ALLIANZ SE
Form 20-F
April 01, 2009
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SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

(Mark One)

¨ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934**

or

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year-ended December 31, 2008

or

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period to

or

¨ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Date of event requiring this shell report

Commission file number 1-15154

ALLIANZ SE

(Exact name of registrant as specified in its charter)

Federal Republic of Germany

(Jurisdiction of incorporation or organization)

Koeniginstrasse 28, 80802 Munich, Germany

(Address of principal executive offices)

Burkhard Keese

ALLIANZ SE

Königinstrasse 28, 80802 Munich, Germany

Telephone: +49 89 3800-16596

Facsimile: +49 89 3800-16598

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Ordinary Shares (without par value)*	The New York Stock Exchange, Inc.
8.375% Undated Subordinated Callable Bonds	The New York Stock Exchange, Inc.

* Not for trading, but only in connection with the listing of American Depositary Shares, pursuant to the requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer s classes of capital or common stock at December 31, 2008:

Ordinary shares, without par value	453,050,000 shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

YES x NO ¨

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

YES ¨ NO x

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES x NO ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer x Accelerated filer ¨ Non-accelerated filer ¨

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP ¨

International Financial Reporting Standards as issued by the International Accounting Standards Board x

Other ¨

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 ¨ Item 18 ¨

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES ¨ NO x

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

In this Annual Report, the terms we, us and our refer to Allianz Societas Europaea (or Allianz SE, and together with its consolidated subsidiaries, the Allianz Group), unless the context requires otherwise.

Unless otherwise indicated, when we use the term consolidated financial statements, we are referring to the consolidated financial statements (including the related notes) of Allianz SE as of December 31, 2008 and 2007 and for each of the years in the three-year period ended December 31, 2008, which have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft. The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (EU) regulations in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB). The Allianz Group s application of IFRSs results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB. The amounts set forth in some of the tables may not add up to the total amounts given in those tables due to rounding.

References herein to $, U.S.$ and U.S. Dollar are to United States Dollars and references to and Euro are to the Euro, the single cu established for participants in the third stage of the European Economic and Monetary Union (or EMU), commencing January 1, 1999. We refer to the countries participating in the third stage of the EMU as the Euro zone.

For convenience only (except where noted otherwise), some of the Euro figures have been translated into U.S. Dollars at the rate of $1.3566 = 1.00, the noon buying rate in New York for cable

transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on March 20, 2009. These translations do not mean that the Euro amounts actually represent those U.S. Dollar amounts or could be converted into U.S. Dollars at those rates. Refer to Key Information Exchange Rate Information for information concerning the noon buying rates for the Euro from January 1, 2004 through March 20, 2009.

Unless otherwise indicated, when we use the terms gross premiums, gross premiums written and gross written premiums, we are referring to premiums (whether or not earned) for insurance policies written during a specific period, without deduction for premiums ceded to reinsurers, and when we use the terms net premiums, net premiums written and net written premiums, we are referring to premiums (whether or not earned) for insurance policies written during a specified period, after deduction for premiums ceded to reinsurers. When we use the term statutory premiums, we are referring to gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the relevant insurer s home jurisdiction.

Unless otherwise indicated, we have obtained data regarding the relative size of various national insurance markets from annual reports prepared by SIGMA, an independent organization that publishes market research data on the insurance industry. In addition, unless otherwise indicated, insurance market share data are based on gross premiums written and statutory premiums for our Property-Casualty and Life/Health segments, respectively. Data on position and market share within particular countries are based on various third-party and/or internal sources as indicated herein.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This annual report includes forward-looking statements within the meaning of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. These include statements under Information on the Company, Operating and Financial Review and Prospects, Quantitative and Qualitative Disclosures About Market Risk and elsewhere in this annual report relating to, among other things, our future financial performance, plans and expectations regarding developments in our business, growth and profitability, and general industry and business conditions applicable to the Allianz Group. These forward-looking statements can generally be identified by terminology such as may, will, should, expects, plans, intends, anticipates, believes, estimates, predicts, potential, or continue or other similar terminology. V forward-looking statements on our current expectations, assumptions, estimates and projections about future events. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause our actual results, performance or achievements or those of our industry to be materially different from or worse than those expressed or implied by these forward-looking statements. These factors include, without limitation:

- general economic conditions, including in particular economic conditions in our core business areas and core markets;
- function and performance of global financial markets, including emerging markets and events related to market volatility, liquidity and credit;
- frequency and severity of insured loss events, including from natural catastrophes, terror attacks, environmental and asbestos claims and the development of loss expenses;
- mortality and morbidity levels and trends;
- persistency levels;
- interest rate levels;
- currency exchange rate developments, including the Euro/U.S. Dollar exchange rate;
- levels of additional loan loss provisions;
- further impairments of investments;
- general competitive factors, in each case on a local, regional, national and global level;
- changes in laws and regulations, including in the United States and in the European Union;
- changes in the policies of central banks and/or foreign governments;

the impact of acquisitions, including related integration and restructuring issues; and

terror attacks, events of war, and their respective consequences.

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PART I

ITEM 1. Identity of Directors, Senior Management and Advisors

Not applicable.

ITEM 2. Offer Statistics and Expected Timetable

Not applicable.

ITEM 3. Key Information

Selected Consolidated Financial Data

We present below our selected financial data as of and for each of the years in the five-year period ended December 31, 2008. We derived the selected financial data for each of the years in the five-year period ended December 31, 2008 from our audited annual consolidated financial statements, including the notes to those financial statements. All the data should be read in conjunction with our consolidated financial statements and the notes thereto. We prepare our annual audited consolidated financial statements in accordance with IFRS.

On August 31, 2008 Allianz SE (Allianz) and Commerzbank AG (Commerzbank) agreed on the sale of almost all of Dresdner Bank AG (Dresdner Bank) to Commerzbank. Following the announcement, Dresdner Bank qualified as held-for-sale and discontinued operations. Therefore, results from these operations have been eliminated from our results of Banking operations and are now

presented in a separate line item net income from discontinued operations, net of income taxes and minority interests in earnings . In addition to our continuing banking business, our Banking operations also reflect the results from those parts of Dresdner Bank that were not sold to Commerzbank: Oldenburgische Landesbank (OLB) and the banking clients that were introduced through our tied agent s channel. Furthermore, all assets and liabilities that are part of the disposal group have been reclassified and presented in separate line items Non-current assets and assets from disposal groups classified as held-for-sale and Liabilities of disposal groups classified as held-for-sale , respectively, on the face of the consolidated balance sheet as of December 31, 2008. Certain prior period amounts have been reclassified to conform to the current period presentation. For further information please refer to Note 3 to our consolidated financial statements.

Effective January 1, 2006, we implemented certain revisions to our consolidated financial statements to enhance the reader s understanding of our financial results and to use a more consistent presentation with that of our peers. These revisions reflect certain reclassifications in our consolidated balance sheet and consolidated income statement, changes to our segment reporting, changes to operating profit methodology and changes to our consolidated cash flow statement.

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As of or For the Years ended December 31,		2008 $[1]	2008	Change from previous year %	2007	2006	2005	2004
				(in millions, except per share data)				
Income Statement								
Total revenues[2]								
Property-Casualty	mn	58,859	43,387	(2.0)	44,289	43,674	43,699	42,942
Life/Health	mn	61,881	45,615	(7.6)	49,367	47,421	48,272	45,233
Banking	mn	738	544	(12.5)	622	604	6,318 [3]	6,576 [3]
Asset Management	mn	3,917	2,887	(11.4)	3,259	3,044	2,722	2,245
Consolidation	mn	156	115	not meaningful	144	130	(44)[3]	(47)[3]
Total Group	mn	125,551	92,548	(5.3)	97,681	94,873	100,967 [3]	96,949 [3]
Operating profit[4]								
Property-Casualty	mn	7,663	5,649	(10.3)	6,299	6,269	5,142	4,825
Life/Health	mn	1,636	1,206	(59.7)	2,995	2,565	2,094	1,788
Banking	mn	(42)	(31)	not meaningful	32	63	704 [3]	447 [3]
Asset Management	mn	1,256	926	(31.9)	1,359	1,290	1,132	839
Corporate	mn	(255)	(188)	42.2	(325)	(831)	(881)	(870)
Income (loss) from continuing operations before income taxes and minority interests in earnings	mn	7,425	5,473	(48.2)	10,563	9,563	7,829 [3]	5,044 [3]
Net income (loss) from continuing operations[5]	mn	5,382	3,967	(45.8)	7,316	6,640		
Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings[5]	mn	(8,697)	(6,411)	not meaningful	650	381		
Net income (loss)[6]	mn	(3,315)	(2,444)	not meaningful	7,966	7,021	4,380	2,266
Balance Sheet								
Investments	mn	352,915	260,147	(9.3)	286,952	298,134	285,015	254,085
Loans and advances to banks and customers	mn	156,898	115,655	(70.8)	396,702	423,765	359,610	406,218
Total assets	mn	1,296,334	955,576	(9.9)	1,061,149	1,110,081	1,054,656	1,058,612
Liabilities to banks and customers	mn	25,031	18,451	(94.5)	336,494	376,565	333,118	377,480
Reserves for loss and loss adjustment expenses	mn	86,719	63,924	0.3	63,706	65,464	67,005	62,331
Reserves for insurance and investment contracts	mn	402,309	296,557	1.5	292,244	287,032	277,647	251,497
Shareholders equity	mn	45,696	33,684	(29.5)	47,753	49,650	38,656	29,995
Minority interests	mn	4,835	3,564	(1.8)	3,628	7,180	8,386	7,696
Returns								
Return on equity after income taxes[7]	%	9.7	9.7[8]	(5.3) pts	15.0[8]	15.0[8]	12.9	7.8
Return on equity after income taxes and before goodwill amortization[7]	%	9.7	9.7[8]	6.7 pts	15.0[8]	15.0[8]	12.9	11.6
Share Information								
Basic earnings per share[6]		(7.37)	(5.43)	not meaningful	18.00	17.09	11.24	6.19
Diluted earnings per share[6]		(7.42)	(5.47)	not meaningful	17.71	16.78	11.14	6.16
Weighted average number of shares outstanding								
Basic	mn	450.2	450.2	1.7	442.5	410.9	389.8	365.9
Diluted	mn	456.0	456.0	1.4	449.6	418.3	393.3	368.1
Shareholders equity per share		102	75	(30.6)	108	121	99	82
Dividend per share		4.75	3.50[9]	(36.4)	5.50	3.80	2.00	1.75
Total dividend	mn	2,152	1,586[9]	(35.9)	2,476	1,642	811	674
Share price as of December 31		101.75	75.00	(49.3)	147.95	154.76	127.94	97.60
Market capitalization as of December 31[10]	mn	46,096	33,979	(49.0)	66,600	66,880	51,949	35,936 [11]
Other data								
Employees		182,865	182,865	0.9	181,207	166,505	177,625	176,501
Third-party assets under management as of December 31	mn	954,338	703,478	(8.0)	764,621	763,855	742,937	584,624

(1) Amounts given in Euros have been translated for convenience only into U.S. Dollars at the rate of $1.3566 = 1.00, the noon buying rate in New York for cable transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on March 20, 2009.

(2) Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums, Banking segment s operating revenues and Asset Management segment s operating revenues. Please refer to Operating and Financial Review and Prospects Introduction for a reconciliation of total revenues to premiums written for the Allianz Group.

(3) Figures for the years ended December 31, 2005 and 2004 do not reflect changes in the presentation relating to the discontinued operations of Dresdner Bank.

(4) The Allianz Group uses operating profit to evaluate the performance of its business segments. For further information on operating profit, as well as the particular reconciling items between operating profit and net income, refer to Note 6 to our consolidated financial statements.

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[5] Following the announcement of the sale on August 31, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. Therefore, all revenue and profit figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on January 12, 2009. Starting as of 2006 the results from these operations are presented in a separate net income line net income from discontinued operations, net of income taxes and minority interests in earnings .

[6] Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

[7] Based on average shareholders equity. Average shareholders equity has been calculated based upon the average of the current and preceding year s shareholders equity.

[8] Based on net income from continuing operations.

[9] Subject to final approval at Annual General Meeting.

[10] Source: Thomson Reuters Datastream.

[11] Excluding treasury shares.

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Dividends

The following table sets forth the annual dividends declared in 2008 and paid in prior years per ordinary share and American Depositary Share (or ADS) equivalent for 2004 through 2008. The table does not reflect the related tax credits available to German taxpayers. Refer to Additional Information German Taxation Taxation of Dividends.

	Dividend per ordinary share		Dividend paid per ADS equivalent	
		$		$
2004	1.75	2.27	0.175	0.227
2005	2.00	2.43	0.200	0.243
2006	3.80	5.13	0.380	0.513
2007	5.50	8.45	0.550	0.845
2008[1][2]	3.50	4.75	0.350	0.475

(1) Dividend amounts given in Euros have been translated for convenience only into U.S. Dollars at the rate of $1.3566 = 1.00, the noon buying rate in New York for cable transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on March 20, 2009. Refer to Presentation of Financial and Other Information.

(2) Subject to final approval at the Annual General Meeting.

The ability to pay future dividends will depend upon our future earnings, financial condition (including our cash needs), prospects and other factors. You should not assume that any dividends will actually be paid or make any assumptions about the amount of dividends which will be paid in any given year. Refer to Financial Information Dividend Policy.

Exchange Rate Information

The table below sets forth, for the periods indicated, information concerning the noon buying rates for the Euro expressed in U.S. Dollars per 1.00. No representation is made that the Euro or U.S. Dollar amounts referred to herein could be or could have been converted into U.S. Dollars or Euros, as the case may be, at any particular rate or at all.

	High	Low	Period average[1]	Period end
		($ per	1.00)	
2004	1.3625	1.1801	1.2478	1.3538
2005	1.3476	1.1667	1.2400	1.1842
2006	1.3327	1.1860	1.2661	1.3197
2007	1.4862	1.2904	1.3797	1.4603
2008	1.6010	1.2446	1.4695	1.3919
September	1.4737	1.3939	1.4302	1.4081
October	1.4058	1.2446	1.3370	1.2682
November	1.3039	1.2525	1.2706	1.2694
December	1.4358	1.2634	1.3276	1.3919
2009				
January	1.3718	1.2804	1.3190	1.2804
February	1.3064	1.2547	1.2735	1.2662
March (until March 20, 2009)	1.3730	1.2549	1.2880	1.3566

(1) Computed using the average of the noon buying rates for Euros on the last business day of each month during the relevant annual period or on the first and last business days of each month during the relevant monthly period. Noon buying rates are as published on a weekly basis by the Federal Reserve Bank of New York. On January 1, 2009, the Federal Reserve Bank discontinued daily publication of noon buying rates.

On March 20, 2009, the noon buying rate for the Euro was $1.3566.

Risk Factors

You should carefully review the following risk factors together with the other information contained in this annual report before making an investment decision. Our financial position and results of operations may be materially adversely affected by each of these risks. The market price of our ADSs may decline as a result of each of these risks and investors may lose the value of their investment in whole or in part. Additional risks not currently known to us or that we now deem immaterial may also adversely affect our business and your investment.

Risks arising from the financial markets

The share price of Allianz SE has been and may continue to be volatile.

The share price of Allianz SE has been volatile in the past, in particular over the last year. The share price and trading volume of our common stock may continue to be subject to significant fluctuations due in part to the high volatility in the securities markets generally, and in financial institutions shares in particular, as well as developments which impact our financial results. Factors other than our financial results that may affect our share price include but are not limited to: market expectations of the performance and capital adequacy of financial institutions generally; investor perception of and the actual performance of other financial institutions; investor perception of the success and impact of our strategy; a downgrade or rumored downgrade of our credit ratings; potential litigation or regulatory action involving the Allianz Group or any of the industries we have exposure to through our insurance, banking and asset management activities; announcements concerning the bankruptcy or other similar reorganization proceedings involving, or any investigations into the accounting practices of, other insurance or reinsurance companies, banks or asset management companies; and general market volatility and liquidity conditions.

Allianz Group s financial condition, liquidity needs, access to capital and cost of capital may be significantly affected by adverse developments in the capital and credit markets.

The capital and credit markets have been experiencing extreme volatility and disruption for

more than eighteen months. In the second half of 2008, the volatility and disruption reached unprecedented levels. In some cases, the markets have exerted downward pressure on availability of liquidity and credit capacity for certain issuers. The ability of Allianz Group to meet its financing needs in this environment depends on the availability of funds in the international capital markets. The financing of Allianz Group s activities includes, among other means, funding through commercial paper facilities and medium- and long-term debt issuances. A sustained break-down of such markets could have a materially adverse impact on the availability and cost of funding as well as on the refinancing structure of Allianz Group. The availability of financing will depend on a variety of factors such as market conditions, the general availability of credit, the volume of trading activities, the overall availability of credit to the financial services industry, our credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of our long- or short-term financial prospects if we incur large investment losses or if the level of our business activity decreased due to a market downturn. Similarly, our access to funds may be impaired if regulatory authorities or rating agencies take negative actions against us. Our internal sources of liquidity may prove to be insufficient, and in such case, we may not be able to successfully obtain additional financing on favorable terms, or at all.

In addition, the ability of Allianz Group to meet its financial needs also depends on the availability of funds across the Group (e.g., in the form of intra-Group loans or an international cash pooling infrastructure). A worldwide persistent collapse of financial markets and downturn affecting many of the Group s operating entities, however, may reduce the Group s flexibility in internally transferring funds.

Disruptions, uncertainty or volatility in the capital and credit markets may also limit our access to capital required to operate our business, most significantly our insurance operations. Such market conditions may limit our ability to: replace, in a timely manner, maturing liabilities; satisfy regulatory capital requirements; generate fee income and market-related revenue to meet liquidity needs; and access the capital necessary to grow our business. As

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such, we may be forced to delay raising capital, issue shorter duration securities than we prefer, or bear an unattractive cost of capital which could decrease our profitability and significantly reduce our financial flexibility. Our results of operations, financial condition and regulatory capital position could be materially adversely affected by disruptions in the financial markets.

Furthermore, a limited amount of Allianz Group s funds is invested in private equity or other alternative assets classes. The value of these investments may be impacted by the current turbulence in the financial markets. Therefore, it may be difficult to renew the debt structure of leveraged investments.

The Allianz Group has been and may continue to be adversely affected by ongoing turbulence and volatility in the world s financial markets and the economy generally, and we do not expect these conditions to improve in the near future.

Our results of operations are materially affected by conditions in the global capital markets and the economy generally, both in Germany and elsewhere around the world. The stress experienced in the global capital markets that started in the second half of 2007 continued and substantially increased throughout 2008 and continues in 2009. The crisis in the mortgage market in the United States, triggered by a serious deterioration of credit quality, led to a revaluation of credit risks. These conditions have resulted in greater volatility, widening of credit spreads and overall shortage of liquidity and tightening of financial markets throughout the world. In addition, the prices for many types of asset-backed securities (ABS) and other structured products have significantly deteriorated. Some of those markets are not working any longer or have ceased to exist entirely. These concerns have since expanded to include a broad range of fixed-income securities, including those rated investment grade, the international credit and interbank money markets generally, and a wide range of financial institutions and markets, asset classes and sectors. As a result, the market for fixed-income instruments has experienced decreased liquidity, increased price volatility, credit downgrade events, and increased probability of default. Securities that are less liquid are more difficult to value and may be hard to dispose of. International equity markets have also been

experiencing heightened volatility and turmoil, with issuers, including ourselves, that have exposure to the real estate, mortgage and credit markets particularly affected. These events and the continuing market upheavals have had and may continue to have an adverse effect on us, in part, because our large investment portfolio and our former banking subsidiary, Dresdner Bank, had exposure to U.S. mortgage-related structured investment products, including subprime, midprime and prime residential mortgage-backed securities (RMBS), collateralized debt obligations (CDOs), monoline insurer guarantees, structured investment vehicles (SIVs) and other investments. As a result, we recorded significant negative revaluations in 2007 and 2008 on the investment portfolio of Dresdner Bank, and in connection with our sale of Dresdner Bank to Commerzbank, we have retained exposure to certain of these types of assets, including Dresdner Bank-related CDOs with a face value of 2 billion, which we acquired for approximately 1.1 billion. Accordingly, there can be no assurance that we will not incur further impairments of these assets. For details regarding the impact of the financial market crisis on the Allianz Group s 2008 results and its ongoing exposure, please refer to Operating and Financial Review and Prospects Executive Summary Impact of the financial markets turbulence.

In addition, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, the U.S. mortgage market and a declining real estate market in the United States and other regions have contributed to increased volatility and diminished expectations for the economy in general and the markets going forward. These factors, combined with volatile oil prices, declining business and consumer confidence and increased unemployment, have precipitated a substantial economic slowdown and fears of a potential global recession. Factors such as consumer spending, business investment, government spending, the volatility and strength of the capital markets, and inflation all affect the business and economic environment and, ultimately, the amount and profitability of our business. In an economic downturn characterized by higher unemployment, lower family income, lower corporate earnings, lower business investment and lower consumer spending, the demand for our financial and insurance products could be adversely affected. In addition, we may

experience an elevated incidence of claims and lapses or surrenders of policies. Our policyholders may choose to defer paying insurance premiums or stop paying insurance premiums altogether. Moreover, we are a significant writer of unit-linked and other investment-oriented products, for which sales have decreased due to customer concerns regarding their exposure to the financial markets. Adverse changes in the economy could affect our earnings negatively and could have a material adverse effect on our business, results of operations, financial condition and shareholders equity.

Interest rate volatility may adversely affect Allianz Group s results of operations.

Changes in prevailing interest rates (including changes in the difference between the levels of prevailing short- and long-term rates) may adversely affect Allianz Group s insurance, asset management, banking and corporate results.

Over the past several years and in particular during the recent global credit crisis, movements in both short- and long-term interest rates have affected the level and timing of recognition of gains and losses on securities held in Allianz Group s various investment portfolios. An increase in interest rates could substantially decrease the value of Allianz Group s fixed-income portfolio, and any unexpected change in interest rates could materially adversely affect Allianz Group s bond and interest rate derivative positions. Results of Allianz Group s asset management business may also be affected by movements in interest rates, as management fees are generally based on the value of assets under management, which fluctuate with changes in the level of interest rates.

The short-term impact of interest rate fluctuations on Allianz Group s life/health insurance business may be reduced in part by products designed to partly or entirely transfer Allianz Group s exposure to interest rate movements to the policyholder. While product design reduces Allianz Group s exposure to interest rate volatility, changes in interest rates will impact this business to the extent they result in changes to current interest income, impact the value of Allianz Group s fixed-income portfolio, and affect the levels of new product sales or surrenders of business in force. In addition, reductions in the investment income below the rates

prevailing at the issue date of the policy, or below the regulatory minimum required rates in countries such as Germany and Switzerland, would reduce or eliminate the profit margins on the life/health insurance business written by Allianz Group s life/health subsidiaries to the extent the maturity composition of the assets does not match the maturity composition of the insurance obligations they are backing.

We are exposed to significant market risks that could impair the value of Allianz Group s portfolio and adversely impact Allianz Group s financial position and results of operations.

Allianz Group holds a significant equity portfolio, which represented approximately 9.1% of Allianz Group s financial assets at December 31, 2008, excluding financial assets and liabilities carried at fair value through income. Volatility in equity markets, which have reached unprecedented levels in recent months, affect the market value and liquidity of these holdings. Allianz Group also has real estate holdings in its investment portfolio, the value of which is likewise exposed to changes in real estate market prices and volatility.

Most of Allianz Group s financial assets and liabilities are recorded at fair value, including trading assets and liabilities, financial assets and liabilities designated at fair value through income, and securities available-for-sale. Changes in the value of securities held for trading purposes and financial assets designated at fair value through income are recorded through Allianz Group s consolidated income statement. Changes in the market value of securities available-for-sale are recorded directly in Allianz Group s consolidated shareholders equity. Available-for-sale equity and fixed-income securities, as well as securities classified as held-to-maturity, are reviewed regularly for impairment, with write-downs to fair value charged to income if there is objective evidence that the cost may not be recovered. Refer to Operating and Financial Review Critical

Accounting Policies and Estimates and Note 2 to the consolidated financial statements for further information concerning Allianz Group s significant accounting and valuation policies. As a result of the world financial crisis, which has been characterized by significant declines of market prices of securities and other financial assets, we have recorded substantial impairments,

which have adversely affected our results of operations, shareholders equity and financial position. We also hold interests in a number of financial institutions as part of our portfolio, which have been particularly exposed to the uncertain current market conditions affecting the financial services sector generally. Until the global economic environment improves, there can be no assurance that we will not continue to incur similar significant impairments on the value of the securities and other financial assets that we hold.

We have significant counterparty risk exposure, which could adversely affect Allianz Group.

We are subject to a variety of counterparty risks, including:

General Credit Risks. Third-parties that owe us money, securities or other assets may not pay or perform under their obligations. These parties include the issuers whose securities we hold, borrowers under loans made, customers, trading counterparties, counterparties under swaps, credit default and other derivative contracts, clearing agents, exchanges, clearing houses and other financial intermediaries. As a result, defaults by one or more of these parties on their obligations to us due to bankruptcy, lack of liquidity, downturns in the economy or real estate values, operational failure or other reasons, or even rumors about potential defaults by one or more of these parties or regarding the financial services industry generally, could lead to losses or defaults by us or by other institutions. In addition, with respect to secured transactions, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount of the loan or derivative exposure. We also have exposure to a number of financial institutions in the form of unsecured debt instruments, derivative transactions and equity investments. There is no assurance that losses on, or impairments to the carrying value of, these assets would not materially and adversely affect our business or results of operations.

Reinsurers. We transfer our exposure to certain risks in our property-casualty and life/health insurance business to others through reinsurance arrangements. Under these arrangements, other insurers assume a portion of Allianz Group s losses and expenses associated with reported and unreported

losses in exchange for a portion of policy premiums. The availability, amount and cost of reinsurance depend on general market conditions and may vary significantly from time to time. Any decrease in the amount of Allianz Group s reinsurance will increase its risk of loss. When we obtain reinsurance, we are still liable for those transferred risks if the reinsurer cannot meet its obligations. Accordingly, we bear credit risk with respect to our reinsurers. Therefore, the inability or unwillingness of Allianz Group s reinsurers to meet their financial obligations, or the insolvency of Allianz Group reinsurers, could materially affect Allianz Group s results of operations. Although Allianz Group conducts periodic reviews of the financial statements and reputations of its reinsurers, including, and as appropriate, requiring letters of credit, deposits or other financial collaterals to further minimize its exposure to credit risk, reinsurers may become financially unsound by the time they are called upon to pay amounts due.

Changes in value relative to the Euro of non-Euro zone currencies in which we generate revenues and incur expenses could adversely affect our reported earnings and cash flow.

We prepare our consolidated financial statements in Euro. However, a significant portion of the revenues and expenses from our subsidiaries outside the Euro zone, including in the United States, Switzerland and the United Kingdom, originates in currencies other than the Euro. We expect this trend to continue as we expand our business into growing non-Euro zone markets. For the year ended December 31, 2008, approximately 38.6% of our gross premiums written in our property-casualty segment and 26.8% of our statutory premiums in our life/health segment originated in currencies other than the Euro. Furthermore, as of December 31, 2008, 59.0% of the third-party assets under management in the Asset Management segment are in the United States.

As a result, although our non-Euro zone subsidiaries generally record their revenues and expenses in the same currency, changes in the exchange rates used to translate foreign currencies into Euro may adversely affect our results of operations.

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Risks arising from the nature of our business

Loss reserves for Allianz Group s property-casualty insurance and reinsurance policies are based on estimates as to future claims liabilities. Adverse developments relating to claims could lead to further reserve additions and materially adversely impact Allianz Group s results of operations.

In accordance with industry practice and accounting and regulatory requirements, Allianz Group establishes reserves for losses and loss adjustment expenses related to its property-casualty insurance and reinsurance businesses, including property-casualty business in run-off. Reserves are based on estimates of future payments that will be made in respect of claims, including expenses relating to such claims. Such estimates are made both on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established, as well as in respect of losses that have been incurred but not reported (IBNR) to the Allianz Group. These reserves represent the estimated ultimate cost necessary to bring all pending reported and IBNR claims to final settlement.

Reserves, including IBNR reserves, are subject to change due to a number of variables that affect the ultimate cost of claims, such as changes in the legal environment, results of litigation, changes in medical costs, costs of repairs and other factors such as inflation and exchange rates, and Allianz Group s reserves for asbestos and environmental and other latent claims are particularly subject to such variables. Allianz Group s results of operations depend significantly upon the extent to which Allianz Group s actual claims experience is consistent with the assumptions Allianz Group uses in setting the prices for products and establishing the liabilities for obligations for technical provisions and claims. To the extent that Allianz Group s actual claims experience is less favorable than the underlying assumptions used in establishing such liabilities, Allianz Group may be required to increase its reserves, which may materially adversely affect its results of operations.

Established loss reserves estimates are periodically adjusted in the ordinary course of settlement, using the most current information available to management, and any adjustments resulting from changes in reserve estimates are reflected in current results of operations. Allianz

Group also conducts reviews of various lines of business to consider the adequacy of reserve levels. Based on current information available to us and on the basis of Allianz Group s internal procedures, Allianz Group s management considers that Allianz Group s reserves are adequate at December 31, 2008. However, because the establishment of reserves for loss and loss adjustment expenses is an inherently uncertain process, there can be no assurance that ultimate losses will not materially exceed the established reserves for loss and loss adjustment expenses and have a material adverse effect on Allianz Group s results of operations.

Actuarial experience and other factors could differ from that assumed in the calculation of life/health actuarial reserves and pension liabilities.

The assumptions Allianz Group makes in assessing its life/health insurance reserves may differ from what we experience in the future. Allianz Group derives its life/health insurance reserves using best estimate actuarial practices and assumptions. These assumptions include the assessment of the long-term development of interest rates, investment returns, the allocation of investments between equity, fixed-income and other categories, policyholder bonus rates (some of which are guaranteed), mortality and morbidity rates, policyholder lapses and future expense levels. Allianz Group monitors its actual experience of these assumptions and to the extent that it considers that this experience will continue in the longer term it refines its long-term assumptions. Similarly, estimates of Allianz Group s own pension obligations necessarily depend on assumptions concerning future actuarial, demographic, macroeconomic and financial markets developments. Changes in any such assumptions may lead to changes in the estimates of life/health insurance reserves or pension obligations.

We have a significant portfolio of contracts with guaranteed investment returns, including endowment and annuity products for the German market as well as certain guaranteed contracts in other markets. The amounts payable by us at maturity of an endowment policy in Germany and in certain other markets include a guaranteed benefit, an amount that, in practice, is equal to a legally mandated maximum rate of return on actuarial reserves. If interest rates decline to historically low levels for a long period, we could be required to provide additional funds to

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Allianz Group s life/health subsidiaries to support their obligations in respect of products with higher guaranteed returns, or increase reserves in respect of such products, which could in turn have a material adverse effect on Allianz Group s results of operations.

In the United States, in particular in our variable and fixed-indexed annuity products, and to a lesser extent in Europe and Asia we have a portfolio of contracts with guaranteed investment returns tied to equity markets. We enter into derivative contracts as a means of mitigating the risk of investment returns underperforming guaranteed returns. However, there can be no assurance that the hedging arrangements will satisfy the returns guaranteed to policyholders, which could in turn have a material adverse effect on Allianz Group s results of operations. For example, in 2008, our US variable annuity business experienced a negative impact of higher guarantee reserves, net of hedging and DAC amortization, of approximately USD -238mn.

If our asset management business underperforms, it may experience a decline in assets under management and related fee income.

While the assets under management in our asset management segment include a significant amount of funds related to our insurance operations, third-party assets under management represent the majority. Results of our asset management activities are affected by share prices, share valuation, interest rates and market volatility. In addition, third-party funds are subject to withdrawal in the event our investment performance is not competitive with other asset management firms. Accordingly, fee income from the asset management business might decline if the level of our third-party assets under management were to decline due to investment performance or otherwise.

Risks arising from the environment and the geopolitical situation

Allianz Group s financial results may be materially adversely affected by the occurrence of catastrophes.

Portions of Allianz Group s property-casualty insurance may cover losses from unpredictable events such as hurricanes, windstorms, hailstorms, earthquakes, fires, industrial explosions, freezes, riots, floods and other man-made or natural disasters,

including acts of terrorism. The incidence and severity of these catastrophes in any given period are inherently unpredictable.

Although the Allianz Group monitors its overall exposure to catastrophes and other unpredictable events in each geographic region, each of Allianz Group s subsidiaries independently determines, within the Allianz Group s limit framework, its own underwriting limits related to insurance coverage for losses from catastrophic events. We generally seek to reduce Allianz Group s potential losses from these events through the purchase of reinsurance, selective underwriting practices and by monitoring risk accumulation. However, such efforts to reduce exposure may not be successful and claims relating to catastrophes may result in unusually high levels of losses and could have a material adverse effect on Allianz Group s financial position or results of operations.

Increased geopolitical risks following the terrorist attack of September 11, 2001, and any future terrorist attacks, could have a continuing negative impact on our businesses.

After September 11, 2001, several terror insurance pools have been set up and reinsurers generally either put terrorism exclusions into their policies or drastically increased the price for such coverage. Although we have attempted to exclude terrorist coverage from policies we write, this has not been possible in all cases, including as a result of legislative developments such as the Terrorism Risk Insurance Act in the United States. Furthermore, even if terrorism exclusions are permitted in our primary insurance policies, we may still have liability for fires and other consequential damage claims that follow an act of terrorism itself. As a result we may have liability under primary insurance policies for acts of terrorism and may not be able to recover a portion or any of our losses from our reinsurers.

At this time, we cannot assess the future effects of terrorist attacks, potential ensuing military and other responsive actions, and the possibility of further terrorist attacks, on our businesses. Such matters have significantly adversely affected general economic, market and political conditions, increasing many of the risks in our businesses noted in the previous risk factors. This may have a material negative effect on our businesses and results of

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operations over time, in particular the value of our investments may be negatively affected by any market downturn after a terrorist attack.

Risks arising from legal and regulatory conditions

Changes in existing, or new, government laws and regulations, or enforcement initiatives in respect thereof, in the countries in which we operate may materially impact us and could adversely affect our business.

Our insurance, asset management and banking businesses are subject to detailed, comprehensive laws and regulations as well as supervision in all the countries in which we do business. Changes in existing laws and regulations may affect the way in which we conduct our business and the products we may offer. Changes in regulations relating to pensions and employment, social security, financial services including reinsurance business, taxation, securities products and transactions may materially adversely affect our insurance, asset management and banking businesses by restructuring our activities, imposing increased costs or otherwise.

Regulatory agencies have broad administrative power over many aspects of the financial services business, which may include liquidity, capital adequacy and permitted investments, ethical issues, money laundering, know your customer rules, privacy, record keeping, and marketing and selling practices. Banking, insurance and other financial services laws, regulations and policies currently governing us and our subsidiaries may change at any time in ways which have an adverse effect on our business, and we cannot predict the timing or form of any future regulatory or enforcement initiatives in respect thereof. Also, bank regulators and other supervisory authorities in the EU, the United States and elsewhere continue to scrutinize payment processing and other transactions under regulations governing such matters as money-laundering, prohibited transactions with countries subject to sanctions, and bribery or other anti-corruption measures. If we fail to address, or appear to fail to address, appropriately any of these changes or initiatives, our reputation could be harmed and we could be subject to additional legal risk, including enforcement actions, fines and penalties. Despite our best efforts to comply with applicable regulations, there are a number of risks in areas where applicable

regulations may be unclear or where regulators revise their previous guidance or courts overturn previous rulings. Regulators and other authorities have the power to bring administrative or judicial proceedings against us, which could result, among other things, in significant adverse publicity and reputational harm, suspension or revocation of our licenses, cease-and-desist orders, fines, civil penalties, criminal penalties or other disciplinary action that could materially harm our results of operations and financial condition.

Furthermore, in reaction to the crisis in the global financial markets, many countries governments and regulators have introduced various rescue schemes for the financial sector. As described further under Item 4. Regulation and Supervision Measures to Stabilize Financial Markets , the impact of certain of these schemes may negatively affect the value of the securities of companies participating in these programs and thus have an adverse affect on Allianz as a holder of certain of these securities in its investment portfolio.

Effective January 2005, reinsurance companies in Germany such as Allianz SE are subject to specific legal requirements regarding the assets covering their technical reserves. These assets are required to be appropriately diversified to prevent a reinsurer from relying excessively on any particular asset. The introduction of these requirements had anticipated the implementation of EU Reinsurance Directive (2005/68/EC) which was adopted in November 2005. All of the directive s provisions were implemented in Germany effective June 2, 2007. Although Allianz SE currently meets the requirements, there can be no assurances as to the impact on Allianz SE of any future amendments to or changes in the interpretation of the laws and regulations regarding assets covering technical reserves of reinsurance companies, which could require Allianz SE to change the composition of its asset portfolio covering its technical reserves or take other appropriate measures.

In addition, discussions on a new solvency regime for insurance companies in the EU (Solvency II) are ongoing. As those discussions are not yet finalized, its potential future impact for capital requirements can not currently be assessed. For more information, refer to Item 11. Quantitative and Qualitative Disclosures about Market Risk Outlook .

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In addition, changes to tax laws may affect the attractiveness of certain of our products that currently receive favorable tax treatment. Governments in jurisdictions in which we do business may consider changes to tax laws that could adversely affect such existing tax advantages, and if enacted, could result in a significant reduction in the sale of such products.

Our business may be negatively affected by adverse publicity, regulatory actions or litigation with respect to the Allianz Group, other well-known companies and the financial services industry generally.

Adverse publicity and damage to our reputation arising from failure or perceived failure to comply with legal and regulatory requirements, financial reporting irregularities involving other large and well-known companies, increasing regulatory and law enforcement scrutiny of know your customer , anti-money laundering and anti-terrorist-financing procedures and their effectiveness, regulatory investigations of the mutual fund, banking and insurance industries, and litigation that arises from the failure or perceived failure by the Allianz Group companies to comply with legal, regulatory and compliance requirements, could result in adverse publicity and reputational harm, lead to increased regulatory supervision, affect our ability to attract and retain customers, maintain access to the capital markets, result in law suits, enforcement actions, fines and penalties or have other adverse effects on us in ways that are not predictable.

Other risks

Many of our businesses are dependent on the financial strength and credit ratings assigned to us and our businesses by various rating agencies. Therefore, a downgrade in our ratings may materially adversely affect relationships with customers and intermediaries, negatively impact sales of our products and increase our cost of borrowing.

Claims paying ability and financial strength ratings are each a factor in establishing the competitive position of insurers. Our financial strength rating has a significant impact on the individual ratings of key subsidiaries. If a rating of certain subsidiaries falls below a certain threshold,

the respective operating business may be significantly impacted. A ratings downgrade, or the potential for such a downgrade, of the Allianz Group or any of our insurance subsidiaries could, among other things, adversely affect relationships with agents, brokers and other distributors of our products and services, thereby negatively impacting new sales, adversely affect our ability to compete in our markets and increase our cost of borrowing. In particular, in those countries where primary distribution of our products is done through independent agents, such as the United States, future ratings downgrades could adversely impact sales of our life insurance and annuity products. Any future ratings downgrades could also materially adversely affect our cost of raising capital, and could, in addition, give rise to additional financial obligations or accelerate existing financial obligations which are dependent on maintaining specified rating levels.

Rating agencies can be expected to continue to monitor our financial strength and claims paying ability, and no assurances can be given that future ratings downgrades will not occur, whether due to changes in our performance, changes in rating agencies industry views or ratings methodologies, or a combination of such factors.

Market and other factors could adversely affect goodwill, deferred policy acquisition costs and deferred tax assets; Allianz Group s deferred tax assets are also potentially impacted by changes in tax legislation.

Business and market conditions may impact the amount of goodwill Allianz Group carries in its consolidated financial statements. As of December 31, 2008, Allianz Group has recorded goodwill in an aggregate amount of 11,221 million, of which 6,325 million relates to its asset management business, 4,554 million relates to its insurance business, 199 million relates to its banking business, and 143 million relates to its corporate segment.

As the value of certain parts of Allianz Group s businesses, including in particular Allianz Group s asset management business, are significantly impacted by such factors as the state of financial markets and ongoing operating performance, significant declines in financial markets or operating performance could also result in impairment of other

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goodwill carried by us and result in significant write-downs, which could be material. No impairments were recorded for goodwill in 2008.

The assumptions Allianz Group made with respect to recoverability of deferred policy acquisition costs (DAC) are also affected by such factors as operating performance and market conditions. DAC is incurred in connection with the production of new and renewal insurance business and is deferred and amortized generally in proportion to profits or to premium income expected to be generated over the life of the underlying policies, depending on the classification of the product. If the assumptions on which expected profits are based prove to be incorrect, it may be necessary to accelerate amortization of DAC, even to the extent of writing down DAC through impairments, which could materially adversely affect results of operations. No material impairments were recorded for DAC in 2008.

As of December 31, 2008, Allianz Group had a total of 3,996 million in net deferred tax assets and 3,833 million in net deferred tax liabilities. The calculation of the respective tax assets and liabilities is based on current tax laws and IFRS and depends on the performance of the Allianz Group as a whole and certain business units in particular. At December 31, 2008, 1,863 million of deferred tax assets depended on the ability to use existing tax-loss carry forwards.

Changes in German or other tax legislation or regulations or an operating performance below currently anticipated levels or any circumstances which result in an expiration of tax losses may lead to a significant impairment of deferred tax assets, in which case Allianz Group could be obligated to write-off certain tax assets. Tax assets may also need to be written- down if certain assumptions of profitability prove to be incorrect, as losses incurred for longer than expected will make the usability of tax assets more unlikely. Any such development may have a material adverse impact on Allianz Group s net income.

Following the sale of Dresdner Bank in January 2009, Allianz SE retains the contingent obligation to indemnify, under certain circumstances, the Federal Association of German Banks in connection with Dresdner Bank for the period Allianz SE owned Dresdner Bank.

In accordance with the Articles of Association of the Joint Fund for Securing Customer Deposits (Einlagensicherungsfonds), Allianz SE has undertaken to indemnify the Federal Association of German Banks (Bundesverband deutscher Banken e.V.), the deposit protection association of privately-held German banks, for any losses it may incur by reason of supporting measures taken in favor of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & Co.KG and Bankhaus W. Fortmann & Söhner KG, which remain part of the Allianz Group following the sale of Dresdner Bank. For more general information on this deposit guarantee scheme, refer to Item 4. Regulation and Supervision Banking, Asset Management and Other Investment Services Germany.

With the sale of Dresdner Bank becoming effective on January 12, 2009, Allianz terminated its indemnification undertaking issued in 2001 in favour of the Federal Association of German Banks with respect to Dresdner Bank since the date of sale. As a result, Allianz s on-going indemnification obligation relates to supporting measures in favour of Dresdner Bank that are based on facts that were already existing at the time of the termination.

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ITEM 4. Information on the Company

The Allianz Group

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

Allianz SE (formerly Allianz Aktiengesellschaft, or Allianz AG) is a European Company (Societas Europaea, or SE) incorporated in the Federal Republic of Germany and organized under the laws of the Federal Republic of Germany and the European Union. Allianz SE is the ultimate parent of the Allianz Group. It was incorporated as Allianz Versicherungs- Aktiengesellschaft in Berlin, Germany on February 5, 1890 and converted to a European Company on October 13, 2006. Our registered office is located at Koeniginstrasse 28, 80802 Munich, Germany, telephone +49 (0) 89 3800-0.

The Allianz Group s Business Model

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

Insurance operations

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

Product range of the insurance business

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

Our insurance products are distributed via a broad network of self-employed agents, brokers, banks and other channels. Increasingly, we distribute our insurance products in cooperation with car

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

(2) For a more detailed description of the global diversification of our insurance business, please refer to Global Diversification of our Insurance Business.

manufacturers and dealers in Europe and Asia-Pacific and also have direct distribution operations in Central Europe, India and Australia. The particular distribution channels vary by product and geographic market.

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

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

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

Banking operations

In the past, our banking activities were primarily conducted through the Dresdner Bank Group which accounted for almost all of our Banking segment s results of operations. Following the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG (Commerzbank)[1], we reduced our banking operations which now comprise Allianz Banking Germany as well as our existing banking operations in Italy, France and New Europe. Allianz Banking Germany is a division under the roof of Allianz Deutschland AG (ADAG) and contains

(1) For detailed information on the sale of Dresdner Bank, please refer to Major Transactions Major Disposals .

Oldenburgische Landesbank AG (Oldenburgische Landesbank) and the banking customers originally introduced to Dresdner Bank through the tied agents network. Oldenburgische Landesbank will become Allianz s main banking product and service provider in Germany. The bank offers a wide range of products for corporate and retail clients with its main focus on the latter. In addition to our banking activities, the distribution of banking products through our German insurance agents network is important and the banking agencies distribution network will be expanded to approximately 300 in 2009 (129 as of December 31, 2008).

Asset Management operations

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

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

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

(2) Including the banking customers introduced to Dresdner Bank through the tied agent network.
(3) Based on total assets under management as of December 31, 2008.

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States and Germany as well as France, Italy and the Asia-Pacific region represent our primary asset management markets. We have recently expanded our engagement in China by increasing the participation in our joint venture, Guotai Allianz Finanz Management. Furthermore, effective January 12, 2009, we acquired cominvest, the former asset management division of Commerzbank AG, which will add approximately 60 billion assets under management, predominantly domiciled in Germany, to our third-party assets under management.

AGI s selected product range for retail and institutional customers

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

In the asset management business, competition comes from all major international financial

institutions and peer insurance companies that also offer asset management products and services, competing for retail and institutional clients.

Corporate segment

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

Structure of the Board of Management

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

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

Main initiatives

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

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

The Allianz Group is modernizing its entire organization following a shared Target Operating

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Model (TOM). In order to drive these change processes and to take best practice experience into account, an Operational Transformation Program has been established.

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

Global Diversification of our Insurance Business[1]

As an integrated financial services provider we offer insurance, banking and asset management products and services to approximately 75 million customers in about 70 countries. With respect to our insurance business, Allianz is the market leader in Germany and has a strong international presence.

Allianz 2008 changes at a glance:

January

Société Nationale d Assurances s.a.l. (SNA) Lebanon rebranded Allianz SNA

March

Allianz Takaful started operations in Bahrain
AGF Brazil Seguros S.A. rebranded Allianz Seguros S.A.

April

Allianz Life Japan commenced sales operations
Euler Hermes World Agency created with the purpose of serving multinational companies
Allianz becomes the major shareholder of Koç Allianz Sigorta AŞ and Koç Allianz Hayat ve Emeklilik AŞ in Turkey; effective October 2008 the companies operate under the names Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ.

May

Allianz announced strategic partnership with HSBC at the Annual General Meeting
ATF-Polis renamed Allianz Kazakhstan

June

Allianz China Life commenced business in Beijing
Euler Hermes started operations in Qatar, Oman and Kuwait through fronting agreements with local insurers.

July

Euler Hermes and Rosno extended cooperative venture in Russia
Allianz starts expanding agribusiness in Brazil
Allianz launched variable annuities in Europe and introduced the latest innovation Invest4Life

August

Direct sales channel Allianz24.ch launched in Switzerland
Announcement of merging marine insurance business from Allianz Global Corporate & Speciality (AGCS) and Fireman s Fund Insurance Company under the umbrella of AGCS to form the largest marine insurer in the world based on gross premiums.

November

Allianz Life Sri Lanka started operations
Allianz China Life has been granted a preliminary license to set up a branch in Shandong province.

December

Mondial Assistance announced two new contracts for Europe and Asia with the car manufacturer Volvo.

Further information on regions, countries and operations is available at www.allianz.com. (The information found at this website is not incorporated by reference into this document.)

[1] Please refer to Item 18. Financial Statements Notes to the Allianz Group s Consolidated Financial Statements Selected subsidiaries and other holding for a breakdown of selected operating entities.

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German Speaking Countries

Germany

We operate in the German insurance market mainly through our insurance companies Allianz Versicherungs-AG (Allianz Sach), Allianz Lebensversicherungs-AG (Allianz Leben) and Allianz Private Krankenversicherungs-AG (Allianz Private Kranken). In addition, Allianz Beratungs- und Vertriebs-AG serves as a distribution company. All entities are organized under the umbrella of the holding company Allianz Deutschland AG. At the end of 2008, Allianz Deutschland AG had a total of 19.3 million customers. The results of our German operations also include property-casualty assumed reinsurance business, which is primarily attributable to Allianz SE.

As the market leader in Germany based on gross premiums written in 2008[2], Allianz Sach develops and provides property-casualty. We offer a wide variety of insurance products for private and business clients. Our main lines of business are motor liability and own damage, accident, general liability and property insurance. In addition we introduced a new pet health insurance product in 2008. For property-casualty business, we see Germany being a rather mature market with a high degree of competition. One of the key challenges is achieving growth while also maintaining an appropriate level of profitability. To deliver all-encompassing service in emergency cases we will further develop our assistance-services for individuals and corporate customers.

For life insurance, Allianz Leben is market leader based on statutory premiums in 2008[2]. In addition to Allianz Leben, we operate through a variety of smaller operating entities in the German market. We are active

(1) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to Major transactions Major disposals Sale of Dresdner Bank AG for further information.

(2) Source: Based on preliminary data provided by German Insurance Association, GDV

both in the private and commercial markets and offer a comprehensive range of life insurance and related products on both an individual and a group basis. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension arrangements and defined contribution plans. In 2008 we introduced a new variable annuities product. For our life business, we anticipate strong growth opportunities as we see an increasing demand for private retirement products and retirement provisions in general.

Through Allianz Private Kranken, we are the third-largest private health insurer in Germany based on statutory premiums in 2008[2]. We provide a wide range of products, including full private health care coverage for salaried employees and the self-employed, supplementary insurance for individuals insured under statutory health insurance plans, supplementary care insurance and foreign travel medical insurance. Our health insurance business with its two basic products full health care coverage and supplementary insurance will be impacted by the German health care reform in the coming years. We believe that the demand for full health care coverage will grow only slightly. On the other hand, we believe that supplementary insurance will further increase, despite ongoing competition from statutory health insurers which have been allowed to offer special supplementary insurance (so called Wahltarif) from 2007 onwards.

We offer products not only for all three insurance lines but also with a clear focus on products combining coverage from life, health and property-casualty insurance to better serve customer needs. Sales of these combined products grew in 2008. In order to strengthen our market

position, we intend to further develop our customer-focused organization and aim to provide our clients with more integrated products for every stage of their lives.

Our products are distributed mainly through a network of full-time tied agents, while distribution through our new bankagencies and brokers is increasing. From 2010 onwards, Commerzbank will be a further sales channel for Allianz products.

Switzerland

We serve the Swiss property-casualty market through Allianz Suisse. Based on gross premiums

written in 2007, Allianz Suisse ranks fourth in Switzerland[(1)]. In the property-casualty business, the most important line of business is motor, contributing almost 50% of gross premiums written in 2008. In 2008 we expanded our product portfolio for assistance products. In the very competitive property-casualty business in Switzerland, we will continue to focus on profitable growth. In order to further improve our efficiency and effectiveness, we are currently revising our processes and structure for claims handling and management.

We conduct our life/health operations in this region primarily through Allianz Suisse Lebensversicherungs-Gesellschaft and Phénix Vie. In aggregate, these operating entities represent the sixth largest life insurance provider in Switzerland based on statutory premiums in 2007[(1)]. In the life/health market, we provide a wide range of individual and group life insurance products, including retirement, death and disability products. We believe there is potential for growth in our life/health business through enhancement of agent, broker networks and, given our relatively high market share in property-casualty, through cross-selling between our segments.

In addition to the traditional sales channels in 2008, we started to distribute our products through the new direct sales channel allianz24.ch and entered into a new retail cooperation with Migros.

Austria

We operate in the Austrian insurance market mainly through our insurance companies Allianz Elementar Versicherungs-AG and Allianz Elementar Lebensversicherungs-AG. Via these companies we offer a broad range of property-casualty and life/health products to individual and group customers primarily through salaried sales forces, tied agents and brokers.

Based on gross premiums written in 2008, Allianz Elementar Versicherungs-AG, ranks fourth in the Austrian market in the property-casualty business[(2)]. With approximately 45% of the portfolio, motor business is the most important line of business. In the very competitive property-casualty market, we

(1) Source: Statistics of the Swiss Federal Office of Private Insurance (FOPI)
(2) Source: Based on preliminary data provided by Austrian Insurance Association (VVO) as of February 2009

continue our actuarial approach in tariffication in order to act against the expected ongoing weak price-cycle in motor business.

In the life/health business, Allianz Elementar Lebensversicherungs-AG represents the sixth largest life insurance provider in Austria based on statutory premiums in 2008[(2)]. Besides the traditional life insurance business, we also offer government subsidized products as well as unit-linked products. For the life business, we anticipate potential for growth due to an increasing demand for retirement provisions.

Europe I

Italy

Since October 2007, Allianz serves the Italian market as a single company. Allianz S.p.A. (previously RAS S.p.A., Lloyd Adriatico S.p.A., Allianz Subalpina S.p.A.) is the second largest Italian insurance group based on gross premiums written and statutory premiums written in 2007[4]. In addition, we distribute through Genialloyd (a leading company in direct via phone and web), Allianz Bank, with its associated Financial Advisors network (one of the top 3 in the market) and bancassurance channel (Unicredit plus others).

(3) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to Major transactions Major disposals Sale of Dresdner Bank AG for further information.

(4) Source: Italian Insurers Association, ANIA.

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The most important line of business in property-casualty is motor. We also have a strong presence in fire, general liability and personal accident insurance. In 2008, pricing in the motor market was under heavy pressure while distribution costs have increased considerably on account of recent regulatory changes (the so-called Bersani law). The negative impact of market developments has been mitigated by the savings, generated by the integration of the previously independent legal entities.

The life market has been declining since 2006, particularly in the bancassurance by far the predominant channel. While Allianz in the past had enjoyed robust growth, it suffered in 2008 primarily due to:

- the heavy contraction of the bancassurance business channelled through Unicredit;
- the decline of the Antonveneta premiums in connection with the new shareholding of the bank, now part of the Monte dei Paschi Group; and
- the steep drop in unit and index-linked premiums due to the developments in the financial markets.

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

Spain and Portugal

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

Our Spanish company sets internal standards for efficiency and customer service. We have initiated a project to achieve synergies and economics of scale between the Spanish and Portugese operations.

Sales in motor insurance, our largest line of business both in Spain and Portugal, remained fairly stable despite a significant drop in new vehicle registration. Besides motor, we offer products for

property and liability protection, life and health coverage, as well as workers compensation in Portugal.

We distribute our products through more than 11,000 agents and brokers in Spain, and more than 5,000 in Portugal. In both countries, we also rely on bank distribution partners such as Banco Popular in Spain and BPI in Portugal.

Economic forecasts for Spain and Portugal are in line with other European countries affected by the economic downturn. We expect market growth to be rather limited. In Spain, we expect life risk products to be affected by the real estate crisis in the short term. Development of life investment products will depend to a significant degree on capital market developments.

South America

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

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

In Brazil, we are also one of the leading health insurers and in Columbia, we also offer life insurance. Our distribution is primarily based on the broker channel.

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

Turkey

Since July 2008, we serve our Turkish customer base by our majority-owned entities Allianz Sigorta A.S. and Allianz Hayat ve Emeklilik A.S. Both entities have benefited from intensified ties with Allianz Group while maintaining our strong partnership with Koç Group.

We offer a wide variety of property and casualty products, both in retail markets (distributed mainly

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via agents) and in commercial markets (distributed mainly via brokers). We also provide life and pension solutions to our customers.

We expect the Turkish insurance market to return to its growth path in the near future. We will seek to increase our distribution base and to provide innovative insurance solutions to our customers.

Europe II

France

In France, we operate through the Assurances Générales de France (AGF) Group, a major participant in insurance and financial services. AGF is ranked fourth in the French property-casualty market and eighth in the life/health insurance market, based on gross premiums written and statutory premiums, respectively, in 2007[(2)]. AGF s activities encompass several areas, including property-casualty insurance, life/health insurance, asset management and banking.

(1) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to Major transactions Major disposals Sale of Dresdner Bank AG for further information.
(2) Source: French Insurers Association, FFSA.

In 2008, we introduced a plan in order to reduce costs by rationalizing the structure of the company by 2011.

The broad range of AGF-branded property-casulty and life/ health products for both individuals and corporate customers, including property, injury and liability insurance as well as short-term investment and savings products, are distributed primarily through a network of tied agents, brokers, partnership channels and a salaried salesforce. We also market our products through AGF Banque. We plan to start our direct insurance business in France in 2009.

Operating in a property-casualty market that has seen limited growth in recent years, we seek to focus on maintaining operating profitability while simultaneously implementing selective initiatives aimed at generating growth.

We consider AGF s life business to be a growth area.

Netherlands

The most important lines of property-casualty business in the Netherlands are motor and fire insurance. Our Dutch subsidiary distributes its products through brokers and a direct sales channel. We launched our new direct insurance business in 2008. In the Netherlands, we also offer a broad range of life insurance products.

The Dutch insurance market is characterized by intense competition. Here we expect continuing pressure on the motor tariffs.

Belgium

In Belgium, we market a wide range of life and property-casualty insurance products, which have won several awards. The products are mainly distributed through brokers.

Africa

In Africa we serve the market through AGF Afrique which is the specialist of the Allianz Group in sub-Saharan French-speaking Africa.

We offer property-casualty products in all countries within Africa where we are conducting business.

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Life/health products are offered by our operating entities in Burkina Faso, Ivory Coast, Cameroon and Senegal.

We serve the African market through thirteen local subsidiaries in nine sub-Saharan countries, including 400 collaborators and partners in bordering countries. With this capacity, we provide insurance and reinsurance coverage.

We sell contracts adapted to all kinds of risks in fire, auto, miscellaneous insurance, hull and cargo, as well as life.

We intend to consider business opportunities in Africa when appropriate.

Credit Insurance[1]

Through our subsidiary Euler Hermes, the global leader in credit insurance, we underwrite credit insurance in major markets around the world.[2]

Euler Hermes provides enterprises with protection against the risk of non-payment of receivables and insolvency. Additionally, Euler Hermes has developed a comprehensive range of services for the management of companies accounts receivables.

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

Travel Insurance and Assistance Services[1]

Through Mondial Assistance Group, we are among the world s largest providers of travel insurance and assistance services based on gross premiums written in 2007[3].

At Mondial Assistance Group, we seek to enter new markets and develop new products.

(1) In contrast to our other geographically-focused insurance businesses, we manage and offer the services of Euler Hermes and Mondial Assistance Group on a worldwide basis.
(2) Source: Own estimate based on information from International Credit Insurance and Surety Association, ICISA.
(3) Source: Own estimate based on published annual reports.

Anglo, NAFTA Markets and Global Lines

United States

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

We announced the merger of the respective complementary marine operations of Fireman s Fund and AGCS to form a comprehensive world leader in this line of business. At the same time, we brought our commercial and specialty operations under one umbrella in order to increase efficiency. With this reorganization we continued to support our U.S. companies to leverage all of their available resources and assets and to enable them to anticipate more effectively and deliver on customer needs.

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

Enhancing customer solutions, introducing new products and services, addressing selected adjacent

(4) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to Major transactions Major disposals Sale of Dresdner Bank AG for further information.

market niches and leveraging cross-selling through strengthened distribution management continue to be our initiatives for the coming year in order to enable growth for Fireman s Fund in its target markets.

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

After a year characterized by challenging financial market developments, Allianz Life U.S. will continue to focus on creating and offering products that help our customers address their financial needs, particularly regarding retirement. The company will seek to further grow its annuity products business by expanding distribution with broker-dealers, banks and wire-houses, designing channel-specific products and also reinforcing development of fixed-indexed and variable products.

United Kingdom

We serve the market in the United Kingdom primarily through our subsidiary Allianz Insurance plc. In 2008, we focused on building up the new retail division for personal and specialty products in order to better serve our customers.

We offer a broad range of property-casualty products, including a number of specialty products, which we sell to retail and commercial customers through a range of distribution channels, including affinity groups.

Operating in a highly competitive market, Allianz Insurance plc continues to concentrate on active cycle management in order to support operating profitability. We seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in areas with increasing pricing pressure.

Australia

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

Our Australian insurance operations include a variety of products and services, with strong positions in the workers compensation market, as well as in rehabilitation and occupational health, safety and environment services. We also operate in certain niche markets, including premium financing and pleasure craft insurance. Allianz Australia markets products through brokers and non-tied agents, as well as directly to customers. In 2008, we began offering term life directly over the internet. Further, we expanded our premium financing business to include receivables financing.

In Australia, market conditions remain competitive as insurance margins have declined in recent years. All insurers have begun reacting to lower profitability and decreasing investment returns, resulting in increasing insurance rates across all classes of business. This pattern is expected to continue into 2009.

Ireland

Throughout Ireland we offer a wide variety of property-casualty products, for both commercial and private customers. The products are distributed predominantly through brokers and banks as well as telephone and internet-based direct sales channels. In 2008, two new direct products were introduced, equine insurance and taxi insurance.

In Ireland, we expect private motor and home rates, and to a lesser extent commercial lines, to slowly become more favorable in 2009. Risk volumes in the market, however, could be under pressure if the Irish economic downward movement is severe.

Allianz Global Corporate and Specialty[1]

Allianz Global Corporate & Specialty delivers solutions for corporate and specialty clients in many industries.

Through Allianz Global Corporate & Specialty, we offer property, liability and engineering solutions to large corporate clients as well as specialty coverage, like marine, aviation and directors & officers insurance.

(1) In contrast to our other geographically-focused insurance businesses, we manage and offer these services of Allianz Global Corporate & Specialty on a worldwide basis.

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Through the combination of our international corporate and specialty business within Allianz Global Corporate & Specialty, managing a diversified portfolio of risk management solutions and services, we expect to realize synergies and increase efficiency.

Allianz Worldwide Care[1]

Allianz Worldwide Care is located in Ireland and offers expatriate health insurance products.

(1) In contrast to our other geographically-focused insurance businesses, we manage and offer these services of Allianz Worldwide Care on a worldwide basis. Allianz Worldwide Care does not sell policies in the U.S.A.

Growth Markets

Asia-Pacific

We consider Asia-Pacific to be one of our major growth regions. Allianz has been present in the region since 1917, when we began providing fire and marine insurance in the coastal cities of China.

(2) Banking activites are related to Dresdner Bank and will not be continued due to the sale of Dresdner Bank to Commerzbank. Please refer to Major transactions Major disposals Sale of Dresdner Bank AG for further information.

Today, Allianz is active in all key markets of the region, offering its core businesses of property and casualty insurance, life and health insurance and asset management. With more than 13,000 staff, Allianz serves over 7.2 million customers in the region.

We offer a full suite of products through our distribution network of approximately 70,000 agents in the region. In most countries we operate through multiple distribution channels.

In the Asia-Pacific region we maintain property-casualty operations in Malaysia, Indonesia and other Asia-Pacific countries and key markets, including China, Thailand, Japan, Hong Kong, Singapore, Laos and India.

The majority of our life/health business in this region is conducted in South Korea through Allianz Life Insurance Co. Ltd. (Allianz Life Korea) and in Taiwan through Allianz Taiwan Life Insurance Company. Allianz Life Korea was the sixth-largest life insurance company in South Korea based on statutory premiums in 2007[(1)]. We also maintain operations in Malaysia, Indonesia, as well as in China, Thailand and since this year also in Japan.

Our South Korean operation markets a wide range of life and health insurance products and in recent years developed a leading position in equity-indexed products. Allianz Taiwan Life sells investment-oriented products especially through banks.

We are seeking to expand in all of our selected markets in the region through further organic growth and selected acquisitions. We will further strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness. We view especially China as a strategic growth market for Allianz. Our partnership with Industrial and Commercial Bank of China Ltd. emphasizes our long-term commitment to the market and also offers a platform for our strategic expansion.

New Europe

Our presence in New Europe dates back to the acquisition of the Hungarian state-run insurance company Hungaria Biztosito in 1989. Today, we operate our business in this region through more than

(1) Source: South Korean Life Insurance Association.

25 companies in 10 countries, and we are the largest foreign insurer based on both statutory premiums and gross premiums written in 2007[(2)]. We offer life, health, property and casualty insurance, as well as pension fund products and banking services.

For property-casualty we are the leading international insurance company in New Europe based on gross premiums written in 2007[(2)] and serve the market through our operating subsidiaries in Bulgaria, Croatia, the Czech Republic, Hungary, Kazakhstan, Poland, Russia, Romania, Slovakia and Ukraine.

The primary products sold in these countries are compulsory motor third-party liability, motor own damage coverage as well as industrial, commercial and private property lines. Motor business and, increasingly, other personal lines continue to be the primary source of our growth. Further expansion in the market and development of our sales network will be in focus for the coming year. We believe we are well-positioned to capture the opportunities of the property-casualty market.

We are present in all key life and health markets in this region and are the fourth-ranked life insurance provider, based on statutory premiums in 2007[(2)]. New Europe represents the third biggest health portfolio within the Allianz Group.

We continued to expand our life/health product range and sales capacity throughout New Europe by following a multi-channel distribution approach. We also continued to expand offerings of investment-oriented products in life business. In 2008, we also started to offer pension fund products in Romania. New Europe represents one of the fastest growing life insurance markets in the world, primarily resulting from the current low penetration levels. We see a trend in the rising ages of population, which we expect to serve with a strong position in pension fund business. Following the capital market crisis, we expect a shift from investment-oriented to traditional life products.

Middle East and North Africa

To elevate our presence in the Middle East region and to set the course for further internal and

(2) Source: Own estimate based on published statistics from regulatory bodies and insurance associations.

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external growth, we established the Middle East / North Africa (MENA) as our third major growth region. The regional unit comprises Allianz s entities in Bahrain, Egypt, India, Lebanon, Pakistan, Saudi Arabia and Sri Lanka, and is directed from a central office in Bahrain.

Our Indian joint-ventures contribute more than 90% to the region s total gross premiums written. We also sell property-casualty products in this region mainly through Allianz Egypt and Allianz SNA (Lebanon). Both entities also offer life/health products. Allianz Life Egypt has experienced strong growth for some time and is ranked fourth in the period 2007/2008, based on statutory premiums[(1)]. Allianz SNA is among the top four companies in Lebanon in both Life and property-casualty business based on gross premiums written and statutory premiums, respectively, in 2007[(1)].

In Bahrain, we started to sell life and property-casualty products through our new entity Allianz Takaful. Bahrain will serve as a hub for future operations in other countries of the Middle East.

Throughout the region, more than 250,000 agents distribute our products. Furthermore, we sell products via banks. In property-casualty we also distribute via brokers and dealers, who are a vital part of our distribution force. In India we see the direct channel growing in importance. We intend to further strengthen our distribution capabilities and use the hub-and-spoke approach in order to increase operational effectiveness.

We see the Middle Eastern region as a growth market and are seeking to expand in all of our selected markets in the region through further organic growth and selected acquisitions. We are also targeting additional growth in India through our joint venture with Bajaj Allianz Financial Distributors Ltd.

Major Transactions

Legal Structure and Significant Changes

Allianz SE is a European Company (Societas Europaea, or SE) incorporated in the Federal Republic of Germany and organized under the laws

(1) Source: Own estimate based on published statistics from regulatory bodies and insurance associations.

of the Federal Republic of Germany and the European Union. Allianz SE is the ultimative parent of the Allianz Group.

Squeeze-out of Allianz Lebensversicherungs-AG

The sqeeze-out procedure of Allianz Lebensversicherungs-AG, which we announced on January 18, 2008, was completed in December 2008.

Major Disposals

Sale of Dresdner Bank AG

On August 31, 2008, Allianz SE (Allianz) and Commerzbank AG (Commerzbank) agreed on the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank, which was completed on January 12, 2009.

The consideration received by Allianz comprised a cash component of 3,215 million, 163.5 million Commerzbank shares, the asset manager cominvest and a 15-year exclusive sales partnership, whereby Commerzbank will distribute in Germany Allianz s insurance and banking products (bancassurance and assurbanking) and asset management products. On January 8, 2009, Allianz announced to subscribe to a silent participation of 750 million in Dresdner Bank after closing alongside a new equity tranche granted to Commerzbank by the German government s Special Fund Financial Market Stabilization program (SoFFin). Like SoFFin, Allianz will receive a 9% coupon on this investment. In addition, Allianz acquired from Dresdner Bank Collateralized Debt Obligations (CDOs) with a face value of 2 billion for a consideration of approximately 1.1 billion. With SoFFin s capital support to Commerzbank, Allianz stake in Commerzbank will be approximately 14%. Major financial impacts of the transaction are described in Executive Summary .

Major Acquisitions

Acquisition of further stakes in Koç Allianz Sigorta AŞ and Koç Allianz Hayat ve Emeklilik AŞ

In April 2008, the Allianz Group signed a share purchase agreement to acquire 47.1% of shares in the non-life insurer Koç Allianz Sigorta AŞ, Istanbul, and 51.0% of the shares in the life-insurance and pension company Koç Allianz Hayat ve Emeklilik AŞ, Istanbul, for a total consideration of 373 million. The transaction became effective on July 21, 2008 so that the Allianz Group now controls 84.2% and 89.0% of these companies, respectively.

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Since October 7, 2008, the companies operate under the name Allianz Sigorta AŞ and Allianz Hayat ve Emeklilik AŞ.

Capital investment in The Hartford

On October 6, 2008, Allianz SE announced a binding agreement providing for a capital investment of U.S. $ 2.5 billion in The Hartford, one of the largest insurance companies in the United States. We have purchased, for a consideration of U.S. $ 2.5 billion, 6 million preferred shares convertible into 24 million shares of common stock after receipt of applicable approvals, warrants for 69 million Hartford shares and junior subordinated debentures with a nominal value of U.S. $ 1.75 billion and a 10% interest coupon. Effective January 9, 2009, the preferred stock has been converted into common stock.

Reorganization

Reorganization of the German Insurance Operations

The reorganization of our German insurance operations was successfully completed by year-end 2008 . This process was part of our ongoing effort to simplify structures and reduce complexity within the Allianz Group with the aim to concentrate stronger on our clients needs as well as enabling us to react to changes in our markets with greater speed, focus and flexibility. Our goal was to create one joint presence of our insurance operations, with customers perceiving Allianz as one unit with comprehensive high quality services. The reorganization was part of our strategy to further develop our leading position in the German insurance market.

We believe that the reorganization program leads to reduced complexity and will allow us to reduce costs in the long-term.

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

With effect from January 1, 2009, the newly created Banking division was grouped under the roof of Allianz Deutschland AG. It is headed by a former member of the Board of Managing Directors of Dresdner Bank. The Banking division comprises the Oldenburgische Landesbank and the banking customers introduced by the Allianz sales force within the last couple of years.

Allianz Deutschland AG is now organized according to the following business structure.

Business model of Allianz Deutschland AG

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Property-Casualty Insurance Reserves

General

The Allianz Group establishes property-casualty loss reserves for the payment of losses and loss adjustment expenses (or LAE) on claims which have occurred but are not yet fully settled. Loss and LAE reserves fall into two categories: individual case reserves for reported claims and reserves for incurred but not reported (or IBNR) claims.

Case reserves are based on estimates of future loss and LAE payments on claims already reported. Such estimates are made on a case-by-case basis, based on the facts and circumstances available at the time the reserves are established. The estimates reflect the informed judgment of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These case reserves are regularly re- evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified (incurred but not yet reported, IBNYR) as well as additional development on case reserves (incurred but not enough reported, IBNER). IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including LAE, necessary to bring claims to final settlement. The Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors, to estimate IBNR reserves.

IBNR reserves are estimates based on actuarial projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time-lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims.

Some of these variables are internal to the Allianz Group, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends and legislative and regulatory changes. The Allianz Group attempts to reduce the uncertainty in reserve estimates through the use of multiple actuarial reserving techniques and analysis of the assumptions underlying each technique.

During 2008, there were no significant changes in the mix of business written across Allianz Group. Moreover, there were no material changes to the amount and type of reinsurance placed in respect of the Group s business.

On the basis of currently available information, management believes that the Allianz Group s property-casualty loss and LAE reserves are adequate. However, the establishment of loss reserves is an inherently uncertain process, and accordingly, there can be no assurance that ultimate losses will not differ from these estimates. For more information, refer to Risk Factors Risks arising from the nature of our business Loss Reserves for Allianz Group s property-casualty insurance and reinsurance policies are based on estimates as to future claims liabilities. Adverse

developments relating to claims could lead to further reserve additions and materially adversely impact Allianz Group s results of operations.

Overview of Loss Reserving Process

Within the Allianz Group, loss and LAE reserves are set locally by reserving actuaries, subject to central monitoring and oversight by the Allianz SE actuarial department (Group Actuarial). This two stage reserving process is designed so that reserves are set by those individuals most familiar with the underlying business, but in accordance with central standards and oversight. Our central standards are designed to ensure that consistent reserving methodologies and assumptions are employed across the Allianz Group.

Local Reserving Processes

In each jurisdiction, reserves are calculated for individual lines of business, taking into consideration

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a wide range of local factors. This local reserving process begins with local reserving actuaries gathering data, with our companies typically dividing reserving data into the smallest possible homogeneous segments, while maintaining sufficient volume to form the basis for stable projections. For longer-tailed lines of business such as motor liability, development data going back for up to twenty years or more is used, while for shorter-tailed lines such as property, data going back five to ten years is typically considered sufficient. Once data is collected, we derive patterns of loss payment and emergence of claims based on historical data organized into development triangles arrayed by accident year versus development year. Loss payment and reporting patterns are selected based on observed historical development factors and also on the judgment of the reserving actuary using an understanding of the underlying business, claims processes, data and systems as well as the market, economic, societal and legal environment. We then develop expected loss ratios, which are derived from the analysis of historical observed loss ratios, adjusted for a range of factors such as loss development, claims inflation, changes in premium rates, changes in portfolio mix and change in policy terms and conditions.

Using the development patterns and expected loss ratios described above, local reserving actuaries produce estimates of ultimate loss and allocated loss adjustment expense (LAE) using several methods. The most commonly used local reserving methods are:

Loss Development (Chain-Ladder) Method, which estimates ultimate loss and LAE by applying loss development patterns directly to observed paid and reported losses.

Bornhuetter-Ferguson Method, which estimates loss and LAE using development patterns, observed losses and prior expected loss estimates.

Frequency-Severity Methods, which produce separate estimates of the ultimate number and average size of claims. In addition, individual companies use a variety of other methods for certain lines of business.

Using the above estimate of ultimate loss and LAE, we directly estimate total loss and LAE

reserves by subtracting cumulative payments for claims and LAE through the relevant balance sheet date. Finally, local reserving actuaries calculate the relevant entities IBNR reserves as the difference between (i) the total loss and LAE reserves and (ii) the case reserves as established by claims adjusters on a case-by-case basis.

Because loss reserves represent estimates of uncertain future events, our local reserving actuaries determine a range of reasonably possible outcomes. To analyze the variability of loss reserve estimates, actuaries employ a range of methods and approaches, including simple sensitivity testing using alternative assumptions, as well as more sophisticated stochastic techniques. Group reserving standards require that each company s local reserve committee meet quarterly to discuss and document reserving decisions and to select the best estimate of the ultimate amount of reserves within a range of possible outcomes and the rationale for that selection for the particular entity.

Central Reserve Oversight Process

Building on the local reserving process described above, Group Actuarial conducts a central process of reserve oversight. This process ensures that reserves are set at the local level in accordance with Group-wide standards of actuarial practice regarding methods, assumptions and data. The key components of this central oversight process are:

- Minimum standards for actuarial loss reserving;
- Regular central independent reviews by Group Actuarial of reserves of local operating entities; and
- Regular quantitative and qualitative reserve monitoring.

Each of these components is described further below.

Minimum standards for actuarial loss reserving: Group-wide minimum standards of actuarial reserving define the reserving practices which must be conducted by each operating entity. These standards provide guidance regarding all relevant aspects of loss reserving, including organization and structure, data, methods, and

reporting. Group Actuarial monitors compliance with these minimum standards through a combination of diagnostic reviews i.e. standardized qualitative assessment of the required components in the reserving process and local site visits. Group Actuarial informs the local operating entity of areas requiring immediate remediation as well as areas for potential improvement, and coordinates with the local operating entities to address the relevant issues and implement improvements.

Regular central independent reviews by Group Actuarial of reserves of local operating entities: Group Actuarial performs independent reviews of loss and LAE reserves for key local operating entities on a regular basis. This process is designed such that the largest entities are reviewed once a year. Such a review typically starts with site visits to ensure that Group Actuarial updates their knowledge of the underlying business as well as the issues related to data and organization. Group Actuarial then conducts an analysis of reserves using data provided by the operating entity. Preliminary conclusions are then discussed with the local operating entity prior to being finalized. Any material differences between Group Actuarial s reserve estimates and those of the local operating entity are then discussed, and evaluated to determine if changes in assumptions are needed.

Regular quantitative and qualitative reserve monitoring: On a quarterly basis, Group Actuarial monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly loss data submitted by local operating entities as well as through participation in local reserve committees and frequent dialogue with local actuaries of each operating entity. This quarterly loss data provides information about quarterly reserve movements, as the information is presented by accident year and line of business, as defined by the local operating entity.

The oversight and monitoring of the Group s loss reserves culminate in quarterly meetings of the Group Reserve Committee, which monitors key developments across the Group affecting the adequacy of loss reserves.

Loss and LAE Composition by Line of Business

The time required to learn of and settle claims is an important consideration in establishing reserves.

Short-tail claims, such as motor property damage claims, are typically reported within a few days or weeks and are generally settled within two to three years. Medium-tail claims such as personal and commercial motor liability claims generally take four to six years to settle, while long-tail claims, such as general liability, workers compensation, construction and professional liability claims take longer.

The following table breaks down the loss and LAE reserves of the Allianz Group, in total and separately by IBNR and case reserves, gross of reinsurance, by line of business for the years ending December 31, 2006, 2007 and 2008, on an IFRS basis.

The Allianz Group estimates that loss and LAE reserves consist of approximately 10% short-tail, 60% medium-tail and 30% long-tail business.

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Allianz Group

Loss and LAE Reserves by Year and Line of Business, Gross of Reinsurance

IFRS Basis

Euro in millions

	2008	2007	2006
Motor	18,686	19,264	18,924
Case Reserves	15,196	15,943	15,401
IBNR Reserves	3,490	3,321	3,524
General Liability	11,286	11,306	11,578
Case Reserves	6,797	6,734	6,854
IBNR Reserves	4,488	4,571	4,724
Workers Compensation / Employers Liability	4,545	4,602	4,876
Case Reserves	2,150	2,103	2,262
IBNR Reserves	2,395	2,499	2,614
Property	3,893	3,989	3,910
Case Reserves	3,447	3,389	3,191
IBNR Reserves	445	600	720
Inwards Reinsurance	2,330	2,493	2,728
Case Reserves	1,388	1,364	1,755
IBNR Reserves	942	1,129	972
Personal Accident	1,264	1,297	1,289
Case Reserves	1,167	1,138	1,137
IBNR Reserves	98	159	152
Construction Damage and Liability	1,872	1,732	1,572
Case Reserves	534	533	557
IBNR Reserves	1,338	1,199	1,015
Credit Insurance	1,407	1,042	1,042
Case Reserves	1,315	1,045	1,038
IBNR Reserves	92	(3)	4
AGCS[1]	6,124	6,142	7,435
Case Reserves	3,629	3,591	4,293
IBNR Reserves	2,495	2,551	3,142
Other[2]	4,209	3,595	3,689
Case Reserves	2,066	1,897	2,027
IBNR Reserves	2,142	1,698	1,662
Allianz Group Total[3]	**55,616**	**55,462**	**57,043**
Case Reserves	**37,690**	**37,737**	**38,516**
IBNR	**17,926**	**17,724**	**18,528**

(1) Allianz Global Corporate & Specialty was established in 2006 and combines reserves formerly presented as Marine & Aviation and as part of reserves for Germany, NAFTA Region and Allianz Risk Transfer (ART).

(2) Other comprises primarily Package / Multiple Perils, Legal Protection, Aviation and Travel Insurance lines of business.

(3) In 2008, the accident and health unit of Allianz s subsidiary, AGF IART and the health unit of Allianz s subsidiary, AZ Belgium, were transferred for reporting purposes from the Property & Casualty segment to the Life/Health segment. Accordingly, data relating to these unit is not included in the 2008 information in the table above and has also been excluded on a retrospective basis from the 2007 and 2006 information. The total reserves amounted to 1.621 billion and 1.481 billion for the years 2006 and 2007, respectively. An additional reclassification deemed immaterial and thus not reflected in the table above, amounting to 23 million, leads to a total reclassification amount of 1.458 billion for 2007.

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When reviewing the foregoing tables, caution should be used in comparing the split between case and IBNR reserves across line of business. The portion of IBNR on total loss reserves varies by line of business due to different reporting and settlement patterns. For short-tail lines of business, such as property, claims are generally reported immediately

after occurrence and settled in a period of only a few years. For long-tail lines of business, such as product liability, it is not unusual that a claim is reported years after its occurrence and settlement can also take a significant length of time, in particular for bodily injury claims.

Reconciliation of Beginning and Ending Loss and LAE Reserves

The following table reconciles the beginning and ending reserves of the Allianz Group, including the effect of reinsurance ceded, for the property-casualty insurance segment for each of the years in the three-year period ended December 31, 2008 on an IFRS basis.

Changes in the reserves for Loss and loss adjustment expenses for the Property-Casualty segment

	2008			2007			2006		
	Gross mn	Ceded mn	Net mn	Gross mn	Ceded mn	Net mn	Gross mn	Ceded mn	Net mn
Balance as of January 1	56,943	(8,266)	48,677	58,664	(9,333)	49,331	60,259	(10,604)	49,655
Plus incurred related to:									
Current year	30,398	(2,969)	27,429	29,839	(2,994)	26,845	28,214	(2,572)	25,642
Prior years[1]	(2,241)	798	(1,443)	(1,708)	348	(1,360)	(1,186)	217	(969)
Total incurred	28,157	(2,171)	25,986	28,131	(2,646)	25,485	27,028	(2,355)	24,673
Less paid related to:									
Current year	(14,049)	919	(13,130)	(13,749)	1,118	(12,631)	(12,436)	675	(11,761)
Prior years	(13,607)	1,602	(12,005)	(14,206)	1,952	(12,255)	(14,696)	2,455	(12,241)
Total paid	(27,655)	2,521	(25,134)	(27,955)	3,070	(24,885)	(27,132)	3,130	(24,002)
Effect of foreign exchange and other[2]	(497)	48	(449)	(2,022)	666	(1,356)	(1,491)	496	(995)
Effect of (divestitures)/acquisitions	127	(39)	88	125	(23)	102	0	0	0
Reclassifications[3]	(1,458)	87	(1,371)						
Balance as of December 31	55,616	(7,820)	47,796	56,943	(8,266)	48,677	58,664	(9,333)	49,331

(1) The favorable development during 2008 was the result of many individual developments by region and line of business and is discussed further below.
(2) The movement in the foreign exchange effect from year to year is further discussed in the Changes in Historical Loss and LAE Reserves section.
(3) Since the first quarter of 2008, our health business in Belgium and France is shown within Life/Health segment. Prior year balances have not been adjusted.

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Changes in Loss and LAE Reserves During 2008

As noted above, prior year loss and LAE reserves of the Allianz Group developed favorably during 2008 by 2,241 million gross of reinsurance and 1,443 million net of reinsurance, representing 4.0% of gross reserves and 3.0 % of net reserves as of December 31, 2007. The following table provides a breakdown of these amounts by line of business.

Allianz Group

Changes in Loss and LAE Reserves During 2008 Gross and Net of Reinsurance

IFRS Basis

Euros in millions

	Gross Reserves as of December 31, 2007	Gross Development related to Prior Years	in %[1]	Net Reserves as of December 31, 2007	Net Development related to Prior Years	in %[2]
Motor	19,264	(530)	(2.8)%	17,096	(510)	(3.0)%
General Liability	11,306	(337)	(3.0)%	9,021	(269)	(3.0)%
Workers Compensation / Employers Liability	4,602	18	0.4%	4,500	57	1.3%
Property	3,989	(385)	(9.7)%	2,868	(294)	(10.3)%
Inwards Reinsurance	2,493	(196)	(7.9)%	3,946	(3)	(0.1)%
Personal Accident	1,297	(56)	(4.3)%	1,006	(57)	(5.7)%
Construction Damage and Liability	1,732	52	3.0%	1,437	50	3.5%
Credit Insurance	1,042	(150)	(14.4)%	807	(104)	(12.9)%
AGCS	6,142	(509)	(8.3)%	3,769	(267)	(7.1)%
Other	3,595	(148)	(4.1)%	2,835	(45)	(1.6)%
Allianz Group[3]	**55,462**	**(2,241)**	**(4.0)%**	**47,285**	**(1,442)**	**(3.0)%**

(1) In percent of gross reserves as of December 31, 2007.
(2) In percent of net reserves as of December 31, 2007.
(3) In 2008, the accident and health unit of Allianz s subsidiary, AGF IART and the health unit of Allianz s subsidiary, AZ Belgium were transferred from the Property & Casualty segment to the Life/Health segment. As a result, the historical data for these units was excluded on a retrospective basis from the 2007 information in the table above.

We discuss below by line of business the major highlights of the reserve developments in 2008. Because of the multitude of these reviewed segments, it is not feasible, or meaningful, to provide detailed information regarding each segment (e.g., claim frequencies, severities and settlement rates). The discussion is based on net loss and LAE reserves in the local currency of the relevant local operating entity before consolidation and converted into Euro for uniform presentation. Individual explanations of amounts in the following discussion, which includes only significant developments for our major operating entities, do not fully reconcile to the line of business totals in the above table.

Motor

For Motor, net loss and LAE reserves developed favorably during 2008 by approximately 510 million, or 3.0% of reserves as of December 31, 2007. This development was the result of the following multiple effects.

Unfavorable developments included:

43 million at our U.S. subsidiary, driven mainly by the claims experience in its commercial motor liability line and to a lesser extent, in its personal motor liability line. The increase in the commercial auto

liability line was driven by significantly higher than anticipated claim emergence during late 2007, which was recognized during 2008 as a result of delays in the claims adjusting process.

Favorable developments included:

112 million at our Spanish entity, due in particular to the favorable development of bodily injury claims in the motor line. New legislation in Spain led to the revision of compensation amounts and compensation limits in 2008 which had retroactive effects;

81 million on motor commercial and personal lines at our U.K. entity, due primarily to a favorable development in bodily injury claims. In 2008, we have continued to benefit from changes in motor claims patterns in terms of speed at which claims are notified, the improved manner in which reserves are handled by claims specialists and the savings realized on settlements, thus resulting in a surplus;

78 million for motor liability at our Italian entity, due to better than expected historical claims emergence and the improvement in actuarial techniques as a result of the availability of higher quality of data;

71 million at our Slovakian and Hungarian entities, due to an improvement of the actuarial assumptions and better than expected claims emergence;

Approximately 60 million at our Australian subsidiary for motor third-party liability (TPL), primarily as a result of positive development in long-tail classes, where the impact of prior years legislative changes continued to be better than assumed in prior reporting years; and

21 million at our German entity, mainly because of an update of assumptions due to data improvements for LAE.

General Liability

For General Liability, net loss and LAE reserves developed favorably during 2008 by approximately 269 million, or 3.0% of reserves as of December 31, 2007.

Favorable developments included:

115 million at our French entity, mainly driven by changes in the claims settlement process and better than expected experience on older accident years.

55 million at our UK entity. As in the case of the motor business, in 2008, we have continued to benefit from changes in claims patterns in terms of speed at which claims are notified, the improved manner in which reserves are handled by claims specialists and the savings realized on settlements, resulting in a surplus;

36 million at our Australian subsidiary in its general liability business, primarily as a result of positive development in long-tail classes where the impact of prior years legislative changes continues to be better than assumed in the prior reporting years.

Property

For Property, net loss and LAE reserves developed favorably during 2008 by approximately 294 million, or 10.3% of reserves as of December 31, 2007.

Favorable developments included:

107 million at our French entity on its property business, mainly driven by reductions in the estimated ultimate loss for corporate business for which actual development has been less than expected; and

42 million at our Italian entity as a result of better than expected claims emergence on prior years.

Credit Insurance

Credit insurance is underwritten in the Allianz Group by Euler Hermes. During 2008, Euler Hermes experienced favorable development of 104 million net of reinsurance, or 12.9% of the reserves as of December 31, 2007. Of this amount, 35 million is attributable to Euler Hermes Germany, which experienced an improvement in actuarial methodology. In France, the favorable development of 52 million was mainly attributable to an increase in salvage and subrogation and decrease in declared guaranteed claims for the underwriting year 2007 in

the first half of 2008. The remainder comprises favorable developments of a lesser magnitude in our operations in the United Kingdom, Belgium, Italy, Spain, Greece, Hungary, Morocco, Mexico, The Netherlands and Sweden.

Allianz Global Corporate and Specialty

Allianz Global Corporate and Specialty (AGCS) is the Allianz Group s global carrier for corporate and specialty risks and also includes the corporate branch of the German business. Overall, AGCS experienced 267 million of favorable development in 2008 net of reinsurance, or 7.1% of the reserves as of December 31, 2007.

The increase was due primarily to improved actuarial analysis in our property line of business where higher quality data became available, resulting in a 154 million surplus. The aviation line of business recorded a release of 31 million across all countries and sub-lines of business due to a new assessment of the development pattern based on better than expected claims experience.

Workers Compensation / Employers Liability

The net loss and LAE reserves developed unfavorably during 2008 on Workers Compensation / Employers Liability line of business by approximately 57 million, or 1.3% of reserves as of December 31, 2007. This development was the result of multiple effects.

Unfavorable developments included:

- 83 million for workers compensation business at our U.S. entity as a result of an improvement in actuarial assumptions and methodology.

Favorable developments included:

- 50 million for employers liability business at our U.K. entity. As in the case of the motor and general liability business, we continued to benefit in 2008 from changes in claims patterns in terms of speed at which claims are notified, the improved manner in which reserves are handled by claims specialists and the savings realized on settlements, resulting in a surplus.

Construction Damage and Liability

The net loss and LAE reserves developed unfavorably during 2008 on the Construction and

Liability line of business by approximately 50 million, or 3.5% of reserves as of December 31, 2007. This was mainly driven by the 45 million unfavorable development for construction business at our French entity, mainly due to an underestimation of claims for prior years because of

significant portfolio growth;

Personal Accident

The net loss and LAE reserves developed favorably during 2008 on the Personal Accident line of business by approximately 57 million, or 5.7% of reserves as of December 31, 2007. This was mainly driven by the 30 million favorable development for personal accident business at our Italian entity, mainly driven by reductions in the estimated ultimate losses caused by actual development being less than expected.

Changes in Historical Loss and LAE Reserves

The following table illustrates the development of the Allianz Group s loss and LAE reserves, on an IFRS basis and gross of reinsurance, over the past ten years.

Each column of this table shows reserves as of a single balance sheet date and subsequent development of these reserves. The top row of each column shows gross reserves as initially established at the end of each stated year. The next section, reading down, shows the cumulative amounts paid as of the end of the successive years with respect to the reserve initially established. The next section shows the retroactive re-estimation of the initially established gross reserves for loss and LAE as of the end of each successive year. This re-estimation results primarily from additional facts and circumstances that pertain to open claims.

The bottom section compares the latest re-estimated gross reserves for loss and LAE to the gross reserves, as initially established, and indicates the cumulative development of the initially established gross reserves through December 31, 2008. The surplus (deficiency) shown in the table for each year represents the aggregate amount by which the original estimates of reserves at that year-end have changed in subsequent years. Accordingly, the cumulative surplus (deficiency) for a year-end relates only to reserves at that year-end and such amounts are not additive. Caution should be exercised in evaluating the information shown on this table, as each amount includes the effects of all changes in

amounts for prior periods. For example, the development of 1998 reserves during 2001 is included in the cumulative surplus (deficiency) of the 1998 through 2000 columns.

The table below presents calendar year, not accident year, data. Conditions and trends that have affected development of liability in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results may not be derived from information presented in this table.

Companies acquired or divested during the period shown in the table can lead to distortions in the cumulative surplus or deficiency. The table starts with the presentation of gross liabilities for unpaid

claims and claims expenses as accounted, as of the respective date of the balance sheet. Over time, these liabilities are re-estimated. In addition, these liabilities will change if, through either acquisition, sale of a company or reclassification, entire new portfolios of claim payments and reserves are added to or subtracted from the data. In addition, changes in currency exchange rates can lead to distortions in the cumulative surplus or deficiency. At the end of this table, we quantify the effects of the change in the set of consolidated entities and of foreign exchange, and present the cumulative loss development excluding these two effects. Prior year amounts have been reclassified to conform to the current year presentation.

Allianz Group:

IFRS Basis

Euro in Millions

As of December 31,[1]	**1998**	**1999**	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**
Gross liability for unpaid claims and claims expense	45,564	51,276	54,047	61,883	60,054	56,750	55,528	60,259	58,664	56,943	55,616
Cumulative Paid as of											
one year	12,273	15,114	16,241	15,945	16,357	14,384	13,282	14,696	14,206	13,607	
two years	18,847	22,833	23,077	24,567	24,093	21,157	20,051	21,909	20,659		
three years	23,407	27,242	28,059	29,984	29,007	26,149	24,801	26,583			
four years	26,327	30,698	31,613	33,586	32,839	29,847	28,206				
five years	28,738	33,263	34,218	36,431	35,832	32,570					
six years	30,550	35,194	36,317	38,810	38,044						
seven years	32,051	36,930	38,123	40,618							
eight years	33,344	38,382	39,466								
nine years	34,544	39,463									
ten years	35,434										
Gross liability re-estimated as of											
one year	46,005	52,034	55,200	58,571	56,550	54,103	56,238	57,932	55,266	52,931	
two years	46,043	52,792	53,535	56,554	55,704	55,365	53,374	54,437	51,809		
three years	46,780	51,265	52,160	56,056	57,387	53,907	51,895	52,676			
four years	45,307	49,929	52,103	57,640	56,802	53,181	50,767				
five years	44,196	50,058	53,675	57,006	56,148	52,356					
six years	44,524	51,432	53,204	56,527	55,553						
seven years	45,679	51,263	53,124	56,102							
eight years	45,478	51,063	52,566								
nine years	45,237	50,548									
ten years	45,120										

Cumulative surplus (deficiency)	444	728	1,481	5,781	4,501	4,394	4,761	7,583	6,855	4,012
effect of disposed/(acquired) portfolios[2]	(2,147)	0	0	(93)	0	540	0	0	0	1,458
effect of foreign exchange	(1,339)	875	2,213	4,944	3,390	877	18	2,391	1,474	313
excluding both effects	3,931	(148)	(732)	931	1,111	2,977	4,744	5,193	5,381	2,241
Percent	8.6%	(0.3)%	(1.4)%	1.5%	1.9%	5.2%	8.5%	8.6%	9.2%	3.9%

(1) Reserves for loss and LAE of subsidiaries sold (or purchased) are excluded (or included) in the above table as of the date of the disposal (or acquisition).

(2) Our major acquisitions over this period are Allianz Australia, Allianz Ireland (consolidated 1999) and Allianz Slovenská (consolidated 2001). Major disposals include Allianz Canada (de-consolidated 2004). Three major reclassifications occurred in 2008 in which the accident and health unit of AGF IART and the health unit from AZ Belgium were transferred from our Property & Casualty segment into our Life/Health segment and the AGF Brazil health unit was transferred from our Life/Health segment into our Property & Casualty segment, accounting for the 1,458 million effect in 2008. The effect on the liability re-estimated consists of effects on paid and unpaid losses for prior years in the year of the transaction, while the effect of (divestitures)/acquisitions presented in the table Reconciliation of Loss and LAE Reserves , states the total amount of loss reserves being deconsolidated or consolidated for the first time.

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In 2008, loss and LAE reserves decreased by 1,327 million or 2.3% to 55,616 million, resulting primarily from the impact of reclassifications described in the table above as well as the weakening of the British Pound and Australian Dollar relative to the Euro. Reserve developments during 2008 are described in further detail in the preceding section Changes in Loss and LAE Reserves During 2008 .

Discounting of Loss and LAE Reserves

As of December 31, 2008, 2007 and 2006, the Allianz Group s consolidated property-casualty reserves reflected discounts of 1,139 million, 1,100 million and 1,074 million respectively.

Reserves are discounted to varying degrees in the United States, Germany, Hungary, Switzerland, Portugal and France. The reserve discounts relate to reserves for structured settlements in various classes of business. These classes include personal accident, general liability and motor liability in Germany and Hungary, workers compensation in the United States, Switzerland and Portugal and motor liability in France. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable. The following table shows, by line of business, the carrying amounts of reserves for claims and claim adjustment expenses that have been discounted, and the interest rates used for discounting for the years ended December 31:

	Discounted Reserves mn			Amount of Discount mn			Interest Rate used for discounting[1]		
	2008	2007	2006	2008	2007	2006	2008	2007	2006
Motor TPL	632	589	569	446	414	396	1.40% - 5.25%	1.40% - 5.25%	1.40% - 6.00%
General Liability	190	170	178	164	150	162	1.40% - 5.25%	1.40% - 5.25%	1.40% - 6.00%
Personal Accident	325	293	267	201	182	170	2.25% - 4.00%	2.25% - 4.00%	2.75% - 4.00%
Workers Comp./Employers Liability	539	520	537	309	335	333	3.00% - 5.25%	3.00% - 5.25%	3.25% - 6.00%
Other	26	29	19	19	19	13	1.40% - 5.25%	1.40% - 5.25%	1.40% - 6.00%
Total	**1,712**	**1,601**	**1,570**	**1,139**	**1,100**	**1,074**			

(1) The wide range of interest rates is the result of the presentation of the above information by line of business thus each line reflecting interest rates used in various countries.

Asbestos and Environmental (A&E) Loss Reserves

There are significant uncertainties in estimating loss and LAE reserves for A&E. Reserves for asbestos-related illnesses and environmental clean up losses cannot be estimated using traditional actuarial techniques due to the long latency period and changes in the legal, socio-economic and regulatory environment. Case reserves are established when sufficient information is available to indicate the involvement of a specific insurance policy. In addition, IBNR reserves are established to cover additional exposures on both known and not yet reported claims. To the extent possible, A&E loss reserve estimates are based not only on claims reported to date, but also on a survey of policies that may be exposed to claims reported in the future (i.e., an exposure analysis).

In establishing liabilities for A&E claims, management considers facts currently known and the current state of the law and coverage litigation. However, given the expansion of coverage and liability by the courts and the legislatures in the past and the possibilities of similar interpretation in the future, there is significant uncertainty regarding the extent of remediation and insurer liability. As a result, the range of reasonable potential outcomes for A&E liabilities provided in these analyses is particularly large. Given this inherent uncertainty in estimating A&E liabilities, significant deviation from the currently carried A&E reserve position is possible. For more information, refer to Operating and Financial Review and Prospects Critical Accounting Policies Reserves for loss and loss adjustment expenses Variability of reserve estimates Asbestos claims reserves.

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While the U.S. A&E claims still represent a majority of the total A&E claims reported to the Allianz Group, the insurance industry is exposed to A&E claims on a global basis. We continue to analyze these non-U.S. A&E exposures. The results of our regular analysis of non-U.S. A&E reserves confirm our current level of carried A&E reserves without any need for additional reserve strengthening in 2008.

The following table summarizes the gross and net loss and LAE reserves for A&E claims.

As of December 31,	A&E Net Reserves	A&E Gross Reserves	As percentage of the Allianz Group s Property-Casualty Gross Reserves
	mn	mn	
2006	2,990	3,636	6.2%
2007	2,764	3,287	5.8%
2008	2,618	3,140	5.6%

The following table shows total A&E loss activity for the past three years.

Total Asbestos and Environmental:	Year Ended December 31,		
	2008	2007	2006
	mn	mn	mn
Loss + LAE Reserves as of January 1	3,287	3,636	3,873
Less Loss and LAE Payments	(199)	(175)	(205)
Plus Change in Loss and LAE Reserves	52	(175)	(32)
Loss + LAE Reserves as of December 31	3,140	3,287	3,636

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Regulation and Supervision

General

Our insurance, banking and asset management businesses are subject to detailed, comprehensive regulation and supervision in all countries in which we do business. In addition, certain EU regulations, which are directly applicable in the EU member states and EU directives, that need to be implemented through local legislation, have had and will continue to have a significant impact on the regulation of the insurance, banking and asset management industries in EU member states. The following discussion addresses significant aspects of the regulatory schemes to which our businesses are subject.

Allianz SE

Allianz SE operates as a reinsurer and holding company for our insurance, banking and asset management operating entities. As such, Allianz SE is supervised and regulated by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, BaFin). The BaFin monitors and enforces regulatory standards for banks, financial services institutions and insurance companies by supervising their activities in the financial markets. The BaFin is also responsible for the supervision of the Allianz Group as a financial conglomerate.

Effective January 2005, reinsurance companies in Germany such as Allianz SE are subject to specific legal requirements regarding assets covering their technical reserves. These assets are required to be appropriately diversified to prevent a reinsurer from relying excessively on any particular asset. Although Allianz SE currently meets these requirements, there can be no assurances as to the impact on Allianz SE of any future amendments to or changes in the interpretation of the laws and regulations regarding assets covering technical reserves of reinsurance companies, which could require Allianz SE to change the composition of its asset portfolio covering its technical reserves or take other appropriate measures.

Allianz SE is required to submit annual and interim reports, including certain accounting documents, to the BaFin. The BaFin also reviews transactions between Allianz SE and its subsidiaries, including reinsurance relationships and cost sharing agreements.

Regulations for Financial Conglomerates

In December 2004, Germany adopted a law implementing the EU Financial Conglomerates Directive (2002/87/EC). The law provides for additional supervision of financial conglomerates in the following five areas: (i) assessment of capital requirements of financial conglomerates on a group level, (ii) supervision of risk concentration, (iii) supervision of intra-group transactions, (iv) assessment of the good repute and professional competence of the management of a financial conglomerate s holding company and (v) establishment of appropriate internal controls to ensure compliance with the aforementioned components of supervision. The Allianz Group is a financial conglomerate within the scope of the directive and the related German law.

Regulation by Sector

Financial services providers operating in the insurance, banking or asset management sectors are subject to supplementary supervision specific to their respective sectors. The regulatory framework is established by local law which is in part harmonized as a result of EU directives regulating specific areas.

Insurance

European Union

The EU has adopted a series of insurance directives on life insurance and direct insurance other than life insurance, which have resulted in significant deregulation of the EU insurance markets. Under the directives, the regulation of insurance companies, including insurance operations outside their respective home countries (whether direct or through branches), is the responsibility of the home country insurance regulatory authority. This home country control principle permits an insurance company licensed in any jurisdiction of the EU to conduct insurance business, directly or through branches, in all other jurisdictions of the EU, without being subject to additional licensing requirements in these countries.

In EU member states, insurance contracts are subject to laws and regulations implementing the so-called anti-discrimination EU directives. According to a newly proposed directive, differences in premiums and benefits of polices shall not be permitted unless they are based on relevant and accurate actuarial or statistical data. Such requirement could have a relevant impact on the

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whole industry. Consultations on the new proposal are not yet finished and consequently, we cannot assess the final impact of the new directive on our business.

Germany

German insurance companies are subject to a comprehensive system of regulation under the German Insurance Supervision Act (*Versicherungsaufsichtsgesetz*). The BaFin monitors and enforces compliance with German insurance laws, applicable accounting standards, technical administrative regulations, and investment and solvency provisions. Under the Insurance Supervision Act, German insurance companies are subject to detailed requirements with respect to the administration of their assets and liabilities. In general, the actuarial and claims reserves of each insurer must be adequate to allow the insurer to fulfill its contractual commitments to pay upon receipt of claims. To that end, insurers must maintain a certain solvency margin (own funds). This solvency margin is monitored by the BaFin, which has the authority to order the company to take certain action if it considers the available solvency margin inadequate to assure the company s sound financial position.

On January 15, 2003, the EU Insurance Mediation Directive (2002/92/EC) became effective. The directive introduces obligations regarding information of the customers and the documentation of sales of insurance policies and was implemented in Germany in May 2007. The regulations lead to higher costs of administration and may increase the risk of litigation concerning selling practices.

Furthermore, insurance companies that form part of an insurance group, as defined by the German law implementing the EU Insurance Groups Directive (1998/78/EC), are subject to regulatory requirements, including the following three components: (i) the supervision of intra-group transactions, (ii) the monitoring of solvency on a consolidated basis and (iii) the establishment of appropriate internal controls for providing the BaFin with information as part of its monitoring of the first two components.

In addition, in the life and health sectors, German insurance companies are required to disclose to the BaFin the principles they use to set premium rates and establish actuarial provisions and are

required to appoint a chief actuary responsible for reviewing and ensuring the appropriateness of actuarial calculation methods. In addition, restrictions apply to the investment of German life and health insurance companies assets. The BaFin closely monitors the calculation of actuarial reserves and the allocation of assets covering actuarial reserves.

As part of the health care reform of 2008, each private health insurer must from January 1st 2009 on, provide a new tariff that covers a basic medical treatment equal to the statutory health insurance (so called basic tariff). The access to this tariff must not be restricted by a medical risk assessment. The premiums may not exceed the premiums paid for the statutory health insurance. To meet these specifications the new basic tariff must be subsidized by the private health insurers. This has led to a rise in premiums for traditional private health insurance products.

Other European Countries

In other European jurisdictions where our insurance operations are located, insurance companies are subject to laws and regulations relating to, among other things, statutory accounting principles, asset management, the adequacy of actuarial and claims reserves, solvency margins, minimum capital requirements, internal governance and periodic reporting requirements. The compliance with these laws and regulations, which

are in part based on EU directives providing a certain level of harmonization, is enforced by the relevant regulatory and supervisory authority in each jurisdiction in which we operate, including, among others, the Autorité de Contrôle des Assurances et des Mutuelles in France, the Institute for the Supervision of Private and Collective Interest Insurance in Italy, the Swiss Federal Office of Private Insurance in Switzerland and the Financial Services Authority in the United Kingdom. These regulators have supervisory as well as disciplinary authority over our insurance operations in these jurisdictions.

United States

Our insurance subsidiaries in the United States are subject to comprehensive and detailed regulation of their activities under U.S. state and federal laws.

U.S. property-casualty and life insurance companies are subject to insurance regulation and supervision in the individual states in which they

transact business. Supervisory agencies in each state have broad powers to grant or revoke licenses to transact business, regulate trade practices, license agents, approve insurance policy terms and certain premium rates, set standards of solvency and reserve requirements, determine the form and content of required financial reports, perform insurance company market conduct examinations and prescribe the type, concentration, and amount of investments permitted. Insurance companies are subject to a mandatory financial audit every three to five years by state regulatory authorities, depending on the state of domicile, and every year by independent auditors. In addition, state Attorneys General have broad authority to investigate business practices within their respective states and to initiate legal action as they deem appropriate.

Although the federal government generally does not directly regulate the insurance business, many federal laws affect the insurance business in a variety of ways, including the Federal Fair Credit Reporting Act relating to the privacy of information used in consumer reports, the Do Not Call laws and the U.S.A. PATRIOT Act of 2001 relating to, among other things, the establishment of anti-money laundering programs. In addition, our property-casualty operations are subject to the requirements of the Terrorism Risk Insurance Act of 2002 (commonly referred to as TRIA), which is administered by the U.S. Department of Treasury and provides for reinsurance from the U.S. government for major acts of terrorism.

Variable annuity insurance is subject to the jurisdiction of the U.S. Securities and Exchange Commission (SEC), including SEC requirements pertaining to registration and marketing of products. Variable annuity contracts are registered with the SEC as securities, and the issuing insurance companies are registered with the SEC as investment companies. Variable annuities are also subject to the jurisdiction of the Financial Industry Regulatory Authority (FINRA), a self-regulatory organization that is under oversight of the SEC. FINRA regulates the sales practices associated with variable annuities and is currently seeking comments on a variety of proposed new rules, which would impose specific sales practice standards and supervisory requirements on FINRA members for transactions in deferred variable annuities.

In December 2008, the SEC adopted Rule 151A, which will have the effect of causing most fixed index annuities (FIAs) to be categorized as securities subject to SEC jurisdiction, and also to be subject to the jurisdiction of FINRA. The Rule has been structured to become effective in January 2011. Several insurance companies issuing FIAs have filed a lawsuit challenging the validity of Rule 151A. As a result, there is not complete certainty as to whether, when, or in what form Rule 151A will finally become effective.

Federal and state regulators are investigating various selling practices in the annuity industry, including suitability reviews, product exchanges, and sales to seniors. Such investigations can lead to regulatory enforcement proceedings. Furthermore, Allianz Life is subject to ongoing market conduct examinations by several state insurance regulators that may lead to enforcement proceedings which could result in modifications to Allianz Life s business processes, remediation, and/or penalties. State regulatory changes will likely continue to be focused around suitability and sales practices, but these proposals are still in the discussion stage and the potential impact on our operations, if any, is presently unknown.

There are a number of proposals for regulation that may significantly affect the U.S. market, such as proposals relating to the establishment of an optional federal charter for insurance and reinsurance companies; proposals to create a systemic risk regulator that would bring insurance regulation under the supervision of either the Department of Treasury or the Federal Reserve, employee benefits regulations; changes to pension and retirement savings laws; asbestos litigation; taxation; disclosure requirements; establishment of a federal reinsurance mechanism for natural catastrophes, legislation allowing bankruptcy judges to recalculate the terms and condition of residential mortgages, and a proposal allowing the automatic enrollment of employees for Income Retirement Accounts for small employers. While we anticipate the federal government to undertake significant regulatory reforms, the proposals related to these matters are very much in a preliminary stage and the impact upon our operations in the United States remains unknown. In addition, the impact of two other new federal laws, the Class Action Fairness Act of 2005 and the Pension Protection Act of 2006, upon our

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U.S. operations will become clearer with time. However, positive results appear to have been realized as a result of the adoption of the Class Action Fairness Act of 2005. At the state level, asbestos litigation reform efforts continue, while legislation and court decisions continue to expand property casualty tort liability and bad faith exposure.

Other Countries

Our insurance operations in countries other than those discussed above are also subject to detailed regulation and supervision by authorities in the relevant jurisdictions, including but not limited to such matters as corporate governance, solvency, minimum capital, policy forms and rates, reserving, investment and financial practices, as well as marketing, distribution and sales activities.

Banking, Asset Management and Other Investment Services

European Union

The supervision of banking, asset management and other investment services in the EU member states is primarily the responsibility of national authorities within the individual member states. However, the rules governing the regulation and supervision of these financial services have been harmonized by a number of EU directives, which have been or will be implemented in the member states. Most importantly, the national implementation of the EU Markets in Financial Instruments Directive (2004/39/EC) (MiFID) increased the level of harmonization for the operational structures and code of conduct rules for European investment firms. The EU Capital Requirements Directive (2006/48/EC and 2006/49/EC) primarily focuses on establishing harmonized minimum capital requirements for financial institutions and the EU Undertakings for Collective Investments in Securities Directive (1985/611/EEC), as amended from time to time, provides a European standard for the core asset management product in Europe. As a result of this harmonization, banking, asset management or investment service licenses granted in one EU member state are to be recognized in all other member states. Further, the directive on payment services in the internal market (2007/64/EC) represents the legal framework for the realization of the Single Euro Payments Area (SEPA).

Under the MiFID, investment firms can operate branches in all EU member states and also engage in cross-border services based on their existing home country license. For cross-border business without local presence, the MiFID introduces the relevance of home country code of conduct rules only. Moreover, EU member states must ensure that financial institutions that are members of a securities exchange in one member state are eligible for admission to trading on the exchanges of all other member states. Another field of harmonization is the offering and the trading of securities. The EU Prospectus Directive (2003/71/EC), which came into force on December 31, 2003, provides for harmonized rules with respect to the contents and filing of prospectuses for publicly traded securities. In addition, the EU Transparency Directive (2004/109/EC) harmonizes the rules for disclosure of financial and other information that publicly traded companies have to provide. The EU Market Abuse Directive (2003/6/EC) sets forth certain rules against market manipulation and insider dealing. The EU Anti Money Laundering Directive (2005/60/EC) introduces new rules on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing to be implemented by the EU member states. There are also EU directives harmonizing investor protection.

There are currently various proposals for regulatory reforms and initiatives, in particular regarding the EU Capital Requirements Directive, the Deposit Guarantee Scheme, credit rating agencies and hedge funds. It is difficult to predict at this time whether changes resulting from new regulations in these areas will affect the asset management industry, our investment management businesses, or our banking businesses, and, if so, to what degree.

Germany

Our banking and other financial services activities in Germany are extensively supervised and regulated by the BaFin and the German Central Bank (*Deutsche Bundesbank*, Bundesbank) in accordance with the German Banking Act (*Kreditwesengesetz*). The BaFin monitors compliance with, among other things, capital adequacy and liquidity requirements, lending limits, restrictions on certain activities imposed by the German Banking Act and coverage by adequate capital of market risk and counterparty risk associated with securities and foreign exchange transactions of banks. The BaFin

has the authority to request information and documentation on business matters from the banks and requires banks to file periodic reports. If the BaFin discovers irregularities, it has a wide range of enforcement powers.

In June 2004, the Basle Committee released the Revised Framework (Basle II) to replace the 1988 capital accord with a new capital accord. The two principal objectives of Basle II for measuring risk are (i) to align capital requirements more closely with the underlying risks; and (ii) to introduce a capital charge for operational risk (including, among other things, risks related to certain external factors, as well as to technical errors and errors of employees). Credit institutions in the various countries that participate in the Basle Committee began implementing Basle II in the beginning of 2007. In Germany, the Solvability Regulation (*Solvabilitätsverordnung*) implemented Basle II and included the new capital requirements. A bank must report its large credits to the Bundesbank and must notify the BaFin and the Bundesbank if it exceeds certain ceilings. Credits exceeding these ceilings may only be granted with the approval of the BaFin, and the amount exceeding these ceilings must be covered by capital of the bank.

In accordance with the German Deposit Guarantee Act (*Einlagensicherungs- und Anlegerentschädigungsgesetz*), the Bundesverband deutscher Banken, the association of the German private sector commercial banks, established a company known as the Compensation Institution (*Entschädigungseinrichtung deutscher Banken GmbH*) to carry out and ensure the deposit guarantee scheme of the German private sector commercial banks. The Deposit Guarantee Act provides certain guarantees for depositors and for claims resulting from securities transactions by customers. In addition, the banking industry has voluntarily set up various protection funds for the protection of depositors such as the Einlagensicherungsfonds, a deposit protection association with a fund which covers most liabilities to the majority of creditors up to a certain amount, as described by the fund s Articles of Association.

Other European Countries

In other European countries, our banking, asset management and other investment services

operations are subject to laws and regulations relating to, among other things, listed financial instruments, capital adequacy requirements, shareholdings in other companies, rules of conduct and limitation of risk. Our operations are also subject to ongoing disclosure obligations and may be subject to regulatory audits.

United States

Allianz Global Investors Fund Management LLC, Allianz Global Investors Solutions LLC, Allianz Global Investors Management Partners LLC, Allianz Global Investors Managed Accounts LLC, Allianz Alternative Asset Management U.S. LLC, Pacific Investment Management Company LLC, Oppenheimer Capital LLC, NFJ Investment Group LLC, Nicholas-Applegate Capital Management LLC, RCM Capital Management LLC and other financial services subsidiaries of Allianz SE in the United States are registered as investment advisers under the Investment Advisers Act of 1940. Many of the investments managed by these financial services subsidiaries, including a variety of mutual funds and other pooled investment vehicles, are registered with the SEC under the Investment Company Act of 1940. The investment advisory activities of these financial services subsidiaries are subject to various U.S. federal and state laws and regulations. These laws and regulations relate to, among other things, limitations on the ability of investment advisers to charge performance-based or non-refundable fees to clients, requirements to adopt Codes of Ethics governing personal securities transactions and other activities of employees, custody and safekeeping of clients assets, record-keeping and reporting requirements, disclosure requirements, limitations on principal transactions between an adviser or its affiliates and advisory clients, as well as general anti-fraud provisions.

Federal and state regulators continue to focus on the mutual fund and variable insurance product industries. As a result of publicity relating to widespread perceptions of industry abuses and the subprime crisis in 2007 and 2008, there have been numerous proposals for legislative and regulatory reforms, including, without limitation, mutual fund governance, new disclosure requirements, compensation arrangements, advisory fees, portfolio pricing, annuity products, hedge funds, regulation and distribution of equity index products, and other

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issues. It is difficult to predict at this time whether changes resulting from new laws and regulations will affect the U.S. asset management industry, or our investment management businesses, and, if so, to what degree.

Some U.S. financial services subsidiaries of Allianz SE are also registered with the SEC as broker-dealers under the Securities Exchange Act of 1934 and are subject to extensive regulation. In addition, some of these subsidiaries are members of, and subject to regulation by, self-regulatory organizations such as the FINRA. The scope of broker-dealer regulation covers matters such as capital requirements, the use and safekeeping of customers funds and securities, advertising and other communications with the public, sales practices, record-keeping and reporting requirements, supervisory and organizational procedures intended to assure compliance with securities laws and rules of the self-regulatory organizations and to prevent improper trading on material non-public information, employee-related matters, limitations on extensions of credit in securities transactions, and clearance and settlement procedures.

Allianz SE is also subject to the supervision of the Federal Reserve Board under the BHCA and the IBA and since June 30, 2004, Allianz SE has the status of a financial holding company.

Other Countries

Our financial services businesses in countries other than those discussed above are also subject to detailed regulation and supervision by authorities in the relevant jurisdictions, including, but not limited to such matters as corporate governance, anti-corruption, capital adequacy, investment advisory and securities trading activities, and mutual fund management and distribution activities.

Measures to Stabilize Financial Markets

In reaction to the crisis in the global financial markets, many countries have introduced rescue schemes for the financial sector. These schemes may include the granting of subsidies in form of guarantees facilitating the refinancing of the respective business, the infusion of liquidity (in form of voting or non-voting equity interests, senior or subordinated loans) or the acquisition of so-called toxic assets. Companies participating in these

schemes are typically subject to various restrictions, e.g. with respect to dividend payments and executive remuneration. Details vary from country to country.

Although no member of Allianz Group has applied for such subsidies, there may be an impact on Allianz business results, e.g. as a result of depreciation in the value of instruments issued by companies participating in rescue programs. Limitation on their ability to pay dividends may reduce the return of those Allianz portfolios which invested into such companies. Further, certain jurisdictions, such as the United Kingdom have recently introduced draft legislation pursuant to which the terms of certain capital market instruments may be amended (Banking Bill 2009). National legislation may also provide for the nationalization of financial services providers.

ITEM 4A. Unresolved Staff Comments

None

ITEM 5. Operating and Financial Review and Prospects

You should read the following discussion in conjunction with our consolidated financial statements including the notes thereto. The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (IFRS), as adopted under European Union (EU) regulations in accordance with section 315a of the German Commercial Code (HGB). The consolidated financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standard Board (IASB). The Allianz Group s application of IFRSs results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB. Unless otherwise indicated, we have obtained data regarding the relative size of various national insurance markets from annual reports prepared by SIGMA, an independent organization which publishes market research data on the insurance industry. In addition, unless otherwise indicated, insurance market share data are based on gross premiums written and statutory premiums for our Property-Casualty and Life/Health segments, respectively. Data on position and market share within particular countries are based on various third-party and/or internal sources as indicated herein.

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Critical Accounting Policies and Estimates

Goodwill

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group s proportionate share of the net fair value of identifiable assets, liabilities and certain contingent liabilities. Goodwill resulting from business combinations is not subject to amortization. It is initially recorded at cost and subsequently measured at cost less accumulated impairments. For impairment testing purposes, goodwill is allocated to the cash generating units that are expected to benefit from the synergies of the business combination as of the acquisition date. Significant judgment is involved in this estimate, and the actual resulting synergies of the business combination may not reflect the original estimate. During 2008, the Allianz Group has allocated goodwill to nine cash generating units in the Property-Casualty segment, six cash generating units in the Life/Health segment, one cash generating unit in the Banking segment, one cash generating unit in the Asset Management segment and one cash generating unit in the Corporate segment.

The Allianz Group conducts an annual impairment test of goodwill on October 1, or more frequently if there is an indication that goodwill is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is not impaired if the recoverable amount is greater than the carrying amount. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. Judgment is involved in applying valuation techniques when estimating the recoverable amount. The recoverable amounts of cash generating units generally are determined on the basis of value in use calculations.

The Allianz Group utilizes the capitalized earnings method to derive the value in use for all cash generating units in the Property-Casualty, Banking and Asset Management segments, as well as for the Germany Health and Private Equity cash generating units. Generally, the basis for the determination of the capitalized earnings value is the business plan (detailed planning period) as well as the estimate of the sustainable returns which can be assumed to be realistic on a long term basis (terminal value) of the companies included in the

cash generating units. The capitalized earnings value is calculated by discounting the future earnings using an appropriate discount rate.

The business plans applied in the value in use comprise a planning horizon of three years. The terminal values are largely based on the expected profits of the final year of the detailed planning period. Where necessary, the planned profits are adjusted so that long term sustainable earnings are reflected. The financing of the assumed growth in the terminal values is accounted for by appropriate profit retention.

The discount rate is based on the capital asset pricing model and appropriate eternal growth rates. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are consistent with the parameters used in the Allianz Group s planning and controlling process.

For all cash generating units in the Life/Health segment, with the exception of U.S. the fair value is based on an Appraisal Value which is derived from the Market Consistent Embedded Value and a multiple of the Market Consistent Value of New Business to reflect the companies ability to continue to write new business. The Market Consistent Embedded Value is an industry-specific valuation method and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach utilized is based on the Allianz Group s Market Consistent Embedded Value guidelines.

The value in use calculations are sensitive to the assumptions used in selecting the appropriate discount rates, as well as the key value drivers of the business plans. For example, the capitalized earnings values of Property-Casualty cash generating units depend on the application of long term sustainable combined ratios, and Banking and Asset Management cash generating units are sensitive to changes in assumptions regarding cost income ratios. Moreover, a severe or prolonged period of global or regional economic weakness could adversely affect our business plans and result in the need for the impairment of goodwill at one or more cash generating units. Should an impairment occur, the resulting impairment loss could be material to the Allianz Group s results of operations.

During 2008, the Allianz Group s annual impairment tests did not indicate a need to reduce the carrying value of goodwill. Sensitivity analyses with regards to discount rates and / or key value drivers of the business plans were performed.

Fair Value of Financial Instruments

The Allianz Group holds a number of financial instruments that are required to be measured at fair value under IFRS. These include trading assets and liabilities, financial assets and liabilities designated as carried at fair value through income, available-for-sale debt and equity securities, derivative instruments, financial assets and liabilities for unit-linked contracts and financial liabilities for puttable equity instruments. For most of these financial instruments, changes in fair value are included in net income. For others, such as available-for-sale investments and certain derivatives under hedge accounting rules, the changes in fair value are included in equity.

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations on the last exchange trading day prior to and including the balance sheet date. The quoted market price used for a financial asset held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined by

using valuation techniques. Valuation techniques are used which are based on market observable inputs when available. Such market inputs include references to recently quoted prices for identical instruments from an active market, quoted prices for identical instruments from an inactive market, quoted prices for similar instruments from active markets, quoted prices for similar instruments from inactive markets. Market observable inputs also include interest rate yield curves, option volatilities and foreign currency exchange rates. Where observable market prices are not available, fair value is based on appropriate valuation techniques using non-market observable inputs. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. Depending on the method used, different adjustments may be required for market, liquidity, credit or other risks in order to estimate the price at which an orderly transaction would take place between market participants at the measurement date.

The fair value of a financial instrument is determined using quoted prices for an identical instrument in active markets (Level I). If quoted prices for an identical instrument in active markets are not available, the fair value is determined using valuation-techniques based on observable market data (Level II). Otherwise valuation-techniques are used, for which any significant input is not based on observable market data (Level III).

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The following table presents the fair value hierarchy for financial instruments carried at fair value in the consolidated balance sheet as of December 31, 2008.

As of December 31,	2008				2007
	Level I Quoted prices in active markets mn	Level II Valuation technique-market observable inputs mn	Level III Valuation technique-non market observable inputs mn	Total fair value mn	Total fair value[1] mn
Financial assets					
Financial assets held for trading	1,020	1,550	54	2,624	163,541
Financial assets designated at fair value through income	7,295	4,129	192	11,616	21,920
Available-for-sale investments	190,820	46,710	4,569	242,099	268,001
Financial assets for unit-linked contracts	47,171	3,279		50,450	66,060
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	365	736		1,101	344
Total financial assets	**246,671**	**56,404**	**4,815**	**307,890**	**519,866**
Financial liabilities					
Financial liabilities held for trading	63	1,018	5,163	6,244	124,083
Financial liabilities designated at fair value through income					1,970
Investment contracts with policyholders[2]	35,117	1,037	174	36,328	35,841
Financial liabilities for unit-linked contracts	47,171	3,279		50,450	66,060
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	19	189		208	2,210
Financial liabilities for puttable equity instruments	2,718			2,718	4,162
Total financial liabilities	**85,088**	**5,523**	**5,337**	**95,948**	**234,326**

(1) Includes as of December 31, 2007 financial assets with a fair value of 201.8 bn and financial liabilities with a fair value of 140.6 bn related to the disposal group Dresdner Bank.

(2) Excludes Universal Life-Type contracts under US GAAP SFAS 97.

For the vast majority of Allianz Group s financial instruments carried at fair value in the consolidated balance sheet as of December 31, 2008, the fair value is determined using quoted prices in active markets for the identical instrument (Level I).

Available-for-sale investments assigned to Level II included corporate bonds of 23 bn and ABS-related instruments of 16 bn as of December 31, 2008 for which valuation techniques with observable market inputs are used.

The fair value of certain financial instruments is determined using valuation techniques with non market observable input parameters (Level III). Within financial assets designated at fair value through income these instruments comprise

investments in private equity of 184 mn. Within available-for-sale investments these instruments relate to investments in private equity of 2.1 bn, investments in corporate bonds of 1.7 bn and corporate asset-backed-securities of 133 mn. Financial liabilities held for trading include 5.2 bn of embedded derivative financial instruments relating to annuity products.

Due to the sale of Dresdner Bank to Commerzbank on January 12, 2009 the table above does not include certain CDOs that Allianz Group has repurchased from Dresdner Bank after the completion of the sale to Commerzbank. The amount of these assets as of December 31, 2008 was 1.1 bn and is presented in non-current assets and assets from disposal groups classified as held for sale.

Due to the worldwide financial market crisis, some markets faced a significant shortage of liquidity, which affected the valuation techniques used by the Allianz Group to measure fair value. For certain financial instruments, the market has been completely illiquid and market prices were no longer available. In addition, the market prices of certain ABS-based products declined significantly.

For ABS-based products, the availability of price quotations from a functioning market was limited during 2008 and as of December 31, 2008. Therefore, the valuation of these financial instruments is mainly based on quoted market prices or current market values of substantially the same financial instruments. The market values used were taken from other market participants that management believes are representative of the market. In all other cases, Allianz used model-based valuation techniques. Regardless of the valuation technique used, such techniques reflect current market conditions and appropriate risk adjustments that management believes market participants would make. For more information on Allianz Group s ABS exposure, please refer to Executive Summary Impact of the Financial Markets Turbulence Asset-backed securities exposure .

The Allianz Group currently cannot provide a sensitivity analysis of the assumptions used in the fair value measurement of financial instruments. To the extent that financial instruments for which fair market values are determined using valuation techniques that are not based on observable market data are considered significant to Allianz s consolidated financial statements in the future, Allianz intends to provide such a sensitivity analysis in future annual reports on Form 20-F to the extent applicable.

Impairments of Investments

Investments include held-to-maturity investments, available-for-sale debt and equity investments, investments in associates and joint ventures, and real estate held for investment.

Held-to-maturity securities are recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses (incurred loss model). Available-for-sale securities are recorded at fair value, and changes in fair value are recorded within a separate component of equity; impairment losses are recorded in the income statement.

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. Typically the impairment is due to deterioration in the creditworthiness of the issuer. Factors considered include industry risk factors, financial condition, liquidity position and near-term prospects of the issuer, credit rating declines from a recognized credit rating agency and a breach of contract. A decline in fair value below amortized cost due to changes in risk free interest rates does not necessarily represent objective evidence of a loss event. Allianz Group s policy considers for available-for-sale debt investments a significant decline to be one in which the fair value is 20% below the amortized cost for more than six months. This is applied individually by all subsidiaries.

An available-for-sale equity investment is considered to be impaired if there is objective evidence that the cost may not be recovered. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group s policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 20% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than nine months. This policy is applied individually by all subsidiaries.

If an available-for-sale equity investment is impaired based upon the Allianz Group s qualitative or quantitative impairment criteria, any further declines in the fair value at subsequent reporting dates are recognized as impairments. Therefore, at each reporting period, for an equity security that is determined to be impaired based upon the Allianz Group s impairment criteria, an impairment is recognized for the difference between the fair value and the original cost basis, less any previously recognized impairments.

In a subsequent period, if the amount of the impairment previously recorded on a debt security decrease and the decrease can be objectively related to an event occurring after the impairment, such as an improvement in the debtor s credit rating, the impairment is reversed through other income from

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investments. Reversals of impairments of available-for-sale equity securities are not recorded.

There are several risks and uncertainties related to the monitoring of investments to determine whether an impairment exists. These risks include the risk that the Allianz Group identifies loss events in a timely manner, that Allianz s assessment of an issuer s ability to meet its contractual obligation will change based on the issuer s credit worthiness, and that the issuer s economic outlook will be worse than expected.

Total unrealized losses on available-for-sale debt investments and held-to-maturity investments were 9,898 million and 4,264 million as of December 31, 2008 and 2007, respectively. Total unrealized losses on available-for-sale equity investments were 851 million and 467 million as of December 31, 2008 and 2007, respectively.

Impairments on investments in associates and joint ventures amounted to 72 million and 2 million as of 31 December, 2008 and 2007, respectively. Impairments on real estate held for investment, amounted to 128 million and 23 million as of 31 December, 2008 and 2007, respectively.[1]

Loan Impairments and Provisions

The loan loss allowance represents management s estimate of losses from impaired loans within the loan portfolio and other lending related commitments. The loan loss allowance is reported in the Allianz Group balance sheet as a reduction of Loans and advances to banks and customers , and the provisions for contingent liabilities such as guarantees, loan commitments and other obligations are reported as Other liabilities . Changes in the loan loss allowance are reported in the Allianz Group income statement under the caption Loan loss provisions .

A loan is considered to be impaired when there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and that loss event has an impact on the estimated future cash flows of the loan that can be reasonably estimated (incurred loss

[1] These expenses are excluding the discontinued operations of Dresdner Bank that have been reclassified and presented in a separate line item Net income (loss) from discontinued operations, net of income taxes and minority interests in earnings .

model). If there is objective evidence that a loan is impaired, a loan loss allowance is recognized as the difference between the loan s carrying amount and the present value of future cash flows, which includes all contractual interest and principal payments, discounted at the loan s original effective interest rate and a corresponding impairment charge is recognized in the income statement.

Deferred Policy Acquisition Costs

DAC and PVFP amortization schedules are determined on a decentralized basis by our local operating entities. The assumptions used (e.g., investment yields, lapses, expenses and demographics) vary not only by geographical market and operating entity but also by line of business and sometimes even generation of business.

With respect to our major life business units, which comprise approximately 95% of reserves, DAC and PVFP, a central control process has been established at the Allianz Group-level in order to ensure that assumptions and calculations used to determine DAC and PVFP are reasonable, and to monitor potential loss recognition issues.

One method used to monitor trends and sensitivities to changes in assumptions is to compare the recoverability ratio over time using different levels of inputs. The recoverability ratio provides information regarding the percentage of future profits from the current portfolio that is needed to support the amortization of policy acquisition costs previously capitalized. The recoverability ratio is defined as DAC and PVFP, net of unearned revenue liabilities, divided by a best estimate of present value of future profits. Using best estimate operating assumptions, the recoverability ratio for the Allianz Group amounted to 51.5% as of December 31, 2007 and increased to 88.8% as of December 31, 2008 driven by the crisis in the financial markets, especially in the United States. Please note that these ratios are derived using risk-free interest rates; the corresponding figures with best estimate interest rates used in accordance with Allianz Group s current accounting policy for insurance contracts, which is U.S. GAAP, are 48.4% as of December 31, 2007 and 51.4% as of December 31, 2008. As the recoverability ratio approaches 100%, it indicates that there is an increased risk of loss. A recoverability ratio of 100% or greater would result in a charge to the Allianz Group s net income, as the deferred acquisition costs would not be recoverable.

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The recoverability ratio is most sensitive to changes in the investment yield, which is the rate of return earned on the investment of net cash inflows. The investment yield is generally estimated in determining the recoverability of DAC and PVFP by increasing the relevant yield curves by the expected credit spread net of default risk. The relevant yield curves represent the risk free rate of return expected to be earned based upon the risk free interest rate in the country where the insurance contracts were issued (generally referenced by government issued debt instruments). This sensitivity is more pronounced for our local operating entities with significant older portfolios with relatively higher guaranteed interest rates (e.g., Switzerland, Belgium, South Korea and Taiwan).

The following table shows a sensitivity analysis of the impact in Euro that reasonably likely changes of 1% in the relevant yield curve would have on the DAC and PVFP amounts in the major geographical markets of the Allianz Group, which could have a material effect on the Allianz Group s results of operations. The impact of these changes would be recorded in the Allianz Group s net income.

Country	Carrying amount of DAC/PVFP, net of unearned revenue liabilities mn	Effect of +1% change in the yield curve mn	Effect of -1% change in the yield curve mn
Germany	6,802		
France	508	7	(11)
Italy	578		
U.S.	4,416	63	(76)
South Korea	544		1
Belgium	97		(1)
Switzerland	227	16	(35)
Austria	233	55	(21)

Movements in equity values would mainly have an impact on our variable annuity business in the United States. In all other major local operating units, such movements would not trigger any material loss recognition.

Sensitivities to persistency, expense levels and demographic assumptions are also monitored, but deviations within reasonable limits would not trigger a material loss recognition event for any of the operating entities due to the offsetting effects of changes to policyholder participation rates.

For many of Allianz s Life/Health operating entities within Europe, a large part of such adverse developments can be offset by adjustments to the policyholder participation rates. Therefore, the relevant estimates and as a consequence, the results of operations of operating entities within Europe are relatively insensitive to the effects of changes in assumptions.

Reserves for Insurance and Investment Contracts and Financial Liabilities for Unit-Linked Contracts

The major components of reserves for insurance and investment contracts are aggregate policy reserves and reserves for premium refunds. Financial liabilities for unit-linked contracts include unit-linked insurance contracts and unit-linked investment contracts.

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features.

The aggregate policy reserves for long-duration insurance contracts, such as traditional life and health products, are computed in accordance with SFAS 60 using the net level premium method, which represents the present value of estimated future policy benefits to be paid less the present value of estimated future net premiums to be collected from policyholders. The method uses best estimate assumptions adjusted for a provision for adverse deviation for mortality, morbidity, expected investment yields, surrenders and expenses at the policy inception date, which remain locked-in thereafter. DAC and PVFP for traditional life and health products are amortized over the premium paying period of the related policies in proportion to the earned premium using assumptions consistent with those used in computing the aggregate policy reserves.

The aggregate policy reserves for traditional participating insurance contracts are computed in accordance with SFAS 120 using the net level premium method. The method uses assumptions for

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mortality, morbidity and interest rates that are guaranteed in the contract or are used in determining the policyholder dividends. Deferred policy acquisition costs and PVFP for traditional participating products are amortized over the expected life of the contracts in proportion to estimated gross margins (EGMs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGMs is computed using the expected investment yield. EGMs include premiums, investment income including realized gains and losses, insurance benefits, administration costs, changes in the aggregate reserves and policyholder dividends. The effect of changes in EGMs are recognized in net income in the period revised.

The aggregate policy reserves for universal life-type insurance contracts and unit-linked insurance contracts in accordance with SFAS 97 is equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. Deferred policy acquisition costs and PVFP for universal life-type and investment contracts are amortized over the expected life of the contracts in proportion to estimated gross profits (EGPs) based upon historical and anticipated future experience, which is determined on a best estimate basis and evaluated regularly. The present value of EGPs is computed using the interest rate that accrues to the policyholders, or the credited rate. EGPs include margins from mortality, administration, investment income including realized gains and losses and surrender charges. The effects of changes in EGPs are recognized in net income in the period revised.

Current and historical client data, as well as industry data, are used to determine the assumptions. Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group s qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

The interest rate assumptions used in the calculation of aggregate policy reserves and the deferred acquisition costs were as follows:

	Long-duration Insurance Contracts (SFAS 60)	**Traditional participating insurance Contracts (SFAS 120)**
Aggregate policy reserves	2.5 6%	2.0 4.3%
Deferred acquisition costs	2.5 6%	3.1 5.2%

Aggregate policy reserves include liabilities for guaranteed minimum death and similar mortality and morbidity benefits related to non-traditional contracts, annuitization options, and sales inducements. These liabilities are calculated based on contractual obligations using actuarial assumptions. Contractually agreed sales inducements to contract holders include persistency bonuses and are accrued over the period in which the insurance contract must remain in force to qualify for the inducement.

The aggregate policy reserves for unit-linked investment contracts is equal to the account balance, which represents premiums received and investment return credited to the policy less deductions for mortality costs and expense charges. The aggregate policy reserves for non unit-linked investment contracts is equal to amortized cost, or account balance less deferred policy acquisition costs. Deferred policy acquisition costs and PVFP for unit-linked and non unit-linked investment contracts are amortized over the expected life of the contracts in proportion to revenues.

Aggregate policy reserves for insurance contracts are computed based on relevant U.S. GAAP standards, except for contracts under which the Allianz Group does not accept significant insurance risk, which are classified as investment contracts. All insurance policies are classified appropriately under U.S. GAAP, and the corresponding valuation methodology is applied accordingly. Aggregate policy reserves are determined based on policyholder data and by applying various projections and reserving systems, either on a policy-by-policy basis or on a model point

basis whereby policies are grouped by generation and similar risk and benefit profiles. These systems are also used to DAC, unearned revenue liabilities (URL) and PVFP in a consistent manner.

Local actuaries of each Allianz Group operating entity are responsible for setting aggregate policy reserves and carrying out recoverability and loss

recognition tests. The Allianz Group reviews the locally-derived policy reserves, DAC, URL, PVFP and loss recognition tests.

The table below provide a breakdown of the Allianz Group s aggregate policy reserves by country of our major Life/Health local operating entities as of December 31, 2008 (in millions of euros):

	Aggregate Policy Reserves				Other Reserves			
Country	Long-duration insurance contracts	Universal-Life type insurance contracts	Traditional participating insurance contracts	Non-Unit-Linked Reserves	Unit-Linked Reserves	Market Value of Liability Options[1]	Total	% of Allianz Group
				(mn)				
German Life	24	6,436	114,645		1,660	1	122,765	36.7%
German Health	14,160						14,160	4.2%
France	7,138	38,283			11,021		56,442	16.9%
Italy	7,359	11,456		139	20,340		39,294	11.8%
United States	1,583	36,891		153	8,473	5,104	52,204	15.6%
Switzerland	127	2,666	3,842		512		7,147	2.1%
Spain	3,991	815		260	47		5,112	1.5%
Netherlands	883	81			2,771		3,735	1.1%
Austria			3,232		347		3,579	1.1%
Belgium	4,200	1,432			235		5,866	1.8%
South Korea	3,338	1,443			499	8	5,288	1.6%
Taiwan	646	963		8	2,419		4,036	1.2%
Other countries	3,330	620	549	278	2,125	50	6,954	2.1%
Life/Health Total	**46,779**	**101,085**	**122,268**	**839**	**50,450**	**5,163**	**326,583**	**97.7%**
Other Segment/Consolidation	165	(25)	7,590				7,730	2.3%
Allianz Group Total	**46,943**	**101,059**	**129,858**	**839**	**50,450**	**5,163**	**334,313**	**100.0%**

(1) Market Value of Liability Options represents mainly the value of the derivatives embedded in the equity-indexed annuity products of Allianz Life.

Assumptions made at the local operating entity level regarding variables affecting aggregate policy reserves such as expense, lapse and mortality are based on best estimates derived from annually performed experience studies based on company data and are regularly validated by the Allianz Group.

The most significant assumption for deriving Life/Health reserves is the expected investment yields (i.e., the expected return on assets purchased with net cash inflows), as investment rates determine both the expected cash flow as well as the reserve discount factors. This is particularly true for our operations in Belgium, South Korea and Switzerland because certain policies previously sold in these countries included guaranteed interest rates on existing and future premiums. Investment rates are based on the available capital market information, the asset mix and the long term expected yields as set by the management of the local operating entity.

The reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRS based financial statements and the local financial statements (reserve for deferred premium refunds), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized in connection with the valuation of securities available-for-sale are recognized in the reserve for deferred premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve. Any dividends allocated or disbursed over and above the reserve are recorded in other expenses.

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Methods and corresponding percentages for participation in profits by the policyholders are set out below for the most significant countries for latent reserves:

Country	Base	Percentage
Germany		
Life	Investments[1]	90%
Health	All sources of Profit	80%
France		
Life	All sources of Profit	80%
Italy		
Life	Investments	85%
Switzerland		
Group Life	All sources of Profit	90%
Individual Life	All sources of Profit	100%

(1) Additionally, 75% of risk result and 50% of all other results.

Liability adequacy tests are performed for each insurance portfolio on the basis of estimates of future claims, costs, premiums earned and proportionate investment income. For short duration contracts, a premium deficiency is recognized if the sum of expected claim costs and claim adjustment expenses, expected dividends to policyholders, unamortized acquisition costs, and maintenance expenses exceeds related unearned premiums while considering anticipated investment income. For long duration contracts, if actual experience regarding investment yields, mortality, morbidity, terminations or expense indicate that existing contract liabilities, along with the present value of future gross premiums, will not be sufficient to cover the present value of future benefits and to recover deferred policy acquisition costs, then a premium deficiency is recognized.

Aggregate policy reserves totaled 278,700 million and 264,243 million as of December 31, 2008 and 2007, respectively. Reserves for premium refunds totaled 17,195 million and 27,225 million as of December 31, 2008 and 2007, respectively. For further information regarding reserves for insurance and investment contracts, refer to Note 18 to our consolidated financial statements.

Reserves for Loss and Loss Adjustment Expenses

Within the Allianz Group, loss and LAE reserves are set locally by qualified individuals close to the business, subject to central monitoring and

oversight by the actuarial department in Allianz SE (Group Actuarial). For a detailed description of the methods and approaches commonly used within the Allianz Group to determine reserves for loss and loss adjustment expenses, please refer to Overview of Loss Reserving Process within the Property and Casualty Reserves section of the business description within this document. This central oversight process ensures that reserves are set at the local level in accordance with Group-wide standards of actuarial practice regarding methods, assumptions and data. The key components of this central oversight process are:

Minimum standards for actuarial loss reserving;

Regular central independent reviews by Group Actuarial of reserves of local operating entities; and

Quarterly quantitative and qualitative reserve monitoring.

Each of these components is described further below.

Group-wide minimum standards of actuarial reserving define the reserving practices which must be conducted by each operating entity. These standards provide guidance regarding all relevant aspects of loss reserving, including organization and structure, data, methods, and reporting. Group Actuarial monitors compliance with these minimum standards through a combination of diagnostic review i.e. formal qualitative assessment of the required components in the reserving process and local site visits. Group Actuarial then communicates the results of this quality review to the local operating entity.

In addition, Group Actuarial performs independent reviews of loss and LAE reserves for key local operating entities on a regular basis. This process is designed such that all significant entities are reviewed once every year. Such a review typically starts with site visits to ensure that Group Actuarial updates their knowledge of the underlying business as well as the issues related to data and organization. Group Actuarial then conducts an analysis of reserves using data provided by the operating entity. Preliminary conclusions are then discussed with the local operating entity prior to being finalized. Any material differences between

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Group Actuarial s reserve estimates and those of the local operating entity are then discussed, and evaluated to determine if changes in assumptions are needed.

In addition, on a quarterly basis, Group Actuarial monitors reserve levels, movements and trends across the Allianz Group. This monitoring is conducted on the basis of quarterly loss data submitted by local operating entities as well as through participation in local reserve committees and frequent dialogue with local actuaries of each operating entity. This quarterly loss data provides information about quarterly reserve movements, as the information is presented by accident year and line of business, as defined by the local operating entity.

The oversight and monitoring of the Group s loss reserves culminate in quarterly meetings of the Group Reserve Committee. This committee, which consists of the Group Chief Executive Officer, Group Chief Financial Officer, Head of Group Financial Reporting, Group Chief Accountant and the Group Chief Actuary, monitors key developments across the Group affecting the adequacy of loss reserves.

Appropriate provisions have been made for environmental and asbestos claims and large-scale individual liability claims based on the Allianz Group s judgment and an analysis of the portfolios in which such risks occur. These provisions represent the Allianz Group s best estimate. The current reserves for loss and loss adjustment expenses for asbestos claims in the United States reflect the best estimate of local actuaries based on their assessment of current developments and trends in these claims.

Variability of Reserve Estimates

Loss reserves are estimates and are based on the expected outcome of future events (e.g., court decisions, medical rehabilitation and property damage repair). As such, reserve estimates are subject to uncertainty, particularly for longer-tail lines of business. Our reserving actuaries estimate loss reserves separately by line of business based on many detailed assumptions. Given the small segments of business for which reserve estimates are calculated, and that material accumulations across classes will tend to be offset by those in other independent classes, deviations from assumptions are generally not expected to have a material effect on the loss reserves of the Group.

There are, however, two reserving segments for which changes in assumptions could have a material impact on the Group due to their volume and/or uncertainty:

German motor liability and

Asbestos claims reserves.

German Motor Liability

As a longstanding market leader in German motor insurance, Allianz holds a significant balance of motor liability reserves (4,533 million gross as of December 31, 2008). Moreover, German motor liability claims are particularly long-tailed in nature. We estimate that approximately 62% of claims are paid after one year and 90% after eight years from the occurrence of the claim. Actuaries must rely on long data histories, but data

from older accident years may be less predictive for current developments. Furthermore, sufficient data for extremely long development of bodily injury claims for 40 and more years are not available and, therefore, we extrapolate the ultimate loss amounts. As a result, changes in assumptions such as loss development patterns have a significant effect on estimated reserves.

In order to gauge the sensitivity of German motor liability loss reserve estimates to alternative assumptions, we applied statistical methods that allow for both the natural variability in the reserving process (i.e., process volatility) as well as the potential variability in estimating reserving assumptions (i.e., parameter volatility) and provide quantitative insights into reserve volatility. This analysis provides that it is reasonably likely that future German motor liability loss payments will be 300 million higher or lower than carried reserves.

Asbestos Claims Reserves

Loss reserves for asbestos claims worldwide are subject to greater than usual uncertainty. Asbestos claims have a long latency period, sometimes emerging several decades after the underlying policy was written. Claim emergence is subject to a broad range of legal, epidemiological and socio-economic factors such as court decisions, corporate bankruptcy proceedings and medical advances. Asbestos claim reserves are not amenable to traditional actuarial analysis and are instead based upon an extensive analysis of exposure.

In order to quantify the potential variability of asbestos claim reserves, we calculate a point best estimate reserve and a range of reasonable estimates of asbestos loss reserves for U.S. and non-U.S. asbestos in aggregate. This range is calculated by testing the sensitivity of reserve estimates to alternative assumptions. We would consider any estimate within the range to be reasonable. The range does not represent lower and upper bounds, and does not contain all of the possible loss results. Our best estimate represents the expected unpaid loss resulting from assumptions that we consider neither optimistic nor pessimistic. The lower and upper ends of the range represent unpaid losses that would result from optimistic and pessimistic, but reasonable, assumptions. It should be noted that there is a reasonable possibility that the actual loss amounts will fall outside that range. As of December 31, 2008, the high end of this range is 820 million higher than the best estimate; the low end of the range is 550 million lower than the best estimate.

The following alternative assumptions lead to the high end of the range of the reserve estimate:

- The projected level of future claims filings increase compared to the level as predicted by the epidemiological-based models;
- Future values of claims settlements by disease type increase compared to the inflation-adjusted projections;
- The proportion of claims filings leading to claims payments increases compared to the projections;
- The legal interpretation of insurance policies and the outcome of coverage litigation is on the whole adverse to our expectations;
- Claims from coverages not yet affected by asbestos claims and not reflected in our projections emerge;
- The projected level of new policyholders being brought into asbestos litigation increases compared to our estimates in addition to an increase over our estimate of the average cost to settle all future asbestos claims for these policyholders.

The following alternative assumptions lead to the low end of the range of the reserve estimate at:

- The projected level of future claims filings for each policyholder decrease compared to the level as predicted by the epidemiological-based models;
- Future values of claims settlements by disease type are lower than the inflation adjusted projections;
- The proportion of claims filings leading to claims payments decrease compared the projections;
- The legal interpretation of insurance policies and the outcome of coverage litigation is on the whole favorable to our expectations;
- The projected level of new policyholders being brought into asbestos litigation is lower than our estimates in addition to a decrease in our estimate of the average cost to settle all future asbestos claims for these policyholders.

Total Loss Reserves

Total reserves for loss and loss adjustment expenses amounted to 63,924 million and 63,706 million as of December 31, 2008 and 2007, respectively. For further information regarding reserves for loss and loss adjustment expenses, refer to Note 19 to our consolidated financial statements.

Deferred Taxes

Deferred taxes are recognized on temporary differences between the tax bases and the carrying amounts of assets and liabilities in the Allianz Group s IFRS consolidated balance sheet and tax losses carried forward as of the balance sheet date. Deferred taxes are calculated based on the current income tax rates enacted in the respective country. Changes in tax rates that have already been substantially adopted prior to or as of the date of the consolidated balance sheet are taken into consideration.

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, are available for realization. The realization of deferred tax assets on temporary differences depends on the generation of

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sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. The realization of deferred tax assets on tax losses carried forward requires that sufficient taxable profits are available prior to the expiration of such tax losses carried forward. As of each balance sheet date, management evaluates the recoverability of deferred tax assets, whereby projected future taxable profits and tax planning strategies are considered. If management considers it is more likely than not that all or portion of a deferred tax asset will not be realized, a corresponding valuation allowance is taken.

The accounting estimates related to the valuation allowance are based on management s judgements and currently available information, primarily with regards to projected taxable profits. Assumptions about matters which are uncertain and partly beyond management s control are taken into account. Furthermore, these assumptions may change from period to period.

Pension and Similar Obligations

The Allianz Group has a number of defined benefit pension plans covering a significant number of its domestic and international employees, and in Germany, agents, too. The calculation of the expense and liability associated with these plans requires the extensive use of assumptions, which include the discount rate, expected rate of return on plan assets, rate of long-term compensation increase, post-retirement pension increase and mortality tables as determined by the Allianz Group. Management determines these assumptions based upon currently available market and industry data and historical performance of the plans and their assets. The actuarial assumptions used by the Allianz Group may differ materially from actual experience, due to changing market and economic conditions, higher or lower withdrawal rates or longer or shorter life spans of the participants. Any such differences could have a significant impact on the amount of pension expense recorded in future years.

We are required to estimate the expected rate of return on plan assets, which is then used to compute pension cost recorded in the consolidated statements of income. Estimating future returns on plan assets is particularly subjective as the estimate requires an assessment of possible future market returns based on

the plan asset mix and observed historical returns. In 2008, we adjusted the weighted average expected rate of return on plan assets from 5.3% to 5.5%; in 2007, the weighted average expected return on plan assets was 5.3%.

Changes to Accounting and Valuation Policies

Refer to Note 3 to our consolidated financial statements.

Introduction

The following analysis is based on our consolidated financial statements and should be read in conjunction with those statements. We evaluate the results of our Property-Casualty, Life/Health, Banking, Asset Management and Corporate segments using a financial performance measure we refer to herein as operating profit . We define our segment operating profit as income from continuing operations before income taxes and minority interests in earnings, excluding, as applicable for each respective segment, all or some of the following items: income from financial assets and liabilities held for trading (net), realized gains/losses (net), impairments of investments (net), interest expense from external debt, amortization of intangible assets, acquisition-related expenses and restructuring charges.

While these excluded items are significant components in understanding and assessing our consolidated financial performance, we believe that the presentation of operating results enhances the understanding and comparability of the performance of our segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of our businesses. For example, we believe that trends in the underlying profitability of our segments can be more clearly identified without the fluctuating effects of the realized gains/losses or impairments of investments, as these are largely dependent on market cycles or issuer specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion. Operating profit is not a substitute for income from continuing operations before income taxes and minority interests in earnings or net income

(loss) as determined in accordance with International Financial Reporting Standards as adopted by the EU and as issued by the IASB (or IFRS). Our definition of operating profit may differ from similar measures used by other companies, and may change over time. For further information on operating profit, as well as the particular reconciling items between operating profit and net income (loss), refer to Note 6 to our consolidated financial statements.

Operating profit should be viewed as complementary to, and not a substitute for, income from continuing operations before income taxes and minority interests in earnings or net income (loss) as determined in accordance with IFRS.

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The Allianz Group uses total revenues in its analysis and discussion of the consolidated results of operations. Total revenues is a non-GAAP financial measure as defined by the rules of the SEC, which management uses to assess and measure the top line results of the core businesses within the Allianz Group. Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums, Banking segment s operating revenues and Asset Management segment s operating revenues. With the classification of Dresdner Bank as discontinued operations, the Banking segment s operating revenues consist of continuing banking activities in Germany, France, Italy and Central and Eastern Europe. By providing a top line measure of sales revenues from the insurance products and financial services provided by all of the various core businesses of the Allianz Group, total revenues provide useful information to the investor. The following table reconciles total revenues to premiums written, the most comparable IFRS measure.

	PC	LH	Banking	AM	Cons	Group
2008						
Premiums written	**43,387**	**22,809**			**(25)**	**66,171**
Add: Deposit premium for FAS 97 products		22,806			140	22,946
Total revenues P-C and L/H	**43,387**	**45,615**			**115**	**89,117**
Add: Interest and similar income			989	98		1,087
Less: Interest expense			(677)	(36)		(713)
Add: Fee and commission income			430	4,032		4,462
Less: Fee and commission expense			(193)	(1,158)		(1,351)
Income from financial assets and liabilities designated at fair value through income (net)			(5)	(77)		(82)
Other income				28		28
Total revenues Banking and Asset Management			**544**	**2,887**		**3,431**
Total revenues	**43,387**	**45,615**	**544**	**2,887**	**115**	**92,548**

	PC	LH	Banking	AM	Cons	Group
2007						
Premiums written	**44,289**	**21,522**			**(23)**	**65,788**
Add: Deposit premium for FAS 97 products		27,845			167	28,012
Total revenues P-C and L/H	**44,289**	**49,367**			**144**	**93,800**
Add: Interest and similar income			883	135		1,018
Less: Interest expense			(558)	(54)		(612)
Add: Fee and commission income			528	4,403		4,931
Less: Fee and commission expense			(233)	(1,270)		(1,503)
Income from financial assets and liabilities designated at fair value through income (net)			2	31		33
Other income				14		14
Total revenues Banking and Asset Management			**622**	**3,259**		**3,881**
Total revenues	**44,289**	**49,367**	**622**	**3,259**	**144**	**97,681**

	PC	LH	Banking	AM	Cons	Group
2006						
Premiums written	**43,674**	**21,614**			**(13)**	**65,275**
Add: Deposit premium for FAS 97 products		25,807			143	25,950
Total revenues P-C and L/H	**43,674**	**47,421**			**130**	**91,225**
Add: Interest and similar income			734	112		846
Less: Interest expense			(443)	(41)		(484)
Add: Fee and commission income			503	4,186		4,689
Less: Fee and commission expense			(235)	(1,262)		(1,497)
Income from financial assets and liabilities designated at fair value through income (net)			45	38		83
Other income			0	11		11

Total revenues Banking and Asset Management			**604**	**3,044**		**3,648**
Total revenues	**43,674**	**47,421**	**604**	**3,044**	**130**	**94,873**

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We further believe that an understanding of our total revenue[1] performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or changes in scope of consolidation) are excluded. Accordingly, in addition to presenting nominal growth , we also present internal growth , which excludes the effects of foreign currency translation and changes in scope of consolidation.

The following table sets forth the reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments[2] and the Allianz Group as a whole for the years ended December 31, 2008 and 2007.

	Nominal total revenue growth %	Changes in scope of consolidation %	Foreign currency translation %	Internal total revenue growth %
2008				
Property-Casualty	(2.0)	(1.8)	(1.9)	1.7
Life/Health	(7.6)	2.1	(1.4)	(8.3)
Banking	(12.5)	0.5		(13.0)
Asset Management	(11.4)	(0.5)	(5.2)	(5.7)
thereof: Allianz Global Investors	(11.5)	0.1	(5.6)	(6.0)
Allianz Group	**(5.3)**	**0.3**	**(1.7)**	**(3.9)**
2007				
Property-Casualty	1.4	1.3	(1.0)	1.1
Life/Health	4.1	0.1	(2.3)	6.3
Banking	2.6			2.6
Asset Management	7.1	0.8	(7.0)	13.3
thereof: Allianz Global Investors	6.3		(7.5)	13.8
Allianz Group	**3.0**	**0.7**	**(1.8)**	**4.1**

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

(2) Segment growth rates are presented before the elimination of transactions between Allianz Group subsidiaries in different segments.

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Executive Summary[1]

Year ended December 31, 2008 compared to year ended December 31, 2007

Underlying fundamentals remained strong despite difficult market environment.

Revenues fell by 5,133 million as sales in investment-oriented products were seriously impacted by the financial markets crisis.

Net income from continuing operations of 3,967 million in spite of net capital losses.

Sale of Dresdner Bank completed.

Year ended December 31, 2007 compared to year ended December 31, 2006

Strong earnings with net income from continuing operations of 7.3 billion.

Our continuing operations maintained their sustainable underlying profitability.

The turbulences in the financial markets hit our discontinued banking operations.

High quality asset base and a strong capitalization with shareholders equity of 47.8 billion.

2008 at a Glance

Difficult economic environment

The year under review was marked by the global financial and economic crisis that started in mid-2007 with the collapse of the housing market in the United States. The crisis that was initially observed within the banking sector accelerated in 2008 and spilled- over to various other sectors of the financial industry.

Serious disruptions in the global financial system led to deteriorating economic conditions and investors became much more risk averse. In September, the global financial system almost collapsed: large financial institutions faltered, leading to changes in business models, failures, mergers and nationalizations. Some economies were even on the verge of national bancruptcy. In consequence, the weak situation in the financial markets that was observable from falling stock markets and volatile credit spreads became even more intense in the fourth quarter of the year.

Equity markets extremely volatile

in %

[1] The Allianz Group operates and manages its activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. Effective January 1, 2006, in addition to our four operating segments and with retrospective application, we introduced a fifth business segment named Corporate. On August 31, 2008 the Allianz Group and Commerzbank AG agreed on the sale of Dresdner Bank AG (Dresdner Bank) to Commerzbank AG. Following the announcement of the sale, Dresdner Bank qualified as disposal group held-for-sale and discontinued operations. Therefore, results from these operations have been eliminated from our results of Banking operations and are now presented in a separate line item net income from discontinued operations, net of income taxes and minority interests in earnings . In addition to our continuing banking business, our Banking operations also reflect the results from those parts of Dresdner Bank that were not sold to Commerzbank: Oldenburgische Landesbank (OLB) and the banking clients that were introduced through our tied agents channel. Prior year figures have been restated respectively. For detailed information on the Allianz Group, our activities and structures, as well as the environment in which we operate please refer to Information on the Company .

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Credit spreads at all time high

in bps

Interest rates at historic low levels

in %

Unprecedented levels of volatility

in %

Sale of Dresdner Bank completed

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

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

(1) For further information on the sale of Dresdner Bank, please refer to Information on the Company Major Transactions .
(2) For further information on the impact of the sale of Dresdner Bank on Allianz Group s results, please refer to Net income (loss) from discontinued operations .

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Allianz Group s Consolidated Results of Operations

Year ended December 31, 2008 compared to Year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The turbulences in the financial markets also impacted our business development. However, the impact varied depending on the different business segments. Most of our insurance operations were not affected by these developments. Similarly, the impact on our Asset Management segment and continuing banking operations were marginal. In contrast, we had to record a significant impact of this crisis within the discontinued banking operations of Dresdner Bank, with the substantial portion being attributable to some business units of Dresdner Bank s investment banking activities.

***Total revenues*[1]**

Total revenues

in mn

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Our total revenues were up 3.0% to 97.7 billion. Foreign currency translation effects were a significant feature of fiscal year 2007, depressing total revenues by 1.7 billion. Total internal revenue growth[3] amounted to 4.1%. While Life/Health and Asset

[1] Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums Banking segment s operating revenues and Asset Management segment s operating revenues. Please refer to Introduction for a reconciliation of total revenues to premiums written of the Allianz Group.

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

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

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Management grew strongly, with revenues increasing by 6.3% and 13.3% respectively, on an internal basis, Property-Casualty and Banking grew modestly.

Total revenues Segments

in mn

Year ended December 31, 2008 compared to year ended December 31, 2007

At 43,728 million, gross premiums written from **Property-Casualty** operations were up 1.7% on an internal basis, as we achieved selective growth in mixed pricing environments. Premium growth was largely driven by increased revenues from the United States. Activities in the emerging markets[2] also contributed to growth. On a nominal basis, gross premiums written decreased by 2.0% to 43,387 million. Gross premiums written for 2007 include 1,134 million of premiums relating to AGF s health business. In 2008, this business was transferred to the Life/Health segment (comparatives not restated).

Statutory premiums from **Life/Health** insurance amounted to 46,297 million on an internal basis representing an 8.3% decline. Whereas sales

remained solid in countries where traditional life business is strong, we recorded significantly lower revenues from unit-linked products and from bancassurance sales channels. On a nominal basis, revenues dropped by 7.6% to 45,615 million. This premium figure contains 1,199 million relating to AGF health business in 2008 (comparatives not restated).

Operating revenues from **Banking**[3] operations decreased by 12.5% to 544 million with all revenue components contributing to this development.

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

We maintained our selective underwriting policy, focusing on diligent risk selection and profitable growth. In several of our core European markets, pricing trends were flat or negative, limiting the growth opportunities. Conversely, we were able to take advantage of strong profitable growth opportunities in emerging markets[2] which now make up more than 9% of total gross premiums written.

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

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

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

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

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

Banking[1] Operating revenues in our Banking segment were up by 3.0% to 622 million. Net interest income and net fee and commission income grew strongly by 11.7% and 10.1%, respectively. The development of net trading income was significantly impacted by the turbulences in the financial markets resulting in a gain of 2 million compared to 45 million in the previous year.

Asset Management In asset management we again outperformed the vast majority of our performance benchmarks. Operating revenues were up 7.1%, before negative foreign currency translation effects of 0.2 billion.

At 765 billion, third-party assets under management recorded net inflows and positive market effects totalling 62 billion. Offsetting this was 59 billion of negative foreign currency translation effects. As a result, the asset base remained flat, though it experienced internal growth of 8.1%.

Operating Profit

Year ended December 31, 2008 compared to year ended December 31, 2007

At 5,649 million, the **Property-Casualty** segment continued to deliver solid returns in

operating profit although 10.3% lower than in the previous year. This decline was mainly attributable to a lower underwriting result. Our combined ratio increased to 95.1%.

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

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Life/Health Operating profit grew by 16.8% to almost 3.0 billion with most operations contributing to this growth. The key drivers behind this improvement were strong revenue growth, especially

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

in the second half of the year. Our investment result also contributed significantly based on a higher asset base that led to higher dividend and investment payments. Furthermore the expense result and the technical result improved as well.

Banking[1] Operating profit nearly halved to 32 million, after 63 million in the prior year. Mainly higher administrative expenses at 589 million (2006: 550 million) driven by an increase in our non-personnel expenses led to this result. Our cost-income ratio was 94.1% (2006: 90.1%).

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

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

Net income from continuing operations

Net income from continuing operations

in mn

Year ended December 31, 2008 compared to year ended December 31, 2007

Income from continuing operations before income taxes and minority interests in earnings was

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

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

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Net income from continuing operations increased by 10.2% to 7.3 billion.

Compared to 2006, the balance of non-operating net realized gains and impairments was lower, and interest expense from external debt was higher. These negative impacts were partially compensated by lower restructuring charges.

Realized gains (net) which are not shared with policyholders, were 434 million lower than last year, albeit still at a high level of 2,379 million. This was mainly driven by large harvesting transactions in the first quarter of 2007, when we took advantage of market conditions. With write-downs amounting to 294 million, impairments on investments were 148 million higher compared to 2006.

The remaining balance of unrealized gains on equity securities amounted to 11.0 billion as of December 31, 2007, net of tax and policyholder participation.

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

Restructuring charges amounted to 166 million, 236 million less than last year. In 2006, restructuring charges stemmed primarily from our restructuring plan for the Allianz Group s insurance operations in Germany. The charges in

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2007 related mainly to the restructuring of our local subsidiaries in Italy, and the set-up of a shared IT services infrastructure in Europe.[1]

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

Our effective tax rate of 24.3% and income tax expense of 2,572 million were significantly higher than in 2006, where the one-off benefit of 521 million from capitalization of corporate tax credits in Germany significantly reduced the effective tax rate. Furthermore, a higher income before income taxes and minority interests in earnings of 10,563 million (2006: 9,563 million) contributed to this development. The German corporate tax reform 2008 (Unternehmensteuergesetz 2008) led to a reduction of income tax rates for German corporations from fiscal year 2008. The resulting revaluation of deferred tax positions resulted in a positive effect on net income in 2007 of 291 million.

Minority interests were 528 million lower, primarily due to the RAS minority buy-out completed in 2006 and the AGF minority buy-out in 2007.

Net income (loss) from discontinued operations

Year ended December 31, 2008 compared to year ended December 31, 2007

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

As disclosed in our interim report for the third quarter of 2008, the loss from discontinued operations amounted to 3.5 billion, stemming from

[1] Please refer to Note 49 to our consolidated financial statements for further information on our restructuring plans.

Dresdner Bank s net loss of 2.1 billion until the change in ownership and an impairment charge of 1.4 billion, reflecting the difference between the fair value of considerations agreed (7.8 billion) and the historical carrying value of Dresdner Bank of 9.2 billion. Between October 1, 2008 and the date of completion of the transaction on January 12, 2009, the fair value of the agreed consideration declined by 2.7 billion.

Changes in consideration and fair value

in bn

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

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

(2) 0.25 bn cash received in exchange for cancellation of trust fund valued at 0.1 bn.

(3) 1.4 bn cash received as compensation for reduction in number of Commerzbank shares by 152 mn valued at 2.4 bn.

(4) Marked-to-market as of January 12, 2009.

Year ended December 31, 2007 compared to year ended December 31, 2006

Net income from discontinued operations increased by 70.6% to 650 million.

Operating revenues from discontinued operations of Dresdner Bank amounted to 4,918 million, down 21.4% compared to the previous year. This development resulted mainly from the effects of the financial markets turbulence which heavily impacted net trading income. Operating expenses, at 4,447 million, were 12.1% lower and loan loss provisions showed net releases of 131 million in 2007, after net additions of 31 million last year. The positive impacts from lower operating expenses and the development of loan loss provisions, however, could not compensate for the drop in operating revenues. As a result, operating profit nearly halved to 602 million. Higher net realized gains, and lower net impairments as well as restructuring charges led to a gain from non-operating items of 403 million in 2007, compared to a loss of 407 million in the previous year. As the favorable change of non-operating items of 810 million more than offset the drop in operating profit of 565 million, the result from discontinued operations before income taxes and minority interests in earnings was up by 245 million to 1,005 million. Income tax expenses and minority interests in earnings remained stable.

Net income (loss)

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Net income grew by 13.5% to almost 8.0 billion.

Earnings per share

The following graph presents our basic and diluted earnings per share for the years ended December 31, 2008, 2007 and 2006.

Earnings per share[(1)]

in

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The net income translates into basic earnings per share of 18.00 (diluted: 17.71). Taking only net income from continuing operations into account, basic earnings per share were 16.53 (diluted: 16.26).

(1) Refer to Note 50 to our consolidated financial statements for further details.

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Shareholders equity

The following graph presents our shareholders equity as of December 31, 2008, 2007 and 2006.

Shareholders equity[1]

in mn

Year ended December 31, 2008 compared to year ended December 31, 2007

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

(1) Does not include minority interests.
(2) Compound annual growth rate (CAGR) is the year-over-year growth rate over a multiple-year period.

Year ended December 31, 2007 compared to year ended December 31, 2006

As of December 31, 2007, shareholders equity amounted to 47,753 million, down 1,897 million from the previous year. Additions to the shareholders equity were primarily the 2007 net income of 7,966 million and a capital increase of 2,765 million for the execution and financing of the AGF minority buy-out. The goodwill related to the minority buy-outs of AGF and Allianz Leben amounting to 6,966 million was recorded as a reduction of shareholders equity. Together with the transfer on disposal of unrealized gains and losses to realized of 2,484 million were these the largest downward movements. Furthermore, foreign currency translation effects of 1,446 million and the dividend payment of 1,642 million contributed to the overall reduction in shareholders equity.

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The following table summarizes the total revenues, operating profit and net income for each of our segments for the years ended December 31, 2008, 2007 and 2006, as well as the IFRS consolidated net income of the Allianz Group.

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

Total revenues comprise Property-Casualty segment s gross premiums written, Life/Health segment s statutory premiums, Banking segment s operating revenues and Asset Management segment s operating revenues. Please refer to Introduction for a reconciliation of total revenues to premiums written of the Allianz Group.

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Impact of the Financial Markets Turbulence

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

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

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

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

Impact on the assets of our continuing operations

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

Asset-backed securities exposure

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

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

Subprime exposures within CDOs of the insurance portfolio were negligible.

As part of the transaction with Commerzbank on January 12, 2009, Allianz committed to purchase certain CDOs with a notional value of approximately 2 billion for consideration of 1.1 billion. The CDOs were purchased at fair value and the transaction was executed in February 2009.

Monoline Exposure

As of December 31, 2008, Allianz s monoline exposure amounted to 547 million (December 31, 2007: 405 million), which mainly relate to bond insurance on U.S. municipal bonds.

Breakdown of exposure by rating class

in %

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Bond insurer exposure as of December 31, 2008 (in mn)

Underlying Rating/Insurer Rating	Monoliner 1 BAA	Monoliner 2 CAA	Monoliner 3 AA	Monoliner 4 BAA	Other	Total
AAA	2	0	0	35	0	37
AA	60	2	93	239	0	394
A	10	0	33	55	3	101
BAA	14	1	1	1	0	16
Total	**85**	**3**	**126**	**330**	**3**	**547**

Bond insurer exposure as of December 31, 2007 (in mn)

Underlying Rating/Insurer Rating	Monoliner 1 AAA	Monoliner 2 AAA	Monoliner 3 AAA	Monoliner 4 AAA	Other	Total
AAA	1	0	0	0	0	1
AA	39	85	67	95	0	286
A	9	12	30	36	0	86
BAA	19	0	1	11	0	32
Total	**68**	**97**	**98**	**142**	**0**	**405**

Impact on discontinued operations of Dresdner Bank

Dresdner Bank was engaged in various business activities involving structured products. As presented in the table below, these comprise ABS, credit enhancements, conduits, leveraged buy-out commitments (LBO) and structured investment vehicles (SIV). Furthermore, Dresdner Bank has sold credit protection for third-party ABS and has re-insured these positions with monoliners. With the

sale of Dresdner Bank in January 2009, Allianz s exposure to these structured products was transferred to Commerzbank, with the exception of the aforementioned CDOs repurchased by Allianz in February 2009, as well as a continuing minority interest in a Dresdner Bank-sponsored SPE with assets of 40 million as of December 31, 2008, as further described under Balance Sheet Review Consolidated Special Purpose Entities and Balance Sheet Review Off-Balance Sheet Arrangements .

Area of focus	Exposure definition	Exposure 12/31/2007 bn	Exposure 12/31/2008 bn	Negative impact on operating profit 4Q 2008 mn	Negative impact on operating profit 2008 mn
1. LBO commitments	Gross exposure	4.5	3.4	572	662
2. Conduits business	Drawn and funded amounts	4.0	4.6		
3. ABS					
a. CDOs[1]	Net exposure[2]	1.5	2.3	511	1,510

b. U.S. RMBS	Net exposure[2]	1.4	0.6	134	714
c. Other ABS	Net exposure[2]	6.3	2.2	232	356
4. Credit enhancements	Gap risk/second loss	2.9	1.6	24	61
5. Monolines	Net counterparty risk[3]	0.8	2.4	694	1,007
6. K2	Gross exposure	16.4	4.7	542	693

(1) In January 2009, Allianz repurchased certain CDOs from Dresdner Bank. For further information please refer to Impact on Balance Sheet Review Off-Balance Sheet Arrangements .

(2) After markdowns

(3) Gross counterparty risk after counterparty default adjustments (CDA)

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

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

Events After the Balance Sheet Date

Refer to Recent and Expected Developments Economic Outlook and Note 52 to the consolidated financial statements.

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Property-Casualty Insurance Operations

Year ended December 31, 2008 compared to year ended December 31, 2007

Strong operating profit of 5,649 million largely unaffected by financial market crisis.

Selective growth achieved in mixed pricing environments.

Combined ratio of 95.1% close to our target.

Year ended December 31, 2007 compared to year ended December 31, 2006

Emerging markets contributed more than 4 billion to steadily growing premiums.

Profitability sustained throughout the cycle.

Combined ratio of 93.6%.

Earnings Summary

Gross premiums written

Gross premiums written-Internal growth rates[1]

in %

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

Year ended December 31, 2008 compared to year ended December 31, 2007

Gross premiums written[2]

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

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

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

In Italy, premiums declined by 471 million or 9.0% on an internal basis. This shortfall was mainly due to a significant decrease in motor insurance business, driven by a lower number of new car registrations and our rigorous underwriting approach.

[2] We comment on the development of our gross premiums written on an internal basis; meaning adjusted for foreign currency translation and (de-)consolidation effects in order to provide more comparable information. Please refer to Introduction for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

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Furthermore, prices were impacted by the Bersani law, which resulted in a market-wide price reduction. The negative pricing impact on our Italian business is estimated to be 2.8%. On a nominal basis, premiums declined by 9.3%.

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

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

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Gross premiums written were 1.4% ahead of previous year at 44,289 million. Our acquisitions in Russia and Kazakhstan contributed significantly to premium volume, while large foreign currency translation effects of 448 million almost offset this increase. Therefore, on an internal basis, premiums grew by 1.1%. Furthermore, in 2007, our strategy of selective underwriting proved to be again successful as we were able to limit pricing impacts while at the same time achieving slight organic growth.

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

The revenue development remained mixed across our different regions. We recorded strong premium growth of 962 million in our emerging markets which compensated for flat or even negative revenue trends in the more mature markets. This shows that our strategy of expansion into emerging markets is paying off. Together, these markets contributed 4,286 million (2006: 3,324 million) or 9.7% (2006: 7.6%) to total gross premiums written.

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

With 838 million additional premium volume, New Europe contributed the highest portion to revenue growth. The first time consolidation of ROSNO and Progress Garant in Russia and ATF-Polis in Kazakhstan were the main drivers for this development. Additionally, motor insurance business in Poland and Romania added to the increase in gross premiums.

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

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

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

At Allianz Sach within Germany, we closely monitored pricing developments in order to maintain profitability. Due to a weak market environment and higher no claims bonuses in motor insurance, revenues declined by 114 million. Furthermore, internal reinsurance business at Allianz SE, which we

also show within Germany, was significantly reduced as we optimized internal reinsurance arrangements in the year under review. Overall premiums in Germany were down by 681 million.

In the United States we recorded revenues of 4,306 million. At Fireman s Fund Insurance Company (Fireman s Fund) we saw a decline of 206 million from the prior year, primarily reflecting the decline in the U.S. Dollar compared to the Euro. On a U.S. Dollar basis, growth amounted to 3.8% and we saw a satisfying business performance, coming predominantly from crop insurance business and personal lines.

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

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

Gross premiums written by region as of December 31, 2008 (December 31, 2007)[(1)]

in %

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

Operating profit

Operating profit

in mn

Year ended December 31, 2008 compared to year ended December 31, 2007

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

The combined ratio of 95.1% was close to our target level albeit 1.5 percentage points above 2007, mainly impacted by a 2.2 percentage points increase in the accident year loss ratio, to 71.8%. In our Credit Insurance business at Euler Hermes, we observed an increase in payment delays, which are the industry s lead indicator for future defaults. In addition, the number of insolvencies such as the large retailer Woolworths started to increase. As a result, the accident year loss ratio for credit insurance was 85.0%, after 57.1% in 2007. Following a slump in commodity prices in the United States at the end of September, we experienced a lower underwriting result from crop insurance amounting to (7) million, down from 79 million in 2007.

In 2008, an increase in overall claims severity was partly compensated by a slightly lower claims

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

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Claims and insurance benefits incurred were up by 3.3% to 25,485 million and the calendar year loss ratio was up by 1.1 percentage points to 66.1%. Of the total claims 774 million (2006: 211 million), or 2.0 percentage points of the loss ratio, were attributable to severe losses from natural

catastrophes such as windstorm Kyrill, the floods in the United Kingdom and storms in several parts of the world. Also contributing to the increase were higher large claims incurred at AGCS as well as our newly consolidated entities in Russia and Kazakhstan.

The accident year loss ratio increased by 2.0 percentage points to 69.6%. Furthermore, previous year s loss ratio was on a generally lower level.

Acquisition and administrative expenses were almost stable, up 0.2% to 10,616 million. These expenses also contain significant investments in group initiatives. Our administrative costs came down, showing that our tight cost control and efficiency measures have started to pay-off. Slightly higher acquisition costs stem from an increase in profitable, higher-commission business and the acquisition of our Russian subsidiaries. In total, our expense ratio of 27.5% was down 0.4% on the previous year.

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

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

Non-operating result

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

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

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Year ended December 31, 2007 compared to year ended December 31, 2006

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

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

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

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

Net income

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

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The following table sets forth our Property-Casualty insurance segment s income statement, loss ratio, expense ratio and combined ratio for the years ended December 31, 2008, 2007 and 2006.

Property-Casualty segment information[1]

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

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

[2] For the Property-Casualty segment, total revenues are measured based upon gross premiums written.

[3] The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[4] The total of these items equals realized gains/losses (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[5] The total of these items equals impairments of investments (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[6] Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

[7] Represents acquisition and administrative expenses (net) divided by premiums earned (net).

[8] Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

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Property-Casualty Operations by Business Division

The following table sets forth our Property-Casualty gross premiums written, premiums earned (net), combined ratio, loss ratio, expense ratio and operating profit by business division for the years ended December 31, 2008, 2007 and 2006. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

Property-Casualty Operations by Business Division

	Gross premiums written					Premiums earned (net)			Operating profit		
	2008	2007	2006	2008 internal[1]	2007 internal[1]	2008	2007	2006	2008	2007	2006
	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn	mn
Germany[2]	9,358	9,446	9,558	9,358	9,446	7,367	7,223	7,258	1,365	1,411	1,233
Switzerland[2]	1,241	1,804	1,805	1,210	1,188	1,190	1,595	1,706	145	218	228
Austria	900	915	922	900	896	734	748	782	79	86	82
German Speaking Countries	**11,499**	**12,165**	**12,285**	**11,468**	**11,530**	**9,291**	**9,566**	**9,746**	**1,589**	**1,715**	**1,543**
Italy	4,741	5,229	5,396	4,741	5,212	4,647	4,902	4,935	690	719	816
Spain	2,156	2,136	2,013	2,156	2,136	1,863	1,820	1,675	286	253	252
South America	1,049	918	869	1,061	880	764	692	623	82	55	47
Portugal	298	283	287	298	283	247	246	258	36	38	36
Turkey[3]	180					128			9		
Greece	83	79	74	83	79	55	50	46	10	9	10
Europe I incl. South America	**8,507**	**8,645**	**8,639**	**8,339**	**8,590**	**7,704**	**7,710**	**7,537**	**1,113**	**1,074**	**1,161**
France[4]	3,930	5,086	5,110	3,930	3,882	3,281	4,422	4,429	280	486	420
Credit Insurance	1,804	1,762	1,672	1,804	1,762	1,360	1,268	1,113	144	496	442
Travel Insurance and Assistance Services	1,228	1,139	1,044	1,228	1,139	1,196	1,093	1,008	106	97	90
Netherlands	913	927	926	913	927	800	809	813	72	108	150
Belgium[4]	335	374	356	335	325	261	301	298	40	40	30
Africa	62	55	47	62	55	37	32	27	9	8	7
Europe II incl. Africa	**8,272**	**9,343**	**9,155**	**8,272**	**8,090**	**6,935**	**7,925**	**7,688**	**677**[5]	**1,257**[5]	**1,151**[5]
United States	4,420	4,306	4,510	4,786	4,306	3,297	3,341	3,523	273	651	810
Mexico[6]	205	201	192	222	201	83	86	100	20	12	15
NAFTA	4,625	4,507	4,702	5,008	4,507	3,380	3,427	3,623	293	663	825
Reinsurance PC	3,470	3,191	4,035	3,493	3,548	2,824	2,022	2,585	500	217	245
Allianz Global Corporate & Specialty	2,859	2,811	2,802	2,859	2,896	1,813	1,800	1,545	431	414	404
AZ Insurance plc	1,925	2,236	2,396	2,237	2,236	1,769	1,989	1,874	243	206	288
Australia	1,484	1,543	1,452	1,575	1,543	1,171	1,245	1,195	265	296	225
Ireland	672	691	704	672	691	597	614	622	114	180	222
ART	350			271	208	168			55		
Anglo Broker Markets/Global Lines	**15,385**	**14,979**	**16,091**	**16,115**	**15,629**	**11,722**	**11,097**	**11,444**	**1,901**	**1,976**	**2,209**
Russia[7]	857	678	30	688	678	705	574	4	41	7	1
Hungary	546	580	575	547	580	471	502	499	80	73	68
Poland	460	367	283	426	367	337	246	200	38	24	20
Romania	346	341	291	383	341	135	155	132	10	11	11

Slovakia	348	319	288	323	319	296	273	251	90	112	52
Czech Republic	278	249	253	251	249	208	183	179	44	41	29
Bulgaria	110	103	95	110	103	81	70	70	19	16	16
Croatia	95	86	70	94	86	78	63	53	6	2	4
New Europe[8]	3,040	2,723	1,885	2,822	2,723	2,312	2,067	1,388	300	256	184
Asia-Pacific (excl. Australia)	425	349	310	413	349	226	170	141	23	16	19
Middle East	54	40	20	57	40	25	21	8	3	2	2
Growth Markets	**3,519**	**3,112**	**2,215**	**3,292**	**3,112**	**2,563**	**2,258**	**1,537**	**326**	**274**	**205**
Consolidation[9]	(3,795)	(3,955)	(4,712)	(3,758)	(3,953)	(2)	(3)	(2)	43	3	
Total	**43,387**	**44,289**	**43,674**	**43,728**	**42,998**	**38,213**	**38,553**	**37,950**	**5,649**	**6,299**	**6,269**

(1) Reflect gross premiums written on an internal basis (adjusted for foreign currency translation and (de-)consolidation effects).

(2) Reinsurance business of Allianz Suisse was transferred to Allianz SE. Effective 1Q 2008, renewal business is shown in Germany, and run-off business is shown in Switzerland.

(3) Effective July 21, 2008, Koç Allianz Sigorta AS was consolidated following the acquisition of approximately 47.1% of the shares in Koç Allianz Sigorta AS by the Allianz Group, increasing our holding to approximately 84.2%.

(4) Effective 1Q 2008, health business in France and Belgium is shown within Life/Health segment. Prior year balances have not been adjusted.

(5) Contains 16 mn, 21 mn and 20 mn for 2008, 2007 and 2006, respectively, from a former operating entity located in Luxembourg and also 10 mn, 1 mn and (8) mn for 2008, 2007 and 2006, respectively, from AGF UK.

To be continued on page 81.

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

Continuing footnotes from page 80.

(6) Effective 1Q 2007, life business in Mexico is shown within the Life/Health segment. Prior year balances have not been adjusted.

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

(8) Contains income and expense items from a management holding.

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

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Life/Health Insurance Operations

Year ended December 31, 2008 compared to year ended December 31, 2007

Difficult market environment heavily impacted sales of investment-oriented products especially through the bancassurance channel.

Traditional business held firm.

Operating profit of 1,206 million despite financial markets turmoil.

Year ended December 31, 2007 compared to year ended December 31, 2006

Strong statutory premium development showed double-digit growth rates in many countries.

Strong operating profit growth continued resulting in almost 3 billion.

Operating asset base increased to 350.0 billion.

Earnings Summary

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

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

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

***Statutory premiums*[1]**

Statutory premiums Internal growth rates[2]

in %

Year ended December 31, 2008 compared to year ended December 31, 2007

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

(1) A reconciliation of premiums written to statutory premiums for the years ended December 31, 2008, 2007 and 2006 can be found within the total revenues table on page 60.
(2) Before elimination of transactions between Allianz Group companies in different geographic regions and different segments.

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

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

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

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

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

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

The highest absolute growth was achieved in Italy, where revenues increased from 8,555 million to 9,765 million in spite of poor market conditions. This resulted mainly from a sound sales performance of our bancassurance channel at CreditRAS. Additionally, we successfully launched new products during 2007.

In Asia-Pacific, premiums increased by 905 million or 24.2%. We recorded dynamic growth all over the region. In Taiwan, which, with 476 million, contributed the most to premium growth in this region, we recorded dynamic sales of unit-linked products. Furthermore, our local bancassurance channel continued to perform well. Within South Korea, we saw a further strong increase in single premium business, adding to the rise of 134 million. In China, revenue increase amounted to 168 million. Furthermore, we expanded our sales network in China, benefiting from our strategic partnership with Industrial and Commercial Bank of China Limited (ICBC).

Total revenues in France were up 13.1% or 758 million mostly driven by group insurance business and increased sales of individual life insurance policies. Unlike in the past, the highest share of new business came from proprietary sales channels in 2007.

Statutory premium volume in our German life insurance business grew by 3.9% or 503 million mainly coming from a significant increase in single premium business. While growth during the first quarters of 2007 was weak due to a difficult market

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

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environment, we experienced a very strong fourth quarter growing by more than 20% through a pick-up in single premium business.

In the United States, statutory premium development still reflected the legal and regulatory environment limiting our sale of indexed annuity products. However, during the last months of 2007 we made progress in closing pending litigations. Year over year, revenues declined by 20.9% or 1,827 million. In addition, business was affected by the weakening of the U.S. Dollar compared to the Euro. On a local currency basis, the decline amounted to 13.2% or USD 1,445 million.

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

in %

Operating profit

Year ended December 31, 2008 compared to year ended December 31, 2007

Operating profit

in mn

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

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

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

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

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

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

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

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Asset base[1]

fair values[2] *in bn*

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

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Our income from investments again provided the largest absolute contributor to operating profit growth. It improved based on a higher asset base resulting from inflows of funds. These inflows more than compensated the impact from unfavorable foreign currency movements, higher interest rates

(1) For further information on the composition of our Life/Health asset base please refer to Balance Sheet Review Assets and liabilities of the Life/Health segment .

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

and a stock market that weakened towards the end of 2007. Thus, interest and similar income increased by 3.4% due to higher interest payments on debt securities as well as higher dividend payments on equity securities.

Net realized gains on investments improved by 492 million coming from an already high level in the year 2006 that was marked by a major single transaction namely the disposal of our participation in Schering AG. In 2007, gains stemmed from several transactions that mostly generated higher realized gains on equities and real estate. However, these gains were offset by net impairments on investments due to write-downs on public stock shares. The considerably increased net loss from financial assets and liabilities carried at fair value through income of 584 million stemmed largely from freestanding derivatives in connection with our German life insurance business.

Furthermore, we benefited from an extraordinary reserve release of 170 million in South Korea. In the past we had formed a reserve due to uncertainty in respect of data accuracy in our old actuarial systems. The introduction of a new system did not reveal any issues. Hence, the reserve had to be released.

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

Non-operating result

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

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Net income

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

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

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Life/Health segment information[1]

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

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

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

[3] The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[4] The total of these items equals realized gains/losses (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[5] The total of these items equals impairments of investments (net) in the segment income statement included in Note 6 to the consolidated financial statements.

[6] The total of these items equals restructuring charges in the segment income statement included in Note 6 to the consolidated financial statements.

[7] Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

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Life/Health Operations by Business Division

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

New Europe	1,141	1,039	828	1,085	1,039	608	506	438
Middle East	88	70	68	92	70	81	65	60
Growth Markets	**4,694**	**5,747**	**4,629**	**5,104**	**5,747**	**1,867**	**1,789**	**1,754**
Consolidation[8]	(207)	(216)	(220)	(207)	(216)			
Total	**45,615**	**49,367**	**47,421**	**46,297**	**50,501**	**22,231**	**20,809**	**20,574**

(1) Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer s home jurisdiction.

(2) Reflect statutory premiums on an internal basis (adjusted for foreign currency translation and (de-) consolidation effects).

(3) Loss ratios were 74.7%, 71.6% and 68.4% for 2008, 2007 and 2006, respectively.

(4) Effective July 21, 2008, Koç Allianz Hayat ve Emeklilik AS was consolidated following the acquisition of approximately 51% of the shares in Koç Allianz Hayat ve Emeklilik AS by the Allianz Group, increasing our holding to approximately 89%.

To be continued on page 89

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

Continuing footnotes from page 88.

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

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

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

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

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Banking Operations[1]

Due to the sale of Dresdner Bank the commentary on the banking segment only refers to the continuing banking operations of the Group.

Oldenburgische Landesbank and banking customers introduced by Allianz tied agents are included.

Continuing banking operations recorded an operating loss of 31 million (2007: operating profit of 32 million).

Earnings Summary

Operating revenues

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The operating revenues for our Banking segment amounted to 622 million (2006: 604 million). The increase of 18 million was driven by the positive development in net interest income and net fee and commission income, which could outweigh the sharp decrease in our net trading income.

Net interest income developed favorably, up 11.7% to 325 million. Oldenburgische Landesbank s net interest income was steady.

Our net fee and commission income also showed good performance with an increase of 27 million to 295 million mainly driven by the results of Banque AGF[2] and the banking clients introduced through the tied agents channel.

The development in net trading income was significantly impacted by the turbulence in financial markets and led to a result of 2 million, coming from 45 million in the previous year.

Operating profit (loss)

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Operating profit nearly halved to 32 million (2006: 63 million). Our cost-income ratio was 94.1% (2006: 90.1%).

Operating expenses, increased by 7.5% to 585 million. Administrative expenses amounted to 589 million, of which personnel expenses made up for 252 million, down 0.8%, and non-personnel expenses amounted to 337 million, up 13.9%.

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

(2) On January 1, 2009 Banque AGF was re-branded in Allianz Banque.

Loan loss provisions showed gross releases and recoveries of 84 million and gross additions of 89 million, leading to net additions of 5 million coming from a net release of 3 million in the previous year.

Non-operating result

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The non-operating result amounted to 13 million in both periods. Higher net realized gains of 18 million in 2007 (2006: 15 million) were partly offset by net impairments of investments amounting to 3 million (2006: no impairments were incurred). In addition, we recorded restructuring charges of 2 million in 2007 and 2006, respectively.

Net income (loss) from continuing operations

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The net income from our continuing banking operations amounted to 55 million and therefore was 14 million lower than the same period a year ago.

Although we recorded 45 million income from continuing operations before income taxes and minority interests in earnings we received an income tax credit of 10 million. This was a result of the German tax rate reform in 2007, which led to a tax benefit from revaluation of deferred taxes. The effective tax rate was (22.2)%. In 2006 income from continuing operations before income taxes and minority interests in earnings amounted to 76 million. The income tax charge was 1 million leading to an effective tax rate of 1.3%.

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Banking segment information

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

Banking Operations by Geographic Region

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

	Operating revenues			Operating profit (loss)			Cost-income ratio		
	2008 mn	2007 mn	2006 mn	2008 mn	2007 mn	2006 mn	2008 %	2007 %	2006 %
Germany	325	326	320	4	(12)	(4)	92.8	104.1	102.6
Italy	176	219	201	55	76	47	66.7	64.0	75.1
France		46	64	(58)	(21)	18	[6]	145.2	74.1

New Europe	43	31	19	(32)	(11)	2	164.8	126.4	86.2
Total	**544**	**622**	**604**	**(31)**	**32**	**63**	**100.4**	**94.1**	**90.1**

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

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Asset Management Operations

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Third-Party Assets Under Management of the Allianz Group

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Development of third-party assets under management

in bn

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

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

in %

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

(1) Based on the origination of assets.

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

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to retail customers (26%) increased following stronger outflows from retail products and a shift in investments towards the United States, which has a strong institutional customer base.

Rolling investment performance of Allianz Global Investors[(1)]

in %

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

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

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

- Allianz RCM Global EcoTrends Fund was announced joint winner of Best Climate Change Fund 2008 , awarded by Holden & Partners Incisive Media.
- Allianz RCM-managed Charter European Trust was awarded Best European Trust 2008 at Investment Weeks s Investment Trust of the Year awards.
- Nicholas Applegate Capital Management was named 130/30 Manager of the Year at Professional Pensions Specialist and Alternative Investment Manager Awards 2008.
- A total of 24 Lipper Awards have been awarded to group funds across Asia and Europe.

Year ended December 31, 2007 compared to year ended December 31, 2006

The majority of our third-party assets under management outperformed their respective benchmarks. Operating profit grew 5.3% to 1,359 million. Excluding negative foreign currency translation effects of 96 million operating profit grew 12.8% at constant exchange rates.

In the fixed-income business, especially in the second half of 2007, we again generated a very strong overall investment performance, showing that our long-term approach pays off. We also further improved our investment performance in the equity business.

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

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

There were no major movements in the geographic origination of third-party assets under management in the year. The allocation between retail and institutional clients also remained almost

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unchanged. Roughly two thirds were made up by institutional clients with a majority thereof coming from the United States. The same applied to retail clients. With regards to investment categories, the proportion between fixed-income and equity did not reflect any major movements either. The majority were fixed-income investments mainly from the United States. On the equity side the allocation between the United States, Germany and other countries was fairly balanced.

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

- Morningstar has named PIMCO s Bill Gross and team the 2007 Fixed-Income Fund Manager of the year . Bill Gross is the first fund manager ever to receive three Morningstar Fund Manager of the year awards.

- PIMCO was awarded Best Third-Party Provider of Fixed-Income Portfolio Management Services in Asia from Euromoney Private Banking Survey 2007.

- Allianz Global Investors Germany was awarded with five stars again according to Capital magazine ranking.

Earnings Summary[(1)]

Operating revenues

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

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

	2008	**2007**	**2006**
	mn	**mn**	**mn**

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Operating revenues amounted to 3,178 million, up 6.3% from a year ago. Operating revenue grew 13.5% on an internal basis.

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

(2) 54 million have been reclassified from other expenses to commission expenses each for the years ended December 31, 2007 and 2006.

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Operating profit

Operating profit

in mn

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

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

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

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

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Operating profit increased by 3.5% to 1,321 million.

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

Non-operating result

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

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

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

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

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

Net income

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

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Year ended December 31, 2007 compared to year ended December 31, 2006

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

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

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

Asset Management segment information and AGI

	2008		2007		2006	
	Asset Management Segment mn	Allianz Global Investors mn	Asset Management Segment mn	Allianz Global Investors mn	Asset Management Segment mn	Allianz Global Investors mn
Net fee and commission income[1]	2,874	2,812	3,133	3,060	2,924	2,874
Net interest income[2]	62	54	81	75	71	66
Income from financial assets and liabilities carried at fair value through income (net)	(77)	(80)	31	29	38	37
Other income	28	27	14	14	11	12
Operating revenues[3]	**2,887**	**2,813**	**3,259**	**3,178**	**3,044**	**2,989**
Administrative expenses, excluding acquisition-related expenses[4]	(1,961)	(1,909)	(1,900)	(1,857)	(1,754)	(1,713)
Operating expenses	**(1,961)**	**(1,909)**	**(1,900)**	**(1,857)**	**(1,754)**	**(1,713)**
Operating profit	**926**	**904**	**1,359**	**1,321**	**1,290**	**1,276**
Realized gains/losses (net)	5	5	2	4	7	5
Impairments of investments (net)	(19)	(13)	(1)	(1)	(2)	(2)
Acquisition-related expenses[4], thereof:						
Deferred purchases of interests in PIMCO	(278)	(278)	(488)	(488)	(523)	(523)
Other acquisition-related expenses			(3)	(3)	(9)	(9)
Subtotal	**(278)**	**(278)**	**(491)**	**(491)**	**(532)**	**(532)**
Amortization of intangible assets	(1)	(1)			(24)	(23)
Restructuring charges			(4)	(4)	(4)	(4)
Non-operating items	**(293)**	**(287)**	**(494)**	**(492)**	**(555)**	**(556)**

Income before income taxes and minority interests in earnings	**633**	**617**	**865**	**829**	**735**	**720**
Income taxes	(249)	(246)	(342)	(337)	(278)	(276)
Minority interests in earnings	(5)	(2)	(25)	(22)	(53)	(49)
Net income	**379**	**369**	**498**	**470**	**404**	**395**
Cost-income ratio[5] in %	**67.9**	**67.9**	**58.3**	**58.4**	**57.6**	**57.3**

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

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Corporate Activities

Operating loss declined by 137 million mainly driven by foreign currency gains.

Net loss heavily affected by increased impairments and lower realized gains.

Earnings Summary

Year ended December 31, 2008 compared to year ended December 31, 2007

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Holding Function

Year ended December 31, 2008 compared to year ended December 31, 2007

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

Non-operating result The non-operating loss amounted to 1,154 million coming from a gain of 37 million in the prior year. Due to the weak market conditions impairments increased significantly by 638 million and capital gains were 838 million

lower compared to the prior year. Trading income improved and expenses for external debt decreased mostly driven by the redemption of the bridge loan for the minority buy-out at AGF.

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

Year ended December 31, 2007 compared to year ended December 31, 2006

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

Non-operating result The non-operating result turned into an aggregate profit of 37 million compared to an aggregate loss of 455 million in the prior year. The non-operating trading result driven by the BITES exchangeable bond, which was partially repaid in 2007, and higher net capital gains contributed to this development and therefore more than compensated for the higher interest expense from external debt in connection with the minority buy-out at AGF.

Net income Due to high negative tax impacts stemming primarily from the German tax reform our net loss came to 168 million.

Private Equity

Year ended December 31, 2008 compared to year ended December 31, 2007

Operating profit Operating profit increased by 7.4% to 130 million. This development was driven

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by a higher margin from fully consolidated private equity investments and a rise in net fee and commission income, whereas interest and similar income declined due to higher profits from private equity fund investments in the prior year when the market environment was friendlier than in 2008.

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

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Operating profit At 121 million, the operating result turned positive after an operating loss of 7

million in the previous year reflecting profit participation of 65 million.

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

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

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

Discontinued Operations of Dresdner Bank[1]

Year ended December 31, 2008

Discontinued operations of Dresdner Bank continued to suffer from weak markets.

Net loss from discontinued operations amounted to 6,411 million.

Year ended December 31, 2007

Operating profit at 602 million despite financial markets turbulence.

Net trading loss of 463 million.

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

Earnings Summary

Operating revenues

Nine months ended September 30, 2008

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

Year ended December 31, 2007 compared to year ended December 31, 2006

Dresdner Bank s operating revenues were down by 21.4% to 4,918 million compared to the previous

year. This development resulted mainly from the effects of the financial markets turbulence which heavily impacted our net trading income ending up in a negative result of 463 million (2006: income of 1,257 million). However, the net interest income grew by 17.5% to 2,821 million and the net fee and commission income improved slightly by 0.3% to 2,527 million.

Operating profit (loss)

Nine months ended September 30, 2008

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

Year ended December 31, 2007 compared to year ended December 31, 2006

At 602 million, operating profit was down 48.4%, mainly caused by the above mentioned weak revenue situation. Expense savings of 610 million partly compensated this development. Operating expenses, at 4,447 million, were down 12.1%. Administrative expenses were down by 11.7% to 4,430 million. Loan loss provisions showed gross releases and recoveries of 593 million and at the same time new provisions of 462 million leading to net releases of 131 million in 2007 (2006: net additions of 31 million). As the savings could not outweigh the decline in revenues, our cost-income ratio increased by 9.6 percentage points to 90.4%.

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

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Result from operating activities of discontinued operations

Nine months ended September 30, 2008

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The non-operating result amounted to 403 million in 2007 and was therefore 810 million above the prior year. This resulted mainly from significantly lower restructuring charges of 50 million (down 88.2%), as in 2006, higher charges were incurred in connection with the New Dresdner Plus reorganization programme, and higher realized gains of 540 million compared to 230 million in 2006. In addition, impairments of investments amounted to 87 million which was a decrease of 59.5%. The prior year s figure included higher write-downs on real estate properties used by third-parties.

We recorded a tax charge of 282 million (2006: 293 million). This led to a result from operating activities of discontinued operations of 650 million in 2007 (2006: 381 million).

Net income (loss) from discontinued operations

Year ended December 31, 2008

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

Year ended December 31, 2007 compared to year ended December 31, 2006

The net income from discontinued operations amounted to 650 million, up 70.1%.

Information on discontinued operations of Dresdner Bank

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

(1) For the year ended December 31, 2008, the result from operating activities of discontinued operations represents the nine months ended September 30, 2008. Previous year figures represent 12 months ended December 31 of the relevant year.

(2) Represents interest and similar income less interest expenses.

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

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

(5) For the discontinued operations of Dresdner Bank, total revenues are measured based upon operating revenues.

(6) No income taxes were related to the impairment loss of September 30, 2008 and to the result from transaction between September 30, 2008 and December 31, 2008.

(7) Represents operating expenses divided by operating revenues.

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Balance Sheet Review[1]

Shareholders equity of 33.7 billion.

Asset allocation of Allianz is well diversified and of high quality.

Consolidated Balance Sheets

As of December 31,	2008	2007
	mn	€