

Allianz Group

Annual Report 2007

INSURANCE | ASSET MANAGEMENT | BANKING



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Allianz at a Glance

		2007	Change from previous year	2006	2005	2004	2003	More details on page
Income Statement								
Total revenues ¹⁾	€ mn	102,598	1.5%	101,129	100,967	96,949	93,740 ²⁾	35
Operating profit ³⁾	€ mn	10,915	5.1%	10,386	8,003	7,001	3,982 ²⁾	36
Net income ⁴⁾	€ mn	7,966	13.5%	7,021	4,380	2,266	2,691	37
Balance Sheet								
Total assets	€ mn	1,061,149	(4.4)%	1,110,081	1,054,656	1,058,612	971,076	66
Shareholders' equity	€ mn	47,753	(3.8)%	49,650	38,656	29,995	27,993	199
Minority interests	€ mn	3,628	(49.5)%	7,180	8,386	7,696	7,266	202
Share Information								
Basic earnings per share ⁴⁾	€	18.00	5.3%	17.09	11.24	6.19	7.96	241
Diluted earnings per share ⁴⁾	€	17.71	5.5%	16.78	11.14	6.16	7.93	241
Dividend per share	€	5.50	44.7%	3.80	2.00	1.75	1.50	29
Dividend payment	€ mn	2,476	50.8%	1,642	811	674	551	29
Share price as of December 31	€	147.95	(4.4)%	154.76	127.94	97.60	100.08	28
Market capitalization as of December 31	€ mn	66,600	(0.4)%	66,880	51,949	35,936 ⁵⁾	36,743 ⁵⁾	29
Other Data								
Return on equity after income tax ⁶⁾	%	16.4	0.5 pts	15.9	12.9	7.8	11.0	
Third-party assets under management as of December 31	€ mn	764,621	0.1%	763,855	742,937	584,624	564,714	60
Employees		181,207	8.8%	166,505	177,625	176,501	173,750	105

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

²⁾ Total revenues and operating profit for the year ended December 31, 2003 do not reflect the reporting changes effective January 1, 2006.

³⁾ The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole.

⁴⁾ Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

⁵⁾ Excluding treasury shares.

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.

Allianz Group

The Allianz Group is one of the leading integrated financial services providers worldwide. With over 181,000 employees, the Allianz Group serves more than 80 million customers in more than 70 countries. We are able to offer our clients a wide range of insurance and finance products as well as extensive advisory capacity through our subsidiaries under strong and well-known brands. We operate and manage our activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management.

Segment Overview

Property-Casualty

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

In 2007, gross premiums written increased by 1.4% to € 44.3 billion, reflecting our selective underwriting policy, a diligent risk selection and focus on profitable growth.

		2007	2006	2005
Gross premiums written	€ mn	44,289	43,674	43,699
Operating profit	€ mn	6,299	6,269	5,142
Net income	€ mn	5,174	4,746	3,535
Combined ratio	%	93.6	92.9	94.3

Life/health

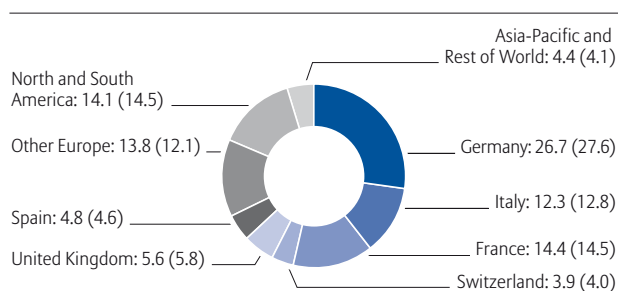
Our product portfolio comprises a variety of life and health insurance solutions for private customers, as well as products for corporate provision needs. Ranging from life insurance policies to complicated pension management issues.

Statutory premiums were up 4.1% to € 49.4 billion, with substantial contributions from emerging markets in New Europe and Asia-Pacific. Operating profit grew by 16.8% to € 3.0 billion benefitting from top-line growth and other profit improvements.

		2007	2006	2005
Statutory premiums	€ mn	49,367	47,421	48,272
Operating profit	€ mn	2,995	2,565	2,094
Net income	€ mn	1,991	1,643	1,358
Statutory expense ratio	%	9.4	9.6	8.4

Gross premiums written by regions ¹⁾

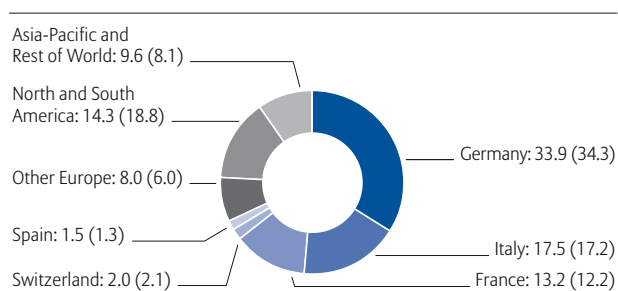
in %



¹⁾ 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.

Statutory premiums by regions ¹⁾

in %



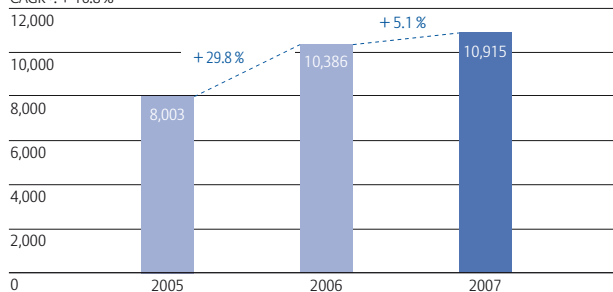
¹⁾ After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Operating profit at record level and high quality net income of € 8.0 billion.

Operating profit

in € mn

CAGR¹⁾: +16.8 %



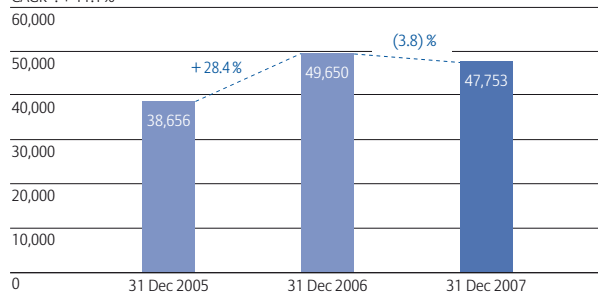
¹⁾ Compound annual growth rate ("CAGR") is the year-over-year growth rate over a multiple-year period.

²⁾ Does not include minority interests.

Shareholders' equity²⁾

in € mn

CAGR¹⁾: +11.1 %



Banking

Our banking activities are primarily executed by Dresdner Bank Group, through which we serve individual, corporate and governmental customers with a broad range of private, commercial and investment banking products.

Despite of the financial markets turbulence, which heavily impacted trading income, we recorded an operating profit of € 773 million. Most product lines were not impacted by the credit crisis and performed in line with expectations.

		2007	2006	2005
Operating revenues	€ mn	5,721	7,088	6,318
Operating profit	€ mn	773	1,422	704
Net income	€ mn	377	918	1,037
Cost-income ratio	%	88.7	79.5	90.6

Asset Management

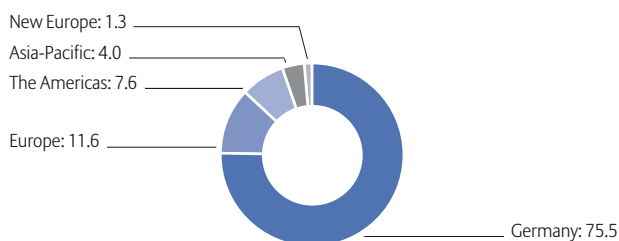
Our business activities in the asset management business consist of products and services both for third-party investors and for the Allianz Group's insurance operations. We conduct our retail asset management business primarily under the brand name "Allianz Global Investors".

In 2007, we recorded a solid growth in revenues and operating profit, with our cost-income ratio being at a very competitive level of 58.3%. Furthermore, we grew our third party asset by 8.1%.

		2007	2006	2005
Operating revenues	€ mn	3,259	3,044	2,722
Operating profit	€ mn	1,359	1,290	1,132
Net income	€ mn	498	404	244
Cost-income ratio	%	58.3	57.6	58.4

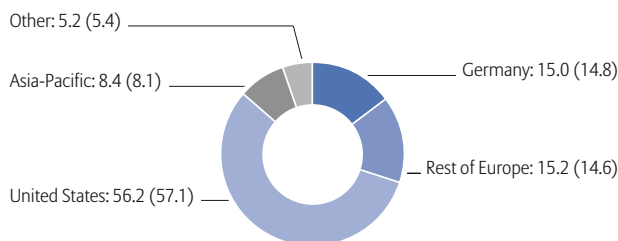
Operating revenues by regions

in %



Assets under management by regions¹⁾

in %



¹⁾ Based on the origination of assets.



Dear Shareholders,

The past financial year has been both challenging and successful for Allianz. Challenging, because an unusual surge in medium-severity natural disasters led to major losses and in the second half of the year the U.S. housing crisis triggered severe turbulence in the financial markets, sending the U.S. Dollar plunging. Successful, because we were able to demonstrate that we are in a better position than before to add value to our business. Amid all the economic turmoil and widespread uncertainty, almost all our subsidiaries posted results that were good to very good.

2007 was a record year for the company. Thanks to the commitment of our 181,207 employees and distributors, we increased revenues to € 102.6 billion and improved operating profit by 5.1% to € 10,915 million. Net income rose by 13.5% to € 7,966 million. This almost matches total net income for the years 2003 to 2005 and is the best result in more than a century of the company's history. Shareholders' equity decreased by 3.8% to a year-end value of € 47,753 million. The Economic Value Added (EVA®) after minorities, i.e. the value generated in excess of the cost of capital, went up by 11.3% to € 3,928 million. These figures demonstrate that we can increase our performance even under difficult circumstances.

What were the biggest challenges in the year under review? Hurricane Kyrill over Europe in January, widespread flooding in the United Kingdom in the summer and a host of other storm disasters and forest fires led to losses of € 774 million, up from € 211 million in claims due to natural disasters in 2006. It is the subprime crisis in particular for which this financial year will be remembered. When the U.S. subprime mortgage markets triggered hefty price fluctuations and turbulence in the stock markets in the second half of the year, confidence in the very much larger field of asset-backed securities plunged. Dresdner Bank had to mark down € 1,275 million, regardless of the actual and future real economic value of its assets. Financial service providers were punished across the board on the equity markets, including Allianz. This despite the fact that only 0.16% of assets in our long-term portfolio are related to subprime assets. Our assets are largely untouched, our risk management works well, and unlike other institutions we do not have a liquidity problem nor indeed an equity shortfall.

Unfortunately this was ignored in the knee-jerk reaction of the markets when financial sector valuations plunged in the second half of 2007. Our strong financial performance was not rewarded by the markets at the end of the year. Based on the share price, 2007 was a disappointing year for you, the investors. I can well understand that you have become impatient in this respect. It must be remembered, however, that the 4.4% loss in value occurred in an environment in which the European insurance index lost 10.0% and the European banking index fell 8.9%. So we did somewhat better in comparison, demonstrating that our sustainable earnings performance stood out from the crowd despite all the general scepticism towards financials. Most analysts surveyed by Bloomberg are of the same view. End of February 2008 74% of them recommend the Allianz share as a buy, with a target price of € 168 on average.

I believe that the good figures for 2007 confirm that the strategy we have been pursuing is the right one. These results are in no way due to fortunate circumstances, but the result of our 3+One programme and the accompanying strategic initiatives. Our focus and discipline in implementing this plan has paid off, systematically improving our global competitive position.

Where do we stand now, after some five years?

After the unexpectedly severe crisis on financial markets in the wake of the U.S. terrorist attacks in 2001, Allianz changed its fundamental approach with 3+One. It served our company well to undergo a period where it had to dramatically improve its operating performance. We now operate at a much higher level. 3+One turned potential for creating value into an enormous surge in earnings, as shown in our excellent operating profits. Our Group companies work together more closely than ever before to create the solutions that are best from a global viewpoint available throughout the value chain. Low-margin non-core businesses were sold, as in Canada or Venezuela. From 2002 to 2007 we selectively invested around € 3 billion in developing growth markets such as India, China and Russia. We are now more successful than any other European financial services provider in the markets of Central and Eastern Europe as well as Asia-Pacific.

In Italy and France we bought out the outstanding minority interests in Allianz RAS and AGF. Allianz AG was converted into a company governed by European law. We are now in a position to create a coherent and streamlined structure in Europe, with rapid reporting channels, clear-cut responsibility and transparent objectives. We have reorganized Dresdner Bank and returned it to profitability. In the midst of these radical changes we increased the number of our customers from some 64 to 80 million between 2002 and 2007.

The path ahead now is more difficult. We must further boost efficiency while also maintaining high-quality growth. By 2011 we want to expand our customer base to around 100 million. There will be no lack of opportunities for growth. We already have a solid base in Asia-Pacific (including Australia) and are gaining about 400,000 new customers each month. In established markets, where the Property-Casualty segment currently is stagnating, our products must become so appealing that we are substantially more successful in acquiring new business, and customers buy more products from us and recommend us to others. There are enough attractive customer segments with very good prospects for growth within these core markets. Targeting these customer groups is one of our strategic priorities.

Achieving cost reductions and high-quality growth involves product innovation, integrated financial solutions and dedicated sales organizations. Above all we have full confidence in the sustainable success of our customer focus initiative and the new business model that places market management at the center. Collectively they will increase our efficiency significantly. This will enable us to offer consumers exactly what they really want from a financial services provider. Although the worldwide roll-out of the new business model will burden the expense ratio temporarily, it is a giant step forward in transforming the company into a global customer-focused and value-creating organization. As our shareholders, you will see the benefits over the long term.

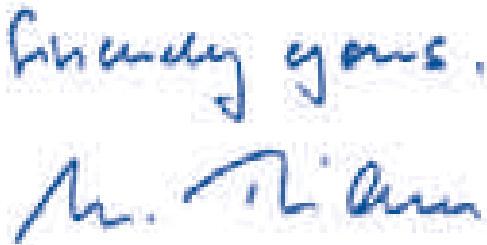
What is next on the agenda?

As this letter is going to press, we are focusing our attention on fulfilling our promises also for the 2008 and 2009 financial years. We had said that we intend to increase operating profits from 2007 to 2009 by an average of 10% each year. In view of the continuing crisis in the financial markets and the difficulty of assessing its impact on the real economy, this has become much more challenging. As a result I need to place a special caveat on our outlook for the banking sector. In view of the current uncertainties and potential further mark-downs it is not possible to give a reliable forecast of the banking segment's contributions to the overall results.

As far as our strategy is concerned, the focus for 2008 is definitely on implementation. We are stepping up the pace of change and we are striving to achieve noticeable improvements for our customers and distribution systems.

- We are pressing ahead with the implementation of our new operating model under the leadership of Mr Oliver Bäte.
- The various sales formats (including direct sales, banking agencies, specialist representatives and brokers) in all major markets will be adopted to new customer requirements as well as competitive patterns and regulatory changes.
- We are increasing the pace of the customer focus initiative and extending its scope. We can consider our mission accomplished only once our customers perceive our service as so excellent that they actually recommend our services to others.
- We are bolstering personnel management capabilities while striving for and fostering an ambitious culture of leadership and performance. We seek to become the employer of choice for talented job-seekers.

Although I do not believe that 2008 will be a less challenging year than 2007, we have done our best to prepare for the difficult market environment. Allianz is now more focused, more efficient and more manageable. Every day represents an opportunity for our management, our committed employees and our salespeople to further enhance the value of the Allianz brand. Every day is a chance to improve our service and make it more accessible. Every day we can increase customer satisfaction with our reliable and friendly customer service. There are 366 opportunities in this leap year to implement our vision of becoming the financial services provider enjoying the highest level of trust. By doing this, we will increase the value of your investment on a sustainable basis. At the end of the day, this is our job.



Michael Diekmann,
Chairman of the Board of Management

Supervisory Board Report



Ladies and Gentlemen,

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

Within the framework 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 business, the financial and economic development of the Allianz Group and of Allianz SE, including the risk situation and the management of risk, compliance issues as well as the company strategy. In Supervisory Board meetings, on the basis of reporting from the Board of Management, we discussed in detail the development of the business and important decisions and

business matters. As far as necessary under the law or the Statutes, the Supervisory Board passed resolutions after detailed examination. In addition we dealt with the Board of Management's planning for the 2008 financial year and medium-term planning. Any deviation from plans and objectives in the course of the business were presented to us. The Supervisory Board examined the reasons for any deviation on the basis of the explanations provided by the Board of Management and the documents provided.

The Supervisory Board met in total six times during the 2007 financial year. The ordinary meetings were held in March, May, September and December. The Supervisory Board also met on two further occasions: in January 2007 it held an extraordinary meeting in relation to the offers to acquire the minority interest in AGF and Allianz Lebensversicherungs-AG. There was also a constitutive meeting following fresh election of the Supervisory Board by the 2007 ordinary General Meeting. 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.

All the Board of Management reports on the business situation and all the presentations on particular issues were accompanied by written supporting documentation, all of which was sent to each Supervisory Board member prior to the meeting for preparation purposes. The same applied to all the financial statements and auditor's reports.

Whenever management actions described in more detail in this report required the approval of the Supervisory Board or one of its committees due to the requirements of legislation, the Statutes or the rules of procedure, resolutions were passed in this respect. Furthermore, the Supervisory Board did not raise any reservations against granting its approval.

Crisis in the U.S. real estate and mortgage market

At the meetings in September and December 2007 and March 2008 we obtained up-to-date details of the disruption to financial markets in relation to the U.S. real estate and mortgage crisis. The Board of Management explained the impact on the Allianz Group and particularly Dresdner Bank. We paid particular attention to the possible effects of

the market disruption on the risk situation and liquidity. We also discussed with the Board of Management the valuation issues and the further course of action in the wake of the market disruption.

Strategy issues

We paid special attention to issues of strategy for the Allianz Group at the September meeting. On the basis of a thorough presentation by Mr Michael Diekmann, the Chairman of the Board of Management, we dealt with the strategic direction of the Allianz Group and the different business segments. We then discussed with the Board of Management the strategic challenges and implications for the Allianz Group as well as possible alternative courses of action. We continued this discussion at the December meeting.

Insurance business in Germany

In addition to the regular reporting, at the March 2007 meeting we received detailed reports on progress on the reorganization of our German insurance business and progress made in establishing the new operating model.

Offer to acquire minority interest in AGF and Allianz Lebensversicherungs-AG

In January and February 2007, in the course of two extraordinary telephone conference calls and one extraordinary meeting of the Standing Committee as well as an extraordinary meeting of the Supervisory Board, we dealt with the tender offer to buy out minority interests in French-based Allianz subsidiary Assurances Générales de France (AGF). At the same time we discussed the decision by Allianz Deutschland AG to make an offer to purchase the free-float shares in Allianz Lebensversicherungs-AG. Both transactions were approvingly noted by the Supervisory Board. The Standing Committee granted consent to the public offer to acquire 100% of AGF. The Standing Committee also approved the Board of Management's resolution to use the Authorized Capital 2006/I to offer new Allianz shares as part of the consideration for acquiring AGF shares. Again in March 2007 and on the basis of a presentation by the Board of Management we concerned ourselves in the Supervisory Board plenum

with the tender offer to the minority shareholders in AGF and Allianz Lebensversicherungs-AG. In subsequent meetings we were kept up-to-date about the status of each of these offers. While the goal of acquiring the full minority interest in Allianz Lebensversicherungs-AG was not yet achieved in the reporting year 2007, the acquisition of all AGF shares through the offer and the subsequent squeeze-out was successfully completed in July 2007.

Financial situation and profitability

In every Supervisory Board meeting throughout financial year 2007 (except the extraordinary meeting in January 2007 and the constitutive meeting following the ordinary General Meeting), the Board of Management reported on turnover and results in the Group. The Board also gave further details on how business was running in each individual business segment and reported on the financial situation. This was then discussed within the Supervisory Board.

Other issues

We were kept continually up to date by the Board of Management on current equity investment projects. At the meetings in March and May, the integration of Allianz's Italian operations through combination of our Italian insurance companies Riunione Adriatica di Sicurtà (RAS), Allianz Subalpina and Lloyd Adriatico into Allianz S.p.A. was explained to us. We also followed the structural changes at Allianz of America as reported by the Board of Management at the March meeting of the financial year, as well as the closer coordination of Allianz Life and Fireman's Fund Insurance Company under the umbrella of Allianz of America. We were also regularly kept up-to-date about the business and financial position of Dresdner Bank. At the meeting in March 2007 we reviewed the concept of integrated financial services provider and the new distribution initiative. This envisages the introduction of Allianz agencies with Dresdner Bank employees. We continuously consulted with the Board of Management on the status of significant litigation. In the March 2008 meeting the Supervisory Board dealt with Compliance topics on the basis of a presentation of the Board of Management. Through the written and verbal report by the Board of Management we formed a detailed picture of the structure and organization of the Compliance function

within the Allianz Group. Allianz SE has concluded management control and transfer-of-profit agreements with Allianz Investment Management SE as well as Allianz Argos 14 GmbH, both with registered offices in Munich, Germany. On the basis of the written and verbal explanations provided by the Board of Management, the Supervisory Board granted the required approval to both agreements.

We welcomed the decision of the Board of Management to offer Allianz shares to employees of the Allianz Group in 24 countries on preferential terms. The Standing Committee has consented to the use of Authorized Capital 2006/II for issue of the employee shares.

Corporate Governance and Declaration of Compliance

We were involved in the further development of corporate governance standards in the organization. On December 20, 2007 the Board of Management and the Supervisory Board issued our Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz) and put it up on the company website on a permanent basis where it can be consulted at will. Allianz SE is in compliance with all recommendations of the Government Commission German Corporate Governance Code in the June 14, 2007 version of the Code.

At the December meeting we reviewed the efficiency of the Supervisory Board's activities, without the presence of the Board of Management. We worked on the implementation of measures agreed upon in the previous year to improve efficiency and discussed further possibilities to improve the workings of the Supervisory Board, in particular to improve the efficiency of the work done in the committees.

Further explanations on corporate governance in the Allianz Group are available in the combined Board of Management and Supervisory Board report on pages 10 to 14 of this annual report. 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 in December 2007 it also set up a Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary session. Furthermore, in appropriate cases, authority to take decisions has been delegated to committees themselves. The Conciliation Committee no longer exists because the German Co-Determination Act (Mitbestimmungsgesetz), which provides for such a committee, does not apply to Allianz SE. The current members of these committees are set out in the following list.

Committees of the Supervisory Board of Allianz SE

As of December 31, 2007

Chairman of the Supervisory Board

Dr. Henning Schulte-Noelle

Deputy Chairpersons of the Supervisory Board

Dr. Gerhard Cromme

Claudia Eggert-Lehmann

Audit Committee

Dr. Gerhard Cromme (Chairman) (until March 18, 2008)

Dr. Franz B. Humer (Chairman) (since March 18, 2008)

Dr. Wulf H. Bernotat

Igor Landau

Jean-Jacques Cette

Jörg Reinbrecht

Nomination Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Gerhard Cromme

Dr. Franz B. Humer

Personnel Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Gerhard Cromme

Claudia Eggert-Lehmann

Risk Committee

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

Standing Committee

Dr. Henning Schulte-Noelle (Chairman)
 Dr. Gerhard Cromme
 Dr. Franz B. Humer
 Claudia Eggert-Lehmann
 Rolf Zimmermann

In 2007, the Standing Committee held four meetings and three telephone conference calls. These related primarily to the offers to the external shareholders of AGF and Allianz Lebensversicherungs-AG, corporate governance issues, preparation for the ordinary General Meeting, the employee share purchase program and review of the Supervisory Board's efficiency. In the course of the financial year, resolutions requiring approval for the following issues were adopted: making the tender offer to the minority shareholders of AGF, use of Authorized Capital 2006/I to create the shares offered as consideration and use of Authorized Capital 2006/II for the issue of employee shares.

The Personnel Committee met on four occasions. The meetings dealt with staffing matters as well as the structure and amount of Board of Management remuneration. In this context the Personnel Committee also dealt with the new suggestion by the German Corporate Governance Code to limit severance pay for Board of Management members if their employment ends prematurely and adopted the resolution to comply with this suggestion.

The Audit Committee held five meetings and one telephone conference call in financial year 2007. The meetings were held in February, March, May, August and November, while the telephone conference call took place in June 2007. Together with the auditors the committee discussed the Allianz SE and Allianz Group annual financial statements, the management reports, the auditor's reports and the U.S. Form 20-F report. In addition the committee checked the semi-annual financial report and the other quarterly financial statements and, together with the auditors, went through details of the auditor's review of these financial statements. After carrying out these checks the Audit Com-

mittee saw no reason to raise objections. The committee also covered the auditor's engagement and established priorities for the audit, as well as internal control issues and compliance with the provisions of section 404 of the Sarbanes-Oxley Act. In addition, assignments to the auditors for services not connected to the audit itself were discussed. The committee received reports from the heads of the Group Audit department and Compliance department about audit and compliance issues on an ongoing basis. In February 2007 and February 2008 the committee obtained summary reports on significant audit results for the past financial year from the head of the Group Audit department. In these meetings the Committee also received a report of the General Counsel regarding material legal proceedings. In the meeting in November Group Audit presented the audit plan for the year 2008.

The Risk Committee held two meetings in 2007. In the constitutive meeting in March, it firstly approved rules of procedure and agreed on the content and working method of the committee. On the basis of a presentation by the Board of Management it then obtained details of the structure, organisation and functioning of the risk management system and risk control system at Allianz. The September session dealt with the Allianz risk strategy as well as the risks and effects of the disruption to financial markets triggered by the U.S. real estate and mortgage market crisis, which we examined through detailed written and verbal information from the Board of Management. The Board of Management presented the current risk situation at each meeting of the committee. We reviewed the particular risk-related statements in the annual company 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 newly established Nomination Committee held no meetings in the last financial year. Allianz SE is following the new recommendation of the German Corporate Governance Code to establish this type of committee (No. 5.3.3 of the Code). The Nomination Committee comprises the Supervisory Board chairman and two other shareholder representatives elected by the shareholder side. The committee is responsible for drawing up selection criteria for shareholder representatives on the Supervisory Board, seeking suitable candidates for the election of shareholder representatives to the Supervisory Board and proposing suitable Supervisory Board candidates to the Supervisory Board for its election proposals to the General Meeting.

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

Audit of annual accounts and consolidated financial statements

In compliance with special provisions applying to insurance companies (§ 341 k (2) of the German Commercial Code), the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board and not by the General Meeting. The Supervisory Board has appointed KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, as statutory auditor for the annual company and 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 international accounting standards, in particular the International Accounting Standards (IAS) and the International Financial Reporting Standards (IFRS). The half year financial report and the other quarterly financial statements were also reviewed by KPMG.

The financial statements and the KPMG auditor's report for financial year 2007 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 20, 2008. The final financial statements and KPMG auditor's reports were examined by the Audit Committee in its meeting on March 17, 2008 and in the Supervisory Board plenary session on March 18, 2008. The auditors took part in these discussions. They gave an account of the main findings of the audit and were available for any questions or further information.

On the basis of our own review of the financial statements of Allianz SE and Allianz Group, the management report and the Group management report and the recommendation for appropriation of earnings, we made no objections and agreed with the result of the KPMG audit. We approved the financial statements for Allianz SE and Allianz Group

drawn up by the Board of Management; the company financial statements are therefore adopted. We concur with the proposal of the Board of Management as to the appropriation of earnings.

Members of the Supervisory Board and Board of Management

The term of the first Supervisory Board of Allianz SE expired following the ordinary General Meeting on May 2, 2007. The Supervisory Board was therefore re-elected at the General Meeting. The six employee representatives on the Supervisory Board were appointed on the proposal of the employees. In this respect the General Meeting was bound to accept the employees' proposals, in accordance with the provisions of the Statutes. Ms. Margit Schoffer's seat on the Supervisory Board expired following the ordinary General Meeting on May 2, 2007. We have thanked Ms. Schoffer for her valuable work on our board. The General Meeting elected Mr. Peter Kossubek as her successor on May 2, 2007. In all other respects the General Meeting confirmed the members of the first Supervisory Board in office. The shareholder representatives on the Allianz SE Supervisory Board are Professor Dr. Renate Köcher, Dr. Wulf H. Bernotat, Dr. Gerhard Cromme, Dr. Franz B. Humer, Mr. Igor Landau and Dr. Henning Schulte-Noelle. The employee representatives consist of Ms. Claudia Eggert-Lehmann, Mr. Jean-Jacques Cette, Mr. Godfrey Robert Hayward, Mr. Peter Kossubek, Mr. Jörg Reinbrecht and Mr. Rolf Zimmermann. In accordance with the allocation of seats under the Agreement concerning the Participation of Employees in Allianz SE of September 20, 2006, four employee representatives from Germany were again elected and one each from France and the UK, namely Mr. Cette and Mr. Hayward respectively. The current term of the Supervisory Board expires following the ordinary General Meeting in 2012.

The newly elected Supervisory Board has elected Dr. Henning Schulte-Noelle as chairman. The Supervisory Board elected as deputy chairpersons Dr. Gerhard Cromme upon proposal of the shareholder representatives and Ms. Claudia Eggert-Lehmann upon proposal of the employee representatives.

Mr. Jan R. Carendi resigned from the Board of Management on expiry of his term of office at year-end 2007. The Supervisory Board thanked Mr. Carendi for his successful work for the Allianz Group. The Supervisory Board has appointed Mr. Oliver Bäte to the Board of Management effective Janu-

ary 1, 2008. Mr. Bäte has taken up the newly created position of Chief Operating Officer. In this capacity on the Board of Management he is responsible for the Operational Transformation Program and the functions of the Chief Administrative Officer of the Allianz SE holding. In the context of these changes, the Board of Management has also changed assignments such that Dr. Gerhard Rupprecht is additionally given responsibility for Switzerland and Austria; Mr. Enrico Cucchiani is in future additionally responsible for the insurance market in South America; Dr. Werner Zedelius' area of responsibility is extended to include the Middle East and North Africa; and Mr. Clement B. Booth takes responsibility for the NAFTA markets, in addition to his current responsibilities. The Global Life project was assigned to Mr. Jean-Philippe Thierry and the Customer Focus initiative was placed with Dr. Zedelius. The Board of Management informed us in detail of the changes in areas of responsibility.

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

Munich, March 18, 2008

For the Supervisory Board:



Dr. Henning Schulte-Noelle
Chairman

Corporate Governance and Remuneration Report

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

Corporate Governance

Good Corporate Governance is essential for long-term business performance. For this reason it is important that the existing Corporate Governance structures are constantly reviewed and developed further, whenever necessary. We successfully completed the actions associated with conversion into a European Company (Societas Europaea – SE) in 2007. Over the past 15 months the Supervisory Board, with a new composition of only 12 members, has been gaining experience under the new conditions. Expectations of improved and more extensive reporting and discussions within the Supervisory Board have been fulfilled. The transformation of Allianz into an SE has been wholeheartedly welcomed by customers, shareholders, employees and the general public.

Corporate constitution of the European Company

As a European Company, Allianz SE is subject to special European SE regulations and the German law implementing the European Company, in addition to German stock corporation law. 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/allianz-se.

Board of Management

The Board of Management manages Allianz SE and Allianz Group. It currently comprises 11 members from different countries, making it as international as Allianz itself. Its responsibilities include setting business objectives and strategic direction, coordinating and supervising the oper-

ating entities, as well as implementing and supervising an effective risk management system. The Chairman of the Board of Management coordinates the Board's activities. As a consequence of the transformation into Allianz SE, the position of the chairman was strengthened by providing him with a right of veto under the Statutes with respect to the Board of Management's decisions. If he objects to a decision, that decision is cancelled. However, the chairman of the Board of Management cannot impose any decision against the majority vote on the Board of Management. In the event of a tied vote, the chairman has the casting vote. Rules of procedure specify in more detail the work of the Board of Management. In these rules the Board has in particular regulated the specific responsibilities of Board members, matters reserved for the whole Board and other ways to pass decisions.

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

10% 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 23 of this report.

Supervisory Board

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

The size of the Supervisory Board is stipulated in the Statutes as 12 members appointed by the General Meeting. Six of these twelve members are appointed on the proposal of the employees. General Meetings are 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 6 employee representatives are arranged in proportion to the number of Allianz employees in the EU member states. The Supervisory Board currently in office, which was elected at the 2007 General Meeting, consists of 4 employee representatives from Germany and one each from France and the United Kingdom. The current term of the Supervisory Board terminates at 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 their pay and reviewing Allianz SE's and Allianz Group's annual financial statements. The Supervisory Board takes all decisions based on a simple majority. The special decision requirements for the appointment of members to the Board of Management contained in the German Co-Determination Act and the requirement for a Conciliation Committee no longer apply

to an SE. In the event of a tied vote, the casting vote lies with the chairman of the Supervisory Board. Under Art. 42 of the SE Regulation, the chairman of the Supervisory Board of Allianz SE may only be a shareholder representative. In the event of a tied vote, if the chairman of the Supervisory Board is not present, the casting vote lies with the deputy chairperson from the shareholder side. Another deputy chairperson is elected on the proposal of the employee representatives, but he has no casting vote.

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

The Audit Committee is responsible for an initial review of the Company's and the Group's annual financial statements and management reports (including the risk report) and the dividend proposal. In addition, it reviews the quarterly reports and the U.S. annual report on Form 20-F. Finally, the Audit Committee is an important contact for the external auditors, whose independence it also monitors. It also deals with Compliance issues. Allianz follows the suggestion of the German Corporate Governance Code by which former members of the Board of Management should not chair the Audit Committee. In particular the chairman of the Supervisory Board, Dr. Schulte-Noelle, is neither the chairman nor a member of the Audit Committee.

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

The Personnel Committee is responsible for personnel matters concerning members of the Board of Management. It prepares the appointment of members of the Board of Management, takes decisions concerning their contracts with the Company including their remuneration and is involved in long-term succession planning for the Board of Management.

The Risk Committee, established in December 2006, monitors the risk strategy, the appropriateness of the Company's

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

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

The members of the Supervisory Board and its committees can be found on pages 22 and 6 of this report.

SE Works Council

In the course of the transformation of the Company into an SE, an SE works council consisting of currently 39 employee representatives from 26 EU member states, the European Economic Area (EEA) and from Switzerland was elected to represent the European Allianz employees. The SE works council mainly has information and consultation rights regarding cross-border matters within Europe affecting Allianz Group. As such, the SE works council, in simple terms, is a company-wide representative body for European employees with special responsibility for cross-border matters within Europe affecting Allianz. Details of the SE works council are contained in the Agreement Concerning the Participation of Employees in Allianz SE dated September 20, 2006.

Annual General Meeting

Shareholders exercise their rights in General Meetings. When adopting resolutions, each share grants one vote. To facilitate shareholders' participation, we allow shareholders to follow General Meetings on the Internet and to be represented by proxies appointed by Allianz. The proxies appointed by Allianz exercise the voting rights exclusively on the basis of the instructions given by the shareholder. We con-

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

Accounting policies and audit of financial statements

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

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

Allianz SE and the consolidated financial statements under German and U.S. law.

Further developments in Corporate Governance

The Government Commission on the Corporate Governance Code made several amendments to the Code in June 2007. Essentially these involve a suggestion to limit severance pay for Board of Management members if their employment ends prematurely. The suggestion is to limit compensation to two years' pay, or three years' pay if the employment was terminated due to a change in control of the Company. As described above, the Code now recommends the establishment of a Nomination Committee under the Supervisory Board. This committee supports the Supervisory Board in selecting suitable candidates as shareholder representatives for proposal to the General Meeting.

In addition, the planned risk limitation law (Law on Limiting Risks arising from Financial Investments) will involve new aspects to Corporate Governance. The primary objective of the associated changes is to ensure greater transparency in equity holdings. One of the aims is to improve the registration in the share register of shareholders in a company with registered shares, which in practice is inadequate. This would also reduce the current difficulties encountered in sending general meeting and voting documentation to shareholders, particularly abroad. These changes will be beneficial to using the advantages of registered shares.

Further changes are expected on implementation of the EU Directive on Shareholders Rights, which must be introduced into German law by August 2009. This is expected to foster increased participation by foreign shareholders. It is also hoped that this will help to increase shareholder attendance at general meetings in the long-term, in conjunction with other measures.

German Corporate Governance Code and Declaration of Compliance

The German Corporate Governance Code (the "Code") is effective as amended dated June 14, 2007. Besides repeating important legal provisions, the Code also contains recommendations and suggestions for proper corporate governance. There is no legal obligation to comply with these standards. Under § 161 of the German Stock Corporation Act, listed companies are, however, obliged to make a declaration of

compliance following the terms of the Code's recommendations on the basis "comply or explain".

In Germany the Code is taken as the benchmark of good corporate governance and control. Surveys show that acceptance of the German Corporate Governance Code remains high. At 2007 year end, the DAX-30 companies met an average of 97% of all recommendations whereas in the M-DAX around 92% and in the S-DAX about 86% of the recommendations had been followed by the companies.

On December 20, 2007, the Board of Management and the Supervisory Board issued the Declaration of Compliance of Allianz SE on the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Act as follows:

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

1. Allianz SE will comply with all the recommendations made by the Government Commission on the German Corporate Governance Code (Code version dated June 14, 2007).
2. Since the last Declaration of Compliance dated December 18, 2006, which referred to the German Corporate Governance Code in its June 12, 2006 version, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code then in force.

Munich, December 20, 2007

Allianz SE

For the Board of Management:

signed Michael Diekmann signed Dr. Paul Achleitner

For the Supervisory Board:

signed Dr. Henning Schulte-Noelle"

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

Furthermore, we comply with the voluntary recommendations of the German Corporate Governance Code with the exception that shareholder representatives on the Supervisory Board are, in principle, not elected to staggered terms,

as suggested by the Code. It is preferable, in our view, for a Supervisory Board taking joint decisions to have a uniform term of office for its members.

Our two listed Group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG issued their own declarations of compliance in December 2007. Allianz Lebensversicherungs-AG discloses therein a deviation from the recommendation concerning performance-based pay for its Supervisory Board members. Oldenburgische Landesbank AG complies with all recommendations except the recommendation of a deductible on its Directors & Officers insurance.

U.S. Corporate Governance Rules

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

In previous financial years we made considerable efforts to implement section 404 of the Sarbanes-Oxley Act (SOA) and corrected weaknesses found. We have extensively documented our control system for financial reporting and we test its effectiveness on an ongoing basis. As in the previous year, we will disclose the results of auditing our compliance with section 404 of the Sarbanes-Oxley Act in our U.S. annual report on Form 20-F.

In accordance with applicable U.S. legislation, our Audit Committee has established procedures for dealing with complaints relating to accounting policies and financial reporting as well as special procedures to ensure the independence of the statutory auditors. The Allianz SE Supervisory Board has determined that Dr. Wulf Bernotat, Dr. Gerhard Cromme, Dr. Franz B. Humer and Mr. Igor Landau fulfil the requirements laid down by U.S. legislation to be an "Audit Committee Financial Expert". Dr. Cromme resigned from his office as member and chairman of the Audit Committee as of March 18, 2008. As his successor, the Supervisory Board elected Dr. Humer member of the Audit Committee and appointed him chairman of the committee.

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

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

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

Directors' Dealings

Members of the Board of Management and the Supervisory Board are required, pursuant to § 15 a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), to disclose any acquisitions or divestments of Allianz SE securities, if the value of such acquisitions or divestments made by the board member or any person close to him or her amounts to at least € 5,000 in one calendar year. These declarations are published on our website under www.allianz.com/corporate-governance. On June 5, 2007 Mr. Peter Kossubek, member of the Supervisory Board of Allianz SE, sold 60 shares in Allianz SE at a price of € 171.87. On November 27, 2007 Dr. Wulf H. Bernotat, also a member of the Supervisory Board of Allianz SE, bought 500 shares in Allianz SE at a price of € 133.60.

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

The total holdings of members of the Management Board and the Supervisory Board in Allianz SE as of December 31, 2007 amounted to less than 1% of the Company's issued stock.

Remuneration Report

The information provided in the remuneration report should be considered part of the Group Management Report.

Board of Management remuneration

The remuneration of the Board of Management consists of fixed and variable pay components and it is designed to support sustained value-oriented management performance. To achieve this objective a significant portion of overall remuneration is variable. It is a three tier incentive system which includes short-term and mid-term cash bonus plans and equity related long-term incentives. The overall remuneration of individual Board Members is dependent upon their delegated role and accountability, individual performance, achievement of the financial goals of the Allianz Group and of the respective business unit, as well as the evolution of the Allianz SE share price. The remuneration of the Board of Management is set by the Personnel Committee of the Supervisory Board. The Personnel Committee is committed to a remuneration policy that is aligned to the interests of shareholders taking into consideration the competitive environment and the global market place in which the company operates. The structure of remuneration is regularly reviewed and discussed at the Supervisory Board.

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

Fixed salary

Base salary is a fixed amount which is normally reviewed every 3 years and reflects the individual's role as well as the market context. The salary is paid in twelve monthly installments. The 2007 base pay levels of the Board of Management are shown on page 17.

Performance-based remuneration

To achieve an appropriate balance of components linked to short term financial performance and those linked to long-term success and shareholder value creation a three-tier incentive system has been put in place. An overview is set out below:

Three-tier incentive system

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

Short-Term and Mid-Term bonus plans

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

Annual bonus

The annual bonus is dependent on the achievement of annual goals. These include financial targets set at Group or business division level as well as personal objectives. Performance against these goals is assessed at the end of the annual performance period with the amount of bonus payable depending on the extent to which the targets and objectives have been met. The Personnel Committee sets the target bonus level for members of the Board of Management. For 2007 the target bonus amounts to 150.0% of base salary. The maximum achievement is set at 165.0% of target performance.

Details of the annual bonus amounts paid to each member of the Board of Management are shown in the Remuneration table on page 17.

Three-year bonus

The three-year or mid-term bonus plan was designed to make the continuous increase in value of the company a priority concern of executive management across the Group. Plan participants are the Board of Management and approximately 100 top managers globally. Bonus payouts under the plan depend on the attainment of financial and strategic goals over the defined three-year performance period. The mid-term bonus is granted at the end of the defined three year performance period and the amount is based on the overall achievement for the three years. Certain exceptions apply, for example in the event of retirement. Although an interim assessment of the objectives takes place once a year, these projections are only provisional and informative in nature. Mid-term bonus target levels for members of the Board of Management are set by the Personnel Committee. For the 2007 – 2009 plan, the target bonus amounts to approximately 128.0% of base salary over the three-year performance period. The maximum achievement is set at 140.0% of target performance. Details of the mid-term bonus amounts accrued for each member of the Board of Management are shown on page 17.

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

Equity-related remuneration

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

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

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

Miscellaneous

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

The following table sets out the total fixed remuneration, perquisites and annual bonus. For reasons of transparency, the proportional bonus accrued for each member of the Board of Management of Allianz SE for the first year of the three-year bonus plan 2007 – 2009 is shown in the remuneration table:

Board of Management	Fixed salary		Perqui- sites ¹⁾	Total non-performance- based remuneration		Annual bonus ²⁾		Three-year bonus ³⁾	
	2007	Change from previous year		2007	2007	Change from previous year	2007	Change from previous year	2007
	€ thou	%	€ thou	€ thou	%	€ thou	%	€ thou	%
Michael Diekmann (Chairman)	1,050	—	24	1,074	(1.5)	2,046	(8.0)	472	3.1
Dr. Paul Achleitner	700	—	13	713	(1.7)	1,416	(10.1)	310	0.6
Clement B. Booth	700	—	78	778	4.6	1,218	(17.5)	318	(7.8)
Jan R. Carendi ⁴⁾	700	—	16	716	0.1	1,102	(15.7)	255	(10.5)
Enrico Cucchiani	700	—	118	818	14.7	1,261	(15.3)	346	(3.4)
Dr. Joachim Faber	700	—	20	720	0.6	1,245	(11.0)	312	5.4
Dr. Helmut Perlet	700	—	20	720	(1.5)	1,469	(2.6)	311	(1.3)
Dr. Gerhard Rupprecht	700	—	34	734	2.7	1,217	(18.9)	322	(2.4)
Jean-Philippe Thierry	700	—	77	777	7.8	1,245	(13.4)	312	(11.6)
Dr. Herbert Walter	700	—	45	745	1.6	923	(32.3)	175	(51.8)
Dr. Werner Zedelius	700	—	14	714	0.0	1,363	(13.2)	348	18.4
Total	8,050	—	459	8,509	2.3	14,505	(13.9)	3,481	(6.0)

¹⁾ Broad range reflects travel allowances for non resident Board Members.

²⁾ Actual bonus paid in 2008 for fiscal year 2007.

³⁾ Estimated amount for 2007 following interim assessment - the actual performance assessment can only take place at the end of the three-year period.

⁴⁾ Retired from Board of Management on December 31, 2007. For three-year bonus actual proportional amount paid in 2008.

For the 2004 – 2006 three-year bonus plan the total amount paid to the Board of Management in 2007 was € 9.7 million. The amounts paid to each member were accrued over the three-year performance period and disclosed in the relevant remuneration tables in the 2004, 2005 and 2006 annual reports.

The following table sets out the details of all awards made under the GEI program of equity-related remuneration in 2007 for each member of the Board of Management.

Board of Management	Number of SAR granted	Number of RSU granted	Fair value of	Fair value of	Total	
			SAR awards at date of grant	RSU awards at date of grant	2007	Change from previous year
	2007	2007	2007	2007	€ thou	%
			€ thou	€ thou	€ thou	
Michael Diekmann (Chairman)	15,065	7,582	588	1,020	1,608	5.2
Dr. Paul Achleitner	10,044	5,054	392	680	1,072	2.0
Clement B. Booth	10,044	5,054	392	680	1,072	13.9
Jan R. Carendi	10,044	5,054	392	680	1,072	13.9
Enrico Cucchiani	10,044	5,054	392	680	1,072	11.3
Dr. Joachim Faber	10,044	5,054	392	680	1,072	10.4
Dr. Helmut Perlet	10,044	5,054	392	680	1,072	10.2
Dr. Gerhard Rupprecht	10,044	5,054	392	680	1,072	10.9
Jean-Philippe Thierry	10,044	5,054	392	680	1,072	14.7
Dr. Herbert Walter	10,044	5,054	392	680	1,072	(47.6)
Dr. Werner Zedelius	10,044	5,054	392	680	1,072	6.6

The GEI awards are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the GEI awards as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised SARs are recognized as compensation expense. The GEI compensation expense in 2007 amounted to, in € thousand, for Mr. Diekmann 1,626, for Dr. Achleitner 1,212, for Mr. Booth 660, for Mr. Carendi 966, for Mr. Cucchiani 981, for Dr. Faber 1,128, for Dr. Perlet 1,136, for Dr. Rupprecht 1,112, for Mr. Thierry 456, for Dr. Walter 2,864 and for Dr. Zedelius 1,039.

SAR can be exercised once the two-year vesting period has expired on the condition that the Allianz SE stock price is at least 20.0% above the price at which the SAR were granted (strike price). Also, the price of the stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period. The RSU are released on the first trading day after the end of a five-year vesting period.

The total remuneration of the Board of Management for fiscal year 2007 amounted to € 39 million (2006: € 41 million).

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

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

For a list of Supervisory Board mandates in companies outside the Allianz Group see page 256.

Pensions and similar benefits

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

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

The Allianz Group paid € 4 million (2006: € 4 million) to increase pension reserves and reserves for similar benefits for active members of the Board of Management. On December 31, 2007, pension reserves and reserves for similar benefits to members of the Board of Management who were active at that date, amounted to € 25 million (2006: € 23 million).

The following table sets out the current service cost and contributions arising in relation to the current pension plans according to IAS 19, excluding the current service cost for the old pension plan redeemed as of December 31, 2004 for each individual member of the Board of Management of Allianz SE in 2007.

Board of Management	€ thou	Board of Management	€ thou
Michael Diekmann (Chairman)	299	Dr. Helmut Perlet	208
Dr. Paul Achleitner	183	Dr. Gerhard Rupprecht	182
Clement B. Booth	259	Jean-Philippe Thierry	477
Jan R. Carendi	0	Dr. Herbert Walter	198
Enrico Cucchiani	310	Dr. Werner Zedelius	210
Dr. Joachim Faber	214		

The additional current service cost in 2007 according to IAS 19 for the frozen pension plan amounted to, in € thousand, for Mr. Diekmann 162, for Dr. Achleitner 246, for Dr. Faber 134, for Dr. Perlet 0, for Dr. Rupprecht 175, for Dr. Walter 326 and for Dr. Zedelius 85.

Termination of service

The Supervisory Board has decided to amend the service contract for members of the Board of Management for future appointments and prolongations to comply with a new suggestion of the German Corporate Governance Code regarding a severance payment cap. According to this amendment, payments made to members of the Board of Management in case of premature termination of the service contract without serious cause will be limited to a maximum of the value of two years cash compensation including benefits.

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

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

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

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

Benefits to retired Members of the Board of Management

In 2007, remuneration and other benefits of € 5 million (2006: € 4 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 49 million (2006: € 52 million).

Supervisory Board remuneration

Remuneration system

The remuneration of the Supervisory Board is based on the scale and scope of the company, the functions and responsibilities of the members of the Supervisory Board and the financial situation of the company. The relevant provisions are contained in § 11 of the Statutes of Allianz SE. The remuneration was decided at the General Meeting.

Three components make up the Supervisory Board's remuneration: a fixed sum of € 50,000 and two performance-based components. One of the performance-based components has a short-term focus and depends on the increase of consolidated earnings-per-share in the previous fiscal year; the other is long-term and corresponds to the cumulative increase of this figure over the past three years.

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

The structure of the Supervisory Board's remuneration was ratified by the Annual General Meeting in 2005; on the conversion of Allianz AG into Allianz SE in 2006 it was adopted without changes. It complies with the recommendation or suggestion of the German Corporate Governance Code under which members of the Supervisory Board shall receive fixed as well as performance-based compensation that

should contain components based on the long-term performance of the business. We believe that this form of the Supervisory Board's remuneration has proven to be effective, and that the earnings-per-share performance measure is appropriate for the calculation of the performance-based remuneration of the Supervisory Board.

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

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

The members of the Supervisory Board receive a € 500 attendance fee for each Supervisory Board or committee meeting that they attend in person. This sum remains unchanged if several meetings occur on one day or when various meetings are held on consecutive days. The total expenditure for attendance fees in 2007 amounted to € 33,000.

Performance-based remuneration

The Group's earnings-per-share increased by 5.34% compared to 2006 and by 96.45% in relation to the financial year 2004. This meant that the regular remuneration for the short-term performance-based component for each member of the Supervisory Board amounted to € 8,100 and the long-term performance-based component to € 24,000.

Remuneration of the Supervisory Board of Allianz SE

Supervisory Board	Fixed remuneration €	Performance-based remuneration		Committee remuneration (may be capped) €	Total remuneration (may be capped) €
		short-term €	long-term €		
Dr. Henning Schulte-Noelle (Chairman)	100,000	16,200	48,000	82,100	246,300
Dr. Gerhard Cromme (Deputy Chairman)	75,000	12,150	36,000	41,050	164,200
Claudia Eggert-Lehmann (Deputy Chairwoman)	75,000	12,150	36,000	41,050	164,200
Dr. Wulf H. Bernotat	50,000	8,100	24,000	50,525	132,625
Jean-Jacques Cette	50,000	8,100	24,000	30,000	112,100
Godfrey Robert Hayward	50,000	8,100	24,000	20,525	102,625
Dr. Franz B. Humer	50,000	8,100	24,000	20,525	102,625
Prof. Dr. Renate Köcher	50,000	8,100	24,000	20,525	102,625
Peter Kossubek (since May 2, 2007)	33,334	5,400	16,000	13,684	68,418
Igor Landau	50,000	8,100	24,000	30,000	112,100
Jörg Reinbrecht	50,000	8,100	24,000	30,000	112,100
Margit Schoffer (until May 2, 2007)	20,834	3,375	10,000	8,553	42,762
Rolf Zimmermann	50,000	8,100	24,000	20,525	102,625
Total	704,168	114,075	338,000	409,062	1,565,305

Remuneration for mandates in other Allianz Group subsidiaries

As members of the Supervisory Board of Dresdner Bank AG Claudia Eggert-Lehmann received € 45,000 and Margit Schoffer € 45,000. Peter Kossubek received € 40,000 as member of the Supervisory Board of Allianz Versicherungs-AG.

Loans to members of the Board of Management and Supervisory Board

Loans granted by Dresdner Bank AG and other Allianz Group companies to members of the Board of Management and Supervisory Board totaled € 71,451 on the date of balance (December 31, 2007). Loans are provided at standard market conditions or at the conditions as applied to employees. The repaid amounts of loans amounted to € 27,361 in 2007. Moreover, overdraft facilities were granted to members of the Board of Management and Supervisory Board as part of existing account relationships, likewise corresponding to conditions according to market standard or those applied to employees.

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

Vice Chairman

Employee, Dresdner Bank AG

Dr. Wulf H. Bernotat

Chairman of the Board of Management, E.ON AG

Jean-Jacques Cette

Secretary of the Group commission,

Assurances Générales de France

Godfrey Robert Hayward

Employee, Allianz Insurance plc

Dr. Franz B. Humer

President of the Board of Management, F. Hoffmann-La Roche AG, Chief Executive Officer, F. Hoffmann-La Roche AG (until March 4, 2008)

Prof. Dr. Renate Köcher

Chairman, Institut für Demoskopie Allensbach

Peter Kossubek since May 2, 2007

Employee, Allianz Deutschland AG

Igor Landau

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

Jörg Reinbrecht

Union secretary, ver.di Bundesverwaltung

Margit Schoffer until May 2, 2007

Employee, Dresdner Bank AG

Rolf Zimmermann

Employee, Allianz Deutschland AG

Board of Management

Michael Diekmann

Chairman of the Board of Management

Dr. Paul Achleitner

Finance

Oliver Bäte since January 1, 2008

Chief Operating Officer

Clement B. Booth

Insurance Anglo, NAFTA Markets/Global Lines

Jan R. Carendi until December 31, 2007

Insurance NAFTA

Enrico Cucchiani

Insurance Europe I

Dr. Joachim Faber

Asset Management Worldwide

Dr. Helmut Perlet

Controlling, Reporting, Risk

Dr. Gerhard Rupprecht

Insurance German Speaking Countries

Director responsible for Work and Social Welfare

Jean-Philippe Thierry

Insurance Europe II

Dr. Herbert Walter

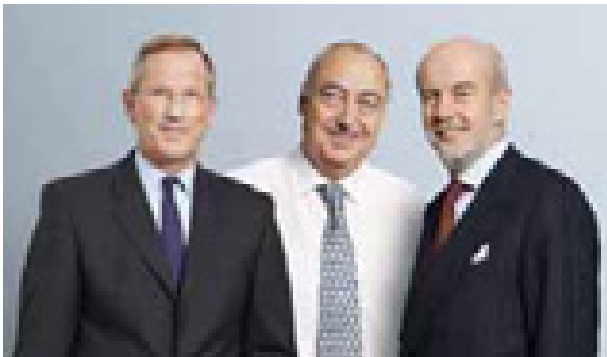
Banking Worldwide

Dr. Werner Zedelius

Insurance Growth Markets

International Executive Committee

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



Michael Diekmann, Allianz SE, Munich
Vicente Tardío Barutel, Allianz Compañía de Seguros y Reaseguros, Barcelona
Enrico Cucchiani, Allianz SE, Munich



Gary C. Bhojwani, Allianz Life Insurance, Minneapolis
William S. Thompson, PIMCO, Newport Beach
Werner Zedelius, Allianz SE, Munich



Jean-Philippe Thierry, Allianz SE, Munich
Wolfram Littich, Allianz Elementar, Vienna
Helmut Perlet, Allianz SE, Munich



Gerhard Rupprecht, Allianz SE, Munich
Herbert Walter, Dresdner Bank, Frankfurt/Main
Charles Kavitsky, Allianz of America, Novato



Jay Ralph, Allianz SE, Munich
Manfred Knof, Allianz Suisse, Zurich
Joachim Faber, Allianz SE, Munich



Terry Towell, Allianz Australia, Sydney
Axel Theis, Allianz Global Corporate & Specialty, Munich
Andrew Torrance, Allianz Cornhill Insurance, London



Clement B. Booth, Allianz SE, Munich
Maximilian Zimmerer, Allianz Deutschland AG, Munich
Paul Achleitner, Allianz SE, Munich



Markus Rieß, Allianz Deutschland AG, Munich
Oliver Bäte, Allianz SE, Munich
Ulrich Rumm, Allianz Deutschland AG, Munich
Thomas Pleines, Allianz Deutschland AG, Munich

Strategy

Our goal is to be the most trusted financial services company throughout the world. We can come closer to this goal by ensuring that we receive the very highest ratings for our services as an insurer, asset manager, banker and as a provider of integrated products through a wide range of distribution channels.

We believe that this is the way to maximize our value and inspire maximum confidence in our customers, our investors, employees and society. Allianz strives to be the first choice of all stakeholders, in ways that can be measured objectively. If we attain this goal, we will simultaneously achieve another objective, namely to be one of the top ten international financial services providers in terms of market capitalization.

We see ourselves as a service provider who helps our customers manage risks and opportunities, thereby creating value for all stakeholders in the company. Our strategic approach is underpinned by three elements: our fundamental principles, our operational strengths and the development of profitable areas of growth.

Fundamental Principles

- We believe we can serve our shareholders best by making our customers the focus of our work.
- We know that our long-term success is based on our good reputation, our image in society and our appeal as a company which employs high-performing people.
- We promote entrepreneurial decision-making in our local units and back these decisions up with an efficient global infrastructure.
- We wish to expand in business segments in which we can earn more than our cost of capital on a sustainable basis, thereby creating value for our shareholders.
- We will only satisfy our customers in the long term by offering them the most convenient ways to invest, long-term financial security, integrity and excellent, trustworthy advice.

Operational Strengths

Through implementation of our “3+One” program we have laid a stable foundation in the past five years for refocusing our operational system. 3+One remains in effect and has not yet reached a stage where our expectation of realizable sustainable performance has been fulfilled. Nevertheless, the results so far have made it possible for us to tackle the next stage. The management team is now in a position to improve Allianz’s competitive advantages and company value even more than before by focusing on our current initiatives, “Sustainability”, “Customer Focus” and “Ideas to success” as well as our new business model. As they are closely interlinked, each on and reinforces the others.

- Our sustainability initiative is now in its fourth year and has made a substantial contribution to the operational excellence of almost all our insurance companies. Its objective was to identify and implement first-class solutions throughout the Group in terms of product range, processes and service in the insurance business and to oblige all companies to achieve the highest standards.
- The goal of the Customer Focus initiative is to ensure that customers view all our services as so positive and reliable that we are their first port of call for financial services and that they recommend us to others. We regularly measure the extent to which our customers are willing to recommend us compared to our competitors. In addition, we conduct about 100,000 in-depth interviews with customers each month.
- Our innovation initiative “i2s” (ideas to success) has already produced a wealth of ideas present from our employees.
- We are rolling out our new business model market by market. It separates control of production from distribu-

tion while focusing on the customer, based on efficient market management. Its operational implementation will boost efficiency substantially and enable us to identify and respond to changing customer requirements more rapidly and more precisely. It will also pave the way for our subsidiary companies to tap into future opportunities for growth, i.e. customer wishes as they emerge, or those that have yet to be identified.

Future Areas of Growth

Allianz is aiming strategically at new trends and areas of growth, including those that have so far been neglected by the competition. For example, we analyze carefully emerging trends in the healthcare market, in assistance services and in new or secondary distribution channels and we are preparing to meet this demand.

We are seeing a cross-border scenario where particular customer segments with similar circumstances of life and patterns of demand are growing more rapidly than others. Differences between markets and product lines are observably diminishing. As a service provider that intends to continue its organic growth in the future it is therefore becoming increasingly important to specifically address particular customer groups.

Relatively well-off families, a growing global trend, are one of these customer groups. In a cross-border scenario integrated solutions are demanded to safeguard growth in asset values, pensions and healthcare costs, and to preserve and increase families' wealth.

The demographic age-shift, which has a long way to go before reaching its peak, does not by itself increase demand for financial pension services. Over the next few decades the elderly will increasingly want relevant products in almost all categories of financial services. We are already attending to this area of growth and will do so much more intensively in the future. This will be a line of business with high rates of expansion, even in saturated markets. An example of this is that elderly well-off individuals want practical help rather than cash benefits. They like to buy assistance services, as a benefit to be claimed under an insurance arrangement or as a permanent on-call service.

Still for the most part unknown to large sections of the population are the really groundbreaking advances being made in healthcare and medical technology. Genetic diagnosis, stem cell therapy and "electronic health", to name just a few examples, will revolutionize the health market. Although these approaches are highly effective, contribution-based healthcare systems can hardly afford them. We are making intensive efforts in this respect, since we wish to offer our customers solutions that give them access to the top-tier segment of the healthcare market.

Climate change, which is commonly perceived only as a risk factor, is also a business opportunity for us. Allianz is investing in renewable energy and our bank acts as a trader in emission rights. We finance and insure this area of growth. Our technology center assess the extent to which new projects can be implemented.

Grasping future business opportunities certainly also means applying our resources regionally and by line of business at locations where economic growth is highest. In this respect our established markets are becoming segmented. We are also engaged in the development of new business in large markets such as Japan, the booming Middle East, in New Europe and Asia, especially in India and China.

By following our fundamental principles, systematically applying our operational strength and tapping into future areas of growth, Allianz is on the right path to establish itself as the world's most trusted financial services provider.

Allianz Share

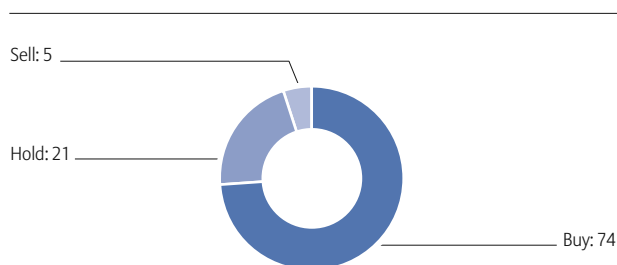
- Allianz shares too were caught up in the negative atmosphere surrounding financials in 2007, trading at € 147.95 as of December 31, 2007, 4.4% below the previous year’s figure. However, Allianz shares fell substantially less than our major competitors. We view this as an indication that investors have noticed and to some extent acknowledged the successes achieved in our operations.
- We will propose to increase the dividend significantly to € 5.50.

U.S. Mortgage Crisis Puts a Stop to the Upward Trend

Allianz shares declined in value by 4.4% in the year under review. This result was significantly better than our most important benchmark, the Dow Jones EURO STOXX Insurance (-10.0%). This index reflects the prices of the largest insurance companies in the Eurozone. Overall market indices, on the other hand, performed noticeably better. The Dow Jones EURO STOXX 50 rose by 6.8% and the DAX surged 22.3%. The U.S. mortgage crisis was the principal factor in making investors stay clear of financials. This general attitude also dragged down our share price. After reaching almost € 180 in mid-year, the price of Allianz shares fell appreciably over the second half of the year in the wake of the U.S. credit crunch. Despite this disappointing price performance, most analysts surveyed by Bloomberg continued to be positive about Allianz shares. Around 74% recommended them as a buy at end of February 2008.

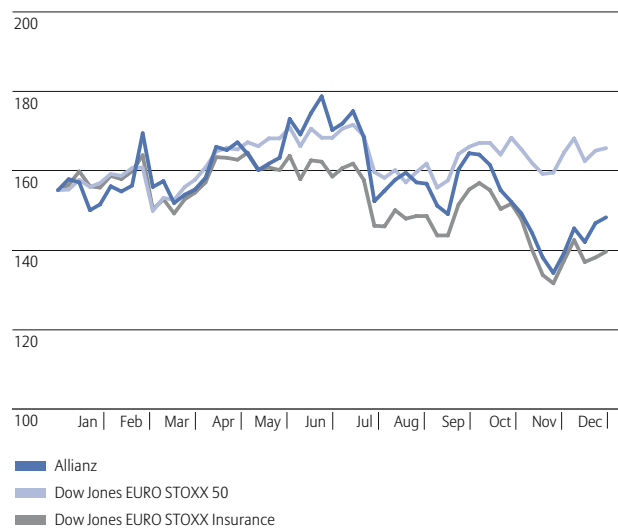
Analysts’ recommendations

as of February 29, 2008 in %



Source: Bloomberg

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



Source: Thomson Financial Datastream

Current information on the development of the Allianz share price is available on the internet at www.allianz.com/share.

In spite of the setback in 2007 the longer-term performance of the share price has been strong. Over the past three years the average annual price gain has been 14.9%, while in the past five years the value of Allianz shares has risen by 12.9% each year on average. To calculate the performance of your own investment in Allianz shares, you can use the share performance calculator available online at www.allianz.com/share.

Allianz share performance in comparison average annual performance in %

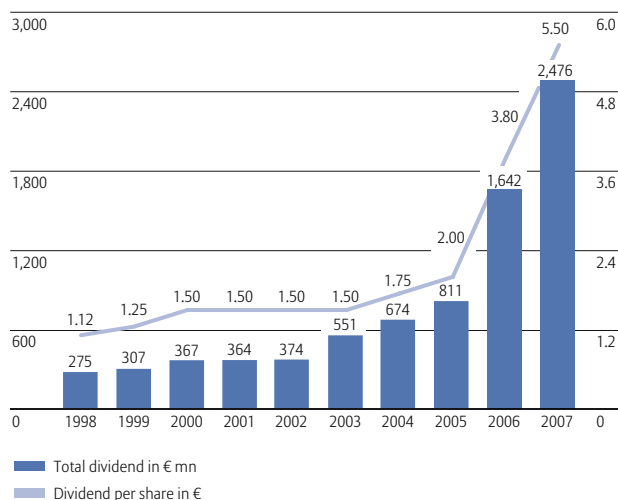
	1 year 2007	3 years 2005–2007	5 years 2003–2007	10 years 1998–2007
Allianz (excluding dividends)	(4.4)	14.9	12.9	(3.3)
Allianz (including dividends)	(2.2)	17.1	15.1	(2.2)
DAX	22.3	23.8	22.8	6.7
Dow Jones EURO STOXX 50	6.8	14.2	13.0	5.7
Dow Jones EURO STOXX Insurance	(10.0)	11.3	11.5	1.7

Source: Thomson Financial Datastream

Significantly Higher Dividends

We would like our shareholders to benefit from our business performance and will therefore propose at the annual general meeting to increase the dividend by 44.7% to € 5.50 (2006: € 3.80). As in the previous year, the increase in the dividend is significantly higher than the rise in net income. Thus, the dividend yield at year end 2007 rises to 3.7% and the payout ratio to 31%. In September 2007, the Allianz share was included in the DivDAX, an index comprising the 15 DAX companies with the highest dividend yields.

Total dividend and dividend per share



Market Capitalization and Sustainability

The market capitalization of the Allianz Group remained almost constant at € 66.6 billion despite the price drop, given that we issued almost 17 million new Allianz shares when buying out the minority interests in AGF (see page 99 of this annual report for more on this transaction). As a result, Allianz remains one of the most highly valued financial services providers in Europe. Our stock is included in all the major indices. In the year under review it was added to the Dow Jones Global Titans Index, which contains only two other insurance companies.

Our stock also appears in the sustainability indices “FTSE-4-Good”, “Climate Disclosure Leadership” and “Dow Jones Sustainability”. Within the latter index Allianz took the top insurance spot worldwide in terms of sustainability, as in the previous year. The Sustainable Business Institute of the European Business School estimates that the proportion of Allianz shares that are held by investors oriented towards sustainability has almost doubled in the period from 2004 to 2006, from 1.4% to 3.0%. Allianz stock is held by 117 European retail funds that focus on sustainability. This makes our stock the most popular German shareholding for European sustainability investments.

Please refer to page 106 of this annual report and visit www.allianz.com/sustainability for more on the topic of sustainability.

Weighting of the Allianz share in major indices

as of December 31, 2007

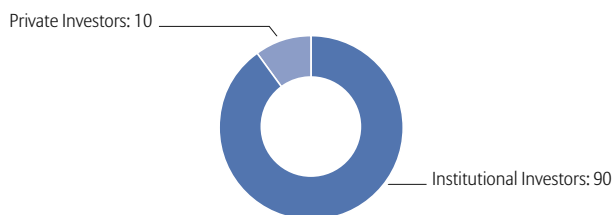
	Weighting in %	Ranking	Index members
DAX	8.4	3	30
Dow Jones EURO STOXX 50	2.9	9	50
Dow Jones EURO STOXX Insurance	23.0	1	16
MSCI World	0.3	45	1,959

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

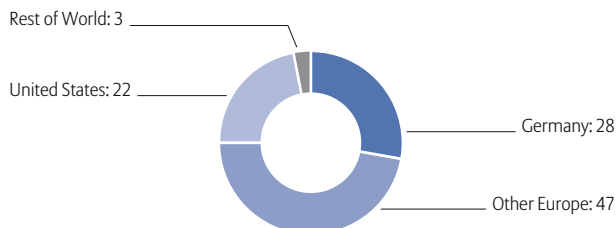
Higher Proportion of U.S.-American Investors

Allianz has 412,000 shareholders and, as such, is one of the biggest publicly held corporations in Europe. The number of private shareholders fell a further 6% to 405,000 – a trend also apparent with other DAX companies over the last few years. We were therefore pleased to note a break in this trend in the fourth quarter, when more private investors held Allianz shares than in the previous quarter. The breakdown shows that the proportion of shares held by private investors has declined slightly to 10%, while the remaining 90% are held by institutional investors. Around 75% of our shares are held by European investors, and 25% by non-Europeans. The proportion of U.S.-American investors was 22% in the year under review; 4% higher than in 2006. All Allianz shares are held in free float. For up-to-date information on our shareholder structure, visit www.allianz.com/shareholders.

Shareholder structure as of December 31, 2007 in % of subscribed capital



Regional breakdown as of December 31, 2007 in % of subscribed capital



Source: Allianz SE share register

Basic Allianz share information

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

Well-attended General Meeting

Our annual general meeting for the financial year 2006 again generated keen interest. About 4,400 shareholders attended the event in the Munich Olympic Hall. The proportion of share capital represented at the general meeting went up by another 3% to 42%. Shareholders from outside Germany contributed in particular to this increased attendance. For detailed information about the annual general meeting, visit www.allianz.com/agm.

Allianz share key indicators at a glance

		2007	2006	2005
Number of shares outstanding as of December 31		450,150,000	432,150,000	406,040,000
Weighted number of shares outstanding		442,544,977	410,871,602	389,756,350
Share price as of December 31	€	147.95	154.76	127.94
High for the year	€	178.64	156.75	129.70
Low for the year	€	133.92	111.20	89.72
Share price performance in the year	%	(4.4)	21.0	31.1
Market capitalization as of December 31	€ bn	66.6	66.9	51.9
Average number of shares traded per day	mn	4.2	3.3	3.1
Beta-Factor ¹⁾		1.2	1.2	1.3
Basic earnings per share	€	18.00	17.09	11.24
Price-earnings ratio		8.2	9.1	11.4
Dividend per share	€	5.50	3.80	2.00
Dividend yield as of December 31	%	3.7	2.5	1.6
Payout ratio	%	31	23	19
Return on equity after income tax ²⁾	%	16.4	15.9	12.9

¹⁾ In comparison with Dow Jones EURO STOXX 50; source: Bloomberg

²⁾ Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and preceding year's shareholders' equity.

Investor Relations is Important to us

Communication with investors is very important to us. During our roadshows over the past year we spent 47 days visiting 496 investors in 28 cities. For the first time we also saw investors in Dubai and Abu Dhabi. This afforded our investors many opportunities to discuss the current business situation and to clarify outstanding questions. Besides our analysts' conference, our "Capital Markets Day" again raised major interest. We delivered an in-depth view of our position in the growth markets of China, India, Russia and Hungary, as well as presenting our initiative called "Ideas to success" ("i2s"), which motivates our employees to act in innovative ways. We increased the number of meetings with analysts and institutional investors by 21% to 426; in addition, the Investor Relations team responded to some 8,500 enquiries from private investors in the year under review.

Investor Relations Received Several Awards

In 2007 we again received numerous awards for the quality of our Investor Relations, which took first or second place in the three leading assessments of European insurance companies. In the "German Investor Relations Prize", awarded for the first time in 2007 and covering every sector, the IR team took second place and the Head of IR was awarded first place.

Comprehensive Service for Allianz Shareholders

Internet

- www.allianz.com/investor-relations has up-to-date shareholder information on the performance of the Allianz Group and Allianz shares.
- There is also important information on our AGM services at www.allianz.com/agm. Please register to receive your invitation to the annual general meeting by e-mail; this helps us to save costs and is environmentally friendly.
- The Allianz Newsletter informs you promptly by e-mail about news and events of the Allianz Group. You can register at www.allianz.com/newsletter-e.

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Financial Calendar for 2008/2009

Important dates for shareholders and analysts

May 9, 2008	Interim report 1st quarter 2008
May 21, 2008	Annual General Meeting
August 7, 2008	Interim report 2nd quarter 2008
November 10, 2008	Interim report 3rd quarter 2008
February 26, 2009	Financial press conference for 2008 financial year
February 27, 2009	Analysts' conference for 2008 financial year
March 13, 2009	Annual Report 2008
April 29, 2009	Annual General Meeting

The German Securities Trading Act obliges issuers to announce immediately any information which has a substantial potential price impact, irrespective of the communicated schedules. It is therefore possible that we will announce key figures of quarterly and fiscal year results ahead of the dates mentioned above.

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

Group Management Report

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Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv)

mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statement.

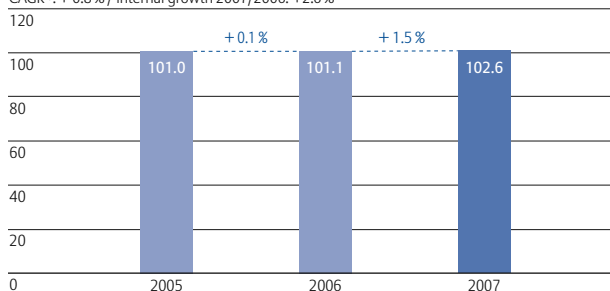
Executive Summary and Outlook¹⁾

- Strong earnings with an operating profit of € 10.9 billion and net income of € 8.0 billion.
- Our sustainable underlying profitability helped to compensate for the impact of the financial markets turbulence.
- High quality asset base and a strong capitalization with shareholders' equity of € 47.8 billion.

Total revenues

in € bn

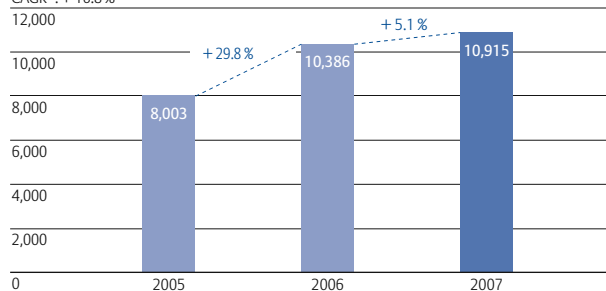
CAGR²⁾: + 0.8 % / internal growth 2007/2006: +2.6 %



Operating profit

in € mn

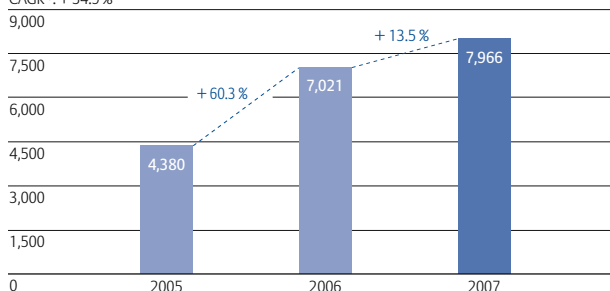
CAGR²⁾: + 16.8 %



Net income

in € mn

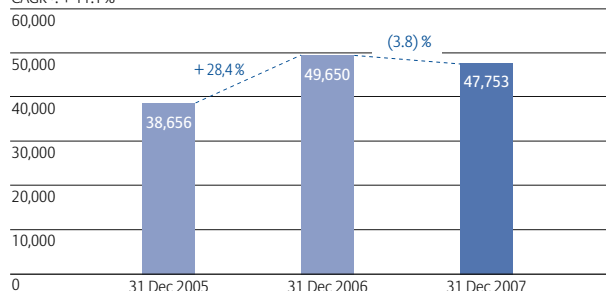
CAGR²⁾: + 34.9 %



Shareholders' equity³⁾

in € mn

CAGR²⁾: + 11.1 %



¹⁾ The Allianz Group operates and manages its activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. Effective January 1, 2006, in addition to our four operating segments and with retrospective application, we introduced a fifth business segment named Corporate. For detailed information on the Allianz Group, our activities and structures, as well as the environment in which we operate please see "Allianz Group Success Factors" on pages 96 to 106.

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

³⁾ Does not include minority interests.

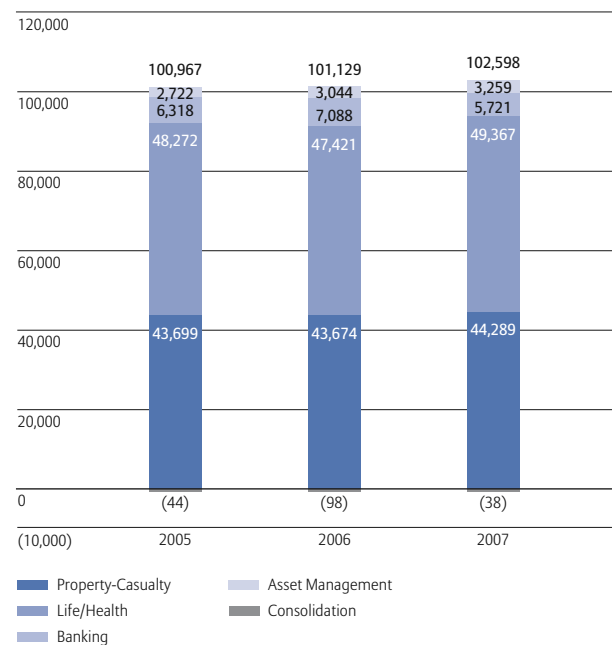
Allianz Group's Consolidated Results of Operations

Total revenues ¹⁾

Our total revenues were up 1.5% to € 102.6 billion. Foreign currency translation effects were a significant feature of fiscal year 2007, depressing total revenues by € 1.8 billion. Total internal revenue growth ²⁾ amounted to 2.6%. While Life/Health and Asset Management grew strongly, with revenues increasing by 6.3% and 13.3% respectively, on an internal basis, Property-Casualty premiums grew modestly. In contrast, the Banking segment was heavily impacted by the turbulence in financial markets, which led to a significant shortfall in net trading income.

Total revenues – Segments

in € mn



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

²⁾ Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please refer to page 125 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

Property-Casualty

Gross premiums written of € 44.3 billion were up 1.4% on an external basis and 1.1% on an internal basis. With € 635 million, our acquisitions in Russia and Kazakhstan contributed significantly to revenue growth. Foreign currency translation effects had a negative impact of € 448 million.

We maintained our selective underwriting policy, focusing on diligent risk selection and profitable growth. In several of our core European markets, pricing trends were flat or negative, limiting the growth opportunities. Conversely, we were able to take advantage of strong profitable growth opportunities in emerging markets ³⁾ which now make up more than 9% of total gross premiums written.

Life/Health

At € 49.4 billion, statutory premiums were up by 4.1%, ahead of expectations. Based on internal growth, revenues were up 6.3%. We achieved double-digit growth rates in most of our markets worldwide, with substantial contributions from emerging markets in New Europe and Asia-Pacific. While the situation in the United States remained challenging, other established markets such as France and Italy also experienced dynamic growth, in Germany, though we grew more slowly, we clearly outperformed the market.

The considerable growth in statutory premiums fuelled a further extension of our asset base, which increased by € 8.7 billion to € 350.0 billion, despite negative impacts from foreign currency translation, higher interest rates and the weakening stock market towards year-end.

Banking

Operating revenues in our Banking segment were down by 19.3% to € 5.7 billion. Core product lines not impacted by the credit crisis performed in line with expectations. Net interest income grew by 14.1%, while net fee and commission income increased modestly. The financial markets turbulence resulted in markdowns of € 1.3 billion on asset backed securities relating only to a limited number of business lines in the Investment Bank, driving Dresdner Bank's net trading income to a negative income of € 0.5 billion. The remaining shortfall in these lines was indirectly related to the credit crisis. This decline outweighed the growth in the other revenue components.

³⁾ New Europe, Asia-Pacific, South America, Mexico and Middle East and Northern Africa.

Asset Management

In asset management we again outperformed the vast majority of our performance benchmarks. Operating revenues were up 7.1%, before negative foreign currency translation effects of € 0.2 billion. Internal growth of the asset base amounted to 8.1%.

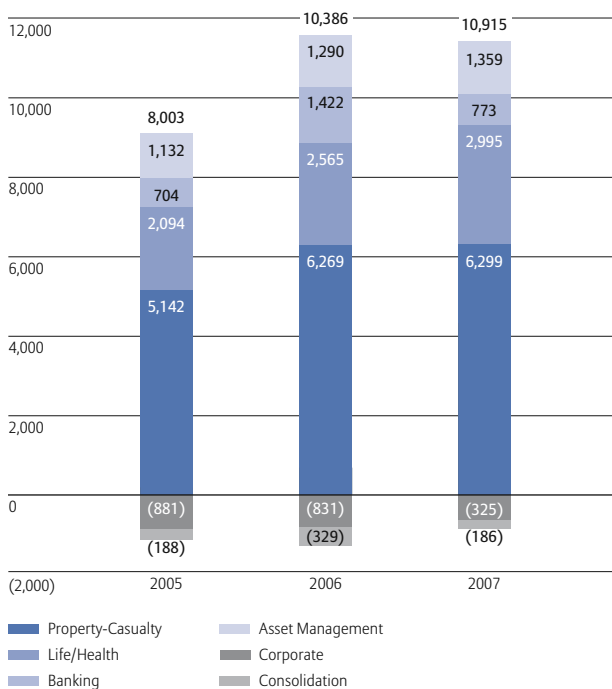
At € 765 billion, third-party assets under management recorded net inflows and positive market effects totalling € 62 billion. Offsetting this was € 59 billion of negative foreign currency translation effects.

Operating profit

Our operating profit increased to an outstanding level of € 10.9 billion, up 5.1% compared to the record level of the previous year, despite negative foreign currency translation effects of € 0.2 billion. Our well diversified portfolio compensated successfully for the negative impact of the financial markets turbulence.

Operating profit – Segments

in € mn



Property-Casualty

At € 6.3 billion, operating profit growth was relatively flat with an increase of 0.5% compared to the prior year period. Claims from natural catastrophes were € 0.6 billion higher than in 2006, a year that was marked by exceptionally low claims from natural catastrophes. Higher current investment income compensated for the high losses incurred in connection with Kyrill, the floods in the United Kingdom and severe storms in several parts of the world.

Life/Health

Operating profit grew dynamically by 16.8% to almost € 3.0 billion with most operations contributing to this growth. The key drivers behind this improvement were strong revenue growth, especially in the second half of the year. Our investment result also contributed significantly based on a higher asset base that led to higher dividend and interest payments. Furthermore the expense result and the technical result improved as well.

Banking

Our Banking segment's operating profit was down 45.6% to € 0.8 billion due to the major impact of the credit crisis. Although most lines of business in the Investment Bank were not impacted by the financial markets turbulence, a number of business lines experienced a markdown of € 1.3 billion due to the credit crisis. The remaining shortfall in these business lines was also related to the credit crisis. In lines of business which were not impacted by the credit crisis, operating profit increased by € 0.3 billion, or 57.8%.

Asset Management

Operating profit increased by 5.3% to € 1.4 billion as we continued to benefit from a growing asset base and tight cost control. Investments in business expansion and infrastructure projects to secure future growth resulted in operating expenses increasing at a slightly higher rate than operating revenues. This is reflected in a 0.7 percentage point increase in our cost-income ratio, which is still at a very competitive level of 58.3%.

Corporate Segment

Due to higher investment income and lower expenses the operating loss was significantly reduced to € 0.3 billion.

Non-operating result

Non-operating items amounted to an income of € 653 million, up € 716 million. Compared to 2006, net capital gains were slightly lower, and interest expense from external debt was higher. These negative impacts were more than compensated by lower restructuring charges.

Net realized gains, were € 144 million lower than last year, albeit still at a high level of € 2,538 million. This was mainly driven by large harvesting transactions in the first quarter of 2007, when we took advantage of market conditions. With write-downs amounting to € 381 million, impairments on investments are at the same level as in 2006.

The remaining net unrealized gains on equity securities amounted to € 11.0 billion, net of tax and policyholder participation.

Interest expense from external debt increased by € 276 million to € 1,051 million, mainly in connection with bridge financing for the acquisition of the outstanding minority interests in AGF.

Restructuring charges amounted to € 216 million, € 608 million less than last year. In 2006, restructuring charges stemmed primarily from our restructuring plan for the Allianz Group's insurance operations in Germany. The charges in 2007 related mainly to the restructuring of our local subsidiaries in Italy, and the set-up of a shared IT services infrastructure in Europe.

The charge of € 429 million in 2006 was related to reclassification of policyholder participation in tax benefits arising in connection with tax-exempt income in the Life/Health segment. In the segment reporting, this effect is represented within operating items.

Net income

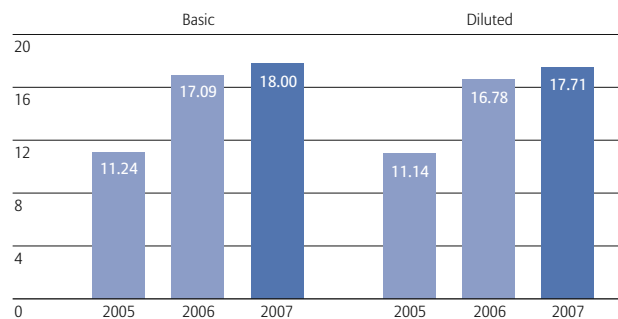
Net income grew by 13.5% to almost € 8.0 billion.

Our effective tax rate of 24.7% and income tax expense of € 2,854 million were significantly higher than a year ago, where especially the one-off benefit of € 571 million from capitalization of corporate tax credits in Germany significantly reduced the effective tax rate. Furthermore, a higher income before income taxes and minority interests in earnings of € 11,568 million (2006: € 10,323 million) contributed to this development. The positive impact on net income in 2007 resulting from the German tax reform, implemented by the business tax reform act 2008 ("Unternehmensteuerreformgesetz 2008"), amounted to € 152 million.

Primarily due to the RAS minority buy-out completed in 2006 and the AGF minority buy-out in 2007, minority interests were € 541 million lower.

Earnings per share¹⁾

in €



¹⁾ See note 50 to our consolidated financial statements for further details.

Segment information – Total revenues, operating profit and net income

	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation € mn	Group € mn
2007							
Total revenues ¹⁾	44,289	49,367	5,721	3,259	—	(38)	102,598
Operating profit (loss)	6,299	2,995	773	1,359	(325)	(186)	10,915
Non-operating items	962	107	(59)	(494)	(29)	166	653
Income (loss) before income taxes and minority interests in earnings	7,261	3,102	714	865	(354)	(20)	11,568
Income taxes	(1,656)	(897)	(266)	(342)	217	90	(2,854)
Minority interests in earnings	(431)	(214)	(71)	(25)	(21)	14	(748)
Net income (loss)	5,174	1,991	377	498	(158)	84	7,966
2006							
Total revenues ¹⁾	43,674	47,421	7,088	3,044	—	(98)	101,129
Operating profit (loss)	6,269	2,565	1,422	1,290	(831)	(329)	10,386
Non-operating items	1,291	135	(147)	(555)	(156)	(631)	(63)
Income (loss) before income taxes and minority interests in earnings	7,560	2,700	1,275	735	(987)	(960)	10,323
Income taxes	(2,075)	(641)	(263)	(278)	824	420	(2,013)
Minority interests in earnings	(739)	(416)	(94)	(53)	(16)	29	(1,289)
Net income (loss)	4,746	1,643	918	404	(179)	(511)	7,021
2005							
Total revenues ¹⁾	43,699	48,272	6,318	2,722	—	(44)	100,967
Operating profit (loss)	5,142	2,094	704	1,132	(881)	(188)	8,003
Non-operating items	1,024	177	822	(707)	(1,118)	(372)	(174)
Income (loss) before income taxes and minority interests in earnings	6,166	2,271	1,526	425	(1,999)	(560)	7,829
Income taxes	(1,804)	(488)	(387)	(129)	741	4	(2,063)
Minority interests in earnings	(827)	(425)	(102)	(52)	(10)	30	(1,386)
Net income (loss)	3,535	1,358	1,037	244	(1,268)	(526)	4,380

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

Impact of the financial markets turbulence

In the second half of 2007, the crisis in the mortgage market in the United States, triggered by serious disruption of credit quality, led to a revaluation of credit risks. As a result, prices for various asset-backed securities ("ABS"), even for those with a high rating, were devalued significantly. Primarily, this affected collateralized debt obligations ("CDO"), and residential mortgage-backed securities especially those originating in the United States ("U.S. RMBS"). Furthermore, this turbulence in the financial markets resulted in illiquidity in the primary markets where the placement of structured

products e.g. asset-backed commercial papers ("ABCP") almost came to a near stop. The liquidity shortage prompted central banks to provide the capital markets with additional liquidity.

The turbulences on the financial markets also impacted our business development. However, the impact varied depending on the different business segments.

Most of our insurance operations were not affected by these developments. The investment activities of the insurance segments were only impacted to a very limited extent, reflecting the high quality of the asset bases with no material CDO and subprime exposure. Similarly, the impact on our

Asset Management segment was marginal. In contrast, we had to record a significant impact of this crisis within the Banking segment, with the substantial portion being attributable to some business units of Dresdner Bank's investment banking activities.

Impact on insurance operations

Of our average Property-Casualty asset base, ABS made up € 4.9 billion, as of December 31, 2007, which is around 5%. CDOs accounted for € 0.2 billion of this amount, of which € 8 million are subprime-related. Unrealized losses on CDOs of € 2 million were recorded in our equity. Realized losses of € 12 million were reflected in the segment's income.

Within our Life/Health asset base, ABS amounted to € 13.8 billion, as of December 31, 2007, less than 4% of total average Life/Health assets. Of these, € 0.3 billion are CDOs of which none are subprime-related. No unrealized losses on CDOs were recorded in our equity. Realized losses of € 7 million were reflected in the segment's income.

Impact on investment banking activities of Dresdner Bank

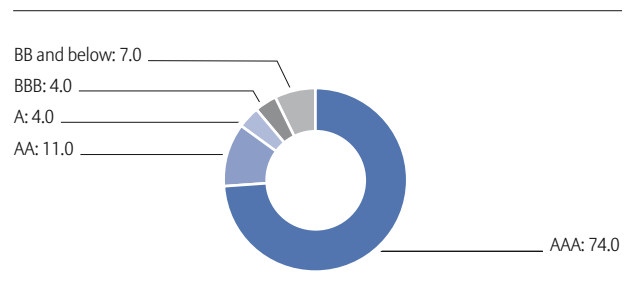
Dresdner Bank is engaged in various business activities involving structured products. These comprise asset-backed securities of the trading book, credit enhancements, conduits, leveraged buy-out commitments and structured investment vehicles. Furthermore, Dresdner Bank has sold credit protection for third party ABS and has re-insured these positions with monoline insurers ("monoliners").

Asset-backed securities of the trading book

The underlying of asset-backed securities is a pool of assets.

As of December 31, 2007, Dresdner Bank carried ABS within trading assets on the balance sheet of € 15.1 billion and was, due to short derivative positions, economically exposed by € 10.5 billion (comprising only drawn liquidity facilities) as of December 31, 2007. The majority of these ABS is of a high quality, as 89% of them were rated A or better. Only € 1.6 billion of the net exposure is subprime.

Breakdown of exposure by rating class in %



After write-downs of € 1.3 billion the net exposure amounts to € 9.2 billion as of December 31, 2007. It contains € 1.5 billion CDOs, € 1.4 billion U.S. RMBS and € 6.3 billion other ABS. Because the financial markets turbulence mainly affected CDOs and U.S. RMBS, these net exposures are classified as "critical ABS". We took substantial write-downs on CDOs and U.S. RMBS, recognizing the different quality and characteristics of the assets. The following table summarizes the write-downs on CDOs and U.S. RMBS.

Exposure type	Exposure as of 12/31/2007 € mn	Write-downs 2007 € mn	in % of exposure
U.S. RMBS			
Prime	713	71	10%
Midprime	336	50	15%
Subprime	617	206	33%
Total U.S. RMBS	1,666	327	20%
CDO			
High grade	1,615	225	14%
Mezzanine	667	534	80%
CDO-squared ¹⁾	–	–	–
Total CDO	2,282	759	33%

¹⁾ CDO-squared: CDO that is predominantly composed of other CDOs

Credit enhancements

Credit enhancements are one or more initiatives taken by the originator in a securitization structure to enhance the security, credit or the rating of the securitized instrument. In this context, Dresdner Bank offered protection against the risk of sharp and sudden decline of ratings of assets (so called risk gap protection) for conduit asset financing entities ("CAFE") and second loss protection for credit investment related conduits ("CIRC"). Both structures primarily contain ABS.

The CAFE structures, primarily contain certain assets for which the Bank provides protection. Furthermore, the Bank is entitled to take assets that run the risk of being downgraded out of the portfolio. Thus, the Bank can only be drawn on if significant rating deteriorations occur. During the second half of 2007, the exposure was reduced significantly to € 0.1 billion.

Under the CIRC structures, Dresdner Bank provides second loss protection, whereas the first loss stays with the client. Additionally, the Bank is entitled to sell the portfolio to the market, if the value of this portfolio falls below a pre-defined threshold. Here as well, the exposure was reduced and as of December 31, 2007, was a notional amount of € 2.8 billion.

Conduits

A conduit is a special purpose entity that securitizes its financial assets, e.g. receivables, by means of commercial papers.

Since the late nineties, Dresdner Bank arranges the securitization of third party and own asset portfolios through asset-backed commercial paper programmes (“ABCP”) via several conduits. The underlying pool of assets exhibits a good quality, with 74% having at least an A rating. Furthermore, none of the underlying assets are CDOs or subprime-related. Dresdner Bank has provided liquidity back-up lines of € 12.4 billion of which € 8.4 billion were undrawn, as of December 31, 2007.

Leveraged buy-out

A leveraged buy-out is a financing transaction involving a significant amount of debt.

Dresdner Bank provides credit lines for these transactions, the bulk of which are typically syndicated. In the second half of 2007, Dresdner Bank has reduced its LBO exposure to € 4.5 billion containing drawn and undrawn amounts, which includes € 1.1 billion of loans held within Dresdner Bank’s loan portfolio. In 2007, provisions were recorded for this business of € 30 million.

Monoliner

Dresdner Bank has entered into business relations with monoliners – companies that guarantee the repayment of a security and the corresponding interest in the event that the issuer defaults – in order to hedge the exposure from credit protection sold for third party ABS.

Dresdner Bank has provided credit protection via Credit Default Swaps (“CDS”) for ABS exposures. According to our risk policies, these CDS positions are re-insured with monoliners: only in case of a default of payment from the underlying assets and a breach of contractual duties of the monoliners an ultimate loss will occur. This loss amounts to the difference between the guaranteed amount from the monoliner and the value of the underlying assets. Dresdner Bank bought credit protection for counterparty risks on monoliners of notional € 0.4 billion, reducing the net counterparty risk to € 0.8 billion as of December 31, 2007. Considering both, the quality of the underlying assets as well as the credit risk of the monoline coverage bought, we believe our monoline-related critical assets amounted to approximately € 1.1 billion.

Structured Investment Vehicles (“SIV”)

A structured investment vehicle is an entity that primarily invests in long-term, high quality securities. The investments are refinanced by medium term notes (“MTN”) or commercial papers (“CP”).

For the structured, not consolidated SIV “K2”, in which Dresdner Bank holds a share of 3.5%, the Bank serves as an asset manager and provides liquidity back-up lines and repurchase agreements on an arms-length basis. This SIV is refinanced by CPs, MTNs, repos and capital notes. Since September 2007, the volume of K2 has been reduced by almost 30% to € 16.4 billion.

On February 21, 2008 Dresdner Bank decided to offer the Structured Investment Vehicle (“SIV”) K2 a support facility. The offer is intended to ensure the repayment of all senior debt of K2. Dresdner Bank will take over the assets that remain after the restructuring. The impact on the consolidated financial statements will depend on the specific restructuring alternative selected and implemented.¹⁾

¹⁾ On March 18, 2008, Dresdner Bank and K2 Corporation entered into an agreement through which Dresdner Bank will provide a support facility to the Structured Investment Vehicle, K2. The agreement, which consists of a U.S.\$1,500,000,000 committed revolving mezzanine credit facility and a ‘backstop’ facility, follows the announcement by Dresdner Bank on February 21, 2008 that it intended to offer support to K2. The mezzanine credit facility provides K2 with immediate additional liquidity, allowing K2 to draw-down funds for terms up to the maturity date of its longest dated senior debt obligations. Under the terms of the backstop facility, Dresdner Bank has undertaken to provide to K2 firm prices at which it will purchase assets from K2 in the event that K2 is unable to obtain better prices for such assets on the open market. The aggregate of such prices provided by Dresdner Bank will at all times equate to an amount that ensures K2 has sufficient funds to repay its senior debt in full.

Valuation methods

Due to the worldwide financial market crisis, some markets faced a significant shortage of liquidity, which affected the valuation techniques used by the Allianz Group to measure fair value. For certain financial instruments, the market has been completely illiquid and market prices were no longer available. In addition, the market prices of other ABS-based products declined significantly. Although the steep decline of certain market prices might not always have been rational from an economic perspective (e.g. due to forced sales), the Allianz Group has adhered to strict principles in measuring the affected financial instruments at fair value.

Whenever possible the fair value is determined using the market prices available in active markets. If there is no quoted market price available, valuation techniques are used which are based on market prices of comparable instruments or parameters from comparable active markets (market observable inputs). If no observable market inputs are available valuation models are used (non-market observable inputs).

As a benchmark for the ABS of the trading book, the ABX index was applied. Because the ABX.HE (Home Equity) index represents a standardized basket of Home Equity ABS reference obligations, the Allianz Group believes that it provides an adequate valuation standard. The ABS portfolio was divided into sub-portfolios based on certain criteria, such as the underlying product category, the rating or the vintage. The valuation was based on the respective ABX-prices. For a large part of the RMBS portfolio, market quotes were available and used for valuation purposes. For the so-called "prime" assets (only certain RMBS), the Allianz Group has not used the ABX index, because the index only represents the subprime market. In this case, the Allianz Group took the midpoint of prices provided by other market participants for prime assets and used them as a valuation input.

Because there are no generally valid market standards existing in these areas, the valuation methods are naturally limited, so that alternative assumptions and input parameters would generate different results.

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

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

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the available net earnings of Allianz SE of € 2,475,825,000 for the fiscal year 2007 be appropriated as follows:

- Distribution of a dividend of € 5.50 per no-par share entitled to a dividend: € 2,475,825,000.

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

Munich, February 18, 2008
Allianz SE

Events After the Balance Sheet Date

See "Outlook" below and Note 52 to the consolidated financial statements.

Outlook

Outlook for the Allianz Group

In the following section we present the expected developments of certain key financial indicators. Among other factors, our expectations are based on the economic and industry outlook described below.

We believe that the targets covered by our mid-term outlook through 2009 are still achievable. We are striving for an average annual consolidated operating profit growth of 10% from the 2006 level, adjusted for the particularly favorable natural catastrophe trend in 2006. This is subject to a normal level of operating profit contribution from Dresdner Bank.

We are aiming at a combined ratio of less than 94% on average in our Property-Casualty segment, an average new business margin¹⁾ greater than 3% in the Life/Health segment and average annual growth of third-party assets under management of 10%, excluding foreign currency conversion effects for our Asset Management segment.

We are not in a position to confirm the 15% average return on risk adjusted capital ("RoRAC") target for the period 2007 – 2009 for our Banking segment. We do not expect that the years 2008 and 2009 will make up for the shortfall in 2007. Due to the uncertainty of future development of the credit markets and the high volatility of market prices, both triggered by the current financial markets turbulence, the projection of earnings is only possible within a non-meaningful broad range. In addition, a negative impact from additional mark-downs on our trading portfolio particularly in U.S. RMBS and CDOs has to be expected in the first quarter of 2008. We base this assessment on the development of credit indices and other observable marks on which we base our valuations. Additional write-downs cannot be ruled out and may affect future quarterly results. However, we expect that the prices will bottom out during 2008. We do not feel comfortable to predict the timing more precisely. However, we stick with our ambition to show annual RoRACs of 15% or above for our Banking segment in the future.

¹⁾ New business margin according to the definition of European Embedded Value.

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

Economic Outlook

Increased uncertainty

Global economic growth will be less buoyant in 2008 than in previous years. The industrialized countries in particular are likely to see growth down by around half a percentage point on 2007. However, growth in emerging market economies should decline to a lesser extent. Financial markets will not return to calmer waters until uncertainty is dispelled about the nature of the economic risks originating from the U.S. housing crisis. Monetary policy in Europe and the U.S. will then also need to confront the looming risk of inflation.

Weaker economic growth

Our economists forecast global economic growth of more than 3% in 2008. Although around half a percentage point less than in 2007, this is still robust growth. The pace is again likely to be set by the emerging markets, which will grow at 6.5%, only slightly less than 2007 (7%). We expect expansion in industrialized countries to be much more subdued than in 2007, at 2% (2.4%).

Asia will again be the most dynamic region with forecast growth of 8%. China will lead the way with growth of just over 10% (11.5%), with a modest slowdown welcome here in order to prevent the economy from overheating. India takes second place with growth of 8%, approximately half a percentage point below 2007. The other emerging markets in Asia are not expected to grow quite as strongly this year as in 2007. Expansion in Latin America and Eastern Europe in 2008 is expected to be roughly a percentage point below the corresponding figure for 2007.

Overall, economic momentum in industrialized countries at almost 2% will be more subdued than in 2007. Our forecast for Japan is 1.5% (2.1%), for Germany and the euro zone about 1.8%. In the case of Germany this is a significant slowdown compared to 2.5% growth in 2007. In the U.S. we also expect rather modest growth of almost 2% in the shadow of the housing crisis. U.S. growth began to slow in 2007, coming in at 2.2%. The weak U.S. Dollar will boost U.S. exports in 2008 and, together with the expansive monetary and

fiscal policy, will bolster the economy. At the same time, falling house prices are likely to dampen consumer spending, eliminating any significant boost from the consumption side.

The many uncertainties will also cast a shadow over the financial markets. However, we expect the economy to pick up again in the second half of the year, buoying equity prices. Interest rates will probably rise only moderately, especially as inflation should fall again in the second half of 2008. The U.S. Dollar will likely recover from its record lows against the euro during the year.

Not an easy environment for financial services providers

The ageing of society is happening regardless of the economic uncertainties. The long-term fundamentals of the Life/Health segment remain intact. Private pension schemes remain important and are becoming ever more vital for the general public. In contrast to many pension insurance systems, most health insurance schemes are still faced with fundamental reform. Rising healthcare costs, which can scarcely be financed through the common pay-as-you-go-based systems, will increasingly have to be paid privately. This gives rise to challenges and opportunities for private healthcare insurers.

Pensions should be based on more than one pillar, both now and in the future. Many countries are reorganizing their systems accordingly while building up capital for future pensions. This form of private financing is also increasingly being adopted in booming Asia, providing excellent business opportunities for asset managers. In the ageing societies of Europe and the U.S. the prospects for growth in the fund management sector remain intact.

In the Property-Casualty segment there are opportunities for expansion due to rises in income and assets in emerging markets. However, in established markets competition for market share is intense, and our demand for profitability limits growth.

Banks will feel the consequences of the U.S. housing crisis in 2008 as well. However, the improved economic outlook for the second half of the year should give a renewed impetus to business. On the other hand a flat interest-rate curve and the generally rather modest prospects for growth indicate only a slight upwards trend.

Property-Casualty Insurance Operations

- Emerging markets contributed more than € 4 billion to steadily growing premiums.
- Sustainable profitability maintained throughout the cycle.
- Excellent combined ratio achieved.

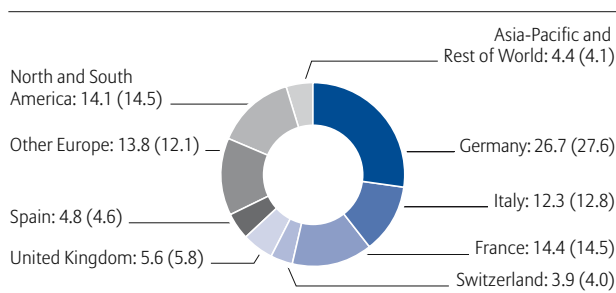
Earnings Summary

Gross premiums written

Gross premiums written were 1.4% ahead of previous year at € 44,289 million. Our acquisitions in Russia and Kazakhstan contributed significantly to premium volume, while large foreign currency translation effects almost offset this increase. Therefore, on an internal basis, premiums grew by 1.1%. Furthermore, in 2007, our strategy of selective underwriting proved to be again successful as we were able to limit pricing impacts while at the same time achieving slight organic growth.

Gross premiums written by region ¹⁾

in %



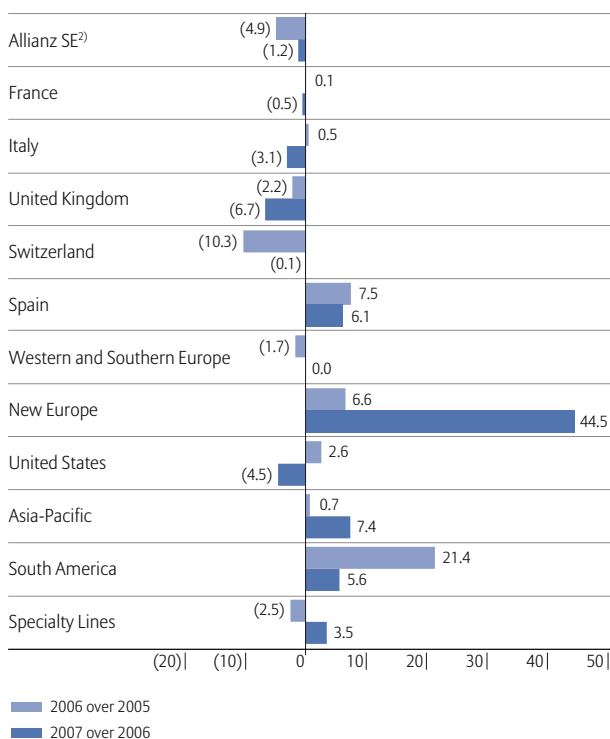
¹⁾ After elimination of transactions between Allianz Group companies in different geographic regions and different segments. Gross premiums written from our specialty lines have been allocated to the respective geographic regions.

The revenue development remained mixed across our different regions. We recorded strong premium growth of € 962 million in our emerging markets ¹⁾ which compensated for flat or even negative revenue trends in the more mature markets. This shows that our strategy of expansion into emerging markets is paying off. Together, these markets contributed € 4,286 million (2006: € 3,324 million) or 9.2% (2006: 7.2%) to total gross premiums written.

¹⁾ New Europe, Asia-Pacific, South America, Mexico, Middle East and Northern Africa.

Gross premiums written – Growth rates ¹⁾

in %



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

²⁾ Together with our property-casualty assumed reinsurance business, primarily attributable to Allianz SE, the decline within Germany was (6.0)% (2006: (1.9)%).

Increases in gross premiums written were primarily achieved in New Europe and Spain as well as in the global travel and assistance business at Mondial and credit insurance at Euler Hermes. In contrast, as we intentionally forewent premium growth in order to protect our underwriting profitability, revenues were down in the United States and in Italy.

With € 838 million additional premium volume, New Europe contributed the highest portion to revenue growth. The first time consolidation of ROSNO and Progress Garant in Russia and ATF-Polis in Kazakhstan were the main drivers

for this development. Additionally, motor insurance business in Poland and Romania added to the increase in gross premiums.

In Spain, revenues increased by € 123 million. Here, our operations outperformed the market in all lines of business despite the difficult situation in the motor market. Main contributions came from industrial and personal lines.

Increase in gross premiums written in our Travel and Assistance business by € 95 million was driven by growth in most regions coming mainly from e-commerce partnerships in travel insurance.

Premium growth within the credit insurance business was due to higher business volume. Despite the weak U.S. Dollar compared to the Euro and price declines which are due to high competition and very low claims ratios in the market, total revenues were up by € 90 million.

At Allianz Sach within Germany, we closely monitored pricing development in order to maintain profitability. Due to a weak market environment and higher no claims bonuses in motor insurance, revenues declined by € 114 million. Furthermore, internal reinsurance business at Allianz SE, which we also show within Germany, was significantly reduced as we optimized internal reinsurance arrangements in the year under review. Overall premiums in Germany were down by € 681 million.

Due to the unfavourable development of the U.S. Dollar compared to the Euro, we had to record declining revenues of € 206 million at Fireman's Fund Insurance Company ("Fireman's Fund") in the United States. On a U.S. Dollar basis, growth amounted to 3.8% and we saw a satisfying business performance, coming predominantly from crop insurance business and personal lines.

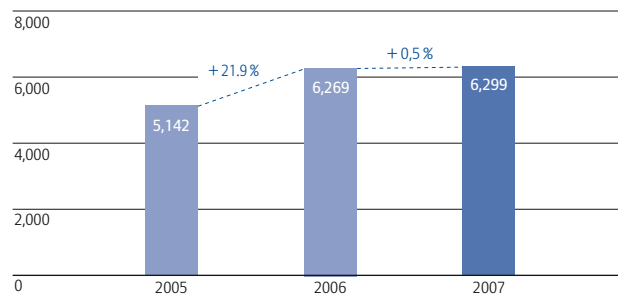
Our operations in Italy showed a decline in gross premiums written of € 167 million mainly due to stagnation in the motor market and the impact from a new regulation, the so-called Bersani law, which resulted in an overall price reduction.

In the United Kingdom the decrease of € 160 million in revenues was due to the internal transfer of large risk business to Allianz Global Corporate & Specialty ("AGCS"). Otherwise, premium volume increased by € 185 million mainly coming from personal motor and commercial lines.

Operating profit

Operating profit

in € mn



At € 6,299 million **operating profit** was above the targeted level. Compared to 2006, a year that was characterized by exceptionally low losses from natural catastrophes, operating profit growth was relatively flat at 0.5%.

Claims and insurance benefits incurred were up by 3.3% to € 25,485 million and the **calendar year loss ratio** was up by 1.1 percentage points to 66.1%. Of the total claims € 774 million (2006: € 211 million), or 2.0 percentage points of the loss ratio, were attributable to severe losses from natural catastrophes such as Kyrill, the floods in the United Kingdom and storms in several parts of the world. Also contributing to the rise were higher large claims incurred at AGCS as well as our newly consolidated entities in Russia and Kazakhstan.

The **accident year loss ratio** increased by 2.0 percentage points to 69.6%. In comparison, the previous year's loss ratio was on a generally lower level.

Acquisition and administrative expenses were almost stable, up 0.2% to € 10,616 million. These expenses also contain significant investments in group initiatives. Our administrative costs came down, showing that our tight cost control and efficiency measures have started to pay-off. Slightly higher acquisition costs stem from an increase in profitable, higher-commission business and the acquisition of our

Russian subsidiaries. In total, our **expense ratio** of 27.5% was down 0.4% on the previous year.

Our **combined ratio** increased by 0.7 percentage points to 93.6%.

Interest and similar income was up by 9.2% to € 4,473 million, as the higher asset base resulted in a rise in dividends received and increased interest income.

Non-operating result

In total, non-operating items decreased by 25.5% to € 962 million mainly coming from lower net realized gains, a negative trading result and higher impairments of investments. These effects could not be balanced by lower restructuring charges.

Net realized gains from investments decreased significantly by 17.9% to € 1,433 million from a year earlier largely as a result of the sale of our participation in Schering AG and the disposal of a real estate portfolio in Austria at that time. Conversely, no major single sales transactions were recorded in 2007.

Non-operating **net impairments of investments** increased to € 276 million, reflecting impairments of available-for-sale equity securities.

Restructuring charges were down by two thirds to € 122 million as the prior year's figure reflected the impact from the reorganization of our German insurance operations that was not repeated in 2007.

Net income

Net income increased by 9.0% to € 5,174 million. Our effective tax rate further declined from 27.4% to 22.8%. Income tax expenses were down significantly to € 1,656 million. This development benefited particularly from the German tax reform. Additionally lower minority interests in earnings contributed € 308 million to income growth. This resulted primarily from the minority buy-out at RAS in Italy and at AGF in France.

Property-Casualty insurance segment's income statement and ratios

as of and for the years ended December 31,

	2007 € mn	2006 € mn	2005 € mn
Gross premiums written¹⁾	44,289	43,674	43,699
Ceded premiums written	(5,320)	(5,415)	(5,529)
Change in unearned premiums	(416)	(309)	(485)
Premiums earned (net)	38,553	37,950	37,685
Interest and similar income	4,473	4,096	3,747
Income from financial assets and liabilities designated at fair value through income (net) ²⁾	136	106	132
Income from financial assets and liabilities held for trading (net), shared with policyholder ²⁾	8	—	—
Realized gains/losses (net) from investments, shared with policyholders ³⁾	46	46	273
Fee and commission income	1,178	1,014	989
Other income	122	69	53
Operating revenues	44,516	43,281	42,879
Claims and insurance benefits incurred (net)	(25,485)	(24,672)	(25,331)
Changes in reserves for insurance and investment contracts (net)	(339)	(425)	(707)
Interest expense	(402)	(273)	(339)
Loan loss provisions	(6)	(2)	(1)
Impairments of investments (net), shared with policyholders ⁴⁾	(67)	(25)	(18)
Investment expenses	(322)	(300)	(333)
Acquisition and administrative expenses (net)	(10,616)	(10,590)	(10,216)
Fee and commission expenses	(967)	(721)	(775)
Other expenses	(13)	(4)	(17)
Operating expenses	(38,217)	(37,012)	(37,737)
Operating profit	6,299	6,269	5,142
Income from financial assets and liabilities held for trading (net), not shared with policyholders ²⁾	(59)	83	32
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	1,433	1,746	1,148
Impairments of investments (net), not shared with policyholders ⁴⁾	(276)	(175)	(77)
Amortization of intangible assets	(14)	(1)	(11)
Restructuring charges	(122)	(362)	(68)
Non-operating items	962	1,291	1,024
Income before income taxes and minority interests in earnings	7,261	7,560	6,166
Income taxes	(1,656)	(2,075)	(1,804)
Minority interests in earnings	(431)	(739)	(827)
Net income	5,174	4,746	3,535
Loss ratio ⁵⁾ in %	66.1	65.0	67.2
Expense ratio ⁶⁾ in %	27.5	27.9	27.1
Combined ratio⁷⁾ in %	93.6	92.9	94.3

¹⁾ For the Property-Casualty segment, total revenues are measured based upon gross premiums written.

²⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 5 to the consolidated financial statements.

³⁾ The total of these items equals realized gains/losses (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁴⁾ The total of these items equals impairments of investments (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁵⁾ Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

⁶⁾ Represents acquisition and administrative expenses (net) divided by premiums earned (net).

⁷⁾ 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 Geographic Region

The following table sets forth our Property-Casualty gross premiums written, premiums earned (net), operating profit, combined ratio, loss ratio and expense ratio by geographic region for the years ended December 31, 2007, 2006 and 2005. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

	Gross premiums written			Premiums earned (net)			Operating profit		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Germany	10,746	11,427	11,647	9,245	9,844	10,048	1,628	1,479	1,765
Italy	5,229	5,396	5,369	4,902	4,935	4,964	719	816	741
France	5,086	5,110	5,104	4,422	4,429	4,375	486	420	227
United Kingdom	2,236	2,396	2,449	1,989	1,874	1,913	208	281	268
Spain	2,136	2,013	1,873	1,820	1,675	1,551	253	252	217
Switzerland	1,804	1,805	2,012	1,595	1,706	1,708	218	228	153
Netherlands	927	926	930	809	813	823	108	150	135
Austria	915	922	935	748	782	773	86	82	92
Ireland	691	704	733	614	622	653	180	222	204
Belgium	374	356	352	301	298	293	40	30	24
Portugal	283	287	304	246	258	275	38	36	32
Greece	79	74	71	50	46	46	9	10	11
Western and Southern Europe ¹⁾	3,269	3,269	3,325	2,768	2,819	2,863	482	550	494
Russia ²⁾	678	30	24	574	4	12	7	1	2
Hungary	580	575	598	502	499	523	73	68	63
Poland	367	283	235	246	200	160	24	20	12
Romania	341	291	219	155	132	125	11	11	11
Slovakia	319	288	300	273	251	251	112	52	82
Czech Republic	249	253	242	183	179	160	41	29	27
Bulgaria	103	95	91	70	70	37	16	16	14
Croatia	86	70	60	63	53	45	2	4	2
New Europe ³⁾	2,723	1,885	1,769	2,067	1,388	1,313	256	184	213
Other Europe	5,992	5,154	5,094	4,835	4,207	4,176	738	734	709
United States	4,306	4,510	4,395	3,341	3,523	3,478	651	810	482
Mexico ⁴⁾	201	192	175	86	100	88	12	15	13
NAFTA	4,507	4,702	4,570	3,427	3,623	3,566	663	825	495
Australia	1,543	1,452	1,469	1,245	1,195	1,159	296	225	235
Other	349	310	280	170	141	121	16	19	17
Asia-Pacific	1,892	1,762	1,749	1,415	1,336	1,280	312	244	252
South America	918	869	716	692	623	510	55	47	61
Other	95	68	58	50	32	30	9	9	7
Specialty lines									
Allianz Global Corporate & Specialty	2,811	2,802	2,944	1,800	1,545	1,633	414	404	(254)
Credit Insurance	1,762	1,672	1,725	1,268	1,113	997	496	442	420
Travel Insurance and Assistance Services	1,139	1,044	991	1,093	1,008	934	97	90	77
Subtotal	46,353	46,220	46,301	38,553	37,950	37,685	6,296	6,271	5,138
Consolidation ⁵⁾	(2,064)	(2,546)	(2,602)	—	—	—	3	(2)	6
Total	44,289	43,674	43,699	38,553	37,950	37,685	6,299	6,269	5,142

¹⁾ Contains run-off of € 21 mn, € 20 mn and € (4) mn in 2007, 2006 and 2005 respectively from a former operating entity located in Luxembourg.

²⁾ 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.

	Combined ratio			Loss ratio			Expense ratio		
	2007 %	2006 %	2005 %	2007 %	2006 %	2005 %	2007 %	2006 %	2005 %
Germany	91.6	92.9	89.4	64.8	65.1	63.0	26.8	27.8	26.4
Italy	94.8	91.8	93.6	71.2	68.8	69.3	23.6	23.0	24.3
France	97.3	99.2	102.0	70.9	71.0	74.0	26.4	28.2	28.0
United Kingdom	99.6	95.7	96.2	66.3	64.1	65.4	33.3	31.6	30.8
Spain	91.4	90.3	91.4	71.6	71.0	71.4	19.8	19.3	20.0
Switzerland	95.1	92.8	97.8	69.5	69.3	74.9	25.6	23.5	22.9
Netherlands	94.1	88.7	91.3	62.0	57.1	60.5	32.1	31.6	30.8
Austria	95.8	98.4	98.3	73.1	73.1	72.4	22.7	25.3	25.9
Ireland	95.1	74.4	76.9	69.6	50.2	53.8	25.5	24.2	23.1
Belgium	102.3	104.5	104.1	65.7	66.9	66.1	36.6	37.6	38.0
Portugal	91.6	91.2	92.8	65.9	64.4	67.0	25.7	26.8	25.8
Greece	88.7	92.4	82.0	58.2	57.7	49.7	30.5	34.7	32.3
Western and Southern Europe ¹⁾	95.4	90.2	91.2	67.4	61.7	63.2	28.0	28.5	28.0
Russia ²⁾	104.2	88.5	22.9	64.7	34.7	5.8	39.5	53.8	17.1
Hungary	96.7	97.0	101.6	67.1	64.8	70.7	29.6	32.2	30.9
Poland	94.4	92.8	93.3	58.6	57.4	59.7	35.8	35.4	33.6
Romania	101.2	92.0	94.8	79.7	72.4	75.8	21.5	19.6	19.0
Slovakia	66.8	86.4	74.5	38.2	55.4	43.2	28.6	31.0	31.3
Czech Republic	79.5	82.6	85.7	56.7	61.4	63.8	22.8	21.2	21.9
Bulgaria	85.5	80.2	66.6	43.6	41.7	27.0	41.9	38.5	39.6
Croatia	100.1	95.6	97.7	65.1	63.8	63.0	35.0	31.8	34.7
New Europe ³⁾	94.3	92.0	91.0	60.8	61.1	61.7	33.5	30.9	29.3
Other Europe	94.4	90.5	91.1	64.5	61.5	62.7	29.9	29.0	28.4
United States	91.1	88.6	96.0	61.3	57.9	66.8	29.8	30.7	29.2
Mexico ⁴⁾	95.0	102.5	104.8	71.6	78.8	81.2	23.4	23.7	23.6
NAFTA	91.2	88.9	96.2	61.6	58.4	67.1	29.6	30.5	29.1
Australia	95.7	96.2	95.2	70.8	70.3	69.1	24.9	25.9	26.1
Other	98.6	93.8	94.5	60.2	55.7	57.2	38.4	38.1	37.3
Asia-Pacific	96.0	95.9	95.2	69.5	68.7	68.0	26.5	27.2	27.2
South America	99.0	101.2	100.8	62.9	64.8	64.5	36.1	36.4	36.3
Other	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾
Specialty lines									
Allianz Global Corporate & Specialty	96.0	92.2	122.4	67.9	62.5	91.1	28.1	29.7	31.3
Credit Insurance	76.5	77.6	67.0	47.9	49.7	41.3	28.6	27.9	25.7
Travel Insurance and Assistance Services	93.7	101.8	93.3	58.1	58.7	60.3	35.6	43.1	33.0
Subtotal	—	—	—	—	—	—	—	—	—
Consolidation ⁶⁾	—	—	—	—	—	—	—	—	—
Total	93.6	92.9	94.3	66.1	65.0	67.2	27.5	27.9	27.1

³⁾ Contains income and expense items from a management holding in both 2007 and 2006.

⁴⁾ Effective Q1 2007, life business in Mexico is shown within the Life/Health segment.

⁵⁾ Presentation not meaningful.

⁶⁾ Represents elimination of transactions between Allianz Group companies in different geographic regions.

Life/Health Insurance Operations

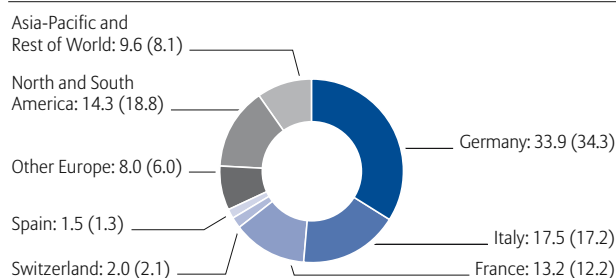
- Dynamic statutory premium development showing double-digit growth rates in many countries.
- Strong operating profit growth, almost reaching € 3 billion.
- Asset base increased to € 350.0 billion.

Earnings Summary

Statutory premiums

At € 49,367 million statutory premiums increased by 4.1 % over the prior year, despite impacts from unfavorable foreign currency movements of € 1,062 million. On an internal basis, statutory premiums were up by 6.3%.

Statutory premiums by region ¹⁾ in %

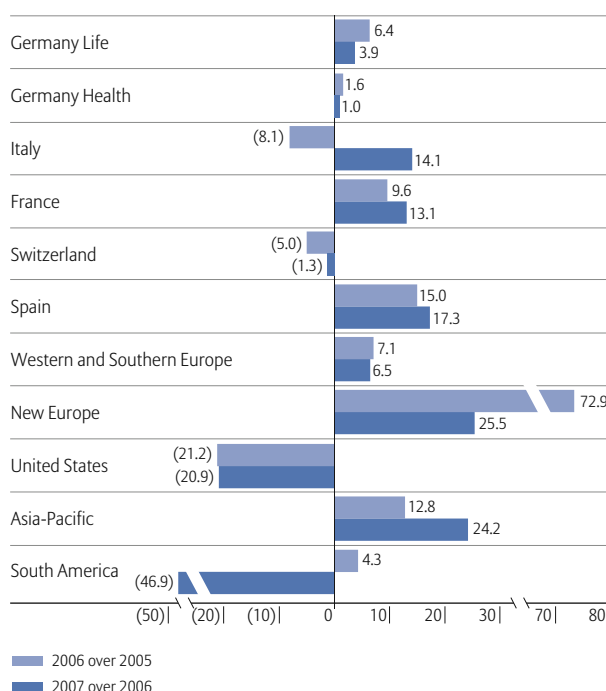


¹⁾ After elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Most of our operating entities worldwide, especially our emerging markets ¹⁾ but also some of the more mature markets, showed high double-digit growth rates. For the emerging markets growth came to 22.6%. Asia-Pacific and New Europe contributed € 5,677 million or 11.4% to total statutory premiums.

¹⁾ New Europe, Asia-Pacific, South America, Mexico, Middle East and Northern Africa.

Statutory premiums – growth rates ¹⁾ in %



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

Highest absolute growth was achieved in Italy, where revenues increased from € 8,555 million to € 9,765 million in spite of poor market conditions. This resulted mainly from a sound sales performance of our bancassurance channel at CreditRAS. Additionally, we successfully launched new products during the year.

In Asia-Pacific, premiums increased by € 905 million or 24.2%. We recorded dynamic growth all over the region. In Taiwan, which, with € 476 million, contributed the most to premium growth in this region, we recorded dynamic sales of unit-linked products. Furthermore, our local bancassur-

ance channel continued to perform well. Within South Korea, we saw a further strong increase in single premium business, adding to the rise of € 134 million. In China, the revenue increase amounted to € 168 million. Furthermore, we expanded our sales network in China, benefiting from our strategic partnership with Industrial and Commercial Bank of China Limited (“ICBC”). Our joint-venture “Bajaj Allianz Life” in India, which is not consolidated in the Group financial statements, saw another year of strong growth and generated € 1.4 billion in statutory premiums, up 87%.

Total revenues in France were up 13.1% or € 758 million mostly driven by group insurance business and increased sales of individual life insurance policies. Unlike in the past, the highest share of new business now comes from proprietary sales channels.

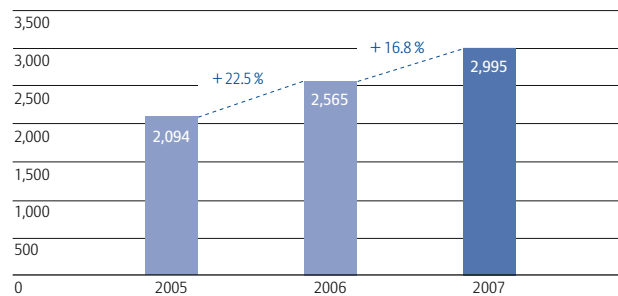
Statutory premium volume in our German life insurance business grew by 3.9% or € 503 million mainly coming from a significant increase in single premium business. While growth during the first quarters of 2007 was weak due to a difficult market environment, we experienced a very strong fourth quarter growing by more than 20% through a pick-up in single premium business.

In the United States, statutory premium development still reflected the legal and regulatory environment affecting the sale of indexed annuity products. However, during the last months we made progress in closing pending litigations. Year over year, revenues declined by 20.9% or € 1,827 million. In addition, business was affected by the weakening of the U.S. Dollar compared to the Euro. On a local currency basis, the decline amounted to 13.2% or USD 1,445 million

Operating profit

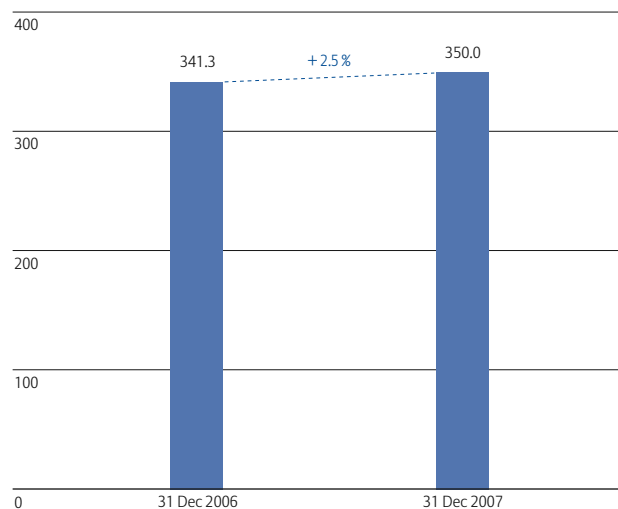
Year over year, **operating profit** increased by 16.8% to € 2,995 million benefiting from top-line growth and improvements in all sources of profit. Most of our life insurance companies worldwide contributed to this development.

Operating profit in € mn



Our **income from investments** again was the largest absolute contributor to operating profit growth. It improved based on a higher asset base resulting from inflows of funds. These inflows more than compensated the impact from unfavorable foreign currency movements, higher interest rates and a stock market that weakened towards the end of the year. Thus, **interest and similar income** increased by 3.4% due to higher interest payments on debt securities as well as higher dividend payments on equity securities.

Asset base¹⁾ fair values²⁾ in € bn



¹⁾ For further information on the composition of our Life/Health asset base please refer to page 67.

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.

Net realized gains on investments improved by € 492 million coming from an already high level in the prior year that was marked by a major single transaction namely the disposal of our participation in Schering AG. In the current year, gains stemmed from several transactions that mostly generated higher realized gains on equities and real estate. However, these gains were offset by **net impairments on investments** due to write-downs on public stock shares. The considerably increased **net loss from financial assets and liabilities carried at fair value through income** of € 584 million stemmed largely from freestanding derivatives in connection with our German life insurance business.

Furthermore, we benefited from an extraordinary reserve release of € 170 million in South Korea.

Acquisition and administrative expenses increased by 3.4% or € 151 million and thus slightly less than growth of statutory premiums. Administrative expense included integration costs in Italy and further investments in operations in Asia-Pacific (China and Japan). Our **statutory expense ratio** improved slightly by 0.2 percentage points to 9.4%.

Non-operating result

In aggregate non-operating items were down by € 28 million driven by lower net realized gains not to be shared with policyholders in the United States.

Net income

Net income increased by 21.2% to € 1,991 million driven by the higher operating profit. Income tax expenses of € 897 million, were up € 256 million year on year. The higher tax expense in 2007 is a result of the higher pre-tax income. Additionally, the benefit from tax-exempt income was lower than in 2006, leading to a higher effective tax rate of 28.9% (2006: 23.7%).

Minority interests in earnings were almost halved to € 214 million reflecting the minority buy outs at RAS in Italy and at AGF in France.

Life/Health insurance segment's income statement and ratios

	2007 € mn	2006 € mn	2005 € mn
Statutory premiums¹⁾	49,367	47,421	48,272
Ceded premiums written	(644)	(840)	(942)
Change in unearned premiums	(61)	(221)	(168)
Statutory premiums (net)	48,662	46,360	47,162
Deposits from SFAS 97 insurance and investment contracts	(27,853)	(25,786)	(27,165)
Premiums earned (net)	20,809	20,574	19,997
Interest and similar income	13,417	12,972	12,057
Income/loss from financial assets and liabilities carried at fair value through income (net), shared with policyholders ²⁾	(945)	(361)	258
Realized gains/losses (net) from investments, shared with policyholders ³⁾	3,579	3,087	2,523
Fee and commission income	701	630	507
Other income	182	43	45
Operating revenues	37,743	36,945	35,387
Claims and insurance benefits incurred (net)	(17,637)	(17,625)	(17,439)
Changes in reserves for insurance and investment contracts (net)	(10,268)	(10,525)	(10,443)
Interest expense	(374)	(280)	(452)
Loan loss provisions	3	(1)	—
Impairments of investments (net), shared with policyholders ⁴⁾	(824)	(390)	(199)
Investment expenses	(833)	(750)	(567)
Acquisition and administrative expenses (net)	(4,588)	(4,437)	(3,973)
Fee and commission expenses	(209)	(223)	(219)
Operating restructuring charges ⁵⁾	(16)	(140)	—
Other expenses	(2)	(9)	(1)
Operating expenses	(34,748)	(34,380)	(33,293)
Operating profit	2,995	2,565	2,094
Income from financial assets and liabilities carried at fair value through income (net), not shared with policyholders ²⁾	5	—	—
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	137	195	208
Impairments of investments (net), not shared with policyholders ⁴⁾	(3)	—	—
Amortization of intangible assets	(3)	(26)	(13)
Non-operating restructuring charges ⁵⁾	(29)	(34)	(18)
Non-operating items	107	135	177
Income before income taxes and minority interests in earnings	3,102	2,700	2,271
Income taxes	(897)	(641)	(488)
Minority interests in earnings	(214)	(416)	(425)
Net income	1,991	1,643	1,358
Statutory expense ratio⁶⁾ in %	9.4	9.6	8.4

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

²⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 5 to the consolidated financial statements.

³⁾ The total of these items equals realized gains/losses (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁴⁾ The total of these items equals impairments of investments (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁵⁾ The total of these items equals restructuring charges in the segment income statement included in Note 5 to the consolidated financial statements.

⁶⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Life/Health Operations by Geographic Region

The following table sets forth our Life/Health statutory premiums, premiums earned (net), operating profit and statutory expense ratio by geographic region for the years ended December 31, 2007, 2006 and 2005. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

	Statutory premiums ¹⁾			Premiums earned (net)		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Germany Life	13,512	13,009	12,231	10,381	10,543	10,205
Germany Health ²⁾	3,123	3,091	3,042	3,123	3,091	3,042
Italy	9,765	8,555	9,313	1,006	1,098	1,104
France	6,550	5,792	5,286	1,760	1,436	1,420
Switzerland	992	1,005	1,058	432	455	470
Spain	738	629	547	399	400	350
Belgium	664	597	601	310	302	327
Netherlands	399	424	381	137	146	144
Austria	396	380	343	288	283	262
Portugal	115	98	83	73	66	60
Greece	105	98	91	65	62	54
Luxembourg	83	58	47	26	30	25
Western and Southern Europe³⁾	1,762	1,655	1,546	899	889	872
Poland	431	367	99	121	96	53
Slovakia	235	183	149	157	135	129
Hungary	141	96	89	80	75	73
Czech Republic	96	76	64	56	54	50
Croatia	58	48	41	40	36	33
Bulgaria	35	25	19	28	23	19
Romania	30	25	18	12	12	7
Russia	13	8	—	12	7	—
New Europe	1,039	828	479	506	438	364
Other Europe	2,801	2,483	2,025	1,405	1,327	1,236
Mexico ⁴⁾	37	—	—	36	—	—
United States	6,931	8,758	11,115	636	533	522
NAFTA	6,968	8,758	11,115	672	533	522
South Korea	2,188	2,054	1,752	975	986	972
Taiwan	1,812	1,336	1,347	72	107	136
Indonesia	224	115	69	49	38	31
Malaysia	126	107	106	104	88	73
Other	288	121	35	18	37	10
Asia-Pacific	4,638	3,733	3,309	1,218	1,256	1,222
South America	78	147	141	40	42	36
Other⁵⁾	418	439	455	373	393	390
Subtotal	49,583	47,641	48,522	20,809	20,574	19,997
Consolidation ⁷⁾	(216)	(220)	(250)	—	—	—
Total	49,367	47,421	48,272	20,809	20,574	19,997

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⁾ Loss ratios were 71.6%, 68.4% and 69.7% for 2007, 2006 and 2005, respectively.

³⁾ Contains run-off of € (3) mn, € (2) mn and € (11) mn in 2007, 2006 and 2005 respectively, from our former life insurance business in the United Kingdom which we sold in December 2004.

	Operating profit			Statutory expense ratio		
	2007 € mn	2006 € mn	2005 € mn	2007 %	2006 %	2005 %
Germany Life	695	521	347	5.8	9.1	8.1
Germany Health ²⁾	164	184	159	9.8	9.3	9.1
Italy	372	339	334	5.8	6.4	5.4
France	632	582	558	15.4	12.6	15.1
Switzerland	66	50	55	10.6	9.9	8.7
Spain	104	92	71	9.2	9.3	7.4
Belgium	68	62	76	10.1	12.5	12.1
Netherlands	44	50	41	9.8	18.4	13.5
Austria	40	29	35	11.8	12.1	9.4
Portugal	25	25	13	26.5	15.1	19.1
Greece	6	13	7	20.7	22.6	25.9
Luxembourg	4	5	5	10.8	12.2	14.4
Western and Southern Europe³⁾	184	182	166	12.1	14.8	13.3
Poland	10	6	3	19.7	17.6	33.3
Slovakia	29	16	8	16.8	18.2	24.4
Hungary	13	12	10	20.4	25.7	26.9
Czech Republic	10	9	6	18.0	20.1	21.5
Croatia	2	4	3	17.1	20.4	22.7
Bulgaria	4	3	3	15.0	14.2	10.5
Romania	—	—	1	33.8	39.3	28.0
Russia	(7)	—	—	99.5	28.1	—
New Europe	61	50	34	20.0	19.6	25.7
Other Europe	245	232	200	15.1	16.4	16.3
Mexico ⁴⁾	5	—	—	13.8	—	—
United States	380	418	257	11.9	8.0	4.8
NAFTA	385	418	257	11.9	8.0	4.8
South Korea	286	64	20	14.4	13.9	16.6
Taiwan	26	14	11	2.9	5.0	4.3
Indonesia	6	3	1	12.7	19.3	25.0
Malaysia	12	10	2	17.2	19.9	14.0
Other	(30)	(10)	(7)	17.0	18.4	37.7
Asia-Pacific	300	81	27	10.2	11.2	12.0
South America	—	1	2	32.6	16.9	17.7
Other⁵⁾	30	74	92	—⁶⁾	—⁶⁾	—⁶⁾
Subtotal	2,993	2,574	2,102	—	—	—
Consolidation ⁷⁾	2	(9)	(8)	—	—	—
Total	2,995	2,565	2,094	9.4	9.6	8.4

⁴⁾ Effective 2007, life business in Mexico is shown within the Life/Health segment.

⁵⁾ Contains, among others, the Life/Health business assumed by Allianz SE, which was previously reported under Germany in the Property-Casualty segment. Prior year balances have been adjusted to reflect this reclassification and allow for comparability across periods.

⁶⁾ Presentation not meaningful.

⁷⁾ Represents elimination of transactions between Allianz Group companies in different geographic regions.

Banking Operations ¹⁾

- Operating profit at € 730 million despite financial markets turbulence.
- Net trading loss of € 461 million caused by markdowns on asset-backed securities.
- Profitability of Private & Corporate Clients division further improved.

Earnings Summary

Operating revenues

Dresdner Bank's **operating revenues** were down by 20.3% to € 5,424 million compared to the previous year. This development resulted mainly from the effects of the financial markets turbulence which heavily impacted our net trading income. However, the net interest income grew.

Net interest income grew by 12.9% to € 2,987 million. Private & Corporate Clients ("PCC") as well as the Investment Bank ("IB") contributed positively to this improvement with € 61 million and € 142 million, respectively. In the PCC division we saw higher income from the deposit business due to higher volumes and margins. This was partially offset by lower income from the loan business. The IB improved its result from the loan business and leveraged finance activities.

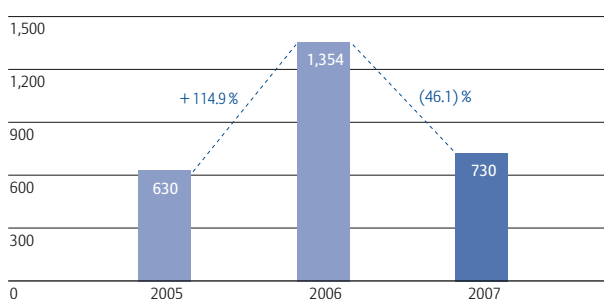
Net fee and commission income improved slightly by 0.9% to € 2,866 million. This resulted from an increased fee volume in the advisory business of our Investment Bank and higher transaction-driven fees in Corporate Other. Lower income from the securities business in PCC, where we saw less client activity due to the market turbulence, partially offset this development.

The development in our **net trading income** was significantly impacted by the financial markets turbulence leading to a negative result of € 461 million (2006: income of € 1,242 million). This decline was almost entirely attributable to the markdowns of € 1,275 million in only a limited

number of business lines of our Investment Bank. The remaining shortfall in these business lines was indirectly related to the credit crisis, resulting from constrained activities in the capital markets. Unaffected business units in aggregate recorded revenue growth of 6.1%. This growth was largely driven by higher client revenues, particularly in leveraged finance, loans and interest derivatives.

Operating profit

Operating Profit – Dresdner Bank
in € mn



At € 730 million, **operating profit** was down by 46.1%, including the above mentioned markdowns on asset-backed securities of € 1.3 billion experienced in a number of business lines of the Investment Bank due to the financial markets turbulence. The remaining shortfall in these business lines was also related to the credit crisis. Significant expense savings of € 597 million partly compensated this development. As these savings could not outweigh the decline in revenues, our cost-income ratio increased by 9.3 percentage points to 89.0%.

¹⁾ The results of operations of our Banking segment are almost exclusively represented by Dresdner Bank, accounting for 94.8% of our total Banking segment's operating revenues for the year ended December 31, 2007 (2006: 96.0%, 2005: 95.6%). Accordingly, the discussion of our Banking segment's results of operations relates solely to the operations of Dresdner Bank.

Operating expenses, at € 4,826 million, were down 11.0%. We saw reductions in all expense categories. **Administrative expenses** were down by 10.7% to € 4,809 million. Thereof, personnel expenses declined by 14.9% to € 2,894 million driven by significantly lower performance-related expenses at the Investment Bank, reflecting the development in operating revenues. Further staff reductions and efficiency gains, achieved under the “New Dresdner Plus” programme, also contributed to this development. Non-personnel expenses also decreased by 3.4% to € 1,915 million. This decline resulted predominantly from lower office costs and reduced consulting fees, partly offset by additional expenses for focused growth initiatives.

Loan loss provisions showed gross releases and recoveries of € 645 million and at the same time new provisions of € 513 million leading to net releases of € 132 million in 2007 (2006: net additions of € 27 million). We recorded releases and recoveries on a high level reflecting our conservative risk approach in the past. Following the approval of new internal models for expected losses which we also use for Basel II, our assumptions regarding the provisioning for the general loan loss provision turned out to be more cautious than necessary and were revised accordingly.

Non-operating result

The **non-operating result** more than halved to a loss of € 70 million in 2007. The main drivers were significantly reduced restructuring charges and lower net impairments on investments.

Net realized gains decreased by € 422 million to € 70 million. In the previous year, we recorded large gains from the sale of Dresdner Bank’s remaining shareholding in Munich Re as well as from the disposal of Eurohypo AG.

Net impairments of investments declined by 58.6% to € 89 million as the prior year’s figure included higher write-downs on real estate properties used by third-parties.

Restructuring charges declined from € 422 million to € 51 million. In 2006, higher charges were incurred in connection with the “New Dresdner Plus” reorganization programme.

Net income

The decline in **net income** by 58.9% to € 366 million resulted mainly from lower operating profit as previously described.

Although we recorded lower income before income taxes and minority interests in earnings, our income taxes decreased by only 1.7% to € 232 million leading to an effective tax rate of 35.2% (2006: 19.5%). The especially low effective tax rate in 2006 was caused mainly by the capitalization of corporate tax credits. In 2007 the German tax reform led to a negative one-off effect of € 137 million due to the revaluation of the net deferred tax assets. In addition, no deferred tax assets were recognized for losses from markdowns on asset backed securities.

Income statement and cost-income ratios for the Banking segment and Dresdner Bank

	2007		2006		2005	
	Banking Segment € mn	Dresdner Bank € mn	Banking Segment € mn	Dresdner Bank ¹⁾ € mn	Banking Segment € mn	Dresdner Bank € mn
Net interest income ²⁾	3,104	2,987	2,720	2,645	2,294	2,218
Net fee and commission income ³⁾	3,048	2,866	3,008	2,841	2,850	2,693
Trading income (net) ⁴⁾	(464)	(461)	1,282	1,242	1,170	1,123
Income from financial assets and liabilities designated at fair value through income (net) ⁴⁾	33	33	53	53	(7)	(6)
Other income	—	(1)	25	23	11	11
Operating revenues⁵⁾	5,721	5,424	7,088	6,804	6,318	6,039
Administrative expenses	(5,061)	(4,809)	(5,605)	(5,384)	(5,661)	(5,452)
Investment expenses	(14)	(20)	(47)	(53)	(30)	(37)
Other expenses	1	3	14	14	(33)	(33)
Operating expenses	(5,074)	(4,826)	(5,638)	(5,423)	(5,724)	(5,522)
Loan loss provisions	126	132	(28)	(27)	110	113
Operating profit	773	730	1,422	1,354	704	630
Realized gains/losses (net)	83	70	492	492	1,020	1,020
Impairments of investments (net)	(90)	(89)	(215)	(215)	(184)	(183)
Amortization of intangible assets	—	—	—	—	(1)	—
Restructuring charges	(52)	(51)	(424)	(422)	(13)	(12)
Non-operating items	(59)	(70)	(147)	(145)	822	825
Income before income taxes and minority interests in earnings	714	660	1,275	1,209	1,526	1,455
Income taxes	(266)	(232)	(263)	(236)	(387)	(373)
Minority interests in earnings	(71)	(62)	(94)	(82)	(102)	(82)
Net income	377	366	918	891	1,037	1,000
Cost-income ratio⁶⁾ in %	88.7	89.0	79.5	79.7	90.6	91.4

¹⁾ We have enhanced the presentation of revenues and operating profit stemming from trades in shares of Allianz SE and its affiliates. From 2007 onwards, these results are eliminated on Dresdner Bank level, whereas in 2006 they were adjusted on segment level only. At Dresdner Bank this led to reduced operating revenues and reduced operating profit of €6 mn and €6 mn, respectively, compared to the figures as stated in 2006. As a result income taxes decreased by €3 mn. All other changes are related to rounding.

²⁾ Represents interest and similar income less interest expense.

³⁾ Represents fee and commission income less fee and commission expenses.

⁴⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁵⁾ For the Banking segment, total revenues are measured based upon operating revenues.

⁶⁾ Represents operating expenses divided by operating revenues.

Banking Operations by Division

The following table sets forth our banking operating revenues, operating profit and cost-income ratio by division. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues			Operating profit (loss)			Cost-income ratio		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Private & Corporate Clients ¹⁾	3,625	3,624	3,464	884	783	626	74.0	74.9	77.2
Investment Banking ¹⁾	1,628	3,111	2,613	(659)	548	351	137.0	82.9	88.1
Corporate Other ²⁾	171	69	(38)	505	23	(347)	— ³⁾	— ³⁾	— ³⁾
Dresdner Bank	5,424	6,804	6,039	730	1,354	630	89.0	79.7	91.4
Other Banks ⁴⁾	297	284	279	43	68	74	83.5	75.7	72.4
Total	5,721	7,088	6,318	773	1,422	704	88.7	79.5	90.6

¹⁾ Our reporting by division reflects the organizational changes within Dresdner Bank effective starting with 1Q 2007, resulting in two operating divisions, Private & Corporate Clients ("PCC") and Investment Banking ("IB"). PCC combines all banking activities formerly provided by the Personal Banking and Private & Business Banking (including Private Wealth Management) divisions as well as our activities with medium-sized business clients from our former Corporate Banking division. IB, with Global Banking and Capital Markets, unites the activities formerly provided by the Dresdner Kleinwort Wasserstein division and the remaining activities of the former Corporate Banking division. Prior year balances have been adjusted accordingly to reflect these reorganization measures and allow for comparability across periods.

²⁾ The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include, in particular, impacts from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting as well as provisioning requirements for country and general risks. For the years ended December 31, 2007, 2006 and 2005 the impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting on Corporate Other's operating revenues amounted to € (54) mn, € (47) mn and € (214) mn, respectively.

³⁾ Presentation not meaningful.

⁴⁾ Consists of non-Dresdner Bank banking operations within our Banking segment.

Banking Operations by Geographic Region

The following table sets forth our banking operating revenues and operating profit by geographic region for the years ended December 31, 2007, 2006 and 2005. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues			Operating profit (loss)		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Germany	4,321	4,312	4,340	1,488	853	814
The Americas	433	560	176	77	251	(78)
Europe	664	1,944	1,571	(907)	234	(110)
New Europe	72	60	47	8	2	3
Asia-Pacific	231	212	184	107	82	75
Total	5,721	7,088	6,318	773	1,422	704

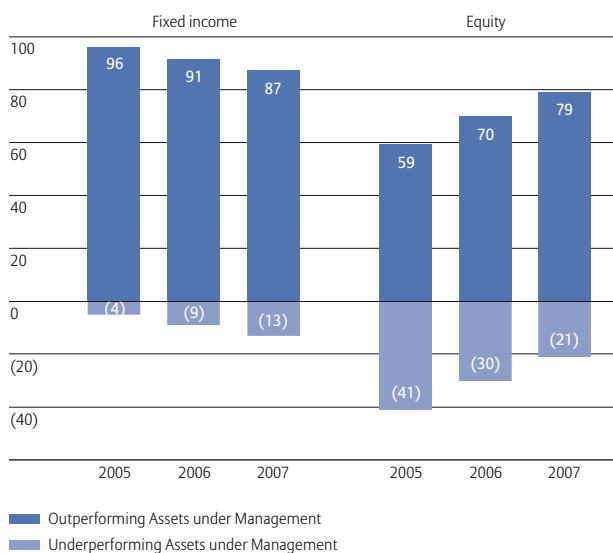
Asset Management Operations

- Internal growth of 8.1 % in third-party assets under management.
- Strong profitability based on growing asset base and tight cost control.
- Cost-income ratio at a very competitive 58.3%.

Third-Party Assets Under Management of the Allianz Group

The impressive track record of our asset management business continued in 2007, with the vast majority of our third-party assets under management again outperforming their respective benchmarks. Operating profit grew – at constant exchange rates – by 12.8% to € 1,359 million. Negative foreign currency translation effects amounted to € 96 million.

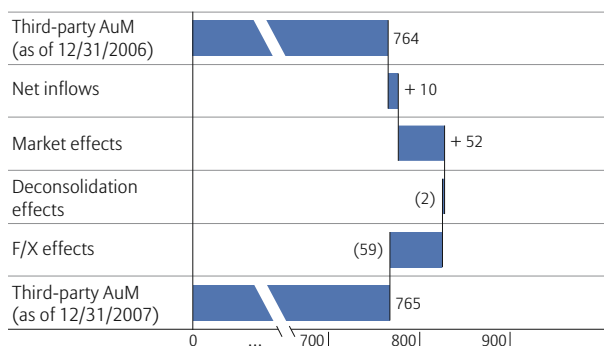
Rolling investment performance of Allianz Global Investors¹⁾ in %



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

In the fixed income business, especially in the second half of the year, we again generated a very strong overall investment performance, showing that our long-term approach pays off. We also further improved our investment performance in the equity business.

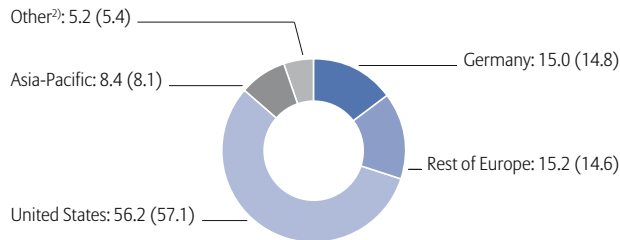
Development of third-party assets under management in € bn



Third party assets under management increased by 8.1% on an internal basis. This growth was driven by net inflows and positive market effects, which in aggregate contributed € 62 billion. However, the continuing decline of the U.S. Dollar outweighed most of that asset growth.

Of the net inflows, € 12.4 billion are attributable to fixed income investments, whereas there were outflows of € 2.4 billion from equity investments.

Third-party assets under management – by geographic region as of December 31, 2007 (2006)¹⁾ in %



¹⁾ Based on the origination of assets.

²⁾ Consists of third-party assets managed by Dresdner Bank (approximately € 18 bn and € 21 bn as of December 31, 2007 and 2006, respectively) and by other Allianz Group companies (approximately € 22 bn and € 20 bn as of December 31, 2007 and 2006, respectively).

There were no major movements in the geographic origination of third party assets under management in the year. The allocation between retail and institutional clients also remained almost unchanged. Roughly two thirds were made up by institutional clients with a majority thereof coming from the United States. The same applied to retail clients. With regards to investment categories, the proportion between fixed income and equity does not reflect any major movements either. The majority were fixed income investments mainly from the United States. On the equity side the allocation between the United States, Germany and other countries was fairly balanced.

Major awards received during the year reflect our success in the asset management business in 2007:

- Morningstar has named PIMCO’s Bill Gross and team the “2007 Fixed-Income Fund Manager of the year”. Bill Gross is the first fund manager ever to receive three Morningstar Fund Manager of the year awards.
- PIMCO was awarded “Best Third-Party Provider of Fixed Income Portfolio Management Services in Asia” from Euromoney Private Banking Survey 2007.
- Allianz Global Investors Germany was awarded with five stars again according to “Capital” magazine ranking.

Earnings Summary¹⁾

Operating Revenues

Operating revenues amounted to € 3,178 million, up 6.3% from a year ago. At constant exchange rates, operating revenue growth would have been 13.5% ahead of the prior year period.

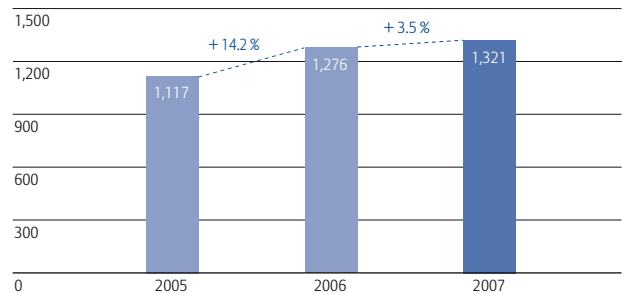
Net fee and commission income was up € 186 million to € 3,060 million driven by higher management fees resulting from our growing asset base, as well as by increased performance fees. In contrast, loading and exit fees decreased reflecting the development in mutual fund sales.

	2007 € mn	2006 € mn	2005 € mn
Management fees	3,496	3,368	2,941
Loading and exit fees	307	334	333
Performance fees	202	107	122
Other income	292	309	294
Fee and commission income	4,297	4,118	3,690
Commissions	(877)	(895)	(812)
Other expenses	(360)	(349)	(281)
Fee and commission expenses	(1,237)	(1,244)	(1,093)
Net fee and commission income	3,060	2,874	2,597

Operating Profit

Operating Profit – Allianz Global Investors

in € mn



¹⁾ The results of operations of our Asset Management segment are almost exclusively represented by AGI, accounting for 97.5% of our total Asset Management segment’s operating revenues for the year ended December 31, 2007 (2006: 98.2%, 2005: 98.3%). Accordingly, the discussion of our Asset Management segment’s results of operations relates solely to the operations of AGI.

Administrative expenses, excluding acquisition-related expenses were up 8.4% to € 1,857 million as a result of our business expansion and structured investments to secure future growth. In line with new business generation, compensation-related expenses were also up. At 58.4% our **cost-income ratio** remains at a very competitive level.

Non-operating result

The aggregate net loss from non-operating items declined to € 492 million, down € 64 million compared to the prior year period. **Acquisition related expenses** declined by 7.7% to € 491 million. This was mainly driven by a positive foreign exchange effect of € 48 million. In real terms, acquisition related expenses grew 1.2%, mainly due to valuation effects of PIMCO LLC Class B Units (or “Class B Units”) as a result of increased operating performance at PIMCO. This outweighed the lower number of outstanding Class B Units in 2007 as compared to 2006. As of December 31, 2007, the Allianz Group had acquired 43,917 of the 150,000 Class B Units¹⁾ originally outstanding. Going forward, we expect acquisition-related expenses to be mainly driven by the number of Class B Units outstanding and our operating profit development at PIMCO.

There was no charge in 2007 for **amortization of intangible assets** compared to a charge in the prior year of € 23 million that was related to the impairment of a brand name.

Net income

Income before income taxes and minority interests increased by € 109 million, giving rise to a higher tax charge. Our effective tax rate increased by 2.4 percentage points to 40.7%, primarily due to a higher taxable income in the United States.

Due to the minority buy-outs of AGF and RAS, **minority interests in earnings** reduced by € 27 million to € 22 million.

Net income therefore grew by 19.0% to € 470 million in 2007.

¹⁾ Please see Note 48 to our consolidated financial statements for further information on the Class B Units.

Income statement and cost-income ratios for the Asset Management segment and AGI

	2007		2006		2005	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Net fee and commission income ¹⁾	3,133	3,060	2,924	2,874	2,636	2,597
Net interest income ²⁾	81	75	71	66	56	51
Income from financial assets and liabilities carried at fair value through income (net)	31	29	38	37	19	18
Other income	14	14	11	12	11	11
Operating revenues³⁾	3,259	3,178	3,044	2,989	2,722	2,677
Administrative expenses, excluding acquisition-related expenses ⁴⁾	(1,900)	(1,857)	(1,754)	(1,713)	(1,590)	(1,560)
Operating expenses	(1,900)	(1,857)	(1,754)	(1,713)	(1,590)	(1,560)
Operating profit	1,359	1,321	1,290	1,276	1,132	1,117
Realized gains/losses (net)	2	4	7	5	6	5
Impairments of investments (net)	(1)	(1)	(2)	(2)	—	—
Acquisition-related expenses⁴⁾, thereof						
Deferred purchases of interests in PIMCO	(488)	(488)	(523)	(523)	(677)	(677)
Other acquisition-related expenses ⁵⁾	(3)	(3)	(9)	(9)	(10)	(10)
Subtotal	(491)	(491)	(532)	(532)	(687)	(687)
Amortization of intangible assets	—	—	(24)	(23)	(25)	(25)
Restructuring charges	(4)	(4)	(4)	(4)	(1)	(1)
Non-operating items	(494)	(492)	(555)	(556)	(707)	(708)
Income before income taxes and minority interests in earnings	865	829	735	720	425	409
Income taxes	(342)	(337)	(278)	(276)	(129)	(127)
Minority interests in earnings	(25)	(22)	(53)	(49)	(52)	(48)
Net income	498	470	404	395	244	234
Cost-income ratio⁶⁾ in %	58.3	58.4	57.6	57.3	58.4	58.3

¹⁾ Represents fee and commission income less fee and commission expense.

²⁾ Represents interest and similar income less interest expense and investment expenses.

³⁾ For the Asset Management segment, total revenues are measured based upon operating revenues.

⁴⁾ The total of these items equals acquisition and administration expenses (net) in the segment income statement included in Note 5 to the consolidated financial statements.

⁵⁾ Consists of retention payments for the management and employees of PIMCO and Nicholas Applegate.

⁶⁾ Represents operating expenses divided by operating revenues.

Corporate Activities

– Operating loss declined by € 506 million driven by higher investment result.

Earnings Summary

The operating loss declined significantly due to higher current investment income and lower expenses. This improvement along with a positive trading result and a further increased level of realized gains led to a much lower loss before taxes, whereas the negative tax effects almost off-set these positive developments. Net income thus slightly improved by € 21 million to a net loss of € 158 million.

Holding Function

Operating profit

At € 446 million, the operating loss was nearly halved, a considerable improvement as compared to a year earlier. On the revenue side, in line with a higher asset base and an increase in yields, the main driver was interest and similar income which was up 74.5%, reaching € 745 million, driven by a high liquidity accumulated to pay back liabilities. Additionally, operating expenses declined by 6.9%, primarily attributing to lower investment expenses which reflect declined banking and investment transaction costs.

Non-operating result

The non-operating result turned into an aggregate profit of € 37 million compared to an aggregate loss of € 455 million in the prior year. The non-operating trading result driven by the BITES exchangeable bond, which was partially repaid in 2007, and higher net capital gains contributed to this devel-

opment and therefore more than compensated for the higher interest expense from external debt in connection with the minority buy-out at AGF.

Net income

Due to significantly lower tax income, stemming primarily from the German tax reform, our net loss came to € 168 million.

Private Equity

Operating profit

At € 121 million, the operating result turned positive after an operating loss of € 7 million a year ago reflecting profit participation of € 65 million.

Non-operating result

Non-operating result turned negative and recorded an aggregate loss of € 66 million, following a gain of € 299 million a year ago, as the high level of realized gains from disposals in the prior year period – mainly in connection with the sale of Four Seasons Health Care Limited – was not repeated.

Net income

Net income decreased to € 10 million. This development was mainly attributable to the non-operating loss. Furthermore, net income was impacted by higher taxes and increased minority interests in earnings.

	Holding Function			Private Equity			Total		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Operating profit (loss)	(446)	(824)	(932)	121	(7)	51	(325)	(831)	(881)
Non-operating items	37	(455)	(1,109)	(66)	299	(9)	(29)	(156)	(1,118)
Income (loss) before income taxes and minorities	(409)	(1,279)	(2,041)	55	292	42	(354)	(987)	(1,999)
Net income (loss)	(168)	(460)	(1,286)	10	281	18	(158)	(179)	(1,268)

Balance Sheet Review

- Shareholders' equity of € 47.8 billion.
- Strong net income of € 8.0 billion partially offset by various impacts following minority buy-outs.

Consolidated Balance Sheets ¹⁾

As of December 31,	2007 € mn	2006 € mn
ASSETS		
Cash and cash equivalents	31,337	33,031
Financial assets carried at fair value through income ²⁾	185,461	198,992
Investments ³⁾	286,952	298,134
Loans and advances to banks and customers	396,702	423,765
Financial assets for unit linked contracts	66,060	61,864
Reinsurance assets	15,312	19,360
Deferred acquisition costs	19,613	19,135
Deferred tax assets	4,771	4,727
Other assets	41,528	38,001
Intangible assets	13,413	13,072
Total assets	1,061,149	1,110,081

As of December 31,	2007 € mn	2006 € mn
LIABILITIES AND EQUITY		
Financial liabilities carried at fair value through income	126,053	121,822
Liabilities to banks and customers	336,494	376,565
Unearned premiums	15,020	14,868
Reserves for loss and loss adjustment expenses	63,706	65,464
Reserves for insurance and investment contracts	292,244	287,032
Financial liabilities for unit linked contracts	66,060	61,864
Deferred tax liabilities	3,973	4,588
Other liabilities	49,324	49,764
Certificated liabilities	42,070	54,922
Participation certificates and subordinated liabilities	14,824	16,362
Total liabilities	1,009,768	1,053,251
Shareholders' equity	47,753	49,650
Minority interests	3,628	7,180
Total equity	51,381	56,830
Total liabilities and equity	1,061,149	1,110,081

¹⁾ The Allianz Group identified prior period errors through an analysis of various balance sheet accounts (the "Errors"). The Errors resulted primarily from the accounting for the purchase of Dresdner Bank in 2001 and 2002, consolidation of special funds in 2001 and other errors related to minority interest and policyholder participation occurred in combination with mergers. The Errors had the effect of reducing net income by €78 mn in 2006, €42 mn in 2005, and €157 mn for the 4 years from 2001 through 2004. As the majority of the Errors related to the years 2001 through 2004, the Errors from these periods have been accounted for in 2007 by adjusting the opening balance sheet as of January 1, 2005. The Errors for 2005 and 2006 have been corrected through an out-of-period adjustment to net income in 2007. Certain financial instruments that were previously presented on a net presentation are now presented on a gross basis, due to contractual limitations to the right of offset. Partially offsetting these reclassifications from net to gross presentation is a change in the presentation of Collateral paid for securities borrowing transactions and Collateral received for securities lending transactions from gross to net presentation. The net effect is an increase in total assets and total liabilities of €57,610 mn. For further information, see Note 3 to the consolidated financial statements.

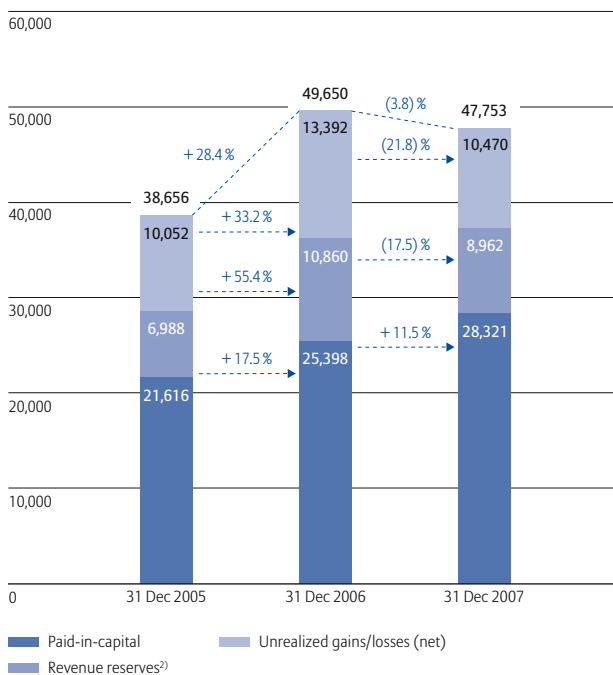
²⁾ As of December 31, 2007, € 23,163 mn are pledged to creditors and can be sold or repledged (2006: € 90,211 mn).

³⁾ As of December 31, 2007, € 7,384 mn are pledged to creditors and can be sold or repledged (2006: € 3,156 mn).

Shareholders' Equity

Shareholders' equity¹⁾

in € mn



¹⁾ Does not include minority interests of € 3.6 bn, of € 7.2 bn and of € 8.4 bn as of December 31, 2007, 2006 and 2005, respectively. Please see note 23 to the consolidated financial statements for further information. Includes retrospective correction as of January 1, 2005 of € 0.8 bn. Please see note 3 to the consolidated financial statements for further information.

²⁾ Includes foreign currency translation adjustments.

In 2007, our shareholders' equity slightly decreased by 3.8% to € 47.8 billion. Additions to the shareholders' equity were primarily the 2007 net income of € 8.0 billion and a capital increase of € 2.8 billion raised as part of financing the AGF minority buy-out. The accounting treatment of the goodwill related to the minority buy-outs amounting to € 7.0 billion together with the transfer on disposal of unrealized gains and losses to realized of € 2.5 billion were the largest downward movements. Furthermore foreign currency translation effects of € 1.4 billion and the dividend payment of € 1.6 billion contributed to the overall reduction in our shareholders' equity.

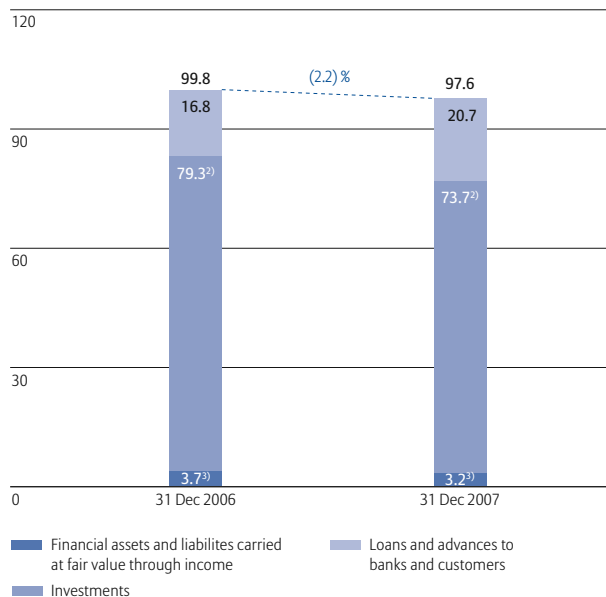
Total Assets and Total Liabilities

Total assets and liabilities decreased by € 48.9 billion and € 43.5 billion, respectively. In the following sections we analyze important developments within the balance sheets of our Life/Health, Property-Casualty and Banking segments as presented on page 162. Relative to the Allianz Group's total assets and total liabilities, we consider the total assets and total liabilities from our Asset Management segment as immaterial and have, accordingly, excluded these assets and liabilities from the following discussion. Our Asset Management segment's results of operations stem primarily from its business with third-party assets. Please see pages 60 and 61 for further information on the development of our third-party assets.

Assets and Liabilities of the Property-Casualty segment

Property-Casualty asset base

fair values¹⁾ in € bn



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

²⁾ Does not include affiliates of € 10.0 bn and € 9.5 bn as of December 31, 2007 and 2006, respectively.

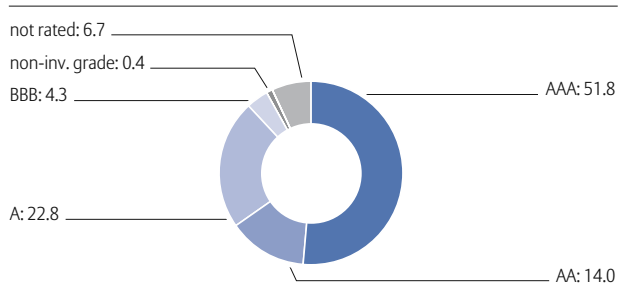
³⁾ Includes debt securities of € 2.7 bn and € 3.2 bn as of December 31, 2007 and 2006, respectively, equity securities of € 0.4 bn and € 0.4 bn as of December 31, 2007 and 2006, respectively, and derivative financial instruments of € 0.1 bn and € 0.1 bn as of December 31, 2007 and 2006, respectively.

Property-Casualty assets

Our property-casualty asset base decreased by € 2.2 billion to € 97.6 billion. In the segment's investments, excluding affiliates, we recorded a decline of € 5.6 billion to € 73.7 billion. Thereof, debt securities decreased by € 2.0 billion to € 50.3 billion as a result of higher interest rates which had direct negative impact on the fair value. Equity investments were down € 2.6 billion to € 16.5 billion mainly caused by a strategic decision to actively decrease our equity exposure in order to reduce equity gearing.

Of our average Property-Casualty asset base, ABS made up € 4.9 billion, as of December 31, 2007, which is around 5%. CDOs accounted for € 0.2 billion of this amount, of which € 8 million are subprime-related. Unrealized losses on CDOs of € 2 million were recorded in our equity. Realized losses of € 12 million were reflected in the segment's income.

Rating structure of Property-Casualty fixed income portfolio ¹⁾ in %



¹⁾ including loans and debt securities

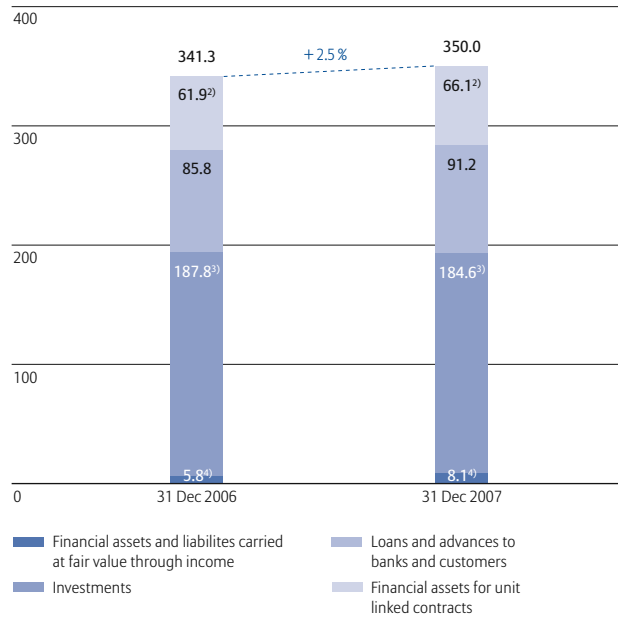
Property-Casualty liabilities

In 2007, reserves for loss and loss adjustment expenses decreased by € 1.8 billion to € 56.9 billion. Important contributors to this decline were the positive development on prior years' loss reserves primarily in Italy, France, the United Kingdom, Australia and within the credit insurance business, as well as foreign currency translation effects.

Assets and Liabilities of the Life/Health segment

Life/Health asset base

fair values ¹⁾ in € bn



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

²⁾ 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 with the value of financial liabilities for unit-linked contracts.

³⁾ Does not include affiliates of € 2.7 bn and € 2.8 bn as of December 31, 2007 and 2006, respectively.

⁴⁾ Includes debt securities of € 9.3 bn and € 7.3 bn as of December 31, 2007 and 2006, respectively, equity securities of € 3.3 bn and € 2.9 bn as of December 31, 2007 and 2006, respectively, and derivative financial instruments of € (4.5) bn and € (4.4) bn as of December 31, 2007 and 2006, respectively.

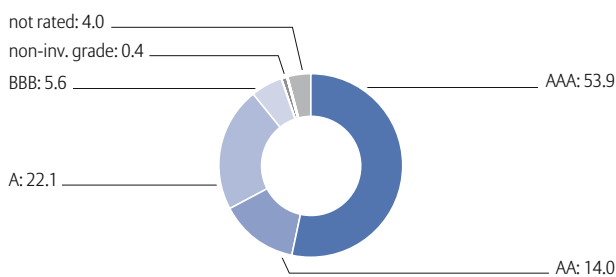
Life/Health assets

Our Life/Health asset base grew by 2.5% to € 350.0 billion. This development stemmed primarily from increased loans and advances to banks and customers, up 6.3% to € 91.2 billion. Investments decreased slightly by 1.7% to € 184.6 billion, excluding affiliates. Thereof, equity investments amounted to € 41.2 billion, € 1.0 billion lower than the last year as the upward market trend was reduced by higher realized gains. Debt securities were down by € 1.2 billion to € 137.6 billion principally due to increased market interest rates and, as a result, downward trends in fixed income indices. Financial assets for unit-linked contracts increased by € 4.2 billion to € 66.1 billion reflecting our sales success with unit-linked insurance and investment contracts. In

aggregate, statutory premiums collected for unit-linked insurance and investment contracts amounted to € 17.3 billion.

Within our Life/Health asset base, ABS amounted to € 13.8 billion, as of December 31, 2007, less than 4% of total average Life/Health assets. Of these, € 0.3 billion are CDOs of which none are subprime-related. No unrealized losses on CDOs were recorded in our equity. Realized losses of € 7 million were reflected in the segment's income.

Rating structure of Life/Health fixed income portfolio ¹⁾
in %



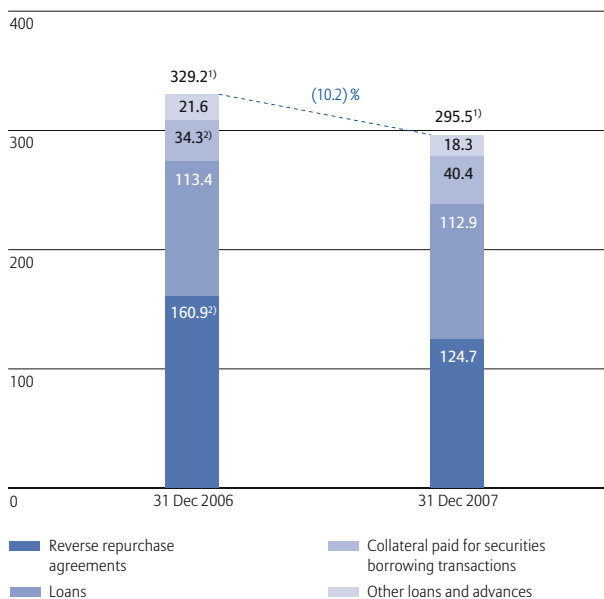
¹⁾ including loans and debt securities

Life/Health liabilities

Life/Health reserves for insurance and investment contracts were up 1.8% to € 283.1 billion including an increase of 3.0% or € 7.6 billion in aggregate policy reserves mainly from domestic business partly offset by a decrease in provisions for premium refunds of 9.2% or € 2.6 billion, triggered for the most part by subsidiaries in France, Germany and Italy.

Assets and Liabilities of the Banking segment

Banking loans and advances to banks and customers
in € bn



¹⁾ Includes loan loss allowance of € (0.8) bn and € (1.0) bn as of December 31, 2007 and 2006, respectively.

²⁾ Due to changes in the presentation of financial instruments we retrospectively adjusted figures for 2006. For further information see Note 3 to our consolidated financial statements.

Banking loans and advances to banks and customers

Loans and advances to banks and customers in our banking segment decreased by 10.2% to € 295.5 billion as of December 31, 2007. The decrease was particularly driven by a reduced volume in reverse repurchase agreements of Dresdner Bank. This development was a result of the financial market turbulence which led to distortions in the money market business and therefore to reduced business activities between banks.

Banking liabilities to banks and customers

Due to the reasons mentioned, liabilities to banks and customers also experienced a decrease of 12.4% to € 320.4 billion namely in the form of repurchase agreements.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Allianz Group enters into arrangements that, under IFRS, are not recognized on the consolidated balance sheet and do not affect the consolidated income statement. Such arrangements remain off-balance sheet as long as the Allianz Group does not incur an obligation from them or become entitled to an asset itself. As soon as an obligation is incurred, it is recognized on the Allianz Group's consolidated balance sheet, with the corresponding loss recorded in the consolidated income statement. However, in such cases, the amount recognized on the consolidated balance sheet may or may not, in many instances, represent the full loss potential inherent in such off-balance sheet arrangements. The Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue. The types of off-balance sheet arrangements that Allianz is involved in are described below.

Commitments and Guarantees

In the normal course of business, we enter into various irrevocable loan commitments, leasing commitments, purchase obligations and various other commitments. We also extend market value guarantees to customers, as well as execute indemnification contracts under existing service, lease or acquisition transactions. Fee income from issuing guarantees is not a significant part of our total income, and losses incurred under guarantees and income from the release of related provisions were insignificant for each of the last three years. For further information, see Note 46 to our consolidated financial statements.

Special purpose entities ("SPEs")

The Allianz Group is involved with a variety of SPEs including asset securitization entities, investment funds and investment conduits. The Allianz Group is involved in asset securitization entities through arranging, facilitating, and in certain cases, managing investment conduits for banking customers in connection with asset-backed security transactions where the SPEs receive the underlying assets, such as trade or finance receivables from the Allianz Group's banking customers and securitizes such assets to provide customers with cost-efficient financing.

In providing these services, the Allianz Group may in some instances have a financial interest in such financing structures. However, the risk of financial loss may be mitigated through participations in such losses by other third party investors.

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

As required under IFRS, the Allianz Group consolidates an SPE when the substance of the relationship between Allianz and the SPE indicates that the SPE is controlled by Allianz. The following table presents the assets held by all SPEs for which the Allianz Group controls the SPE by means other than a majority voting interest. Therefore, these SPEs are consolidated in the Allianz Group's consolidated financial statements as of December 31, 2007.

As of December 31, 2007				
Type of SPE	Total assets € mn	Consolidated assets which are collateral for SPE's obligations	Amount of consolidated assets which are collateral for SPE's obligations € mn	Creditor's recourse to Allianz Group assets € mn
Asset-backed securities transactions	22,643	Various receivables corporate notes, index certificates and derivatives	22,643	—
Structured finance transactions	12,413	Corporate notes, German bund securities, lease receivables, cash funds	12,413	—
Derivatives transactions	3,861	Derivatives, equity, leases and cash balances	3,861	—
Investment funds	1,739	Hedge fund units, bonds, investment funds and derivatives	1,739	—
Other	469	Real estate, equity instruments and cash and cash equivalents	469	—
Total	41,125		41,125	—

The following tables set forth the total assets of non-consolidated SPEs in which the Allianz Group has a significant beneficial interest, the Allianz Group's maximum exposure to loss associated with these SPEs and further information regarding the Allianz Group's involvement as of December 31, 2007. A significant beneficial interest is considered to be either an investment greater than €100 million in an SPE, or a smaller investment in an SPE that leads to expected losses greater than €5 million. Allianz Group's maximum exposure to loss comprises the total amount of investment, including

note positions, committed liquidity facilities (whether drawn or not), or guarantee notionals. It describes a worst case scenario without considering the asset rating, available collateral, other types of protection or hedging activities that can and do significantly reduce the economic exposure of these SPEs to the Allianz Group. The non-consolidated SPEs are aggregated based on principal business activity, as reflected in the first column. The nature of the Allianz Group's interest in these SPEs can take different forms, as described in the second column.

As of December 31, 2007			
Type of SPE	Nature of Allianz Group's involvement with SPEs	Total assets € mn	Allianz Group's maximum exposure to loss € mn
Investment funds	Guarantee obligations	2,039	1,852
Investment funds	Investment manager and/or equity holder	970	32
Vehicles used for CDOs, securitization and credit derivative transactions	Arranger, establisher, servicer, liquidity provider and/or investment counterparty	13,818	11,397
Hedge funds	Hedge funds, Master funds, Equity holder	33,723	1,028
Securitization conduit	Commercial paper	8,654	1,658
SIV – K2	Capital notes, liquidity, repo facilities and investment manager	16,344	3,546
Vehicles used for CBO and CDO transactions	Investment manager and/or equity holder	6,518	1
Other	Client financing transaction	1,684	1,390
Total		83,750	20,904

The following table summarizes the Allianz Group's maximum exposures to loss by the type of exposure and by type of SPE:

Without any mitigation of risks	Equity/Fund Investment € mn	Notes ¹⁾ € mn	Liquidity Facilities ²⁾ € mn	Guarantees € mn	CDS € mn	Other € mn	Total € mn
Investment funds – guarantee obligations	—	—	—	1,852	—	—	1,852
Investment funds	12	20	—	—	—	—	32
Vehicles used for CDOs, securitization and credit derivative	6	9,450	1,531	—	—	410	11,397
Hedge funds	604	—	424	—	—	—	1,028
Securitization conduit	—	1,490	—	—	135	33	1,658
SIV – K2	—	47	102	—	—	3,397	3,546
Vehicles used for CBO and CDO transactions	—	1	—	—	—	—	1
Other	31	1,359	—	—	—	—	1,390
Total	653	12,367	2,057	1,852	135	3,840	20,904

¹⁾ The notes category primarily consists of CDOs and CLOs.

²⁾ Maximum amount of liquidity facility which could but must not be drawn.

The following table provides the years to maturity of the Allianz Group's maximum exposure to loss in the non-consolidated SPEs.

Years to maturity	Less than 1 € mn	1-3 € mn	3-5 € mn	Over 5 € mn	Equity € mn	Total € mn
Investment funds – guarantee obligations	1,852	—	—	—	—	1,852
Investment funds	—	—	12	8	12	32
Vehicles used for CDOs, securitization and credit derivative transactions	2,934	68	888	7,501	6	11,397
Hedge funds	424	—	—	—	604	1,028
Securitization conduit	1,523	—	—	135	—	1,658
SIV – K2	3,499	—	—	47	—	3,546
Vehicles used for CBO and CDO transactions	1	—	—	—	—	1
Other	1	1,358	—	—	31	1,390
Total	10,234	1,426	900	7,691	653	20,904

The Group's liquidity facilities and capital maintenance guarantees as of December 31, 2007 are summarized above as with a "maturity less than 1 year".

In addition to an equity interest or fund investment interest, the Allianz Group has various other types of interests in certain non-consolidated SPEs. These interests include direct loans, as well as liquidity facilities, which the SPE can draw upon if necessary. For certain mutual funds, primarily those sponsored by Allianz Global Investors in the normal course of business, the Allianz Group has guaranteed a portion of the investors' principal. Other agreements include securities lending and a foreign currency hedge transaction.

On February 21, 2008 Dresdner Bank decided to offer the Structured Investment Vehicle ("SIV") K2 a support facility. The offer is intended to ensure the repayment of all senior

debt of K2. Dresdner Bank will take over the assets that remain after the restructuring. The impact on the consolidated financial statements will depend on the specific restructuring alternative selected and implemented.¹⁾

¹⁾ On March 18, 2008, Dresdner Bank and K2 Corporation entered into an agreement through which Dresdner Bank will provide a support facility to the Structured Investment Vehicle, K2. The agreement, which consists of a U.S.\$1,500,000,000 committed revolving mezzanine credit facility and a 'backstop' facility, follows the announcement by Dresdner Bank on February 21, 2008 that it intended to offer support to K2.

The mezzanine credit facility provides K2 with immediate additional liquidity, allowing K2 to draw-down funds for terms up to the maturity date of its longest dated senior debt obligations. Under the terms of the backstop facility, Dresdner Bank has undertaken to provide to K2 firm prices at which it will purchase assets from K2 in the event that K2 is unable to obtain better prices for such assets on the open market. The aggregate of such prices provided by Dresdner Bank will at all times equate to an amount that ensures K2 has sufficient funds to repay its senior debt in full.

K2 is a SIV incorporated in Grand Cayman on October 17, 1997. K2 has invested in a diversified portfolio of assets. Dresdner Bank acts as the asset manager of K2.

In regard to credit risk, the rating of K2 assets as of December 31, 2007 is presented as follows:

Rating Category	Moody's	S&P
	% of Portfolio	% of Portfolio
Aaa/AAA including Super Senior ¹⁾	57.67	55.85
Aa/AA	37.84	31.94
A/A	3.83	11.55
Baa/BBB	0.66	0.66

¹⁾ Super senior bonds, a subset of the 'AAA' class, are senior to all other classes with respect to both repayment and loss, including subordinate 'AAA' classes.

As of December 31, 2007, the weighted average life of K2 cash assets is 3.34 years, and the weighted average life of K2 credit derivative assets is 3.89 years.

K2 raised its funding by issuing shares, subordinated capital notes ("CN"), commercial paper ("CP") and mid-term notes ("MTN"). K2's senior funding is broken down in the following categories: European commercial paper ("E-CP"), European mid-term notes ("E-MTN"), U.S. commercial paper ("US-CP") and U.S. mid-term notes ("US-MTN"). The weighted average life of K2's senior liabilities is 0.56 years as of December 31, 2007. Due to the extraordinary disruption of CP/MTN markets that started in 2007, liquidity has temporarily been provided by Dresdner Bank through buy/sell-back financing on arms-length conditions.

The maximum limit of the losses to be borne by capital note holders currently amounts to €1.3 billion. Dresdner Bank currently holds €47 million or 3.5% of the capital notes. The variable interests that Dresdner Bank holds in K2 consist of capital note coupons and investment management fees.

In addition, Dresdner Bank provides K2 with a committed liquidity facility amounting to €102 million. The obligation to fund K2 under the committed liquidity facility is at the request of K2 and is subject to certain conditions precedent being met. Terms that would limit Dresdner Bank's obligation to provide K2 funding include the standard conditions regarding enforceability (e.g., that the facility does not contravene applicable law and that no liquidity event of K2's default is outstanding or would result from the making of the liquidity advance). There are several other liquidity providers, each of whose facility ranks pari passu with Dresdner Bank's facility and the terms and conditions of the facilities are similar in all material respects.

Liquidity and Capital Resources

- Allianz Group and its subsidiaries are well-capitalized.
- Ratings upgraded by both Standard & Poor's and A.M. Best.

Organization

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

Liquidity Resources

Our liquidity resources result from the operations of our Property-Casualty, Life/Health, Banking and Asset Management segments, as well as from capital raising activities. In the context of a financial services company, where our working capital is largely representative of our liquidity, we believe our working capital is sufficient for our present requirements.¹⁾

Allianz SE coordinates and executes external debt financing for instance through securities issues and other capital raising transactions for the Allianz Group in order to fund any liquidity need. We have access to commercial paper, medium-term notes and other credit facilities as additional sources of liquidity. As of December 31, 2007, we had access to unused, committed and long-term credit lines as a source of further liquidity with different banks.

Allianz owns several finance companies. We execute our external debt financing and other corporate financing purposes primarily through two of these companies: Allianz Finance B.V. and Allianz Finance II B.V., both incorporated in the Netherlands.

¹⁾ For further information regarding the management of our liquidity risk please refer to our Risk Report on page 94.

Debt and Capital Funding

As of December 31, 2007, the majority of Allianz SE's external debt financing was made up of bonds and money market securities.

Our total certificated liabilities outstanding as of December 31, 2007 was € 42,070 million (December 31, 2006: € 54,922 million). Of these, € 28,523 million are due within one year.²⁾ Our total participation certificates and subordinated liabilities outstanding as of December 31, 2007 were € 14,824 million (December 31, 2006: € 16,362 million). Thereof, € 1,476 million are due within one year.³⁾

In December 2003, Allianz SE (then Allianz AG) established a Medium Term Note (or "MTN") program which was established for the purposes of external and internal debt issuance. The aggregate volume of debt issued by Allianz Finance B.V. and Allianz Finance II B.V. for the years ended December 31, 2007 and 2006 was € 0.3 billion and € 2.3 billion, respectively. As of December 31, 2007, Allianz SE had money market securities outstanding with a carrying value of € 2,929 million.

On March 9, 2007 we redeemed 64.35% of the Basket Index Tracking Equity Linked Securities ("BITES") exchangeable bond, representing € 0.8 billion notional, issued in February 2005, with Munich Re shares.

Our use of commercial paper as a short-term financing instrument was increased by € 2.0 billion to € 2.9 billion in 2007 from € 0.9 billion in 2006. Interest expense on commercial paper increased by 85.1% to € 87.0 million (€ 47.0 million) due to increasing interest rates in 2007 and higher average usage.

²⁾ See Note 21 to our consolidated financial statements for further information.

³⁾ See Note 22 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.

On April 2, 2007, Allianz Finance II B.V. issued USD 400 million of senior bonds, guaranteed by Allianz SE, with a floating coupon rate. The maturity of this bond is April 2, 2009.

On July 10, 2007, the Allianz Group completed the squeeze-out procedure for the outstanding AGF shares. In connection with this transaction, we completed a capital increase

involving the issuance of 16.97 million new Allianz SE shares. The total cash component of the consideration for the acquisition of the outstanding AGF shares amounted to approximately € 6.0 billion.

On January 14, 2008, the Allianz Group announced its intention to redeem the remaining 35.65% of the BITES index-linked bond at the final maturity date with Munich Re shares.¹⁾

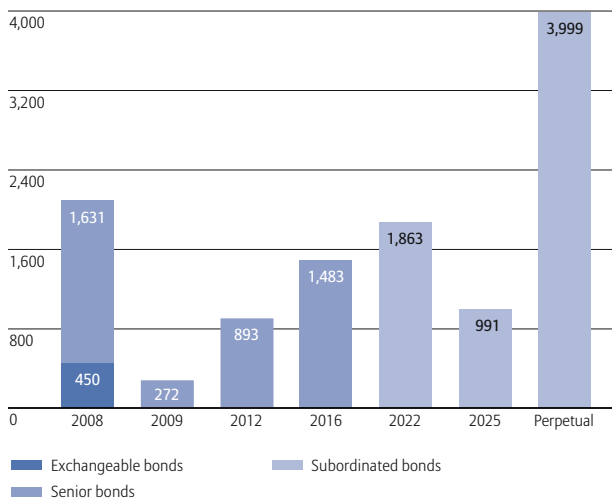
Allianz SE's issued debt as of December 31, 2007 and 2006¹⁾

	2007			2006		
	Nominal value € mn	Carrying value € mn	Interest expense € mn	Nominal value € mn	Carrying value € mn	Interest expense € mn
Senior bonds	4,306	4,279	209.3	6,232	6,195	258.9
Subordinated bonds	7,043	6,853	407.1	7,079	6,883	404.6
Exchangeable bonds	450	450	8.3	1,262	1,262	14.8
Total	11,799	11,582	624.7	14,573	14,340	678.3

¹⁾ Bonds and exchangeable bonds issued or guaranteed by Allianz SE in the capital market, presented at nominal and carrying values. Excludes € 85.1 mn of participation certificates at each December 31, 2007 and 2006, with interest expense of € 16.2 mn and € 6.2 mn, respectively.

Certificated liabilities and subordinated bonds¹⁾ by maturity – Overview as of December 31, 2007

in € mn



¹⁾ Bonds and exchangeable bonds issued or guaranteed by Allianz SE in the capital market, presented at carrying values. Excludes € 85.1 million of participation certificates.

¹⁾ See Note 52 to our consolidated financial statements for further information on this early redemption.

Allianz SE Issued Debt Outstanding as of December 31, 2007¹⁾

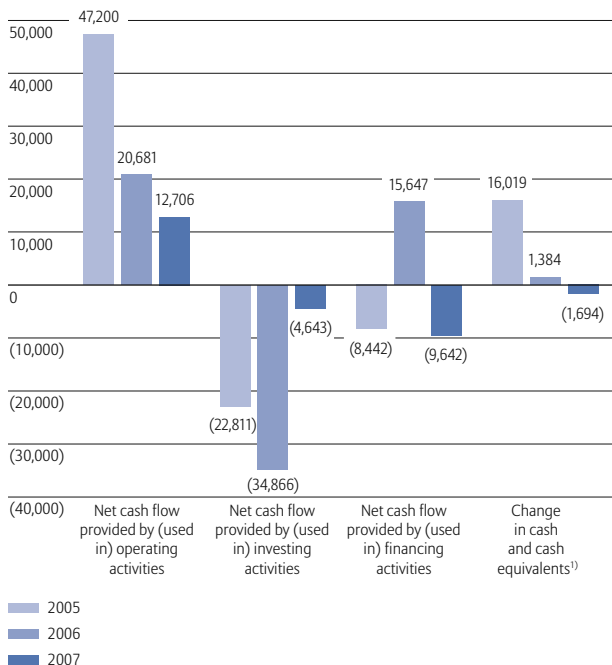
		Interest expense in 2007			Interest expense in 2007
1. Senior bonds					
5.0% bond issued by Allianz Finance B.V., Amsterdam			5.5% bond issued by Allianz SE		
Volume	€ 1.6 bn		Volume	€ 1.5 bn	
Year of issue	1998		Year of issue	2004	
Maturity date	3/25/2008		Maturity date	Perpetual Bond	
ISIN	DE 000 230 600 8		ISIN	XS 018 716 232 5	
Interest expense		€ 85.0 mn	Interest expense		€ 84.0 mn
Floating coupon rate bond issued by Allianz Finance II B.V., Amsterdam			4.375% bond issued by Allianz Finance II B.V., Amsterdam		
Volume	USD 0.4 bn		Volume	€ 1.4 bn	
Year of issue	2007		Year of issue	2005	
Maturity date	4/2/2009		Maturity date	Perpetual Bond	
SIN	—		ISIN	XS 021 163 783 9	
ISIN	—		Interest expense		€ 62.9 mn
Interest expense		€ 11.5 mn	5.375% bond issued by Allianz Finance II B.V., Amsterdam		
5.625% bond issued by Allianz Finance II B.V., Amsterdam			Volume	€ 0.8 bn	
Volume	€ 0.9 bn		Year of issue	2006	
Year of issue	2002		Maturity date	Perpetual Bond	
Maturity date	11/29/2012		ISIN	DE000A0GNPZ3	
ISIN	XS 015 879 238 1		Interest expense		€ 46.0 mn
Interest expense		€ 51.2 mn	Total interest expense for subordinated bonds		€ 407.1 mn
4.00% bond issued by Allianz Finance B.V., Amsterdam			3. Exchangeable bonds		
Volume	€ 1.5 bn		0.75% Basket Index Tracking Equity Linked Securities (BITES) issued by Allianz Finance II B.V., Amsterdam		
Year of issue	2006		Underlying	DAX®	
Maturity date	11/23/2016		Volume	€ 0.5 bn	
ISIN	XS 027 588 026 7		Year of issue	2005	
Interest expense		€ 61.6 mn	Maturity date	2/18/2008	
Total interest expense for senior bonds		€ 209.3 mn	ISIN	XS 021 157 635 9	
2. Subordinated bonds			Interest expense		€ 8.3 mn
6.125% bond issued by Allianz Finance II B.V., Amsterdam			Total interest expense for exchangeable bonds		€ 8.3 mn
Volume	€ 2 bn		4. Participation certificates		
Year of issue	2002		Allianz SE participation certificate		
Maturity date	5/31/2022		Volume	€ 85.1 mn	
ISIN	XS 014 888 756 4		ISIN	DE 000 840 405 4	
Interest expense		€ 120.5 mn	Interest expense		€ 16.2 mn
6.5% bond issued by Allianz Finance II B.V., Amsterdam			Total interest expense for participation certificates		€ 16.2 mn
Volume	€ 1 bn		5. Issues that matured in 2007		
Year of issue	2002		5.75% bond issued by Allianz Finance B.V., Amsterdam		
Maturity date	1/13/2025		Volume	€ 1.1 bn	
SIN	377 799		Year of issue	1997/2000	
ISIN	XS 015 952 750 5		Maturity date	7/30/2007	
Interest expense		€ 65.9 mn	ISIN	DE 000 194 000 5	
7.25% bond issued by Allianz Finance II B.V., Amsterdam			Interest expense		€ 37.0 mn
Volume	USD 0.5 bn		4.625% bond issued by Allianz Finance II B.V., Amsterdam		
Year of issue	2002		Volume	€ 1.1 bn	
Maturity date	Perpetual Bond		Year of issue	2002	
ISIN	XS 015 915 072 0		Maturity date	11/29/2007	
Interest expense		€ 27.8 mn	ISIN	XS 015 878 835 5	
			Interest expense		€ 47.9 mn
			Total interest expense for matured issues		€ 84.9 mn
			Total interest expense		€ 725.8 mn

¹⁾ Bonds and exchangeable bonds issued or guaranteed by Allianz SE in the capital market.

Allianz Group Consolidated Cash Flows

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

in € mn



¹⁾ Includes effect of exchange rate changes on cash and cash equivalents of € (115) mn, € (78) mn and € 72 mn in 2007, 2006 and 2005, respectively.

Positive net cash flow provided by operating activities was € 12.7 billion in 2007, down € 8.0 billion from a year ago. This decline resulted primarily from higher net outflows for collateralized refinancing activities in the banking segment.

Lower net cash outflow used in investing activities, at € 4.6 billion in 2007 compared to € 34.9 billion in the prior year, was mainly attributable to an increase in both available-for-sale investments and change in other loans and advances to banks and customers.

Net cash outflow provided by financing activities was down by € 25.3 billion to € 9.6 billion in 2007. The main contributing factors were lower net inflows from liabilities to banks and customers, as well as higher net outflows from certificated liabilities, participation certificates and subordinated liabilities. Additionally the cash flow for financing activities was affected by higher outflows from transactions between equityholders (mainly AGF).

Overall, cash and cash equivalents decreased by € 1.7 billion to € 31.3 billion as of December 31, 2007.

Cash and cash equivalents

As of December 31,	2007 € mn	2006 € mn
Balances with banks payable on demand	23,848	26,915
Balances with central banks	6,301	4,945
Cash on hand	918	919
Treasury bills, discounted treasury notes, similar treasury securities and checks	264	224
Bills of exchange	6	28
Total	31,337	33,031

The Allianz Group holds cash and cash equivalents in more than 30 different currencies, although such cash and cash equivalents are held primarily in Euros, U.S. Dollars and Swiss Francs.¹⁾

¹⁾ See Note 6 to our consolidated financial statements for additional information on the Allianz Group's cash and cash equivalents.

Risk Report

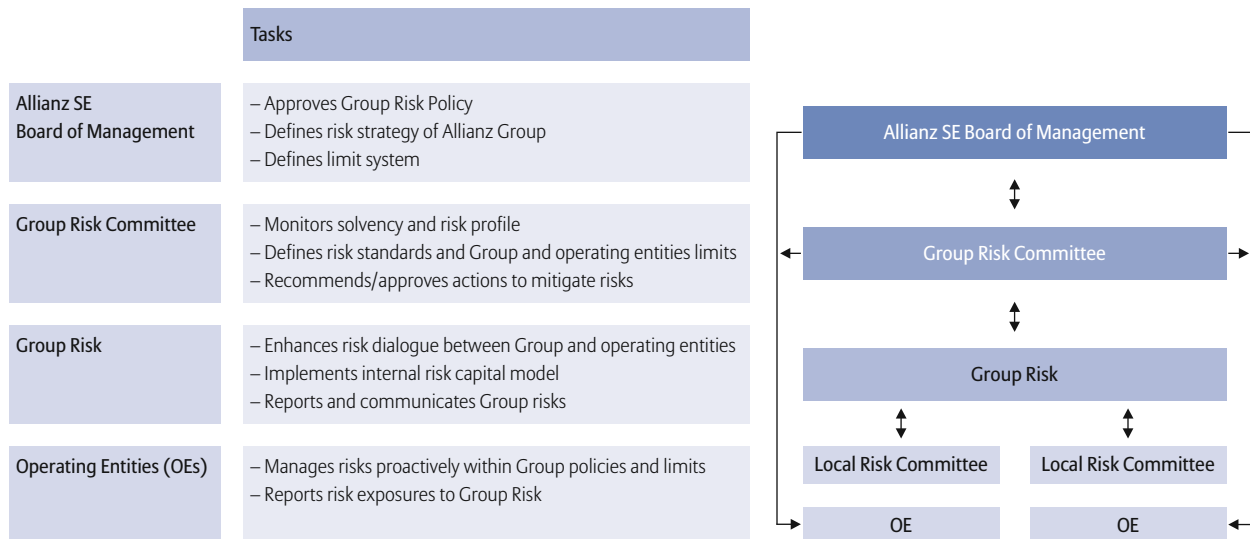
Allianz risk management is designed to add value by focusing on both risk and return.

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

- Promotion of a strong risk culture supported by a robust risk governance structure.
- Integrated risk capital framework consistently applied across the Group to protect our capital base and to support effective capital management.
- Integration of risk considerations and capital needs into management and decision making processes through the attribution of risk and allocation of capital to the various segments.

Risk Governance Structure

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



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

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

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

Local operating entities assume responsibility for their own risk management, with risk functions and committees that are similar to the Group structure. Independent risk oversight is a fundamental principle of our risk governance structure, with a clear separation between business functions that actively take decisions and assume risk responsibility, on the one hand, and independent risk oversight, on the other hand. Risk oversight consists of independent risk identification,

assessment, reporting and monitoring, but also includes analyzing alternatives and proposing recommendations to the Risk Committees and local management or to the Board of Management of Allianz SE. The local risk departments performing the oversight role in our major operating entities are headed by a local Chief Risk Officer. Group Risk is represented on the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

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

Allianz Group's risk landscape is continually evolving due to changes in our environment. In order to adapt, the Trend Assessment Committee is responsible for early recognition of new risks and opportunities evaluating long-term trends that may have a significant impact on the Allianz Group's risk profile. In addition, the Allianz Climate Core Group is a panel of internal experts that examines the possible effects of climate change on our business developing risk management strategies and identifying potential opportunities resulting from climate change.

Internal Risk Capital Framework

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

Value-at-Risk approach

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

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

Diversification and correlation assumptions

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

to help ensure that the positive developments of some businesses operate in such a manner to neutralize the possible negative developments of others.

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

Scope

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

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

¹⁾ Foreign currency risks are mainly allocated to the Corporate segment.

²⁾ As commodity risk is not significant on the Group level, it is covered in our internal risk capital model within currency risk.

³⁾ Although the internal risk capital requirements for the Asset Management segment only reflect business risk, the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

⁴⁾ Reinsurance credit risk 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.

⁵⁾ In the Banking segment, credit risks include default and migration risks arising from the lending and securities business and our derivatives trading activities; for the latter, settlement risk is additionally taken into account. Furthermore, credit risks include country (and transfer) risk.

Our internal risk capital model covers:

- Substantially all of our major insurance and banking operations.
- Substantially all of our assets (including bonds, mortgages, investment funds, loans, floating rate notes, equities and real estate) and liabilities (including the cash flow profile of all technical reserves as well as deposits and issued securities). For the Life/Health segment, the model reflects the interaction between assets and liabilities and local

management decisions such as investment strategies and policyholder participation rules.

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

For smaller insurance operating entities that have an immaterial impact on the Group risk profile, and for the Asset Management segment, we assign internal risk capital requirements based on an approach similar to Standard & Poor's standard model, using the same risk categories as for our internal risk capital model, thereby allowing us to consistently aggregate internal risk capital for all segments to the Group level. More specifically, approximately 99% of the investments managed by the Asset Management segment are held for the benefit of either third parties or Allianz Group insurance entities and, therefore, do not result in significant market and credit risk for the Asset Management segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk. Furthermore, Dresdner Bank represents substantially all of the internal risk capital of our Banking segment accounting for 96% of our total Banking segment's internal risk capital. Therefore, the detailed risk discussion in the Banking segment below relates to Dresdner Bank only.

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

Limitations

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

We assume that model parameters derived from historical data can be used to characterize future possible risk events; if future market conditions differ substantially from the past, as in the case of the 2007 credit crisis for which there was no precedent, then our VaR approach may be too conservative or too liberal in ways that can not be predicted. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.97% and one-year holding period.

Furthermore, as historical data is used to calibrate the model, it cannot be used for validation. Instead, we validate the model and parameters through external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our model adequately assesses the risks to which we are exposed.

As our internal risk capital model considers the change in economic fair value of our assets and liabilities, it is crucial to accurately estimate the fair value of each item. For certain assets and liabilities, we apply a mark-to-model approach without having available a current market price for that instrument or similar instruments. For our liabilities, the accuracy of fair values also depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed in the aggregate.

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

Capital Management

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

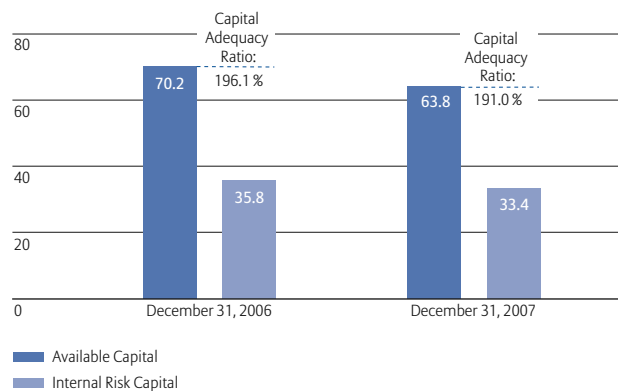
In managing our capital position, we also consider additional external requirements of regulators and rating agencies. While meeting rating agencies’ capital requirements forms a strategic business objective of the Allianz Group, capital requirements imposed by regulators constitute a binding constraint.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

Internal capital adequacy

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

Available capital ¹⁾ and internal risk capital
in € bn

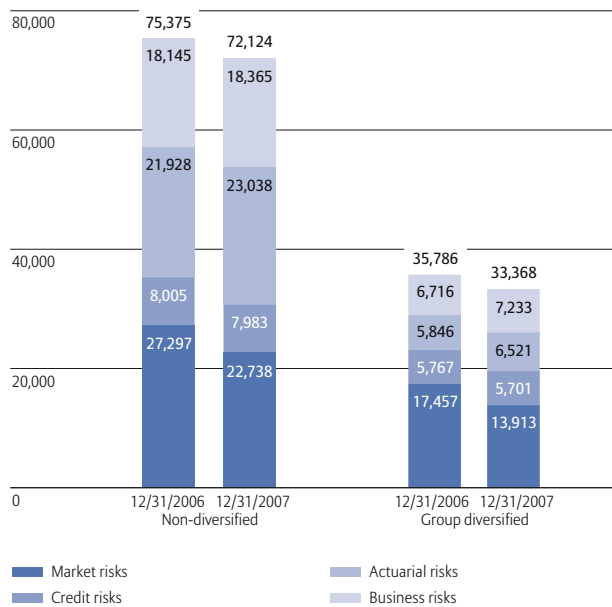


Our available capital at December 31, 2007 amounted to € 63.8 billion (2006: € 70.2 billion ¹⁾), while our internal capital requirements at December 31, 2007 amounted to € 33.4 billion (2006: € 35.8 billion), resulting in a capital adequacy ratio of 191.0% at December 31, 2007, compared to 196.1% at December 31, 2006. The decrease of 9.1% in available capital was primarily driven by a decrease of shareholders’ equity due to the buy-out by Allianz of the minority interests in AGF.

The Allianz Group-wide internal risk capital after Group diversification and before minority interests of € 33.4 billion at December 31, 2007 reflects a realized diversification benefit on the Group level of approximately 54%. Non-diversified and Group diversified internal risk capital are broken down as follows:

¹⁾ The figure for available capital in 2006 has been adjusted. See Note 3 to our consolidated financial statements for further information.

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



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



The overall decrease of 6.8% in internal risk capital in 2007 was due to a decline in market risk, which is discussed in more detail in the respective section.

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.

At December 31, 2007, based on the current status of discussion, our eligible capital for the solvency margin required for our insurance segments and our banking and asset management business is € 45.5 billion (2006: € 49.5 billion¹⁾) including off-balance sheet reserves²⁾, surpassing the minimum legally stipulated level by € 16.6 (2006: € 23.4 billion). This margin results in a preliminary cover ratio³⁾ of 157% at December 31, 2007 (2006: 190%). The decrease of 8.1% in eligible capital was primarily driven by a decrease of shareholders' equity due to the buy-out by Allianz of the minority interests in AGF. See Note 23 to our consolidated financial statements for further information with respect to capital requirements.

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, 2007, the financial strength of Allianz SE was rated by Standard & Poor's as "AA" (stable outlook), by A. M.

¹⁾ The figure for available capital in 2006 has been adjusted. See Note 3 to our consolidated financial statements for further information.

²⁾ Off-balance sheet reserves represent the difference between the fair value and the amortized cost of real estate used by third parties and investments in associates and joint ventures, net of deferred taxes, policyholders' participation and minority interests.

³⁾ Represents the ratio of eligible capital to required capital.

Best as “A+” (stable outlook), and by Moody’s as “Aa3” (stable outlook). Subsequently to December 31, 2007, Standard & Poor’s changed the outlook on its rating of Dresdner Bank (“A+”) from stable to negative.

In addition to its long-term financial strength rating, Standard & Poor’s has introduced a new rating category for “Enterprise Risk Management” (ERM) which is rated separately. Standard & Poor’s commenced its analysis of the Allianz risk management approach in 2006 and continued the review in 2007. Currently Standard & Poor’s has assigned Allianz a “Strong” rating for the ERM capabilities for our insurance operations. This rating indicates that Standard & Poor’s regards it “unlikely that Allianz SE will experience losses outside its risk tolerance”. Standard & Poor’s stated that the assessment is based on the Allianz Group’s strong risk management culture, strong controls for the majority of key risks and strong strategic risk management.

Supplementary stress test analysis

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

For example, stress test results on a Group level indicated that a 10% price decline in our available-for-sale equity securities as of December 31, 2007 would have resulted in a € 2.7 billion decline in shareholders’ equity before minority interests. If the interest rate had increased by 100 basis points, shareholders’ equity before minority interests would have decreased by € 3.6 billion, if available-for-sale fixed income securities are taken into account as of December 31, 2007.

Concentration of Risks

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

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

Similarly, the Group monitors and limits credit exposures to single obligors and groups. We identify and measure risk concentrations in terms of non-diversified internal risk capital in line with the risk categories covered in our internal risk capital model. In the subsequent sections all risks are presented before and after diversification and concentrations of single sources of risk are discussed accordingly.

Market Risk

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

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

As of December 31,	Non-diversified		Group diversified	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn
Total Group	22,738	27,297	13,913	17,457
Percentage of total Group internal risk capital	32%	36%	42%	49%
Interest rate	6,691	8,590	655	1,259
Equity	13,508	16,307	10,885	13,790
Real estate	2,238	2,265	1,088	1,083
Currency ¹⁾	301	135	1,285	1,325
Property-Casualty	11,066	12,958	6,477	8,379
Interest rate	2,758	2,916	270	427
Equity	6,835	8,633	5,508	7,300
Real estate	1,385	1,290	673	617
Currency ¹⁾	88	119	26	35
Life/Health	5,533	6,219	2,836	3,244
Interest rate	2,100	2,613	206	383
Equity	3,006	3,092	2,422	2,615
Real estate	427	514	208	246
Currency ¹⁾	—	—	—	—
Banking	2,814	2,940	1,962	2,090
Interest rate	205	374	20	55
Equity	2,239	2,205	1,804	1,865
Real estate	157	345	76	165
Currency ²⁾	213	16	62	5
Asset Management³⁾	—	—	—	—
Corporate	3,325	5,180	2,638	3,744
Interest rate	1,628	2,687	159	394
Equity	1,428	2,377	1,151	2,010
Real estate	269	116	131	55
Currency ¹⁾	—	—	1,197	1,285

¹⁾ Foreign currency risks are mainly allocated to the Corporate segment (please see "Internal Risk Capital Framework – Scope" for further information).

²⁾ As commodity exposure is limited to the Banking segment only and not significant on the Group level, it is covered in our internal risk capital model within currency 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).

The decrease in market risk mainly results from the sale of a significant portion of our strategic equity participations, in particular on the Corporate level and in the Property-Casualty segment. Furthermore, an increase in interest rates in Europe reduced our exposure to risk in connection with the minimum guaranteed crediting rate that we must provide to policyholders for certain of our Life/Health products.

As previously discussed, we determine internal risk capital figures on a quarterly basis. The table below presents the average internal risk capital for market risk calculated over the four quarters of 2007 and 2006, as well as the high and low quarterly internal risk capital amounts calculated in both years.

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

	2007			2006		
	Over quarterly results			Over quarterly results		
	Average € mn	High € mn	Low € mn	Average € mn	High € mn	Low € mn
Total Group	15,559	16,800	13,913	17,438	18,565	16,738
Interest rate	713	764	655	1,403	1,492	1,259
Equity	12,424	13,662	10,885	13,713	14,908	12,913
Real estate	1,072	1,103	1,038	967	1,083	910
Currency	1,350	1,409	1,285	1,355	1,433	1,317

The Allianz Group holds and uses many different financial instruments in managing its businesses. Grouped according to our internal risk capital model categories, the following are the most significant market risks in terms of market values: equity price risk (including common shares and preferred shares), interest rate risk (from bonds, loans and mortgages) and currency risk (especially the impact of foreign exchange rate movements on the net asset value of our non-Euro denominated operating entities).

Property-Casualty and Life/Health segments

As of December 31, 2007, most of the Allianz Group's insurance-related equity investments are intended to be held long-term. 63% of the non-diversified internal risk capital allocated to the Property-Casualty and Life/Health segments for equity risk is assigned to our operating entities in Germany, Italy, France and the U.S.

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

We have allocated a significant part of the Life/Health segment's non-diversified internal risk capital for interest rate risk to Western Europe (47% as of December 31, 2007), mainly to cover traditional life insurance products. Traditional products sold in Western Europe generally feature policyholder participation in the profits (or losses) of the insurance company issuing the contract, subject to a minimum guaranteed crediting rate. In particular, our Life/Health contracts in Germany, France, Switzerland and Austria comprise a significant level of policyholder participation, limiting all sources of risk, including market, credit, actuarial and cost risks, which would otherwise be borne by Allianz. On the other hand, in accordance with the guarantees related to these arrangements, we must credit minimum rates for individual contracts (e.g., in Germany, France, U.S., Italy and South Korea). As interest rates may fall below the guaranteed crediting rates in those markets, we are exposed to interest rate risk. The valuation of these guarantees, which take into account the interaction of investment strategy and obligations to policyholder, forms an integral part of our internal risk capital model.

Banking segment

Trading portfolio

The Banking segment is active in trading equities, interest rate instruments, foreign exchange, commodities and derivatives. The Banking segment uses derivatives in its trading portfolios primarily to meet customer demands as well as to hedge market and credit risks. Derivatives are also used to take advantage of market opportunities. Dresdner Bank has expanded its use of credit and foreign exchange derivatives in order to meet client demands in this product field.

Although our internal risk capital model generally uses a one-year holding period and a confidence level of 99.93% for local operating entities, Dresdner Bank calculates market VaR figures based on different confidence level and holding period assumptions for its regulatory reporting as well as for the purposes of internal limit setting and risk management. These assumptions take into account that Dresdner Bank's trading portfolio can be transferred significantly faster than insurance liabilities.

Dresdner Bank's VaR model, which is used to evaluate capital adequacy for regulatory purposes and which produces the input for the Group's internal risk capital model, applies a confidence level of 99% and a 10-day holding period. This

model has been approved by the German regulator, BaFin. For the purpose of risk management and internal limit setting, Dresdner Bank calculates its VaR with a confidence level of 95% and a one-day holding period. Unlike the VaR calculation required by the BaFin, this model assigns greater weight to the most recent market fluctuations. In doing so, Dresdner Bank endeavors to reflect current market trends on a timely basis.

VaR is only one of the instruments used to characterize and control the market risk profile of Dresdner Bank. In addition, Dresdner Bank uses operational risk indicators and limits that are specifically adapted to the risk situation of the trading units. Current limit utilization is determined and monitored on a daily basis. Limit breaches, if any, are immediately communicated to management so that corrective action can be taken.

The VaR for market risks within Dresdner Bank's trading portfolio is calculated based on the industry-standard and Basel II compliant confidence level of 99% and holding period of 10 days. The Dresdner Bank diversified VaR amounted to € 44 million at December 31, 2007, compared to € 57 million at December 31, 2006. This decrease was mainly caused by lower interest rate risks due to an adjusted risk exposure.

VaR statistics for market risks within Dresdner Bank's trading portfolio (99% confidence level, 10-day holding period)

	2007		2006		2007			2006		
	As of December 31,		Over daily results			Over daily results				
	€ mn	€ mn	Average € mn	High € mn	Low € mn	Average € mn	High € mn	Low € mn		
Non-diversified	85	100	83	— ¹⁾	— ¹⁾	87	— ¹⁾	— ¹⁾		
Interest rate	30	43	35	55	22	51	77	32		
Equity	41	44	32	63	15	23	85	8		
Commodity	5	4	5	34	3	3	17	1		
Currency	9	9	11	22	3	10	25	1		
Dresdner Bank diversified	44	57	42	67	26	46	89	26		

¹⁾ The high and low values for non-diversified VaR can not be reasonably calculated as a sum, since the single values are measured on different dates.

These market risks are integrated into the Allianz Group-wide internal risk capital model. To this end, Dresdner Bank converts its VaR calculated using a 99% confidence interval and 10-day holding period to match Allianz's Group-wide internal risk capital standards for time horizon (one year) and confidence level (99.93%). The conversion is based on

the methodology used by industry regulators to convert VaR into regulatory capital requirements. Through this conversion, we achieve the comparability and integration of Dresdner Bank results into the Group-wide analysis.

Non-trading portfolio

The market risk in the non-trading portfolio of the Banking segment comprises interest rate risk and equity risk. The interest rate risk in the non-trading portfolio arises from loans and deposits, issued securities, interest rate related investment securities as well as corresponding hedges and also from long-term fixed rate loans funded in part by short-term deposits. The equity risk arises from available-for-sale securities with equity characteristics. Dresdner Bank manages this risk by setting VaR limits. At December 31, 2007, the Dresdner Bank diversified VaR, with a 99% confidence level and 10-day holding period, for market risks in the non-trading portfolio amounted to € 15.8 million, compared to € 15.5 million at December 31, 2006.

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 segment

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

On the level of the Corporate segment we are exposed to foreign currency risk because some of our subsidiaries' local currencies are different from the Euro. If non-Euro foreign exchange rates decline against the Euro, from a

Group perspective, the Euro equivalent net asset values also decline. Our primary exposures to foreign currency risk are related to the U.S. Dollar, Swiss Franc and South Korean Won.

Credit Risk

Credit risk arises from claims against various obligors such as borrowers, counterparties, issuers, guarantors and insurers. Losses may result from the following events:

- Changes in creditworthiness of an obligor, including ultimately its failure to meet payment obligations (default and migration risk);
- 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, etc. (country risk including transfer risk); and
- Failure in the settlement of transactions (settlement risk).

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

We monitor and manage credit risks pursuant to a limit system applicable to the entire Allianz Group. The limit system aggregates major risks having Group-wide significance such as credit insurance, lending, reinsurance recoverables and our fixed income investments and serves as the basis for controlling the risk on an Allianz Group-wide basis.

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

As of December 31,	Non-diversified		Group diversified	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn
Total Group	7,983	8,005	5,701	5,767
Percentage of total Group internal risk capital	11%	11%	17%	16%
Investment	5,839	5,949	4,128	4,307
Reinsurance	2,144	2,056	1,573	1,460
Property-Casualty	2,779	2,583	2,016	1,844
Investment	832	719	588	521
Reinsurance	1,947	1,864	1,428	1,323
Life/Health	936	949	668	685
Investment	739	757	523	548
Reinsurance	197	192	145	137
Banking	4,216	4,470	2,981	3,236
Asset Management¹⁾	—	—	—	—
Corporate	52	3	36	2

¹⁾ The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).

In spite of the overall difficult credit market worldwide in the second half of 2007, our internal credit risk capital remained rather stable in 2007 in comparison with 2006, mainly due to risk mitigating measures such as the closing of a non-investment grade commercial paper portfolio at Dresdner Bank early in 2007.

Property-Casualty, Life/Health and Corporate segments

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

Reinsurance credit risk

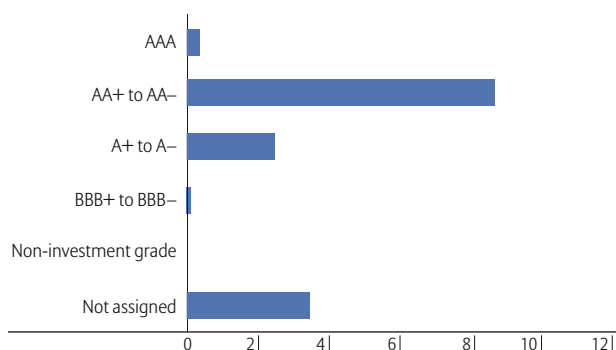
Reinsurance credit risk also covers the premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model, as this type of risk is a special form of credit risk. As of December 31, 2007, it represented 61% of our total Group non-diversified internal risk capital allocated to credit reinsurance risk.

We take steps to limit our liability from insurance business by ceding part of the risks we assume to the international reinsurance market. When selecting our reinsurance partners, we consider 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, 2007, 77% 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% of the total reinsurance recoverables at December 31, 2007, which is a reduction of 8% in non-rated exposure from December 31, 2006. 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, 2007, 13% of our total Group non-diversified internal risk capital allocated to credit reinsurance risk was assigned to our operating entities in the U.S.

Reinsurance recoverables by rating class¹⁾ as of December 31, 2007

in € bn



¹⁾ Represents gross exposure broken down by reinsurer.

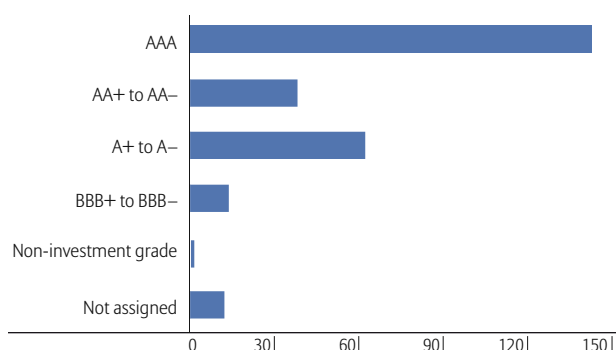
Investment credit risk

As of December 31, 2007, our operating entities in the U.S. accounted for 20% of the non-diversified internal risk capital allocated to our Property-Casualty, Life/Health and Corporate segments for credit investment 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, 2007, approximately 95% of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating and approximately 90% of these 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, 2007

fair values in € bn



In addition to these fixed income investments, Allianz Group has also non-tradable mortgage loan portfolios in Germany and the U.S. At December 31, 2007, 98% of the German mortgage portfolio obligors were assigned a Standard & Poor’s equivalent investment grade rating of at least “A” based on an internal scoring. The U.S. commercial mortgage loan investments are subject to thorough credit assessment and conservative underwriting by the responsible credit managers. There have been no delinquent or foreclosed non-tradeable commercial mortgage loans since 1994, and we thus regard the portfolio as investment grade. The North American Allianz insurance companies have a residential mortgage portfolio exposure of less than \$2,000,000.

Banking segment

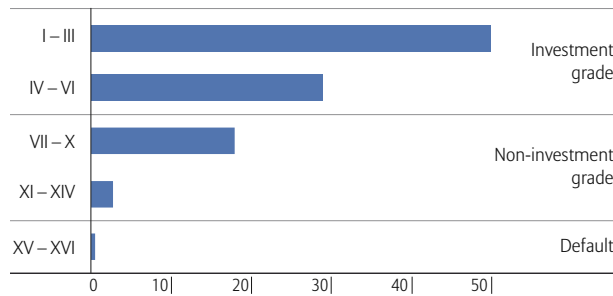
As of December 31, 2007, approximately half (51%) of total Group non-diversified internal credit risk capital was represented by Dresdner Bank. In the Banking segment, credit risks include default and migration risks arising from the lending and securities business and our derivatives trading activities; for the latter, settlement risk is additionally taken into account. Furthermore, credit risks include country (and transfer) risk.

We use our customers’ credit ratings as the central element for our approval, monitoring and control process. In this process, the creditworthiness of our customers is represented in the form of rating classes with each class representing a different average probability of default. We use a system with 16 distinct rating classes: The first six classes correspond to “investment grade”, classes VII to XIV signify “non-investment grade”. Rating classes XV and XVI are default classes according to the Basel II definition. We assess and improve our rating procedures on an ongoing basis.

The total credit risk exposure of Dresdner Bank of € 299 billion includes loan limits from lending business and market values of trading positions, which for derivatives is the positive replacement value plus risk-based add-ons to reflect possible future changes in market prices. At December 31, 2007, approximately 74.6% of total credit risk exposure of Dresdner Bank was included in the rating classes I to VI, compared to 77.1% at December 31, 2006.

Credit profile of Dresdner Bank's rated portfolio as of December 31, 2007

in %



Despite the difficult market conditions in certain business segments – especially in the second half of the year – loan volumes and quality remained stable. The implementation of a value-oriented growth strategy as well as further enhancements in loan processes contributed to this stable development. At December 31, 2007, approximately 68% (2006: 68%) of Dresdner Bank's loans (measured by limits) were with investment grade obligors.

In line with the observed portfolio quality, our total volume of problem loans and potential problem loans (measured by usage), which are two additional indicators for the quality of the loan portfolio, decreased from approximately € 2.0 billion at December 31, 2006 to € 1.8 billion at December 31, 2007.

Asset Management segment

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

Actuarial Risk

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

Allocated internal actuarial risk capital by business segment and source of risk¹⁾ (total portfolio before minority interests)

As of December 31,	Non-diversified		Group diversified	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn
Total Group	23,038	21,928	6,521	5,846
Percentage of total Group internal risk capital	32%	29%	20%	16%
Premium CAT	5,780	5,261	1,077	831
Premium non-CAT	8,284	8,315	3,249	3,172
Reserve	8,037	7,485	2,170	1,823
Biometric	937	867	25	20
Property-Casualty	21,705	20,981	6,389	5,807
Life/Health	950	947	29	39
Corporate²⁾	383	—	103	—

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

²⁾ Allianz SE has a conditional commitment to make capital payments to Fireman's Fund Insurance Co. In particular, Allianz SE is required to make these payments in case of future negative developments of the reserves for the year 2003 and before. They are limited to US Dollar 1.1 billion.

Internal reserve risk capital increased, as we changed the reinsurance structure and further improved our internal risk capital model. The rise of the internal premium catastrophe risk capital was mainly due to an enhancement of the respective simulation models and their coverage.

The table below presents the average internal risk capital calculated for actuarial risks over the four quarters of 2007 and 2006, as well as the high and low quarterly internal risk capital amounts calculated in both years.

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

	2007			2006		
	Over quarterly results			Over quarterly results		
	Average € mn	High € mn	Low € mn	Average € mn	High € mn	Low € mn
Total Group	6,311	6,521	6,111	6,166	6,752	5,846
Premium CAT	1,007	1,077	953	887	993	828
Premium non-CAT	3,210	3,249	3,143	3,334	3,677	3,172
Reserve	2,071	2,170	1,984	1,926	2,063	1,823
Biometric	23	25	21	20	20	18

Property-Casualty segment

A substantial portion of the Property-Casualty segment's non-diversified internal actuarial risk capital was assigned to our operating entities in Germany, Italy, France and the U.S. (47% as of December 31, 2007).

Premium risk

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

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

Nearly a third (31% as of December 31, 2007) of the non-diversified internal premium risk capital allocated to natural catastrophe risk was borne by our operating entities in Germany and the U.S. Our exposure to losses from European windstorm is our largest exposure to natural catastrophe, followed by U.S. hurricane and California earthquake. Our

loss potential net of reinsurance for European windstorm is approximately € 900 million, measured at a probability level of once in 250 years (i.e., 0.4%).

Reserve risk

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

Life/Health segment

Biometric risk

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

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

Business Risk

Business risks consist of operational risks and cost risks. Operational risks represent the loss resulting from inadequate or failed internal processes, or from personnel and systems, 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 do not include strategic risk and reputational risks, which are excluded in accordance with the requirements of Solvency II and Basel II. Cost risks consist of unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses and include the risk of budget deficits resulting from lower revenues or higher costs than budgeted.

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

As of December 31,	Non-diversified		Group diversified	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn
Total Group	18,365	18,145	7,233	6,716
Percentage of total Group internal risk capital	25%	24%	22%	19%
Property-Casualty	6,425	6,480	2,064	1,941
Life/Health	4,288	3,896	1,840	1,509
Banking	1,630	1,497	634	570
Asset Management ¹⁾	5,576	5,662	2,621	2,605
Corporate	446	610	74	91

¹⁾ The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).

The increase of internal business risk capital for the Life/Health segment is mainly due to expanding the scope of our internal risk capital model by systematically taking into account the unit-linked business in our operating entities. In addition, the regular update of assumptions (e.g., lapse and mortality rates) at the beginning of the year contributed to the overall increase, as we take into account the experience of the previous year when determining the adverse scenarios.

Internal business risk capital for the Asset Management segment remained to be the highest Group-diversified figure compared with other segments. This is due to the high volume of third party assets under management coupled with the inherent conservative risk factor incorporated

within the aforementioned approach similar to Standard & Poor's standard model. As discussed, because substantially all of the investments managed by the Asset Management segment are held for the benefit of either third parties or Allianz insurance entities, we are not exposed to significant market and credit risk in the Asset Management segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk.

Allianz has developed a Group-wide operational risk 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 through a bottom-up approach via a structured self assessment. Complementing our pro-active local management approach, operational losses are collected in a central loss database and an analysis of the causes for significant losses is used to enable the operating entities to implement measures to avoid or reduce future losses. The measures adopted may include revising processes, improving failed or inappropriate controls, installing comprehensive security systems and strengthening emergency plans. This structured reporting is designed to provide comprehensive and timely information to senior management of the relevant local operating entities.

Other Risks

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

Liquidity risk

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

Corporate segment

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

Property-Casualty and Life/Health segments

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

Liquidity risk in our insurance segments is a secondary risk following external events, such as natural disasters, that are generally reflected in our internal risk capital model. Therefore, limiting and monitoring of the associated primary risks (such as through the use of reinsurance) also helps limit our liquidity risk related to such events. The quality of our investments also provides comfort that we can meet high liquidity requirements in unlikely events. Furthermore, in

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

Banking segment

In this segment, the treasury function is responsible for liquidity management and the risk function is responsible for monitoring liquidity risk for regulatory as well as internal purposes. Liquidity risk monitoring includes a reporting process for limit breaches and provisions for emergency planning. Liquidity risk measurement is based on Dresdner Bank's liquidity management system, which models the maturities of all cash flows under different scenario assumptions and compiles a maturity mismatch profile (i.e., net cash flow for different maturities) taking into account available prime-rated securities as additional source of liquidity. Limits on liquidity gaps are established to manage short-term liquidity risk. Funding ratio limits are established for managing medium- and long-term structural liquidity risk for maturities of more than one year.

Asset Management segment

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

Reputational risk

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

fore, reputational risk can both cause and result from losses in all risk categories such as market or credit risks.

Group Risk identifies and assesses this 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 developed to achieve those goals and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyze and react to external factors, which could impact the future direction of the relevant operating entity.

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

Outlook

We plan to continue to strengthen our risk management framework and systems in 2008. In particular, we are striving to constantly improve our accumulation monitoring systems, particularly those related to natural and man-made catastrophes, and are continuing to develop and extend our modeling capabilities for catastrophe risk.

In 2007, a key initiative started to consolidate infrastructure and to establish a best practice technical platform. Once fully operational, this platform will allow for efficient and auditable processes and enhanced capabilities to analyze, aggregate and manage risks across the Group.

In early 2008, we introduced our enhanced internal risk capital model for the purpose of quarterly risk reporting and risk related-performance measurement EVA in the Life/Health segment. The enhanced model is part of an integrated approach addressing also the calculation of Market

Consistent Embedded Value ("MCEV"), which, on an economic basis, is considered the shareholders' future profit embedded in the issued Life/Health business. This model change, applied per January 1, 2008, is expected to result in an increase of Group diversified internal risk capital for the Life/Health segment by approximately € 2.2 billion.

In 2007, we reviewed the risk factor incorporated within the model used to derive business risk capital for the Asset Management segment. As a result, a level of conservatism within this factor will be reduced starting in 2008 to better reflect the risk capital needs of this segment.

Solvency II is a major European project and is expected to lead to significant changes to the European insurance solvency requirements in the coming years; therefore, the Allianz Group is actively participating in the process. We are continuously providing feedback on the proposals and analyses of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the EU Commission. Furthermore, we participate in the Quantitative Impact Studies and give technical advice, for instance, through the Chief Risk Officer Forum, which is comprised of the Chief Risk Officers of the major European insurance companies and financial conglomerates. It is our aim to have our internal risk capital model, as well as our risk management practices, comply with the forthcoming internal and supervisory requirements at an early stage, and accordingly, we are constantly reviewing them on the basis of the evolving standards.

Allianz Group Success Factors

Founded in 1890 and with 117 years of experience in the financial services industry, the Allianz Group is committed to providing financial security to a broad base of customers ranging from private individuals to large multinational corporations. Beyond the quality of our financial performance a number of other activities and factors are important to the sustainable growth of our competitive strength and company value. These include, but are not limited to, our diversified business model, the reduction of organizational complexity, our value-based management approach, the monitoring of our non-financial performance and of crucial importance, our employees.

The Allianz Group's Business Model

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

Property-Casualty & Life/Health insurance operations

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

Property-Casualty	Life/Health
Private Clients	
<ul style="list-style-type: none"> – Motor (liability / own damage) – Liability – Homeowner – Accident – Travel and assistance 	<ul style="list-style-type: none"> – Endowment – Annuity – Term – Disability – Investment-oriented products – Private health insurance
Corporate Clients	
<ul style="list-style-type: none"> – Property – Motor fleets – Directors' and Officers' liability – Credit – Marine, aviation and transport 	<ul style="list-style-type: none"> – Group life products – Pension products for employers

We conduct business in almost every European country, with Germany, Italy and France being our most important markets. We also run operations in the United States and in Central and Eastern Europe as well as in Asia-Pacific.²⁾

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

¹⁾ Source: As published by Gesamtverband der deutschen Versicherungswirtschaft e.V. (or "GDV") in 2007. The GDV is a private association representing the German insurance industry.

²⁾ For a more detailed description of our geographic diversification, please refer to page 108.

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

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

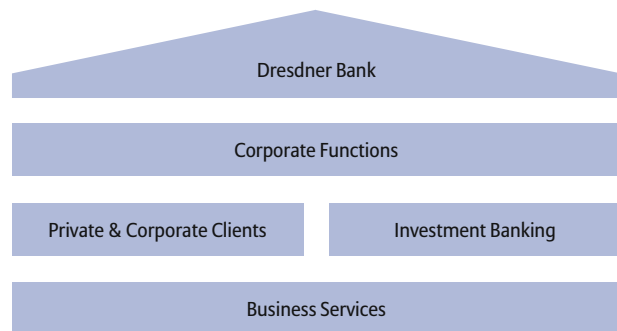
Allianz SE, the Allianz Group's parent company, acts on an arm's length basis as reinsurer for most of our insurance operations and assumed 26.9%, 33.3% and 35.6% of all reinsurance ceded by Allianz Group companies for the years ended December 31, 2007, 2006 and 2005, respectively. Allianz SE also assumes a relatively small amount of reinsurance from external cedents and cedes risk to third-party reinsurers. The Allianz Group has established a pooling arrangement that offers reinsurance coverage to the Group's subsidiaries against natural catastrophes, which provides the benefit of internal Group diversification.

Banking operations

Our banking activities are primarily conducted through the Dresdner Bank Group (or "Dresdner Bank"), one of the leading commercial banks in Germany¹⁾, accounting for 94.8% of our total Banking segment's operating revenues in fiscal year 2007 (2006: 96.0%). While Dresdner Bank focuses on selected geographic regions worldwide, Germany is its primary market. Dresdner Bank is present in the world's major financial centers and operates its banking business mainly through 1,074 (as of December 31, 2007) branch offices, of which 1,019 are located in Germany and 55 outside of Germany.

Dresdner Bank's focus is on serving the financial needs of private and corporate, as well as multinational and institutional clients according to the following business model.

Business model of Dresdner Bank



The Private & Corporate Clients division offers integrated financial solutions for private and corporate clients. These solutions are provided by dedicated sales and product units.

The Investment Banking division, known as Dresdner Kleinwort, focuses on German and multinational groups, financial investors and institutions requiring access to the capital markets and to global banking services.

In addition to our bankassurance activities, the distribution of Dresdner Bank products through our German insurance agents network is of increasing importance. By offering both insurance and banking services in 120 (as of December 31, 2007) selected agencies, an innovative and successful distribution channel is evolving.

We are subject to competition from both bank and non-bank institutions that provide financial services and, in some of our activities, also from government agencies. Substantial competition exists among a large number of commercial banks, saving banks, other public sector banks, brokers and dealers, investment banking firms, insurance companies investment advisors, mutual funds and hedge funds that provide the types of banking products and services that our banking operations offer.

¹⁾ Based on total assets as of December 31, 2007.

Asset Management operations

We are one of the five largest asset managers in the world.¹⁾ 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, and financial advisors.

AGI's customer and selected product range

Retail and Institutional Clients	
Equity	Fixed Income
<ul style="list-style-type: none"> – Systematic – Sector funds – Country funds – Stocks Plus 	<ul style="list-style-type: none"> – Money Market – Low Duration – Real Return – Global – Investment Grade – Diversified Income – High Yield – Emerging Markets – Convertible Bonds
Alternatives	Solutions
<ul style="list-style-type: none"> – Hedge fund of funds – Commodity funds – Certificate funds – Real estate – Structured products 	<ul style="list-style-type: none"> – Life-cycle concepts – Multi-asset solution – Variable-annuity products – Asset/Liability management – Risk management concepts
Retail and Institutional Clients	

Our retail asset management business is primarily conducted under the brand name Allianz Global Investors ("AGI") through our operating companies worldwide. In our institutional asset management business, we operate under the brand names of our investment management entities, with AGI serving as an endorsement brand. With € 725 billion of third-party assets as of December 31, 2007, AGI managed 94.8% (2006: 94.6%) of our total third-party assets on a worldwide basis, which includes fixed income, equity, money market and sector products, as well as alternative invest-

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

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

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

Corporate segment

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

Structure of the Board of Management

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

The other divisions reflect business responsibilities, which are either regionally- or operation-oriented: Insurance Germany, Europe I, Europe II, NAFTA Markets, Growth Markets, Asset Management, Banking, and Anglo Broker Markets/Global Lines.

Since January 1, 2008, the Board of Management includes a new Chief Operating Officer's division. As of the same date,

¹⁾ Based on total assets under management as of December 31, 2007.

the NAFTA Markets division was integrated into Anglo Broker Markets / Global Lines.

Main initiatives

Under the umbrella of our “+One” transformation program, a number of ongoing initiatives are being energetically pursued with the goal of establishing Allianz as a trusted provider of a full range of global financial services, which delivers sustainable, profitable growth.

Main Initiatives
<ul style="list-style-type: none"> – Sustainability Property-Casualty and Life/Health – Customer Focus & Innovation – Distribution – Operational Transformation Program – Global Talent Management

We have in place a **Sustainability Program** for our Property-Casualty and Life/Health segments. 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 as well as to enhance the Group’s distribution and client management.

The **Customer Focus** initiative is a global change program designed to help Allianz Group companies create superior customer focus. We also run an internal innovation campaigning which focuses on Idea Generation and Management from a bottom-up perspective, by mobilizing Allianz employees worldwide and thus lifting even more intensively our internal intellectual capacity and capability.

In our **distribution program**, we analyze the development of different sales channels for financial services products, for example tied agents, bank branches, brokers and direct sales operations, to leverage the strengths of our various distribution channels worldwide in close alignment with changing customer needs and preferences.

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

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

Legal Structure

AGF minorities buy-out procedure completed

As of December 31, 2006 Allianz SE owned 57.5% of the share capital and 60.2% of the voting rights of its French-based subsidiary, Assurances Générales de France S.A. (“AGF”). In order to achieve full ownership of AGF, Allianz announced a tender offer for the outstanding AGF shares on January 18, 2007.

The acceptance period for the tender offer started on March 23, 2007 and ended on April 20, 2007. The consideration for one AGF share provided in the offer was 0.25 of an Allianz SE share and € 87.50 in cash, which was increased to € 88.45 to reflect the dividend per Allianz SE share for 2006 multiplied by 0.25, as Allianz SE shares issued due to the tender offer did not carry the rights to dividends for 2006.

On April 27, 2007 the French stock market authority, the Autorité des Marchés Financiers (“AMF”) announced, that following the closing of the tender offer for the outstanding shares of AGF, Allianz SE (directly and indirectly through its subsidiary Allianz Holding France SAS) held 178,030,698 AGF shares representing 92.18% of AGF’s share capital and voting rights. Taking into account the 6,199,392 treasury shares held by AGF representing 3.21% of the share capital, minority shareholders held 8,895,695 shares representing 4.61% of AGF, less than 5%, the threshold for a subsequent squeeze-out procedure of the AGF share capital and voting rights.

In order to achieve 100% ownership of AGF, Allianz SE and its subsidiary Allianz Holding France SAS subsequently launched a mandatory squeeze-out procedure of the AGF shares still held by minority shareholders. In accordance with the General Regulations of the AMF, and subject to review and prior authorization by the AMF, the squeeze-out was implemented on the basis of a price of € 125.00 in cash per AGF share. Additionally, AGF’s minority shareholders also received the 2006 AGF dividend of € 4.25 per share.

On July 10, 2007, the Allianz Group completed the squeeze-out procedure for AGF and now holds 100% of the shares of AGF. As a result, the AGF shares are no longer listed on the Paris stock exchange Euronext.

Concurrent with the AGF transaction, and in order to provide the share component of the consideration to AGF shareholders, Allianz completed a capital increase involving the issuance of approximately 16.97 million new Allianz SE shares. The total cash component of the consideration for the acquisition of the outstanding AGF shares amounted to approximately € 7.1 billion.

Acquisition in 2007

On February 21, 2007 Sistema and Allianz signed a share purchase agreement, whereby Allianz became a major shareholder of ROSNO Group, one of the four leading insurance companies in Russia. Allianz now holds approximately 97% in ROSNO, which is active in the Property-Casualty, Life/Health and Asset Management businesses. With this acquisition, we expanded our number one position in Central and Eastern Europe and will become by far the most important foreign majority owner of an insurance company in our strategic market Russia.

Squeeze-out of Allianz Lebensversicherungs-AG announced

Having reached the required threshold of 95% ownership, we announced, on January 18, 2008 the start of a squeeze-out procedure to acquire the remaining shares in Allianz Lebensversicherungs-AG.

Important Group Organizational Changes¹⁾

In order to realize the potential for operational and strategic synergies, we continued to pursue the reorganization projects started in recent years and complemented these with additional new activities:

Reorganization of German Insurance Operations

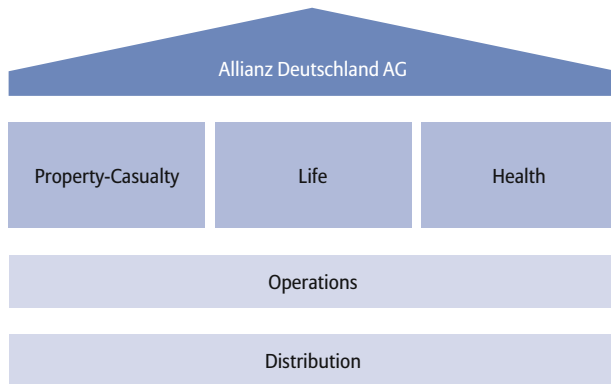
We continued the reorganization of our German insurance operations which was announced in 2005, by consolidating our major insurance subsidiaries under the Allianz SE wholly-owned holding company Allianz Deutschland AG and revising our regional sales and service structure. This process is part of our ongoing effort to simplify structures and reduce complexity within the Allianz Group, enabling us to react to changes in our markets with greater speed, focus and flexibility. Our goal is to create one joint presence of our insurance operations, with customers perceiving Allianz as one unit with comprehensive high quality services geared toward the customer's needs. The reorganization is part of our strategy to further develop our leading position in the German insurance market.

At the beginning of 2007, we completed negotiations with the works councils, such negotiations being an important prerequisite for the implementation of the new operating model.

¹⁾ Please see Note 4 to our consolidated financial statements for information on changes in the scope of consolidation in the years ended December 31, 2007, 2006 and 2005.

The German insurance operations are now organized according to the following business structure.

Business model of Allianz Deutschland AG



We are continuing this reorganization program and expect the reduced complexity to allow us to reduce costs in the long-term.

In the framework of the reorganization backoffice functions were lined up based on a shared services approach. This process was already started in 2006 and was further implemented in 2007 according to schedule. In the course of 2007 the Allianz north-east service region tested the functionality of the new business model in a pilot phase. In 2008, the remaining three areas will also be reorganized.

Reorganization in Italy

On October 1, 2007 the integration of Riunione Adriatica di Sicurtà (“RAS”), Lloyd Adriatico and Allianz Subalpina, which are – as a group – the second largest composite insurer in Italy, was completed successfully. The newly formed Allianz S.p.A. is now able to realize to exploit new opportunities for growth. To support this, the brands of the sales networks were reinforced with the Allianz brand, so e.g. the former RAS brand is now called “Allianz RAS”.

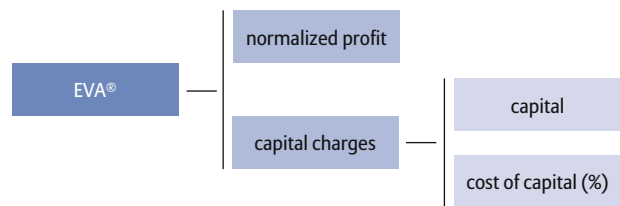
Value-Based Management

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

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



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

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

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

It is our role to be attentive 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 a risk-return profile and their strategic position. Using this process, our companies can only ensure that they receive growth capital if they:

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

The second component of creating 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 distributed 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.

Due to our strong net income our EVA[®], after minority interests, reached € 3,928 million in 2007 and the return on risk adjusted capital²⁾ was 21.4%.

Management remuneration

Because EVA[®] is an important factor in managing our business, senior management compensation is based on this measurement to a significant extent.³⁾ Our incentive-based management compensation system helps to make the continuous increase in the value of the Allianz Group a priority across our entire organization.

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

¹⁾ For detailed information on the determination of our internal risk capital please see pages 78 to 81 of our risk report.

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

³⁾ For detailed information on the remuneration of the board of management and of the supervisory board see our remuneration report on pages 15 to 21.

Our Employees

We aim to be the employer of choice for top-performing talents. While we have already laid the foundations, we must step up our efforts to achieve this. Our international presence, our commitment to diversity and our business approach offer ambitious employees excellent career opportunities that not everyone yet associates with Allianz. Boosting our management resources, investing in recruitment, and developing and promoting our future leaders, experts and sales force are the core goals of our human resources management. This is geared towards implementing our strategy (see page 26) on a sustainable basis. This means, for example, that each employee must adapt to increasingly cooperate across business segments. We are comprehensively preparing our employees for this and other responsibilities. As referenced in the Shareholders' Letter of this annual report, human resources management is one of Allianz's four most important initiatives in 2008.

Talent management

We are introducing a new operating model throughout Allianz Group and we must therefore ensure that our human resources management operates on a consistent basis worldwide. For that reason we now have unified **global talent management**. It defines joint standards and delivers a framework in which individuals can better take advantage of career opportunities and the company can apply talent to the best possible effect. The system is highly transparent. On that basis, management can develop talented individuals more effectively across the Group. For our future leaders and experts this means

- clear development criteria and goals,
- more attractive development opportunities,
- better matching of individual career objectives with the needs of the company.

The **Allianz Group Management Institute (AMI Group)** program was geared towards the new responsibilities. Some 25 workshops were held in 2007, each spanning several days, and were attended by a total of 540 international managers and executives.

The AMI Group is dedicated to three principal tasks:

- Regardless of the employee's own position in the hierarchy, there is not only a need to engage in continuing education, but also an obligation to do so. There are programs which prepare managers for contributing to Allianz outside their own responsibilities. Others prepare management for more demanding tasks. These include the „Allianz Excellence Program“, in which international teams work on business policy issues commissioned by the Board of Management. Their results are then discussed with the Board of Management for practical implementation.
- The AMI Group promotes an international outlook and performance culture. These are promoted not least by the engagement of top-class business schools, which are involved in designing our talent programs or conduct their own programs in-house. They provide first-rate training for top management and managers worldwide.
- Talent management is also an aspect of the established AMI Group strategy meetings (Campus Programs) between members of the Board of Management of Allianz SE and local management. The benefits are mutual. Seminar attendees become better acquainted with the strategic requirements of the Group and can in turn present their own ideas to the Board of Management of Allianz SE.

OPEX, the Allianz version of Six Sigma, helps us to increase the skills and employment options of our staff. This program trains managers and experts as certified change agents. They manage major projects aimed particularly at improving customer orientation and process efficiency. Those with the most OPEX experience are employed increasingly in change management. More than 2,000 employees have now completed the first stage of OPEX training and almost 500 more have reached the master level “black belt“. Our longer-term objective is for 1% of the workforce to achieve black belt status.

Diversity is important if a company wishes to attract and retain talented individuals. The company also benefits overall from different cultures, which reflect the reality of the company and therefore our customer base. We promote teamwork among employees from different backgrounds, ages, genders and levels of experience. Our Global Diversity Council, consisting of 15 top managers and headed by a member of the Allianz SE Board of Management, Clement B.

Booth, follows three basic principles in its work: zero tolerance of any type of discrimination, promotion of diversity at the workplace, and leveraging our diversity for new business opportunities.

Performance Management

Our strategic goals for Allianz over the next few years are challenging and require the full focus and commitment of the entire workforce. We expect our managers to embody corporate values; they must be the driving force behind sustainable implementation of our strategy, guided by our **leadership values**. These indicate how we wish to work with our customers and employees.

How is our leadership culture experienced in practice, and what can we improve to make continuous progress? Pointers are provided by our **Leadership Culture Survey**, an annual survey of more than 6,000 of our managers in 65 Group companies. In 2007 it was conducted for the fifth time. The high response rate, unchanged at 84%, is an indicator that our leadership values are perceived as being important and our management is committed to the company and its objectives. Our study is not only intended as a snapshot. If the feedback indicates that there are weaknesses in management or implementation of the strategy is deficient, we take corrective action. We work in this fashion year after year on our leadership culture.

We follow a similar procedure with the results of our **employee surveys**, which were conducted in 18 subsidiaries together with the Leadership Culture Survey in 2007. They provide information about the performance orientation, satisfaction and loyalty of the workforce. The results indicate marked strengths such as a high degree of mutual trust, something that is crucial to the imminent changes. The results also highlight what still needs to be improved.

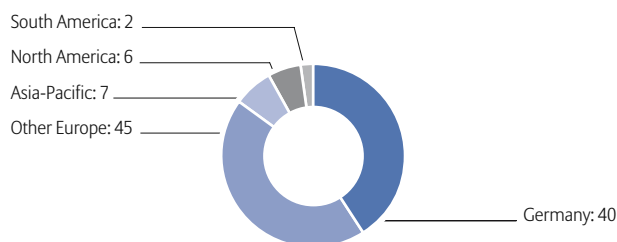
High-performing employees also want to be well paid. This desire is met by our **pay structure**, representing an attractive mix of basic pay, **performance-related pay** and additional benefits. We have steadily increased performance-related pay. We firmly believe that this pay structure offers the right incentives to take the entrepreneurial initiative as indicated in our strategy. Since refining our objectives and evaluation procedures, we can assess much more clearly how an individual or team has performed, and reward them accordingly.

Holding shares in the company is another established method of giving the workforce a financial interest in the company's success. For this reason we have once again set up an **employee stock purchase offer** in 2007. This gave 122,000 employees in 24 countries the opportunity to acquire Allianz SE shares on preferential terms. 33,331 (33,314) employees accepted the offer. The average investment volume per participating employee rose by 19% (11%) to € 3,628 (€ 3,053).

The **Group Equity Incentive Program**, an important element in our management pay structure, was again set up in 2007. A total of some 800 of our top managers and those who, based on outstanding performance, may in future be promoted to top management, participate in this program. We cover with this in more detail, together with the Board of Management's pay, on pages 15 to 19.

Total **payments** made by the Group to its employees worldwide in 2007 amounted to € 9.7 (10.2) billion. Of this figure, € 2.5 billion or 25.8% was solely performance-related. Social security contributions, pensions and other additional employee benefits amounted to € 2.7 (2.7) billion.

Employees by regions as of December 31, 2007
in %



Employees by countries

Country	2007	2006
Germany	72,063	76,790
France	19,120	17,096
Russia	11,744	280
United Kingdom	10,865	9,945
United States	10,706	10,691
Italy	7,445	7,661
Switzerland	4,117	2,874
Australia	3,608	3,474
Spain	3,299	3,139
Hungary	3,235	3,159
Austria	3,096	3,106
Brazil	2,971	2,334
Slovakia	2,627	2,564
Romania	2,292	2,061
Netherlands	2,130	1,988
Belgium	1,807	1,633
Other	20,082	17,710
Total	181,207	166,505

The “Agreement Concerning the Participation of Employees in Allianz SE” also regulates corporate decisions of the Supervisory Board of Allianz SE. The Supervisory Board consists of 12 members, half of whom represent the shareholders and the other half the employees. Four of the current employee representatives are from Germany, with one each from the UK and France.

Employee representation in Allianz SE

On October 13, 2006 Allianz changed its legal form from a German stock corporation into a Societas Europaea (SE). The **SE works council** was constituted on January 24, 2007. It replaced the previous Allianz European works council and has 39 members from 26 European countries. Rolf Zimmermann (Germany) was elected as the first chairman. He also chairs the Management Committee of the SE works council. The other committee members come from the UK, Italy and the Netherlands.

The “Agreement Concerning the Participation of Employees in Allianz SE” of September 20, 2006 regulates the members and responsibilities of the SE works council. This works council represents employee interests of Allianz SE and its subsidiaries with registered offices in EU member states, the European Economic Area and Switzerland, in cross-border matters. In 2007, two regular sessions of the SE works council were held. The items discussed included the business situation and the future outlook for the Allianz Group; the works council was consulted in this respect. The Management Committee was also consulted several times on an ad hoc basis.

Corporate Responsibility and Sustainability

We live up to our corporate responsibility, become actively involved in social issues and apply sustainability criteria to our business and risk management.

We do this through adopting a dual approach. On one hand we are guided by the ten principles of the UN's Global Compact (for more information about this, visit www.unglobalcompact.org). These relate to environmental protection, human rights and transparency of corporate management. On the other hand we work on issues and trends that are important for sustainable business development and have particular relevance to our line of business. This dual approach has been recognised in the form of various awards. One in three European sustainability funds has a holding in our shares. For the second year in succession we took the top spot in the insurance sector in the Dow Jones Sustainability Index.

Some of the issues we worked on during 2007 are described below.

Climate change

Climate change is a risk factor of the utmost significance for financial service providers, but it is also a business opportunity. We explain to customers the risks they incur and highlight strategies to avoid these risks. In 2006 we published our climate strategy, which comments on business opportunities, risk management and communication about climate.

Since 2007 we have been offering customers in Austria and Germany who buy car insurance the option to contribute to protecting the climate. In the US our subsidiary sells policies for energy-efficient homes. In 2006 Allianz launched an eco-fund investing in renewable energy, which has now grown to more than € 2 billion. We invest in Italian and German wind farms, and in the year under review we established Allianz Climate Solutions GmbH to coordinate the development of climate-related products within Allianz and promote this development efficiently.

Allianz has funded studies on climate change and works with the WWF in carrying out research into climate change. Studies so far indicate that the financial services sector's analysis into its climate risks is still in its infancy. Guidelines have been adopted for our own company specifying how each unit must deal with climate risks. We are certain that transparency about climate risks benefits our customers. Allianz has been subscribing to the Carbon Disclosure Project (www.cdproject.net) each year since 2002. We are involved in international climate initiatives, including the financial initiative of the UN's environmental programme.

Demographic age-shift

Our studies on demographic trends assess the relevant risks and opportunities arising for our customers and Allianz. One of the consequences of this trend will be a lack of qualified workers in Europe in the future. Another consequence will be a significantly greater demand for products combining the assistance services and financial services needed by elderly people. We are responding to this challenge in personnel management and in product development, and are advising our customers comprehensively.

Micro-insurance

Allianz has developed micro-insurance products in cooperation with state-sponsored and non-government organisations. These products are aimed at alleviating poverty in emerging markets and developing countries. Property, life and health insurance is available, offering cover for just a few eurocents per month. In 2007 we gained more than 250,000 customers in India, Indonesia and Egypt with this product.

Apart from this work on social issues, our commitment to facing the challenges in today's society has for many years been demonstrated by the three major Allianz foundations. These foundations have demonstrated continuous success in the contributions they have made in Germany (environment), all of Europe (culture) and in the USA (social initiatives).

Please see our Sustainability Report: www.allianz.com/sustainability for further information on this issue and our Knowledge platform: <http://knowledge.allianz.com>.

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Global Diversification of our Insurance Business¹⁾

As an integrated financial services provider we offer insurance, banking and asset management products and services to more than 80 million customers in over 70 countries. We are one of the leading global services providers of insurance, banking and asset management. Based on our market capitalization²⁾, we are the largest financial institution in Germany.

Germany

In Germany, we have more than 100 years of experience in the insurance business. Today, together with Dresdner Bank and Allianz Global Investors we offer a complete spectrum of financial services.

Operations

We operate in the German market mainly through our insurance companies Allianz Versicherungs-Aktiengesellschaft (“Allianz Sach”), Allianz Lebensversicherungs-Aktiengesellschaft (“Allianz Leben”) and Allianz Private Krankenversicherungs-Aktiengesellschaft (“Allianz Private Kranken”). In addition, Allianz Beratungs- und Vertriebs-AG serves as a distribution company. All entities are organized under the umbrella of the holding company Allianz Deutschland AG.³⁾ At the end of 2007, Allianz Deutschland AG had a total of 19.8 million customers.

As the market leader in Germany based on gross premiums written in 2007⁴⁾, Allianz Sach develops and provides **property-casualty**.

For **life insurance**, with Allianz Leben we are also market leader based on statutory premiums in 2007.⁴⁾ In addition to Allianz Leben, we operate through a variety of smaller operating entities in the German market.

Through Allianz Private Kranken, we are the third-largest private **health** insurer in Germany based on statutory premiums in 2007.⁴⁾

Our German results of operations also include our property-casualty assumed reinsurance business, which is primarily attributable to Allianz SE.

¹⁾ Please see page 244 for a breakdown of selected operating entities.

²⁾ As of March 1, 2008. Source: Deutsche Börse Group.

³⁾ Please see “Allianz Group Success Factors - Important Group Organizational Changes - Reorganization of German Insurance Operations” for further information.

⁴⁾ Source: Based on data provided by German Insurance Association, GDV

Products & Distributions

We offer products not only for all three insurance lines but also with a clear focus on products combining coverage from life, health and property-casualty insurance to better deliver on customer needs. In addition we distribute products from Dresdner Bank and Allianz Global Investors Germany.

Our products are distributed mainly through a network of full-time tied agents, while distribution through our new bank-agencies and brokers is increasing.

For **property-casualty**, we offer a wide variety of insurance products for financial coverage of risks for private and business clients. Our main lines of business are motor liability and own damage, accident, general liability and property insurance.

In **life** business, we are active both in the private and commercial markets and offer a comprehensive range of life insurance and related products on both an individual and group basis. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension arrangements and defined contribution plans.

For **health** insurance, we provide a wide range of products, including full private health care coverage for salaried employees and the self-employed, supplementary insurance for individuals insured under statutory health insurance plans, supplementary care insurance and foreign travel medical insurance.

Outlook

In order to strengthen our market position, we will further develop our customer-focused organization and aim to provide our clients with more integrated products for every stage of their lives.

For **property-casualty** business, we see Germany being a rather mature market with a high degree of competition. One of the key challenges is achieving growth while also maintaining an appropriate level of profitability. To deliver all-encompassing service in emergency cases we will further develop our assistance-services for individuals and corporate customers.

For our **life business**, we assume strong growth opportunities as we see an increasing demand for private retirement products and retirement provisions in general.

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 for the upcoming years. We expect full health care coverage to grow only slightly. On the other side, we believe that supplementary insurance will further increase, despite competition arising from statutory health insurers which have been allowed to offer special supplementary insurance (so called “Wahltarif”) from 2007 onwards.

Europe

Europe is our home region. We consider property-casualty insurance in this region to be rather saturated. In life/health insurance, we view aging societies and their rising need for private retirement products and additional health insurance coverage as a growth opportunity.

2007 in review ¹⁾:

- April 30: Allianz Cornhill Insurance plc in the UK was renamed Allianz Insurance plc
- July 10: AGF minorities buy-out procedure completed
- October 1: Integration of all Allianz operations in Italy into Allianz S.p.A. completed (RAS, Lloyd Adriatico and Subalpina)
- December 3: AGF Belgium changed its name to Allianz Belgium S.A.
- November 21: Announcement of AGF Asset Management name change to Allianz Global Investors (France) SA effective January 1, 2008.

Operations

France

In France, we operate through the Assurances Générales de France (AGF) Group, a major participant in insurance and financial services. We are ranked third in the French **property-casualty** market and eighth in the **life/health** insurance market, based on gross premiums written and statutory premiums, respectively, in 2006.²⁾ AGF's activities encompass several areas, including: property-casualty insurance, life/health insurance, asset management and banking.

The acquisition of the minority interest in AGF carried out in 2007 is designed to reduce the complexity of our organization and to allow us to further implement Allianz Group-wide programs and initiatives, as well as to strengthen our market position in France.³⁾

Italy

In October 2007, the former operations of the RAS S.p.A., Lloyd Adriatico S.p.A. and Allianz Subalpina S.p.A were integrated into one single company, Allianz S.p.A., in an effort to better serve the Italian market with a broad range of insurance and financial products, more effective customer service and best practice solutions. Allianz S.p.A. is the second⁴⁾ largest Italian insurance group based on gross premiums written and statutory premiums written, respectively.

¹⁾ Further information is available at www.allianz.com

²⁾ Source: French Insurers Association, FFSA.

³⁾ Please see "Allianz Group Success Factors – Legal structure – AGF minorities buy-out procedure completed" for further information.

⁴⁾ Source : Italian Insurers Association, ANIA

Segments	Countries	Management Business Division	Overview
■ ■ ■ ■ ■	Austria	Europe I	
■ ■ ■ ■ ■	Belgium	Europe II	
■ ■ ■ ■ ■	France	Europe II	
■ ■ ■ ■ ■	Germany	Germany	
■ ■ ■ ■ ■	Greece	Europe I	
■ ■ ■ ■ ■	Ireland	Anglo Broker Markets	
■ ■ ■ ■ ■	Italy	Europe I	
■ ■ ■ ■ ■	Luxemburg	Europe II	
■ ■ ■ ■ ■	Netherlands	Europe II	
■ ■ ■ ■ ■	Portugal	Europe I	
■ ■ ■ ■ ■	Spain	Europe II	
■ ■ ■ ■ ■	Switzerland	Europe I	
■ ■ ■ ■ ■	Turkey	Europe I	
■ ■ ■ ■ ■	United Kingdom	Anglo Broker Markets	

■ Property-Casualty ■ Life/Health ■ Banking ■ Asset Management

Products & Distributions

The broad range of AGF-branded products for both individuals and corporate customers, including property, injury and liability insurance as well as short-term investment and savings products, are distributed primarily through a network of tied agents, brokers and partnership channels.

Furthermore, we market our products through AGF Banque. An important portion of our life statutory premiums in France is generated through the sale of unit-linked policies.

We operate in most major personal and commercial **property-casualty** lines in Italy. The most important one is motor. Other important business lines are fire, general liability and personal accident insurance. We sell our products through traditional and direct sales channels as well as via our joint-venture Credit RAS.

In the **life/health business**, we offer individual life policies, primarily in the form of endowment policies. Additionally, we see annuity products and an increasing number of unit/index-linked policies, in which policyholders participate directly in the performance of policy-related investments. In 2007, these products contributed three-fourths of our combined statutory premiums in Italy. A large percentage of our contracts are marketed through our bancassurance channel.

Outlook

Operating in a **property-casualty** market that has seen limited growth in recent years, we seek to focus on maintaining operating profitability while simultaneously implementing selective initiatives aimed at generating growth. For example, we introduced a new motor tariff at the end of 2006 together with special marketing operations in 2007.

We consider AGF's **life** business to be a growth area.

We view the Italian market, having a lower penetration rate for non-motor insurance products compared to other European markets, as a potential growth market. The currently weak economic environment in Italy, however has led to slower market growth compared to past trends. Additionally, several regulatory reforms, such as the so-called "Bersani Law", aimed at increasing competition and reducing market prices might challenge insurers' profitability.

Nevertheless, we seek to grow via a multi-channel distribution strategy that comprises of agents, bancassurance and financial advisors.

Europe

Operations

United Kingdom

We serve the market in the United Kingdom primarily through our subsidiary Allianz Insurance plc. (formerly Allianz Cornhill Insurance plc.).

Switzerland

We serve the Swiss **property-casualty** market through Allianz Suisse and Allianz Risk Transfer AG. Allianz Suisse acts as the umbrella brand for our four general legal entities in Switzerland. Based on gross premiums written in 2006, Allianz Suisse ranks fourth in Switzerland.¹⁾

We conduct our **life/health** operations in this region primarily through Allianz Suisse Lebensversicherungs-Gesellschaft and Phénix Vie. In aggregate, these operating entities represent the sixth largest life insurance provider in Switzerland based on statutory premiums in 2006.¹⁾

Spain

We serve the Spanish **property-casualty** market through our operating entities Allianz Compañía de Seguros y Reaseguros S.A. and Fénix Directo S.A. We rank third in the Spanish market, based on gross premiums written in 2007.²⁾

We conduct our **life/health** operations in Spain through Allianz Compañía de Seguros y Reaseguros S.A. and through Eurovida, our joint venture with Banco Popular.

Western and Southern Europe

We conduct **property-casualty** operations in most of the other Western and Southern European countries, of which, based on gross premiums written in 2007, the largest are our operations in the Netherlands, Austria and Ireland.

We also provide **life/health** insurance in most of the other Western and Southern European countries, of which, based on statutory premiums 2007, the largest are in Belgium and the Netherlands.

¹⁾ Source : Statistics of the Swiss Federal Bureau of Private Insurers

²⁾ Source: Research and Statistics Bureau of Spanish Insurers and Pension Funds, ICEA.

Products & Distributions

We offer a broad range of **property-casualty** products, including a number of specialty products, which we sell through our retail and commercial lines and through a range of distribution channels, including affinity groups.

Allianz Risk Transfer AG offers conventional reinsurance and a variety of alternative risk transfer products. In the general **property-casualty** market in Switzerland served through Allianz Suisse, the most important line of business for Allianz Suisse is motor, contributing nearly 40% of its gross premiums written in 2007.

In the **life/health** market, we provide a wide range of individual and group life insurance products, including retirement, death and disability products.

In Spain, we offer a wide variety of personal and commercial **property-casualty** insurance products, with an emphasis on motor business, comprising approximately two-thirds of our gross premiums written in Spain in 2007.

Additionally, we provide a broad **life/health** insurance product portfolio, consisting primarily of traditional life insurance, annuities, pension and unit-linked products, which are mainly distributed by agents and through our bank channel.

The most important lines of business in the Netherlands are motor and fire insurance. Our Dutch subsidiary distributes its products through independent agents and brokers.

In Austria, we offer a broad range of **property-casualty** products to individual and group customers primarily through salaried sales forces, tied agents and brokers.

Our Irish subsidiary offers a wide variety of products, mainly motor and property insurance for commercial and private customers, distributing predominantly through brokers and banks as well as telephone- and internet-based direct sales channels.

In Belgium, we market a wide range of **life insurance** products, which won awards several times, mainly through brokers. In the Netherlands, we also offer a broad range of life insurance products and have a strong position in the unit-linked market.

Outlook

Operating in a highly competitive market, Allianz Insurance continues to concentrate on active "cycle management", whereby we seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in areas with increasing pricing pressures, as a measure to support operating profitability.

In the very competitive **property-casualty** business in Switzerland, we will continue to focus on profitability, while simultaneously attempting to achieve attractive growth.

We believe there is potential for growth in our **life/health** business through enhancement of agent and broker networks and, given our relatively high market share in property-casualty, through cross-selling between our segments.

Market conditions in Spain are characterized by intense price competition especially in the motor business. Nevertheless, we expect further above market growth in the **property-casualty** segment, also supported by our direct sales channel.

In **life/health** insurance business we experience profitable growth. Despite recent tax reforms resulting in many life products losing their tax privileges, we expect to sustain our competitive position.

The Dutch insurance market is characterized by intense competition. Here we expect further price decreases in the motor business, whereas in Ireland, we expect the market to become more favorable in 2008, both in commercial and in personal lines.

The larger **life insurance** markets in our Western and Southern European region are mature and provide only limited growth opportunities.

New Europe

Our presence in “New Europe” dates back to the acquisition of the Hungarian state-run insurance company Hungaria Biztosito in 1989. Today, we operate our business in this region through more than 25 companies in 10 countries, and we are the largest foreign insurer based on statutory premiums and gross premiums written in 2006²⁾, respectively. We offer life, health, property and casualty insurance, as well as pension fund products.

2007 in review ¹⁾:

- February 21: Allianz acquires 49.2% of the shares of the ROSNO Group
- May 21: Allianz acquires Russian insurer Progress-Garant
- September 20: Market entry in Kazakhstan through the acquisition of 100% of the shares of ATF-Polis from ATF Bank

Operations

New Europe

We are the leading **property-casualty** international insurance company in New Europe, based on gross premiums written in 2006²⁾, which we believe is one of the fastest growing insurance markets in the world. We serve the market through our operating subsidiaries in Hungary, the Czech Republic, Slovakia, Poland, Bulgaria, Romania, Croatia, Ukraine and Russia. Further expansion in the region has begun with the acquisition of ATF Polis insurance company in Kazakhstan.

In the **life/health** segment, we are present in all key markets in this region and are one of the top four life insurance providers, based on statutory premiums in 2006.²⁾

¹⁾ Further information is available at www.allianz.com

²⁾ Source: Own estimate based on published statistics from regulatory bodies and insurance associations.

Segments	Countries	Management Business Division	Overview
■ ■ ■ ■	Bulgaria	Growth Markets	
■ ■ ■	Croatia	Growth Markets	
■ ■ ■	Czech Republic	Growth Markets	
■ ■ ■ ■	Hungary	Growth Markets	
■	Kazakhstan	Growth Markets	
■ ■ ■ ■	Poland	Growth Markets	
■ ■ ■	Romania	Growth Markets	
■ ■ ■ ■	Russia	Growth Markets	
■ ■ ■	Slovakia	Growth Markets	
■	Ukraine	Growth Markets	

■ Property-Casualty
 ■ Life/Health
 ■ Banking
 ■ Asset Management

Products & Distributions

The primary **property-casualty** products sold in these countries are mandatory motor third-party liability and motor own damage coverage as well as industrial, commercial and private property lines. In 2007, we continued to expand our **life/health** product range and sales capacity throughout New Europe by following a multi-channel distribution approach, and sell both unit-linked and traditional life insurance products. Following the 2006 launch of a limited-edition index-linked life insurance product, we have continued expanding offerings of investment-oriented products. Our Hungarian insurer, Allianz Hungária Biztosító Rt., is transforming into an integrated financial services provider operating under an “assurbanking” model.

Outlook

Motor business products and, increasingly, other personal lines continue to be the primary source of our growth. We also expect to expand and further develop our sales network. We believe we are well-positioned to capture the opportunities from the growing demand that we expect for **property-casualty** insurance products.

New Europe represents one of the fastest growing **life** insurance markets in the world, primarily resulting from low penetration levels. In anticipation of the expected growth, we continue to strengthen our sales capacity and product range.

Asia-Pacific and Africa

We consider Asia Pacific to be one of our major growth regions. Allianz has been present in the region since 1917, when we began providing fire and marine insurance in the coastal cities of China.

Today, Allianz is active in all key markets of the region, offering its core businesses of property and casualty insurance, life and health insurance, asset management and banking. With more than 13,000 staff, Allianz serves over 18.5 million customers in the region.

To elevate our presence in the Middle East region to a new level and to set the course for further internal and external growth, we established the Middle East as our third major growth region from October 1 onwards. The regional unit assembles Allianz's entities in Bahrain, Egypt, India, Jordan, Lebanon, Pakistan, Saudi Arabia and Sri Lanka and is directed from a central office in Bahrain.

Allianz also operates in several countries in Africa.

2007 in review ¹⁾:

- January 15: Acquisition of Commerce Assurance Berhad in Malaysia
- January 18: Majority take over in Taiwan at Allianz President Life and re-branding in Allianz Taiwan Life on July 7
- March 12: New joint venture “Bajaj Allianz Financial Distributors Ltd.” for distribution of financial products, such as mutual funds, credit cards and loans, throughout India
- July 30: Licence to expand into Jiangsu province granted to Allianz China Life
- November 20: Licence to enter Beijing life markets to Allianz China Life

Operations

Asia-Pacific

In the Asia-Pacific region we maintain **property-casualty** operations in Malaysia (recently expanded through the acquisition of Commerce Assurance Berhad), Indonesia and other Asia-Pacific countries, including China, Thailand, Japan, Hong Kong, Singapore, Laos and India.

The majority of our **life/health** business in this region is conducted in South Korea through Allianz Life Insurance Co. Ltd. (Allianz Life Korea) and in Taiwan through Allianz Taiwan Life Insurance Company. Allianz Life Korea was the sixth-largest life insurance company in South Korea based on statutory premiums in 2007.²⁾ We also maintain operations in Malaysia, Indonesia, as well as in China, Thailand, Pakistan and India.

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.

¹⁾ Further information is available at www.allianz.com

²⁾ Source: South Korean Life Insurance Association.

Segments	Countries/Key markets	Management Business Division	Overview
■ ■	Africa	Europe II	
■ ■ ■	Australia	Anglo Broker Markets	
■ ■ ■ ■	China	Growth Markets	
■ ■ ■ ■	Hong Kong	Growth Markets	
■ ■ ■ ■	Indonesia	Growth Markets	
■ ■ ■ ■	India	Growth Markets	
■ ■ ■ ■ ■	Japan	Growth Markets	
■ ■ ■ ■ ■	Malaysia	Growth Markets	
■ ■ ■ ■ ■	Middle East	Europe II	
■ ■ ■ ■ ■	Singapore	Growth Markets	
■ ■ ■ ■ ■	South Korea	Growth Markets	
■ ■ ■ ■ ■	Taiwan	Growth Markets	
■ ■ ■ ■ ■	Thailand	Growth Markets	

■ Property-Casualty
 ■ Life/Health
 ■ Banking
 ■ Asset Management

Products & Distributions

We offer a full suite of products through our distribution network of approximately 320,000 agents in the region. Another important distribution channel is via our bank partners.

Our South Korean operations market a wide range of life insurance products. Due to the interest rate risk and a favorable equity market in South Korea, Allianz Life Korea has increasingly shifted its focus to variable and equity-indexed products. Allianz Taiwan Life primarily sells investment-oriented products through its bank channels.

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.

Outlook

We are seeking to expand in all of our selected markets in the region through internal growth and selected acquisitions.

China and India are strategic growth markets for Allianz.

In China, our partnership with Industrial and Commercial Bank of China Ltd. emphasizes our long-term commitment to the market and also offers a platform for our strategic expansion.

We are also targeting additional growth in India through our joint venture with Bajaj Allianz Financial Distributors Ltd.

In Australia, we expect to continue to employ market segmentation techniques, which include diversifying the portfolio outside of the traditionally cyclical areas.

The Americas

Allianz first established its presence in the Americas in 1974 when an office was opened in Brazil. In 1976, we commenced our property-casualty insurance business in the US. Today, we are active in North and South America, with companies based in the US, Canada, Mexico, Argentina, Brazil and Colombia.

2007 in review ¹⁾:

- July 2: Sale of our business in Venezuela
- September 17: AGF Allianz Argentina renamed Allianz Argentina

Operations

United States

Our **property-casualty** insurance business in the United States is operated through Fireman's Fund Insurance Company (Fireman's Fund). Our **Life and annuity** business is operated through Allianz Life Insurance Company of North America (Allianz Life US).

We reorganized our business lines in the United States by organizing our operating entities under the umbrella of Allianz of America Inc. This reorganization is designed to allow our U.S. companies to leverage all of their available resources and assets and to enable them more effectively anticipate and deliver on customer needs.

South America

We conduct our **property-casualty** operations in Brazil through our subsidiary AGF Brasil Seguros S.A. Based on gross premiums written in 2007, we are the eighth-largest property-casualty insurance provider in Brazil.²⁾ We also sell property-casualty products in Colombia and Argentina.

Our largest **life** operation in this region is in Colombia. We also operate a health and a small life portfolio in Brazil.

Specialty Lines Worldwide Specialty Lines

Through our subsidiary Euler Hermes, the global leader in **credit insurance**, we underwrite credit insurance in major markets around the world.³⁾

Allianz Global Corporate & Specialty primarily serves as the Allianz Group's **international corporate insurance business**.

Through Mondial Assistance Group, we are among the world's largest providers of **travel insurance and assistance** services based on gross premiums written in 2006.⁴⁾

In contrast to our other geographically-focused insurance businesses, we manage and offer these services on a worldwide basis.

¹⁾ Further information is available at www.allianz.com

²⁾ Source: Based on data provided by National Association for Private Insurance Companies, FENASEG

³⁾ Source: Own estimate based on information from International Credit Insurance and Surety Association, ICISA

⁴⁾ Source: Own estimate based on published annual reports.

Segments	Countries	Management Business Division	Overview
■ ■	Argentina	Europe II	
■ ■ ■	Brazil	Europe II	
■	Canada	Anglo Broker Markets/Europe II	
■ ■	Colombia	Europe II	
■ ■	Mexico	NAFTA	
■ ■ ■ ■	United States	NAFTA	

■ Property-Casualty
■ Life/Health
■ Banking
■ Asset Management

Products & Distributions

Through Fireman's Fund we underwrite personal, commercial and specialty lines, selling these products primarily through independent agents. Our commercial business unit offers specialized **property and casualty** coverage for businesses, while our Personal business unit focuses on high net worth individuals and the Specialty business unit provides marine and casualty products as well as multiperil crop/hail insurance.

Our **life and annuity** business primarily underwrites fixed, fixed-indexed and variable annuities, which are sold through independent distribution channels.

In Brazil, we write mainly motor insurance, furthermore, we sell fire, transportation and other insurance coverage. Distribution is organized primarily through independent agents and brokers. In Colombia and Argentina, we offer a broad range of products.

Our **life** insurance activities in Colombia include traditional group life insurance as well as investment-oriented products such as savings, pension and annuity products.

Euler Hermes provides enterprises protection against the risk of non-payment of receivables and customer insolvency. Euler Hermes has developed a comprehensive range of services for the management of companies' accounts receivables.

Through Allianz Global Corporate & Specialty, we offer a variety of other specialty lines of business, namely marine, aviation and industrial transport insurance and international industrial risks reinsurance.

Our Mondial Assistance Group offers **travel insurance and assistance services**.

Outlook

Fireman's Fund expects to continue to grow in its target markets by enhancing customer solutions introducing new products and services, and leveraging cross selling through strengthened distribution management.

After a slowdown in business in 2006 and 2007, Allianz Life US is taking measures to grow its annuity products business by expanding distribution with broker-dealers, banks and wirehouses, designing channel-specific products and also reinforcing development of fixed-indexed and variable products.

We expect growth in the **property-casualty** business to continue, primarily in Brazil and Argentina, mainly driven by the motor market.

We expect that growth rates in the South American **life insurance** market will remain attractive over the coming years.

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

Through the combination of our **international corporate business** within Allianz Global Corporate & Specialty, managing a diversified portfolio of risk management solutions and services, we expect to realize synergies and increase efficiency.

At Mondial Assistance Group, we seek to enter new markets and develop new products.

Other Information

Principal Accountant Fees and Services

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (or “KPMG DTG”) serves as the external auditing firm for the Allianz Group.

The table set forth below contains aggregate fees billed for each of the last two fiscal years by KPMG DTG or KPMG DTG and the world wide member firms of KPMG International (or “KPMG”) in the following categories: (i) Audit Fees, which comprise fees billed for services rendered for the audit of the Allianz Group’s consolidated financial statements, the statutory audits of the financial statements of Allianz SE and its subsidiaries or services that are normally provided in connection with statutory and regulatory filings or engagements; (ii) Audit-Related Fees, which comprise fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and which are not reported under (i); (iii) Tax Fees, which comprise fees billed for professional services rendered for tax advice and tax compliance; and (iv) All Other Fees, which comprise fees billed for all other products and services provided other than the services reported under (i) through (iii).

Fees of KPMG worldwide

	2007 € mn	2006 € mn
Audit fees	49.0	57.8
Audit-related fees	9.8	8.1
Tax fees	4.2	6.0
All other fees	4.1	7.0
Total¹⁾	67.1	78.9

¹⁾ Fees attributable to KPMG DTG and affiliated entities for audit fees were € 24.3 mn (2006: € 24.7), audit-related fees € 7.9 mn (2006: € 3.6 mn), tax fees € 2.7 mn (2006: € 2.7 mn) and all other fees € 2.5 mn (2006: € 3.6 mn) for the year ended December 31, 2007. Effective October 1, 2007, KPMG operations in Germany and the United Kingdom became affiliated entities. Fee amounts pertaining to the year 2007 therefore include both entities.

Audit Fees

KPMG billed the Allianz Group an aggregate of € 49.0 million in 2007 and € 57.8 million in 2006 in connection with professional services rendered for the audit of our annual consolidated financial statements and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG billed the Allianz Group an aggregate of € 9.8 million in 2007 and € 8.1 million in 2006 for assurance and related services. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG billed the Allianz Group an aggregate of € 4.2 million in 2007 and € 6.0 million in 2006 for professional services, primarily for tax advice.

All other fees

KPMG billed the Allianz Group an aggregate of € 4.1 million in 2007 and € 7.0 million in 2006 for other services, which consisted primarily of general consulting services and other services under the guidance of Allianz Group management.

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. All internal control-related services are specifically pre-approved by the Audit Committee. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

Statements in accordance with § 315 (4) of the German Commercial Code and Explanations

Composition of share capital

The share capital of Allianz SE was € 1,152,384,000 as of December 31, 2007. It was divided into 450,150,000 registered shares with no par value and a corresponding share capital amount of € 2.56 per share. The shares are fully paid in. All shares carry the same rights and obligations. Each no-par-value share grants one vote. The shareholders' share in the Company's profit is determined in proportion to their share in the share capital (§ 60 German Stock Corporation Act (Aktengesetz, AktG)). Excepted from this are treasury shares held by the Company, which do not entitle the Company to any rights (§ 71b German Stock Corporation Act). Pursuant to § 3 (1) of the Statutes of Allianz SE, shareholders shall not have the right to receive share certificates, unless it is necessary pursuant to the rules applicable at a stock exchange where the shares are listed. The shareholders' rights and obligations are governed by the provisions of the German Stock Corporation Act, in particular by §§ 12, 53a et seq., 118 et seq. and 186 of the German Stock Corporation Act.

Under German stock corporation law in case of registered shares only those persons who appear in the share register are deemed by the company to be shareholders (§ 67 (2) German Stock Corporation Act). This is particularly important for such things as taking part in general meetings and making use of voting rights. Appearing in the share register also facilitates direct communications with the shareholders. In this way, for instance, all shareholders can be personally invited to attend general meetings.

Restrictions on voting rights or transfer of shares; exercise of voting rights in case of employee participations in the share capital

Shares may only be transferred with the consent of the Company. Pursuant to § 2 (2) of the Statutes, the Company will withhold a duly applied approval only if it deems this to be necessary in the interest of the Company on exceptional grounds. The applicant will be informed about the reasons.

The restriction on share transferability goes right back to the creation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. In accordance with the Statutes, the Company will only withhold the approval necessary for transfer of shares when this is for extraordinary reasons and is considered to be in the interest of the Company. For several decades no such case has occurred. With the standardization of share transfer processes, the restriction on share transferability does not cause any delay in the registration in the share register and does not impede in any way the quotation of the shares on stock exchanges.

Shares acquired by employees of the Allianz Group as part of the employee share purchase program are in principle subject to a one-year lock-up period; outside Germany, the lock-up period may in some cases be up to five years for tax reasons. In some countries the employee shares are held throughout the lock-up period by a bank or other natural person or legal entity as trustee, in order to ensure that the lock-up period is observed. Nevertheless, employees may instruct the trustee on exercising voting rights, or have power-of-attorney granted to them to exercise such voting rights. Providing lock-up periods contributes to the employee share purchase programs' purpose to commit employees to the Company and let them participate in the performance of the stock price.

Interests in the share capital exceeding 10% of the voting rights

Direct or indirect interests in the share capital of Allianz SE that exceed 10% of the voting rights have not been reported to Allianz SE, nor is it otherwise aware of any such interests.

Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

Legislation and provisions of the Statutes applicable to the appointment and removal of members of the Board of Management and to amendments of the Statutes

The members of the Board of Management of Allianz SE are appointed by the Supervisory Board for a maximum term of five years (Article 9 (1), Article 39 (2) and Article 46 SE Regulation, §§ 84, 85 German Stock Corporation Act, § 5 (3) of the Statutes). Re-appointments, in each case for a maximum of five years, are permitted. A simple majority of the votes cast in the Supervisory Board is required to appoint members of the Board of Management. In the case of a tie, the vote of the Chairperson of the Supervisory Board, who pursuant to Art. 42 sentence 2 SE Regulation must be a shareholder representative, is decisive (§ 8 (3) of the Statutes). If the Chairperson does not participate in the vote, the Deputy Chairperson has the casting vote, provided that the Deputy Chairperson is a shareholder representative. A Deputy Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). These provisions make sure that the shareholder side of the Supervisory Board has the right to finally decide in case of a tie.

According to § 5 (1) of the Statutes the Board of Management shall consist of at least two persons. Otherwise, the number of the members of the Board of Management is determined by the Supervisory Board. The Supervisory Board has appointed a Chairman of the Board of Management pursuant to § 84 (2) of the German Stock Corporation Act.

The members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (§ 84 (3) German Stock Corporation Act). If a required member of the Board of Management is absent, in urgent cases the court must appoint the member upon the application of an involved party, by virtue of § 85 of the German Stock Corporation Act. With respect to the appointment, it is essential to ensure in particular that the members of the Board of Management are suited to managing an insurance company in terms of reliability and professional competence (§§ 121a, 7a German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) (§§ 121a, 13d No. 1 German Insurance Supervision Act).

Amendments to the Statutes must be resolved upon by the General Meeting. In the case of an SE, the resolution amending the Statutes must be passed with a majority of at least two thirds of the votes cast, unless the laws and regulations in the SE's country of domicile provide for or permit a greater majority (Article 59 (1) SE Regulation). Any Member State may stipulate, however, that a simple majority of votes is sufficient, provided at least half of the share capital is represented (Article 59 (2) SE Regulation). German legislation has made use of this in § 51 sentence 1 SE Implementation Act (SE-Ausführungsgesetz). This does not apply to a change in the corporate object, relocation of the registered office to another Member State and to cases in which a higher majority is mandatory by law (§ 51 sentence 2 SE Implementation Act). Accordingly, § 13 (4) sentence 2 of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory legal provision, changes of the Statutes require a majority of two thirds of the votes cast, or, as the case may be, if at least half of the share capital is represented, a simple majority of the votes cast. The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 German Stock Corporation Act and § 10 of the Statutes).

Authorizations of the Board of Management to issue and repurchase shares

The Board of Management has the following authority to issue shares:

- The Board of Management is authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions, up to a total of € 406,545,646.08 (Authorized Capital 2006/I). The Board of Management is authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board for fractional amounts, for safeguarding the rights pertaining to holders of convertible bonds or bonds with warrants, and in the event of a cash capital increase by up to 10%, if the issue price of the new shares is not significantly less than the stock market price. The Board of Management is furthermore authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind (§ 2 (3) of the Statutes).

- The Board of Management is also authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash, on one or more occasions, up to a total of € 9,848,296.96 (Authorized Capital 2006/II). The Board of Management may exclude the shareholders' subscription rights, upon the approval of the Supervisory Board, in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts (§ 2 (4) of the Statutes).
- The Company has a conditional capital in the amount of € 250,000,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds which Allianz SE or its subsidiaries have issued on the basis of the authorization granted by the General Meeting of February 8, 2006 are exercised, or conversion obligations arising from such bonds are fulfilled (§ 2 (6) of the Statutes).
- There was as of December 31, 2007 furthermore conditional capital in the amount of € 5,632,000; all option rights resulting from bonds which Allianz SE or its subsidiaries have issued on the basis of the former authority granted by the General Meeting of May 5, 2004 have been exercised until expiry of the option term on February 15, 2008 so that this conditional capital has been fully carried out.

By way of resolution of the General Meeting on 2 May 2007 domestic or foreign credit institutions within the meaning of § 71 (1) No. 7 of the German Stock Corporation Act, that are majority owned by the Company, are authorized, to acquire treasury shares of Allianz SE for the purposes of securities trading. The authorization is valid on or before 1 November 2008. The trading position in shares acquired for this purpose shall not, at the end of any day, exceed 5% of the share capital of Allianz SE. The treasury shares acquired, together with other treasury shares, shall at no time exceed 10% of the share capital.

The authority explained to issue convertible bonds or bonds with warrants or issue new shares out of authorized capital enables the Management Board 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 is especially useful for Dresdner Bank giving it the possibility to deal in Allianz stock.

Essential agreements of the Company which are subject to the condition of a change of control following a takeover bid; compensation agreements of the Company with members of the Board of Management or employees in the event of a takeover bid

Under the terms and conditions of the participation certificates issued by Allianz SE, the participation certificate holders are entitled to call for redemption of the participation certificates and to demand payment of a redemption amount per participation certificate of 122.9% of the average official price (Einheitskurs) of the Allianz share on the Munich Stock Exchange for the last three months prior to termination of the participation certificate relationship, if an enterprise acquires a majority shareholding in Allianz SE. These rules correspond to usual market practice and protect in an adequate way the interests of holders of participation certificates.

Our reinsurance contracts in principle include a provision under which both parties to the contract have an extraordinary termination right in case that the other party to the contract merges or its ownership or control situation materially changes. Such clauses are market standard.

Bilateral credit agreements in some cases provide for termination rights in case of an acquisition of control of at least 30% of the voting rights within the meaning of § 29 (2) German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG). In case such termination rights are being exercised the respective credit lines would have to be replaced by new credit lines at conditions then applicable.

The service contracts of the members of the Allianz SE Board of Management contain a change-of-control clause. If, within 12 months after acquisition of more than 50% of the share capital by one shareholder or several shareholders acting in concert (change of control), the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, the mandate is ended by mutual agreement, or the mandate is ended by the Management Board member through resigning his or her office

because the responsibilities as a Board Member are significantly reduced without the Board Member's fault, the member of the Board of Management shall receive his or her contractual remuneration for the remaining term of the service contract in the form of a one-off payment. To the extent the remaining term of the service contract is less than three years, the one-off payment is generally increased with regard to fixed remuneration and the annual bonus in line with a term of 3 years. This applies accordingly if a mandate in the Board of Management that is coming to an end and is not extended within two years of a change of control.

The Group Equity Incentive (GEI) scheme also contains provisions in respect of a change of control. Under this scheme, Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU) are granted as a stock-based remuneration component worldwide to senior management of the Allianz Group. SARs are virtual options on Allianz shares; they obligate the Allianz Group to pay in cash the excess of the market price of the Allianz share over the reference price on the exercise date. They vest after two years. If a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, in derogation of the above, however, the SARs shall be exercised, pursuant to the general conditions for the SAR, by the Company for the relevant plan participants without observing any vesting period.

RSUs are virtual Allianz shares which obligate the Allianz Group to pay in cash an amount corresponding to the average market price for Allianz shares in the ten trading days preceding the vesting date, or to issue one Allianz share, or other equivalent equity instrument, for each RSU granted. RSUs vest after five years and are exercised by the Allianz Group on the first trading day after their vesting date. If a majority of the voting capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, the RSUs shall be exercised, pursuant to the general conditions for the RSUs, by the Company for the relevant plan participants without observing any vesting period. In providing for the non application, in the event of a change of control, of any limitation on the period for exercising rights under such plans, account is taken of the fact that the conditions under which the share price moves are very different when there is a change in control.

Reconciliation of Consolidated Operating Profit and Total Revenue Growth

The previous analysis is based on our consolidated financial statements and should be read in conjunction with those statements. The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time. Operating profit highlights the portion of income before income taxes and minority interests in earnings attributable to the on-going core operations of the Allianz Group. To better understand the on-going operations of the business, we exclude the effects of acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations; and we exclude interest expense from external debt and income from financial assets and liabilities held for trading (relating to exchangeables on external debt) as these relate to our capital structure.

We believe that trends in the underlying profitability of our business can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments of investment securities, as these are largely dependent on market cycles or issuer-specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion. Similarly, we exclude restructuring charges because the timing of the restructuring charges are largely within our control, and accordingly their exclusion provides additional insight into the operating trends of the underlying business.

Operating profit should be viewed as complementary to, and not a substitute for, income before income taxes and minority interests in earnings or net income as determined in accordance with IFRS.

The following table reconciles operating profit on a consolidated basis to the Allianz Group's income before income taxes and minority interests in earnings.

	2007 € mn	2006 € mn	2005 € mn
Operating profit	10,915	10,386	8,003
Realized gains/losses and impairments of investments (net)	2,538	2,682	1,853
Income from financial assets and liabilities held for trading (net)	(35)	(134)	(403)
Interest expense from external debt	(1,051)	(775)	(787)
Restructuring charges	(216)	(824)	(100)
Acquisition-related expenses	(506)	(532)	(687)
Amortization of intangible assets	(17)	(51)	(50)
Reclassification of policyholder participation in tax benefits arising in connection with tax-exempt income	(60)	(429)	—
Income before income taxes and minority interests in earnings	11,568	10,323	7,829

We further believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or “changes in scope of consolidation”) are excluded. Accordingly, in addition to presenting “nominal growth”, we also present “internal growth”, which excludes the effects of foreign currency translation and changes in scope of consolidation. The following table sets forth the reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole for the years ended December 31, 2007 and 2006.

	Nominal growth	Changes in scope of consoli- dation	Foreign currency translation	Internal growth
	%	%	%	%
2007				
Property-Casualty	1.4	1.3	(1.0)	1.1
Life/Health	4.1	0.1	(2.3)	6.3
Banking	(19.3)	—	(1.0)	(18.3)
thereof: Dresdner Bank	(20.3)	—	(1.1)	(19.2)
Asset Management	7.1	0.8	(7.0)	13.3
thereof: Allianz Global Investors	6.3	—	(7.5)	13.8
Allianz Group	1.5	0.6	(1.7)	2.6
2006				
Property-Casualty	(0.1)	(0.2)	(0.2)	0.3
Life/Health	(1.8)	—	(0.2)	(1.6)
Banking	12.2	—	(0.1)	12.3
thereof: Dresdner Bank	12.8	—	(0.1)	12.9
Asset Management	11.8	(0.7)	(0.9)	13.4
thereof: Allianz Global Investors	11.7	(0.7)	(0.9)	13.3
Allianz Group	0.2	(0.1)	(0.2)	0.5

Munich, February 18, 2008

Allianz SE

The Board of Management

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

Allianz Group

Consolidated Financial Statements

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Allianz Group

Consolidated Balance Sheets

As of December 31,	Note	2007 € mn	2006 € mn
ASSETS			
Cash and cash equivalents	6	31,337	33,031
Financial assets carried at fair value through income ¹⁾	7	185,461	198,992
Investments ²⁾	8	286,952	298,134
Loans and advances to banks and customers	9	396,702	423,765
Financial assets for unit linked contracts		66,060	61,864
Reinsurance assets	10	15,312	19,360
Deferred acquisition costs	11	19,613	19,135
Deferred tax assets	41	4,771	4,727
Other assets	12	41,528	38,001
Intangible assets	13	13,413	13,072
Total assets		1,061,149	1,110,081

As of December 31,	Note	2007 € mn	2006 € mn
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	14	126,053	121,822
Liabilities to banks and customers	15	336,494	376,565
Unearned premiums	16	15,020	14,868
Reserves for loss and loss adjustment expenses	17	63,706	65,464
Reserves for insurance and investment contracts	18	292,244	287,032
Financial liabilities for unit linked contracts	19	66,060	61,864
Deferred tax liabilities	41	3,973	4,588
Other liabilities	20	49,324	49,764
Certificated liabilities	21	42,070	54,922
Participation certificates and subordinated liabilities	22	14,824	16,362
Total liabilities		1,009,768	1,053,251
Shareholders' equity	23	47,753	49,650
Minority interests	23	3,628	7,180
Total equity		51,381	56,830
Total liabilities and equity		1,061,149	1,110,081

¹⁾ As of December 31, 2007, € 23,163 mn are pledged to creditors and can be sold or repledged (2006: € 90,211 mn).

²⁾ As of December 31, 2007, € 7,384 mn are pledged to creditors and can be sold or repledged (2006: € 3,156 mn).

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Consolidated Income Statements

	Note	2007 € mn	2006 € mn	2005 € mn
Premiums written		65,788	65,275	64,766
Ceded premiums written		(5,934)	(6,218)	(6,429)
Change in unearned premiums		(492)	(533)	(655)
Premiums earned (net)	24	59,362	58,524	57,682
Interest and similar income	25	26,047	23,956	22,644
Income from financial assets and liabilities carried at fair value through income (net)	26	(1,247)	940	1,163
Realized gains/losses (net)	27	6,548	6,151	4,978
Fee and commission income	28	9,440	8,856	8,162
Other income	29	217	86	92
Income from fully consolidated private equity investments	30	2,367	1,392	598
Total income		102,734	99,905	95,319
Claims and insurance benefits incurred (gross)		(46,409)	(45,523)	(46,802)
Claims and Insurance benefits incurred (ceded)		3,287	3,226	4,032
Claims and insurance benefits incurred (net)	31	(43,122)	(42,297)	(42,770)
Change in reserves for insurance and investment contracts (net)	32	(10,685)	(11,375)	(11,176)
Interest expense	33	(6,672)	(5,759)	(6,377)
Loan loss provisions	34	113	(36)	109
Impairments of investments (net)	35	(1,272)	(775)	(540)
Investment expenses	36	(1,057)	(1,108)	(1,092)
Acquisition and administrative expenses (net)	37	(23,218)	(23,486)	(22,559)
Fee and commission expenses	38	(2,673)	(2,351)	(2,312)
Amortization of intangible assets		(17)	(51)	(50)
Restructuring charges	49	(232)	(964)	(100)
Other expenses	39	(14)	1	(51)
Expenses from fully consolidated private equity investments	40	(2,317)	(1,381)	(572)
Total expenses		(91,166)	(89,582)	(87,490)
Income before income taxes and minority interests in earnings		11,568	10,323	7,829
Income taxes	41	(2,854)	(2,013)	(2,063)
Minority interests in earnings		(748)	(1,289)	(1,386)
Net income		7,966	7,021	4,380

	Note	2007 €	2006 €	2005 €
Basic earnings per share	50	18.00	17.09	11.24
Diluted earnings per share	50	17.71	16.78	11.14

Allianz Group

Consolidated Statements of Changes in Equity

	Paid-in capital	Revenue reserves	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Minority interests	Total equity
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Balance as of January 1, 2005, as previously reported	19,433	5,893	(2,634)	7,303	29,995	7,696	37,691
Adjustments (Note 3)	—	(559)	—	(272)	(831)	771	(60)
Balance as of January 1, 2005	19,433	5,334	(2,634)	7,031	29,164	8,467	37,631
Foreign currency translation adjustments	—	—	1,601	50	1,651	33	1,684
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾	—	—	—	3,805	3,805	549	4,354
Transferred to net income on disposal ²⁾	—	—	—	(1,114)	(1,114)	(133)	(1,247)
Cash flow hedges	—	—	—	3	3	—	3
Miscellaneous	—	370	—	—	370	141	511
Total income and expense recognized directly in shareholders' equity	—	370	1,601	2,744	4,715	590	5,305
Net income	—	4,380	—	—	4,380	1,386	5,766
Total recognized income and expense for the year	—	4,750	1,601	2,744	9,095	1,976	11,071
Paid-in capital	2,183	—	—	—	2,183	—	2,183
Treasury shares	—	352	—	—	352	—	352
Transactions between equity holders	—	(1,742)	1	277	(1,464)	(1,328)	(2,792)
Dividends paid	—	(674)	—	—	(674)	(729)	(1,403)
Balance as of December 31, 2005	21,616	8,020	(1,032)	10,052	38,656	8,386	47,042
Foreign currency translation adjustments	—	—	(1,175)	(4)	(1,179)	(276)	(1,455)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾	—	—	—	4,731	4,731	20	4,751
Transferred to net income on disposal ²⁾	—	—	—	(1,744)	(1,744)	(146)	(1,890)
Cash flow hedges	—	—	—	1	1	—	1
Miscellaneous	—	246	—	—	246	111	357
Total income and expense recognized directly in shareholders' equity	—	246	(1,175)	2,984	2,055	(291)	1,764
Net income	—	7,021	—	—	7,021	1,289	8,310
Total recognized income and expense for the year	—	7,267	(1,175)	2,984	9,076	998	10,074
Paid-in capital	129	—	—	—	129	—	129
Treasury shares	—	910	—	—	910	—	910
Transactions between equity holders	3,653	(2,316)	(3)	356	1,690	(1,552)	138
Dividends paid	—	(811)	—	—	(811)	(652)	(1,463)
Balance as of December 31, 2006	25,398	13,070	(2,210)	13,392	49,650	7,180	56,830
Foreign currency translation adjustments	—	—	(1,378)	(2)	(1,380)	(214)	(1,594)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾	—	—	—	(1,123)	(1,123)	(41)	(1,164)
Transferred to net income on disposal ²⁾	—	—	—	(2,484)	(2,484)	(101)	(2,585)
Cash flow hedges	—	—	—	35	35	—	35
Miscellaneous	—	(77)	—	—	(77)	116	39
Total income and expense recognized directly in shareholders' equity	—	(77)	(1,378)	(3,574)	(5,029)	(240)	(5,269)
Net income	—	7,966	—	—	7,966	748	8,714
Total recognized income and expense for the year	—	7,889	(1,378)	(3,574)	2,937	508	3,445
Paid-in capital	158	—	—	—	158	—	158
Treasury shares	—	269	—	—	269	—	269
Transactions between equity holders	2,765	(6,968)	(68)	652	(3,619)	(3,707)	(7,326)
Dividends paid	—	(1,642)	—	—	(1,642)	(353)	(1,995)
Balance as of December 31, 2007	28,321	12,618	(3,656)	10,470	47,753	3,628	51,381

¹⁾ During the year ended December 31, 2007 unrealized gains and losses (net) arising during the year included in shareholders' equity are net of deferred tax benefit of € 720 mn (2006: deferred tax benefit of € 478 mn; 2005: deferred tax charge of € 568 mn).

²⁾ During the year ended December 31, 2007, realized gains/losses (net) transferred to net income on disposal are net of income tax charge of € 206 mn (2006: € 308 mn; 2005: € 303 mn).

Allianz Group

Consolidated Statements of Cash Flows

	2007 € mn	2006 € mn	2005 € mn
Summary:			
Net cash flow provided by operating activities	12,706	20,681	47,200
Net cash flow provided by (used in) investing activities	(4,643)	(34,866)	(22,811)
Net cash flow provided by (used in) financing activities	(9,642)	15,647	(8,442)
Effect of exchange rate changes on cash and cash equivalents	(115)	(78)	72
Change in cash and cash equivalents	(1,694)	1,384	16,019
Cash and cash equivalents at beginning of period	33,031	31,647	15,628
Cash and cash equivalents at end of period	31,337	33,031	31,647
Cash flow from operating activities:			
Net income	7,966	7,021	4,380
Adjustments to reconcile net income to net cash flow provided by operating activities			
Minority interests in earnings	748	1,289	1,386
Share of earnings from investments in associates and joint ventures	(521)	(287)	(253)
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 to banks and customers	(5,276)	(5,376)	(4,438)
Other investments, mainly financial assets held for trading and designated at fair value through income	681	(938)	(1,546)
Depreciation and amortization	891	983	787
Loan loss provision	(113)	36	(109)
Interest credited to policyholder accounts	3,225	3,126	2,748
Net change in:			
Financial assets and liabilities held for trading	18,948	19,265	10,371
Reverse repurchase agreements and collateral paid for securities borrowing transactions	30,215	(27,294)	72,504
Repurchase agreements and collateral received from securities lending transactions	(48,143)	14,188	(47,688)
Reinsurance assets	716	663	428
Deferred acquisition costs	(932)	(1,434)	(1,753)
Unearned premiums	341	593	876
Reserves for losses and loss adjustment expenses	(389)	(188)	2,621
Reserves for insurance and investment contracts	6,675	7,025	7,634
Deferred tax assets/liabilities	55	292	(39)
Other (net)	(2,381)	1,717	(709)
Subtotal	4,740	13,662	42,820
Net cash flow provided by operating activities	12,706	20,681	47,200
Cash flow from investing activities:			
Proceeds from the sale, maturity or repayment of:			
Financial assets designated at fair value through income	8,219	7,207	9,981
Available-for-sale investments	130,421	118,747	137,915
Held-to-maturity investments	317	336	534
Investments in associates and joint ventures	1,902	730	3,938
Non-current assets and disposal groups held for sale	4	2,253	792
Real estate held for investment	889	1,376	1,091
Loans and advances to banks and customers (purchased loans)	8,689	8,365	5,195
Property and equipment	607	453	113
Subtotal	151,048	139,467	159,559

Allianz Group

Consolidated Statements of Cash Flows – continued

	2007 € mn	2006 € mn	2005 € mn
Payments for the purchase or origination of:			
Financial assets designated at fair value through income	(11,220)	(9,680)	(11,278)
Available-for-sale investments	(129,060)	(131,290)	(161,418)
Held-to-maturity investments	(301)	(280)	(255)
Investments in associates and joint ventures	(1,509)	(491)	(934)
Non-current assets and disposal groups held for sale	(1,073)	—	(178)
Real estate held for investment	(430)	(860)	(1,064)
Loans and advances to banks and customers (purchased loans)	(12,286)	(10,598)	(5,493)
Property and equipment	(832)	(1,588)	(1,126)
Subtotal	(156,711)	(154,787)	(181,746)
Business combinations (Note 4):			
Proceeds from sale, net of cash disposed	372	—	2,029
Acquisition, net of cash acquired	(670)	(344)	—
Change in other loans and advances to banks and customers (originated loans)	43	(19,224)	(1,877)
Other (net)	1,275	22	(776)
Net cash flow used in investing activities	(4,643)	(34,866)	(22,811)
Cash flow from financing activities:			
Policyholders' account deposits	12,810	13,234	14,118
Policyholders' account withdrawals	(9,365)	(8,432)	(5,560)
Net change in liabilities to banks and customers	9,007	13,524	(19,167)
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	59,191	103,429	115,422
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(71,627)	(103,946)	(111,737)
Cash inflow from capital increases	115	98	2,159
Transactions between equity holders	(7,326)	(70)	(2,932)
Dividends paid to shareholders	(1,995)	(1,463)	(1,403)
Net cash from sale or purchase of treasury shares	(34)	(458)	2,061
Other (net)	(418)	(269)	(1,403)
Net cash flow provided by (used in) financing activities	(9,642)	15,647	(8,442)

Allianz Group

Consolidated Statements of Cash Flows – continued

	2007 € mn	2006 € mn	2005 € mn
Supplementary information on the consolidated statement of cash flows:			
Income taxes paid	(2,856)	(2,241)	(1,644)
Dividends received	2,526	1,946	1,476
Interest received	22,256	20,552	19,770
Interest paid	(6,697)	(5,556)	(6,332)
Significant non-cash transactions:			
Settlement of exchangeable bonds issued by Allianz Finance II B.V. with shares:			
Available-for-sale investments	(812)	(1,074)	—
Certificated liabilities	(812)	(1,074)	—
Novation of quota share reinsurance agreement:			
Reinsurance assets	(2,469)	(1,111)	(1,117)
Deferred acquisition costs	145	76	76
Payables from reinsurance contracts	(2,324)	(1,035)	(1,041)
Effects from the merger of RAS with and into Allianz AG (Note 4):			
Revenue reserves	—	(2,362)	—
Minority interests	—	(1,659)	—
Paid-in capital	—	3,653	—
Unrealized gains and losses (net)	—	368	—
Effects from buy-out of AGF minorities (Note 4):			
Revenue reserves	(1,843)	—	—
Unrealized gains and losses (net)	146	—	—
Minority interests	(1,068)	—	—
Paid-in capital	2,765	—	—
Proceeds from sales of available-for-sale investments:			
Debt securities	89,355	89,813	107,929
Equity securities	27,485	21,696	24,800
Total	116,840	111,509	132,729

Allianz Group

Notes to the Consolidated Financial Statements

1 Nature of operations and basis of presentation

Nature of operations

Allianz SE and its subsidiaries (“the Allianz Group”) have global Property-Casualty insurance, Life/Health insurance, Banking and Asset Management operations in more than 70 countries, with the largest of its operations in Europe. The Allianz Group’s headquarters are located in Munich, Germany. The parent company of the Allianz Group is Allianz SE, Munich. It is recorded in the Commercial Register of the municipal court Munich under its registered address at Königinstraße 28, 80802 Munich.

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 315a of the German Commercial Code (“HGB”). The consolidated financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standard Board (“IASB”). The Allianz Group’s application of IFRSs results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB. Within these consolidated financial statements, the Allianz Group has applied all standards and interpretations issued by the IASB that are compulsory as of December 31, 2007.

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance and reinsurance contracts. 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. See Note 3 regarding changes to IFRS effective January 1, 2007. The consolidated financial statements are presented in millions of Euro (€).

2 Summary of significant accounting policies

Principles 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. Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries are consolidated until the date that the Allianz Group no longer maintains control. The Allianz Group has used interim financial statements for certain subsidiaries whose fiscal year is other than December 31, but not exceeding a lag of three months. The effects of intra-Allianz Group transactions have been eliminated.

A business combination occurs when the Allianz Group obtains control over a business. Business combinations are accounted for by applying 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 consideration given and any costs directly attributable to the business combination. 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.

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.

The Allianz Group transfers financial assets to certain SPEs in revolving securitizations of commercial mortgage or other loan portfolios. The Allianz Group consolidates these SPEs as the Allianz Group continues to control the financial assets transferred and retains the servicing of such loans.

Third party assets held in an agency or fiduciary capacity are not assets of the Allianz Group and are not presented in these consolidated financial statements.

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. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associated enterprises and joint ventures is included in interest and similar income.

Foreign currency translation

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities recorded in foreign currencies are translated into the functional currency using the closing exchange rate and non-monetary assets and liabilities are translated at historical rates.

Currency gains and losses arising from foreign currency transactions are reported in investment expenses.

For purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the functional currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded directly in shareholders' equity, as foreign currency translation adjustments.

Use of estimates and assumptions

The preparation of consolidated financial statements requires the Allianz Group to make estimates and assumptions that affect items reported in the consolidated balance sheets and consolidated income statements, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, loan loss allowance, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

Real estate held for investment

Real estate held for investment (i.e., real property and equivalent rights and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. When testing for impairment, the fair value of real estate held for investment is determined by the discounted cash flow method. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

Financial assets and liabilities

Recognition and classification

Financial assets and liabilities are generally recognized on trade date, when the Allianz Group has entered into contractual arrangements with counterparties to purchase securities or incur a liability.

Financial assets are either carried at fair value through income, or they are categorized into available-for-sale investments, held-to-maturity investments, loans and advances to banks and customers, financial assets for unit-linked assets or funds held by others under reinsurance contracts assumed.

Fair value of financial assets and liabilities

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and including the balance sheet date. The quoted market price used for a financial asset held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price. The impact of the Allianz Group's own credit spread on financial liabilities carried at fair value is calculated by discounting future cash flows at a rate which incorporates the Allianz Group's observable credit spread.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The valuation techniques used are based on market observable inputs when available. Such market inputs include references to recently quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets, quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates. Where observable market prices are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. In the process, appropriate adjustments are made for credit and measurement risks.

Due to the worldwide financial market crisis, some markets faced a significant shortage of liquidity, which affected the valuation techniques used by the Allianz Group to measure fair value. For certain financial instruments, the market has been completely illiquid and market prices were no longer available. In addition, the market prices of certain asset-backed securities ("ABS")-based products declined significantly.

For the portfolio of ABS-based products, primarily consisting of residential mortgage backed securities ("RMBS") and collateralized debt obligations ("CDOs") that were affected by the financial market crisis, the availability of price quotations from a functioning market were limited during the second half of 2007 and as of December 31, 2007. Therefore, the valuations for these financial instruments were derived based on the market values of similar financial instruments. The market quotations used were taken from other market participants and competitors, which management believes

are representative of the market. If this were not possible due to a lack of price quotations, the vintage and rating-specific valuations of the ABX.HE (Home Equity) index were used. The Allianz Group strictly adhered to these ABX.HE valuations.

Financial assets and liabilities carried at fair value through income

Financial assets 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 held for trading consist of debt and equity securities, promissory notes and precious metal holdings, which have been acquired principally for the purpose of generating a profit from short-term fluctuations in price, and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting. Financial assets held for trading are reported at fair value. Changes in fair value are recognized directly in net income for the period.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting and obligations to deliver assets arising from short sales of securities, which are carried out in order to benefit from short-term price fluctuations. The securities required to close out short sales are obtained through securities borrowing or reverse repurchase agreements.

Financial assets and liabilities designated at fair value through income are recorded at fair value with changes in fair value recorded in net income for the period. A financial instrument may only be designated at inception as held at fair value through income and cannot subsequently be changed.

Available-for-sale investments

Available-for-sale investments are 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 securities are recorded at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are included as a separate component of shareholders' equity, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, as the limited partnerships do not have a quoted market price and fair value cannot be reliably measured. The Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable presumption that the limited partner has no control over the limited partnership.

Held-to-maturity investments

Held-to-maturity investments are debt securities 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.

Impairment of available-for-sale and held-to-maturity investments

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. Typically this is due to deterioration in the creditworthiness of the issuer. A decline in fair value below amortized cost due to changes in risk free interest rates does not represent objective evidence of a loss event.

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 20% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than nine months. This policy is applied by all subsidiaries at the individual security level.

If an available-for-sale equity security is impaired based upon the Allianz Group's qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Allianz Group's impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

In a subsequent period, if the fair value of an available-for-sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net). Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

Loans and advances to banks and customers

Loans and advances to banks and customers are financial assets with fixed or determinable payments, that are not quoted in an active market, are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers are initially recorded at fair value plus transaction costs, and subsequently recorded at amortized cost using the effective interest rate method. Interest income is accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans are placed on non-accrual status when the payment of principal or interest is doubtful based on the credit assessment of the borrower. Non-accrual loans consist of loans on which interest income is no longer recognized on an accrued basis, and loans for which a specific provision is recorded for the entire amount of accrued interest receivable. When a loan is placed on non-accrual status, any accrued interest receivable is reversed against interest and similar income. Loans can only be restored to accrual status when interest and principal payments are made current (in accordance with the contractual terms), and future payments in accordance with those terms are reasonably assured. When there is a doubt regarding the ultimate collectibility of the principal of a loan placed in non-accrual status, all cash receipts are applied as reductions of principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If control of the securities remains with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded

under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expense.

Loans and advances to customers include the Allianz Group's gross investment in leases, less unearned finance income, related to lease financing transactions for which the Allianz Group is the lessor. The gross investment in leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the Allianz Group. Lease financing transactions include direct financing leases and leveraged leases. The unearned finance income is amortized over the period of the lease in order to produce a constant periodic rate of return on the net investment outstanding with respect to finance leases.

Impairment of loans

Loan loss allowance is recognized for loans for which there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and that loss event has an impact on the estimated future cash flows of the loan that can be reasonably estimated. If there is objective evidence that a loan is impaired, a loan loss allowance is recognized as the difference between the loan's carrying amount and the present value of future cash flows, which includes all contractual interest and principal payments, discounted at the loan's original effective interest rate. The loan loss allowance is reported as a reduction of loans and advances to banks and customers. Provisions for contingent liabilities, such as guarantees, loan commitments and other obligations are reported as other liabilities.

Loans with an outstanding balance greater than € 1 mn are considered to be individually significant, and they are assessed individually to determine whether an impairment exists. Individually significant loans that are not impaired, as well as loans that are not individually significant, are grouped with loans evidencing similar credit characteristics and are collectively assessed for impairment. Loans impaired individually or collectively are eliminated from further testing to ensure that there is no duplication of impairment. The following allowances comprise the total loan loss allowance.

Specific allowances are established to provide for specifically identified counterparty risks. Specific allowances are established for impaired loans. The amount of the impairment is

based on the present value of expected future cash flows or based on the fair value of the collateral if the loan is collateralized and foreclosure is probable. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to the loan loss provisions.

General allowances are established to provide for incurred but unidentified losses for individually significant loans that do not have a specific allowance. Loans are segmented into groups of loans with similar risk characteristics and general allowances are calculated using statistical methods of credit risk measurement based on historical loss experience and the evaluation of the loan portfolio under current events and economic conditions.

Portfolio allowances are established for all loans that are not considered individually significant and have not been individually assessed. These loans are segmented into portfolios of homogeneous loans exhibiting similar loss characteristics, and allowances are calculated using statistical methods based upon historical loss rates which are regularly updated. Portfolio allowances are presented within the specific allowance category.

Country risk allowances are established for transfer risk. Transfer risk is a measure of the likely ability of a borrower in a country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in the country. Country risk allowances are based on a country risk rating system that incorporates current and historical economic, political and other data to categorize countries by risk profile. Loans with specific allowances are excluded from the country risk rating system, and countries provided for within the country risk allowance are excluded from the determination of the transfer risk component of the general allowance. Country risk allowances are presented within the specific or general risk category, as appropriate.

Loans are charged-off when all economically sensible means of recovery have been exhausted. At the point of charge-off, the loan, as well as any specific allowance associated with the loan, is removed from the consolidated balance sheet or a charge may be recorded to directly charge-off the loan. A charge-off may be full or partial. Subsequent to a charge-off, recoveries, if any, are recognized as a credit to the loan loss provisions.

The loan loss provisions are the amount necessary to adjust the loan loss allowance to a level determined through the process described above.

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.

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.

Liabilities to banks and customers

Liabilities to banks and customers include repurchase (“repo”) agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If control of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expense from repo transactions is accrued over the duration of the agreements and reported in interest and similar expenses.

In securities lending transactions the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

Derivative financial instruments

The Allianz Group’s Property-Casualty and Life/Health segments use derivative financial instruments such as swaps, options and futures to hedge against changes in market prices or interest rates in their investment portfolios.

In the Allianz Group’s Banking segment, derivative financial instruments are used both for trading purposes and to hedge against movements in interest rates, currency exchange rates and other price risks of investments, loans, deposit liabilities and other interest sensitive assets and liabilities.

Derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as financial assets held for trading or financial liabilities held for trading. Gains or losses from these derivative financial instruments arising from valuation at fair value are included in income from financial assets and liabilities held for trading. This

treatment is also applicable for bifurcated embedded derivatives of hybrid financial instruments.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting (“accounting hedges”), the Allianz Group designates the derivative financial instrument as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into various hedge transactions. The Allianz Group assesses, both at the hedge’s inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. Derivative financial instruments used in accounting hedges are recognized as follows:

Fair value hedges

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the share of the change in fair value of the hedged item attributable to the hedged risk are recognized in net income.

Cash flow hedges

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in shareholders’ equity, and are recognized in net income when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in net income.

Hedges of a net investment in a foreign entity

Hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, is recognized in unrealized gains and losses (net) in shareholders’ equity, while any ineffectiveness is recognized directly in net income.

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value with changes in fair value recognized in net income, but changes in the fair value of the hedged item are no longer recognized in net income. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in shareholders' equity are recognized when the planned transaction occurs. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in shareholders' equity remain in shareholders' equity until the disposal of the foreign entity.

Derivative financial instruments are netted when there is a legally enforceable right to offset with the same counterparty and the Allianz Group intends to settle on a net basis.

Derecognition of financial assets and liabilities

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.

Insurance, investment and reinsurance contracts

Insurance and investment contracts

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the provisions of US GAAP, including SFAS 60, SFAS 97 and SFAS 120. Investment contracts without discretionary participation features are accounted for as financial instruments in accordance with IAS 39.

Reinsurance contracts

The Allianz Group's consolidated financial statements reflect the effects of ceded and assumed reinsurance contracts. Assumed reinsurance refers to the acceptance of certain insurance risks by Allianz that other companies have underwritten. Ceded reinsurance refers to the transfer of insurance risk, along with the respective premiums, to one or more reinsurers who will share in the risks. When the reinsurance contracts do not transfer significant insurance risk according to SFAS 113, deposit accounting is applied as required under SOP 98-7.

Assumed reinsurance premiums, commissions and claim settlements, as well as the reinsurance element of technical provisions are accounted for in accordance with the conditions of the reinsurance contracts and with consideration of the original contracts for which the reinsurance was concluded.

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis. Amounts ceded to reinsurers from reserves for insurance and investment contracts are estimated in a manner consistent with the claim liability associated with the reinsured risks. Revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

To the extent that the assuming reinsurers are unable to meet their obligations, the Group remains liable to its policyholders for the portion reinsured. Consequently, allowances are made for receivables on reinsurance contracts which are deemed uncollectible.

Deferred acquisition costs

Deferred acquisition costs ("DAC"), present value of future profits ("PVFP") and deferred sales inducements comprise the deferred acquisition costs in the balance sheet.

DAC generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. These acquisition costs are deferred, to the extent they are recoverable, and are subject to recoverability testing at the end of each accounting period.

For short and long duration traditional products (SFAS 60) and limited payment products (SFAS 97), DAC is amortized in proportion to premium revenue recognized. For universal life, participating life, and investment-type products (SFAS

97 and SFAS 120), DAC is amortized over the contract life of a book of contracts based on estimated gross profit (“EGP”) or estimated gross margin (“EGM”), as appropriate, based on historical and anticipated future experience, which is evaluated regularly.

For investment contracts, acquisition costs are only deferred if the costs are incremental. Acquisition costs are incremental if the costs would not have been incurred if the related contracts would not have been issued.

PVFP is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition and is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 12% to 15%. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest accrues on PVFP at rates between 2.4% and 9.8%.

Deferred sales inducements on insurance contracts that meet the following criteria are deferred and amortized using the same methodology and assumptions used to amortized deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract’s expected ongoing crediting rates for periods after the inducement.

Shadow accounting

Shadow accounting is applied to insurance and investment contracts with discretionary participating features, and SFAS 97 universal life type insurance contracts and SFAS 97 investment contracts. Shadow accounting is applied to DAC, PVFP, deferred sales inducements, unearned premium liabilities and the reserves for insurance and investment contracts to take into account the effect of unrealized gains or losses on insurance liabilities or assets in the same way as it is done for a realized gain or loss. These assets or liabilities are adjusted with corresponding charges or credits recognized directly to shareholders’ equity as a component of the related unrealized gains and losses.

Unearned premiums

For short-duration insurance contracts, such as property-casualty contracts, in accordance with SFAS 60, premiums written to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent years in relation to the insurance coverage provided.

For long-duration insurance contracts, in accordance with SFAS 97, amounts charged as consideration for origination of the contract (i.e. initiation or front-end fees) are reported as unearned premium. These fees are recognized using the same methodology as DAC amortization.

Unbundling

The deposit component of an insurance contract is unbundled when both of the following conditions are met:

1. the deposit component (including any embedded surrender option) can be measured separately (i.e., without taking into account the insurance component); and
2. the Allianz Group’s accounting policies do not otherwise require the recognition of all obligations and rights arising from the deposit component.

Currently, the Allianz Group has no in-force insurance contracts for which all of the rights and obligations related to such contracts have not been recognized. As a result, the Allianz Group has not recognized an unbundled deposit component in respect of any of its insurance contracts, and accordingly the Allianz Group has not recorded any related provisions in its consolidated financial statements.

Bifurcation

Certain of the Allianz Group’s universal life-type insurance contracts include options to replicate a market index (market value liability options or “MVLO”). These options are bifurcated from the insurance contracts and accounted for as derivatives.

Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses (“LAE”) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and incurred but not reported reserves (“IBNR”).

Case reserves for reported claims are based on estimates of future payments that will be made with respect to claims, including LAE relating to such claims. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly reevaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors to estimate IBNR reserves. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends, and legislative changes. The Allianz Group reduces the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such cases based on the Allianz Group's judgment and an analysis of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. The reserves for loss and loss adjustment expenses for asbestos claims in the United States were reviewed by independent actuaries during the year end of 2005; current reserves reflect subsequent loss developments and reestimation of initial reserves.

Reserves for insurance and investment contracts and financial liabilities for unit linked contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Aggregate policy reserves for long-duration insurance contracts, such as traditional life and health products, are com-

puted in accordance with SFAS 60 using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked in thereafter unless a premium deficiency occurs. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

The aggregate policy reserves for traditional participating insurance contracts are computed in accordance with SFAS 120 using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder dividends (or "premium refunds"). DAC and PVFP for traditional participating insurance products are amortized over the expected life of the contracts in proportion to EGMs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends (or "premium refunds"). The effect of changes in EGMs are recognized in net income in the period revised.

The aggregate policy reserves for universal lifetime insurance contracts and unit linked insurance contracts in accordance with SFAS 97 are equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. DAC and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to EGPs based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effect of changes in EGPs are recognized in net income in the period revised.

Current and historical client data, as well as industry data, are used to determine the assumptions.

Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group's actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of deferred acquisition costs and aggregate policy reserves were as follows:

	Long-duration insurance contracts (SFAS 60)	Traditional participating insurance contracts (SFAS 120)
Deferred acquisition costs	2.5 – 6%	5 – 6%
Aggregate policy reserves	2.5 – 6%	2.8 – 4.3%

Aggregate policy reserves also include liabilities for guaranteed minimum death, and similar mortality and morbidity benefits related to non-traditional contracts, annuitization options, and sales inducements. These liabilities are calculated based on contractual obligations using actuarial assumptions. Contractually agreed sales inducements to contract holders include persistency bonuses, and are accrued over the period in which the insurance contract must remain in force to qualify for the inducement.

The aggregate policy reserves for unit linked investment contracts are equal to the account balance, which represents premiums received and investment returns credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserves for non unit linked investment contracts are equal to amortized cost, or account balance less DAC. DAC for unit linked and non unit linked investment contracts are amortized over the expected life of the contracts in proportion to revenues.

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRSs based financial statements and the local financial statements ("latent reserve for premium refunds"), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country	Base	Percentage
Germany		
Life ¹⁾	investments	90%
Health ¹⁾	investments	80%
France		
Life	all sources of Profit	80%
Italy		
Life	investments	85%
Switzerland		
Group Life	all sources of Profit	90%
Individual Life	all sources of Profit	100%

¹⁾ additionally an adequate participation in all other sources of profit.

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized.

Other assets

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments, property and equipment, assets held for sale and other assets. Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for own use, equipment and software.

Real estate held for own use (e.g., real property 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 impair-

ment is recognized when the recoverable amount of these assets is less than their carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable cost of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 3 to 5 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset or provide additional functionality, are capitalized.

Intangible assets

Intangible assets include goodwill, brand names and other intangible assets.

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group's proportionate share of the net fair value of identifiable assets, liabilities and certain contingent liabilities. Goodwill resulting from business combinations is not subject to amortization. It is initially recorded at cost and subsequently measured at cost less accumulated impairments.

The Allianz Group conducts an annual impairment test of goodwill during the 4th quarter or more frequently if there is an indication that goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to each of the Allianz Group's cash generating units that is expected to benefit from the business combination. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and recoverable amount and is allocated to reduce any goodwill, followed by

allocation to the carrying amount of any remaining assets. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortization and are subsequently recorded at cost less accumulated impairments. Intangible assets with a definite useful life 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 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, disposal groups held for sale, and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

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 (a "puttable instrument"). These liabilities are required to be recorded at redemption amount with changes recognized in net income.

Certificated liabilities, participation certificates and subordinated liabilities

Certificated liabilities, participation certificates and subordinated liabilities are initially recorded at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

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.

Any foreign currency translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Minority interests represent the proportion of equity that is attributable to minority shareholders.

Premiums earned and claims and insurance benefits paid

Property-casualty insurance premiums are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided.

Health insurance premiums for long-duration contracts such as non-cancelable and guaranteed renewable contracts that are expected to remain in force over an extended period of time are recognized as earned when due. Premiums for short-duration health insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided.

Life insurance premiums from traditional life insurance policies are recognized as earned when due. Premiums from short-duration life insurance policies are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Benefits are recognized when incurred.

Unearned premiums for Property-Casualty and Life/Health contracts are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration and are included within premiums earned (net). Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Interest and similar income/expense

Interest income and interest expense are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when declared. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) represents the share of net income from entities accounted for using the equity method.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expense and transaction costs are included in this line item.

Fee and commission income and expenses

In addition to traditional commission income received on security transactions, fee and commission income in the securities business also includes commissions received in

relation to private placements, syndicated loans and financial advisory services. Other fees reflect fees from underwriting business (new issues), commissions received for trust and custody services, for the brokerage of insurance policies, and fees related to credit cards, home loans, savings contracts and real estate. Fee and commission income is recognized in Allianz Group's Banking segment when the corresponding service is provided.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution and servicing fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Income and expenses from fully consolidated private equity investments

All of the income from fully consolidated private equity investments and all of the expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

Income taxes

Income tax expense consists of the current taxes on profits actually charged to the individual Allianz Group subsidiaries and changes in deferred tax assets and liabilities.

The calculation of deferred tax is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for realization.

Leases

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Pensions and similar obligations

The Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 47. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

For each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of: a) 10% of the projected benefit obligation at

that date; or b) 10% of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized in net periodic benefit cost in the consolidated income statement over the expected average remaining working lives of the employees participating in the plans.

Share compensation plans

The share-based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with an increase in shareholders' equity, over the vesting period. Equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash settled plans, the Allianz Group accrues the fair value of the award as compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is recognized as compensation expense.

Restructuring plans

Provisions for restructuring are recognized when the Allianz Group has a detailed formal plan for the restructuring and has started to implement the plan or has communicated its main features. The detailed formal plan includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented. The income statement line item, restructuring charges, includes additional restructuring related expenditures that are necessarily entailed by the restructuring and not associated with the ongoing activities of the entity but which are not included in the restructuring provisions.

3 Recently adopted and issued accounting pronouncements and changes in the presentation of the consolidated financial statements

Recently adopted accounting pronouncements (effective January 1, 2007)

In August 2005, the IASB issued an amendment to IAS 1, Presentation of Financial Statements. The amendment requires additional disclosures relating to the Allianz Group's capital. In addition, in August 2005, the IASB issued IFRS 7, Financial Instruments: Disclosures, relating to disclosure requirements for financial instruments. The Allianz Group adopted the amendments to IAS 1 and IFRS 7 as of January 1, 2007. The Allianz Group's consolidated financial statements have been presented with the effect of these changes.

Impact of IFRS 7 on the Allianz Group's consolidated financial statements

IFRS 7 applies to all risks arising from financial instruments. IFRS 7 requires disclosure of:

- (a) the significance of financial instruments for an entity's financial position and performance
- (b) qualitative and quantitative information about exposure to risks arising from 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. IFRS 7 requires to group financial instruments into classes that are appropriate to the nature of the information disclosed and take into account the characteristics of those financial instruments. The classes of financial instruments generated within Allianz Group are mainly in line with those according to IAS 39.

The following table summarizes the relations between balance sheet positions, classes according to IFRS 7 and categories according to IAS 39:

Balance sheet line item and IFRS 7 classes of financial assets	Measurement basis	IAS 39 category
Financial assets		
Cash and cash equivalents	Nominal value	—
Financial assets carried at fair value through income		
Financial assets held for trading	Fair value	Held for trading
Financial assets designated at fair value through income	Fair value	Designated at fair value through income
Investments		
Available-for-sale investments	Fair value	Available-for-sale investments
Held-to-maturity investments	Amortized cost	Held-to-maturity investments
Loans and advances to banks and customers	Amortized cost	Loans and receivables
Financial assets for unit linked contracts	Fair value	—
Other Assets		
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	Fair value	—
Balance sheet line item and IFRS 7 classes of financial liabilities		
Financial liabilities		
Financial liabilities carried at fair value through income		
Financial liabilities held for trading	Fair value	Held for trading
Financial liabilities designated at fair value through income	Fair value	Designated at fair value through income
Liabilities to banks and customers	Amortized cost	Other liabilities - at amortized cost
Reserves for insurance and investment contracts		
Investment contracts with policyholders	Fair value	—
Financial liabilities for unit linked contracts	Fair value	—
Other Liabilities		
Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	Fair value	—
Financial liabilities for puttable equity instruments	Redemption amount	—
Certificated liabilities	Amortized cost	Other liabilities - at amortized cost
Participation certificates and subordinated liabilities	Amortized cost	Other liabilities - at amortized cost
Off-balance sheet		
Financial guarantees	Nominal value	—
Irrevocable loan commitments	Nominal value	—

Overall, IFRS 7 leads to enlarged disclosure requirements for financial instruments and associated risks. While some of the disclosures required by IFRS 7 were already included in the consolidated financial statements and notes in 2006, disclosures were added mainly in the appropriate notes dealing with financial instruments and include enlarged and more detailed information on:

- Financial assets and financial liabilities designated at fair value through income including information on credit risk exposure
- Hedge accounting
- Fair value disclosures including fair values determined if there is non-observable market data, “day 1” profit or loss, equity instruments at amortized costs and derecognition
- Credit risk as well as collaterals and other credit enhancements

Furthermore, the enlarged risk disclosure requirements of IFRS 7 are reflected in the risk report in the group management report.

The requirements of IAS 1 with regard to capital disclosures are also incorporated in the risk report in the group management report.

This risk report, with the exception of the “Outlook” section, is an integral part of the audited consolidated financial statements.

In March 2006, the International Financial Reporting Interpretations Committee (“IFRIC”) issued IFRIC 9, Reassessment of Embedded Derivatives. The Interpretation clarifies whether a reassessment should be made regarding whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract has been recognized. IFRIC 9 concludes that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is effective for annual periods beginning on or after June 1, 2006. As the interpretation is consistent with the Allianz Group’s existing policy, there was no significant impact on the Allianz Group’s financial results or financial position.

In July 2006, the IFRIC issued IFRIC 10, Interim Financial Reporting and Impairment. IFRIC 10 address the potential conflict between requirements of IAS 34 and the requirements for recording impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39. The interpretation prohibits the reversal of an impairment loss recognized in a previous interim period with respect to goodwill or an

investment in either an equity instrument or a financial asset carried at cost. IFRIC 10 is effective for annual periods beginning on or after November 1, 2006. As the interpretation is consistent with the Allianz Group’s existing policy, there was no significant impact on the Allianz Group’s financial results or financial position.

Recently issued accounting pronouncements (effective on or after January 1, 2008)

In November 2006, the IASB issued IFRS 8, Operating Segments. IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segment and assess its performance (i.e., the “management approach”). IFRS 8 requires explanations of how the segment information is prepared as well as reconciliations of total reportable segment revenues, total profits or losses, total assets, total liabilities, and other amounts disclosed for reportable segments to corresponding amounts recognized in the entity’s financial statements. IFRS 8 applies to annual financial statements for periods beginning on or after January 1, 2009. IFRS 8 will have no impact on the Allianz Group’s financial results or financial position. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of IFRS 8 will have on the Group’s segment reporting.

In March 2007, the IASB issued amendments to IAS 23, Borrowing Costs. The main change from the previous version is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. The cost of an asset will in future include all costs incurred in getting it ready for use or sale. The revised Standard applies to borrowing costs relating to qualifying assets for which the commencement date for capitalization is on or after January 1, 2009. The amendment is expected to have no impact on the Allianz Group’s consolidated financial statements.

In June 2007, IFRIC issued IFRIC 13, Customer Loyalty Programmes. IFRIC 13 addresses how companies, that grant their customers loyalty award credits (often called “points”) when buying goods or services, should account for their obligation to provide free or discounted goods or services if and when the customers redeem the points. Customers are implicitly paying for the points they receive when they buy other goods or services. Some revenue should be allocated to the points. Therefore, IFRIC 13 requires companies to estimate the value of the points to the customer and defer this amount of revenue as a liability until they have fulfilled their obligations to supply awards. IFRIC 13 is mandatory for annual periods beginning on or after July 1, 2008. Earlier

application is permitted. The interpretation is expected to have no material impact the Allianz Group's consolidated financial statements.

In July 2007, IFRIC issued IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. IFRIC 14 addresses how entities should determine the limit placed by IAS 19, Employee Benefits, on the amount of a surplus in a pension plan they can recognize as an asset, how a minimum funding requirement affects that limit and when a minimum funding requirement creates an onerous obligation that should be recognized as a liability in addition to that otherwise recognized under IAS 19. The interpretation is mandatory for annual periods beginning on or after January 1, 2008. Earlier application is permitted. The interpretation is expected to have no material impact the Allianz Group's consolidated financial statements.

In September 2007, the IASB issued the revised IAS 1, Presentation of Financial Statements. The revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The revised standard gives preparers of financial statements the option of presenting items of income and expense and components of other comprehensive income either in a single statement of comprehensive income with subtotals, or in two separate statements. The revisions also include changes in the titles of some of the financial statements to reflect their function more clearly. The new titles will be used in accounting standards, but are not mandatory for use in financial statements. Revised IAS 1 applies to annual financial statements for periods beginning on or after January 1, 2009. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of revised IAS 1 will have on the presentation of the Group's financial statements.

In January 2008, the IASB issued a revised version of IFRS 3, Business Combinations, and an amended version of IAS 27, Consolidated and Separate Financial Statements. The revised version of IFRS 3 and the amended version of IAS 27 include the following changes:

- The scope of IFRS 3 has been extended and applies now also to combinations of mutual entities and to combinations achieved by contract alone.
- In partial acquisitions, non-controlling interests are measured as their proportionate interest in the net identifiable assets or at fair value of the interests.

- Under the current IFRS 3, if control is achieved in stages, it is required to measure at fair value every asset and liability at each step for the purpose of calculating a portion of goodwill. The revised version requires that goodwill is measured as the difference at acquisition date between the fair value of any investment in the business held before the acquisition, the consideration transferred and the net assets acquired.

- Acquisition-related costs are generally recognised as expenses and are not included in goodwill.
- Contingent consideration must be recognised and measured at fair value at the acquisition date. Subsequent changes in fair value are recognised in accordance with other IFRSs, usually in profit and loss. Goodwill is no longer adjusted for those changes.
- Transactions with non-controlling interests, i.e., changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, are accounted for as equity transactions.

The revised standards apply to annual financial statements for periods beginning on or after July 1, 2009. The carrying amounts of any assets and liabilities that arose under business combinations prior to the application of the revised IFRS 3 are not adjusted. The amendments to IAS 27 need to be applied retrospectively with certain exceptions. Earlier application is permitted under certain conditions. The Allianz Group is currently evaluating the potential impact that the adoption of the standards will have on the Group's financial statements.

In January 2008, the IASB issued an amendment to IFRS 2, Share-based Payment. The amendment clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The amendment applies to annual financial statements for periods beginning on or after January 1, 2009. Earlier application is permitted. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of the amendment of IFRS 2 will have on the Group's financial statements.

In February 2008, the IASB issued amendments to IAS 32, Financial Instruments: Presentation, and IAS 1, Presentation of Financial Statements. IAS 32 requires a financial instrument to be classified as a liability if the holder of that instrument can require the issue to redeem it for cash. The

consequence is that some financial instruments that would usually be considered equity allow the holder to “put” the instrument and are, therefore, considered liabilities rather than equity. The amendments to IAS 32 address this issue and require entities to classify the following types of financial instruments as equity provided they have particular features and meet specific conditions:

- puttable financial instruments (e.g., some shares issued by co-operative entities)
- instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (e.g., some partnership interests and some shares issued by limited life entities).

The amendments apply to annual financial statements for periods beginning on or after January 1, 2009. Earlier application is permitted. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of the amendments of IAS 32 and IAS 1 will have on the Group’s financial statements.

Changes in the presentation of the consolidated financial statements

The Allianz Group has identified certain prior period errors through an analysis of various balance sheet accounts (the “Errors”). The Errors resulted primarily from the following issues:

- Accounting for the purchase of Dresdner Bank in 2001 and 2002, which included realized gains and losses on investments which did not reflect the correct purchase price allocation for the Dresdner Bank opening balance sheet.
- Consolidation of dividends for special funds in the year 2001, which resulted in the recognition of amounts for reserves for premium refunds, that did not properly take into account the different financial years of the sponsor and the special funds.
- Other errors, related to the accounting for minority interests and reserves for premium refunds, occurred in combination with mergers.

The Errors were included in the Allianz Group’s financial statements for each of the years from 2001 through 2006. The Allianz Group quantified the Errors based on the amount of the error originating in the current year income statement, as well as the effects of correcting the error in the balance sheet at the end of the year (the “rollover” and “iron curtain” method of evaluating errors, respectively). The Allianz Group evaluated the Errors individually and in the aggregate, and concluded that they were immaterial to the financial statements for all years in which they were included.

The following table summarizes the effects of the Errors on net income as reported for the years 2005 and 2006, and the cumulative effect of the Errors on net income for the years 2001 through 2004.

Description of error	Net income		
	2006 € mn	2005 € mn	2001-2004 € mn
Dresdner Bank purchase accounting	(78)	(42)	(182)
Special funds consolidation	—	—	29
Other	—	—	(4)
Total	(78)	(42)	(157)

As the majority of the Errors related to the years 2001 through 2004, and their correction has been determined to be immaterial, the Errors from these periods have been accounted for in 2007 by adjusting the opening balance sheet as of January 1, 2005. The Errors for 2005 and 2006 have been corrected through an out-of-period adjustment to net income in 2007.

The following table summarizes the Errors by issue and by their effect on the consolidated opening balance sheet and the consolidated statement of changes in equity as of January 1, 2005 as well as on the subsequent consolidated balance sheets and consolidated statements of changes in equity as of December 31, 2006 and 2007.

	Dresdner Bank € mn	Special Funds € mn	Other € mn	Total € mn
Other assets	(892)	—	—	(892)
Intangible assets (Goodwill)	306	(169)	—	137
Total assets	(586)	(169)	—	(755)
Reserves for insurance and investment contracts (Reserves for premium refunds)	—	(668)	3	(665)
Deferred tax liabilities	—	(30)	—	(30)
Shareholders' equity				
Revenue reserves	(894)	458	(123)	(559)
Unrealized gains/losses (net)	(272)	—	—	(272)
Minority interest	580	71	120	771
Total shareholders equity	(586)	529	(3)	(60)
Total liabilities and equity	(586)	(169)	—	(755)

The adjustment impacted certain asset and liability accounts previously reported within the consolidated balance sheet, consolidated statement of changes in equity and the consolidated segment balance sheet as of December 31, 2006. The following table summarizes the impact of correcting the Errors on the relevant line items on the face of the consolidated balance sheet and consolidated statement of changes in equity as of December 31, 2006:

As of December 31, 2006	As previously reported € mn	Adjustment € mn	As adjusted ¹⁾ € mn
Other assets	38,893	(892)	38,001
Intangible assets (Goodwill)	12,935	137	13,072
Total assets	1,053,226	(755)	1,052,471
Reserves for insurance and investment contracts (Reserves for premium refunds)	287,697	(665)	287,032
Deferred tax liabilities	4,618	(30)	4,588
Shareholders' equity			
Revenue reserves	13,629	(559)	13,070
Unrealized gains/losses (net)	13,664	(272)	13,392
Minority interest	6,409	771	7,180
Total shareholders equity	56,890	(60)	56,830
Total liabilities and equity	1,053,226	(755)	1,052,471

¹⁾ Excludes the change in presentation due to the reclassification of certain financial instruments

The following table summarizes the impact of correcting the Errors on the relevant line items of the face of the business segment information - consolidated balance sheets as of December 31, 2006:

As of December 31, 2006	Prior to adjustment € mn	Adjustment € mn	As adjusted € mn
Property Casualty			
Other assets	17,737	—	17,737
Intangible assets (Goodwill)	1,653	—	1,653
Total assets	150,740	—	150,740
Reserves for insurance and investment contracts (Reserves for premium refunds)	8,956	(2)	8,954
Deferred tax liabilities	3,902	(8)	3,894
Total liabilities	111,020	(10)	111,010
Life/Health			
Other assets	12,891	—	12,891
Intangible assets (Goodwill)	2,399	(169)	2,230
Total assets	395,404	(169)	395,235
Reserves for insurance and investment contracts (Reserves for premium refunds)	278,701	(663)	278,038
Deferred tax liabilities	1,181	(22)	1,159
Total liabilities	379,504	(685)	378,819
Banking			
Other assets	9,571	(892)	8,679
Intangible assets (Goodwill)	2,285	92	2,377
Total assets	506,080	(800)	505,280
Deferred tax liabilities	83	—	83
Total liabilities	489,233	—	489,233
Asset Management			
Other assets	3,471	—	3,471
Intangible assets (Goodwill)	6,334	214	6,548
Total assets	12,944	214	13,158
Deferred tax liabilities	46	—	46
Total liabilities	4,340	—	4,340
Total adjustments			
Other assets	—	(892)	—
Intangible assets (Goodwill)	—	137	—
Total assets	—	(755)	—
Reserves for insurance and investment contracts (Reserves for premium refunds)	—	(665)	—
Deferred tax liabilities	—	(30)	—
Total liabilities	—	(695)¹⁾	—

¹⁾ Group level equity adjustments of € (60) mn are not included in this table, as equity is not reported in the segment balance sheets.

Change in the presentation of financial instruments

In accordance with the Allianz Group policy, certain financial instruments are presented on a net basis when there is a legally enforceable right to offset with the same counterparty, and the Allianz Group intends to settle on a net basis. At our Dresdner Bank subsidiary, certain master netting agreements give Dresdner Bank the legal right of offset, but only under certain conditions. The financial instruments related to these agreements, consisting of derivatives, repurchase agreements and reverse repurchase agreements, have previously been reported on a net basis. These agree-

ments have been evaluated and it has been determined that due to the limits to the right of offset, the relevant financial assets and liabilities should be reported on a gross basis.

Partially offsetting these reclassifications from net to gross presentation is a change in the presentation of Collateral paid for securities borrowing transactions and Collateral received for securities lending transactions from gross to net presentation. In this case, the logic in the relevant system did not distinguish between open trades and offsetting borrowing/lending activities with the same counterparty.

The following table summarizes the impact that this reclassification has had on the previously reported financial statements:

As of December 31, 2006	As previously reported € mn	Adjustment € mn	As adjusted ¹⁾ € mn
Financial assets carried at fair value through income	156,869	42,123	198,992
Collateral paid for securities borrowing transactions	41,031	(6,719)	34,312
Reverse repurchase agreements	139,413	22,206	161,619
Loans and advances to banks and customers	408,278	15,487	423,765
Total assets	1,053,226	57,610	1,110,836
Financial liabilities carried at fair value through income	79,699	42,123	121,822
Collateral received for securities lending transactions	28,617	(6,719)	21,898
Repurchase agreements	117,592	22,206	139,798
Liabilities to banks and customers	361,078	15,487	376,565
Total liabilities and equity	1,053,226	57,610	1,110,836

¹⁾ Excludes the correction of other errors.

The change in presentation from net to gross basis has had no effect on reported earnings or equity.

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4 Consolidation

Scope of consolidation

In addition to Allianz SE, the consolidated financial statements for the period ended December 31, 2007, 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	2007	2006	2005
Number of fully consolidated companies (subsidiaries)			
Germany	172	143	169
Other countries ¹⁾	1,003	824	840
Total	1,175	967	1,009
Number of fully consolidated investment funds			
Germany	47	51	67
Other countries	12	21	26
Total	59	72	93
Number of fully consolidated Special Purpose Entities ("SPE")	55	46	35
Total of fully consolidated entities	1,289	1,085	1,137
Number of joint ventures valued at equity	4	9	10
Number of associated entities valued at equity	218	177	150

¹⁾ Includes 8 (2006: 9; 2005: 9) subsidiaries where the Allianz Group owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. ("CreditRas") and Antoniana Veneta Popolare Vita S.p.A. ("Antoniana"). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions of these subsidiaries are performed by the employees of the Allianz Group and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

All subsidiaries, joint ventures and associated enterprises are individually listed in the disclosure of equity investments that will be published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's Website. The disclosure of equity investments includes individually listed commercial partnerships which are exempt from preparing single financial statements in accordance with section 264b of the German Commercial Code ("HGB") as they are included in the consolidated financial statements of the Allianz Group. Selected subsidiaries and associated entities are listed in the selected subsidiaries and other holdings section.

Significant acquisitions

	Equity interest	Date of first-time consolidation	Segment	Goodwill ²⁾	Transaction
	%			€ mn	
2007					
Russian People's Insurance Society, Moscow	97.2	02/21/2007	Property-Casualty	514	Increase in equity interest
Selecta AG, Muntelier ¹⁾	100.0	07/03/2007	Corporate	472	Purchase
Insurance Company "Progress Garant", Moscow	100.0	05/31/2007	Property-Casualty	70	Purchase
Commerce Assurance Bhd., Kuala Lumpur	100.0	09/30/2007	Property-Casualty	49	Purchase
JSC Insurance Company "ATF POLICY", Almaty	100.0	09/30/2007	Property-Casualty	8	Purchase
2006					
MAN Roland Druckmaschinen AG, Offenbach	100.0	7/18/2006	Corporate	144	Purchase
Home & Legacy Limited, London	100.0	6/15/2006	Property-Casualty	68	Purchase
Premier Line Direct Limited, Lancaster	100.0	10/01/2006	Property-Casualty	36	Purchase

¹⁾ Classified as "held for sale"

²⁾ At the date of first-time consolidation

2007 Significant acquisitions

Russian People's Insurance Society, Moscow

On February 21, 2007, the Allianz Group acquired additional 49.8% of Russian People's Insurance Society, Moscow at a purchase price of € 572 mn. Russian People's Insurance Society, Moscow is the second largest insurance company in Russia which offers products in the business segments Property-Casualty, Life/Health and Asset Management.

The impact of the acquisition of Russian People's Insurance Society, Moscow, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	2007 € mn
Intangible assets	(530)
Other assets	(798)
Other liabilities	717
Deferred tax liabilities	15
Minority interests	10
Less: previous investment in Rosno	78
Acquisition of subsidiary, net of cash acquired	(508)

Components of costs

As of December 31,	2007 € mn
Purchase price (49.8% interest)	571
Subsequent acquisition costs	1
Total purchase price	572

The impact on the Group's net income as of December 31, 2007 was € (11) mn.

Selecta AG, Muntelier

On July 3, 2007, the Allianz Group acquired 100.0% of Selecta AG, Muntelier at a purchase price of € 1,126 mn. Selecta AG, Muntelier is the leading vending operator in Europe.

The impact of the acquisition of Selecta AG, Muntelier, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2007 was:

	2007 € mn
Intangible assets	(1,113)
Loans and advances to banks and customers	(107)
Other assets	(301)
Other liabilities	258
Deferred tax liabilities	190
Acquisition of subsidiary, net of cash acquired	(1,073)

Components of costs

As of December 31,	2007 € mn
Purchase price (100.0% interest)	1,126
Transaction costs	—
Total purchase price	1,126

The impact on the Group's net income as of December 31, 2007 was € (11) mn.

During the fourth quarter ended December 31, 2007, Selecta AG, Muntelier was reclassified to disposal groups held for sale.

2006 Significant acquisitions**MAN Roland Druckmaschinen AG, Offenbach**

On July 18, 2006, the Allianz Group acquired 100.0% of MAN Roland Druckmaschinen AG, Offenbach, at a purchase price of € 554 mn. MAN Roland is the world's second largest manufacturer of printing systems.

The impact of the acquisition of MAN Roland Druckmaschinen AG, Offenbach, net of cash acquired, on the consolidated statement of cash flows for the year ended December 31, 2006 was:

	2006 € mn
Intangible assets	268
Loans and advances to banks and customers	386
Other assets	931
Liabilities to banks and customers	(491)
Other liabilities	(625)
Deferred tax liabilities	(125)
Acquisition of subsidiary, net of cash acquired	344

Components of costs

As of December 31,	2006 € mn
Purchase price (100.0% interest)	553
Transaction costs	1
Total purchase price	554

The impact on the Group's net income as of December 31, 2006 was € 26 mn.

Significant disposals

	Equity interest	Date of deconsolidation	Proceeds from sale	Segment	Goodwill	Transaction
	%		€ mn		€ mn	
2007						
Grundstücksgesellschaft der Vereinten Versicherungen mbH & Co. Besitz- und Betriebs KG, Munich	93.7	12/14/2007	194	Property-Casualty	—	Sale to third party
Les Assurances Fédérales IARD, Strasbourg	60.0	09/30/2007	86	Property-Casualty	—	Sale to third party
Allianz PFI (UK) Ltd., London	100.0	08/17/2007	52	Corporate	—	Sale to third party
Adriática de Seguros C.A., Caracas	98.3	08/31/2007	26	Property-Casualty/Life/Health	—	Sale to third party
2006						
Four Seasons Health Care Ltd., Wilmslow	100.0	8/31/2006	863	Corporate	158	Sale to third party
2005						
DresdnerGrund-Fonds, Frankfurt am Main	100.0	12/22/2005	2,029	Banking	—	Sale to third party
Cadence Capital Management Inc., Delaware	100.0	8/31/2005	—	Asset Management	39	Liquidation

Acquisitions and disposals of significant minority interests

	Date of acquisition/disposal	Equity interest change	Costs of acquisition	Increase (decrease) in shareholders' equity	Increase (decrease) of minority interests
		%	€ mn	€ mn	€ mn
2007					
Assurances Générales de France, Paris ¹⁾	during 2007	39.8	10,052	(3,419)	(3,868)
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	during 2007	3.8	303	(211)	(92)
Allianz Taiwan Life Insurance Co. Ltd., Taipei	04/19/2007	49.6	40	(39)	(1)
2006					
Riunione Adriatica di Sicurtà S.p.A., Milan ("RAS") ¹⁾	10/13/2006	23.7	3,653	1,659	(1,659)
Allianz Global Investors of America L.P., Delaware	during 2006	0.3	70	(70)	—
2005					
Riunione Adriatica di Sicurtà S.p.A., Milan ("RAS")	11/30/2005	20.7	2,701	(1,339)	(1,362)
Allianz Global Investors of America L.P., Delaware	during 2005	3.4	209	(209)	—
Bayerische Versicherungsbank AG, Munich	11/15/2005	10.0	22	82	(104)
Assurances Générales de France, Paris	during 2005	(1.0)	—	19	127

¹⁾ Impact on shareholders' equity includes increase in equity due to financing of AGF minority buy-out in the year 2007 of € 2,765mn and RAS minority buy-out in the year 2006 of € 3,653mn.

5 Segment reporting

As a result of the Allianz Group's worldwide organization, the business activities of the Allianz Group are first segregated by product and type of service: insurance activities, banking activities, asset management activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property-casualty and life/health categories. Thus, the Allianz Group's segments are structured as Property-Casualty, Life/Health, Banking, Asset Management and Corporate. Based on various legal, regulatory and other operational issues associated with operating entities in jurisdictions worldwide, the segments of the Allianz Group are also further analyzed by geographical areas or regions in matrixes that comprise a number of profit and service-center segments. This geographic analysis is performed to provide further understanding of trends and results underlying the segment data.

Property-Casualty

The Allianz Group is the largest German property-casualty insurance company based on gross premiums written during the year ended December 31, 2007. Principal product lines offered primarily within Germany include automobile liability and other automobile insurance, fire and property insurance, personal accident insurance, liability insurance and legal expense insurance. The Allianz Group is also among the largest property-casualty insurance companies in other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group conducts its property-casualty insurance operations in these countries through five main groups of operating entities: in France, primarily offering automobile, property, injury and liability insurance for both individual and corporate customers; Italy, operating in all personal and commercial property-casualty lines in particular personal automobile insurance; the United Kingdom, offering products generally similar to those offered by the Allianz Group's German property-casualty operations as well as a number of specialty products, including extended warranty and pet insurance; Switzerland, offering property-casualty insurance, travel and assistance insurance, conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide; and Spain, offering a wide variety of traditional personal and commercial property-casualty insurance products, with an emphasis on automobile insurance.

Life/Health

The Allianz Group is the largest provider of life insurance and the third largest provider of health insurance in Germany based on gross statutory premiums written during the year ended December 31, 2007. Germany is the Allianz Group's most important market for life/health insurance business. The Allianz Group's German life insurance companies offer a comprehensive and unified range of life insurance and life insurance-related products on both an individual and group basis. The main classes of coverage offered include endowment life insurance, annuity policies, term life insurance, unit linked annuities, and other life insurance-related forms of cover, which are provided as riders to other policies and on a stand-alone basis. The Allianz Group's German health insurance companies provide a wide range of health insurance products, including full private healthcare coverage for the self-employed, salaried employees and civil servants, supplementary insurance for people insured under statutory health insurance plans, daily sickness allowance for the self-employed and salaried employees, hospital daily allowance, supplementary care insurance and foreign travel medical expenses insurance. The Allianz Group also maintains significant life/health operations in the United States, offering a wide variety of life insurance, fixed and variable annuity contracts, including equity-indexed annuities to individuals, and long-term care insurance to individual and corporate customers. Italy and France are also markets the Allianz Group maintains a significant presence offering products such as unit linked and investment-oriented products, health insurance and individual and group life insurance.

Banking

The Allianz Group's banking operations primarily comprise the operations of the Dresdner Bank AG and subsidiaries, hereafter "Dresdner Bank Group", whose principal banking products and services include traditional commercial banking activities such as deposit taking, lending (including residential mortgage lending) and cash management, as well as corporate finance advisory services, mergers and acquisitions advisory services, capital and money market services, securities underwriting and securities trading and derivatives business on its own account and for its customers. The Allianz Group operates through the domestic and international branch network of the Dresdner Bank Group and through various subsidiaries both in Germany and abroad, some of which also have branch networks.

Asset Management

The Allianz Group's Asset Management segment operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The Allianz Group managed € 765 bn of third-party assets on a worldwide basis as of December 31, 2007, with key management centers in Munich, Frankfurt, London, Paris, Singapore, Hong Kong, Milan, Westport (Connecticut) and San Francisco, San Diego and Newport Beach (California). The United States is the Allianz Group's largest geographic region for third-party assets under management accounting for approximately 56.2% (2006: 57.1%; 2005: 59.6%) of the total third-party assets under management. As measured by total assets under management at December 31, 2007, the Allianz Group is one of the five largest asset managers in the world.

Corporate

The Corporate segment includes all group activities which are not allocated to a specific business segment. Further, the Corporate segment includes group funding and risk management activities, such as the senior bonds, subordinated bonds and money market securities issued or guaranteed by Allianz SE and the related derivative financial instruments held by Allianz SE or one of its subsidiaries.

Allianz Group

Business Segment Information – Consolidated Balance Sheets

As of December 31,	Property-Casualty		Life/Health		Banking	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn
ASSETS						
Cash and cash equivalents	4,985	4,100	8,779	6,998	17,307	21,528
Financial assets carried at fair value through income	3,302	4,814	13,216	11,026	168,339	181,628
Investments	83,741	88,819	187,289	190,607	16,284	17,803
Loans and advances to banks and customers	20,712	16,825	91,188	85,769	295,506	329,196
Financial assets for unit linked contracts	—	—	66,060	61,864	—	—
Reinsurance assets	10,317	11,437	5,043	7,966	—	—
Deferred acquisition costs	3,681	3,704	15,838	15,381	—	—
Deferred tax assets	1,442	1,651	316	503	1,733	1,679
Other assets	21,864	17,737	14,071	12,891	8,203	8,679
Intangible assets	2,332	1,653	2,218	2,230	2,379	2,377
Total assets	152,376	150,740	404,018	395,235	509,751	562,890

As of December 31,	Property-Casualty		Life/Health		Banking	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn
LIABILITIES AND EQUITY						
Financial liabilities carried at fair value through income	96	1,070	5,147	5,251	120,383	114,338
Liabilities to banks and customers	6,865	4,473	6,078	7,446	320,388	365,635
Unearned premiums	13,163	12,994	1,858	1,874	—	—
Reserves for loss and loss adjustment expenses	56,943	58,664	6,773	6,804	—	—
Reserves for insurance and investment contracts	8,976	8,954	283,139	278,038	—	—
Financial liabilities for unit linked contracts	—	—	66,060	61,864	—	—
Deferred tax liabilities	2,606	3,894	946	1,159	102	83
Other liabilities	22,989	18,699	17,741	16,314	11,011	12,140
Certificated liabilities	158	657	3	3	34,778	46,191
Participation certificates and subordinated liabilities	905	1,605	60	66	7,966	8,456
Total liabilities	112,701	111,010	387,805	378,819	494,628	546,843

Asset Management		Corporate		Consolidation		Group	
2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn
770	767	445	536	(949)	(898)	31,337	33,031
980	985	887	1,158	(1,263)	(619)	185,461	198,992
879	774	102,894	96,652	(104,135)	(96,521)	286,952	298,134
469	367	4,754	2,963	(15,927)	(11,355)	396,702	423,765
—	—	—	—	—	—	66,060	61,864
—	—	—	—	(48)	(43)	15,312	19,360
94	50	—	—	—	—	19,613	19,135
161	196	935	1,473	184	(775)	4,771	4,727
3,452	3,471	10,786	7,020	(16,848)	(11,797)	41,528	38,001
6,227	6,548	257	264	—	—	13,413	13,072
13,032	13,158	120,958	110,066	(138,986)	(122,008)	1,061,149	1,110,081

Asset Management		Corporate		Consolidation		Group	
2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 € mn	2006 € mn
—	—	1,376	1,713	(949)	(550)	126,053	121,822
807	605	13,023	7,293	(10,667)	(8,887)	336,494	376,565
—	—	—	—	(1)	—	15,020	14,868
—	—	—	—	(10)	(4)	63,706	65,464
—	—	358	306	(229)	(266)	292,244	287,032
—	—	—	—	—	—	66,060	61,864
35	46	88	171	196	(765)	3,973	4,588
3,647	3,689	14,625	14,149	(20,689)	(15,227)	49,324	49,764
—	—	9,567	9,265	(2,436)	(1,194)	42,070	54,922
14	—	7,069	7,099	(1,190)	(864)	14,824	16,362
4,503	4,340	46,106	39,996	(35,975)	(27,757)	1,009,768	1,053,251
Total equity						51,381	56,830
Total liabilities and equity						1,061,149	1,110,081

Allianz Group

Business Segment Information – Consolidated Income Statements

	Property-Casualty			Life/Health			Banking		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Premiums written	44,289	43,674	43,699	21,522	21,614	21,093	—	—	—
Ceded premiums written	(5,320)	(5,415)	(5,529)	(637)	(816)	(926)	—	—	—
Change in unearned premiums	(416)	(309)	(485)	(76)	(224)	(170)	—	—	—
Premiums earned (net)	38,553	37,950	37,685	20,809	20,574	19,997	—	—	—
Interest and similar income	4,473	4,096	3,747	13,417	12,972	12,057	8,370	7,312	7,321
Income from financial assets and liabilities carried at fair value through income (net)	85	189	164	(940)	(361)	258	(431)	1,335	1,163
Realized gains/losses (net)	1,479	1,792	1,421	3,716	3,282	2,731	83	492	1,020
Fee and commission income	1,178	1,014	989	701	630	507	3,651	3,598	3,397
Other income	122	69	53	182	43	45	—	25	11
Income from fully consolidated private equity investments	—	—	—	—	—	—	—	—	—
Total income	45,890	45,110	44,059	37,885	37,140	35,595	11,673	12,762	12,912
Claims and insurance benefits incurred (gross)	(28,131)	(27,028)	(28,478)	(18,292)	(18,520)	(18,332)	—	—	—
Claims and insurance benefits incurred (ceded)	2,646	2,356	3,147	655	895	893	—	—	—
Claims and insurance benefits incurred (net)	(25,485)	(24,672)	(25,331)	(17,637)	(17,625)	(17,439)	—	—	—
Change in reserves for insurance and investment contracts (net)	(339)	(425)	(707)	(10,268)	(10,525)	(10,443)	—	—	—
Interest expense	(402)	(273)	(339)	(374)	(280)	(452)	(5,266)	(4,592)	(5,027)
Loan loss provisions	(6)	(2)	(1)	3	(1)	—	126	(28)	110
Impairments of investments (net)	(343)	(200)	(95)	(827)	(390)	(199)	(90)	(215)	(184)
Investment expenses	(322)	(300)	(333)	(833)	(750)	(567)	(14)	(47)	(30)
Acquisition and administrative expenses (net)	(10,616)	(10,590)	(10,216)	(4,588)	(4,437)	(3,973)	(5,061)	(5,605)	(5,661)
Fee and commission expenses	(967)	(721)	(775)	(209)	(223)	(219)	(603)	(590)	(547)
Amortization of intangible assets	(14)	(1)	(11)	(3)	(26)	(13)	—	—	(1)
Restructuring charges	(122)	(362)	(68)	(45)	(174)	(18)	(52)	(424)	(13)
Other expenses	(13)	(4)	(17)	(2)	(9)	(1)	1	14	(33)
Expenses from fully consolidated private equity investments	—	—	—	—	—	—	—	—	—
Total expenses	(38,629)	(37,550)	(37,893)	(34,783)	(34,440)	(33,324)	(10,959)	(11,487)	(11,386)
Income (loss) before income taxes and minority interests in earnings	7,261	7,560	6,166	3,102	2,700	2,271	714	1,275	1,526
Income taxes	(1,656)	(2,075)	(1,804)	(897)	(641)	(488)	(266)	(263)	(387)
Minority interests in earnings	(431)	(739)	(827)	(214)	(416)	(425)	(71)	(94)	(102)
Net income (loss)	5,174	4,746	3,535	1,991	1,643	1,358	377	918	1,037

Asset Management			Corporate			Consolidation			Group		
2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
—	—	—	—	—	—	(23)	(13)	(26)	65,788	65,275	64,766
—	—	—	—	—	—	23	13	26	(5,934)	(6,218)	(6,429)
—	—	—	—	—	—	—	—	—	(492)	(533)	(655)
—	—	—	—	—	—	—	—	—	59,362	58,524	57,682
135	112	90	855	509	416	(1,203)	(1,045)	(987)	26,047	23,956	22,644
31	38	19	51	(334)	(441)	(43)	73	—	(1,247)	940	1,163
2	7	6	980	861	172	288	(283)	(372)	6,548	6,151	4,978
4,403	4,186	3,746	198	190	164	(691)	(762)	(641)	9,440	8,856	8,162
14	11	11	15	28	—	(116)	(90)	(28)	217	86	92
—	—	—	2,367	1,392	598	—	—	—	2,367	1,392	598
4,585	4,354	3,872	4,466	2,646	909	(1,765)	(2,107)	(2,028)	102,734	99,905	95,319
—	—	—	—	—	—	—	—	—	—	—	—
—	—	—	—	—	—	14	25	8	(46,409)	(45,523)	(46,802)
—	—	—	—	—	—	(14)	(25)	(8)	3,287	3,226	4,032
—	—	—	—	—	—	—	—	—	(43,122)	(42,297)	(42,770)
—	—	—	—	—	—	(78)	(425)	(26)	(10,685)	(11,375)	(11,176)
(55)	(41)	(33)	(1,586)	(1,282)	(1,321)	1,011	709	795	(6,672)	(5,759)	(6,377)
—	—	—	(10)	(5)	—	—	—	—	113	(36)	109
(1)	(2)	—	(11)	32	(62)	—	—	—	(1,272)	(775)	(540)
1	—	(1)	(115)	(215)	(345)	226	204	184	(1,057)	(1,108)	(1,092)
(2,391)	(2,286)	(2,277)	(642)	(655)	(516)	80	87	84	(23,218)	(23,486)	(22,559)
(1,270)	(1,262)	(1,110)	(130)	(127)	(92)	506	572	431	(2,673)	(2,351)	(2,312)
—	(24)	(25)	—	—	—	—	—	—	(17)	(51)	(50)
(4)	(4)	(1)	(9)	—	—	—	—	—	(232)	(964)	(100)
—	—	—	—	—	—	—	—	—	(14)	1	(51)
—	—	—	(2,317)	(1,381)	(572)	—	—	—	(2,317)	(1,381)	(572)
(3,720)	(3,619)	(3,447)	(4,820)	(3,633)	(2,908)	1,745	1,147	1,468	(91,166)	(89,582)	(87,490)
865	735	425	(354)	(987)	(1,999)	(20)	(960)	(560)	11,568	10,323	7,829
(342)	(278)	(129)	217	824	741	90	420	4	(2,854)	(2,013)	(2,063)
(25)	(53)	(52)	(21)	(16)	(10)	14	29	30	(748)	(1,289)	(1,386)
498	404	244	(158)	(179)	(1,268)	84	(511)	(526)	7,966	7,021	4,380

Allianz Group

Business Segment Information – Insurance

As of and for the years ended December 31,	Premiums earned (net)			Loss ratio ¹⁾		
	2007 € mn	2006 € mn	2005 € mn	2007 %	2006 %	2005 %
PROPERTY-CASUALTY						
Europe						
Germany	9,245	9,844	10,048	64.8	65.1	63.0
Italy	4,902	4,935	4,964	71.2	68.8	69.3
France	4,422	4,429	4,375	70.9	71.0	74.0
United Kingdom	1,989	1,874	1,913	66.3	64.1	65.4
Spain	1,820	1,675	1,551	71.6	71.0	71.4
Switzerland	1,595	1,706	1,708	69.5	69.3	74.9
Western and Southern Europe	2,768	2,819	2,863	67.4	61.7	63.2
New Europe	2,067	1,388	1,313	60.8	61.1	61.7
Subtotal	28,808	28,670	28,735	—	—	—
NAFTA	3,427	3,623	3,566	61.6	58.4	67.1
Asia-Pacific	1,415	1,336	1,280	69.5	68.7	68.0
South America	692	623	510	62.9	64.8	64.5
Other	50	32	30	— ²⁾	— ²⁾	— ²⁾
Specialty Lines						
Allianz Global Corporate and Specialty	1,800	1,545	1,633	67.9	62.5	91.1
Credit Insurance	1,268	1,113	997	47.9	49.7	41.3
Travel Insurance and Assistance Services	1,093	1,008	934	58.1	58.7	60.3
Subtotal	4,161	3,666	3,564	—	—	—
Subtotal	38,553	37,950	37,685	—	—	—
Consolidation ³⁾	—	—	—	—	—	—
Total	38,553	37,950	37,685	66.1	65.0	67.2

As of and for the years ended December 31,	Statutory premiums ⁴⁾			Statutory expense ratio ⁵⁾		
	2007 € mn	2006 € mn	2005 € mn	2007 %	2006 %	2005 %
LIFE/HEALTH						
Europe						
Germany Life	13,512	13,009	12,231	5.8	9.1	8.1
Germany Health	3,123	3,091	3,042	9.8	9.3	9.1
Italy	9,765	8,555	9,313	5.8	6.4	5.4
France	6,550	5,792	5,286	15.4	12.6	15.1
Switzerland	992	1,005	1,058	10.6	9.9	8.7
Spain	738	629	547	9.2	9.3	7.4
Western and Southern Europe	1,762	1,655	1,546	12.1	14.8	13.3
New Europe	1,039	828	479	20.0	19.6	25.7
Subtotal	37,481	34,564	33,502	—	—	—
NAFTA	6,968	8,758	11,115	11.9	8.0	4.8
Asia-Pacific	4,638	3,733	3,309	10.2	11.2	12.0
South America	78	147	141	32.6	16.9	17.7
Other	418	439	455	— ²⁾	— ²⁾	— ²⁾
Subtotal	49,583	47,641	48,522	—	—	—
Consolidation ³⁾	(216)	(220)	(250)	—	—	—
Total	49,367	47,421	48,272	9.4	9.6	8.4

¹⁾ Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

²⁾ Presentation not meaningful.

³⁾ Represents elimination of intercompany transactions between Allianz Group subsidiaries in different geographic regions.

⁴⁾ Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

⁵⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

	Expense ratio ⁶⁾			Operating profit (loss)			Total assets	
	2007 %	2006 %	2005 %	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn
	26.8	27.8	26.4	1,628	1,479	1,765	52,034	49,570
	23.6	23.0	24.3	719	816	741	14,307	14,395
	26.4	28.2	28.0	486	420	227	25,748	30,373
	33.3	31.6	30.8	208	281	268	6,434	7,344
	19.8	19.3	20.0	253	252	217	4,185	3,990
	25.6	23.5	22.9	218	228	153	5,678	5,832
	28.0	28.5	28.0	482	550	494	7,952	7,686
	33.5	30.9	29.3	256	184	213	5,773	3,427
	—	—	—	4,250	4,210	4,078	122,111	122,617
	29.6	30.5	29.1	663	825	495	10,818	12,457
	26.5	27.2	27.2	312	244	252	6,073	6,880
	36.1	36.4	36.3	55	47	61	1,340	1,295
	— ²⁾	— ²⁾	— ²⁾	9	9	7	236	211
	28.1	29.7	31.3	414	404	(254)	16,362	17,929
	28.6	27.9	25.7	496	442	420	4,814	4,674
	35.6	43.1	33.0	97	90	77	1,376	1,246
	—	—	—	1,007	936	243	22,552	23,849
	—	—	—	6,296	6,271	5,136	163,130	167,309
	—	—	—	3	(2)	6	(10,754)	(16,569)
	27.5	27.9	27.1	6,299	6,269	5,142	152,376	150,740

	Operating profit			Total assets	
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn
	695	521	347	154,903	154,009
	164	184	159	20,637	19,022
	372	339	334	50,294	49,905
	632	582	558	74,321	69,231
	66	50	55	8,930	9,053
	104	92	71	5,818	5,840
	184	182	166	17,316	16,693
	61	50	34	3,165	2,537
	2,278	2,000	1,724	335,384	326,290
	385	418	257	54,728	56,371
	300	81	27	14,260	13,061
	—	1	2	234	259
	30	74	92	327	286
	2,993	2,574	2,102	404,933	396,267
	2	(9)	(8)	(915)	(1,032)
	2,995	2,565	2,094	404,018	395,235

⁶⁾ Represents acquisition and administrative expenses (net) divided by premiums earned (net).

Allianz Group

Business Segment Information – Banking

BANKING SEGMENT – BY DIVISION

	Operating revenues			Operating profit (loss)			Cost-income ratio			Total Assets	
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn
Private & Corporate Clients ¹⁾	3,625	3,624	3,464	884	783	626	74.0	74.9	77.2	61,900	62,700
Investment Banking ¹⁾	1,628	3,111	2,613	(659)	548	351	137.0	82.9	88.1	422,300	475,800
Corporate Other ²⁾	171	69	(38)	505	23	(347)	— ³⁾	— ³⁾	— ³⁾	17,597	16,323
Dresdner Bank	5,424	6,804	6,039	730	1,354	630	89.0	79.7	91.4	501,797	554,823
Other Banks ⁴⁾	297	284	279	43	68	74	83.5	75.7	72.4	7,954	8,067
Total	5,721	7,088	6,318	773	1,422	704	88.7	79.5	90.6	509,751	562,890

¹⁾ Our reporting by division reflects the organizational changes within Dresdner Bank effective starting with 1Q 2007, resulting in two operating divisions, Private & Corporate Clients ("PCC") and Investment Banking ("IB"). PCC combines all banking activities formerly provided by the Personal Banking and Private & Business Banking (including Private Wealth Management) divisions as well as our activities with medium-sized business clients from our former Corporate Banking division. IB, with Global Banking and Capital Markets, unites the activities formerly provided by the Dresdner Kleinwort Wasserstein division and the remaining activities of the former Corporate Banking division. Prior year balances have been adjusted accordingly to reflect these reorganization measures and allow for comparability across periods.

²⁾ The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include, in particular, impacts from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting as well as provisioning requirements for country and general risks. For the years ended December 31, 2007, 2006 and 2005 the impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting on Corporate Other's operating revenues amounted to € (54) mn, € (47) mn and € (214) mn, respectively.

³⁾ Presentation not meaningful.

⁴⁾ Consists of non-Dresdner Bank banking operations within our Banking segment.

BANKING SEGMENT – BY GEOGRAPHIC REGION

	Operating revenues			Operating profit (loss)		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
Germany	4,321	4,312	4,340	1,488	853	814
The Americas	433	560	176	77	251	(78)
Europe	664	1,944	1,571	(907)	234	(110)
New Europe	72	60	47	8	2	3
Asia-Pacific	231	212	184	107	82	75
Total	5,721	7,088	6,318	773	1,422	704

Business Segment Information – Operating Profit

The Allianz Group evaluates the results of its Property-Casualty, Life/Health, Banking, Asset Management and Corporate segments using a financial performance measure referred to herein as “operating profit”. The Allianz Group defines segment operating profit as earnings from ordinary activities before taxes, excluding, as applicable for each respective segment, all or some of the following items: net capital gains and impairments on investments, net trading income, intra-Allianz Group dividends and profit transfer, interest expense on external debt, restructuring charges, other non-operating income/expenses, acquisition-related expenses and amortization of intangible assets.

While these excluded items are significant components in understanding and assessing the Allianz Group’s consolidated

financial performance, the Allianz Group believes that the presentation of operating results enhances the understanding and comparability of the performance of its operating segments by highlighting net income attributable to on-going segment operations and the underlying profitability of its businesses. For example, the Allianz Group believes that trends in the underlying profitability of its segments can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments on investment securities, as these are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at the Allianz Group’s discretion. Operating profit is not a substitute for earnings from ordinary activities before taxes or net income as determined in accordance with IFRS. The Allianz Group’s definition of operating profit may differ from similar measures used by other companies, and may change over time.

Segment Information – Total Revenues and Operating Profit

The following table summarizes total revenues, operating profit and net income for each of the segments and the Allianz Group for the years ended December 31, 2007, 2006 and 2005.

	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation € mn	Group € mn
2007							
Total revenues ¹⁾	44,289	49,367	5,721	3,259	—	(38)	102,598
Operating profit (loss)	6,299	2,995	773	1,359	(325)	(186)	10,915
Non-operating items	962	107	(59)	(494)	(29)	166	653
Income (loss) before income taxes and minority interests in earnings	7,261	3,102	714	865	(354)	(20)	11,568
Income taxes	(1,656)	(897)	(266)	(342)	217	90	(2,854)
Minority interests in earnings	(431)	(214)	(71)	(25)	(21)	14	(748)
Net income (loss)	5,174	1,991	377	498	(158)	84	7,966
2006							
Total revenues ¹⁾	43,674	47,421	7,088	3,044	—	(98)	101,129
Operating profit (loss)	6,269	2,565	1,422	1,290	(831)	(329)	10,386
Non-operating items	1,291	135	(147)	(555)	(156)	(631)	(63)
Income (loss) before income taxes and minority interests in earnings	7,560	2,700	1,275	735	(987)	(960)	10,323
Income taxes	(2,075)	(641)	(263)	(278)	824	420	(2,013)
Minority interests in earnings	(739)	(416)	(94)	(53)	(16)	29	(1,289)
Net income (loss)	4,746	1,643	918	404	(179)	(511)	7,021
2005							
Total revenues ¹⁾	43,699	48,272	6,318	2,722	—	(44)	100,967
Operating profit (loss)	5,142	2,094	704	1,132	(881)	(188)	8,003
Non-operating items	1,024	177	822	(707)	(1,118)	(372)	(174)
Income (loss) before income taxes and minority interests in earnings	6,166	2,271	1,526	425	(1,999)	(560)	7,829
Income taxes	(1,804)	(488)	(387)	(129)	741	4	(2,063)
Minority interests in earnings	(827)	(425)	(102)	(52)	(10)	30	(1,386)
Net income (loss)	3,535	1,358	1,037	244	(1,268)	(526)	4,380

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

Property-Casualty Segment

	2007 € mn	2006 € mn	2005 € mn
Gross premiums written ¹⁾	44,289	43,674	43,699
Ceded premiums written	(5,320)	(5,415)	(5,529)
Change in unearned premiums	(416)	(309)	(485)
Premiums earned (net)	38,553	37,950	37,685
Interest and similar income	4,473	4,096	3,747
Income from financial assets and liabilities designated at fair value through income (net) ²⁾	136	106	132
Income from financial assets and liabilities held for trading (net), shared with policyholders ²⁾	8	—	—
Realized gains/losses (net) from investments, shared with policyholders ³⁾	46	46	273
Fee and commission income	1,178	1,014	989
Other income	122	69	53
Operating revenues	44,516	43,281	42,879
Claims and insurance benefits incurred (net)	(25,485)	(24,672)	(25,331)
Changes in reserves for insurance and investment contracts (net)	(339)	(425)	(707)
Interest expense	(402)	(273)	(339)
Loan loss provisions	(6)	(2)	(1)
Impairments of investments (net), shared with policyholders ⁴⁾	(67)	(25)	(18)
Investment expenses	(322)	(300)	(333)
Acquisition and administrative expenses (net)	(10,616)	(10,590)	(10,216)
Fee and commission expenses	(967)	(721)	(775)
Other expenses	(13)	(4)	(17)
Operating expenses	(38,217)	(37,012)	(37,737)
Operating profit	6,299	6,269	5,142
Income from financial assets and liabilities held for trading (net), not shared with policyholders ²⁾	(59)	83	32
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	1,433	1,746	1,148
Impairments of investments (net), not shared with policyholders ⁴⁾	(276)	(175)	(77)
Amortization of intangible assets	(14)	(1)	(11)
Restructuring charges	(122)	(362)	(68)
Non-operating items	962	1,291	1,024
Income before income taxes and minority interests in earnings	7,261	7,560	6,166
Income taxes	(1,656)	(2,075)	(1,804)
Minority interests in earnings	(431)	(739)	(827)
Net income	5,174	4,746	3,535
Loss ratio ⁵⁾ in %	66.1	65.0	67.2
Expense ratio ⁶⁾ in %	27.5	27.9	27.1
Combined ratio⁷⁾ in %	93.6	92.9	94.3

¹⁾ For the Property-Casualty segment, total revenues are measured based upon gross premiums written.

²⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.

³⁾ The total of these items equals realized gains/losses (net) in the segment income statement.

⁴⁾ The total of these items equals impairments of investments (net) in the segment income statement.

⁵⁾ Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

⁶⁾ Represents acquisition and administrative expenses (net) divided by premiums earned (net).

⁷⁾ Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Life/Health Segment

	2007 € mn	2006 € mn	2005 € mn
Statutory premiums¹⁾	49,367	47,421	48,272
Ceded premiums written	(644)	(840)	(942)
Change in unearned premiums	(61)	(221)	(168)
Statutory premiums (net)	48,662	46,360	47,162
Deposits from SFAS 97 insurance and investment contracts	(27,853)	(25,786)	(27,165)
Premiums earned (net)	20,809	20,574	19,997
Interest and similar income	13,417	12,972	12,057
Income (loss) from financial assets and liabilities carried at fair value through income (net), shared with policyholders ²⁾	(945)	(361)	258
Realized gains/losses (net) from investments, shared with policyholders ³⁾	3,579	3,087	2,523
Fee and commission income	701	630	507
Other income	182	43	45
Operating revenues	37,743	36,945	35,387
Claims and insurance benefits incurred (net)	(17,637)	(17,625)	(17,439)
Changes in reserves for insurance and investment contracts (net)	(10,268)	(10,525)	(10,443)
Interest expense	(374)	(280)	(452)
Loan loss provisions	3	(1)	—
Impairments of investments (net), shared with policyholders ⁴⁾	(824)	(390)	(199)
Investment expenses	(833)	(750)	(567)
Acquisition and administrative expenses (net)	(4,588)	(4,437)	(3,973)
Fee and commission expenses	(209)	(223)	(219)
Operating restructuring charges ⁵⁾	(16)	(140)	—
Other expenses	(2)	(9)	(1)
Operating expenses	(34,748)	(34,380)	(33,293)
Operating profit	2,995	2,565	2,094
Income from financial assets and liabilities carried at fair value through income (net), not shared with policyholders ²⁾	5	—	—
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	137	195	208
Impairments of investments (net), not shared with policyholders ⁴⁾	(3)	—	—
Amortization of intangible assets	(3)	(26)	(13)
Non-operating restructuring charges ⁵⁾	(29)	(34)	(18)
Non-operating items	107	135	177
Income before income taxes and minority interests in earnings	3,102	2,700	2,271
Income taxes	(897)	(641)	(488)
Minority interests in earnings	(214)	(416)	(425)
Net income	1,991	1,643	1,358
Statutory expense ratio⁶⁾ in %	9.4	9.6	8.4

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

²⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.

³⁾ The total of these items equals realized gains/losses (net) in the segment income statement.

⁴⁾ The total of these items equals impairments of investments (net) in the segment income statement.

⁵⁾ The total of these items equals restructuring charges in the segment income statement.

⁶⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Banking Segment

	2007		2006		2005	
	Banking Segment € mn	Dresdner Bank € mn	Banking Segment € mn	Dresdner Bank ¹⁾ € mn	Banking Segment € mn	Dresdner Bank € mn
Net interest income ²⁾	3,104	2,987	2,720	2,645	2,294	2,218
Net fee and commission income ³⁾	3,048	2,866	3,008	2,841	2,850	2,693
Trading income (net) ⁴⁾	(464)	(461)	1,282	1,242	1,170	1,123
Income from financial assets and liabilities designated at fair value through income (net) ⁴⁾	33	33	53	53	(7)	(6)
Other income	—	(1)	25	23	11	11
Operating revenues⁵⁾	5,721	5,424	7,088	6,804	6,318	6,039
Administrative expenses	(5,061)	(4,809)	(5,605)	(5,384)	(5,661)	(5,452)
Investment expenses	(14)	(20)	(47)	(53)	(30)	(37)
Other expenses	1	3	14	14	(33)	(33)
Operating expenses	(5,074)	(4,826)	(5,638)	(5,423)	(5,724)	(5,522)
Loan loss provisions	126	132	(28)	(27)	110	113
Operating profit	773	730	1,422	1,354	704	630
Realized gains/losses (net)	83	70	492	492	1,020	1,020
Impairments of investments (net)	(90)	(89)	(215)	(215)	(184)	(183)
Amortization of intangible assets	—	—	—	—	(1)	—
Restructuring charges	(52)	(51)	(424)	(422)	(13)	(12)
Non-operating items	(59)	(70)	(147)	(145)	822	825
Income before income taxes and minority interests in earnings	714	660	1,275	1,209	1,526	1,455
Income taxes	(266)	(232)	(263)	(236)	(387)	(373)
Minority interests in earnings	(71)	(62)	(94)	(82)	(102)	(82)
Net income	377	366	918	891	1,037	1,000
Cost-income ratio⁶⁾ in %	88.7	89.0	79.5	79.7	90.6	91.4

¹⁾ We have enhanced the presentation of revenues and operating profit stemming from trades in shares of Allianz SE and its affiliates. From 2007 onwards, these results are eliminated on Dresdner Bank level, whereas in 2006 they were adjusted on segment level only. At Dresdner Bank this led to reduced operating revenues and reduced operating profit of € 6 mn and € 6 mn, respectively, compared to the figures as stated in 2006. As a result income taxes decreased by € 3 mn. All other changes are related to rounding.

²⁾ Represents interest and similar income less interest expense.

³⁾ Represents fee and commission income less fee and commission expenses.

⁴⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.

⁵⁾ For the Banking segment, total revenues are measured based upon operating revenues.

⁶⁾ Represents operating expenses divided by operating revenues.

Asset Management Segment

	2007		2006		2005	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Net fee and commission income ¹⁾	3,133	3,060	2,924	2,874	2,636	2,597
Net interest income ²⁾	81	75	71	66	56	51
Income from financial assets and liabilities carried at fair value through income (net)	31	29	38	37	19	18
Other income	14	14	11	12	11	11
Operating revenues³⁾	3,259	3,178	3,044	2,989	2,722	2,677
Administrative expenses, excluding acquisition-related expenses ⁴⁾	(1,900)	(1,857)	(1,754)	(1,713)	(1,590)	(1,560)
Operating expenses	(1,900)	(1,857)	(1,754)	(1,713)	(1,590)	(1,560)
Operating profit	1,359	1,321	1,290	1,276	1,132	1,117
Realized gains/losses (net)	2	4	7	5	6	5
Impairments of investments (net)	(1)	(1)	(2)	(2)	—	—
Acquisition-related expenses⁴⁾, thereof:						
Deferred purchases of interests in PIMCO	(488)	(488)	(523)	(523)	(677)	(677)
Other acquisition-related expenses ⁵⁾	(3)	(3)	(9)	(9)	(10)	(10)
Subtotal	(491)	(491)	(532)	(532)	(687)	(687)
Amortization of intangible assets	—	—	(24)	(23)	(25)	(25)
Restructuring charges	(4)	(4)	(4)	(4)	(1)	(1)
Non-operating items	(494)	(492)	(555)	(556)	(707)	(708)
Income before income taxes and minority interests in earnings	865	829	735	720	425	409
Income taxes	(342)	(337)	(278)	(276)	(129)	(127)
Minority interests in earnings	(25)	(22)	(53)	(49)	(52)	(48)
Net income	498	470	404	395	244	234
Cost-income ratio⁶⁾ in %	58.3	58.4	57.6	57.3	58.4	58.3

¹⁾ Represents fee and commission income less fee and commission expenses.

²⁾ Represents interest and similar income less interest expense and investment expenses.

³⁾ For the Asset Management segment, total revenues are measured based upon operating revenues.

⁴⁾ The total of these items equals acquisition and administrative expenses (net) in the segment income statement.

⁵⁾ Consists of retention payments for the management and employees of PIMCO and Nicholas Applegate.

⁶⁾ Represents operating expenses divided by operating revenues.

Corporate Segment

	2007 € mn	2006 € mn	2005 € mn
Interest and similar income	855	509	416
Income from financial assets and liabilities designated at fair value through income (net) ¹⁾	7	(60)	—
Operating income from financial assets and liabilities held for trading (net) ¹⁾	(33)	—	—
Fee and commission income	198	190	164
Other income	15	28	—
Income from fully consolidated private equity investments	2,367	1,392	598
Operating revenues	3,409	2,059	1,178
Interest expense, excluding interest expense from external debt ²⁾	(535)	(507)	(534)
Loan loss provisions	(10)	(5)	—
Investment expenses	(115)	(215)	(345)
Acquisition and administrative expenses (net), excluding acquisition-related expenses ³⁾	(627)	(655)	(516)
Fee and commission expenses	(130)	(127)	(92)
Expenses from fully consolidated private equity investments	(2,317)	(1,381)	(572)
Operating expenses	(3,734)	(2,890)	(2,059)
Operating profit (loss)	(325)	(831)	(881)
Non-operating income from financial assets and liabilities held for trading (net) ¹⁾	77	(274)	(441)
Realized gains/losses (net)	980	861	172
Interest expense from external debt ²⁾	(1,051)	(775)	(787)
Impairments of investments (net)	(11)	32	(62)
Acquisition-related expenses ³⁾	(15)	—	—
Restructuring charges	(9)	—	—
Non-operating items	(29)	(156)	(1,118)
Loss before income taxes and minority interests in earnings	(354)	(987)	(1,999)
Income taxes	217	824	741
Minority interests in earnings	(21)	(16)	(10)
Net loss	(158)	(179)	(1,268)

¹⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.

²⁾ The total of these items equals interest expense in the segment income statement.

³⁾ The total of these items equals acquisition and administrative expenses (net) in the segment income statement.

Supplementary Information to the Consolidated Balance Sheets

6 Cash and cash equivalents

As of December 31, 2007	2007 € mn	2006 € mn
Balances with banks payable on demand	23,848	26,915
Balances with central banks	6,301	4,945
Cash on hand	918	919
Treasury bills, discounted treasury notes, similar treasury securities and checks	264	224
Bills of exchange	6	28
Total	31,337	33,031

As of December 31, 2007, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 5,473 mn (2006: € 4,176 mn).

7 Financial assets carried at fair value through income

As of December 31,	2007 € mn	2006 € mn
Financial assets held for trading		
Debt securities ¹⁾	59,715	81,881
Equity securities	30,596	31,266
Derivative financial instruments	73,230	66,958
Subtotal	163,541	180,105
Financial assets designated at fair value through income		
Debt securities ²⁾³⁾	15,924	14,414
Equity securities	4,232	3,834
Loans to banks and customers	1,764	639
Subtotal	21,920	18,887
Total	185,461	198,992

¹⁾ Debt securities held for trading include € 15.1 bn of asset-backed securities of Dresdner Bank as of December 31, 2007.

²⁾ Debt securities designated at fair value through income include € 2.8 bn of credit investment related conduits ("CIRC") of Dresdner Bank as of December 31, 2007.

³⁾ Debt securities designated at fair value through income include € 0.8 bn of asset-backed securities of the Life/Health segment as of December 31, 2007.

Debt and equity securities included in financial assets held for trading

Equity and debt securities included in financial assets held for trading are primarily marketable and listed securities. As of December 31, 2007, the debt securities include € 17,281 mn (2006: € 21,924 mn) from public sector issuers and € 42,434 mn (2006: € 59,957 mn) from other issuers.

Credit risk exposure of loans to banks and customers designated at fair value through income

The maximum credit exposure of the loans to banks and customers designated at fair value through income amounts to € 1,779 mn (2006: € 630 mn) as of December 31, 2007. The Allianz Group hedged the credit exposure using credit derivatives with a notional value of € 1,468 mn (2006: € 379 mn).

The change in fair value of loans to banks and customers attributable to changes in credit risk amounts to a loss of € 23 mn (2006: gain of € 10 mn) for the year ended December 31, 2007 and cumulatively to a loss of € 13 mn (2006: gain of € 10 mn).

The change in fair value of the credit derivatives attributable to changes in credit risk amounts to a gain of € 8 mn for the year ended December 31, 2007 and cumulatively to a gain of € 8 mn.

The change in fair value of loans to banks and customers attributable to changes in credit risk has been calculated using a credit spread function. The credit spread function is based on various parameters, primarily on the default probability and recovery rate of the loan holder. In most cases the fair value of the financial assets is determined using quoted marked prices, while in some cases specific valuation models based on the above parameters are used.

8 Investments

As of December 31,	2007 € mn	2006 € mn
Available-for-sale investments	268,001	277,898
Held-to-maturity investments	4,659	4,748
Funds held by others under reinsurance contracts assumed	1,063	1,033
Investments in associates and joint ventures	5,471	4,900
Real estate held for investment	7,758	9,555
Total	286,952	298,134

Available-for-sale investments

As of December 31,	2007				2006			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Debt securities								
Government and agency mortgage-backed securities (residential and commercial) ¹⁾	7,628	30	(112)	7,546	8,757	16	(218)	8,555
Corporate mortgage-backed securities (residential and commercial) ¹⁾	6,663	39	(101)	6,601	4,768	38	(53)	4,753
Other asset-backed securities ¹⁾	5,384	34	(92)	5,326	3,911	25	(40)	3,896
Government and government agency bonds								
Germany	12,987	127	(187)	12,927	14,523	335	(139)	14,719
Italy	23,090	232	(259)	23,063	23,722	560	(127)	24,155
France	13,452	596	(255)	13,793	15,353	798	(133)	16,018
United States	4,544	114	(20)	4,638	5,219	28	(135)	5,112
Spain	6,717	150	(79)	6,788	8,322	337	(42)	8,617
Belgium	5,050	38	(114)	4,974	5,210	124	(38)	5,296
All other countries	32,445	77	(565)	31,957	31,655	612	(243)	32,024
Subtotal	98,285	1,334	(1,479)	98,140	104,004	2,794	(857)	105,941
Corporate bonds	86,095	660	(2,356)	84,399	82,061	1,367	(769)	82,659
Other	2,933	99	(104)	2,928	2,122	215	(18)	2,319
Subtotal	206,988	2,196	(4,244)	204,940	205,623	4,455	(1,955)	208,123
Equity securities	40,794	22,734	(467)	63,061	43,248	26,686	(159)	69,775
Total	247,782	24,930	(4,711)	268,001	248,871	31,141	(2,114)	277,898

¹⁾ includes asset-backed-securities of the Property-Casualty segment of € 4.9 bn and of the Life/Health segment of € 13.0 bn as of December 31, 2007.

Held-to-maturity investments

As of December 31,	2007				2006			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Government and government agency bonds								
Germany	130	—	—	130	104	2	—	106
Italy	447	9	—	456	437	18	—	455
All other countries	1,555	26	(17)	1,564	1,561	56	(1)	1,616
Subtotal	2,132	35	(17)	2,150	2,102	76	(1)	2,177
Corporate bonds	2,500	31	(3)	2,528	2,620	92	(3)	2,709
Other	27	—	—	27	26	—	—	26
Total	4,659	66	(20)	4,705	4,748	168	(4)	4,912

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, 2007 and 2006.

As of December 31,	Less than 12 months		Greater than 12 months		Total	
	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn
2007						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	1,371	(22)	4,115	(90)	5,486	(112)
Corporate mortgage-backed securities (residential and commercial)	2,720	(50)	1,902	(51)	4,622	(101)
Other asset-backed securities	1,527	(50)	979	(42)	2,506	(92)
Government and government agency bonds	36,587	(699)	18,522	(797)	55,109	(1,496)
Corporate bonds	33,724	(1,075)	20,183	(1,284)	53,907	(2,359)
Other	1,062	(50)	487	(54)	1,549	(104)
Subtotal	76,991	(1,946)	46,188	(2,318)	123,179	(4,264)
Equity securities	7,480	(467)	—	—	7,480	(467)
Total	84,471	(2,413)	46,188	(2,318)	130,659	(4,731)
2006						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	2,706	(66)	4,815	(152)	7,521	(218)
Corporate mortgage-backed securities (residential and commercial)	1,738	(13)	1,078	(40)	2,816	(53)
Other asset-backed securities	1,447	(19)	728	(21)	2,175	(40)
Government and government agency bonds	37,923	(554)	9,833	(304)	47,756	(858)
Corporate bonds	31,888	(516)	6,397	(256)	38,285	(772)
Other	481	(7)	100	(11)	581	(18)
Subtotal	76,183	(1,175)	22,951	(784)	99,134	(1,959)
Equity securities	3,607	(159)	—	—	3,607	(159)
Total	79,790	(1,334)	22,951	(784)	102,741	(2,118)

Government and agency mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 112 mn as of December 31, 2007. The unrealized loss positions concern mostly issues of United States government agencies, which are primarily held by Allianz Group's North American entities. These pay-through/pass-through securities are serviced by cash flows from pools of underlying loans to mostly private debtors. The unrealized losses of these mortgage-backed securities were partly caused by interest rate increases between purchase date of the individual securities and the balance sheet date. Also in various instances, price decreases were caused by increased prepayment risk for individual loan pools that were originated in a significantly higher interest rate environment. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, instances of insignificant deterioration of credit quality, the Allianz Group does not consider these investments to be impaired at December 31, 2007.

Government and government agency bonds

Total unrealized losses amounted to € 1,496 mn at December 31, 2007. 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. Because the decline in fair value is attributable to changes in interest rates 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, 2007.

Corporate bonds

Total unrealized losses amounted to € 2,359 mn as of December 31, 2007. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". Therefore, the unrealized losses on Allianz Group's investment in corporate debt securities were primarily caused by interest rate increases between the purchase date of the individual securities and the balance sheet date. As the decline in fair value is primarily attributable to changes in interest rates, the Allianz Group does not consider these investments to be impaired at December 31, 2007.

Equity securities

As of December 31, 2007, unrealized losses from equity securities amounted to € 467 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, 2007, by contractual term to maturity, are as follows:

As of December 31, 2007	Amortized Cost € mn	Fair Value € mn
Available-for-sale investments		
Due in 1 year or less	16,333	16,459
Due after 1 year and in less than 5 years	64,716	64,612
Due after 5 years and in less than 10 years	59,781	59,048
Due after 10 years	66,158	64,821
Total	206,988	204,940
Held-to-maturity investments		
Due in 1 year or less	336	340
Due after 1 year and in less than 5 years	1,406	1,422
Due after 5 years and in less than 10 years	1,436	1,437
Due after 10 years	1,481	1,506
Total	4,659	4,705

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, 2007, fair values could not be reliably measured for equity investments with carrying amounts totaling € 1,742 mn (2006: € 1,486 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended December 31, 2007, such investments with carrying amounts of € 27 mn (2006: € 12 mn) were sold leading to gains of € 42 mn (2006: € 32 mn) and losses of € 6 mn (2006: € 1 mn).

Investments in associates and joint ventures

As of December 31, 2007, loans to associated enterprises and joint ventures and debt securities available-for-sale issued by associated enterprises and joint ventures held by the Allianz Group amounted to € 1,232 mn (2006: € 2,236 mn). As of December 31, 2007, the fair value of investments in associates and joint ventures was € 5,654 mn (2006: € 4,941 mn).

Real estate held for investment

	2007 € mn	2006 € mn	2005 € mn
Cost as of January 1,	13,039	13,090	13,655
Accumulated depreciation as of January 1,	(3,484)	(3,521)	(3,027)
Carrying amount as of January 1,	9,555	9,569	10,628
Additions	406	792	608
Changes in the consolidated subsidiaries of the Allianz Group	3	68	240
Disposals	(564)	(746)	(740)
Reclassifications ¹⁾	(1,313)	345	(745)
Foreign currency translation adjustments	(92)	(71)	70
Depreciation	(192)	(230)	(253)
Impairments	(51)	(252)	(240)
Reversals of impairments	6	80	1
Carrying amount as of December 31,	7,758	9,555	9,569
Accumulated depreciation as of December 31,	2,356	3,484	3,521
Cost as of December 31,	10,114	13,039	13,090

¹⁾ The reclassifications for the year ended December 31, 2007 relate mainly to a portfolio of real estate held for investment, that was classified as disposal group held for sale.

As of December 31, 2007, the fair value of real estate held for investment was € 12,031 mn (2006: € 13,494 mn). As of December 31, 2007, real estate held for investment pledged as security, and other restrictions on title, were € 146 mn (2006: € 55 mn).

9 Loans and advances to banks and customers

As of December 31,	2007			2006		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Short-term investments and certificates of deposit	10,316	—	10,316	6,775	—	6,775
Reverse repurchase agreements	68,340	56,991	125,331	95,770	65,849	161,619
Collateral paid for securities borrowing transactions	16,664	23,714	40,378	15,191	19,121	34,312
Loans	74,944	125,403	200,347	69,211	129,319	198,530
Other	14,012	7,148	21,160	15,225	8,358	23,583
Subtotal	184,276	213,256	397,532	202,172	222,647	424,819
Loan loss allowance	(3)	(827)	(830)	(108)	(946)	(1,054)
Total	184,273	212,429	396,702	202,064	221,701	423,765

Loans and advances to banks and customers by contractual maturity

As of December 31, 2007	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	95,456	23,124	21,539	9,265	34,892	184,276
Loans and advances to customers	117,865	14,573	17,988	10,865	51,965	213,256
Total	213,321	37,697	39,527	20,130	86,857	397,532

Loans and advances to banks and customers by geographic region

As of December 31,	2007			2006		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Short-term investments and certificates of deposit	3,188	7,128	10,316	1,124	5,651	6,775
Reverse repurchase agreements	23,980	101,351	125,331	31,884	129,735	161,619
Collateral paid for securities borrowing transactions	6,415	33,963	40,378	7,087	27,225	34,312
Loans	148,063	52,284	200,347	146,333	52,197	198,530
Other	3,409	17,751	21,160	2,875	20,708	23,583
Subtotal	185,055	212,477	397,532	189,303	235,516	424,819
Loan loss allowance	(534)	(296)	(830)	(834)	(220)	(1,054)
Total	184,521	212,181	396,702	188,469	235,296	423,765

Loans and advances to customers by type of customer

As of December 31,	2007 € mn	2006 € mn
Corporate customers	148,848	155,845
Private customers	55,761	59,505
Public authorities	8,647	7,297
Total	213,256	222,647

Loans and advances to customers by economic sector

As of December 31,	2007 € mn	2006 € mn
Germany		
Corporate Customers		
Manufacturing industry	7,023	6,383
Construction	1,128	916
Wholesale and retail trade	4,999	4,306
Financial institutions (excluding banks) and insurance companies	9,626	7,740
Service providers	7,701	10,091
Other	4,469	3,615
Subtotal	34,946	33,051
Public authorities	3,766	3,578
Private customers	49,580	51,084
Subtotal	88,292	87,713
Other countries		
Corporate Customers		
Industry, wholesale and retail trade and service providers	11,748	13,474
Financial institutions (excluding banks) and insurance companies	91,369	102,250
Other	10,785	7,070
Subtotal	113,902	122,794
Public authorities	4,881	3,719
Private customers	6,181	8,421
Subtotal	124,964	134,934
Total	213,256	222,647

As of December 31, 2007, unearned income related to discounts deducted from loan balances was € 58 mn (2006: € 69 mn).

Finance lease receivables

Loans and advances to customers include amounts receivable under finance leases at their net investment value of € 1,256 mn (2006: € 2,081 mn).

As of December 31,	2007 € mn	2006 € mn
Gross investment in the lease		
Due in one year or less	168	372
Due after one year and not later than five years	900	1,336
Due after five years	947	1,036
Subtotal ¹⁾	2,015	2,744
Unearned finance income		
Due in one year or less	(95)	(98)
Due after one year and not later than five years	(367)	(314)
Due after five years	(297)	(251)
Subtotal	(759)	(663)
Net investment in the lease		
Due in one year or less	73	274
Due after one year and not later than five years	533	1,022
Due after five years	650	785
Total	1,256	2,081

¹⁾ As of December 31, 2007 and 2006, the residual values of the entire leasing portfolio were fully guaranteed.

During the year ended December 31, 2007, lease payments received were recognized as income in the amount of € 174 mn (2006: € 154 mn; 2005: € 122 mn). As of December 31, 2007 and 2006, an allowance for uncollectible lease payments was not required.

Reconciliation of allowances for credit losses by class of financial assets

As of December 31, 2007, 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 € 830 mn (2006: € 1,054 mn; 2005: € 1,647 mn) and provisions for credit losses included in other liabilities in the amount of € 201 mn (2006: € 261 mn; 2005: € 117 mn). The provision for credit losses includes provisions for irrevocable loan commitments in the amount of € 67 mn (2006: € 126 mn; 2005: € 36 mn), provisions for financial guarantees and contingent liabilities in the amount of € 74 mn (2006: € 65 mn; 2005: € 72 mn) and other provisions for credit losses of € 60 mn (2006: € 70 mn; 2005: € 9 mn).

	Loan loss allowance			Provision for credit losses			Total		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
As of January 1,	1,054	1,647	4,135	261	117	371	1,315	1,764	4,506
Changes in the consolidated subsidiaries of the Allianz Group	—	(1)	(3)	—	—	—	—	(1)	(3)
Additions charged to the income statement	537	456	659	35	77	115	572	533	774
Unwinding-interest income ¹⁾	(8)	(6)	—	—	—	—	(8)	(6)	—
Charge-offs	(376)	(605)	(2,571)	—	(10)	(258)	(376)	(615)	(2,829)
Releases	(397)	(272)	(659)	(88)	(45)	(123)	(485)	(317)	(782)
Other additions (reductions)	35	(152)	46	(6)	126	9	29	(26)	55
Foreign currency translation adjustments	(15)	(13)	40	(1)	(4)	3	(16)	(17)	43
As of December 31,	830	1,054	1,647	201	261	117	1,031	1,315	1,764

¹⁾ The unwinding-interest income for the year ended December 31, 2006 relates to loans in the non-homogeneous portfolio belonging to the Allianz Group in Germany that have been called in and for which the process of realising the collateral has started. For the year ended December 31, 2007 the unwinding interest income additionally includes loans in the homogeneous portfolio belonging to the Allianz Group in Germany.

Reconciliation of allowances for credit losses by specific and general allowance

	Specific allowance ¹⁾			General allowance ^{1),2)}			Total		
	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn	2007 € mn	2006 € mn	2005 € mn
As of January 1,	593	880	3,685	722	884	821	1,315	1,764	4,506
Changes in the consolidated subsidiaries of the Allianz Group	—	(1)	(3)	—	—	—	—	(1)	(3)
Additions charged to the income statement	559	511	604	13	22	170	572	533	774
Unwinding-interest income ³⁾	(8)	(6)	—	—	—	—	(8)	(6)	—
Charge-offs	(376)	(615)	(2,829)	—	—	—	(376)	(615)	(2,829)
Releases	(215)	(191)	(641)	(270)	(126)	(141)	(485)	(317)	(782)
Other additions (reductions)	29	19	39	—	(45)	16	29	(26)	55
Foreign currency translation adjustments	(9)	(4)	25	(7)	(13)	18	(16)	(17)	43
As of December 31,	573	593	880	458	722	884	1,031	1,315	1,764

¹⁾ The category country risk allowance, disclosed separately in previous years financial statements, has been due to simplicity and materiality reasons allocated to the categories of specific and general allowances going forward, using objective criteria. The amounts of € 95 mn and € 225 mn as of December 31, 2006 and 2005 have been allocated completely to general allowance.

²⁾ Includes portfolio allowances.

³⁾ The unwinding-interest income for the year ended December 31, 2006 relates to loans in the non-homogeneous portfolio belonging to the Allianz Group in Germany that have been called in and for which the process of realising the collateral has started. For the year ended December 31, 2007 the unwinding interest income additionally includes loans in the homogeneous portfolio belonging to the Allianz Group in Germany.

The following tables present information relating to the Allianz Group's impaired and non-accrual loans:

As of December 31,	2007 € mn	2006 € mn
Impaired loans	2,240	2,072
Impaired loans with specific allowances	1,301	1,428
Impaired loans with portfolio allowances	420	532
Non-accrual loans	1,555	1,801

	2007 € mn	2006 € mn
Average balance of impaired loans	2,448	2,390
Interest income recognized on impaired loans	29	28
Interest income not recognized from non-accrual loans	77	86
Interest collected and recorded on non-accrual loans	3	7

As of December 31, 2007, the Allianz Group had € 40 mn (2006: € 34 mn) of commitments to lend additional funds to borrowers whose loans are non-performing or whose terms have been previously restructured.

10 Reinsurance assets

As of December 31,	2007 € mn	2006 € mn
Unearned premiums	1,342	1,317
Reserves for loss and loss adjustment expenses	8,561	9,719
Aggregate policy reserves	5,319	8,223
Other insurance reserves	90	101
Total	15,312	19,360

Changes in aggregate policy reserves ceded to reinsurers are as follows:

	2007 € mn	2006 € mn	2005 € mn
Carrying amount as of January 1,	8,223	9,772	10,276
Foreign currency translation adjustments	(311)	(340)	443
Changes recorded in consolidated income statements	108	(7)	135
Other changes ¹⁾	(2,701)	(1,202)	(1,082)
Carrying amount as of December 31,	5,319	8,223	9,772

¹⁾ Primarily relating to novation of quota share reinsurance agreement.

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. International corporate risk exposures exceeding the relevant retention levels of the Allianz Group's subsidiaries are reinsured internally by Allianz Global Corporate & Specialty AG ("AGCS") where the portfolio is pooled and risks exceeding the retention limits were retroceded to the external reinsurance market. 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 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, 2007 and 2006. Concentrations the Allianz Group has with individual reinsurers include Munich Re, Swiss Reinsurance Company and SCOR.

11 Deferred acquisition costs

As of December 31,	2007 € mn	2006 € mn
Deferred acquisition costs		
Property-Casualty	3,675	3,692
Life/Health	14,118	13,619
Asset Management	94	50
Subtotal	17,887	17,361
Present value of future profits	1,206	1,227
Deferred sales inducements	520	547
Total	19,613	19,135

Deferred acquisition costs

	2007 € mn	2006 € mn	2005 € mn
Property-Casualty			
Carrying amount as of January 1,	3,692	3,550	3,434
Additions	4,161	3,357	2,582
Changes in the consolidated subsidiaries of the Allianz Group	66	—	—
Foreign currency translation adjustments	(72)	(35)	78
Amortization	(4,172)	(3,180)	(2,544)
Carrying amount as of December 31,	3,675	3,692	3,550
Life/Health			
Carrying amount as of January 1,	13,619	12,712	10,681
Additions	2,649	2,783	2,895
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(26)
Foreign currency translation adjustments	(555)	(464)	541
Amortization	(1,595)	(1,412)	(1,379)
Carrying amount as of December 31,	14,118	13,619	12,712
Asset Management	94	50	28
Total	17,887	17,361	16,290

Present value of future profits

	2007 € mn	2006 € mn	2005 € mn
Cost as of January 1,	2,359	2,374	2,361
Accumulated amortization as of January 1,	(1,132)	(1,038)	(839)
Carrying amount as of January 1,	1,227	1,336	1,522
Changes in the consolidated subsidiaries of the Allianz Group	5	—	—
Foreign currency translation adjustments	(6)	(6)	7
Amortization ¹⁾	(20)	(103)	(193)
Carrying amount as of December 31,	1,206	1,227	1,336
Accumulated amortization as of December 31,	1,138	1,132	1,038
Cost as of December 31,	2,344	2,359	2,374

¹⁾ During the year ended December 31, 2007, includes interest accrued on unamortized PVFP of € 70 mn (2006: € 62 mn; 2005: € 74 mn).

As of December 31, 2007, the percentage of PVFP that is expected to be amortized in 2008 is 14.29% (12.84% in 2009, 11.46% in 2010, 10.49% in 2011 and 9.72% in 2012).

Deferred sales inducements

	2007 € mn	2006 € mn	2005 € mn
Carrying amount as of January 1,	547	515	303
Additions	86	120	209
Foreign currency translation adjustments	(59)	(56)	52
Amortization	(54)	(32)	(49)
Carrying amount as of December 31,	520	547	515

12 Other assets

As of December 31,	2007 € mn	2006 € mn
Receivables		
Policyholders	4,616	4,292
Agents	3,956	3,698
Reinsurers	2,676	2,832
Other	4,994	5,365
Less allowance for doubtful accounts	(389)	(330)
Subtotal	15,853	15,857
Tax receivables		
Income tax	2,536	1,995
Other tax	731	690
Subtotal	3,267	2,685
Accrued dividends, interest and rent	5,503	5,658
Prepaid expenses		
Interest and rent	3,308	2,678
Other prepaid expenses	261	173
Subtotal	3,569	2,851
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	344	463
Property and equipment		
Real estate held for own use	3,708	4,758
Equipment	1,666	1,597
Software	1,165	1,078
Subtotal	6,539	7,433
Non-current assets and disposal groups held for sale	3,503	—
Other assets¹⁾	2,950	3,054
Total	41,528	38,001

¹⁾ As of December 31, 2007, includes prepaid benefit costs for defined benefit plans of € 402 mn (2006: € 265 mn).

Other assets due within one year amounted to € 33,732 mn (2006: € 29,399 mn), and those due after more than one year totaled € 7,796 mn (2006: € 8,602 mn).

Property and equipment

Real estate held for own use

	2007 € mn	2006 € mn	2005 € mn
Cost as of January 1,	6,153	5,894	7,499
Accumulated depreciation as of January 1,	(1,395)	(1,503)	(1,457)
Carrying amount as of January 1,	4,758	4,391	6,042
Additions	194	284	540
Changes in the consolidated subsidiaries of the Allianz Group	(159)	819	(2,493)
Disposals	(248)	(248)	(318)
Reclassifications ¹⁾	(635)	(345)	745
Foreign currency translation adjustments	(47)	(24)	84
Depreciation	(139)	(117)	(200)
Impairments	(17)	(3)	(9)
Reversals of impairments	1	1	—
Carrying amount as of December 31,	3,708	4,758	4,391
Accumulated depreciation as of December 31,	1,139	1,395	1,503
Cost as of December 31,	4,847	6,153	5,894

¹⁾ The reclassifications for the year ended December 31, 2007 relate mainly to a portfolio of real estate held for own use, that was classified as disposal group held for sale.

As of December 31, 2007, the fair value of real estate held for own use was € 5,070 mn (2006: € 6,379 mn). As of December 31, 2007, assets pledged as security and other restrictions on title were € 107 mn (2006: € 27 mn).

Software

	2007 € mn	2006 € mn	2005 € mn
Cost as of January 1,	3,764	3,472	3,320
Accumulated amortization as of January 1,	(2,686)	(2,381)	(2,348)
Carrying amount as of January 1,	1,078	1,091	972
Additions	582	523	577
Changes in the consolidated subsidiaries of the Allianz Group	(9)	73	(2)
Disposals	(58)	(70)	(38)
Foreign currency translation adjustments	(21)	(10)	14
Amortization	(406)	(496)	(432)
Impairments	(1)	(33)	—
Carrying amount as of December 31,¹⁾	1,165	1,078	1,091
Accumulated amortization as of December 31,	2,781	2,686	2,381
Cost as of December 31,	3,946	3,764	3,472

¹⁾ As of December 31, 2007, includes € 746 mn (2006: € 683 mn; 2005: € 772 mn) for software developed inhouse and € 419 mn (2006: € 395 mn; 2005: € 319 mn) for software purchased from third parties.

Non-current assets and disposal groups held for sale

As of December 31,	2007 € mn	2006 € mn
Non-current assets and disposal groups held for sale		
Real estate held for investment and real estate held for own use in Germany	1,950	—
Selecta AG	1,543	—
Other	10	—
Total	3,503	—
Liabilities associated with non-current assets and disposal groups held for sale		
Selecta AG	1,292	—
Other	1	—
Total	1,293	—

During the second quarter ended June 30, 2007 the Allianz Group reclassified two portfolios of real estate held for investment and real estate held for own use in the Property-Casualty, Life/Health and Corporate segment in Germany to disposal groups held for sale as the classification criteria of IFRS 5 were met. The real estate held for own use is expected to be disposed of through sale-leaseback transactions. No gain or loss was recognised on reclassification as fair value less costs to sell exceeded the carrying amount. Partly the portfolio of real estate held for own use has already been disposed in 2007.

During the fourth quarter ended December 31, 2007, the Allianz Group reclassified the assets, including goodwill, and liabilities related to its ownership of Selecta AG in the Corporate segment to disposal groups held for sale as the classification criteria of IFRS 5 were met. The Allianz Group is seeking to dispose of Selecta AG in 2008. No gain or loss was recognised on reclassification as fair value less costs to sell exceeded the carrying amount.

13 Intangible assets

As of December 31,	2007 € mn	2006 € mn
Goodwill	12,453	12,144
Brand names	737	717
Other	223	211
Total	13,413	13,072

Amortization expense of definite life intangible assets is estimated to be € 36 mn in 2008, € 36 mn in 2009, € 35 mn in 2010, € 17 mn in 2011 and € 17 mn in 2012.

Goodwill

	2007 € mn	2006 € mn	2005 € mn
Cost as of January 1,	12,368	12,384	12,038
Accumulated impairments as of January 1,	(224)	(224)	(224)
Carrying amount as of January 1,	12,144	12,160	11,814
Additions	1,153	315	70
Disposals	—	—	(45)
Foreign currency translation adjustments	(372)	(368)	479
Reclassifications	—	37	—
Reclassifications into held for sale	(472)	—	(158)
Carrying amount as of December 31,	12,453	12,144	12,160
Accumulated impairments as of December 31,	224	224	224
Cost as of December 31,	12,677	12,368	12,384

Additions include goodwill from

- increasing the interest in Russian People's Insurance Society, Moscow, from 47.4% to 97.2%,
- the acquisition of a 100.0% participation in Selecta AG, Muntelier,
- the acquisition of a 100.0% participation in Commerce Assurance Bhd., Kuala Lumpur,
- the acquisition of 100.0% participation in Insurance Company "Progress Garant", Moscow,
- the acquisition of a 100.0% participation in SC Tour Michelet, Paris,
- the acquisition of a 100.0% participation in Insurance Company JTS Insurance Company "ATF POLICY", Almaty,
- the acquisition of 100.0% participation in United Mercantile Agencies, Inc., Kentucky.

2007

The reclassifications affect the goodwill of Selecta AG, Muntelier as this subsidiary was reclassified to disposal groups held for sale.

2006

The reclassification affects intangible assets of Allianz Slovenská poisťovna a.s., Bratislava as they were reclassified to goodwill due to a change in the accounting treatment.

Impairment tests for goodwill and intangible assets with indefinite 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. During 2007, the Allianz Group realigned its cash generating units in the Property-Casualty and Life/ Health segments to ensure consistency with the management responsibilities of the Board of Management. As a result, 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, three cash generating units in the Banking segment one cash generating unit in the Asset Management segment and one cash generating unit in the Corporate segment. The goodwill of Dresdner Bank and the brand name "Dresdner Bank" have been allocated to two cash generating units in the Banking segment and to one cash generating unit in the Asset Management segment.

The groups of cash generating units of the Property-Casualty segment are: Insurance Germany, Austria & Switzerland; Europe I, including Italy, Spain, Portugal and Greece; Europe II, including France, Netherlands, Belgium, Luxemburg and Africa; South America; Asia Pacific & Middle East; Eastern Europe; Insurance Anglo, NAFTA Markets & Global Lines, including United Kingdom, Ireland, Australia, United States and Mexico; Specialty Lines I, including Allianz Global Corporate & Specialty and Specialty Lines II, including Credit Insurance, Travel Insurance and Assistance Services.

The cash generating units of the Life/Health segment are: Insurance Germany, Austria & Switzerland; Insurance Germany Health; Europe I, including Italy, Spain, Portugal and Greece; Europe II, including France, Netherlands, Belgium, Luxemburg and Africa; Asia Pacific & Middle East and Insurance Anglo NAFTA Markets & Global Lines, including United Kingdom, Ireland, Australia, United States and Mexico.

The cash generating units of the Banking segment are Private & Corporate Clients; Investment Banking and Corporate Other and Other Banking. The Asset Management segment is considered a cash generating unit. The cash generating unit of the Corporate segment is Private Equity.

The recoverable amounts of all cash generating units excluding Private Equity are determined on the basis of value in use calculations. The recoverable amount of the cash generating unit Private Equity is determined on the basis of the fair values of the Private Equity investments.

The 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 and Banking segments as well as for the Asset Management, Insurance Germany Health cash generating units. Generally, the basis for the determination of the capitalized earnings value is the business plan ("detailed planning period") as well as the estimate of the sustainable returns 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 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 consistent with the parameters used in the Allianz Group's planning and controlling process, specifically those utilized in the calculation of Economic Value Added.

Sensitivity analysis with regards to discount rates and/or key value drivers of the business plans were performed. Changes of capitalized earnings values of Property-Casualty cash generating units due to changes in applied long term sustainable combined ratios and of Banking cash generating unit as well as Asset Management cash generating units due to changes in assumptions regarding cost income ratios were analyzed. For all cash generating units respective capitalized earnings value sensitivities in combination with fair value analysis still exceeded respective carrying values.

For all cash generating units in the Life/Health segment, with the exception of Insurance Germany Health, the Market Consistent Embedded Value, specifically Appraisal Value, approach is utilized to determine the value in use. The Market Consistent Embedded value is an industry-specific valuation method 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 Market Consistent Embedded Value guidelines.

Sensitivity analysis with regard to considered new business values are performed. For all Life cash generating units, respective Appraisal Value sensitivities still exceeded respective carrying values.

The carrying amounts of goodwill and brand names allocated to Allianz Group's cash generating units as of December 31, 2007 and 2006 are as follows:

As of December 31,	2007		2006	
	Goodwill € mn	Brand names € mn	Goodwill € mn	Brand names € mn
Cash generating units				
Property-Casualty				
Insurance Germany, Austria & Switzerland	277	—	277	—
Europe I	90	—	90	—
Europe II	638	—	611	—
South America	21	—	21	—
Asia Pacific & Middle East	79	—	31	—
Eastern Europe	679	20	108	—
Insurance Anglo, NAFTA Markets & Global Lines	410	—	419	—
Specialty Lines I	7	—	5	—
Specialty Lines II	27	—	19	—
Subtotal	2,228	20	1,581	—
Life/Health				
Insurance Germany, Austria & Switzerland	554	—	554	—
Insurance Germany Health	325	—	325	—
Europe I	43	—	43	—
Europe II	538	—	538	—
Asia Pacific & Middle East	320	—	320	—
Insurance Anglo, NAFTA Markets & Global Lines	425	—	436	—
Subtotal	2,205	—	2,216	—
Banking				
Private & Corporate	1,479	656	1,482	656
Investment Banking	183	—	183	—
Other Banking	52	—	52	—
Subtotal	1,714	656	1,717	656
Asset Management	6,165	61	6,486	61
Corporate	141	—	144	—
Total	12,453	737	12,144	717

Brand name

The brand name "Dresdner Bank" has an indefinite life, as there is no foreseeable end to its economic life; therefore, it is not subject to amortization and it is recorded at cost less accumulated impairments. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

14 Financial liabilities carried at fair value through income

As of December 31,	2007 € mn	2006 € mn
Financial liabilities held for trading		
Obligations to deliver securities	34,795	39,951
Derivative financial instruments	76,819	69,946
Other trading liabilities	12,469	10,988
Subtotal	124,083	120,885
Financial liabilities designated at fair value through income	1,970	937
Total	126,053	121,822

As of December 31, 2007, the carrying amount of financial liabilities designated at fair value through income was € 63 mn lower (2006: € 14 mn lower) than the contractually required payment at maturity. The amount of the change in fair value attributable to changes in credit risk for the year ended December 31, 2007 was € 10 mn (2006: € (4) mn) and € 6 mn (2006: € (4) mn) cumulatively.

The change in fair value of financial liabilities designated at fair value through income attributable to changes in credit risk has been calculated as the amount of change in fair value that is not attributable to changes in market conditions, but has been caused by a change in the entities own credit spread.

15 Liabilities to banks and customers

As of December 31,	2007			2006		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Payable on demand	11,204	60,443	71,647	18,216	68,677	86,893
Savings deposits	—	5,304	5,304	—	5,421	5,421
Term deposits and certificates of deposit	64,129	72,938	137,067	68,429	50,380	118,809
Repurchase agreements	50,444	42,145	92,589	77,002	62,796	139,798
Collateral received from securities lending transactions	16,235	4,729	20,964	17,493	4,405	21,898
Other	5,513	3,410	8,923	876	2,870	3,746
Total	147,525	188,969	336,494	182,016	194,549	376,565

Liabilities to banks and customers by contractual maturity

As of December 31, 2007	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	108,964	24,153	7,647	2,532	4,229	147,525
Liabilities to customers	187,961	386	397	21	204	188,969
Total	296,925	24,539	8,044	2,553	4,433	336,494

Liabilities to banks and customers by type of customer and geographic region

	2007			2006		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Liabilities to banks	46,137	101,388	147,525	54,546	127,470	182,016
Liabilities to customers						
Corporate customers	55,935	75,644	131,579	48,332	101,974	150,306
Public authorities	5,593	6,894	12,487	1,886	5,994	7,880
Private customers	34,284	10,619	44,903	28,438	7,925	36,363
Subtotal	95,812	93,157	188,969	78,656	115,893	194,549
Total	141,949	194,545	336,494	133,202	243,363	376,565

As of December 31, 2007, liabilities to customers include € 27,091 mn (2006: € 33,302 mn) of noninterest bearing deposits.

16 Unearned premiums

As of December 31,	2007 € mn	2006 € mn
Property-Casualty	13,163	12,994
Life/Health	1,858	1,874
Consolidation	(1)	—
Total	15,020	14,868

17 Reserves for loss and loss adjustment expenses

As of December 31,	2007 € mn	2006 € mn
Property-Casualty	56,943	58,664
Life/Health	6,773	6,804
Consolidation	(10)	(4)
Total	63,706	65,464

Changes in the reserves for loss and loss adjustment expenses for the Property-Casualty segment

	2007			2006			2005		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of January 1,	58,664	(9,333)	49,331	60,259	(10,604)	49,655	55,528	(10,049)	45,479
Loss and loss adjustment expenses incurred									
Current year	29,839	(2,994)	26,845	28,214	(2,573)	25,641	30,111	(3,580)	26,531
Prior years	(1,708)	348	(1,360)	(1,186)	217	(969)	(1,633)	433	(1,200)
Subtotal	28,131	(2,646)	25,485	27,028	(2,356)	24,672	28,478	(3,147)	25,331
Loss and loss adjustment expenses paid									
Current year	(13,749)	1,118	(12,631)	(12,436)	675	(11,761)	(12,742)	861	(11,881)
Prior years	(14,206)	1,952	(12,254)	(14,696)	2,455	(12,241)	(13,284)	2,568	(10,716)
Subtotal	(27,955)	3,070	(24,885)	(27,132)	3,130	(24,002)	(26,026)	3,429	(22,597)
Foreign currency translation adjustments and other changes ¹⁾	(2,022)	666	(1,356)	(1,491)	497	(994)	2,278	(837)	1,441
Changes in the consolidated subsidiaries of the Allianz Group	125	(23)	102	—	—	—	1	—	1
As of December 31,	56,943	(8,266)	48,677	58,664	(9,333)	49,331	60,259	(10,604)	49,655

¹⁾ Includes effects of foreign currency translation adjustments for loss and loss adjustment expenses for prior years claims of gross € (1,690) mn (2006: € (1,141) mn; 2005: € 2,371 mn) and net of € (1,052) mn (2006: € (962) mn; 2005: € 1,348 mn).

Prior years' loss and loss adjustment expenses incurred reflects 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, 2007, the Allianz Group recorded additional income of € 1,360 mn (2006: € 969 mn; 2005: € 1,200 mn) with respect of losses occurring in prior years. During the year ended December 31, 2007, these amounts as percentages of the net balance of the beginning of the year were 2.8% (2006: 2.0%; 2005: 2.6%).

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).

	2002 € mn	2003 € mn	2004 € mn	2005 € mn	2006 € mn	2007 € mn
Reserves for loss and loss adjustment expenses (net)	45,466	44,683	45,479	49,655	49,331	48,677
Reserves for loss and loss adjustment expenses (ceded)	14,588	12,067	10,049	10,604	9,333	8,266
Reserves for loss and loss adjustment expenses (gross)	60,054	56,750	55,528	60,259	58,664	56,943
Paid (cumulative) as of						
One year later	16,357	14,384	13,282	14,696	14,206	
Two years later	24,093	21,157	20,051	21,918		
Three years later	29,007	26,149	24,812			
Four years later	32,839	29,859				
Five years later	35,845					
Reserves reestimated as of						
One year later	56,550	54,103	56,238	57,932	55,266	
Two years later	55,704	55,365	53,374	54,270		
Three years later	57,387	53,907	51,760			
Four years later	56,802	53,068				
Five years later	56,053					
Cumulative surplus						
Gross surplus before changes in the consolidated subsidiaries of the Allianz Group	4,001	3,682	3,768	5,989	3,398	
Gross surplus ¹⁾	4,001	3,142	3,768	5,989	3,398	
Net surplus before changes in the consolidated subsidiaries of the Allianz Group	1,365	2,397	3,204	4,582	2,412	
Net surplus ¹⁾	1,365	1,945	3,204	4,582	2,412	
Net Surplus as percentage of initial reserves	3.0%	4.4%	7.0%	9.2%	4.9%	

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 € 1,690 mn (2006: € 1,141 mn) and net € 1,052 mn (2006: € 962 mn). This leads to an effective run off result excluding effects of foreign currency translation of gross € 1,708 mn (2006: € 1,186 mn) and net € 1,360 mn (2006: € 969 mn) which can be found in the table for changes in the reserves for loss and loss adjustment expenses within this footnote. Please note that the 2006 numbers refer to the surplus presented in the consolidated financial statements 2006 and not the cumulative surplus of the calendar year 2006 presented in the table above.

Discounted loss and loss adjustment expenses

As of December 31, 2007 and 2006, the Allianz Group Property-Casualty reserves for loss and loss adjustment expenses reflected discounts of € 1,466 mn and € 1,377 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 country, the carrying amounts of reserves for loss and loss adjustment expenses that have been discounted, and the interest rates used for discounting:

As of December 31,	Discounted reserves for loss and loss adjustment expenses		Amount of the discount		Interest rate used for discounting	
	2007 € mn	2006 € mn	2007 € mn	2006 € mn	2007 %	2006 %
France	1,321	1,325	400	349	3.25	3.25
Germany	559	504	372	346	2.25 – 4.00	2.75 – 4.00
Switzerland	430	427	258	253	3.00	3.25
United States	155	181	170	200	5.25	6.00
United Kingdom	160	139	163	133	4.00 – 4.75	4.00 – 4.25
Belgium	94	91	28	26	4.50	3.20 – 4.68
Portugal	64	79	49	47	4.00	4.00
Hungary	79	74	26	23	1.40	1.40
Total	2,862	2,820	1,466	1,377	—	—

18 Reserves for insurance and investment contracts Aggregate policy reserves

As of December 31,	2007 € mn	2006 € mn	As of December 31,	2007 € mn	2006 € mn
Aggregate policy reserves	264,243	256,333	Traditional participating insurance contracts (SFAS 120)	127,502	123,835
Reserves for premium refunds	27,225	30,024	Long-duration insurance contracts (SFAS 60)	46,337	45,390
Other insurance reserves	776	675	Universal life-type insurance contracts (SFAS 97)	89,840	86,681
Total	292,244	287,032	Non unit linked investment contracts	564	427
			Total	264,243	256,333

Changes in aggregate policy reserves for traditional participating insurance contracts and long-duration insurance contracts for the years ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	Traditional participating insurance contracts (SFAS 120) € mn	Long-duration insurance contracts (SFAS 60) € mn	Traditional participating insurance contracts (SFAS 120) € mn	Long-duration insurance contracts (SFAS 60) € mn
As of January 1,	123,835	45,390	120,967	44,624
Foreign currency translation adjustments	(104)	(755)	(119)	(356)
Changes in the consolidated subsidiaries of the Allianz Group	—	10	—	—
Changes recorded in consolidated income statements	2,445	954	2,393	927
Novation of reinsurance agreements	—	—	(420)	—
Dividends allocated to policyholders	1,278	207	1,029	198
Additions and disposals	—	(2)	—	—
Other changes	48	533 ¹⁾	(15)	(3)
As of December 31,	127,502	46,337	123,835	45,390

¹⁾ Mainly relating to a reclassification from reserves for premium refunds and other insurance reserves.

Changes in aggregate policy reserves for universal life-type insurance contracts and non unit linked investment contracts for the years ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	Universal life-type insurance contracts (SFAS 97) € mn	Non unit linked investment contracts € mn	Universal life-type insurance contracts (SFAS 97) € mn	Non unit linked investment contracts € mn
As of January 1,	86,681	427	83,133	288
Foreign currency translation adjustments	(3,933)	(12)	(3,686)	(12)
Premiums collected	12,579	231	13,092	142
Separation of embedded derivatives	(473)	—	(543)	—
Interest credited	3,178	47	3,106	20
Releases upon death, surrender and withdrawal	(8,650)	(105)	(7,785)	(104)
Policyholder charges	(715)	(28)	(541)	(2)
Additions	81	—	—	—
Portfolio acquisitions and disposals	(37)	—	—	—
Reclassifications ¹⁾	1,129	4	(95)	95
As of December 31,	89,840	564	86,681	427

¹⁾ The reclassifications mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

As of December 31, 2007, participating life business represented approximately 65% (2006: 62%) of the Allianz Group's gross insurance inforce. During the year ended December 31, 2007, participating policies represented approximately 61% (2006: 66%) of gross statutory premiums written and 60% (2006: 63%) of life premiums earned. As of December 31, 2007, reserves for conventional participating policies were approximately 54% (2006: 54%) of the Allianz Group's consolidated aggregate policy reserves.

Reserves for premium refunds

	2007 € mn	2006 € mn	2005 € mn
Amounts already allocated under local statutory or contractual regulations			
As of January 1,	12,764	10,915	8,794
Foreign currency translation adjustments	(15)	(9)	14
Changes	689	1,858	2,107
As of December 31,	13,438	12,764	10,915
Latent reserves for premium refunds			
As of January 1,	17,260	16,930	11,779
Foreign currency translation adjustments	(19)	(24)	(4)
Changes due to fluctuations in market value	(4,099)	(50)	4,094
Changes in the consolidated subsidiaries of the Allianz Group	—	(491)	6
Changes due to valuation differences charged to income	645	895	1,055
As of December 31,	13,787	17,260	16,930
Total	27,225	30,024	27,845

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 supplemental 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 group life, health, and pension contracts.

As of December 31, 2007 and 2006, 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
2007							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk							
Germany Life	5,907	117,478	17,070	3	134,551	1,831	136,382
Germany Health	867	13,339	3,949	4	17,292	—	17,292
France	1,189	42,830	3,603	202	46,635	14,285	60,920
Italy	1,146	19,120	14	—	19,134	25,682	44,816
Switzerland	238	5,695	610	107	6,412	583	6,995
Austria	142	3,195	273	3	3,471	277	3,748
South Korea	785	5,978	47	—	6,025	904	6,929
Subtotal	10,274	207,635	25,566	319	233,520	43,562	277,082
Other Countries							
Belgium	112	5,327	17	—	5,344	302	5,646
Spain	25	4,857	138	—	4,995	92	5,087
Other Western and Southern Europe	318	1,865	151	—	2,016	3,819	5,835
Eastern Europe	291	1,596	25	4	1,625	1,076	2,701
United States	4,394	32,291	—	—	32,291	13,954	46,245
Taiwan	250	1,841	—	—	1,841	2,710	4,551
Other Asia-Pacific	172	565	58	—	623	529	1,152
South America	—	93	—	—	93	12	105
Other	2	776	10	5	791	4	795
Subtotal	5,564	49,211	399	9	49,619	22,498	72,117
Total	15,838	256,846	25,965	328	283,139	66,060	349,199
2006							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk							
Germany Life	5,331	112,103	18,235	3	130,341	1,095	131,436
Germany Health	857	12,070	3,372	3	15,445	—	15,445
France	1,238	41,622	4,837	59	46,518	12,430	58,948
Italy	1,148	19,640	408	2	20,050	24,779	44,829
Switzerland	267	5,707	689	117	6,513	558	7,071
Austria	126	3,050	308	—	3,358	194	3,552
South Korea	786	5,847	58	—	5,905	970	6,875
Subtotal	9,753	200,039	27,907	184	228,130	40,026	268,156
Other Countries							
Belgium	118	5,035	26	—	5,061	325	5,386
Spain	24	4,637	451	1	5,089	114	5,203
Other Western and Southern Europe	305	2,188	126	—	2,314	3,564	5,878
Eastern Europe	236	1,465	27	11	1,503	668	2,171
United States	4,601	32,762	—	—	32,762	15,063	47,825
Taiwan	209	1,883	—	—	1,883	1,868	3,751
Other Asia-Pacific	131	434	45	—	479	176	655
South America	—	88	—	—	88	58	146
Other	4	716	7	6	729	2	731
Subtotal	5,628	49,208	682	18	49,908	21,838	71,746
Total	15,381	249,247	28,589	202	278,038	61,864	339,902

A majority part 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 47% and 46%, of the Allianz Group's reserves for insurance and investment contracts as of December 31, 2007 and 2006 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 on an individual contract basis, because they include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant insurance risk, nor are they expected to do so in the future, as the projected and observed annuitization rates are very low. Additionally, many of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk, although they are accounted for as insurance contracts, because of their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the considerable diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health segment, as well as the substantial level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its traditional contracts. The weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment by country can be summarized as follows:

As of December 31,	2007 %	2006 %
Country¹⁾		
Germany Life	3.41	3.45
France	1.99	2.44
Italy	2.49	2.50
Switzerland	2.87	2.86
Spain	5.05	5.38
Austria	3.00	3.11
Belgium	3.95	4.06
South Korea	5.29	6.06
Taiwan	3.61	3.74

¹⁾ The life operations of the Allianz Group in the United States only grant minimum guaranteed interest rates on approximately 15% of their existing business, the weighted average minimum interest rate for these contracts as of December 31, 2007 is 2.7% (2006: 2.7%).

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, 2007 and 2006, 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 any declines in investment rates or a prolonged low interest rate environment.

19 Financial liabilities for unit linked contracts

As of December 31,	2007 € mn	2006 € mn
Unit linked insurance contracts	39,323	36,296
Unit linked investment contracts	26,737	25,568
Total	66,060	61,864

Changes in financial liabilities for unit linked insurance contracts and unit linked investment contracts for the years ended December 31, 2007 and 2006 were as follows:

	2007		2006	
	Unit linked insurance contracts € mn	Unit linked investment contracts € mn	Unit linked insurance contracts € mn	Unit linked investment contracts € mn
As of January 1,	36,296	25,568	30,320	24,341
Foreign currency translation adjustments	(1,954)	(2)	(1,765)	(6)
Premiums collected	9,381	7,903	8,313	5,987
Interest credited	1,508	(149)	3,013	705
Releases upon death, surrender and withdrawal	(3,740)	(6,286)	(2,584)	(5,257)
Policyholder charges	(1,130)	(222)	(914)	(289)
Portfolio acquisitions and disposals	20	—	—	—
Reclassifications ¹⁾	(1,058)	(75)	(87)	87
As of December 31,	39,323	26,737	36,296	25,568

¹⁾ The reclassifications mainly relate to insurance contracts when policies transfer from a separate account contract to a universal life-type contract.

20 Other liabilities

As of December 31,	2007 € mn	2006 € mn
Payables		
Policyholders	4,806	5,322
Reinsurance	1,844	1,868
Agents	1,743	1,494
Subtotal	8,393	8,684
Payables for social security	263	219
Tax payables		
Income tax	2,563	2,076
Other	1,012	968
Subtotal	3,575	3,044
Accrued interest and rent	779	793
Unearned income		
Interest and rent	3,453	2,645
Other	351	279
Subtotal	3,804	2,924
Provisions		
Pensions and similar obligations	4,184	4,120
Employee related	2,956	3,120
Share-based compensation	1,761	1,898
Restructuring plans	541	887
Loan commitments	201	261
Other provisions	1,991	1,943
Subtotal	11,634	12,229
Deposits retained for reinsurance ceded	3,227	5,716
Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	2,210	907
Financial liabilities for puttable equity instruments	4,162	3,750
Disposal groups held for sale	1,293	—
Other liabilities	9,984	11,498
Total	49,324	49,764

Other liabilities due within one year amounted to € 39,444 mn (2006: € 40,839 mn) and those due after more than one year totaled € 9,880 mn (2006: € 8,925 mn).

21 Certificated liabilities

	Contractual Maturity Date						As of	As of
	2008	2009	2010	2011	2012	Thereafter	December 31,	December 31,
	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	2007	2006
							€ mn	€ mn
Allianz SE²⁾								
Senior bonds								
Fixed rate	1,631	—	—	—	893	1,483	4,007	6,195
Contractual interest rate	5.00%	—	—	—	5.63%	4.00%	—	—
Floating rate	—	272	—	—	—	—	272	—
Current interest rate	—	5.23%	—	—	—	—	—	—
Subtotal	1,631	272	—	—	893	1,483	4,279	6,195
Exchangeable bonds								
Fixed rate	450	—	—	—	—	—	450	1,262
Contractual interest rate	0.75%	—	—	—	—	—	—	—
Money market securities								
Fixed rate	2,929	—	—	—	—	—	2,929	870
Contractual interest rate	4.19%	—	—	—	—	—	—	—
Total Allianz SE²⁾	5,010	272	—	—	893	1,483	7,658	8,327
Banking subsidiaries								
Senior bonds								
Fixed rate	5,206	2,807	2,031	270	484	638	11,436	14,608
Contractual interest rate	6.50%	4.61%	4.45%	5.64%	4.57%	5.65%	—	—
Floating rate	2,009	1,122	793	913	1,191	647	6,675	8,729
Current interest rate	5.16%	4.35%	4.90%	4.48%	4.86%	4.24%	—	—
Subtotal	7,215	3,929	2,824	1,183	1,675	1,285	18,111	23,337
Money market securities								
Fixed rate	16,289	—	—	—	—	—	16,289	17,677
Contractual interest rate	4.50%	—	—	—	—	—	—	—
Floating rate	9	—	—	—	—	—	9	4,978
Current interest rate	6.80%	—	—	—	—	—	—	—
Subtotal	16,298	—	—	—	—	—	16,298	22,655
Total banking subsidiaries	23,513	3,929	2,824	1,183	1,675	1,285	34,409	45,992
All other subsidiaries								
Certificated liabilities								
Fixed rate	—	—	—	—	—	3	3	4
Contractual interest rate	—	—	—	—	—	2.11%	—	—
Money market securities								
Fixed rate	—	—	—	—	—	—	—	599
Contractual interest rate	—	—	—	—	—	—	—	—
Total all other subsidiaries	—	—	—	—	—	3	3	603
Total	28,523	4,201	2,824	1,183	2,568	2,771	42,070	54,922

¹⁾ Except for the interest rates. The interest rates represent the weighted-average.

²⁾ Includes senior bonds, exchangeable bonds and money market securities issued by Allianz Finance B.V. and Allianz Finance II B.V. guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

22 Participation certificates and subordinated liabilities

	Contractual Maturity Date						As of	As of
	2008	2009	2010	2011	2012	Thereafter	December 31,	December 31,
	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	2007	2006
							€ mn	€ mn
Allianz SE ²⁾								
Subordinated bonds								
Fixed rate	—	—	—	—	—	1,129	1,129	1,164
Contractual interest rate	—	—	—	—	—	5.94%	—	—
Floating rate	—	—	—	—	—	5,724	5,724	5,719
Current interest rate	—	—	—	—	—	5.61%	—	—
Subtotal	—	—	—	—	—	6,853	6,853	6,883
Participation certificates ³⁾								
Floating rate	—	—	—	—	—	85	85	85
Total Allianz SE ²⁾	—	—	—	—	—	6,938	6,938	6,968
Banking subsidiaries								
Subordinated bonds								
Fixed rate	342	297	116	20	36	1,004	1,815	2,621
Contractual interest rate	5.87%	5.34%	6.31%	6.76%	5.83%	6.30%	—	—
Floating rate	171	282	32	59	21	442	1,007	1,048
Current interest rate	5.62%	4.70%	4.91%	5.22%	6.15%	5.24%	—	—
Subtotal	513	579	148	79	57	1,446	2,822	3,669
Hybrid equity								
Fixed rate	—	—	—	500	—	1,929	2,429	2,513
Contractual interest rate	—	—	—	5.79%	—	7.20%	—	—
Participation certificates ⁴⁾								
Fixed rate	903	51	—	—	—	732	1,686	2,262
Contractual interest rate	7.87%	6.13%	—	—	—	5.39%	—	—
Total banking subsidiaries	1,416	630	148	579	57	4,107	6,937	8,444
All other subsidiaries								
Subordinated liabilities								
Fixed rate	60	—	—	—	—	618	678	680
Contractual interest rate	6.84%	—	—	—	—	5.35%	—	—
Floating rate	—	—	—	—	—	226	226	225
Current interest rate	—	—	—	—	—	5.66%	—	—
Subtotal	60	—	—	—	—	844	904	905
Hybrid equity								
Fixed rate	—	—	—	—	—	45	45	45
Contractual interest rate	—	—	—	—	—	5.58%	—	—
Total all other subsidiaries	60	—	—	—	—	889	949	950
Total	1,476	630	148	579	57	11,934	14,824	16,362

¹⁾ Except for interest rates. Interest rates represent the weighted-average.

²⁾ Includes subordinated bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz SE.

³⁾ The terms of the profit participation certificates provide for an annual cash distribution of 240% of the dividend paid by Allianz SE per one Allianz SE share. Holders of profit participation certificates do not have voting rights, or any rights to convert the certificates into Allianz SE shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors. Profit participation certificates can be redeemed by holders upon twelve months prior notice every fifth year. Allianz SE has the right to call the profit participation certificates for redemption, upon six months prior notice every year. The next call date is December 31, 2008. Upon redemption by Allianz SE, the cash redemption price per certificate would be equal to 122.9% of the then current price of one Allianz SE share during the last three months preceding the recall of the participation certificate. In lieu of redemption for cash, Allianz SE may offer 10 Allianz SE ordinary shares per 8 profit participation certificates.

⁴⁾ Participation certificates issued by the Dresdner Bank Group entitle holders to annual interest payments, which take priority over its shareholders' dividend entitlements. They are subordinated to obligations for all other creditors of the respective issuer, except those similarly subordinated, and share in losses of the respective issuers in accordance with the conditions attached to the participation certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

23 Equity

As of December 31,	2007 € mn	2006 € mn
Shareholders' equity		
Issued capital	1,152	1,106
Capital reserve	27,169	24,292
Revenue reserves	12,790	13,511
Treasury shares	(172)	(441)
Foreign currency translation adjustments	(3,656)	(2,210)
Unrealized gains and losses (net) ¹⁾	10,470	13,392
Subtotal	47,753	49,650
Minority interests	3,628	7,180
Total	51,381	56,830

¹⁾ As of December 31, 2007 includes € 175 mn related to cash flow hedges (2006: € 140 mn).

Issued capital

Issued capital at December 31, 2007 amounted to € 1,152,384,000 divided into 450,150,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

Authorized capital

As of December 31, 2007, 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, 2007, Allianz SE had € 9,848,297 (3,846,991 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, 2007, Allianz SE had an unissued conditional capital in the amount of € 250,000,000 (97,656,250 shares), authorized in 2006 and in the amount of € 5,632,000 (2,200,000 shares), authorized in 2004. A capital increase out of unissued conditional capital will be carried out only to the extent that conversion or option rights are exercised by holders of bonds issued by Allianz SE or any of its subsidiaries or that mandatory conversion obligations are fulfilled.

Changes in the number of issued shares outstanding

	2007	2006	2005
Issued shares outstanding as of January 1,	429,336,291	405,298,397	366,859,799
Capital increase for merger with RAS	—	25,123,259	—
Capital increase for tender offer AGF	16,974,357	—	—
Exercise of warrants	—	—	9,000,000
Capital increase for cash	—	—	10,116,850
Capital increase for employee shares	1,025,643	986,741	1,148,150
Change in treasury shares held for non-trading purposes	(86,431)	(57,232)	17,165,510
Change in treasury shares held for trading purposes	1,660,788	(2,014,874)	1,008,088
Issued shares outstanding as of December 31,	448,910,648	429,336,291	405,298,397
Treasury shares	1,239,352	2,813,709	741,603
Total number of issued shares	450,150,000	432,150,000	406,040,000

In November 2007, 1,025,643 (2006: 986,741) shares were issued at a price of € 154.07 (2006: € 131.00) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase 881,980 (2006: 929,509) shares at prices ranging from € 107.85 (2006: € 91.70) to € 128.39 (2006: € 111.35) per share. The remaining 143,663 (2006: 57,232) shares were warehoused and booked as treasury shares for further subscriptions by employees in the context of the employee share purchase plan in 2008. As a result, issued capital increased by € 3 mn and capital reserve increased by € 155 mn.

In April 2007 16,974,357 new Allianz SE shares were issued for the execution of the minority buy-out of AGF shares. The increase in share capital due to the minority buyout of AGF amounts to € 43 mn; the additional paid-in capital increased by € 2,722 mn.

On October 13, 2006, Allianz AG and RAS merged resulting in the issuance of 25,123,259 shares of Allianz SE to the shareholders of RAS. As a result, share capital increased by € 64 mn and capital reserve increased by € 3,589 mn.

In September 2005, the Allianz Group issued 10,116,850 shares for proceeds of € 1,062 mn, which increased issued capital by € 26 mn and capital reserve of € 1,036 mn.

On February 18, 2005, the Allianz Group issued a subordinated bond with 11.2 mn detachable warrants, which allow the holder to purchase a share of Allianz SE. The warrants are exercisable at any time during their three year term and

have an exercise price of € 92 per share. The warrants were recorded in capital reserve at the premium received of € 174 mn on their issuance date. During the year ended December 31, 2005, as a result of the exercise of 9 mn warrants the Allianz Group received consideration of € 828 mn, which increased issued capital by € 23 mn and capital reserve by € 805 mn. On February 15, 2008 the remaining 2.2 mn warrants were exercised.

All shares issued during the years ended December 31, 2007, 2006 and 2005 are qualifying shares from the beginning of the year of issue.

Dividends

For the year ended December 31, 2007, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 5.50 per qualifying share. During the years ended December 31, 2006 and 2005, Allianz SE paid a dividend of € 3.80 and € 2.00, respectively, per qualifying share.

Treasury shares

The Annual General Meeting on May 2, 2007 (2006: May 3), authorized Allianz SE to acquire its own shares for other purposes pursuant to clause 71(1) no. 8 of the German Stock Corporation Law ("Aktengesetz"). During the year ended December 31, 2007 the authorization was used to acquire 143,663 (2006: 57,232) shares of Allianz SE.

In order to enable Dresdner Bank Group to trade in shares of Allianz SE, the Annual General Meeting on May 2, 2007 authorized the Allianz Group's domestic or foreign credit institutions in which Allianz SE has a majority holding to acquire treasury shares for trading purposes pursuant to clause 71(1) no. 7 of the Aktengesetz. During the year ended December 31, 2007, in accordance with this authorization, the credit institutions of the Allianz Group purchased 24,780,668 (2006: 44,741,900) of Allianz SE's shares at an average price of € 131.55 per share (2006: € 131.45), which included previously held Allianz SE shares. During the year ended December 31, 2007, 25,348,169 shares (2006: 42,180,935) were disposed of holdings at an average price of € 127.39 per share (2006: € 132.76). During the year ended December 31, 2007, the losses arising from treasury share transactions and in consideration of the holding, were € 110 mn (2006: gains € 29 mn), which were recorded directly in revenue reserves.

In 2005, the Dresdner Bank Group placed 17,155,008 shares of Allianz SE in the market.

The resulting short position in own shares is hedged by the use of derivatives and is reflected in the revenue reserves. Due to written put options the Allianz Group is obliged to buy own shares amounting to € - mn (2006: € 2mn), in case the put options are exercised.

Composition of the treasury shares

As of December 31,	Acquisition costs € mn	Number of shares	Issued capital %
2007			
Allianz SE	72	567,698	0.13
Dresdner Bank Group	100	671,654	0.15
Dresdner Bank Group (obligation for written put options on Allianz SE shares)	—	—	—
Total	172	1,239,352	0.28
2006			
Allianz SE	57	481,267	0.11
Dresdner Bank Group	382	2,332,442	0.54
Dresdner Bank Group (obligation for written put options on Allianz SE shares)	2	—	—
Total	441	2,813,709	0.65

Capital Requirements

The Allianz Group's capital requirements are primarily dependent on our growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole.

On January 1, 2005, the Financial Conglomerates Directive, a supplementary European Union (or "EU") directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German law. The law requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirements on a consolidated basis.

At December 31, 2007, based on the current status of discussion, our eligible capital for the solvency margin, required for our insurance segments and our banking and asset

management business, was € 45.5 bn (2006: € 49.5 bn) including off-balance sheet reserves¹⁾, surpassing the minimum legally stipulated level by € 16.6 bn (2006: € 23.4 bn). This margin resulted in a preliminary cover ratio²⁾ of 157% at December 31, 2007 (2006: 190%). In 2007, all Allianz Group companies also have met their local solvency requirements.

At December 31, 2007, our eligible capital for the solvency margin, required for insurance groups under German law, was € 50.9 bn (2006: € 53.3 bn), surpassing the minimum legally stipulated level by € 32.8 bn (2006: € 37.9 bn). This margin resulted in preliminary cover ratio²⁾ of 281% (2006: 345%).

Dresdner Bank is subject to the German Banking Act (“Kreditwesengesetz”) as well as to the new Solvency Regulation (“Solvabilitäts-Verordnung”) and therefore Dresdner Bank calculates and reports under such guidelines to the German Federal Financial Supervisory Authority (the Bundesanstalt für Finanzdienstleistungsaufsicht, or “BaFin”) and the Deutsche Bundesbank, the German central bank. These guidelines are used to evaluate capital adequacy based primarily on the perceived credit risk associated with balance sheet assets, as well as certain off-balance sheet exposures such as unfunded loan commitments, letters of credit, and derivative and foreign exchange contracts. In addition, for Allianz SE to maintain its status as a “financial holding company” under the U.S. Gramm-Leach-Bliley Financial Modernization Act of 1999, Dresdner Bank must be considered “well capitalized” under guidelines issued by the Board of Governors of the Federal Reserve System. To be considered “well capitalized” for these purposes, Dresdner Bank must have a Tier I Capital Ratio of at least 6% and a combined Tier I and Tier II Capital Ratio of at least 10%, and not be subject to a directive, order or written agreement to meet and maintain specific capital levels. As shown in the table below, Dresdner Bank maintained a “well capitalized” position during both 2007 and 2006.

The following table sets forth Dresdner Bank’s BIS capital ratios:

As of December 31,	2007 € mn	2006 € mn
Tier I capital (core capital)	11,234	12,469
Tier I & Tier II capital	16,964	18,668
Tier III capital (supplementary capital)	—	—
Total capital	16,964	18,668
Risk-weighted assets – banking book	119,477	117,355
Risk-weighted assets – trading book	3,638	2,625
Total risk-weighted assets	123,115	119,980
Tier I capital ratio (core capital) in %	9.1	10.4
Tier I & Tier II capital ratio in %	13.8	15.6
Total capital ratio in %	13.8	15.6

The distinction between “core capital” and “supplementary capital” in the table above reflects the ability of the capital components to cover losses. Core capital, with the highest ability to cover losses, corresponds to Tier I capital, while supplementary capital corresponds to Tier II capital as such terms are defined in applicable U.S. capital adequacy rules.

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations.

Certain of the Allianz Group’s insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, asset risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

As of December 31, 2007, 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

¹⁾ Represents the difference between fair value and amortized cost of real estate held for investment and investments in associates and joint ventures, net of deferred taxes, policyholders’ participation and minority interests.

²⁾ Represents the ratio of eligible capital to required capital.

percentage thereof. By way of example only, the operations of our 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 German Stock Corporation Act (AktG).

Minority interests

As of December 31,	2007 € mn	2006 € mn
Unrealized gains and losses (net)	95	888
Share of earnings	748	1,289
Other equity components	2,785	5,003
Total	3,628	7,180

The reduction in minority interests includes the impact of the minority buy-out of AGF with an amount of € (3,868) mn.

Supplementary Information to the Consolidated Income Statements

24 Premiums earned (net)

	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
2006				
Premiums written				
Direct	40,967	21,252	—	62,219
Assumed	2,707	362	(13)	3,056
Subtotal	43,674	21,614	(13)	65,275
Ceded	(5,415)	(816)	13	(6,218)
Net	38,259	20,798	—	59,057
Change in unearned premiums				
Direct	(351)	(225)	—	(576)
Assumed	156	1	—	157
Subtotal	(195)	(224)	—	(419)
Ceded	(114)	—	—	(114)
Net	(309)	(224)	—	(533)
Premiums earned				
Direct	40,616	21,027	—	61,643
Assumed	2,863	363	(13)	3,213
Subtotal	43,479	21,390	(13)	64,856
Ceded	(5,529)	(816)	13	(6,332)
Net	37,950	20,574	—	58,524

24 Premiums earned (net) – continued

	Property- Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2005				
Premiums written				
Direct	40,547	20,707	—	61,254
Assumed	3,152	386	(26)	3,512
Subtotal	43,699	21,093	(26)	64,766
Ceded	(5,529)	(926)	26	(6,429)
Net	38,170	20,167	—	58,337
Change in unearned premiums				
Direct	(378)	(161)	—	(539)
Assumed	(246)	(6)	—	(252)
Subtotal	(624)	(167)	—	(791)
Ceded	139	(3)	—	136
Net	(485)	(170)	—	(655)
Premiums earned				
Direct	40,169	20,546	—	60,715
Assumed	2,906	380	(26)	3,260
Subtotal	43,075	20,926	(26)	63,975
Ceded	(5,390)	(929)	26	(6,293)
Net	37,685	19,997	—	57,682

25 Interest and similar income

	2007 € mn	2006 € mn	2005 € mn
Interest from held-to-maturity investments	223	233	253
Dividends from available-for-sale investments	2,332	2,119	1,469
Interest from available-for-sale investments	9,709	9,160	8,592
Share of earnings from investments in associates and joint ventures	521	287	253
Rent from real estate held for investment	835	930	993
Interest from loans to banks and customers	12,200	11,058	10,875
Other interest	227	169	209
Total	26,047	23,956	22,644

26 Income from financial assets and liabilities carried at fair value through income (net)

	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation € mn	Group € mn
2007							
Income (expense) from financial assets and liabilities held for trading	(51)	(1,337)	(464)	—	44	(35)	(1,843)
Income from financial assets designated at fair value through income	150	345	67	64	7	(8)	625
Income (expense) from financial liabilities designated at fair value through income	3	11	(34)	—	—	—	(20)
Income (expense) from financial liabilities for puttable equity instruments (net)	(17)	41	—	(33)	—	—	(9)
Total	85	(940)	(431)	31	51	(43)	(1,247)
2006							
Income (expense) from financial assets and liabilities held for trading	83	(808)	1,282	7	(274)	72	362
Income (expense) from financial assets designated at fair value through income	121	742	95	(105)	5	—	858
Expense from financial liabilities designated at fair value through income	(1)	(2)	(42)	—	—	1	(44)
Income (expense) from financial liabilities for puttable equity instruments (net)	(14)	(293)	—	136	(65)	—	(236)
Total	189	(361)	1,335	38	(334)	73	940
2005							
Income (expense) from financial assets and liabilities held for trading	32	(324)	1,170	3	(441)	(3)	437
Income from financial assets designated at fair value through income	128	780	74	247	—	—	1,229
Expense from financial liabilities designated at fair value through income	—	—	(81)	—	—	3	(78)
Income (expense) from financial liabilities for puttable equity instruments (net)	4	(198)	—	(231)	—	—	(425)
Total	164	258	1,163	19	(441)	—	1,163

Income from financial assets and liabilities carried at fair value through income (net) comprises:

	Interest and dividend income (expense) € mn	Net realized gains (losses) € mn	Net valuation result € mn	Total € mn
2007				
Financial assets and liabilities held for trading	(334)	433	(1,942)	(1,843)
Financial assets designated at fair value through income	511	182	(68)	625
Financial liabilities designated at fair value through income	(117)	52	45	(20)
Financial liabilities for puttable equity instruments (net)	—	—	(9)	(9)
Total	(219)	667	(1,695)	(1,247)
2006				
Financial assets and liabilities held for trading	(577)	927	12	362
Financial assets designated at fair value through income	316	167	375	858
Financial liabilities designated at fair value through income	(89)	45	—	(44)
Financial liabilities for puttable equity instruments (net)	—	—	(236)	(236)
Total	(350)	1,139	151	940
2005				
Financial assets and liabilities held for trading	244	567	(374)	437
Financial assets designated at fair value through income	211	117	901	1,229
Financial liabilities designated at fair value through income	(73)	(5)	—	(78)
Financial liabilities for puttable equity instruments (net)	—	—	(425)	(425)
Total	382	679	102	1,163

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, 2007 includes in the Life/Health segment expenses of € 1,352 mn (2006: € 834 mn; 2005: € 377 mn) from derivative financial instruments. Expenses of € 756 mn (2006: € 513 mn; 2005: € 50 mn) result from the purchase of forward contracts for interest bonds and forward sales of shares. Also included are expenses from derivative financial instruments related to equity indexed annuity contracts and guaranteed benefits under unit-linked contracts of € 622 mn (2006: € 350 mn; 2005: € 199 mn) and income from other derivative financial instruments of € 26 mn (2006: € 29 mn; 2005: € 128 mn).

Banking Segment

Income from financial assets and liabilities held for trading of the Banking segment comprises:

	2007 € mn	2006 € mn	2005 € mn
Trading in interest products ¹⁾	411	637	569
Trading in loan products ²⁾	(1,231)	241	146
Trading in equity products	309	304	224
Foreign exchange/ precious metals trading	256	209	112
Other trading activities	(209)	(109)	119
Total	(464)	1,282	1,170

¹⁾ For the year ended December 31, 2007 includes impairments of € (23) mn for asset-backed securities held for trading of Dresdner Bank.

²⁾ For the year ended December 31, 2007 includes impairments of € (1,252) mn for asset-backed securities held for trading of Dresdner Bank.

Corporate Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2007, includes in the Corporate segment expenses of € 15 mn (2006: € 152 mn; 2005: € 332 mn) from derivative financial instruments for which hedge accounting is not applied. This includes expenses from derivative financial instruments embedded in exchangeable bonds of € 222 mn (2006: € 570 mn; 2005: € 605 mn), income from derivative financial instruments which partially hedge the exchangeable bonds, however which do not qualify for hedge accounting, of € 164 mn (2006: € 290 mn; 2005: € 288 mn), and income from other derivative financial instruments of € 43 mn (2006: € 128 mn; 2005: expense of € 15 mn).

27 Realized gains/losses (net)

	2007 € m	2006 € m	2005 € m
Realized gains			
Available-for-sale investments			
Equity securities	7,744	5,052	3,348
Debt securities	423	739	968
Subtotal	8,167	5,791	4,316
Investments in associates and joint ventures ¹⁾	220	891	1,218
Loans to banks and customers	80	47	116
Real estate held for investment	371	766	373
Subtotal	8,838	7,495	6,023
Realized losses			
Available-for-sale investments			
Equity securities	(598)	(342)	(566)
Debt securities	(1,433)	(795)	(332)
Subtotal	(2,031)	(1,137)	(898)
Investments in associates and joint ventures ²⁾	(93)	(15)	(32)
Loans to banks and customers ³⁾	(120)	(57)	(93)
Real estate held for investment	(46)	(135)	(22)
Subtotal	(2,290)	(1,344)	(1,045)
Total	6,548	6,151	4,978

¹⁾ During the year ended December 31, 2007, includes realized gains from the disposal of subsidiaries and businesses of € 185 mn (2006: € 613 mn; 2005: € 394 mn).

²⁾ During the year ended December 31, 2007, includes realized losses from the disposal of subsidiaries of € 83 mn (2006: € 3 mn; 2005: € 14 mn).

³⁾ During the year ended December 31, 2007, includes realized losses from leveraged buy-out transactions of Dresdner Bank of € 30 mn.

28 Fee and commission income

	2007			2006			2005		
	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	703	(2)	701	681	—	681	662	—	662
Service agreements	475	(24)	451	318	(37)	281	316	(42)	274
Investment advisory	—	—	—	15	—	15	11	—	11
Subtotal	1,178	(26)	1,152	1,014	(37)	977	989	(42)	947
Life/Health									
Service agreements	174	(15)	159	191	(26)	165	176	(82)	94
Investment advisory	513	(16)	497	423	(28)	395	306	—	306
Other	14	(14)	—	16	(16)	—	25	(13)	12
Subtotal	701	(45)	656	630	(70)	560	507	(95)	412
Banking									
Securities business	1,519	(184)	1,335	1,472	(186)	1,286	1,339	(151)	1,188
Investment advisory	534	(145)	389	611	(156)	455	558	(140)	418
Payment transactions	372	(3)	369	364	(2)	362	381	(3)	378
Mergers and acquisitions advisory	233	—	233	284	—	284	256	—	256
Underwriting business	80	(1)	79	133	—	133	102	—	102
Other	913	(57)	856	734	(77)	657	761	(19)	742
Subtotal	3,651	(390)	3,261	3,598	(421)	3,177	3,397	(313)	3,084
Asset Management									
Management fees	3,558	(126)	3,432	3,420	(112)	3,308	2,987	(93)	2,894
Loading and exit fees	313	—	313	341	—	341	338	—	338
Performance fees	206	(1)	205	107	1	108	123	(2)	121
Other	326	(11)	315	318	(6)	312	298	(2)	296
Subtotal	4,403	(138)	4,265	4,186	(117)	4,069	3,746	(97)	3,649
Corporate									
Service agreements	198	(92)	106	190	(117)	73	164	(94)	70
Subtotal	198	(92)	106	190	(117)	73	164	(94)	70
Total	10,131	(691)	9,440	9,618	(762)	8,856	8,803	(641)	8,162

29 Other income

	2007 € mn	2006 € mn	2005 € mn
Income from real estate held for own use			
Realized gains from disposals of real estate held for own use	210	82	23
Other income from real estate held for own use	2	3	33
Subtotal	212	85	56
Income from non-current assets and disposal groups held for sale	4	1	35
Other	1	—	1
Total	217	86	92

30 Income from fully consolidated private equity investments

	MAN Roland Druck- maschinen AG € mn	Selecta AG € mn	Four Seasons Health Care Ltd. € mn	Other € mn	Total € mn
2007					
Sales and service revenues	1,936	375	—	22	2,333
Other operating revenues	21	—	—	—	21
Interest income	13	—	—	—	13
Total	1,970	375	—	22	2,367
2006					
Sales and service revenues	1,044	—	327	—	1,371
Other operating revenues	15	—	—	—	15
Interest income	5	—	1	—	6
Total	1,064	—	328	—	1,392
2005					
Sales and service revenues	—	—	597	—	597
Other operating revenues	—	—	—	—	—
Interest income	—	—	1	—	1
Total	—	—	598	—	598

31 Claims and insurance benefits incurred (net)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2007				
Gross				
Claims and insurance benefits paid	(27,955)	(18,258)	9	(46,204)
Change in loss and loss adjustment expenses	(176)	(34)	5	(205)
Subtotal	(28,131)	(18,292)	14	(46,409)
Ceded				
Claims and insurance benefits paid	3,070	711	(9)	3,772
Change in loss and loss adjustment expenses	(424)	(56)	(5)	(485)
Subtotal	2,646	655	(14)	3,287
Net				
Claims and insurance benefits paid	(24,885)	(17,547)	—	(42,432)
Change in loss and loss adjustment expenses	(600)	(90)	—	(690)
Total	(25,485)	(17,637)	—	(43,122)
2006				
Gross				
Claims and insurance benefits paid	(27,132)	(18,485)	27	(45,590)
Change in loss and loss adjustment expenses	104	(35)	(2)	67
Subtotal	(27,028)	(18,520)	25	(45,523)
Ceded				
Claims and insurance benefits paid	3,130	777	(27)	3,880
Change in loss and loss adjustment expenses	(774)	118	2	(654)
Subtotal	2,356	895	(25)	3,226
Net				
Claims and insurance benefits paid	(24,002)	(17,708)	—	(41,710)
Change in loss and loss adjustment expenses	(670)	83	—	(587)
Total	(24,672)	(17,625)	—	(42,297)
2005				
Gross				
Claims and insurance benefits paid	(26,026)	(18,281)	8	(44,299)
Change in loss and loss adjustment expenses	(2,452)	(51)	—	(2,503)
Subtotal	(28,478)	(18,332)	8	(46,802)
Ceded				
Claims and insurance benefits paid	3,429	875	(8)	4,296
Change in loss and loss adjustment expenses	(282)	18	—	(264)
Subtotal	3,147	893	(8)	4,032
Net				
Claims and insurance benefits paid	(22,597)	(17,406)	—	(40,003)
Change in loss and loss adjustment expenses	(2,734)	(33)	—	(2,767)
Total	(25,331)	(17,439)	—	(42,770)

32 Change in reserves for insurance and investment contracts (net)

	Property- Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2007				
Gross				
Aggregate policy reserves	(233)	(4,868)	—	(5,101)
Other insurance reserves	24	(260)	—	(236)
Expenses for premium refunds	(163)	(5,255)	(78)	(5,496)
Subtotal	(372)	(10,383)	(78)	(10,833)
Ceded				
Aggregate policy reserves	16	92	—	108
Other insurance reserves	2	5	—	7
Expenses for premium refunds	15	18	—	33
Subtotal	33	115	—	148
Net				
Aggregate policy reserves	(217)	(4,776)	—	(4,993)
Other insurance reserves	26	(255)	—	(229)
Expenses for premium refunds	(148)	(5,237)	(78)	(5,463)
Total	(339)	(10,268)	(78)	(10,685)
2006				
Gross				
Aggregate policy reserves	(291)	(4,307)	(1)	(4,599)
Other insurance reserves	31	(78)	—	(47)
Expenses for premium refunds	(211)	(6,136)	(426)	(6,773)
Subtotal	(471)	(10,521)	(427)	(11,419)
Ceded				
Aggregate policy reserves	29	(38)	2	(7)
Other insurance reserves	2	11	—	13
Expenses for premium refunds	15	23	—	38
Subtotal	46	(4)	2	44
Net				
Aggregate policy reserves	(262)	(4,345)	1	(4,606)
Other insurance reserves	33	(67)	—	(34)
Expenses for premium refunds	(196)	(6,113)	(426)	(6,735)
Total	(425)	(10,525)	(425)	(11,375)
2005				
Gross				
Aggregate policy reserves	(225)	(5,162)	—	(5,387)
Other insurance reserves	(11)	(12)	—	(23)
Expenses for premium refunds	(521)	(5,409)	(26)	(5,956)
Subtotal	(757)	(10,583)	(26)	(11,366)
Ceded				
Aggregate policy reserves	17	118	—	135
Other insurance reserves	(6)	5	—	(1)
Expenses for premium refunds	39	17	—	56
Subtotal	50	140	—	190
Net				
Aggregate policy reserves	(208)	(5,044)	—	(5,252)
Other insurance reserves	(17)	(7)	—	(24)
Expenses for premium refunds	(482)	(5,392)	(26)	(5,900)
Total	(707)	(10,443)	(26)	(11,176)

33 Interest expense

	2007 € mn	2006 € mn	2005 € mn
Liabilities to banks and customers	(3,406)	(2,818)	(3,102)
Deposits retained on reinsurance ceded	(101)	(120)	(279)
Certificated liabilities	(2,063)	(1,532)	(1,498)
Participating certificates and subordinated liabilities	(584)	(716)	(693)
Other	(518)	(573)	(805)
Total	(6,672)	(5,759)	(6,377)

34 Loan loss provisions

	2007 € mn	2006 € mn	2005 € mn
Additions to allowances including direct impairments ¹⁾	(572)	(533)	(774)
Amounts released	485	317	782
Recoveries on loans previously impaired	200	180	101
Total	113	(36)	109

¹⁾ Additions to allowances for the year ended December 31, 2007 include allowances of € 70 mn related to sub-prime crisis.

35 Impairments of investments (net)

	2007 € mn	2006 € mn	2005 € mn
Impairments			
Available-for-sale investments			
Equity securities	(1,155)	(479)	(245)
Debt securities ¹⁾	(75)	(106)	(10)
Subtotal	(1,230)	(585)	(255)
Held-to-maturity investments			
Investments in associates and joint ventures	(10)	(12)	(50)
Real estate held for investment	(51)	(252)	(240)
Subtotal	(1,291)	(857)	(547)
Reversals of impairments			
Available-for-sale investments			
Debt securities	13	1	3
Held-to-maturity investments			
Real estate held for investment	6	80	1
Subtotal	19	82	7
Total	(1,272)	(775)	(540)

¹⁾ Impairments on available-for-sale debt securities include impairments of asset-backed securities of € 12 mn for the Property-Casualty segment and € 7 mn for the Life/Health segment.

36 Investment expenses

	2007 € mn	2006 € mn	2005 € mn
Investment management expenses	(432)	(493)	(374)
Depreciation from real estate held for investment	(192)	(230)	(253)
Other expenses from real estate held for investment	(270)	(278)	(265)
Foreign currency gains and losses (net)			
Foreign currency gains	687	473	417
Foreign currency losses	(850)	(580)	(617)
Subtotal	(163)	(107)	(200)
Total	(1,057)	(1,108)	(1,092)

37 Acquisition and administrative expenses (net)

	2007			2006			2005		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Property-Casualty									
Acquisition costs									
Incurred	(7,310)	—	(7,310)	(7,131)	—	(7,131)	(6,805)	—	(6,805)
Commissions and profit received on reinsurance business ceded	691	(2)	689	722	(1)	721	953	(1)	952
Deferrals of acquisition costs	4,511	—	4,511	3,983	—	3,983	2,804	—	2,804
Amortization of deferred acquisition costs	(4,384)	—	(4,384)	(3,843)	—	(3,843)	(2,686)	—	(2,686)
Subtotal	(6,492)	(2)	(6,494)	(6,269)	(1)	(6,270)	(5,734)	(1)	(5,735)
Administrative expenses	(4,124)	64	(4,060)	(4,321)	81	(4,240)	(4,482)	82	(4,400)
Subtotal	(10,616)	62	(10,554)	(10,590)	80	(10,510)	(10,216)	81	(10,135)
Life/Health									
Acquisition costs									
Incurred	(3,823)	3	(3,820)	(3,895)	—	(3,895)	(3,822)	—	(3,822)
Commissions and profit received on reinsurance business ceded	146	—	146	150	—	150	115	—	115
Deferrals of acquisition costs	2,526	—	2,526	2,771	—	2,771	2,796	—	2,796
Amortization of deferred acquisition costs	(1,643)	—	(1,643)	(1,772)	—	(1,772)	(1,393)	—	(1,393)
Subtotal	(2,794)	3	(2,791)	(2,746)	—	(2,746)	(2,304)	—	(2,304)
Administrative expenses	(1,794)	(72)	(1,866)	(1,691)	(19)	(1,710)	(1,669)	14	(1,655)
Subtotal	(4,588)	(69)	(4,657)	(4,437)	(19)	(4,456)	(3,973)	14	(3,959)
Banking									
Personnel expenses	(2,979)	—	(2,979)	(3,485)	—	(3,485)	(3,352)	—	(3,352)
Non-personnel expenses	(2,082)	62	(2,020)	(2,120)	54	(2,066)	(2,309)	29	(2,280)
Subtotal	(5,061)	62	(4,999)	(5,605)	54	(5,551)	(5,661)	29	(5,632)
Asset Management									
Personnel expenses	(1,705)	—	(1,705)	(1,657)	—	(1,657)	(1,679)	—	(1,679)
Non-personnel expenses	(686)	16	(670)	(629)	16	(613)	(598)	8	(590)
Subtotal	(2,391)	16	(2,375)	(2,286)	16	(2,270)	(2,277)	8	(2,269)
Corporate									
Administrative expenses	(642)	9	(633)	(655)	(44)	(699)	(516)	(48)	(564)
Subtotal	(642)	9	(633)	(655)	(44)	(699)	(516)	(48)	(564)
Total	(23,298)	80	(23,218)	(23,573)	87	(23,486)	(22,643)	84	(22,559)

38 Fee and commission expenses

	2007			2006			2005		
	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	(615)	1	(614)	(487)	1	(486)	(594)	—	(594)
Service agreements	(352)	16	(336)	(231)	27	(204)	(172)	10	(162)
Investment advisory	—	—	—	(3)	2	(1)	(9)	4	(5)
Subtotal	(967)	17	(950)	(721)	30	(691)	(775)	14	(761)
Life/Health									
Service agreements	(45)	18	(27)	(88)	27	(61)	(137)	31	(106)
Investment advisory	(164)	6	(158)	(135)	19	(116)	(82)	—	(82)
Subtotal	(209)	24	(185)	(223)	46	(177)	(219)	31	(188)
Banking									
Securities business	(172)	1	(171)	(120)	1	(119)	(114)	—	(114)
Investment advisory	(177)	8	(169)	(190)	7	(183)	(178)	5	(173)
Payment transactions	(22)	—	(22)	(22)	—	(22)	(21)	—	(21)
Mergers and acquisitions advisory	(19)	—	(19)	(49)	—	(49)	(37)	—	(37)
Underwriting business	(2)	—	(2)	(4)	—	(4)	—	—	—
Other	(211)	9	(202)	(205)	49	(156)	(197)	19	(178)
Subtotal	(603)	18	(585)	(590)	57	(533)	(547)	24	(523)
Asset Management									
Commissions	(948)	435	(513)	(953)	427	(526)	(862)	350	(512)
Other	(322)	5	(317)	(309)	4	(305)	(248)	5	(243)
Subtotal	(1,270)	440	(830)	(1,262)	431	(831)	(1,110)	355	(755)
Corporate									
Service agreements	(130)	7	(123)	(127)	8	(119)	(92)	7	(85)
Subtotal	(130)	7	(123)	(127)	8	(119)	(92)	7	(85)
Total	(3,179)	506	(2,673)	(2,923)	572	(2,351)	(2,743)	431	(2,312)

39 Other expenses

	2007 € mn	2006 € mn	2005 € mn
Expenses from real estate held for own use			
Realized losses from disposals of real estate held for own use	(4)	(9)	(8)
Impairments of real estate held for own use	(17)	(3)	(9)
Subtotal	(21)	(12)	(17)
Other	7	13	(34)
Total	(14)	1	(51)

40 Expenses from fully consolidated private equity investments

	MAN Roland Druck- maschinen AG € mn	Selecta AG € mn	Four Seasons Health Care Ltd. € mn	Other € mn	Total € mn
2007					
Cost of goods sold	(1,526)	(234)	—	(3)	(1,763)
Commissions	(164)	—	—	—	(164)
General and administrative expenses	(218)	(106)	—	—	(324)
Interest expense	(26)	(40)	—	—	(66)
Total	(1,934)	(380)	—	(3)	(2,317)
2006					
Cost of goods sold	(849)	—	—	—	(849)
Commissions	(71)	—	—	—	(71)
General and administrative expenses	(133)	—	(264)	—	(397)
Interest expense	(14)	—	(50)	—	(64)
Total	(1,067)	—	(314)	—	(1,381)
2005					
Cost of goods sold	—	—	—	—	—
Commissions	—	—	—	—	—
General and administrative expenses	—	—	(497)	—	(497)
Interest expense	—	—	(75)	—	(75)
Total	—	—	(572)	—	(572)

41 Income taxes

	2007 € mn	2006 € mn	2005 € mn
Current income tax expense			
Germany	(738)	198	(1,020)
Other countries	(2,066)	(1,888)	(1,025)
Subtotal	(2,804)	(1,690)	(2,045)
Deferred income tax expense			
Germany	234	100	408
Other countries	(284)	(423)	(426)
Subtotal	(50)	(323)	(18)
Total	(2,854)	(2,013)	(2,063)

During the year ended December, 31, 2007, current income tax expense included a benefit of € 5 mn (2006: benefit of € 51 mn; 2005: charge of € 44 mn) related to prior years.

The German Reorganization Tax Act (SEStEG) which entered into force in December 2006 stipulates that corporation tax credits accumulated under the pre-2001 corporation tax imputation system will be refunded in the future without regard to dividend distributions. The refunds are spread equally over a ten year period from 2008 to 2017. As a consequence of the tax law change Allianz Group's total corporate tax credits were capitalized on a discounted basis as of December 31, 2006, and reduced current income tax expense in 2006 by € 571 mn.

Of the deferred tax charge for the year ended December 31, 2007, an expense of € 178 mn (2006: income of € 480 mn; 2005: income of € 468 mn) is attributable to the recognition of deferred taxes on temporary differences and expense of € 57 mn (2006: € 785 mn; 2005: € 492 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 € 185 mn (2006 expense of € 18 mn; 2005 income of € 7 mn). In this amount is included a tax income of € 152 mn resulting from the German corporate tax reform. Current and deferred tax benefit included in shareholders' equity during the year ended December 31, 2007, amounted to € 870 mn (2006: benefit of € 740 mn; 2005: charge of € 101 mn).

The recognized income tax charge for the year ended December 31, 2007, is € 524 mn (2006: € 1,130 mn; 2005: € 278 mn) lower than the expected income tax charge. The following table shows the reconciliation from the expected income tax charge of the Allianz Group to the effectively recognized tax charge. 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 subsidiaries applied in the reconciliation includes corporate tax and the solidarity surcharge and amounts to 26.38% (2006: 26.38%; 2005: 26.38%).

The effective tax rate is determined on the basis of the effective income tax charge on income before income taxes and minority interests in earnings.

	2007 € mn	2006 € mn	2005 € mn
Income before income taxes and minority interests in earnings			
Germany	3,373	2,314	1,780
Other countries	8,195	8,009	6,049
Total	11,568	10,323	7,829
Expected income tax rate in %	29.2	30.4	29.9
Expected income tax charge	3,378	3,143	2,340
Municipal trade tax and similar taxes	522	208	280
Net tax exempt income	(1,022)	(884)	(503)
Effects of tax losses	226	(50)	(73)
Effects of German tax law changes	(152)	(571)	—
Other	(98)	167	19
Income taxes	2,854	2,013	2,063
Effective tax rate in %	24.7	19.5	26.3

During the year ended December 31, 2007, a deferred tax charge of € 8 mn (2006: € 35 mn; 2005: € 4 mn) was recognized due to a 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 charge diminished by € 52 mn (2006: € 45 mn; 2005: € 64 mn). The recognition of deferred tax assets on 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 € 207 mn (2006: € 54 mn; 2005: € 39 mn). The non-recognition of deferred taxes on tax losses for the current fiscal year increased tax charges by € 477 mn (2006: € 14 mn; 2005: € 26 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 2007 ranged from 10.0% to 45.4%. Changes to tax rates already adopted on December 31, 2007, are taken into account.

Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization.

Deferred tax assets and liabilities

As of December 31,	2007 € mn	2006 € mn
Deferred tax assets		
Intangible assets	471	556
Investments	2,533	2,786
Financial assets held for trading	134	236
Deferred acquisition costs	244	351
Tax losses carried forward	4,041	4,859
Other assets	932	955
Insurance reserves	3,608	4,668
Pensions and similar obligations	357	384
Other liabilities	1,325	1,513
Total deferred tax assets	13,645	16,308
Non recognition or valuation allowance for deferred tax assets on tax losses carried forward	(814)	(731)
Effect of netting	(8,060)	(10,850)
Net deferred tax assets	4,771	4,727
Deferred tax liabilities		
Intangible assets	614	861
Investments	3,244	4,055
Financial assets held for trading	490	842
Deferred acquisition costs	3,486	3,927
Other assets	751	1,076
Insurance reserves	2,383	3,152
Pensions and similar obligations	231	257
Other liabilities	834	1,268
Total deferred tax liabilities	12,033	15,438
Effect of netting	(8,060)	(10,850)
Net deferred tax liabilities	3,973	4,588
Net deferred tax assets/(liabilities)	798	139

Tax losses carried forward

Tax losses carried forward at December 31, 2007, of € 14,079 mn (2006: € 13,336 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 12,271 mn (2006: € 10,414 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:

	2007 € mn
2008	64
2009	120
2010	63
2011	120
2012	149
2013	7
2014	58
2015	2
2016	6
2017	10
>10 years	1,209
Unlimited	12,271
Total	14,079

Other Information

42 Supplemental information on the Banking Segment

Net interest income from the Banking Segment

	Segment	Consolidation	Group
	€ mn	€ mn	€ mn
2007			
Interest and similar income	8,370	(66)	8,304
Interest expense	(5,266)	178	(5,088)
Net interest income	3,104	112	3,216
2006			
Interest and similar income	7,312	(52)	7,260
Interest expense	(4,592)	71	(4,521)
Net interest income	2,720	19	2,739
2005			
Interest and similar income	7,321	(36)	7,285
Interest expense	(5,027)	81	(4,946)
Net interest income	2,294	45	2,339

Net fee and commission income from the Banking Segment

	Segment	Consolidation	Group
	€ mn	€ mn	€ mn
2007			
Fee and commission income	3,651	(390)	3,261
Fee and commission expense	(603)	18	(585)
Net fee and commission income	3,048	(372)	2,676
2006			
Fee and commission income	3,598	(421)	3,177
Fee and commission expense	(590)	57	(533)
Net fee and commission income	3,008	(364)	2,644
2005			
Fee and commission income	3,397	(313)	3,084
Fee and commission expense	(547)	24	(523)
Net fee and commission income	2,850	(289)	2,561

The net fee and commission income of the Allianz Group's Banking segment includes the following:

	2007	2006	2005
	€ mn	€ mn	€ mn
Securities business	1,347	1,352	1,225
Investment advisory	357	421	380
Payment transactions	350	342	360
Merger and acquisitions advisory	214	235	219
Underwriting business	78	129	102
Other	702	529	564
Total	3,048	3,008	2,850

Volume of foreign currency exposure from the Banking segment

The amounts reported constitute aggregate Euro equivalents of a wide variety of currencies outside the European Monetary Union ("EMU"). Any differences between assets and liabilities are a result of differing measurements under current accounting policies. Loans and advances to banks, loans and advances to customers, liabilities to banks and liabilities to customers are reported at amortized cost, while all derivative transactions are accounted for at fair value.

	2007				2006
	USD € mn	GBP € mn	Other € mn	Total € mn	Total € mn
Balance sheet items					
Assets	93,906	45,067	30,815	169,788	222,548
Liabilities	108,159	39,425	33,343	180,927	207,692

Trustee business in the Banking segment

The following presents trustee business within the Allianz Group's Banking segment not recorded in the consolidated balance sheet:

As of December 31,	2007 € mn	2006 € mn
Loans and advances to banks	2,030	1,956
Loans and advances to customers	959	1,205
Investments and other assets	564	729
Total assets¹⁾	3,553	3,890
Liabilities to banks	655	870
Liabilities to customers	2,898	3,020
Total liabilities	3,553	3,890

¹⁾ Including € 1,554 mn (2006: € 1,964 mn) of trustee loans.

Other banking information

As of December 31, 2007, the Allianz Group had deposits that have been reclassified as loan balances of € 8,152 mn (2006: € 6,697 mn) and deposits with related parties of € 302 mn (2006: € 627 mn). The Allianz Group received no deposits on terms other than those available in the normal course of banking operations.

43 Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rates and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter ("OTC") products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

Property-Casualty, Life/Health and Corporate Segments

As of December 31,	2007						2006		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1–5 years	Over 5 years						
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Interest rate contracts, consisting of:									
OTC									
Forwards	11,177	1,884	—	13,061	10	(370)	5,057	69	(163)
Swaps	2,132	16,066	13,734	31,932	160	(87)	14,254	171	(89)
Swaptions	340	580	—	920	46	(17)	1,037	8	(11)
Caps	621	7,524	10	8,155	—	(50)	14,403	—	(83)
Floors	—	—	106	106	—	—	—	—	—
Options	13	—	—	13	—	—	2	—	—
Exchange traded									
Forwards	—	—	—	—	—	—	295	—	(3)
Futures	10,966	4,754	—	15,720	67	(62)	33,211	35	(39)
Options	21	—	—	21	—	—	1,417	—	(3)
Subtotal	25,270	30,808	13,850	69,928	283	(586)	69,676	283	(391)
Equity index contracts, consisting of:									
OTC									
Forwards	4,295	1,556	—	5,851	39	(2,151)	5,996	316	(1,178)
Swaps	146	339	—	485	12	(19)	295	—	—
Floors	5	—	—	5	5	—	3	3	—
Options ¹⁾	59,476	1,851	55	61,382	1,029	(4,493)	78,365	1,242	(4,554)
Warrants	—	—	13	13	13	—	—	—	—
Exchange traded									
Futures	8,520	—	—	8,520	24	(97)	9,820	2	(42)
Options	—	1	2	3	—	(1)	692	—	(2)
Forwards	450	—	—	450	—	(428)	1,262	—	(752)
Warrants	—	1	—	1	3	—	1	4	—
Subtotal	72,892	3,748	70	76,710	1,125	(7,189)	96,434	1,567	(6,528)
Foreign exchange contracts, consisting of:									
OTC									
Forwards	6,001	25	—	6,026	61	(32)	5,222	965	(957)
Swaps	—	245	27	272	10	(21)	282	13	(11)
Options	71	—	—	71	2	(10)	—	—	—
Subtotal	6,072	270	27	6,369	73	(63)	5,504	978	(968)
Credit contracts, consisting of:									
OTC									
Options	—	—	—	—	—	—	100	—	(3)
Swaps	242	1,112	582	1,936	6	(7)	1,138	2	(8)
Exchange traded									
Swaps	—	257	—	257	3	—	273	2	—
Subtotal	242	1,369	582	2,193	9	(7)	1,511	4	(11)
Total	104,476	36,195	14,529	155,200	1,490	(7,845)	173,125	2,832	(7,898)

¹⁾ As of December 31, 2007, includes embedded derivatives related to equity indexed annuities with negative fair values of € 4,327 mn (2006: € 4,199 mn).

Banking and Asset Management Segments

As of December 31,	2007						2006		
	Maturity by notional amount			Notional principal amounts	Positive fair values	Negative fair values	Notional principal amounts	Positive fair values	Negative fair values
	Up to 1 year	1-5 years	Over 5 years						
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	
Interest rate contracts, consisting of:									
OTC									
Forwards	53,445	4,706	—	58,151	43	(33)	122,708	37	(30)
Swaps	1,049,672	1,171,006	1,254,247	3,474,925	43,098	(41,487)	3,364,548	41,870	(40,669)
Swaptions	16,416	29,209	52,617	98,242	750	(1,928)	92,938	858	(2,253)
Caps	11,401	34,707	10,874	56,982	200	(300)	61,775	172	(191)
Floors	5,909	17,278	4,575	27,762	147	(119)	41,442	203	(144)
Options	102	454	532	1,088	35	(20)	2,225	41	(32)
Other	3,724	1,107	5,339	10,170	819	(579)	12,199	2,316	(1,388)
Exchange traded									
Futures	89,404	20,876	29	110,309	1	(1)	116,164	7	(5)
Options	458,934	366	—	459,300	1,432	(1,254)	29,909	1,390	(915)
Subtotal	1,689,007	1,279,709	1,328,213	4,296,929	46,525	(45,721)	3,843,908	46,894	(45,627)
Equity index contracts, consisting of:									
OTC									
Swaps	15,584	8,119	4,506	28,209	1,042	(1,246)	42,029	1,059	(977)
Options	104,037	84,067	9,151	197,255	11,080	(12,033)	194,791	10,668	(11,091)
Other	6	4	15	25	2	(117)	948	5	(47)
Exchange traded									
Futures	8,663	43	—	8,706	—	—	9,160	—	(10)
Options	76,888	63,107	4,167	144,162	6,197	(5,948)	93,683	4,705	(3,911)
Subtotal	205,178	155,340	17,839	378,357	18,321	(19,344)	340,611	16,437	(16,036)
Foreign exchange contracts, consisting of:									
OTC									
Forwards	473,173	17,358	478	491,009	6,358	(6,139)	374,725	4,888	(4,900)
Swaps	24,579	44,794	24,042	93,415	4,128	(3,203)	95,563	3,588	(3,222)
Options	238,872	30,696	3,990	273,558	2,978	(3,165)	215,826	1,540	(1,755)
Other	39	—	—	39	—	—	—	—	—
Exchange traded									
Futures	2,895	1,410	—	4,305	21	(15)	1,773	3	(5)
Options	1,082	118	—	1,200	13	(4)	722	4	(1)
Subtotal	740,640	94,376	28,510	863,526	13,498	(12,526)	688,609	10,023	(9,883)
Credit contracts, consisting of:									
OTC									
Credit default swaps	56,977	831,150	252,400	1,140,527	11,525	(10,993)	895,412	5,313	(5,025)
Total return swaps	6,850	4,776	1,253	12,879	430	(857)	11,519	937	(1,440)
Subtotal	63,827	835,926	253,653	1,153,406	11,955	(11,850)	906,931	6,250	(6,465)
Other contracts, consisting of:									
OTC									
Precious metals	11,830	3,214	—	15,044	736	(640)	11,890	440	(417)
Options	1,188	2,562	182	3,932	554	(583)	24	—	(1)
Other	68	—	87	155	—	(25)	7,618	126	(108)
Exchange traded									
Futures	1,738	459	—	2,197	—	—	1,938	1	—
Subtotal	14,824	6,235	269	21,328	1,290	(1,248)	21,470	567	(526)
Total	2,713,476	2,371,586	1,628,484	6,713,546	91,589	(90,689)	5,801,529	80,171	(78,537)

Derivative financial instruments used in accounting hedges

The Allianz Group principally uses fair value hedging. Important hedging instruments are 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 interest rate swaps used by the Banking segment in fair value hedges of the interest rate risk of certificated and subordinated liabilities had a total net fair value as of December 31, 2007 of € 176 mn (2006: € 247 mn). Thereof, interest rate swaps with a positive fair value of € 241 mn (2006: € 305 mn) are recorded in the Allianz Group's consolidated balance sheet in other assets, and interest rate swaps with a negative fair value of € 65 mn (2006: € 58 mn) are recorded in other liabilities. During the year ended December 31, 2007, the fair value of the interest rate swaps decreased by € 91 mn (2006: € 184 mn), whereas the certificated and subordinated liabilities hedged increased in fair value by € 84 mn (2006: € 187 mn), resulting in a net ineffectiveness of the hedge of € (7) mn (2006: € 3 mn) that is recognized in the Allianz Group's consolidated income statement as income (expense) for financial assets and liabilities held for trading. For detailed information about certificated and subordinated liabilities, see Note 21 and Note 22, respectively.

The Property-Casualty and the Life/Health segments use fair value hedges to hedge forward sales of shares. The financial instruments used in the fair value hedges had a total fair value of € (2,050) mn (2006: € (67) mn) as of December 31, 2007.

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 rate. The derivative financial instruments used for all fair value hedges of the Allianz Group had a total positive fair value as of December 31, 2007 of € 168 mn (2006: negative fair value of € 388 mn).

For the year ended December 31, 2007, the Allianz Group recognised for fair value hedges a net loss of € 462 mn (2006: € 687 mn; 2005: € 359 mn) on the hedging instrument and a net gain of € 494 mn (2006: € 698 mn; 2005: € 400 mn) on the hedged item attributable to the hedged risk.

Cash flow hedges

During the year ended December 31, 2007, cash flow hedges were used to hedge variable cash flows exposed to interest rate fluctuations. As of December 31, 2007, the interest rate swaps utilized had a negative fair value of € 2 mn (2006: € 55 mn); other reserves in shareholders' equity increased by € 35 mn (2006: € 1 mn). Ineffectiveness of the cash flow hedges led to net realized losses of € 1 mn in 2007 (2006: € 2 mn).

The majority of the cash flow hedges originate from the Banking Segment. The cash flows of variable interest rate loans (hedge item) are hedged with interest rate swaps. The interest payments of the loans are based on the Libor and mature in June/July 2010. At the time of the interest payment the effective portion of the hedge, depending on the reference interest rate at that time, is recognised in the consolidated income statements.

Hedge of net investment in foreign operations

As of December 31, 2002, foreign exchange hedging transactions in the form of foreign currency forwards with a total fair value of € 107 mn were outstanding with respect to hedges of currency risks related to a net investment in a foreign entity. This hedging strategy was terminated in the second quarter of 2003. Total unrealized gains of € 182 mn related to this hedging strategy remain in other reserves.

44 Fair value of financial instruments

The following table presents a comparison of the carrying amount and the fair value of the Allianz Group's classes of financial instruments:

As of December 31,	2007		2006	
	Carrying amount € mn	Fair Value € mn	Carrying amount € mn	Fair Value € mn
Financial assets				
Cash and cash equivalents	31,337	31,337	33,031	33,031
Financial assets held for trading	163,541	163,541	180,105	180,105
Financial assets designated at fair value through income	21,920	21,920	18,887	18,887
Available-for-sale investments	268,001	268,001	277,898	277,898
Held-to-maturity investments	4,659	4,705	4,748	4,912
Loans and advances to banks and customers	396,702	394,741	423,765	425,527
Financial assets for unit linked contracts	66,060	66,060	61,864	61,864
Derivative financial instruments and firm commitments included in other assets	344	344	463	463
Financial liabilities				
Financial liabilities held for trading	124,083	124,083	120,885	120,885
Financial liabilities designated at fair value through income	1,970	1,970	937	937
Liabilities to banks and customers	336,494	335,394	376,565	376,765
Investment contracts with policyholders	90,404	90,404	87,108	87,267
Financial liabilities for unit linked contracts	66,060	66,060	61,864	61,864
Derivative financial instruments and firm commitments included in other liabilities	2,210	2,210	907	907
Financial liabilities for puttable equity instruments	4,162	4,162	3,750	3,750
Certificated liabilities, participation certificates and subordinated liabilities	56,894	57,961	71,284	73,212

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. Whenever possible the fair value is determined using the market prices available in active markets. If there is no quoted market price available, valuation techniques are used which are based on market prices of comparable instruments or parameters from comparable active markets (market observable inputs). If no observable market inputs are available valuation models are used (non-market observable inputs).

Financial assets

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.

Financial assets held for trading

A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the near term, or forms part of a portfolio of financial instruments that are managed together and for which there is evidence

of short-term profit taking, or it is a derivative (not in a qualifying hedge relationship). Held for trading financial assets are initially recognized at fair value with transaction costs being recognized in profit or loss. Subsequently they are measured at fair value. Gains and losses on held for trading financial assets are recognized in profit or loss as they arise.

Financial assets designated as at fair value through income

Financial assets that the Group designates on initial recognition as being at fair value through income are recognized at fair value, with transaction costs being recognized in income and are subsequently measured at fair value. Gains and losses on financial assets that are designated as at fair value through income are recognized in profit or loss as they arise. Financial assets may be designated as at fair value through income only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. Fair value designation significantly reduces the measurement inconsistency that would arise if these assets were classified as available-for-sale.

Available-for-sale investments

Available-for-sale investments are financial assets that are designated as available-for-sale on initial recognition or are not classified as held-to-maturity, held for trading, designated as at fair value through income, or loans and receivables. Available-for-sale financial assets are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at fair value. Unquoted equity investments whose fair value cannot be measured reliably are carried at cost and classified as available-for-sale financial assets. Impairment losses and exchange differences resulting from retranslating the amortized cost of currency monetary available-for-sale financial assets are recognized in profit or loss together with interest calculated using the effective interest method. Other changes in the fair value of available-for-sale financial assets are reported in a separate component of shareholders' equity until disposal, when the cumulative gain or loss is recognized in profit or loss.

Held-to-maturity investments

A financial asset is classified as a held-to-maturity investment only if it has fixed or determinable payments, a fixed maturity and the Group has the positive intention and ability to hold to maturity. Held-to-maturity investments are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest method, less any impairment losses.

Loans and advances to banks and customers

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans, except for those that are classified as available-for-sale or as held for trading, or are designated as at fair value through income. Loans are initially recognized at fair value plus directly related transaction costs. They are subsequently measured at amortized cost using the effective interest method less any impairment losses.

Financial assets for unit linked contracts

The fair values of financial assets for unit linked contracts were determined using the market value of the underlying investment.

Derivative financial instruments and firm commitments included in other assets and other liabilities

The fair value of a derivative financial instrument is derived from the value of the underlying assets and other market parameters. Exchange-traded derivative financial instruments are valued using the fair-value method, and the fair value is based on publicly quoted market prices. Valuation

models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle in full all the future rights and obligations arising from the financial contract.

Financial liabilities**Financial liabilities held for trading**

On initial recognition a financial liability is classified as held for trading if it is incurred principally for the purpose of selling in the near term, forms part of a portfolio of financial instruments that are managed together and for which there is evidence of short-term profit taking, or is a derivative (not in a qualifying hedge relationship). Held for trading financial liabilities are recognized at fair value with transaction costs being recognized in profit or loss. Subsequently they are measured at fair value. Gains and losses are recognized in profit or loss as they arise.

Financial liabilities designated as at fair value through income

Financial liabilities that the Group designates on initial recognition as being at fair value through income are recognized at fair value, with transaction costs being recognized in profit or loss, and are subsequently measured at fair value. Gains and losses on financial liabilities that are designated as at fair value through income are recognized in profit or loss as they arise. Financial liabilities may be designated as at fair value through income only if such designation (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the Group manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract.

Liabilities to banks and customers

Financial liabilities due to banks and customers which are not held for trading, not designated as at fair value through income, not financial guarantee contracts, not commitments to provide a loan at a below-market interest rate and not designated as hedged items are measured at amortized cost using the effective interest method.

Investment contracts with policyholders

Fair values for investment and annuity contracts are determined using the cash surrender values of policyholders' and contract holders' accounts.

Financial liabilities for unit linked contracts

Fair values of financial liabilities for unit linked contracts are equal to the fair value of the financial assets for unit linked contracts.

Financial liabilities for puttable equity instruments

A puttable equity instrument is a financial instrument that gives the holder the right to put the instrument back to the issuer for cash or another financial asset. IAS 32 classifies any puttable instrument as a financial instrument.

Certificated liabilities, participation certificates and subordinated liabilities

The fair value of bonds and loans payable is determined by discounting future cash flows to present value at market rates for similar loans and other borrowings.

Day one profit

During the year ended December 31, 2007 the Allianz Group entered into transactions, where the fair value of financial instruments is determined using valuation techniques for which not all inputs are market observable rates or prices. The difference between transaction price and the model fair value is called day one profit.

The following table shows the reconciliation of day one profit and loss for the years ended December 31, 2007, 2006 and 2005:

	2007 € mn	2006 € mn	2005 € mn
Day one profit as of January 1,	42	42	68
Additions from new transactions	2	22	11
Releases to income statements	(16)	(22)	(37)
Day one profit as of December 31,	28	42	42

45 Related party transactions

Allianz Group companies maintain various types of ordinary course business relations (particularly in the area of insurance, banking and asset management) with related enterprises. In particular, the business relations with associated companies, which are active in the insurance business, take on various forms and may also include special service, computing, reinsurance, costsharing and asset management agreements, whose terms are deemed appropriate by management. Similar relationships may exist with pension funds, foundations, joint ventures and companies, which provide services to Allianz Group companies.

Schering Disposal

In June 2006, the Allianz Group sold its 10.6% shareholding in Schering AG for approximately € 1.8 bn to Dritte BV GmbH, a 100% subsidiary of Bayer AG. Following this sale, Bayer AG acquired control of Schering AG. One member of the Board of Management of Allianz SE is a member of the Supervisory Board of Bayer AG, but this individual did not participate in the meeting of the Supervisory Board of Bayer AG that approved the acquisition of Schering AG. In addition, at the time of the transaction, the Chairman of the Supervisory Board of Bayer AG was also a member of Allianz's Supervisory Board but was not involved in Allianz SE's decision to sell its interest in Schering AG to Bayer AG, which occurred at the level of the Board of Management.

46 Contingent liabilities, commitments, guarantees, and assets pledged and collateral

Contingent liabilities

Litigation

Allianz Group companies are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position or results of operations of Allianz Group, after consideration of any applicable reserves.

In March 2005, Allianz Versicherungs-AG, among other German insurance companies, was fined by the German Federal Cartel Office (“Bundeskartellamt”) for alleged coordinated behaviour to achieve premium increases in parts of the commercial and industrial insurance business and subsequently filed an appeal against this decision. In August 2007, Allianz Versicherungs-AG withdrew its appeal and paid the fully reserved fine, which is of an immaterial amount for the Allianz Group.

On November 5, 2001, a lawsuit, *Silverstein v. Swiss Re International Business Insurance Company Ltd.*, was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks US Insurance Company (“AGR US”). The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. Allianz SE was indirectly concerned by this lawsuit as reinsurer of AGR US. In connection with the terrorist attack of September 11, 2001, we recorded net claims expense of approximately € 1.5 bn in 2001 for the Allianz Group on the basis of one occurrence. On October 18, 2006, the United States Court of Appeals for the Second Circuit of New York affirmed an earlier lower court decision in 2004 that had determined that the World Trade Center attack constituted two occurrences under the alleged terms of various coverages. Following this decision, we determined that no additional provisions on a net basis were necessary because additional liabilities arising from the decision were offset by positive developments in settling WTC claims and higher

levels of reinsurance coverage due to Allianz under the two occurrence theory. On May 23, 2007, following a court-ordered mediation, AGR US reached a settlement with Silverstein Properties regarding the disputed insurance claims. The settlement amount is within our set case reserve and secured by letters of credit from SCOR, which is a reinsurer of AGR US for the relevant insurance policy. On May 24, 2007, SCOR announced that it considers the settlement agreed between AGR US and Silverstein Properties to not respect the terms and conditions of the Certificate of Reinsurance between SCOR and AGR US and referred the case to arbitration as contemplated under the Certificate of Reinsurance. The arbitration proceeding commenced in October 2007 and discovery is ongoing. We do not expect any material negative financial impact for Allianz from such arbitration.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure (“Spruchverfahren”), which is pending with the district court (“Landgericht”) of Frankfurt. We believe that a claim to increase the cash settlement does not exist. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all 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 and revenue sharing in the mutual fund industry. The consolidated lawsuits concerning revenue sharing allegations were dismissed by the court on September 18, 2007. The plaintiffs have not appealed this decision, which is final now. The lawsuits relating to market timing 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.

In August 2005, two nearly identical class action complaints were filed in the Northern District of Illinois Eastern Division against Pacific Investment Management Company LLC

("PIMCO"), a subsidiary of Allianz Global Investors of America L.P. The complaints have been consolidated into a single case, and PIMCO Funds, a trust that is an open end investment company with multiple separate portfolios managed by PIMCO (the "Trust"), was added as a defendant. Plaintiffs, who each purchased 10-year Treasury note futures contracts, claim that they suffered damages from an alleged shortage of such notes when PIMCO held both physical and futures positions in 10-year Treasury notes for its client accounts. The complaint makes the allegation that PIMCO violated the federal Commodity Exchange Act by engaging in market manipulation. On July 31, 2007, the court granted class certification of a class consisting of those persons who purchased futures contracts to offset short positions between May 9, 2005 and June 30, 2005. On October 17, 2007, PIMCO and the Trust each filed a motion for summary judgment. The briefing of those motions was completed on February 6, 2008, and the motions are pending. On December 10, 2007, the U.S. Court of Appeals for the Seventh Circuit granted the petition of PIMCO and the Trust for seeking leave to appeal the class certification ruling. The appeal has not yet been briefed or argued. The Allianz Group believes the complaint is without merit, but given the early stage of the court proceedings, the outcome of this action cannot be predicted at this time.

The U.S. Department of Justice has alleged False Claims Act violations related to Fireman's Fund Insurance Company's ("FFIC") involvement as a provider of Federal crop insurance from 1997 to 2003. The majority of the allegations concern falsified documentation in FFIC's Lambert, Mississippi and Modesto, California field offices. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. In November 2006, the Department of Justice proposed to FFIC a resolution of all civil, criminal and administrative allegations in the form of an offer to settle. Discussions between FFIC and the Department of Justice are continuing and the outcome of this matter cannot be predicted at this stage.

Three members of the Fireman's Fund group of companies in the United States, all subsidiaries of Allianz SE, are among the roughly 135 defendants named in a class action filed on August 1, 2005 in the United States District Court of New Jersey in connection with allegations relating to contingent commissions in the insurance industry. No class has been certified for this class action. The court dismissed with prejudice the federal court causes of action and dismissed without prejudice the state law causes of action. The plaintiffs have appealed the ruling. Unless the Court of Appeal reverses the lower court's decision, the case will remain dismissed. It is not possible to predict potential outcomes or assess any eventual exposure at this time.

Allianz Life Insurance Company of North America ("Allianz Life") is 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. Two lawsuits in Minnesota and three in California have been certified as class actions. The complaints allege that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products, including, with the respect to one of the Minnesota lawsuits, the violation of the Minnesota Consumer Fraud and Deceptive and Unlawful Trade Practices Act. In November 2007, the court granted final approval of settlement in the other of the Minnesota cases. Another lawsuit that was filed by the Minnesota Attorney General in January 2007 against Allianz Life alleging unsuitable sales of deferred annuities to senior citizens was settled in October 2007. The still pending lawsuits have not yet progressed to a stage at which a potential outcome or exposure can be determined.

Other contingencies

Liquiditäts-Konsortialbank GmbH ("LIKO") is a bank founded in 1974 in order to provide funding for German banks which experience liquidity problems. 30% of LIKO shares are held by Deutsche Bundesbank, while the remaining shares are being held by other German banks and banking associations. The shareholders have provided capital of € 200 mn to fund LIKO; Dresdner Bank AG's participation is € 12.1 mn (6.07%). Dresdner Bank AG is contingently liable to pay future assessments to LIKO up to € 60.7 mn (6.07%). In addition, under clause 5(4) of the Articles of Association of LIKO, Dresdner Bank AG is committed to a secondary liability, which arises if other shareholders do not fulfill their commitments to pay their respective future assessments. In all cases of secondary liability, the financial status of the other shareholders involved is sound.

Dresdner Bank AG is a member of the German banks' Joint Fund for Securing Customer Deposits ("Joint Fund"), which covers liabilities to each respective creditor up to specified amounts. As a member of the Joint Fund, which is itself a shareholder in LIKO, Dresdner Bank AG is liable with the other members of the Joint Fund for additional capital contributions, with the maximum being the amount of Dresdner Bank AG's annual contribution. During the year ended December 31, 2007, the Joint Fund levied a contribution of € 24 mn (2006: € 22 mn). Under section 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits, the Allianz Group has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur by reason of measures taken on behalf of any bank in which the Allianz Group owns a majority interest.

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,	2007 € mn	2006 € mn
Advances	34,065	35,149
Stand-by facilities	1,635	8,930
Guarantee credits	1,604	1,765
Discount credits	64	64
Mortgage loans/public-sector loans	527	662
Total	37,895	46,570

Moreover the Allianz Group has extended a loan commitment of € 245 mn to the purchaser of a real estate portfolio ("Charlotte"). Title transfer of the real estate as well as disbursement of the loan occurred on March 1, 2008.

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, 2007, the future minimum lease payments under non-cancelable operating leases were as follows:

	2007 € mn
2008	567
2009	408
2010	399
2011	343
2012	304
Thereafter	1,631
Subtotal	3,652
Subleases	(120)
Total	3,532

Rental expense net of sublease rental income received of € 16 mn, for the year ending December 31, 2007, was € 429 mn (2006: € 518 mn; 2005: € 315 mn).

Purchase obligations

The Allianz Group has commitments for mortgage loans and to buy multi-tranche loans of € 4,489 mn (2006: € 4,337 mn)

as well as to invest in private equity funds totaling € 2,045 mn (2006: € 1,675 mn) as of December 31, 2007. As of December 31, 2007, commitments outstanding to purchase real estate used by third-parties and owned by the Allianz Group used for its own activities amounted to € 219 mn (2006: € 325 mn). As of December 31, 2007, commitments outstanding to purchase items of equipment amounted to € 197 mn (2006: € 112 mn). In addition, as of December 31, 2007, the Allianz Group has other commitments of € 229 mn (2006: € 290 mn) referring to maintenance, real estate development, sponsoring and purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

For Allianz of America, Inc., Wilmington, a guarantee declaration was made for liabilities in connection with the acquisition of PIMCO Advisors L.P. Allianz originally acquired through its subsidiary Allianz of America Inc., Wilmington, a stake of 69.5% in PIMCO, whereby minority shareholders held the option to tender their share to Allianz of America Inc., Wilmington. On December 31, 2007 the stake of Pacific Life in PIMCO was still 2.0%, so that the liabilities towards Pacific Life as of December 31, 2007 amounted to US Dollar 0.3 bn.

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, 2007, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of € 36 mn (2006: € 47 mn) and an obligation for special payments of € 85 mn (2006: € 78 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 under-

writing reserve with deduction of payments already provided to the insurance guarantee scheme. As of December 31, 2007, 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 € 809 mn (2006: € 751 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
2007			
Up to 1 year	10,956	59	—
1-3 years	2,371	451	16
3-5 years	2,042	273	—
Over 5 years	994	2,528	244
Total	16,363	3,311	260
Collateral	6,023	—	10
2006			
Up to 1 year	12,157	11	200
1-3 years	1,644	66	12
3-5 years	1,284	464	6
Over 5 years	1,498	2,419	268
Total	16,583	2,960	486
Collateral	7,537	—	4

Letters of credit and other financial guarantees

The majority of the Allianz Group's letters of credit and other financial guarantees are issued to customers through the normal course of business of the Allianz Group's Banking segment in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third-parties is treated as a loan to the customer, and is, therefore, principally subject to collateral pledged by the customer as specified in the agreement.

Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of such investments does not meet the guaranteed targets at predefined dates.

The Allianz Group's Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees, as well as the maturity dates, differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of December 31, 2007, the maximum potential amount of future payments of the market value guarantees was € 1,956 mn (2006: € 1,874 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, 2007, was € 2,151 mn (2006: € 1,882 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, 2007, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was € 1,355 mn (2006: € 1,086 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, 2007, was approximately € 1,316 mn (2006: € 1,033 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, 2007 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,	2007 € mn	2006 € mn
Investments	597	932
Loans and advances to banks and customers	1,663	1,432
Financial assets carried at fair value through income	4,302	10,637
Total	6,562	13,001

As of December 31, 2007, the Allianz Group has received collateral, consisting of fixed income and equity securities, with a fair value of € 212,894 mn (2006: € 254,653 mn), which the Allianz Group has the right to sell or repledge. As of December 31, 2007, € 156,096 mn (2006: € 134,005 mn) related to collateral that the Allianz Group has received and sold or repledged.

As of December 31, 2007 the Allianz Group took possession of collateral it holds as security with a carrying amount of € 174 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 in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Defined benefit plans

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

As of December 31,	2007 € mn	2006 € mn
Prepaid benefit costs	(402)	(265)
Accrued benefit costs	4,184	4,120
Net amount recognized	3,782	3,855

The following table sets forth the changes in the projected benefit obligations, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

	2007 € mn	2006 € mn
Change in projected benefit obligations		
Projected benefit obligations as of January 1,	17,280	17,159
Service cost	437	472
Interest cost	785	725
Plan participants' contributions	67	61
Amendments	(23)	(48)
Actuarial (gains)/losses	(1,316)	(689)
Foreign currency translation adjustments	(266)	(43)
Benefits paid	(685)	(678)
Changes in the consolidated subsidiaries of the Allianz Group	(137)	321
Projected benefit obligations as of December 31,¹⁾	16,142	17,280
Change in fair value of plan assets		
Fair value of plan assets as of January 1,	10,888	8,287
Expected return on plan assets	577	557
Actuarial gains/(losses)	(331)	(90)
Employer contributions ²⁾	342	2,154
Plan participants' contributions	67	61
Foreign currency translation adjustments	(229)	(30)
Benefits paid ³⁾	(315)	(307)
Changes in the consolidated subsidiaries of the Allianz Group	(68)	256
Fair value of plan assets as of December 31,	10,931	10,888
Funded status as of December 31,	5,211	6,392
Unrecognized net actuarial losses	(1,444)	(2,556)
Unrecognized prior service costs	15	19
Net amount recognized as of December 31,	3,782	3,855

¹⁾ As of December 31, 2007, includes direct commitments of the consolidated subsidiaries of the Allianz Group of € 4,953 mn (2006: € 5,306 mn) and commitments through plan assets of € 11,189 mn (2006: € 11,974 mn).

²⁾ During January 2006, the Dresdner Bank AG contributed € 1,876 mn to a contractual trust arrangement for the defined benefit plans of the Dresdner Bank Group.

³⁾ In addition, the Allianz Group paid € 370 mn (2006: € 371 mn) directly to plan participants.

As of December 31, 2007, post-retirement health benefits included in the projected benefit obligation and net amount recognized amounted to € 109 mn (2006: € 142 mn) and € 138 mn (2006: € 152 mn), respectively.

The net periodic benefit cost related to defined benefit plans consists of the following components:

	2007 € mn	2006 € mn	2005 € mn
Service cost	437	472	353
Interest cost	785	725	693
Expected return on plan assets	(577)	(557)	(411)
Amortization of prior service cost	(25)	(33)	(45)
Amortization of net actuarial loss	101	126	57
(Income)/expenses of plan curtailments or settlements	(65)	(36)	(6)
Net periodic benefit cost	656	697	641

During the year ended December 31, 2007, net periodic benefit cost includes net periodic benefit cost related to post-retirement health benefits of € 4 mn (2006: € 9 mn; 2005: € 8 mn).

The actual return on plan assets amounted to € 246 mn, € 467 mn and € 883 mn during the years ended December 31, 2007, 2006 and 2005.

A summary of amounts related to defined benefit plans is as follows:

	2007 € mn	2006 € mn
Projected benefit obligation	16,142	17,280
Fair value of plan assets	10,931	10,888
Funded status	5,211	6,392
Actuarial (gains) / losses from experience adjustments on:		
Plan obligations	(56)	8
Plan assets	331	90

Assumptions

The assumptions for the actuarial computation of the projected benefit obligation and the net periodic benefit cost depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted-average value of the assumptions for the Allianz Group's defined benefit plans used to determine projected benefit obligation:

As of December 31,	2007 %	2006 %
Discount rate	5.5	4.6
Rate of compensation increase	2.6	2.6
Rate of pension increase	1.8	1.5

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

The weighted-average value of the assumptions used to determine net periodic benefit cost:

	2007 %	2006 %	2005 %
Discount rate	4.6	4.1	4.9
Expected long-term return on plan assets	5.3	5.3	5.8
Rate of compensation increase	2.6	2.7	2.7
Rate of pension increase	1.5	1.4	1.6

For the year ended December 31, 2007, 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	30.9	7.6
Debt securities	64.4	4.3
Real estate	4.2	3.5
Other	0.5	0.8
Total	100.0	5.3

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,	2007 %	2006 %
Equity securities	28.1	28.3
Debt securities	65.1	66.6
Real estate	2.8	2.9
Other	4.0	2.2
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.

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 its actual equity securities allocation for plan assets of defined benefit plans.

Contributions

During the year ending December 31, 2008, the Allianz Group expects to contribute € 303 mn to its defined benefit plans and pay € 382 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. The main pension fund is the Versicherungsverein des Bankgewerbes a.G., Berlin, which covers most of the banking employees in Germany.

During the year ended December 31, 2007, the Allianz Group recognized expense for defined contribution plans of € 282 mn (2006: € 223 mn; 2005: € 192 mn). Additionally, the Allianz Group paid contributions for state pension schemes of € 398 mn (2006: € 381 mn; 2005: € 362 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 and restricted stock units.

Stock appreciation rights

The stock appreciation rights 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 stock appreciation right granted. The excess is capped at 150% of the reference price. The reference price represents the average of the closing prices of an Allianz SE share for the ten trading days following the Financial Press Conference of Allianz SE in the year of issue. The stock appreciation rights vest after two years and expire after seven years. Upon vesting, the stock appreciation rights 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 stock appreciation rights vest immediately and will be exercised by the company provided the above market conditions have been attained.

Upon the expiration date, any unexercised stock appreciation right will be exercised automatically if the above market conditions have been attained. The stock appreciation rights 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 stock appreciation rights 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 1999 and 2002 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the stock appreciation rights.

The following table provides the assumptions used in estimating the fair value of the stock appreciation rights at grant date:

	2007	2006	2005
Expected volatility	27.9%	28.0%	27.8%
Risk-free interest rate	3.9%	4.1%	3.1%
Expected dividend rate	3.0%	1.6%	1.9%
Share price	€ 158.01	€ 123.67	€ 99.33
Expected life (years)	7	7	7

The stock appreciation rights are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the stock appreciation rights as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised stock appreciation rights are recognized as compensation expense. During the year ended December 31, 2007, the Allianz Group recognized compensation expense related to the unexercised stock appreciation rights of € 18 mn (2006: € 116 mn; 2005: € 99 mn).

As of December 31, 2007, the Allianz Group recorded a liability, in other liabilities, for the unexercised stock appreciation rights of € 182 mn (2006: € 276 mn).

Restricted stock units

The restricted stock units 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 restricted stock unit granted. The restricted stock units vest after five years. The Allianz Group will exercise the restricted stock units on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each restricted stock unit.

In addition, upon death of plan participants, a change of control of the Allianz Group or notice for operational reason the restricted stock units vest immediately and will be exercised by the company.

The restricted stock units are notional stocks without dividend payments. The fair value is calculated by subtracting the net present value of expected future dividend payments until maturity of the restricted stock units from the prevailing share price as of the valuation date.

The following table provides the assumptions used in calculating the fair value of the restricted stock units at grant date:

	2007	2006	2005
Average interest rate	3.9%	3.8%	2.8%
Average dividend yield	3.2%	1.5%	1.9%

The restricted stock units 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 restricted stock units as compensation expense over the vesting period. During the year ended December 31, 2007, the Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 55 mn (2006: € 85 mn; 2005: € 49 mn).

As of December 31, 2007, the Allianz Group recorded a liability, in other liabilities, of € 209 mn (2006: € 157 mn) for the nonvested restricted stock units.

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 three to five 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 six 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, 2007, the Allianz Group recognized compensation expense related to

the Class B equity units of € 362 mn (2006: € 383 mn; 2005: € 536 mn). In addition, the Allianz Group recognized expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 126 mn (2006: € 140 mn; 2005: € 141 mn). During the year ended December 31, 2007, the Allianz Group called 22,155 Class B equity units. The total amount paid related to the call of the Class B equity units was € 324 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, 2007, the Allianz Group recorded a liability for the Class B equity units of € 1,350 mn (2006: € 1,455 mn).

Dresdner Kleinwort

The Allianz Group awarded eligible employees of Dresdner Kleinwort ("DrK") a promise to deliver Allianz SE shares on the vesting dates (hereafter "nonvested shares"). In jurisdictions in which regulatory restrictions do not allow for delivery of shares, the awards are settled in cash. The awards vest in three installments in each of the three years following the initial award. The number of shares to be disbursed depends on beneficiaries leaving the company and the operating results for the following years. If the results are positive, additional shares will be distributed, whereas if the results are negative, the number of shares to be disbursed will be reduced. A portion of the awards is also subject to performance vesting conditions, which are based on the financial operating results of DrK. If all of the performance targets have not been met for the previous year, then immediately prior to vesting, some or all of the performance related shares for that year are forfeited.

In 2007 Dresdner Kleinwort granted 1,164,377 (2006: 1,405,646) nonvested share units in total. The weighted average fair value at grant date was € 162.78 (2006: € 135.40). Thereof 1,068,189 (2006: 1,303,856) nonvested share units are equity settled and 96,188 (2006: 101,791) share units are cash settled.

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by the Allianz Group. Therefore, the Allianz Group measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the three year vesting period. The shares settled in cash are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the cash settled shares as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised nonvested shares settled in cash are recognized as

compensation expense. During the year ended December 31, 2007, the Allianz Group recognized compensation expense related to the nonvested shares of € 103 mn (2006: € 135 mn). Thereof € 95 mn (2006: € 125 mn) were recognized for equity settled share options.

As of December 31, 2007, the Allianz Group recorded a liability for the nonvested cash settled shares of € 13 mn (2006: € 10 mn).

AGF Group share option plan

The AGF Group has awarded share options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants. The primary objective of the share option plan is to encourage the retention of key personnel of AGF Group and to link their compensation to the performance of AGF Group.

During the year ended December 31, 2007, Allianz acquired all of the remaining AGF shares from minority shareholders in the context of the Tender Offer and Squeeze-out (see Note 4 regarding the AGF acquisition and disposal of minority interests). 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, 2007, the Allianz Group recognized total compensation expenses related to the modified AGF share option plans of € 15 mn. As of December 31, 2007, the Allianz Group recorded a liability for the AGF plans of € 46 mn.

RAS Group Allianz SE share option plan (modified RAS Group share option plan 2005)

The RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares. The share options had a vesting period of 18 months to 2 years and a term of 6.5 to 7 years.

The share options allow for exercise at any time after the vesting period and before expiration, provided that:

- on the date of exercise, the RAS share price is at least 20% higher than the average share price in January of the grant year (for share options granted during the year ended December 31, 2001, the hurdle is 10%), and
- the performance of the RAS share in the year of grant exceeds the Milan Insurance Index in the same year.

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal to the term to maturity of the options.

The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2005
Fair value	€ 1.91
Assumptions:	
Share price at grant date	€ 17.32
Expected life (years)	7
Risk free interest rate	3.4%
Expected volatility	18.0%
Dividend yield	7.1%

A summary of the number and weighted-average exercise price of the options outstanding and exercisable are as follows:

	Number of options	Weighted average exercise price €
Outstanding as of January 1, 2005	2,261,000	13.55
Granted	1,200,000	17.09
Exercised	(2,041,000)	13.47
Forfeited	(467,000)	15.78
Outstanding RAS share options as of December 31, 2005	953,000	17.09
Modification	(953,000)	17.09
Outstanding as of December 31, 2006	—	—
Exercisable as of December 31, 2006	—	—

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, on the date of the merger were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.501 RAS share options outstanding. The outstanding RAS Group options of 953,000 were replaced by 173,241 Allianz SE options. The Allianz SE share options have the same service period of 2 years; however, the market conditions noted above were replaced with a performance condition, which was already achieved on the date of the modification.

During the year ended December 31, 2006, the Allianz Group recorded compensation expense of € 1 mn (2005: € 1 mn) related to these share options.

After modification the valuation model for the RAS Group Allianz SE share option plan remain unchanged. Nevertheless the underlying assumptions had to be adjusted. The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2006
Fair value	€ 66.35
Assumptions:	
Share price on modification date	€ 145.41
Expected life (years)	5
Risk free interest rate	3.9%
Expected volatility	30.5%
Dividend yield	1.5%

A summary of the number and weighted-average exercise price of the options outstanding and exercisable are as follows:

	2007		2006	
	Number of options	Weighted average exercise price €	Number of options	Weighted average exercise price €
Outstanding as of January 1,	173,241	93.99	—	—
Granted	—	—	173,241	93.99
Exercised	—	—	—	—
Forfeited	(41,992)	84.51	—	—
Expired	—	—	—	—
Outstanding as of December 31,	131,249	80.74	173,241	93.99
Exercisable as of December 31,	—	—	—	—

The aggregate intrinsic value of share options outstanding was € 11 mn for the year ended December 31, 2007 (2006: € 11 mn).

The options outstanding as of December 31, 2007 have an exercise price of € 80.74 and a weighted average remaining contractual life of 4 years.

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by the RAS Group. Therefore, the RAS Group measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the vesting period.

During the year ended December 31, 2007, the Allianz Group recorded compensation expense of € 4 mn (2006: € 6 mn) related to these share options.

Employee Stock purchase plans

The Allianz Group offers Allianz SE shares in 24 countries to qualified employees at favorable conditions. The shares have a minimum holding period of one year to five years. During the year ended December 31, 2007, the number of shares sold to employees under these plans was 939,303 (2006: 929,509; 2005: 1,144,196). During the year ended December 31, 2007, the Allianz Group recognized as compensation expense, the difference between the market price (lowest quoted price of the Allianz SE stock at the official market in Germany on September 6, 2007) and the discounted price of the shares purchased by employees, of € 30 mn (2006: € 25 mn; 2005: € 24 mn).

In addition, during the year ended December 31, 2006, the AGF Group offered AGF shares to qualified employees in France at favorable conditions. During the year ended December 31, 2006 the number of shares sold to employees under this plan was 651,012. During the year ended December 31, 2006 the compensation expense recorded was € 12 mn. Due to the Tender Offer all AGF shares were purchased by Allianz SE.

Other share option and shareholding plans

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended December 31, 2007, the total expense, in the aggregate, recorded for these plans was € 4 mn (2006: € 3 mn; 2005: € 4 mn).

49 Restructuring plans

As of December 31, 2007, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

Changes in the provisions for restructuring were:

	Allianz Deutschland AG € mn	Dresdner Bank Group € mn	Other € mn	Total € mn
As of January 1, 2005	—	670	69	739
New provisions	—	22	86	108
Additions to existing provisions	—	29	3	32
Release of provisions recognized in previous years	—	(48)	(2)	(50)
Release of provisions via payments	—	(288)	(68)	(356)
Release of provisions via transfers	—	(294)	—	(294)
Foreign currency translation adjustments	—	12	—	12
Other	—	(13)	8	(5)
As of December 31, 2005	—	90	96	186
As of January 1, 2006	—	90	96	186
New provisions	526	328	41	895
Additions to existing provisions	—	9	1	10
Release of provisions recognized in previous years	—	(15)	(5)	(20)
Release of provisions via payments	(2)	(13)	(83)	(98)
Release of provisions via transfers	(69)	(20)	—	(89)
Changes in the consolidated subsidiaries of the Allianz Group	—	—	4	4
Foreign currency translation adjustments	—	—	(1)	(1)
As of December 31, 2006	455	379	53	887
As of January 1, 2007	455	379	53	887
New provisions	—	8	145	153
Additions to existing provisions	22	19	4	45
Release of provisions recognized in previous years	(65)	(29)	(1)	(95)
Release of provisions via payments	(27)	(65)	(52)	(144)
Release of provisions via transfers	(159)	(140)	—	(299)
Foreign currency translation adjustments	—	(6)	—	(6)
As of December 31, 2007	226	166	149	541

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 per-

sonnel 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, which is expected to continue through 2008. The objective of the restructuring program is to make the insurance business more customer focused, operate more efficiently and achieve growth.

During the year ended December 31, 2007, Allianz Deutschland AG recorded restructuring charges of € (16) mn. This amount includes additions to existing provisions, release of provisions recognized in previous years, and restructuring charges as reflected in the consolidated income statement. The reduction of staff within this program shall occur in consent with the employees. The plan includes a reduction of approximately 5,700 positions.

Approximately 3,176 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.

	2007 € mn
New provisions	—
Additions to existing provisions	22
Release of provisions recognized in previous years	(65)
Restructuring charges directly reflected in the consolidated income statement	27
Total restructuring charges during the year ended December 31, 2007	(16)
Total restructuring charges incurred to date	510

A summary of the changes in the provisions for restructuring of the Allianz Deutschland AG during the year ended December 31, 2007 is:

	Provisions as of January 1, 2007	Provisions recorded during 2007				Release of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2007
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Release of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	
Program 2006									
Personnel costs	353	—	18	(25)	—	(159)	—	187	
Contract termination costs	102	—	4	(40)	(27)	—	—	39	
Other	—	—	—	—	—	—	—	—	
Total	455	—	22	(65)	(27)	(159)	—	226	

Allianz Deutschland AG recorded releases of provisions via transfers to other provision categories of € 159 mn as of December 31, 2007.

Dresdner Bank Group's provisions for restructuring

Dresdner Bank Group supplemented its existing restructuring programs introduced since 2000 with the initiative "Programs 2007". For these combined initiatives, Dresdner Bank Group has announced plans to eliminate an aggregate of approximately 19,650 positions. As of December 31, 2007, an aggregate of approximately 17,810 positions had been eliminated and approximately 550 additional employees had contractually agreed to leave Dresdner Bank Group under these initiatives.

During the year ended December 31, 2007, Dresdner Bank Group recorded restructuring charges for all restructuring programs of € 51 mn. This amount includes new provisions, additions to existing provisions, release of provisions recognized in previous years, and restructuring charges as reflected in the consolidated income statement.

A summary of the restructuring charges related to Dresdner Bank Group that are reflected in the Allianz Group's consolidated income statement for the year ended December 31, 2007, by restructuring program is as follows:

	2007			
	Programs 2007	New Dresdner Plus	Former Programs	Total
	€ mn	€ mn	€ mn	€ mn
New provisions	8	—	—	8
Additions to existing provisions	—	19	—	19
Release of provisions recognized in previous years	—	(24)	(5)	(29)
Restructuring charges directly reflected in the consolidated income statement	40	9	4	53
Total restructuring charges during the year ended December 31, 2007	48	4	(1)	51
Total restructuring charges incurred to date	48	412	1,560	2,020

A summary of the existing provisions for restructuring related to the Dresdner Bank Group is as follows:

Programs 2007

During the year ended December 31, 2007, Dresdner Bank Group recorded restructuring charges of € 48 mn for the announced restructuring initiative "Programs 2007", which is in addition to and separately from the initiative "New Dresdner Plus" and the "Former Programs".

As a result of the recent developments in the Credit Markets Dresdner Kleinwort, the Investment Banking Division (IB) of Dresdner Bank Group, decided to restructure parts of their

Credit Business. This decision led to the exit of specific market segments and to the alignment of the product range to the current market environment within the respective Credit Business. Hereby were impacted the areas Credit Flow Trading, Exotic Credit Derivatives, and Debt Capital Markets as well as the respective support areas within the front-office.

Through the "Credit Initiative" and further restructuring initiatives within the Investment Banking Division (IB) the Dresdner Bank Group plans to reduce approximately 150 positions globally. Approximately 10 employees had been terminated and approximately 100 additional employees had contractually agreed to leave Dresdner Bank Group pursuant to "Credit Initiative" as of December 31, 2007.

New Dresdner Plus and Former Programs

During the year ended December 31, 2007, Dresdner Bank Group recorded combined restructuring charges of € 3 mn for the announced restructuring initiative "New Dresdner Plus" and the "Former Programs", which are in addition to and separately from the "Programs 2007".

Through the program "New Dresdner Plus", Dresdner Bank Group plans to eliminate 2,480 positions. Approximately 1,000 employees had been terminated and approximately 300 additional employees had contractually agreed to leave Dresdner Bank Group pursuant to program "New Dresdner Plus" as of December 31, 2007.

Through the "Former Programs", Dresdner Bank Group plans to eliminate approximately 17,020 positions. Approximately 16,800 employees had been terminated and approximately 150 additional employees had contractually agreed to leave Dresdner Bank Group pursuant to the "Former Programs" as of December 31, 2007.

A summary of the changes in the provisions for restructuring of the Dresdner Bank Group during the year ended December 31, 2007 is:

	Provisions as of January 1, 2007	Provisions recorded during 2007				Release of provisions via transfer	Foreign currency translation adjustments	Other	Provisions as of December 31, 2007
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Release of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	
Programs 2007									
Personnel costs	—	8	—	—	—	—	—	8	
Contract termination costs	—	—	—	—	—	—	—	—	
Other	—	—	—	—	—	—	—	—	
Subtotal	—	8	—	—	—	—	—	8	
New Dresdner Plus									
Personnel costs	299	—	18	(17)	(47)	(114)	(5)	134	
Contract termination costs	27	—	1	(7)	(1)	(5)	(1)	14	
Other	2	—	—	—	—	—	—	2	
Subtotal	328	—	19	(24)	(48)	(119)	(6)	150	
Former Programs									
Personnel costs	44	—	—	(5)	(11)	(20)	—	8	
Contract termination costs	2	—	—	—	(1)	(1)	—	—	
Other	5	—	—	—	(5)	—	—	—	
Subtotal	51	—	—	(5)	(17)	(21)	—	8	
Total	379	8	19	(29)	(65)	(140)	(6)	166	

Dresdner Bank Group recorded releases of provisions via transfers to other provision categories of € 140 mn as of December 31, 2007.

Other restructuring plans

For 2007, amongst others the following restructuring plans were announced:

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, 2007, Allianz S.p.A. together with its group companies recorded restructuring charges of € 73 mn.

Allianz Shared Infrastructure Service GmbH

During 2007, Allianz Deutschland AG recorded another provision for restructuring of € 42 mn. The reason for the restructuring program are outsourcing activities for the divisions Desktop, Network and Telecommunication Services of Allianz Shared Infrastructure Service GmbH (former Allianz Dresdner Informationssysteme GmbH), Munich

During the year ended December 31, 2007, Allianz Group recorded restructuring charges of € 79 mn in total.

50 Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share reflects the effect of potentially dilutive securities. As of December 31, 2007, 1,175,554 (2006: 1,175,554) participation certificates issued by Allianz SE were outstanding which can potentially be converted to 1,469,443 (2006: 1,469,443) Allianz shares (on a weighted basis: 1,469,443 (2006: 1,469,443) Allianz SE shares) and therefore have a dilutive effect.

The Allianz Group's share compensation plans with potentially dilutive securities of 1,321,100 (2006: 335,346) are included in the calculation of diluted earnings per share for the year ended December 31, 2007.

Furthermore 3,265,298 (2006: 4,868,560) common shares from trading in derivatives on own shares have been included in the calculation of diluted earnings per share for the year ended December 31, 2007.

Reconciliation of basic and diluted earnings per share

	2007 € mn	2006 € mn	2005 € mn
Numerator for basic earnings per share (net income)	7,966	7,021	4,380
Effect of dilutive securities	(4)	(3)	—
Numerator for diluted earnings per share (net income after assumed conversion)	7,962	7,018	4,380
Denominator for basic earnings per share (weighted-average shares)	442,544,977	410,871,602	389,756,350
Dilutive securities:			
Participation certificates	1,469,443	1,469,443	1,469,443
Warrants	962,547	737,847	743,179
Share-based compensation plans	1,321,100	335,346	493,229
Derivatives on own shares	3,265,298	4,868,560	807,859
Subtotal	7,018,388	7,411,196	3,513,710
Denominator for diluted earnings per share (weighted-average shares after assumed conversion)	449,563,365	418,282,798	393,270,060
Basic earnings per share	€ 18.00	€ 17.09	€ 11.24
Diluted earnings per share	€ 17.71	€ 16.78	€ 11.14

During the year ended December 31, 2007, the weighted average number of shares does not include 1,130,838 (2006: 730,391; 2005: 2,389,193) treasury shares held by the Allianz Group.

51 Other Information

Employee information

As of December 31,	2007	2006
Germany	72,063	76,790
Other countries	109,144	89,715
Total	181,207	166,505
thereof undergoing training	4,332	3,955

The average total number of employees for the year ended December 31, 2007 was 176,257 people.

Personnel expenses

	2007 € mn	2006 € mn	2005 € mn
Salaries and wages	9,741	10,230	9,582
Social security contributions and employee assistance	1,666	1,731	1,628
Expenses for pensions and other post-retirement benefits	1,028	1,005	855
Total	12,435	12,966	12,065

Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG

On December 20, 2007, 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 two publicly traded group companies Allianz Lebensversicherungs-Aktiengesellschaft and Oldenburgische Landesbank AG were issued in December 2007, respectively, and were 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 120. The information provided there is considered part of these consolidated financial statements.

Compensation for the Board of Management

As of December 31, 2007, the Board of Management had 11 (2006: 11) members.

Total compensation of the Board of Management for the year ended December 31, 2007 amounts to € 26.5 mn (2006: € 28.9 mn). Furthermore 102,950 (2006: 110,434) stock appreciation rights and 51,805 (2006: 66,280) restricted stock units with a total fair value at grant date of € 12.3 mn (2006:

€ 12.3 mn) were granted to the Board of Management for the year ended December 31, 2007.

Compensation to former members of the Board of Management and their beneficiaries totaled € 5.0 mn (2006: € 4.3 mn). Pension obligations to former members of the Board of Management and their beneficiaries are accrued in the amount of € 49.0 mn (2006: € 52.0 mn).

Total compensation to the Supervisory Board amounts to € 1.6 mn (2006: € 2.5 mn).

Board of Management and Supervisory Board compensation by individual is included in the Corporate Governance section of this Annual Report. The information provided there is considered part of these consolidated financial statements.

52 Subsequent events

Disposal of tranche of properties to IVG Group

In August 2007, the Allianz Group sold five held for use properties for € 876 mn to IVG Group. The sale will be finalized in the first half of 2008. After the sale, the properties will be leased back and will continue to be used by the Allianz Group.

Disposal of property portfolio to Whitehall Funds

In December 2007 the Allianz Group closed a contract with Whitehall Funds to sell a property portfolio for € 1.7 bn. The sale was finalized on March 1, 2008. No immediate gain was recognized on the sale due to the seller financing that the Allianz Group extended to the buyer.

Allianz redeems remaining part of the BITES exchangeable bond

On January 14, 2008, the Allianz Group announced its intention to redeem the remaining 35.7% of the BITES bond issued in February 2005 with shares of Munich Re. The number of Munich Re shares used for the redemption was based on the averages of the DAX index and the Munich Re share price during a 20-day reference period which started on January 22, 2008 and ended on February 18, 2008. The delivery of Munich Re shares took place on February 27, 2008. As a result of the redemption of the index-linked exchangeable bond, the Allianz Group's shareholding in Munich Re was reduced to under 2%.

Allianz Deutschland AG announces squeeze-out on Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart ("Allianz Leben")

On January 18, 2008 the Allianz Group's subsidiary Allianz Deutschland AG announced that it has signed contracts via an investment management company regarding the acquisition of further shares in Allianz Leben. Following this transaction, Allianz Deutschland AG's equity stake in Allianz Leben will increase to more than 95%. Allianz Leben intends to present a resolution regarding the squeeze-out procedure at its next Annual General Meeting

Acquisition of minority interests in Allianz Global Investors of America L.P., Delaware

In January 2008, the Allianz Group increased its interest in Allianz Global Investors of America L.P., Delaware by approximately 1.86%. The acquisition cost for the additional interest amounts to approximately € 194 mn.

Dresdner Bank offers support to K2¹⁾

On February 21, 2008, Dresdner Bank decided to offer the Structured Investment Vehicle ("SIV") K2 a support facility. The offer is intended to ensure the repayment of all senior debt of K2. Dresdner Bank will take over the assets that remain after the restructuring. The impact on the consolidated financial statements will depend on the specific restructuring alternative selected and implemented.

¹⁾ On March 18, 2008, Dresdner Bank and K2 Corporation entered into an agreement through which Dresdner Bank will provide a support facility to the Structured Investment Vehicle, K2. The agreement, which consists of a U.S.\$1,500,000,000 committed revolving mezzanine credit facility and a 'backstop' facility, follows the announcement by Dresdner Bank on February 21, 2008 that it intended to offer support to K2.

The mezzanine credit facility provides K2 with immediate additional liquidity, allowing K2 to draw-down funds for terms up to the maturity date of its longest dated senior debt obligations. Under the terms of the backstop facility, Dresdner Bank has undertaken to provide to K2 firm prices at which it will purchase assets from K2 in the event that K2 is unable to obtain better prices for such assets on the open market. The aggregate of such prices provided by Dresdner Bank will at all times equate to an amount that ensures K2 has sufficient funds to repay its senior debt in full.

Exercise of warrants

On February 15, 2008, the remaining 2.2 mn warrants were exercised which the Allianz Group had issued in February 2005 as part of the „All-in-One“ transaction. In conjunction with the exercise 2.2 mn new shares of Allianz SE resulting from conditional capital were issued leading to proceeds from this increased equity of € 202 mn. The new shares are entitled to dividend as of the financial year 2008.

Financial market turbulences

The Allianz Group expects to experience further mark-downs in the first quarter of 2008 due to further deterioration of observable market prices and credit indexes.

Munich, February 18, 2008

Allianz SE
The Board of Management

The image shows a vertical list of six handwritten signatures in black ink. From top to bottom, the signatures appear to be: 'Michael G...', 'Oliver B... 18003', 'Ludwig...', 'Rainer...', 'Stefan...', and 'Z...'. The signatures are somewhat stylized and difficult to read precisely.

Selected subsidiaries and other holdings

Operating Subsidiaries	Equity € mn	% owned ¹⁾
Germany		
■ Allianz Capital Partners GmbH, Munich	0.03	100.0
■ Allianz Capital Partners Verwaltungs GmbH, Munich	685	100.0
■ Allianz Dresdner Bauspar AG, Bad Vilbel	99	100.0
■ Allianz Global Corporate & Specialty AG, Munich	778	100.0
■ Allianz Global Investors Advisory GmbH, Frankfurt/Main	3	100.0
■ Allianz Global Investors AG, Munich	2,592	100.0
■ Allianz Global Investors Europe GmbH, Munich	17	100.0
■ Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt/Main	139	100.0
■ Allianz Global Investors Produkt Solutions GmbH, Munich	0.1	100.0
■ Allianz Immobilien GmbH, Stuttgart	5	100.0
■ Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	1,456	94.8
■ Allianz Pension Partners GmbH, Stuttgart	0.5	100.0
■ Allianz Pensionskasse Aktiengesellschaft, Munich	146	100.0
■ Allianz Private Equity Partners GmbH, Munich	0.04	100.0
■ Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	360	100.0
■ Allianz ProzessFinanz GmbH, Munich	0.04	100.0
■ Allianz Shared Infrastructure Services GmbH, Munich	219	100.0
■ Allianz Versicherungs-Aktiengesellschaft, Munich	2,512	100.0
■ AZT Automotive GmbH, Munich	0.2	100.0
■ Deutsche Lebensversicherungs-Aktiengesellschaft, Berlin	45	100.0
■ Dresdner Bank AG, Frankfurt am Main	8,674	100.0
■ Euler Hermes Kreditversicherungs-AG, Hamburg	246	100.0
■ MAN Roland Druckmaschinen AG, Offenbach	289	100.0
■ Münchener und Magdeburger Agraversicherung Aktiengesellschaft, Munich	8	59.9
■ Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	531	89.4
■ Reuschel & Co. Kommanditgesellschaft, Munich	149	97.5
■ risklab germany GmbH, Frankfurt am Main	0.03	100.0
■ Vereinte Spezial Krankenversicherung Aktiengesellschaft, Munich	3	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%.

- Property-Casualty
- Life/Health
- Banking
- Asset Management
- Corporate

□ Operating entity contributes a substantial portion of our total revenues within our primary geographic markets. Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and AssetManagement segment's operating revenues.

Operating Subsidiaries – Other countries	Equity € mn	% owned ¹⁾
Argentina		
■ AGF Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	13	100.0
Australia		
■ Allianz Australia Limited, Sydney	1,005	100.0
Austria		
■ Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	62	100.0
■ Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	375	100.0
■ Privatinvest Bank AG, Salzburg	15	74.0
Belgium		
■ Allianz Belgium Insurance S.A., Brüssel	441	100.0
Brazil		
■ AGF Brasil Seguros S.A., Sao Paulo	138	72.5
Bulgaria		
■ Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	26	78.0
■ Allianz Bulgaria Life Insurance Company Ltd., Sofia	13	99.0
■ Commercial Bank Allianz Bulgaria Ltd., Sofia	50	99.8
China		
■ Allianz China Life Insurance Co. Ltd., Shanghai	18	51.0
■ Allianz Global Investors Hong Kong Ltd., Hong Kong	65	100.0
■ Allianz Insurance (Hong Kong) Ltd., Hong Kong	9	100.0
■ Dresdner Kleinwort (Japan) Limited, Hong Kong	288	100.0
■ RCM Asia Pacific Ltd., Hong Kong	14	100.0
Colombia		
■ Colseguros Generales S.A., Bogota	35	100.0
Croatia		
■ Allianz Zagreb d.d., Zagreb	17	80.1
Czech Republic		
■ Allianz poistovna a.s., Prague	121	100.0
Egypt		
■ Allianz Egypt Insurance Company S.A.E., Cairo	6	85.0
■ Allianz Egypt Life Company S.A.E., Cairo	8	99.4
France		
■ AAAM S.A., Paris	32	84.9
■ AGF Asset Management S.A., Paris	93	99.8
■ Allianz Global Corporate & Specialty France, Paris	179	100.0
■ Assurances Générales de France IART S.A., Paris	2,267	100.0
■ Assurances Générales de France Vie S.A., Paris	2,361	100.0
■ Assurances Générales de France, Paris	7,287	100.0
■ Banque AGF S.A., Paris	179	100.0
■ Euler Hermes SFAC S.A., Paris	337	100.0
■ Mondial Assistance S.A. S., Paris Cedex	205	100.0
Greece		
■ Allianz Hellas Insurance Company S.A., Athen	71	100.0
Hungary		
■ Allianz Hungária Biztosító Zrt., Budapest	220	100.0
Indonesia		
■ PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	20	99.8
■ PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	19	76.0
Ireland		
■ Allianz Global Investors Ireland Ltd., Dublin	5	100.0
■ Allianz Irish Life Holdings p.l.c., Dublin	488	66.4
■ Allianz Re Dublin Limited, Dublin	17	100.0
■ Allianz Worldwide Care Ltd., Dublin	12	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⁾
Italy		
■ ■ ■ ALLIANZ SUBALPINA S.p.A. SOCIETÀ DI ASSICURAZIONI E RIASSICURAZIONI, Turin	246	98.0
■ Allianz Global Investors Italia S.p.A, Milan	48	100.0
■ ■ ■ Allianz S.p.A., Trieste	3,016	100.0
■ GENIALLOYD S.p.A., Milan	72	100.0
■ INVESTITORI SGR S.p.A., Milan	17	87.7
■ ■ ■ Lloyd Adriatico S.p.A., Trieste	989	99.9
■ RAS Tutela Giudiziaria S.p.A., Milan	9	100.0
■ RB Vita S.p.A., Milan	209	100.0
Japan		
■ Allianz Global Investors Japan Co. Ltd., Tokyo	0.6	100.0
Laos		
■ ■ Assurances Générales du Laos Ltd., Laos	3	51.0
Luxembourg		
■ Allianz Global Investors Luxembourg S.A., Luxembourg	69	100.0
■ Dresdner Bank Luxembourg S.A., Luxembourg	530	100.0
Malaysia		
■ Allianz General Insurance Malaysia Berhad p.l.c., Kuala Lumpur	30	100.0
■ Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	44	100.0
Mexico		
■ ■ Allianz México S.A. Compañía de Seguros, Mexico	93	100.0
Netherlands		
■ Allianz Europe Ltd., Amsterdam	28,961	100.0
■ Allianz Nederland Asset Management B.V., Amsterdam	33	100.0
■ Allianz Nederland Levensverzekering N.V., Utrecht	263	100.0
■ Allianz Nederland Schadeverzekering N.V., Rotterdam	346	100.0
■ Dresdner VPV N.V., Gouda	48	100.0
Poland		
■ TU Allianz Polska S.A., Warsaw	100	100.0
■ TU Allianz Zycie Polska S.A., Warsaw	31	100.0
Portugal		
■ ■ Companhia de Seguros Allianz Portugal S.A., Lisbon	199	64.8
Republic of Korea		
■ Allianz Global Investors Korea Limited, Seoul	19	100.0
■ Allianz Life Insurance Co. Ltd., Seoul	513	100.0
Romania		
■ ■ Allianz Tiriac Asigurari SA, Bukarest	126	52.1
Russia		
■ Dresdner Bank ZAO, St. Petersburg	75	100.0
■ Insurance Company "Progress Garant", Moscow	35	100.0
■ Insurance Joint Stock Company „Allianz“, Moscow	11	100.0
■ Russian People's Insurance Society "ROSNO", Moscow	152	97.5
Singapore		
■ Allianz Global Investors Singapore Ltd., Singapore	1	100.0
Slovakia		
■ ■ Allianz-Slovenská poisťovna a.s., Bratislava	417	84.6
Spain		
■ ■ Allianz Compañía de Seguros y Reaseguros S.A., Madrid	502	99.9
■ Euler Hermes Crédito Compañía de Seguros y Reaseguros, S.A., Madrid	7	100.0
■ Eurovida, S.A. Compañía de Seguros y Reaseguros, Madrid	59	51.0

¹⁾ Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100.0%.

Operating Subsidiaries – Other countries	Equity € mn	% owned ¹⁾
Switzerland		
■ Alba Allgemeine Versicherungs-Gesellschaft, Basel	32	100.0
■ Allianz Risk Transfer AG, Zurich	309	100.0
■ Allianz Suisse Lebensversicherungs-Gesellschaft, Zurich	484	100.0
■ Allianz Suisse Versicherungs-Gesellschaft, Zurich	559	100.0
■ Compagnie d'Assurance de Protection Juridique S.A., Zug	13	100.0
■ Dresdner Bank (Schweiz) AG, Zurich	114	99.8
■ ELVIA Reiseversicherungs-Gesellschaft AG, Zurich	218	100.0
■ Selecta AG, Muntelier ²⁾	135	100.0
Taiwan		
■ Allianz Global Investors Taiwan Ltd., Taipei	27	100.0
■ Allianz Taiwan Life Insurance Co. Ltd., Taipei	63	99.6
United Kingdom		
■ Allianz (UK) Limited, Guildford	588	100.0
■ Allianz Insurance plc., Guildford	1,085	98.0 ³⁾
■ Dresdner Kleinwort Group Ltd., London	45	100.0
■ Dresdner Kleinwort Limited, London	344	100.0
■ Kleinwort Benson Channel Islands Holdings Ltd., St. Peter Port/Guernsey	280	100.0
■ Kleinwort Benson Private Bank Ltd., London	73	100.0
■ RCM (UK) Ltd., London	14	100.0
United States		
■ Allianz Global Investors of America L.P., Dover/Delaware	1,436	97.5
■ Allianz Global Investors U.S. Retail LLC, Dover/Delaware	37	100.0
■ Allianz Global Risks US Insurance Company, Burbank/California	2,910	100.0
■ Allianz Life Insurance Company of North America, Minneapolis/Minnesota	2,636	100.0
■ Allianz of America Inc., Wilmington/Delaware	9,868	100.0
■ Allianz Underwriters Insurance Company, Burbank/California	41	100.0
■ Dresdner Kleinwort Securities Llc, Wilmington/Delaware	182	100.0
■ Fireman's Fund Insurance Company, Novato/California	2,427	100.0
■ NFJ Investment Group LP, Dover/Delaware	4	100.0
■ Nicholas Applegate Capital Management LLC, Dover/Delaware	12	100.0
■ Pacific Investment Management Company LLC, Wilmington/Delaware	246	85.0
■ RCM Capital Management LLC, Wilmington/Delaware	15	100.0
■ Wm. H McGee & Co. Inc., New York/New York	2	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⁾ Classified as "held for sale"

³⁾ 99.99% of the voting share capital

Associated Enterprises ¹⁾	Equity € mn	% owned ²⁾
Phenix Alternative Holding	3,275	32.8
Allianz-dit Euro Bond Total Return Fonds	2,923	38.8
AGF Jour	2,705	12.6 ³⁾
AGF Euribor	2,242	35.4
AGF Eurocash	1,480	7.4 ³⁾
Natinium 2007-1	1,146	48.4
AGF SECURICASH L	755	15.7 ³⁾
Allianz PIMCO Euro Bond Total Return	713	30.3
Deutsche Schiffsbank AG, Bremen und Hamburg	552	40.0
AGF Peh Eur. IV FCPR	306	49.2
Oddo, Paris	289	20.0
Cofitem Cofimur, Paris	230	22.1
PHRV (Paris Hotels Roissy Vaugirard), Paris	163	24.9
Bajaj Allianz Life Insurance Company Ltd., Pune	153	26.0
Koç Allianz Sigorta T.A.S., Istanbul	147	37.1
Dresdner-Cetelem Kreditbank GmbH, Munich	138	49.9
FONDO IMMOBILIARE DOMUS	133	25.5
Citylife Srl, Milano	129	26.7
Ayudhya Allianz C.P. Life Public Company Limited, Bangkok	113	25.0
Kommanditgesellschaft Allgemeine Leasing GmbH & Co, Gruenwald	104	40.5
Bajaj Allianz General Insurance Company Ltd., Pune	89	26.0
Scandferries Holding GmbH, Hamburg	60	38.1
Euro Media Télévision S.A., Bry-sur_Marne	17	21.4

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% of total carrying amount of investments in associated enterprises.

²⁾ Including shares held by dependent subsidiaries.

³⁾ Significant influence due to Allianz's role in the funds' management and its ownership share

	Market value	owned	Group equity	Net profit	Balance sheet date
	€ mn	% ²⁾	€ mn	€ mn	
Other selected holdings in listed companies ¹⁾					
Banco BPI S.A., Porto	360	8.8	1,905	355	12/31/2007
Banco Popular Espanol S.A., Madrid	1,331	9.4	5,914	1,026	12/31/2006
BASF SE, Ludwigshafen	1,246	2.5	18,578	3,215	12/31/2006
Bayer AG, Leverkusen	1,737	3.6	12,851	1,683	12/31/2006
Beiersdorf AG, Hamburg	883	6.6	1,790	664	12/31/2006
Bolloré Investissement S.A., Ergue-Gaberic	206	6.0	3,894	583	12/31/2006
E.ON AG, Duesseldorf	2,956	2.9	52,762	5,057	12/31/2006
ENI S.p.A., Rom	592	0.6	41,199	9,217	12/31/2006
GEA Group AG, Bochum	458	10.4	1,261	(288)	12/31/2006
Heidelberger Druckmaschinen AG, Heidelberg	243	13.4	1,202	263	03/31/2007
Industrial & Commercial Bank of China Limited, Beijing	3,138	1.9	44,378	4,642	12/31/2006
Linde AG, Munich	1,307	8.8	8,225	1,838	12/31/2006
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich	1,422	4.9	26,429	3,440	12/31/2006
Nestlé S.A., Vevey	827	0.7	31,805	5,535	12/31/2006
Rhön Klinikum AG, Bad Neustadt/Saale	142	6.4	729	105	12/31/2006
Royal Dutch Shell plc, London	533	0.3	79,892	17,683	12/31/2006
RWE AG, Essen	2,232	4.1	14,111	3,847	12/31/2006
Sanofi-Aventis S.A., Paris	521	0.6	45,820	4,006	12/31/2006
Sequana Capital S.A., Paris	131	11.8	1,244	958	12/31/2006
SGS S.A., Geneve	336	5.3	958	267	12/31/2006
Siemens Aktiengesellschaft, Munich	1,049	1.1	29,627	3,806	09/30/2007
Total S.A., Paris	897	0.7	41,148	11,768	12/31/2006
UniCredito Italiano S.p.A., Milan	1,819	2.4	38,468	5,448	12/31/2006
Zagrebacka Banka d.d., Zagreb	624	11.7	1,026	134	12/31/2006

¹⁾ Market value greater than or equal to € 100 mn and percentage of shares owned greater than or equal to 5.0%, or market value greater than or equal to € 500 mn, excluding trading portfolio of banking business.

²⁾ Including shares held by dependent subsidiaries (incl. consolidated investment funds).

Disclosure of equity investments

Information according to clause 313 (2) German Commercial Code is published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's website.

Responsibility statement

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

Munich, February 18, 2008

Allianz SE
The Board of Management



Handwritten signatures of the Board of Management members, including names like Wilhelm Gsell, Oliver B. B. B., and others.

Auditor's Report

We have audited the consolidated financial statements prepared by Allianz SE, Munich, - comprising the balance sheet, the income statement, statement of changes in equity, statement of cash flows and the notes to the consolidated financial statements -, together with the group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch, "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Public Auditors in Germany), and in supplementary compliance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities

to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB and supplementary provisions of the articles of incorporation and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 3, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Johannes Pastor
Independent Auditor



Dr. Frank Pfaffenzeller
Independent Auditor

Joint Advisory Council of the Allianz Companies

Dr. Henning Schulte-Noelle

Chairman
Chairman of the Supervisory Board, Allianz SE

Professor Dr. Bernd Gottschalk

President, Verband der Automobilindustrie e.V. (until May 31, 2007), Autovalue GmbH

Professor Dr. Peter Gruss

President, Max-Planck-Gesellschaft zur Förderung der Wissenschaften e.V.

Herbert Hainer

Chairman of the Board of Management, adidas AG

Dr. Jürgen Hambrecht

Chairman of the Board of Executive Directors, BASF SE

Professor Dr. h. c. Hans-Olaf Henkel

Senior Advisor, Bank of America

Dr. Jürgen Heraeus

Chairman of the Supervisory Board,
Heraeus Holding GmbH

Dr.-Ing. Dieter Hundt, Honorary Senator

Managing Partner, Allgaier Werke GmbH (until December 31, 2007), Chairman of the Supervisory Board, Allgaier Werke GmbH (since January 1, 2008)

Dr. Hans-Peter Keitel

Chairman of the Board of Management, Hochtief AG (until March 31, 2007), Member of the Supervisory Board, Hochtief AG

Peter Löscher since January 2008

Chairman of the Board of Management, Siemens AG

Dr. Hartmut Mehdorn

Chairman of the Board of Management,
Deutsche Bahn AG

Dr. h. c. Bernd Pischetsrieder

Volkswagen AG

Professor Dr. Klaus Pohle

Dr.-Ing. Norbert Reithofer

Chairman of the Board of Management, BMW Group

Harry Roels

Chairman of the Board of Management, RWE AG (until September 30, 2007)

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

Chairman of the Board of Management, Continental AG

International Advisory Board

Khalifa Al-Kindi

Deputy Managing Director, Abu Dhabi Investment Council

Donald R. Argus AO

Chairman, BHP Billiton Group

Belmiro de Azevedo

Presidente, Sonae SGPS SA

Alfonso Cortina de Alcocer

Dr. Jürgen Hambrecht

Chairman of the Board of Executive Directors, BASF AG

Rahmi Koç

Honorary Chairman of the Board of Directors, Koç Holding AS

Minoru Makihara

Senior Corporate Advisor, Mitsubishi Corporation

Jacques A. Nasser

Senior Partner, One Equity Partners LLC

James W. Owens

Chairman and CEO, Caterpillar Inc.

Dr. Marco Tronchetti Provera

Chairman and CEO, Pirelli & Co. S.p.A.

Dr. Gianfelice Rocca

Chairman, Techint Group

Anthony Salim

President and CEO, Salim Group

Louis Schweitzer

Chairman, Renault SA

Peter Sutherland

Chairman, BP plc

Iain Lord Vallance of Tummel

Angel Ron

Chairman, Banco Popular

Mandates of the Members of the Supervisory Board

Dr. Henning Schulte-Noelle

Membership in other statutory supervisory boards and SE administrative councils in Germany E.ON AG, Siemens AG (until January 24, 2008), ThyssenKrupp AG

Dr. Wulf H. Bernotat

Membership in other statutory supervisory boards and SE administrative councils in Germany Bertelsmann AG, METRO AG

Membership in group bodies E.ON Energie AG (Chairman), E.ON Ruhrgas AG (Chairman)

Membership in comparable ¹⁾ supervisory bodies

Membership in group bodies E.ON Nordic AB (Chairman), E.ON Sverige AB (Chairman), E.ON UK plc (Chairman), E.ON U.S. Investments Corp. (Chairman)

Jean-Jacques Cette

Membership in comparable ¹⁾ supervisory bodies Assurances Générales de France

Dr. Gerhard Cromme

Membership in other statutory supervisory boards and SE administrative councils in Germany Axel Springer AG, Siemens AG (Chairman), ThyssenKrupp AG (Chairman)

Membership in comparable ¹⁾ supervisory bodies Compagnie de Saint-Gobain S.A.

Claudia Eggert-Lehmann

Membership in other statutory supervisory boards and SE administrative councils in Germany Dresdner Bank AG

Godfrey Robert Hayward

Dr. Franz B. Humer

Membership in other statutory supervisory boards and SE administrative councils in Germany

Membership in group bodies F. Hoffmann-La Roche AG (Chairman), Roche Deutschland Holding GmbH (Chairman), Roche Diagnostics GmbH (Chairman)

Membership in comparable ¹⁾ supervisory bodies DIAGEO plc

Membership in group bodies Chugai Pharmaceutical Co. Ltd., Roche Holding AG (Chairman)

Prof. Dr. Renate Köcher

Membership in other statutory supervisory boards and SE administrative councils in Germany BASF AG (until January 14, 2008), Infineon Technologies AG, MAN AG

As of December 31, 2007 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.

Peter Kossubek since May 2, 2007

Membership in other statutory supervisory boards and SE administrative councils in Germany Allianz Versicherungs-AG

Igor Landau

Membership in other statutory supervisory boards and SE administrative councils in Germany adidas AG (Deputy Chairman)

Membership in comparable¹⁾ supervisory bodies

HSBC France, Sanofi-Aventis S.A.

Jörg Reinbrecht

Membership in other statutory supervisory boards and SE administrative councils in Germany SEB AG

Margit Schoffer until May 2, 2007

Membership in other statutory supervisory boards and SE administrative councils in Germany Dresdner Bank AG

Rolf Zimmermann

Mandates of the Members of Board of Management

Michael Diekmann

Membership in other statutory supervisory boards and SE administrative councils in Germany BASF SE, Deutsche Lufthansa AG, Linde AG (Deputy Chairman), Siemens AG (since January 24, 2008)

Membership in Group bodies Allianz Deutschland AG (Chairman), Allianz Global Investors AG (Chairman), Dresdner Bank AG (Chairman)

Membership in comparable ¹⁾ supervisory bodies
Membership in Group bodies Allianz S.p.A. (Vice President), Assurances Générales de France (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards and SE administrative councils in Germany Bayer AG, RWE AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Investors AG, Allianz Investment Management SE (Chairman), Allianz Lebensversicherungs-AG

Membership in comparable ¹⁾ supervisory bodies
Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman) (until February 7, 2008), Allianz Elementar Versicherungs-AG (Chairman) (until February 7, 2008), Allianz Investmentbank AG (Deputy Chairman) (until February 7, 2008)

Oliver Bäte since January 1, 2008

Clement B. Booth

Membership in other statutory supervisory boards and SE administrative councils in Germany

Membership in Group bodies Allianz Global Corporate & Specialty AG (Chairman)

Membership in comparable ¹⁾ supervisory bodies
Membership in Group bodies Allianz Australia Limited, Allianz Insurance Holdings plc (Chairman), Allianz Irish Life Holdings plc, Allianz Life Insurance Company of North America (since January 1, 2008), Euler Hermes S.A., Fireman's Fund Insurance Company (since January 1, 2008)

Jan R. Carendi until December 31, 2007

Membership in comparable ¹⁾ supervisory bodies
Membership in Group bodies Allianz Life Insurance Company of North America (Chairman) (until June 30, 2008), Fireman's Fund Insurance Company (Chairman) (until December 31, 2007)

Enrico Cucchiani

Membership in comparable ¹⁾ supervisory bodies Pirelli & Co. S.p.A., Unicredit S.p.A.

Membership in Group bodies Allianz Compañía de Seguros S.A. Barcelona (Vice Chairman), Allianz Elementar Lebensversicherungs-AG (Deputy Chairman) (until February 7, 2008), Allianz Elementar Versicherungs-AG (Deputy Chairman) (until February 7, 2008), Allianz Investmentbank AG (until February 7, 2008), Allianz S.p.A. (CEO), Companhia de Seguros Allianz Portugal S.A. (Vice Chairman), Koç Allianz Hayat ve Emeklilik A.S., Koç Allianz Sigorta A. S.

Dr. Joachim Faber

Membership in other statutory supervisory boards and SE administrative councils in Germany Bayerische Börse AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Vice Chairman), Allianz Global Investors Deutschland GmbH (Chairman), Allianz Global Investors Kapitalanlagegesellschaft mbH (Chairman)

Membership in comparable ¹⁾ supervisory bodies
Membership in Group bodies Allianz Global Investors Italia SGR S.p.A. (Chairman), Allianz S.p.A., Assurances Générales de France

As of December 31, 2007 or (with members who resigned) day of resignation.

¹⁾ We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Dr. Helmut Perlet

Membership in other statutory supervisory boards and SE administrative councils in Germany GEA-Group AG

Membership in Group bodies Allianz Deutschland AG (Vice Chairman), Allianz Global Corporate & Specialty AG (Vice Chairman), Allianz Global Investors AG, Allianz Investment Management SE (Deputy Chairman), Dresdner Bank AG

Membership in comparable¹⁾ supervisory bodies

Membership in Group bodies Allianz Life Insurance Company of North America, Allianz of America, Inc., Allianz S.p.A., Fireman's Fund Insurance Company, Lloyd Adriatico Holding S.p.A. (until January 31, 2008)

Dr. Gerhard Rupprecht

Membership in other statutory supervisory boards and SE administrative councils in Germany Fresenius SE, Heidelberger Druckmaschinen AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Chairman), Allianz Lebensversicherungs-AG (Chairman), Allianz Private Krankenversicherungs-AG (Chairman), Allianz Versicherungs-AG (Chairman)

Membership in comparable¹⁾ supervisory bodies

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (since February 7, 2008), Allianz Elementar Versicherungs-AG (since February 7, 2008), Allianz Investmentbank AG (since February 7, 2008), Allianz Suisse Lebensversicherungs-Gesellschaft (since January 1, 2008), Allianz Suisse Versicherungs-Gesellschaft (since January 1, 2008)

Jean-Philippe Thierry

Membership in comparable¹⁾ supervisory bodies

Baron Philippe de Rothschild, Compagnie Financière Saint-Honoré, Eurazeo, Paris Orléans, Pinault Printemps Redoute, Société Financière et Foncière de participation

Membership in Group bodies AGF Holding (Chairman), AGF IART (Chairman), AGF International, AGF VIE (Chairman), Euler Hermes S.A. (Chairman), Mondial Assistance AG (Chairman)

Dr. Herbert Walter

Membership in other statutory supervisory boards and SE administrative councils in Germany Deutsche Börse AG, E.ON Ruhrgas AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG

Membership in comparable¹⁾ supervisory bodies

Banco BPI S.A., Banco Popular Español S.A.

Dr. Werner Zedelius

Membership in comparable¹⁾ supervisory bodies

Bajaj Allianz General Insurance Company Limited, Bajaj Allianz Life Insurance Company Limited

Membership in Group bodies Allianz Hungária Biztosító Rt. (Chairman), Allianz pojistovna a.s. (Chairman), Allianz-Slovenska poistovna a.s. (Chairman), T. U. Allianz Polska S.A. (Chairman), T. U. Allianz Życie Polska S.A. (Chairman), ROSNO (Vice Chairman)

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments of the insurance or banking business has not been included.

Acquisition cost

The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises

The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent company holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves

Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses

The overall volume of provisions includes allowances for credit losses – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration. General allowances for loan losses have been established on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of a certain country to serve its external debt. These country risk allowances are

based on an internal country rating system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management

The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

Associated enterprises

All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

At amortized cost

Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Available-for-sale investments

Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are shown at fair value on the balance sheet.

Business combination

A business combination is the bringing together of separate entities or businesses into one reporting entity.

Cash flow statement

Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- operating activities
- investing activities
- financing activities

Certificated liabilities

Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Combined ratio

Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Consolidated interest (%)

The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities

Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach

With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is redemption made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

Cost-income ratio

Represents operating expenses divided by operating revenues.

Coverage ratio

Represents ratio of total loan loss provisions to total risk elements according to SEC guide 3 (non-performing loans and potential problem loans).

Credit risk

The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current employer service cost

Net expense incurred in connection with a defined benefit plan less any contributions made by the beneficiary to a pension fund.

Deferred acquisition costs

Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions and is not participating in the investment success of the contributions.

Derivative financial instruments (derivatives)

Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods). Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings per share (basic/diluted)

Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation

The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio

Represents acquisition and administrative expenses (net) divided by premiums earned (net).

Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS

US Financial Accounting Standards on which the details of US GAAP (Generally Accepted Accounting Principles) are based.

Financial assets carried at fair value through income

Financial assets carried at fair value through income include debt and equity securities as well as other financial instruments (essentially derivatives, loans and precious metal holdings) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

Financial liabilities carried at fair value through income

Financial liabilities carried at fair value through income include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Shorts

sales of securities are recorded at market value on the balance sheet date. Derivatives shown as financial liabilities carried at fair value through income are valued the same way as financial assets carried at fair value through income.

Forwards

The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates i.e. the one in which the entity primarily generates and expends cash.

Funds held by/for others under reinsurance contracts

Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures

Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill

Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition.

Gross/Net

In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

Hedging

The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

Held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

Held-to-maturity investments

Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS Framework

The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized profits and losses from financial assets carried at fair value through income and financial liabilities carried at fair value through income. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

Issued capital and capital reserve

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency

Number of losses in relation to the number of insured risks.

Loss ratio

Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

Market value

The amount obtainable from the sale of an investment in an active market.

Minority interests in earnings

That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

Minority interests

Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

New cost basis

Historical cost adjusted by depreciation to reflect permanent diminution in value.

Options

Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives

Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Participating certificates

Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Pension and similar obligations

Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

Premiums written/earned

Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance

Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements

A repurchase (“repo”) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group’s balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

Reserves for loss and loss adjustment expenses

Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds

That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

Revenue reserves

In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Segment reporting

Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Banking, Asset Management and Corporate) and by regions.

Subordinated liabilities

Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps

Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Unearned premiums

Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also “corridor approach”).

Unrecognized past service cost

Present value of increases in pension benefits relating to previous years’ service, not yet recognized in the pension reserve.

US GAAP

Generally Accepted Accounting Principles in the United States of America.

Variable annuities

The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

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Financial Calendar for 2008/2009

Important dates for shareholders and analysts

May 9, 2008	Interim report 1st quarter 2008
May 21, 2008	Annual General Meeting
August 7, 2008	Interim report 2nd quarter 2008
November 10, 2008	Interim report 3rd quarter 2008
February 26, 2009	Financial press conference for 2008 financial year
February 27, 2009	Analysts' conference for 2008 financial year
March 13, 2009	Annual Report 2008
April 29, 2009	Annual General Meeting

The German Securities Trading Act obliges issuers to announce immediately any information which has a substantial potential price impact, irrespective of the communicated schedules. It is therefore possible that we will announce key figures of quarterly and fiscal year results ahead of the dates mentioned above.

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

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