101	96	119	101	51	60	56
Poland	428	428	431	526	428	198	192	121
Romania	23	32	30	27	32	14	15	12
Bulgaria	25	33	35	25	33	23	29	28
Croatia	46	59	58	47	59	43	42	40
Russia	18	17	13	22	17	17	16	12
New Europe	1,032	1,141	1,039	1,159	1,141	581	608	506
Middle East	101	88	70	98	88	95	82	64
Growth Markets	**5,330**	**4,694**	**5,748**	**5,379**	**4,694**	**1,969**	**1,867**	**1,789**
Consolidation [6]	(226)	(208)	(217)	(226)	(208)	—	—	—
Total	**50,773**	**45,615**	**49,367**	**50,361**	**45,637**	**22,029**	**22,231**	**20,809**

1) Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
2) Statutory premiums adjusted for foreign currency translation and (de-)consolidation effects.

	Operating profit			Cost-income ratio		
	2009 € mn	2008 € mn	2007 € mn	2009 %	2008 %	2007 %
Germany Life	677	621	696	96.7	96.6	96.5
Germany Health [3]	152	112	164	96.1	97.0	95.8
Switzerland	43	71	66	97.3	94.7	94.8
Austria	25	17	40	95.3	96.4	91.9
German Speaking Countries	**897**	**821**	**966**	**96.6**	**96.5**	**96.2**
Italy	245	206	372	97.5	97.0	96.6
Spain	115	103	104	90.5	90.8	89.5
Portugal	17	1	25	89.8	98.9	81.1
Greece	3	2	6	96.9	97.9	93.2
South America	9	10	—	84.6	95.3	99.5
Turkey [4]	9	5	—	92.7	90.4	—
Europe I incl. South America	**398**	**327**	**507**	**96.5**	**96.1**	**95.8**
France	662	129	632	93.1	98.4	93.4
Belgium	55	53	68	94.4	93.9	92.9
Netherlands	47	(1)	44	89.1	100.2	90.2
Luxembourg	3	3	4	98.3	96.5	95.8
Africa	4	3	2	92.4	93.3	95.5
Global Life	4	—	—	97.6	—	—
Europe II incl. Africa	**775**	**187**	**750**	**93.2**	**98.0**	**93.3**
United States	570	(232)	380	93.3	103.8	95.3
Mexico	4	4	5	92.9	94.9	90.3
NAFTA	574	(228)	385	93.3	103.7	95.3
AZ Reinsurance LH	29	8	26	93.9	97.5	92.3
Anglo Broker Markets/Global Lines [5]	**603**	**(220)**	**411**	**93.3**	**103.4**	**95.2**
South Korea	61	96	286	96.5	94.7	88.5
Taiwan	17	11	26	99.1	99.1	98.6
Malaysia	13	9	12	92.7	93.3	90.9
Indonesia	18	12	6	92.4	94.2	97.3
Other	(59)	(85)	(29)	110.0	117.3	109.9
Asia-Pacific	50	43	301	98.9	98.9	94.0
Hungary	12	15	13	91.3	92.2	91.9
Slovakia	37	28	29	87.2	91.1	88.9
Czech Republic	9	4	10	92.7	96.0	91.2
Poland	16	6	10	96.6	98.5	97.7
Romania	2	2	—	92.6	92.7	100.0
Bulgaria	6	2	4	80.1	93.5	89.7
Croatia	2	4	2	95.7	93.9	96.2
Russia	(8)	(15)	(7)	141.7	183.3	148.0
New Europe	76	46	61	93.4	96.0	94.5
Middle East	8	11	6	93.0	88.0	92.3
Growth Markets	**134**	**100**	**368**	**97.7**	**98.0**	**94.0**
Consolidation [6]	1	(7)	(7)	—	—	—
Total	**2,808**	**1,208**	**2,995**	**95.6**	**97.7**	**95.3**

3) Loss ratios were 73.5%, 74.7% and 71.6% for 2009, 2008 and 2007, respectively.
4) Effective July 21, 2008, Koç Allianz Hayat ve Emeklilik AS was consolidated following the acquisition of approximately 51% of the shares in Koç Allianz Hayat ve Emeklilik AS by the Allianz Group, increasing our holding to approximately 89%.
5) Contains run-off € 0 mn, € (1) mn and € (3) mn for 2009, 2008 and 2007, respectively, from our former life insurance business in the United Kingdom which we sold in December 2004.
6) Represents elimination of transactions between Allianz Group companies in different geographic regions.

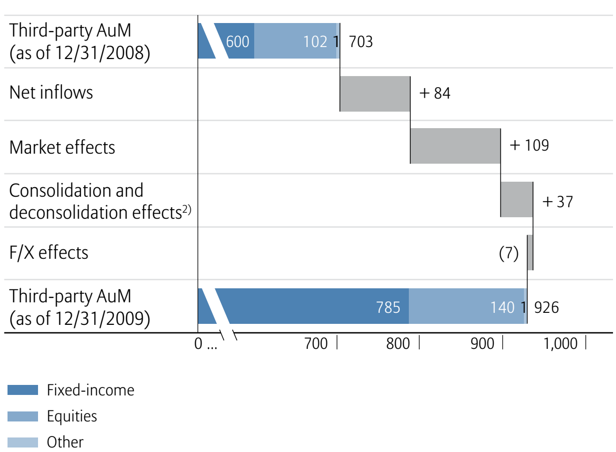
Asset Management[1]

– Assets under management reached € 1,202 billion.
– Net inflows of € 84 billion compared to net zero in the previous year.
– Outstanding operating profit of € 1.4 billion.

Assets under Management

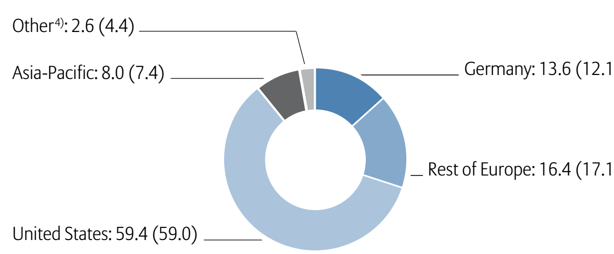
Total assets managed by our Asset Management operations as of December 31, 2009 were € 1,202 billion. Of this total, € 926 billion related to third-party assets under management and € 276 billion to Allianz Group assets. The third-party asset base of € 926 billion was, including cominvest, up by € 223 billion or 32 % compared to December 31, 2008.

Development of third-party assets under management
in € bn



This development reflected very high net inflows of € 84 billion with a positive contribution from fixed-income products of € 91 billion, partly offset by net outflows from our equity business. Additionally, rebounding markets over the year led to market-related appreciations of € 109 billion, which lifted equities by € 28 billion and fixed-income securities by € 81 billion. Negative foreign currency translation effects amounted to € 7 billion, resulting primarily from a weaker U.S. Dollar versus the Euro.

Third-party assets under management by geographic region as of December 31, 2009 (December 31, 2008)[3]
in %



From the beginning of the year, the acquisition of cominvest increased the proportion of investments originated in Germany. At year-end these accounted for nearly 14 % of Allianz's third-party assets under management.

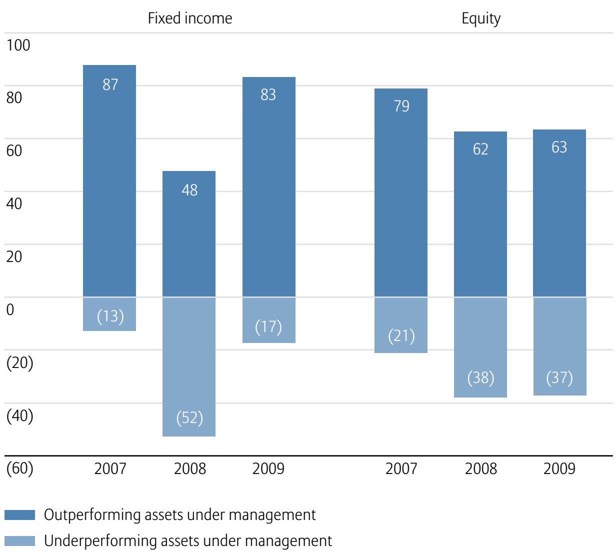
The split between equity and fixed-income assets remained unchanged. The latter made up for 85 % of third-party assets under management with equity assets accounting for the balance.

The weighting of retail and institutional clients shifted towards retail customers who accounted for 32 % of our third-party assets as of December 31, 2009. This was the result of the first time consolidation of cominvest, high net inflows and increased market return.

[1] For more information about the new segment structure please refer to the chapter "Business Operations & Steering" on page 60.
[2] Concerns basically cominvest.

[3] Based on the origination of assets.
[4] Consists of third-party assets managed by other Allianz Group companies (approximately € 24 bn as of December 31, 2009 and € 22 bn as of December 31, 2008, respectively) and Dresdner Bank (approximately € 9 bn as of December 31, 2008).

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



Compared to year-end 2008, the performance of Allianz Global Investors' assets under management remained robust for equity products, 63% of which (December 31, 2008: 62%) achieved an outperformance against benchmarks, despite the strong negative impact of the financial crisis. Our fixed-income products performed strongly with 83% (December 31, 2008: 48%) outperforming their respective benchmarks.

Earnings Summary

Operating revenues

	2009 €mn	2008 €mn	2007 €mn
Management and loading fees	3,922	3,572	3,871
Performance fees	432	83	206
Other income	86	377	326
Fee and commission income	**4,440**	**4,032**	**4,403**
Commissions	(822)	(794)	(948)
Other expenses	(28)	(364)	(322)
Fee and commission expenses	**(850)**	**(1,158)**	**(1,270)**
Net fee and commission income	**3,590**	**2,874**	**3,133**
Other revenues	99	20	126
Operating revenues	**3,689**	**2,894**	**3,259**

On an internal basis[2], operating revenues rose 20.3% year-on-year to €3,481 million. Including cominvest (€132 million) and favorable foreign currency exchange effects (€67 million) mainly resulting from the U.S. Dollar, we recorded operating revenues of €3,689 million on a nominal basis, up 27.5%.

Net fee and commission income amounted to €3,590 million, an increase of 24.9%. Thereof, management fees grew by €326 million to €3,641 million, maintaining stable margins with the growth of the assets we manage. Nevertheless, weaker markets in the first and second quarter had a negative impact on the average volume of assets under management in 2009, with a corresponding effect on management fee income.

Performance fees reached a record level of €432 million, up by €349 million. This development was mainly driven by our fixed-income business, predominantly stemming from products with high water marks.

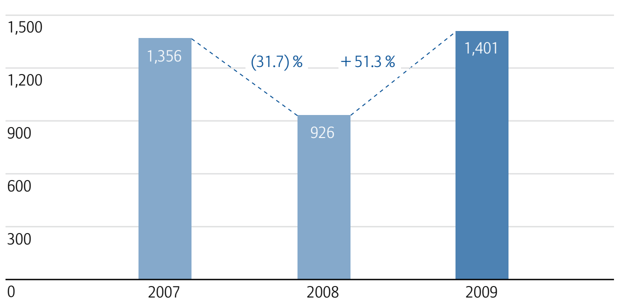
[1] Allianz Global Investors (AGI) account-based, asset-weighted 3-year investment performance of 3rd party assets vs. benchmark including all accounts managed on a discretionary basis by equity and fixed income managers of AGI. CPM-accounts, fund-of-funds and NBK-funds at AGI Germany as well as funds/accounts at Allianz GTJA China are not considered. For some retail equity funds the net of fee performance is compared to the median performance of an appropriate peer group (Morningstar or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS, the performance of closed funds/accounts is not included in the analysis. Not included until Q3 2009: AGI Taiwan, AGI Singapore, AGI Korea, AGI France, AGI Netherlands and AGI Italy.

[2] In the following section we comment on the development of our revenue growth on an internal basis, meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information.

Income from financial assets and liabilities carried at fair value through income amounted to € 40 million and was a € 111 million improvement on the previous year. This can be largely explained by a swing in income from seed money from a loss of € 66 million last year to an income of € 36 million in 2009.

Operating profit

Operating profit
in € mn



Our operating profit grew strongly by 51.3 % to € 1,401 million, reflecting higher management and performance fees and the increase in seed money profitability, previously referred to. In addition, foreign currency exchange benefits contributed € 18 million to the increase and the acquisition of cominvest another € 35 million.

Administrative expenses amounted to € 2,288 million, up € 320 million or 16.3 %. At constant exchange rates (effect of € 48 million) and excluding cominvest (effect of € 97 million), the increase would have amounted to € 175 million or 8.9 %, mainly driven by higher performance-related expenses following the strong profit growth.

Our cost-income ratio consistently improved throughout the year, reaching its lowest level in the fourth quarter 2009 at 55.5 %, supported by performance fees. For the full year 2009, the ratio stood at 62.0 %, down 6.0 percentage points and was helped by the high volume of performance fees and the swing in capital market effects compared to 2008.

Asset Management segment information

	2009 € mn	2008 € mn	2007 € mn
Net fee and commission income[1]	3,590	2,874	3,133
Net interest income[2]	30	63	80
Income from financial assets and liabilities carried at fair value through income (net)	40	(71)	32
Other income	29	28	14
Operating revenues	**3,689**	**2,894**	**3,259**
Administrative expenses (net), excluding acquisition-related expenses	(2,288)	(1,968)	(1,903)
Operating expenses	**(2,288)**	**(1,968)**	**(1,903)**
Operating profit	**1,401**	**926**	**1,356**
Cost-income ratio[3] in %	**62.0**	**68.0**	**58.4**

1) Represents fee and commission income less fee and commission expenses.
2) Represents interest and similar income less interest expenses.
3) Represents operating expenses divided by operating revenues.

Corporate and Other

– A new segment definition: Corporate and Other, including Holding & Treasury, Banking and Alternative Investments.[1]
– Operating loss of € 1,028 million in the Corporate and Other segment, increased mainly due to lower net interest, foreign currency exchange effects and the loss in the Banking business.

Corporate and Other segment information

	Holding & Treasury		
	2009 € mn	2008 € mn	2007 € mn
Interest and similar income	359	819	745
Operating income from financial assets and liabilities carried at fair value through income (net)	(122)	135	55
Fee and commission income	209	53	72
Other income	—	1	15
Operating revenues	**446**	**1,008**	**887**
Interest expenses, excluding interest expenses from external debt	(445)	(648)	(542)
Loan loss provisions	—	—	—
Investment expenses	(81)	(150)	(164)
Administrative expenses (net), excluding acquisition-related expenses	(574)	(531)	(615)
Fee and commission expenses	(195)	(9)	(3)
Other expenses	—	—	—
Operating expenses	**(1,295)**	**(1,338)**	**(1,324)**
Operating profit (loss)	**(849)**	**(330)**	**(437)**
Cost-income ratio[3] in %	—[4]	—[4]	—[4]

Earnings Summary Holding & Treasury

The Holding & Treasury's operating loss amounted to € 849 million after € 330 million in 2008. This was due to a decrease of € 257 million in net interest as short term yields declined, and a lower foreign exchange result by € 327 million.

Interest and similar income declined by € 460 million to € 359 million mainly because of lower short-term interest rates. In addition, dividend income declined by € 76 million as a result of our program to reduce our exposure on equities.

Interest expenses, excluding interest expenses from external debt, decreased by € 203 million to € 445 million, also affected by the decline in interest rates.

Net operating income from financial assets and liabilities carried at fair value through income turned from an income of € 135 million in 2008 to a loss of € 122 million in 2009. This swing was mainly driven by foreign currency movements in U.S. Dollar positions, offset to a large extent by foreign currency hedges, recorded within both the operating and non-operating trading result.

[1] For more information about the new segment structure please refer to the chapter "Business Operations & Steering" on page 60.
[2] Including consolidation in between the Corporate and Other segment as recorded in the segment information in note 6 to the consolidated financial statements.
[3] Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses, other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt, fee and commission expenses.
[4] Presentation not meaningful.

Banking			Alternative Investments			Corporate and Other[2]		
2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
708	989	884	2	29	121	1,066	1,724	1,695
17	6	8	(1)	(1)	(1)	(106)	138	62
389	430	528	132	172	133	723	650	713
—	—	—	1	—	—	1	1	15
1,114	**1,425**	**1,420**	**134**	**200**	**253**	**1,684**	**2,513**	**2,485**
(395)	(677)	(559)	—	—	(3)	(838)	(1,193)	(1,016)
(48)	(29)	(5)	—	—	(10)	(48)	(29)	(15)
—	—	—	(1)	—	—	(79)	(146)	(160)
(634)	(554)	(589)	(142)	(178)	(150)	(1,348)	(1,263)	(1,345)
(200)	(193)	(233)	(4)	—	(6)	(397)	(202)	(242)
(2)	(3)	(2)	—	—	—	(2)	(3)	(2)
(1,279)	**(1,456)**	**(1,388)**	**(147)**	**(178)**	**(169)**	**(2,712)**	**(2,836)**	**(2,780)**
(165)	**(31)**	**32**	**(13)**	**22**	**84**	**(1,028)**	**(323)**	**(295)**
122.5	100.4	94.1	—[4]	—[4]	—[4]	—[4]	—[4]	—[4]

Earnings Summary Banking

Operating revenues from our Banking business amounted to € 1,114 million, a decrease of € 311 million compared to last year. This development was driven by significantly lower interest rate levels, leading to a decrease in interest and similar income of € 281 million. In addition, banking operations generated lower fee income (down € 41 million) mainly in Germany and Italy that was only partly compensated by higher trading income in France.

The operating loss totalled € 165 million after a loss of € 31 million in the previous year. This outcome was particularly affected by non-capitalized set-up costs of € 134 million for the Allianz Bank in Germany in 2009. Furthermore, an operating loss of € 52 million was generated since its start in June.

Earnings Summary Alternative Investments

The operating loss amounted to € 13 million after a gain of € 22 million in 2008. The main reason for this shortfall was a decrease of € 27 million in the net interest income.

think global, act local

Berlin. Hoş geldiniz.

Wherever Allianz is located, we adapt to local conditions. We speak French in France, Spanish in Spain and, since 2008, Turkish in Germany. Why is that? We meet our customers where they live. In Germany, there are 2.4 million native Turkish speakers who are pleased to hear us greet them with "Hoş geldiniz".

think global, act local

Shanghai. Upwards and onwards!
The Chinese insurance supervisory authority has given Allianz China Life permission to establish its eighth provincial branch, opening for business in the northern province of Shandong. Only a local market? It all depends on your point of view. The province has 93 million inhabitants – more than Germany and Austria put together.

think global, act local

Hollywood. An Oscar for firemen.

What would Hollywood be without dangerous stunts? Without explosions and natural disasters, without raging fires, building collapses and collisions? These risks exist in films, but they also exist in reality – when something goes wrong during the production of a film. Who assumes the costs when expensive technology malfunctions, when there is rain instead of sunshine on the set, when the dance star shows up wearing a cast on his leg? Our company Fireman's Fund does. Fireman's Fund is the world's leading film insurer. That's why we always have a keen professional interest in the Oscar awards show.

Reconciliations

The previous analysis is based on our consolidated financial statements and should be read in conjunction with them. In addition to our stated figures according to the International Financial Reporting Standard (IFRS), Allianz Group uses operating profit and internal growth to enhance the understanding of our financials. These additional values should be viewed as complementary to, and not a substitute for our figures determined in according to IFRS.

Reconciliation of Income from Continuing Operations before Income Taxes to Operating Profit

The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, we exclude the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations;
- restructuring charges, because the timing of the restructuring charges are largely at our discretion, and accordingly their exclusion provides additional insight into the operating trends of the underlying business. This differentiation is not made if the profit sources are shared with policyholders;
- interest expenses from external debt, as these relate to our capital structure;
- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business;
- income from financial assets and liabilities held for trading (net) as part of the income from financial assets and liabilities carried at fair value through income (net) for the Property-Casualty insurance operations and the Corporate and Other activities (except for certain items for the Holding & Treasury activities and Banking operations where the trading income refers to operating business). For the Life/Health insurance and Asset Management operations, this item is treated as operating business and is therefore not excluded; and
- realized capital gains and losses (net) or impairments of investments (net), as these are largely dependent on market cycles or issuer-specific events over which we have little or no control, and can and do vary, sometimes materially, across periods (except for Life/Health insurance operations where the expenses for premium refunds in the operating profit are correlating with realized gains and losses and impairments of investments). Furthermore, the timing of sales that would result in such gains or losses is largely at our discretion.

The definitions for non-operating income from financial assets and liabilities held for trading (net), realized capital gains and losses (net) and impairments of investments (net) state the general treatment in the segments. However, there are special cases which are different from this general treatment:

- Property-Casualty insurance business: the line items are generally booked within the non-operating items; they can be classified as operating items if they are shared with the policyholders which occurs in the context of a casualty insurance product with premium refunds issued in the German market.
- Life/Health insurance business: the line items are generally booked within operating profit; they can be classified as non-operating items if they stem from an investment where the results are not shared with the policyholders, for example strategic investments.

In certain cases the policyholders participate in the tax benefits of the Allianz Group. IFRS requires that the consolidated income statements present all tax benefits in the income tax line item, even though these belong to policyholders. In the segment reporting the tax benefits are reclassified and shown as operating income in order to properly reflect the policyholder participation of tax benefits.

Operating profit should be viewed as complementary to, and not a substitute for income from continuing operations before income taxes or net income as determined in accordance with IFRS.

Reconciliation of operating profit to the Allianz Group's income from continuing operations before income taxes

	2009 € mn	2008 € mn	2007 € mn
Operating profit	**7,182**	**7,329**	**10,320**
Non-operating realized gains/losses (net) and impairments of investments (net)	623	(640)	2,085
Non-operating income from financial assets and liabilities carried at fair value through income (net)	148	72	(94)
Income (loss) from fully consolidated private equity investments (net)	(232)	79	50
Interest expenses from external debt	(905)	(945)	(1,051)
Non-operating restructuring charges	(183)	(130)	(166)
Acquisition-related expenses	(406)	(245)	(504)
Amortization of intangible assets	(125)	(23)	(17)
Reclassification of tax benefits	(774)	(24)	(60)
Income from continuing operations before income taxes	**5,328**	**5,473**	**10,563**

Composition of Total Revenues

Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

Composition of total revenues

	2009 € mn	2008 € mn	2007 € mn
Property-Casualty			
Gross premiums written	42,523	43,387	44,289
Life/Health			
Statutory premiums	50,773	45,615	49,367
Asset Management			
Operating revenues	3,689	2,894	3,259
consisting of:			
Net fee and commission income	3,590	2,874	3,133
Net interest income	30	63	80
Income from financial assets and liabilities carried at fair value through income (net)	40	(71)	32
Other income	29	28	14
Corporate and Other			
Total revenues	517	555	630
consisting of:			
Interest and similar income	708	989	884
Income from financial assets and liabilities carried at fair value through income (net)	17	6	8
Fee and commission income	389	430	528
Interest expenses	(395)	(677)	(559)
Fee and commission expenses	(200)	(193)	(233)
Consolidation effects (Banking within Corporate and Other)	(2)	—	2
Consolidation	(117)	117	144
Allianz Group	97,385	92,568	97,689

Composition of Total Revenue Growth

We believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or "changes in scope of consolidation") are excluded. Accordingly, in addition to presenting "nominal growth", we also present "internal growth", which excludes these effects.

Reconciliation of nominal total revenue growth to internal total revenue growth

	Internal growth %	Changes in scope of consolidation %	Foreign currency translation %	Nominal growth %
2009				
Property-Casualty	(0.9)	(0.4)[1]	(0.7)	(2.0)
Life/Health	10.4	0.5	0.4	11.3
Asset Management	20.3	4.9	2.3	27.5
Corporate and Other	(7.0)	0.0	0.2	(6.8)
Allianz Group	5.1	0.2	(0.1)	5.2
2008				
Property-Casualty	1.7	(1.8)	(1.9)	(2.0)
Life/Health	(8.3)	2.1	(1.4)	(7.6)
Asset Management[2]	(5.8)	(0.1)	(5.3)	(11.2)
Corporate and Other	(12.1)	0.0	0.1	(12.0)
Allianz Group[3]	(3.9)	0.3	(1.6)	(5.2)

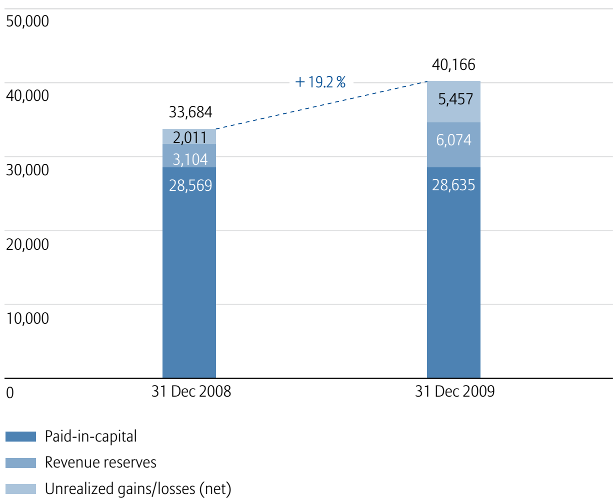
1) We adjusted our internal growth figure for the change in our Crop Insurance Programm with an impact of € 406 mn as it is considered as a deconsolidation effect.
2) We adjusted our figures for 2008 according to the change in our accounting policy with regard to the presentation of foreign currency gains and losses. Those are now reported within "Income from financial assets and liabilities carried at fair value through income (net)".
3) We adjusted our figures for 2008 according to the definition of total revenues as stated on this page.

Balance Sheet Review

– Strong solvency ratio of 164 %.
– Shareholders' equity of € 40.2 billion.

Shareholders' Equity [1]

Shareholders' equity
in € mn

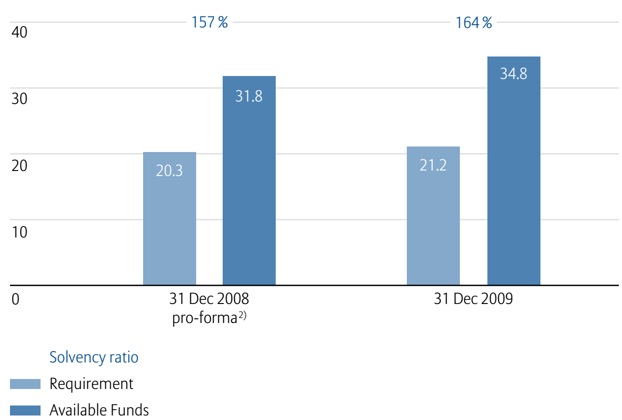


As of December 31, 2009, shareholders' equity amounted to € 40,166 million and was up 19.2 % from December 31, 2008. The change was driven by net income attributable to shareholders of € 4,297 million and unrealized gains of € 3,446 million. The dividend for 2008 paid in the second quarter of 2009 reduced equity by € 1,580 million.

Regulatory Capital Adequacy

Allianz Group is a financial conglomerate within the scope of the Financial Conglomerates Directive and the related German law effective since January 1, 2005. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The law requires that a financial conglomerate calculates the capital needed to meet the respective solvency requirements on a consolidated basis.

Conglomerate solvency
in € bn



As of December 31, 2009 the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the asset management and banking business, was € 34.8 billion (2008: € 31.8 billion) including off-balance sheet reserves[3] of € 2.0 billion (2008: € 2.2 billion), surpassing the minimum legally stipulated level by € 13.6 billion (2008: € 11.5 billion). This margin resulted in a preliminary cover ratio[4] of 164 % (2008: 157 %) as of December 31, 2009.

[1] Does not include minority interests of € 2.1 bn and € 3.6 bn as of December 31, 2009 and December 31, 2008, respectively. For further information please refer to note 25 to the consolidated financial statements.

[2] Available funds and requirement as of December 31, 2008, including discontinued operations, were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. 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.

[3] Off-balance sheet reserves are accepted from the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 155 % (2008: 146 %).

[4] Intangible assets in relation to fully consolidated private equity investments have been fully deducted from the available funds for the first time.

Total Assets and Total Liabilities

In the following sections, we show our asset allocation for our insurance portfolio and analyze important developments within the balance sheets of our Property-Casualty, Life/Health, Asset Management and Corporate and Other segments as presented on pages 150 and 157.

As of December 31, 2009 total assets amounted to € 584.0 billion and total liabilities amounted to € 541.8 billion. When compared to the year-end 2008 total assets and total liabilities decreased by € 371.6 billion and € 376.5 billion, respectively. This decrease was attributable to the deconsolidation of Dresdner Bank, which reduced assets and liabilities by € 417.9 billion and € 410.5 billion, respectively

Market environment of different asset classes

2009 saw a recovery in the markets although a continuation of the negative trend of 2008 at the beginning of the year was a cause for concern. Massive combined support by governments and central banks saved the world's finance system from collapse. Despite positive signs throughout 2009, the crisis is still not over: short-term interest rates are still very low and bail-out programs will need to be financed.

Equities

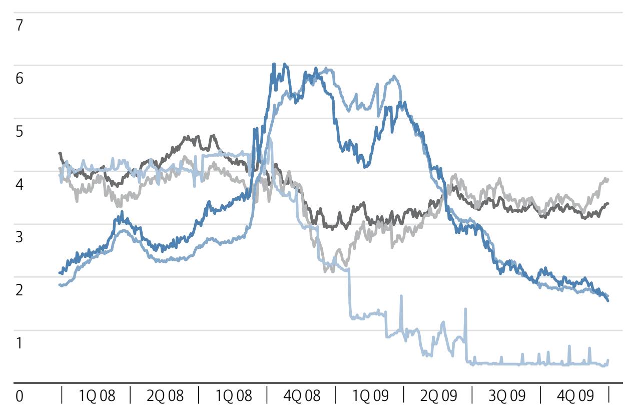
During the period under review stock markets recovered from the crash of the second half of 2008. After another dip during the first quarter 2009 in which the downward-trend continued, stock markets gained around 40 % during the rest of the year, leading to an annual performance of more than 20 %.

Fixed-income

A decline in long-term interest rates in 2008 due to the financial crisis turned moderately positive in 2009. However, interest rate levels at the end of 2009 still remained below where they were at the beginning of 2008. Short-term interest rates further decreased during 2009. Market recovery has helped reduce credit spreads to pre-2008 levels. Special high-quality spread products are now trading at or even below pre-Lehman collapse levels.

Interest rates and Credit Spreads development

in %



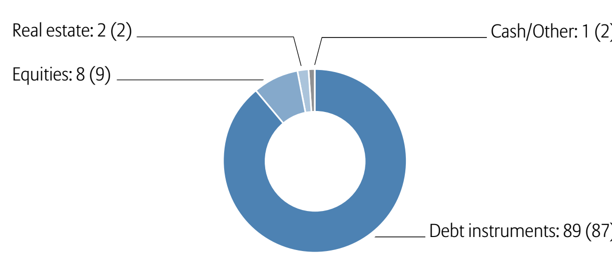
Structure of investments – Portfolio overview

Allianz Group's asset portfolio mainly derives from our core business of insurance. The following asset allocation represents the insurance segments and the Corporate and Other segment.

Asset allocation[1]

in %

Allianz Group's asset portfolio as of December 31, 2009: € 408.7 billion
(as of December 31, 2008: € 365.0 billion)



[1] Does not include our banking operations.

Overall, the Group's investment portfolio increased by € 43.7 billion compared to 2008. This increase was both market-driven as well as by growth from our underlying operating business, primarily from the Life/Health entities. In contrast to 2008, markets moved favourably: equity markets rose and credit spreads almost reached end-2007 levels.

Equities

During 2009, our exposure to equities slightly decreased by € 3.2 billion to € 30.6 billion. We continued to sell selected equity stakes in line with our strategy of the last few years. However, we have materially slowed the pace of equity sales while market developments benefited our equity holdings. We have now reached our targeted comfort zone with a current equity share of 8 %. From an economic standpoint our share in equities is even lower, with a large part of our holdings being hedged. During the course of 2009, our equity gearing – which is a ratio of our equity holdings allocated to the shareholder to shareholder's equity plus off-balance sheet reserves less goodwill – further decreased from 0.5 to 0.4.

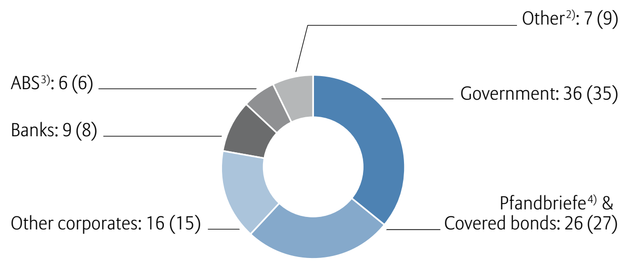
Our exposure to equities remains strong in the financial sector. We consider most of our holdings in this area to be strategic. We constantly monitor and reassess our exposure and take decisions according to our risk assessment and risk appetite. A result of this strict investment monitoring strategy has been the sale of 50 % of our stake in the Industrial and Commercial Bank of China Ltd. (ICBC) during 2009.

Debt instruments

The vast majority of our investment portfolio comprises debt instruments. Our exposure to this asset class rose from € 315.8 billion to € 364.8 billion during 2009, representing a portfolio share of 89 %. In line with the reduction in equities we have further expanded our exposure to fixed-income securities.

Fixed-income portfolio by type of issuer
in %

Fixed-income portfolio as of December 31, 2009: € 364.8[1] billion
(as of December 31, 2008: € 315.8 billion)



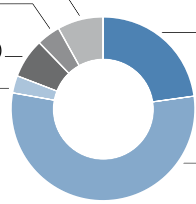
We consider our exposure in this asset class to be both high quality and well-diversified. A share of more than 60 % relates to governments and covered bonds that help mitigate possible future deteriorations. According to our operating business profile, approximately 70 % of our fixed-income portfolio is invested in Eurozone bonds and loans. Similarly, approximately 95 % is invested in investment-grade bonds and loans.

1) Including € 14.2 billion subordinated debt securities; thereof € 11.3 bn related to our exposure in banks as of December 31, 2009.
2) 4 %-pts. are mainly seasoned self-originated German Private Retail Mortgage Loans and 3 %-pts. are short-term deposits at banks.
3) Includes € 7.6 bn U.S. Agency MBS.
4) Type of covered bond issued in Germany.

Nearly 80 % of our government exposure is located in the Eurozone. Some countries and governments have started to struggle during 2009. Our exposure to those in difficulty is limited compared to our overall exposure, and we have not had any impairments in this sector.[1)]

Government exposure
in %

Government exposure: as of December 31, 2009: € 130.5 billion
(as of December 31, 2008: € 110.4 billion)



Some 63 % of covered bonds are German Pfandbriefe backed by either public sector loans or mortgage loans. On these as well as on all other covered bond exposures, a cushion against house price deterioration and payment defaults is provided by minimum required security buffers and voluntary over-collateralization.

Our portfolio comprises ABS securities of € 20.8 billion. We closely monitor this exposure but feel comfortable with our holdings in this sector. We have seen rating downgrades in our ABS portfolio, mainly from AAA to AA or A, but we did not have significant impairments in this asset class. Around 37 % or € 7.6 billion of our ABS securities are formed by U.S. agency MBS which received a helping hand from the U.S. government.[2)]

Similarly, we believe our exposure in subordinated securities in banks of € 11.3 billion to be of good quality. Our tier 1 share remains low at less than 1 % of our total exposure to debt instruments. We selectively participated in exchange offers by banks, through which we realized losses of € 0.2 billion on tier 1 securities. Apart from this impact we recorded impairments of less than € 0.1 billion on tier 1 securities.

Real estate
Our exposure to real estate instruments held for investments remained at € 7.5 billion. While in 2009 investment opportunities in real estate have been limited, we plan to raise our holdings of alternative assets, amongst them real estate, over the next years. We consider our long-term and flexible investment horizon a clear advantage in this area.

Investment result

Net investment income

As of December 31,	Group 2009 € mn	Group 2008 € mn	Group Delta € mn
Interest and similar income[3)]	17,654	18,124	(470)
Inc. fr. fin. assets and liab. carried at fair value through income (net)	954	(341)	1,295
Realized gains/losses (net)	3,416	3,603	(187)
Impairments of investments (net)	(2,732)	(9,495)	6,763
Investment expenses	(755)	(771)	16
Net investment income	18,537	11,120	7,417

In 2009 we earned a total investment result of € 18,537 million, an increase of more than 60 % compared to 2008. The increase mainly reflects lower impairments from equities. Our overall investment result for both equities and corporate bonds gained important relief from recovering markets.

1) For example, our exposure in Greece, Portugal and Ireland amounts to € 6.6 billion corresponds to a share in debt instruments of less than 2 %.
2) One major change in our ABS portfolio related to the purchase of CDOs in the context of Dresdner Bank transaction. These CDOs account for less than 1 % of our debt instruments with a book value of € 0.9 billion.

3) Net of interest expenses (excluding interest expenses from external debt).

	Total investment income		Total IFRS return (excl. unrealized)		Change in unrealized		Total IFRS return (incl. unrealized)	
	2009 € mn	2008 € mn	2009 %	2008 %	2009 € mn	2008 € mn	2009 %	2008 %
Equities	1,324	(3,547)	4.1	(7.1)	4,390	(16,580)	17.6	(40.6)
Debt securities & Cash	16,259	14,959	4.4	4.6	9,332	(1,617)	7.0	4.1
Other [1]	954	(292)	5.8	(1.6)	0	0	5.8	(1.6)
Total	**18,537**	**11,120**	**4.5**	**2.8**	**13,722**	**(18,197)**	**7.8**	**(1.8)**

Total IFRS return on equities resulted in 4.1 %, an increase of 11.2 percentage points compared to previous year. Total IFRS return, including change in unrealized, reached 17.6%, an increase of almost 60 percentage points compared to 2008. Debt securities could reach a yield of 4.4%, after a yield of 4.6% in 2008. This figure not only reflects lower interest payments on bonds and loans but also lower dividend yields from equities. However, in the current interest rate environment we have taken such measures as increasing duration in our life/health segment with the aim of benefiting from the steepening of the yield curve. Additionally, we have reduced our share in cash investments where the dramatic decline in short-term interest rates caused a fall in interest and similar income.

Volatile income drivers such as income from fair value option and trading have positively benefited from market recovery. Here, we observed positive one-offs from reduced credit spreads in our life/health operations in the United States as well as from positive equity markets in our operations in France.

Realized gains and losses remained rather stable compared to 2008, on a level of € 3.4 billion, however with a lower focus in non-operating result. In the middle of the financial crisis in 2008 we closed forward sales mainly in the property-casualty segment which had already been locked-in in 2007. In 2009, while markets calmed, we returned to a more normal harvesting level especially in life/health. One of our major transactions in 2009 was the sale of 50% of our stake in ICBC where we realized a gain of € 0.7 billion.

Impairments for both equity and debt instruments have significantly decreased in 2009 compared to 2008. The downward trend of 2008 in the markets continued in the beginning of 2009, when we had to take equity impairments of considerable size. Thereafter equity markets rose and only small impairments had to be recorded. We recorded debt impairments in 2009 on our exposure in the CIT Group as well as in a few subordinated bonds. However, a proof of our high quality investment portfolio is that we have only recorded an average of 8 basis points of impairments throughout the last 5 years.

[1] Including income from fair value option, trading and real estate, investment expenses, FX gains / losses.

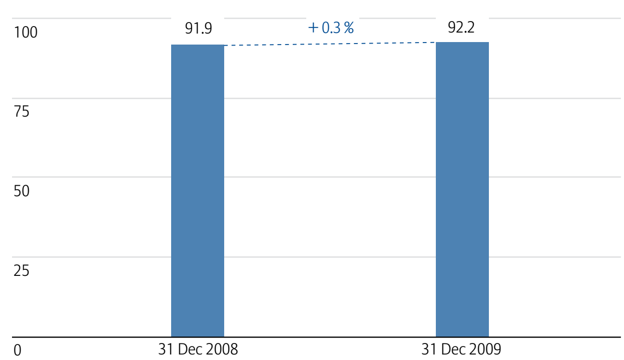
Investment expenses would have been held constant but for the slight increase prompted by the increase in assets under management.

Assets and liabilities of the Property-Casualty segment

Property-Casualty assets

Asset base [2]

fair values [3] in € bn



[2] We have changed the definition of the asset bases to better reflect the economic reality: since 1Q 2009 we include cash and cash equivalents and receivables from cash pooling net of liabilities from securities lending in our asset bases.

[3] Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our share of ownership percentage.

During the year 2009 our Property-Casualty asset base increased by € 0.3 billion. An increase in debt securities and loans of € 5.1 billion to € 74.3 billion outweighed the decline in equity investments, which were down by 21.9% to € 5.0 billion, mainly due to disposals. In addition, cash and cash pool assets decreased by € 3.1 billion compared to the year-end both due to a repayment of short-term cash liabilities, which decreased by the same amount, as well as our active reduction of cash holdings.

Composition of asset base

fair values [1]

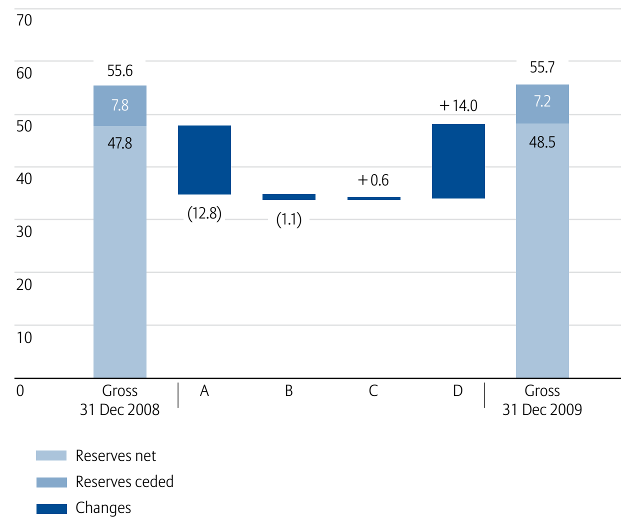
As of December 31,	2009 € bn	2008 € bn
Financial assets and liabilities carried at fair value through income		
Equities	0.2	0.2
Debt securities	1.7	1.5
Other [2]	0.1	0.2
Subtotal	**2.0**	**1.9**
Investments [3]		
Equities	5.0	6.4
Debt securities	58.0	51.0
Cash and cash pool assets [4]	4.4	7.5
Other	6.5	6.9
Subtotal	**73.9**	**71.8**
Loans and advances to banks and customers	16.3	18.2
Property-Casualty asset base	92.2	91.9

Of our Property-Casualty asset base, asset-backed securities (ABS) made up € 4.3 billion as of December 31, 2009, which is less than 5% of our asset-base. CDOs accounted for € 15 million of this amount.

Property-Casualty liabilities

Development of reserves for loss and loss adjustment expenses [5]

in € bn



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

As of December 31, 2009, the segment's gross reserves for loss and loss adjustment expenses increased by 0.2% to € 55.7 billion. On a net basis reserves were up 1.5% to € 48.5 billion. Foreign currency translation effects and other changes accounted for a € 0.6 billion increase.

Further details of property-casualty reserves are disclosed at the end of this chapter.

[1] Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage.
[2] Comprises assets of € 0.2 bn and € 0.3 bn and liabilities of € (0.1) and € (0.1) bn as of December 31, 2009 and December 31, 2008 respectively.
[3] Do not include affiliates of € 10.9 bn and € 10.7 bn as of December 31, 2009 and December 31, 2008, respectively.
[4] Including cash and cash equivalents as stated in our segment balance sheet of € 2.3 bn and € 2.7 bn and receivables from cash pooling amounting to € 2.1 bn and € 5.0 bn net of liabilities from securities lending of € 0 bn and € (0.2) bn as of December 31, 2009 and December 31, 2008, respectively.

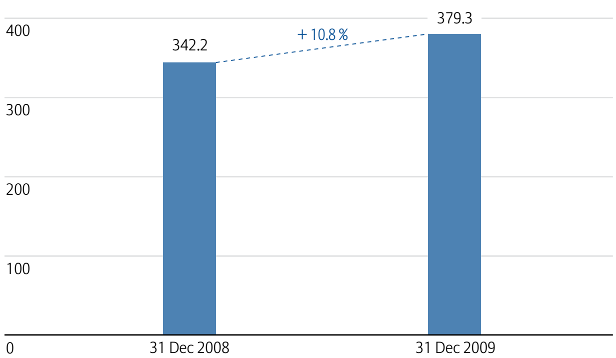
[5] After group consolidation. For further information about changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment please refer to note 19 to the consolidated financial statements.

Assets and liabilities of the Life/Health segment

Life/Health assets

Asset base [1]

fair values [2] in € bn



In 2009, the Life/Health asset base increased by 10.8 % to € 379.3 billion. We recorded a significant increase in debt investments from € 245.0 billion up to € 282.5 billion. This development was driven by strong net inflows from our Life insurance business and by credit spread narrowing resulting in an increase in the value of our corporate bonds. A slight net reduction in equity investments of € 1.3 billion to € 20.9 billion was due to our equity reduction program, partially offset by strongly performing equity markets from the second quarter onwards. Cash and cash pool assets were down by € 5.0 billion to € 6.0 billion following our strategy for decreasing our cash position.

Composition of asset base

fair values [2]

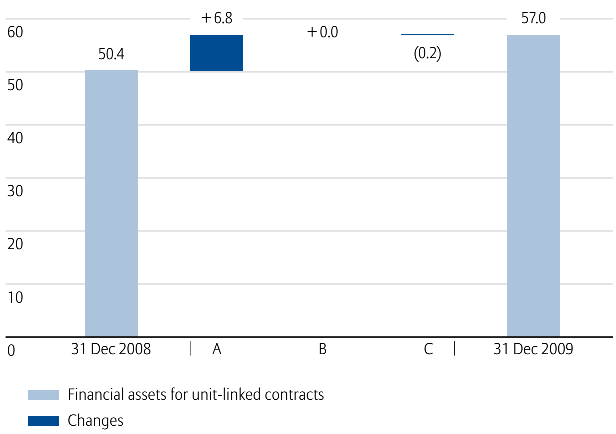
As of December 31,	2009 € bn	2008 € bn
Financial assets and liabilities carried at fair value through income		
Equities	2.8	2.5
Debt securities	7.3	7.7
Other [3]	(5.4)	(4.3)
Subtotal	**4.7**	**5.9**
Investments [4]		
Equities	20.9	22.2
Debt securities	182.5	153.6
Cash and cash pool assets [5]	6.0	11.0
Other	7.9	7.7
Subtotal	**217.3**	**194.5**
Loans and advances to banks and customers	**100.3**	**91.4**
Financial assets for unit-linked contracts [6]	**57.0**	**50.4**
Life/Health asset base	**379.3**	**342.2**

Within our Life/Health asset base, ABS amounted to € 15.9 billion as of December 31, 2009, which is less than 5 % of total Life/Health assets. Thereof, € 0.9 billion are CDOs.

1) We have changed the definition of the asset bases to better reflect the economic reality: since 1Q 2009 we include cash and cash equivalents and receivables from cash pooling net of liabilities from securities lending in our asset bases.
2) Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage.

3) Comprises assets of € 1.2 bn and € 1.5 bn and liabilities of € (6.6) bn and € (5.8) bn as of December 31, 2009 and December 31, 2008 respectively.
4) Do not include affiliates of € 1.8 bn and € 2.5 bn as of December 31, 2009 and December 31, 2008, respectively.
5) Including cash and cash equivalents as stated in our segment balance sheet of € 2.5 bn and € 4.8 bn and receivables from cash pooling amounting to € 3.5 bn and € 6.6 bn net of liabilities from securities lending of € 0 bn and € (0.4) bn as of December 31, 2009 and December 31, 2008, respectively. Cash and cash pool assets were down by € 5.0 bn as cash was largely reinvested in longer-term debt or were used for repayment of short-term cash liabilities.
6) Financial assets for unit-linked contracts represent assets owned by, and managed on the behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds to the value of financial liabilities for unit-linked contracts.

Financial assets for unit-linked contracts
in € bn

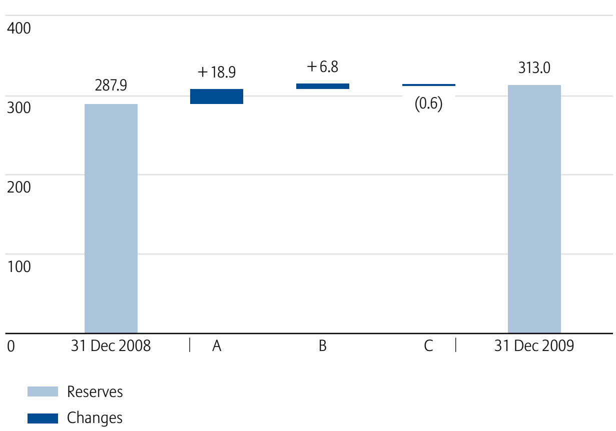


A Change in unit-linked Insurance Contracts
B Change in unit-linked Investment Contracts
C Foreign currency translation adjustments

Our financial assets for unit-linked contracts amounted to € 57.0 billion. Unit-linked insurance contracts increased by € 6.8 billion, which was largely attributable to a favorable fund performance, a reduced but still significant premium inflow and decreased surrenders. Unit-linked investment contracts stayed nearly unchanged.

Life/Health liabilities

Development of reserves for insurance and investment contracts
in € bn



A Change in aggregate policy reserves
B Change in reserves for premium refunds
C Foreign currency translation adjustments

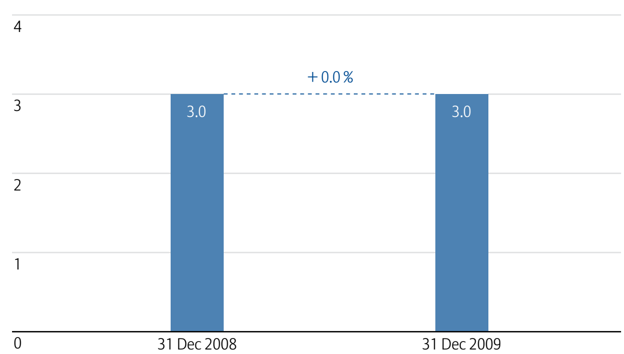
Life/Health reserves for insurance and investment contracts increased in 2009 by € 25.1 billion or 8.7 % to € 313.0 billion. The increase was mainly driven by higher aggregate policy reserves. Major contributors were our operations in Germany (€ 6.7 billion), Italy (€ 3.9 billion), France (€ 2.4 billion) and the U.S. (€ 1.9 billion excluding currency effects). The first time consolidation of Allianz Thailand in the second quarter added € 2.0 billion. Our reserves for premium refunds were up by € 6.8 billion due to the recovery of financial markets. Foreign currency losses of € 0.6 billion resulted primarily from the decline of the U.S. Dollar versus the Euro (€ (1.2) billion), partly balanced by the increase in Korean Won (€ 0.5 billion).

Assets and liabilities of the Asset Management segment

Asset Management assets

Our Asset Management segment's results of operations stem primarily from its management of third-party assets.[1] In this section we refer only to our own assets. In the year 2009, our own asset base of the Asset Management segment without third-party assets remained stable at € 3.0 billion.

Asset base
in € bn



Asset Management liabilities

Our liabilities amounted to € 4.2 billion (up 4.7 %), mainly driven by higher provisions due to favorable development of our Asset Management business.

[1] For further information on the development of these third-party assets please refer to page 134.

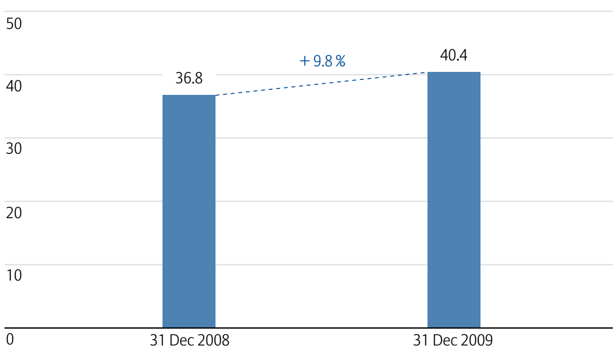
Assets and liabilities of the Corporate and Other segment

Corporate and Other assets

In 2009, a new Corporate and Other segment formed, including Holding & Treasury, Banking and Alternative Investments

Asset base [1]

fair values [2] in € bn



In the year 2009, our Corporate and Other asset base was up by 9.8% to € 40.4 billion. Investments in debt securities increased by € 5.1 billion due to net inflows. Our equity investments declined by € 0.4 billion as net outflows were higher than positive market effects.

Composition of asset base

fair values [2]

As of December 31,	2009 € bn	2008 € bn
Financial assets and liabilities carried at fair value through income		
Equities	0.0	0.0
Debt securities	0.1	0.2
Other [3]	0.0	(0.2)
Subtotal	0.1	0.0
Investments [4]		
Equities	4.8	5.2
Debt securities	13.3	11.0
Cash and cash pool assets [5]	1.3	2.6
Other	0.2	0.1
Subtotal	19.6	18.9
Loans and advances to banks and customers	20.7	17.9
Corporate and Other asset base	40.4	36.8

ABS in our Corporate and Other asset base, amounted to € 0.6 billion as of December 31, 2009, which is around 1.5% of our Corporate and Other asset-base.

Corporate and Other liabilities

Our liabilities to banks and customers amounted to € 21.2 billion after € 20.4 billion at year end 2008. An increase of € 2.8 billion was attributable to the fact that liabilities with Dresdner Bank were external liabilities in 2009 and were no longer consolidated. This effect was slightly compensated by a decrease of term deposits and certificates of deposits from € 4.5 billion to € 3.5 billion.

The decrease within the certificated liabilities from € 14.8 billion to € 14.1 billion was mainly driven by a reduction of the Allianz SE issued debt outstanding[6] in this investment category of € 1.4 billion. On the other hand, Group internal certificated liabilities increased by € 1.0 billion.

1) We have changed the definition of the asset bases to better reflect the economic reality: since 1Q 2009 we include cash and cash equivalents and receivables from cash pooling net of liabilities from securities lending in our asset bases.
2) Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage.
3) Comprises assets of € 0.5 bn and € 0.5 bn and liabilities of € (0.5) bn and € (0.7) bn as of December 31, 2009 and December 31, 2008 respectively.
4) Do not include affiliates of € 67.5 bn and € 63.7 bn as of December 31, 2009 and December 31, 2008, respectively.
5) Including cash and cash equivalents as stated in our segment balance sheet of € 1.1 bn and € 1.4 bn and receivables from cash pooling amounting to € 0.2 bn and € 1.2 bn net of liabilities from securities lending of € 0 bn and € 0 bn as of December 31, 2009 and December 31, 2008, respectively.
6) For further information on Allianz SE issued debt outstanding as of December 31, 2009, please refer to note 23 of our consolidated financial statements.

Off-Balance Sheet Arrangements

In the normal course of the business, the Allianz Group may enter into arrangements that do not lead to the recognition of assets and liabilities in the consolidated financial statements under IFRS. The reason is that the Allianz Group does not substantially bear all the risks and rewards associated with these arrangements. These types of arrangements are recorded in the consolidated financial statements only to the extent of the Allianz Group's involvement which can be, for example, in the form of derivatives, guarantees, or commitments. When the Allianz Group incurs an obligation from the arrangements or becomes entitled to an asset, it is recorded in the consolidated financial statements together with the corresponding loss or gain. In the case of an obligation, the loss recorded does not always represent the full loss potential inherent in such arrangements. The Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue and, as such, our off-balance sheet exposure to loss is very small relative to our financial position.

The Allianz Group enters into various commitments including loan commitments, leasing commitments, purchase obligations and other commitments. These commitments amounted to € 10,922 million as of December 31, 2009. In addition, the Allianz Group issued letters of credit and other financial guarantees, market guarantees and indemnification contracts in the amount of € 3,294 million in 2009. Further, the Allianz Group has contingent liabilities due to involvements in legal, regulatory and arbitration proceedings. Please refer to note 46 of our consolidated financial statements for details on the various commitments, guarantees and contingent liabilities.

The Allianz Group is also invested in special purpose vehicles including, to a small extent, structured finance transactions. The Allianz Group fully reflects these vehicles when it controls them. If the Allianz Group does not control the vehicles, the respective involvements are recorded as assets (or liabilities) in the consolidated financial statements. The Allianz Group is then exposed to a loss generally comprising the total amount of the investments. In 2009, the Allianz Group was particularly invested in certain CDOs with an amount of € 863 million. Please refer to note 44 of our consolidated financial statements for more details on our investments.

In addition, we would like to especially draw your attention to the Risk Report for main concentrations of risk and other relevant risk positions and to the notes to the Consolidated Financial Statements.

Property-Casualty Insurance Reserves

General

The Allianz Group establishes property-casualty loss reserves for the payment of losses and loss adjustment expenses (or "LAE") on claims which have occurred but are not yet fully settled. Loss and LAE reserves fall into two categories: individual case reserves for reported claims and reserves for incurred but not reported (or "IBNR") claims.

Case reserves are based on estimates of future loss and LAE payments on claims already reported. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified (incurred but not yet reported, "IBNYR") as well as additional development on case reserves (incurred but not enough reported, "IBNER"). IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including LAE, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors, to estimate IBNR reserves.

IBNR reserves are estimates based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time-lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal to the Allianz Group, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends and legislative and regulatory changes. The Allianz Group attempts to reduce the uncertainty in reserve estimates through the use of multiple actuarial reserving techniques and analysis of the assumptions underlying each technique.

During 2009, there were no significant changes in the mix of business written across Allianz Group. Moreover, there were no material changes to the amount and type of reinsurance placed in respect of the Group's business.

On the basis of currently available information, management believes that the Allianz Group's property-casualty loss and LAE reserves are adequate. However, the establishment of loss reserves is an inherently uncertain process, and accordingly, there can be no assurance that ultimate losses will not differ from these estimates. For more information, see "Risk Factors – Loss Reserves for Allianz Group's property-casualty insurance and reinsurance policies are based on estimates as to future claims liabilities. Adverse developments relating to claims could lead to further reserve additions and materially adversely impact Allianz Group's results of operations."

Overview of Loss Reserving Process

Within the Allianz Group, loss and LAE reserves are set locally by reserving actuaries, subject to central monitoring and oversight by the Allianz SE actuarial department (Group Actuarial). This two stage reserving process is designed so that reserves are set by those individuals most familiar with the underlying business, but in accordance with central standards and oversight. Our central standards are designed to ensure that consistent reserving methodologies and assumptions are employed across the Allianz Group.

Local Reserving Processes

In each jurisdiction, reserves are calculated for individual lines of business, taking into consideration a wide range of local factors. This local reserving process begins with local reserving actuaries gathering data, with our companies typically dividing reserving data into the smallest possible homogeneous segments, while maintaining sufficient volume to form the basis for stable projections. For longer-tailed lines of business such as motor liability, development data going back for up to twenty years or more is used, while for shorter-tailed lines such as property, data going back five to ten years is typically considered sufficient. Once data is collected, we derive patterns of loss payment and emergence of claims based on historical data organized into development triangles arrayed by accident year versus development year. Loss payment and reporting patterns are selected based on observed historical development factors and also on the judgment of the reserving actuary using an understanding of the underlying business, claims processes, data and systems as well as the market, economic, societal and legal environment. We then develop expected loss ratios, which are derived from the analysis of historical observed loss ratios, adjusted for a range of factors such as loss development, claims inflation, changes in premium rates, changes in portfolio mix and change in policy terms and conditions.

Using the development patterns and expected loss ratios described above, local reserving actuaries produce estimates of ultimate loss and allocated loss adjustment expense (LAE) using several methods. The most commonly used local reserving methods are:

- Loss Development (Chain-Ladder) Method, which estimates ultimate loss and LAE by applying loss development patterns directly to observed paid and reported losses.

- Bornhuetter-Ferguson Method, which estimates loss and LAE using development patterns, observed losses and prior expected loss estimates.

- Frequency-Severity Methods, which produce separate estimates of the ultimate number and average size of claims. In addition, individual companies use a variety of other methods for certain lines of business.

Using the above estimate of ultimate loss and LAE by accident year – i.e. with respect to the origin year of losses – we directly estimate total loss and LAE reserves by subtracting cumulative payments for claims and LAE through the relevant balance sheet date. Finally, local reserving actuaries calculate the relevant entities' IBNR reserves as the difference between (i) the total loss and LAE reserves and (ii) the case reserves as established by claims adjusters on a case-by-case basis. Estimates for the current accident year determine the loss ratios and profitability of the business of the most recent year. For all prior accident years the change in estimates is reported as run-off – adverse or favorable – in the income statement.

Because loss reserves represent estimates of uncertain future events, our local reserving actuaries determine a range of reasonably possible outcomes. To analyze the variability of loss reserve estimates, actuaries employ a range of methods and approaches, including simple sensitivity testing using alternative assumptions, as well as more sophisticated stochastic techniques. Group reserving standards require that each company's local reserve committee meet quarterly to discuss and document reserving decisions and to select the best estimate of the ultimate amount of reserves within a range of possible outcomes and the rationale for that selection for the particular entity.

Central Reserve Oversight Process

Building on the local reserving process described above, Group Actuarial conducts a central process of reserve oversight. This process ensures that reserves are set at the local level in accordance with Group-wide standards of actuarial practice regarding methods, assumptions and data. The key components of this central oversight process are:

- Minimum standards for actuarial loss reserving;
- Regular central independent reviews by Group Actuarial of reserves of local operating entities and
- Regular quantitative and qualitative reserve monitoring.

Each of these components is described further below.

Minimum standards for actuarial loss reserving

Group-wide minimum standards of actuarial reserving define the reserving practices which must be conducted by each operating entity. These standards provide guidance regarding all relevant aspects of loss reserving, including organization and structure, data, methods, and reporting. Group Actuarial monitors compliance with these minimum standards through a combination of diagnostic reviews – i.e. standardized qualitative assessment of the required components in the reserving process – and local site visits. Group Actuarial informs the local operating entity of areas requiring immediate remediation as well as areas for potential improvement, and coordinates with the local operating entities to address the relevant issues and implement improvements.

Regular central independent reviews by Group Actuarial of reserves of local operating entities

Group Actuarial performs independent reviews of loss and LAE reserves for key local operating entities on a regular basis. This process is designed such that the largest entities by amount of reserves are reviewed once a year. Such a review typically starts with site visits to ensure that Group Actuarial updates their knowledge of the underlying business as well as the issues related to data and organization. Group Actuarial then conducts an analysis of reserves using data provided by the operating entity.

Regular quantitative and qualitative reserve monitoring

On a quarterly basis, Group Actuarial monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly loss data submitted by local operating entities as well as through participation in local reserve committees and frequent dialogue with local actuaries of each operating entity. This quarterly loss data provides information about quarterly reserve movements, as the information is presented by accident year and line of business, as defined by the local operating entity.

The oversight and monitoring of the Group's loss reserves culminate in quarterly meetings of the Group Reserve Committee, which monitors key developments across the Group affecting the adequacy of loss reserves.

Changes in Historical Loss and LAE Reserves

The analysis of loss and LAE reserves by actuaries and management is conducted by line of business and separately for specific claim type topics like asbestos claims. The origin year of losses is taken into consideration by analyzing each line of business also by accident year. While this determines the estimates of loss and LAE reserves by accident year as recorded in the balance sheet, the effect in the income statement in the respective calendar year combines the accident year loss ratio for the current year with the favorable or adverse development from prior years ("run-off"). In this section we first present the loss development by accident year followed by the resulting change for the five most recent calendar years.

The charts below show the net run-off triangles of our property-casualty business.

The run-off triangle, also known as "loss triangle" is a tabular representation of loss-related data (such as payments, loss reserves, ultimate losses) in two, time-related dimensions. One of these is the calendar year, while the other is the accident year (year of loss occurence). Run-off triangles – as the basis for measuring loss reserves – make clear how the loss reserves change over the course of time due to payments made and new estimates of the expected ultimate loss at the respective balance sheet date.

Loss payments for the individual accident years (per calendar year, net)

	Accident year							
Calendar Year	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	Total € mn
2003	25,015							**25,015**
2004	11,808	11,445						**23,253**
2005	4,827	5,889	11,881					**22,597**
2006	4,048	1,561	6,632	11,761				**24,002**
2007	2,830	962	2,058	6,403	12,631			**24,885**
2008	2,163	644	1,158	1,643	6,397	13,130		**25,135**
2009	1,907	312	531	955	1,744	7,350	13,368	**26,167**

Reserves for loss and loss adjustment expenses for the individual accident years at the respective reporting date (net)

	Accident year							Total
Date	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	€ mn
December 31, 2003	44,683							**44,683**
December 31, 2004	31,454	14,025						**45,480**
December 31, 2005	27,221	7,658	14,777					**49,656**
December 31, 2006	22,324	4,920	8,238	13,848				**49,331**
December 31, 2007	18,820	3,354	4,878	7,612	14,012			**48,677**
December 31, 2008	16,007	2,382	3,248	4,488	7,449	14,222		**47,796**
December 31, 2009	14,056	1,987	2,334	3,432	5,038	7,620	14,074	**48,540**

Ultimate loss for the individual accident years at the respective reporting date (net)

	Accident year							Total
Date	2003 & Prior € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn	€ mn
December 31, 2003	69,698							
December 31, 2004	68,278	25,470						
December 31, 2005	68,871	24,993	26,658					
December 31, 2006	68,022	23,816	26,751	25,610				
December 31, 2007	67,349	23,212	25,450	25,776	26,643			
December 31, 2008	66,699	22,884	24,977	24,295	26,477	27,353		
December 31, 2009	66,654	22,801	24,594	24,194	25,810	28,100	27,442	
Surplus	3,045	2,670	2,064	1,416	833	(748)	—	**9,279**
Change 2008 to 2009	46	83	383	100	667	(748)	—	**531**

Calendar year earned premiums and ultimate loss ratio for the individual accident years at the respective reporting date (net)

	Earned premiums	Accident year					
Date	€ mn	2004 %	2005 %	2006 %	2007 %	2008 %	2009 %
December 31, 2004	37,385	68.1					
December 31, 2005	37,686	66.9	70.7				
December 31, 2006	37,950	63.7	71.0	67.5			
December 31, 2007	38,553	62.1	67.5	67.9	69.1		
December 31, 2008	38,213	61.2	66.3	64.0	68.7	71.6	
December 31, 2009	37,828	61.0	65.3	63.8	66.9	73.5	72.5

The ultimate loss of an accident year comprises all payments made for that accident year up to the reporting date, plus the loss reserve at the reporting date. Given complete information regarding all losses incurred up to the balance sheet date, the ultimate loss status for each accident-year period would remain the same. In practice, however, the ultimate loss status (based on estimates) is exposed to fluctuations that reflect the growth in knowledge about the loss cases. We note that the loss ratio varies slightly from the reported loss ratio because the ultimate loss in the chart above is based on the sum of the payments plus the loss reserve, and not the incurred loss from the profit and loss account.

The run-off triangles are not prepared on a currency-adjusted basis. This means all figures are translated from the respective local currency into the Group currency (Euro), consistently using the exchange rates applicable at the balance sheet date. This ensures that the reserves reconcile with the balance sheet reserves.

The following table summarizes the development of the Allianz Group's loss and LAE reserves over the past five years. The table presents calendar year data, not accident year data.

Each column of this table shows reserves as of a single balance sheet date and subsequent development of these reserves. The top row of each column shows net reserves as initially established at the end of each stated year. The next section, reading down, shows the cumulative net amounts paid as of the end of the successive years with respect to the reserve initially established. The next section shows the retroactive re-estimation of the initially established net reserves for loss and LAE as of the end of each successive year. This re-estimation results primarily from additional facts and circumstances that pertain to open claims.

The bottom section compares the latest re-estimated gross and net reserves, respectively, for loss and LAE to the gross and net reserves, respectively, as initially established, and indicates the cumulative development of the initially established reserves through December 31, 2009. The surplus (deficiency) shown in the table for each year represents the aggregate amount by which the original estimates of reserves at that year-end have changed in subsequent years. Accordingly, the cumulative surplus (deficiency) for a year-end relates only to reserves at that year-end and such amounts are not additive. Caution should be exercised in evaluating the information shown in this table, as each amount includes the effects of all changes in amounts for prior periods. For example, the development of 2005 reserves during 2008 is included in the cumulative surplus (deficiency) of the 2005 through 2007 columns.

Given that the table below presents calendar year data and not, like the one above, accident year data, conditions and trends that have affected development of liability in the past may or may not necessarily occur in the future. Consequently, conclusions about future results may not be derived from information presented in this table.

Companies acquired or divested business during the period shown in the table, can lead to distortions in the cumulative surplus or deficiency. The table starts with the presentation of net and gross liabilities for unpaid claims and claims expenses as accounted, as of the respective date of the balance sheet. Over time, these liabilities are re-estimated. In addition, these liabilities will change if, through either acquisition, sale of a company or reclassification, entire new portfolios of claim payments and reserves are added to or subtracted from the data. In addition, changes in currency exchange rates can lead to distortions in the cumulative surplus or deficiency.

	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn
Reserves for loss and loss adjustment expenses (net)	**45,480**	**49,655**	**49,331**	**48,677**	**47,796**	**48,540**
Reserves for loss and loss adjustment expenses (ceded)	10,049	10,604	9,333	8,266	7,820	7,175
Reserves for loss and loss adjustment expenses (gross)	55,529	60,259	58,664	56,943	55,616	55,715
Paid (cumulative) as of						
One year later	10,716	12,241	12,254	12,005	12,799	
Two years later	16,326	18,093	17,863	17,455		
Three years later	20,119	22,058	21,568			
Four years later	22,926	24,807				
Five years later	25,145					
Six years later						
Liabilities re-estimated as of						
One year later	45,595	47,725	46,919	45,579	47,265	
Two years later	43,570	45,145	43,988	44,300		
Three years later	42,293	43,695	43,375			
Four years later	41,315	43,183				
Five years later	41,187					
Six years later						
Cumulative surplus (deficiency)						
Gross surplus[1]	5,514	8,316	7,817	5,846	1,355	
Gross surplus after changes in the consolidated subsidiaries of the Allianz Group[2]	5,514	8,316	7,817	4,388	1,355	
Net surplus[1]	4,293	6,473	5,956	4,377	531	
Net surplus after changes in the consolidated subsidiaries of the Allianz Group[2]	4,293	6,473	5,956	3,006	531	
Net Surplus as a % of initial reserves	**9.4%**	**13.0%**	**12.1%**	**6.2%**	**1.1%**	

In 2009, net loss and LAE reserves increased by € 744 million or 1.6% to € 48,540 million, resulting primarily from the impact of currency fluctuations during 2009. Reserve developments during 2009 are described in further detail in the preceding section "Changes in Loss and LAE Reserves During 2009".

Loss and LAE Composition by Line of Business

The time required to learn of and settle claims is an important consideration in establishing reserves. Short-tail claims, such as motor property damage claims, are typically reported within a few days or weeks and are generally settled within two to three years. Medium-tail claims such as personal and commercial motor liability claims generally take four to six years to settle, while long-tail claims, such as general liability, workers compensation, construction and professional liability claims take longer.

The following table breaks down the loss and LAE reserves of the Allianz Group, in total and separately by IBNR and case reserves, gross of reinsurance, by line of business for the years ending December 31, 2007, 2008 and 2009, on an IFRS basis.

The Allianz Group estimates that loss and LAE reserves consist of approximately 10% short-tail, 60% medium-tail and 30% long-tail business.

1) Gross/Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years claims and includes foreign currency translation adjustments of gross €607 mn (2008: €313 mn) and net €536 mn (2008: €284 mn). This leads to an effective run off result excluding effects of foreign currency translation of gross €1,962 mn (2008: €2,241 mn) and net €1,067 mn (2007: €1,443) which can be found in the table for changes in the reserves for loss and loss adjustment expenses within this section. Please note that the 2008 numbers refer to the surplus presented in the consolidated financial statements 2008 and not the cumulative surplus of the calendar year 2008 presented in the table above.

2) Three major reclassifications occurred in 2008 in which the accident and health unit of AGF IART and the health unit from AZ Belgium were transferred from our Property & Casualty segment into our Life/Health segment and the AGF Brazil health unit was transferred from our Life/Health segment into our Property & Casualty segment, accounting for the €1,458 million gross effect and €1,371 net effect in 2008. The effect on the liability re-estimated consists of effects on paid and unpaid losses for prior years in the year of the transaction, while the effect of (divestitures)/acquisitions presented in the table "Reconciliation of Loss and LAE Reserves", states the total amount of loss reserves being deconsolidated or consolidated for the first time.

Allianz Group loss and LAE reserves by year and line of business, gross of reinsurance, IFRS Basis

	2009 € mn	2008 € mn	2007 € mn
Motor	19,009	18,690	19,264
Case Reserves	15,818	15,199	15,943
IBNR Reserves	3,191	3,491	3,321
General Liability	10,804	10,677	11,306
Case Reserves	6,909	6,254	6,734
IBNR Reserves	3,896	4,423	4,571
Workers Compensation / Employers Liability	4,603	4,546	4,602
Case Reserves	2,094	2,150	2,103
IBNR Reserves	2,508	2,396	2,499
Property	3,950	3,681	3,989
Case Reserves	3,594	3,267	3,389
IBNR Reserves	357	414	600
Inwards Reinsurance	2,016	2,064	2,493
Case Reserves	1,232	1,245	1,364
IBNR Reserves	783	819	1,129
Personal Accident	1,278	1,264	1,297
Case Reserves	1,243	1,167	1,138
IBNR Reserves	35	98	159
Construction Damage and Liability	1,945	1,872	1,732
Case Reserves	517	535	533
IBNR Reserves	1,428	1,338	1,199
Credit Insurance	1,417	1,407	1,042
Case Reserves	1,387	1,315	1,045
IBNR Reserves	31	92	(3)
AGCS [1]	7,062	7,215	6,142
Case Reserves	4,217	4,512	3,591
IBNR Reserves	2,844	2,704	2,551
Other [2]	3,630	4,191	3,587
Case Reserves	2,121	2,054	1,893
IBNR Reserves	1,510	2,137	1,694
Allianz Group Total [3]	**55,715**	**55,608**	**55,455**
Case Reserves	**39,132**	**37,697**	**37,734**
IBNR	**16,583**	**17,912**	**17,721**

[1] Allianz Global Corporate & Specialty was established in 2006 and combines reserves formerly presented as Marine & Aviation and as part of reserves for Germany, NAFTA Region and Allianz Risk Transfer (ART).

[2] Other comprises primarily Package/Multiple Perils, Legal Protection, Aviation and Travel Insurance lines of business.

[3] A portion of the Health Portfolio from Allianz Suisse was transferred effective January 1st 2008 to another Swiss insurance company. As a result, the historical data for this unit was removed from the 2007 and 2008 reported data. The total reserves removed from 2007 are € 7.11 million and the total reserves removed from 2008 are € 7.44 million. The French AGCS Portfolio was transferred during 2009 from Allianz France to AGCS France and as a result the history was restated for 2008 given the data availability. The total reserves transferred internally amount to € 1.092 million.

When reviewing the foregoing tables, caution should be used in comparing the split between case and IBNR reserves across line of business. The portion of IBNR on total loss reserves varies by line of business due to different reporting and settlement patterns. For short-tail lines of business, such as property, claims are generally reported immediately after occurrence and settled in a period of only a few years, For long-tail lines of business, such as product liability, it is not unusual that a claim is reported years after its occurrence and settlement can also take a significant length of time, in particular for bodily injury claims.

Reconciliation of Beginning and Ending Loss and LAE Reserves

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the property-casualty insurance segment for each of the years in the three-year period ended December 31, 2009 on an IFRS basis.

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment

	2009			2008			2007		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of 1/1,	55,616	(7,820)	47,796	56,943	(8,266)	48,677	58,664	(9,333)	49,331
Loss and loss adjustment expenses incurred									
Current year	30,072	(2,685)	27,387	30,398	(2,969)	27,429	29,839	(2,994)	26,845
Prior years	(1,962)	895	(1,067)	(2,241)	798	(1,443)	(1,708)	348	(1,360)
Subtotal	28,110	(1,790)	26,320	28,157	(2,171)	25,986	28,131	(2,646)	25,485
Loss and loss adjustment expenses paid									
Current year	(14,159)	791	(13,368)	(14,049)	919	(13,130)	(13,749)	1,118	(12,631)
Prior years	(14,531)	1,732	(12,799)	(13,607)	1,602	(12,005)	(14,206)	1,952	(12,254)
Subtotal	(28,690)	2,523	(26,167)	(27,656)	2,521	(25,135)	(27,955)	3,070	(24,885)
Foreign currency translation adjustments and other changes [1]	679	(88)	591	(497)	48	(449)	(2,022)	666	(1,356)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	—	127	(39)	88	125	(23)	102
Reclassifications [2]	—	—	—	(1,458)	87	(1,371)	—	—	—
As of 12/31,	55,715	(7,175)	48,540	55,616	(7,820)	47,796	56,943	(8,266)	48,677

Changes in Loss and LAE Reserves During 2009

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2009 by € 1,962 million gross of reinsurance and € 1,067 million net of reinsurance, representing 3.5 % of gross reserves and 2.2 % of net reserves as of December 31, 2008. The following table provides a breakdown of these amounts by line of business.

[1] Includes effects of foreign currency translation adjustments for loss and loss adjustment expenses for prior years claims of gross € 607 mn (2008: € (313) mn; 2007: € (1,690) mn) and net of € 536 mn (2008: € (284) mn; 2007: € (1,052) mn).

[2] Since the first Quarter of 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

Allianz Group changes in loss and LAE reserves during 2009, gross and net of reinsurance, IFRS basis

	Gross reserves as of 12/31/2008 € mn	Gross development related to prior years € mn	% [1]	Net reserves as of 12/31/2008 € mn	Net development related to prior years € mn	% [2]
Motor	18,690	(451)	(2.4)	16,867	(481)	(2.9)
General Liability	10,677	(66)	(0.6)	8,742	(77)	(0.9)
Workers Compensation / Employers Liability	4,546	(55)	(1.2)	4,329	(52)	(1.2)
Property	3,681	(260)	(7.1)	2,885	(102)	(3.5)
Inwards Reinsurance	2,064	(130)	(6.3)	4,000	(89)	(2.2)
Personal Accident	1,264	4	0.3	1,020	(15)	(1.5)
Construction Damage and Liability	1,872	(11)	(0.6)	1,742	3	0.2
Credit Insurance	1,407	(31)	(2.2)	1,195	14	1.2
AGCS	7,215	(551)	(7.6)	3,867	(221)	(5.7)
Other	4,191	(411)	(9.8)	3,145	(47)	(1.5)
Allianz Group [3]	**55,608**	**(1,964)**	**(3.5)**	**47,792**	**(1,067)**	**(2.2)**

We discuss below by line of business the major highlights of the reserve developments in 2009. Because of the multitude of these reviewed segments, it is not feasible, or meaningful, to provide detailed information regarding each segment (e.g., claim frequencies, severities and settlement rates). The discussion is based on net loss and LAE reserves in the local currency of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Individual explanations of amounts in the following discussion, which includes only significant developments for our major operating entities, do not fully reconcile to the line of business totals in the above table.

Motor

For Motor, net loss and LAE reserves developed favorably during 2009 by approximately €481 million, or 2.9% of reserves at December 31, 2008. This development was the result of the following multiple effects.

Unfavorable developments included:

- €32 million at our German subsidiary, driven primarily by a correction in the expense allocation as well as by a reorganization of the data systems and claims settling policy that allowed for a refinement of the actuarial analysis.

Favorable developments included:

- The favourable development of €219 million for Motor liability at our Italian entities was due in part to the under-estimation of the forfeit amount to be received from other insurers since 2007 as a result of the application of the Italian Direct Indemnity Law. This law introduced first party liability and subsequent reimbursement by the responsible party's insurance company, The revision of the forfeit amount which is received twice a year led to a better than expected development for this line of business. Two other important contributors to the development are: (1) the continuous refinement of our Italian entity's database system, which provides a better allocation of loss and expenses by line of business and accident year, and (2) the enhancement in the complexity of the actuarial methodologies used in estimating tail development. These developments led to a revision of previous estimates and the resulting favorable development being recorded in the current year;

- €111 million at our Spanish entity, due in particular to the favorable development of bodily injury claims in the motor line, where reserves have anticipated a legislative change which has not become effective yet lowering ultimate costs in hindsight;

1) In % of gross reserves as of December 31, 2008.
2) In % of net reserves as of December 31, 2008.
3) A portion of the Health Portfolio from Allianz Suisse was transferred effective January 1st 2008 to another Swiss insurance company. As a result, the historical data for this unit was removed from the 2008 reported data. The total reserves removed from 2008 are € 7.44 million on a gross basis and € 3.25 million on a net basis. The French AGCS Portfolio was transferred during 2009 from Allianz France to AGCS France and as a result the history was restated for 2008 given the data availability. The total reserves transferred internally amount to € 1,092 million on a gross basis and € 387 million on a net basis.

- €74 million on motor lines at our U.K. entity, predominantly from savings on bodily injury claims as a result of changing claims development patterns, mainly on Commercial Lines. These changes are due to claims division reorganisations and sustainability project initiatives delivering benefits faster and greater than expected when setting the reserves last year end; and

- €53 million at our Australian subsidiary for motor third party liability (TPL), primarily as a result of continuing positive experience in long-tail classes, where the impact of superimposed inflation and of prior years' legislative changes continued to be better than assumed in prior reporting years.

General Liability

For General Liability, net loss and LAE reserves developed favorably during 2009 by approximately €77 million, or 0.9% of reserves at December 31, 2008.

Unfavorable developments included:

- €46 million at our U.S. entity, primarily driven by the increase in the Asbestos & Environmental (A&E) reserve estimates mainly as a result of the settlement of all potential asbestos claim liabilities associated with a single insured. The entity entered into this settlement to avoid the substantial financial uncertainty and friction costs associated with a likely protracted legal proceeding. Another driver for the adverse development in this line of business was the sharp increase in the loss cost trends caused in part by shifts in mix of business to higher hazard classes; and

- €39 million at our Italian entities, mainly due to strong upwards re-evaluations of case estimates. The entity conducted a restructuring of specialised functions with the effect of bringing a more uniform reserving policy across the whole of Italy. The impact of this was to increase the case reserves for southern Italy to bring it in to a similar basis than the other areas.

Favorable developments included:

- €49 million at our French entity, mainly driven by changes in actuarial assumptions as regards large claims frequency and better than expected experience on older accident years;

- €36 million at our Australian subsidiary in its general liability business, mostly as a result of a favorable impact from prior years' legislative changes and reduced assumptions for attritional claims frequencies and in particular large claims frequencies; and

- €27 million at our UK entity. As in the case of the motor business, in 2009, we have continued to benefit from changes in claims patterns in terms of speed at which claims are notified, the improved manner in which reserves are handled by claims specialists and the savings realized on settlements, resulting in a surplus.

Property

For Property, net loss and LAE reserves developed favorably during 2009 by approximately €102 million, or 3.5% of reserves at December 31, 2008.

Favorable developments included:

- €43 million at our UK entity given the fact that the entity was able to recover some amounts from other insurers, most notably the Buncefield oil refinery claims. Another element of the release came from amounts set up at the end of 2008 for possible late reported large claims and adverse weather related events in December 2008 (as they reserve on a "fast close" basis using end of November data) which did not in fact materialise; and

- €35 million at our French entity on its property business, mainly driven by changes in actuarial assumptions and better than expected experience on older accident years.

Credit Insurance
Credit insurance is underwritten in the Allianz Group by Euler Hermes. During 2009, Euler Hermes experienced unfavorable development of €14 million net of reinsurance mainly driven by the significant increase in frequency and severity of claims in the U.K., U.S. and Belgium as a result of the recent global economic crisis.

Allianz Global Corporate and Specialty
Allianz Global Corporate and Specialty (AGCS) is the Allianz Group's global carrier for corporate and specialty risks and also includes the corporate branch of the German business. Overall, AGCS experienced €221 million of favorable development in 2009 net of reinsurance, or 5.7% of the reserves as at December 31, 2008.

The increase was due primarily to a detailed prior year actuarial analysis, resulting in a €158 million release in short-tailed lines. Countering this release is a €45 million adverse development on accident year 2008 D&O exposure related to the financial crisis.

Workers Compensation / Employers Liability
The net loss and LAE reserves developed favorably during 2009 on Workers Compensation/Employers Liability line of business by approximately €52 million, or 1.2% of reserves at December 31, 2008.

Favorable developments included:

- €33 million at our Australian entity, mainly as a result of favorable impacts from several legislative changes in the past, but also better than expected return to work outcomes as a result of Australia's unemployment rate continuing to decline.

Discounting of Loss and LAE Reserves

As of December 31, 2009, 2008 and 2007, the Allianz Group consolidated property-casualty reserves reflected discounts of €1,675 million. €1,712 million and €1,601 million respectively.

Reserves are discounted to varying degrees in the United States, Germany, Hungary, Switzerland, Portugal and France. The reserve discounts relate to reserves for structured settlements in various classes of business. These classes include personal accident, general liability and motor liability in Germany and Hungary, workers' compensation in the United States, Switzerland and Portugal and motor liability in France. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable. The following table shows, by line of business, the carrying amounts of reserves for claims and claim adjustment expenses that have been discounted, and the interest rates used for discounting for the years ended December 31:

Allianz Group Discounted Loss and loss adjustment expenses IFRS Basis

	Discounted Reserves			Amount of Discount			Interest Rate used for discounting [1]		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 %	2008 %	2007 %
Motor – TPL	583	632	589	426	446	414	2.25 – 5.55	1.40 – 5.25	1.40 – 5.25
General Liability	184	190	170	156	164	150	2.25 – 5.55	1.40 – 5.25	1.40 – 5.25
Personal Accident	360	325	293	218	201	182	2.25 – 4.00	2.25 – 4.00	2.25 – 4.00
Workers Comp./Employers Liablility	533	539	520	312	309	335	3.00 – 5.55	3.00 – 5.25	3.00 – 5.25
Other	15	26	29	12	19	19	2.25 – 5.55	1.40 – 5.25	1.40 – 5.25
Total	**1,675**	**1,712**	**1,601**	**1,124**	**1,139**	**1,100**			

[1] The wide range of interest rates is the result of the presentation of the above information by line of business thus each line reflecting interest rates used in various countries.

Asbestos and Environmental ("A&E") Loss Reserves

There are significant uncertainties in estimating A&E reserves for loss and LAE. Reserves for asbestos-related illnesses and environmental clean up losses cannot be estimated using traditional actuarial techniques due to the long latency period and changes in the legal, socio-economic and regulatory environment. Case reserves are established when sufficient information is available to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and not yet reported claims. To the extent possible, A&E loss reserve estimates are based not only on claims reported to date, but also on a survey of policies that may be exposed to claims reported in the future (i.e., an exposure analysis).

In establishing liabilities for A&E claims, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of remediation and insurer liability. As a result, the range of reasonable potential outcomes for A&E liabilities provided in these analyses is particularly large. Given this inherent uncertainty in estimating A&E liabilities, significant deviation from the currently carried A&E reserve position is possible.

While the U.S. A&E claims still represent a majority of the total A&E claims reported to the Allianz Group, the insurance industry is facing exposures to A&E claims on a global basis. We continue to analyze these non-U.S. A&E exposures. The results of our ongoing non-U.S. A&E reserve analysis support our prior and current level of carried A&E reserves without any need for additional reserve strengthening in 2009. For the U.S. A&E exposure an independent actuarial analysis was initiated in 2009 and is ongoing. As already mentioned in the prior section, we experienced €46 million of unfavourable development at our U.S. entity driven by the increase in the Asbestos & Environmental (A&E) reserve estimates mainly as a result of the settlement of all potential asbestos claim liabilities associated with a single insured. The entity entered into this settlement to avoid the substantial financial uncertainty and friction costs associated with a likely protracted legal proceeding. Another driver for the adverse development in this line of business was the sharp increase in the loss cost trends caused in part by shifts in mix of business to higher hazard classes.

Gross and net loss and LAE reserves for A&E claims

As of December 31,	2009 € mn	2008 € mn	2007 € mn
A&E Net Reserves	2,652	2,618	2,764
A&E Gross Reserves	3,099	3,140	3,287
As percentage of the Allianz Groups' Property-Casualty Gross Reserves	5.6 %	5.6 %	5.8 %

The following table shows total A&E loss activity for the past three years.

Allianz Group Asbestos and Environmental Loss and loss adjustment expenses IFRS Basis

As of December 31,	2009 € mn	2008 € mn	2007 € mn
Total Asbestos and Environmental:			
Loss and LAE Reserves as of 1/1	3,140	3,287	3,636
Less Loss and LAE Payments	(166)	(199)	(175)
+ Change in Loss and LAE Reserves	125	52	(175)
Loss and LAE Reserves as of 12/31	3,099	3,140	3,287

Liquidity and Funding Resources

Organization

The liquidity management of Allianz Group is based on policies and guidelines approved by the Board of Management of Allianz SE. The primary responsibility of Allianz SE and each of its major operating subsidiaries is to manage their respective cash flow balances resulting from their individual business models. In addition, Allianz SE steers a strategic liquidity planning and capital allocation process for the Allianz Group in order to realize the benefits of such an integrated approach. This optimization enables the efficient employment of liquidity and capital resources and allows Allianz SE to maintain the desired liquidity and capitalization levels of the Group and its operating entities. Furthermore all external financing activities of the group are centralized at Allianz SE.

Liquidity Resources

Holding

The main liquidity sources available for Allianz SE are cash flows received from operating subsidiaries and from capital market activities. Allianz SE centrally manages the liquidity reserve of the Group and ensures the efficient allocation of liquidity across Group members. The potential sources of external financing include the issuance of commercial papers, medium and long term notes and ordinary shares. In addition, Allianz SE has access to bank loans and long-term credit lines, which provide flexibility and allow Allianz SE to fine tune its financing structure.

Insurance Operations

The principal sources of liquidity for our operating activities within our insurance operations include primary and reinsurance premiums collected, reinsurance receivables collected, as well as investment income and proceeds generated from the sale of investments. Our major uses of funds within our insurance operations include paying property-casualty claims and related claims expenses, providing life policy benefits, paying surrenders and cancellations, acquisition costs as well as other operating costs.

We generate substantial cash flow from our insurance operations as most premiums are received before payments of claims or policy benefits are required, allowing us to invest these funds in the interim to generate investment income and realized gains.

However, the liquidity of our insurance operations is impacted by, among other factors, the development of equity capital markets, interest rate environment and our ability to realize the carrying value of our investment portfolio to meet insurance claims and policyholder benefits as they become due.

In addition, the liquidity of our property-casualty insurance operations is affected by the frequency and severity of losses under its policies, as well as by policy renewal rates.

The liquidity needs of our life operations are generally affected by trends in actual mortality rates compared to the related assumptions included in the pricing of our life insurance policies. Also relevant is the extent to which minimum returns or crediting rates are provided in connection with our life insurance products, and the level of surrenders and withdrawals.

Asset Management Operations

Within our asset management operations, our primary sources of liquidity include fees generated from asset management activities. These funds are primarily used for the payment of operating costs.

Banking Operations

For our banking operations, the primary sources of liquidity include customer deposits, interbank loans and interest and similar income from our lending transactions. Our major uses of funds are for the issuance of new loans and advances to banks and customers, and the payment of interest on deposits and other operating costs.

The liquidity of our banking operations is largely subject to the ability of individual customers and enterprises to meet their payment obligations arising from the credit lines and outstanding commitments provided by us. The ability of our banking operations to retain the deposits provided by individual customers and enterprises to us is clearly very important, too.

Issued capital

As of December 31, 2009, the issued capital registered at the Commercial Register was € 1,161,984,000, divided into 453,900,000 registered shares with restricted transferability. The no-par shares have a mathematical value of € 2.56 each as a proportion of the capital stock.

As of December 31, 2009, Allianz SE held 2,584,367 (2008: 545,807) own shares. The increase of 2,038,560 shares is attributable to the purchase of 1,910,300 shares which are held in connection with the hedging of our obligations under the Group Equity Incentive program. The remaining increase of 128,260 shares will be used in 2010 for employee stock purchase plan of our subsidiaries in the NAFTA region.

As of December 31, 2009, other Group companies held 118,410 (2008: 1,013,970) shares in Allianz SE.

Capital authorizations by shareholders

The following table outlines Allianz SE's capital authorizations as of December 31, 2009:

Capital authorization	Nominal Amount (12/31/2009)	Expiry date of the authorization
Authorized Capital 2006/I	€ 406,545,646.08 (158,806,893 shares)	2/7/2011
Authorized Capital 2006/II	€ 5,880,296.96 (2,296,991 shares)	2/7/2011
Authorization to issue bonds carrying conversion and/or option rights	€ 10,000,000,000 (nominal bond value)	2/7/2011 (issuance of bonds)
Conditional Capital 2006	€ 250,000,000 (97,656,250 shares) No such conversion or option rights were outstanding as of 12/31/2009.	No expiry date for Conditional Capital 2006 (issuance in case option or conversion rights are exercised)

Authorizations to buy back shares

In addition, the Board of Management has the following authorizations to buy back Allianz shares, which were granted by the General Meeting of April 29, 2009 and are valid until October 28, 2010:

- For the purpose of securities trading by banks within Allianz Group: 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.

- For other purposes (§ 71 (1) no. 8 German Stock Corporation Act): The maximum volume of share buy-backs under this authorization is 45,305,000 shares, corresponding to 10 % of the share capital at the time of the authorization. Allianz Group's overall position of treasury shares may not exceed 10 % of the share capital at any time. Also derivatives may be used provided that such derivatives do not exceed 5 % of the share capital at the time of the authorization.

Exclusion of subscription rights

Under the authorizations granted by the shareholders to issue shares, bonds with warrants or convertible bonds and to use treasury shares, shareholders' subscriptions rights can be excluded under certain conditions, e.g. in case of contributions in kind or for fractional amounts. In particular, subscription rights can be excluded if a capital increase against contributions in cash does not exceed 10% of the Company's share capital and the issue price does not materially fall short of the stock exchange price. This applies accordingly if treasury shares are sold. Further details are described on pages 91 to 92 of this report.

Strategic Funding

The strategic activities of the Group are funded by equity and long-term debt issued or guaranteed by Allianz SE. The long-term debt issued or guaranteed by Allianz SE is used to optimize the Group's capital and funding structure. Short-term funding needs are covered by a Commercial Paper Programme and a Medium Term Note Programme.

As of December 31, 2009, the majority of Allianz Group's external debt financing was made up of bonds and money market securities. Thereof, approximately one half was applicable to senior liabilities, and the other half was made up of profit participation certificates and subordinated liabilities.

As of December 31,	2009 € mn	2008 € mn
Total certificated liabilities outstanding	**7,962**	**9,544**
thereof: due within one year [1]	1,765	5,191
Total participation certificates and subordinated liabilities outstanding	**9,347**	**9,346**
thereof: due within one year [2]	141	–

As of December 31, 2009, Allianz SE had money market securities outstanding with a carrying value of € 1,504 million [3], representing a decrease in the use of commercial paper as a short-term financing instrument of € 2,599 million compared with 2008. Interest expenses on commercial paper decreased to € 31.3 million (2008: € 142.8 million) also supported by lower interest rates and credit spreads as well as lower volumes outstanding in 2009. The average maturity of commercial papers is three months.

On July 15, 2009, Allianz Finance II B.V. issued a € 1.5 billion senior bond, guaranteed by Allianz SE, with a coupon rate of 4.75%. The maturity of this bond is July 22, 2019.

With effect of December 31, 2009, the profit participation certificates issued by Allianz SE have been called for redemption. The repayment of € 121.5 million was due and paid out on January 4, 2010.

Debt Funding Costs

Allianz maintained its AA / Aa3 ratings for long-term senior issues and A1+ / P1 ratings for short-term issues in 2009. This has allowed Allianz to continue to fund short-term liquidity under the Euro Commercial Paper Program at an average rate below Euribor. In 2009, Allianz Group's weighted cost of funding for all senior and subordinated bonds issued or guaranteed by Allianz SE was approximately 5.5% p.a.

With a healthy liquidity position and a capitalization well above what supervisory authorities currently require, Allianz Group continues to maintain its superior financial strength and stability.

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

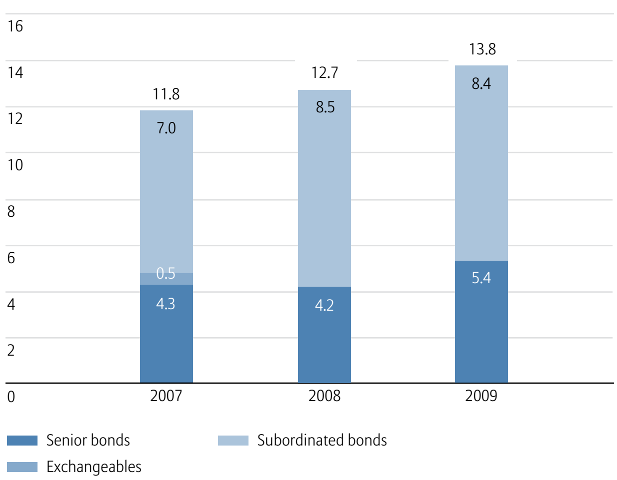
[3] Includes money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

Allianz SE's issued or guaranteed debt[1]

As of December 31,	2009			2008		
	Nominal value € mn	Carrying value € mn	Interest expense € mn	Nominal value € mn	Carrying value € mn	Interest expense € mn
Senior bonds	5,400	5,330	220.9	4,186	4,135	185.7
Subordinated bonds	8,442	8,162	525.1	8,489	8,197	470.5
Exchangeable bonds	—	—	—	—	—	—
Total	**13,842**	**13,492**	**746.0**	**12,675**	**12,332**	**656.2**

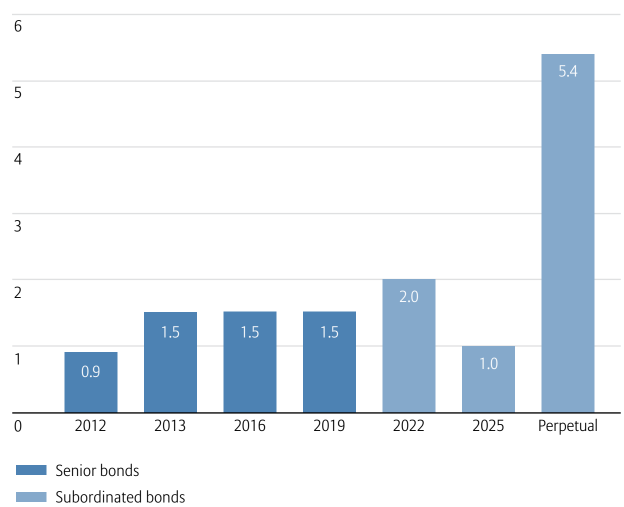
Allianz SE's outstanding bonds as of December 31,[2]

nominal value in € bn



Maturity structure of Allianz SE's certificated liabilities and subordinated bonds as of December 31, 2009[2]

nominal value in € bn



[1] Excludes € 121.5 mn of participation certificates as of December 31, 2009 and € 85.1 mn as of December 31, 2008, with interest expense of € 11.6 mn and € 9.9 mn, respectively.

[2] Excludes € 121.5 mn of participation certificates as of December 31, 2009 and € 85.1 mn as of December 31, 2008.

Allianz SE bonds outstanding as of December 31, 2009 [1]

		Interest expense in 2009
1. Senior bonds [2]		
5.625 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 0.9 bn	
Year of issue	2002	
Maturity date	11/29/2012	
ISIN	XS 015 879 238 1	
Interest expense		€ 50.5 mn
5.0 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 bn	
Year of issue	2008	
Maturity date	3/6/2013	
ISIN	DE 000 A0T R7K 7	
Interest expense		€ 76.1 mn
4.0 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 bn	
Year of issue	2006	
Maturity date	11/23/2016	
ISIN	XS 027 588 026 7	
Interest expense		€ 61.7 mn
4.75 % bond issued by Allianz Finance II B.V., Amsterdam		
Volume	€ 1.5 bn	
Year of issue	2009	
Maturity date	7/22/2019	
ISIN	DE 000 A1A KHB 8	
Interest expense		€ 32.6 mn
Total interest expense for senior bonds		**€ 220.9 mn**
2. Subordinated bonds [3]		
6.125 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 2.0 bn	
Year of issue	2002	
Maturity date	5/31/2022	
ISIN	XS 014 888 756 4	
Interest expense		€ 112.2 mn
6.5 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1.0 bn	
Year of issue	2002	
Maturity date	1/13/2025	
ISIN	XS 015 952 750 5	
Interest expense		€ 66.1 mn
7.25 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	USD 0.5 bn	
Year of issue	2002	
Maturity date	Perpetual Bond	
ISIN	XS 015 915 072 0	
Interest expense		€ 25.8 mn
5.5 % bond issued by Allianz SE		
Volume	€ 1.5 bn	
Year of issue	2004	
Maturity date	Perpetual Bond	
ISIN	XS 018 716 232 5	
Interest expense		€ 84.0 mn
4.375 % bond issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 1.4 bn	
Year of issue	2005	
Maturity date	Perpetual Bond	
ISIN	XS 021 163 783 9	
Interest expense		€ 63.1 mn
5.375 % bond [4] issued by Allianz Finance II B. V., Amsterdam		
Volume	€ 0.8 bn	
Year of issue	2006	
Maturity date	Perpetual Bond	
ISIN	DE 000 A0G NPZ 3	
Interest expense		€ 46.3 mn
8.375 % bond [4] issued by Allianz SE		
Volume	USD 2.0 bn	
Year of issue	2008	
Maturity date	Perpetual Bond	
ISIN	US 018 805 200 7	
Interest expense		€ 127.6 mn
Total interest expense for subordinated bonds		**€ 525.1 mn**
3. Participation certificates [5]		
Allianz SE participation certificate		
Volume	€ 85.1 mn	
ISIN	DE 000 840 405 4	
Interest expense		€ 11.6 mn
Total interest expense for participation certificates		**€ 11.6 mn**
4. Issues matured in 2009		
Floating coupon rate bond issued by Allianz Finance II B.V., Amsterdam		
Volume	USD 0.4 bn	
Year of issue	2007	
Maturity date	4/2/2009	
ISIN	XS 029 027 005 6	
Interest expense		€ 1.1 mn
Total interest expense for matured issues		**€ 1.1 mn**
Total interest expense		**€ 758.7 mn**

1) For further information on Allianz SE debt (issued or guaranteed) as of December 31, 2009, please refer to note 23 and 24 to our financial statements.

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

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

4) On October 23, 2009 the 8.375 % subordinated bond was traded on the New York Stock Exchange for the last time. The bond is now traded in the U.S. OTC market and information on traded prices can be obtained from the website of FINRA (U.S. Financial Industry Regulatory Authority, Inc.). Pursuant to the terms and conditions of two hybrid bonds issued by Allianz (ISIN US0188052007 and DE000A0GNPZ3 respectively), the triggers with respect to a potential mandatory coupon deferral have been breached as of September 30, 2009. In accordance with the respective terms and conditions Allianz has paid the interest due on December 15, 2009, and intends to timely make also further relevant coupon payments by making use of certain mechanisms as provided for therein.

5) With effect of December 31, 2009 the profit participation certificates issued by Allianz SE have been called for redemption pursuant to Section 6 § 4 of the conditions of the profit participation certificates. As of January 4, 2010 holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009 the total cash compensation payable for the 1,175,554 outstanding profit participation certificates is shown as a separate line item on the balance sheet.

Allianz Group Consolidated Cash Flows

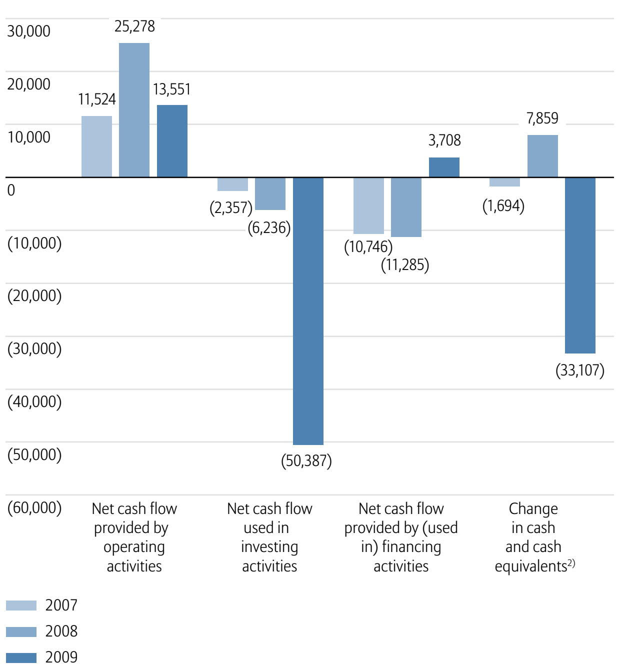
According to IFRS, our cash-flows are presented as follows [1]:

The disposal of Dresdner Bank to Commerzbank resulted in large deviations in almost all positions disclosed in the consolidated statement of cash flows.

While 2009 only contained the cash flow impact from the sale of Dresdner Bank which was recorded in investing activities, in 2008 cash flows attributable to Dresdner Bank were included in almost all line items.

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

in € mn



[1] For further information on the cash management please refer to pages 171 to 172.

[2] Includes effect of exchange rate changes on cash and cash equivalents of € 21 mn, € 102 mn and € (115) mn in 2009, 2008 and 2007, respectively.

Net cash flow provided by operating activities amounted to € 13.6 billion in 2009, down € 11.7 billion compared to the prior year. This decrease was mainly driven by the transfer of ownership of Dresdner Bank which led to lower net cash inflows from assets and liabilities held for trading and from collateralized refinancing activities in 2009. Additionally the net cash flows from financial assets and liabilities designated at fair value through income of Dresdner Bank included in prior years within operating activities are zero for this year after the sale of Dresdner Bank to Commerzbank. For our continued operations the net cash inflow provided by operating activities increased by € 12.6 billion, reflecting lower net cash outflows from collateralized refinancing activities after our German entities scaled back securities lendings in 2008.

Net cash outflow used in investing activities increased by € 44.2 billion to € 50.4 billion in 2009 compared to an outflow of € 6.2 billion in the prior year, which is, to a large extent, also attributable to the Dresdner Bank disposal. In 2008 we recorded a net cash inflow of € 9.3 billion due to the inclusion of the cash flows from assets and liabilities of disposal groups classified as held-for-sale during the fourth quarter. The disposal of Dresdner Bank to Commerzbank resulted in a net cash outflow of € 27.0 billion in 2009 as Dresdner Bank's cash balance of € 30.2 billion left the group. Net cash outflow used in investing activities of our continuing operations (excluding the cash impact from the disposal of Dresdner Bank) increased by € 19.1 billion. This was mainly driven by higher investments in available-for-sale securities and loans and advances to banks and customers resulting from substantial growth in the Life/Health segment.

Net cash inflow provided by financing activities amounted to € 3.7 billion in 2009 after a net cash outflow of € 11.3 billion in 2008, which included a cash outflow of our continuing business of € 2.8 billion. Contributing to this improvement were higher net cash inflows from policyholders' accounts deposits/withdrawals stemming from the growth in our Life/Health segment. In addition we recorded lower net cash outflows from liabilities to banks and customers (2008 included redemption of a bridge loan at Allianz Holding France) as well as lower dividend payments to shareholders in 2009. Refinancing activities in certificated liabilities, participation certificates and subordinated liabilities fell after the disposal of Dresdner Bank.

Overall, cash and cash equivalents decreased by € 33.1 billion to € 6.1 billion as of December 31, 2009 largely due to the disposal of Dresdner Bank. For the cash and cash equivalents of our continuing operations we recorded a decline of € 2.9 billion to € 6.1 billion mainly stemming from our German Life/Health business.

Cash and cash equivalents

As of December 31,	2009 € mn	2008 € mn
Balances with banks payable on demand	5,243	7,760
Balances with central banks	198	456
Cash on hand	159	169
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	489	573
Cash and cash equivalents of continuing operations	**6,089**	**8,958**
Cash and cash equivalents reclassified to assets of disposal groups held-for-sale	—	30,238
Total	**6,089**	**39,196**

Risk Report

The Allianz risk management approach is designed to add value by focusing on both risk and return. The Allianz Group is well capitalized and its solvency ratio has a firm base.

Turbulent Markets in 2009

The risk management practices of all financial institutions were put to the test during the turbulent markets of 2009. The Allianz risk management framework not only allowed Allianz to successfully meet the challenges but to also emerge as one of the strongest insurance groups in the industry by solvency and ratings for the benefit of shareholders and policyholders alike. This success was due in part to our continued focus on doing good risk and return business every day, but also to the definition of three high-level risk objectives designed to meet the challenges directly. During 2009, we focused on the following objectives in direct response to the heightened market turbulence:

- Protect our capital and solvency position and position our investment portfolio for continued market turbulence

- Protect the value of our Property-Casualty business, and

- Focus on sustainable profitability in our Life-Health businesses

In the following, we provide an overview of our Allianz risk management framework as well as the specific actions, which allowed Allianz to emerge from the market turbulence as one of the strongest companies in the industry.

Allianz Risk Management Framework

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

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

- Consistent application of an integrated risk capital framework 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.

This comprehensive framework ensures, that risks are properly identified, analyzed and evaluated. Allianz Group's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect deviations from our risk tolerance at an early stage.

The Allianz risk management framework adds value to Allianz SE and its operating entities through the following four primary components in a layered structure as outlined in the diagram at the end of this section.

Risk underwriting and identification

A sound risk underwriting and identification framework including risk assessment, risk standards, valuation methods and clear targets forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

Risk evaluation, reporting and controlling

Our comprehensive qualitative and quantitative risk reporting and controlling framework provides transparency and early warning indicators to senior management with regards to our overall risk profile as well as to whether or not our profile is within delegated limits and authorities. For example, risk dashboards, internal risk capital allocation and limit consumption reports are regularly prepared, communicated and monitored.

Risk strategy and risk appetite

Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into management and decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.[1]

Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainably positive impact on valuation and financing.

[1] For additional information regarding opportunities, please refer to page 63.

Risk Governance Structure

The Allianz risk governance approach is designed to enable us to manage our local and global risks in an integrated way and to ensure that the Allianz Group's risk profile remains consistent with our risk strategy and our capacity to bear risks. The following diagram provides an overview of risk-related decision-making responsibility within our risk governance structure.

The Board of Management of Allianz SE formulates business objectives as well as the risk strategy. It allocates capital resources and limits across the Allianz Group, with the objective of balancing return and risk, for example by redefining the Group's natural catastrophe limits in 2009.[2] The Supervisory Board Risk and Audit Committees of Allianz SE meet on a regular and ad-hoc basis to monitor the risk strategy and profile of the Allianz Group based on risk reports presented by the Chief Financial Officer and Chairman of the Group Risk Committee.

While the Audit Committee of the Supervisory Board of Allianz SE attends to the effectiveness of the Allianz risk management and monitoring framework, the Supervisory Board Risk Committee focuses on the overall risk profile of Allianz Group and monitors risk-related developments as well as general risks and specific risk exposures. The Risk Committee regularly reports to the Audit Committee, in particular with regard to required enhancements of the risk management framework due to regulatory changes as well as changes in the market and business environment.

The Board of Management of Allianz SE is responsible overall for risk management. However, it has delegated some authorities to various committees. We redesigned the committee structure in 2009 to reduce overlaps in responsibilities and to strengthen the effectiveness of our risk- and capital-related decision framework: three Board of Management level committees now focus on the Group's risk exposure.

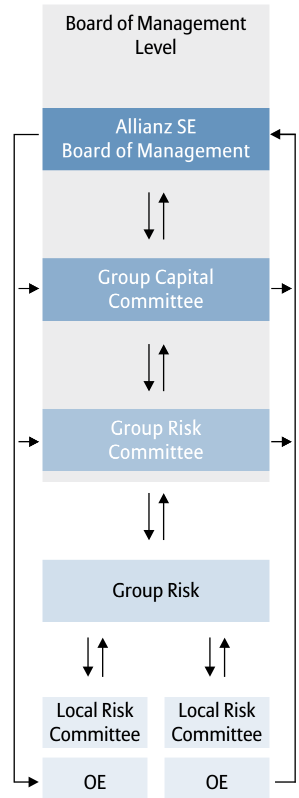
The Group Capital Committee is chaired by the Chief Executive Officer and provides a holistic view of the Group. It primarily prepares proposals for decision by the Board of Management of Allianz SE regarding risk strategy, capital and limit allocation. The Group Capital Committee also determines matters which are passed from the Group Risk

[2] Please see "Protecting the Value of Allianz in Times of Crises" for further information.

	Risk-related decision-making responsibilities
Allianz SE Board of Management	• Approves Allianz Group Risk Policy • Defines Allianz Group Risk Strategy • Defines Group's risk capital allocation and strategic asset allocation • Sets targets for solvency, leverage and rating of Allianz SE

Group Capital Committee	• Prepares proposals for Board decisions regarding:
	  • Allianz Group Risk Strategy
	  • Group's risk capital allocation and strategic asset allocation
	  • Targets for solvency, leverage and rating of Allianz SE
	• Decides on escalations from Group Risk Committee and Group Finance Committee

Group Risk Committee	• Defines risk standards • Provides early warning function • Monitors risk-related developments (e.g., risk profile, audit follow-ups, follow-ups of decisions) • Forms limit setting authority (within framework set by the Allianz SE Board of Management) • Recommends and coordinates measures to mitigate risks (e.g., in case of limit breaches)
Group Risk	• Enhances risk dialogue between Group and operating entities • Strengthens and maintains the Group's risk network • Develops Allianz risk management framework including methods and processes • Reports the Group's risk profile to management • Operationally sets limits and monitors limit breaches as well as accumulation of specific risks
Operating Entities (OEs)	• Assume responsibility for their own risk management • Manage risks proactively within Group policies and limits • Report local risk profiles to Group Risk



Committee and the Group Finance Committee and do not need the attention of the entire Board.

The Group Risk Committee provides an early warning function and monitors the Allianz Group's risk profile and availability of capital in order to maintain an adequate relationship between return and risk. It also defines risk standards and forms the limit setting authority within the framework set by the Board of Management of Allianz SE. 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.

As a general principle, the "first line of defense" rests with business managers in the local operating entities and Allianz Investment Management units, who are responsible in the first instance for both the risks and returns of their decisions. Our "second line of defense" is made up of our independent, global risk management function headed by the Group Risk department ("Group Risk").

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 the Board of Management of Allianz SE and senior management concerning the Allianz Group's risk profile. Group Risk develops the Allianz risk management framework and oversees the operating entities' adherence to the framework. The core elements of the risk framework are set down in the Allianz 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 operationally setting limits and monitoring the accumulation of specific types of risks across business lines, for example with respect to natural disasters and exposures to financial markets and counterparties. In addition, Group Risk strengthens and maintains the Group's risk network through regular and close interaction with the operating entities' management and key areas such as the local finance, risk, actuarial and investment areas. A strong risk network across the Group allows us to identify risks early and bring them to management's attention.

Within our decentralized organization, each of our local operating entities needs to individually adhere to external requirements (e.g., requirements imposed by local regulators) as well as internal Group-wide standards (e.g., Group-wide underwriting standards). In particular, local operating entities assume responsibility for their own risk management, with risk functions and committees that are consistent with 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, 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 in 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 Compliance is responsible for integrity management which aims to protect the Allianz Group, its operating entities and employees from regulatory risks. 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 objective of Group Legal Services 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 Forum 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.

In addition, our internal climate experts specifically examine the possible effects of climate change on our business, develop risk management strategies and identify 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, Asset Managment as well as Corporate and Other), providing a common standard for measuring and comparing risks across the wide range of different activities that we undertake as an integrated financial services 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 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 under current best estimate conditions and 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 we can transfer the assets and liabilities in our portfolio. This capital requirement is sufficient to cover losses in any one year equivalent to a 3-in-10,000 year event. Although our internal risk capital is based on extreme events, it can also be applied towards managing the risks resulting from reasonably possible smaller adverse events that could occur in the near-term, because the results allow us to analyze our exposure to each source of risk both separately and in aggregate.

Our internal risk capital model makes use of various techniques which require a significant number of estimates and assumptions applied to risk and financial data, both internally and externally derived. Internal risk capital is in scope of the financial reporting framework which also covers the use of estimates and assumptions. Two specific sets of assumptions are explicitly discussed in the following.[1]

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 potential worst case 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 neutralize the possibly 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. One measure of the degree of relationship between two sources of risk is linear 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 sufficient historical data is not available, we use professional judgment, following a conservative approach and ruling out negative correlations, and, in general, we set the correlation parameters to represent the level of interdependency of risks under adverse conditions.

Non-market assumptions

To the extent available, we use non-market assumptions approved by supervisory authorities and actuarial associations to enhance our models. In addition, the internal risk capital model is based on assumptions regarding claims trend and inflation, mortality, morbidity, future lapse rates etc. Overall, we consider the assumptions made for our internal risk capital calculations and for reserving to be appropriate and adequate.

[1] For additional information regarding our financial reporting framework, please refer to the section "Controls and Procedures – Financial Reporting Framework".

Scope

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

Risk category	Insurance	Asset Management	Corporate and Other[1]	Description	Example management levers
Market risk: • interest rate • equity • real estate • currency[2]	 ✓ ✓ ✓ ✓	✓[4]	 ✓ ✓ ✓ ✓	Possible losses caused by changes in interest rates, equity prices, real estate values and foreign exchange rates	Strategic Asset Allocation benchmarks, equity and duration limits, etc.
Credit risk: • investment • reinsurance, credit insurance	 ✓ ✓[3]	✓[4]	 ✓	Possible losses caused by the failure of our debtors, bond issuers, reinsurance partners or counterparties to meet payment obligations	Country limits, single counterparty concentration limits, etc.
Underwriting risk: • premium CAT[5] • premium non-CAT[6] • 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	Minimum underwriting standards, natural catastrophe limits, reinsurance programs, etc.
Business risk: • operational • cost	 ✓ ✓	 ✓ ✓	 ✓ ✓	Possible losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events, as well as unexpected changes in business assumptions and unanticipated earnings fluctuations due to a decline in income without corresponding decrease in expenses	Internal controls, business continuity management, etc.

Our internal risk capital model covers:

- Substantially all of our major insurance 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 as well as 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). In general, embedded derivatives contained in a host contract are also included.

For smaller insurance operating entities that have an immaterial impact on the Group's risk profile, and for the Asset Management segment, we assign internal risk capital

[1] The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see below for further information).
[2] Foreign currency risks are mainly allocated to the Corporate and Other segment (please see below for further information).
[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] 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.
[5] Premium catastrophe risk.
[6] Premium non-catastrophe risk.

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. Regarding our Asset Management segment, approximately 99% of the investments managed by the Asset Management operating entities 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 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.

In addition to any local regulatory requirements, 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. From the perspective of the Group's balance sheet, this leaves only an immaterial amount of currency risk at the individual operating entity level. 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 Treasury & Corporate Finance and is, therefore, mostly allocated to the Corporate and Other segment.

Our banking operations in Germany, Italy, France and New Europe, which are allocated to the Corporate and Other segment, represent only an insignificant amount of approximately 1.4% of total non-diversified internal risk capital. Therefore, risk management with respect to banking operations is not discussed below in detail.

As of December 31, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. 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. When excluding discontinued operations from our internal risk capital calculations, we also take into account the smaller diversification effect due to the discontinuation of certain banking operations.

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 and scenario parameters derived from historical data are a useful approximation to characterize future possible risk events; if future market conditions differ substantially from the past, as in the unprecedented financial crisis of 2008 and 2009, 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 as well as limited data for some insurance risk events such as natural catastrophes. Furthermore, as historical data is used where possible 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 may be difficult in turbulent financial markets, if not impossible, to obtain either a current market price or to apply a meaningful 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. The internal risk capital model used for largely all of our major 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 significant adverse events, and that all operating entities meet their respective capital requirements. In addition, we employ a number of value-based metrics to support business decision making which explicitly recognize risk capital and the cost of capital.

In managing our capital position, we also consider additional external requirements of regulators and rating agencies. While capital requirements imposed by regulators constitute a binding constraint, meeting rating agencies' capital requirements forms a strategic business objective of the Allianz Group. Typically, the rating agencies'requirements are stricter. 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.

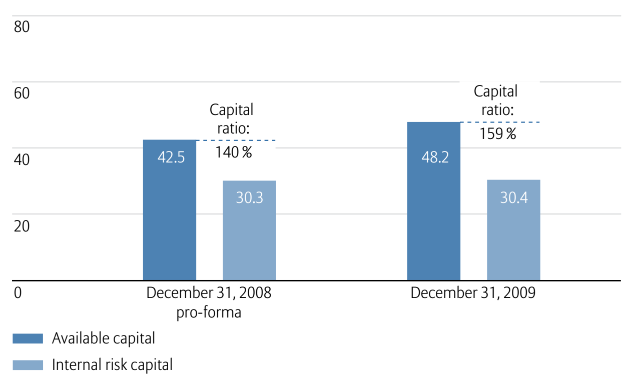
As a consequence of our effective capital management, for each quarter in 2009, the Allianz Group was well above its internal and regulatory solvency targets.

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 [1]
in € bn



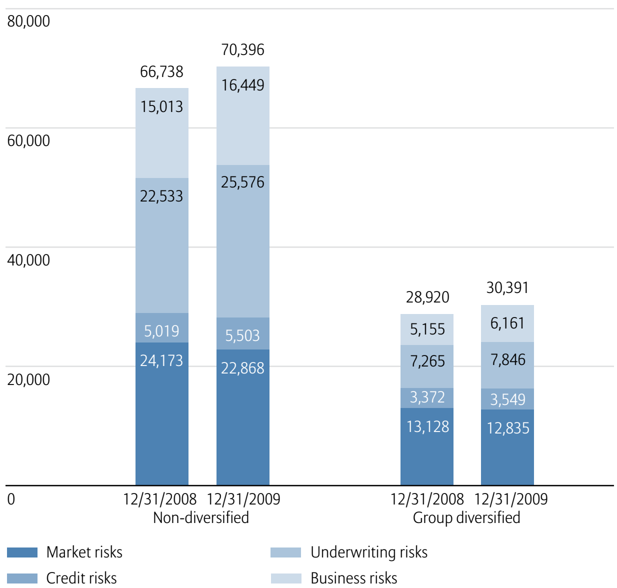
The increase of 13 % in available capital was primarily driven by an increase in shareholders' equity and in the present value of future profits in the Life/Health segment.

[1] Available capital and internal risk capital as of December 31, 2008 including discontinued operations were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. 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.

The Allianz Group-wide internal risk capital after Group diversification and before minority interests of € 30.4 billion at December 31, 2009 reflects a realized diversification benefit on the Group level of approximately 57 %. Non-diversified and Group diversified internal risk capital are broken down as follows:

Allocated internal risk capital by risk category [1)]
(total portfolio before minority interest)

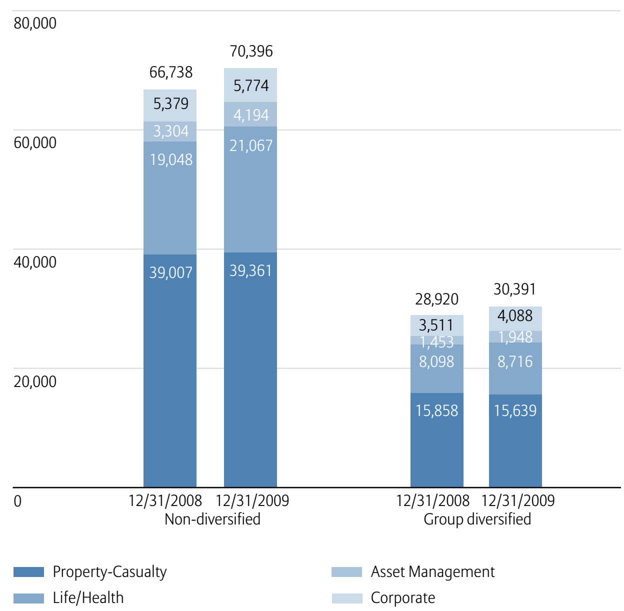
in € mn



The total internal risk capital of € 28.9 billion as of December 31, 2008 excludes discontinued operations. However, it does not fully reflect requirements related to the assets, which were transferred to Allianz SE as part of the sale of Dresdner Bank to Commerzbank on January 12, 2009 and which particularly affect the Group's internal market and credit risk capital. These are taken into account in the pro-forma view as defined above. Compared to the pro-forma internal risk capital of € 30.3 billion as of December 31, 2008, the total internal risk capital is still at a comparable level at December 31, 2009 (€ 30.4 billion) due to offsetting effects across different risk categories (e.g., equity risk decreased while business risks increased). More detailed discussions of movements are provided in the sections specifically related to the risk categories.

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

in € mn



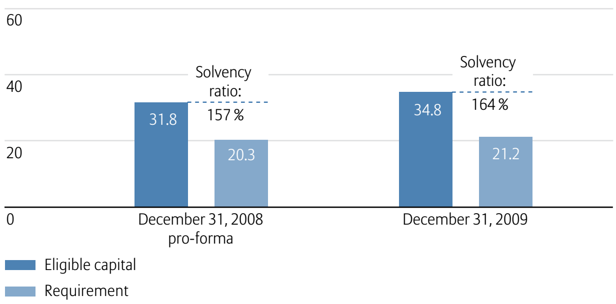
Regulatory capital adequacy

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 "eligible capital".

1) 2008 figures exclude discontinued operations.

2) 2008 figures exclude discontinued operations.

Conglomerate solvency[1),2)]
in € bn



As of December 31, 2009, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the asset management and banking business, was € 34.8 billion (2008: € 31.8 billion) including off-balance sheet reserves[3)] of € 2.0 billion (2008: € 2.2 billion), surpassing the minimum legally stipulated level by € 13.6 billion (2008: € 11.5 billion). This margin resulted in a preliminary cover ratio[1)] of 164 % (2008: 157 %[2)]) as of December 31, 2009.

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, 2009, 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). As of December 31, 2009, Allianz SE had the best Standard & Poor's rating among the internationally active primary insurance groups in Europe. Even during the 2008 and 2009 financial crisis, these ratings were confirmed and remained stable.

1) Intangible assets in relation to fully consolidated private equity investments have been fully deducted from the eligible capital for the first time.
2) Eligible capital and requirement as of December 31, 2008, including discontinued operations, were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. For example, we removed hybrid capital related to Dresdner Bank from eligible capital and adjusted the deduction of goodwill and other intangible assets. Furthermore, we deleted the requirement of our discontinued operations.
3) Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not yet submitted an application. The solvency ratio excluding off-balance sheet reserves would be 155 % (2008: 146 %).

The following table provides a detailed overview of selected ratings, assigned to Allianz SE by major rating agencies, as of December 31, 2009:

Ratings[4)]	Standard & Poor's	Moody's	A.M. Best
Insurer financial strength rating	AA stable outlook (affirmed Sep 1, 2009)	Aa3 stable outlook (affirmed Feb 26, 2009)	A+ stable outlook (affirmed Mar 11, 2009)
Counterparty credit rating	AA stable outlook (affirmed Sep 1, 2009)	Not rated	aa[5)] stable outlook (affirmed Mar 11, 2009)
Senior unsecured debt rating	AA (affirmed Sep 1, 2009)	Aa3 stable outlook (affirmed Feb 26, 2009)	aa stable outlook (affirmed Mar 11, 2009)
Subordinated debt rating	A+/A[6)] (affirmed Sep 1, 2009)	A2/A3[6)] stable outlook (affirmed Feb 26, 2009)	aa–[6)] stable outlook (affirmed Mar 11, 2009)
Commercial paper (short term) rating	A–1+ (affirmed Sep 1, 2009)	Prime – 1 stable outlook (affirmed Feb 26, 2009)	Not rated

In addition to its long-term financial strength rating, Standard & Poor's determines a separate rating for "Enterprise Risk Management" (ERM). As of September 2009, 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 as "unlikely that Allianz Group 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.

4) Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.
5) Issuer credit rating.
6) Final ratings vary on the basis of the terms.

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, 2009 would have resulted in a € 0.9 billion decline in shareholders' equity after minority interests. Assuming a parallel shift of the yield curve up by 100 basis points, shareholders' equity after minority interests would have decreased by € 3.9 billion, if available-for-sale fixed income securities are taken into account as of December 31, 2009.

Concentration of Risks

As we are an integrated financial services 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. These limits are subject to an annual review. 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 (e.g., severe natural catastrophe losses). In 2009, for example, we entered into risk swaps to exchange portions of our largest natural catastrophe exposures European windstorm, U.S. hurricane and U.S. earthquake for Japanese typhoon and earthquake exposure, as our Property-Casualty operations are small in this region.

Similarly, the Group monitors and limits credit exposures to single obligors and obligor groups using its overall limit-setting framework to ensure that its 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 and consistently across the Group. 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)

	Interest rate		Equity		Real estate		Currency [2]		Total	
As of December 31,	2009 € mn	2008 [1] € mn	2009 € mn	2008 [1] € mn	2009 € mn	2008 [1] € mn	2009 € mn	2008 [1] € mn	2009 € mn	2008 [1] € mn
Non-diversified										
Property-Casualty	3,119	3,550	3,809	4,183	1,351	1,250	108	79	8,387	9,062
Life/Health	5,498	6,163	4,225	4,039	900	1,118	—	—	10,623	11,320
Asset Management [3]	—	—	—	—	—	—	—	—	—	—
Corporate and Other [4]	2,104	2,411	1,608	1,232	146	148	—	—	3,858	3,791
Total Group	**10,721**	**12,124**	**9,642**	**9,454**	**2,397**	**2,516**	**108**	**79**	**22,868**	**24,173**
Share of total Group internal risk capital in %									32	36
Group diversified										
Property-Casualty	926	1,108	2,742	2,997	686	646	31	23	4,385	4,774
Life/Health	1,632	1,924	3,043	2,894	457	578	—	—	5,132	5,396
Asset Management [3]	—	—	—	—	—	—	—	—	—	—
Corporate and Other [4]	625	752	1,158	883	74	76	1,461	1,247	3,318	2,958
Total Group	**3,183**	**3,784**	**6,943**	**6,774**	**1,217**	**1,300**	**1,492**	**1,270**	**12,835**	**13,128**
Share of total Group internal risk capital in %									42	45

In our insurance segments, the more benign interest rate environments across the world helped us reduce internal interest rate risk capital requirements. This was supported by an active reduction of the mismatch between asset and liability durations for some of our portfolios.

Internal equity risk capital increased for the Corporate and Other segment, because shares and a silent participation in Commerzbank were transferred to Allianz SE as part of the sale of Dresdner Bank to Commerzbank on January 12, 2009. This was partly compensated by equity sales in the Corporate and Other segment.[5]

The following table presents the average internal risk capital for market risk calculated over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

[1] 2008 figures exclude discontinued operations.
[2] Foreign currency risks are mainly allocated to the Corporate and Other segment (please see "Internal Risk Capital Framework – Scope" for further information).
[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] The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).
[5] For additonal information regarding equity sales, please refer to "Protecting the Value of Allianz in Times of Crises – Protect capital and solvency and position our investment portfolio".

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

	2009 [1]			2008 [2]		
	Over quarterly results			Over quarterly results		
	Average	High	Low	Average	High	Low
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate	3,638	4,665	3,183	1,983	3,292	1,138
Equity	7,011	7,536	6,518	9,214	10,539	7,838
Real estate	1,301	1,393	1,217	1,286	1,425	1,218
Currency [3]	1,470	1,543	1,344	1,374	1,454	1,301
Total Group	**13,420**	**14,450**	**12,827**	**13,857**	**14,196**	**13,466**

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: interest rate risk (arising from bonds, loans and other debt instruments) and equity price risk (including risks arising from common shares and preferred shares).

Because of our diverse real estate portfolio, real estate risk is of less relevance for the Allianz Group. About 3% of the total non-diversified internal risk capital is related to real estate exposures.

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, 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, 2009), 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 and management discretion. 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, underwriting and cost risks, which would otherwise be borne by Allianz.[4] On the other hand, in accordance with the guarantees related to these arrangements, we must credit minimum rates for individual contracts (e.g., in Germany, France, U.S., Italy and South Korea).[5] However, in most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. As interest rates may fall below the guaranteed crediting rates in those markets, we are exposed to interest rate risk. The valuation of these

1) After complete sale of Dresdner Bank.
2) Including discontinued operations.
3) Foreign currency risks are mainly allocated to the Corporate and Other segment (please see "Internal Risk Capital Framework – Scope" for further information).
4) Please see Note 20 to our consolidated financial statements for additional information regarding participating life business.
5) Please see Note 20 to our consolidated financial statements for an overview regarding weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment.

guarantees, which takes into account the interaction of investment strategy and obligations to policyholders, forms an integral part of our internal risk capital model.

About 11% of the non-diversified internal risk capital allocated to the Life/Health segment for interest rate and equity risk is assigned to our operating entity Allianz Life Insurance Company of North America, which mainly offers equity indexed and fixed annuities as well as variable annuities. These products typically provide some guarantees to the policyholders. Depending on their specific type, these guarantees gain in value, when interest rates decrease, equity markets drop or volatilities rise. We have hedges in place to mitigate these risks. While we bear most of the risk related to the guarantees of variable annuities, we are able to share losses with policyholders of equity indexed and fixed annuity contracts, subject to minimum guaranteed crediting rates and index caps. The valuation of these guarantees is reflected in our internal risk capital model.

Asset Management segment

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 and Other segment

The primary market risks in the Corporate and Other segment are interest rate, equity and foreign currency risks. The Corporate and Other segment manages the equity investments of Allianz SE including strategic participations and its finance subsidiary holding companies, as well as securities issued to fund the capital requirements of the Allianz Group. 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.

Due to the fact, that we manage our net interest rate risk exposure from a Group perspective, the assets and liabilities of the Corporate and Other segment are not necessarily matched in terms of interest rate duration. However, the internal interest rate risk capital, that is allocated to the Corporate and Other segment, adequately reflects the duration mismatch.

On the level of the Corporate and Other 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.

Following the sale of Dresdner Bank to Commerzbank on January 12, 2009, we do not consider market risk related to our Banking operations to be significant at the Group level.[1]

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:

- Failure of an obligor to meet payment obligations for various reasons; 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

[1] Please see "Internal Risk Capital Framework – Scope" for further information.

("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, the correlation between different firms' asset values determines the correlation between the firms' defaults. 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.

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

	Investment		(Re)insurance[2]		Total	
As of December 31,	2009 € mn	2008[1] € mn	2009 € mn	2008[1] € mn	2009 € mn	2008[1] € mn
Non-diversified						
Property-Casualty	970	872	1,800	2,324	2,770	3,196
Life/Health	1,739	1,159	169	162	1,908	1,321
Asset Management[3]	—	—	—	—	—	—
Corporate and Other[4]	825	502	—	—	825	502
Total Group	**3,534**	**2,533**	**1,969**	**2,486**	**5,503**	**5,019**
Share of total Group internal risk capital in %					8	8
Group diversified						
Property-Casualty	565	494	1,362	1,811	1,927	2,305
Life/Health	1,013	657	128	126	1,141	783
Asset Management[3]	—	—	—	—	—	—
Corporate and Other[4]	481	284	—	—	481	284
Total Group	**2,059**	**1,435**	**1,490**	**1,937**	**3,549**	**3,372**
Share of total Group internal risk capital in %					12	12

Internal credit investment risk capital increased, because we acquired collateralized debt obligations from Dresdner Bank in 2009, which were classified as discontinued operations as of December 31, 2008. In general, the fixed income exposure in the Life/Health segment rose due to investments in credit spread products which benefited from tightening spreads.[5]

The increase in credit investment risk capital was partly offset by a decline in credit (re)insurance risk capital due to a new reinsurance structure at our credit insurance entity Euler Hermes, that actively reduced its net exposure.

The following table presents the average internal risk capital for credit risk calculated over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

1) 2008 figures exclude discontinued operations.
2) 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.
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) The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).
5) For additonal information regarding the increase of our credit exposure, please refer to "Protecting the Value of Allianz in Times of Crises – Protect capital and solvency and position our investment portfolio".

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

	2009 [1]			2008 [2]		
	Over quarterly results			Over quarterly results		
	Average	High	Low	Average	High	Low
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Investment	2,137	2,222	2,059	4,358	4,771	4,181
(Re)insurance [3]	1,555	1,611	1,490	1,770	1,871	1,656
Total Group	**3,692**	**3,792**	**3,549**	**6,127**	**6,614**	**5,837**

Property-Casualty, Life/Health as well as Corporate and Other 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 and Other segment, our internal risk capital model covers only investment credit risk, as reinsurance activities are generally allocated to the Property-Casualty segment. Following the sale of Dresdner Bank to Commerzbank on January 12, 2009, we do not consider credit risk related to our Banking operations to be significant at the Group level.[4]

Credit risk – reinsurance and credit insurance

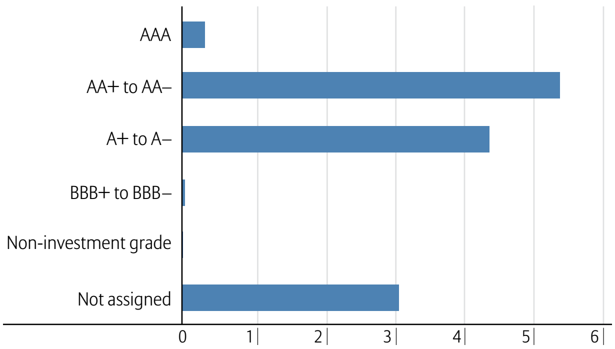
This risk category also covers the premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model, as this type of risk is a special form of credit risk. As of December 31, 2009, it represented 57 % of our total Group non-diversified internal risk capital allocated to credit (re)insurance 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, 2009, 76 % (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 23 % (2008: 24 %) of the total reinsurance recoverables at December 31, 2009. 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, 2009, 11 % of our total Group non-diversified internal risk capital allocated to credit (re)insurance risk was assigned to our operating entities in the U.S.

Reinsurance recoverables by rating class [5] as of December 31, 2009

in € bn



[1] After complete sale of Dresdner Bank.
[2] Including 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] Please see "Internal Risk Capital Framework – Scope" for further information.
[5] Represents gross exposure broken down by reinsurer.

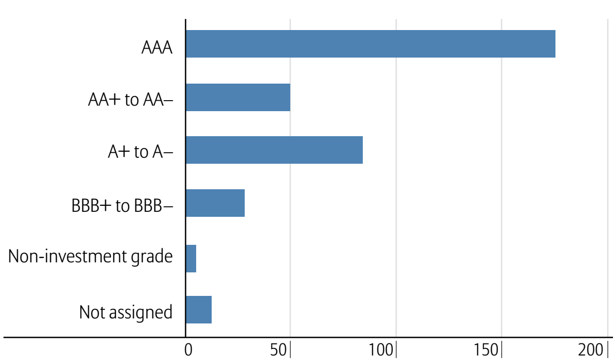
Credit risk – investment

As of December 31, 2009, our operating entities in the U.S. and Germany accounted for 35% of the non-diversified internal risk capital allocated to our Property-Casualty, Life/Health as well as Corporate and Other 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, 2009, approximately 95% (2008: 94%) of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating and approximately 87% (2008: 88%) of the fixed income investments were distributed among obligors that had been assigned at least an "A" rating by Standard & Poor's.

Fixed income investments by rating class as of December 31, 2009

fair values in € bn



In addition to these fixed income investments, Allianz Group also has non-tradable self-originated mortgage loan portfolios in Germany and the U.S. As of December 31, 2009, 98% of the German mortgage portfolio is considered to be equivalent to a Standard & Poor's 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 manager. Therefore, we have not yet experienced any losses, even though there were three cases of delinquent or foreclosed non-tradable commercial mortgage loans in 2009 due to the financial crisis. Taking into account that there have been no other delinquent or foreclosed loans since 1994 and based on additional stress test analysis, we still regard the portfolio as investment grade. The North American Allianz insurance companies have a residential mortgage portfolio exposure of less than € 1.0 million.

Asset Management segment

As part of the investment management process, the Asset Management operating 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 creditworthiness of their counterparties and set limits per counterparty based on objective criteria.

Underwriting Risk

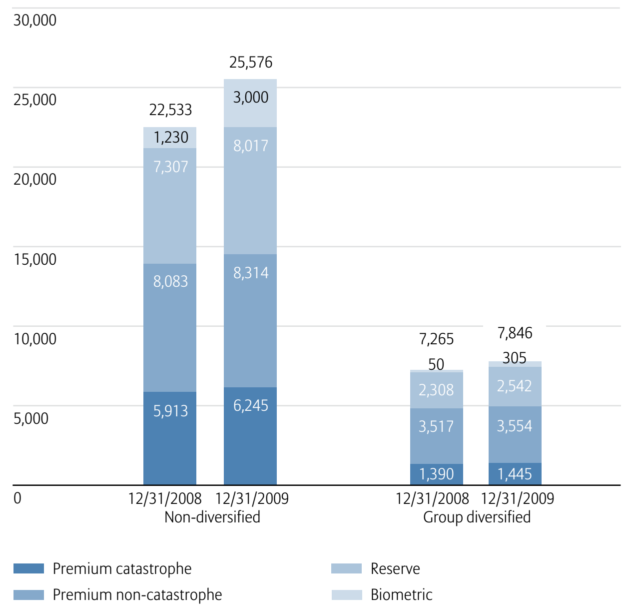
Underwriting risks consist of premium and reserve risks in the Property-Casualty segment as well as biometric risks in our Life/Health segment. For the Asset Management segment and our Banking operations, underwriting risks are not relevant. Although the Corporate and Other segment provides some guarantees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

Allocated internal underwriting risk capital by business segment [1] (total portfolio before minority interests)

	Total	
As of December 31,	2009 € mn	2008 [2] € mn
Non-diversified		
Property-Casualty	22,149	20,851
Life/Health	3,017	1,244
Corporate and Other [3]	410	438
Total Group	**25,576**	**22,533**
Share of total Group internal risk capital in %	36	34
Group diversified		
Property-Casualty	7,406	7,072
Life/Health	310	55
Corporate and Other [3]	130	138
Total Group	**7,846**	**7,265**
Share of total Group internal risk capital in %	26	25

Allocated internal underwriting risk capital by source of risk[1) 2)] (total portfolio before minority interests)

in € mn



Internal reserve risk capital increased primarily due to model enhancements related to our reinsurance business and some health insurance activities in France. The internal risk capital allocated to biometric risk rose significantly, because longevity risks are better reflected now in our internal risk capital model for a major part of the life portfolio.

The table below presents the average internal risk capital calculated for underwriting risks over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

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

	2009 [4]			2008 [5]		
	Over quarterly results			Over quarterly results		
	Average € mn	High € mn	Low € mn	Average € mn	High € mn	Low € mn
Premium catastrophe	1,452	1,473	1,434	1,245	1,258	1,218
Premium non-catastrophe	3,721	3,883	3,554	3,333	3,399	3,264
Reserve	2,514	2,544	2,480	1,979	2,098	1,872
Biometric	134	305	72	41	45	35
Total Group	**7,820**	**7,977**	**7,669**	**6,597**	**6,796**	**6,421**

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. Although our discontinued operations were not exposed to underwriting risks, they had an impact on Group diversified internal risk capital due to diversification effects. The discontinuation of certain banking operations resulted in less diversified insurance operations.
3) Allowing for a defined deductible there are contingent liabilities of up to USD 600 mn in connection with certain insurance reserves of Fireman's Fund Insurance Co., Novato.
4) After complete sale of Dresdner Bank.
5) Including discontinued operations.

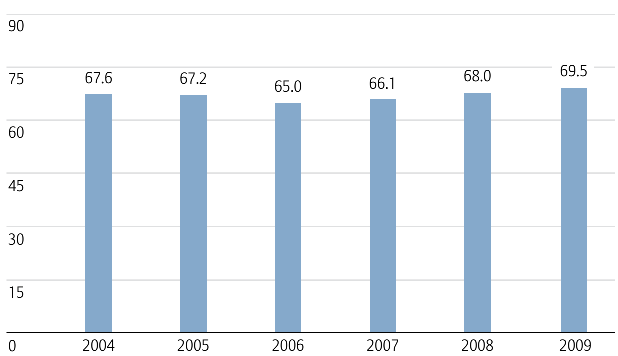
Property-Casualty segment

A substantial portion of the Property-Casualty segment's non-diversified internal underwriting risk capital is assigned to our operating entities in Germany, Italy, France and the U.S. (44% as of December 31, 2009).

Premium risk

Premium risk represents risk that, during a one-year time horizon, underwriting profitability is lower than expected. Changes in profitability over time can be measured, based on loss ratios and their fluctuations.[1]

Property-Casualty loss ratios[2] for the past six years
in %



Premium 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 significant 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.

In 2009, we included some additional regions and perils related to smaller business activities into our integrated natural catastrophe risk model. Furthermore, we established a basis to further improve our accumulation monitoring systems by defining a Group-wide standard for catastrophe exposure data.

More than a third (35% as of December 31, 2009) 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 largest exposures to natural catastrophes are provided in the following table:

The five largest global accumulation scenarios: Loss potential net of reinsurance for individual events, measured at a probability level of one loss in 250 years (i.e., 0.4%)

As of December 31, 2009	Exposure[3] € mn
European windstorm	1,093
Germany hail	846
U.S. hurricane	751
Australia earthquake	742
Italy earthquake	668

Reserve risk

Reserve risk represents the risk of adverse changes in the value of reserves over a one-year time horizon resulting from fluctuations in the timing and amount of claims settlement. The amount of net surplus[4] compared to the initial reserves is provided on a calendar year basis over the past five years in the section "Balance Sheet Review – Property-Casualty Insurance Reserves". Using approaches that are similar to the methods used for setting the reserves, we measure and manage reserve risks by constantly monitoring the development of the reserves for insurance claims.[5] If necessary, we reestimate the reserves in line with actuarial standards.

1) Please also refer to the section "Property-Casualty Insurance Operations – Property-Casualty Operations by Business Division" for a regional breakdown of loss ratios over the past three years.
2) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3) Based on most recent estimates, exposures are calculated using either vendor or proprietary models developed by in-house experts. All models are subject to uncertainty arising from scientific assumptions and underlying data.
4) Net surplus represents the cumulative surplus from reestimating the reserves for loss and loss adjustment expenses for prior years' claims and includes foreign currency translation adjustments. For further information, please refer to the section "Balance Sheet Review – Property-Casualty Insurance Reserves".
5) For further information, please refer to the section "Balance Sheet Review – Property-Casualty Insurance Reserves".

Underwriting in the corporate and commercial businesses

Our sound Group-wide underwriting framework forms the basis for adequate risk taking and management decisions and helps us proactively limit individual potentially significant risks including reputational risks. The framework defines common minimum requirements for our underwriting activities in the international corporate and commercial Property-Casualty insurance business, both for direct and reinsurance business.

Dedicated minimum standards protect Allianz from taking unwanted or excessive risks. They determine non-admitted coverages and define clear approval requirements at different levels of the Allianz Group. In particular, they specify all activities that require approval by or reporting to the Group Insurance Risk Committee, which is a sub committee of the Group Risk Committee. These standards also document delegated underwriting authorities and lay down mandatory rules for individual policies. Exceptions require approval by the local Chief Underwriting Officer and reporting to the Group Insurance Risk Committee.

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.[1)]

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 as of December 31, 2009.[2)]

1) For further information regarding biometric assumptions, please refer to "Internal Risk Capital Framework – Non-market assumptions".
2) Please see Note 20 to our consolidated financial statements for additional information regarding concentration of insurance risk in the Life/Health segment.

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 also 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)

	Total	
As of December 31,	2009 € mn	2008[3)] € mn
Non-diversified		
Property-Casualty	6,055	5,898
Life/Health	5,519	5,163
Asset Management[4)]	4,194	3,304
Corporate and Other[5)]	681	648
Total Group	**16,449**	**15,013**
Share of total Group internal risk capital in %	23	22
Group diversified		
Property-Casualty	1,921	1,707
Life/Health	2,133	1,864
Asset Management[4)]	1,948	1,453
Corporate and Other[5)]	159	131
Total Group	**6,161**	**5,155**
Share of total Group internal risk capital in %	20	18

Internal business risk capital rose significantly in the Asset Management segment mainly driven by an increase in assets under management and the acquisition of cominvest.

3) 2008 figures exclude discontinued operations.
4) The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).
5) The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).

As discussed, because substantially all of the investments managed by the Asset Management operating entities are held for the benefit of either third parties or Allianz insurance entities, the internal risk capital requirements for the Asset Management segment only reflect business risk, which includes liquidity risk.[1]

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 assessment. Furthermore, operational losses are collected in a central loss database by all our operating entities. An analysis of the causes of 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.

Major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, may represent significant operational risks for the Allianz Group and its operating entities. Our Business Continuity Management ("BCM") framework strives to protect critical business functions from these effects to enable them to carry out their core tasks in time and at the quality required. BCM activities and knowledge are constantly enhanced and, therefore, embedded within the organizations' culture.

Dedicated minimum security standards are in place for the IT systems across the Group to ensure the proper use and protection of the Group's information assets. With respect to financial statements, our system of internal control is designed to mitigate operational risks.[2] In general, we aim to reduce process failures by clearly documenting relevant methods, procedures, structures and processes across the Group. Comprehensive and timely documentation is required across the Group as one of the fundamental principles of the Allianz Group Risk Policy. Furthermore, Group Legal Services seek to diminish legal risks with support from other departments.[3]

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.

In addition, detailed information regarding Allianz Group's liquidity risk exposure, liquidity and funding including the change in cash and cash equivalents is provided, for instance, in the chapter "Liquidity and Funding" and the notes 17, 23, 24 and 44 to our consolidated financial statements.

[1] Internal risk capital for guarantees in our Asset Management segment are not significant.

[2] For additional information regarding our internal control over financial reporting, please refer to the section "Controls and Procedures – Financial Reporting Framework – Internal Control over Financial Reporting".

[3] Please see "Risk Governance Structure" for further information.

Corporate and Other 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.

Due to the small size of risk weighted assets and total assets (as of December 31, 2009, € 8.7billion and € 19.5 billion, respectively), liquidity risk related to our Banking operations is deemed not to be significant at the Group level.

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 local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e.g., Government bonds or covered bonds) in the portfolios. This helps us to 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.

Asset Management segment

With respect to our Asset Management business, forecasting and managing liquidity is a regular process, designed to meet both regulatory requirements and Allianz Group standards. In 2009, this process was further strengthened by liquidity guidelines for new products, implemented at our Allianz Global Investors entities.

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 among 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 (e.g., as part of the product development process). 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 or the Group as a whole.

These risks are evaluated and analyzed quarterly in the same way as reputational risk. In addition, strategic decisions are discussed in various committees (e.g., Group Capital Committee, Group Risk Committee, Group Finance Committee). The assessment of the associated risks is a fundamental element of these discussions.

Protecting the Value of Allianz in Times of Crisis

In general, our risk management framework is designed to protect the value of Allianz against unexpected developments. As an example of the successful implementation of this framework in practice, Allianz Group's risk strategy during 2009 was very much aware of the risks to the insurance industry from market turbulence and focused on three main objectives:

- Protect the Allianz Group's capital and solvency position as well as position our investment portfolio for continued market turbulence
- Protect the value of our Property-Casualty business
- Focus on sustainable profitability in the Life/Health business

Protect capital and solvency and position our investment portfolio

The turbulent financial market environment during 2009 had the potential to adversely influence Allianz Group's capital and solvency position, primarily through the asset side of the balance sheet. Recognizing this, Allianz proactively recalibrated its investment policy in order to ensure the continued strength of our capital and solvency position.

More specifically, as equity risk is one of our major risk drivers, we actively adjusted the equity exposure and concentration risk through sales and hedging activities, beginning in 2007 and continuing during 2008 and 2009, in order to limit potential impairments and earnings volatility. Through this process, our equity exposure not only decreased in absolute terms, but also in relative terms compared to the Group's shareholders' equity, leading to a reduction in our equity gearing. As a consequence, our conglomerate and economic solvency became more resistant to further drops in equity markets. Consistently with this active portfolio management, we also set a more conservative risk limit by increasing the minimum solvency targets following standard adverse scenarios.

At the same time, we continued with our conservative credit policy, only moderately and selectively increasing the credit exposure to counterbalance the equity reduction and taking advantage of attractive liquidity premia embedded in fixed income returns at the beginning of 2009. In addition, we also focused on preserving liquidity in our Life/Health asset portfolios in case of unexpectedly increased surrenders.

There are potentially diverging views with regards to the medium term development of interest rates, which makes asset liability management challenging in these times. Therefore, we analyzed the impact of two scenarios, a sudden increase in rates and a continued low interest rate environment, on the Group's shareholders' equity, economic value and capital position as well as the local operating entities' capital positions. Based on this analysis, we moderately adapted our fixed income investment strategy and, given the unprecedentedly high implied interest rate volatilities and the associated high hedging costs, have kept our hedge strategy largely unchanged.

Protect the Property-Casualty business value

Given the impact on the asset side of the balance sheet, protecting our ability to deliver value through our core Property-Casualty underwriting activities became even more important than before.

Natural catastrophe risks are typically the major risk concentrations in the Property-Casualty segment. As they are disproportionately large risks that might accumulate and have the potential to produce substantial losses, they are managed in an effort to balance potential earnings, earnings volatilities and solvency considerations and ultimately to protect the value of our Property-Casualty business.

In 2009, the Group's net exposure to natural catastrophes remained within our risk appetite. After reviewing the situation, we therefore did not purchase any additional reinsurance.

However, after the discontinuation of some of our non-insurance operations in 2009, the Management Board of Allianz SE reviewed and redefined the Group's natural catastrophe limit to reflect the greater contribution to the Group's results made by the Property-Casualty segment. The new limit is based on annual aggregate losses, taking into account expected losses. Overall, the limit remains rather conservative.

The single loss event natural catastrophe limits were generally frozen at the current exposure levels for all operating entities, taking into account portfolio or business transfers and subject to a maximum limit of 15% of the Property-Casualty net asset value.

In addition, we put higher emphasis on mitigating earnings volatility through our reinsurance programm by increasing protection against multiple higher frequency, mid-sized losses.

Focus on sustainable profitability in the Life/Health business

Finally, given the influence of short-term market developments on the value of new and existing long-term life insurance products, we reinforced our disciplined and proactive life product management approaches in order to achieve sustainable profitability over time.

For risk and management purposes, we measure the profitability of life products in terms of market consistent New Business Margins ("NBM"), based on the Market Consistent Embedded Value ("MCEV") concept which is consistent with our internal risk capital model approach. On an economic basis, the MCEV measures the present value of shareholders' future profit embedded in the issued Life/Health business.

In 2009, we especially focused on life product design and pricing across the Group, giving profitability top priority for the Life/Health segment, and enhanced our Life product approval framework in order to ensure decisions on new and existing products were taken in line with our 3% average portfolio NBM target. This framework defines profitability standards, also allowing for individual exceptions approved for competitive reasons in the light of local market characteristics. We also strengthened our processes for close monitoring of profitability of new and existing business and for regularly reporting on it to the Board of Management of Allianz SE.

As a further example of our efforts to ensure sustainable profitability and in light of the difficult economic environment, we consciously decided in the first quarter of 2009 to discontinue non-profitable components of our U.S. variable annuity product suite. Subsequently, we significantly redesigned, repriced and relaunched major products offered by our entity Allianz Life Insurance Company of North America during 2009 in order to maintain a balanced and sustainable risk and profitability profile even under difficult market conditions. Finally, in addition to our fair value dynamic hedging program for the U.S. variable and equity indexed annuities, we also implemented a hedging program designed to limit the impact of equity market moves on statutory capital requirements for our U.S. subsidiary through the purchase of an equity collar.

Assessment of the Overall Risk Profile

Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of the Group's risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs. This confidence is based on several facts which are outlined in more detail in the sections above and summarized as follows.

The Allianz Group is well capitalized, above its internal and regulatory solvency targets for each quarter in 2009. Indeed, Allianz emerged from the market turbulence as one of the strongest insurance groups in the industry by solvency and ratings, as evidenced by external rating agencies which confirmed their ratings related to Allianz SE even during the 2008 and 2009 financial crisis. In particular, Allianz SE had the best Standard & Poor's rating among the internationally active primary insurance groups in Europe as of December 31, 2009.

The Group's management also believes that Allianz is well positioned in case of potential future adverse events, in part due to our internal limit framework which limits the impact on our regulatory solvency to adverse financial market shock scenarios. Similarly, the Group's net exposure to natural catastrophes is also limited and remains within our risk appetite. The Group's management is confident that, through this risk appetite, we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations.

Finally, Allianz Group has the additional advantages of being internationally diversified, a key advantage for competing in the insurance industry, with a conservative investment profile and disciplined business practices in both Property & Casualty and Life & Health.

Disclosures relating to Financial Instruments

The risk disclosure requirements of IFRS 7 are reflected in the consolidated financial statements and the preceding risk report in the group management report.

This risk report, with the exception of the "Risk Management Priorities for 2010" section, is an integral part of the audited consolidated financial statements.

Risk Management Priorities for 2010

With respect to risk management, our general objectives for 2010 include three priorities. First and foremost, to successfully meet the risk management and reporting challenges as we did in 2009. Although potential 2010 market developments remain uncertain, our general consensus is for a more benign market environment. Second, to continue to further develop and strengthen our risk management framework and network globally. Our third priority is to do what is necessary to meet Solvency II internal model requirements by the end of 2012 – which is one of the Allianz Group's top ten priorities set by the Board of Management of Allianz SE during 2009.

Solvency II is a major European initiative 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 and is continuously providing feedback on the proposals and analysis 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. Given the uncertainty surrounding the final implementation measures and their interpretation, we are constantly reviewing our internal risk capital model and risk processes on the basis of the evolving Solvency II standards.

The Allianz Group has used an internal model for several years for the management of its risk and solvency position. In 2008, we launched an internal multi-year Solvency II Umbrella Project to meet Solvency II internal model requirements by the end of 2012. The high-level objectives of this project are 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 Solvency II Umbrella Project initiative, we have strengthened our risk analysis infrastructure by implementing a best practice technical platform with the goal to improve methodology, increase coverage and extend the functionality and user benefits within an efficient risk reporting process. This new framework has been successfully implemented and run in parallel with our existing model, leading to an internal approval by the Board of Management of Allianz SE for a full switch over to the new model framework for 2010 reporting purposes.

Under this new framework, we will apply a structured Monte-Carlo simulation approach using more advanced replicating portfolio techniques for life businesses. We will also include new risk drivers (e.g., credit spread and implied volatility risk) to ensure comprehensive coverage of financial market risks across the Group. We believe that this platform fulfills the quantitative Solvency II Pillar I requirements for internal model approval by regulators. We have thoroughly tested the new internal model framework, performing several parallel runs and reconciling with our existing model. The Allianz Group-wide internal risk capital after Group diversification is expected to remain close to the capital requirements based on the current framework. Even though the non-diversified internal risk capital will generally increase due to the inclusion of new risk drivers, this increase will be offset by a higher level of realized diversification benefits due to the use of more advanced aggregation techniques.

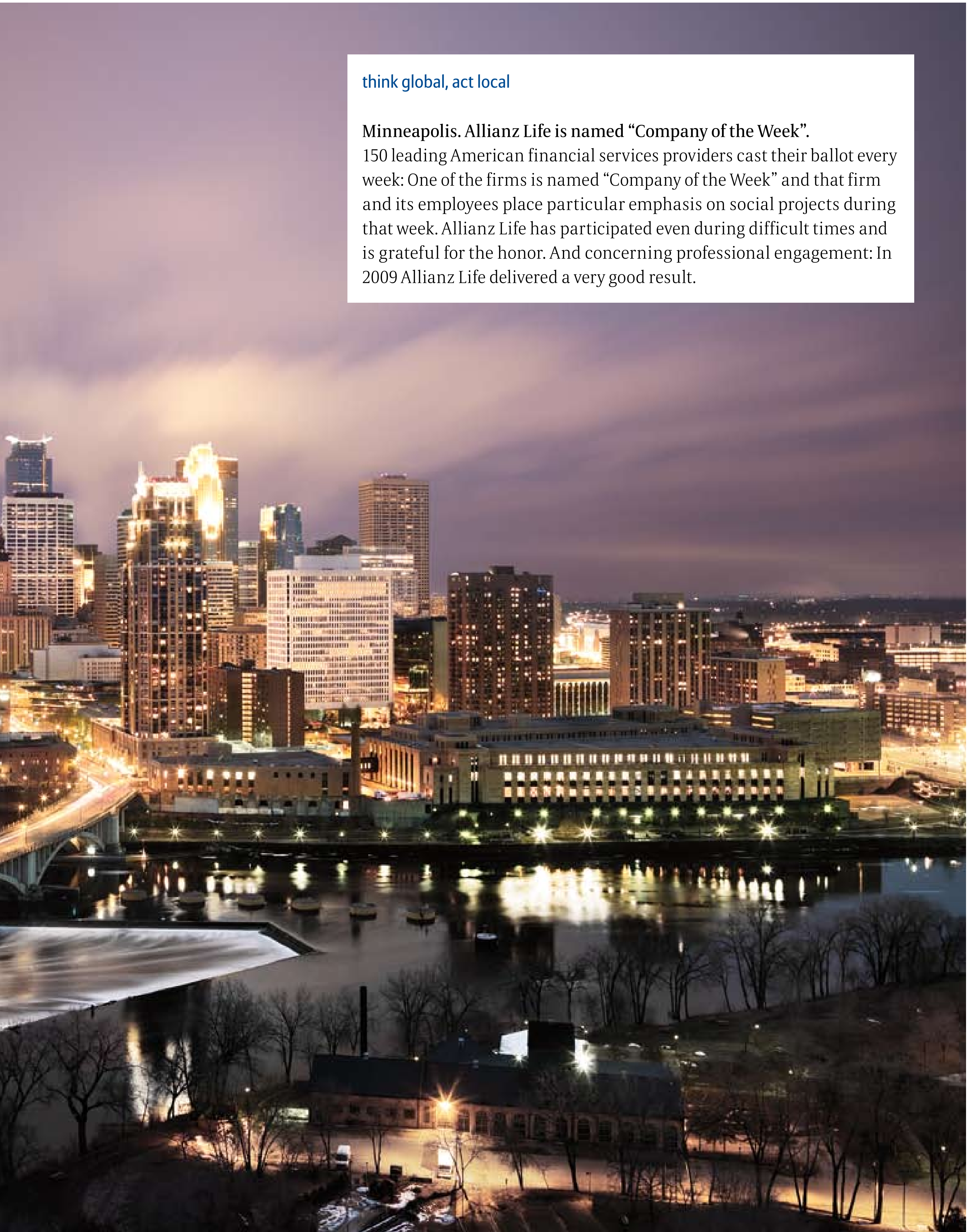
In parallel, we also have successfully implemented a new web-based Credit Risk Reporting Platform ("CRisP") for comprehensive and flexible portfolio analysis and reporting as well as for a more powerful counterparty limit management; an important element of this project has been the improvement of data delivery processes and controls. While the reporting capabilities have already been introduced, the new CRisP limit system is being introduced at the beginning of 2010 at which time it will have a positive impact on the management of our credit exposures, whether originating from investment assets, counterparty derivative exposures, reinsurance recoverables and credit insurance.

Further improvements under the Solvency II Umbrella Project have been made in the areas of operational risk management and data collection, Property-Casualty premium and reserve risk stochastic modelling and processes and controls. Looking ahead to 2010, we anticipate continuing improvement efforts in all of the above mentioned areas as well as focusing on documentation and control processes.

Muenchen, February 22, 2010
Allianz SE

The Board of Management

Diekmann	Dr. Achleitner
Bäte	Booth
Cucchiani	Dr. Faber
Dr. Mascher	Ralph
Dr. Rupprecht	Dr. Zedelius

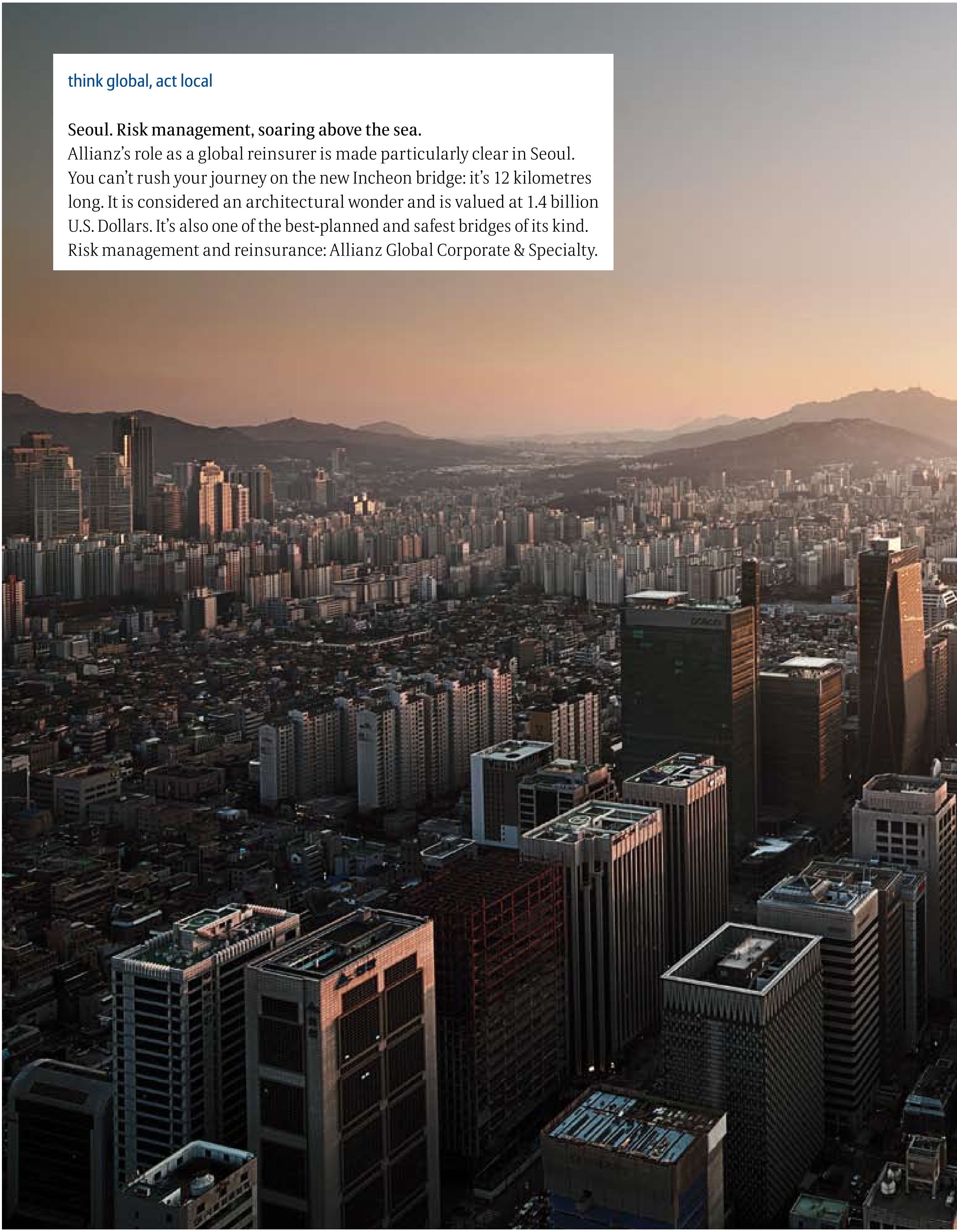


think global, act local

Minneapolis. Allianz Life is named "Company of the Week".
150 leading American financial services providers cast their ballot every week: One of the firms is named "Company of the Week" and that firm and its employees place particular emphasis on social projects during that week. Allianz Life has participated even during difficult times and is grateful for the honor. And concerning professional engagement: In 2009 Allianz Life delivered a very good result.

think global, act local

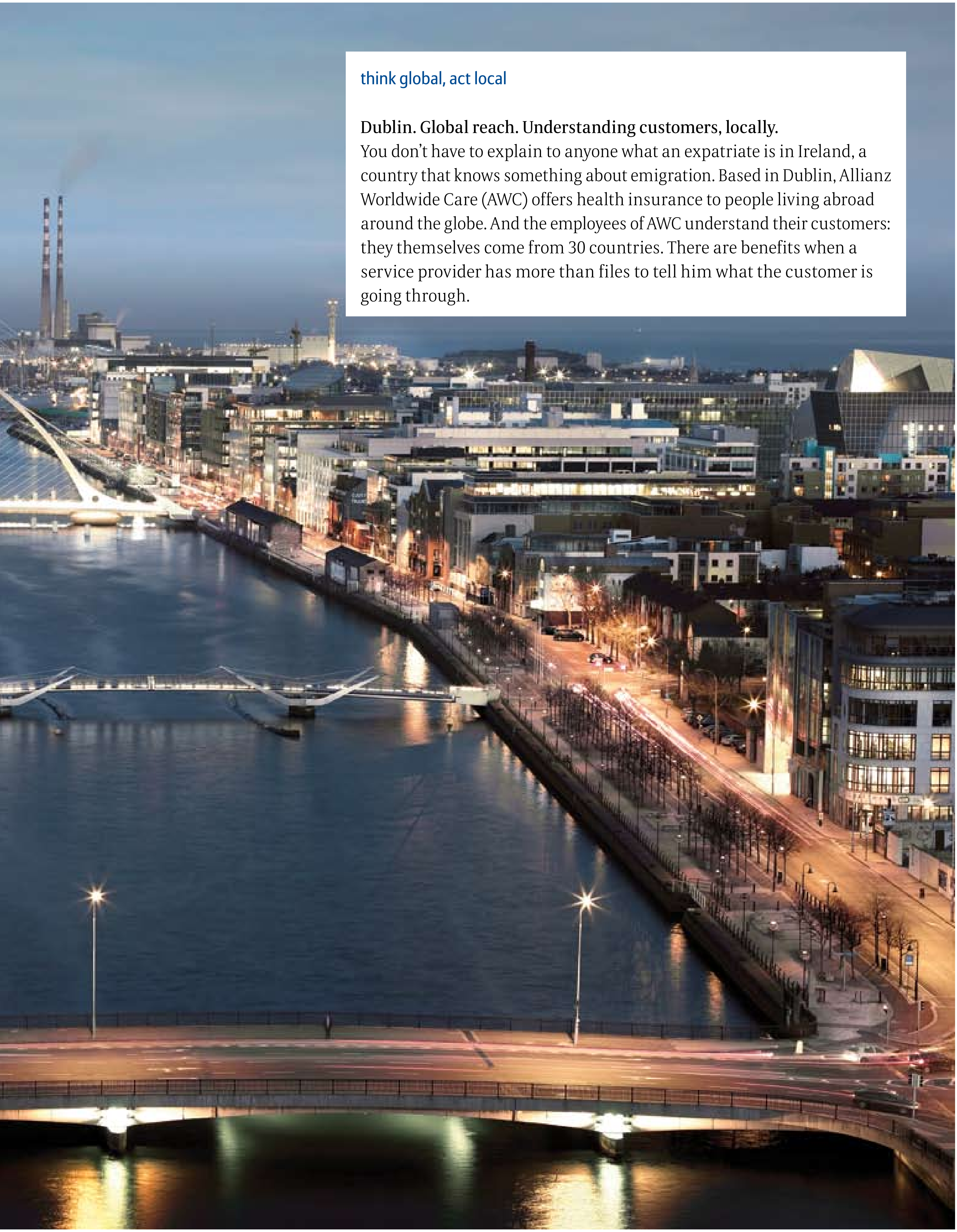
Seoul. Risk management, soaring above the sea.
Allianz's role as a global reinsurer is made particularly clear in Seoul. You can't rush your journey on the new Incheon bridge: it's 12 kilometres long. It is considered an architectural wonder and is valued at 1.4 billion U.S. Dollars. It's also one of the best-planned and safest bridges of its kind. Risk management and reinsurance: Allianz Global Corporate & Specialty.




IFSC

think global, act local

Dublin. Global reach. Understanding customers, locally.
You don't have to explain to anyone what an expatriate is in Ireland, a country that knows something about emigration. Based in Dublin, Allianz Worldwide Care (AWC) offers health insurance to people living abroad around the globe. And the employees of AWC understand their customers: they themselves come from 30 countries. There are benefits when a service provider has more than files to tell him what the customer is going through.



Allianz Group
Consolidated Financial Statements

Allianz Group Consolidated Balance Sheets

	Note	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of January 1, 2008 € mn
ASSETS				
Cash and cash equivalents	7	6,089	8,958	31,337
Financial assets carried at fair value through income [1]	8	14,321	14,240	185,461
Investments [2]	9	294,252	258,812	285,977
Loans and advances to banks and customers	10	128,996	116,990	397,677
Financial assets for unit-linked contracts		56,963	50,450	66,060
Reinsurance assets	11	13,559	14,599	15,312
Deferred acquisition costs	12	20,623	22,563	19,613
Deferred tax assets	42	2,719	3,996	4,771
Other assets	13	33,047	34,004	38,025
Non-current assets and assets of disposal groups classified as held for sale	4, 14	—	419,513	3,503
Intangible assets	15	13,476	11,451	13,413
Total assets		**584,045**	**955,576**	**1,061,149**

	Note	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of January 1, 2008 € mn
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	16	6,743	6,244	126,053
Liabilities to banks and customers	17	21,248	18,451	336,494
Unearned premiums	18	15,676	15,233	15,020
Reserves for loss and loss adjustment expenses	19	64,441	63,924	63,706
Reserves for insurance and investment contracts	20	322,188	296,557	292,244
Financial liabilities for unit-linked contracts	21	56,963	50,450	66,060
Deferred tax liabilities	42	3,905	3,833	3,973
Other liabilities	22	33,285	32,930	48,031
Liabilities of disposal groups classified as held for sale	4, 14	—	411,816	1,293
Certificated liabilities	23	7,962	9,544	42,070
Participation certificates and subordinated liabilities	24	9,347	9,346	14,824
Total liabilities		**541,758**	**918,328**	**1,009,768**
Shareholders' equity		40,166	33,684	47,753
Minority interests		2,121	3,564	3,628
Total equity	**25**	**42,287**	**37,248**	**51,381**
Total liabilities and equity		**584,045**	**955,576**	**1,061,149**

1) As of December 31, 2009, € 887 mn (2008: € 459 mn) are pledged to creditors and can be sold or repledged.
2) As of December 31, 2009, € 123 mn (2008: € 45 mn) are pledged to creditors and can be sold or repledged.

Allianz Group
Consolidated Income Statements

	Note	2009 € mn	2008 € mn	2007 € mn
Premiums written		**65,090**	**66,171**	**65,788**
Ceded premiums written		(5,061)	(5,474)	(5,934)
Change in unearned premiums		(172)	(253)	(492)
Premiums earned (net)	**26**	**59,857**	**60,444**	**59,362**
Interest and similar income	27	18,233	19,072	18,624
Income from financial assets and liabilities carried at fair value through income (net)	28	954	(341)	(948)
Realized gains/losses (net)	29	3,416	3,603	6,008
Fee and commission income	30	6,239	6,032	6,553
Other income	31	41	408	217
Income from fully consolidated private equity investments	32	1,910	2,549	2,367
Total income		**90,650**	**91,767**	**92,183**
Claims and insurance benefits incurred (gross)		(47,879)	(48,287)	(46,409)
Claims and insurance benefits incurred (ceded)		2,233	2,628	3,287
Claims and insurance benefits incurred (net)	**33**	**(45,646)**	**(45,659)**	**(43,122)**
Change in reserves for insurance and investment contracts (net)	34	(9,560)	(5,140)	(10,685)
Interest expenses	35	(1,484)	(1,893)	(2,070)
Loan loss provisions	36	(141)	(59)	(18)
Impairments of investments (net)	37	(2,732)	(9,495)	(1,185)
Investment expenses	38	(755)	(771)	(874)
Acquisition and administrative expenses (net)	39	(20,325)	(18,299)	(18,936)
Fee and commission expenses	40	(2,212)	(2,344)	(2,197)
Amortization of intangible assets	15	(125)	(23)	(17)
Restructuring charges		(198)	(129)	(182)
Other expenses	41	(2)	(12)	(17)
Expenses from fully consolidated private equity investments	32	(2,142)	(2,470)	(2,317)
Total expenses		**(85,322)**	**(86,294)**	**(81,620)**
Income from continuing operations before income taxes		**5,328**	**5,473**	**10,563**
Income taxes	42	(588)	(1,287)	(2,572)
Net income from continuing operations		**4,740**	**4,186**	**7,991**
Net income (loss) from discontinued operations, net of income taxes	**4**	**(395)**	**(6,373)**	**723**
Net income (loss)		**4,345**	**(2,187)**	**8,714**
Net income (loss) attributable to:				
Minority interests		48	257	748
Shareholders		4,297	(2,444)	7,966

	Note	2009 €	2008 €	2007 €
Basic earnings per share	**50**	**9.53**	**(5.43)**	**18.00**
from continuing operations		10.41	8.81	16.53
from discontinued operations		(0.88)	(14.24)	1.47
Diluted earnings per share	**50**	**9.50**	**(5.47)**	**17.71**
from continuing operations		10.37	8.59	16.26
from discontinued operations		(0.87)	(14.06)	1.45

Allianz Group
Consolidated Statements of Comprehensive Income

	2009 € mn	2008 € mn	2007 € mn
Net income (loss)	4,345	(2,187)	8,714
Other comprehensive income			
Foreign currency translation adjustments			
Reclassifications to net income	516	2	—
Changes arising during the year	(118)	(261)	(1,926)
Subtotal	398	(259)	(1,926)
Available-for-sale investments			
Reclassifications to net income	(753)	560	(2,577)
Changes arising during the year	4,242	(9,116)	(1,845)
Subtotal	3,489	(8,556)	(4,422)
Cash flow hedges			
Reclassifications to net income	(5)	—	1
Changes arising during the year	(11)	28	33
Subtotal	(16)	28	34
Share of other comprehensive income of associates			
Reclassifications to net income	6	—	—
Changes arising during the year	26	(107)	112
Subtotal	32	(107)	112
Miscellaneous			
Reclassifications to net income	—	—	—
Changes arising during the year	(87)	100	933
Subtotal	(87)	100	933
Total other comprehensive income	3,816	(8,794)	(5,269)
Total comprehensive income	8,161	(10,981)	3,445
Total comprehensive income attributable to:			
Minority interests	79	359	508
Shareholders	8,082	(11,340)	2,937

For further details concerning income taxes relating to components of the other comprehensive income please see Note 42.

Allianz Group
Consolidated Statements of Changes in Equity

	Paid-in capital	Revenue reserves	Foreign currency translation adjustments	Unrealized gains and losses (net)	Share-holders' equity	Minority interests	Total equity
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Balance as of January 1, 2007	**25,398**	**13,070**	**(2,210)**	**13,392**	**49,650**	**7,180**	**56,830**
Total comprehensive income	—	7,889	(1,378)	(3,574)	2,937	508	3,445
Paid-in capital	158	—	—	—	158	—	158
Treasury shares	—	269	—	—	269	—	269
Transactions between equity holders	2,765	(6,968)	(68)	652	(3,619)	(3,707)	(7,326)
Dividends paid	—	(1,642)	—	—	(1,642)	(353)	(1,995)
Balance as of December 31, 2007	**28,321**	**12,618**	**(3,656)**	**10,470**	**47,753**	**3,628**	**51,381**
Total comprehensive income	—	(2,509)	(340)	(8,491)	(11,340)	359	(10,981)
Paid-in capital	248	—	—	—	248	—	248
Treasury shares	—	25	—	—	25	—	25
Transactions between equity holders	—	(552)	(10)	32	(530)	(136)	(666)
Dividends paid	—	(2,472)	—	—	(2,472)	(287)	(2,759)
Balance as of December 31, 2008	**28,569**	**7,110**	**(4,006)**	**2,011**	**33,684**	**3,564**	**37,248**
Total comprehensive income	—	4,244	392	3,446	8,082	79	8,161
Paid-in capital	66	—	—	—	66	—	66
Treasury shares	—	(66)	—	—	(66)	—	(66)
Transactions between equity holders [1]	—	(19)	(1)	—	(20)	(1,401)	(1,421)
Dividends paid	—	(1,580)	—	—	(1,580)	(121)	(1,701)
Balance as of December 31, 2009	**28,635**	**9,689**	**(3,615)**	**5,457**	**40,166**	**2,121**	**42,287**

[1] Includes € (1,738) mn minority interest changes from the derecognition of Dresdner Bank and € 337 mn related to capital movements of subsidiaries owned less than 100 %.

Allianz Group
Consolidated Statements of Cash Flows

	2009 € mn	2008 € mn	2007 € mn
Summary			
Net cash flow provided by operating activities	13,551	25,278	11,524
Net cash flow used in investing activities	(50,387)	(6,236)	(2,357)
Net cash flow provided by (used in) financing activities	3,708	(11,285)	(10,746)
Effect of exchange rate changes on cash and cash equivalents	21	102	(115)
Change in cash and cash equivalents	**(33,107)**	**7,859**	**(1,694)**
Cash and cash equivalents at beginning of period of continuing operations	8,958	31,337	33,031
Cash and cash equivalents at beginning of period reclassified to assets of disposal groups held for sale	30,238	—	—
Cash and cash equivalents at end of period	**6,089**	**39,196**	**31,337**
Cash and cash equivalents reclassified to assets of disposal groups held for sale	—	30,238	—
Cash and cash equivalents at end of period of continuing operations	**6,089**	**8,958**	**31,337**
Cash flow from operating activities			
Net income (loss)	**4,345**	**(2,187)**	**8,714**
Adjustments to reconcile net income (loss) to net cash flow provided by operating activities			
Share of earnings from investments in associates and joint ventures	(80)	(12)	(521)
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008	—	1,409	—
Realized gains/losses (net) and impairments of investments (net) of			
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans and advances to banks and customers	(684)	5,710	(5,276)
Other investments, mainly financial assets held for trading and designated at fair value through income	(1,088)	3,497	681
Result of transaction of Dresdner Bank between September 30 and December 31, 2008	—	2,933	—
Depreciation and amortization	902	640	891
Loan loss provisions	141	385	(113)
Interest credited to policyholder accounts	3,954	4,008	3,225
Net change in			
Financial assets and liabilities held for trading	(12)	6,443	18,948
Reverse repurchase agreements and collateral paid for securities borrowing transactions	751	32,463	30,215
Repurchase agreements and collateral received from securities lending transactions	47	(30,763)	(48,143)
Reinsurance assets	1,041	818	716
Deferred acquisition costs	210	(1,353)	(932)
Unearned premiums	258	345	341
Reserves for loss and loss adjustment expenses	(117)	527	(389)
Reserves for insurance and investment contracts	5,190	390	6,675
Deferred tax assets/liabilities	(564)	351	55
Financial assets designated at fair value through income (only banking)	—	3,204	(2,286)
Financial liabilities designated at fair value through income (only banking)	—	2,925	1,104
Other (net)	(743)	(6,455)	(2,381)
Subtotal	**9,206**	**27,465**	**2,810**
Net cash flow provided by operating activities	**13,551**	**25,278**	**11,524**
Cash flow from investing activities			
Proceeds from the sale, maturity or repayment of			
Financial assets designated at fair value through income	4,193	4,105	5,678
Available-for-sale investments	94,459	106,665	130,421
Held-to-maturity investments	419	319	183
Investments in associates and joint ventures	1,957	1,285	1,902
Non-current assets and assets of disposal groups classified as held for sale	—	2,199	4
Real estate held for investment	391	491	889
Loans and advances to banks and customers (purchased loans)	11,537	8,735	8,823
Property and equipment	210	431	607
Subtotal	**113,166**	**124,230**	**148,507**

Allianz Group
Consolidated Statements of Cash Flows – continued

	2009 € mn	2008 € mn	2007 € mn
Payments for the purchase or origination of			
Financial assets designated at fair value through income	(2,513)	(4,107)	(6,393)
Available-for-sale investments	(112,667)	(114,041)	(129,060)
Held-to-maturity investments	(192)	(182)	(183)
Investments in associates and joint ventures	(973)	(610)	(1,509)
Non-current assets and assets of disposal groups classified as held for sale	(36)	(97)	(1,073)
Real estate held for investment	(349)	(395)	(430)
Loans and advances to banks and customers (purchased loans)	(20,584)	(10,169)	(12,404)
Property and equipment	(1,160)	(953)	(832)
Subtotal	**(138,474)**	**(130,554)**	**(151,884)**
Business combinations (for further details see Note 5)			
Proceeds from sale of subsidiaries, net of cash disposed	(26,975)	103	372
Acquisitions of subsidiaries, net of cash acquired	77	(152)	(670)
Net cash flows arising during the fourth quarter 2008 from assets and liabilities of disposal groups classified as held for sale	**—**	**9,327**	**—**
Change in other loans and advances to banks and customers (originated loans)	**1,384**	**(8,673)**	**43**
Other (net)	**435**	**(517)**	**1,275**
Net cash flow used in investing activities	**(50,387)**	**(6,236)**	**(2,357)**
Cash flow from financing activities			
Policyholders' account deposits	20,162	13,205	12,810
Policyholders' account withdrawals	(12,174)	(10,985)	(9,365)
Net change in liabilities to banks and customers	(1,097)	(4,920)	9,007
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	12,541	40,672	58,087
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(14,189)	(45,868)	(71,627)
Cash inflow from capital increases	56	239	115
Transactions between equity holders	276	(666)	(7,326)
Dividends paid to shareholders	(1,701)	(2,759)	(1,995)
Net cash from sale or purchase of treasury shares	(135)	40	(34)
Other (net)	(31)	(243)	(418)
Net cash flow provided by (used in) financing activities	**3,708**	**(11,285)**	**(10,746)**

The net cash flows provided by (used in) discontinued operations for the first nine months of 2008 contribute to the net cash flows of the operating, investing, and financing activities. Only the net cash flows of discontinued operations of the fourth quarter 2008 are shown on a net basis in one single line within the investing activities.

The following table shows the net cash flows provided by (used in) discontinued operations for the twelve months ended December 31, 2009, 2008 and 2007 that are included in the consolidated statements of cash flows above.

	2009 € mn	2008 € mn	2007 € mn
Net cash flow provided by operating activities from discontinued operations	—	24,367	369
Net cash flow provided by (used in) investing activities from discontinued operations	—	(1,888)	7,415
Net cash flow provided by (used in) financing activities from discontinued operations	—	(8,520)	(12,552)
Net cash flow provided by (used in) discontinued operations	**—**	**13,959**	**(4,768)**

Allianz Group
Consolidated Statements of Cash Flows – continued

	2009 € mn	2008 € mn	2007 € mn
Supplementary information on the consolidated statement of cash flows			
Income taxes paid	(879)	(2,846)	(2,856)
Dividends received	876	1,845	2,526
Interest received	15,689	21,361	22,256
Interest paid	(1,492)	(5,931)	(6,697)
Significant non-cash transactions			
Settlement of exchangeable bonds issued by Allianz Finance II B.V. with shares			
Available-for-sale investments	—	(450)	(812)
Certificated liabilities	—	(450)	(812)
Novation of quota share reinsurance agreement			
Reinsurance assets	—	(29)	(2,469)
Deferred acquisition costs	—	1	145
Payables from reinsurance contracts	—	(28)	(2,324)
Effects from buy-out of AGF minorities (Note 5)			
Revenue reserves	—	—	(1,843)
Unrealized gains and losses (net)	—	—	146
Minority interests	—	—	(1,068)
Paid-in capital	—	—	2,765
Effects from first consolidation of K2			
Financial assets held for trading	—	107	—
Financial assets designated at fair value through income	—	8,665	—
Loans and advances to banks and customers	—	1,714	—
Other assets	—	51	—
Financial liabilites held for trading	—	497	—
Financial liabilities designated at fair value through income	—	8,889	—
Liabilities to banks and customers	—	1,076	—
Other liabilities	—	75	—
Effects from deconsolidation of Dresdner Bank			
Commerzbank shares			
Available-for-sale investments	746	—	—
Assets of disposal groups held for sale	(746)	—	—
Distribution channel			
Intangible assets	480	—	—
Assets of disposal groups held for sale	(480)	—	—
Cominvest			
Available-for-sale investments	179	—	—
Loans and advances to banks and customers	7	—	—
Deferred tax assets	14	—	—
Intangible assets	691	—	—
Property and equipment	3	—	—
Other assets	39	—	—
Assets of disposal groups held for sale	(933)	—	—
Liabilities to banks and customers	1	—	—
Deferred tax liabilities	(72)	—	—
Certificated liabilities, participation certificates and subordinated liabilities	(57)	—	—
Other liabilities	(148)	—	—
Minority interests	(5)	—	—
Liabilities of disposal groups held for sale	281	—	—
Proceeds from sales of available-for-sale investments			
Debt securities	62,774	60,265	89,355
Equity securities	14,152	26,645	27,485
Total	**76,926**	**86,910**	**116,840**

Allianz Group Notes to the Consolidated Financial Statements

1 Nature of operations and basis of presentation

Nature of operations

Allianz SE and its subsidiaries ("the Allianz Group") have global Property-Casualty insurance, Life/Health insurance and Asset Management operations in more than 70 countries, with the largest of its operations in Europe. The Allianz Group's headquarter is located in Munich, Germany. The parent company of the Allianz Group is Allianz SE, Munich. It is recorded in the Commercial Register of the municipal court Munich under its registered address at Koeniginstraße 28, 80802 Munich.

Allianz SE is a stock corporation in the form of a European Company (Societas Europaea). Allianz SE shares are listed on all German stock exchanges and Allianz SE American Depositary Receipts ("ADRs") are traded in the US over the counter on OTCQX.

The consolidated financial statements of the Allianz Group for the year ended December 31, 2009 were authorized for issue by the Board of Management on February 22, 2010.

Basis of presentation

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards ("IFRS"), as adopted under European Union ("EU") regulations in accordance with section 315 a of the German Commercial Code ("HGB"). Within these consolidated financial statements, the Allianz Group has applied all IFRS issued by the IASB and endorsed by the EU, that are compulsory as of December 31, 2009. IFRS comprise International Financial Reporting Standards ("IFRS"), International Accounting Standards ("IAS"), and interpretations developed by the International Financial Reporting Interpretations Committee ("IFRIC") or the former Standing Interpretations Committee ("SIC").

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the provisions embodied under accounting principles generally accepted in the United States of America ("US GAAP") have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts.

The accounting policies adopted are consistent with those of the previous financial year except for recently adopted IFRSs effective January 1, 2009 as described in Note 3.

The consolidated financial statements are prepared as of and for the year ended December 31, and presented in millions of Euro (€), unless otherwise stated.

2 Summary of significant accounting policies

Principles of consolidation

Scope of consolidation

The consolidated financial statements of the Allianz Group include those of Allianz SE, its subsidiaries and certain investment funds and special purpose entities ("SPEs"). Subsidiaries, investment funds and SPEs, hereafter "subsidiaries", which are directly or indirectly controlled by the Allianz Group, are consolidated. Control exists when the Allianz Group has the power to govern the financial and operating policies of the subsidiary generally either when the Allianz Group owns directly or indirectly more than half of the voting rights of the subsidiary or when control can be legally evidenced otherwise because of an agreement with other investors or of a specific corporate charter. In order to determine whether control exists, potential voting rights that are currently exercisable or convertible have to be taken into consideration. If no control exists from a legal perspective, it has to be assessed whether control exists from an economic perspective, as in the case of SPEs.

Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries are consolidated until the date that the Allianz Group no longer maintains control. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group. The effects of intra-Allianz Group transactions have been eliminated.

The Allianz Group has used interim financial statements for certain subsidiaries whose fiscal year is other than December 31, but not exceeding a lag of three months. Adjustments are then made for the effects of significant transactions or events that occur between that date and the date of the Allianz Group's financial statements.

Third party assets held in an agency or fiduciary capacity are not assets of the Allianz Group and are not presented in these consolidated financial statements.

Business combinations including acquisitions and disposals of minority interests

A business combination occurs when the Allianz Group obtains control over a business. Business combinations are accounted for using the purchase method. The purchase method requires that the Allianz Group allocates the cost of a business combination on the date of acquisition by recognizing the acquiree's identifiable assets, liabilities and certain contingent liabilities at their fair values. The cost of a business combination represents the fair value of the assets given, equity instruments issued and liabilities incurred or assumed in exchange for control at the acquisition date, plus any costs directly attributable to the acquisition. If the acquisition cost of the business combination exceeds the Allianz Group's proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any minority interest is recorded at the minority's proportion of the fair value of the net assets of the acquiree. If the initial accounting for a business combination can only be determined provisionally, the Allianz Group accounts for the combination using those provisional values. Any adjustments to those provisional amounts as a result of completing the initial accounting are recognized within twelve months of the acquisition date and from the acquisition date. If the Allianz Group's proportionate share of the fair value of the net assets exceeds the acquisition cost, the Allianz Group reassesses the identification and measurement of the identifiable assets, liabilities and contingent liabilities as well as the measurement of the cost of the combination and recognizes immediately in profit or loss any excess remaining after that assessment.

Acquisitions and disposals of minority interests are treated as transactions between equity holders. Therefore, any difference between the acquisition cost or sale price of the minority interest and the carrying amount of the minority interest is recognized as an increase or decrease of equity.

For business combinations with an agreement date before March 31, 2004, minority interests are recorded at the minority's proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

Associated enterprises and joint ventures

Associated enterprises are entities over which the Allianz Group can exercise significant influence and which are not joint ventures. Significant influence is the power to participate in, but not to control, the financial and operating policies within an enterprise. Significant influence is presumed to exist where the Allianz Group has at least 20% but not more than 50% of the voting rights unless it can be clearly demonstrated that this is not the case. If the investor holds less than 20% of the voting power of the investee, it is presumed that the investor does not have significant influence unless such influence can be clearly demonstrated. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The investments are initially recognized at cost and subsequently increased or decreased to recognize the investor's share in profit or loss after the date of acquisition. The investments are tested for impairment when respective triggering events occur. The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associated enterprises and joint ventures is included in interest and similar income. The positive difference between the cost of the investment and the Allianz Group's share of the net fair value of the associate's identifiable assets and liabilities is accounted for as goodwill and included in the carrying amount of the investment. Profits and losses resulting from upstream and downstream transactions between the Allianz Group and an associated enterprise are recognized in the Allianz Group's consolidated financial statements only to the extent of unrelated interests in the associate. The Allianz Group's share in the associate's profits and losses resulting from these transactions is eliminated. Accounting policies of associated enterprises and joint ventures have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Allianz Group.

Foreign currency translation

Translation from any foreign currency into functional currency

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the exchange rate prevailing on the date of the transaction. At the balance sheet date, monetary assets and liabilities recorded in foreign currencies are translated into the functional currency using the closing exchange rate. Non-monetary assets and liabilities recorded in foreign currencies that are measured at historical cost are translated at historical rates and non-monetary items that are measured at fair value are translated using the closing rate. Foreign currency gains and losses arising from foreign currency transactions are reported in income from financial assets and liabilities carried at fair value through income (net), except when the gain or loss on a non-monetary item measured at fair value is recognized directly in other comprehensive income. In this case, any exchange component of that gain or loss is also directly recognized in other comprehensive income.

Translation to the presentation currency
For purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the functional currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded directly in other comprehensive income, as foreign currency translation adjustments.

Use of estimates and assumptions
The preparation of consolidated financial statements requires the Allianz Group to make estimates and assumptions that affect items reported in the consolidated balance sheets and consolidated income statements, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Cash and cash equivalents
Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, as well as checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

Real estate held for investment
Real estate held for investment (i.e., real estate and rights equivalent to real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. When respective triggering events occur, real estate is tested for impairment by determining the fair value of real estate held for investment using discounted cash flow methods. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

Financial instruments

Classification, recognition and initial measurement
Financial assets within the scope of IAS 39 are either classified as financial assets carried at fair value through income, available-for-sale investments, held-to-maturity investments, loans and advances to banks and customers or as derivative financial instruments used for hedging. Furthermore financial assets comprise funds held by others under reinsurance contracts assumed and financial assets for unit-linked contracts.

Financial liabilities within the scope of IAS 39 are either classified as financial liabilities carried at fair value through income, liabilities to banks and customers, investment contracts with policyholders, derivative financial instruments used for hedging, financial liabilities for puttable equity instruments, certificated liabilities or participation certificates and subordinated liabilities. Furthermore financial liabilities comprise financial liabilities for unit-linked contracts.

The classification depends on the nature and purpose of the financial instrument and is determined at initial recognition.

Financial instruments are initially recognized at fair value plus, in the case of financial instruments not carried at fair value through income, directly attributable transaction costs.

Financial instruments are generally recognized and derecognized on trade date, when the Allianz Group has entered into contractual arrangements with counterparties to purchase or sell securities or incur a liability.

Fair value of financial instruments

The Allianz Group applies the IAS 39 fair value measurement rules to determine the fair value of financial instruments.

Active markets – quoted market price The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and at the balance sheet date. The quoted market price used for a financial asset held by the Allianz Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

No active markets – valuation techniques If the market for a financial instrument is not active, the fair value is determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs include references to recently quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets and quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates. Where observable market prices are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are made for credit risks.

No active market – equity instruments Equity securities are measured at fair value where the ownership interest is less than 20% and when the fair value is reliably measurable. If the fair value cannot be measured reliably, unquoted equity instruments and derivatives linked to such instruments are stated at cost until a fair value can be measured reliably. These financial instruments are subject to the normal impairment procedures.

Amortized cost of financial instruments

The amortized cost of a financial instrument is the amount at which the financial instrument is measured at initial recognition minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between that initial amount and the maturity amount, and minus any subsequent reduction for impairment or uncollectability.

Recognition of a day one profit or loss

If the fair value of a financial instrument differs from its initial transaction price (i.e. by comparing it to other observable current market transactions or by using a technical valuation model incorporating only observable market data), it is required that the recognition of a "day one profit or loss" is consistent with the subsequent measurement of the financial instrument with all the other requirements regarding the calculation of fair value. A profit or loss should be recognized after initial recognition only to the extent that it arises from a change in a factor that market participants would consider in setting a price.

Subsequent measurement of financial instruments

The subsequent measurement of financial instruments depends on their classification as follows:

Financial assets and liabilities carried at fair value through income

Financial assets and liabilities carried at fair value through income include financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income.

Financial assets and liabilities are classified as held for trading if they have been principally acquired or incurred for the purpose of generating a profit from short-term fluctuations in price or for the purpose of selling in the near future.

Financial assets held for trading consist of debt and equity securities and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting.

Derivative financial instruments include separated embedded derivatives of hybrid financial instruments.

Financial assets and liabilities carried at fair value through income are measured at fair value. Changes in fair value are recognized directly in the consolidated income statement. The recognized net gains and losses include dividends and interest of the underlying financial instruments. A financial instrument may only be designated at inception as held at fair value through income and cannot be subsequently changed.

Available-for-sale investments

Available-for-sale investments comprise debt and equity securities that are designated as available-for-sale or are not classified as held-to-maturity, loans and advances to banks and customers, or financial assets carried at fair value through income. Available-for-sale investments are recorded at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are included as a separate component of other comprehensive income, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. When an available-for-sale investment is derecognized or determined to be impaired, the cumulative gain or loss previously recorded in shareholders' equity is transferred and recognized in the consolidated income statement. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Available-for-sale equity securities are measured at fair value where the ownership interest is less than 20% and when the fair value is reliably measurable. Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, and when the limited partnerships do not have a quoted market price and fair value cannot be reliably measured. In general, the Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable presumption that the limited partner has no control over the limited partnership.

Held-to-maturity investments

Held-to-maturity investments are debt securities with fixed or determinable payments and fixed maturities for which the Allianz Group has the positive intent and ability to hold to maturity. These securities are recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses. Amortization of premium or discount is included in interest and similar income.

Loans and advances to banks and customers

Loans and advances to banks and customers are non-derivative financial assets with fixed or determinable payments, that are not quoted in an active market, are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers are initially recorded at fair value plus transaction costs, and subsequently recorded at amortized cost using the effective interest rate method. Interest income is accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If substantially all of the risks and rewards of the securities remains with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expense.

Funds held by others under reinsurance contracts

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairments for balances that are deemed to be not recoverable.

Financial assets for unit-linked contracts

Financial assets for unit-linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit-linked contracts.

Liabilities to banks and customers

Liabilities to banks and customers are subsequently measured at amortized cost. Herein included are repurchase ("repo") agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If substantially all of the risks and rewards of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expense from repo transactions is accrued over the duration of the agreements and reported in interest and similar expenses.

In securities lending transactions the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

Investment contracts with policyholders

Fair value for investment and annuity contracts are determined using the cash surrender values of policyholders' and contract holders' accounts.

Financial liabilities for unit-linked contracts

The fair value of financial liabilities for unit-linked contracts is equal to the fair value of the financial assets for unit-linked contracts.

Financial liabilities for puttable equity instruments

Financial liabilities for puttable equity instruments include the minority interests in shareholders' equity of certain consolidated investment funds. These minority interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset ("puttable instrument"). These liabilities are required to be recorded at redemption amount with changes recognized in income.

Certified liabilities, participation certificates and subordinated liabilities

Certified liabilities, participation certificates and subordinated liabilities are subsequently measured at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

Financial guarantee contracts

Financial guarantee contracts issued by the Allianz Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts which are not accounted for as insurance contracts are recognized initially at fair value. Subsequently, unless the financial guarantee contract was designated at inception as at fair value through income, the issuer measures it at the higher of the best estimate of the expenditure required to settle the present obligation and the amount initially recognized less cumulative amortization when appropriate.

Impairment of financial assets

Impairment of held-to-maturity and available-for-sale debt securities

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred after initial recognition of the security and up to the relevant date of the Allianz Group's consolidated balance sheet, and that loss event has negatively impacted the estimated future cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. The evaluation of whether a held-to-maturity or available-for-sale debt security is impaired requires analysis of the underlying credit of the relevant issuer and involves significant management judgment. In particular, current publicly available information relating to the issuer and the particular security is considered relating to factors including, but not limited to, evidence of significant financial difficulty of the issuer and breach of contractual obligations of the security, such as a default or delinquency on interest or principal payments. The Allianz Group also considers other factors which could provide objective evidence of a loss event, including the probability of bankruptcy and the lack of an active market due to financial difficulty. The presence of either a decline in fair value below amortized cost or the downgrade of an issuer's credit rating does not by itself represent objective evidence of a loss event, but may represent objective evidence of a loss event when considered with other available information.

If a held-to-maturity debt security is impaired based on the Allianz Group's impairment review process, the related impairment loss is measured as the difference between the security's carrying amount and the present value of estimated future cash flows, discounted at the security's original effective interest rate.

If an available-for-sale debt security is impaired based on the Allianz Group's impairment review process, the related impairment loss is measured as the difference between the security's acquisition cost (net of any principal repayment and amortization) and current fair value, less any previously recognized impairment losses.

In a subsequent period, if the fair value of an available-for-sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net).

Impairment of available-for-sale equity securities

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a significant decline to be one in which the fair value is below the weighted average cost by more than 20% or a prolonged decline to be one in which fair value is below the weighted average cost for greater than nine months. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the Allianz Group's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments. Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

Impairment of loans

Loan loss allowance is recognized for loans for which there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and that loss event has an impact on the estimated future cash flows of the loan that can be reasonably estimated. If there is objective evidence that a loan is impaired, a loan loss allowance is recognized as the difference between the loan's carrying amount and the present value of future cash flows, which includes all contractual interest and principal payments, discounted at the loan's original effective interest rate. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to the loan loss provisions. The loan loss allowance is reported either as a reduction of the carrying amount (for loans and advances) or as provision (for off-balance sheet positions).

Reclassification of financial instruments

Once a financial instrument has been classified into a particular category at initial recognition, transfers into or out of that category from or to another category are impossible for some categories and are rarely done in all other circumstances.

The 2008 amendments to IAS 39 permit an entity to reclassify certain non-derivative financial assets out of the "held for trading" ("at fair value through income") category and out of the "available-for-sale" category if the following specific conditions are met.

- Debt instruments, classified as "held for trading" ("at fair value through income") or "available-for-sale" may be reclassified to the "loans and receivable" category, if they meet the definition of loans and receivables at the reclassification date and where the Allianz Group has now the intent and ability to hold the assets for the foreseeable future or until maturity.

- Any other debt instrument and any other equity instrument, classified as "held for trading" ("at fair value through income") may be reclassified to the "held-to-maturity" category (debt instruments) or to the "available-for-sale" category in rare circumstances (e.g. deterioration of the world's financial markets in 2008) and where Allianz Group has no longer the intention to sell or trade the assets in the short term.

At the reclassification date non-derivative financial assets have to be reclassified at their fair value, which becomes the new cost or amortized cost of the financial asset, as applicable. Previously recognized gains and losses cannot be reversed. After the reclassification date the existing requirements of IAS 39 for measuring financial assets at cost or at amortized cost apply.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Derecognition of financial instruments

A financial asset is derecognized when the contractual rights to the cash flows from the financial asset expire or the Allianz Group transfers the asset and substantially all of the risks and rewards of ownership or transfers the asset and loses control of the asset. A financial liability is derecognized when it is extinguished.

Derivative financial instruments

The Allianz Group uses derivative financial instruments such as swaps, options and futures to hedge against market risks (i.e. interest rates, equity prices or foreign exchange rates) or credit risks in its investment portfolios.

Derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as financial assets held for trading or financial liabilities held for trading. Gains or losses from these derivative financial instruments arising from valuation at fair value are included in income from financial assets and liabilities held for trading. This treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting ("accounting hedges"), the Allianz Group designates the derivative as hedging instrument in a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into various hedge transactions. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. Derivative financial instruments used in accounting hedges are recognized as follows:

Fair value hedges

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the share of the change in fair value of the hedged item attributable to the hedged risk are recognized in net income.

Cash flow hedges

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in other comprehensive income, and are recognized in net income when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in net income.

Hedges of a net investment in a foreign entity

Hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, is recognized in unrealized gains and losses (net) in other comprehensive income, while any ineffectiveness is recognized directly in net income.

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value with changes in fair value recognized in net income, but changes in the fair value of the hedged item are no longer recognized in net income. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in shareholders' equity are recognized when the planned transaction affects net income. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in shareholders' equity remain in shareholders' equity until the disposal of the foreign entity.

Derivative financial instruments are netted when there is a legally enforceable right to offset with the same counterparty and the Allianz Group intends to settle on a net basis.

Disclosures relating to financial instruments

IFRS 7 requires to group financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The scope of IFRS 7 includes recognized and unrecognized financial instruments. Recognized financial instruments are those financial assets and financial liabilities within the scope of IAS 39. Unrecognized financial instruments are financial instruments that are outside of the scope of IAS 39 but within the scope of IFRS 7. The classes of financial instruments within Allianz Group are mainly in line with the categories according to IAS 39.

The risk disclosure requirements of IFRS 7 and the requirements of IAS 1 with regard to capital disclosures are reflected in the consolidated financial statements and the risk report in the group management report.

This risk report, with the exception of the "Outlook" section, is an integral part of the audited consolidated financial statements.

The following table summarizes the relationship between the balance sheet positions and the classes of financial instruments according to IFRS 7. The balance sheet position also indicates the IAS 39 categories except when noted parenthetically.

Balance sheet line item, IAS 39 categories and IFRS 7 classes of financial instruments	Measurement basis
Financial assets	
Cash and cash equivalents	Nominal value
Financial assets carried at fair value through income	
– Financial assets held for trading	Fair value
– Financial assets designated at fair value through income	Fair value
Investments	
– Available-for-sale investments	Fair value
– Held-to-maturity investments	Amortized cost
Loans and advances to banks and customers (Loans and receivables)	Amortized cost
Financial assets for unit-linked contracts	Fair value
Other assets	
– Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value
Assets held in trust	Fair value
Financial liabilities	
Financial liabilities carried at fair value through income	
– Financial liabilities held for trading	Fair value
– Financial liabilities designated at fair value through income	Fair value
Liabilities to banks and customers (Other liabilities)	Amortized cost
Reserves for insurance and investment contracts	
– Investment contracts with policyholders	Fair value
Financial liabilities for unit-linked contracts	Fair value
Other liabilities	
– Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	Fair value
– Financial liabilities for puttable equity instruments	Redemption amount
Certificated liabilities (Other liabilities)	Amortized cost
Participation certificates and subordinated liabilities (Other liabilities)	Amortized cost
Liabilities held in trust	Fair Value
Off-balance sheet	
Financial guarantees	Nominal value
Irrevocable loan commitments	Nominal value

Insurance, investment and reinsurance contracts

Insurance and investment contracts

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the related insurance accounting provisions of US GAAP when IFRS 4 does not provide specific guidance. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by Allianz Group that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk according to the related reinsurance accounting provisions of US GAAP, deposit accounting is applied as required under the related reinsurance accounting provisions of US GAAP or under IAS 39, respectively.

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis. The amount of reserves ceded to reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured risks. Revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

Deferred acquisition costs

Deferred acquisition costs ("DAC"), present value of future profits ("PVFP") and deferred sales inducements comprise the deferred acquisition costs in the consolidated balance sheets.

DAC generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. Acquisition costs that are expected to be recovered over the life of the contract correspondingly are deferred and are subject to recoverability testing at the end of each accounting period.

For short-duration and traditional long-duration contracts and limited-payment contracts, DAC is amortized in proportion to premium revenue recognized. For universal life-type contracts, participating life insurance contracts and investment contracts with discretionary participation features, DAC is amortized over the contract life of a book of contracts based on estimated gross profits ("EGP") or estimated gross margins ("EGM"), as appropriate, based on historical and anticipated future experience, which is evaluated regularly.

For unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at fair value, acquisition costs are deferred in accordance with IAS 18, if the costs are incremental. Acquisition costs are incremental if the costs would not have been incurred if the related contracts would not have been issued. For non-unit-linked investment contracts without discretionary participation features accounted for under IAS 39 at amortized cost, incremental transaction costs are accounted for in accordance with IAS 39.

The value of an insurance business acquired or the value of an insurance portfolio acquired is demonstrated by the PVFP which is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition. It is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 8.0 % to 12.0 %. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest accrues on PVFP at rates between 2.0 % and 6.5 %.

Sales inducements on insurance contracts that meet the following criteria are generally deferred and amortized using the same methodology and assumptions used for amortized deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Shadow accounting

For insurance and investment contracts with discretionary participation features, shadow accounting is applied to DAC, PVFP and deferred sales inducements. The Allianz Group utilizes EGPs or EGMs, which include only realized gains and losses, in measuring these assets. Shadow accounting is applied in order to include the effect of unrealized gains or losses in the measurement of these intangible assets in the same way as it is done for realized gains or losses. Accordingly, the assets are adjusted with corresponding charges or credits recognized directly in other comprehensive income as a component of the related unrealized gain or loss. When the gains or losses are realized, they are recorded in the income statement through recycling and prior adjustments due to shadow accounting are reversed.

Shadow accounting in a broader sense is also applied to all valuation differences between statutory accounting which is the basis for profit participation of policyholders and IFRS accounting. These valuation differences are accounted for as latent reserve for premium refunds. Further information are included in a succeeding section entitled 'Reserves for insurance and investment contracts and financial liabilities for unit-linked contracts'.

Unearned premiums

For short-duration insurance contracts, like most of the property and casualty contracts, premiums written to be earned in future years are recorded as unearned premiums according to the insurance accounting provisions of US GAAP. These premiums are earned in subsequent years in relation to the insurance coverage provided.

Amounts charged as consideration for origination of certain long-duration insurance contracts (i.e. initiation or front-end fees) are reported as unearned revenue which are included in unearned premiums. According to the insurance accounting provisions of US GAAP, these fees are recognized using the same methodology as DAC amortization.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

1. the deposit component (including any embedded surrender options) can be measured separately (i.e. without taking into account the insurance component); and
2. the Allianz Group's accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Currently, the Allianz Group has recognized all rights and obligations related to issued insurance contracts according to its accounting policies. As a result, the Allianz Group has not recognized an unbundled deposit component in respect of any of its insurance contracts, and accordingly the Allianz Group has not recorded any related provisions in its consolidated financial statements.

Bifurcation

Certain of the Allianz Group's universal life-type insurance contracts include options to replicate a market index (market value liability options or "MVLO"). These options are bifurcated from the insurance contracts and accounted for as derivatives under IAS 39.

Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses ("LAE") on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and incurred but not reported reserves ("IBNR").

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly reevaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz

Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends, and legislative changes. The Allianz Group reduces the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and analyses of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. The reserves for loss and loss adjustment expenses for asbestos claims in the United States were reviewed by independent actuaries as of year-end 2005. In addition, operating entities regularly monitor asbestos and environmental claims emergence and trends. Current reserves reflect subsequent loss development and reestimation of initial reserves. An update of the independent asbestos analysis was initiated in 2009 and is expected to be finalized in 2010.

Reserves for insurance and investment contracts and financial liabilities for unit-linked contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves for traditional long-duration insurance contracts, such as traditional life and health products, are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method, which represents the present value of estimated future policy benefits to be paid including future claims handling costs and administration fees less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

The aggregate policy reserves for participating life insurance contracts are computed in accordance with the related insurance accounting provisions under US GAAP using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or "premium refunds"). DAC and PVFP for traditional participating insurance products are amortized over the expected life of the contracts in proportion to EGMs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in net income in the period revised.

The aggregate policy reserves for universal life-type insurance contracts and unit-linked insurance contracts in accordance with the related insurance accounting provisions under US GAAP are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. DAC and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to EGPs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPs are recognized in net income in the period revised.

Current and historical client data, as well as industry data, are used to determine the assumptions.

Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves were as follows:

	Traditional long-duration insurance contracts	Participating life insurance contracts
Deferred acquisition costs	2.5 – 6.0 %	3.1 – 5.2 %
Aggregate policy reserves	2.5 – 6.0 %	2.0 – 4.3 %

Aggregate policy reserves also consider liabilities for guaranteed minimum death, and similar mortality and morbidity benefits related to non-traditional contracts and annuitization options. These liabilities are calculated based on contractual obligations using actuarial assumptions.

The aggregate policy reserves for investment contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserves for unit-linked investment contracts without DPF are equal to fair value, the aggregate policy reserves for non-unit-linked investment contracts without DPF are equal to amortized cost.

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRSs based financial statements and the local financial statements ("latent reserve for premium refunds"), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country	Base	Percentage
Germany		
Life	all sources of profit	90 %
Health	all sources of profit	80 %
France		
Life	all sources of profit	85 %
Italy		
Life	investment result	85 %
Switzerland		
Group Life	all sources of profit	90 %
Individual Life	all sources of profit	100 %

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short-duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For traditional long-duration contracts and limited payment contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized. For other long-duration contracts, if the present value of estimated gross profits or margins, plus unearned revenue liability if applicable, will not be sufficient to recover deferred policy acquisition costs, then a premium deficiency is recognized.

Other assets

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments, property and equipment and other assets.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for own use, software, equipment and fixed assets of Alternative Investments.

Real estate held for own use (e.g. real estate and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. Costs for repairs and maintenance are expensed as incurred, while improvements if they extend the useful life or increase the value of the asset are capitalized. An impairment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable cost of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 3 to 5 years.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

The Allianz Group also records its fixed assets of Alternative Investments including wind parks, production plants of manroland and vending machines of Selecta within property and equipment. These assets are carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over estimated useful lives of the assets. The estimated useful life for the wind parks ranges from 20 to 25 years, for the production plants from 5 to 15 years and for the vending machines from 4 to 8 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset or provide additional functionality, are capitalized.

Non-current assets and disposal groups classified as held for sale and discontinued operations

Non-current assets or disposal groups are classified as held for sale if their carrying amounts will be principally recovered through a sale transaction rather than through continuing use. This requires that the asset or disposal group must be available for immediate sale in its present condition and its sale must be highly probable. The appropriate level of management must be committed to a plan to sell the asset or disposal group and the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Any subsequent increases in fair value less costs shall be recognized as a gain but not in excess of the cumulative impairment loss that has been recognized either in accordance with IFRS 5 or IAS 36. A non-current asset shall not be depreciated while classified as held for sale. A gain or loss not previously recognized by the date of the sale shall be recognized at the date of derecognition.

A discontinued operation is defined as a component of an entity that either has been disposed of or is classified as held for sale and

- represents a major line of business or geographical area of operations,
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations, or
- is a subsidiary acquired exclusively with a view to resale.

In the consolidated income statement of the reporting period and the comparable period of the previous years, income and expenses from discontinued operations are reported separately from income and expenses from continuing operations.

Intangible assets

Intangible assets include intangible assets with indefinite useful lives like goodwill and brand names and intangible assets with finite useful lives like the long-term distribution agreement with Commerzbank, cutomer relationships and other.

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group's proportionate share of the net fair value of identifiable assets acquired and liabilities and certain contingent liabilities assumed. Goodwill resulting from business combinations is not subject to amortization. It is initially recorded at cost and subsequently measured at cost less accumulated impairments.

The Allianz Group conducts an annual impairment test of goodwill during the 4th quarter or more frequently if there is an indication that goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to each of the Allianz Group's cash generating units that is expected to benefit from the business combination. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and recoverable amount and is allocated to reduce any goodwill, followed by allocation to the carrying amount of any remaining assets. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Separately acquired intangible assets are initially recorded at cost which is usually its purchase price and any directly attributable costs. Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights and its fair value can be measured reliably. Internally generated intangible assets are initially recorded at cost which is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria in the development phase.

Intangible assets with indefinite useful lives are not subject to amortization and are subsequently recorded at cost less accumulated impairments. Intangible assets with finite useful lives are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

Similar to goodwill, an intangible asset with an indefinite useful life is subject to an annual impairment test, or more frequently if there is an indication that it is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, the Allianz Group estimates the recoverable amount of the cash generating unit to which the intangible asset belongs. An intangible asset is impaired if the carrying amount is greater than the recoverable amount. The impairment of an intangible asset is equal to the difference between the carrying amount and recoverable amount.

Other liabilities

Other liabilities include payables, unearned income, provisions, deposits retained for reinsurance ceded, derivative financial instruments for hedge accounting purposes that meet the criteria for hedge accounting and firm commitments, financial liabilities for puttable equity instruments and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

Equity

Issued capital represents the mathematical per share value received from the issuance of shares.

Capital reserves represent the premium, or additional paid in capital, received from the issuance of shares.

Revenue reserves include the retained earnings of the Allianz Group and treasury shares. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Foreign currency translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Minority interests represent the proportion of equity that is attributable to minority shareholders.

Premiums earned and claims and insurance benefits paid

Premiums for short-duration contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Premiums for short-duration contracts could arise from Property-Casualty, Life and Health insurance contracts. For those contracts, benefits are recognized when incurred.

Long-duration contracts are contracts that are non-cancelable and guaranteed renewable and that are expected to remain in force over an extended period of time. Premiums for long-duration contracts are recognized as earned when due. Long-duration contracts can comprise Property-Casualty, Life and Health insurance contracts.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration and are included within premiums earned (net).

Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Interest and similar income/expenses

Interest income and interest expenses are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when the right to receive the dividend is established. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) represents the share of net income from entities accounted for using the equity method.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expenses and transaction costs are included in this line item.

Fee and commission income and expenses

Fee and commission income is included in the Allianz Group's consolidated financial statements when the corresponding service is provided. Such fees comprise commission income received on security transactions, financial advisory services, trust and custody services, brokerage of insurance policies, and services related to credit cards, home loans, savings contracts and real estate.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution and servicing fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Income and expenses from fully consolidated private equity investments

All of the income from fully consolidated private equity investments and all of the expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

Income taxes

Income tax expense consists of current taxes on taxable income actually charged to the individual Allianz Group companies and changes in deferred tax assets and liabilities. Expense and income from interest and penalties to or from tax authorities are included in current taxes. The calculation of deferred taxes is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases, on unused tax credits and on tax loss carryforwards. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for their realization.

Leases

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Pensions and similar obligations

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined benefit plans, the Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 47. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

IAS 19 provides for defined benefit plans three recognition options for actuarial gains and losses:

- immediate recognition of all actuarial gains and losses in the income statement,
- immediate recognition of all actuarial gains and losses outside the income statement in a statement of changes in equity titled “statement of recognized income and expense (SORIE)”, or
- deferred recognition by the corridor approach.

The Allianz Group applies the corridor approach, i.e. that for each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of: a) 10% of the defined benefit obligation at that date; or b) 10% of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized as income or expense in the consolidated income statements over the expected average remaining working lives of the employees participating in the plans.

Share based compensation plans

The share-based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with an increase in shareholders’ equity, over the vesting period. Equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash settled plans, the Allianz Group accrues the fair value of the award as compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is recognized as compensation expense. Please see in addition for further details note 3.

Restructuring plans

Provisions for restructuring plans are recognized when the Allianz Group has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or by announcing its main features. The detailed formal plan includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, i.e. those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity. The income statement line item restructuring charges includes additional restructuring related expenditures that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity but which are not included in the restructuring provisions.

3 Recently adopted and issued accounting pronouncements, changes in accounting policies and changes in the presentation of the consolidated financial statements

Recently adopted accounting pronouncements (effective January 1, 2009 and early adoption)

IAS 1, Presentation of Financial Statements – revised

In September 2007, the IASB issued the revised IAS 1, Presentation of Financial Statements. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements. The revisions also include changes in the titles of some of the financial statements, however, the new titles are not mandatory for use in financial statements. The Allianz Group adopted revised IAS 1 as of January 1, 2009, and decided not to change the titles of the statements.

The Allianz Group applies the two statement approach, i.e., in addition to the income statement, a statement of comprehensive income is presented including net income and other comprehensive income ("OCI"). For each component of OCI related tax effects are disclosed in the notes. Furthermore, reclassifications of components of OCI to realized gains or losses are separately presented for each component of OCI. The change in presentation has also been included for prior periods. As a consequence, the statement of changes in equity includes transactions with owners in their capacity as owners, the total comprehensive income and, when applicable, the effects of retrospective applications or restatements. The Allianz Group's consolidated financial statements have been presented with the effect of these changes. The revision does not have any impact on the financial result and financial position of the Allianz Group.

IFRS 7, Financial Instruments: Disclosures – Amendments enhancing disclosures about fair value and liquidity risk

In March 2009, the IASB issued amendments to IFRS 7, Financial Instruments: Disclosures. The amendments improve the disclosure requirements about fair value measurements and reinforce existing principles for disclosures about the liquidity risk associated with financial instruments.

The amendments to IFRS 7 introduce a three-level hierarchy for fair value measurement disclosures and require entities to provide additional disclosures about the relative reliability of fair value measurements. These disclosures will help to improve comparability between entities about the effects of fair value measurements. In addition, the amendments clarify and enhance the existing requirements for the disclosure of liquidity risk. This is aimed at ensuring that the information disclosed enables users of an entity's financial statements to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages that risk.

The amendments to IFRS 7 apply for annual periods beginning on or after January 1, 2009. However, an entity will not be required to provide comparative disclosures in the first year of application. The Allianz Group disclosed voluntarily the amendments regarding the fair value hierarchy in the 2008 consolidated financial statements and adopted the other amendments in 2009 with no material impact on its financial result or financial position. Due to improvements in the Allianz Group's guidelines and processes for the determination of the different levels of the fair value hierarchy, some of the prior period figures have been adjusted to be in line with the presented figures for 2009.

IFRS 8, Operating Segments

In November 2006, the IASB issued IFRS 8, Operating Segments. Effectively replacing IAS 14, IFRS 8 requires that an entity selects operating segments that are consistent with internal reports regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The standard also requires explanations of how segment information is prepared as well as reconciliations of total reportable segment revenues, total profits or losses, total assets and other material amounts disclosed for reportable segments to corresponding amounts recognized in the entity's financial statements. The Allianz Group adopted IFRS 8 as of January 1, 2009. IFRS 8 does not have any material impact on the Allianz Group's financial results or financial position.

Previously, under IAS 14, the Allianz Group reported "Property-Casualty", "Life/Health", "Banking", "Asset Management" and "Corporate" as primary segments that, where appropriate, were subsequently organized by geographical areas. The implementation of IFRS 8 led to a change in the segment report (Note 6) from prior periods. Based on information reported to the Allianz Group's chief operating decision maker for the purposes of allocating resources and measuring performance, IFRS 8 reportable segments have been selected on the basis of property-casualty insurance and life/health insurance (both organized by geographic regions), as well as asset management and corporate and other activities. Corporate and other activities refer to the Allianz Group's holding function, banking business and alternative investment operations.

Since the Allianz Group uses operating profit as its internal profit or loss measure, operating profit is included in the segment report. For further details on segment reporting, please refer to Note 6.

In April 2009, the IASB issued an amendment to IFRS 8 as part of the Improvements to IFRSs. The amendment to IFRS 8 requires an entity to report total assets for reportable segments only if that information is regularly provided to the chief operating decision maker. Prior to the amendment, IFRS 8 required entities to report total assets for reportable segments regardless of whether the information was regularly provided to the chief operating decision maker or not.

The amendment is effective for annual periods beginning on or after January 1, 2010, and early application is permitted. The Allianz Group adopted the amendment in the first quarter 2009. The amendment has not yet been endorsed by the EU, but does not have a material impact on the Allianz Group's consolidated financial statements.

New Accounting Standards Codification under US GAAP

On July 1, 2009 the Financial Accounting Standards Board ("FASB") launched the FASB Accounting Standards Codification™ ("ASC") as the single source of authoritative nongovernmental US GAAP. FASB ASC is a major restructuring of accounting and reporting standards designed to simplify user access to all authoritative US GAAP pronouncements by providing the authoritative literature in a topically organized structure, but is not intended to change US GAAP. Correspondingly, names and codifications relating to insurance accounting policies have been changed within the annual report of the Allianz Group.

Further amendments and interpretations

In addition to the above mentioned recently adopted accounting pronouncements, the following amendments and revisions to standards and interpretations have been adopted by Allianz Group as of January 1, 2009:

- IAS 23, Borrowing Costs – amended
- IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements – amended
- IFRS 2, Share-based Payment – amended
- Improvements to IFRSs issued in May 2008 with an effective date as of January 1, 2009
- Amendments to IFRIC 9 and IAS 39
- IFRIC 13, Customer Loyalty Programmes
- IFRIC 15, Agreements for the Construction of Real Estate
- IFRIC 16, Hedges of a Net Investment in a Foreign Operation
- IFRIC 18, Transfers of Assets from Customers

The Allianz Group adopted the revisions, amendments and interpretations as of January 1, 2009, with no material impact on its financial result or financial position.

Recently issued accounting pronouncements (effective on or after January 1, 2010 and not early adopted)

IFRS 3, Business Combinations – revised and IAS 27, Consolidated and Separate Financial Statements – amended

In January 2008, the IASB issued a revised version of IFRS 3, Business Combinations, and an amended version of IAS 27, Consolidated and Separate Financial Statements. The revised version of IFRS 3 contains the following major changes:

- The scope of IFRS 3 has been extended and applies now also to combinations of mutual entities and to combinations achieved by contract alone.

- For each business combination, non-controlling interests are measured as their proportionate interest in the net identifiable assets or at fair value of the interests.

- Under the current IFRS 3, if control is achieved in stages, it is required to measure at fair value every asset and liability at each step for the purpose of calculating a portion of goodwill. The revised version requires that goodwill is measured as the difference at the acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

- Acquisition-related costs are generally recognized as expenses and are not included in goodwill.

- Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRSs, usually in profit and loss. Goodwill is no longer adjusted for those changes.

- In a business combination achieved in stages, the acquirer remeasures any previously-held equity interest to fair value at the date of obtaining control with the difference being recorded in the consolidated income statement.

The amended version of IAS 27 includes the following changes

- Transactions with non-controlling interests, i.e., changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

- Losses are allocated to a non-controlling interest even if they exceed the non-controlling interest's share of equity in the subsidiary.

- Any retained non-controlling investment at the date control is lost is remeasured to fair value.

The revised standards apply to annual financial statements for annual periods beginning on or after July 1, 2009. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of the revised IFRS 3 are not adjusted. The amendments to IAS 27 need to be applied retrospectively with certain exceptions. Both standards have to be applied together. Earlier application is permitted under certain conditions. The Allianz Group is currently evaluating the potential impact that the adoption of the standards will have on its consolidated financial statements.

IFRS 9, Financial Instruments: Classification and Measurement

In November 2009, the IASB issued IFRS 9, Financial Instruments: Classification and Measurement. The publication of the IFRS represents the first part of a three-part project to replace IAS 39, Financial Instruments: Recognition and Measurement, with a new standard – IFRS 9. Proposals addressing the second part, the impairment methodology for financial assets, were published for public comment at the beginning of November, while proposals on the third part, hedge accounting, continue to be developed.

IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the many different rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the many different impairment methods in IAS 39.

IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The Allianz Group is currently evaluating the impact on its consolidated financial statements.

Further amendments and interpretations

In addition to the above mentioned recently issued accounting pronouncements, the following amendments and revisions to standards and interpretations have been issued by the IASB but are not yet effective for or early adopted by the Allianz Group:

Standard / interpretation	Effective date
IAS 24, Related Party Disclosures – revised	annual periods beginning on or after January 1, 2011
IAS 32, Financial Instruments: Presentation – Amendments relating to classification of rights issues	annual periods beginning on or after February 1, 2010
IAS 39, Financial Instruments: Recognition and Measurement – Amendments for eligible hedged items	annual periods beginning on or after July 1, 2009
IFRS 2, Share-based Payment – Amendments relating to group cash-settled share-based payment transactions	annual periods beginning on or after January 1, 2010
Improvements to IFRSs issued in May 2008 and April 2009	Various
IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Amendments	annual periods beginning on or after January 1, 2011
IFRIC 17, Distributions of Non-cash Assets to Owners	annual periods beginning on or after July 1, 2009
IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments	annual periods beginning on or after July 1, 2010

They are expected to have no material impact on the financial position and financial result of Allianz Group. Early adoption is generally allowed but currently not intended by the Allianz Group.

Changes in accounting policies and changes in the presentation of the consolidated financial statements with impact on the consolidated balance sheets

Reclassification of corporate loans

Certain corporate loans were shown within the category held-to-maturity investments in prior periods and were measured at amortized cost using the effective interest method according to IAS 39. The corporate loans meet the definition of loans and receivables and should have been recorded as such. Loans and receivables are also measured at amortized cost using the effective interest method according to IAS 39.

The categorization has been corrected as of September 30, 2009 and prior periods have been adjusted accordingly. There is no impact on the consolidated income statement since the measurement of both categories is the same and interest payments are shown in "Interest and similar income" for both held-to-maturity investments and loans and receivables. The line items in the consolidated balance sheet have been adjusted leading to a transfer of the corporate loans from "Investments" to "Loans and advances to banks and customers".

The following table summarizes the impacts on the consolidated balance sheets as of December 31, 2008 and January 1, 2008:

	As previously reported € mn	Reclassification € mn	As reported € mn
As of December 31, 2008			
Investments	260,147	(1,335)	258,812
Loans and advances to banks and customers	115,655	1,335	116,990
As of January 1, 2008			
Investments	289,952	(975)	288,977
Loans and advances to banks and customers	396,702	975	397,677

Changes in accounting policies and changes in the presentation of the consolidated financial statements with impact on the consolidated income statements

Reclassification of expenses for GEI plans

In prior years, the Allianz Group accrued the fair value of the awards relating to Group Equity Incentive ("GEI") plans as compensation expenses over the vesting period. The fair value of the recorded liability is driven by two separate effects being (1) the accrual of the plan benefits over the vesting period and (2) changes in the share price of Allianz SE. In prior years, both effects were included in administrative expenses. The second effect is hedged with derivatives with changes in the fair value of the derivatives recognized in the line item "Income from financial assets and liabilities carried at fair value through income (net)".

Effective June 30, 2009, the Allianz Group voluntarily changed its accounting policy with regard to the presentation of expenses relating to the second effect. The accrual of plan benefits over the vesting period continues to be shown in administrative expenses. Expenses relating to changes in the share price of the Allianz SE are now presented within the line item "Income from financial assets and liabilities carried at fair value through income (net)". The Allianz Group believes that this presentation is more relevant and gives a clearer picture of expenses relating to the GEIs at grant date. Subsequent fluctuations in the share price are offset due to the hedging of the share price fluctuations. Therefore, the recognition of expenses relating to share price fluctuations within the line item "Income from financial assets and liabilities carried at fair value through income (net)" better reflects the position of the Allianz Group.

The change in accounting policy is applied retrospectively and results in changes in the presentation as described in the tables below. There is no impact on recognition, initial or subsequent measurement of GEI plans.

Reclassification within Alternative Investment Management

The activities of the asset managers of Allianz Group's alternative investments are presented as part of the reportable segment Alternative Investments within the business segment Corporate and Other. The accounting logic for the Alternative Investments follows the one used for Asset Management. Therefore, prior years' expenses of Alternative Investment managers were reclassified from "Fee and commission expenses" to "Acquisition and administrative expenses (net)". The tables below describe the impact on the consolidated income statements resulting from the reclassification of expenses at Alternative Investments' managers for the year ended December 31, 2008 and 2007.

Reclassification of foreign exchange gains and losses

In prior periods, the Allianz Group reported foreign currency gains and losses arising from foreign currency transactions within "Investment expenses". With year-end reporting 2009, the Allianz Group voluntarily changed its accounting policy with regard to the presentation of foreign currency gains and losses. Those are now reported within "Income from financial assets and liabilities carried at fair value through income (net)". The Allianz Group believes that this presentation is more relevant and gives a clearer picture of investment expenses by excluding the distorting effects arising from foreign currency fluctuations. In addition, the Allianz Group is hedged substantially against foreign currency fluctuations with freestanding derivatives. Therefore, the recognition of foreign currency fluctuations within the line item "Income from financial assets and liabilities carried at fair value through income (net)" better reflects the position of the Allianz Group.

The change in accounting policy is applied retrospectively and results in changes in the presentation as described in the tables below. There is no impact on recognition, initial or subsequent measurement, net income or operating profit arising from this reclassification of foreign currency gains and losses.

Change in presentation of "Net income (loss)"

In prior periods, minority interests were not included in "Net income (loss)" but were shown separately in the line item "Minority interests in earnings". Minority interests were significantly larger in past years.

With year-end reporting 2009, the Allianz Group now includes all interests in "Net income (loss)". The allocation attributable to shareholders and attributable to minority interests is disclosed just below "Net income (loss)".

The change in presentation is applied retrospectively. There is no impact on recognition, initial or subsequent measurement or operating profit arising out of this change in presentation.

	2008 € mn	2007 € mn
Net income (loss) as reported in Annual Report 2008 (attributable to shareholders)	(2,444)	7,966
Net income (loss) attributable to minority interests	257 [1]	748 [1]
Net income (loss) as reported in Annual Report 2009 (attributable to shareholders and minority interests)	(2,187)	8,714

[1] Comprise minority interests in earnings from continuing operations of € 219 mn (2007: € 675 mn), minority interests in earnings from discontinued operations for the nine months period ended September 30, 2008 of € 43 mn and minority interests in earnings from discontinued operations for the period between October 1, 2008 and December 31, 2008 of € (5) mn (2007: € 73 mn for the full year).

Impact of the changes in accounting policies and changes in presentation on the Allianz Group's consolidated income statements

The following tables summarize the impacts on the consolidated income statements for the years ended December 31, 2008 and 2007 relating to the change in accounting policy for GEI plans, the reclassification within Alternative Investment Management and the reclassification of foreign exchange gains and losses:

	2008				
	As previously reported	Change of GEI accounting	Reclassification within Alternative Investment Management	Reclassification of foreign exchange gains and losses	As reported
	€ mn	€ mn	€ mn	€ mn	€ mn
Premiums written	**66,171**	**—**	**—**	**—**	**66,171**
Ceded premiums written	(5,474)	—	—	—	(5,474)
Change in unearned premiums	(253)	—	—	—	(253)
Premiums earned (net)	**60,444**	**—**	**—**	**—**	**60,444**
Interest and similar income	19,072	—	—	—	19,072
Income from financial assets and liabilities carried at fair value through income (net)	(686)	219	—	126	(341)
Realized gains/losses (net)	3,603	—	—	—	3,603
Fee and commission income	6,032	—	—	—	6,032
Other income	408	—	—	—	408
Income from fully consolidated private equity investments	2,549	—	—	—	2,549
Total income	**91,422**	**219**	**—**	**126**	**91,767**
Claims and insurance benefits incurred (gross)	(48,287)	—	—	—	(48,287)
Claims and insurance benefits incurred (ceded)	2,628	—	—	—	2,628
Claims and insurance benefits incurred (net)	**(45,659)**	**—**	**—**	**—**	**(45,659)**
Change in reserves for insurance and investment contracts (net)	(5,140)	—	—	—	(5,140)
Interest expenses	(1,893)	—	—	—	(1,893)
Loan loss provisions	(59)	—	—	—	(59)
Impairments of investments (net)	(9,495)	—	—	—	(9,495)
Investment expenses	(645)	—	—	(126)	(771)
Acquisition and administrative expenses (net)	(17,922)	(219)	(158)	—	(18,299)
Fee and commission expenses	(2,502)	—	158	—	(2,344)
Amortization of intangible assets	(23)	—	—	—	(23)
Restructuring charges	(129)	—	—	—	(129)
Other expenses	(12)	—	—	—	(12)
Expenses from fully consolidated private equity investments	(2,470)	—	—	—	(2,470)
Total expenses	**(85,949)**	**(219)**	**—**	**(126)**	**(86,294)**
Income from continuing operations before income taxes	**5,473**	**—**	**—**	**—**	**5,473**
Income taxes	(1,287)	—	—	—	(1,287)
Net income from continuing operations	**4,186**	**—**	**—**	**—**	**4,186**
Net loss from discontinued operations, net of income taxes	**(6,373)**	**—**	**—**	**—**	**(6,373)**
Net loss	**(2,187)**	**—**	**—**	**—**	**(2,187)**

	2007				
	As previously reported €mn	Change of GEI accounting €mn	Reclassification within Alternative Investment Management €mn	Reclassification of foreign exchange gains and losses €mn	As reported €mn
Premiums written	**65,788**	**—**	**—**	**—**	**65,788**
Ceded premiums written	(5,934)	—	—	—	(5,934)
Change in unearned premiums	(492)	—	—	—	(492)
Premiums earned (net)	**59,362**	**—**	**—**	**—**	**59,362**
Interest and similar income	18,624	—	—	—	18,624
Income from financial assets and liabilities carried at fair value through income (net)	(817)	32	—	(163)	(948)
Realized gains/losses (net)	6,008	—	—	—	6,008
Fee and commission income	6,553	—	—	—	6,553
Other income	217	—	—	—	217
Income from fully consolidated private equity investments	2,367	—	—	—	2,367
Total income	**92,314**	**32**	**—**	**(163)**	**92,183**
Claims and insurance benefits incurred (gross)	(46,409)	—	—	—	(46,409)
Claims and insurance benefits incurred (ceded)	3,287	—	—	—	3,287
Claims and insurance benefits incurred (net)	**(43,122)**	**—**	**—**	**—**	**(43,122)**
Change in reserves for insurance and investment contracts (net)	(10,685)	—	—	—	(10,685)
Interest expenses	(2,070)	—	—	—	(2,070)
Loan loss provisions	(18)	—	—	—	(18)
Impairments of investments (net)	(1,185)	—	—	—	(1,185)
Investment expenses	(1,037)	—	—	163	(874)
Acquisition and administrative expenses (net)	(18,788)	(32)	(116)	—	(18,936)
Fee and commission expenses	(2,313)	—	116	—	(2,197)
Amortization of intangible assets	(17)	—	—	—	(17)
Restructuring charges	(182)	—	—	—	(182)
Other expenses	(17)	—	—	—	(17)
Expenses from fully consolidated private equity investments	(2,317)	—	—	—	(2,317)
Total expenses	**(81,751)**	**(32)**	**—**	**163**	**(81,620)**
Income from continuing operations before income taxes	**10,563**	**—**	**—**	**—**	**10,563**
Income taxes	(2,572)	—	—	—	(2,572)
Net income from continuing operations	**7,991**	**—**	**—**	**—**	**7,991**
Net income from discontinued operations, net of income taxes	**723**	**—**	**—**	**—**	**723**
Net income	**8,714**	**—**	**—**	**—**	**8,714**

Other reclassifications

Certain prior period amounts have been reclassified to conform to the current period presentation.

4 Assets and liabilities of disposal groups classified as held for sale and discontinued operations

Impact of the sale of Dresdner Bank AG to Commerzbank AG

As described in the Notes to the Allianz Group's consolidated financial statements for the year ended December 31, 2008, Allianz SE ("Allianz") and Commerzbank AG ("Commerzbank") agreed on the sale of Dresdner Bank AG ("Dresdner Bank"). With the agreement of the sale transaction Dresdner Bank qualified as disposal group held for sale and discontinued operation according to the requirements of IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations". Thus, almost all assets and liabilities of Dresdner Bank have been reclassified and presented as separate line items "Non-current assets and assets of disposal groups classified as held for sale" and "Liabilities of disposal groups classified as held for sale", respectively, on the face of the consolidated balance sheet as of December 31, 2008. All income and expenses relating to the discontinued operations of Dresdner Bank have been reclassified and presented in a separate line item "Net income (loss) from discontinued operations, net of income taxes" in the consolidated income statements for all periods presented in accordance with IFRS 5.

The transfer of ownership of Dresdner Bank to Commerzbank was completed on January 12, 2009 as scheduled. Accordingly, assets and liabilities of Dresdner Bank have been deconsolidated in the first quarter 2009. The loss from derecognition of discontinued operations amounts to € 395 mn and represents mainly the reclassification of components of other comprehensive income to net income.

The following tables show the assets and liabilities of disposal groups classified as held for sale:

As of December 31,	2008 € mn
Cash and cash equivalents	30,238
Financial assets carried at fair value through income	201,911
Investments	11,113
Loans and advances to banks and customers	166,718
Deferred tax assets	37
Other assets	7,056
Intangible assets	801
Total assets of disposal groups classified as held for sale	**417,874**

As of December 31,	2008 € mn
Financial liabilities carried at fair value through income	180,249
Liabilities to banks and customers	193,315
Deferred tax liabilities	214
Other liabilities	7,983
Certificated liabilities	22,419
Participation certificates and subordinated liabilities	6,289
Total liabilities of disposal groups classified as held for sale	**410,469**

The following table shows the accumulated other comprehensive income and expenses, net of tax:

As of December 31,	2008 € mn
Gains on cash flow hedges, net of tax	60
Cumulative foreign currency translation adjustment, net of tax	(516)
Unrealized gains on securities, net of tax	95
Total accumulated other comprehensive loss, net of tax related to disposal groups classified as held for sale	**(361)**

Net income (loss) from discontinued operations for the years ended December 31, 2009, 2008 and 2007, respectively, is comprised of:

	2009 [3] € mn	2008 [2), 3)] € mn	2007 [2), 3)] € mn
Interest and similar income	—	5,257	7,423
Income from financial assets and liabilities carried at fair value through income (net)	—	(1,439)	(430)
Realized gains/losses (net)	—	285	540
Fee and commission income	—	1,760	2,887
Total income from discontinued operations	**—**	**5,863**	**10,420**
Interest expenses	—	(3,401)	(4,602)
Loan loss provisions	—	(327)	131
Impairments of investments (net)	—	(102)	(87)
Investment expenses	—	(2)	(20)
Acquisition and administrative expenses (net)	—	(3,326)	(4,430)
Fee and commission expenses	—	(267)	(360)
Amortization of intangible assets	—	(2)	—
Restructuring charges	—	(17)	(50)
Other expenses	—	(52)	3
Total expenses from discontinued operations	**—**	**(7,496)**	**(9,415)**
Result from operating activities of discontinued operations before income taxes	**—**	**(1,633)**	**1,005**
Income taxes	—	(398)	(282)
Result from operating activities of discontinued operations after income taxes	**—**	**(2,031)**	**723**
Impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008 [1]	—	(1,409)	—
Result from transaction between September 30, 2008 and December 31, 2008 [1]	—	(2,933)	—
Result from derecognition of discontinued operations [1]	(395) [4]	—	—
After-tax impairment loss on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008, after-tax result from transaction between September 30, 2008 and December 31, 2008 and after-tax result from derecognition of discontinued operations	**(395)**	**(4,342)**	**—**
Net income (loss) from discontinued operations	**(395)**	**(6,373)**	**723**
Net income (loss) from discontinued operations attributable to:			
Minority interests	—	38	73
Shareholders	(395)	(6,411)	650

1) No income taxes were related to the impairment loss recognized on remeasurement of assets of disposal group to fair value less costs to sell as of September 30, 2008, to the result from transaction between September 30, 2008 and December 31, 2008 and to the result from derecognition of discontinued operations.
2) For the year ended December 31, 2008 the result from operating activities of discontinued operations represents the nine months ended September 30, 2008. The result from operating activities of discontinued operations for the year ended December 31, 2007 represents 12 months ended December 31, 2007.
3) All numbers are stated on a consolidated basis.
4) The result includes € 139 mn net loss from the operating activities of Dresdner Bank from January 1, 2009 to January 12, 2009.

5 Consolidation

Scope of consolidation

In addition to Allianz SE, the consolidated financial statements for the period ended December 31, 2009, generally include all German and foreign operating companies in which Allianz SE directly or indirectly holds a majority of voting rights, or whose activities it can in some other way control. The companies are consolidated from the date on which Allianz SE is able to exercise control.

The companies listed in the table below are consolidated in addition to the parent company Allianz SE.

Consolidated group	2009	2008	2007
Number of fully consolidated companies (subsidiaries) [1]			
Germany	135	152	172
Other countries	753	935	1,003
Total	888	1,087	1,175
Number of fully consolidated investment funds			
Germany	46	49	47
Other countries	11	9	12
Total	57	58	59
Number of fully consolidated Special Purpose Entities ("SPE")	4	59	55
Total of fully consolidated entities	949	1,204	1,289
Number of joint ventures valued at equity	14	10	4
Number of associated entities valued at equity	146	167	218

[1] Includes 8 (2008: 10; 2007: 8) subsidiaries where the Allianz Group owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. ("CreditRas") and Antoniana Veneta Popolare Vita S.p.A. ("Antoniana"). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions of these subsidiaries are performed by the employees of the Allianz Group and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

All subsidiaries, joint ventures and associated enterprises are individually listed in the disclosure of equity investments that will be published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's Website. The disclosure of equity investments includes individually listed commercial partnerships which are exempt from preparing single financial statements in accordance with section 264b of the German Commercial Code ("HGB") as they are included in the consolidated financial statements of the Allianz Group. Selected subsidiaries and associated entities are listed in the selected subsidiaries and other holdings section.

Significant acquisitions

	Equity interest %	Date of first-time consolidation	Segment	Goodwill[1] € mn	Transaction
2009					
Cominvest Asset Management GmbH, Frankfurt am Main	100.0	01/12/2009	Asset Management	452	Purchase
Ayudhya Allianz C.P. Life Public Company Limited, Bangkok	62.6	06/29/2009	Life/Health	—	Obtain control
2008					
Allianz Sigorta AŞ, Istanbul	84.2	07/21/2008	Property-Casualty	166	Increase in equity interest
Allianz Hayat ve Emeklilik AŞ, Istanbul	89.0	07/21/2008	Life/Health	81	Increase in equity interest
2007					
Russian People's Insurance Society "ROSNO", Moscow	97.2	02/21/2007	Property-Casualty	514	Increase in equity interest
Selecta AG, Muntelier	100.0	07/03/2007	Corporate and Other	472	Purchase
Insurance Company "Progress Garant", Moscow	100.0	05/31/2007	Property-Casualty	70	Purchase
Commerce Assurance Bhd., Kuala Lumpur	100.0	09/30/2007	Property-Casualty	49	Purchase
JSC Insurance Company "ATF POLICY", Almaty	100.0	09/30/2007	Property-Casualty	8	Purchase

[1] At the date of first-time consolidation.

2009 Significant acquisitions

Cominvest

On January 12, 2009, the Allianz Group acquired, as part of the consideration received for the sale of Dresdner Bank to Commerzbank, 100% of the fund manager cominvest (including cominvest Asset Management GmbH, cominvest Asset Management S.A. (Luxembourg), cominvest Vertriebs AG and MK Luxinvest S.A. (Luxembourg)).

Components of costs

The acquisition of cominvest was part of the consideration received from Commerzbank for the sale of Dresdner Bank on January 12, 2009. The fair value of the cominvest entities was determined to be € 700 mn and was recognized as the cost of this acquisition.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	48	48
Investments	186	186
Deferred tax assets	14	8
Other assets	42	41
Intangible assets	239	—
Total assets	**529**	**283**
Deferred tax liabilities	72	1
Other liabilities	147	128
Participation certificates and subordinated liabilities	57	50
Total equity	253	104
Total liabilities and equity	**529**	**283**

At the date of the acquisition, goodwill reflects to a large extent the strengthening and expansion of the market position of the Allianz Group's asset management operations. Goodwill has been adjusted largely due to the recognition of separately identified intangible assets.

The impact of cominvest on the Allianz Group's net income for the year ended December 31, 2009 was € (23) mn.

If the acquisition date of the combined entity (Allianz Group including cominvest) would have been on January 1, 2009, the revenues and net income for the year ended December 31, 2009 would have been immaterially different from the revenues and net income as presented in the consolidated income statement for the year ended December 31, 2009.

For details on the impact of the acquisition on the consolidated statement of cash flows, please refer to the consolidated statement of cash flows.

The transfer of ownership of Dresdner Bank to Commerzbank was completed on January 12, 2009. According to the agreement Allianz received a total of € 3.215 bn in cash plus cash and cash equivalents of the Asset Manager cominvest of € 48 mn. The impact of the disposal, net of cash disposed, on the consolidated statement of cash flows for the year ended December 31, 2009 was:

	€ mn
Assets of disposal groups held for sale	417,874
less: cash and cash equivalents	(30,238)
Liabilities of disposal groups held for sale	(410,469)
Minority interests	(1,738)
Treasury shares	69
less non-cash components of the consideration received:	
Commerzbank shares	(746)
Distribution agreement	(480)
Cominvest (net of cash acquired)	(652)
Consolidation	(595)
Disposal of subsidiary, net of cash disposed	**(26,975)**

Ayudhya Allianz C.P. Life Public Company Limited

On June 29, 2009, the Allianz Group obtained control of the Thai life insurance company Ayudhya Allianz C.P. Life Public Company Limited, Bangkok, by appointing the majority of the members of the board of directors.

The cost of the investment in Ayudhya Allianz C.P. Life Public Company Limited amounts to € 71 mn.

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	77	77
Investments	1,708	1,714
Deferred acquisition costs (PVFP)	230	209
Other assets	93	40
Total assets	**2,108**	**2,040**
Unearned premiums	5	5
Reserves for insurance and investment contracts	1,973	1,853
Other liabilities	26	11
Total equity	104	171
Total liabilities and equity	**2,108**	**2,040**

The impact of Ayudhya on the Allianz Group's net income for the year ended December 31, 2009 was € 3 mn.

The premiums written of the combined entity (Allianz Group including Ayudhya Allianz C.P. Life Public Company Limited) for the year ended December 31, 2009, would have been € 65,237 mn, if the acquisition date had been on January 1, 2009. The net income of the combined entity for the year ended December 31, 2009, would have been € 4,363 mn if the acquisition date had been on January 1, 2009.

The impact of the acquisition, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2009 was:

	€ mn
Investments	(1,708)
Deferred acquisiton costs (PVFP)	(230)
Other assets	(93)
Unearned premiums	5
Reserves for insurance and investment contracts	1,973
Other liabilities	26
Minority interests	33
Less: previous investments in Ayudhya	71
Acquisition of subsidiary, net of cash acquired	**77**

2008 Significant acquisitions

Allianz Sigorta AŞ, Istanbul and Allianz Hayat ve Emeklilik AŞ, Istanbul

In April 2008, the Allianz Group signed a share purchase agreement to acquire 47.1 % of shares in the property-casualty insurer Allianz Sigorta AŞ, Istanbul, and 51.0 % of the shares in the life-insurance and pension company Allianz Hayat ve Emeklilik AŞ, Istanbul, for a total consideration of € 373 mn. The transaction has been approved by the relevant regulatory and competition board on July 21, 2008 so that Allianz Group now holds 84.2 % and 89.0 % of shares, respectively.

Components of costs

	€ mn
Purchase price Allianz Sigorta AŞ (47.1 %)	248
Purchase price Allianz Hayat ve Emeklilik AŞ (51.0 %)	125
Transaction costs	—
Total purchase price	**373**

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value €mn	Carrying amount €mn
Cash and cash equivalents	221	221
Investments	386	374
Financial assets for unit-linked contracts	150	150
Reinsurance assets	136	136
Deferred acquisition costs	51	6
Other assets	201	183
Total assets	**1,145**	**1,070**
Unearned premiums	249	249
Reserves for loss and loss adjustments	117	117
Reserves for insurance and investment contracts	269	263
Financial liabilities for unit-linked contracts	150	150
Other liabilities	90	85
Total equity	270	206
Total liabilities and equity	**1,145**	**1,070**

At the date of acquisition the goodwill reflects mainly the market position and growth potential of the Turkish insurance market.

The impact of Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ on the Allianz Group's net income for the year ended December 31, 2008 was € 8.3 mn.

The premiums written of the combined entity (Allianz Group including Allianz Hayat and Allianz Sigorta) for the year ended December 31, 2008 would have been € 66,417 mn, if the acquisition date had been on January 1, 2008. The net loss of the combined entity for the year ended December 31, 2008 would have been € 2,187 mn if the acquisition date had been on January 1, 2008.

The impact of the acquisition, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2008 was:

	€mn
Intangible assets	(247)
Other assets	(914)
Other liabilities	870
Minority interests	38
Less: previous investment in Allianz Sigorta and Hayat	101
Acquisition of subsidiaries, net of cash acquired	**(152)**

2007 Significant acquisitions

Russian People's Insurance Society "ROSNO", Moscow

In addition to the already owned shares of 47.4%, the Allianz Group acquired on February 21, 2007 49.8% of Russian People´s Insurance Society "ROSNO", Moscow ("ROSNO") at a purchase price of € 572 mn. In 2008, additional 2.6% of the shares were acquired (see table: "Acquisitions and disposals of significant minority interests"). ROSNO is the second largest insurance company in Russia which offers products in the business segments Property-Casualty, Life/Health and Asset Management.

Components of costs

	€mn
Purchase price (49.8% interest)	571
Subsequent acquisition costs	1
Total purchase price	**572**

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value €mn	Carrying amount €mn
Cash and cash equivalents	64	64
Investments	408	408
Reinsurance assets	55	55
Deferred acquisition costs	73	71
Other assets	303	279
Intangible assets	16	—
Total assets	**919**	**877**
Unearned premiums	350	350
Reserves for loss and loss adjustments	122	120
Other liabilities	258	252
Total equity	189	155
Total liabilities and equity	**919**	**877**

At the date of acquisition the goodwill reflects mainly the market position and growth potential of the Russian insurance market.

The impact on the Allianz Group's net income for the year ended December 31, 2007 was € (11) mn.

The revenues of the combined entity (Allianz Group including ROSNO) for the year ended December 31, 2007 would have been € 97,876 mn, if the acquisition date had been on January 1, 2007. The net income of the combined entity for the year ended December 31, 2007 would have been € 8,717 mn if the acquisition date had been on January 1, 2007.

The impact of the acquisition of ROSNO net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	€ mn
Intangible assets	(530)
Other assets	(798)
Other liabilities	717
Deferred tax liabilities	15
Minority interests	10
Less: previous investment in Rosno	78
Acquisition of subsidiary, net of cash acquired	**(508)**

Selecta AG, Muntelier

On July 3, 2007, the Allianz Group acquired 100.0 % of Selecta AG, Muntelier at a purchase price of € 1,126 mn. Selecta AG, Muntelier is the leading vending operator in Europe.

Components of costs

	€ mn
Purchase price (100.0 % interest)	1,126
Transaction costs	—
Total purchase price	**1,126**

The amounts recognized for major classes of assets and liabilities are as follows:

	Fair value € mn	Carrying amount € mn
Cash and cash equivalents	53	53
Other assets	404	360
Intangible assets	683	46
Total assets	**1,140**	**459**
Other liabilities	448	230
Total equity	692	229
Total liabilities and equity	**1,140**	**459**

The impact on the Allianz Group's net income for the year ended December 31, 2007 was € (11) mn.

The revenues of the combined entity (Allianz Group including Selecta AG) for the year ended December 31, 2007 would have been € 98,069 mn if the acquisition date had been on January 1, 2007. The net income of the combined entity for the year ended December 31, 2007 would have been € 8,761 mn if the acquisition date had been on January 1, 2007.

The impact of the acquisition of Selecta AG, Muntelier, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	€ mn
Intangible assets	(1,113)
Loans and advances to banks and customers	(107)
Other assets	(301)
Other liabilities	258
Deferred tax liabilities	190
Acquisition of subsidiary, net of cash acquired	**(1,073)**

Significant disposals

	Equity interest %	Date of deconsolidation	Proceeds from sale € mn	Segment	Goodwill € mn	Transaction
2009						
Dresdner Bank Aktiengesellschaft, Frankfurt am Main [1]	100.0	01/12/2009	5,140	Corporate and Other	1,511	Sale to third party
2008						
DEGI Deutsche Gesellschaft für Immobilienfonds mbH, Frankfurt am Main	94.0	01/01/2008	103	Corporate and Other	—	Sale to third party
2007						
Grundstücksgesellschaft der Vereinten Versicherungen mbH & Co. Besitz- und Betriebs KG, Munich	93.7	12/14/2007	194	Property-Casualty	—	Sale to third party
Les Assurances Fédérales IARD, Strasbourg	60.0	09/30/2007	86	Property-Casualty	—	Sale to third party
Allianz PFI (UK) Ltd., London	100.0	08/17/2007	52	Corporate and Other	—	Sale to third party
Adriática de Seguros C.A., Caracas	98.3	08/31/2007	26	Property-Casualty/Life/Health	—	Sale to third party

[1] For further details please see Note 4.

Acquisitions and disposals of significant minority interests

	Date of acquisition/disposal	Equity interest change %	Costs of acquisition € mn	Increase (decrease) in shareholders' equity € mn	Increase (decrease) of minority interests € mn
2009					
Roland Holding GmbH, Munich	11/10/2009	12.0	50	(28)	(22)
2008					
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2008	5.2	425	(352)	(73)
Allianz Global Investors of America L.P., Dover/Delaware	02/28/2008	2.5	122	(122)	—
Russian People's Insurance Society „ROSNO", Moscow	10/27/2008	2.6	34	(30)	(4)
Allianz Mena Holding Bermuda, Beirut	08/25/2008	30.3	26	(16)	(10)
2007					
Assurances Générales de France, Paris [1]	during 2007	39.8	10,052	(3,419)	(3,868)
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2007	3.8	303	(211)	(92)
Allianz Taiwan Life Insurance Co. Ltd., Taipei	04/19/2007	49.6	40	(39)	(1)

[1] Impact on shareholders' equity includes increase in equity due to financing of AGF minority buy-out in the year 2007 of € 2,765 mn.

6 Segment reporting

The business activities of the Allianz Group are first organized by product and type of service: insurance activities, asset management activities and corporate and other activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between Property-Casualty and Life/Health categories. Both categories are grouped into 5 reportable segments according to the responsibilities of members of the Board of Management as follows:

- German Speaking Countries
- Europe I incl. South America
- Europe II incl. Africa
- Anglo Broker Markets/Global Lines
- Growth Markets.

Asset management activities represent a separate reportable segment. Due to differences in the nature of products, risks and capital allocation, corporate and other activities are divided into three reportable segments: Holding & Treasury, Banking and Alternative Investments. In sum the Allianz Group has identified 14 reportable segments in accordance with IFRS 8, Operating Segments.

The types of products and services from which reportable segments derive revenue are listed below.

Property-Casualty
In the Property-Casualty category, reportable segments offer a wide variety of insurance products to both private and corporate customers, including motor liability and own damage, accident, general liability, fire and property, legal expense, credit and travel insurance.

Life/Health
In the Life/Health category, reportable segments offer a comprehensive range of life and health insurance products on both individual and group basis, including annuity, endowment and term insurance, unit-linked and investment-oriented products as well as full private health and supplemental health and care insurance.

Asset Management
The reportable segment Asset Management operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The products for retail and institutional customers include equity and fixed income funds as well as alternative products. The United States and Germany as well as France, Italy and the Asia-Pacific region represent the primary asset management markets.

Corporate and Other
The reportable segment Holding & Treasury includes the management and support of the Allianz Group's business through its strategy, risk, corporate finance, treasury, financial control, communication, legal, human resources and technology functions.

The reportable segment Banking consists of the banking activities in Germany, France, Italy and Central and Eastern Europe. The banks offer a wide range of products for corporate and retail clients with the main focus on the latter.

The reportable segment Alternative Investments provides global alternative investment management services in the private equity, real estate, renewable energy and infrastructure sectors mainly on behalf of Allianz Group. The Alternative Investments reportable segment also includes certain fully consolidated private equity investments.

Measurement
Prices for transactions between reportable segments are set on an arm's length basis in a manner similar to transactions with third parties. Transactions between reportable segments are eliminated in the consolidation. For the Asset Management reportable segment, interest revenues are reported net of interest expenses.

The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. Operating profit highlights the portion of income before income taxes attributable to the ongoing core operations of the Allianz Group. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time.

To better understand the ongoing operations of the business, the Allianz Group excludes the following non-operating effects:

- acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations;

- restructuring charges, because the timing of the restructuring charges are largely at the discretion of the Allianz Group, and accordingly their exclusion provides additional insight into the operating trends of the underlying business. This differentiation is not made if the profit sources are shared with policyholders;

- interest expenses from external debt, as these relate to the capital structure of the Allianz Group;

- income from fully consolidated private equity investments (net), as this represents income from industrial holdings, which is outside the Allianz Group's normal scope of operating business;

- income from financial assets and liabilities held for trading (net) as part of the income from financial assets and liabilities carried at fair value through income (net) for the Property-Casualty insurance operations and the Corporate and Other activities (except for certain items for the Holding & Treasury activities and Banking operations where the trading income refers to operating business). For the Life/Health insurance and Asset Management operations, this item is treated as operating business and is therefore not excluded;

- realized gains/losses (net) or impairments of investments (net), as these are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control, and can and do vary, sometimes materially, across periods (except for Life/Health insurance operations where the expenses for premium refunds in the operating profit are correlating with realized gains and losses and impairments of investments). Furthermore, the timing of sales that would result in such gains or losses is largely at the discretion of the Allianz Group.

The definitions for non-operating income from financial assets and liabilities held for trading (net), realized gains/losses (net) and impairments of investments (net) state the general treatment in the segments. However, there are special cases which are different from this general treatment:

- Property-Casualty insurance business: the line items are generally booked within the non-operating items; they can be classified as operating items if they are shared with the policyholders, which occurs in the context of an casualty insurance product with premium refunds issued in the German market.

- Life/Health insurance business: the line items are generally booked within operating profit; they can be classified as non-operating items if they stem from an investment where the results are not shared with the policyholders, for example strategic investments.

In certain cases the policyholders participate in the tax benefits of the Allianz Group. IFRS requires that the consolidated income statements present all tax benefits in the income tax line item, even though that these belong to policyholders. In the segment reporting the tax benefits are reclassified and shown as operating income in order to properly reflect the policyholder participation of tax benefits.

Operating profit should be viewed as complementary to, and not a substitute for income from continuing operations before income taxes or net income as determined in accordance with IFRS.

Recent Organizational Changes

For the year ended December 31, 2009, the Allianz Group has reorganized the structure of its non-insurance activities. In order to better reflect the nature and effects of the Allianz Group's business activities, non-insurance activities are organized on the basis of asset management activities and corporate and other activities, with the latter one consisting of three reportable segments: Holding & Treasury, Banking and Alternative Investments. Previously reported information has been restated to reflect this change in the composition of the Allianz Group's reportable segments.

Business Segment Information – Consolidated Balance Sheets

	Property-Casualty		Life/Health	
	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn
ASSETS				
Cash and cash equivalents	2,281	2,669	2,478	4,827
Financial assets carried at fair value through income	2,100	1,998	11,269	11,739
Investments	80,401	74,982	213,036	186,040
Loans and advances to banks and customers	16,325	18,229	100,316	91,373
Financial assets for unit-linked contracts	—	—	56,963	50,450
Reinsurance assets	8,885	9,442	4,691	5,178
Deferred acquisition costs	3,789	3,723	16,685	18,693
Deferred tax assets	1,329	1,579	316	737
Other assets	19,980	23,876	16,024	18,085
Non-current assets and assets of disposal groups classified as held for sale	—	—	—	—
Intangible assets	2,361	2,384	2,306	2,300
Total assets	**137,451**	**138,882**	**424,084**	**389,422**

	Property-Casualty		Life/Health	
	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn
LIABILITIES AND EQUITY				
Financial liabilities carried at fair value through income	68	103	6,541	5,833
Liabilities to banks and customers	426	530	861	1,274
Unearned premiums	13,471	12,984	2,210	2,258
Reserves for loss and loss adjustment expenses	55,715	55,616	8,738	8,320
Reserves for insurance and investment contracts	9,159	8,595	313,018	287,932
Financial liabilities for unit-linked contracts	—	—	56,963	50,450
Deferred tax liabilities	2,656	2,580	1,317	833
Other liabilities	15,642	20,523	14,131	16,625
Liabilities of disposal groups classified as held for sale	—	—	—	—
Certificated liabilities	139	167	2	2
Participation certificates and subordinated liabilities	846	846	65	65
Total liabilities	**98,122**	**101,944**	**403,846**	**373,592**

Asset Management		Corporate and Other		Consolidation		Group	
As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn
701	859	1,089	1,404	(460)	(801)	6,089	8,958
731	639	621	743	(400)	(879)	14,321	14,240
1,103	818	85,732	79,991	(86,020)	(83,019)	294,252	258,812
276	382	20,745	17,863	(8,666)	(10,857)	128,996	116,990
—	—	—	—	—	—	56,963	50,450
—	—	—	—	(17)	(21)	13,559	14,599
149	147	—	—	—	—	20,623	22,563
169	174	1,272	1,551	(367)	(45)	2,719	3,996
3,770	3,389	5,636	8,946	(12,363)	(20,292)	33,047	34,004
—	—	—	419,987	—	(474)	—	419,513
6,901	6,326	1,908	441	—	—	13,476	11,451
13,800	**12,734**	**117,003**	**530,926**	**(108,293)**	**(116,388)**	**584,045**	**955,576**

Asset Management		Corporate and Other		Consolidation		Group	
As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn	As of December 31, 2009 € mn	As of December 31, 2008 € mn
—	—	534	699	(400)	(391)	6,743	6,244
739	702	21,236	20,418	(2,014)	(4,473)	21,248	18,451
—	—	—	—	(5)	(9)	15,676	15,233
—	—	—	—	(12)	(12)	64,441	63,924
—	—	161	227	(150)	(197)	322,188	296,557
—	—	—	—	—	—	56,963	50,450
93	28	206	435	(367)	(43)	3,905	3,833
3,396	3,307	16,108	16,036	(15,992)	(23,561)	33,285	32,930
—	—	—	413,912	—	(2,096)	—	411,816
—	—	14,134	14,776	(6,313)	(5,401)	7,962	9,544
14	14	8,679	8,678	(257)	(257)	9,347	9,346
4,242	**4,051**	**61,058**	**475,181**	**(25,510)**	**(36,440)**	**541,758**	**918,328**
				Total equity		42,287	37,248
				Total liabilities and equity		584,045	955,576

Business Segment Information – Total revenues and reconciliation of Operating profit (loss) to Net income (loss)

	Property-Casualty			Life/Health		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
Total revenues [1]	**42,523**	**43,387**	**44,289**	**50,773**	**45,615**	**49,367**
Premiums earned (net)	37,828	38,213	38,553	22,029	22,231	20,809
Interest and similar income	3,612	4,477	4,473	13,971	13,772	13,417
Operating income from financial assets and liabilities carried at fair value through income (net)	118	9	178	716	(309)	(1,135)
Operating realized gains/losses (net)	57	37	46	1,755	874	3,579
Fee and commission income	1,075	1,247	1,178	491	571	701
Other income	19	271	122	17	140	182
Claims and insurance benefits incurred (net)	(26,320)	(25,986)	(25,485)	(19,326)	(19,673)	(17,637)
Change in reserves for insurance and investment contracts (net)	(355)	3	(339)	(8,299)	(5,122)	(10,268)
Interest expenses, excluding interest expenses from external debt	(104)	(295)	(402)	(127)	(283)	(374)
Loan loss provisions	(18)	(17)	(6)	(75)	(13)	3
Operating impairments of investments (net)	(75)	(437)	(67)	(1,663)	(5,747)	(824)
Investment expenses	(238)	(254)	(300)	(622)	(583)	(640)
Acquisition and administrative expenses (net), excluding acquisition-related expenses	(10,540)	(10,478)	(10,631)	(5,798)	(4,391)	(4,591)
Fee and commission expenses	(995)	(1,141)	(967)	(246)	(253)	(209)
Operating restructuring charges	—	—	—	(15)	1	(16)
Other expenses	—	(2)	(13)	—	(7)	(2)
Reclassification of tax benefits	—	—	—	—	—	—
Operating profit (loss)	**4,064**	**5,647**	**6,340**	**2,808**	**1,208**	**2,995**
Non-operating income from financial assets and liabilities carried at fair value through income (net)	(45)	44	(100)	(22)	(26)	5
Non-operating realized gains/losses (net)	732	2,349	1,433	63	(39)	137
Income from fully consolidated private equity investments (net)	—	—	—	—	(2)	—
Interest expenses from external debt	—	—	—	—	—	—
Non-operating impairments of investments (net)	(519)	(2,012)	(276)	(76)	(414)	(3)
Acquisition-related expenses	—	—	—	—	—	—
Amortization of intangible assets	(21)	(17)	(14)	(3)	(3)	(3)
Non-operating restructuring charges	(69)	(75)	(122)	(19)	(51)	(29)
Reclassification of tax benefits	—	—	—	—	—	—
Non-operating items	**78**	**289**	**921**	**(57)**	**(535)**	**107**
Income (loss) from continuing operations before income taxes	**4,142**	**5,936**	**7,261**	**2,751**	**673**	**3,102**
Income taxes	(1,363)	(1,489)	(1,656)	(704)	(260)	(897)
Net income (loss) from continuing operations	**2,779**	**4,447**	**5,605**	**2,047**	**413**	**2,205**
Net income (loss) from discontinued operations, net of income taxes	—	—	—	—	—	—
Net income (loss)	**2,779**	**4,447**	**5,605**	**2,047**	**413**	**2,205**
Net income (loss) attributable to:						
Minority interests	55	112	431	48	86	214
Shareholders	2,724	4,335	5,174	1,999	327	1,991

1) Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

Asset Management			Corporate and Other			Consolidation			Group		
2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
3,689	2,894	3,259	517	555	630	(117)	117	144	97,385	92,568	97,689
—	—	—	—	—	—	—	—	—	59,857	60,444	59,362
51	98	135	1,066	1,724	1,695	(467)	(999)	(1,096)	18,233	19,072	18,624
40	(71)	32	(106)	138	62	38	(180)	9	806	(413)	(854)
—	—	—	—	—	—	(13)	36	4	1,799	947	3,629
4,440	4,032	4,403	723	650	713	(490)	(468)	(442)	6,239	6,032	6,553
29	28	14	1	1	15	(25)	(32)	(116)	41	408	217
—	—	—	—	—	—	—	—	—	(45,646)	(45,659)	(43,122)
—	—	—	—	—	—	(906)	(21)	(78)	(9,560)	(5,140)	(10,685)
(21)	(35)	(55)	(838)	(1,193)	(1,016)	511	858	828	(579)	(948)	(1,019)
—	—	—	(48)	(29)	(15)	—	—	—	(141)	(59)	(18)
—	—	—	—	—	—	—	(15)	—	(1,738)	(6,199)	(891)
—	—	—	(79)	(146)	(160)	184	212	226	(755)	(771)	(874)
(2,288)	(1,968)	(1,903)	(1,348)	(1,263)	(1,345)	55	46	38	(19,919)	(18,054)	(18,432)
(850)	(1,158)	(1,270)	(397)	(202)	(242)	276	410	491	(2,212)	(2,344)	(2,197)
—	—	—	—	—	—	—	—	—	(15)	1	(16)
—	—	—	(2)	(3)	(2)	—	—	—	(2)	(12)	(17)
—	—	—	—	—	—	774	24	60	774	24	60
1,401	**926**	**1,356**	**(1,028)**	**(323)**	**(295)**	**(63)**	**(129)**	**(76)**	**7,182**	**7,329**	**10,320**
—	—	—	249	(61)	15	(34)	115	(14)	148	72	(94)
7	5	2	842	239	831	(27)	102	(24)	1,617	2,656	2,379
—	—	—	(366)	76	50	134	5	—	(232)	79	50
—	—	—	(905)	(945)	(1,051)	—	—	—	(905)	(945)	(1,051)
(5)	(19)	(1)	(394)	(817)	(14)	—	(34)	—	(994)	(3,296)	(294)
(403)	(278)	(488)	(3)	33	(16)	—	—	—	(406)	(245)	(504)
(30)	(1)	—	(71)	(2)	—	—	—	—	(125)	(23)	(17)
(68)	—	(4)	(27)	(4)	(11)	—	—	—	(183)	(130)	(166)
—	—	—	—	—	—	(774)	(24)	(60)	(774)	(24)	(60)
(499)	**(293)**	**(491)**	**(675)**	**(1,481)**	**(196)**	**(701)**	**164**	**(98)**	**(1,854)**	**(1,856)**	**243**
902	**633**	**865**	**(1,703)**	**(1,804)**	**(491)**	**(764)**	**35**	**(174)**	**5,328**	**5,473**	**10,563**
(359)	(249)	(342)	1,063	685	228	775	26	95	(588)	(1,287)	(2,572)
543	**384**	**523**	**(640)**	**(1,119)**	**(263)**	**11**	**61**	**(79)**	**4,740**	**4,186**	**7,991**
—	—	—	(395)	(6,108)	874	—	(265)	(151)	(395)	(6,373)	723
543	**384**	**523**	**(1,035)**	**(7,227)**	**611**	**11**	**(204)**	**(230)**	**4,345**	**(2,187)**	**8,714**
5	5	25	(60)	57	94	—	(3)	(16)	48	257	748
538	379	498	(975)	(7,284)	517	11	(201)	(214)	4,297	(2,444)	7,966

Reportable segments – Property-Casualty business

	German Speaking Countries			Europe I incl. South America			Europe II incl. Africa [1]		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
Gross premiums written	**11,432**	**11,485**	**11,607**	**8,246**	**8,506**	**8,644**	**7,731**	**8,271**	**9,343**
Ceded premiums written	(2,133)	(2,130)	(2,377)	(950)	(900)	(879)	(1,109)	(1,327)	(1,376)
Change in unearned premiums	(58)	(75)	(34)	76	98	(56)	22	(9)	(43)
Premiums earned (net)	**9,241**	**9,280**	**9,196**	**7,372**	**7,704**	**7,709**	**6,644**	**6,935**	**7,924**
Interest and similar income	1,185	1,500	1,499	572	749	675	561	842	949
Operating income from financial assets and liabilities carried at fair value through income (net)	37	8	(19)	74	85	37	38	(89)	49
Operating realized gains/losses (net)	57	37	46	—	—	—	—	—	—
Fee and commission income	182	350	217	22	27	17	752	820	756
Other income	4	242	13	3	9	6	7	15	8
Operating revenues	**10,706**	**11,417**	**10,952**	**8,043**	**8,574**	**8,444**	**8,002**	**8,523**	**9,686**
Claims and insurance benefits incurred (net)	(6,537)	(6,453)	(6,198)	(5,375)	(5,500)	(5,417)	(4,891)	(4,741)	(5,111)
Changes in reserves for insurance and investment contracts (net)	(312)	56	(297)	(2)	(10)	(12)	(1)	(1)	14
Interest expenses	(71)	(166)	(189)	(5)	(4)	(7)	(89)	(193)	(276)
Loan loss provisions	(9)	(12)	(5)	—	(1)	—	—	—	—
Operating impairments of investments (net)	(75)	(437)	(67)	—	—	—	—	—	—
Investment expenses	(80)	(93)	(102)	(39)	(43)	(62)	(67)	(79)	(88)
Acquisition and administrative expenses (net)	(2,497)	(2,372)	(2,347)	(1,821)	(1,863)	(1,850)	(2,004)	(2,077)	(2,305)
Fee and commission expenses	(161)	(337)	(183)	(25)	(37)	(20)	(693)	(747)	(653)
Other expenses	—	—	(2)	—	—	—	—	(2)	(10)
Operating expenses	**(9,742)**	**(9,814)**	**(9,390)**	**(7,267)**	**(7,458)**	**(7,368)**	**(7,745)**	**(7,840)**	**(8,429)**
Operating profit	**964**	**1,603**	**1,562**	**776**	**1,116**	**1,076**	**257**	**683**	**1,257**
Loss ratio [2] in %	70.8	69.5	67.4	72.9	71.4	70.3	73.6	68.4	64.5
Expense ratio [3] in %	27.0	25.6	25.5	24.7	24.2	24.0	30.2	29.9	29.1
Combined ratio [4] in %	**97.8**	**95.1**	**92.9**	**97.6**	**95.6**	**94.3**	**103.8**	**98.3**	**93.6**

1) Corporate customer business in France transferred to AGCS in 2009. Prior year balances have not been adjusted.
2) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3) Represents acquisition and administrative expenses (net) divided by premiums earned (net).
4) Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).
5) Presentation not meaningful.

	Anglo Broker Markets/ Global Lines [1]			Growth Markets			Consolidation			Property-Casualty		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
	15,707	**15,384**	**15,514**	**3,156**	**3,520**	**3,112**	**(3,749)**	**(3,779)**	**(3,931)**	**42,523**	**43,387**	**44,289**
	(3,357)	(3,529)	(3,866)	(785)	(876)	(763)	3,760	3,790	3,941	(4,574)	(4,972)	(5,320)
	(149)	(135)	(192)	(12)	(81)	(91)	—	—	—	(121)	(202)	(416)
	12,201	**11,720**	**11,456**	**2,359**	**2,563**	**2,258**	**11**	**11**	**10**	**37,828**	**38,213**	**38,553**
	1,208	1,290	1,319	166	177	132	(80)	(81)	(101)	3,612	4,477	4,473
	(35)	(3)	82	1	4	29	3	4	—	118	9	178
	—	—	—	—	—	—	—	—	—	57	37	46
	139	157	174	59	62	46	(79)	(169)	(32)	1,075	1,247	1,178
	—	—	80	5	5	7	—	—	8	19	271	122
	13,513	**13,164**	**13,111**	**2,590**	**2,811**	**2,472**	**(145)**	**(235)**	**(115)**	**42,709**	**44,254**	**44,550**
	(8,096)	(7,760)	(7,485)	(1,410)	(1,523)	(1,371)	(11)	(9)	97	(26,320)	(25,986)	(25,485)
	(25)	(41)	(30)	(15)	(1)	(13)	—	—	(1)	(355)	3	(339)
	(23)	(13)	(41)	(7)	(14)	(6)	91	95	117	(104)	(295)	(402)
	(1)	(1)	—	(8)	(3)	(1)	—	—	—	(18)	(17)	(6)
	—	—	—	—	—	—	—	—	—	(75)	(437)	(67)
	(36)	(27)	(30)	(11)	(6)	(8)	(5)	(6)	(10)	(238)	(254)	(300)
	(3,426)	(3,287)	(3,382)	(797)	(875)	(768)	5	(4)	21	(10,540)	(10,478)	(10,631)
	(110)	(121)	(110)	(75)	(63)	(32)	69	164	31	(995)	(1,141)	(967)
	—	—	—	—	—	—	—	—	(1)	—	(2)	(13)
	(11,717)	**(11,250)**	**(11,078)**	**(2,323)**	**(2,485)**	**(2,199)**	**149**	**240**	**254**	**(38,645)**	**(38,607)**	**(38,210)**
	1,796	**1,914**	**2,033**	**267**	**326**	**273**	**4**	**5**	**139**	**4,064**	**5,647**	**6,340**
	66.3	66.2	65.3	59.8	59.4	60.7	—[5]	—[5]	—[5]	69.5	68.0	66.1
	28.1	28.1	29.6	33.8	34.2	34.0	—[5]	—[5]	—[5]	27.9	27.4	27.6
	94.4	**94.3**	**94.9**	**93.6**	**93.6**	**94.7**	**—[5]**	**—[5]**	**—[5]**	**97.4**	**95.4**	**93.7**

Reportable segments – Life/Health business

	German Speaking Countries			Europe I incl. South America			Europe II incl. Africa		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
Statutory premiums [1]	20,036	18,273	18,023	10,015	7,287	10,801	8,711	9,164	7,731
Ceded premiums written	(196)	(205)	(340)	(93)	(102)	(118)	(261)	(271)	(114)
Change in unearned premiums	(78)	(34)	(1)	46	85	(19)	14	(69)	82
Statutory premiums (net)	19,762	18,034	17,682	9,968	7,270	10,664	8,464	8,824	7,699
Deposits from insurance and investment contracts	(5,576)	(3,846)	(3,458)	(8,536)	(5,595)	(9,080)	(5,054)	(5,416)	(5,451)
Premiums earned (net)	**14,186**	**14,188**	**14,224**	**1,432**	**1,675**	**1,584**	**3,410**	**3,408**	**2,248**
Interest and similar income	7,501	7,628	7,318	1,334	1,344	1,284	2,535	2,476	2,629
Operating income from financial assets and liabilities carried at fair value through income (net)	5	2,018	(899)	1	37	8	359	(997)	105
Operating realized gains/losses (net)	1,104	312	2,416	49	(4)	58	564	573	1,082
Fee and commission income	27	44	38	289	339	363	89	82	55
Other income	12	112	147	—	3	3	3	3	15
Operating revenues	**22,835**	**24,302**	**23,244**	**3,105**	**3,394**	**3,300**	**6,960**	**5,545**	**6,134**
Claims and insurance benefits incurred (net)	(13,408)	(13,797)	(12,839)	(1,673)	(1,716)	(1,633)	(2,884)	(2,733)	(1,893)
Changes in reserves for insurance and investment contracts (net)	(5,062)	(3,697)	(6,857)	(151)	(143)	(242)	(1,344)	306	(1,927)
Interest expenses	(126)	(162)	(252)	(12)	(15)	(16)	(39)	(157)	(143)
Loan loss provisions	(14)	(10)	—	—	(1)	—	1	1	—
Operating impairments of investments (net)	(1,168)	(3,863)	(662)	(87)	(318)	(6)	(340)	(1,262)	(117)
Investment expenses	(361)	(340)	(393)	(29)	(35)	(38)	(162)	(168)	(158)
Acquisition and administrative expenses (net)	(1,759)	(1,572)	(1,225)	(610)	(686)	(701)	(1,381)	(1,312)	(1,127)
Fee and commission expenses	(25)	(41)	(33)	(145)	(153)	(157)	(36)	(33)	(18)
Operating restructuring charges	(15)	1	(16)	—	—	—	—	—	—
Other expenses	—	—	(1)	—	—	—	—	—	(1)
Operating expenses	**(21,938)**	**(23,481)**	**(22,278)**	**(2,707)**	**(3,067)**	**(2,793)**	**(6,185)**	**(5,358)**	**(5,384)**
Operating profit (loss)	**897**	**821**	**966**	**398**	**327**	**507**	**775**	**187**	**750**
Cost-income ratio [2] in %	**96.6**	**96.5**	**96.2**	**96.5**	**96.1**	**95.8**	**93.2**	**98.0**	**93.3**

[1] Statutory premiums are gross premiums written from sales of life and health insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.
[2] Represents deposits from insurance and investment contracts, claims and insurance benefits incurred (net), changes in reserves for insurance and investment contracts (net) and acquisition and administrative expenses (net) divided by statutory premiums (net), interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), operating realized gains/losses (net), fee and commission income, other income, interest expenses, loan loss provisions, operating impairments of investments (net), investment expenses, fee and commission expenses, operating restructuring charges and other expenses.
[3] Presentation not meaningful.

Anglo Broker Markets/ Global Lines			Growth Markets			Consolidation			Life/Health		
2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
6,907	6,405	7,281	5,330	4,694	5,748	(226)	(208)	(217)	50,773	45,615	49,367
(152)	(160)	(238)	(72)	(58)	(51)	226	208	217	(548)	(588)	(644)
—	7	20	(34)	(43)	(143)	—	—	—	(52)	(54)	(61)
6,755	6,252	7,063	5,224	4,593	5,554	—	—	—	50,173	44,973	48,662
(5,723)	(5,159)	(6,099)	(3,255)	(2,726)	(3,765)	—	—	—	(28,144)	(22,742)	(27,853)
1,032	1,093	964	1,969	1,867	1,789	—	—	—	22,029	22,231	20,809
2,135	1,796	1,742	528	493	493	(62)	35	(49)	13,971	13,772	13,417
307	(1,359)	(372)	41	(8)	31	3	—	(8)	716	(309)	(1,135)
13	2	(7)	25	(7)	28	—	(2)	2	1,755	874	3,579
36	37	165	59	73	84	(9)	(4)	(4)	491	571	701
1	1	—	1	22	18	—	(1)	(1)	17	140	182
3,524	1,570	2,492	2,623	2,440	2,443	(68)	28	(60)	38,979	37,279	37,553
(436)	(395)	(385)	(925)	(1,032)	(887)	—	—	—	(19,326)	(19,673)	(17,637)
(1,040)	(1,125)	(763)	(702)	(470)	(479)	—	7	—	(8,299)	(5,122)	(10,268)
(7)	(6)	(19)	(7)	(12)	(13)	64	69	69	(127)	(283)	(374)
(62)	(3)	—	—	—	3	—	—	—	(75)	(13)	3
(66)	(153)	(7)	(2)	(39)	(6)	—	(112)	(26)	(1,663)	(5,747)	(824)
(43)	(27)	(33)	(24)	(13)	(19)	(3)	—	1	(622)	(583)	(640)
(1,219)	(53)	(874)	(829)	(765)	(673)	—	(3)	9	(5,798)	(4,391)	(4,591)
(48)	(28)	—	—	(2)	(1)	8	4	—	(246)	(253)	(209)
—	—	—	—	—	—	—	—	—	(15)	1	(16)
—	—	—	—	(7)	—	—	—	—	—	(7)	(2)
(2,921)	(1,790)	(2,081)	(2,489)	(2,340)	(2,075)	69	(35)	53	(36,171)	(36,071)	(34,558)
603	(220)	411	134	100	368	1	(7)	(7)	2,808	1,208	2,995
93.3	103.4	95.2	97.7	98.0	94.0	—[3]	—[3]	—[3]	95.6	97.7	95.3

Reportable segments – Asset Management business

	2009 € mn	2008 € mn	2007 € mn
Net fee and commission income [1]	3,590	2,874	3,133
Net interest income [2]	30	63	80
Income from financial assets and liabilities carried at fair value through income (net)	40	(71)	32
Other income	29	28	14
Operating revenues	**3,689**	**2,894**	**3,259**
Administrative expenses (net), excluding acquisition-related expenses	(2,288)	(1,968)	(1,903)
Operating expenses	**(2,288)**	**(1,968)**	**(1,903)**
Operating profit	**1,401**	**926**	**1,356**
Cost-income ratio [3] in %	**62.0**	**68.0**	**58.4**

1) Represents fee and commission income less fee and commission expenses.
2) Represents interest and similar income less interest expenses.
3) Represents operating expenses divided by operating revenues.

Reportable segments – Corporate and Other business

	Holding & Treasury			Banking		
	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
Interest and similar income	359	819	745	708	989	884
Operating income from financial assets and liabilities carried at fair value through income (net)	(122)	135	55	17	6	8
Fee and commission income	209	53	72	389	430	528
Other income	—	1	15	—	—	—
Operating revenues	**446**	**1,008**	**887**	**1,114**	**1,425**	**1,420**
Interest expenses, excluding interest expenses from external debt	(445)	(648)	(542)	(395)	(677)	(559)
Loan loss provisions	—	—	—	(48)	(29)	(5)
Investment expenses	(81)	(150)	(164)	—	—	—
Administrative expenses (net), excluding acquisition-related expenses	(574)	(531)	(615)	(634)	(554)	(589)
Fee and commission expenses	(195)	(9)	(3)	(200)	(193)	(233)
Other expenses	—	—	—	(2)	(3)	(2)
Operating expenses	**(1,295)**	**(1,338)**	**(1,324)**	**(1,279)**	**(1,456)**	**(1,388)**
Operating profit (loss)	**(849)**	**(330)**	**(437)**	**(165)**	**(31)**	**32**
Cost-income ratio[1] in %	—[2]	—[2]	—[2]	**122.5**	**100.4**	**94.1**

1) Represents investment expenses, administrative expenses (net), excluding acquisition-related expenses and other expenses divided by interest and similar income, operating income from financial assets and liabilities carried at fair value through income (net), fee and commission income, other income, interest expenses, excluding interest expenses from external debt and fee and commission expenses.

2) Presentation not meaningful.

Alternative Investments			Consolidation			Corporate and Other		
2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn	2009 € mn	2008 € mn	2007 € mn
2	29	121	(3)	(113)	(55)	1,066	1,724	1,695
(1)	(1)	(1)	—	(2)	—	(106)	138	62
132	172	133	(7)	(5)	(20)	723	650	713
1	—	—	—	—	—	1	1	15
134	**200**	**253**	**(10)**	**(120)**	**(75)**	**1,684**	**2,513**	**2,485**
—	—	(3)	2	132	88	(838)	(1,193)	(1,016)
—	—	(10)	—	—	—	(48)	(29)	(15)
(1)	—	—	3	4	4	(79)	(146)	(160)
(142)	(178)	(150)	2	—	9	(1,348)	(1,263)	(1,345)
(4)	—	(6)	2	—	—	(397)	(202)	(242)
—	—	—	—	—	—	(2)	(3)	(2)
(147)	**(178)**	**(169)**	**9**	**136**	**101**	**(2,712)**	**(2,836)**	**(2,780)**
(13)	**22**	**84**	**(1)**	**16**	**26**	**(1,028)**	**(323)**	**(295)**
—[2]	—[2]	—[2]	—[2]	—[2]	—[2]	—[2]	—[2]	—[2]

Supplementary Information to the Consolidated Balance Sheets

7 Cash and cash equivalents

As of December 31,	2009 € mn	2008 € mn
Balances with banks payable on demand	5,243	7,760
Balances with central banks	198	456
Cash on hand	159	169
Treasury bills, discounted treasury notes, similar treasury securities, bills of exchange and checks	489	573
Total	6,089	8,958

As of December 31, 2009, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 198 mn (2008: € 363 mn).

8 Financial assets carried at fair value through income

As of December 31,	2009 € mn	2008 € mn
Financial assets held for trading		
Debt securities	363	547
Equity securities	105	99
Derivative financial instruments	1,663	1,978
Subtotal	2,131	2,624
Financial assets designated at fair value through income		
Debt securities	8,814	8,589
Equity securities	3,376	3,027
Subtotal	12,190	11,616
Total	14,321	14,240

Debt and equity securities included in financial assets held for trading

Debt and equity securities included in financial assets held for trading are primarily marketable and listed securities. As of December 31, 2009, the debt securities include € 31 mn (2008: € 55 mn) from public sector issuers and € 332 mn (2008: € 492 mn) from other issuers.

9 Investments

As of December 31,	2009 € mn	2008 € mn
Available-for-sale investments	279,045	242,099
Held-to-maturity investments	3,475	3,599
Funds held by others under reinsurance contracts assumed	1,193	1,039
Investments in associates and joint ventures	3,025	4,524
Real estate held for investment	7,514	7,551
Total	294,252	258,812

Available-for-sale investments

As of December 31,	2009				2008			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	8,202	209	(53)	8,358	7,814	177	(2)	7,989
Corporate mortgage-backed securities (residential and commercial)	8,116	76	(444)	7,748	8,714	14	(1,417)	7,311
Other asset-backed securities	3,878	119	(110)	3,887	4,858	16	(385)	4,489
Government and government agency bonds								
Germany	12,282	445	(30)	12,697	10,786	748	(11)	11,523
Italy	25,545	946	(100)	26,391	22,101	428	(353)	22,176
France	15,850	959	(34)	16,775	13,628	1,240	(42)	14,826
United States	4,181	143	(34)	4,290	3,996	343	(22)	4,317
Spain	6,798	190	(79)	6,909	5,414	299	(16)	5,697
Belgium	3,611	158	(9)	3,760	4,571	217	(2)	4,786
All other countries	42,283	1,228	(381)	43,130	34,246	1,298	(574)	34,970
Subtotal	110,550	4,069	(667)	113,952	94,742	4,573	(1,020)	98,295
Corporate bonds	113,338	4,338	(1,902)	115,774	98,864	1,367	(7,028)	93,203
Other	1,570	66	(34)	1,602	1,283	58	(18)	1,323
Subtotal	245,654	8,877	(3,210)	251,321	216,275	6,205	(9,870)	212,610
Equity securities	17,647	10,227	(150)	27,724	23,802	6,538	(851)	29,489
Total	263,301	19,104	(3,360)	279,045	240,077	12,743	(10,721)	242,099

Held-to-maturity investments

As of December 31,	2009				2008			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Government and government agency bonds								
Switzerland	601	44	—	645	615	38	—	653
Italy	234	15	—	249	374	9	(1)	382
All other countries	1,024	49	(4)	1,069	975	29	(6)	998
Subtotal	1,859	108	(4)	1,963	1,964	76	(7)	2,033
Corporate bonds [1]	1,608	68	(18)	1,658	1,622	58	(2)	1,678
Other	8	—	—	8	13	—	—	13
Total	3,475	176	(22)	3,629	3,599	134	(9)	3,724

[1] Includes also corporate mortgage-backed securities.

Unrealized losses on available-for-sale investments and held-to-maturity investments

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, segregated by investment category and length of time such investments have been in a continuous unrealized loss position as of December 31, 2009 and 2008.

As of December 31,	Less than 12 months Fair Value € mn	Less than 12 months Unrealized Losses € mn	Greater than 12 months Fair Value € mn	Greater than 12 months Unrealized Losses € mn	Total Fair Value € mn	Total Unrealized Losses € mn
2009						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	2,205	(53)	4	—	2,209	(53)
Corporate mortgage-backed securities (residential and commercial)	2,841	(127)	3,105	(317)	5,946	(444)
Other asset-backed securities	475	(18)	1,237	(92)	1,712	(110)
Government and government agency bonds	18,475	(457)	3,533	(214)	22,008	(671)
Corporate bonds	12,463	(286)	13,777	(1,634)	26,240	(1,920)
Other	290	(23)	166	(11)	456	(34)
Subtotal	36,749	(964)	21,822	(2,268)	58,571	(3,232)
Equity securities	728	(122)	76	(28)	804	(150)
Total	37,477	(1,086)	21,898	(2,296)	59,375	(3,382)
2008						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	29	(1)	133	(1)	162	(2)
Corporate mortgage-backed securities (residential and commercial)	3,749	(763)	3,196	(655)	6,945	(1,418)
Other asset-backed securities	2,014	(193)	1,673	(192)	3,687	(385)
Government and government agency bonds	7,964	(416)	8,300	(611)	16,264	(1,027)
Corporate bonds	24,090	(2,504)	25,708	(4,525)	49,798	(7,029)
Other	406	(18)	—	—	406	(18)
Subtotal	38,252	(3,895)	39,010	(5,984)	77,262	(9,879)
Equity securities	8,184	(838)	96	(13)	8,280	(851)
Total	46,436	(4,733)	39,106	(5,997)	85,542	(10,730)

Government and agency mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 53 mn as of December 31, 2009. The unrealized loss positions concern mostly issues of United States government agencies, which are primarily held by Allianz Group's North American entities. These pay-through/pass-through securities are serviced by cash flows from pools of underlying loans to mostly private debtors. The unrealized losses of these mortgage-backed securities were partly caused by interest rate increases between purchase date of the individual securities and the balance sheet date. Also in various instances, price decreases were caused by increased prepayment risk for individual loan pools that were originated in a significantly higher interest rate environment. As the decline in fair value is attributable to changes in interest rates and, to a lesser extent, instances of insignificant deterioration of credit quality and there is no immediate intent to sell the securities, the Allianz Group does not consider these investments to be impaired at December 31, 2009.

Corporate mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 444 mn as of December 31, 2009. The unrealized loss positions primarily stem from issues in the U.S. security market, which are mostly held by Allianz Group's North American entities. The largest part of these issues is backed by mortgages on commercial rather than residential real estate. The unrealized losses of these mortgage-backed securities were mostly caused by the increased volatility in credit spreads. During 2009 corporate bond performance has been positive with spreads narrowing which resulted in a decrease of the unrealized losses of € 974 mn. Based on a detailed analysis of the underlying securities and collaterals the Allianz Group does not consider these investments to be impaired at December 31, 2009.

Government and government agency bonds
Total unrealized losses amounted to € 671 mn as of December 31, 2009. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). Given the fact that the issuers of these bonds are backed by the fiscal capacity of the issuers and the issuers typically hold an "investment grade" country- and/or issue-rating, credit risk is not a significant factor. Hence, the unrealized losses on Allianz Group's investment in government bonds were mainly caused by interest rate increases between the purchase date of the individual securities and the balance sheet date. As the unrealized loss is attributable to changes in interest rates in prior years and, to a lesser extent, to instances of insignificant deterioration of credit quality, the Allianz Group does not consider these investments to be impaired at December 31, 2009.

Corporate bonds
Total unrealized losses amounted to € 1,920 mn as of December 31, 2009. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". The positive bond market performance has significantly reduced unrealized losses by € 5,109 mn. As spreads have not yet fully recovered, unrealized losses remain. This effect is characterized by a general market trend and does not allow direct conclusions on the quality of these securities. Based on a detailed analysis of the underlying securities the Allianz Group does not consider these investments to be impaired at December 31, 2009.

Equity securities
As of December 31, 2009, unrealized losses from equity securities amounted to € 150 mn. These unrealized losses concern equity securities that did not meet the criteria of Allianz Group's impairment policy for equity securities as described in Note 2. Substantially all of the unrealized losses have been in a continuous loss position for less than 6 months.

Contractual term to maturity
The amortized cost and estimated fair value of available-for-sale debt securities and held-to-maturity debt securities as of December 31, 2009, by contractual term to maturity, are as follows:

As of December 31, 2009	Amortized Cost € mn	Fair Value € mn
Available-for-sale debt securities		
Due in 1 year or less	17,558	18,521
Due after 1 year and up to 5 years	82,536	83,998
Due after 5 years and up to 10 years	66,480	69,480
Due after 10 years	79,080	79,322
Total	**245,654**	**251,321**
Held-to-maturity debt securities		
Due in 1 year or less	171	175
Due after 1 year and in up to 5 years	1,432	1,525
Due after 5 years and in up to 10 years	811	845
Due after 10 years	1,061	1,084
Total	**3,475**	**3,629**

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

Equity investments carried at cost
As of December 31, 2009, fair values could not be reliably measured for equity investments with carrying amounts totaling € 375 mn (2008: € 473 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended December 31, 2009, such investments with carrying amounts of € — mn (2008: € 18 mn) were sold leading to gains of € — mn (2008: € 1 mn) and losses of € — mn (2008: € — mn).

Investments in associates and joint ventures
As of December 31, 2009, loans to associated enterprises and joint ventures and available-for-sale debt securities issued by associated enterprises and joint ventures held by the Allianz Group amounted to € 114 mn (2008: € 73 mn). As of December 31, 2009, the fair value of investments in associates and joint ventures was € 3,045 mn (2008: € 4,560 mn).

Real estate held for investment

	2009 €mn	2008 €mn	2007 €mn
Cost as of January 1,	10,139	10,114	13,039
Accumulated depreciation as of January 1,	(2,588)	(2,356)	(3,484)
Carrying amount as of January 1,	**7,551**	**7,758**	**9,555**
Additions	325	385	406
Changes in the consolidated subsidiaries of the Allianz Group	—	14	3
Disposals	(197)	(296)	(564)
Reclassifications	180	(102)	69
Reclassifications out of/(into) non-current assets and assets of disposal groups classified as held for sale	—	(62)	(1,382)
Foreign currency translation adjustments	14	93	(92)
Depreciation	(174)	(165)	(192)
Impairments	(199)	(128)	(51)
Reversals of impairments	14	54	6
Carrying amount as of December 31,	**7,514**	**7,551**	**7,758**
Accumulated depreciation as of December 31,	2,899	2,588	2,356
Cost as of December 31,	10,413	10,139	10,114

As of December 31, 2009, the fair value of real estate held for investment was € 11,444 mn (2008: € 11,995 mn). As of December 31, 2009, real estate held for investment pledged as security and other restrictions on title were € 146 mn (2008: € 143 mn).

10 Loans and advances to banks and customers

As of December 31,	2009			2008		
	Banks €mn	Customers €mn	Total €mn	Banks €mn	Customers €mn	Total €mn
Short-term investments and certificates of deposit	10,530	—	10,530	9,622	—	9,622
Reverse repurchase agreements	848	19	867	1,612	5	1,617
Loans	69,845	44,313	114,158	64,315	38,255	102,570
Other	3,525	60	3,585	3,223	77	3,300
Subtotal	**84,748**	**44,392**	**129,140**	**78,772**	**38,337**	**117,109**
Loan loss allowance	—	(144)	(144)	—	(119)	(119)
Total	**84,748**	**44,248**	**128,996**	**78,772**	**38,218**	**116,990**

Loans and advances to banks and customers by contractual maturity

As of December 31, 2009	Up to 3 months €mn	> 3 months up to 1 year €mn	> 1 year up to 3 years €mn	> 3 years up to 5 years €mn	Greater than 5 years €mn	Total €mn
Loans and advances to banks	11,190	7,097	10,528	10,392	45,541	84,748
Loans and advances to customers	2,185	2,914	5,300	6,502	27,491	44,392
Total	**13,375**	**10,011**	**15,828**	**16,894**	**73,032**	**129,140**

Loans and advances to banks and customers by geographic region

As of December 31,	2009			2008		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Short-term investments and certificates of deposit	5,406	5,124	10,530	2,957	6,665	9,622
Reverse repurchase agreements	—	867	867	—	1,617	1,617
Loans	94,417	19,741	114,158	87,230	15,340	102,570
Other	1,227	2,358	3,585	287	3,013	3,300
Subtotal	**101,050**	**28,090**	**129,140**	**90,474**	**26,635**	**117,109**
Loan loss allowance	(70)	(74)	(144)	(62)	(57)	(119)
Total	**100,980**	**28,016**	**128,996**	**90,412**	**26,578**	**116,990**

Loans and advances to customers (prior to loan loss allowances) by economic sector

As of December 31,	2009 € mn	2008 € mn
Germany		
Corporate Customers		
Manufacturing industry	1,075	792
Construction	311	271
Wholesale and retail trade	405	425
Financial institutions (excluding banks) and insurance companies	122	148
Service providers	1,503	1,126
Other	1,572	1,468
Subtotal	**4,988**	**4,230**
Public authorities	**6,812**	**3,665**
Private customers	**18,125**	**18,387**
Subtotal	**29,925**	**26,282**
Other countries		
Corporate Customers		
Industry, wholesale and retail trade and service providers	5,500	4,129
Financial institutions (excluding banks) and insurance companies	989	614
Other	2,245	2,229
Subtotal	**8,734**	**6,972**
Public authorities	**115**	**161**
Private customers	**5,618**	**4,922**
Subtotal	**14,467**	**12,055**
Total	**44,392**	**38,337**

Reconciliation of allowances for credit losses by class of financial assets

As of December 31, 2009, the overall volume of allowance for credit losses includes loan loss allowances deducted from loans and advances to banks and customers in the amount of € 144 mn (2008: € 119 mn; 2007: € 830 mn) and provisions for credit losses included in other liabilities in the amount of € 8 mn (2008: € 8 mn; 2007: € 201 mn).

	Loan loss allowance			Provision for credit losses			Total		
	2009 € mn	2008 € mn	2007 [2] € mn	2009 € mn	2008 € mn	2007 [2] € mn	2009 € mn	2008 € mn	2007 [2] € mn
As of January 1,	**119**	**830**	**1,054**	**8**	**201**	**261**	**127**	**1,031**	**1,315**
Additions charged to the consolidated income statements	212	118	537	3	3	35	215	121	572
Unwinding interest income [1]	—	—	(8)	—	—	—	—	—	(8)
Charge-offs	(157)	(73)	(376)	—	—	—	(157)	(73)	(376)
Releases	(35)	(31)	(397)	(4)	(4)	(88)	(39)	(35)	(485)
Other additions (reductions)	3	(1)	35	1	—	(6)	4	(1)	29
Foreign currency translation adjustments	2	(3)	(15)	—	—	(1)	2	(3)	(16)
Reclassifications to non-current assets and assets of disposal groups classified as held for sale	—	(721)	—	—	(192)	—	—	(913)	—
As of December 31,	**144**	**119**	**830**	**8**	**8**	**201**	**152**	**127**	**1,031**

[1] For the year ended December 31, 2007 the unwinding interest income includes loans in the homogeneous portfolio belonging to the Allianz Group in Germany.
[2] Includes for 2007 Dresdner Bank.

The following table presents information relating to the Allianz Group's impaired loans:

As of December 31,	2009 € mn	2008 € mn
Impaired loans	1,149	654
Impaired loans with specific allowances	1,129	645
Average balance of impaired loans	713	652
Interest income recognized on impaired loans	4	6

11 Reinsurance assets

As of December 31,	2009 € mn	2008 € mn
Unearned premiums	1,424	1,294
Reserves for loss and loss adjustment expenses	7,456	8,180
Aggregate policy reserves	4,613	5,018
Other insurance reserves	66	107
Total	**13,559**	**14,599**

Changes in aggregate policy reserves ceded to reinsurers are as follows:

	2009 € mn	2008 € mn	2007 € mn
Carrying amount as of January 1,	**5,018**	**5,319**	**8,223**
Foreign currency translation adjustments	(82)	150	(311)
Changes recorded in the consolidated income statements	(11)	(47)	108
Other changes [1]	(312)	(404)	(2,701)
Carrying amount as of December 31,	**4,613**	**5,018**	**5,319**

[1] Primarily relating to changes of quota share reinsurance agreements.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. In general international corporate and specialty business is either underwritten directly or assumed by Allianz Global Corporate & Specialty ("AGCS") from other Allianz Group's subsidiaries. AGCS buys global reinsurance cover in the external reinsurance market, other parts are reinsured internally by Allianz SE. The Allianz Group maintains a centralized program for natural catastrophe events that pools exposures from a number of subsidiaries by internal reinsurance agreements with Allianz SE. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group maintain individual reinsurance programs. Allianz SE participates as a reinsurer on an arms' length basis in these programs.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the Allianz Group from primary liability under the reinsured policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which includes the credit risk claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting from their reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial measures to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of December 31, 2009 and 2008. The Allianz Group is primarily exposed to highly rated reinsurers.

12 Deferred acquisition costs

As of December 31,	2009 € mn	2008 € mn
Deferred acquisition costs		
Property-Casualty	3,789	3,721
Life/Health	14,748	16,709
Asset Management	149	147
Subtotal	**18,686**	**20,577**
Present value of future profits	**1,212**	**1,239**
Deferred sales inducements	**725**	**747**
Total	**20,623**	**22,563**

Deferred acquisition costs

	2009 € mn	2008 € mn	2007 € mn
Property-Casualty			
Carrying amount as of January 1,	**3,721**	**3,675**	**3,692**
Additions	4,506	3,754	4,161
Changes in the consolidated subsidiaries of the Allianz Group	—	(13)	66
Foreign currency translation adjustments	54	(85)	(72)
Amortization	(4,492)	(3,610)	(4,172)
Carrying amount as of December 31,	**3,789**	**3,721**	**3,675**
Life/Health			
Carrying amount as of January 1,	**16,709**	**14,118**	**13,619**
Additions	2,285	2,400	2,649
Changes in the consolidated subsidiaries of the Allianz Group	—	18	—
Foreign currency translation adjustments	(62)	53	(555)
Amortization [1]	(4,184)	120	(1,595)
Carrying amount as of December 31,	**14,748**	**16,709**	**14,118**
Asset Management	**149**	**147**	**94**
Total	**18,686**	**20,577**	**17,887**

[1] For the year ended December 31, 2009, consists of amortization of € (2,491) mn (2008: € (1,240) mn; 2007: € (1,577) mn) and of changes of shadow accounting of € (1,693) mn (2008: € 1,360 mn; 2007: € (18) mn).

Present value of future profits

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	2,415	2,344	2,359
Accumulated amortization as of January 1,	(1,176)	(1,138)	(1,132)
Carrying amount as of January 1,	**1,239**	**1,206**	**1,227**
Changes in the consolidated subsidiaries of the Allianz Group	230	54	5
Foreign currency translation adjustments	(2)	3	(6)
Amortization [1]	(255)	(24)	(20)
Carrying amount as of December 31,	**1,212**	**1,239**	**1,206**
Accumulated amortization as of December 31,	1,482	1,176	1,138
Cost as of December 31,	2,694	2,415	2,344

1) During the year ended December 31, 2009, includes interest accrued on unamortized PVFP of € 40 mn (2008: € 65 mn; 2007: € 70 mn).

As of December 31, 2009, the percentage of PVFP that is expected to be amortized in 2010 is 13.23 % (12.76 % in 2011, 11.87 % in 2012, 10.51 % in 2013 and 9.49 % in 2014).

Deferred sales inducements

	2009 € mn	2008 € mn	2007 € mn
Carrying amount as of January 1,	**747**	**520**	**547**
Additions	256	91	86
Foreign currency translation adjustments	(20)	28	(59)
Amortization [1]	(258)	108	(54)
Carrying amount as of December 31,	**725**	**747**	**520**

1) For the year ended December 31, 2009, consists of amortization of € (117) mn (2008: € 10 mn; 2007: € (52) mn) and of changes of shadow accounting of € (141) mn (2008: € 98 mn; 2007: € (2) mn).

13 Other assets

As of December 31,	2009 € mn	2008 € mn
Receivables		
Policyholders	4,865	4,467
Agents	3,922	4,129
Reinsurers	2,437	2,989
Other	3,480	3,068
Less allowance for doubtful accounts	(564)	(499)
Subtotal	**14,140**	**14,154**
Tax receivables		
Income taxes	2,277	2,467
Other taxes	950	813
Subtotal	**3,227**	**3,280**
Accrued dividends, interest and rent	**6,865**	**5,918**
Prepaid expenses		
Interest and rent	20	28
Other prepaid expenses	284	313
Subtotal	**304**	**341**
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	**304**	**1,101**
Property and equipment		
Real estate held for own use	2,916	3,122
Software	1,297	1,116
Equipment	803	823
Fixed assets of Alternative Investments	822	419
Subtotal	**5,838**	**5,480**
Other assets [1]	**2,369**	**3,730**
Total	**33,047**	**34,004**

1) As of December 31, 2009, includes prepaid benefit costs for defined benefit plans of € 276 mn (2008: € 256 mn).

Other assets due within one year amounted to € 24,898 mn (2008: € 29,490 mn), and those due after more than one year totaled € 8,149 mn (2008: € 4,514 mn).

Property and equipment

Real estate held for own use

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	4,136	4,847	6,153
Accumulated depreciation as of January 1,	(1,014)	(1,139)	(1,395)
Carrying amount as of January 1,	**3,122**	**3,708**	**4,758**
Additions	84	227	194
Changes in the consolidated subsidiaries of the Allianz Group	27	27	(159)
Disposals	(31)	(61)	(248)
Reclassifications	(240)	239	(61)
Reclassifications out of/(into) non-current assets and assets of disposal groups classified as held for sale	4	(902)	(574)
Foreign currency translation adjustments	31	(40)	(47)
Depreciation	(81)	(78)	(139)
Impairments	—	(9)	(17)
Reversals of impairments	—	11	1
Carrying amount as of December 31,	**2,916**	**3,122**	**3,708**
Accumulated depreciation as of December 31,	1,092	1,014	1,139
Cost as of December 31,	4,008	4,136	4,847

As of December 31, 2009, the fair value of real estate held for own use was € 4,053 mn (2008: € 4,497 mn). As of December 31, 2009, assets pledged as security and other restrictions on title were € 262 mn (2008: € 216 mn).

Software

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	3,400	3,946	3,764
Accumulated amortization as of January 1,	(2,284)	(2,781)	(2,686)
Carrying amount as of January 1,	**1,116**	**1,165**	**1,078**
Additions	492	540	582
Changes in the consolidated subsidiaries of the Allianz Group	(2)	(10)	(9)
Disposals	(45)	(55)	(58)
Foreign currency translation adjustments	(3)	1	(21)
Amortization	(275)	(288)	(406)
Impairments	(4)	(3)	(1)
Reclassification out of/(into) non-current assets and assets of disposal groups classified as held for sale [1]	18	(234)	—
Carrying amount as of December 31, [2]	**1,297**	**1,116**	**1,165**
Accumulated amortization as of December 31,	2,531	2,284	2,781
Cost as of December 31,	3,828	3,400	3,946

[1] Includes software of Dresdner Bank and Selecta.
[2] As of December 31, 2009, includes € 812 mn (2008: € 701 mn; 2007: € 746 mn) for software developed inhouse and € 485 mn (2008: € 415 mn; 2007: € 419 mn) for software purchased from third parties.

Equipment

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	3,102	4,189	4,674
Accumulated depreciation as of January 1,	(2,279)	(2,876)	(3,261)
Carrying amount as of January 1,	**823**	**1,313**	**1,413**
Additions	295	318	410
Changes in the consolidated subsidiaries of the Allianz Group	6	(48)	(3)
Disposals	(124)	(59)	(170)
Reclassifications out of/(into) non-current assets and assets of disposal groups classified as held for sale [1]	—	(482)	—
Foreign currency translation adjustments	13	(14)	(33)
Depreciation	(206)	(190)	(302)
Impairments	(4)	(15)	(2)
Carrying amount as of December 31,	**803**	**823**	**1,313**
Accumulated depreciation as of December 31,	2,508	2,279	2,876
Cost as of December 31,	3,311	3,102	4,189

[1] Includes in 2008 equipment of Dresdner Bank.

Fixed assets of Alternative Investments [1]

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	538	426	231
Accumulated depreciation as of January 1,	(119)	(73)	(13)
Carrying amount as of January 1,	**419**	**353**	**218**
Additions	153	76	146
Changes in the consolidated subsidiaries of the Allianz Group	164	35	272
Disposals	(7)	(1)	(3)
Reclassifications out of/(into) non-current assets and assets of disposal groups classified as held for sale [2]	309	—	(238)
Foreign currency translation adjustments	(4)	—	(1)
Depreciation	(212)	(44)	(41)
Carrying amount as of December 31,	**822**	**419**	**353**
Accumulated depreciation as of December 31,	330	119	73
Cost as of December 31,	1,152	538	426

[1] Includes fixed assets of wind parks, manroland and Selecta.
[2] Includes fixed assets of Selecta.

14 Non-current assets and assets and liabilities of disposal groups classified as held for sale

As of December 31,	2009 € mn	2008 € mn
Non-current assets and assets of disposal groups classified as held for sale		
Dresdner Bank Group	—	417,874
Selecta AG	—	1,639
Total	—	**419,513**
Liabilities of disposal groups classified as held for sale		
Dresdner Bank Group	—	410,469
Selecta AG	—	1,347
Total	—	**411,816**

Dresdner Bank Group

As described in Note 4, the sale of Dresdner Bank was completed on January 12, 2009. Accordingly, assets and liabilities of Dresdner Bank were deconsolidated in the first quarter 2009.

Selecta AG

Given the market environment in the first half of 2009 the intended sale of Selecta has been deferred in order to optimise investment proceeds.

As a result, firstly the assets and liabilities of Selecta were reclassified from “non-current assets and assets and liabilities of disposal groups classified as held for sale” as of June 30, 2009 based on their original IFRS presentation.

Secondly, the non-current assets of Selecta were remeasured at the date of reclassification to reflect the carrying amounts the assets would have had in the absence of the held for sale classification from the end of the fourth quarter 2007 until the end of the second quarter 2009. This resulted in depreciation and amortization expenses net of deferred income taxes of € 120 mn.

If Selecta was not classified as held for sale in the comparative periods presented, net income from continuing operations would have been € 67 mn lower for the year ended December 31, 2008 due to amortization and depreciation of the non-current assets of Selecta.

15 Intangible assets

As of December 31,	2009 € mn	2008 € mn
Intangible assets with indefinite useful lives		
Goodwill	12,014	11,221
Brand names [1]	309	24
Subtotal	**12,323**	**11,245**
Intangible assets with finite useful lives		
Long-term distribution agreement with Commerzbank AG	620	—
Customer relationships	352	—
Other [2]	181	206
Subtotal	**1,153**	**206**
Total	**13,476**	**11,451**

1) Includes in 2009 primarily the brand name of Selecta AG, Muntelier, as this subsidiary is reclassified out of disposal groups classified as held for sale.
2) Includes primarily research and development costs of € 81 mn (2008: € 97 mn) and bancassurance agreements of € 14 mn (2008: € 16 mn).

Amortization expense of intangible assets with finite useful lives is estimated to be € 74 mn in 2010, € 71 mn in 2011, € 63 mn in 2012, € 62 mn in 2013 and € 62 mn in 2014.

Goodwill

	2009 € mn	2008 € mn	2007 € mn
Cost as of January 1,	11,445	12,677	12,368
Accumulated impairments as of January 1,	(224)	(224)	(224)
Carrying amount as of January 1,	**11,221**	**12,453**	**12,144**
Additions	468	247	1,153
Foreign currency translation adjustments	(113)	32	(372)
Impairments	(53)	—	—
Reclassification out of/(into) non-current assets and assets of disposal groups classified as held for sale	491	(1,511)	(472)
Carrying amount as of December 31,	**12,014**	**11,221**	**12,453**
Accumulated impairments as of December 31,	277	224	224
Cost as of December 31,	12,291	11,445	12,677

2009

Additions include goodwill from the acquisition of a 100 % participation in cominvest Asset Management GmbH, Frankfurt am Main.

The allocated goodwill of the cash generating unit Banking was impaired as a result of the annual impairment test.

The reclassification affects the goodwill of Selecta AG, Muntelier, as this subsidiary is reclassified out of disposal groups held for sale.

2008

The reclassification affects the goodwill of Dresdner Bank, Frankfurt am Main, as this subsidiary was reclassified to non-current assets and assets of disposal groups classified as held for sale.

2007

The reclassification affects the goodwill of Selecta AG, Muntelier, as this subsidiary was reclassified to disposal groups held for sale.

Impairment test for goodwill and intangible assets with indefinite useful lives

For purposes of impairment testing, the Allianz Group has allocated goodwill to cash generating units. These cash generating units represent the lowest level at which goodwill is monitored for internal measurement purposes.

The Allianz Group has allocated goodwill to nine cash generating units in the Property-Casualty segment, six cash generating units in the Life/Health segment, one cash generating unit in the Asset Management segment and two cash generating units in the Corporate and Other segment.

The impairment test 2009 was performed based on the new Board structures effective in 2010, whereas the test conclusions remain the same using the 2009 Board structure. In 2008 the goodwill of Dresdner Bank AG and the brand name "Dresdner Bank" were reclassified to non-current assets and assets of disposal groups classified as held for sale. As of January 12, 2009, Dresdner Bank AG was sold to Commerzbank AG. The goodwill for Oldenburgische Landesbank AG is allocated to the cash generating unit Banking. For purposes of impairment testing the capitalized long-term distribution agreement with Commerzbank AG has been allocated to the cash generating unit German Speaking Countries in the Life/Health segment because the cash flows are economically generated in this cash generating unit. As a result of the impairment test in 2009, the goodwill of the cash generating unit Banking was impaired by € 53 mn.

Cash generating units of the Property-Casualty segment are:

- German Speaking Countries,
- Europe I & II, including France, Netherlands, Belgium, Luxembourg, Italy, Spain, Portugal, Greece, Turkey and Africa,
- South America,
- Asia-Pacific & Middle East,
- New Europe, including Bulgaria, Croatia, Czech Republic, Hungary, Slovakia, Poland, Romania and Russia,
- Global Insurance Lines & Anglo Markets,
- NAFTA Markets,

- Specialty Lines I, including Allianz Global Corporate & Specialty and Credit Insurance,
- Specialty Lines II, including Travel Insurance and Assistance Services.

Cash generating units of the Life/Health segment are:

- German Speaking Countries,
- Health Germany,
- Europe I & II, including France, Netherlands, Belgium, Luxembourg, Italy, Spain, Portugal, Greece, Turkey and Africa,
- Asia-Pacific & Middle East,
- Global Insurance Lines & Anglo Markets,
- NAFTA Markets.

Cash generating units of the Corporate and Other segment are:

- Banking,
- Alternative Investments.

The recoverable amounts of all cash generating units are determined on the basis of value in use calculations. The Allianz Group applies generally acknowledged valuation principles to determine the value in use. In this regard, the Allianz Group utilizes the capitalized earnings method to derive the value in use for all cash generating units in the Property-Casualty segment as well as for the cash generating units Asset Management, Health Germany, Alternative Investments and Banking.

Generally, the basis for the determination of the capitalized earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns and eternal growth rates which can be assumed to be realistic on a long term basis ("terminal value") of the companies included in the cash generating units. The capitalized earnings value is calculated by discounting the future earnings using an appropriate discount rate. The business plans applied in the value in use are the results of the structured management dialogues between the Board of Management of the Allianz Group and the companies in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years and are based on current market environment. The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted so that long-term sustainable earnings are reflected. The financing of the assumed eternal growth in the terminal values is accounted for by appropriate profit retention.

The discount rate is based on the capital asset pricing model and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are in general consistent with the parameters used in the Allianz Group's planning and controlling process, specifically those utilized in the calculation of Economic Value Added®.

The discount rates and eternal growth rates for the significant cash generating units are as follows:

Cash generating unit	Discount rate %	Eternal growth rate %
Property-Casualty		
German Speaking Countries	7.6	1.5
Europe I & II	8.0	1.5
South America	14.3	3.0
Asia-Pacific & Middle East	9.7	3.0
New Europe	11.9	4.0
Global Insurance Lines & Anglo Markets	8.3	1.5
NAFTA Markets	7.8	1.5
Specialty Lines I	7.8	1.0
Specialty Lines II	7.9	2.0
Life/Health		
Health Germany	7.8	1.5
Asset Management	7.9	1.0
Banking		
Western Europe	8.2	1.0
New Europe	12.3	3.0

In the context of the determination of recoverable amounts sensitivity analyses with regard to key value drivers have been performed. For all cash generating units excluding Asia-Pacific & Middle East and New Europe in the Property-Casualty segment, NAFTA Markets in the Life/Health segment and Banking, the sensitivities still exceed respective carrying values.

For all cash generating units in the Life/Health segment, with the exception of the U.S., the fair value for the goodwill impairment test is based on an Appraisal Value which is derived from the Market Consistent Embedded Value, and a multiple of the Market Consistent Value of new business.

The Market Consistent Embedded Value is an industry specific valuation method to determine the fair value of the current in-force portfolio and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach utilized is based on the Allianz Group's Embedded Value guidelines.

For the U.S. instead of the Market Consistent Embedded Value the Appraisal Value was derived from a traditional Embedded Value calculation.

The carrying amounts of goodwill and brand names allocated to Allianz Group's cash generating units as of December 31, 2009 and 2008 are as follows:

As of December 31,	2009		2008	
Cash generating units	Goodwill € mn	Brand names € mn	Goodwill € mn	Brand names € mn
Property-Casualty				
German Speaking Countries	278	—	277	—
Europe I & II	868	—	868	—
South America	21	—	21	—
Asia-Pacific & Middle East	78	—	79	—
New Europe	576	23	603	24
Global Insurance Lines & Anglo Markets	286	—	273	—
NAFTA Markets	94	—	115	—
Specialty Lines I	38	—	18	—
Specialty Lines II	18	—	18	—
Subtotal	**2,257**	**23**	**2,272**	**24**
Life/Health				
German Speaking Countries	563	—	554	—
Germany Health	325	—	325	—
Europe I & II	648	—	648	—
NAFTA Markets	431	—	435	—
Asia-Pacific & Middle East	320	—	320	—
Subtotal	**2,287**	**—**	**2,282**	**—**
Asset Management	**6,690**	**—**	**6,325**	**—**
Corporate and Other				**—**
Banking	146	—	199	—
Alternative Investments	634	286	143	—
Subtotal	**780**	**286**	**342**	**—**
Total	**12,014**	**309**	**11,221**	**24**

Brand name

2009

The brand name "Selecta" was reclassified out of disposal groups held for sale. The brand name "Selecta" has an indefinite life, as there is no foreseeable end to its economic life; therefore, it is not subject to amortization and it is recorded at cost less accumulated impairments. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

2008

The brand name "Dresdner Bank" was reclassified to held for sale and separately tested for impairment according to IFRS 5.

2007

The brand name "Dresdner Bank" has an indefinite life, as there is no foreseeable end to its economic life; therefore, it was not subject to amortization and it is recorded at cost less accumulated impairments. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

Intangible assets with finite useful lives

The longterm distribution agreements have useful lives of 13.5 years and 15 years, which were determined by contractual agreements. They are amortized on a straight line basis over the remaining useful lives of 13.5 years and 14 years.

The customer relationships of cominvest and Selecta have useful lives of 4 years and 10 years, which were determined by average customer retention period for German mutual funds and by the multi-period excess earnings method. They are amortized on a straight line basis over the remaining useful lives of 3 years and 7.5 years.

16 Financial liabilities carried at fair value through income

As of December 31,	2009 € mn	2008 € mn
Financial liabilities held for trading		
Derivative financial instruments	6,660	6,242
Other trading liabilities	83	2
Subtotal	**6,743**	**6,244**
Financial liabilities designated at fair value through income	—	—
Total	**6,743**	**6,244**

17 Liabilities to banks and customers

As of December 31,	2009			2008		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Payable on demand	366	4,106	4,472	311	4,096	4,407
Savings deposits	—	1,980	1,980	—	1,790	1,790
Term deposits and certificates of deposit	1,188	2,185	3,373	1,296	3,035	4,331
Repurchase agreements	1,025	172	1,197	—	568	568
Collateral received from securities lending transactions	44	—	44	627	—	627
Other	6,885	3,297	10,182	3,194	3,534	6,728
Total	**9,508**	**11,740**	**21,248**	**5,428**	**13,023**	**18,451**

Liabilities to banks and customers by contractual maturity

As of December 31, 2009	Up to 3 months € mn	> 3 months up to 1 year € mn	> 1 year up to 3 years € mn	> 3 years up to 5 years € mn	Greater than 5 years € mn	Total € mn
Liabilities to banks	3,630	530	2,772	462	2,114	9,508
Liabilities to customers	9,421	897	367	265	790	11,740
Total	**13,051**	**1,427**	**3,139**	**727**	**2,904**	**21,248**

Liabilities to banks and customers by type of customer and geographic region

As of December 31,	2009			2008		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Liabilities to banks	**5,250**	**4,258**	**9,508**	**2,854**	**2,574**	**5,428**
Liabilities to customers						
Corporate customers	2,529	1,518	4,047	2,052	2,051	4,103
Public authorities	289	5	294	168	8	176
Private customers	4,485	2,914	7,399	5,410	3,334	8,744
Subtotal	**7,303**	**4,437**	**11,740**	**7,630**	**5,393**	**13,023**
Total	**12,553**	**8,695**	**21,248**	**10,484**	**7,967**	**18,451**

As of December 31, 2009, liabilities to customers include € 1,017 mn (2008: € 633 mn) of non-interest bearing deposits.

18 Unearned premiums

As of December 31,	2009 € mn	2008 € mn
Property-Casualty	13,471	12,984
Life/Health	2,210	2,258
Consolidation	(5)	(9)
Total	**15,676**	**15,233**

19 Reserves for loss and loss adjustment expenses

As of December 31,	2009 € mn	2008 € mn
Property-Casualty	55,715	55,616
Life/Health	8,738	8,320
Consolidation	(12)	(12)
Total	**64,441**	**63,924**

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment

	2009			2008			2007		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of January 1,	**55,616**	**(7,820)**	**47,796**	**56,943**	**(8,266)**	**48,677**	**58,664**	**(9,333)**	**49,331**
Loss and loss adjustment expenses incurred									
Current year	30,072	(2,685)	27,387	30,398	(2,969)	27,429	29,839	(2,994)	26,845
Prior years	(1,962)	895	(1,067)	(2,241)	798	(1,443)	(1,708)	348	(1,360)
Subtotal	**28,110**	**(1,790)**	**26,320**	**28,157**	**(2,171)**	**25,986**	**28,131**	**(2,646)**	**25,485**
Loss and loss adjustment expenses paid									
Current year	(14,159)	791	(13,368)	(14,049)	919	(13,130)	(13,749)	1,118	(12,631)
Prior years	(14,531)	1,732	(12,799)	(13,607)	1,602	(12,005)	(14,206)	1,952	(12,254)
Subtotal	**(28,690)**	**2,523**	**(26,167)**	**(27,656)**	**2,521**	**(25,135)**	**(27,955)**	**3,070**	**(24,885)**
Foreign currency translation adjustments and other changes [1]	679	(88)	591	(497)	48	(449)	(2,022)	666	(1,356)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	—	127	(39)	88	125	(23)	102
Reclassifications [2]	—	—	—	(1,458)	87	(1,371)	—	—	—
As of December 31,	**55,715**	**(7,175)**	**48,540**	**55,616**	**(7,820)**	**47,796**	**56,943**	**(8,266)**	**48,677**

[1] Includes effects of foreign currency translation adjustments for loss and loss adjustment expenses for prior years claims of gross € 607 mn (2008: € (313) mn; 2007: € (1,690) mn) and of net € 536 mn (2008: € (284) mn; 2007: € (1,052) mn).

[2] Since the first Quarter of 2008, health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

Prior years' loss and loss adjustment expenses incurred reflect the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended December 31, 2009, the Allianz Group recorded additional income of € 1,067 mn (2008: € 1,443 mn; 2007: € 1,360 mn) with respect of losses occurring in prior years. During the year ended December 31, 2009, these amounts as percentages of the net balance of the beginning of the year were 2.2 % (2008: 3.0 %; 2007: 2.8 %).

Development of the reserves for loss and loss adjustment expenses for the Property-Casualty segment

The following table illustrates the development of the reserves for loss and loss adjustment expenses over the past five years. The table presents calendar year data, not accident year data. In addition, the table includes (excludes) subsidiaries from the date acquired (disposed).

	2004 € mn	2005 € mn	2006 € mn	2007 € mn	2008 € mn	2009 € mn
Reserves for loss and loss adjustment expenses (net)	**45,480**	**49,655**	**49,331**	**48,677**	**47,796**	**48,540**
Reserves for loss and loss adjustment expenses (ceded)	10,049	10,604	9,333	8,266	7,820	7,175
Reserves for loss and loss adjustment expenses (gross)	55,529	60,259	58,664	56,943	55,616	55,715
Paid (cumulative) as of						
One year later	10,716	12,241	12,254	12,005	12,799	
Two years later	16,326	18,093	17,863	17,455		
Three years later	20,119	22,058	21,568			
Four years later	22,926	24,807				
Five years later	25,145					
Liabilities re-estimated as of						
One year later	45,595	47,725	46,919	45,579	47,265	
Two years later	43,570	45,145	43,988	44,300		
Three years later	42,293	43,695	43,375			
Four years later	41,315	43,183				
Five years later	41,187					
Cumulative surplus						
Gross surplus [1]	5,514	8,316	7,817	5,846	1,355	
Gross surplus after changes in the consolidated subsidiaries of the Allianz Group [2]	5,514	8,316	7,817	4,388	1,355	
Net surplus [1]	4,293	6,473	5,956	4,377	531	
Net surplus after changes in the consolidated subsidiaries of the Allianz Group [2]	4,293	6,473	5,956	3,006	531	
Net surplus as percentage of initial reserves	**9.4%**	**13.0%**	**12.1%**	**6.2%**	**1.1%**	

1) Gross/Net surplus represents the cumulative surplus from re-estimating the reserves for loss and loss adjustment expenses for prior years claims and includes foreign currency translation adjustments of gross € 607 mn (2008: € 313 mn) and net € 536 mn (2008: € 284 mn). This leads to an effective run off result excluding effects of foreign currency translation of gross € 1,962 mn (2008: € 2,241 mn) and net € 1,067 mn (2008: € 1,443 mn) which can be found in the table for changes in the reserves for loss and loss adjustment expenses within this section. Please note that the 2008 numbers refer to the surplus presented in the consolidated financial statements 2008 and not the cumulative surplus of the calendar year 2008 presented in the table above.

2) Three major reclassifications occurred in 2008 in which the accident and health unit of AGF IART and the health unit from AZ Belgium were transferred from the Property-Casualty segment into the Life/Health segment and the AGF Brazil health unit was transferred from the Life/Health segment into the Property-Casualty segment, accounting for the € 1,458 mn gross effect and € 1,371 mn net effect in 2008. The effect on the liability re-estimated consists of effects on paid and unpaid losses for prior years in the year of the transaction, while the effect of (divestitures)/acquisitions presented in the table "Changes in the reserves for loss and loss adjustment expenses" states the total amount of loss reserves being deconsolidated or consolidated for the first time.

Discounted reserves for loss and loss adjustment expenses

As of December 31, 2009 and 2008, the Allianz Group Property-Casualty reserves for loss and loss adjustment expenses reflected discounts of € 1,124 mn and € 1,139 mn, respectively. The discount reflected in the reserves is related to annuities for certain long-tailed liabilities, primarily in workers' compensation, personal accident, general liability, motor liability, individual and group health disability and employers' liability.

All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable.

The following table shows, by line of business, the carrying amounts of reserves for loss and loss adjustment expenses that have been discounted, and the interest rates used for discounting:

	Discounted reserves for loss and loss adjustment expenses		Amount of the discount		Interest rate used for discounting	
As of December 31,	2009 € mn	2008 € mn	2009 € mn	2008 € mn	2009 %	2008 %
Motor liability	583	632	426	446	2.25 – 5.55	1.40 – 5.25
General liability	184	190	156	164	2.25 – 5.55	1.40 – 5.25
Personal accident	360	325	218	201	2.25 – 4.00	2.25 – 4.00
Workers compensation / Employers liability	533	539	312	309	3.00 – 5.55	3.00 – 5.25
Others	15	26	12	19	2.25 – 5.55	1.40 – 5.25
Total	**1,675**	**1,712**	**1,124**	**1,139**	—	—

20 Reserves for insurance and investment contracts

As of December 31,	2009 € mn	2008 € mn
Aggregate policy reserves	297,112	278,700
Reserves for premium refunds	24,430	17,195
Other insurance reserves	646	662
Total	**322,188**	**296,557**

Aggregate policy reserves

As of December 31,	2009 € mn	2008 € mn
Participating life insurance contracts	132,774	129,859
Traditional long-duration insurance contracts	50,948	46,943
Universal life-type insurance contracts	112,441	101,059
Non-unit-linked investment contracts	949	839
Total	**297,112**	**278,700**

Changes in aggregate policy reserves for participating life insurance contracts and traditional long-duration insurance contracts for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Participating life insurance contracts € mn	Traditional long-duration insurance contracts € mn	Participating life insurance contracts € mn	Traditional long-duration insurance contracts € mn
As of January 1,	**129,859**	**46,943**	**127,502**	**46,337**
Foreign currency translation adjustments	5	262	390	(929)
Changes in the consolidated subsidiaries of the Allianz Group	—	1,942	—	266
Changes recorded in consolidated income statements	1,933	736	1,187	828
Dividends allocated to policyholders	1,193	311	1,153	244
Additions and disposals	(302)	288	(160)	(34)
Other changes	86 [1]	466	(213) [1]	231
As of December 31,	**132,774**	**50,948**	**129,859**	**46,943**

[1] For the year ended December 31, 2009, consists of changes of shadow accounting of € 87 mn (2008: € (135) mn).

Changes in aggregate policy reserves for universal life-type insurance contracts and non-unit-linked investment contracts for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Universal life-type insurance contracts € mn	Non-unit-linked investment contracts € mn	Universal life-type insurance contracts € mn	Non-unit-linked investment contracts € mn
As of January 1,	**101,059**	**839**	**89,840**	**564**
Foreign currency translation adjustments	(937)	2	1,655	(16)
Premiums collected	19,739	423	12,810	395
Separation of embedded derivatives	(610)	(3)	(472)	—
Interest credited	3,874	80	3,938	70
Releases upon death, surrender and withdrawal	(10,809)	(385)	(9,770)	(164)
Policyholder charges	(961)	(11)	(1,024)	(13)
Portfolio acquisitions and disposals	(8)	—	(14)	—
Transfers [1]	1,094	4	4,096	3
As of December 31,	**112,441**	**949**	**101,059**	**839**

[1] These transfers mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

As of December 31, 2009, participating life business represented approximately 62% (2008: 65%) of the Allianz Group's gross insurance in-force. During the year ended December 31, 2009, participating policies represented approximately 64% (2008: 64%) of gross statutory premiums written and 63% (2008: 64%) of life premiums earned. As of December 31, 2009, reserves for conventional participating policies were approximately 51% (2008: 54%) of the Allianz Group's consolidated aggregate policy reserves.

Reserves for premium refunds

	2009 € mn	2008 € mn	2007 € mn
Amounts already allocated under local statutory or contractual regulations			
As of January 1,	12,458	13,438	12,764
Foreign currency translation adjustments	4	6	(15)
Changes	(53)	(986)	689
As of December 31,	12,409	12,458	13,438
Latent reserves for premium refunds			
As of January 1,	4,737	13,787	17,260
Foreign currency translation adjustments	(6)	67	(19)
Changes due to fluctuations in market value	6,599	(7,024)	(4,099)
Changes due to valuation differences charged to income	691	(2,093)	645
As of December 31,	12,021	4,737	13,787
Total	24,430	17,195	27,225

Concentration of insurance risk in the Life/Health segment

The Allianz Group's Life/Health segment provides a wide variety of insurance and investment contracts to individuals and groups in approximately 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without consideration of policyholder participation, traditional contracts generally incorporate significant investment risk for the Allianz Group. Traditional contracts include life, endowment, annuity, and health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's life insurance operations in the United States issue a significant amount of equity indexed deferred annuities. Unit-linked contracts generally result in the contract holder assuming investment risk. In addition, in certain markets, the Allianz Group issues contracts for group life, group health and group pension products.

As of December 31, 2009 and 2008, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the Life/Health segment are summarized as follows:

As of December 31,	Deferred acquisition costs € mn	Aggregate policy reserves € mn	Reserves for premium refunds € mn	Other insurance reserves € mn	Total non-unit-linked reserves € mn	Liabilities for unit-linked contracts € mn	Total € mn
2009							
Germany Life	5,928	126,993	15,597	3	142,593	2,715	145,308
Germany Health	938	15,048	4,286	19	19,353	—	19,353
France	1,409	47,834	1,739	167	49,740	11,876	61,616
Italy	787	22,681	410	—	23,091	19,580	42,671
Switzerland	214	6,957	806	116	7,879	604	8,483
Austria	225	3,274	177	1	3,452	486	3,938
South Korea	643	5,871	34	—	5,905	763	6,668
Belgium	108	5,968	31	38	6,037	272	6,309
Spain	21	5,321	186	—	5,507	44	5,551
Other Western and Southern Europe	335	2,228	12	6	2,246	3,964	6,210
Eastern Europe	346	1,954	19	4	1,977	1,022	2,999
United States	4,956	39,294	—	—	39,294	11,100	50,394
Taiwan	232	1,526	—	22	1,548	3,332	4,880
Other Asia-Pacific	535	2,996	85	34	3,115	1,195	4,310
South America	2	252	—	—	252	—	252
Other	6	1,021	8	—	1,029	10	1,039
Total	**16,685**	**289,218**	**23,390**	**410**	**313,018**	**56,963**	**369,981**
2008							
Germany Life	6,249	121,146	10,782	3	131,931	1,660	133,591
Germany Health	897	14,159	4,095	5	18,259	—	18,259
France	1,378	45,420	786	163	46,369	11,021	57,390
Italy	948	18,946	(191)	36	18,791	20,307	39,098
Switzerland	237	6,635	589	121	7,345	512	7,857
Austria	269	3,232	124	1	3,357	347	3,704
South Korea	590	4,781	34	—	4,815	499	5,314
Belgium	110	5,632	(55)	38	5,615	235	5,850
Spain	23	5,065	308	—	5,373	47	5,420
Other Western and Southern Europe	346	1,978	(29)	13	1,962	3,365	5,327
Eastern Europe	353	1,869	9	4	1,882	789	2,671
United States	6,873	38,627	—	—	38,627	8,473	47,100
Taiwan	200	1,617	—	—	1,617	2,419	4,036
Other Asia-Pacific	212	810	76	5	891	771	1,662
South America	2	226	—	—	226	—	226
Other	6	862	8	2	872	5	877
Total	**18,693**	**271,005**	**16,536**	**391**	**287,932**	**50,450**	**338,382**

A majority of the Allianz Group's Life/Health segment operations is conducted in Western Europe. Insurance laws and regulations in Western Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 49% and 48%, of the Allianz Group's reserves for insurance and investment contracts as of December 31, 2009 and 2008, respectively, include a substantial level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, all of the Allianz Group's annuity policies issued in the United States meet the criteria for classification as insurance contracts under IFRS 4, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant longevity risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts, because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its non-unit-linked contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment (comprising 83% of non-unit-linked reserves in both 2009 and 2008) can be summarized by country as follows:

As of December 31,	2009			2008		
	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves	Guaranteed rate	Non-unit-linked reserves	% of non-unit-linked reserves
	in %	€ bn	in %	in %	€ bn	in %
Germany Life	3.3	122.3	98.2	3.4	117.3	98.9
France	1.2	47.8	80.1	1.3	45.4	80.5
Italy [1]	2.8	22.4	57.8	2.9	18.6	50.8
United States	1.4	44.4	80.0	1.6	43.2	83.6
South Korea	5.2	5.9	88.6	5.4	4.8	90.6

[1] Excludes Assicuratrice Vita (€ 251 mn of non-unit-linked reserves).

In most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. As a result, as of December 31, 2009 and 2008, the Allianz Group does not believe that it is exposed to a significant risk of premium deficiencies in its Life/Health segment. However, the Allianz Group's Life/Health operations in Switzerland, Belgium, South Korea and Taiwan have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to declines in investment rates or a prolonged low interest rate environment.

21 Financial liabilities for unit-linked contracts

As of December 31,	2009 € mn	2008 € mn
Unit-linked insurance contracts	35,576	29,056
Unit-linked investment contracts	21,387	21,394
Total	56,963	50,450

Changes in financial liabilities for unit-linked insurance contracts and unit-linked investment contracts for the years ended December 31, 2009 and 2008 were as follows:

	2009		2008	
	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn	Unit-linked insurance contracts € mn	Unit-linked investment contracts € mn
As of January 1,	29,056	21,394	39,323	26,737
Foreign currency translation adjustments	(233)	14	697	(15)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	—	152
Premiums collected	5,849	4,054	7,775	3,963
Interest credited	5,401	2,121	(10,650)	(2,815)
Releases upon death, surrender and withdrawal	(2,520)	(5,977)	(3,323)	(6,314)
Policyholder charges	(950)	(126)	(838)	(141)
Portfolio acquisitions and disposals	(21)	(1)	(1)	(1)
Transfers [1]	(1,006)	(92)	(3,927)	(172)
As of December 31,	35,576	21,387	29,056	21,394

[1] These transfers mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

22 Other liabilities

As of December 31,	2009 € mn	2008 € mn
Payables		
Policyholders	4,798	4,695
Reinsurance	1,804	2,062
Agents	1,407	1,485
Subtotal	8,009	8,242
Payables for social security	398	316
Tax payables		
Income taxes	1,890	1,446
Other taxes	1,028	971
Subtotal	2,918	2,417
Accrued interest and rent	715	723
Unearned income		
Interest and rent	9	10
Other	316	361
Subtotal	325	371
Provisions		
Pensions and similar obligations	3,819	3,867
Employee related	1,887	1,904
Share-based compensation plans	1,296	1,295
Restructuring plans	346	343
Loan commitments	8	8
Contingent losses from non-insurance business	137	109
Other provisions	1,395	1,481
Subtotal	8,888	9,007
Deposits retained for reinsurance ceded	2,547	2,852
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	310	208
Financial liabilities for puttable equity instruments	3,451	2,718
Other liabilities	5,724	6,076
Total	33,285	32,930

Other liabilities due within one year amounted to € 25,411 mn (2008: € 24,766 mn) and those due after more than one year totaled € 7,874 mn (2008: € 8,164 mn).

23 Certificated liabilities

	Contractual Maturity Date						As of December 31, 2009	As of December 31, 2008
	2010 € mn [1]	2011 € mn [1]	2012 € mn [1]	2013 € mn [1]	2014 € mn [1]	Thereafter € mn [1]	€ mn	€ mn
Allianz SE [2]								
Senior bonds								
Fixed rate	—	—	883	1,483	—	2,964	5,330	3,848
Contractual interest rate	—	—	5.63 %	5.00 %	—	4.55 %	—	—
Floating rate	—	—	—	—	—	—	—	287
Current interest rate	—	—	—	—	—	—	—	—
Subtotal	**—**	**—**	**883**	**1,483**	**—**	**2,964**	**5,330**	**4,135**
Money market securities								
Fixed rate	1,504	—	—	—	—	—	1,504	4,103
Contractual interest rate	1.70 %	—	—	—	—	—	—	—
Total Allianz SE [2]	**1,504**	**—**	**883**	**1,483**	**—**	**2,964**	**6,834**	**8,238**
Banking subsidiaries								
Senior bonds								
Fixed rate	211	58	23	29	3	26	350	841
Contractual interest rate	3.42 %	3.73 %	3.27 %	2.48 %	4.46 %	3.00 %	—	—
Floating rate	25	29	—	—	—	696	750	437
Current interest rate	1.31 %	0.57 %	—	—	—	1.54 %	—	—
Total banking subsidiaries	**236**	**87**	**23**	**29**	**3**	**722**	**1,100**	**1,278**
All other subsidiaries								
Certificated liabilities								
Fixed rate	—	—	—	—	—	3	3	3
Contractual interest rate	—	—	—	—	—	2.11 %	—	—
Floating rate	25	—	—	—	—	—	25	25
Current interest rate	1.71 %	—	—	—	—	—	—	—
Total all other subsidiaries	**25**	**—**	**—**	**—**	**—**	**3**	**28**	**28**
Total	**1,765**	**87**	**906**	**1,512**	**3**	**3,689**	**7,962**	**9,544**

1) Except for the interest rates. The interest rates represent the weighted average.
2) Includes senior bonds issued by Allianz Finance II B.V., guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

24 Participation certificates and subordinated liabilities

	Contractual Maturity Date						As of December 31,	As of December 31,
	2010 € mn [1]	2011 € mn [1]	2012 € mn [1]	2013 € mn [1]	2014 € mn [1]	Thereafter € mn [1]	2009 € mn	2008 € mn
Allianz SE [2]								
Subordinated bonds								
Fixed rate	—	—	—	—	—	2,506	2,506	2,548
Contractual interest rate	—	—	—	—	—	7.26 %	—	—
Floating rate	—	—	—	—	—	5,656	5,656	5,649
Current interest rate	—	—	—	—	—	5.60 %	—	—
Subtotal	—	—	—	—	—	8,162	8,162	8,197
Participation certificates [3]								
Floating rate	121	—	—	—	—	—	121	85
Total Allianz SE [2]	121	—	—	—	—	8,162	8,283	8,282
Banking subsidiaries								
Subordinated bonds								
Fixed rate	20	—	—	70	48	35	173	173
Contractual interest rate	3.75 %	—	—	5.66 %	5.04 %	5.27 %	—	—
Total banking subsidiaries	20	—	—	70	48	35	173	173
All other subsidiaries								
Subordinated liabilities								
Fixed rate	—	—	—	—	—	621	621	621
Contractual interest rate	—	—	—	—	—	5.34 %	—	—
Floating rate	—	—	—	—	—	225	225	225
Current interest rate	—	—	—	—	—	1.50 %	—	—
Subtotal	—	—	—	—	—	846	846	846
Hybrid equity								
Fixed rate	—	—	—	—	—	45	45	45
Contractual interest rate	—	—	—	—	—	3.64 %	—	—
Total all other subsidiaries	—	—	—	—	—	891	891	891
Total	141	—	—	70	48	9,088	9,347	9,346

1) Except for interest rates. Interest rates represent the weighted average.
2) Includes subordinated bonds issued by Allianz Finance II B.V. and guaranteed by Allianz SE.
3) With effect of December 31, 2009, the profit participation certificates issued by Allianz SE have been called for redemption pursuant to Section 6 para. 4 of the conditions of the profit participation certificates. As of January 4, 2010, holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009, the balance sheet line item "participation certificates and subordinated liabilities" includes the total cash compensation payable for the 1,175,554 outstanding profit participation certificates.

25 Equity

As of December 31,	2009 € mn	2008 € mn
Shareholders' equity		
Issued capital	1,162	1,160
Capital reserves	27,473	27,409
Revenue reserves	9,902	7,257
Treasury shares	(213)	(147)
Foreign currency translation adjustments	(3,615)	(4,006)
Unrealized gains and losses (net) [1]	5,457	2,011
Subtotal	40,166	33,684
Minority interests	2,121	3,564
Total	42,287	37,248

[1] As of December 31, 2009, includes € 187 mn (2008: € 203 mn) related to cash flow hedges.

Issued capital

Issued capital at December 31, 2009, amounted to € 1,161,984,000 divided into 453,900,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

Changes in the number of issued shares outstanding

	2009	2008	2007
Issued shares outstanding as of January 1,	451,490,223	448,910,648	429,336,291
Capital increase for tender offer AGF	—	—	16,974,357
Exercise of warrants	—	2,200,000	—
Capital increase for employee shares	850,000	700,000	1,025,643
Change in treasury shares held for non-trading purposes	(2,038,558)	(96,521)	(86,431)
Change in treasury shares held for trading purposes [1]	895,558	(223,904)	1,660,788
Issued shares outstanding as of December 31,	451,197,223	451,490,223	448,910,648
Treasury shares	2,702,777	1,559,777	1,239,352
Total number of issued shares	453,900,000	453,050,000	450,150,000

[1] Treasury shares held for trading purposes in prior periods by Dresdner Bank are considered outstanding for the year 2009.

In November 2009, 850,000 (2008: 700,000) shares were issued at a price of € 77.62 (2008: € 64.30) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase 599,968 (2008: 660,700) shares at prices ranging from € 36.78 (2008: € 45.01) to € 64.68 (2008: € 53.58) per share. The remaining 250,032 (2008: 39,300) shares were warehoused and booked as treasury shares for further subscriptions by employees in the context of the employee share purchase plan in 2010. As a result, issued capital increased by € 2 mn and capital reserves increased by € 64 mn.

In April 2007, 16,974,357 new Allianz SE shares were issued for the execution of the minority buy-out of AGF shares. The increase in share capital due to the minority buyout of AGF amounts to € 43 mn; the additional paid-in capital increased by € 2,722 mn.

All shares issued during the years ended December 31, 2009, 2008 and 2007 are qualifying shares from the beginning of the year of issue.

Authorized capital

As of December 31, 2009, Allianz SE had € 406,545,646 (158,806,893 shares) of authorized unissued capital (Authorized Capital 2006/I) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the preemptive rights of shareholders if the shares are issued against a contribution in kind and, in certain cases, if they are issued against a cash contribution.

As of December 31, 2009, Allianz SE had € 5,880,297 (2,296,991 shares) of authorized unissued capital (Authorized Capital 2006/II) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the preemptive rights of shareholders if the shares are issued to employees of the Allianz Group. Further, as of December 31, 2009, Allianz SE had an unissued conditional capital in the amount of € 250,000,000 (97,656,250 shares), authorized in 2006.

A capital increase out of unissued conditional capital will be carried out only to the extent that conversion or option rights are exercised by holders of bonds issued by Allianz SE or any of its subsidiaries or that mandatory conversion obligations are fulfilled.

Dividends

For the year ended December 31, 2009, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 4.10 per qualifying share. For the years ended December 31, 2008 and 2007, Allianz SE paid a dividend of € 3.50 and € 5.50, respectively, per qualifying share.

Treasury shares

The Annual General Meeting on April 29, 2009, authorized Allianz SE to acquire its own shares for other purposes pursuant to clause 71 (1) no. 8 of the German Stock Corporation Law ("Aktiengesetz"). As of December 31, 2009, Allianz SE held 2,584,367 (2008: 545,807) own shares. In the first and second quarter of 2009 3,190,300 own shares with an average price of € 68.31 were purchased to hedge liabilities from the Group Equity Incentive program. This equals € 8,167,168 or 0.7 % of the share capital. 1,280,000 own shares were sold in the third quarter of 2009 with an average price of € 80.39. This equals € 3,276,800 or 0.3 % of the share capital. The remaining increase of 128,260 shares will be used in 2010 for employee stock purchase plans of Allianz Group's subsidiaries in the NAFTA region.

Changes in the treasury shares were:

As of December 31,	Acquisition costs € mn	Number of shares	Issued capital %
2009			
Allianz SE	200	2,584,367	0.57
Other	13	118,410	0.02
Total	**213**	**2,702,777**	**0.59**
2008			
Allianz SE	65	545,807	0.12
Dresdner Bank Group	69	895,558	0.20
Other	13	118,412	0.02
Total	**147**	**1,559,777**	**0.34**

Minority interests

As of December 31,	2009 € mn	2008 € mn
Unrealized gains and losses (net)	52	20
Share of earnings	48	257
Other equity components	2,021	3,287
Total	**2,121**	**3,564**

Capital requirements

The Allianz Group's capital requirements are primarily dependent on the growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole.

On January 1, 2005, the Financial Conglomerates Directive, a supplementary European Union ("EU") directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German laws. The directive requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirement on a consolidated basis.

As of December 31, 2009, the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the asset management and banking business, was € 34.8 bn (2008: € 31.8 bn) including off-balance sheet reserves [1] of € 2.0 bn (2008: € 2.2 bn), surpassing the minimum legally stipulated level by € 13.6 bn (2008: € 11.5 bn). This margin resulted in a preliminary cover ratio [2] of 164 % (2008: 157 % [3]) as of December 31, 2009.

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations.

1) Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not submitted an application so far. The solvency ratio excluding off-balance sheet reserves would be 155 % (2008: 146 %).
2) Intangible assets in relation to fully consolidated private equity investments have been fully deducted from the available funds for the first time.
3) Available funds and requirement as of December 31, 2008, including discontinued operations, were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. For example, the Allianz Group removed hybrid capital related to Dresdner Bank from available funds and adjusted the deduction of goodwill and other intangible assets. Furthermore, the Allianz Group deleted the requirement of the discontinued operations.

Certain of the Allianz Group's insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, investment risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

As of December 31, 2009, the Allianz Group's insurance subsidiaries were in compliance with all applicable solvency and capital adequacy requirements.

Certain insurance subsidiaries are subjected to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by the appropriate regulatory body. Such restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of Allianz Group's insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws. Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future. In addition, Allianz SE is not subject to legal restrictions on the amount of dividends it can pay to its shareholders, except the legal reserve in the appropriated retained earnings, which is required according to clause 150 (1) of the Aktiengesetz.

Supplementary Information to the Consolidated Income Statements

26 Premiums earned (net)

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2009				
Premiums written				
Direct	39,490	22,190	—	61,680
Assumed	3,033	401	(24)	3,410
Subtotal	**42,523**	**22,591**	**(24)**	**65,090**
Ceded	(4,574)	(511)	24	(5,061)
Net	**37,949**	**22,080**	**—**	**60,029**
Change in unearned premiums				
Direct	(135)	(43)	—	(178)
Assumed	—	(5)	(5)	(10)
Subtotal	**(135)**	**(48)**	**(5)**	**(188)**
Ceded	14	(3)	5	16
Net	**(121)**	**(51)**	**—**	**(172)**
Premiums earned				
Direct	39,355	22,147	—	61,502
Assumed	3,033	396	(29)	3,400
Subtotal	**42,388**	**22,543**	**(29)**	**64,902**
Ceded	(4,560)	(514)	29	(5,045)
Net	**37,828**	**22,029**	**—**	**59,857**
2008				
Premiums written				
Direct	40,116	22,442	—	62,558
Assumed	3,271	367	(25)	3,613
Subtotal	**43,387**	**22,809**	**(25)**	**66,171**
Ceded	(4,972)	(527)	25	(5,474)
Net	**38,415**	**22,282**	**—**	**60,697**
Change in unearned premiums				
Direct	(93)	(49)	—	(142)
Assumed	(36)	(2)	1	(37)
Subtotal	**(129)**	**(51)**	**1**	**(179)**
Ceded	(73)	—	(1)	(74)
Net	**(202)**	**(51)**	**—**	**(253)**
Premiums earned				
Direct	40,023	22,393	—	62,416
Assumed	3,235	365	(24)	3,576
Subtotal	**43,258**	**22,758**	**(24)**	**65,992**
Ceded	(5,045)	(527)	24	(5,548)
Net	**38,213**	**22,231**	**—**	**60,444**

26 Premiums earned (net) – continued

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2007				
Premiums written				
Direct	41,526	21,241	—	62,767
Assumed	2,763	281	(23)	3,021
Subtotal	**44,289**	**21,522**	**(23)**	**65,788**
Ceded	(5,320)	(637)	23	(5,934)
Net	**38,969**	**20,885**	**—**	**59,854**
Change in unearned premiums				
Direct	(352)	(77)	—	(429)
Assumed	(68)	2	1	(65)
Subtotal	**(420)**	**(75)**	**1**	**(494)**
Ceded	4	(1)	(1)	2
Net	**(416)**	**(76)**	**—**	**(492)**
Premiums earned				
Direct	41,174	21,164	—	62,338
Assumed	2,695	283	(22)	2,956
Subtotal	**43,869**	**21,447**	**(22)**	**65,294**
Ceded	(5,316)	(638)	22	(5,932)
Net	**38,553**	**20,809**	**—**	**59,362**

27 Interest and similar income

	2009 €mn	2008 €mn	2007 €mn
Interest from held-to-maturity investments	171	180	174
Dividends from available-for-sale investments	873	1,864	2,282
Interest from available-for-sale investments	10,618	10,164	9,164
Share of earnings from investments in associates and joint ventures	80	(37)	284
Rent from real estate held for investment	693	703	780
Interest from loans to banks and customers	5,617	5,991	5,719
Other interest	181	207	221
Total	**18,233**	**19,072**	**18,624**

28 Income from financial assets and liabilities carried at fair value through income (net)

	Property-Casualty €mn	Life/Health €mn	Asset Management €mn	Corporate and Other €mn	Consolidation €mn	Group €mn
2009						
Income (expenses) from financial assets and liabilities held for trading (net)	(23)	(504)	5	293	4	(225)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	158	1,499	106	19	—	1,782
Income (expenses) from financial liabilities for puttable equity instruments (net)	(31)	(400)	(71)	(4)	—	(506)
Foreign currency gains and losses (net)	(31)	99	—	(165)	—	(97)
Total	**73**	**694**	**40**	**143**	**4**	**954**
2008						
Income (expenses) from financial assets and liabilities held for trading (net)	89	1,098	—	(66)	(69)	1,052
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	(112)	(2,108)	(236)	(24)	—	(2,480)
Income (expenses) from financial liabilities for puttable equity instruments (net)	29	765	166	1	—	961
Foreign currency gains and losses (net)	47	(90)	(1)	166	4	126
Total	**53**	**(335)**	**(71)**	**77**	**(65)**	**(341)**
2007						
Income (expenses) from financial assets and liabilities held for trading (net)	(36)	(1,334)	—	19	3	(1,348)
Income (expenses) from financial assets and liabilities designated at fair value through income (net)	153	356	64	7	(8)	572
Income (expenses) from financial liabilities for puttable equity instruments (net)	(17)	41	(33)	—	—	(9)
Foreign currency gains and losses (net)	(22)	(193)	1	51	—	(163)
Total	**78**	**(1,130)**	**32**	**77**	**(5)**	**(948)**

Income from financial assets and liabilities held for trading (net)

Life/Health Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2009 includes in the Life/Health segment expenses of € 536 mn (2008: income of € 1,160 mn; 2007: expenses of € 1,352 mn) from derivative financial instruments. This includes expenses of € 165 mn (2008: income of € 2,257 mn; 2007: expenses of € 764 mn) of German entities from financial derivative positions to protect against equity and foreign exchange rate fluctuations as well as for duration management. Also included are expenses from U.S. entities amongst others from embedded derivatives required to be separated related to equity indexed annuity contracts and guaranteed benefits under unit-linked contracts of € 248 mn (2008: € 1,302 mn; 2007: € 620 mn)

Corporate and Other Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2009, includes in the Corporate and Other segment income of € 317 mn (2008: expenses of € 173 mn; 2007: expenses of € 12 mn) from derivative financial instruments. This includes income of € 84 mn (2008: expenses of € 11 mn; 2007: income of € 63 mn) from financial derivative instruments to protect investments and liabilities against foreign exchange rate fluctuations. Additionally, income from financial derivative instruments embedded in exchangeable bonds of € — mn (2008: € 133 mn; 2007: expenses of € 222 mn) and expenses from derivative financial instruments of € — mn (2008: € 7 mn; 2007: income of € 164 mn) which partially hedge the exchangeable bonds, however which do not qualify for hedge accounting, are included. Financial derivatives in the context of hedging strategies which did not qualify for hedge accounting induced expenses of € 182 mn (2008: income of € 420 mn; 2007: expenses of € 13 mn). The impact of financial derivatives in the context of investment strategies amounted to an income of € 370 mn (2008: expenses of € 118 mn). Additionally, income from financial assets and liabilities held for trading for the year ended December 31, 2009 includes expenses of € 36 mn (2008: income of € 110 mn; 2007: income of € 31 mn) from the hedges of share based compensation plans (restricted stock units).

Foreign currency gains and losses (net)

Foreign currency gains and losses are reported within income from financial assets and liabilities carried at fair value through income (net). These foreign currency gains and losses arise subsequent to initial recognition on all assets and liabilities denominated in a foreign currency, excluding exchange differences arising on financial assets and liabilities measured at fair value through profit or loss, which do not have to be disclosed separately. The Allianz Group is substantially hedged against foreign currency fluctuations with freestanding derivatives resulting in an offsetting effect of € 89 mn in 2009.

29 Realized gains/losses (net)

	2009 € mn	2008 € mn	2007 € mn
Realized gains			
Available-for-sale investments			
Equity securities	4,248	5,890	6,852
Debt securities	1,480	716	421
Subtotal	5,728	6,606	7,273
Investments in associates and joint ventures [1]	26	158	197
Real estate held for investment	206	268	371
Loans to banks and customers	150	101	52
Subtotal	6,110	7,133	7,893
Realized losses			
Available-for-sale investments			
Equity securities	(1,602)	(2,608)	(577)
Debt securities	(970)	(789)	(1,120)
Subtotal	(2,572)	(3,397)	(1,697)
Investments in associates and joint ventures [2]	(8)	(6)	(84)
Real estate held for investment	(12)	(99)	(46)
Loans to banks and customers	(102)	(28)	(58)
Subtotal	(2,694)	(3,530)	(1,885)
Total	3,416	3,603	6,008

[1] During the year ended December 31, 2009, includes realized gains from the disposal of subsidiaries and businesses of € 14 mn (2008: € 143 mn; 2007: € 164 mn).

[2] During the year ended December 31, 2009, includes realized losses from the disposal of subsidiaries of € 2 mn (2008: € 1 mn; 2007: € 83 mn).

30 Fee and commission income

	2009			2008			2007		
	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn	Segment €mn	Consolidation €mn	Group €mn
Property-Casualty									
Fees from credit and assistance business	663	—	663	769	(2)	767	703	(2)	701
Service agreements	412	(82)	330	470	(32)	438	475	(24)	451
Investment advisory	—	—	—	8	—	8	—	—	—
Subtotal	**1,075**	**(82)**	**993**	**1,247**	**(34)**	**1,213**	**1,178**	**(26)**	**1,152**
Life/Health									
Service agreements	102	(36)	66	102	(42)	60	174	(15)	159
Investment advisory	384	(24)	360	459	(34)	425	513	(16)	497
Other	5	(5)	—	10	(10)	—	14	(14)	—
Subtotal	**491**	**(65)**	**426**	**571**	**(86)**	**485**	**701**	**(45)**	**656**
Asset Management									
Management fees	3,641	(108)	3,533	3,315	(112)	3,203	3,558	(126)	3,432
Loading and exit fees	281	(2)	279	257	—	257	313	—	313
Performance fees	432	(4)	428	83	—	83	206	(1)	205
Other	86	(1)	85	377	(2)	375	326	(11)	315
Subtotal	**4,440**	**(115)**	**4,325**	**4,032**	**(114)**	**3,918**	**4,403**	**(138)**	**4,265**
Corporate and Other									
Service agreements	211	(28)	183	54	(18)	36	76	(19)	57
Investment advisory and Banking activities	512	(200)	312	596	(216)	380	637	(214)	423
Subtotal	**723**	**(228)**	**495**	**650**	**(234)**	**416**	**713**	**(233)**	**480**
Total	6,729	(490)	6,239	6,500	(468)	6,032	6,995	(442)	6,553

31 Other income

	2009 € mn	2008 € mn	2007 € mn
Income from real estate held for own use			
Realized gains from disposals of real estate held for own use	3	374	210
Other income from real estate held for own use	5	11	2
Subtotal	8	385	212
Income from non-current assets and disposal groups held for sale	—	—	4
Other	33	23	1
Total	41	408	217

32 Income and expenses from fully consolidated private equity investments

	2009 € mn	2008 € mn	2007 € mn
Income			
Sales and service revenues	1,812	2,516	2,333
Other operating revenues	96	20	21
Interest income	2	13	13
Subtotal	1,910	2,549	2,367
Expenses			
Cost of goods sold	(1,186)	(1,644)	(1,763)
Commissions	(126)	(155)	(164)
General and administrative expenses	(704)	(481)	(324)
Other operating expenses	(159)	(96)	—
Interest expenses	(99)	(94)	(66)
Subtotal	(2,274) [1]	(2,470)	(2,317)
Total	(364) [1]	79	50

[1] The presented subtotal for expenses and total income and expenses from fully consolidated private equity investment for the year ended December 31, 2009 differs from the amounts presented in the "Consolidated Income Statements" and in "Total revenues and reconciliation of Operating profit (loss) to Net income (loss)". This difference is due to a consolidation effect of € 132 mn for the year ended December 31, 2009. This consolidation effect results from the deferred policyholder participation, recognized on the result from fully consolidated private equity investments within operating profit in the Life/Health segment, that was reclassified into expenses from fully consolidated private equity investments in non-operating profit to ensure a consistent presentation of the Allianz Group's operating profit.

33 Claims and insurance benefits incurred (net)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2009				
Gross				
Claims and insurance benefits paid	(28,690)	(19,537)	16	(48,211)
Change in loss and loss adjustment expenses	580	(248)	—	332
Subtotal	(28,110)	(19,785)	16	(47,879)
Ceded				
Claims and insurance benefits paid	2,523	463	(16)	2,970
Change in loss and loss adjustment expenses	(733)	(4)	—	(737)
Subtotal	1,790	459	(16)	2,233
Net				
Claims and insurance benefits paid	(26,167)	(19,074)	—	(45,241)
Change in loss and loss adjustment expenses	(153)	(252)	—	(405)
Total	(26,320)	(19,326)	—	(45,646)
2008				
Gross				
Claims and insurance benefits paid	(27,656)	(20,057)	13	(47,700)
Change in loss and loss adjustment expenses	(501)	(89)	3	(587)
Subtotal	(28,157)	(20,146)	16	(48,287)
Ceded				
Claims and insurance benefits paid	2,521	490	(13)	2,998
Change in loss and loss adjustment expenses	(350)	(17)	(3)	(370)
Subtotal	2,171	473	(16)	2,628
Net				
Claims and insurance benefits paid	(25,135)	(19,567)	—	(44,702)
Change in loss and loss adjustment expenses	(851)	(106)	—	(957)
Total	(25,986)	(19,673)	—	(45,659)
2007				
Gross				
Claims and insurance benefits paid	(27,955)	(18,258)	9	(46,204)
Change in loss and loss adjustment expenses	(176)	(34)	5	(205)
Subtotal	(28,131)	(18,292)	14	(46,409)
Ceded				
Claims and insurance benefits paid	3,070	711	(9)	3,772
Change in loss and loss adjustment expenses	(424)	(56)	(5)	(485)
Subtotal	2,646	655	(14)	3,287
Net				
Claims and insurance benefits paid	(24,885)	(17,547)	—	(42,432)
Change in loss and loss adjustment expenses	(600)	(90)	—	(690)
Total	(25,485)	(17,637)	—	(43,122)

34 Change in reserves for insurance and investment contracts (net)

	Property-Casualty €mn	Life/Health €mn	Consolidation €mn	Total €mn
2009				
Gross				
Aggregate policy reserves	(105)	(4,836)	1	(4,940)
Other insurance reserves	(1)	(98)	—	(99)
Expenses for premium refunds	(259)	(3,444)	(907)	(4,610)
Subtotal	**(365)**	**(8,378)**	**(906)**	**(9,649)**
Ceded				
Aggregate policy reserves	3	70	—	73
Other insurance reserves	1	9	—	10
Expenses for premium refunds	6	—	—	6
Subtotal	**10**	**79**	**—**	**89**
Net				
Aggregate policy reserves	(102)	(4,766)	1	(4,867)
Other insurance reserves	—	(89)	—	(89)
Expenses for premium refunds	(253)	(3,444)	(907)	(4,604)
Total	**(355)**	**(8,299)**	**(906)**	**(9,560)**
2008				
Gross				
Aggregate policy reserves	(154)	(4,045)	(1)	(4,200)
Other insurance reserves	7	(89)	—	(82)
Expenses for premium refunds	142	(1,118)	(22)	(998)
Subtotal	**(5)**	**(5,252)**	**(23)**	**(5,280)**
Ceded				
Aggregate policy reserves	(18)	110	2	94
Other insurance reserves	10	9	—	19
Expenses for premium refunds	16	11	—	27
Subtotal	**8**	**130**	**2**	**140**
Net				
Aggregate policy reserves	(172)	(3,935)	1	(4,106)
Other insurance reserves	17	(80)	—	(63)
Expenses for premium refunds	158	(1,107)	(22)	(971)
Total	**3**	**(5,122)**	**(21)**	**(5,140)**
2007				
Gross				
Aggregate policy reserves	(233)	(4,868)	—	(5,101)
Other insurance reserves	24	(260)	—	(236)
Expenses for premium refunds	(163)	(5,255)	(78)	(5,496)
Subtotal	**(372)**	**(10,383)**	**(78)**	**(10,833)**
Ceded				
Aggregate policy reserves	16	92	—	108
Other insurance reserves	2	5	—	7
Expenses for premium refunds	15	18	—	33
Subtotal	**33**	**115**	**—**	**148**
Net				
Aggregate policy reserves	(217)	(4,776)	—	(4,993)
Other insurance reserves	26	(255)	—	(229)
Expenses for premium refunds	(148)	(5,237)	(78)	(5,463)
Total	**(339)**	**(10,268)**	**(78)**	**(10,685)**

35 Interest expenses

	2009 € mn	2008 € mn	2007 € mn
Liabilities to banks and customers	(483)	(753)	(882)
Deposits retained on reinsurance ceded	(72)	(71)	(101)
Certificated liabilities	(294)	(411)	(479)
Participation certificates and subordinated liabilities	(548)	(492)	(438)
Other	(87)	(166)	(170)
Total	**(1,484)**	**(1,893)**	**(2,070)**

36 Loan loss provisions

	2009 € mn	2008 € mn	2007 € mn
Additions to allowances including direct impairments	(215)	(121)	(110)
Amounts released	39	35	58
Recoveries on loans previously impaired	35	27	34
Total	**(141)**	**(59)**	**(18)**

37 Impairments of investments (net)

	2009 € mn	2008 € mn	2007 € mn
Impairments			
Available-for-sale investments			
Equity securities	(2,289)	(8,736)	(1,154)
Debt securities	(286)	(698)	(26)
Subtotal	(2,575)	(9,434)	(1,180)
Investments in associates and joint ventures	(4)	(71)	(2)
Real estate held for investment	(199)	(128)	(23)
Subtotal	(2,778)	(9,633)	(1,205)
Reversals of impairments			
Available-for-sale investments			
Debt securities	32	84	13
Real estate held for investment	14	54	7
Subtotal	46	138	20
Total	**(2,732)**	**(9,495)**	**(1,185)**

38 Investment expenses

	2009 € mn	2008 € mn	2007 € mn
Investment management expenses	(394)	(429)	(432)
Depreciation of real estate held for investment	(174)	(165)	(183)
Other expenses for real estate held for investment	(187)	(177)	(259)
Total	**(755)**	**(771)**	**(874)**

39 Acquisition and administrative expenses (net)

	2009			2008			2007		
	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn
Property-Casualty									
Acquisition costs									
Incurred	(7,844)	1	(7,843)	(7,731)	—	(7,731)	(7,690)	—	(7,690)
Commissions and profit received on reinsurance business ceded	555	(4)	551	643	(5)	638	671	(3)	668
Deferrals of acquisition costs	4,811	—	4,811	4,146	—	4,146	4,511	—	4,511
Amortization of deferred acquisition costs	(4,807)	—	(4,807)	(4,089)	—	(4,089)	(4,384)	—	(4,384)
Subtotal	(7,285)	(3)	(7,288)	(7,031)	(5)	(7,036)	(6,892)	(3)	(6,895)
Administrative expenses	(3,255)	4	(3,251)	(3,447)	6	(3,441)	(3,739)	64	(3,675)
Subtotal	(10,540)	1	(10,539)	(10,478)	1	(10,477)	(10,631)	61	(10,570)
Life/Health									
Acquisition costs									
Incurred	(3,871)	4	(3,867)	(3,829)	5	(3,824)	(3,851)	3	(3,848)
Commissions and profit received on reinsurance business ceded	79	(1)	78	83	—	83	146	—	146
Deferrals of acquisition costs	2,316	—	2,316	2,437	—	2,437	2,526	—	2,526
Amortization of deferred acquisition costs	(2,789)	—	(2,789)	(1,392)	—	(1,392)	(1,643)	—	(1,643)
Subtotal	(4,265)	3	(4,262)	(2,701)	5	(2,696)	(2,822)	3	(2,819)
Administrative expenses	(1,533)	6	(1,527)	(1,690)	(5)	(1,695)	(1,769)	(72)	(1,841)
Subtotal	(5,798)	9	(5,789)	(4,391)	—	(4,391)	(4,591)	(69)	(4,660)
Asset Management									
Personnel expenses	(1,849)	—	(1,849)	(1,448)	—	(1,448)	(1,705)	—	(1,705)
Non-personnel expenses	(842)	15	(827)	(798)	13	(785)	(686)	16	(670)
Subtotal	(2,691)	15	(2,676)	(2,246)	13	(2,233)	(2,391)	16	(2,375)
Corporate and Other									
Administrative expenses	(1,351)	30	(1,321)	(1,230)	32	(1,198)	(1,361)	30	(1,331)
Subtotal	(1,351)	30	(1,321)	(1,230)	32	(1,198)	(1,361)	30	(1,331)
Total	(20,380)	55	(20,325)	(18,345)	46	(18,299)	(18,974)	38	(18,936)

40 Fee and commission expenses

	2009			2008			2007		
	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn	Segment €mn	Consoli-dation €mn	Group €mn
Property-Casualty									
Fees from credit and assistance business	(594)	—	(594)	(606)	—	(606)	(615)	1	(614)
Service agreements	(401)	84	(317)	(535)	33	(502)	(352)	16	(336)
Subtotal	**(995)**	**84**	**(911)**	**(1,141)**	**33**	**(1,108)**	**(967)**	**17**	**(950)**
Life/Health									
Service agreements	(66)	21	(45)	(66)	41	(25)	(45)	18	(27)
Investment advisory	(180)	9	(171)	(187)	19	(168)	(164)	6	(158)
Subtotal	**(246)**	**30**	**(216)**	**(253)**	**60**	**(193)**	**(209)**	**24**	**(185)**
Asset Management									
Commissions	(822)	134	(688)	(794)	298	(496)	(948)	435	(513)
Other	(28)	2	(26)	(364)	14	(350)	(322)	5	(317)
Subtotal	**(850)**	**136**	**(714)**	**(1,158)**	**312**	**(846)**	**(1,270)**	**440**	**(830)**
Corporate and Other									
Service agreements	(195)	25	(170)	(9)	4	(5)	(8)	—	(8)
Investment advisory and Banking activities	(202)	1	(201)	(193)	1	(192)	(234)	10	(224)
Subtotal	**(397)**	**26**	**(371)**	**(202)**	**5**	**(197)**	**(242)**	**10**	**(232)**
Total	**(2,488)**	**276**	**(2,212)**	**(2,754)**	**410**	**(2,344)**	**(2,688)**	**491**	**(2,197)**

41 Other expenses

	2009 €mn	2008 €mn	2007 €mn
Expenses from real estate held for own use			
Realized losses from disposals of real estate held for own use	—	(1)	(4)
Impairments of real estate held for own use	—	(9)	(10)
Subtotal	**—**	**(10)**	**(14)**
Other	**(2)**	**(2)**	**(3)**
Total	**(2)**	**(12)**	**(17)**

42 Income taxes

	2009 € mn	2008 € mn	2007 € mn
Current income tax expense			
Germany	299	(181)	(371)
Other countries	(1,494)	(925)	(2,066)
Subtotal	(1,195)	(1,106)	(2,437)
Deferred income tax expense			
Germany	500	(575)	149
Other countries	107	394	(284)
Subtotal	607	(181)	(135)
Total	(588)	(1,287)	(2,572)

For the years ended December, 31, 2009, 2008 and 2007, the income taxes relating to components of the other comprehensive income consist of the following:

	2009 € mn	2008 € mn	2007 € mn
Foreign currency translation adjustments	(13)	63	(11)
Available-for-sale investments	(1,312)	972	871
Cash flow hedges	3	(32)	(10)
Share of other comprehensive income of associates	—	21	(14)
Miscellaneous	3	(26)	(12)
Total	(1,319)	998	824

During the year ended December, 31, 2009, current income tax expense included an income of € 320 mn (2007: an expense of € 6 mn; 2007: an income of € 20 mn) related to prior years.

Of the deferred tax income for the year ended December 31, 2009, an income of € 149 mn (2008: an expense of € 387 mn; 2007: an expense of € 463 mn) is attributable to the recognition of deferred taxes on temporary differences and an income of € 452 mn (2008: an income of € 227 mn; 2007: an expense of € 14 mn) is attributable to tax losses carried forward. Additionally, changes of applicable tax rates due to changes in tax law produced deferred tax income of € 6 mn (2008: expense of € 21 mn; 2007: income of € 341 mn). In 2007, in this amount is included a tax income of € 291 mn resulting from the German corporate tax reform.

In 2009, decisions of the European Court of Justice (Steko case) and the German Federal Tax Court (BFH) effected that impairments recognized in 2001 on certain investments are considered tax deductible. These court decisions lead to an income for the Group of € 283 mn and for the policyholders of € 730 mn. The tax benefit from these court decisions consists of current and deferred taxes in respect of current and previous years.

The recognized income tax expense for the year ended December 31, 2009, is € 1,007 mn (2008: € 312 mn; 2007: € 557 mn) lower than the expected income tax expense. The following table shows the reconciliation from the expected income tax expense of the Allianz Group to the effectively recognized tax expense. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after taking into consideration consolidation effects with impact on the group result. The expected tax rate for domestic Allianz Group companies applied in the reconciliation includes corporate tax, trade tax and the solidarity surcharge and amounts to 31.00 % (2008: 31.00 %; 2007: 26.38 %, including corporate tax and solidarity surcharge in 2007). The German corporate tax reform in 2007 led to a decrease of corporate tax rate and an increase of trade tax rate. Due to the increased relative weight of trade tax and because trade tax ceased to be deductible for corporate tax purposes, trade tax has been included into the expected income tax rate in reconciliations of the German Allianz companies from 2008 onwards.

The effective tax rate is determined on the basis of the effective income tax expense on income from continuing operations before income taxes.

	2009 € mn	2008 € mn	2007 € mn
Income from continuing operations before income taxes			
Germany	(221)	3,393	2,367
Other countries	5,549	2,080	8,196
Total	5,328	5,473	10,563
Expected income tax rate	29.9 %	29.2 %	29.6 %
Expected income tax expense	1,595	1,599	3,129
Trade tax and similar taxes	150	166	405
Net tax exempt income	(599)	(469)	(592)
Effects of tax losses	(59)	28	(17)
Effects of German tax law changes	—	—	(291)
Other	(499)	(37)	(62)
Income taxes	588	1,287	2,572
Effective tax rate	11.0 %	23.5 %	24.4 %

In the tax reconciliation for 2009, the other effects of € (499) mn include € (505) mn current and deferred taxes for prior years, a major part resulting from the court decisions (Steko/BFH) mentioned above. The effects of German tax law changes stem in 2007 from a decrease in tax rates due to German corporate tax reform.

During the year ended December 31, 2009, a deferred tax expense of € 11 mn (2008: € 5 mn; 2007: € 8 mn) was recognized due to devaluation of deferred tax assets on tax losses carried forward. Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax expense diminished by € 5 mn (2008: € 19 mn; 2007: € 43 mn). The recognition of deferred tax assets on tax losses carried forward from earlier periods, for which no deferred taxes had yet been recognized or which had been devalued resulted in a deferred tax income of € 150 mn (2008: € 4 mn; 2007: € 4 mn). The non-recognition of deferred taxes on tax losses for the current fiscal year increased the tax expense by € 85 mn (2008: € 46 mn; 2007: € 22 mn). The above mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group deferred taxes are the applicable national rates, which in 2009 ranged from 10.00 % to 42.05 %. Changes to tax rates already adopted on December 31, 2009, are taken into account.

Deferred taxes on losses carried forward are recognized as an asset to the extent that sufficient future taxable profits will be available for realization.

Deferred tax assets and liabilities

As of December 31,	2009 € mn	2008 € mn
Deferred tax assets		
Financial assets carried at fair value through income	45	225
Investments	2,477	4,080
Deferred acquisition costs	561	473
Other assets	891	833
Intangible assets	140	156
Tax losses carried forward	2,560	2,060
Insurance reserves	3,824	3,845
Pensions and similar obligations	189	177
Other liabilities	637	712
Total deferred tax assets	**11,324**	**12,561**
Non-recognition or valuation allowance for deferred tax assets on tax losses carried forward	(484)	(197)
Effect of netting	(8,121)	(8,368)
Net deferred tax assets	**2,719**	**3,996**
Deferred tax liabilities		
Financial assets carried at fair value through income	61	50
Investments	3,641	3,090
Deferred acquisition costs	3,922	4,531
Other assets	573	680
Intangible assets	346	115
Insurance reserves	2,552	2,465
Pensions and similar obligations	203	226
Other liabilities	728	1,044
Total deferred tax liabilities	**12,026**	**12,201**
Effect of netting	(8,121)	(8,368)
Net deferred tax liabilities	**3,905**	**3,833**
Net deferred tax assets/(liabilities)	**(1,186)**	**163**

Taxable temporary differences associated with investments in Allianz Group companies, for which no deferred tax liabilities are recognized because the Allianz Group is able to control the timing of their reversal and they will not reverse in the foreseeable future, amount to € 418 mn (2008: € 267 mn). Deductible temporary differences arising from investments in Allianz Group companies, for which no deferred tax assets are recognized because it is not probable that they reverse in the foreseeable future amount to € 253 mn (2008: € 219 mn).

Tax losses carried forward

Tax losses carried forward at December 31, 2009, of € 10,191 mn (2008: € 8,856 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 9,049 mn (2008: € 8,244 mn) of the tax losses carried forward can be utilized without time limitation. The Allianz Group believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets.

Tax losses carried forward are scheduled according to their expiry periods as follows:

	2009 € mn
2010	42
2011	40
2012	47
2013	176
2014	209
2015	173
2016	136
2017	29
2018	41
2019	42
>10 years	207
Unlimited	9,049
Total	**10,191**

Other Information

43 Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rate and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter ("OTC") products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

Derivative financial instruments within the Allianz Group

As of December 31,	2009						2008		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year € mn	1–5 years € mn	Over 5 years € mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of:									
OTC									
Forwards	10	—	—	10	—	—	1,727	38	(47)
Swaps	1,160	3,746	9,881	14,787	189	(164)	13,957	438	(233)
Swaptions	200	—	—	200	—	—	665	4	—
Caps	57	7,467	30	7,554	1	(23)	7,728	—	(29)
Floors	—	—	129	129	1	—	129	1	—
Options	—	21	—	21	—	(1)	20	—	(1)
Exchange traded									
Futures	2,469	—	—	2,469	3	(7)	2,651	25	(1)
Options	10	—	509	519	—	(1)	13	—	—
Subtotal	**3,906**	**11,234**	**10,549**	**25,689**	**194**	**(196)**	**26,890**	**506**	**(311)**
Equity/Index contracts, consisting of:									
OTC									
Forwards	1,351	1,158	50	2,559	363	(227)	2,872	520	(381)
Swaps	44	437	50	531	1	(19)	339	122	—
Floors	2	—	—	2	2	—	—	—	—
Options [1]	60,382	1,090	3,033	64,505	1,066	(6,110)	52,833	1,242	(5,567)
Structured note	2	2	2	6	—	—	5	4	—
Exchange traded									
Futures	2,803	—	—	2,803	2	(9)	2,312	21	(15)
Options	11,192	1	—	11,193	184	(187)	263	24	(6)
Warrants	—	8	2	10	3	—	20	9	—
Subtotal	**75,776**	**2,696**	**3,137**	**81,609**	**1,621**	**(6,552)**	**58,644**	**1,942**	**(5,969)**
Foreign exchange contracts, consisting of:									
OTC									
Forwards	7,856	26	497	8,379	91	(206)	12,004	571	(58)
Swaps	99	158	214	471	49	(6)	1,521	15	(59)
Options	43	21		64	2	(2)	40	—	—
Subtotal	**7,998**	**205**	**711**	**8,914**	**142**	**(214)**	**13,565**	**586**	**(117)**
Credit contracts, consisting of:									
OTC									
Swaps	214	770	201	1,185	15	(27)	2,779	46	(55)
Exchange traded									
Swaps	—	—	35	35	15	—	—	—	—
Subtotal	**214**	**770**	**236**	**1,220**	**30**	**(27)**	**2,779**	**46**	**(55)**
Total	**87,894**	**14,905**	**14,633**	**117,432**	**1,987**	**(6,989)**	**101,878**	**3,080**	**(6,452)**

[1] As of December 31, 2009, includes embedded derivatives related to equity indexed annuities with negative fair values of € 5,577 mn (2008: € 5,163 mn).

Derivative financial instruments used in accounting hedges

The Allianz Group principally uses fair value hedging. Important hedging instruments are equity forward contracts, equity options, total returns swaps, interest rate swaps, interest rate forwards, currency swaps and currency forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

Fair value hedges

The Allianz Group uses fair value hedges to hedge its equity portfolio against equity market risk. The financial instruments used in the related fair value hedges had a total fair value of € 26 mn (2008: € 902 mn) as of December 31, 2009.

Additionally the Allianz Group uses fair value hedges to protect against the change in the fair value of financial assets due to movements in interest rates or exchange rates. The derivative financial instruments used for the related fair value hedges of the Allianz Group had a total negative fair value as of December 31, 2009 of € 75 mn (2008: negative fair value of € 39 mn).

For the year ended December 31, 2009, the Allianz Group recognized for fair value hedges a net loss of € 412 mn (2008: net gain of € 2,115 mn; 2007: net loss of € 462 mn) on the hedging instrument and a net gain of € 390 mn (2008: net loss of € 2,027 mn; 2007: net gain of € 494 mn) on the hedged item attributable to the hedged risk.

Cash flow hedges

During the year ended December 31, 2009, cash flow hedges were used to hedge variable cash flows exposed to interest rate and exchange rate fluctuations. As of December 31, 2009, the derivative instruments utilized had a positive fair value of € 43 mn (2008: € 31 mn). Unrealized gains and losses (net) in shareholders' equity decreased by € 16 mn (2008: increased by € 28 mn).

Hedge of net investment in foreign operations

As of December 31, 2009, the Allianz Group hedges part of its U.S. Dollar net investments through the issuance of U.S. Dollar denominated liabilities with a nominal amount of USD 2.0 bn.

44 Financial instruments

Fair values and carrying amounts of financial instruments

The following table compares the carrying amount with the fair value of the Allianz Group's financial assets and financial liabilities.

As of December 31,	2009		2008	
	Carrying amount € mn	Fair Value € mn	Carrying amount € mn	Fair Value € mn
Financial assets				
Cash and cash equivalents	6,089	6,089	8,958	8,958
Financial assets held for trading	2,131	2,131	2,624	2,624
Financial assets designated at fair value through income	12,190	12,190	11,616	11,616
Available-for-sale investments	279,045	279,045	242,099	242,099
Held-to-maturity investments	3,475	3,629	3,599	3,724
Loans and advances to banks and customers	128,996	130,444	116,990	119,285
Financial assets for unit-linked contracts	56,963	56,963	50,450	50,450
Derivative financial instruments and firm commitments included in other assets	304	304	1,101	1,101
Assets held in trust	265	265	250	250
Financial liabilities				
Financial liabilities held for trading	6,743	6 ,743	6,244	6,244
Liabilities to banks and customers	21,248	21,248	18,451	18,494
Investment contracts with policyholders	113,390	113,390	101,898	101,898
Financial liabilities for unit-linked contracts	56,963	56,963	50,450	50,450
Derivative financial instruments and firm commitments included in other liabilities	310	310	208	208
Financial liabilities for puttable equity instruments	3,451	3,451	2,718	2,718
Certificated liabilities, participation certificates and subordinated liabilities	17,309	17,351	18,890	17,643
Liabilities held in trust	265	265	250	250

The fair value of a financial instrument is defined as the amount for which a financial asset could be exchanged, or a financial liability settled, between knowledgeable, willing parties in an arm's length transaction.

Determination of fair value for financial instruments not carried at fair value

In the following the determination of the fair value for financial instruments, that are not carried at fair value in the consolidated balance sheet, but for which a fair value has to be disclosed under IFRS 7, is described:

Cash and cash equivalents Cash and cash equivalents comprises cash and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value. They are carried at nominal value, which represents a reasonable estimate of the fair value for these short term financial instruments.

Held-to-maturity investments The fair value of held-to-maturity investments is determined using the quoted market price as of the balance sheet date.

Loans and advances to banks and customers For loans and advances to banks and customers quoted market prices are not available as there are no active markets where these instruments are traded. The fair value is determined using generally accepted valuation techniques with current market parameters. For short-term loans the carrying amount represents a reasonable estimate of the fair value. For long-term loans the fair value is estimated by discounting future contractual cash flows using risk-adjusted discount rates. Additionally, the individually assessed component of the allowance for loan losses and the recoverable amounts of collateral is considered in the fair value determination of loans.

Liabilities to banks and customers For short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting future cash flows. The fair value determination reflects current market interest rates and the credit rating of the Allianz Group.

Certificated liabilities, participation certificates and subordinated liabilities The fair value of certificated liabilities, participation certificates and subordinated liabilities is determined using quoted market prices, if available. If quoted prices are not available, for short-term liabilities the carrying amount represents a reasonable estimate of the fair value. For long-term instruments the fair value is determined by discounting the remaining contractual future cash flows at a discount rate at which Allianz Group could issue debt with a similar remaining maturity. The fair value determination reflects current market interest rates and considers the credit rating of the Allianz Group.

Determination of fair value for financial instruments carried at fair value

For the following financial instruments, carried at fair value in the consolidated balance sheets, the fair value is determined as described in Note 2 "Summary of significant accounting policies":

- Financial assets and liabilities held for trading
- Financial assets and liabilities designated at fair value through income
- Available-for-sale investments
- Financial assets and liabilities for unit-linked contracts
- Derivative financial instruments and firm commitments included in other assets and other liabilities
- Investment contracts with policyholders
- Financial liabilities for puttable equity instruments
- Assets and liabilities held in trust

Fair value hierarchy of financial instruments

IFRS 7 requires that financial instruments carried at fair value in the consolidated balance sheets are classified into a three-level hierarchy ("the fair value hierarchy") depending on the valuation techniques used and whether the inputs to those valuation techniques are observable in the market.

Level 1 Financial instruments for which the fair value is determined by using quoted prices (unadjusted) in active markets for identical assets or liabilities are classified into this category. According to IAS 39 a financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Financial instruments for which the fair value is determined by using valuation-techniques, with any significant input being based on observable market data (observable inputs), are classified into this category.

Level 3 Financial instruments for which the fair value is determined by using valuation-techniques, with at least one significant input not being based on observable market data (non-observable inputs) are classified into this category.

The following tables present the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheets as of December 31, 2009 and 2008.

As of December 31,	2009			
	Level 1 Quoted prices in active markets € mn	Level 2 Valuation technique – market observable inputs € mn	Level 3 Valuation technique – non-market observable inputs € mn	Total fair value € mn
Financial assets				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	212	107	44	363
Equity securities	29	76	—	105
Derivative financial instruments	186	1,416	61	1,663
Subtotal	427	1,599	105	2,131
Financial assets designated at fair value through income				
Debt securities	4,526	4,270	18	8,814
Equity securities	3,199	18	159	3,376
Subtotal	7,725	4,288	177	12,190
Subtotal	8,152	5,887	282	14,321
Available-for-sale investments				
Equity securities	23,673	991	3,060 [2]	27,724
Government and agency mortgage-backed securities (residential and commercial)	280	8,074	4	8,358
Corporate mortgage-backed securities (residential and commercial)	36	7,658	54	7,748
Other asset-backed securities	64	3,493	330	3,887
Government and government agency bonds	103,991	9,922	39	113,952
Corporate bonds	18,060	95,188	2,526	115,774
Other debt securities	516	855	231	1,602
Subtotal	146,620	126,181	6,244	279,045
Financial assets for unit-linked contracts	54,798	2,152	13	56,963
Derivative financial instruments and firm commitments included in other assets	—	304	—	304
Assets held in trust	265	—	—	265
Total	209,835	134,524	6,539	350,898
Financial liabilities				
Financial liabilities held for trading				
Derivative financial instruments	204	906	5,550	6,660
Other trading liabilities	—	83	—	83
Subtotal	204	989	5,550	6,743
Investment contracts with policyholders [1]	219	299	431	949
Financial liabilities for unit-linked contracts	54,798	2,152	13	56,963
Derivative financial instruments and firm commitments included in other liabilities	—	310	—	310
Financial liabilities for puttable equity instruments	3,388	2	61	3,451
Liabilities held in trust	265	—	—	265
Total	58,874	3,752	6,055	68,681

1) Excludes universal life-type contracts.
2) For the purpose of this disclosure to match the disclosures made in Note 9 the Allianz Group's unlisted equity securities and investments in limited partnerships of € 375 mn, which are measured at cost less impairment charges because the fair value cannot be reliably measured, are included.

As of December 31,	2008			
	Level 1 Quoted prices in active markets € mn	Level 2 Valuation technique – market observable inputs € mn	Level 3 Valuation technique – non-market observable inputs € mn	Total fair value € mn
Financial assets				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	412	90	45	547
Equity securities	25	74	—	99
Derivative financial instruments	538	1,424	16	1,978
Subtotal	975	1,588	61	2,624
Financial assets designated at fair value through income				
Debt securities	3,783	4,796	10	8,589
Equity securities	2,766	83	178	3,027
Subtotal	6,549	4,879	188	11,616
Subtotal	7,524	6,467	249	14,240
Available-for-sale investments				
Equity securities	25,771	847	2,871 [2]	29,489
Government and agency mortgage-backed securities (residential and commercial)	295	7,690	4	7,989
Corporate mortgage-backed securities (residential and commercial)	71	7,135	105	7,311
Other asset-backed securities	63	4,106	320	4,489
Government and government agency bonds	91,136	7,094	65	98,295
Corporate bonds	25,865	65,470	1,868	93,203
Other debt securities	244	916	163	1,323
Subtotal	143,445	93,258	5,396	242,099
Financial assets for unit-linked contracts	46,699	3,745	6	50,450
Derivative financial instruments and firm commitments included in other assets	358	743	—	1,101
Assets held in trust	250	—	—	250
Total	198,276	104,213	5,651	308,140
Financial liabilities				
Financial liabilities held for trading				
Derivative financial instruments	57	1,064	5,121	6,242
Other trading liabilities	—	2	—	2
Subtotal	57	1,066	5,121	6,244
Investment contracts with policyholders [1]	149	305	385	839
Financial liabilities for unit-linked contracts	46,699	3,745	6	50,450
Derivative financial instruments and firm commitments included in other liabilities	52	156	—	208
Financial liabilities for puttable equity instruments	2,308	323	87	2,718
Liabilities held in trust	250	—	—	250
Total	49,515	5,595	5,599	60,709

1) Excludes universal life-type contracts.
2) For the purpose of this disclosure to match the disclosures made in Note 9 the Allianz Group's unlisted equity securities and investments in limited partnerships of € 473 mn, which are measured at cost less impairment charges because the fair value cannot be reliably measured, are included.

Significant transfers of financial instruments carried at fair value between Level 1 and Level 2

	Transfers from Level 2 to Level 1 2009 € mn
Financial assets	
Debt securities designated at fair value through income	298
Corporate bonds	578
Financial assets for unit-linked contracts	1,685
Total financial assets at fair value	**2,561**
Financial liabilities	
Financial liabilities for unit-linked contracts	1,685
Financial liabilities for puttable equity instruments	127
Total financial liabilities at fair value	**1,812**

Certain debt securities designated at fair value through income, corporate bonds, financial assets and liabilities for unit-linked contracts and financial liabilities for puttable equity instruments were transfered from Level 2 to Level 1 during the year ended December 31, 2009, because the markets, where those bonds are quoted, became liquid and active again. There were no significant transfers from Level 1 in Level 2 during the year ended December 31, 2009.

Level 3 portfolios

The fair value of certain financial instruments is determined using valuation techniques with non-market observable input parameters (Level 3).

Equity securities within financial assets designated at fair value through income and available-for-sale investments mainly comprise private equity fund investments of the Allianz Group. Private equity fund investments are usually priced on net asset values calculated by the fund asset manager and are thus based on unobservable market data. The fund asset manager prices the underlying single portfolio companies generally on discounted cash flow or multiple approaches. The access to company specific data is the limitation with regard to valuation of the fund investments. Furthermore, any transaction of a fund, thus a further investment or divestment, has an impact on the sensitivity of a fund valuation. Due to these constraints a reasonable sensitivity calculation is not feasible.

The fair value of € 1.1 bn of certain corporate bonds within available-for-sale investments is determined using broker quotes or matrix pricing, which are based on unobservable inputs. These fair values are compared with additional broker quotes obtained from other sources and a range of fair values is determined, of which the maximum fair value would be € 0.3 mn higher and the minimum fair value would be € 1 mn lower.

The remaining corporate bonds classified as Level 3 consist of various porfolios for which different valuation techniques with non-observable inputs including broker quotes and pricing services are used. While in total the effect of changing the valuation assumptions to reasonable possible alternative values might have a significant impact on the fair values, when considered individually for each portfolio, the impact would not be significant.

Financial liabilities held for trading include € 5.6 bn of embedded derivative financial instruments relating to annuity products. Internal discounted cash flow models are used to determine the present value of the underlying insurance benefits and expenses. Sensitivities of the fair value to reasonable possible alternative assumptions are calculated by varying the annuitizations and surrenders by 10%. A 10% increase in annuitizations and a 10% decrease in surrenders would increase the fair value by € 181 mn, whereas a 10% decrease in annuitizations and a 10% increase in surrenders would decrease the fair value by € 192 mn.

Reconciliation of Level 3 financial instruments

The following table shows a reconciliation of the financial instruments carried at fair value and classified as Level 3:

	Carrying value (fair value) as of January 1, 2009 €mn	Additions through purchases and issues €mn	Net transfers into (out of) Level 3 €mn	Disposals through sales and settlements €mn
Financial assets				
Financial assets carried at fair value through income				
Financial assets held for trading				
Debt securities	45	6	—	(6)
Derivative financial instruments	16	31	—	(15)
Subtotal	61	37	—	(21)
Financial assets designated at fair value through income				
Debt securities	10	14	(2)	(55)
Equity securities	178	83	—	(70)
Subtotal	188	97	(2)	(125)
Subtotal	249	134	(2)	(146)
Available-for-sale investments				
Equity securities	2,871	601	4	(243)
Government and agency mortgage-backed securities (residential and commercial)	4	—	1	(1)
Corporate mortgage-backed securities (residential and commercial)	105	3	(16)	(25)
Other asset-backed securities	320	160	(69)	(99)
Government and government agency bonds	65	93	(86)	(29)
Corporate bonds	1,868	881	(335)	(70)
Other debt securities	163	88	—	(5)
Subtotal	5,396	1,826	(501)	(472)
Financial assets for unit- linked contracts	6	12	12	(4)
Total financial assets at fair value	5,651	1,972	(491)	(622)
Financial liabilities				
Financial liabilities held for trading				
Derivative financial instruments	5,121	862	—	(630)
Investment contracts with policyholders [1]	385	270	—	(251)
Financial liabilities for unit-linked contracts	6	12	12	(4)
Financial liabilities for puttable equity instruments	87	—	—	(5)
Total financial liabilities at fair value	5,599	1,144	12	(890)

[1] Excludes universal life-type contracts.

Net fair value gains recognized in consolidated income statement €mn	Net fair value gains recognized in other comprehensive income €mn	Impairments €mn	Foreign currency translation adjustments €mn	Changes in the consolidated subsidiaries of the Allianz Group €mn	Carrying value (fair value) as of December 31, 2009 €mn	Net fair value gains for financial instruments held at the reporting date €mn
(1)	—	—	—	—	44	—
(4)	—	—	(1)	34	61	4
(5)	**—**	**—**	**(1)**	**34**	**105**	**4**
2	—	—	—	49	18	—
(32)	—	—	—	—	159	—
(30)	**—**	**—**	**—**	**49**	**177**	**—**
(35)	**—**	**—**	**(1)**	**83**	**282**	**4**
(3)	308	(475)	(3)	—	3,060	—
—	—	—	—	—	4	—
—	(5)	(8)	—	—	54	—
—	40	(16)	(2)	(4)	330	—
—	(3)	—	(1)	—	39	—
—	332	(14)	(30)	(106)	2,526	—
—	(15)	—	—	—	231	—
(3)	**657**	**(513)**	**(36)**	**(110)**	**6,244**	**—**
(13)	**—**	**—**	**—**	**—**	**13**	**(9)**
(51)	**657**	**(513)**	**(37)**	**(27)**	**6,539**	**(5)**
403	—	—	(170)	(36)	5,550	332
31	**—**	**—**	**(4)**	**—**	**431**	**18**
(13)	**—**	**—**	**—**	**—**	**13**	**(9)**
—	**(21)**	**—**	**—**	**—**	**61**	**—**
421	**(21)**	**—**	**(174)**	**(36)**	**6,055**	**341**

During the year ended December 31, 2009, the Allianz Group transferred certain corporate bonds from Level 3 into Level 2. This was due to the fact that the valuation techniques of these securities were modified and are no longer based on significant non-observable inputs.

Reclassification of financial assets

In January 2009, certain U.S. Dollar denominated CDOs with a fair value of € 1.1 bn (notional amount of € 2.2 bn) were retained from Dresdner Bank. On January 31, 2009, subsequent to the derecognition of Dresdner Bank, these CDOs were reclassified from financial assets held for trading to loans and advances to banks and customers in accordance with IAS 39, as the Allianz Group has the intention to hold the CDOs until maturity. The fair value of € 1.1 bn became the new carrying amount of the CDOs at the reclassification date. The expected recoverable cash flows as of the date of reclassification was € 1.8 bn, leading to an effective interest rate of approximately 7 %.

During mid-2009, these CDOs were transferred to one of the Allianz Group's U.S. Dollar functional currency subsidiaries. As of December 31, 2009, the carrying amount and fair value of the CDOs is € 863 mn and € 856 mn, respectively. The decline in fair value from the reclassification date to December 31, 2009 is mainly due to principal repayments of € 120 mn and foreign currency effects. For 2009, the net profit related to these CDOs was not significant.

The CDOs are senior tranches that were high-grade ABS at the time of origination. In January 2009, the CDOs were rated B1 (2 %), Ba3 (29 %), Caa2 (46 %) and Caa3 (23 %) by Moody's. In December 2009, the CDOs were rated Caa2 (40 %) and Caa3 (60 %). In the current environment of highly illiquid markets for these types of assets, valuation techniques are required to estimate fair value. As significant input parameters are non-observable, significant management judgment is required.

Maturity of financial liabilities

Please refer to the risk report in the group management report for a description of how Allianz Group manages the liquidity risk.

This risk report, with the exception of the "Outlook" section, is an integral part of the audited consolidated financial statements

Tabular disclosure of contractual obligations

The table sets forth the Allianz Group's contractual obligations as of December 31, 2009. Contractual obligations do not include contingent liabilities or commitments. Only transactions with parties outside the Allianz Group are considered.

The table includes only liabilities that represent fixed and determinable amounts. The table excludes interest on floating rate long-term debt obligations and interest on money market securities, as the contractual interest rate on floating rate obligations is not fixed and determinable. The amount and timing of interest on money market securities is not fixed and determinable since these instruments have a daily maturity. For further information, see Notes 23 and 24 to the consolidated financial statements.

As of December 31, 2009, the income tax obligations amounted to € 1,890 mn. Thereof € 1,238 mn the Allianz Group expects to pay within the twelve months after the balance sheet date. For the remaining amount of € 652 mn an estimate of the timing of cash outflows is not reasonably possible. The income tax obligations are not included in the table below.

	Contractual cash flows as of December 31, 2009			
	Due in 2010 € mn	Due in 2011 – 2014 € mn	Due after 2014 € mn	Total € mn
Financial liabilities				
Financial liabilities carried at fair value through income		please refer to note 43		
Liabilities to banks and customers [1]	14,478	3,866	2,904	**21,248**
Derivative financial instruments and firm commitments included in other liabilites		please refer to note 43		
Financial liabilities for puttable equity instruments	3,451	—	—	**3,451**
Certified liabilities, participation certificates and subordinated liabilities [1]	1,785	2,626	12,898	**17,309**
Insurance liabilities				
Future policy benefits [2]	36,729	176,873	760,461	**974,063**
Reserves for loss and loss adjustment expenses	16,948	21,834	16,933	**55,715**
Other liabilities				
Operating lease obligations [3]	278	826	984	**2,088**
Purchase obligations [4]	281	589	178	**1,048**

1) For materiality reasons the carrying amount is split up into the different contractual maturities.
2) Including investment contracts with policyholders and financial liabilities for unit-linked contracts.
3) The amount of € 2,088 mn is gross of € 38 mn related to subleases, which represent cash inflow to the Allianz Group.
4) Purchase obligations only include transactions related to goods and services; purchase obligations for financial instruments are not included.

Future policy benefits of € 974,063 mn

Reserves for insurance and investment contracts presented in the table include contracts where the timing and amount of payments are considered fixed and determinable and contracts which have no specified maturity dates and may result in a payment to the contract holder depending on mortality and morbidity experience and the incidence of surrenders, lapses or maturities. Furthermore, the amounts presented in the table above are undiscounted and therefore exceed the reserves for insurance and investment contracts presented in the consolidated balance sheet that reflect the time value of the money.

For contracts which do not have payments that are fixed and determinable, the Allianz Group has made assumptions to estimate the undiscounted cash flows of contractual policy benefits including mortality, morbidity, interest crediting rates, policyholder participation in profits and future lapse rates. These assumptions represent current best estimates and may differ from the estimates originally used to establish the reserves for insurance and investment contracts as a result of the lock-in of assumptions on the issue dates of the contracts as required by the Allianz Group's established accounting policy. The effect of discounting and differences between locked-in and best estimate assumptions is € 460,500 mn. For further information, see Note 2 to the consolidated financial statements. Due to the uncertainty of the assumptions used, the amount presented could be materially different from the actual incurred payments in future periods.

Furthermore, these amounts do not include € 154,489 mn of premiums and fees expected to be received, expenses incurred to parties other than the policyholders such as agents and administrative expenses; nor do they include investment income earned. In addition, these amounts are presented net of reinsurance expected to be received as a result of these cash flows. For further information on reserves for insurance and investment contracts, see Note 20 to the consolidated financial statements.

Derecognition of financial assets

The Allianz Group enters into repurchase-agreement-transactions in which previously recognized financial assets, mainly available-for-sale debt securities, are transferred, but substantially all of the risks and rewards of those assets are retained. As of December 31, 2009, the carrying amount of those assets amounted to € 967 mn and the carrying amount of the related liabilities amounted to € 1,004 mn.

45 Related party transactions

Information on the remuneration of Board members and transactions with these persons can be found in the remuneration report, starting on page 17.

Transactions between Allianz SE and its subsidiaries that are to be deemed related parties have been eliminated in consolidation and are not disclosed in the notes.

Business relations with associates are set on an arm's length basis and are additionaly of subordinate importance as a whole.

In 2009 financial assets of € 1,158 mn were sold from certain associated mutual fund companies to Allianz Group companies.

46 Contingent liabilities, commitments, guarantees, and assets pledged and collateral

Contingent liabilities

Litigation

Allianz Group companies are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, which arise in the ordinary course of their businesses, including in connection with their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position and the results of operations of Allianz Group, after consideration of any applicable reserves.

On November 5, 2001, a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks US Insurance Company ("AGR US"). The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. On May 23, 2007, following a court-ordered mediation, AGR US reached a settlement with Silverstein Properties regarding the disputed insurance claims. On May 24, 2007, SCOR announced that it considers the settlement 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. In November 2009, the arbitration panel decided that SCOR does not have any claims against Allianz. Consequently, the arbitration proceeding did not result in any negative impact on Allianz' financial position.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure ("Spruchverfahren"), which is pending with the district court ("Landgericht") of Frankfurt. The Management believes that a claim to increase the cash settlement does not exist. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all of the approximately 16 mn shares that were transferred to Allianz.

Allianz Global Investors of America L.P. and certain of its subsidiaries have been named as defendants in multiple civil US lawsuits commenced as putative class actions and other proceedings related to matters involving market timing in the mutual fund industry. These lawsuits have been consolidated into and transferred to a multi-district litigation proceeding in the US District Court for the District of Maryland. The potential outcomes cannot be predicted at this time, but management currently does not expect any material negative financial outcome from these matters for the Allianz Group.

Pacific Investment Management Company LLC ("PIMCO"), a subsidiary of Allianz Global Investors of America L.P., and PIMCO Funds are subject of a lawsuit in the Northern District of Illinois Eastern Division. The complaint alleges that the plaintiffs each purchased and sold a 10-year Treasury note futures contract and suffered damages from an alleged shortage when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts in violation of the federal Commodity Exchange Act provisions on market manipulation. In July 2007, the District Court granted class certification of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005. On July 7, 2009, the Court of Appeals affirmed the District Court's order granting class certification. On February 22, 2010, the

United States Supreme Court declined PIMCO´s petition to review the decision of the appelate court. Management believes the complaint is without merit. The outcome of this action cannot be predicted at this time.

The U.S. Department of Justice ("DOJ") has alleged False Claims Act violations related to Fireman's Fund Insurance Company's ("FFIC") involvement as a provider of federal crop insurance from 1997 to 2003. The majority of the allegations concern falsified documentation in FFIC's Lambert, Mississippi and Modesto, California field offices. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. In November 2006, the DOJ proposed to FFIC a resolution of all civil, criminal and administrative allegations in the form of an offer to settle. Discussions between FFIC and the DOJ are continuing and the outcome of this matter cannot be predicted at this stage.

Three members of the Fireman's Fund group of companies in the United States, all subsidiaries of Allianz SE, are among the roughly 135 defendants named in a class action filed on August 1, 2005 in the United States District Court of New Jersey in connection with allegations relating to contingent commissions in the insurance industry. No class has been certified for this class action. The court dismissed with prejudice the federal court causes of action and dismissed without prejudice the state law causes of action. The plaintiffs have appealed the ruling. Unless the Court of Appeal reverses the lower court's decision, the case will remain dismissed. It is not possible to predict potential outcomes or assess any eventual exposure at this time.

Allianz Life Insurance Company of North America ("Allianz Life") has been named as a defendant in various putative class action lawsuits, mainly in Minnesota and California, in connection with the marketing and sale of deferred annuity products. Three lawsuits in California are currently pending as certified class actions. The complaints allege generally that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products. These lawsuits have not yet progressed to a stage at which the outcome or exposure can be determined. In another lawsuit in Minnesota, containing allegations similar to those in the California lawsuits as well as the allegation that the defendant violated the Minnesota Consumer Fraud and Deceptive and Unlawful Trade Practices Act, the case went to trial before a jury. Based upon the October 2009 jury verdict, the Court entered final judgment in favour of Allianz Life in January 2010.

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 & Söhne 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.

Allianz and HT1 Funding GmbH have signed a Contingent Indemnity Agreement in July 2006, pursuant to which Allianz may, in certain circumstances, be obliged to make payments to HT1 Funding GmbH. HT 1 Funding GmbH issued nominal € 1,000 mn Tier 1 Capital Securities with an annual coupon of 6.352 % (as of June, 30 2017, the coupon will be 12-months EURIBOR plus a margin of 2.0 % p.a.). The securities have no scheduled maturity and the securityholders have no right to call for their redemption. The securities may be redeemed at the option of the issuer on 30 June 2017 and thereafter. It is not possible for Allianz to predict potential payment obligations for 2010 and future periods at this time, but management currently does not expect any material negative financial impact for Allianz Group.

Commitments

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown may not be representative of actual liquidity requirements for such commitments.

As of December 31,	2009 € mn	2008 € mn
Advances	620	160
Stand-by facilities	26	29
Guarantee credits	101	3
Mortgage loans/public-sector loans	68	85
Total	**815**	**277**

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of December 31, 2009, the future minimum lease payments under non-cancelable operating leases were as follows:

	2009 € mn
2010	278
2011	234
2012	222
2013	194
2014	176
Thereafter	984
Subtotal	**2,088**
Subleases	(38)
Total	**2,050**

Rental expense net of sublease rental income received of € 14 mn, for the year ending December 31, 2009, was € 271 mn (2008: € 253 mn; 2007: € 429 mn).

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of € 3,937 mn (2008: € 5,102 mn) as well as to invest in private equity funds totaling € 2,556 mn (2008: € 2,455 mn) as of December 31, 2009. As of December 31, 2009, commitments outstanding to purchase real estate used by third-parties and owned by the Allianz Group used for its own activities amounted to € 393 mn (2008: € 650 mn). As of December 31, 2009, commitments outstanding to purchase items of equipment amounted to € — mn (2008: € 3 mn). In addition, as of December 31, 2009, the Allianz Group has other commitments of € 193 mn (2008: € 224 mn) referring to maintenance, real estate development, sponsoring and purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

Pursuant to para. 124 ff. of the German Insurance Supervision Act ("Versicherungsaufsichtsgesetz – VAG"), a mandatory insurance guarantee scheme ("Sicherungsfonds") for life insurers was implemented in Germany. Each member of the scheme is obliged to make to the scheme annual contributions as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation ("Sicherungsfonds-Finanzierungs-Verordnung (Leben) – SichLVFinV"). As of December 31, 2009, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of € 2 mn (2008: € 24 mn) and an obligation for special payments of € 97 mn (2008: € 95 mn).

In December 2002, Protektor Lebensversicherungs-Aktiengesellschaft ("Protektor"), a life insurance company whose role is to protect policyholders of all German life insurers, was founded. Allianz Lebensversicherungs-Aktiengesellschaft and some of its subsidiaries are obligated to provide additional funds either to the mandatory insurance guarantee scheme or to Protektor, in the event that the funds provided to the mandatory insurance guarantee scheme are not sufficient to handle an insolvency case. Such obligation amounts to a maximum of 1 % of the sum of the net underwriting reserve with deduction of payments already provided to the insurance guarantee scheme. As of December 31, 2009, and under inclusion of the contributions to the mandatory insurance scheme mentioned above, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor was € 879 mn (2008: € 877 mn).

Guarantees

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is as follows:

	Letters of credit and other financial guarantees €mn	Market value guarantees €mn	Indemnification contracts €mn
2009			
Up to 1 year	383	332	23
1-3 years	34	207	4
3-5 years	14	531	—
Over 5 years	121	1,598	47
Total	**552**	**2,668**	**74**
Collateral	25	—	4
2008			
Up to 1 year	740	—	7
1-3 years	99	439	15
3-5 years	18	478	—
Over 5 years	38	1,751	134
Total	**895**	**2,668**	**156**
Collateral	25	—	10

The customers of the letters of credit and of the indemnification contracts have the following external credit ranking:

	2009 €mn
AAA	—
AA	4
A	4
BBB	13
BB	—
B and lower	—
without rating	565
Total	**586**

Letters of credit and other financial guarantees

The majority of the Allianz Group's letters of credit and other financial guarantees are issued to customers through the normal course of business of the Allianz Group's reportable segment Banking in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third-parties is treated as a loan to the customer, and is, therefore, principally subject to collateral pledged by the customer as specified in the agreement.

Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of such investments does not meet the guaranteed targets at predefined dates.

The Allianz Group's Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees, as well as the maturity dates, differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of December 31, 2009, the maximum potential amount of future payments of the market value guarantees was € 1,150 mn (2008: € 1,312 mn), which represents the total value guaranteed under the respective agreements including the obligation that would have been due had the investments matured on that date. The fair value of the investment trust accounts and mutual funds related to these guarantees as of December 31, 2009, was € 1,248 mn (2008: € 1,323 mn).

The Allianz Group's banking operations in France, in the ordinary course of business, issue market value and performance-at-maturity guarantees in connection with mutual funds offered by the Allianz Group's asset management operations in France. The levels of market value and performance-at-maturity guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, the same mutual fund offers both a market value guarantee and a performance-at-maturity guarantee. Additionally, the performance-at-maturity guarantees are generally linked to the performance of an equity index or group of equity indexes. As of December 31, 2009, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was € 1,518 mn (2008: € 1,356 mn), which represents the total value guaranteed under the respective agreements. The fair value of the mutual funds related to the market guarantees as of December 31, 2009, was approximately € 1,425 mn (2008: € 1,260 mn). Such funds generally have a duration of five to eight years.

Indemnification contracts

Indemnification contracts are executed by the Allianz Group with various counterparties under existing service, lease or acquisition transactions. Such contracts may also be used to indemnify counterparties under various contingencies, such as changes in laws and regulations or litigation claims.

In connection with the sale of various of the Allianz Group's former private equity investments, subsidiaries of the Allianz Group provided indemnities to the respective buyers in the event that certain contractual warranties arise. The terms of the indemnity contracts cover ordinary contractual warranties, environmental costs and any potential tax liabilities the entity incurred while owned by the Allianz Group.

Credit derivatives

Credit derivatives consist of written credit default swaps, which require payment by the Allianz Group in the event of default of debt obligations, as well as written total return swaps, under which the Allianz Group guarantees the performance of the underlying assets. The notional principal amounts and fair values of the Allianz Group's credit derivative positions as of December 31, 2009 are provided in Note 43.

Assets pledged and collateral

The carrying amount of the assets pledged as collateral where the secured party does not have the right by contract or custom to sell or repledge the assets are as follows:

As of December 31,	2009 € mn	2008 € mn
Investments	987	175
Loans and advances to banks and customers	2,845	1,727
Total	**3,832**	**1,902**

As of December 31, 2009, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 660 mn (2008: € 1,672 mn), which the Allianz Group has the right to sell or repledge. As of December 31, 2009 and 2008 respectively, no previously received collateral was sold or repledged by the Allianz Group.

As of December 31, 2009 the Allianz Group took possession of collateral it holds as security with a carrying amount of € 21 mn (2008: € — mn) These financial assets will be systematically sold in the market.

47 Pensions and similar obligations

Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit plans in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Defined benefit plans

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

	2009 € mn	2008 € mn
Net amount recognized as of January 1,	**3,611**	**3,782**
Changes in the consolidated subsidiaries of the Allianz Group	5	(38)
Foreign currency translation adjustments	(2)	17
Expense	571	589
Payments	(642)	(739)
Net amount recognized as of December 31,	**3,543**	**3,611**
thereof assets	(276)	(256)
thereof liabilities	3,819	3,867

The following table sets forth the changes in the defined benefit obligation, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

	2009 € mn	2008 € mn
Change in defined benefit obligation		
Defined benefit obligation as of January 1,	**12,247**	**16,142**
Service cost	288	321
Interest cost	695	672
Plan participants' contributions	68	65
Amendments	2	41
Actuarial (gains)/losses	956	(774)
Foreign currency translation adjustments	70	(182)
Benefits paid	(582)	(570)
Changes in the consolidated subsidiaries of the Allianz Group	54	(38)
Divestitures [1]	—	(3,430)
Settlements, curtailments, termination benefits	(71)	—
Defined benefit obligation as of December 31, [2]	**13,727**	**12,247**
Change in fair value of plan assets		
Fair value of plan assets as of January 1,	**7,964**	**10,931**
Expected return on plan assets	440	448
Actuarial gains/(losses)	283	(781)
Employer contributions	385	500
Plan participants' contributions	68	65
Foreign currency translation adjustments	60	(150)
Benefits paid [3]	(327)	(321)
Changes in the consolidated subsidiaries of the Allianz Group	93	(36)
Divestitures [1]	—	(2,692)
Assets distributed on settlement	(53)	—
Fair value of plan assets as of December 31,	**8,913**	**7,964**
Funded status as of December 31,	**4,814**	**4,283**
Unrecognized net actuarial gains/(losses)	(1,375)	(685)
Unrecognized past service costs	3	13
Amount not recognized due to asset ceiling	101	—
Net amount recognized as of December 31,	**3,543**	**3,611**

1) Relates in 2008 to the reclassification of Dresdner Bank Group to assets / liabilities of disposal groups classified as held for sale.
2) As of December 31, 2009, includes direct commitments of the consolidated subsidiaries of the Allianz Group of € 4,707 mn (2008: € 4,429 mn) and commitments through plan assets of € 9,020 mn (2008: € 7,818 mn).
3) In addition, the Allianz Group paid € 255 mn (2008: € 249 mn) directly to plan participants.

As of December 31, 2009, post-retirement health benefits included in the defined benefit obligation and in the net amount recognized amounted to € 6 mn (2008: € 60 mn) and € 7 mn (2008: € 92 mn), respectively.

The expense recognized in profit or loss related to defined benefit plans of the Allianz Group consists of the following components:

	2009 € mn	2008 € mn	2007 € mn
Service cost	288	321	382
Interest cost	695	672	617
Expected return on plan assets	(440)	(448)	(432)
Amortization of past service cost	(8)	38	—
Amortization of net actuarial (gain)/loss	(55)	6	62
Effect of asset ceiling	99	—	—
(Income)/expenses of plan curtailments or settlements	(8)	—	(51)
Expense recognized in profit or loss [1]	**571**	**589**	**578**

[1] 2007 adjusted due to the reclassification of expense recognized in profit or loss of Dresdner Bank Group to net income (loss) from discontinued operations.

During the year ended December 31, 2009, the expense recognized in profit or loss includes expense recognized in profit or loss related to post-retirement health benefits of € (46) mn (2008: € (7) mn; 2007: € — mn).

The actual return on plan assets amounted to € 723 mn, € (333) mn and € 246 mn during the years ended December 31, 2009, 2008 and 2007.

A summary of amounts related to defined benefit plans is as follows:

	2009 € mn	2008 € mn	2007 € mn	2006 € mn
Defined benefit obligation	13,727	12,247	16,142	17,280
Fair value of plan assets	8,913	7,964	10,931	10,888
Funded status	4,814	4,283	5,211	6,392
Actuarial (gains) / losses from experience adjustments on:				
Plan obligations	(73)	(42)	(56)	8
Plan assets	(283)	781	331	90

Assumptions

The assumptions for the actuarial computation of the defined benefit obligation and the expense recognized in profit or loss depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted average value of the assumptions for the Allianz Group's defined benefit plans used to determine defined benefit obligation and the expense recognized in profit or loss are as follows:

As of December 31,	2009 %	2008 %	2007 %
Discount rate	5.1	5.8	5.5
Expected long-term return on plan assets	5.4	5.5	5.3
Rate of compensation increase	2.4	2.5	2.6
Rate of pension increase	1.6	1.9	1.8
Rate of medical cost trend	5.4	7.5	7.7

The expense recognized in profit and loss is recorded based on the assumptions of the corresponding previous year. For the assumptions regarding the expected long-term return on plan assets the value of the corresponding actual year is relevant.

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

Especially the discount rate assumption gives rise to uncertainty resulting in having a significant risk. A change in the discount rate by 0.25 percentage point would lead to an effect of € 452 mn on the defined benefit obligation.

A change in the medical cost trend rate by one percentage point (increase or decrease) would have an effect of € 1 mn and € 1 mn, respectively, on the defined benefit obligation.

On the expense recognized in profit or loss a change in the medical cost trend rate by one percentage point (increase or decrease) would have an effect of € — mn and € — mn, respectively.

For the year ended December 31, 2009, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

	Target allocation %	Weighted expected long-term rate of return %
Equity securities	26.1	7.7
Debt securities	66.2	4.6
Real estate	5.8	4.9
Other	1.9	1.7
Total	**100.0**	**5.4**

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The defined benefit plans' weighted average asset allocations by asset category are as follows:

As of December 31,	2009 %	2008 %
Equity securities	14.1	16.2
Debt securities	78.3	78.4
Real estate	4.5	3.6
Other	3.1	1.8
Total	**100.0**	**100.0**

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich. This entity insures effectively all employees of the German insurance operations and is not part of the Allianz Group.

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase on the long term its actual equity securities allocation for plan assets of defined benefit plans.

Contributions

During the year ending December 31, 2010, the Allianz Group expects to contribute € 237 mn to its defined benefit plans and pay € 256 mn directly to plan participants of its defined benefit plans.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g. based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions.

During the year ended December 31, 2009, the Allianz Group recognized expense for defined contribution plans of € 149 mn (2008: € 212 mn; 2007: € 192 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 373 mn (2008: € 317 mn; 2007: € 294 mn).

48 Share-based compensation plans

Group Equity Incentives Plans

The Group Equity Incentives Plans ("GEI") of the Allianz Group support the orientation of senior management, in particular the Board of Management, toward the long-term increase of the value of the Allianz Group. The GEI include grants of stock appreciation rights ("SAR") and restricted stock units ("RSU").

Due to the new remuneration structure effective January 1, 2010 the SAR and RSU 2010 are deemed to have been granted to participants as part of the 2009 remuneration. The additional liability and compensation expenses for the SAR and RSU granted in March 2010 are based on a best estimation.

Stock appreciation rights

The SARs granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each SAR granted. The excess is capped at 150% of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. Until the grant 2008 the SARs vest after two years and expire after seven years. From the grant 2009 onwards the SARs vest after four years and expire as well after seven years. Upon vesting, the SARs may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of Allianz SE share has outperformed the Dow Jones Europe STOXX Price Index at least once for a period of five consecutive trading days; and

- the Allianz SE market price is in excess of the reference price by at least 20% on the exercise date.

In addition, upon death of plan participants, a change of control of the Allianz Group or notice for operational reason the SARs vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised SAR will be exercised automatically if the above market conditions have been attained. The SARs are forfeited if the plan participant ceases to be employed by the Allianz Group or if the exercise conditions are not attained by the expiration date.

The fair value of the SARs at grant date is measured using a Cox-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (all plans issued between 2004 and 2008 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the SARs.

The following table provides the assumptions used in estimating the fair value of the SARs at grant date:

	2010 [1]	2009	2008	2007
Expected volatility	35.0%	60.0%	32.0%	27.9%
Risk-free interest rate	2.7%	2.6%	3.6%	3.9%
Expected dividend rate	5,8%	6.2%	5.3%	3.0%
Share price	€ 80.00	€ 55.19	€ 112.83	€ 158.01
Expected life (years)	7	7	7	7

1) The SARs 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the assumptions for SAR grants delivered in March 2010 are based on best estimation.

The SARs are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the SARs as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SARs are recognized as compensation expense. During the year ended December 31, 2009, the Allianz Group recognized compensation expense related to the unexercised SARs of € 12 mn (2008: € (116) mn; 2007: € 14 mn).

As of December 31, 2009, the Allianz Group recorded a liability, in other liabilities, for the unexercised SARs of € 50 mn (2008: € 37 mn).

Restricted stock units

The RSUs granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or issue one Allianz SE share, or other equivalent equity instrument, for each RSU granted. The RSUs vest after five years. The Allianz Group will exercise the RSUs on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each RSU.

In addition, upon death of plan participants, a change of control of the Allianz Group or notice for operational reason the RSUs vest immediately and will be exercised by the company.

The RSUs are notional stocks without dividend payments. The fair value is calculated by substracting the net present value of expected future dividend payments until maturity of the RSUs from the prevailing share price as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the RSUs at grant date:

	2010 [1]	2009	2008	2007
Average interest rate	1.6%	2.1%	3.4%	3.9%
Average dividend yield	5.8%	7.1%	5.7%	3.2%

1) The RSUs 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the assumptions for RSU grants delivered in March 2010 are based on best estimation.

The RSUs are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the RSUs as compensation expense over the vesting period. During the year ended December 31, 2009, the Allianz Group recognized compensation expense related to the non-vested RSUs of € 72 mn (2008: € (19) mn; 2007: € 41 mn).

As of December 31, 2009, the Allianz Group recorded a liability, in other liabilities, of € 123 mn (2008: € 87 mn) for the non-vested RSUs.

Share-based compensation plans of subsidiaries of the Allianz Group

PIMCO LLC Class B Unit Purchase Plan

When acquiring AGI L.P. during the year ended December 31, 2000, Allianz SE caused Pacific Investment Management Company LLC ("PIMCO LLC") to enter into a Class B Purchase Plan (the "Class B Plan") for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15% priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over 3 to 5 years and are subject to repurchase by AGI L.P. upon death, disability or termination of the participant prior to vesting. As of January 1, 2005, AGI L.P. has the right to repurchase, and the participants have the right to cause AGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is exercisable for the first time 6 months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash settled plan.

Therefore, the Allianz Group accrues the fair value of the Class B equity units as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as compensation expense. During the year ended December 31, 2009, the Allianz Group recognized compensation expense related to the Class B equity units of € 311 mn (2008: € 185 mn; 2007: € 362 mn). In addition, the Allianz Group recognized expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 92 mn (2008: € 93 mn; 2007: € 126 mn). During the year ended December 31, 2009, the plan participants put 22,253 Class B equity units. The total amount paid related to the put of the Class B equity units was € 350 mn.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of December 31, 2009, the Allianz Group recorded a liability for the Class B equity units of € 1,118 mn (2008: € 1,151 mn).

PIMCO LLC Class M-Unit Plan

In 2008 Allianz Global Investors (AGI) has launched a new management share-based payment incentive plan for certain senior level executives of PIMCO LLC and certain of its affiliates. Participants in the plan are granted options to acquire a new class of equity instruments (M-Units), which vest in one-third increments on approximately the third, fourth and fifth anniversary of the option valuation date. Upon vesting, options will be automatically exercised in a cashless transaction. Participants may elect to defer the receipt of M-Units through the M-Unit Deferral Plan. With the M-Unit Plan, participants can directly participate in PIMCO's performance. Class M-Units are non-voting common equity with limited information rights. They bear quarterly distributions equal to a pro-rata share of PIMCO's net distributable income. Deferred M-Units have a right to receive quarterly cash compensation equal to and in lieu of quarterly dividend payments.

The maximum of 250,000 M-Units are authorized for issuance under the M-Unit Plan.

The fair value of the underlying M-Options was measured using the Black-Scholes option-pricing model. Volatility was derived in part by considering the average historical and implied volatility of a select group of peers. The expected life was calculated based upon treating the three vesting tranches (one third in years 3, 4, and 5) as three separate awards.

The following table provides the assumptions used in calculating the fair value of the M-Options at grant date:

	2009	2008
Weighted average fair value of options granted	€ 1,207.91	€ 577.44
Assumptions:		
Expected term (years)	3.85	3.85
Expected volatility	48.9%	32.5%
Expected dividend yield	10.5%	11.1%
Risk free rate of return	1.7%	2.7%

A summary of the number and weighted average exercise price of the M-Options outstanding and exercisable are as follows:

	2009		2008	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of January 1,	**26,532**	**6,230.01**	**—**	**—**
Granted	41,606	6,102.66	27,674	6,230.05
Exercised	—	—	—	—
Forfeited	(1,249)	6,206.01	(1,142)	6,230.86
Outstanding as of December 31,	**66,889**	**6,323.40**	**26,532**	**6,230.01**
Exercisable as of December 31,	**—**	**—**	**—**	**—**

The aggregate intrinsic value of share options outstanding was € 187 mn and € (1) mn for the year ended December 31, 2009 and 2008, respectively.

The M-Units outstanding as of December 31, 2009 have an exercise price between of € 5,924.38 and of € 9,037.11 and a weighted average remaining contractual life of 3.74 years.

The shares settled by delivery of PIMCO LLC shares are accounted for as equity settled plans by PIMCO LLC. Therefore, PIMCO LLC measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended December 31, 2009, the Allianz Group recorded compensation expense of € 9 mn (2008: € 2 mn) related to these share options.

AGF Group's share option plan (currently known as Allianz France Group)

The AGF Group has awarded share options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants. The primary objective of the share option plan is to encourage the retention of key personnel of AGF Group and to link their compensation to the performance of AGF Group.

During the year ended December 31, 2007, Allianz acquired all of the remaining AGF shares from minority shareholders in the context of the Tender Offer and Squeeze-out. Under the terms of an agreement (the "Liquidity Agreement") between Allianz SE, AGF and the beneficiaries of the AGF share option plans 2003-2006 (AGF employees), Allianz has the right to purchase all AGF shares issued through the exercise of these AGF share option plans after the put period (where the beneficiaries have the right to sell to Allianz). The price payable by Allianz per AGF share is a cash consideration equal to the Allianz 20-day-average share price prior to the date the right to buy or to sell is exercised, multiplied by a ratio representing the consideration proposed in the Tender Offer for each AGF share (€ 126.43) divided by the Allianz share price on January 16, 2007 (€ 155.72). This ratio is subject to adjustments in case of transactions impacting Allianz or AGF share capital or net equity. The cash settlement is based upon the initial offer proposed for each AGF share during the Tender Offer. As of December 31, 2007 all shares issued under these plans were fully vested and exercisable.

Due to the change in settlement arising from the Liquidity Agreement, the Allianz Group accounts for the AGF share option plans as cash settled plans, as all AGF employees will receive cash for their AGF shares. Therefore, the Allianz Group recognizes any change in the fair value of the unexercised plans as compensation expense.

The effects of these modifications that increased the total fair value of the AGF share option plan to the AGF employees were expensed at the date of modification and amounted to € 15 mn in 2007. The modification of the settlement terms from an equity share to cash for vested options was recorded directly in equity, and amounted to € 18 mn during 2007.

Originally, the AGF share options plans were granted independently from the remuneration plans of the Allianz Group. At their original grant dates, the AGF share options had an exercise price of at least 85% of the then prevailing market price. The original maximum term for the AGF share option plans granted was eight years.

The fair value of these options at grant date was calculated using a Cox-Rubinstein binomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life has been estimated to equal the term to maturity of the options.

The following table provides original fair values at grant date of the AGF share options and the assumptions used in calculating them:

	2006	2005
Fair value	€ 24.87	€ 17.40
Assumptions:		
Share price at grant date	€ 110.20	€ 77.95
Expected life (years)	5	8
Risk free interest rate	3.9%	2.7%
Expected volatility	28.0%	27.5%
Dividend yield	4.5%	4.0%

Due to the Liquidity Agreement which became effective on June 30, 2007, the parameters for the valuation of the AGF share option plans were changed.

The following table provides an overview about the underlying assumptions used for the valuation after taking into account the impact of the Liquidity Agreement:

	2006	2005
Fair value	€ 48.38	€ 64.73
Assumptions:		
Share price at modification date	€ 172.95	€ 172.95
Expected life (years)	6	5
Risk free interest rate	4.5 %	4.5 %
Expected volatility	28.0 %	30.0 %
Dividend yield	3.2 %	3.1 %

During the year ended December 31, 2009, the Allianz Group recognized total compensation expenses related to the modified share option plans of € 3 mn (2008: € (33) mn; 2007: € 15 mn). As of December 31, 2009, the Allianz Group recorded a liability for these plans of € 14 mn (2008: € 11 mn).

Allianz SE share option plan of former RAS Group (modified RAS Group share option plan 2005)

The former RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares. The share options had a vesting period of 18 months to 2 years and a term of 6.5 to 7 years.

The share options allow for exercise at any time after the vesting period and before expiration, provided that:

- on the date of exercise, the RAS share price is at least 20 % higher than the average share price in January of the grant year (for share options granted during the year ended December 31, 2001, the hurdle is 10 %), and
- the performance of the RAS share in the year of grant exceeds the Milan Insurance Index in the same year.

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal to the term to maturity of the options.

The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2005
Fair value	€ 1.91
Assumptions:	
Share price at grant date	€ 17.32
Expected life (years)	7
Risk free interest rate	3.4 %
Expected volatility	18.0 %
Dividend yield	7.1 %

A summary of the number and weighted average exercise price of the options outstanding and exercisable are as follows:

	Number of options	Weighted average exercise price €
Outstanding as of January 1, 2005	**2,261,000**	**13.55**
Granted	1,200,000	17.09
Exercised	(2,041,000)	13.47
Forfeited	(467,000)	15.78
Outstanding RAS share options as of December 31, 2005	**953,000**	**17.09**
Modification	(953,000)	17.09
Outstanding as of December 31, 2006	—	—
Exercisable as of December 31, 2006	—	—

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, on the date of the merger were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.501 RAS share options outstanding. The outstanding RAS Group options of 953,000 were replaced by 173,241 Allianz SE options. The Allianz SE share options have the same vesting period of 2 years; however, the market conditions noted above were replaced with a performance condition, which was already achieved on the date of the modification.

During the year ended December 31, 2006, the Allianz Group recorded compensation expense of € 1 mn (2005: € 1 mn) related to these share options.

After modification the valuation model for the former RAS Group Allianz SE share option plan remain unchanged. Nevertheless the underlying assumptions had to be adjusted. The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2006
Fair value	€ 66.35
Assumptions:	
Share price on modification date	€ 145.41
Expected life (years)	5
Risk free interest rate	3.9 %
Expected volatility	30.5 %
Dividend yield	1.5 %

A summary of the number and weighted average exercise price of the options outstanding and exercisable are as follows:

	2009		2008		2007	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of January 1,	117,825	48.96	131,249	80.74	173,241	93.99
Granted	—	—	—	—	—	—
Exercised	—	—	(13,424)	48.96	—	—
Forfeited	(32,905)	48.96	—	—	(41,992)	84.74
Outstanding as of December 31,	84,920	48.96	117,825	48.96	131,249	80.74
Exercisable as of December 31,	84,920	48.96	117,825	48.96	—	—

The aggregate intrinsic value of share options outstanding was € 4 mn for the year ended December 31, 2009 (2008: € 6 mn).

The options outstanding as of December 31, 2009 have an exercise price of € 93.99 and a weighted average remaining contractual life of 2 years.

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by Allianz S.p.A. and ACIF. Therefore, these entities measure the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended December 31, 2009, the Allianz Group recorded compensation expense of € — mn (2008: € — mn; 2007: € 4 mn) related to these share options.

Employee Stock purchase plans

The Allianz Group offers Allianz SE shares in 19 countries to qualified employees at favorable conditions. The shares have a minimum holding period of 1 to 5 years. During the year ended December 31, 2009, the number of shares sold to employees under these plans was 721,740 (2008: 721,830; 2007: 939,303). During the year ended December 31, 2009, the Allianz Group recognized compensation expense, the difference between the market price (lowest quoted price of the Allianz SE stock at the official market in Germany on September 7, 2009) and the discounted price of the shares purchased by employees, of € 11 mn (2008: € 10 mn; 2007: € 30 mn).

Other share option and shareholding plans

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended December 31, 2009, the total expense, in the aggregate, recorded for these plans was € 2 mn (2008: € 2 mn; 2007: € 7 mn).

49 Restructuring plans

As of December 31, 2009, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

Changes in the provisions for restructuring were:

	Allianz Deutschland AG	Dresdner Bank Group	Allianz France Group	manroland Group	Allianz Beratungs- und Vertriebs AG	Other	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
As of January 1, 2007	**455**	**379**	**—**	**—**	**—**	**53**	**887**
New provisions	—	8	—	—	—	145	153
Additions to existing provisions	22	19	—	—	—	4	45
Release of provisions recognized in previous years	(65)	(29)	—	—	—	(1)	(95)
Utilization of provisions via payments	(27)	(65)	—	—	—	(52)	(144)
Utilization of provisions via transfers	(159)	(140)	—	—	—	—	(299)
Foreign currency translation adjustments	—	(6)	—	—	—	—	(6)
As of December 31, 2007	**226**	**166**	**—**	**—**	**—**	**149**	**541**
As of January 1, 2008	**226**	**166**	**—**	**—**	**—**	**149**	**541**
New provisions	—	—	77	—	—	31	108
Additions to existing provisions	3	—	—	—	—	16	19
Release of provisions recognized in previous years	(10)	—	—	—	—	(1)	(11)
Utilization of provisions via payments	(10)	—	(2)	—	—	(70)	(82)
Utilization of provisions via transfers	(61)	—	—	—	—	(5)	(66)
Reclassification to liabilities of disposal groups classified as held for sale	—	(166)	—	—	—	—	(166)
As of December 31, 2008	**148**	**—**	**75**	**—**	**—**	**120**	**343**
Reclassification due to separate presentation	—	—	—	4	—	(4)	—
As of January 1, 2009	**148**	**—**	**75**	**4** [1]	**—**	**116**	**343**
New provisions	—	—	—	89	37	145	271
Additions to existing provisions	3	—	—	—	—	24	27
Release of provisions recognized in previous years	(53)	—	—	—	—	(16)	(69)
Utilization of provisions via payments	(16)	—	(40)	(28)	—	(81)	(165)
Utilization of provisions via transfers	(27)	—	—	(2)	—	(57)	(86)
Foreign currency translation adjustments	—	—	—	—	—	1	1
Other	—	—	—	24	—	—	24
As of December 31, 2009	**55**	**—**	**35**	**87**	**37**	**132**	**346**

[1] Provision was already created before 2008. There is no connection with the restructuring activities in 2009.

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized prior to when they qualify to be recognized under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already “locked in”, have been transferred to the provision type, which would have been used not having a restructuring initiative in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave Allianz Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement the respective part of the restructuring provision has been transferred to provisions for employee expenses. In addition, provisions for vacant office spaces that result from restructuring initiatives have been transferred to “other” provisions after the offices have been completely vacated.

Allianz Deutschland AG´s provisions for restructuring

In 2006, Allianz Deutschland AG announced a restructuring plan for the insurance business in Germany. The objective of the restructuring program was to make the insurance business more customer focused, operate more efficiently and achieve growth. With the exception of two insurance centres the restructuring program ended on December 31, 2009. The remaining two insurance centres will finalize their restructuring program December 31, 2012.

The restructuring plan includes an overall reduction of approximately 5,345 positions. Approximately 5,023 full time equivalent positions have already been terminated, a part of which are related to natural employee turnover and early retirement agreements (Altersteilzeit) that were agreed upon before the restructuring provision was recorded and are not part of the restructuring provision.

	2009 € mn
New provisions	—
Additions to existing provisions	3
Release of provisions recognized in previous years	(53)
Restructuring charges directly reflected in the consolidated income statement	3
Total restructuring charges during the year ended December 31, 2009	**(47)**
Total restructuring charges incurred to date	454

A summary of the changes in the provisions for restructuring of the Allianz Deutschland AG during the year ended December 31, 2009 is:

	Provisions as of January 1, 2009	Provisions recorded during 2009				Utilization of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2009
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Utilization of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Program 2006									
Personnel costs	119	—	3	(53)	—	(49)	—	—	20
Contract termination costs	29	—	—	—	(16)	22	—	—	35
Other	—	—	—	—	—	—	—	—	—
Total	**148**	**—**	**3**	**(53)**	**(16)**	**(27)**	**—**	**—**	**55**

Allianz Deutschland AG recorded utilization of provisions via transfers to other provision categories of € 27 mn as of December 31, 2009 (2008: € 61 mn).

Allianz France Group's provisions for restructuring

In 2008, the Allianz France Group announced a restructuring plan, so called "Comprehensive Adaptation Plan" ("Plan Global d'Adaptation"), for the insurance business in France which is expected to continue through 2011. The objectives of the restructuring program are to regain market shares and increase the quality of service, by increasing commercial staff and sales effectiveness, developing employees' competencies, and implementing a comprehensive plan of competitiveness.

The restructuring activities of the Allianz France Group will result in a reduction of locations within France from 14 to 10 and a relocation of workers and activities with critical team size purpose as well as a strong reduction of non-HR costs (especially IT, purchasing, facilities).

Through the Comprehensive Adaptation Plan, Allianz France Group has committed itself to reduce the number of administrative jobs by 688, thereof approximately 600 positions have already been reached. The reduction of staff within this program includes measures for voluntary termination under restricted conditions and early retirement for the employees affected by the close-down of locations"

During the year ended December 31, 2009, the Allianz France Group did not record any restructuring charges. The total restructuring charges incurred to date remained unchanged with an amount of € 81 mn.

A summary of the changes in the provisions for restructuring of the Allianz France Group during the year ended December 31, 2009 is:

	Provisions as of January 1, 2009	Provisions recorded during 2009				Utilization of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2009
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Utilization of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Comprehensive Adaptation Plan									
Personnel costs	74	—	—	—	(39)	—	—	—	35
Contract termination costs	—	—	—	—	—	—	—	—	—
Other	1	—	—	—	(1)	—	—	—	—
Total	**75**	**—**	**—**	**—**	**(40)**	**—**	**—**	**—**	**35**

Manroland Group's provision for restructuring

Due to tense economic conditions and a dramatic drop in demand manroland Group was forced to restructure its businesses in financial year 2009 resulting in a provision making up € 87mn as of December 31, 2009. The company reached agreements ("Interessenausgleich" and "Sozialplan") with the workers' council to implement a restructuring program. Partial retirement was effectively used in order to reduce staff. Additionally, to minimize the consequences for the affected employees of the program, a "Qualifizierungs- und Beschäftigungsgesellschaft" as well as an outplacement agency were set up.

The restructuring program affects all lines of business and several locations. A staff reduction of approximately 22 % is envisaged. The program is planned to be finalized in 2012. These measurements will positively affect the cost basis and ensure the competitiveness of the company.

During the year ended December 31, 2009 the manroland Group recorded restructuring charges of € 89 mn. As of December 31, 2009, manroland Group recorded a provision for restructuring of € 87 mn.

Allianz Beratungs- und Vertriebs AG's provision for restructuring (ABV AG)

In 2009, the ABV AG announced restructuring plans for the reorganization of sales division in Germany that will be terminated in 2012. The objective of the restructuring program is to increase quality, efficiency and process stability of office work and special sales department. In context of office work restructuring it is intended to reorganize the structure of head office and local offices, to reorganize and to centralize the human resources administration and the contract processing. Special sales department will be restructured in order to provide a better support to insurance agencies.

During the year ended December 31, 2009, the ABV AG recorded restructuring provision of € 37 mn. The reduction of staff within this program shall mainly occur in consent with the employees. The restructuring plans include a reduction of approximately 225 positions.

During the year ended December 31, 2009 the ABV AG recorded restructuring charges of € 37 mn.

Other restructuring plans

For 2009, amongst others the following restructuring plans were reflected:

Allianz S.p.A., Italy

In 2007, the Boards of RAS, Lloyd Adriatico and AZ Subalpina announced a restructuring program for the integration of these three companies into Allianz S.p.A. effective since October 1, 2007.

The objective is to reorganize its strategic and commercial direction by aligning the underwriting strategies, refocusing some lines of business in the insurance business, as well as in the asset management segment, unifying all the support functions leveraging on best practices. Further some activities will be relocated within Italian sites whereas other operations will be integrated into one single organization.

During the year ended December 31, 2009, Allianz S.p.A. together with its group companies recognized restructuring charges of € (6) mn (2008: € 2 mn; 2007: € 73 mn). As of December 31, 2009 Allianz S.p.A. recorded a provision of € 17 mn (2008: € 36 mn).

Allianz Belgium S.A. (Allianz Belgium)

In 2009, the Board of Allianz Belgium announced the realization of two major initiatives of the Operational Transformation Program: the closing of the headquarters of Antwerp and the outsourcing of the IT developments.

During the year ended December 31, 2009 Allianz Belgium recognized restructuring charges of € 14 mn. As of December 31, 2009 Allianz Belgium recorded a provision for restructuring of € 17 mn.

Companhia de Seguros Allianz Portugal S.A. (Allianz Portugal)

In 2009, Allianz Portugal announced a restructuring program for the integration of IT platforms between Portugal and Spain.

The objective is to establish a common and shared IT infrastructure by IT transformation and process redesign as well as to enlarge the scope of the shared service of Allianz Iberica Services Center. The program intends to integrate support services and to harmonize procedures. The product offer diversity shall be enlarged and the complexity is supposed to be reduced. In addition, the scope of agents sales support tool is going to be enlarged. Moreover, Allianz Portugal plans to leverage internal redundant resources to eliminate external ones and to benefit from lower costs.

During the year ended December 31, 2009 Allianz Portugal recognized restructuring charges of € 21 mn. As of December 31, 2009 Allianz Portugal recorded a provision for restructuring of € 16 mn.

Cominvest Group

The Allianz Global Investors Deutschland Group (AGI) took over the cominvest entities from Allianz Group with effect from January 12, 2009. Based on management decision of AGI and cominvest, those entities are integrated since takeover.

During the integration, locations and functions will be restructured and merged by end of 2010 and the number of employees will be reduced as far as necessary. The merging of the two organizations rounds off AGI's product portfolio while strengthening and differentiating competencies in portfolio management. Thanks to the leveraging of synergistic effects across the entire value-added chain, strength and competencies should be combined.

During the year ended December 31, 2009 cominvest Group recognized restructuring charges of € 67 mn. As of December 31, 2009 cominvest Group recorded a provision for restructuring of € 14 mn.

50 Earnings per share

Basic earnings per share

Basic earnings per share are calculated by dividing net income (loss) attributable to shareholders by the weighted average number of common shares outstanding for the period.

	2009 € mn	2008 € mn	2007 € mn
Net income (loss) attributable to shareholders used to calculate basic earnings per share	**4,297**	**(2,444)**	**7,966**
from continuing operations	4,692	3,967	7,316
from discontinued operations	(395)	(6,411)	650
Weighted average number of common shares outstanding	**450,845,024**	**450,161,145**	**442,544,977**
Basic earnings per share (in €)	**9.53**	**(5.43)**	**18.00**
from continuing operations	10.41	8.81	16.53
from discontinued operations	(0.88)	(14.24)	1.47

Diluted earnings per share

Diluted earnings per share are calculated by dividing net income (loss) attributable to shareholders by the weighted average number of common shares outstanding for the period, both adjusted for the effects of potentially dilutive common shares. Potentially dilutive common shares arise from the assumed conversion of participation certificates issued by Allianz SE, warrants issued by Allianz SE and share-based compensation plans into Allianz shares, as well as from the conversion of derivatives on own shares.

	2009 € mn	2008 € mn	2007 € mn
Net income (loss) attributable to shareholders	**4,297**	**(2,444)**	**7,966**
Effect of potentially dilutive common shares	—	(49)	(4)
Net income (loss) used to calculate diluted earnings per share	**4,297**	**(2,493)**	**7,962**
from continuing operations	4,692	3,918	7,312
from discontinued operations	(395)	(6,411)	650
Weighted average number of common shares outstanding	**450,845,024**	**450,161,145**	**442,544,977**
Potentially dilutive common shares resulting from assumed conversion of:			
Participation certificates	728,683	1,469,443	1,469,443
Warrants	—	36,338	962,547
Share-based compensation plans	814,046	3,226,670	1,321,100
Derivatives on own shares	—	1,139,945	3,265,298
Subtotal	**1,542,729**	**5,872,396**	**7,018,388**
Weighted average number of common shares outstanding after assumed conversion	**452,387,753**	**456,033,541**	**449,563,365**
Diluted earnings per share (in €)	**9.50**	**(5.47)**	**17.71**
from continuing operations	10.37	8.59	16.26
from discontinued operations	(0.87)	(14.06)	1.45

For the twelve months ended December 31, 2009 the weighted average number of common shares excludes 2,365,661 (2008: 2,004,155; 2007: 1,130,838) treasury shares.

51 Other Information

Employee information

As of December 31,	2009	2008
Germany	49,051	71,267
Other countries	104,152	111,598
Total [1]	**153,203**	**182,865**

[1] Includes as of December 31, 2008, 27,597 employees of Dresdner Bank Group.

The average total number of employees for the year ended December 31, 2009 was 154,514 people.

Personnel expenses

	2009 € mn	2008 € mn	2007 € mn
Salaries and wages	7,707	9,153	9,741
Social security contributions and employee assistance	1,051	1,298	1,666
Expenses for pensions and other post-retirement benefits	1,123	1,223	1,028
Total [1]	**9,881**	**11,674**	**12,435**

[1] Includes in 2008 personnel expenses of € 2,532 mn (2007: € 2,727 mn) of Dresdner Bank Group.

Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG

On December 17, 2009, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to clause 161 AktG and made it available on a permanent basis to the shareholders on the company's website.

The Declaration of Compliance of the publicly traded group company Oldenburgische Landesbank AG was issued in December 2009 and was made permanently available to the shareholders.

Principal accountant fees and services

For a summary of fees billed by the Allianz Group's principal auditors, see page 93. The information provided there is considered part of these consolidated financial statements.

Remuneration for the Board of Management

As of December 31, 2009, the Board of Management had 10 (2008: 11) active members.

The direct remuneration of the Board of Management for the year ended December 31, 2009 including the three-year bonus 2007-2009 payout (2008 excluding the interim assessment value for the three-year bonus tranche) amounts to € 27.9 mn (2008: € 18.5 mn). Furthermore 204,042 (2008: 120,707) stock appreciation rights and 100,915 (2008: 58,580) restricted stock units with a total fair value at grant date of € 8.7 mn (2008: € 7.7 mn) were granted to the Board of Management for the year ended December 31, 2009.

Compensation to former members of the Board of Management and their beneficiaries totaled € 4.0 mn (2008: € 7.0 mn). Pension obligations to former members of the Board of Management and their beneficiaries are accrued in the amount of € 52.0 mn (2008: € 47.0 mn).

Total compensation to the Supervisory Board amounts to € 1.5 mn (2008: € 1.1 mn).

Board of Management and Supervisory Board compensation by individual is included in the Remuneration Report, which is part of the Corporate Governance section of this Annual Report. The information provided there is considered part of these consolidated financial statements.

52 Subsequent events

Sale of Industrial and Commercial Bank of China (ICBC) shares

In Feburary 2010 the Allianz Group sold 1bn ICBC shares with a capital gain of approximately € 0.4 bn.

Storm „Xynthia“ in Western Europe

On February 28, 2010 the storm "Xynthia" has caused great damage in parts of western Europe, mainly France, Spain and Germany. The Allianz Group with its Property and Casualty subsidiaries is engaged in those countries. Currently a reliable forecast of net claims arising from this storm is not possible[1].

Munich, February 22, 2010

Allianz SE
The Board of Management

[1] First estimates as of mid March 2010 indicate a net loss of between € 170 mn and € 190 mn for Allianz Group.

Selected subsidiaries and other holdings

Operating Subsidiaries	Equity € mn	% owned [1]
Germany		
Allianz Alternative Assets Holding GmbH, Munich	14	100.0
Allianz Capital Partners GmbH, Munich	0.1	100.0
Allianz Capital Partners Verwaltungs GmbH, Munich	528	100.0
Allianz Climate Solutions GmbH, Munich	0.04	100.0
Allianz Global Corporate & Specialty AG, Munich	1,153	100.0
Allianz Global Investors Advisory GmbH, Frankfurt am Main	3	100.0
Allianz Global Investors AG, Munich	3,444	100.0
Allianz Global Investors Europe GmbH, Munich	17	100.0
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main	336	100.0
Allianz Global Investors Product Solutions GmbH, Munich	0.1	100.0
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	1,652	100.0
Allianz Pension Partners GmbH, Munich	0.5	100.0
Allianz Pensionskasse Aktiengesellschaft, Stuttgart	190	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	325	100.0
Allianz ProzessFinanz GmbH, Munich	0.4	100.0
Allianz Real Estate Germany GmbH, Stuttgart	5	100.0
Allianz Shared Infrastructure Services SE, Unterfoehring	100	100.0
Allianz Treuhand GmbH, Munich	0.1	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	2,520	100.0
AZT Automotive GmbH, Ismaning	0.2	100.0
Cominvest Asset Management GmbH, Frankfurt am Main	44	100.0
Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	45	100.0
Euler Hermes Kreditversicherungs-Aktiengesellschaft, Hamburg	201	100.0
manroland AG, Offenbach	289	100.0 [2]
Münchener und Magdeburger Agrarversicherung Aktiengesellschaft, Munich	6	62.5
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	500	89.6
risklab germany GmbH, Munich	0.03	100.0
Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	4	100.0
Vereinte Spezial Versicherung AG, Munich	45	100.0

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.
[2] Group share through indirect holder Roland Holding GmbH, Munich: 74.0%.

■ Property-Casualty
■ Life/Health
■ Asset Management
■ Corporate and Other
□ Operating entity contributes a substantial portion of the total revenues within the Allianz Group's primary geographic markets. Total revenues comprise statutory gross premiums written in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Argentina		
Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	20	100.0
Australia		
Allianz Australia Limited, Sydney	941	100.0
Austria		
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	73	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	368	100.0
Belgium		
Allianz Belgium S.A., Brussels	707	100.0
Brazil		
Allianz Seguros S.A., Sao Paulo	235	72.5
Bulgaria		
Allianz Bank Bulgaria JSC, Sofia	75	99.9
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	28	78.0
Allianz Bulgaria Life Insurance Company Ltd., Sofia	20	99.0
China		
Allianz China Life Insurance Co. Ltd., Shanghai	62	51.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	15	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	3	100.0
RCM Asia Pacific Ltd., Hong Kong	13	100.0
Colombia		
Aseguradora Colseguros S.A., Bogota D.C.	42	100.0
Croatia		
Allianz Zagreb d.d., Zagreb	53	83.2
Czech Republic		
Allianz pojistovna a.s., Prague	140	100.0
Egypt		
Allianz Insurance Company-Egypt S.A.E., Cairo	7	85.0
Allianz Life Assurance Company-Egypt S.A.E., Cairo	17	100.0
France		
AAAM S.A., Paris	7	89.6
Allianz Banque S.A., Courbevoie	155	100.0
Allianz France, Paris	9,667	100.0
Allianz Global Corporate & Specialty France, Paris	623	100.0
Allianz Global Investors S.A., Paris	70	99.8
Allianz IARD S.A., Paris	2,124	100.0
Allianz Vie S.A., Paris	2,905	100.0
Euler Hermes SFAC S.A., Paris	326	100.0
Mondial Assistance S.A.S., Paris	267	100.0
Greece		
Allianz Hellas Insurance Company S.A., Athen	74	100.0
Hungary		
Allianz Hungária Biztosító Zrt., Budapest	208	100.0
Indonesia		
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	74	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	21	75.0
Ireland		
Allianz Global Investors Ireland Ltd., Dublin	13	100.0
Allianz Irish Life Holdings p.l.c., Dublin	294	66.4
Allianz Re Dublin Limited, Dublin	79	100.0
Allianz Worldwide Care Ltd., Dublin	12	100.0
Italy		
Allianz Bank Financial Advisors S.p.A., Milan	117	100.0
Allianz Global Investors Italia S.p.A., Milan	36	100.0
Allianz S.p.A., Trieste	3,624	100.0
ALLIANZ SUBALPINA HOLDING S.p.A., Turin	262	98.1
Genialloyd S.p.A., Milan	85	100.0
Investitori SGR S.p.A., Milan	16	98.7
RB Vita S.p.A., Milan	253	100.0

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Japan		
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	1	100.0
Allianz Life Insurance Japan Ltd., Tokyo	43	100.0
RCM Japan Co. Ltd., Tokyo	1	100.0
Laos		
Assurances Générales du Laos Ltd., Vientiane	4	51.0
Luxembourg		
Allianz Global Investors Luxembourg S.A., Senningerberg	70	100.0
cominvest Asset Management S.A., Luxembourg	77	100.0
Malaysia		
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	8	100.0
Allianz Malaysia Berhad p.l.c., Kuala Lumpur	46	100.0
Mexico		
Allianz México S.A. Compañia de Seguros, Mexico City	111	100.0
Netherlands		
Allianz Europe Ltd., Amsterdam	22,392	100.0
Allianz Nederland Asset Management B.V., Amsterdam	43	100.0
Allianz Nederland Levensverzekering N.V., Utrecht	226	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	259	100.0
Poland		
TU Allianz Polska S.A., Warsaw	154	100.0
TU Allianz Zycie Polska S.A., Warsaw	48	100.0
Portugal		
Companhia de Seguros Allianz Portugal S.A., Lisboa	213	64.8
Republic of Korea		
Allianz Global Investors Korea Limited, Seoul	15	100.0
Allianz Life Insurance Co. Ltd., Seoul	411	100.0
Romania		
Allianz Tiriac Asigurari SA, Bucharest	128	52.2
Russia		
Insurance Company "Progress Garant", Moscow	31	100.0
Insurance Joint Stock Company „Allianz" AOOT/OAO, Moscow	9	100.0
Open Joint Stock Company Insurance Company ROSNO, Moscow	171	100.0
Singapore		
Allianz Global Investors Singapore Ltd., Singapore	2	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	19	100.0
Slovakia		
Allianz-Slovenská poist'ovna a.s., Bratislava	542	84.6
Spain		
Allianz Compañia de Seguros y Reaseguros S.A., Madrid	641	99.9
Euler Hermes Crédito Compañia de Seguros y Reaseguros, S.A., Madrid	4	100.0
Eurovida, S.A. Compañia de Seguros y Reaseguros, Madrid	98	51.0
Sri Lanka		
Allianz Insurance Company Lanka Limited, Colombo	3	100.0
Allianz Life Insurance Lanka Ltd., Colombo	1	100.0
Switzerland		
Alba Allgemeine Versicherungs-Gesellschaft, Basel	36	100.0
Allianz Risk Transfer AG, Zurich	110	100.0
Allianz Suisse Lebensversicherungs-Gesellschaft AG, Zurich	614	100.0
Allianz Suisse Versicherungs-Gesellschaft AG, Zurich	451	100.0
CAP Rechtsschutz-Versicherungsgesellschaft AG, Zurich	4	100.0
MONDIAL ASSISTANCE INTERNATIONAL AG, Wallisellen	207	100.0
Selecta AG, Muntelier	120	100.0
Taiwan		
Allianz Global Investors Taiwan Ltd., Taipei	28	100.0
Allianz Taiwan Life Insurance Co. Ltd., Taipei	25	100.0
Thailand		
Ayudhya Allianz C.P. Life Public Company Limited, Bangkok	34	62.6

[1] Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.

Operating Subsidiaries – Other countries	Equity € mn	% owned [1]
Turkey		
■ Allianz Hayat ve Emeklilik AŞ, Istanbul	46	89.0
■ Allianz Sigorta AŞ, Istanbul	163	84.2
United Kingdom		
■ Allianz (UK) Limited, Guildford	452	100.0
■□ Allianz Insurance plc, Guildford	1,131	98.0 [2]
■ Euler Hermes UK plc, London	79	100.0
■ RCM (UK) Ltd., London	33	100.0
United States		
■ Allianz Global Investors of America L.P., Dover/Delaware	1,604	100.0
■□ Allianz Global Investors US Retail LLC, Dover/Delaware	66	100.0
■ Allianz Global Risks US Insurance Company, Corp., Burbank/California	3,322	100.0
■□ Allianz Life Insurance Company of North America, Minneapolis/Minnesota	4,390	100.0
■ Allianz of America Inc., Westport/Connecticut	11,639	100.0
■ Allianz Underwriters Insurance Company, Corp., Burbank/California	44	100.0
■□ Fireman's Fund Insurance Company, Corp., Novato/California	2,166	100.0
■□ Nicholas-Applegate Capital Management LLC, Dover/Delaware	12	100.0
■ NFJ Investment Group LLC, Dover/Delaware	4	100.0
■□ Pacific Investment Management Company LLC, Wilmington/Delaware	414	94.4
■ Wm. H McGee & Co. Inc., New York/New York	1	100.0

1) Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.

2) 99.99% of the voting share capital.

Associated Enterprises [1]	Equity € mn	% owned [2]
Allianz Securicash SRI, Paris	1,999	16.3 [3]
Allianz Euro Liquidity	1,263	43.7
Chicago Parking Meters, LLC, City of Wilmington	824	49.9
ODDO TRESORERIE REGULIERE	610	22.5
Natinium 2007-1, Plc, Dublin	519	48.4
CYRIL CONVERTIBLE TAUX, Paris	482	25.4
ODDO ET CIE, SCA, Paris Cedex 09	289	20.0
Cofitem Cofimur, Paris	253	22.1
Allianz Euro High Yield, Paris	246	21.9
Citylife Srl., Milan	239	26.7
KGH FD Licorne Red Eur CL	212	41.9
Oddo Generation C, Paris	198	33.0
PHRV (Paris Hotels Roissy Vaugirard), Paris	181	30.6
PIMCO GL INV.-EURIBORPLUS FUND	151	38.3
Henderson UK Outlet Mall Partnership LP., Edinburgh	150	19.5 [3]
AGF Peh Eur. IV FCPR, Paris Cedex 09	139	48.2
SDU Finco B.V., Amsterdam	121	49.7
Ayudhya Insurance Public Company Limited, Bangkok	113	16.8 [3]
Bajaj Allianz General Insurance Company Ltd., Pune	109	26.0
FONDO IMMOBILIARE DOMUS, Rome	107	25.5
Bajaj Allianz Life Insurance Company Ltd., Pune	100	26.0
Red Mountain Capital Partners I L.P., Los Angeles	89	24.9
PGREF V 1301 SIXTH HOLDING LP, Wilmington	61	24.5
EUROPENSIONES S.A. - Entidad Gestora de Fondos de Pensiones, Madrid	45	49.0
OeKB EH Beteiligungs- und Management AG, Vienna	19	49.0

1) Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Allianz Group has an interest of between 20.0% and 50.0% regardless of whether a significant influence is exercised or not. The presented associated enterprises represent 90.0% of total carrying amount of investments in associated enterprises.
2) Including shares held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.
3) Significant influence due to Allianz's role in the (funds') management and its ownership share.

Other selected holdings in listed companies [1]	Market value € mn	owned % [2]
Banco BPI, S.A., Porto	168	8.8
Banco Popular Espanol S.A., Madrid	641	9.4
BASF SE, Ludwigshafen	1,012	2.5
Bayer AG, Leverkusen	718	1.5
Commerzbank Aktiengesellschaft, Frankfurt am Main	1,466	10.3
E.ON AG, Duesseldorf	1,249	2.1
The Hartford Financial Services Group, Inc., Hartford	392	6.3
Industrial & Commercial Bank of China Limited, Beijing	1,870	1.0
SGS SA, Geneve	380	5.3
UniCredit S.p.A., Rome	810	2.1
Zagrebacka banka d.d., Zagreb	267	11.7

[1] Market value greater than or equal to € 100 mn and percentage of shares owned greater than or equal to 5.0 %, or market value greater than or equal to € 500 mn, excluding trading portfolio of banking business.
[2] Including shares held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0 % (incl. consolidated investment funds).

Disclosure of equity investments

Information according to clause 313 (2) German Commercial Code is published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's website.

Responsibility statement

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

Munich, February 22, 2010

Allianz SE
The Board of Management

Auditor’s Report

We have audited the consolidated financial statements prepared by Allianz SE, Munich comprising the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows and the notes, together with the group management report for the business year from January 1 to December 31, 2009. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch “German Commercial Code”] and supplementary provisions of the articles of incorporation are the responsibility of the parent company`s management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

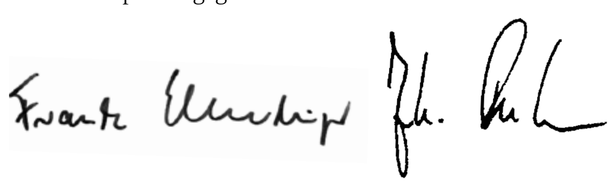
We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code“] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (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 consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB 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 Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Munich, March 3, 2010

KPMG AG
Wirtschaftprüfungsgesellschaft



Dr. Frank Ellenbürger	Johannes Pastor
Wirtschaftsprüfer	Wirtschaftsprüfer
(Independent Auditor)	(Independent Auditor)

Joint Advisory Council of the Allianz Companies

Dr. Henning Schulte-Noelle
Chairman
Chairman of the Supervisory Board, Allianz SE

Franz Fehrenbach
Chairman of the Board of Management,
Robert Bosch GmbH

Professor Dr. Bernd Gottschalk
Executive Shareholder, Autovalue GmbH

Dr. Rüdiger Grube
Chairman of the Board of Management, Deutsche Bahn AG
since January 1, 2010

Professor Dr. Peter Gruss
President, Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.
until December 31, 2009

Herbert Hainer
Chairman of the Board of Management, adidas AG

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors, BASF SE
until December 31, 2009

Prof. Dr-Ing. e. h. Hans-Olaf Henkel
Honorary Professor, University of Mannheim

Dr. Jürgen Heraeus
Chairman of the Supervisory Board,
Heraeus Holding GmbH

Dr.-Ing. Dieter Hundt, Honorary Senator
Chairman of the Supervisory Board, Allgaier Werke GmbH

Dr. Hans-Peter Keitel
Member of the Supervisory Board, Hochtief AG

Peter Löscher
Chairman of the Board of Management, Siemens AG
until April 22, 2009

Dr.-Ing. h. c. Hartmut Mehdorn
Former Chairman of the Board of Management,
Deutsche Bahn AG
until December 31, 2009

Dr. Bernd Pischetsrieder
Volkswagen AG

Professor Dr. Klaus Pohle
until December 31, 2009

Dr.-Ing. Norbert Reithofer
Chairman of the Board of Management, BMW Group

Harry Roels

Dr. h. c. Walter Scheel
Former President of the Federal Republic of Germany

Dr. Manfred Schneider
Chairman of the Supervisory Board, Bayer AG

Professor Dr. Dennis J. Snower
President, Institut für Weltwirtschaft, University of Kiel

Dipl.-Kfm. Holger Strait
Managing Partner, J. G. Niederegger GmbH & Co. KG

Dr. h. c. Heinrich Weiss
Chairman of the Board of Management, SMS GmbH

Manfred Wennemer
Former Chairman of the Board of Management,
Continental AG

International Advisory Board

Khalifa Al-Kindi
Managing Director,
Abu Dhabi Investment Council

Donald R. Argus AO until December 31, 2009
Chairman, BHP Billiton Group

Belmiro de Azevedo
Presidente, Sonae SGPS SA

Alfonso Cortina de Alcocer
Senior Advisor, Rothschild
Senior Advisor, Texas Pacific Group

Dr. Jürgen Hambrecht
Chairman of the Board of Executive Directors, BASF SE

Fred Hu since January 1, 2010
Managing Director, Goldman Sachs

Franz B. Humer since January 1, 2010
Chairman of the Board of Directors, Roche Holding Ltd.

Rahmi Koç
Honorary Chairman of the Board of Directors,
Koç Holding AS

Minoru Makihara
Senior Corporate Advisor, Mitsubishi Corporation

Christophe de Margerie since January 1, 2010
CEO, Total SA

Jacques A. Nasser
Managing Director, One Equity Partners LLC

James W. Owens
Chairman and CEO, Caterpillar Inc.

Dr. Marco Tronchetti Provera
Chairman and CEO, Pirelli & Co. S.p.A.

Dr. Gianfelice Rocca
Chairman, Techint Group

Anthony Salim
President and CEO, Salim Group

Louis Schweitzer
Chairman, Renault SA

Peter Sutherland
Chairman, Goldman Sachs International

Iain Lord Vallance of Tummel

Angel Ron
Chairman, Banco Popular

Mandates of the Members of the Supervisory Board

Dr. Henning Schulte-Noelle
Membership in other statutory supervisory boards and SE administrative boards in Germany
E.ON AG, ThyssenKrupp AG

Dr. Wulf H. Bernotat
Membership in other statutory supervisory boards and SE administrative boards in Germany
Bertelsmann AG, METRO AG,
Deutsche Telekom AG (since January 1, 2010)

Membership in group bodies
E.ON Energie AG (Chairman),
E.ON Ruhrgas AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in group bodies
E.ON Nordic AB (Chairman) (until January 4, 2010),
E.ON Sverige AB (Chairman)

Jean-Jacques Cette
Membership in comparable [1] supervisory bodies
Membership in group bodies
Allianz France S.A.

Dr. Gerhard Cromme
Membership in other statutory supervisory boards and SE administrative boards in Germany
Axel Springer AG, Siemens AG (Chairman),
ThyssenKrupp AG (Chairman)

Membership in comparable [1] supervisory bodies
Compagnie de Saint-Gobain S.A.

Claudia Eggert-Lehmann until January 12, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Dresdner Bank AG (Vice Chairwoman)

Karl Grimm since January 28, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in group bodies
Allianz Versorgungskasse VVaG (Deputy Chairman)

Godfrey Robert Hayward

Dr. Franz B. Humer until December 31, 2009
Membership in comparable [1] supervisory bodies
DIAGEO plc (Chairman)

Membership in group bodies
Roche Holding AG (Chairman)

Prof. Dr. Renate Köcher
Membership in other statutory supervisory boards and SE administrative boards in Germany
BMW AG, Infineon Technologies AG, MAN SE

Peter Kossubek
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in group bodies
Allianz Versorgungskasse VVaG

Igor Landau
Membership in other statutory supervisory boards and SE administrative boards in Germany
adidas AG (Chairman)

Membership in comparable [1] supervisory bodies
HSBC France, Sanofi-Aventis S.A.

Jörg Reinbrecht

Peter Sutherland since January 1, 2010
Membership in comparable [1] supervisory bodies
BW Group Ltd., Eli Lilly Holdings Ltd., Goldman Sachs International (Chairman), Koç Holding A.Ş.

Rolf Zimmermann

As of December 31, 2009 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 boards 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)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz France S.A. (Vice President), Allianz S.p.A.

Dr. Paul Achleitner

Membership in other statutory supervisory boards and SE administrative boards 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 boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty AG (Vice Chairman),
Allianz Global Investors AG,
Allianz Investment Management SE (Vice Chairman)

Clement B. Booth

Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz Australia Limited,
Allianz Insurance Holdings plc (Chairman),
Allianz Irish Life Holdings plc,
Allianz Life Insurance Company of North America (until December 31, 2009),
Euler Hermes S.A. (Chairman) (since January 1, 2010),
Fireman's Fund Insurance Company (until December 31, 2009)

Enrico Cucchiani

Membership in comparable [1] supervisory bodies
Pirelli & C. S.p.A., Unicredit S.p.A.

Membership in Group bodies
Allianz Compañía de Seguros S.A. Barcelona (Vice Chairman),
Allianz Hayat ve Emeklilik A.Ş. (Vice Chairman),
Allianz Sigorta P&C A.Ş. (Vice Chairman),
Allianz S.p.A. (CEO),
Companhia de Seguros Allianz Portugal S.A.

As of December 31, 2009 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. Joachim Faber
Membership in other statutory supervisory boards and SE administrative boards in Germany
Deutsche Börse AG

Membership in Group bodies
Allianz Global Investors Deutschland GmbH (Chairman), Allianz Global Investors Kapitalanlagegesellschaft mbH (Chairman)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz France S.A., Allianz Global Investors Italia SGR S.p.A. (Chairman), Allianz S.p.A.

Dr. Helmut Perlet until August 31, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Commerzbank AG, GEA Group AG

Membership in Group bodies
Allianz Deutschland AG, Allianz Global Corporate & Specialty AG (Vice Chairman) (until August 31, 2009), Allianz Global Investors AG (until September 15, 2009), Allianz Investment Management SE (Vice Chairman) (until September 9, 2009)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America, Allianz S.p.A., Fireman's Fund Insurance Company

Dr. Christof Mascher since September 10, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Shared Infrastructure Services SE (Chairman)

Jay Ralph since January 1, 2010
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Global Corporate & Specialty AG

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz Life Insurance Company of North America (Chairman), Fireman's Fund Insurance Company (Chairman)

Dr. Gerhard Rupprecht
Membership in other statutory supervisory boards and SE administrative boards in Germany
Fresenius SE, Heidelberger Druckmaschinen AG

Membership in Group bodies
Allianz Beratungs- und Vertriebs-AG (Chairman), Allianz Lebensversicherungs-AG (Chairman), Allianz Private Krankenversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in Group bodies
Allianz Elementar Lebensversicherungs-AG (Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG (Vice Chairman), Allianz Suisse Lebensversicherungs-Gesellschaft, Allianz Suisse Versicherungs-Gesellschaft

As of December 31, 2009 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.

Jean-Philippe Thierry until December 31, 2009
Membership in comparable [1] supervisory bodies
Atos Origin (Chairman), Baron Philippe de Rothschild, Eurazeo, Paris Orléans, Pinault Printemps Redoute, Société Financière et Foncière de participation

Membership in Group bodies until December 31, 2009
Allianz France S.A. (Chairman),
Allianz France International S.A. (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 boards in Germany
Deutsche Lufthansa AG, Deutsche Börse AG, E.ON Ruhrgas AG

Membership in comparable [1] supervisory bodies
Banco BPI S.A., Banco Popular Español S.A.

Dr. Werner Zedelius
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in Group bodies
Allianz Private Krankenversicherungs-AG (Vice Chairman)

Membership in comparable [1] supervisory bodies
Bajaj Allianz General Insurance Company Limited,
Bajaj Allianz Life Insurance Company Limited

Membership in Group bodies
Allianz Hungária Biztosító Rt. (Chairman),
Allianz pojistovna a.s. (Chairman),
Allianz-Slovenska poistovna a.s. (Chairman),
ROSNO (Chairman),
T.U. Allianz Polska S.A. (Chairman),
T.U. Allianz Życie Polska S.A. (Chairman)

As of December 31, 2009 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as “comparable” if the company is listed on a stock exchange or has more than 500 employees.

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments has not been included.

Acquisition cost
The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises
The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a significant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves
Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses
The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management
The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

Associated enterprises
All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

At amortized cost
Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Available-for-sale investments
Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are carried at fair value in the balance sheet.

Business combination
A business combination is a transaction or event in which an acquirer obtains control of one or more businesses. Business combinations are accounted for using the purchase method.

Cash flow statement
Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:
- operating activities
- investing activities
- financing activities

Certificated liabilities
Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Combined ratio
Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Consolidated interest (%)
The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities
Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach
With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is redemption made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

Cost-income ratio
Represents operating expenses divided by operating revenues.

Credit risk
The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current employer service cost
Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

Deferred acquisition costs
Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities
The calculation of deferred tax is based on tax loss carryforwards, tax credit carryforwards and temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans
For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

Defined contribution plans
Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.

Derivative financial instruments
Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, foreing currency exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings per share (basic/diluted)
Ratio calculated by dividing the net income for the year attributable to shareholders by the weighted average number of shares oustanding. For calculating diluted earnings per share the number of shares and the net income for the year attributable to shareholders are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with participation certificates and share based compensation plans.

Equity consolidation
The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method
Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio
Represents acquisition and administrative expenses (net) divided by premiums earned (net).

Fair value
The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

Financial assets carried at fair value through income
Financial assets carried at fair value through income include financial assets held for trading and financial assets designated at fair value through income.

Financial liabilities carried at fair value through income
Financial liabilities carried at fair value through income include financial liabilities held for trading and financial liabilities designated at fair value through income.

Forwards
The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Functional currency
The functional currency is the prevailing currency in the primary economic environment where the subsidiary conducts its ordinary activities.

Funds held by/for others under reinsurance contracts
Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures
Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill
Difference between the acquisition cost and the Allianz Group's proportionate share of the fair value of the net assets of the acquiree.

Gross/Net
In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

Hedging
The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

Held for sale
A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than though continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

Held-to-maturity investments
Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

IAS
International Accounting Standards.

IFRS
International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS Framework
The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Income from financial assets and liabilities carried at fair value through income (net)
Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized gains and losses including interest and dividend income from financial assets and financial liabilities carried at fair value through income, the income (net) from financial liabilities for puttable equity instruments and the foreign currency gains and losses (net).

Issued capital and capital reserves
This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture
An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency
Number of losses in relation to the number of insured risks.

Loss ratio
Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

Market value
The amount obtainable from the sale of an investment in an active market.

Minority interests
Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

Net income attributable to minority interests
That part of net income for the year which is not attributable to the shareholders of the Allianz Group but to others third parties who hold shares in affiliated enterprises.

Options
Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives
Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Participating certificates
Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Pension and similar obligations
Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

Premiums written/earned
Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance
Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements
A repurchase ("repo") transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group's balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

Reserves for loss and loss adjustment expenses
Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds
That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company bylaw obligations, or voluntary undertaking.

Revenue reserves
In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Segment reporting
Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Asset Management and Corporate and Other) as well as by reportable segments.

Subordinated liabilities
Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps
Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Unearned premiums
Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses
Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also “corridor approach”).

Unrecognized past service cost
Present value of increases in pension benefits relating to previous years’ service, not yet recognized in the pension reserve.

US GAAP
Generally Accepted Accounting Principles in the United States of America.

Variable annuities
The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

Index

Financial Calendar

Important dates for shareholders and analysts

May 5, 2010	Annual General Meeting
May 12, 2010	Interim Report 1st quarter 2010
August 10, 2010	Interim Report 2nd quarter 2010
November 10, 2010	Interim Report 3rd quarter 2010
February 24, 2011	Financial press conference for 2010 financial year
February 25, 2011	Analysts' conference for 2010 financial year
March 18, 2011	Annual Report 2010
May 4, 2011	Annual General Meeting

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

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

Annual Report online

View our 2009 Annual Report on the Internet at www.allianz.com/annualreport. Make the most of the Internet's advantages:

- select individual data and compare key ratios over a number of years,
- download single chapters and tables (in pdf and excel formats),
- access selected data in the report by means of the search function and links.

Imprint

Design
Anzinger | Wüschner | Rasp

Photography
Christian Höhn – from the series "urban worlds"
Board of Management, Supervisory Board and IEC:
Andreas Pohlmann

Printing
Mediahaus Biering GmbH

Allianz SE
Koeniginstraße 28
80802 Muenchen
Germany

Telephone +49 89 38 00 0
Telefax +49 89 38 00 3425

info@allianz.com
www.allianz.com

Annual Report on the Internet
www.allianz.com/annualreport