

Allianz SE

Annual Report 2007

INSURANCE | ASSET MANAGEMENT | BANKING



Content

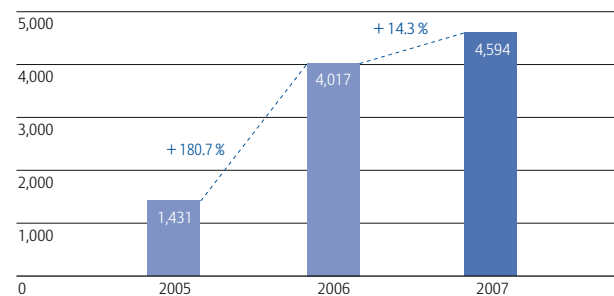
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Allianz SE at a Glance

		2007	Change from previous year in %	2006	Change from previous year in %	2005	Change from previous year in %	Details on page
Gross premiums written	€ mn	3,533	(19.4)	4,386	(9.5)	4,849	(7.9)	16
Retention	in %	67.8	2.3 pts	65.5	(3.0) pts	68.5	(1.9) pts	
Loss ratio net Property/Casualty	in %	57.8	(2.9) pts	60.7	(1.9) pts	62.6	4.4 pts	12
Expense ratio net Property/Casualty	in %	28.4	0.8 pts	27.6	0.7 pts	26.9	0.2 pts	12
Combined ratio net Property/Casualty	in %	86.2	(2.1) pts	88.3	(1.2) pts	89.5	4.6 pts	12
Underwriting result net before claims equalization and similar reserves	€ mn	278	(11.6)	315	18.7	266	(35.2)	12
Underwriting result net	€ mn	388	6.5	365	—	(125)	—	12
Non-underwriting result	€ mn	3,684	37.1	2,687	146.4	1,090	(17.6)	12
Income before taxes	€ mn	4,072	33.4	3,052	216.2	965	(29.4)	13
Taxes	€ mn	522	(45.9)	965	107.2	466	39.0	13
Net income	€ mn	4,594	14.3	4,017	180.7	1,431	(16.0)	13
Investments under management	€ mn	84,782	0.2	84,624	8.7	77,842	8.3	18
Shareholders' equity	€ mn	42,525	16.0	36,649	23.6	29,660	11.0	18
Insurance reserves net	€ mn	9,384	(10.5)	10,486	(8.9)	11,509	(20.8)	
Dividend per share	€	5.50	44.7	3.80	90.0	2.00	14.3	13
Dividend payment	€ mn	2,476	50.8	1,642	102.5	811	20.3	13
Share price at year end	€	147.95	(4.4)	154.76	21.0	127.94	31.1	
Market capitalization at year end	€ mn	66,600	(0.4)	66,880	28.7	51,949	44.6	

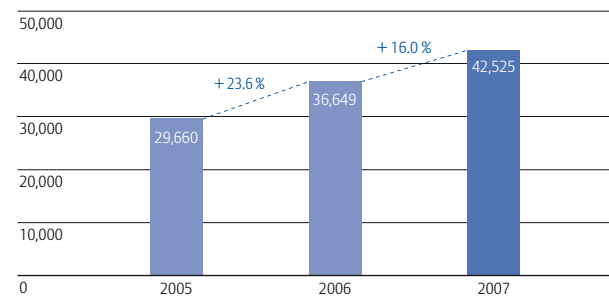
Net income

in € mn



Shareholders' equity

in € mn



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 in the Allianz Group's 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 Committee saw no reason to raise objections. The committee also covered the auditor's engagement and established priorities for the audit, as well as internal control issues and compliance with the provisions of section 404 of the Sarbanes-Oxley Act. In addition, assignments to the auditors for services not connected to the audit itself were discussed. The committee received reports from the heads of the Group Audit department and Compliance department about audit and compliance issues on an ongoing basis. In February 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 US 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 January 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

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

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Management Report of Allianz SE

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Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (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 Outlook

- Underwriting result net increased by € 23 million to € 388 million.
- € 1.0 billion improvement in non-underwriting result.
- Net income increased by € 577 million to € 4.6 billion.
- Proposed increase in dividend per share from € 3.80 to € 5.50.

Earnings Summary

Condensed income statement

	2007 € mn	2006 € mn
Gross premiums written	3,533	4,386
Premiums earned net	2,396	2,943
Claims net	(1,507)	(1,911)
Underwriting expense net	(658)	(792)
Other technical reserves net	47	75
Underwriting result net before claims equalization and similar reserves	278	315
Change in claims equalization and similar reserves net	110	50
Underwriting result net	388	365
Investment result	4,136	3,720
Allocated interest return	(167)	(186)
Other non-underwriting result (loss)	(285)	(847)
Non-underwriting result	3,684	2,687
Income before taxes	4,072	3,052
Taxes	522	965
Net income	4,594	4,017

Underwriting result net before claims equalization and similar reserves

The positive underwriting result net before claims equalization and similar reserves decreased to € 278 million (2006: € 315 million).

The 19.4% decline in **gross premiums written** to € 3,533 million was due to reduced intra-Group reinsurance contracts (€ 686 million) as well as lower cessions from external cedents (€ 167 million).

The **accident year loss ratio net** in Property-Casualty reinsurance increased by 9.9 percentage points to 67.4%, reflecting a higher level of natural catastrophe claims, for example the winter storm “Kyrill” with € 56 million, the hail storm in Sydney and other natural catastrophe claims in

Australia together costing € 58.5 million, flooding in the UK with € 28 million, Cyclon Gonu with € 19 million and summer storms in Germany with € 17 million. These effects were compensated by a positive run-off result of € 197 million, leaving the calendar year claims ratio net at 57.8% (2006: 60.7%).

The **expense ratio net** for our Property-Casualty reinsurance increased slightly to 28.4% (2006: 27.6%). This increase was attributable primarily to the payment of profit commissions relating to prior years and the decrease of premiums earned net.

Underwriting result net

The release of **claims equalization and similar reserves** with an amount of € 110 million was mainly caused by the termination of intra-Group reinsurance. Due to this release, the **underwriting result net** improved by € 23 million to € 388 million.

Non-underwriting result

The **non-underwriting result** improved by € 997 million to € 3,684 million, mainly driven by a higher investment result and lower other non-underwriting expenses.

Investment result

Realized gains increased mainly attributable to the sale of shares in listed companies, such as BMW AG with € 131 million and the redemption of part of the BITES convertible bond with shares from Munich Re adding up to € 253 million.

Income from profit transfer agreements grew by 22.1% to € 4,046 million. The most material items were a higher profit transfer from Allianz Deutschland AG, which increased by € 1,605 million to € 3,446 million, partially offset by a € 448 million lower dividend from Dresdner Bank.

Income from affiliated enterprises and participations

declined from an exceptionally high level of Group-internal dividends in 2006 of € 1,658 million to € 1,204 million in 2007.

The increase in **income from other investments** stemmed mainly from higher interest income on liquid funds available as a result of the bridge financing for the AGF minority buy-out in 2007. Higher lending activities to Group companies made a further contribution to this increase.

Expenses for the management of investments, interest and other investment-related expenses were up by € 169 million, primarily due to higher internal and external Allianz Group interest expenses incurred in connection with the AGF minority buy-out.

The increase of € 99 million in **depreciations and impairments of investments** stemmed primarily from a write-down of an affiliated company.

Breakdown of investment result

	2007 € mn	2006 € mn	Change € mn
Investment income			
Income from profit transfer agreements	4,046	3,315	731
Income from affiliated enterprises and participations	1,204	1,658	(454)
Income from other investments	914	695	219
Realized gains	680	125	555
Income from reversal of impairments	52	130	(78)
Subtotal	6,896	5,923	973
Investment Expenses			
Expenses for the management of investments, interest and other investment-related expenses	(1,836)	(1,667)	(169)
Depreciations and impairments of investments	(533)	(434)	(99)
Realized losses	(335)	(70)	(265)
Expenses for losses taken over	(56)	(32)	(24)
Subtotal	(2,760)	(2,203)	(557)
Total	4,136	3,720	416

Other non-underwriting result (loss)

The **other non-underwriting (loss)** decreased from € 847 million to € 285 million. Major drivers were foreign currency translation differences (€ 204 million) and lower unrealized and realized losses from free-standing derivatives (€ 240 million).

Taxes and net income

Allianz SE serves as the head of the tax group for most of the German insurance subsidiaries with the exception of e.g. Allianz Lebensversicherungs-AG and Allianz Private Krankenversicherung AG. Therefore, Allianz SE files for this German insurance tax group consolidated tax returns.

Allianz SE has significant tax losses carried forward, which are not capitalized, resulting in only limited current tax payments stemming from the German minimum taxation amounting to € 161 million. Therefore Allianz SE will show tax income until the tax losses are fully utilized.

Tax group companies reimbursed Allianz SE for the usage of its tax losses in 2007 with € 690 million (2006: € 638 million). In 2006, we capitalized an income tax receivable of € 313 million due to SEStEG resulting in a positive current tax income in total of € 965 million.

This resulted in a net income of € 4,594 million (2006: € 4,017 million).

Proposal for Allocation of Profits

The Board of Management and the Supervisory Board propose that the available unappropriated earnings ("Bilanzgewinn") 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

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

Business Outlook

For 2008 we expect an increased investment result. This is primarily attributable to the planned increase in income from profit transfer agreements. In addition, a reduction of interest expenses is expected due to planned changes in Allianz SE's financing structure. Realized gains are expected to be lower than in 2007, as less sales of shares are planned.

We anticipate reduced business volume in 2008 from the quota share contract with Allianz Sachversicherung due to increased self-retention.

During the renewal of reinsurance contracts for 2008 the rates and conditions softened, but still remained at a technically acceptable level.

For 2008, we expect a positive underwriting result net before claims equalization and similar reserves.

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 busi-

ness 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.

Operations by Reinsurance Lines of Business

Gross premiums written originate primarily from Group companies. They decreased in the fiscal year 2007 by 19.4% to € 3.5 billion for the following main reasons:

- Allianz Sachversicherung increased its self-retention under internal quota share contracts, leading to lower premium volume of € 244 million.
- An aviation treaty with Allianz Global Corporate & Specialty AG was terminated at the end of 2006. As a result, premiums decreased by € 281 million.
- The fronting of industrial client reinsurance business on behalf of Allianz Global Corporate & Specialty AG was terminated in 2007 in order to optimize reinsurance processes within the Allianz Group. This led to reduced premiums of € 179 million.
- The premium volume from major external clients decreased by € 197 million, affecting mainly fire, motor, liability, engineering and life reinsurance.

Gross premiums and underwriting result net by reinsurance lines of business for fiscal years 2007 and 2006

	Gross premiums			Combined ratio P&C only		Change in claim equalization and similar reserves		Underwriting result net	
	2007 € mn	2006 € mn	Change in %	2007 in %	2006 in %	2007 € mn	2006 € mn	2007 € mn	2006 € mn
Motor	764	880	(13.2)	93.0	83.2	(10)	25	10	102
Fire	598	727	(17.7)	64.1	101.9	(176)	(23)	(38)	(31)
Life	316	365	(13.4)	n/a	n/a	—	—	23	27
Personal Accident	315	367	(14.2)	79.8	91.1	(8)	11	22	26
Liability	298	381	(21.9)	67.8	100.4	(37)	(6)	24	(6)
Engineering	226	268	(15.7)	90.1	76.3	—	126	18	171
Household and homeowner	175	186	(5.4)	104.2	79.6	—	58	(9)	79
Credit and Bond	124	144	(13.6)	81.6	76.3	25	(20)	47	17
Marine	101	138	(26.5)	115.2	92.4	13	(18)	—	(10)
Legal expenses	81	92	(11.3)	84.1	100.9	2	4	9	4
Health	55	59	(6.7)	n/a	n/a	—	—	4	1
Business Interruption	20	21	(5.2)	102.5	59.5	19	4	18	9
Aviation, aircraft and spacecraft liability	(6)	286	(102.1)	108.4	98.9	297	(67)	296	(64)
Other lines	466	472	(1.9)	105.8	69.5	(15)	(44)	(36)	40
Total	3,533	4,386	(19.4)	86.2	88.3	110	50	388	365

Premium income in **motor reinsurance** fell by 13.2% to € 764 million, attributable to the increased self-retention at Allianz Sachversicherung. The combined ratio worsened due to higher competitive pressure in the primary insurance market, a higher level of losses and lower run-off.

Premium income in **fire reinsurance** dropped by 17.7% to € 598 million, mainly due to reduced business from Group companies. Despite floods in Australia and the UK, causing

losses of € 25 million and € 28 million respectively, as well as cyclone “Gonu” in the Middle-East, the claims development in 2007 was more favourable than in 2006, due to a positive run-off result. These effects were outweighed by higher additions to the claims equalization and similar reserves of € 176 million (2006: € 23 million).

In **life reinsurance** the premium volume decreased to € 316 million (2006: € 365 million) mainly caused by lower income from the Asia-Pacific region.

In **personal accident reinsurance** premium income decreased by 14.2% to € 315 million mainly influenced by the higher self-retention at Allianz Sachversicherung. The underwriting result remained on the prior year's positive level.

Premium income in **liability reinsurance** decreased by € 83 million to € 298 million as a consequence of the increased self-retention at Allianz Sachversicherung and a lower premium volume in North America. The combined ratio developed lower compared to 2006 due to a lower level of claims expenses in Europe and the USA.

In **engineering** premium income was down mainly as a consequence of reduced business from third parties.

The **household and homeowner reinsurance** result from Allianz Sachversicherung deteriorated significantly in 2007 due to losses from winter-storm "Kyrill".

In **credit and bond reinsurance**, premiums dropped by 13.6% to € 124 million as Euler Hermes increased its self-retention. This reinsurance line of business continued to benefit from portfolio restructuring measures of our primary insurers in the previous years.

In **marine reinsurance** premium income decreased by 26.5% to € 101 million due to the planned termination of a major treaty with Allianz Global Corporate & Speciality AG. Whilst the premium income declined, claims costs remained at the same level as in the prior year, despite the cancellation of the treaty. As a result, the combined ratio increased significantly.

The premium income and the underwriting result of **legal expenses reinsurance** was determined by the quota share contract with Allianz Sachversicherung. In contrary to 2006 the run-off result developed positively in 2007 .

Statutory premiums from **health reinsurance** reduced to € 55 million compared to € 59 million a year ago due to lower premium income from third party business. This was partially compensated by higher business volume of Koç Allianz Sigorta.

The result in **business interruption reinsurance** remained positive, despite the combined ratio increasing significantly. This was influenced by an increase of the current year claims mainly from the quota share contract with Allianz Sachversicherung, a negative run-off result in 2007, and a release of the claims equalization and similar reserves of € 19 million (2006: € 4 million).

The **aviation reinsurance** business with Allianz Global Corporate & Speciality AG was terminated, resulting in negative gross premiums written of € 6 million (2006: € 286 million positive). The related equalization reserve was released, leading to a positive underwriting result of € 296 million.

In the **Other** reinsurance lines, premium volume remained stable at € 466 million compared to € 472 million in 2006. The underwriting result turned negative due to high natural catastrophe claims.

"Other lines" include the following reinsurance lines:

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

Balance Sheet Review

– Strong growth in shareholders' equity

Condensed Balance Sheet

	2007 € mn	2006 € mn
Intangible assets	40	30
Investments	84,782	84,624
Receivables	6,928	5,550
Other assets	526	457
Deferred income and prepaid expenses	214	220
Total assets	92,490	90,881
Shareholders' equity	42,525	36,649
Profit participation certificates	441	441
Subordinated liabilities	7,510	7,510
Insurance reserves	9,384	10,486
Other provisions	4,649	5,428
Funds held with reinsurance business ceded	1,095	1,197
Other liabilities	26,886	29,169
Deferred income	—	1
Total equity and liabilities	92,490	90,881

Investments

The **book value of Allianz SE investments** increased slightly to € 84.8 billion (2006: € 84.6 billion).

Due to the sale of property assets, **real estate** decreased by € 65 million to € 318 million.

Investments in affiliated enterprises and participations increased slightly to € 68.2 billion (2006: € 67.9 billion). As a result of the AGF minority buy-out and the RAS and other merger activities in 2007, the Group structure was significantly reorganized, resulting in both additions and disposals within the Group with a total volume of approximately € 35.9 billion. In addition, Allianz SE purchased ROSNO for € 0.6 billion and capitalized a new holding company in France with € 1.0 billion. Share repurchases were performed by Dresdner Bank and Allianz Finance B.V. and resulted in a reduction of investments of € 1.3 billion.

Other investments remained stable at € 12.1 billion. Investments in shares decreased by € 0.5 billion due to external sales of Munich Re and BMW AG shares. In turn, deposits with banks, debt securities and other investments rose by € 0.5 billion.

As of December 31, 2007 the **fair value** of real estate, dividend-bearing securities (investments in affiliated enterprises and participations, other shares and interests in funds), debt securities as well as loans, bank deposits and funds held by others under reinsurance business assumed amounted to € 120.6 billion (2006: € 116.4 billion). The carrying amount of these investments in the balance sheet was € 84.7 billion (2006: € 84.6 billion).

Funds held by others under reinsurance business assumed decreased to € 4.1 billion (2006: € 4.3 billion).

Shareholders' Equity

As of December 31, 2007, our shareholders' equity amounted to € 42.5 billion (2006: € 36.6 billion). The increase of 16.0% was primarily driven by the strong net income of € 4.6 billion (2006: € 4.0 billion) and increases in capital.

In April 2007, 16,974,357 new Allianz SE shares were issued for the execution of the minority buy-out of AGF shares. Additionally, in November 2007 1,025,643 new Allianz SE shares were issued in connection with the 2007 Employee Stock Purchase Plan.

Details of the increase in capital

	Par value € mn	Additional paid-in capital € mn
Increase in share capital due to the minority buyout of AGF	43	2,722
Capital increase in connection with Employee Stock Purchase Plan	3	155
Total	46	2,877

A total of € 2.1 billion from the net income has been allocated to the retained earnings, increasing the reserve for appropriated retained earnings to € 11.7 billion. The board of management proposes to use the remaining unappropriated earnings of € 2.5 billion for dividend payments.

Insurance Reserves

Insurance reserves decreased in line with the overall reduction in premium volume and due to a pay-out of large prior year claims.

Liabilities

As of December 31, 2007 Allianz SE had outstanding financing liabilities of € 34.0 billion (2006: € 36.1 billion), of which € 29.5 billion are intragroup liabilities. A total of € 10.2 billion of these intragroup liabilities represents proceeds from third-party financing executed by Group companies in the Netherlands and in the United States.

The **financing liabilities** decreased by € 2.1 billion mainly due to the following reasons:

- Allianz SE repaid 64.4% of the BITES exchangeable bond (representing € 0.8 billion notional) through the delivery of Munich Re shares.
- Further repayments were two maturing senior bonds which were repaid in July and November with € 1.1 billion in each case.
- Further borrowings from affiliated enterprises were repaid with a total amount of € 2.5 billion.

This reduction was partly offset by the following transactions:

- Two bonds were issued to Group companies with a total amount of € 1.0 billion.
- The amount of short term funding through Commercial Paper was increased by € 2.1 billion to a total volume of € 2.9 billion.

- USD 0.4 billion floating rate note was issued which is equivalent to € 0.3 billion.

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 becomes 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

On January 18, 2008 we announced the start of the squeeze-out procedure for the remaining shares in Allianz Lebensversicherungs-AG having reached the required threshold of 95%.

Risk Report

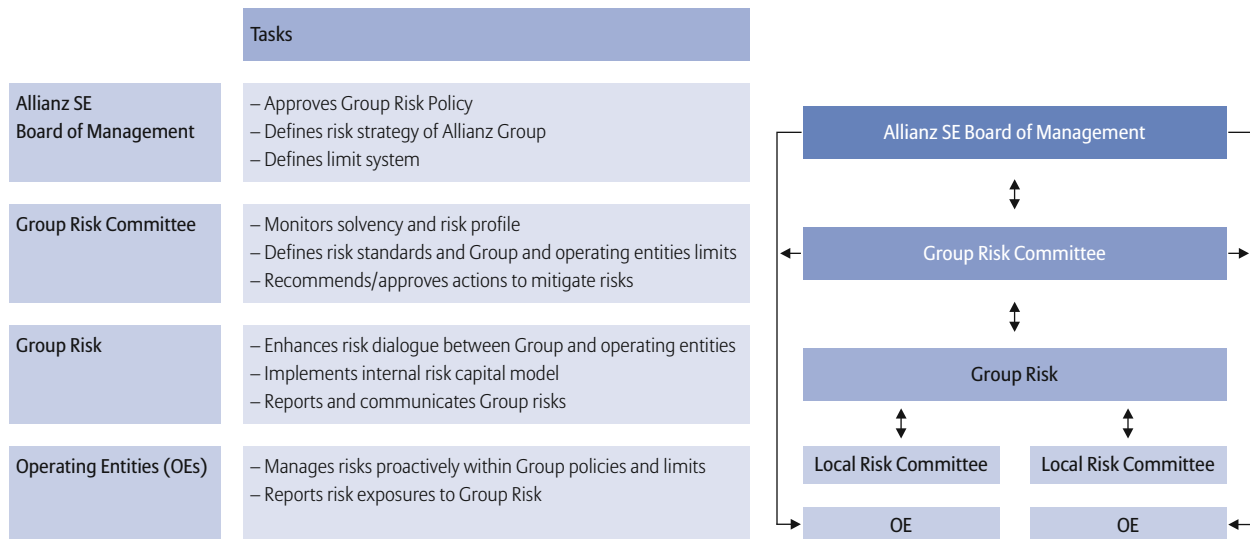
Allianz risk management is designed to add value by focusing on both risk and return.

As a provider of financial services, we consider risk management one of our core competencies. In order to protect the assets of Allianz SE we have established Group-wide risk management, with the following key elements:

- 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.

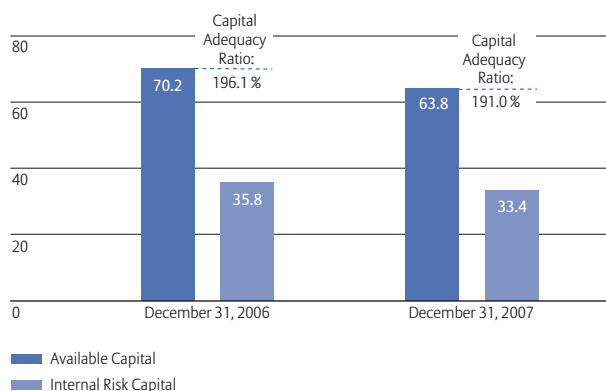
In managing our capital position, we also consider additional external requirements of regulators and rating agencies. While meeting rating agencies’ capital requirements forms a strategic business objective of the Allianz Group, capital requirements imposed by regulators constitute a binding constraint. 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



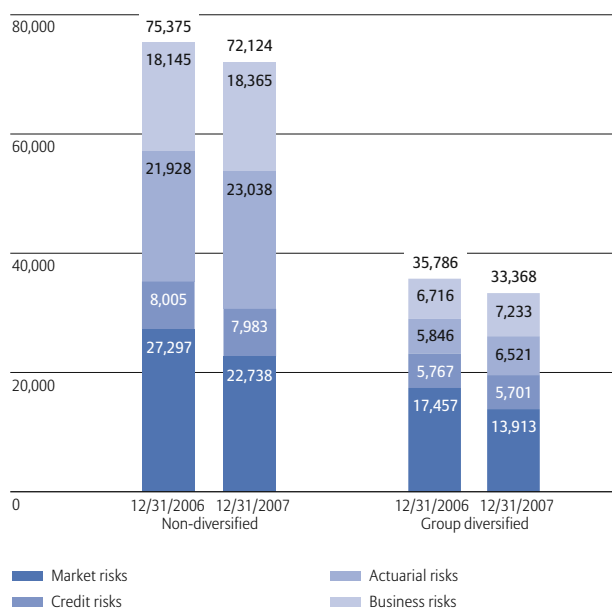
Our available capital at December 31, 2007 amounted to € 63.8 billion (2006: € 70.2 billion ¹⁾), while our internal capital requirements at December 31, 2007 amounted to € 33.4 billion (2006: € 35.8 billion), resulting in a capital adequacy ratio of 191.0% at December 31, 2007, compared to 196.1% at 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

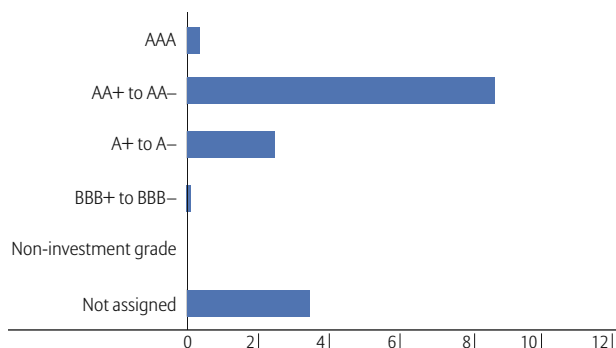
Reinsurance credit risk also covers the premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model, as this type of risk is a special form of credit risk. As of December 31, 2007, it represented 61% of our total Group non-diversified internal risk capital allocated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

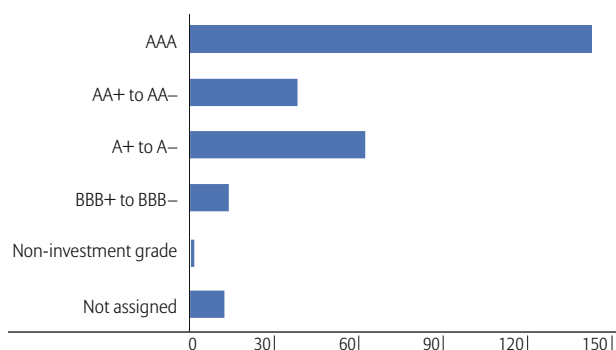
Investment credit risk

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

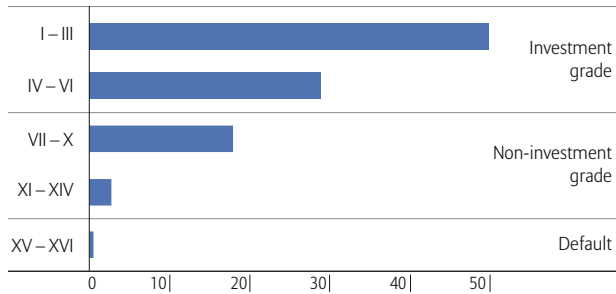
As of December 31, 2007, approximately half (51%) of total Group non-diversified internal credit risk capital was represented by Dresdner Bank. In the Banking segment, credit risks include default and migration risks arising from the lending and securities business and our derivatives trading activities;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

Remuneration 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 42.

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 42.

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 42.

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 € 0.4 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	460	—	114	574	24.2	1,141	(16.6)	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	350	—	17	367	2.5	609	(18.8)	161	(2.4)
Jean-Philippe Thierry	700	—	77	777	10.1	311	(78.4)	78	(77.9)
Dr. Herbert Walter	175	—	—	175	—	231	(32.3)	44	(51.6)
Dr. Werner Zedelius	700	—	14	714	—	1,363	(13.2)	348	18.4
Total	6,935	—	393	7,328	2.7	12,151	(18.8)	2,955	(9.6)

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 € 8.5 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	2007	%
			€ 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	49.5
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	5,022	2,527	196	340	536	10.7
Jean-Philippe Thierry	10,044	5,054	392	680	1,072	14.7
Dr. Herbert Walter	2,511	1,264	98	170	268	1.9
Dr. Werner Zedelius	10,044	5,054	392	680	1,072	6.6

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% 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 € 33 million (2006: € 35 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 77.

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.

Allianz SE paid € 3 million (2006: € 3 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 € 19 million (2006: € 16 million).

The following table sets out the current service cost and contributions arising in relation to the current pension plans, 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)	302	Dr. Helmut Perlet	201
Dr. Paul Achleitner	184	Dr. Gerhard Rupprecht	93
Clement B. Booth	246	Jean-Philippe Thierry	477
Jan R. Carendi	—	Dr. Herbert Walter	50
Enrico Cucchiani	159	Dr. Werner Zedelius	211
Dr. Joachim Faber	218		

The additional current service cost in 2007 for the frozen pension plan amounted to, in € thousand, for Mr. Diekmann 69, for Dr. Achleitner 165, for Dr. Faber 161, for Dr. Perlet 0, for Dr. Rupprecht 31, for Dr. Walter 47 and for Dr. Zedelius 91.

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 € 4 million (2006: € 3 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 39 million (2006: € 39 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.

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

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.

(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.

Other Information

Our Employees ¹⁾

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 on a sustainable basis. This means, for example, that each employee must adapt to increasing cooperation between our business segments. We are comprehensively preparing our employees for this and other responsibilities. As indicated in the Shareholders' Letter of the Allianz Group's annual report, human resources management is one of Allianz's four most important initiatives in 2008.

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.

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.

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

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

Statements in Accordance with § 289 (4) HGB 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 AktG). Excepted from this are own shares held by the Company, which do not entitle the Company to any rights (§ 71 b AktG). 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 AktG, in particular by §§ 12, 53 a et seq., 118 et seq. and 186 AktG.

¹⁾ For the complete report on our employees please refer to the Allianz Group's Annual Report 2007

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) AktG). 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 AktG, § 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) AktG.

The members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (§ 84 (3) AktG). 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 AktG. With respect to the appointment, it is essential to ensure in particular that the members of

the Board of Management are suited to managing an insurance company in terms of reliability and professional competence (§§ 121 a, 7 a VAG). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) (§§ 121 a, 13 d No. 1 VAG).

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 AktG 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 2006/1). 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 contingent 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 AktG, that are majority owned by the Company, are authorized, to acquire own 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 own shares acquired, together with other own 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. For further details please refer to the Remuneration Report (page 40).

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.

Munich, February 12, 2008

Allianz SE

The Board of Management

Diekmann

Bäte

Cucchiani

Dr. Perlet

Thierry

Dr. Zedelius

Dr. Achleitner

Booth

Dr. Faber

Dr. Rupprecht

Dr. Walter

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Financial Statements

Balance Sheet as of December 31

	Notes Note No.	2007 € thou	2007 € thou	2006 € thou
ASSETS				
A. Intangible assets	1		40,439	30,105
B. Investments	1 – 6			
I. Real estate		318,486		383,698
II. Investments in affiliated enterprises and participations		68,223,521		67,935,430
III. Other investments		12,117,983		12,053,001
IV. Funds held by others under reinsurance business assumed		4,122,317		4,252,336
			84,782,307	84,624,465
C. Receivables				
I. Accounts receivables on reinsurance business		548,248		461,502
thereof from affiliated enterprises € thou 120,750 (2006: 90,852)				
thereof from participations ¹⁾ € thou 7,021 (2006: 6,394)				
II. Other receivables	7	6,379,572		5,088,622
thereof from affiliated enterprises € thou 5,093,192 (2006: 3,779,290)				
thereof from participations ¹⁾ € thou 1,681 (2006: 102)				
			6,927,820	5,550,124
D. Other assets				
I. Tangible fixed assets and inventories		10,217		9,368
II. Cash with banks, checks and cash on hand		81,108		72,414
III. Own shares		51,758		37,982
computed value € thou 1,453 (2006: 1,232)				
IV. Miscellaneous assets	8	382,501		337,308
			525,584	457,072
E. Deferred income and prepaid expenses				
I. Accrued interests and rent		153,343		131,874
II. Other prepaid expenses and deferred income	9	60,949		87,416
			214,292	219,290
Total Assets			92,490,442	90,881,056

¹⁾ Companies in which we hold participation interest

	Notes Note No.	2007 € thou	2007 € thou	2007 € thou	2006 € thou
EQUITY AND LIABILITIES					
A. Shareholders' equity	11				
I. Issued capital			1,152,384		1,106,304
II. Additional paid-in capital			27,169,089		24,292,026
III. Appropriated retained earnings					
1. Required by law		1,229			1,229
2. For own shares		51,758			37,982
3. Other		11,674,769			9,202,483
			11,727,756		9,241,694
IV. Unappropriated earnings			2,475,825		2,008,619
				42,525,054	36,648,643
B. Profit participation certificates	12			441,455	441,455
C. Subordinated liabilities	13, 16			7,509,907	7,510,083
D. Insurance reserves	14				
I. Unearned premiums					
1. Gross		659,271			733,681
2. Less: amounts ceded		147,023			211,396
			512,248		522,285
II. Aggregate policy reserve					
1. Gross		3,633,484			3,763,161
2. Less: amounts ceded		894,540			996,896
			2,738,944		2,766,265
III. Reserve for loss and loss adjustment expenses					
1. Gross		6,339,407			7,502,230
2. Less: amounts ceded		1,925,846			2,117,849
			4,413,561		5,384,381
IV. Reserve for non-experience-rated premium refunds					
1. Gross		101,569			105,664
2. Less: amounts ceded		44,251			48,660
			57,318		57,004
V. Claims equalization and similar reserves			1,558,616		1,668,233
VI. Other insurance reserves					
1. Gross		104,213			99,796
2. Less: amounts ceded		797			12,160
			103,416		87,636
				9,384,103	10,485,804

	Notes Note No.	2007 € thou	2007 € thou	2007 € thou	2006 € thou
EQUITY AND LIABILITIES					
E. Other provisions	15			4,649,336	5,427,666
F. Funds held with reinsurance business ceded				1,094,531	1,197,389
G. Other liabilities					
I. Account payable on reinsurance business			418,643		532,163
thereof to affiliated enterprises: € thou 376,387 (2006: 487,609)					
thereof to participations: € thou 2,109 (2006: 3,543)					
II. Bonds	16		1,905,180		930,065
thereof to affiliated enterprises: € thou 1,905,180 (2006: 930,065)					
III. Miscellaneous liabilities	16		24,561,888		27,707,222
including taxes of € thou 919 (2006: 2,905)					
thereof to affiliated enterprises € thou 21,662,394 (2006: 26,534,298)					
thereof to participations € thou 33,916 (2006: 28,073)					
				26,885,711	29,169,450
H. Deferred income				345	566
Total equity and liabilities				92,490,442	90,881,056

Income Statement for the Period from January 1 to December 31

	Notes Note No.	2007 € thou	2007 € thou	2007 € thou	2006 € thou
I. Underwriting account					
1. Premiums earned – net					
a) Gross premiums written	17	3,532,840			4,385,797
b) Premiums ceded		(1,138,188)			(1,510,967)
			2,394,652		2,874,830
c) Change in unearned premiums – gross		61,883			64,122
d) Change in unearned premiums ceded		(60,635)			4,114
			1,248		68,236
				2,395,900	2,943,066
2. Allocated interest return – net	18			123,424	135,346
3. Other underwriting income – net				2,290	828
4. Loss and loss adjustment expenses – net	19				
a) Claims paid					
aa) Gross		(3,235,637)			(3,106,230)
bb) Amounts ceded in reinsurance		970,712			872,063
			(2,264,925)		(2,234,167)
b) Change in reserve for loss and loss adjustment expenses					
aa) Gross		906,877			464,862
bb) Amounts ceded in reinsurance		(148,491)			(141,813)
			758,386		323,049
				(1,506,539)	(1,911,118)
5. Change in other insurance reserves – net	20			(40,615)	(13,604)
6. Expenses for non-experience-rated premium refunds – net				(13,895)	(17,313)
7. Underwriting expenses – net	21			(657,888)	(792,433)
8. Other underwriting expenses – net				(23,955)	(29,503)
9. Subtotal				278,722	315,269
10. Change in claim equalization and similar reserves				109,617	49,332
11. Net underwriting result				388,339	364,601
II. Non-underwriting account					
1. Investment income	22	6,895,429			5,923,216
2. Investment expenses	23	(2,759,502)			(2,203,544)
			4,135,927		3,719,672
3. Allocated interest return			(166,847)		(185,405)
				3,969,080	3,534,267
4. Other income	25		1,016,979		763,735
5. Other expenses	26		(1,302,854)		(1,610,682)
				(285,875)	(846,947)
6. Non-underwriting result				3,683,205	2,687,320
7. Income before taxes				4,071,544	3,051,921
8. Income taxes	27	(161,359)			325,813
less amounts charged to other companies in the Group		690,465			638,474
			529,106		964,287
9. Other taxes			(7,009)		1,029
				522,097	965,316
10. Net income				4,593,641	4,017,237
11. Unappropriated earnings carried forward				1,798	—
12. Use of appropriated earnings					
Use of appropriated earnings for own shares				861	—
13. Allocation to appropriated earnings					
To other appropriated earnings				(2,120,475)	(2,008,618)
14. Unappropriated earnings	28			2,475,825	2,008,619

Notes to the Financial Statements

Basis of Preparation

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

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

Accounting, Valuation and Calculation Method

Intangible assets

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

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

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

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

Investments in affiliated enterprises and participations

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

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

Other investments

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

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

Debentures, loans, and bank deposits

These are valued at nominal amount less repayments.

Tangible fixed assets, inventories and other assets

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

Own shares

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

Other assets

Consist of the following:

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

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

Insurance reserves

Consist of the following:

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

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

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

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

Other provisions

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

Other liabilities

Consist of the following:

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

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

Prepaid expenses

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

Currency translation

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

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

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

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Supplementary Information on Assets

1 Change of assets A., B.I through B.III. in fiscal year 2007

	Values stated as of December 31, 2006		Additions
	€ thou	%	€ thou
A. Intangible assets			
Other intangible assets	30,105		18,431
B.I. Real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE	383,698	0.5	13,090
B.II. Investments in affiliated enterprises and participations			
1. Shares in affiliated enterprises	66,348,078	82.6	37,806,437
2. Loans to affiliated enterprises	1,237,376	1.5	6,552,499
3. Participations	349,976	0.4	86,318
Subtotal B. II.	67,935,430	84.5	44,445,254
B.III. Other investments			
1. Stocks, interests in funds and other variable income securities	2,605,617	3.3	1,730,099
2. Debt securities and other fixed-income securities	7,901,457	9.8	17,116,588
3. Bank deposits	1,545,927	1.9	96,904
4. Miscellaneous investments	—	—	99,028
Subtotal B. III.	12,053,001	15.0	19,042,619
Subtotal B. I. - III.	80,372,129	100.0	63,500,963
Total	80,402,234		63,519,394

Transfers	Disposals	Revaluation	Depreciation	Net additions (+) Net disposals (-)	Values stated as of December 31, 2007	
					€ thou	%
—	3,829	—	4,268	10,334	40,439	
—	67,437	—	10,865	(65,212)	318,486	0.4
47,012	38,241,058	48,245	379,756	(719,120)	65,628,958	81.4
—	5,516,937	—	51,869	983,693	2,221,069	2.7
(47,012)	15,788	—	—	23,518	373,494	0.5
—	43,773,783	48,245	431,625	288,091	68,223,521	84.6
—	2,244,134	15	3,988	(518,008)	2,087,609	2.6
—	16,646,409	3,659	73,856	399,982	8,301,439	10.3
—	—	—	—	96,904	1,642,831	2.0
—	—	—	12,924	86,104	86,104	0.1
—	18,890,543	3,674	90,768	64,982	12,117,983	15.0
—	62,731,763	51,919	533,258	287,861	80,659,990	100.0
—	62,735,592	51,919	537,526	298,195	80,700,429	

2 Market value of investments

As of December 31, 2007 the fair value of real estate, dividend-bearing securities (investments in affiliated enterprises and participations, other shares and interests in funds), debt securities as well as loans, bank deposits and funds held by others under reinsurance business assumed amounted to € 120.6 bn (2006: € 116.4 bn). The carrying amount of these investments in the balance sheet was € 84.7 bn (2006: € 84.6 bn).

The values are subdivided into individual asset categories as follows:

	December 31, 2007		
	Book value	Fair value	Valuation reserve
	€ bn	€ bn	€ bn
Real estate	0.3	0.5	0.2
Equity securities	68.1	103.8	35.7
Debt securities	8.3	8.3	—
Loans	2.2	2.2	—
Bank deposits	1.7	1.7	—
Funds held by others under reinsurance business assumed	4.1	4.1	—
Total	84.7	120.6	35.9

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

Real estate

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

Dividend-bearing securities

Investments in companies which are quoted at the stock exchange are measured with the stock exchange price quoted on the last trading day of 2007. Non-quoted companies are valued at their net value calculated by the DVFA method. For recent transactions the transaction prices were utilized.

Debt securities and other fixed-income securities

Those items are measured at the stock exchange value quoted on the last trading day of 2007.

Loans, bank deposits and accounts receivables on reinsurance business

There were no material differences between the book value and the fair value in 2007 for those items.

3 Real estate

The book value of own property for own use amounts to € 547 thou (2006: € 578 thou).

4 Investments in affiliated enterprises and participations

Investments in affiliated enterprises increased slightly to € 68.2 bn (2006: € 67.9 bn). As a result of the AGF minorities buy-out and the RAS and other merger activities in 2007, the group structure was significantly reorganized, resulting in both additions and disposals within the group of about € 35.9 bn. In addition Allianz SE purchased ROSNO for € 0.6 bn, and capitalized a new holding company in France with € 1.0 bn. Share repurchases were performed by Dresdner Bank and Allianz Finance B.V. and resulted in a reduction of investments by € 1.3 bn.

5 Funds held by others under reinsurance business assumed

This item reduced mainly due to:

- the reduction of the quota share reinsurance contract with Allianz Sachversicherung, Munich and
- the partial termination of a treaty with Allianz Lebensversicherungs-AG, Stuttgart.

6 Disclosure of participations

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

7 Other receivables

The total increase of € 1.3 bn for other receivables is essentially due to an increase by € 1.5 bn concerning receivables to affiliated enterprises and a decrease in tax receivables of € 0.2 bn. The reduction in tax receivables is primarily based on refunds resulting from the tax returns filed for the years 1999 to 2003.

8 Miscellaneous assets

This position mainly involves options on Allianz SE shares acquired in the "All-in-One" transaction in 2005 and other options on Allianz SE shares to hedge intra-group obligations relating to the Group Equity Incentive plan.

9 Other prepaid expenses and deferred income

This item includes the premium on loans to affiliated enterprises amounting to € 548 thou (2006: € 1,874 thou) and the discount on borrowings from affiliated enterprises, issued bonds and subordinated liabilities amounting to € 60 mn (2006: € 85 mn).

10 Collateral

Assets amounting to € 3.3 bn (2006: € 5.1 bn), thereof € 2.7 bn (2006: € 4.6 bn) to affiliated enterprises, are pledged as collateral for liabilities.

Supplementary Information on Equity and Liabilities

11 Shareholders' Equity

At December 31, 2007 the issued capital registered at the Commercial Register was € 1,152,384,000. The share capital is divided into 450,150,000 registered shares with restricted transferability. The no par shares have a mathematical value of € 2.56 each as a proportion of the capital stock.

At December 31, 2007 Allianz SE held 567,698 (2006: 481,267) own shares of which 424,035 (2006: 424,035) were held to hedge obligations from the restricted stock units program. The remaining 143,663 shares will be used in 2008 for the quarterly employee stock purchase plan of our affiliated enterprises in the NAFTA region.

The General Meetings of February 8, 2006 and May 2, 2007 authorized the domestic and foreign banks in which Allianz SE holds a majority interest to acquire and sell own shares for trading purposes pursuant to § 71 (1) no. 7 AktG. During the fiscal year, these banks acquired 24,780,668 (2006: 44,741,900) shares of Allianz SE at an average price of € 131.55 (2006: € 131.45) per share, which include previously held Allianz SE shares. Additionally these banks took 716,301 (2006: € 748,891) shares of Allianz SE as collateral. During the fiscal year, 25,348,169 shares (2006: 42,180,935) were sold at an average price of € 127.39 (2006: 132.76) per share. Losses from transactions with own shares amounted to € 110,000 thou (2006: gain of € 29,097 thou), and were recorded in retained earnings. At December 31, 2007, other Group companies held 671,654 (2006: 2,332,442) shares in Allianz SE.

The own shares represent € 3,172,741.12 or 0.3% of the share capital.

Changes to the number of issued shares outstanding

	2007	2006
Issued shares as of January 1,	432,150,000	406,040,000
Capital increase for merger with RAS	—	25,123,259
Capital increase in connection with buy-out of AGF minority interest	16,974,357	—
Capital increase for employee stock purchase plan	1,025,643	986,741
Total number of issued shares at end of year	450,150,000	432,150,000
Own shares held for hedging GEI plan	(424,035)	(424,035)
Own shares held for quarterly employee stock purchase plan	(143,663)	(57,232)
Own shares held by affiliated enterprises	(671,654)	(2,332,442)
Total number of shares outstanding as of December 31, 2007	448,910,648	429,336,291

As of December 31, 2007 there was authorized capital 2006/I with a nominal amount of € 406,545,646.08 (158,806,893 shares), which can be issued until February 7, 2011. The shareholders' subscription rights can be excluded for capital increases against contribution in kind as well as for fractional amounts. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sent. 4 AktG do not exceed 10% of the share capital. Finally, shareholders' subscription rights can be excluded to the extent necessary to grant holders of bonds that carry conversion or option rights a subscription right. Another authorized capital (authorized capital 2006/II) can be used until February 7, 2011 to issue shares against cash contributions. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of December 31, 2007 the authorized capital 2006/II amounted to € 9,848,296.96 (3,846,991 shares).

Further as of December 31, 2007, there exists 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.

Additional paid-in capital

	€ thou
As of December 31, 2006	24,292,026
+ From capital increases 2007	2,877,063
As of December 31, 2007	27,169,089

Appropriated retained earnings

	As of December 31, 2006	Unappropri- ated earnings 2006	From net income 2007	Appropri- ation to reserve for own shares	As of December 31, 2007
	€ thou	€ thou	€ thou	€ thou	€ thou
1. Legal reserve	1,229	—	—	—	1,229
2. For own shares	37,982	—	(861)	14,637	51,758
3. Other	9,202,483	366,448	2,120,475	(14,637)	11,674,769
Total	9,241,694	366,448	2,119,614	—	11,727,756

12 Profit participation certificates

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

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

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

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

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

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

13 Subordinated liabilities

Subordinated liabilities in the amount of € 7.5 bn (2006: € 7.5 bn) result from the issuance of subordinated bonds in the amount of € 5.9 bn (2006: € 5.9 bn) by Allianz Finance II B.V., an affiliated enterprise, which has transferred the proceeds from these issues to Allianz SE. Allianz SE provides a performance guarantee for the total amount of € 5.9 bn (2006: € 5.9 bn).

In addition, an amount of € 1.6 bn (2006: € 1.6 bn) results from the direct issuance of a bond by Allianz SE. See footnote no. 16.

14 Insurance reserves

Aggregate policy reserve

The aggregate policy reserve declined in 2007 by a net amount of € 27 mn. This decrease is mainly due to

- the increase in self retention of Allianz Sachversicherung, Munich, and
- the partial termination of a treaty with Allianz Lebensversicherungs-AG, Stuttgart.

Reserve for loss and loss adjustment expenses

The reserve for loss and loss-adjustment expenses decreased by a net amount of € 971 mn. The reason for the reduction was the reduced business volume described on page 16.

Claims equalization and similar reserves

The claims equalization and similar reserves decreased by € 110 mn (see page 12).

15 Other provisions

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

The provisions for taxation decreased by € 298 mn primarily due to the hive-down of the RAS branch into ACIF.

The total change in provisions for anticipated losses from € 1,162 mn to € 602 mn is primarily due to the change of the anticipated loss provision for BITES of € 310 mn and of the DEGI provision of € 267 mn.

	Provision	Use (-)	Revenue from the release (-)	Allocation (+)	Provision
	December 31, 2006	2007	2007	2007	December 31, 2007
	€ thou	€ thou	€ thou	€ thou	€ thou
Provisions for pensions and similar liabilities	3,398,374	197,792	—	289,298	3,489,880
Tax provisions	725,398	387,058	—	89,414	427,754
Other provisions					
1) Anticipated losses	1,161,658	774,992	—	215,251	601,917
2) Others	142,236	96,077	19,709	103,335	129,785
Total Other provisions	5,427,666	1,455,919	19,709	697,298	4,649,336

16 Maturity of financial liabilities

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

Maturity table as of December 31, 2007

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

Maturity table as of December 31, 2006

	Total € thou	Term up to 1 year € thou	Term 1–3 years € thou	Term 3–5 years € thou	Term 5–10 years € thou	Term > 10 years € thou
Subordinated liabilities (C.)						
Intragroup transmission of proceeds from third party financing	5,930,748	237,286				5,693,462
Subordinated bond issued by Allianz SE	1,579,335	79,335				1,500,000
Subtotal	7,510,083	316,621				7,193,462
Bonds (intragroup – G.II.)	930,065	81,065	435,000		155,000	259,000
Miscellaneous liabilities (G.III.)						
Intragroup transmission of proceeds from third party financing	8,157,446	2,404,721	3,132,330		2,620,395	
Other intragroup liabilities	18,439,338	14,863,961	52,405	1,000,000	2,522,972	
Subtotal intragroup miscellaneous liabilities	26,596,784	17,268,682	3,184,735	1,000,000	5,143,367	
Liabilities to third parties	1,110,438	1,110,438				
Subtotal	27,707,222	18,379,120	3,184,735	1,000,000	5,143,367	
Total	36,147,370	18,776,806	3,619,735	1,000,000	5,298,367	7,452,462

Information about derivative financial instruments

Options dealing in shares and share indices

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Long Call	2,138,084	674,853	304,714	Allianz SE share	Assets D.IV.
Short Call	687,350	(158,299)	219,012	Allianz SE share	Liabilities G.IV.
Long Put	2,692,223	79,430	86,103	Hang Seng Index	Assets B.III.
Short Put	814,277	(22,752)	29,426	Hang Seng Index	Liabilities G.III.

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

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

Forward contracts in shares, share indices and hedge RSUs

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Long Forward	971,727	(26,297)	39,289	Allianz SE, DAX	Liabilities E.
Short Forward	892,457	(438,357)	430,487	DAX, Munich Re share	Liabilities E.
Hedge RSU	746,474	(746,474)	800,963	Allianz SE	Liabilities G.III.

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

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

Forward currency contracts

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Short Forward	1,324,898	22,052	1,424	HK \$, US \$	Liabilities E.

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

Interest Rate Swaps

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Fixed to Floating	64,233	(1,165)	1,182	Floating rate note	Liabilities E.
Floating to Fixed	296,187	(3,174)	3,174	Issued floating rate note	Liabilities E.

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

Credit Derivatives

Class	Nominal € thou	Fair Value € thou	Book Value € thou	Underlying	Balance Sheet Position
Credit Default Swap	765,000	1,935	74	Hedge of potential loss of claims against reinsurers	Liabilities E.

The fair value of a credit default swap is recorded as the difference between the net present value of the series of payments based on the fixed spread and the net present value of the series of payments based on the prevailing spread as of the valuation date.

The assumptions used for the recovery rate are determined by the respective standard convention. Probabilities of survival are based on the loss probabilities published by Moody's.

Overview over financial instruments

Category	Position of Allianz SE	Nominal € thou	Market Value € thou	Book value € thou
Currency-related transactions	Foreign currency seller	1,324,898	22,052	1,424
Share/Index-related transactions	Share/Index buyer	3,924,088	625,804	373,429
Share/Index-related transactions	Share/Index seller	4,272,030	(517,226)	735,602
Hedge RSU	Share seller	746,474	(746,474)	800,963
Interest Rate Swaps	Receive fix, pay variable	64,233	(1,165)	1,182
Interest Rate Swaps	Receive variable, pay fix	296,187	(3,174)	3,174
Other transactions — CDS	Credit Protection Buyer	765,000	1,935	74

Supplementary Information to the Income Statement

17 Gross premiums written

	2007 € thou	2006 € thou
Property & Casualty and Health insurance	3,216,577	4,020,416
Life insurance	316,263	365,381
Total	3,532,840	4,385,797

18 Allocated interest return - net

The amount of interest income calculated and transferred under this heading from non-underwriting section to the underwriting section is in accordance with § 38 RechVersV. The reduction in interest income by € 12 mn results from the reduction in funds held by others under reinsurance business assumed.

19 Loss and loss adjustment expenses - net

The expenditure for insured events decreased by € 405 mn. This development was in line with the reduced business volume.

22 Investment income

	2007 € thou	2007 € thou	2006 € thou
a) Income from shares in affiliated enterprises and participations thereof from affiliated enterprises: € thou 1,194,800 (1,644,027)		1,203,828	1,657,944
b) Income from other investments thereof from affiliated enterprises: € thou 383,903 (260,940)			
aa) Income from real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE	33,615		37,232
bb) Income from other investments	880,710		658,166
		914,325	695,398
c) Income from reversal of impairments		51,919	129,623
d) Realized gains		679,792	125,335
e) Income from profit transfer agreements		4,045,565	3,314,916
Total		6,895,429	5,923,216

20 Change in other insurance reserves - net

This position contains:

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

	2007 € thou	2006 € thou
Change in aggregate policy reserves net	(20,499)	(12,818)
Other insurance reserves net	(20,116)	(786)
Total	(40,615)	(13,604)

21 Underwriting expenses - net

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

	2007 € thou	2006 € thou
Gross	(923,738)	(1,152,302)
Ceded	265,850	359,869
Net	(657,888)	(792,433)

23 Investment expenses

	2007 € thou	2006 € thou
a) Investment management, interest charges and other investment expenses		
1. Interest expenses	(1,682,677)	(1,413,976)
2. other	(152,845)	(252,984)
b) Depreciation and impairments on investments	(533,258)	(434,225)
c) Realized losses	(334,594)	(70,010)
d) Expenses from losses taken over	(56,128)	(32,349)
Total	(2,759,502)	(2,203,544)

24 Depreciation and impairment on investments

The write-off on investments includes unscheduled write-downs in accordance with § 253 (2) sentence 3 HGB of € 5 mn (2006: € 1 mn) on real estate and of € 380 mn (2006: € 195 mn) on holdings in affiliated enterprises.

25 Other income

	2007 € thou	2006 € thou
Currency gains	370,843	221,329
Gains on derivatives	296,916	227,131
Refund of pension expenses	105,379	124,159
Intercompany income	75,246	95,033
Other interests and similar income	41,569	3,368
Others	127,026	92,715
Total	1,016,979	763,735

26 Other expenses

	2007 € thou	2006 € thou
Expenses on derivatives	(259,470)	(295,051)
Other company costs	(253,035)	(295,110)
Interests and similar expense	(234,513)	(210,759)
Anticipated losses on derivatives	(215,128)	(349,693)
Pension expenses	(105,379)	(124,159)
Currency losses	(62,642)	(116,865)
Intercompany expenses	(15,748)	(96,614)
Others	(156,939)	(122,431)
Total	(1,302,854)	(1,610,682)

Fees for the auditor

Following expenses were recorded for 2007:

	€ thou
a) Audit	(4,427)
b) Other certification and valuation services	(1,003)
c) Tax advice services	(101)
d) Other services	(655)
Total	(6,186)

27 Income taxes

The option ("Bilanzierungshilfe") to record deferred tax assets in accordance with § 274 (2) HGB was not used. When calculating the tax amount to be charged to subsequent accounting years the company netted the anticipated future tax benefits with the anticipated tax burden.

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

28 Unappropriated earnings

	2007 € thou	2006 € thou
Net income	4,593,641	4,017,237
Unappropriated earnings carried forward	1,798	—
Use of appropriated earnings for own shares	861	—
Allocation to other appropriated earnings	(2,120,475)	(2,008,618)
Unappropriated earnings	2,475,825	2,008,619

Other Information

Contingent liabilities, legal proceedings and other financial commitments

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

- Bonds issued in 1998 for € 1.6 bn by Allianz Finance B.V., Amsterdam,
- Bonds issued in 2002 for € 900 mn by Allianz Finance II B.V., Amsterdam,
- Subordinated bonds issued in 2002 for € 3.0 bn by Allianz Finance II B.V., Amsterdam,
- Subordinated bonds issued in 2002 for USD 500 mn by Allianz Finance II B.V., Amsterdam,
- Bonds issued in 2005 by Allianz Finance II B.V., Amsterdam with a repayment dependent on the development of the German share index (DAX) issue volume outstanding € 450 mn,
- Subordinated bonds issued in 2005 for € 1.4 bn by Allianz Finance II B.V., Amsterdam,
- Subordinated bonds issued in 2006 for € 800 mn by Allianz Finance II B.V., Amsterdam,
- Bonds issued in 2006 for € 1.5 bn by Allianz Finance II B.V., Amsterdam,
- Bonds issued in 2007 for USD 400 mn by Allianz Finance II B.V., Amsterdam,
- Loan taken out in 2002 for AUD 100 mn by Allianz Australia Ltd., Sydney,
- Debt obligations of Allianz Holding France in the context of the Minority buyout of AGF amounting to € 4.5 bn.
- Allianz Cornhill Insurance, Guildford, in favour of Lloyds TSB amounting GBP 78 mn.
- Liabilities of Allianz Global Corporate & Specialty AG, Munich, regarding to guaranteed credit agreements amounting to USD 642 mn.
- Liabilities of Allianz Global Risks US Insurance Company, Los Angeles, regarding to guaranteed credit agreements amounting to USD 330 mn.

Allianz SE is committed to making future capital payments in favor of our North American holding company, Allianz of America, Inc., Wilmington. This will place Allianz of America Inc., Wilmington, in a position to provide sufficient capital to Allianz Global Risks US Insurance Company, Los Angeles, so that this company can meet its payment obligations for claims received in connection with the attack on the World Trade Center. These future capital payments are limited to USD 152 mn and are secured by pledges in securities.

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

Allianz SE provides a maximum € 1 bn guarantee for the obligations of AGF Vie, Paris, under a unit linked pension insurance contract. As of December 31, 2007 the guaranteed obligations amounted € 211 mn.

With respect to Fireman's Fund Insurance Co., Novato, there is a conditional commitment to make capital payments which must, in particular, be made in case of future negative developments of the reserves for the year 2003 and before. They are limited to USD 1.1 bn.

A commitment to make capital payments in the amount of € 27 mn also exists with respect to Allianz Global Corporate & Specialty France, Paris.

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 USD 0.3 bn.

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

Guarantee declarations have also been given for deferred annuity agreements signed by Allianz-RAS Seguros y Reaseguros S.A., Madrid.

Allianz SE provides guarantees in favor of Marsh, Inc. for coverage of potential liabilities for various Allianz subsidiaries.

For the US Dollar Commercial Paper Program a guarantee was given to investors by Allianz Finance Corporation, USA. At the end of the year USD 1.0 bn in commercial papers was issued as part of the program.

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

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

There is a conditional commitment to repay dividends received to Allianz Capital Partners GmbH, in order to ensure that company's ability to meet warranty obligations in connection with the disposal of a shareholding.

There are also value asset liabilities of € 76 mn for the phased-in retirement liabilities of German group companies.

In connection with the sale of holdings in individual cases, guarantees were given covering the various bases used to determine purchase prices. These can for example relate to tax risks. In respect of the sale of Allianz of Canada, which took place in 2005, these also relate to additional elements of purchase price fixing and, secondly, to the business insured by Allianz Global Risks US Reinsurance Canada Branch.

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

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

As of December 31, 2007 Allianz SE had contingent liabilities under guarantees amounting to € 8 mn.

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

- ACM-Compagnie Mercur AG
- Allianz Alternative Assets Holding GmbH
- Allianz Autowelt GmbH
- Allianz Deutschland AG
- Allianz Finanzbeteiligungs GmbH
- Allianz Global Corporate & Specialty AG
- Allianz Immobilien GmbH (agreement cancelled as of December 31, 2007)
- Allianz ProzessFinanz GmbH (agreement cancelled as of December 31, 2007)
- AZ-Arges Vermögensverwaltungsgesellschaft mbH
- AZ-Argos 3 Vermögensverwaltungsgesellschaft mbH
- AZ-Argos 10 Vermögensverwaltungsgesellschaft mbH

- IDS GmbH-Analysis and Reporting Services
- META Finanz-Informationssysteme GmbH

Control and transfer-of-profit agreements were concluded by Allianz SE with Allianz Investment Management SE on October 8, 2007 and with Allianz Argos 14 GmbH on October 31, 2007. These agreements require the consent of the General Meeting of Allianz SE to be granted in the General Meeting on May 21, 2008 and registration in the Commercial Register to become effective. The control and transfer-of-profit agreement with Allianz Investment Management SE shall apply as from July 1, 2007, the agreement with Allianz Argos 14 GmbH as from November 1, 2007, provided that the control under the agreements applies only as from registration in the respective Commercial Register.

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

Financial liabilities of € 223 mn arose in 2007 from advertising agreements.

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

In the course of the sale of a real estate portfolio comprising objects from different Allianz Group entities, Allianz SE agreed to provide under certain circumstances guarantees to the buyer. The guarantee was issued on February 2008, for an amount up to € 230 mn.

Security deposits for leasing contracts amount to € 0.2 mn financial commitments.

Litigation

On November 5, 2001, a lawsuit, *Silverstein v. Swiss Re International Business Insurance Company Ltd.*, was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks U.S. Insurance Company (AGR U.S.). 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 U.S. 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 court-ordered mediation, AGR U.S. reached a settlement regarding the disputed insurance claims with Silverstein Properties. The settlement amount is within our set case reserve and secured by letters of credit from SCOR, which is a reinsurer of AGR U.S. for the relevant insurance policy. On May 24, 2007, SCOR announced that it considers the settlement agreed between AGR U.S. and Silverstein Properties to not respect the terms and conditions of the Certificate of Reinsurance between SCOR and AGR U.S. and referred the case to arbitration as contemplated under the Certificate of Reinsurance. The arbitration proceeding has commenced in October 2007 and discovery is ongoing. We do not expect any material negative financial impact for Allianz from such arbitration.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz SE as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz SE on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure (*Spruchverfahren*), which is pending with the district court (*Landgericht*) of Frankfurt. We believe that a claim to increase the cash settlement does not exist. In the event that

the court were to determine a higher amount as an appropriate cash settlement, this would affect all approximately 16 mn shares that were transferred to Allianz SE.

Events after the balance sheet date

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%.

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.

Board of Management remuneration

As of December 31, 2007 the Board of Management consisted of 11 members, for whose work the expenditure listed below was made.

The remuneration of the Board of Management consists of a fixed component of the basic salary as well as a variable component of an annual bonus. Other components consist of Group equity incentives in the form of 102,950 stock appreciation rights (SAR) and 51,805 restricted stock units (RSU).

	2007 € thou	2006 € thou
Fixed remuneration	(6,935)	(6,935)
Variable remuneration	(12,151)	(14,956)
Perquisites	(393)	(201)
Fixed and variable remuneration total	(19,479)	(22,092)
Fair value of SAR at grant date	(4,018)	(3,668)
Fair value of RSU at grant date	(6,970)	(6,142)
Group Equity Incentive at grant date 2007	(10,988)	(9,810)
Total remuneration	(30,467)	(31,902)

In addition, the Board of Management receives a medium-term three year bonus of € 2,955 thou (2006: € 3,268 thou). This bonus amount is an estimated amount for 2007 following interim assessment. The actual performance assessment can only take place at the end of the three-year period.

Equity remuneration plan

At Allianz Group Equity Incentives are paid in the form of Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU).

The reference price of the Group equity incentive programs for 2007 was € 160.13 (average share closing price of the Allianz share in Xetra trading on ten trading days following the press conference on annual results).

Benefits to retired Members of the Board of Management

In 2007, remuneration and other benefits of € 4 mn (2006: € 3 mn) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 39 mn (2006: € 39 mn).

Supervisory Board remuneration

	€	%
Fixed Salary	(704,168)	45.0
Performance-based remuneration	(452,075)	28.9
Committee remuneration	(409,062)	26.1
Total	(1,565,305)	100.0

For detailed information please refer to the remuneration report on page 40 to 45.

Average number of Employees in 2007

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

	2007	2006
Full-time staff	922	922
Part-time staff	101	83
Total	1,023	1,005

Staff expenses

	2007 € thou	2006 € thou
1. Wages and salaries	(151,492)	(132,009)
2. Statutory welfare contributions and expenses for optional support payments	(13,019)	(12,140)
3. Expenses for pensions and other post-retirement benefits	(22,771)	(22,366)
Total expenses	(187,282)	(166,515)

Notifications pursuant to § 21 (1) WpHG

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

Company Name	Location	+ = Exceeds – = falls below	Threshold %	Date	Proportion of Voting Rights %	Amount of voting rights	Attribution pursuant to § 22 WpHG
AXA S.A. ¹⁾	Paris	+	3	May 11, 2007	3.278	14,723,588	§ 22 (1) Sentence 1 No. 6; further 0.002% (11,177 shares) acc. to § 22 (1) No. 1
Barclays Global Investors UK Holdings Limited	London	–	3	August 29, 2007	2.970	13,342,338	§ 22 (1) Sentence 1 No. 6 in connection with § 22 (1) Sentence 2
JPMorgan Chase & Co.	New York	+	3	May 9, 2007	4.130	18,548,902	§ 22 (1) Sentence 1 No. 6 in connection with § 22 (1) Sentence 2
JPMorgan Chase & Co.	New York	–	3	May 11, 2007	1.580	7,083,076	§ 22 (1) Sentence 1 No. 6 in connection with § 22 (1) Sentence 2
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in Munich	Munich	–	3	September 25, 2007	2.670	11,982,644	None
UBS AG	Zurich	–	3	June 20, 2007	2.770	12,431,539	0.68% voting rights (3,049,835 shares) according to § 22 (1) Sentence 1 No. 1
UBS AG	Zurich	+	3	January 23, 2008	3.800	17,119,551	0.36% voting rights (1,635,947 shares) according to § 22 (1) Sentence 1 No. 1

¹⁾ This contains 3.003% (13,488,463 voting rights) which are attributed to AXA S.A. pursuant to § 22 (1) sentence 1 No.6 in connection with § 22 (1) sentence 2 WpHG via the following subsidiaries of AXA S.A., who also notified Allianz SE about the excess of the 3% threshold on May 11, 2007: AXA Financial, Inc., AXA Financial Services, LLC, AXA Equitable Life Insurance Company, LLC, AllianceBernstein Corporation und AllianceBernstein L.P..

Declaration of Compliance with the German Corporate Governance Code

On December 20, 2007 the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance with the AktG Code required by § 161 AktG and made it permanently available to shareholders on the company's website under www.allianz.com/corporate-governance.

Munich, February 12, 2008
Allianz SE

The Board of Management

Handwritten signatures of the Board of Management members, including names like Michael Gsell, Oliver Biele, and others.

Responsibility Statement

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

Munich, February 12, 2008
Allianz SE

The Board of Management

Thomas G. Siebert
Oliver B. Schmitt
Ulrich Rasch
Stefan J. Auer

Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Allianz SE, Munich, for the business year from 1 January to 31 December 2007. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion. Our audit has not led to any reservations.

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

Munich

March 3, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Johannes Pastor
Wirtschaftsprüfer



Dr. Frank Pfaffenzeller
Wirtschaftsprüfer

Mandates of the Members of the Supervisory Board

Dr. Henning Schulte-Noelle

Membership in other statutory supervisory boards and SE administrative councils in Germany E.ON AG, 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 comparable¹⁾ 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 comparable¹⁾ supervisory bodies
Assurances Générales de France

Dr. Gerhard Cromme

Membership in other statutory supervisory boards and SE administrative councils in Germany Axel Springer AG, Siemens AG (Chairman), ThyssenKrupp AG (Chairman)

Membership in comparable¹⁾ supervisory bodies Compagnie de Saint-Gobain S.A.

Claudia Eggert-Lehmann

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 comparable¹⁾ 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 comparable¹⁾ supervisory bodies

Membership in Group bodies Allianz S.p.A. (Vice President), Assurances Générales de France (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards and SE administrative councils in Germany Bayer AG, RWE AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Investors AG, Allianz Investment Management SE (Chairman), Allianz Lebensversicherungs-AG

Membership in comparable¹⁾ 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 comparable¹⁾ supervisory bodies

Membership in Group bodies Allianz Australia Limited, Allianz Insurance Holdings plc (Chairman), Allianz Irish Life Holdings plc, Allianz Life Insurance Company of North America (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 comparable¹⁾ 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 comparable¹⁾ 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 comparable¹⁾ supervisory bodies

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

As of December 31, 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)

List of Abbreviations

ACIF	Allianz Compagnia Italiana Finanziamenti SpA
AG	Aktiengesellschaft
AGF	Assurances Générales de France S.A.
AGR	Allianz Global Risk
AHF	Allianz Holding France
AktG	Aktiengesetz (German Stock Corporation Act)
AZ	Allianz
BetrAVG	Gesetz zur Verbesserung der betrieblichen Altersversorgung
BITES	Basket Index Tracking Equity Linked Securities
bn	Billion
BPV	Beitragsorientierter Pensionsvertrag
CDS	Credit Default Swap
DEGI	Deutsche Gesellschaft für Immobilienfonds GmbH
DVFA	Deutsche Vereinigung für Finanzanalyse und Asset Management (e.V.)
EVA	Economic Value Added
et seq	und folgende
GEI	Group Equity Incentives
GmbH	Gesellschaft mit beschränkter Haftung
HGB	Handelsgesetzbuch (German Commercial Code)
IRC	International Reinsurance Company S.A.
KG	Kommanditgesellschaft
Ltd	Limited
mn	Million
MTB	Mid-Term Bonus
Munich Re	Münchener Rückversicherungs-Gesellschaft AG
NAFTA	North American Free Trade Agreement
No.	Number
Plc	Public limited company
PZE	Pensionszusage durch Entgeltumwandlung
ROSNO	Russian People's Insurance Society
RSU	Restricted Stock Units
SAR	Stock Appreciation Rights
S.A.	Société Anonyme
SE	Societas Europaea
Sent	Sentence
SEStG	Gesetz über steuerliche Begleitmaßnahmen zur Einführung der Europäischen Gesellschaft und zur Änderung weiterer steuerrechtlicher Vorschriften
S.p.A.	Società per Azioni
RechVersV	Verordnung über die Rechnungslegung von Versicherungsunternehmen (External Accounting Requirements of Insurance Enterprises)
Thou	Thousand
VAG	Versicherungsaufsichtsgesetz (Law on Supervision of Insurance Enterprises)

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