Allianz SE

# Annual Report 2009

Allianz

To go directly to any chapter, simply click ➤➤ on the headline or the page number

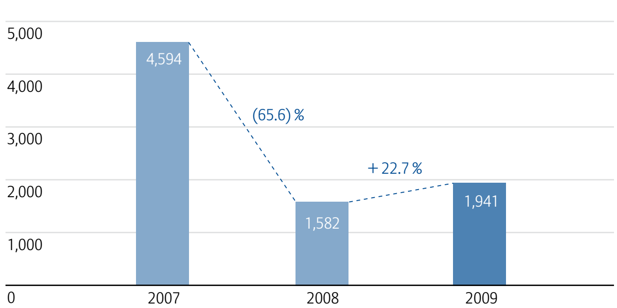
# Content

# Allianz SE at a Glance

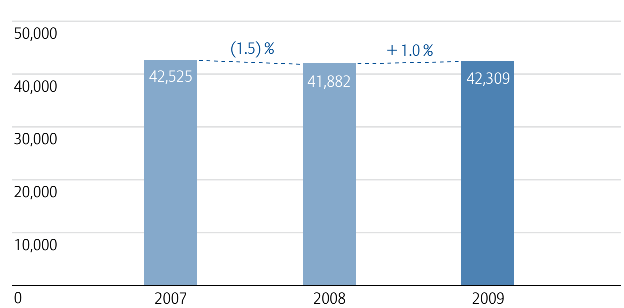
| | | 2009 | Change from previous year in % | 2008 | Change from previous year in % | 2007 | Change from previous year in % | Details on page |
|---|---|---|---|---|---|---|---|---|
| Gross premiums written | € mn | 3,811 | 10.5 | 3,449 | (2.4) | 3,533 | (19.4) | 17 |
| Retention | in % | 82.9 | (0.1) pts | 83.0 | 15.2 pts | 67.8 | 2.3 pts | 12 |
| Loss ratio (net) Property/Casualty | in % | 63.4 | 1.8 pts | 61.6 | 3.8 pts | 57.8 | (2.9) pts | 12 |
| Expense ratio (net) Property/Casualty | in % | 26.7 | (2.6) pts | 29.3 | 0.9 pts | 28.4 | 0.8 pts | 12 |
| Combined ratio (net) Property/Casualty | in % | 90.1 | (0.8) pts | 90.9 | 4.7 pts | 86.2 | (2.1) pts | 17 |
| Net underwriting result | € mn | 325 | 73.8 | 187 | (32.7) | 278 | (11.6) | 12 |
| Net underwriting result after claims equalization and similar reserves | € mn | 679 | n/a | (68) | n/a | 388 | 6.5 | 12 |
| Non-underwriting result | € mn | 983 | (8.0) | 1,069 | (71.0) | 3,684 | 37.1 | |
| Income before taxes | € mn | 1,662 | 66.0 | 1,001 | (75.4) | 4,072 | 33.4 | |
| Taxes | € mn | 279 | (52.0) | 581 | 11.3 | 522 | (45.9) | |
| Net income | € mn | 1,941 | 22.7 | 1,582 | (65.6) | 4,594 | 14.3 | 14 |
| Investments | € mn | 87,442 | 0.5 | 87,018 | 2.6 | 84,782 | 0.2 | 19 |
| Shareholders' equity | € mn | 42,309 | 1.0 | 41,882 | (1.5) | 42,525 | 16.0 | 20 |
| Insurance reserves net | € mn | 9,780 | (0.7) | 9,850 | 5.0 | 9,384 | (10.5) | |
| Dividend per share | € | 4.10[1] | 17.1 | 3.50 | (36.4) | 5.50 | 44.7 | 14 |
| Total dividend | € mn | 1,861 | 17.8 | 1,580 | (36.1) | 2,472 | 50.7 | 14 |
| Share price at year end | € | 87.15 | 16.2 | 75.00 | (49.3) | 147.95 | (4.4) | |
| Market capitalization at year end | € mn | 39,557 | 16.4 | 33,979 | (49.0) | 66,600 | (0.4) | |

[1] Proposal.

## Net income
in € mn




## Shareholders' equity
in € mn



# Supervisory Board Report

## Ladies and Gentlemen,

During the fiscal year 2009, the Supervisory Board observed the duties incumbent upon it in accordance with the law and the Statutes. We supervised the management of the company and advised the Board of Management concerning the running of the business. We were directly involved in all decisions of fundamental importance to the company.

Within the scope of our monitoring and advisory activities we were regularly provided by the Board of Management, both verbally and in writing, with timely and comprehensive information on the course of the business, the financial and economic development of the Allianz Group and of Allianz SE, including the risk situation and risk management, compliance issues as well as basic issues of company strategy. Based on the reports provided by the Board of Management, in the Supervisory Board meetings, we discussed in detail the development of the business as well as decisions and processes of importance to the company. In addition, we were involved in the Board of Management's planning for the 2010 fiscal year and medium-term planning as well as areas in which actual business development deviated from plan. We also discussed in depth the remuneration of the Board of Management, adopted a new remuneration system to begin in 2010 and established the future total compensation of the individual members of the Board of Management.

In the fiscal year 2009, the Supervisory Board held five meetings and one discussion via telephone. The regular meetings were held in March, April, September and December. In January 2009, the Supervisory Board held an extraordinary meeting (conference call) in connection with the sale of Dresdner Bank AG to Commerzbank AG. In addition, following the meeting of the audit committee in February 2009, a discussion on the dividend proposal of the Board of Management was held in which all Supervisory Board members had the opportunity to participate by telephone. In between meetings the Board of Management kept us informed in writing of important issues at all times. Additionally, the chairman of the Supervisory Board was continually kept up to date on major developments and decisions.

The Board of Management reports on the business situation and presentations on particular issues were accompanied by written presentations and documents that were sent before each meeting to each Supervisory Board member for the purposes of preparation. This was also the case with all financial statements and auditor's reports. Resolutions were adopted regarding all management actions described in detail in this report which required the approval of the Supervisory Board or one of its committees. The Supervisory Board did not establish any additional approval requirements beyond those set out in the Statutes or the Rules of Procedure.

## Wide Range of Topics Discussed in the Plenary Supervisory Board Meetings

In every Supervisory Board meeting in the fiscal year 2009 (except the January 2009 conference call), the Board of Management reported on turnover and results in the Group. The Board of Management also gave further details on how business was running in each individual operating segment and reported on the financial situation. The Board of Management informed us regularly about the status of the Hartford investment, the U.S. life insurance business, Allianz Banking and the development of the credit insurance business at Euler Hermes and advised us of the status of major legal disputes.

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

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

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

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

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

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

## Corporate Governance and the Declaration of Compliance

On December 17, 2009 the Board of Management and the Supervisory Board issued our Declaration of Compliance in accordance with § 161 of the German Stock Corporation Act (Aktiengesetz). The Declaration was posted to the company website, where it is available to shareholders at all times. Allianz SE is in compliance with all recommendations of the June 18, 2009 version of the Government Commission German Corporate Governance Code.

Further explanations on Corporate Governance in the Allianz Group are available in the combined Board of Management and the Supervisory Board Statement on Corporate Management including the report on Corporate Governance beginning on page 48. The Allianz website at www.allianz.com/corporate-governance also contains further information on Corporate Governance.

## Committee Activities

In order to exercise its functions efficiently, the Supervisory Board has set up an Audit Committee, a Standing Committee, a Personnel Committee, a Risk Committee and a Nomination Committee. The committees prepare the discussion and adoption of resolutions in the plenary session. Furthermore, in appropriate cases, the authority to adopt resolutions has been delegated to the committees themselves. The Conciliation Committee no longer exists because the German Co-Determination Act (Mitbestimmungsgesetz), which provides for such a committee, does not apply to Allianz SE. The current members of these committees are set out in the following list.

## Chair and Committees of the Supervisory Board

As of December 31, 2009
(and subsequent changes)

**Chairman of the Supervisory Board**
Dr. Henning Schulte-Noelle

**Deputy Chairpersons**
Dr. Gerhard Cromme
Rolf Zimmermann

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

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

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

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

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

In the 2009 fiscal year, the Standing Committee held three regular meetings. These related primarily to Corporate Governance issues, preparation for the ordinary General Meeting, the employee share purchase program and review of the Supervisory Board's efficiency. During the fiscal year, the committee passed resolutions requiring approval on the use of Authorized Capital 2006/II for the issue of employee shares as well as the granting of loans to managers and Board members.

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

The Audit Committee held six meetings in fiscal 2009, which took place in February, twice in March, in May, August and November. Together with the auditors, the committee discussed the Allianz SE and Allianz Group annual financial statements, the management reports, the auditor's reports and, for the year 2008, the U.S. Form 20-F report for 2008 was also examined. In addition, the committee checked the semi-annual financial report and the other quarterly financial statements and, together with the auditors, went through details of the auditor's review of these financial statements. After carrying out these checks the Audit Committee saw no reason to raise objections. The committee also covered the auditor's engagement and established priorities for the audit, as well as internal control issues and, for the 2008 fiscal year, compliance with the provisions of section 404 of the Sarbanes-Oxley Act. The Board of Management informed the committee about the deregistration of Allianz shares on the New York Stock Exchange and its effects in particular on accounting and internal controls. In addition, assignments to the auditors for services not connected to the audit itself were discussed. The committee received reports from the heads of the Group Audit department and Group Compliance department about audit and compliance issues on an ongoing basis. The committee obtained summary reports on significant audit results for the past fiscal year from the head of the Group Audit department. The Committee also regularly received a report from the General Counsel regarding material legal proceedings. In the meeting in November 2009, Group Audit presented the audit plan for the year 2010.

The Risk Committee held two meetings in 2009. At both meetings, the Board of Management presented the current risk situation of the Allianz Group and we discussed the issues with the Board of Management. Other areas of focus of the committee's work included the effects of the financial market crisis and the treatment of risks arising from natural disasters. We also dealt in detail with the effects of the planned risk-oriented changes to European solvency regulations (equity finance requirements) for insurance companies (Solvency II). We also dealt with the regulatory minimum requirements of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht – BaFin) on the risk management of insurance companies (MaRisk VA) and discussed their implementation within the Allianz Group. We reviewed the particular risk-related statements in the annual accounts and consolidated financial statements as well as in the management reports, and reported to the Audit Committee on the results of this preliminary review.

The Nomination Committee met once during the fiscal year. In August 2009, the committee agreed on the selection criteria for shareholder representatives on the Supervisory Board and discussed possible candidates for a successor to Dr. Humer. The committee nominated Mr. Peter Sutherland to the plenary Supervisory Board as his successor.

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

## Audit of Annual Accounts and Consolidated Financial Statements

In compliance with special provisions applying to insurance companies (§ 341 k (2) of the German Commercial Code), the statutory auditor and the auditor for the review of the half year financial report are appointed by the Supervisory Board of Allianz SE and not by the General Meeting. The Supervisory Board has appointed KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, as statutory auditor for the annual accounts and the consolidated financial statements as well as for the review of the half year financial report. KPMG audited the financial statements of Allianz SE and Allianz Group as well as the respective management reports and issued an audit certificate thereon without any reservations. The consolidated financial statements were prepared in accordance with § 315 a of the German Commercial Code (Handelsgesetzbuch) on the basis of international financial reporting standards IFRS, as applied in the European Union. The half year financial report and the other quarterly financial statements were also reviewed by KPMG.

The financial statements and the KPMG auditor's report for fiscal year 2009 were made available to all members of the Supervisory Board in a timely manner. The financial statements and the results of the KPMG audit were discussed on a provisional basis by the Audit Committee in their meeting held on February 24, 2010. There was also a Supervisory Board meeting held on this day, in which the dividend proposal of the Board of Management was discussed.

The final financial statements and KPMG auditor's reports were examined on March 17, 2010 by the Audit Committee and in the Supervisory Board plenary session. The auditors took part in these discussions. They gave an account of the main findings of the audit and were available for any questions or further information.

On the basis of our own review of the financial statements, the management report and the Group management report and the recommendation for appropriation of earnings, we made no objections and agreed with the result of the KPMG audit. We approved the financial statements drawn up by the Board of Management; the company financial statements are therefore adopted. We concur with the proposal of the Board of Management as to the appropriation of earnings.

## Members of the Supervisory Board and Board of Management

On January 12, 2009, Ms. Claudia Eggert-Lehmann resigned from the Supervisory Board following the sale of Dresdner Bank to Commerzbank. For her strong commitment the Supervisory Board has expressed its gratitude. As the successor to Ms. Claudia Eggert-Lehmann Mr. Karl Grimm was initially appointed by the resolution of the court. Mr. Grimm was then elected by the General Meeting following his nomination by the employees on the Supervisory Board. Upon the recommendation of the employee representatives, the Supervisory Board elected Mr. Rolf Zimmermann on March 11, 2009 to replace Ms. Eggert-Lehmann as further deputy chairperson of the Supervisory Board.

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

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

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

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

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

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

Munich, March 17, 2010

For the Supervisory Board:

Dr. Henning Schulte-Noelle
Chairman

# Supervisory Board

**Dr. Henning Schulte-Noelle**
Chairman
Former Chairman of the Board of Management, Allianz AG

**Dr. Gerhard Cromme**
Vice Chairman
Chairman of the Supervisory Board, ThyssenKrupp AG

**Claudia Eggert-Lehmann** until January 12, 2009
Vice Chairwoman
Employee, Dresdner Bank AG

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

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

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

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

**Godfrey Robert Hayward**
Employee, Allianz Insurance plc

**Dr. Franz B. Humer** until December 31, 2009
President of the Administrative Board,
F. Hoffmann-La Roche AG

**Prof. Dr. Renate Köcher**
Chairwoman, Institut für Demoskopie Allensbach

**Peter Kossubek**
Employee, Allianz Deutschland AG

**Igor Landau**
Member of the Administrative Board, Sanofi-Aventis S.A.

**Jörg Reinbrecht**
Union Secretary, ver.di Bundesverwaltung

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

# Board of Management

**Michael Diekmann**
Chairman of the Board of Management

**Dr. Paul Achleitner**
Finance

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

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

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

**Dr. Joachim Faber**
Asset Management (Worldwide)

**Dr. Christof Mascher**
Operations since September 10, 2009

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

**Jay Ralph** since January 1, 2010
Insurance NAFTA Markets

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

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

**Dr. Herbert Walter** until January 12, 2009
Banking Worldwide

**Dr. Werner Zedelius**
Insurance Growth Markets

# Management Report of Allianz SE

## Content



**Cautionary note regarding forward-looking statements**
The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The company assumes no obligation to update any forward-looking statement.

# Executive Summary and Outlook

– Net underwriting result improved to € 325 million.
– Net income increased from € 1,582 million to € 1,941 million.
– Proposed dividend of € 4.10 per share.

## Earnings Summary

### Condensed income statement

| | 2009 € mn | 2008 € mn |
|---|---|---|
| **Gross premiums written** | **3,811** | **3,449** |
| Premiums earned (net) | 3,177 | 2,823 |
| Claims (net) | (2,110) | (1,898) |
| Underwriting expense (net) | (867) | (796) |
| Other technical reserves (net) | 125 | 58 |
| **Net underwriting result** | **325** | **187** |
| Change in claims equalization and similar reserves | 354 | (255) |
| **Net underwriting result after claims equalization and similar reserves** | **679** | **(68)** |
| Investment result | 1,698 | 2,130 |
| Allocated interest return | (165) | (134) |
| Other non-underwriting result | (550) | (927) |
| **Non-underwriting result** | **983** | **1,069** |
| **Income before taxes** | **1,662** | **1,001** |
| Taxes | 279 | 581 |
| **Net income** | **1,941** | **1,582** |

### Net underwriting result

The net underwriting result improved to € 325 million (2008: € 187 million).

The gross premiums written grew by 10.5 % to € 3,811 million partially based on the increase in life reinsurance premium from external in the Asian Pacific region and from the Allianz International Employee Benefits Network (All Net) by € 191 million. All Net is pooling special group insurance programs of Allianz Life companies and external insurers, to reinsure international clients around the world for Life and Pension risks. In addition to that, the volume from reinsurance for Extended Coverage, Storm and further special Property and Casualty business ('Other lines') increased by € 216 million.

The premiums earned (net) increased by € 354 million owing to the increased gross premium. In 2009 the level of net retention remained stable at 82.9 % (2008: 83.0 %).

The accident year loss ratio (net) in Property-Casualty reinsurance increased by 1.0 percentage point to 67.3 %. This trend was due to higher losses from natural catastrophe events in Australia, Austria, Germany and China, negatively impacting the accident year loss ratio by 1.2 %. In combination with a positive run-off result of € 93 million (2008: € 118 million), the calendar year claims ratio net increased to 63.4 % (2008: 61.6 %).

The expense ratio (net) for our Property-Casualty reinsurance decreased to 26.7 % (2008: 29.3 %). The acquisition expense ratio decreased to 24.5 % (2008: 27.5 %) due to an increased share of non-proportional business. By contrast the administration expense ratio increased to 2.2 % (2008: 1.8 %), due to additional staffing needed to implement the Reinsurance Optimization Strategy within the Allianz Group.

### Net underwriting result after claims equalization and similar reserves

The claims equalization and similar reserves had to be reduced by € 354 million. An amount of € 206 million thereof is attributable to a one-off effect, coming from the harmonization of the reinsurance lines classification throughout all branches. The net underwriting result after claims equalization and similar reserves amounted to € 679 million.

## Non-underwriting result

### Investment result

| | 2009 €mn | 2008 €mn | Change €mn |
|---|---|---|---|
| **Investment income** | | | |
| Income from profit transfer agreements | 1,096 | 1,828 | (732) |
| Income from affiliated enterprises and participations | 251 | 1,725 | (1,474) |
| Income from other investments | 575 | 995 | (420) |
| Realized gains | 2,142 | 9,301 | (7,159) |
| Income from reversal of impairments | 38 | 65 | (27) |
| **Subtotal** | **4,102** | **13,914** | **(9,812)** |
| **Investment expenses** | | | |
| Expenses for the management of investments, interest and other investment-related expenses | (1,223) | (1,705) | 482 |
| Depreciations and impairments of investments | (410) | (1,561) | 1,151 |
| Realized losses | (518) | (335) | (183) |
| Expenses for losses taken over | (253) | (8,183) | 7,930 |
| **Subtotal** | **(2,404)** | **(11,784)** | **9,380** |
| **Investment result** | **1,698** | **2,130** | **(432)** |

The investment result decreased by € 432 million to € 1,698 million. Both, investment income and expenses, significantly declined compared to the 2008 investment result, which included large losses from the sale of the Dresdner Bank AG participation and high extraordinary gains rea-lized from up-streaming of retained earnings.

The decline of income from profit transfer agreements by € 732 million to € 1,096 million stemmed mainly from lower profit transfers from Allianz Deutschland AG, which decreased, as forecasted, by € 651 million to € 946 million.

Income from affiliated enterprises and participations declined by € 1,474 million to € 251 million because we did not require a dividend from Allianz of America, Inc. in 2009 (2008: € 1,322 million).

The decrease of income from other investments by € 420 million to € 575 million is primarily attributable to lower interest income from bonds (€ (165) million), bank deposits (€ (97) million) and loans (€ (81) million) due to a decline of market interest rates. As these funds are mainly short term investments, the average interest yield was reduced from 5.3 % to 2.4 %.

After the extraordinary realized gains of 2008 stemming from the reorganization of our European insurance business, as planned, these gains decreased by € 7,159 million to € 2,142 million. The 2009 realized gains result from upstreaming of retained earnings from our subsidiary AGCS AG (€ 1,011 million) and from an affiliated investment holding company (€ 710 million) with holdings in ICBC, Unicredit and The Hartford shares. Further gains stemmed from the closing of hedging transactions (€ 260 million) and the sale of bonds (€ 137 million).

Expenses for the management of investments, interest and other investment-related expenses were down by € 482 million to € 1,223 million. Due to lower interest rates our interest expenses on internal and external debt declined by € 316 million. In addition, we significantly reduced other investment expenses by € 166 million mainly as a result of lower M&A transaction costs and costs for bond issues on the capital market.

Depreciations and impairments of investments decreased by € 1,151 million to an amount of € 410 million. The impairments in 2009 stemmed mainly from our strategic investments with a total amount of € 248 million, including a € 177 million write down of our investment in ROSNO, and impairment charges to our loan (€ 80 million) and bond (€ 55 million) portfolio.

Realized losses increased by € 183 million to € 518 million and are mainly attributable to the closing of hedging transactions (€ 270 million), the sale of shares in Commerzbank AG (€ 96 million) and the company's own stock of profit participation certificates (€ 100 million). After calling the profit participation certificates for redemption with effect of December 31, 2009, the own holding was revalued to the amount recorded as liability and netted against the liability position.

Expenses for losses taken over substantially decreased by € 7,930 million to € 253 million. After extraordinary high losses recorded in 2008 in connection with the sale of the Dresdner Bank AG participation, the losses taken over in 2009 are primarily attributable to the Investment Holding AZ-Arges Vermögensverwaltungsgesellschaft mbH (€ 181 million). The € 181 million are mainly the result of realized losses from the sale of Beiersdorf AG shares (€ 119 million). Further losses stemmed from a group internal sale of collateralized debt obligations (€ 71 million) which were acquired from Dresdner Bank AG in January 2009.

### Other non-underwriting result

The other non-underwriting result improved from € (927) million to € (550) million. Major drivers were a € 329 million better foreign currency translation result primarily stemming from liabilities denominated in U.S. Dollar and a € 124 million increased result from derivatives. On the other hand the expenses for financial guarantees increased by € 130 million.

## Taxes and net income

As far as legally permissible Allianz SE serves as the controlling company (Organträger) of the tax group for German subsidiaries with the important exception of Allianz Lebensversicherungs-AG. Allianz SE files consolidated tax returns for this German tax group.

For the utilization of the tax losses Allianz SE was reimbursed in 2009 with € 453 million (2008: € 607 million) by the Group companies, which record taxable income in 2009. The current tax charge of Allianz SE amounts to € 173 million.

After the positive tax result net income amounted to € 1,941 million (2008: 1,582 million).

# Proposal for Allocation of Profits

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

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

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

# Business outlook

The outlook provided here assumes that there will be no deepening of the financial crisis, and there is only a limited likelihood of severe shocks such as major geopolitical tensions or sovereign debt crises in large industrial countries.

Our outlook is based on the following assumptions:

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

Reinsurance business is by its nature volatile in terms of frequency and severity of losses. Predictions on the development of results are therefore very difficult. Allianz SE Re provides a broad range of reinsurance coverage, primarily to Allianz insurance operating entities and also to external third party customers. This includes Property/Casualty and Life/Health business on proportional and non-proportional bases. Due to the wide spread of exposures underwritten by type of business and geography, the portfolio of Allianz SE Re is well diversified. In particular Allianz SE Re is the vehicle by which the Group actively manages its overall catastrophe exposures. Each operating entity is responsible for managing their individual catastrophe exposures and decides on their local reinsurance requirements based on their local risk appetite and capital position. The corresponding cover is then purchased from Allianz SE Re.

At Group level, the Allianz SE board approves the risk appetite of the Group. Allianz SE Re is then responsible for designing and executing the Group cat protections within the given exposure limits. These covers take various forms and aim to protect the Group against excess losses from large natural catastrophe events. However there is still the potential for unexpected frequency and/or severity of cat events in any one year to materially impact the results of Allianz SE. As mentioned, actual Nat Cat losses can exceed expected losses, even after risk limitation & mitigation, if a higher frequency of events or an extreme severity event materializes. The top five residual risk exposures for the Group are summarized on page 40.

During the renewal of reinsurance contracts for 2010, rates and conditions remained stable overall, but softened in some markets. Due to our selective underwriting approach, we did not renew covers in certain cases. For the vast majority of our contracts however the agreements closed at technically acceptable terms. We therefore anticipate mainly a stable Gross Premium Written amount of € 3,790 million. On an expected value basis we anticipate a net underwriting result before claims equalization reserve of € 190 – 230 million. It should be noted that in extreme cases the actual result may vary in comparison to this expectation by several hundred million Euros for the reasons stated above.

For 2010, we expect a higher investment result. We estimate that the decreasing interest income due to lower average interest rates will be more than compensated by a higher income from affiliated enterprises and participations. In our investment result forecast, we do not plan for impairments on strategic investments.

In addition we expect a stable other non-underwriting result, though it must be noted that it is not possible to plan for foreign exchange gains or losses and results on derivatives. All of these effects can significantly affect the net income of Allianz SE.

Due to tax losses carried forward, Allianz SE will only be subject to the German minimum taxation rules in 2010. As a result, tax receivables from entities in the tax group ("Organgesellschaften") will produce a positive tax result.

A precise prediction of net income for the year 2010 is not possible at this point. We believe that the results and financial position of Allianz SE will continue to improve in the coming years. However, because of the volatile economic environment, it is also not possible to make reliable predictions beyond 2010.

# Economic Outlook

## Emerging from the crisis

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

## Moderate growth

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

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

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

Just as important as the immediate economic outlook, however, are the medium-term economic prospects. The financial market crisis will have a lasting impact on growth momentum and growth patterns in the world economy.

Given the need for public-sector debt consolidation, along with higher capital requirements and tighter regulation for banks, growth will be more moderate than in the years before the crisis. The catching-up process of emerging markets in Asia, Latin America, and, with a time lag, also in Eastern Europe, will continue and the attractiveness of these markets for the insurance industry will increase further.

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

## Environment set to remain challenging for financial services providers

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

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

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

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

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

# Operations by Reinsurance Lines of Business

Gross premiums written originate primarily from Group companies. They increased in the fiscal year 2009 by 10.5% to € 3,811 million for the following main reasons:

- The volume from reinsurance for Extended Coverage, Storm and further special Property and Casualty business ('Other lines') increased by € 216 million.
- In addition to that, the life reinsurance premium grew by € 191 million due to increased business from several external clients.

### Gross premiums and net underwriting result by reinsurance lines of business for fiscal years 2009 and 2008

| | Gross premiums | | | Combined ratio P&C only | | Change in claim equalization and similar reserves | | Net underwriting result | |
|---|---|---|---|---|---|---|---|---|---|
| | 2009 € mn | 2008 € mn | Change in %[1] | 2009 in % | 2008 in % | 2009 € mn | 2008 € mn | 2009 € mn | 2008 € mn |
| Motor | 639 | 661 | (3.3) | 100.1 | 105.0 | 28 | (19) | 26 | (47) |
| Fire | 520 | 708 | (26.6) | 51.0 | 75.2 | 291 | (194) | 513 | (57) |
| Life | 470 | 279 | 68.8 | n/a | n/a | — | — | 49 | (46) |
| Liability | 318 | 279 | 14.2 | 114.2 | 91.7 | 33 | (20) | (1) | 1 |
| Personal accident | 286 | 282 | 1.4 | 99.7 | 89.0 | 3 | (2) | 23 | 26 |
| Credit and bond | 241 | 181 | 33.4 | 112.7 | 125.8 | 8 | 31 | (21) | (14) |
| Engineering | 197 | 216 | (8.7) | 94.0 | 84.1 | — | — | 11 | 31 |
| Household and homeowner | 165 | 149 | 10.6 | 89.5 | 112.2 | — | — | 11 | (13) |
| Marine | 108 | 113 | (4.6) | 93.9 | 74.6 | (1) | (22) | 5 | 5 |
| Business interruption | 78 | 18 | 331.0 | 87.3 | 96.3 | — | — | 8 | — |
| Legal expenses | 74 | 71 | 3.6 | 110.4 | 97.0 | 7 | — | 1 | 1 |
| Health | 40 | 42 | (5.7) | n/a | n/a | — | — | (1) | 1 |
| Aviation, aircraft and spacecraft liability | 18 | 9 | 106.5 | 65.2 | 64.1 | (4) | (4) | 1 | 1 |
| Other lines | 657 | 441 | 48.8 | 86.0 | 78.7 | (11) | (25) | 54 | 43 |
| **Total** | **3,811** | **3,449** | **10.5** | **90.1** | **90.9** | **354** | **(255)** | **679** | **(68)** |

Premium income in motor reinsurance fell by 3.3% to € 639 million. The Combined Ratio improved to 100.1% compared to 2008 (105.0%) but remained at an unsatisfactory level as it still suffered from a high level of accident year losses in Germany.

Premium income in fire reinsurance decreased by 26.6% to € 520 million, mainly due to reduced business volume in the Asia-Pacific region. Despite winterstorm "Klaus" which led to a loss of € 12 million, the Combined Ratio dropped to 51.0% as the level of NatCat claims was extraordinary low. The release of the equalization reserve of € 291 million, contains € 206 million of one-off effect which was triggered by the harmonization of the reinsurance lines classification throughout all branches.

In life reinsurance the premium volume increased to € 470 million (2008: € 279 million) mainly influenced by a few sizable reinsurance contracts in Taiwan and Korea (€ 153 million) and € 56 million from the acquisition of further external clients for the Allianz International Employee Benefits Network (All Net). All Net is pooling special group insurance programs of Allianz Life companies and external insurers, to reinsure international clients around the world for Life, Disability, Medical, Accident and Pension

[1] On the basis of the accurate, non-rounded amount.

risks. The underwriting result improved to € 49 million (2008: € (46) million), reflecting the recovery of financial markets and their impact on the Variable Annuity (VA) business. In both years the combined result, with the hedge result of € 19 million (2008: € 39 million) which is reflected in the non-underwriting result, the VA business showed a result of € 5 million (2008: € (13) million).

Premium income in liability reinsurance increased by € 39 million to € 318 million. The combined ratio developed unfavourably mainly due to a negative run-off result of the U.S. business.

Premium volume in credit and bond reinsurance increased by 33.4% to € 241 million due to additional premiums ceded by Euler Hermes. The Combined Ratio improved, as the rates and reinsurance conditions strengthened, but remained at an unsatisfactory level of 112.7% (2008: 125.8%). Results from this business decreased compared to the previous year, not least because the release from the equalization reserve of € 8 million was clearly lower than in 2008 (€ 31 million).

Premium income from engineering reinsurance decreased to € 197 million mainly as a consequence of less business from third parties. The Combined Ratio of 94.0% developed unfavorably, as the year's actual loss level was clearly higher than in 2008, reducing the result to € 11 million.

Revenues from household and homeowner reinsurance improved by 10.6% to € 165 million. The result from Allianz Sachversicherung continued to develop favourably and previous years' weak results from external clients clearly improved leading to a significantly lower Combined Ratio.

Premium income in marine reinsurance decreased slightly to € 108 million. The Combined Ratio increased to 93.9%, mainly due to a high level of losses in the Asia-Pacific region.

Premium income in line business interruption reinsurance increased to € 78 million (2008: € 18 million). The Combined Ratio was lower than in 2008 due to less losses throughout the whole portfolio.

Premium income of legal expenses reinsurance remained nearly unchanged at € 74 million. The Combined Ratio suffered from a higher accident year loss ceded from Allianz Sachversicherung.

Premium volume from aviation, aircraft and spacecraft liability reinsurance increased to € 18 million from new business with Allianz Global Corporate & Specialty AG and external clients. The combined ratio and the net underwriting result remained unchanged on the previous year's positive level, including a € 3 million positive run-off from external business.

In the 'Other reinsurance lines', premium volume increased by € 216 million to € 657 million, driven by an increase of € 93 million from 'Extended coverage business', € 88 million from 'Other property and casualty business' and € 27 million from 'Storm business'. The net underwriting result remained positive at € 54 million. The Combined Ratio increased to 86.0% (2008: 78.7%) due to a high level of natural catastrophes including a major bushfire in Australia which led to a loss of € 32 million and a € 24 million loss from storm 'Birgitta'.

'Other lines' include the following reinsurance lines:

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

# Balance Sheet Review

– Increased shareholders' equity of € 42.3 billion.
– Cancellation of profit participation certificates effective December 31, 2009.

## Condensed Balance Sheet

| | 2009 € mn | 2008 € mn |
|---|---|---|
| Intangible assets | 543 | 62 |
| Investments | 87,442 | 87,018 |
| Receivables | 2,927 | 4,610 |
| Other assets | 655 | 465 |
| Deferred charges and prepaid expenses | 183 | 160 |
| **Total assets** | **91,750** | **92,315** |
| Shareholders' equity | 42,309 | 41,882 |
| Profit participation certificates | 121 | 441 |
| Insurance reserves net | 9,780 | 9,850 |
| Other provisions | 4,624 | 4,551 |
| Funds held with reinsurance business ceded | 459 | 706 |
| Payables on reinsurance business | 522 | 381 |
| Subordinated liabilities | 6,834 | 6,878 |
| Other financial liabilities | 27,093 | 27,623 |
| Deferred income | 8 | 3 |
| **Total equity and liabilities** | **91,750** | **92,315** |

## Intangible assets

The book value of intangible assets increased by € 0.5 billion. Thereof, € 0.5 billion relate to the distribution rights received as part of the consideration for the sale of Dresdner Bank AG to Commerzbank AG. Under these rights, Commerzbank AG will market exclusively Allianz insurance products from the second half-year of 2010 onwards.

## Investments

| | 2009 € mn | 2008 € mn |
|---|---|---|
| Real estate | 310 | 318 |
| Investment in affiliated enterprises and participations | 69,054 | 69,441 |
| Other investments | 14,101 | 13,310 |
| Funds held by others under reinsurance business assumed | 3,977 | 3,949 |
| **Investments** | **87,442** | **87,018** |

Real estate decreased to € 310 million (2008: € 318 million), mainly due to depreciations.

Investments in affiliated enterprises and participations declined from € 69.4 billion to € 69.1 billion. The reduction of book value in this position mainly results from the disposal of Dresdner Bank AG (€ 5.4 billion) and includes impairments totalling € 0.3 billion, which are primarily attributable to our investment in ROSNO (€ 0.2 billion).

This decline was partially compensated by book value increases mainly stemming from capital increases due to various transactions amounting to € 4.2 billion as well as Commerzbank AG shares received as consideration for the sale of Dresdner Bank AG. Details are explained in note 4.

Other investments went up from € 13.3 billion to € 14.1 billion. Deposits with banks increased by € 1.5 billion. However, the closing of hedging transactions and the disposal of the own stock of profit participation certificates issued by Allianz SE led to book value reductions of € 0.2 billion and € 0.5 billion respectively.

At the end of 2009 € 7.8 billion of the total other investments were invested in fixed-income securities, thereof € 5.1 billion government bonds. Some countries and governments of the Eurozone, among them Greece, have started to struggle during 2009. Our exposure to these difficult governmental environments is very limited with 0.3 % of our total portfolio of government bonds.

Funds held by others under reinsurance business assumed increased slightly to € 4.0 billion (2008: € 3.9 billion).

As of December 31, 2009, the fair value of investments amounted to € 98.5 billion (2008: € 98.2 billion). The carrying amount of these investments in the balance sheet was € 87.4 billion (2008: € 87.0 billion).

## Shareholders' Equity

As of December 31, 2009, our shareholders' equity amounted to € 42.3 billion (2008: € 41.9 billion). The increase was primarily driven by the € 1.9 billion net earnings of 2009 and partially offset by dividend payments for 2008 of € 1.6 billion.

For the employee stock purchase plan 850,000 shares where issued in 2009, leading to an allocation of € 2.2 million to paid-in capital and € 63.8 million to the capital reserve.

| | Issued Shares | Issued Capital € thou | Additional paid-in Capital € thou | Appropriated retained earnings € thou | Net earnings € thou | December 31 € thou |
|---|---|---|---|---|---|---|
| December 31, 2008 | 453,050,000 | 1,159,808 | 27,409,075 | 11,727,608 | 1,585,675 | 41,882,166 |
| Employee Stock Purchase Plan | 850,000 | 2,176 | 63,801 | — | — | 65,977 |
| Write-down own shares | — | — | — | 6,470 | — | 6,470 |
| Dividend Payment for 2008 | — | — | — | — | (1,580,466) | (1,580,466) |
| Unappropriated earnings carried forward | — | — | — | — | (5,209) | (5,209) |
| Allocation to appropriated retained earnings | — | — | — | 79,321 | — | 79,321 |
| Net earnings | — | — | — | — | 1,860,990 | 1,860,990 |
| **December 31, 2009** | **453,900,000** | **1,161,984** | **27,472,876** | **11,813,399** | **1,860,990** | **42,309,249** |

A total of € 79 million from the net income has been allocated to retained earnings, increasing the reserve for appropriated retained earnings to € 11,813 million. The board of management proposes to use the remaining net earnings of € 1,861 million for dividend payments.

## Profit participation certificates

With effect of December 31, 2009, the profit participation certificates issued by Allianz SE have been called for redemption pursuant to § 6 (4) of the conditions attached to them. As of January 4, 2010, holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009, the total cash compensation payable for the 1,175,554 outstanding profit participation certificates is shown under "Profit participation certificates" on the balance sheet.

## Financial liabilities

As of December 31, 2009, Allianz SE had the following outstanding financial liabilities:

| | 2009 € mn | 2009 € mn | 2008 € mn |
|---|---|---|---|
| **Subordinated liabilities** | | **6,834** | **6,878** |
| Bonds issued to Group companies | 6,486 | | 5,698 |
| Liabilities to banks | 3,075 | | 274 |
| Intra-group financial liabilities | 16,129 | | 17,410 |
| Third party financial liabilities | 1,403 | | 4,241 |
| **Other financial liabilities** | | **27,093** | **27,623** |
| **Total financial liabilities** | | **33,927** | **34,501** |

Of these total financial liabilities € 26.5 billion (2008: € 27.0 billion) are intra-group liabilities.

Subordinated liabilities slightly decreased by € 0.1 billion to € 6.8 billion due to currency valuation effects. Of this total, € 3.9 billion (2008: € 3.9 billion) are intra-group liabilities resulting from the issuance of subordinated bonds by Allianz Finance II B.V., Amsterdam, an affiliated enterprise, which usually transfers the proceeds from these issues to Allianz SE via group internal loans.

The liabilities from bonds issued to Group companies increased by € 0.8 billion to € 6.5 billion. The redemption of twelve matured bonds with a total amount of € 0.6 billion was more than compensated by 18 new bonds issued amounting to € 1.4 billion.

After the sale of Dresdner Bank AG we reclassified existing loans of € 2.8 billion, which we had received from Dresdner Bank AG in previous years, from 'intra-group financial liabilities' to the position 'liabilities to banks' which accordingly rose to € 3.1 billion.

Intra-group financial liabilities declined by € 1.3 billion to € 16.1 billion and are composed of the following positions:

| | 2009 € mn | 2008 € mn |
|---|---|---|
| Loans from Dresdner Bank AG | — | 2,811 |
| Other intra-group loans | 10,781 | 8,826 |
| Cash pool liabilities | 4,029 | 4,498 |
| Other | 1,319 | 1,275 |
| **Intra-group financial liabilities** | **16,129** | **17,410** |

A reduction of € 2.8 billion in this position caused by the reclassification of the Dresdner bank AG loans as well as a reduction of short term liabilities from group-internal cash pooling of € 0.5 billion was partly compensated by an increase of other intra-group loans amounting to € 2.0 billion. Of this increase € 1.4 billion stemmed from a group internal transfer of funds from a senior bond which was successfully placed on the capital market in July 2009 by our Dutch financing subsidiary, Allianz Finance II B.V., Amsterdam. This senior bond with a total volume of € 1.5 billion has a maturity of ten years and a fixed coupon of 4.75%.

In 2009 third party financial liabilities strongly decreased by € 2.8 billion to € 1.4 billion, mainly because we reduced short term funding through European commercial papers by € 2.6 billion to € 1.2 billion.

# Risk Report

The Allianz risk management approach is designed to add value by focusing on both risk and return. The Allianz Group is well capitalized and its solvency ratio has a firm base.

## Turbulent Markets in 2009

The risk management practices of all financial institutions were put to the test during the turbulent markets of 2009. The Allianz risk management framework not only allowed Allianz to successfully meet the challenges but to also emerge as one of the strongest insurance groups in the industry by solvency and ratings for the benefit of shareholders and policyholders alike. This success was due in part to our continued focus on doing good risk and return business every day, but also to the definition of three high-level risk objectives designed to meet the challenges directly. During 2009, we focused on the following objectives in direct response to the heightened market turbulence:

- Protect our capital and solvency position and position our investment portfolio for continued market turbulence
- Protect the value of our Property-Casualty business, and
- Focus on sustainable profitability in our Life-Health businesses

In the following, we provide an overview of our Allianz risk management framework as well as the specific actions, which allowed Allianz to emerge from the market turbulence as one of the strongest companies in the industry.

## Allianz Risk Management Framework

As a provider of financial services, we consider risk management to be one of our core competencies. It is therefore an integrated part of our business processes. In order to protect the assets of Allianz SE we have established a Group-wide risk management with the following key elements:

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

This comprehensive framework ensures, that risks are properly identified, analyzed and evaluated. Allianz Group's risk appetite is defined by a clear risk strategy and limit structure. Close risk monitoring and reporting allows us to detect deviations from our risk tolerance at an early stage.

The Allianz risk management framework adds value to Allianz SE and its operating entities through the following four primary components in a layered structure as outlined in the diagram at the end of this section.

### Risk underwriting and identification

A sound risk underwriting and identification framework including risk assessment, risk standards, valuation methods and clear targets forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

### Risk evaluation, reporting and controlling

Our comprehensive qualitative and quantitative risk reporting and controlling framework provides transparency and early warning indicators to senior management with regards to our overall risk profile as well as to whether or not our profile is within delegated limits and authorities. For example, risk dashboards, internal risk capital allocation and limit consumption reports are regularly prepared, communicated and monitored.

### Risk strategy and risk appetite

Our risk strategy clearly defines our risk appetite. It ensures that rewards are appropriate for the risks taken and that the delegated authorities are in line with our overall risk bearing capacity. The risk-return profile is improved through the integration of risk considerations and capital needs into management and decision-making processes. This also keeps risk strategy and business objectives consistent with each other and allows us to take opportunities within our risk tolerance.[1)]

### Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to our internal and external stakeholders, ensuring a sustainably positive impact on valuation and financing.


[1)] For additional information regarding opportunities, please refer to page 63 of the Group Annual Report.

## Risk Governance Structure

The Allianz risk governance approach is designed to enable us to manage our local and global risks in an integrated way and to ensure that the Allianz Group's risk profile remains consistent with our risk strategy and our capacity to bear risks. The following diagram provides an overview of risk-related decision-making responsibility within our risk governance structure.

The Board of Management of Allianz SE formulates business objectives as well as the risk strategy. It allocates capital resources and limits across the Allianz Group, with the objective of balancing return and risk, for example by redefining the Group's natural catastrophe limits in 2009.[2)] The Supervisory Board Risk and Audit Committees of Allianz SE meet on a regular and ad-hoc basis to monitor the risk strategy and profile of the Allianz Group based on risk reports presented by the Chief Financial Officer and Chairman of the Group Risk Committee.

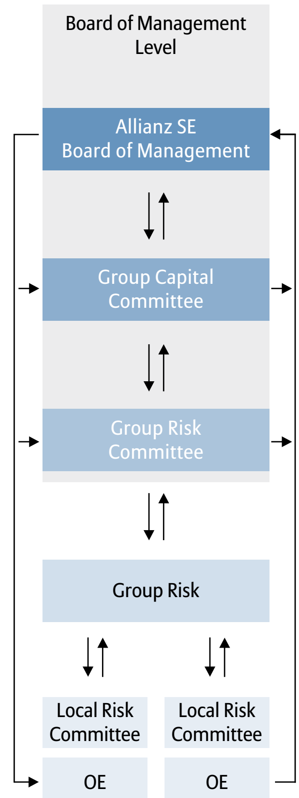
While the Audit Committee of the Supervisory Board of Allianz SE attends to the effectiveness of the Allianz risk management and monitoring framework, the Supervisory Board Risk Committee focuses on the overall risk profile of Allianz Group and monitors risk-related developments as well as general risks and specific risk exposures. The Risk Committee regularly reports to the Audit Committee, in particular with regard to required enhancements of the risk management framework due to regulatory changes as well as changes in the market and business environment.

The Board of Management of Allianz SE is responsible overall for risk management. However, it has delegated some authorities to various committees. We redesigned the committee structure in 2009 to reduce overlaps in responsibilities and to strengthen the effectiveness of our risk- and capital-related decision framework: three Board of Management level committees now focus on the Group's risk exposure.

The Group Capital Committee is chaired by the Chief Executive Officer and provides a holistic view of the Group. It primarily prepares proposals for decision by the Board of Management of Allianz SE regarding risk strategy, capital and limit allocation. The Group Capital Committee also determines matters which are passed from the Group Risk

[2)] Please see "Protecting the Value of Allianz in Times of Crises" for further information.

| | Risk-related decision-making responsibilities |
|---|---|
| Allianz SE Board of Management | • Approves Allianz Group Risk Policy<br>• Defines Allianz Group Risk Strategy<br>• Defines Group's risk capital allocation and strategic asset allocation<br>• Sets targets for solvency, leverage and rating of Allianz SE |
| Group Capital Committee | • Prepares proposals for Board decisions regarding:<br>  • Allianz Group Risk Strategy<br>  • Group's risk capital allocation and strategic asset allocation<br>  • Targets for solvency, leverage and rating of Allianz SE<br>• Decides on escalations from Group Risk Committee and Group Finance Committee |
| Group Risk Committee | • Defines risk standards<br>• Provides early warning function<br>• Monitors risk-related developments (e.g., risk profile, audit follow-ups, follow-ups of decisions)<br>• Forms limit setting authority (within framework set by the Allianz SE Board of Management)<br>• Recommends and coordinates measures to mitigate risks (e.g., in case of limit breaches) |
| Group Risk | • Enhances risk dialogue between Group and operating entities<br>• Strengthens and maintains the Group's risk network<br>• Develops Allianz risk management framework including methods and processes<br>• Reports the Group's risk profile to management<br>• Operationally sets limits and monitors limit breaches as well as accumulation of specific risks |
| Operating Entities (OEs) | • Assume responsibility for their own risk management<br>• Manage risks proactively within Group policies and limits<br>• Report local risk profiles to Group Risk |




Committee and the Group Finance Committee and do not need the attention of the entire Board.

The Group Risk Committee provides an early warning function and monitors the Allianz Group's risk profile and availability of capital in order to maintain an adequate relationship between return and risk. It also defines risk standards and forms the limit setting authority within the framework set by the Board of Management of Allianz SE. Furthermore, it is responsible for recommending and coordinating measures to mitigate risk. The Group Finance Committee makes decisions about investments and market risks, while complying with the Allianz Group's risk framework.

As a general principle, the "first line of defense" rests with business managers in the local operating entities and Allianz Investment Management units, who are responsible in the first instance for both the risks and returns of their decisions. Our "second line of defense" is made up of our independent, global risk management function headed by the Group Risk department ("Group Risk").

Group Risk, which reports to the Chief Financial Officer, develops methods and processes for identifying, assessing and monitoring risks across the Allianz Group based on systematic qualitative and quantitative analysis and regularly informs the Board of Management of Allianz SE and senior management concerning the Allianz Group's risk profile. Group Risk develops the Allianz risk management framework and oversees the operating entities' adherence to the framework. The core elements of the risk framework are set down in the Allianz Group Risk Policy, which has been approved by the Board of Management of Allianz SE and which defines the minimum requirements for all operating entities within the Allianz Group. Additional risk standards, such as standards related to specific segments or risk categories, are in place for our operating entities worldwide. Group Risk is also responsible for operationally setting limits and monitoring the accumulation of specific types of risks across business lines, for example with respect to natural disasters and exposures to financial markets and counterparties. In addition, Group Risk strengthens and maintains the Group's risk network through regular and close interaction with the operating entities' management and key areas such as the local finance, risk, actuarial and investment areas. A strong risk network across the Group allows us to identify risks early and bring them to management's attention.

Within our decentralized organization, each of our local operating entities needs to individually adhere to external requirements (e.g., requirements imposed by local regulators) as well as internal Group-wide standards (e.g., Group-wide underwriting standards). In particular, local operating entities assume responsibility for their own risk management, with risk functions and committees that are consistent with the Group structure. Independent risk oversight is a fundamental principle of our risk governance structure, with a clear separation between business functions that actively take decisions and assume risk responsibility, and independent risk oversight functions on the other hand. Risk oversight consists of independent risk identification, assessment, reporting and monitoring and also includes analyzing alternatives and proposing recommendations to the Risk Committees and local management or to the Board of Management of Allianz SE. The local risk departments performing the oversight role in our major operating entities are headed by a local Chief Risk Officer. Group Risk is represented in the local Risk Committees to enhance the risk dialogue between the Group and the operating entities.

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

Allianz Group's risk landscape is continually evolving due to changes in our environment. In order to adapt, the Trend Assessment Forum is responsible for early recognition of new risks and opportunities and evaluating long-term trends that may have a significant impact on the Allianz Group's risk profile. Furthermore, Allianz is an active member of the CRO Forum Emerging Risk Initiative that continuously monitors the industry-wide risk landscape and raises awareness of major risks which are relevant for the insurance industry.

In addition, our internal climate experts specifically examine the possible effects of climate change on our business, develop risk management strategies and identify potential opportunities resulting from climate change.

## Internal Risk Capital Framework

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

### Value-at-Risk approach

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

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

Our internal risk capital model makes use of various techniques which require a significant number of estimates and assumptions applied to risk and financial data, both internally and externally derived. Internal risk capital is in scope of the financial reporting framework which also covers the use of estimates and assumptions. Two specific sets of assumptions are explicitly discussed in the following.[1]

## Diversification and correlation assumptions

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

The degree to which diversification can be realized depends in part on the level of relative concentration of those risks. For example, the greatest diversification is in general obtained in a balanced portfolio without any disproportionately large exposures to any one or more risks. In addition, the diversification effect depends upon the relationship between sources of risks. One measure of the degree of relationship between two sources of risk is linear correlation, characterized by a value between "–1" and "+1". Where possible, we develop correlation parameters for each pair of risks through statistical analysis of historical data. If sufficient historical data is not available, we use professional judgment, following a conservative approach and ruling out negative correlations, and, in general, we set the correlation parameters to represent the level of interdependency of risks under adverse conditions.

## Non-market assumptions

To the extent available, we use non-market assumptions approved by supervisory authorities and actuarial associations to enhance our models. In addition, the internal risk capital model is based on assumptions regarding claims trend and inflation, mortality, morbidity, future lapse rates etc. Overall, we consider the assumptions made for our internal risk capital calculations and for reserving to be appropriate and adequate.

[1] For additional information regarding our financial reporting framework, please refer to the section "Controls and Procedures – Financial Reporting Framework" of the Group Annual Report.

## Scope

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

| Risk category | Insurance | Asset Management | Corporate and Other[1] | Description | Example management levers |
|---|---|---|---|---|---|
| **Market risk:** | | ✓[4] | | Possible losses caused by changes in interest rates, equity prices, real estate values and foreign exchange rates | Strategic Asset Allocation benchmarks, equity and duration limits, etc. |
| • interest rate | ✓ | | ✓ | | |
| • equity | ✓ | | ✓ | | |
| • real estate | ✓ | | ✓ | | |
| • currency[2] | ✓ | | ✓ | | |
| **Credit risk:** | | ✓[4] | | Possible losses caused by the failure of our debtors, bond issuers, reinsurance partners or counterparties to meet payment obligations | Country limits, single counterparty concentration limits, etc. |
| • investment | ✓ | | ✓ | | |
| • reinsurance, credit insurance | ✓[3] | | | | |
| **Underwriting risk:** | | | | Unexpected financial losses due to the inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity | Minimum underwriting standards, natural catastrophe limits, reinsurance programs, etc. |
| • premium CAT[5] | ✓ | | | | |
| • premium non-CAT[6] | ✓ | | | | |
| • reserve | ✓ | | | | |
| • biometric | ✓ | | | | |
| **Business risk:** | | | | Possible losses resulting from inadequate or failed internal processes, from personnel and systems, or from external events, as well as unexpected changes in business assumptions and unanticipated earnings fluctuations due to a decline in income without corresponding decrease in expenses | Internal controls, business continuity management, etc. |
| • operational | ✓ | ✓ | ✓ | | |
| • cost | ✓ | ✓ | ✓ | | |

Our internal risk capital model covers:

- Substantially all of our major insurance operations.
- Substantially all of our assets (including bonds, mortgages, investment funds, loans, floating rate notes, equities and real estate) and liabilities (including the cash flow profile of all technical reserves as well as deposits and issued securities). For the Life/Health segment, the model reflects the interaction between assets and liabilities as well as local management decisions such as investment strategies and policyholder participation rules.
- Substantially all of our derivatives (options, swaps and futures), in particular if they form part of the operating entity's regular business model (e.g., at Allianz Life Insurance Company of North America) or if they have a significant impact on the resulting internal risk capital (e.g., hedges of Allianz SE or in the Life/Health segment, if material obligations to policyholders are hedged through financial derivatives). In general, embedded derivatives contained in a host contract are also included.

For smaller insurance operating entities that have an immaterial impact on the Group's risk profile, and for the Asset Management segment, we assign internal risk capital

[1] The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see below for further information).
[2] Foreign currency risks are mainly allocated to the Corporate and Other segment (please see below for further information).
[3] The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.
[4] Although the internal risk capital requirements for the Asset Management segment only reflect business risk (please see below for further information), the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.
[5] Premium catastrophe risk.
[6] Premium non-catastrophe risk.

requirements based on an approach similar to Standard & Poor's standard model. This uses the same risk categories as our internal risk capital model, thereby allowing us to consistently aggregate internal risk capital for all segments at the Group level. Regarding our Asset Management segment, approximately 99% of the investments managed by the Asset Management operating entities are held for the benefit of either third parties or Allianz Group insurance entities and, therefore, do not result in significant market and credit risk for the segment. As a result, the internal risk capital requirements for the Asset Management segment only reflect business risk. However, the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities.

In addition to any local regulatory requirements, the Allianz Group's policy is to require each operating entity to match the currency of their material assets and liabilities or to otherwise hedge foreign currency risk. From the perspective of the Group's balance sheet, this leaves only an immaterial amount of currency risk at the individual operating entity level. As a result, our residual foreign currency risk results primarily from the fair value of the net asset value of our non-Euro operating entities and certain exposures to non-Euro denominated assets and liabilities held at the Group level. This currency risk is monitored and managed centrally at the Allianz Group level by Group Treasury & Corporate Finance and is, therefore, mostly allocated to the Corporate and Other segment.

Our banking operations in Germany, Italy, France and New Europe, which are allocated to the Corporate and Other segment, represent only an insignificant amount of approximately 1.4% of total non-diversified internal risk capital. Therefore, risk management with respect to banking operations is not discussed below in detail.

As of December 31, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. We refer to "discontinued operations" to mean the assets and liabilities held by Dresdner Bank upon its sale by Allianz to Commerzbank on January 12, 2009. Certain former assets and liabilities of Dresdner Bank, which Allianz retained and which were not transferred to Commerzbank, were not classified as discontinued operations. We generally present figures as of December 31, 2008 excluding discontinued operations. When excluding discontinued operations from our internal risk capital calculations, we also take into account the smaller diversification effect due to the discontinuation of certain banking operations.

## Limitations

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

We assume that model and scenario parameters derived from historical data are a useful approximation to characterize future possible risk events; if future market conditions differ substantially from the past, as in the unprecedented financial crisis of 2008 and 2009, then our VaR approach may be too conservative or too liberal in ways that can not be predicted. Our ability to back-test the model's accuracy is limited because of the high confidence level of 99.97% and one-year holding period as well as limited data for some insurance risk events such as natural catastrophes. Furthermore, as historical data is used where possible to calibrate the model, it cannot be used for validation. Instead, we validate the model and parameters through external reviews by independent consulting firms focusing on methods for selecting parameters and control processes. Overall, we believe that our model adequately assesses the risks to which we are exposed.

As our internal risk capital model considers the change in economic fair value of our assets and liabilities, it is crucial to accurately estimate the fair market value of each item. For some assets and liabilities, it may be difficult in turbulent financial markets, if not impossible, to obtain either a current market price or to apply a meaningful mark-to-market approach. For certain assets and liabilities, where a current market price for that instrument or similar instruments is not available, we apply a mark-to-model approach. For some of our liabilities, the accuracy of fair values depends on the quality of the actuarial cash flow estimates. Despite these limitations, we believe the estimated fair values are appropriately assessed.

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

## Capital Management

The Allianz internal risk capital model plays a significant role in solvency management and capital allocation. Our aim is to ensure that the Allianz Group is adequately capitalized at all times, even following significant adverse events, and that all operating entities meet their respective capital requirements. In addition, we employ a number of value-based metrics to support business decision making which explicitly recognize risk capital and the cost of capital.

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

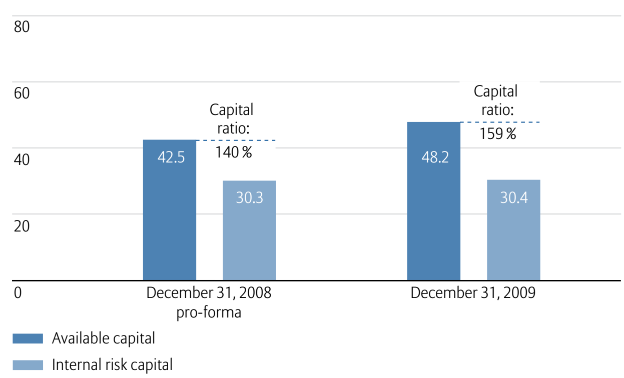
As a consequence of our effective capital management, for each quarter in 2009, the Allianz Group was well above its internal and regulatory solvency targets.

### Internal capital adequacy

Our objective is to maintain available capital at the Group level in excess of the minimum requirements that are determined by our internal risk capital model according to a solvency probability of 99.97% over a holding period of one year. In support of this objective, we require each of our local operating entities to hold available capital resources allowing them to remain solvent at a lower confidence level of 99.93% over the same one-year holding period. This approach is designed to ensure a consistent capital standard across the Group that helps mitigate potential constraints of capital fungibility – i.e., by requiring our local operating entities to hold such levels of capital resources, the Group is less likely to be required to allocate capital to a local operating entity that may have incurred a loss, and accordingly the Group is less likely to encounter constraints inherent in moving capital across the many different jurisdictions in which the Group conducts business. In addition, we take into account the benefits of a single operating entity being part of a larger, diversified Group.

The Allianz Group's available capital is based on the Group's shareholders' equity as adjusted to reflect the full economic capital base available to absorb any unexpected volatility in results of operations. For example, the present value of future profits in the Life/Health segment and hybrid capital are added to shareholders' equity, whereas goodwill and other intangible assets are subtracted.

**Available capital and internal risk capital**[1)]
in € bn

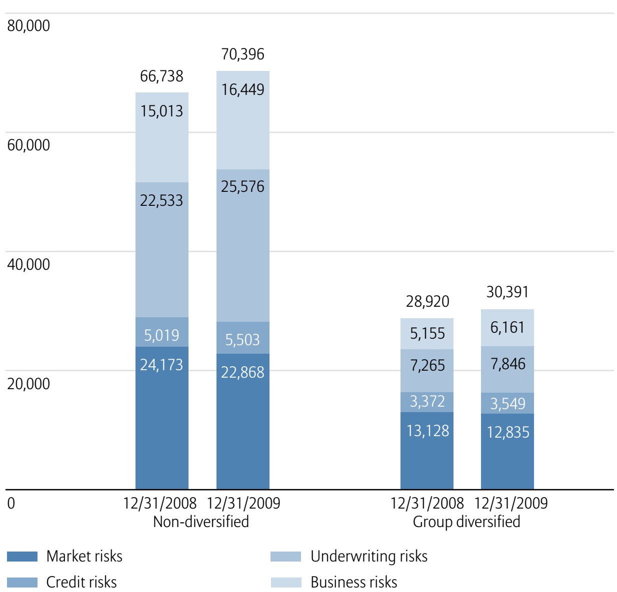



The increase of 13% in available capital was primarily driven by an increase in shareholders' equity and in the present value of future profits in the Life/Health segment.

1) Available capital and internal risk capital as of December 31, 2008 including discontinued operations were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. For example, we removed hybrid capital and the pension deficit related to Dresdner Bank from available capital, deleted internal risk capital requirements of our discontinued operations and included those related to the shares and the silent participation in Commerzbank.

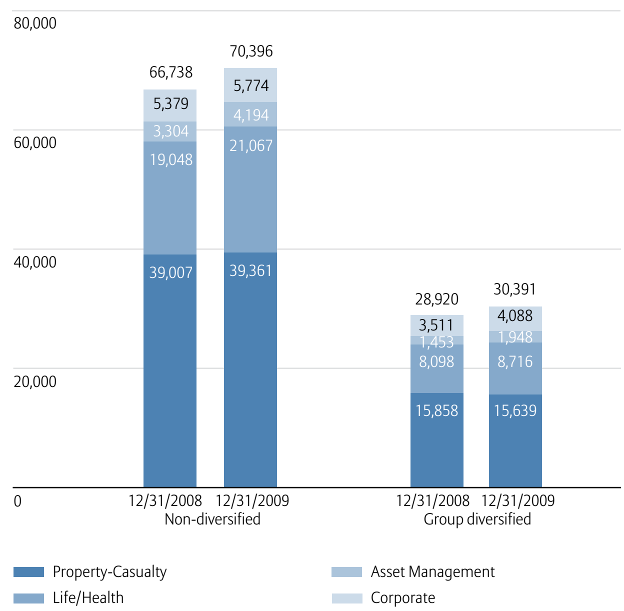
The Allianz Group-wide internal risk capital after Group diversification and before minority interests of € 30.4 billion at December 31, 2009 reflects a realized diversification benefit on the Group level of approximately 57 %. Non-diversified and Group diversified internal risk capital are broken down as follows:

**Allocated internal risk capital by risk category[1] (total portfolio before minority interest)**
in € mn




The total internal risk capital of € 28.9 billion as of December 31, 2008 excludes discontinued operations. However, it does not fully reflect requirements related to the assets, which were transferred to Allianz SE as part of the sale of Dresdner Bank to Commerzbank on January 12, 2009 and which particularly affect the Group's internal market and credit risk capital. These are taken into account in the pro-forma view as defined above. Compared to the pro-forma internal risk capital of € 30.3 billion as of December 31, 2008, the total internal risk capital is still at a comparable level at December 31, 2009 (€ 30.4 billion) due to offsetting effects across different risk categories (e.g., equity risk decreased while business risks increased). More detailed discussions of movements are provided in the sections specifically related to the risk categories.

**Allocated internal risk capital by segment[2] (total portfolio before minority interest)**
in € mn



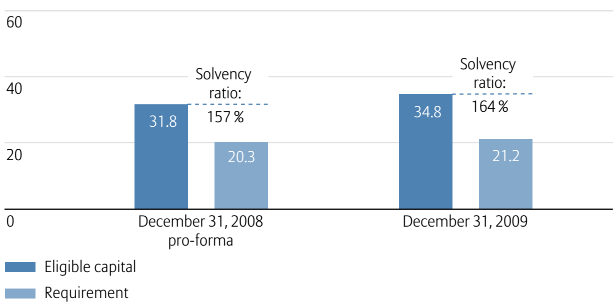

## Regulatory capital adequacy

Under the EU Financial Conglomerates Directive, a supplementary European Union directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the Directive and related German law. The law requires that a financial conglomerate calculates the capital needed to meet its solvency requirements on a consolidated basis, which we refer to below as "eligible capital".

[1] 2008 figures exclude discontinued operations.

[2] 2008 figures exclude discontinued operations.

### Conglomerate solvency[1),2)]
in € bn




As of December 31, 2009 the Allianz Group's eligible capital for the solvency margin, required for the insurance segments and the asset management and banking business, was € 34.8 billion (2008: € 31.8 billion) including off-balance sheet reserves[3)] of € 2.0 billion (2008: € 2.2 billion), surpassing the minimum legally stipulated level by € 13.6 billion (2008: € 11.5 billion). This margin resulted in a preliminary cover ratio[1)] of 164 % (2008: 157 %[2)]) as of December 31, 2009.

## Rating agency capital adequacy

Rating agencies apply their own models to evaluate the relationship between the required risk capital of a company and its available capital resources. Assessing capital adequacy is usually an integral part of the rating process. At December 31, 2009, the financial strength of Allianz SE was rated by Standard & Poor's as "AA" (stable outlook), by A. M. Best as "A+" (stable outlook), and by Moody's as "Aa3" (stable outlook). As of December 31, 2009, Allianz SE had the best Standard & Poor's rating among the internationally active primary insurance groups in Europe. Even during the 2008 and 2009 financial crisis, these ratings were confirmed and remained stable.

The following table provides a detailed overview of selected ratings, assigned to Allianz SE by major rating agencies, as of December 31, 2009:

| Ratings[2)] | Standard & Poor's | Moody's | A.M. Best |
|---|---|---|---|
| Insurer financial strength rating | AA<br>stable outlook<br>(affirmed Sep 1, 2009) | Aa3<br>stable outlook<br>(affirmed Feb 26, 2009) | A+<br>stable outlook<br>(affirmed Mar 11, 2009) |
| Counterparty credit rating | AA<br>stable outlook<br>(affirmed Sep 1, 2009) | Not rated | aa[5)]<br>stable outlook<br>(affirmed Mar 11, 2009) |
| Senior unsecured debt rating | AA<br>(affirmed Sep 1, 2009) | Aa3<br>stable outlook<br>(affirmed Feb 26, 2009) | aa<br>stable outlook<br>(affirmed Mar 11, 2009) |
| Subordinated debt rating | A+/A[6)]<br>(affirmed Sep 1, 2009) | A2/A3[6)]<br>stable outlook<br>(affirmed Feb 26, 2009) | aa–[6)]<br>stable outlook<br>(affirmed Mar 11, 2009) |
| Commercial paper (short term) rating | A–1+<br>(affirmed Sep 1, 2009) | Prime –1<br>stable outlook<br>(affirmed Feb 26, 2009) | Not rated |

In addition to its long-term financial strength rating, Standard & Poor's determines a separate rating for "Enterprise Risk Management" (ERM). As of September 2009, Standard & Poor's has assigned Allianz a "Strong" rating for the ERM capabilities of our insurance operations. This rating indicates that Standard & Poor's regards it as "unlikely that Allianz Group will experience major losses outside its risk tolerance". Standard & Poor's stated that the assessment is based on the Allianz Group's strong risk management culture, strong controls for the majority of key risks and strong strategic risk management.

## Supplementary stress test analysis

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

1) Intangible assets in relation to fully consolidated private equity investments have been fully deducted from the eligible capital for the first time.
2) Eligible capital and requirement as of December 31, 2008 including discontinued operations were adjusted to reflect a pro-forma view, assuming the completion of the Dresdner Bank transaction prior to year end of 2008. For example, we removed hybrid capital related to Dresdner Bank from eligible capital and adjusted the deduction of goodwill and other intangible assets. Furthermore, we deleted the requirement of our discontinued operations.
3) Off-balance sheet reserves are accepted by the authorities as eligible capital only upon request; Allianz SE has not yet submitted an application. The solvency ratio excluding off-balance sheet reserves would be 155 % (2008: 146 %).

4) Includes ratings for securities issued by Allianz Finance II B.V. and Allianz Finance Corporation.
5) Issuer credit rating.
6) Final ratings vary on the basis of the terms.

For example, stress test results on a Group level indicated that a 10 % price decline in our available-for-sale equity securities as of December 31, 2009 would have resulted in a € 0.9 billion decline in shareholders' equity after minority interests. Assuming a parallel shift of the yield curve up by 100 basis points, shareholders' equity after minority interests would have decreased by € 3.9 billion, if available-for-sale fixed income securities are taken into account as of December 31, 2009.

## Concentration of Risks

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

Disproportionately large risks that might accumulate and have the potential to produce substantial losses (e.g., natural catastrophes or credit events) are closely monitored on a standalone basis (i.e., before the diversification effect) and are subject to a global limit framework. For example, the Management Board of Allianz SE has implemented a framework of natural catastrophe limits at both the operating entity and Group levels in an effort to reduce potential earnings volatility and restrict potential losses from events having an occurrence probability of once in 250 years. These limits are subject to an annual review. Traditional reinsurance coverage and dedicated financial transactions on Group level are examples of two instruments to mitigate the peak risks and to limit the impact of adverse conditions on our financial results and shareholders' equity (e.g., severe natural catastrophe losses). In 2009, for example, we entered into risk swaps to exchange portions of our largest natural catastrophe exposures European windstorm, U.S. hurricane and U.S. earthquake for Japanese typhoon and earthquake exposure, as our Property-Casualty operations are small in this region.

Similarly, the Group monitors and limits credit exposures to single obligors and obligor groups using its overall limit-setting framework to ensure that its credit and counterparty risk profile is appropriately controlled. As a fundamental principle underlying the limit system, several risk criteria of a counterparty have to be taken into account: financial statements, creditworthiness, country and industry assignment, the current Allianz Group's portfolio composition and the concentration a particular counterparty introduces within the portfolio. Counterparty limits serve not only to restrict the exposure, but also to identify open investment opportunities for the operating entities while at the same time taking into consideration the current portfolio structure at the Group level.

In general, we identify and measure risk concentrations in terms of non-diversified internal risk capital in line with the risk categories covered in our internal risk capital model and consistently across the Group. In the subsequent sections all risks are presented before and after diversification and concentrations of single sources of risk are discussed accordingly.

# Market Risk

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

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

| | Interest rate | | Equity | | Real estate | | Currency [2] | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| As of December 31, | 2009 € mn | 2008 [1] € mn | 2009 € mn | 2008 [1] € mn | 2009 € mn | 2008 [1] € mn | 2009 € mn | 2008 [1] € mn | 2009 € mn | 2008 [1] € mn |
| **Non-diversified** | | | | | | | | | | |
| Property-Casualty | 3,119 | 3,550 | 3,809 | 4,183 | 1,351 | 1,250 | 108 | 79 | 8,387 | 9,062 |
| Life/Health | 5,498 | 6,163 | 4,225 | 4,039 | 900 | 1,118 | — | — | 10,623 | 11,320 |
| Asset Management [3] | — | — | — | — | — | — | — | — | — | — |
| Corporate and Other [4] | 2,104 | 2,411 | 1,608 | 1,232 | 146 | 148 | — | — | 3,858 | 3,791 |
| **Total Group** | **10,721** | **12,124** | **9,642** | **9,454** | **2,397** | **2,516** | **108** | **79** | **22,868** | **24,173** |
| Share of total Group internal risk capital in % | | | | | | | | | 32 | 36 |
| **Group diversified** | | | | | | | | | | |
| Property-Casualty | 926 | 1,108 | 2,742 | 2,997 | 686 | 646 | 31 | 23 | 4,385 | 4,774 |
| Life/Health | 1,632 | 1,924 | 3,043 | 2,894 | 457 | 578 | — | — | 5,132 | 5,396 |
| Asset Management [3] | — | — | — | — | — | — | — | — | — | — |
| Corporate and Other [4] | 625 | 752 | 1,158 | 883 | 74 | 76 | 1,461 | 1,247 | 3,318 | 2,958 |
| **Total Group** | **3,183** | **3,784** | **6,943** | **6,774** | **1,217** | **1,300** | **1,492** | **1,270** | **12,835** | **13,128** |
| Share of total Group internal risk capital in % | | | | | | | | | 42 | 45 |

In our insurance segments, the more benign interest rate environments across the world helped us reduce internal interest rate risk capital requirements. This was supported by an active reduction of the mismatch between asset and liability durations for some of our portfolios.

Internal equity risk capital increased for the Corporate and Other segment, because shares and a silent participation in Commerzbank were transferred to Allianz SE as part of the sale of Dresdner Bank to Commerzbank on January 12, 2009. This was partly compensated by equity sales in the Corporate and Other segment.[5]

The following table presents the average internal risk capital for market risk calculated over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

[1] 2008 figures exclude discontinued operations.
[2] Foreign currency risks are mainly allocated to the Corporate and Other segment (please see "Internal Risk Capital Framework – Scope" for further information).
[3] The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).
[4] The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).
[5] For additonal information regarding equity sales, please refer to "Protecting the Value of Allianz in Times of Crises – Protect capital and solvency and position our investment portfolio".

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

| | 2009 [1] | | | 2008 [2] | | |
|---|---|---|---|---|---|---|
| | Over quarterly results | | | Over quarterly results | | |
| | Average | High | Low | Average | High | Low |
| | € mn | € mn | € mn | € mn | € mn | € mn |
| Interest rate | 3,638 | 4,665 | 3,183 | 1,983 | 3,292 | 1,138 |
| Equity | 7,011 | 7,536 | 6,518 | 9,214 | 10,539 | 7,838 |
| Real estate | 1,301 | 1,393 | 1,217 | 1,286 | 1,425 | 1,218 |
| Currency [3] | 1,470 | 1,543 | 1,344 | 1,374 | 1,454 | 1,301 |
| **Total Group** | **13,420** | **14,450** | **12,827** | **13,857** | **14,196** | **13,466** |

The Allianz Group holds and uses many different financial instruments in managing its businesses. Grouped according to our internal risk capital model categories, the following are the most significant market risks in terms of market values: interest rate risk (arising from bonds, loans and other debt instruments) and equity price risk (including risks arising from common shares and preferred shares).

Because of our diverse real estate portfolio, real estate risk is of less relevance for the Allianz Group. About 3% of the total non-diversified internal risk capital is related to real estate exposures.

## Property-Casualty and Life/Health segments

The Allianz Group's insurance operating entities hold equity investments usually to diversify their portfolios. 66% of the non-diversified internal risk capital allocated to the Property-Casualty and Life/Health segments for equity risk is assigned to our operating entities in Germany, Italy, France and the U.S.

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

We have allocated a significant part of the Life/Health segment's non-diversified internal risk capital for interest rate risk to Western Europe (74% as of December 31, 2009), mainly to cover traditional life insurance products. Traditional products sold in Western Europe generally feature policyholder participation in the profits (or losses) of the insurance company issuing the contract, subject to a minimum guaranteed crediting rate and management discretion. In particular, our Life/Health contracts in Germany, France, Switzerland and Austria comprise a significant level of policyholder participation, limiting all sources of risk, including market, credit, underwriting and cost risks, which would otherwise be borne by Allianz.[4] On the other hand, in accordance with the guarantees related to these arrangements, we must credit minimum rates for individual contracts (e.g., in Germany, France, U.S., Italy and South Korea).[5] However, in most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. As interest rates may fall below the guaranteed crediting rates in those markets, we are exposed to interest rate risk. The valuation of these

1) After complete sale of Dresdner Bank.
2) Including discontinued operations.
3) Foreign currency risks are mainly allocated to the Corporate and Other segment (please see "Internal Risk Capital Framework – Scope" for further information).
4) Please see Note 20 to our consolidated financial statements for additional information regarding participating life business.
5) Please see Note 20 to our consolidated financial statements for an overview regarding weighted average guaranteed minimum interest rates of the Allianz Group's largest operating entities in the Life/Health segment.

guarantees, which takes into account the interaction of investment strategy and obligations to policyholders, forms an integral part of our internal risk capital model.

About 11% of the non-diversified internal risk capital allocated to the Life/Health segment for interest rate and equity risk is assigned to our operating entity Allianz Life Insurance Company of North America, which mainly offers equity indexed and fixed annuities as well as variable annuities. These products typically provide some guarantees to the policyholders. Depending on their specific type, these guarantees gain in value, when interest rates decrease, equity markets drop or volatilities rise. We have hedges in place to mitigate these risks. While we bear most of the risk related to the guarantees of variable annuities, we are able to share losses with policyholders of equity indexed and fixed annuity contracts, subject to minimum guaranteed crediting rates and index caps. The valuation of these guarantees is reflected in our internal risk capital model.

### Asset Management segment

Although the internal risk capital requirements for the Asset Management segment only reflect business risk, the evaluation of market risk and credit risk on the account of third parties is an integral part of the risk management process of our local operating entities. Our Asset Management operating entities monitor market risks using VaR models, sensitivity analyses and stress tests that estimate the potential loss under extreme market conditions. All underlying models are regularly reviewed by the risk departments of the respective local operating entities.

### Corporate and Other segment

The primary market risks in the Corporate and Other segment are interest rate, equity and foreign currency risks. The Corporate and Other segment manages the equity investments of Allianz SE including strategic participations and its finance subsidiary holding companies, as well as securities issued to fund the capital requirements of the Allianz Group. Some of the securities issued qualify as eligible capital for existing regulatory solvency requirements to the extent they constitute subordinated debt or are perpetual in nature.

Due to the fact, that we manage our net interest rate risk exposure from a Group perspective, the assets and liabilities of the Corporate and Other segment are not necessarily matched in terms of interest rate duration. However, the internal interest rate risk capital, that is allocated to the Corporate and Other segment, adequately reflects the duration mismatch.

On the level of the Corporate and Other segment we are exposed to foreign currency risk because some of our subsidiaries' local currencies are different from the Euro. If non-Euro foreign exchange rates decline against the Euro, from a Group perspective, the Euro equivalent net asset values also decline. Our primary exposures to foreign currency risk are related to the U.S. Dollar, Swiss Franc, British Pound and South Korean Won.

Following the sale of Dresdner Bank to Commerzbank on January 12, 2009, we do not consider market risk related to our Banking operations to be significant at the Group level.[1)]

## Credit Risk

Credit risk is defined as the potential loss in portfolio value over a given time horizon due to changes in the credit quality of exposures in the portfolio. Credit risk arises from claims against various obligors such as borrowers, counterparties, issuers, guarantors and insurers, including all relevant product classes such as fixed income investments, lending, credit insurance and reinsurance recoverables. Credit losses may arise from the following events:

- Failure of an obligor to meet payment obligations for various reasons; and
- Default on local government debt or temporary suspension of payment obligations ("moratorium"), deterioration of economic or political conditions, expropriation of assets, inability to transfer assets abroad due to sovereign intervention, freezing of converted and unconverted sums of money, etc. (country risk including transfer and conversion risk).

Group Risk's obligor credit risk management framework is comparable to those widely used in the industry and is based on internal ratings, estimates of exposure at default

1) Please see "Internal Risk Capital Framework – Scope" for further information.

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

We monitor and manage credit risks and concentrations within the portfolio based on a counterparty limit system that is applied across the entire Allianz Group. Counterparty limits are calculated taking into account the main risk drivers of credit risk and aim to cut off peak concentrations by industry and counterparty name in the portfolio. For monitoring the credit risk profile of our operating entities' portfolios and the whole Allianz Group portfolio, credit reports for portfolio analysis are provided within a web-based limit system application.

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

| | Investment | | (Re)insurance[2] | | Total | |
|---|---|---|---|---|---|---|
| As of December 31, | 2009 € mn | 2008[1] € mn | 2009 € mn | 2008[1] € mn | 2009 € mn | 2008[1] € mn |
| Non-diversified | | | | | | |
| Property-Casualty | 970 | 872 | 1,800 | 2,324 | 2,770 | 3,196 |
| Life/Health | 1,739 | 1,159 | 169 | 162 | 1,908 | 1,321 |
| Asset Management[3] | — | — | — | — | — | — |
| Corporate and Other[4] | 825 | 502 | — | — | 825 | 502 |
| **Total Group** | **3,534** | **2,533** | **1,969** | **2,486** | **5,503** | **5,019** |
| Share of total Group internal risk capital in % | | | | | 8 | 8 |
| Group diversified | | | | | | |
| Property-Casualty | 565 | 494 | 1,362 | 1,811 | 1,927 | 2,305 |
| Life/Health | 1,013 | 657 | 128 | 126 | 1,141 | 783 |
| Asset Management[3] | — | — | — | — | — | — |
| Corporate and Other[4] | 481 | 284 | — | — | 481 | 284 |
| **Total Group** | **2,059** | **1,435** | **1,490** | **1,937** | **3,549** | **3,372** |
| Share of total Group internal risk capital in % | | | | | 12 | 12 |

Internal credit investment risk capital increased, because we acquired collateralized debt obligations from Dresdner Bank in 2009, which were classified as discontinued operations as of December 31, 2008. In general, the fixed income exposure in the Life/Health segment rose due to investments in credit spread products which benefited from tightening spreads.[5]

The increase in credit investment risk capital was partly offset by a decline in credit (re)insurance risk capital due to a new reinsurance structure at our credit insurance entity Euler Hermes, that actively reduced its net exposure.

The following table presents the average internal risk capital for credit risk calculated over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

1) 2008 figures exclude discontinued operations.
2) The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.
3) The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).
4) The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).
5) For additonal information regarding the increase of our credit exposure, please refer to "Protecting the Value of Allianz in Times of Crises – Protect capital and solvency and position our investment portfolio".

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

| | 2009 [1] | | | 2008 [2] | | |
|---|---|---|---|---|---|---|
| | Over quarterly results | | | Over quarterly results | | |
| | Average | High | Low | Average | High | Low |
| | € mn | € mn | € mn | € mn | € mn | € mn |
| Investment | 2,137 | 2,222 | 2,059 | 4,358 | 4,771 | 4,181 |
| (Re)insurance [3] | 1,555 | 1,611 | 1,490 | 1,770 | 1,871 | 1,656 |
| **Total Group** | **3,692** | **3,792** | **3,549** | **6,127** | **6,614** | **5,837** |

## Property-Casualty, Life/Health as well as Corporate and Other segments

In the Property-Casualty and Life/Health segments, credit risks arising from reinsurance counterparties are considered separately from issuer and counterparty risks arising from our investment activities, though the same methodology is applied. For the Corporate and Other segment, our internal risk capital model covers only investment credit risk, as reinsurance activities are generally allocated to the Property-Casualty segment. Following the sale of Dresdner Bank to Commerzbank on January 12, 2009, we do not consider credit risk related to our Banking operations to be significant at the Group level.[4]

### Credit risk – reinsurance and credit insurance

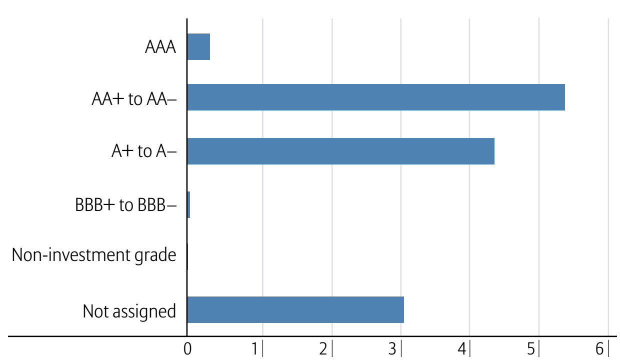
This risk category also covers the premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model, as this type of risk is a special form of credit risk. As of December 31, 2009, it represented 57 % of our total Group non-diversified internal risk capital allocated to credit (re)insurance risk.

We take steps to limit our liability from insurance business by ceding part of the risks we assume to the international reinsurance market. A dedicated team selects our reinsurance partners and considers only companies with strong credit profiles. We may also require letters of credit, cash deposits or other financial measures to further mitigate our exposure to credit risk. To manage the related credit risk, we compile Allianz Group-wide data on potential and actual recoverables in respect of reinsurance losses. At December 31, 2009, 76 % (2008: 74 %) of the Allianz Group's reinsurance recoverables were distributed among reinsurers that had been assigned at least an "A" rating by Standard & Poor's. Non-rated reinsurance recoverables represented 23 % (2008: 24 %) of the total reinsurance recoverables at December 31, 2009. Reinsurance recoverables without Standard & Poor's rating include exposures to brokers, companies in run-off and pools, where no rating is available, and companies rated by A.M. Best.

As of December 31, 2009, 11 % of our total Group non-diversified internal risk capital allocated to credit (re)insurance risk was assigned to our operating entities in the U.S.

### Reinsurance recoverables by rating class [5] as of December 31, 2009

in € bn




1) After complete sale of Dresdner Bank.
2) Including discontinued operations.
3) The premium risk which our credit insurance entity Euler Hermes is exposed to due to its business model is also covered here, as this type of risk is a special form of credit risk.
4) Please see "Internal Risk Capital Framework – Scope" for further information.
5) Represents gross exposure broken down by reinsurer.

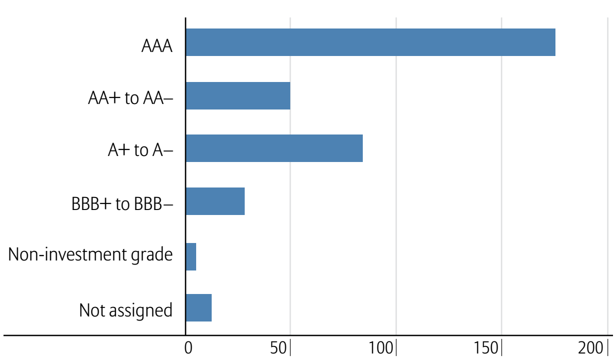
### Credit risk – investment

As of December 31, 2009, our operating entities in the U.S. and Germany accounted for 35% of the non-diversified internal risk capital allocated to our Property-Casualty, Life/Health as well as Corporate and Other segments for investment credit risk.

We limit the credit risk of our fixed income investments by setting high requirements on the creditworthiness of our issuers, by diversifying our investments and by setting limits for credit concentrations. We track the limit utilization by consolidating and monitoring our exposure across individual debtors and across all investment categories and business segments on a monthly basis. At December 31, 2009, approximately 95% (2008: 94%) of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating and approximately 87% (2008: 88%) of the fixed income investments were distributed among obligors that had been assigned at least an "A" rating by Standard & Poor's.

Fixed income investments by rating class as of December 31, 2009

fair values in € bn




In addition to these fixed income investments, Allianz Group also has non-tradable self-originated mortgage loan portfolios in Germany and the U.S. As of December 31, 2009, 98% of the German mortgage portfolio is considered to be equivalent to a Standard & Poor's investment grade rating based on an internal scoring. The U.S. commercial mortgage loan investments are subject to thorough credit assessment and conservative underwriting by the responsible credit manager. Therefore, we have not yet experienced any losses, even though there were three cases of delinquent or foreclosed non-tradable commercial mortgage loans in 2009 due to the financial crisis. Taking into account that there have been no other delinquent or foreclosed loans since 1994 and based on additional stress test analysis, we still regard the portfolio as investment grade. The North American Allianz insurance companies have a residential mortgage portfolio exposure of less than € 1.0 million.

### Asset Management segment

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

## Underwriting Risk

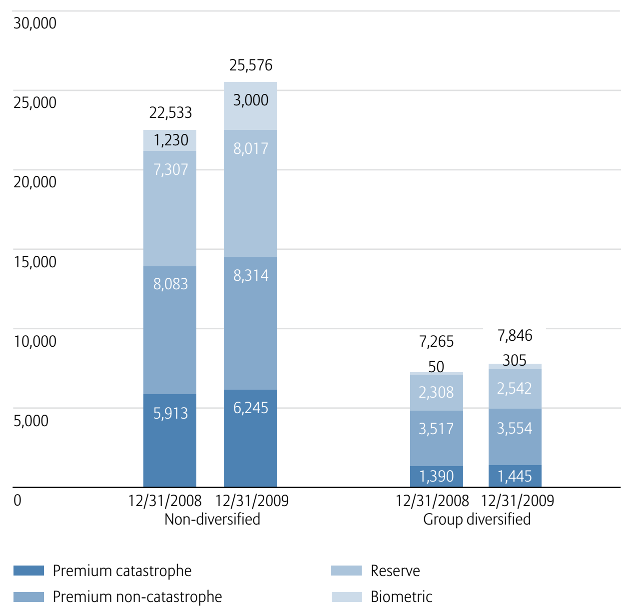
Underwriting risks consist of premium and reserve risks in the Property-Casualty segment as well as biometric risks in our Life/Health segment. For the Asset Management segment and our Banking operations, underwriting risks are not relevant. Although the Corporate and Other segment provides some guarantees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

## Allocated internal underwriting risk capital by business segment [1] (total portfolio before minority interests)

| | Total | |
|---|---|---|
| As of December 31, | 2009 € mn | 2008 [2] € mn |
| **Non-diversified** | | |
| Property-Casualty | 22,149 | 20,851 |
| Life/Health | 3,017 | 1,244 |
| Corporate and Other [3] | 410 | 438 |
| **Total Group** | **25,576** | **22,533** |
| Share of total Group internal risk capital in % | 36 | 34 |
| **Group diversified** | | |
| Property-Casualty | 7,406 | 7,072 |
| Life/Health | 310 | 55 |
| Corporate and Other [3] | 130 | 138 |
| **Total Group** | **7,846** | **7,265** |
| Share of total Group internal risk capital in % | 26 | 25 |

## Allocated internal underwriting risk capital by source of risk[1] [2] (total portfolio before minority interests)

in € mn




Internal reserve risk capital increased primarily due to model enhancements related to our reinsurance business and some health insurance activities in France. The internal risk capital allocated to biometric risk rose significantly, because longevity risks are better reflected now in our internal risk capital model for a major part of the life portfolio.

The table below presents the average internal risk capital calculated for underwriting risks over the four quarters of 2009 and 2008, as well as the high and low quarterly internal risk capital amounts calculated in both years.

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

| | 2009 [4] | | | 2008 [5] | | |
|---|---|---|---|---|---|---|
| | Over quarterly results | | | Over quarterly results | | |
| | Average € mn | High € mn | Low € mn | Average € mn | High € mn | Low € mn |
| Premium catastrophe | 1,452 | 1,473 | 1,434 | 1,245 | 1,258 | 1,218 |
| Premium non-catastrophe | 3,721 | 3,883 | 3,554 | 3,333 | 3,399 | 3,264 |
| Reserve | 2,514 | 2,544 | 2,480 | 1,979 | 2,098 | 1,872 |
| Biometric | 134 | 305 | 72 | 41 | 45 | 35 |
| **Total Group** | **7,820** | **7,977** | **7,669** | **6,597** | **6,796** | **6,421** |

[1] As risks are measured by an integrated approach on an economic basis, internal risk capital takes reinsurance effects into account.
[2] 2008 figures exclude discontinued operations. Although our discontinued operations were not exposed to underwriting risks, they had an impact on Group diversified internal risk capital due to diversification effects. The discontinuation of certain banking operations resulted in less diversified insurance operations.
[3] Allowing for a defined deductible there are contingent liabilities of up to USD 600 mn in connection with certain insurance reserves of Fireman's Fund Insurance Co., Novato.
[4] After complete sale of Dresdner Bank.
[5] Including discontinued operations.

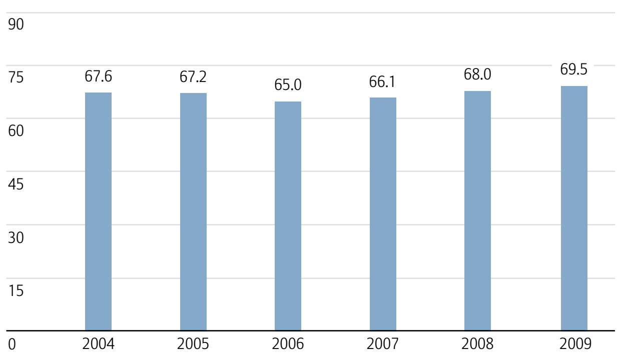
## Property-Casualty segment

A substantial portion of the Property-Casualty segment's non-diversified internal underwriting risk capital is assigned to our operating entities in Germany, Italy, France and the U.S. (44% as of December 31, 2009).

### Premium risk

Premium risk represents risk that, during a one-year time horizon, underwriting profitability is lower than expected. Changes in profitability over time can be measured, based on loss ratios and their fluctuations.[1)]

**Property-Casualty loss ratios[2)] for the past six years**
in %




Premium risk is subdivided into catastrophe risk (CAT risk) and non-catastrophe risk (non-CAT risk). We primarily quantify and manage premium risk based on actuarial models that are used to derive loss distributions for each risk.

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

In 2009, we included some additional regions and perils related to smaller business activities into our integrated natural catastrophe risk model. Furthermore, we established a basis to further improve our accumulation monitoring systems by defining a Group-wide standard for catastrophe exposure data.

More than a third (35% as of December 31, 2009) of the non-diversified internal premium risk capital allocated to natural catastrophe risk was borne by our operating entities in Germany and the U.S. Our largest exposures to natural catastrophes are provided in the following table:

**The five largest global accumulation scenarios: Loss potential net of reinsurance for individual events, measured at a probability level of one loss in 250 years (i.e., 0.4%)**

| As of December 31, 2009 | Exposure[3)] € mn |
|---|---|
| European windstorm | 1,093 |
| Germany hail | 846 |
| U.S. hurricane | 751 |
| Australia earthquake | 742 |
| Italy earthquake | 668 |

### Reserve risk

Reserve risk represents the risk of adverse changes in the value of reserves over a one-year time horizon resulting from fluctuations in the timing and amount of claims settlement. The amount of net surplus[4)] compared to the initial reserves is provided on a calendar year basis over the past five years in the section "Balance Sheet Review – Property-Casualty Insurance Reserves". Using approaches that are similar to the methods used for setting the reserves, we measure and manage reserve risks by constantly monitoring the development of the reserves for insurance claims.[5)] If necessary, we reestimate the reserves in line with actuarial standards.

1) Please also refer to the section "Property-Casualty Insurance Operations – Property-Casualty Operations by Business Division" of the Group Annual Report for a regional breakdown of loss ratios over the past three years.
2) Represents claims and insurance benefits incurred (net) divided by premiums earned (net).
3) Based on most recent estimates, exposures are calculated using either vendor or proprietary models developed by in-house experts. All models are subject to uncertainty arising from scientific assumptions and underlying data.
4) Net surplus represents the cumulative surplus from reestimating the reserves for loss and loss adjustment expenses for prior years' claims and includes foreign currency translation adjustments. For further information, please refer to the section "Balance Sheet Review – Property-Casualty Insurance Reserves" of the Group Annual Report.
5) For further information, please refer to the section "Balance Sheet Review – Property-Casualty Insurance Reserves" of the Group Annual Report.

### Underwriting in the corporate and commercial businesses

Our sound Group-wide underwriting framework forms the basis for adequate risk taking and management decisions and helps us proactively limit individual potentially significant risks including reputational risks. The framework defines common minimum requirements for our underwriting activities in the international corporate and commercial Property-Casualty insurance business, both for direct and reinsurance business.

Dedicated minimum standards protect Allianz from taking unwanted or excessive risks. They determine non-admitted coverages and define clear approval requirements at different levels of the Allianz Group. In particular, they specify all activities that require approval by or reporting to the Group Insurance Risk Committee, which is a sub committee of the Group Risk Committee. These standards also document delegated underwriting authorities and lay down mandatory rules for individual policies. Exceptions require approval by the local Chief Underwriting Officer and reporting to the Group Insurance Risk Committee.

## Life/Health segment

### Biometric risk

We consider mortality and longevity risks which can cause variability in policyholder benefits resulting from the unpredictability of the (non-)incidence of death and the timing of its occurrence. For modeling these risks within our internal risk capital model, we distinguish level, trend and calamity risk. Biometric assumptions, such as life expectancy, play a significant role.[1)]

Due to the offsetting effects of mortality risk and longevity risk inherent in the combined portfolios of life insurance and annuity products, as well as due to a geographically diverse portfolio, our Life/Health segment does not have significant concentrations of biometric risk as of December 31, 2009.[2)]

[1)] For further information regarding biometric assumptions, please refer to "Internal Risk Capital Framework – Non-market assumptions".
[2)] Please see Note 20 to our consolidated financial statements for additional information regarding concentration of insurance risk in the Life/Health segment.

# Business Risk

Business risks consist of operational risks and cost risks. Operational risks represent the loss resulting from inadequate or failed internal processes, or from personnel and systems, or from external events, such as interruption of business operations due to a break-down of electricity or a flood, damage caused by employee fraud or the losses caused by court cases. Operational risks also include legal risk, whereas strategic risk and reputational risks are excluded in accordance with the requirements of Solvency II and Basel II. Cost risks consist of unexpected changes in business assumptions and unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses. They also include the risk of budget deficits resulting from lower revenues or higher costs than budgeted.

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

| | Total | |
|---|---|---|
| As of December 31, | 2009 € mn | 2008[3)] € mn |
| **Non-diversified** | | |
| Property-Casualty | 6,055 | 5,898 |
| Life/Health | 5,519 | 5,163 |
| Asset Management[4)] | 4,194 | 3,304 |
| Corporate and Other[5)] | 681 | 648 |
| **Total Group** | **16,449** | **15,013** |
| Share of total Group internal risk capital in % | 23 | 22 |
| **Group diversified** | | |
| Property-Casualty | 1,921 | 1,707 |
| Life/Health | 2,133 | 1,864 |
| Asset Management[4)] | 1,948 | 1,453 |
| Corporate and Other[5)] | 159 | 131 |
| **Total Group** | **6,161** | **5,155** |
| Share of total Group internal risk capital in % | 20 | 18 |

Internal business risk capital rose significantly in the Asset Management segment mainly driven by an increase in assets under management and the acquisition of cominvest.

[3)] 2008 figures exclude discontinued operations.
[4)] The internal risk capital requirements for the Asset Management segment only reflect business risk (please see "Internal Risk Capital Framework – Scope" for further information).
[5)] The Corporate and Other segment includes our banking operations in Germany, Italy, France and New Europe (please see "Internal Risk Capital Framework – Scope" for further information).

As discussed, because substantially all of the investments managed by the Asset Management operating entities are held for the benefit of either third parties or Allianz insurance entities, the internal risk capital requirements for the Asset Management segment only reflect business risk, which includes liquidity risk.[1)]

Allianz has developed a Group-wide operational risk management framework that focuses on early recognition and pro-active management of operational risks. The framework defines roles and responsibilities, risk processes and methods and has been implemented at the major Allianz Group companies. Local risk managers ensure this framework is implemented in the respective operating entities. The operating entities identify and evaluate relevant operational risks and control weaknesses via a structured self assessment. Furthermore, operational losses are collected in a central loss database by all our operating entities. An analysis of the causes of significant losses is used to enable the operating entities to implement measures to avoid or reduce future losses. The measures adopted may include revising processes, improving failed or inappropriate controls, installing comprehensive security systems and strengthening emergency plans. This structured reporting is designed to provide comprehensive and timely information to senior management of the Allianz Group and the relevant local operating entities.

Major failures and disasters which could cause a severe disruption to working environments, facilities and personnel, may represent significant operational risks for the Allianz Group and its operating entities. Our Business Continuity Management ("BCM") framework strives to protect critical business functions from these effects to enable them to carry out their core tasks in time and at the quality required. BCM activities and knowledge are constantly enhanced and, therefore, embedded within the organizations' culture.

Dedicated minimum security standards are in place for the IT systems across the Group to ensure the proper use and protection of the Group's information assets. With respect to financial statements, our system of internal control is designed to mitigate operational risks.[2)] In general, we aim to reduce process failures by clearly documenting relevant methods, procedures, structures and processes across the Group. Comprehensive and timely documentation is required across the Group as one of the fundamental principles of the Allianz Group Risk Policy. Furthermore, Group Legal Services seek to diminish legal risks with support from other departments.[3)]

## Other Risks

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

### Liquidity risk

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

In addition, detailed information regarding Allianz Group's liquidity risk exposure, liquidity and funding including the change in cash and cash equivalents is provided, for instance, in the chapter "Liquidity and Funding" and the notes 17, 23, 24 and 44 to our consolidated financial statements.

1) Internal risk capital for guarantees in our Asset Management segment are not significant.
2) For additional information regarding our internal control over financial reporting, please refer to the section "Controls and Procedures – Financial Reporting Framework – Internal Control over Financial Reporting" of the Group Annual Report.
3) Please see "Risk Governance Structure" for further information.

### Corporate and Other segment

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

Due to the small size of risk weighted assets and total assets (as of December 31, 2009, € 8.7billion and € 19.5 billion, respectively), liquidity risk related to our Banking operations is deemed not to be significant at the Group level.

### Property-Casualty and Life/Health segments

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

Liquidity risk in our insurance segments is a secondary risk following external events, such as natural disasters, that are generally reflected in our internal risk capital model. Therefore, limiting and monitoring of the associated primary risks (such as through the use of reinsurance) also helps limit our liquidity risk related to such events. Extreme adverse changes in business assumptions such as lapse or renewal rates or costs may cause liquidity risk as well. However, these effects are covered by our internal risk capital model.

The local investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets (e.g., Government bonds or covered bonds) in the portfolios. This helps us to meet high liquidity requirements in unlikely events.

Furthermore, in the case of an extraordinary event, a portion of the applicable payments may usually be made with a certain time lag, which reduces the risk that short-term current payment obligations cannot be met.

We employ actuarial methods for estimating our liabilities arising from insurance contracts. In the course of standard liquidity planning we reconcile the cash flows from our investment portfolio with the estimated liability cash flows. These analyses are performed on the operating entity level and aggregated at the Group level. Excess liquidity is centrally pooled on the Group level and can be transferred to single operating entities if necessary.

### Asset Management segment

With respect to our Asset Management business, forecasting and managing liquidity is a regular process, designed to meet both regulatory requirements and Allianz Group standards. In 2009, this process was further strengthened by liquidity guidelines for new products, implemented at our Allianz Global Investors entities.

## Reputational risk

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

Our operating entities identify and assess reputational risks within their business processes (e.g., as part of the product development process). In addition, Group Risk identifies and assesses reputational risk qualitatively as part of a quarterly evaluation. On the basis of this evaluation, Group Risk creates an overview of local and global risks which also includes reputational risks, analyses the risk profile of the Allianz Group and regularly informs management about the current situation.

### Strategic risk

Strategic risk is the risk of an unexpected negative change in the company value, arising from the adverse effect of management decisions on both business strategies and their implementation. This risk is a function of the compatibility between strategic goals, the business strategies and the resources deployed to achieve those goals. Strategic risk also includes the ability of management to effectively analyze and react to external factors, which could impact the future direction of the relevant operating entity or the Group as a whole.

These risks are evaluated and analyzed quarterly in the same way as reputational risk. In addition, strategic decisions are discussed in various committees (e.g., Group Capital Committee, Group Risk Committee, Group Finance Committee). The assessment of the associated risks is a fundamental element of these discussions.

## Protecting the Value of Allianz in Times of Crisis

In general, our risk management framework is designed to protect the value of Allianz against unexpected developments. As an example of the successful implementation of this framework in practice, Allianz Group's risk strategy during 2009 was very much aware of the risks to the insurance industry from market turbulence and focused on three main objectives:

- Protect the Allianz Group's capital and solvency position as well as position our investment portfolio for continued market turbulence

- Protect the value of our Property-Casualty business

- Focus on sustainable profitability in the Life/Health business

### Protect capital and solvency and position our investment portfolio

The turbulent financial market environment during 2009 had the potential to adversely influence Allianz Group's capital and solvency position, primarily through the asset side of the balance sheet. Recognizing this, Allianz proactively recalibrated its investment policy in order to ensure the continued strength of our capital and solvency position.

More specifically, as equity risk is one of our major risk drivers, we actively adjusted the equity exposure and concentration risk through sales and hedging activities, beginning in 2007 and continuing during 2008 and 2009, in order to limit potential impairments and earnings volatility. Through this process, our equity exposure not only decreased in absolute terms, but also in relative terms compared to the Group's shareholders' equity, leading to a reduction in our equity gearing. As a consequence, our conglomerate and economic solvency became more resistant to further drops in equity markets. Consistently with this active portfolio management, we also set a more conservative risk limit by increasing the minimum solvency targets following standard adverse scenarios.

At the same time, we continued with our conservative credit policy, only moderately and selectively increasing the credit exposure to counterbalance the equity reduction and taking advantage of attractive liquidity premia embedded in fixed income returns at the beginning of 2009. In addition, we also focused on preserving liquidity in our Life/Health asset portfolios in case of unexpectedly increased surrenders.

There are potentially diverging views with regards to the medium term development of interest rates, which makes asset liability management challenging in these times. Therefore, we analyzed the impact of two scenarios, a sudden increase in rates and a continued low interest rate environment, on the Group's shareholders' equity, economic value and capital position as well as the local operating entities' capital positions. Based on this analysis, we moderately adapted our fixed income investment strategy and, given the unprecedentedly high implied interest rate volatilities and the associated high hedging costs, have kept our hedge strategy largely unchanged.

## Protect the Property-Casualty business value

Given the impact on the asset side of the balance sheet, protecting our ability to deliver value through our core Property-Casualty underwriting activities became even more important than before.

Natural catastrophe risks are typically the major risk concentrations in the Property-Casualty segment. As they are disproportionately large risks that might accumulate and have the potential to produce substantial losses, they are managed in an effort to balance potential earnings, earnings volatilities and solvency considerations and ultimately to protect the value of our Property-Casualty business.

In 2009, the Group's net exposure to natural catastrophes remained within our risk appetite. After reviewing the situation, we therefore did not purchase any additional reinsurance.

However, after the discontinuation of some of our non-insurance operations in 2009, the Management Board of Allianz SE reviewed and redefined the Group's natural catastrophe limit to reflect the greater contribution to the Group's results made by the Property-Casualty segment. The new limit is based on annual aggregate losses, taking into account expected losses. Overall, the limit remains rather conservative.

The single loss event natural catastrophe limits were generally frozen at the current exposure levels for all operating entities, taking into account portfolio or business transfers and subject to a maximum limit of 15 % of the Property-Casualty net asset value.

In addition, we put higher emphasis on mitigating earnings volatility through our reinsurance programm by increasing protection against multiple higher frequency, mid-sized losses.

## Focus on sustainable profitability in the Life/Health business

Finally, given the influence of short-term market developments on the value of new and existing long-term life insurance products, we reinforced our disciplined and proactive life product management approaches in order to achieve sustainable profitability over time.

For risk and management purposes, we measure the profitability of life products in terms of market consistent New Business Margins ("NBM"), based on the Market Consistent Embedded Value ("MCEV") concept which is consistent with our internal risk capital model approach. On an economic basis, the MCEV measures the present value of shareholders' future profit embedded in the issued Life/Health business.

In 2009, we especially focused on life product design and pricing across the Group, giving profitability top priority for the Life/Health segment, and enhanced our Life product approval framework in order to ensure decisions on new and existing products were taken in line with our 3 % average portfolio NBM target. This framework defines profitability standards, also allowing for individual exceptions approved for competitive reasons in the light of local market characteristics. We also strengthened our processes for close monitoring of profitability of new and existing business and for regularly reporting on it to the Board of Management of Allianz SE.

As a further example of our efforts to ensure sustainable profitability and in light of the difficult economic environment, we consciously decided in the first quarter of 2009 to discontinue non-profitable components of our U.S. variable annuity product suite. Subsequently, we significantly redesigned, repriced and relaunched major products offered by our entity Allianz Life Insurance Company of North America during 2009 in order to maintain a balanced and sustainable risk and profitability profile even under difficult market conditions. Finally, in addition to our fair value dynamic hedging program for the U.S. variable and equity indexed annuities, we also implemented a hedging program designed to limit the impact of equity market moves on statutory capital requirements for our U.S. subsidiary through the purchase of an equity collar.

## Assessment of the Overall Risk Profile

Allianz Group's management feels comfortable with the Group's overall risk profile and has confidence in the effectiveness of the Group's risk management framework to meet the challenges of a rapidly changing environment as well as day-to-day business needs. This confidence is based on several facts which are outlined in more detail in the sections above and summarized as follows.
The Allianz Group is well capitalized, above its internal and regulatory solvency targets for each quarter in 2009. Indeed, Allianz emerged from the market turbulence as one of the strongest insurance groups in the industry by solvency and ratings, as evidenced by external rating agencies which confirmed their ratings related to Allianz SE even during the 2008 and 2009 financial crisis. In particular, Allianz SE had the best Standard & Poor's rating among the internationally active primary insurance groups in Europe as of December 31, 2009.

The Group's management also believes that Allianz is well positioned in case of potential future adverse events, in part due to our internal limit framework which limits the impact on our regulatory solvency to adverse financial market shock scenarios. Similarly, the Group's net exposure to natural catastrophes is also limited and remains within our risk appetite. The Group's management is confident that, through this risk appetite, we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations.

Finally, Allianz Group has the additional advantages of being internationally diversified, a key advantage for competing in the insurance industry, with a conservative investment profile and disciplined business practices in both Property & Casualty and Life & Health.

## Risk Management Priorities for 2010

With respect to risk management, our general objectives for 2010 include three priorities. First and foremost, to successfully meet the risk management and reporting challenges as we did in 2009. Although potential 2010 market developments remain uncertain, our general consensus is for a more benign market environment. Second, to continue to further develop and strengthen our risk management framework and network globally. Our third priority is to do what is necessary to meet Solvency II internal model requirements by the end of 2012 – which is one of the Allianz Group's top ten priorities set by the Board of Management of Allianz SE during 2009.

Solvency II is a major European initiative expected to lead to significant changes to the European insurance solvency requirements in the coming years; the Allianz Group is actively participating in the process and is continuously providing feedback on the proposals and analysis of the Committee of European Insurance and Occupational Pensions Supervisors (CEIOPS) and the EU Commission. Furthermore, we participate in the Quantitative Impact Studies and give technical advice, for instance, through the Chief Risk Officer Forum, which is comprised of the Chief Risk Officers of the major European insurance companies and financial conglomerates. Given the uncertainty surrounding the final implementation measures and their interpretation, we are constantly reviewing our internal risk capital model and risk processes on the basis of the evolving Solvency II standards.

The Allianz Group has used an internal model for several years for the management of its risk and solvency position. In 2008, we launched an internal multi-year Solvency II Umbrella Project to meet Solvency II internal model requirements by the end of 2012. The high-level objectives of this project are to (i) improve data quality, (ii) enhance analysis capabilities, (iii) strengthen model robustness and process governance and (iv) ensure that all future qualitative Solvency II requirements will be met. As a key Solvency II Umbrella Project initiative, we have strengthened our risk analysis infrastructure by implementing a best practice technical platform with the goal to improve methodology, increase coverage and extend the functionality and user benefits within an efficient risk reporting process. This new framework has been successfully implemented and run in parallel with our existing model, leading to an internal approval by the Board of Management of Allianz SE for a full switch over to the new model framework for 2010 reporting purposes.

Under this new framework, we will apply a structured Monte-Carlo simulation approach using more advanced replicating portfolio techniques for life businesses. We will also include new risk drivers (e.g., credit spread and implied volatility risk) to ensure comprehensive coverage of financial market risks across the Group. We believe that this platform fulfills the quantitative Solvency II Pillar I requirements for internal model approval by regulators. We have thoroughly tested the new internal model framework, performing several parallel runs and reconciling with our existing model. The Allianz Group-wide internal risk capital after Group diversification is expected to remain close to the capital requirements based on the current framework. Even though the non-diversified internal risk capital will generally increase due to the inclusion of new risk drivers, this increase will be offset by a higher level of realized diversification benefits due to the use of more advanced aggregation techniques.

In parallel, we also have successfully implemented a new web-based Credit Risk Reporting Platform ("CRisP") for comprehensive and flexible portfolio analysis and reporting as well as for a more powerful counterparty limit management; an important element of this project has been the improvement of data delivery processes and controls. While the reporting capabilities have already been introduced, the new CRisP limit system is being introduced at the beginning of 2010 at which time it will have a positive impact on the management of our credit exposures, whether originating from investment assets, counterparty derivative exposures, reinsurance recoverables and credit insurance.

Further improvements under the Solvency II Umbrella Project have been made in the areas of operational risk management and data collection, Property-Casualty premium and reserve risk stochastic modelling and processes and controls. Looking ahead to 2010, we anticipate continuing improvement efforts in all of the above mentioned areas as well as focusing on documentation and control processes.

# Statement on Corporate Management, Corporate Governance Report and Remuneration Report

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

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

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

### Corporate constitution of the European Company

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

### Function of the Board of Management

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

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

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

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

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

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

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

## Principles and functions of the Supervisory Board

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

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

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

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

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

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

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

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

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

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

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

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

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

The members of the Supervisory Board and its committees can be found on pages 5 and 8 of this report.

## SE Works Council

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

## General Meeting

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

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

## Accounting policies and audit of financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

## Further Developments in Corporate Governance

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

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

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

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

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

## German Corporate Governance Code and the Declaration of Compliance

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

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

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

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

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

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

Munich, December 17, 2009
Allianz SE

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

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

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

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

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

## U.S. Corporate Governance Rules

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

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

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

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

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

## Directors' Dealings

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

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

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

# Remuneration Report

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

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

## Executive Remuneration Principles

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

Strategic principles:

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

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

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

## Board of Management Remuneration

The remuneration of the Board of Management is set by the Supervisory Board. Its structure is regularly reviewed and discussed. The last review was carried out in December 2009 and resulted in certain adjustments, effective from January 1, 2010, as described on page 61 in this report.

### Remuneration structure

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

#### Fixed salary

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

#### Performance-based remuneration

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

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

### Three-tier incentive system valid until December 31, 2009

| Annual bonus (short-term) | Three-year bonus (mid-term) | Equity-related remuneration (long-term) |
|---|---|---|
| **Goal category** | **Goal category** | **Goal category** |
| Allianz Group financial goals | EVA®[1] objectives over three-year performance period | Sustained increase in share price |
| Business division financial goals | Allianz Group financial goals and strategic objectives | |
| Individual objectives | Business division financial goals and strategic objectives | |
| | Individual strategic objectives | |

### Annual bonus (short-term)

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

### Three-year bonus (mid-term)

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

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

### Equity-related remuneration (long-term)

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

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

In anticipation of the new German law on the appropriateness of Board remuneration (Gesetz zur Angemessenheit der Vorstandsvergütung, VorstAG), which stipulates a four-year vesting period for stock options from January 2010, the vesting for the 2009 SAR was extended from two to four years. To align the interests of management with those of shareholders the Supervisory Board has established two performance conditions for the exercise of the SAR. Subject to the performance conditions (please refer to footnote below the GEI grant table on page 59) the SAR may be exercised during the three years following their vesting. In recognition of the SAR leverage profile, the potential payout at exercise is capped at 150% of the grant price.

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

### Pensions and similar benefits

Until 2004, pension arrangements for members of the Board of Management yielded fixed amounts. This means retirement benefits were not linked to increases in salary or variable pay. Allianz SE introduced a contribution-based system effective January 1, 2005, with the accrued pension rights under the old plan frozen at that time. The minimum guaranteed interest rate on contributions amounts to 2.75% per annum. Should the net annual return from the invested contribution exceed 2.75%, the full increase in value is credited to the members in the same year.

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

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

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

### Miscellaneous

Members of the Board of Management also receive certain perquisites. These mainly consist of contributions to accident and liability insurances and the provision of a company car. Each member of the Board of Management is responsible for income tax on these perquisites. Where applicable, a travel allowance for non-resident Board Members is provided. For 2009 the total value of the perquisites amounted to € 0.5 million (2008: € 0.6 million).

If a member of the Board of Management holds a mandate in another company within the Allianz Group, the full compensation amount is transferred to Allianz SE. If the mandate is from a company outside the Allianz Group, 50% of the compensation received is paid to Allianz SE. A Board Member retains the full compensation only if the Supervisory Board qualifies the mandate as a personal one. Compensation paid by companies outside the Allianz Group is shown in the Annual Reports of the companies concerned. For a list of Supervisory Board mandates in companies outside the Allianz Group please refer to page 99.

## 2009 Remuneration

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

| Board of Management | | Non-performance based: Fixed Salary € thou | Non-performance based: Perquisites [1] € thou | Performance-based: Annual Bonus (short-term) [2] € thou | Performance-based: Three-year Bonus (mid-term) [3] € thou | Performance-based: Fair value of SAR award at date of grant (long-term) [4] € thou | Performance-based: Fair value of RSU award at date of grant (long-term) [4] € thou | Total € thou |
|---|---|---|---|---|---|---|---|---|
| Michael Diekmann | 2009 | 1,200 | 28 | 2,081 | 257 | 505 | 750 | 4,821 |
| (Chairman) | 2008 | 1,200 | 26 | 1,112 | 311 | 430 | 720 | 3,799 |
| Dr. Paul Achleitner | 2009 | 800 | 49 | 1,387 | 165 | 335 | 498 | 3,234 |
| | 2008 | 800 | 44 | 704 | 205 | 287 | 480 | 2,520 |
| Oliver Bäte | 2009 | 700 | 56 | 1,175 | 241 | 297 | 440 | 2,909 |
| | 2008 | 700 | 48 | 701 | 209 | 251 | 420 | 2,329 |
| Clement B. Booth | 2009 | 700 | 110 | 1,148 | 264 | 386 | 567 | 3,175 |
| | 2008 | 700 | 93 | 624 | 205 | 251 | 420 | 2,293 |
| Enrico Cucchiani | 2009 | 460 | 98 | 970 | 105 | 361 | 457 | 2,451 |
| | 2008 | 460 | 85 | 587 | 263 | 260 | 435 | 2,090 |
| Dr. Joachim Faber | 2009 | 700 | 23 | 1,244 | 215 | 434 | 612 | 3,228 |
| | 2008 | 700 | 19 | 526 | 211 | 261 | 437 | 2,154 |
| Dr. Christof Mascher [5] | 2009 | 216 | 12 | 200 | 62 | 145 | 245 | 880 |
| | 2008 | — | — | — | — | — | — | — |
| Dr. Helmut Perlet [6] | 2009 | 467 | 40 | 786 | 104 | 74 | 63 | 1,534 |
| | 2008 | 700 | 206 | 653 | 214 | 251 | 420 | 2,444 |
| Dr. Gerhard Rupprecht | 2009 | 350 | 39 | 510 | 53 | 192 | 240 | 1,384 |
| | 2008 | 350 | 12 | 357 | 123 | 119 | 199 | 1,160 |
| Jean-Philippe Thierry | 2009 | 280 | 46 | 395 | 23 | 99 | 84 | 927 |
| | 2008 | 175 | 57 | 155 | 52 | 237 | 397 | 1,073 |
| Dr. Herbert Walter [7] | 2009 | 9 | 0 | 0 | 0 | 0 | 0 | 9 |
| | 2008 | 175 | 0 | 0 | 0 | 29 | 49 | 253 |
| Dr. Werner Zedelius | 2009 | 700 | 16 | 1,115 | 75 | 647 | 801 | 3,354 |
| | 2008 | 700 | 9 | 825 | 300 | 314 | 525 | 2,673 |
| **Total** | 2009 | **6,582** | **517** | **11,011** | **1,564** | **3,475** | **4,757** | **27,906** |
| | 2008 | **6,660** | **599** | **6,244** | **2,093** | **2,690** | **4,502** | **22,788** |
| **Change from previous year %** | | (1.17)% | (13.69)% | 76.35% | (25.27)% | 29.18% | 5.66% | 22.46% |

[1] Broad range reflects travel allowances for non-German resident Board Members.
[2] Actual bonus paid in 2010 for fiscal year 2009.
[3] Three-year bonus tranche accrued for 2009 for each member.
[4] The new remuneration structure and the target variable remuneration effective January 1, 2010 (see page 61) were confirmed to Board members via their new contracts dated and signed on December 9, 2009. Therefore, the SAR and RSU 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the remuneration table includes the SAR and RSU granted on March 12, 2009 as well as a best estimation of the SAR and RSU grants delivered in March 2010.
[5] Dr. Christof Mascher joined the Board of Management of Allianz SE on September 10, 2009. For the period from September 10 to December 31, 2009 he received a pro-rata fixed salary amounting to € 216,000, a pro-rata annual bonus and a pro-rata three-year bonus.
[6] Dr. Helmut Perlet retired from the Board of Management of Allianz SE on August 31, 2009. Therefore, amounts given here are pro-rata. As required by the terms of his service contract, Dr. Perlet received a transition payment for a period of six months after termination of service calculated on the basis of his fixed salary and a proportion of the annual target bonus. The monthly transition payment was reduced by pension payments made during this period. His pro-rata annual bonus for 2009 awarded as part of his transition payment amounts to € 525,000 and will be paid in March 2010.
[7] Dr. Herbert Walter resigned from the Board of Management of Allianz SE on January 12, 2009, upon the change of control at Dresdner Bank AG (i.e. sale to Commerzbank AG). Further, Dr. Walter resigned from the Board of Management of Dresdner Bank AG on January 19, 2009. He was paid a pro-rata fixed salary of € 36,945 for January 2009 and a pro-rata three-year bonus for 2007 to 2009. Dr. Walter waived his rights to a termination payment of € 3,595,100 agreed in the separation agreement of December 23, 2008 as well as his 2008 annual bonus and the 2008 tranche of his three-year bonus.

The individualized remuneration table shows the 2009 annual tranche of the three-year bonus 2007 to 2009 per member of the Board of Management to provide the disclosed individual remuneration information in a way comparable to prior years. However, regulation requires to also disclose the final cash payout. As a consequence, this remuneration component is disclosed twice over the relevant period: once by showing the bonus tranche for the year 2009 (see previous remuneration table) and once by showing the total payout for the performance period 2007 to 2009. Following the final assessment of performance for the three-year bonus plan, a total payout of € 6,443 thousand was approved by the Supervisory Board.

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

Michael Diekmann € 1,040 (5,604) thousand
Dr. Paul Achleitner € 680 (3,749) thousand
Oliver Bäte € 450 (3,118) thousand
Clement B. Booth € 787 (3,698) thousand
Enrico Cucchiani € 714 (3,060) thousand
Dr. Joachim Faber € 738 (3,751) thousand
Dr. Christof Mascher € 62 (880) thousand
Dr. Helmut Perlet € 629 (2,059) thousand
Dr. Gerhard Rupprecht € 338 (1,669) thousand
Jean-Philippe Thierry € 232 (1,136) thousand
Dr. Herbert Walter € 50 (59) thousand
Dr. Werner Zedelius € 723 (4,002) thousand.

The total remuneration of the Board of Management of Allianz SE for 2009 including the three-year bonus 2007 to 2009 payout amounts to € 33 million (2008: € 21 million excluding the interim assessment value for the three-year bonus tranche).

## Grants and outstanding holdings under the GEI program

| Board of Management | Number of SAR granted on 3/12/2009 | Number of SAR granted on 3/11/2010[1] | Number of SAR held at 12/31/2009 | Strike Price Range € | Number of RSU granted on 3/12/2009 | Number of RSU granted on 3/11/2010[1] | Number of RSU held at 12/31/2009 |
|---|---|---|---|---|---|---|---|
| Michael Diekmann (Chairman) | 6,139 | 22,806 | 108,252 | 51.95 – 160.13 | 3,015 | 11,321 | 42,345 |
| Dr. Paul Achleitner | 3,993 | 15,204 | 78,699 | 51.95 – 160.13 | 1,961 | 7,547 | 29,785 |
| Oliver Bäte | 3,720 | 13,303 | 14,179 | 51.95 – 117.38 | 1,827 | 6,604 | 6,903 |
| Clement B. Booth | 5,010 | 17,004 | 34,892 | 51.95 – 160.13 | 2,460 | 8,441 | 17,364 |
| Enrico Cucchiani | 8,966 | 10,654 | 74,609 | 51.95 – 160.13 | 4,403 | 5,289 | 27,452 |
| Dr. Joachim Faber | 7,243 | 17,212 | 73,341 | 51.95 – 160.13 | 3,557 | 8,544 | 28,992 |
| Dr. Christof Mascher | — | 8,695 | 28,282 | 51.95 – 160.13 | — | 4,317 | 12,306 |
| Dr. Helmut Perlet | 3,592 | — | 70,010 | 51.95 – 160.13 | 1,764 | — | 26,907 |
| Dr. Gerhard Rupprecht | 4,877 | 5,512 | 37,127 | 51.95 – 160.13 | 2,395 | 2,736 | 14,717 |
| Jean-Philippe Thierry | 4,819 | — | 72,454 | 51.95 – 160.13 | 2,367 | — | 16,963 |
| Dr. Herbert Walter | — | — | 17,331 | 83.47 – 160.13 | — | — | — |
| Dr. Werner Zedelius | 17,108 | 17,795 | 79,539 | 51.95 – 160.13 | 8,402 | 8,833 | 33,497 |

SAR are released to plan participants upon expiry of the vesting period, assuming all other exercise hurdles are taken. For SAR granted until and including 2008, the vesting period was two years. For SAR granted from 2009, the company has extended vesting to four years. SAR can be exercised on the condition that the price of the Allianz SE stock is at least 20% above their strike price at time of grant. Also, the price of the Allianz SE stock must have exceeded the Dow Jones EURO STOXX Price Index (600) over a period of five consecutive trading days at least once during the plan period.

RSU are released to plan participants on the first trading day after the end of the five-year vesting period.

1) The new remuneration structure and the target variable remuneration effective January 1, 2010 (see page 61) were confirmed to Board members via their new contracts dated and signed on December 9, 2009. Therefore, the SAR and RSU 2010 are deemed to have been granted to participants as part of their 2009 remuneration. Consequently, the remuneration table includes the SAR and RSU granted on March 12, 2009 as well as a best estimation of the SAR and RSU grants delivered in March 2010.

Allianz Group paid € 3 million (2008: € 3 million) to increase reserves for pensions and similar benefits for active members of the Board of Management. On December 31, 2009, reserves for pensions and similar benefits for members of the Board of Management active at that date, amounted to € 22 million (2008: € 22 million).

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

| Board of Management | Defined Benefit Pension Plan (frozen) | Current Pension Plans | Total |
|---|---|---|---|
| | 2009 € thou | 2009 € thou | 2009 € thou |
| Michael Diekmann (Chairman) | 71 | 566 | 637 |
| Dr. Paul Achleitner | 165 | 285 | 450 |
| Oliver Bäte | — | 275 | 275 |
| Clement B. Booth | — | 247 | 247 |
| Enrico Cucchiani | — | 165 | 165 |
| Dr. Joachim Faber | 175 | 300 | 475 |
| Dr. Christof Mascher | — | 80 | 80 |
| Dr. Helmut Perlet[1] | 0 | 213 | 213 |
| Dr. Gerhard Rupprecht[1] | 0 | 164 | 164 |
| Jean-Philippe Thierry | — | 18 | 18 |
| Dr. Herbert Walter | — | — | — |
| Dr. Werner Zedelius | 91 | 272 | 363 |

The total remuneration of the Board of Management of Allianz SE for 2009 including pension service costs amounts to € 36 million.

In 2009, remuneration and other benefits totaling € 4 million (2008: € 7 million) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 40 million (2008: € 38 million).

### Termination of service

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

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

Definition of a change of control requires that a shareholder of Allianz SE acting alone or together with other shareholders holds more than 50% of voting rights in Allianz SE. If the appointment of a member of the Board of Management is unilaterally revoked by the Supervisory Board as a result of such a change of control within a period of twelve months after the event, all contracted benefits for the duration of the employment contract are payable in the form of a lump sum. The same applies if the Board member terminates service by resignation due to a substantial decrease in managerial responsibilities and without giving cause for termination. The amount payable is based on the fixed salary at the time of the change of control, the annual and current three-year bonus, in each case discounted according to market conditions at the time of payment. A target achievement of 100% is the basis for the annual and three-year bonus. If the remaining duration of the service contract is less than three years at the time of change of control, the

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

lump-sum payment in respect of fixed salary and annual bonus is increased to correspond to a term of three years. If the member reaches the age of 60 before the three years have elapsed, the lump-sum payment decreases correspondingly. For the equity-based remuneration the member is treated as having retired. These regulations are also effective if the Board of Management mandate is not extended within two years after the change of control.

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

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

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

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

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

**Structure and level of annual target remuneration**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

| Three-year bonus |
|---|
| **Portfolio Development** |
| **Basis at Group level:**<br>2010 – 2012 average growth<br>2012 return on capital (based on operating profit and net income)<br><br>**Basis at the level of the Business Division:**<br>2010 – 2012 average growth<br>2012 return on capital (based on operating profit) |
| **Sustainability assessment based on qualitative criteria:**<br>• actual growth versus expectations<br>• profitability development<br>• comparison with peers<br>• extraordinary events<br>• capital situation against internal risk capital model<br>• additional sustainability criteria |

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

Regarding the pension provisions and fringe benefits please refer to the above explanations (sections "Pensions and similar benefits" and "Miscellaneous", see page 57). The principles detailed above also apply to the provisions for early termination of a Board of Management mandate with the condition that the basis for calculation of the maximum severance pay amount (cap) has been changed to the annual fixed remuneration plus 50% of the variable target remuneration.

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

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

## Executive remuneration below the Board of Management

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

The information provided below refers to the circular of the German BaFin for remuneration systems in the insurance sector dated December 21, 2009.

For the purposes of this report, senior executives are defined as holders of key positions. Allianz' overall governance and control system ensures that only appropriate levels of risk are assumed. Remuneration structures and incentives are designed to encourage sustainable value-creating activities for Allianz. Allianz operates an effective system of business, regional and company level compensation committees that periodically review remuneration guidelines and practices below the Board. Additionally, approval by a Group-level compensation committee is required for payments or individual agreements exceeding certain materiality thresholds or plans creating long-term liabilities.

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

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

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

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

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

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

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

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

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

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

## Remuneration of the Supervisory Board

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

The remuneration of the Supervisory Board is governed by § 11 of the Statutes of Allianz SE. In line with § 113 of the German Stock Corporation Act, the Supervisory Board's remuneration is determined by the Company's General Meeting. Accordingly, the provisions of § 11 of the Statutes governing the amount and structure of Supervisory Board remuneration were ratified by the Annual General Meeting in 2005. They were adopted without changes when Allianz AG was converted into Allianz SE in 2006.

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

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

## Strategic principles

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

- Balance is maintained between fixed remuneration and short-term and long-term performance based components in order to adhere to the principles of neutrality and independence of the Supervisory Board members while at the same time providing adequate performance incentives.

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

## Remuneration structure

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

### Fixed remuneration

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

### Performance-based remuneration

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

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

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

The Chairperson and Deputy Chairpersons of the Supervisory Board as well as the Chairperson and members of Supervisory Board committees receive additional remuneration as follows:

### Chair

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

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

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

### Committees

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

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

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

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

## 2009 Remuneration

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

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

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

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

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

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

## Remuneration for mandates in other Allianz Group subsidiaries

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

## Loans to members of the Board of Management and Supervisory Board

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

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

# Other Information

## Our Employees [1]

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

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

### Employee representation in Allianz SE

The SE Works Council represents the interests of employees of Allianz SE and its subsidiaries with registered offices in the EU member states, the European Economic Area and Switzerland in cross border matters. The Works Council was informed and consulted on several items in its two regular sessions in 2009. Besides the business situation and prospects of Allianz in Europe, the items discussed included cross-border operational strategy (e. g. the implementation of the new Target Operating Model in our operational entities, the new distribution initiative, strategic workforce planning), cross-border activities in Europe (e. g. Allianz Global Investors, cominvest integration) and other cross-border topics (e. g. completion of Dresdner Bank AG sale and establishing Allianz Bank).

On several occasions the SE Works Council's Executive Committee was also informed and consulted on an ad hoc basis, e. g. with regard to the set-up of a global real estate platform.

The constructive dialogue with the SE Works Council has helped us to build a good mutual understanding of the challenges ahead and ensures a productive cooperation between management and employee representatives at Allianz.

## Branches

In 2009 Allianz SE operated its reinsurance business from Munich and branch offices in Singapore, Labuan (Malaysia), Dubai, Dublin and Zurich. The operation in Dubai will be closed in 2010.

## Events after the balance sheet date

#### Storm „Xynthia" in Western Europe

On February 28, 2010 the storm "Xynthia" has caused great damage in parts of western Europe, mainly France, Spain and Germany. The Allianz Group with its Property and Casualty subsidiaries is engaged in those countries. Currently a reliable forecast of net claims arising from this storm is not possible [2].

[1] For the complete report on our employees please refer to the Allianz Group's Annual Report 2009.

[2] First estimates as of mid March 2010 indicate a net loss of between € 28 mn and € 40 mn for Allianz SE.

# Takeover-related Statements and Explanations

The following statements are made pursuant to § 289 (4) of the German Commercial Code:

## Composition of share capital

The share capital of Allianz SE was € 1,161,984,000 as of December 31, 2009. It was divided into 453,900,000 registered shares with no-par value and a corresponding share capital amount of € 2.56 per share. The shares are fully paid in. All shares carry the same rights and obligations. Each no-par value share carries one vote.

## Restrictions on voting rights or transfer of shares; exercise of voting rights in case of employee participations in the share capital

Shares may only be transferred with the consent of the Company. Pursuant to § 2 (2) of the Statutes, the Company will withhold a duly applied approval only, if it deems this to be necessary in the interest of the Company on exceptional grounds. The applicant will be informed about the reasons.

The restriction on share transferability goes right back to the foundation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. For several decades the Company has in no case withheld its transfer approval. With the standardization of share transfer processes, the restriction on share transferability does not cause any delay in the registration in the share register and does not impede in any way the quotation of the shares on stock exchanges.

Shares acquired by employees of the Allianz Group as part of the employee share purchase program are in principle subject to a one-year lock-up period; outside Germany, the lock-up period may in some cases be up to five years for tax reasons. In some countries the employee shares are held throughout the lock-up period by a bank, an other natural person or a legal entity as trustee, in order to ensure that the lock-up period is observed. Nevertheless, employees may instruct the trustee on exercising voting rights, or have power-of-attorney granted to them to exercise such voting rights. Providing lock-up periods contributes to the employee share purchase programs' purpose to commit employees to the Company and let them participate in the performance of the stock price.

## Interests in the share capital exceeding 10 % of the voting rights

Direct or indirect interests in the share capital of Allianz SE that exceed 10 % of the voting rights have not been reported to Allianz SE, nor is it otherwise aware of any such interests.

## Shares with special rights conferring powers of control

There are no shares with special rights conferring powers of control.

## Legislation and provisions of the Statutes applicable to the appointment and removal of members of the Board of Management and to amendments of the Statutes

The members of the Board of Management of Allianz SE are appointed by the Supervisory Board for a maximum term of five years (Article 9 (1), Article 39 (2) and Article 46 SE Regulation, §§ 84, 85 German Stock Corporation Act, § 5 (3) of the Statutes). Reappointments, in each case for a maximum of five years, are permitted. A simple majority of the votes cast in the Supervisory Board is required to appoint members of the Board of Management. In the case of a tie, the vote of the Chairperson of the Supervisory Board, who pursuant to Art. 42 sentence 2 SE Regulation must be a shareholder representative, is decisive (§ 8 (3) of the Statutes). If the Chairperson does not participate in the vote, the Deputy Chairperson has the casting vote, provided that the Deputy Chairperson is a shareholder representative. A Deputy Chairperson who is an employee representative has no casting vote (§ 8 (3) of the Statutes). These provisions make sure that the shareholder side of the Supervisory Board has the right to finally decide in case of a tie. If a required member of the Board of Management is missing, in urgent cases the court must appoint such member upon the application of an involved party, by virtue of § 85 of the German Stock Corporation Act.

According to § 5 (1) of the Statutes the Board of Management shall consist of at least two persons. Otherwise, the number of the members of the Board of Management is determined by the Supervisory Board. The Supervisory Board has appointed a Chairman of the Board of Management pursuant to § 84 (2) of the German Stock Corporation Act.

In making appointments it is essential to ensure in particular that the members of the Board of Management have the reliability and professional competence needed to manage an insurance company. A person cannot be become a member of the Board of Management if he or she is already appointed as business manager in two insurance undertakings, pension funds, insurance holding companies or insurance special purpose vehicles. However, the supervisory authority may grant exceptions in case of mandates held within the same group (§§ 121 a, 7a German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Services Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) (§§ 121 a, 13 d No. 1 German Insurance Supervision Act). Members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (§ 84 (3) German Stock Corporation Act).

Amendments to the Statutes must be adopted by the General Meeting. § 13 (4) sentence 2 of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory legal provision, changes to the Statutes require a majority of two-thirds of the votes cast, or, as the case may be, if at least half of the share capital is represented, a simple majority of the votes cast. The Statutes thereby make use of the option stipulated in § 51 sentence 1 SE Implementation Act (SE-Ausführungsgesetz) which is based upon Article 59 (1) and (2) SE Regulation. A larger majority is, inter alia, required for a change in the corporate object or the relocation of the registered office to another Member State (§ 51 sentence 2 SE Implementation Act). The Supervisory Board may alter the wording of the Statutes (§ 179 (1) sentence 2 German Stock Corporation Act and § 10 of the Statutes).

## Authorizations of the Board of Management to issue and repurchase shares

The Board of Management has the following authority to issue shares as well as to acquire and use treasury shares:

- The Board of Management is authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions, up to a total of € 406,545,646.08 (Authorized Capital 2006/I). The Board of Management is authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board for fractional amounts, for safeguarding the rights pertaining to holders of convertible bonds or bonds with warrants, and in the event of a cash capital increase of up to 10 % if the issue price of the new shares is not significantly less than the stock market price. The Board of Management is furthermore authorized to exclude shareholders' subscription rights with the consent of the Supervisory Board in the event of a capital increase against contributions in kind (§ 2 (3) of the Statutes).

- The Board of Management is also authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash, on one or more occasions, up to a total of € 5,880,296.96 (Authorized Capital 2006/II). The Board of Management may exclude the shareholders' subscription rights, upon the approval of the Supervisory Board, in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts (§ 2 (4) of the Statutes).

- The Company's share capital is conditionally increased by up to € 250,000,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds issued by Allianz SE or its subsidiaries on the basis of the authorization of the General Meeting of February 8, 2006 are exercised, or that conversion obligations tied to such bonds are fulfilled (§ 2 (6) of the Statutes).

- The Board of Management has the authority to buy back and use Allianz shares for other purposes on the basis of the authorization of the General Meeting of April 29, 2009 (§ 71 (1) no. 8 German Stock Corporation Act). On that basis, the Company is authorized, on or before October 28, 2010, to acquire treasury shares. Together with other treasury shares that are in the possession of Allianz SE or which are attributable to it under Sections 71a et seq. German Stock Corporation Act, such shares may not exceed 10% of the share capital at any time. The shares acquired according to this authorization may be used, under exclusion of subscription rights, for any legally admissible purposes and in particular those specified in the authorization. According to the authorization of the General Meeting of April 29, 2009, in connection with the acquisition of treasury shares (§ 71 (1) no. 8 German Stock Corporation Act) also derivatives may be used provided that such derivatives do not exceed 5% of the share capital at the time the resolution was passed.

- There is also an authorization to acquire treasury shares for the purposes of securities trading (§ 71 (1) no. 7 German Stock Corporation Act) that is valid until October 28, 2010. The trading position in shares acquired for this purpose shall not, at the end of any day, exceed 5% of the share capital of Allianz SE. The treasury shares acquired, together with other treasury shares, shall at no time exceed 10% of the share capital.

These authorizations to issue convertible bonds or bonds with warrants, to issue new shares out of authorized capital or to acquire and use treasury shares enable the Board of Management to raise capital swiftly and flexibly taking advantage of attractive financing opportunities as and when they arise on the markets and, for example, offer Allianz stock as consideration when making acquisitions of participations. Furthermore Allianz stock can be offered to employees of the Allianz Group. The authority to deal in own stock for trading purposes gives credit institutions that are majority owned by Allianz SE the possibility to deal in Allianz stock.

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

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

Our reinsurance contracts in principle include a provision under which both parties to the contract have an extraordinary termination right in case that the other party to the contract merges or its ownership or control situation changes materially. Agreements with brokers regarding services in connection with the purchase of reinsurance coverage also provide for termination rights in case of a change of control. Such clauses are market standard.

Bilateral credit agreements in some cases provide for termination rights in case of a change of control, mostly defined as the acquisition of at least 30% of the voting rights within the meaning of § 29 (2) German Takeover Act (Wertpapiererwerbs- und Übernahmegesetz, WpÜG). In case such termination rights are exercised the respective credit lines would have to be replaced by new credit lines at conditions then applicable.

If an enterprise acquires a majority shareholding in Allianz SE, the participation certificates issued by Allianz SE, and terminated by it as per December 31, 2009, provided for a right of the holders to call for redemption of the participation certificates and to demand payment of a redemption amount per participation certificate of 122.9% of the average official price (Einheitskurs) of the Allianz share on the Munich Stock Exchange for the three months prior to termination of the participation certificate relationship.

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

The service contracts of the members of the Allianz SE Board of Management contain a change of control clause. If, within 12 months after acquisition of more than 50% of the share capital by one shareholder or several shareholders acting in concert (change of control), the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, or if the mandate is ended by mutual agreement, or if the Management Board Member resigns his or her office because the responsibilities as a

Board Member are significantly reduced through no fault of the Board Member, he or she shall receive his or her contractual remuneration for the remaining term of the service contract in the form of a one-off payment. The one-off payment is based on the fixed remuneration and 50% of the variable remuneration. To the extent the remaining term of the service contract is less than three years, the one-off payment is generally increased in line with a term of three years. This applies accordingly if, within two years of a change of control, a mandate in the Board of Management is coming to an end and is not extended; the one-off payment will then be granted for the period between the end of the mandate and the end of the three year period after the change of control. For further details please refer to the Remuneration Report on pages 55 to 67.

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

If a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, there will be a derogation from the usual exercise periods. The SARs shall then be exercised, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period. The RSUs shall be exercised in the case of such majority acquisition, in line with their general conditions, by the Company for the relevant plan participants on the day of the change of control without observing any vesting period otherwise applicable. The cash amount payable per RSU has to be at least the price offered per Allianz share in a preceding tender offer. In providing for the non application of the blocking period in the event of a change of control, account is taken of the fact that the conditions under which the share price moves are very different when there is a change in control. For further details please refer to Note 48 of the Group Annual Report.

# System of internal control over financial reporting

Allianz SE as control relevant operative entity is part of the internal control system of the Group. Therefore, the following statements from the Group's report are also true for Allianz SE.

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

## Internal control approach

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

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

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

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

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

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

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

## Expansion to other areas

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

Munich, February 15, 2010
Allianz SE

The Board of Management

| | |
|---|---|
| Diekmann | Dr. Achleitner |
| Bäte | Booth |
| Cucchiani | Dr. Faber |
| Dr. Mascher | Ralph |
| Dr. Rupprecht | Dr. Zedelius |

# Financial Statements

| Balance Sheet as of December 31 | Notes Note No. | 2009 € thou | 2009 € thou | 2008 € thou |
|---|---|---|---|---|
| ASSETS | | | | |
| A. Intangible assets | 1, 2 | | 542,526 | 62,499 |
| B. Investments | 1, 3 – 5 | | | |
| I. Real estate | | 309,632 | | 317,621 |
| II. Investments in affiliated enterprises and participations | | 69,054,636 | | 69,440,485 |
| III. Other investments | | 14,101,060 | | 13,310,089 |
| IV. Funds held by others under reinsurance business assumed | | 3,977,059 | | 3,949,457 |
| | | | 87,442,387 | 87,017,652 |
| C. Receivables | | | | |
| I. Accounts receivables on reinsurance business | | 534,023 | | 434,985 |
| thereof from affiliated enterprises: € 86,365 thou (2008: € 117,042 thou) | | | | |
| participations [1]: € 9,357 thou (2008: € 6,633 thou) | | | | |
| II. Other receivables | 6 | 2,392,580 | | 4,174,845 |
| thereof from affiliated enterprises: € 1,585,716 thou (2008: € 3,218,150 thou) | | | | |
| participations [1]: € 10,172 thou (2008: € 108 thou) | | | | |
| | | | 2,926,603 | 4,609,830 |
| D. Other assets | | | | |
| I. Tangible fixed assets and inventories | | 8,627 | | 10,307 |
| II. Cash with banks, checks and cash on hand | | 184,740 | | 181,757 |
| III. Own shares | | 186,894 | | 39,197 |
| computed value: € 6,616 thou (2008: € 1,397 thou) | | | | |
| IV. Miscellaneous assets | 7 | 274,866 | | 233,451 |
| | | | 655,127 | 464,712 |
| E. Deferred charges and prepaid expenses | | | | |
| I. Accrued interests and rent | | 132,406 | | 123,532 |
| II. Other deferred charges and prepaid expenses | 8 | 50,659 | | 36,495 |
| | | | 183,065 | 160,027 |
| Total Assets | | | **91,749,708** | **92,314,720** |

[1] Companies in which we hold a participating interest.

| | Notes Note No. | 2009 € thou | 2009 € thou | 2009 € thou | 2008 € thou |
|---|---|---|---|---|---|
| EQUITY AND LIABILITIES | | | | | |
| A. Shareholders' equity | 10 | | | | |
| I. Issued capital | | | 1,161,984 | | 1,159,808 |
| II. Additional paid-in capital | | | 27,472,876 | | 27,409,075 |
| III. Appropriated retained earnings | | | | | |
| 1. Required by law | | 1,229 | | | 1,229 |
| 2. For own shares | | 186,894 | | | 39,197 |
| 3. Other | | 11,625,276 | | | 11,687,182 |
| | | | 11,813,399 | | 11,727,608 |
| IV. Net earnings | | | 1,860,990 | | 1,585,675 |
| | | | | 42,309,249 | 41,882,166 |
| B. Profit participation certificates | 11 | | | 121,458 | 441,455 |
| C. Subordinated liabilities | 12, 15 | | | 6,833,549 | 6,877,466 |
| D. Insurance reserves | 13 | | | | |
| I. Unearned premiums | | | | | |
| 1. Gross | | 625,942 | | | 650,555 |
| 2. Less: amounts ceded | | 90,306 | | | 97,147 |
| | | | 535,636 | | 553,408 |
| II. Aggregate policy reserve | | | | | |
| 1. Gross | | 3,473,657 | | | 3,507,780 |
| 2. Less: amounts ceded | | 316,072 | | | 562,828 |
| | | | 3,157,585 | | 2,944,952 |
| III. Reserve for loss and loss adjustment expenses | | | | | |
| 1. Gross | | 5,856,624 | | | 5,895,516 |
| 2. Less: amounts ceded | | 1,404,869 | | | 1,528,121 |
| | | | 4,451,755 | | 4,367,395 |
| IV. Reserve for non-experience-rated premium refunds | | | | | |
| 1. Gross | | 96,870 | | | 90,006 |
| 2. Less: amounts ceded | | 25,340 | | | 20,138 |
| | | | 71,530 | | 69,868 |
| V. Claims equalization and similar reserves | | | 1,459,521 | | 1,813,642 |
| VI. Other insurance reserves | | | | | |
| 1. Gross | | 104,551 | | | 103,896 |
| 2. Less: amounts ceded | | 1,259 | | | 2,824 |
| | | | 103,292 | | 101,072 |
| | | | | 9,779,319 | 9,850,337 |

| | Notes Note No. | 2009 € thou | 2009 € thou | 2009 € thou | 2008 € thou |
|---|---|---|---|---|---|
| EQUITY AND LIABILITIES | | | | | |
| E. Other provisions | 14 | | | 4,623,973 | 4,551,118 |
| F. Funds held with reinsurance business ceded | | | | 459,299 | 705,683 |
| G. Other liabilities | | | | | |
| I. Account payable on reinsurance business | | | 521,517 | | 380,638 |
| thereof to affiliated enterprises: € 329,891 thou (2008: € 315,943 thou) | | | | | |
| participations[1]: € 2,213 thou (2008: € 1,808 thou) | | | | | |
| II. Bonds | 15 | | 6,486,278 | | 5,697,873 |
| thereof to affiliated enterprises: € 6,486,278 thou (2008: € 5,697,873 thou) | | | | | |
| III. Liabilities to banks | 15 | | 3,075,140 | | 273,770 |
| thereof to affiliated enterprises: € — thou (2008: € 13,151 thou) | | | | | |
| IV. Miscellaneous liabilities | 15 | | 17,531,846 | | 21,651,064 |
| including taxes of: € 11,620 thou (2008: € 3,869 thou) | | | | | |
| thereof to affiliated enterprises: € 16,128,847 thou (2008: € 17,410,488 thou) | | | | | |
| participations[1]: € 1,316 thou (2008: € 34,064 thou) | | | | | |
| | | | | 27,614,781 | 28,003,345 |
| H. Deferred income | | | | 8,080 | 3,150 |
| **Total equity and liabilities** | | | | **91,749,708** | **92,314,720** |

[1] Companies in which we hold a participating interest.

# Income Statement for the Period from January 1 to December 31

| | Notes Note No. | 2009 € thou | 2009 € thou | 2009 € thou | 2008 € thou |
|---|---|---|---|---|---|
| I. Underwriting account | | | | | |
| 1. Premiums earned (net) | | | | | |
| a) Gross premiums written | 17 | 3,810,701 | | | 3,449,077 |
| b) Ceded premiums written | | (650,097) | | | (587,831) |
| | | | 3,160,604 | | 2,861,246 |
| c) Change in gross unearned premiums | | 21,201 | | | 12,859 |
| d) Change in ceded unearned premiums | | (5,019) | | | (51,114) |
| | | | 16,182 | | (38,255) |
| Premiums earned (net) | | | | 3,176,786 | 2,822,991 |
| 2. Allocated interest return (net) | 18 | | | 148,472 | 120,974 |
| 3. Other underwriting income (net) | | | | 581 | 1,536 |
| 4. Loss and loss adjustment expenses (net) | | | | | |
| a) Claims paid | | | | | |
| aa) Gross | | (2,493,743) | | | (2,396,229) |
| bb) Amounts ceded in reinsurance | | 435,566 | | | 537,451 |
| | | | (2,058,177) | | (1,858,778) |
| b) Change in reserve for loss and loss adjustment expenses (net) | | | | | |
| aa) Gross | | 67,029 | | | 361,332 |
| bb) Amounts ceded in reinsurance | | (119,168) | | | (400,083) |
| | | | (52,139) | | (38,751) |
| Loss and loss adjustment expenses (net) | | | | (2,110,316) | (1,897,529) |
| 5. Change in other insurance reserves (net) | 19 | | | 3,764 | (35,774) |
| 6. Expenses for non-experience-rated premium refunds (net) | | | | (18,745) | (10,315) |
| 7. Underwriting expenses (net) | 20 | | | (866,628) | (796,079) |
| 8. Other underwriting expenses (net) | | | | (9,193) | (18,828) |
| 9. Subtotal | | | | 324,721 | 186,976 |
| 10. Change in claim equalization and similar reserves | | | | 354,121 | (255,026) |
| 11. Net underwriting result | | | | **678,842** | **(68,050)** |
| II. Non-underwriting account | | | | | |
| 1. Investment income | 21 | 4,101,887 | | | 13,914,382 |
| 2. Investment expenses | 22, 23 | (2,403,643) | | | (11,784,598) |
| Investment result | | | 1,698,244 | | 2,129,784 |
| 3. Allocated interest return | | | (165,312) | | (134,246) |
| | | | | 1,532,932 | 1,995,538 |
| 4. Other income | 24 | | 820,792 | | 874,584 |
| 5. Other expenses | 25 | | (1,370,432) | | (1,801,394) |
| Other non-underwriting result | | | | (549,640) | (926,810) |
| | | | | | |
| 6. Non-underwriting result | | | | **983,292** | **1,068,728** |
| 7. Income before taxes | | | | 1,662,134 | 1,000,678 |
| 8. Income taxes | 26 | (168,728) | | | (28,884) |
| less amounts charged to other companies in the Group | | 452,920 | | | 607,196 |
| | | | 284,192 | | 578,312 |
| 9. Other taxes | | | (4,754) | | 2,821 |
| Taxes | | | | 279,438 | 581,133 |
| 10. Net income | | | | **1,941,572** | **1,581,811** |
| 11. Unappropriated earnings carried forward | | | | 5,209 | 3,716 |
| 12. Use of appropriated earnings | | | | | |
| Use of appropriated earnings for own shares | | | | — | 6,026 |
| 13. Allocation to appropriated earnings | | | | | |
| to appropriated earnings for own shares | | | (6,470) | | — |
| to other appropriated earnings | | | (79,321) | | (5,878) |
| | | | | (85,791) | (5,878) |
| 14. Net earnings | 27 | | | **1,860,990** | **1,585,675** |

# Notes to the Financial Statements

## Basis of Preparation

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

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

### BilMoG

The law to modernize the German accounting rules (Bilanzrechtsmodernisierungsgesetz – BilMoG) became effective on May 29, 2009. It is the most substantial amendment of the German Commercial Code since 1985. Although BilMoG is effective for fiscal years beginning on or after January 1, 2010, certain reporting requirements already apply for the financial statements 2009.

These relate primarily to the reporting of contingent liabilities and the publication of the compliance statement for the corporate governance code (§ 285 HGB), and to the reporting on the internal controls and risk management system relating to the accounting process and to corporate management (§§ 289 and 289 a HGB).

## Accounting, Valuation and Calculation Methods

### Intangible assets

Intangible assets are recorded at acquisition cost less tax deductible depreciation.

The distribution rights referred to in Note 2 are depreciated on a straight line basis until the first possible termination date.

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

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

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

### Investments in affiliated enterprises and participations

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

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

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

### Other investments

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

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

#### Debentures, loans and bank deposits

These are valued at nominal amount less repayments.

### Tangible fixed assets, inventories and other assets

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

### Own shares

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

### Other assets
Consist of the following:

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

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

### Insurance reserves
Consist of the following:

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

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

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

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

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

### Remaining liabilities
Consist of the following:

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

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

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

### Currency translation
**Loans to affiliated enterprises** denominated in foreign currency are converted into Euros with the currency rate on the reporting date applying the strict lower-value principle.

The valuation of foreign currency **shares in affiliated enterprises and participations, stocks, interests in funds**, and **other variable and fixed income securities** is based on converting the value in orginal currency into Euros using respective exchange rates on the reporting date.

Comparing the acquisition cost in Euro with the value in Euro as described above, the moderate lower-value principle is applied for affiliated enterprises and participations. For the other investments, the strict lower-value principle is applied.

As a result of this valuation method, currency gains and losses are not separately determined and shown in the income statement. Instead, the net effect of both change of currency exchange rates and value in original currency, is reflected in the impairments/reversals of impairments and realized gains/losses calculated for these asset classes and disclosed in the investment result.

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

# Supplementary Information on Assets

## 1 Change of assets A., B.I. through B.III. in fiscal year 2009

| | Values stated as of December 31, 2008 | | Additions |
|---|---|---|---|
| | € thou | % | € thou |
| **A. Intangible assets** | | | |
| Other intangible assets | 62,499 | | 510,223 |
| **B.I. Real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE** | 317,621 | 0.4 | 1,555 |
| **B.II. Investments in affiliated enterprises and participations** | | | |
| 1. Shares in affiliated enterprises | 66,722,883 | 80.3 | 16,436,117 |
| 2. Loans to affiliated enterprises | 2,282,573 | 2.7 | 423,285 |
| 3. Participations | 435,029 | 0.5 | 1,399,531 |
| 4. Loans to participations | — | — | 268 |
| **Subtotal B.II.** | **69,440,485** | **83.5** | **18,259,201** |
| **B.III. Other investments** | | | |
| 1. Stocks, interests in funds and other variable income securities | 1,149,125 | 1.4 | 302,639 |
| 2. Debt securities and other fixed-income securities | 7,850,545 | 9.5 | 7,924,552 |
| 3. Other loans | | | |
| a) Registered bonds | — | — | — |
| b) Loans and promissory notes | 18,449 | — | — |
| 4. Bank deposits | 3,973,009 | 4.8 | 1,451,069 |
| 5. Miscellaneous investments | 318,961 | 0.4 | — |
| **Subtotal B.III.** | **13,310,089** | **16.1** | **9,678,260** |
| **Subtotal B.I. - III.** | **83,068,195** | **100.0** | **27,939,016** |
| **Total** | **83,130,694** | | **28,449,239** |

| Transfers | Disposals | Revaluation | Depreciation | Net additions (+) Net disposals (–) | Values stated as of December 31, 2009 | |
|---|---|---|---|---|---|---|
| € thou | € thou | € thou | € thou | € thou | € thou | % |
| | | | | | | |
| — | 5,092 | — | 25,104 | 480,027 | 542,526 | |
| — | — | — | 9,544 | (7,989) | 309,632 | 0.4 |
| | | | | | | |
| 30,956 | 17,344,596 | — | 247,710 | (1,125,233) | 65,597,650 | 78.6 |
| (1,000,000) | 309,319 | 4,541 | 34,855 | (916,348) | 1,366,225 | 1.6 |
| (30,956) | 418,279 | — | — | 950,296 | 1,385,325 | 1.7 |
| 1,000,000 | 250,000 | — | 44,832 | 705,436 | 705,436 | 0.8 |
| **—** | **18,322,194** | **4,541** | **327,397** | **(385,849)** | **69,054,636** | **82.7** |
| | | | | | | |
| — | 695,812 | 8,607 | 17,404 | (401,970) | 747,155 | 0.9 |
| — | 7,992,330 | 24,650 | 54,597 | (97,725) | 7,752,820 | 9.3 |
| | | | | | | |
| — | — | — | — | — | — | — |
| — | — | — | 619 | (619) | 17,830 | — |
| — | — | — | — | 1,451,069 | 5,424,078 | 6.5 |
| — | 159,784 | — | — | (159,784) | 159,177 | 0.2 |
| **—** | **8,847,926** | **33,257** | **72,620** | **790,971** | **14,101,060** | **16.9** |
| **—** | **27,170,120** | **37,798** | **409,561** | **397,133** | **83,465,328** | **100.0** |
| **—** | **27,175,212** | **37,798** | **434,665** | **877,160** | **84,007,854** | |

## 2 Intangible Assets

The book value of intangible assets increased by € 0.5 bn. Thereof, € 0.5 bn relate to the distribution rights received as part of the consideration for the sale of Dresdner Bank AG to Commerzbank AG. Under these rights, Commerzbank AG will market exclusively Allianz insurance products from the second half-year of 2010 onwards.

## 3 Market value of investments

As of December 31, 2009, the fair value of investments amounted to € 98.5 bn (2008: € 98.2 bn). The carrying amount of these investments in the balance sheet was € 87.4 bn (2008: € 87.0 bn).

The values are subdivided into individual asset categories as follows:

| | Book value | | Fair value | | Valuation reserve | |
|---|---|---|---|---|---|---|
| | 2009 € bn | 2008 € bn | 2009 € bn | 2008 € bn | 2009 € bn | 2008 € bn |
| Real estate | 0.3 | 0.3 | 0.5 | 0.5 | 0.2 | 0.2 |
| Equity securities | 67.7 | 68.3 | 78.4 | 79.0 | 10.7 | 10.7 |
| Debt securities | 7.8 | 7.9 | 7.9 | 8.1 | 0.1 | 0.2 |
| Loans | 2.1 | 2.3 | 2.1 | 2.3 | — | — |
| Bank deposits | 5.4 | 4.0 | 5.4 | 4.0 | — | — |
| Funds held by others under reinsurance business assumed | 4.0 | 3.9 | 4.0 | 3.9 | — | — |
| Other investments | 0.1 | 0.3 | 0.2 | 0.4 | 0.1 | 0.1 |
| **Total** | **87.4** | **87.0** | **98.5** | **98.2** | **11.1** | **11.2** |

### Valuation methods used to determine the market value

#### Real estate

Land and buildings are valued using the discounted cash flow method, new buildings at cost. The fair value was determined during the fiscal year.

#### Equity securities

Investments in companies which are quoted on the stock exchange are in general measured with the stock exchange price quoted on the last trading day of 2009. Non-quoted companies are valued at their net value calculated by the DVFA method. For recent transactions the transaction prices were utilized.

#### Debt securities

Those items are measured at the stock exchange value quoted on the last trading day of 2009 or, if quoted prices are not available, at the prices obtained from brokers or pricing services.

#### Loans, bank deposits and funds held by others under reinsurance business assumed

There were no material differences between the book value and the fair value in 2009 for those items.

## 4 Investments in affiliated enterprises and participations

| | 2009 € bn | 2008 € bn | Change € bn |
|---|---|---|---|
| Shares in affiliated enterprises | 65.6 | 66.7 | (1.1) |
| Loans to affiliated enterprises | 1.4 | 2.3 | (0.9) |
| Participations | 1.4 | 0.4 | 1.0 |
| Loans to participations | 0.7 | — | 0.7 |
| **Total** | **69.1** | **69.4** | **(0.3)** |

Investments in affiliated enterprises and participations declined by € 0.3 bn to € 69.1 bn (2008: € 69.4 bn).

Reductions of book value of shares in affiliated enterprises resulting from the disposal of Dresdner Bank AG (€ (5.4) bn) and impairments (€ (0.2) bn), which are primarily attributable to our investment in ROSNO, were compensated by book value increases mainly stemming from the following capital increases and transactions:

- capital increase of our investment holding AZ Arges Vermögensverwaltungsgesellschaft mbH in connection with the silent participation in Commerzbank AG (€ 0.8 bn);

- capital increase of Allianz Life Insurance Company of North America related to the purchase of collateralized debt obligations from Dresdner Bank AG (€ 1.1 bn);

- capital increase of Allianz Global Investors AG in connection with the acquisition of cominvest Group which was part of the consideration received for the sale of Dresdner Bank AG (€ 0.6 bn);

- reorganization of holding structures concerning our subsidiary AGCS AG (€ 1.0 bn) and from an affiliated investment holding company (€ 0.7 bn) with holdings in ICBC, Unicredit and The Hartford shares led to corresponding increases in book values of these subsidiaries;

- acquisition of shares in Commerzbank AG (€ 1.4 bn) as further consideration received for the sale of Dresdner Bank AG.

The shares in Commerzbank AG are disclosed in the position participations. Of the € 1.4 bn, shares with a book value of € 0.4 bn were sold to the market in 2009.

After the sale of Dresdner Bank AG, we reclassified a loan of € 1.0 bn to Commerzbank AG from loans to affiliated enterprises to loans to participations. Of these € 1.0 bn, € 0.3 bn were repaid in 2009.

Beyond the book value changes described above, additions and disposals of shares in affiliated enterprises mainly result from the following facts:

- group-internal restructurings in connection with the sale of Dresdner Bank AG resulted in further additions and disposals amounting to € 5.9 bn respectively with a net effect of € 0;

- the above mentioned book value increase by € 1.7 bn resulting from the reorganization of holding structures is a net effect of additions of € 5.4 bn and disposals of € 3.7 bn;

- other reorganizations of our portfolio of strategic holdings led to further additions and disposals amounting to € 1.5 bn respectively with a net effect of € 0.

## 5 Disclosure of participations

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

## 6 Other receivables

The € 1.8 bn decrease in other receivables is primarily due to a reduction of receivables from affiliated enterprises.

## 7 Miscellaneous assets

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

## 8 Other deferred charges and prepaid expenses

This item includes the discount on borrowings from affiliated enterprises, issued bonds and subordinated liabilities amounting to € 51 mn (2008: € 36 mn).

## 9 Collateral

Assets amounting to € 1.6 bn (2008: € 3.0 bn), thereof € 1.3 bn (2008: € 2.7 bn) to affiliated enterprises, are pledged as collateral for liabilities.

# Supplementary Information on Equity and Liabilities

## 10 Shareholders' Equity

As of December 31, 2009, the issued capital registered at the Commercial Register was € 1,161,984,000. The share capital is divided into 453,900,000 registered shares with restricted transferability. The no-par shares have a mathematical value of € 2.56 each as a proportion of the capital stock.

As of December 31, 2009, Allianz SE held 2,584,367 (2008: 545,807) own shares. In the first and second quarter of 2009 3,190,300 own shares with an average price of € 68.31 were purchased to hedge liabilities from the Group Equity Incentive program. This equals € 8,167,168.00 or 0.7 % of the share capital. 1,280,000 own shares were sold in the third quarter of 2009 with an average price of € 80.39. This equals € 3,276,800.00 or 0.3 % of the share capital. The remaining increase of 128,260 shares will be used in 2010 for the employee stock purchase plan of our subsidiaries in the NAFTA region.

As of December 31, 2009, other Group companies held 118,410 (2008: 1,013,970) shares in Allianz SE.

The own shares represent € 6,919,109.12 or 0.6 % of the share capital.

### Changes to the number of issued shares outstanding

| | 2009 | 2009 | 2008 |
|---|---|---|---|
| **Issued shares as of January 1** | | **453,050,000** | **450,150,000** |
| Capital increase for warrants "All-in-One" | | — | 2,200,000 |
| Capital increase for employee stock purchase plan | | 850,000 | 700,000 |
| **Total number of issued shares as of December 31** | | **453,900,000** | **453,050,000** |
| Own shares held for hedging GEI program | (2,334,335) | | (424,035) |
| Own shares held for quarterly employee stock purchase plan | (250,032) | | (121,772) |
| **Own shares held by Allianz SE** | | **(2,584,367)** | **(545,807)** |
| Own shares held by affiliated enterprises | | (118,410) | (1,013,970) |
| **Total number of shares outstanding as of December 31** | | **451,197,223** | **451,490,223** |

As of December 31, 2009, there was authorized capital 2006/I with a nominal amount of € 406,545,646.08 (158,806,893 shares), which can be issued until February 7, 2011. The shareholders' subscription rights can be excluded for capital increases against contribution in kind as well as for fractional amounts. For a capital increase against contributions in cash, the shareholders' subscription rights can be excluded if the issue price is not significantly below the market price and the shares issued under exclusion of the subscription rights pursuant to § 186 (3) sentence 4 AktG do not exceed 10 % of the share capital. Finally, shareholders' subscription rights can be excluded to the extent necessary to grant holders of bonds that carry conversion or option rights a subscription right. Another authorized capital (authorized capital 2006/II) can be used until February 7, 2011, to issue shares against cash contributions. The shareholders' subscription rights can be excluded in order to issue new shares to employees of Allianz SE and its Group companies. As of December 31, 2009, the authorized capital 2006/II amounted to € 5,880,296.96 (2,296,991 shares). Further, as of December 31, 2009, there exists an unissued conditional capital in the amount of € 250,000,000 (97,656,250 shares), authorized in 2006.

A capital increase out of unissued conditional capital will be carried out only to the extent that conversion or option rights are exercised by holders of bonds issued by Allianz SE or any of its subsidiaries or that mandatory conversion obligations are fulfilled.

### Additional paid-in capital

| | € thou |
|---|---|
| **As of December 31, 2008** | **27,409,075** |
| From capital increases 2009 | 63,801 |
| **As of December 31, 2009** | **27,472,876** |

### Appropriated retained earnings

| | As of December 31, 2008 € thou | Appropriation to reserve for own shares € thou | Appropriation to other € thou | As of December 31, 2009 € thou |
|---|---|---|---|---|
| 1. Legal reserve | 1,229 | — | — | 1,229 |
| 2. For own shares | 39,197 | 147,697 | — | 186,894 |
| 3. Other | 11,687,182 | (141,227) | 79,321 | 11,625,276 |
| **Total** | **11,727,608** | **6,470** | **79,321** | **11,813,399** |

## 11 Profit participation certificates

With effect of December 31, 2009 the profit participation certificates issued by Allianz SE have been called for redemption pursuant to § 6 (4) of the conditions attached to them. As of January 4, 2010 holders received a cash compensation of € 103.32 for each profit participation certificate of € 5.12 nominal value. As of December 31, 2009 the total cash compensation payable for the 1,175,554 outstanding profit participation certificates is shown under profit participation certificates on the balance sheet.

In addition, holders of the profit participation certificates will receive a distribution for the fiscal year 2009 pursuant to § 2 of the conditions of the profit participation certificates on the first business day after the Annual General Meeting of Shareholders of Allianz SE in 2010. The distribution per profit participation certificate is 2.4 times the dividend paid for each Allianz SE share for the fiscal year 2009, but at least 5% of the profit participation certificate's nominal value of € 5.12. Holders will receive a distribution of € 9.84 for each profit participation certificate, if the Annual General Meeting approves the dividend proposal of € 4.10 per share for the fiscal year 2009. The corresponding total distribution amount for the profit participation certificates is shown as part of other liabilities on the balance sheet.

## 12 Subordinated liabilities

Subordinated liabilities slightly decreased to € 6.8 bn (2008: € 6.9 bn). € 3.9 bn (2008: € 3.9 bn) are intra-group liabilities resulting from the issuance of subordinated bonds by Allianz Finance II B.V., Amsterdam, an affiliated enterprise, which usually transfers the proceeds from these issues to Allianz SE via group-internal loans.

In addition, external subordinated liabilities amounting to € 2.9 bn (2008: € 3.0 bn) result from bonds issued by Allianz SE directly. The slightly decrease by € 0.1 bn was caused by currency valuation effects.

Allianz SE provides a financial guarantee for the total amount of bonds issued by Allianz Finance II B.V., Amsterdam adding up to € 5.5 bn (2008: € 5.6 bn).

## 13 Insurance reserves

### Aggregate policy reserve

Aggregate policy reserve increased by € 213 mn in line with the increase in net premiums earned in Life business.

### Reserve for loss and loss adjustment expenses

The reserve for loss and loss adjustment expenses increased by a net amount of € 84 mn.

### Claims equalization and similar reserves

In the context of a system integration project the allocation to sub-lines of business had to be reviewed. As a result, the allocation in our foreign branches was harmonized retrospectively with the business line classification of Allianz SE. This allocation is the basis for the claims equalization reserve and led to a one-off release of € 206 mn. In total the decrease of claims equalization and similar reserves amounted to € 354 mn.

## 14 Other provisions

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

Other provisions increased by € 73 mn. The increase was driven by a net allocation to the pension liability in the ordinary course of business of € 79 mn, a net allocation of € 88 mn to the tax provision for corporate income tax and a net allocation for financial guarantees of € 145 mn.

This increase was primarily offset by a net reduction of provisions for the derivatives by € 211 mn and a net reduction of the provision for unbilled services by € 39 mn, coming from an extraordinarily high level in 2008 due to the sale of Dresdner Bank AG.

| | Provision | Use (–) | Release (–) | Allocation (+) | Provision |
|---|---|---|---|---|---|
| | December 31, 2008 | 2009 | 2009 | 2009 | December 31, 2009 |
| | € thou | € thou | € thou | € thou | € thou |
| Provisions for pensions and similar liabilities | 3,572,309 | 217,090 | 1,877 | 297,560 | 3,650,902 |
| Tax provisions | 249,383 | 37,904 | 25,161 | 150,982 | 337,300 |
| Other | | | | | |
| 1. Anticipated losses | 408,736 | 271,700 | 9,074 | 288,489 | 416,451 |
| 2. Miscellaneous | 320,690 | 170,970 | 41,675 | 111,275 | 219,320 |
| **Total other provisions** | **4,551,118** | **697,664** | **77,787** | **848,306** | **4,623,973** |

## 15 Maturity of financial liabilities

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

### Maturity table as of December 31, 2009

| | Total<br>€ thou | Term up to 1 year<br>€ thou | Term 1–3 years<br>€ thou | Term 3–5 years<br>€ thou | Term 5–10 years<br>€ thou | Term > 10 years<br>€ thou |
|---|---|---|---|---|---|---|
| Subordinated liabilities (C.) | | | | | | |
| Intra-group transmission of proceeds from third party financing | 3,855,126 | 161,664 | — | — | — | 3,693,462 |
| Subordinated bond issued by Allianz SE | 2,978,423 | 84,452 | — | — | — | 2,893,971 |
| Subtotal | 6,833,549 | 246,116 | — | — | — | 6,587,433 |
| Bonds (intra-group – G.II.) | 6,486,278 | 1,254,278 | 1,277,000 | 2,316,000 | 1,380,000 | 259,000 |
| Liabilities to banks (G.III.) | 3,075,140 | 2,025,140 | 800,000 | 250,000 | — | — |
| Miscellaneous liabilities (G.IV.) | | | | | | |
| Intra-group transmission of proceeds from third party financing | 1,687,145 | 312,145 | — | — | 1,375,000 | — |
| Other intra-group liabilities [1] | 14,441,702 | 12,871,014 | 754,982 | 180,706 | 635,000 | — |
| Subtotal intra-group miscellaneous liabilities | 16,128,847 | 13,183,159 | 754,982 | 180,706 | 2,010,000 | — |
| Liabilities to third parties | 1,402,999 | 1,402,999 | — | — | — | — |
| Subtotal miscellaneous liabilities | 17,531,846 | 14,586,158 | 754,982 | 180,706 | 2,010,000 | — |
| Total | 33,926,813 | 18,111,692 | 2,831,982 | 2,746,706 | 3,390,000 | 6,846,433 |

### Maturity table as of December 31, 2008

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

As of December 31, 2009 an amount of € 1.1 bn of the total financial liabilities is secured by assets pledged as collateral.

[1] As of December 31, 2009, other intra-group liabilities due within one year amounted to € 12.9 bn. Thereof, cash pool and intra-group loans accounted for € 4.0 bn and € 7.8 bn, respectively. Upon maturity, intra-group loans are rolled forward by Allianz SE on a regular basis.

## 16 Information about derivative financial instruments

### Options dealing in shares and share indices

| Class | Nominal € thou | Fair Value € thou | Book Value € thou | Underlying | Balance Sheet Position |
|---|---|---|---|---|---|
| Long Call | 150,986 | 30,070 | 40,667 | Allianz SE share | Assets D.IV. |
| Long Call | 117,226 | 35,285 | 23,355 | Bank Pekao share | Assets B.III. |
| Short Call | 517,020 | (64,999) | 180,905 | Allianz SE share | Liabilities G.IV. |

European type options are valued with the Black Scholes model and American type options with the binomial model on the basis of the closing price as of the valuation date. Yield curves are derived from the swap rates prevailing on the valuation date. The future dividend yield is estimated on the basis of the market information as of the valuation date. Volatility is calculated based on current traded implicit volatility, taking into account the residual term and the ratio between strike price and relevant reference price.

### Forward contracts in shares, share indices and hedge RSUs

| Class | Nominal € thou | Fair Value € thou | Book Value € thou | Underlying | Balance Sheet Position |
|---|---|---|---|---|---|
| Long Forward | 340,067 | 96,432 | — | Allianz SE share | — |
| Hedge RSU | 249,925 | (249,925) | 376,688 | Allianz SE share | Liabilities G.IV. |

The fair value of a forward contract is determined as the difference between the underlying closing price on the valuation date and the discounted forward price. The applicable discount rate is derived from interpolated swap rates. The net present value of dividend payments due before maturity of the forward contract is also taken into account, unless the dividends are subject to a pass-through agreement. Liabilities from hedge RSUs, which the Group companies acquire from Allianz SE in order to hedge their liabilities from the Group Equity Incentive programs, are valued on the basis of the Allianz closing price on the valuation date minus the aggregate of the net present values of estimated future dividends due before maturity of the respective hedge RSUs.

### Forward currency contracts

| Class | Nominal € thou | Fair Value € thou | Book Value € thou | Underlying | Balance Sheet Position |
|---|---|---|---|---|---|
| Long Forward | 91,900 | (2,019) | — | SGD | — |
| Short Forward | 1,805,637 | (33,849) | 31,386 | CNY, GBP, USD, HKD, CHF, CZK, SGD | Liabilities E. |

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

## Options on debt securities

| Class | Nominal € thou | Fair Value € thou | Book Value € thou | Underlying | Balance Sheet Position |
|---|---|---|---|---|---|
| Short Put Option | 1,295,624 | 127,815 | 159,177 | The Hartford Debentures | Liabilities E. |
| Long Put Option | 1,295,624 | (127,815) | 159,177 | The Hartford Debentures | Assets B.III. |

The internal options are valued with a Black-Derman-Toy model that is calibrated to the current swap curve and swaption volatilities. Since hedge accounting ("Bewertungseinheit") is applied, both short and long put options are recorded at acquisition cost.

## Overview over financial instruments

| Category | Position of Allianz SE | Nominal € thou | Fair Value € thou | Book Value € thou |
|---|---|---|---|---|
| Currency-related transactions | Foreign currency buyer | 91,900 | (2,019) | — |
| Currency-related transactions | Foreign currency seller | 1,805,637 | (33,849) | 31,386 |
| Share/Index-related transactions | Share/Index buyer | 608,279 | 161,788 | 64,022 |
| Share/Index-related transactions | Share/Index seller | 517,020 | (64,999) | 180,905 |
| Hedge RSU | Share seller | 249,925 | (249,925) | 376,688 |
| Debt security-related transactions | Debt security buyer | 1,295,624 | (127,815) | 159,177 |
| Debt security-related transactions | Debt security seller | 1,295,624 | 127,815 | 159,177 |

# Supplementary Information to the Income Statement

## 17 Gross premiums written

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Property-Casualty and Health insurance | 3,340,296 | 3,170,361 |
| Life insurance | 470,405 | 278,716 |
| **Total** | **3,810,701** | **3,449,077** |

## 18 Allocated interest return (net)

The amount of interest income transferred under this heading from the non-underwriting section to the underwriting section is calculated in accordance with § 38 RechVersV and increased by € 27 mn.

## 19 Change in other insurance reserves (net)

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Change in aggregate policy reserves (net) | 6,166 | (40,209) |
| Other insurance reserves (net) | (2,402) | 4,435 |
| **Total** | **3,764** | **(35,774)** |

The change in aggregate policy reserves (net) was mainly driven by the reserve release from the variable annuity business amounting to € 56 mn to our subsidiary Allianz Re Dublin Ltd.

The other insurance reserves (net) were mainly influenced by the development of the motor reinsurance business.

## 20 Underwriting expenses (net)

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Gross | (992,525) | (919,354) |
| Ceded | 125,897 | 123,275 |
| **Net** | **(866,628)** | **(796,079)** |

Underwriting expenses (net) increased by € 71 mn based on higher premium income. However, compared with net earned premiums, this represents an improved expense ratio.

## 21 Investment income

| | 2009 € thou | 2009 € thou | 2008 € thou |
|---|---|---|---|
| a) Income from shares in affiliated enterprises and participations thereof from affiliated enterprises: € 249,080 thou (€ 1,719,939 thou) | | 250,640 | 1,724,496 |
| b) Income from other investments thereof from affiliated enterprises: € 36,494 thou (€ 302,324 thou) | | | |
| ba) Income from real estate, real estate rights, and buildings, including buildings on property not owned by Allianz SE | 29,302 | | 27,839 |
| bb) Income from other investments | 546,395 | | 967,252 |
| | | 575,697 | 995,091 |
| c) Income from reversal of impairments | | 37,798 | 65,182 |
| d) Realized gains | | 2,141,873 | 9,301,172 |
| e) Income from profit transfer agreements | | 1,095,879 | 1,828,441 |
| **Total** | | **4,101,887** | **13,914,382** |

| | 2009 € thou | 2008 € thou |
|---|---|---|
| **ba) Income from real estate, real estate rights, and buildings, including buildings on land not owned by Allianz SE** | **29,302** | **27,839** |
| **bb) Income from other investments** | | |
| Debt Securities | 261,915 | 426,825 |
| Funds held by others under reinsurance business assumed | 168,554 | 150,359 |
| Bank deposits | 40,253 | 137,315 |
| Loans to affiliated enterprises | 31,620 | 132,227 |
| Loans to participations | 20,008 | — |
| Loans to third parties | 12,741 | 9,796 |
| Receivables from intra-group cash pooling | 4,874 | 9,731 |
| Interest in funds | 4,869 | 90,588 |
| Stocks | 763 | 10,361 |
| Other | 798 | 50 |
| **Subtotal** | **546,395** | **967,252** |
| **Total** | **575,697** | **995,091** |

## 22 Investment expenses

| | 2009 € thou | 2008 € thou |
|---|---|---|
| a) Investment management, interest charges and other investment expenses | | |
| aa) Interest expenses | (1,153,788) | (1,469,427) |
| ab) Other | (69,300) | (236,007) |
| b) Depreciation and impairments of investments | (409,561) | (1,561,153) |
| c) Realized losses | (517,521) | (335,392) |
| d) Expenses from losses taken over | (253,473) | (8,182,619) |
| **Total** | **(2,403,643)** | **(11,784,598)** |

| | 2009 € thou | 2008 € thou |
|---|---|---|
| aa) Interest expenses | | |
| Liabilities from intra-group bonds | (296,703) | (115,803) |
| Liabilities from intra-group loans | (217,848) | (526,442) |
| Intra-group subordinated liabilities (intra-group transmission of proceeds from third party financing) | (211,119) | (285,659) |
| Subordinated bonds issued by Allianz SE | (202,869) | (150,246) |
| Liabilities to banks | (110,428) | (36,107) |
| Liabilities from intra-group cash pooling | (66,813) | (206,889) |
| Liabilities from commercial paper issues | (31,349) | (145,195) |
| Other | (16,659) | (3,086) |
| **Total** | **(1,153,788)** | **(1,469,427)** |

## 23 Depreciation and impairments of investments

The depreciation and impairments of investments include unscheduled write-downs in accordance with § 253 (2) sentence 3 HGB of € 4 mn (2008: € 3 mn) on real estate and € 248 mn (2008: € 1,304 mn) on holdings in affiliated enterprises, thereof ROSNO € 177 mn.

## 24 Other income

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Currency gains | 339,480 | 117,025 |
| Gains on derivatives | 220,251 | 620,637 |
| Refund of pension expenses | 57,675 | 71,994 |
| Intercompany income | 33,655 | 30,469 |
| Other | 169,731 | 34,459 |
| **Total** | **820,792** | **874,584** |

## 25 Other expenses

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Interest and similar expense | (266,442) | (247,154) |
| Expenses for financial guarantees | (257,031) | (127,040) |
| Currency losses | (146,698) | (252,989) |
| Mark-to-market charges and losses on derivatives | (144,029) | (460,399) |
| Pension expenses | (81,223) | (71,965) |
| Anticipated losses on derivatives | (31,386) | (239,448) |
| Other | (443,623) | (402,399) |
| **Total** | **(1,370,432)** | **(1,801,394)** |

### Fees to the auditor

Following expenses were recorded for 2009:

| | € thou |
|---|---|
| a) Audit | (3,927) |
| b) Other certification and valuation services | (1,048) |
| c) Tax advice services | (96) |
| d) Other services | (702) |
| **Total** | **(5,773)** |

## 26 Income taxes

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

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

## 27 Net earnings

| | 2009<br>€ thou | 2008<br>€ thou |
|---|---|---|
| Net income | 1,941,572 | 1,581,811 |
| Unappropriated earnings carried forward | 5,209 | 3,716 |
| Use of appropriated earnings for own shares | — | 6,026 |
| Allocation to appropriated earnings for own shares | (6,470) | — |
| Allocation to other appropriated earnings | (79,321) | (5,878) |
| **Net earnings** | **1,860,990** | **1,585,675** |

# Other Information

## Contingent liabilities, legal proceedings and other financial commitments

### Guarantees to group companies

The guarantees as described below are provided by Allianz SE to group companies:

- Bonds issued by Allianz Finance II B.V., Amsterdam, for € 10.9 bn, thereof € 5.5 bn on a subordinated basis;
- Commercial Papers issued by Allianz Finance Corporation, USA. As of December 31, 2009, USD 0.4 bn of commercial papers were issued as part of the program;
- Letters of Credit issued to various operating Allianz entities amounting to € 0.7 bn.

Guarantee declarations in a total of € 1.8 bn have also been given for deferred annuity agreements signed by Allianz-RAS Seguros y Reaseguros S.A., Madrid.

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

Allowing for a defined deductible there are contingent liabilities of up to USD 600 mn in connection with certain insurance reserves of Fireman's Fund Insurance Co., Novato.

Allianz SE provides a maximum € 1.0 bn guarantee for the obligations of Allianz Vie, Paris, under a unit linked pension insurance contract. As of December 31, 2009, the guaranteed obligations amounted to € 571 mn.

In addition Allianz SE issued guarantees to various group companies totaling € 414 mn.

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

There are also guaranteed obligations of € 140 mn for phased-in retirement liabilities of German group companies.

Allianz Bank Zrt., Hungary, received a guarantee from Allianz SE in the amount of CHF 90 mn in connection with a loan.

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

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

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

There are financial commitments in connection with the promise of compensation to holders of rights under stock option programs of Allianz France S.A.

In connection with the sale of holdings in individual cases, guarantees were given covering counterparty exposures or the various bases used to determine purchase prices.

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

### Guarantees to third parties

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

As of December 31, 2009 other guarantee commitments given by Allianz SE amounted to €56 mn.

### Legal obligations

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

- ACM-Compagnie Mercur AG
- Allianz Alternative Assets Holding GmbH
- Allianz Argos 14 GmbH
- Allianz Autowelt GmbH
- Allianz Deutschland AG
- Allianz Finanzbeteiligungs GmbH
- Allianz Global Corporate & Specialty AG
- Allianz Investment Management SE
- Allianz Shared Infrastructure Services SE
- AZ-Arges Vermögensverwaltungsgesellschaft mbH
- IDS GmbH-Analysis and Reporting Services
- META Finanz-Informationssysteme GmbH

On July 28, 2009, Allianz SE has concluded a control and transfer-of-profit agreement with Allianz Common Applications and Services GmbH that now requires the consent of the Supervisory Board and the General Meeting of Allianz SE in May 2010. The contract will come into effect with its registration in the Commercial register of the controlled company.

Financial liabilities of € 192 mn arose in 2009 from advertising agreements.

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

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

### Litigation

On November 5, 2001, a lawsuit, Silverstein v. Swiss Re International Business Insurance Company Ltd., was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks US Insurance Company (AGR US). The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. On May 23, 2007, following court ordered mediation, AGR US reached a settlement with Silverstein Properties regarding the disputed insurance claims. On May 24, 2007, SCOR announced that it considers the settlement to not respect the terms and conditions of the Certificate of Reinsurance between SCOR and AGR US and referred the case to arbitration as contemplated under the Certificate of Reinsurance. In November 2009, the arbitration panel decided that SCOR does not have any claims against Allianz. Consequently, the arbitration proceeding did not result in any negative impact on Allianz' financial position.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG resolved to transfer shares from its minority shareholders to Allianz SE as principal shareholder in return for payment of a cash settlement amounting to € 51.50 per share. The amount of the cash settlement was established by Allianz SE on the basis of an expert opinion, and its adequacy was confirmed by a court appointed auditor. Some of the former minority shareholders applied for a court review of the appropriate amount of the cash settlement in a mediation procedure (Spruchverfahren), which is pending with the district court (Landgericht) of Frankfurt. We believe that a claim to increase the cash settlement does not exist. In the event that the court were to determine a higher amount as an appropriate cash settlement, this would affect all approximately 16 mn shares that were transferred to Allianz SE.

### Other contingencies

In accordance with § 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits ("Einlagensicherungsfonds"), Allianz SE has undertaken to indemnify the Federal Association of German Banks ("Bundesverband deutscher Banken e.V.") for any losses it may incur by reason of supporting measures taken in favour of Oldenburgische Landesbank AG (OLB), Münsterländische Bank Thie & Co.KG and Bankhaus W. Fortmann & Söhner KG.

With the sale of Dresdner Bank AG becoming effective on January 12, 2009, Allianz terminated the indemnification undertaking issued in 2001 in favour of the Federal Association of German Banks with respect to Dresdner Bank AG. As a result, the indemnification is only relevant for supporting measures that are based on facts that were already existing at the time of the termination.

## Board members

All board members, current or resigned during the year, and all supervisory board members, current or resigned during the year, are denoted on pages 8 and 9. Their memberships in supervisory boards or similar committees of other enterprises are mentioned on pages 99 to 102.

## Board of Management remuneration

As of December 31, 2009 the Board of Management is comprised of 10 members. For those members the following expense was recorded.

The remuneration of the Board of Management includes a fixed and a performance-based component.

The performance-based remuneration consists of an annual bonus (short-term), a three year bonus (mid-term) and share-based payments (long-term). The share-based payments are comprised in 2009 of 193,652 (2008: 112,102) stock appreciation rights (SAR) and 95,783 (2008: 54,404) restricted stock units (RSU).

| | 2009 € thou | 2008 € thou |
|---|---|---|
| Fixed remuneration | (6,582) | (6,660) |
| Annual bonus | (11,011) | (6,244) |
| Perquisites | (517) | (599) |
| **Fixed remuneration, annual bonus and perquisites total** | **(18,110)** | **(13,503)** |
| Fair value of SAR at grant date | (3,475) | (2,690) |
| Fair value of RSU at grant date | (4,757) | (4,502) |
| **Share-based payment** | **(8,232)** | **(7,192)** |
| **Total** | **(26,342)** | **(20,695)** |

Following the final assessment 2007 to 2009 of performance for the three-year bonus, a total payout of € 6,443 thou was approved by the Supervisory Board. Thereof € 1,564 thou (2008: € 2,093 thou) are attributable to the fiscal year 2009.

Total remuneration of the board of management for 2009, including the payment for the three-year bonus 2007 to 2009, amounts to € 32,785 thou (for 2008 without the relevant three-year bonus tranche: € 20,695 thou).

### Equity remuneration plan

The fair value of the SAR at date of grant was € 3 475 thou (2008: € 2 690 thou), the fair value of the RSU was € 4 757 thou (2008: € 4 502 thou).

### Benefits to retired Members of the Board of Management

In 2009, remuneration and other benefits of € 4 mn (2008: € 7 mn) were paid to retired members of the Board of Management and dependents. Additionally, reserves for current pensions and accrued pension rights totaled € 40 mn (2008: € 38 mn).

## Supervisory Board remuneration

| | € | % |
|---|---|---|
| Fixed Compensation | (702,084) | 47,1 |
| Performance-based remuneration | (337,000) | 22,6 |
| Committee remuneration | (461,002) | 30,9 |
| Cap | 37,000 | (2,5) |
| Attendance fees | (28,000) | 1,9 |
| **Total** | **(1,491,086)** | **100,0** |

For detailed information please refer to the remuneration report on pages 55 to 67.

## Average number of Employees in 2009

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

| | 2009 | 2008 |
|---|---|---|
| Full-time staff | 1,088 | 958 |
| Part-time staff | 146 | 116 |
| **Total** | **1,234** | **1,074** |

## Staff expenses

| | 2009 € thou | 2008 € thou |
|---|---|---|
| 1. Wages and salaries | (183,012) | (139,603) |
| 2. Statutory welfare contributions and expenses for optional support payments | (13,528) | (11,698) |
| 3. Expenses for pensions and other post-retirement benefits | (20,896) | (17,456) |
| **Total expenses** | **(217,436)** | **(168,757)** |

## Notifications pursuant to § 21 (1) WpHG

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

| Company Name | Location | + = exceeds – = falls below | Threshold % | Date | Proportion of voting rights % | Amount of voting rights | Attribution pursuant to § 22 WpHG |
|---|---|---|---|---|---|---|---|
| AllianceBernstein L.P. | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| AllianceBernstein Corp. | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| Equitable Holdings, LLC | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| AXA Equitable Life Insurance Company | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| AXA Equitable Financial Services, LLC | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| AXA Financial, Inc. | New York | – | 3 | April 16, 2009 | 2.97 | 13,443,186 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| BlackRock, Inc. | New York | + | 3 | December 1, 2009 | 4.86 | 22,077,578 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| BlackRock Holdco 2, Inc. | New York | + | 3 | December 1, 2009 | 4.74 | 21,536,208 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| BlackRock Financial Management, Inc. | New York | + | 3 | December 1, 2009 | 4.74 | 21,536,208 | § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 |
| AXA S.A. | Paris | – | 3 | December 8, 2009 | 2.93 | 13,288,769 | 13,269,309 voting rights (2.9234 %) according to § 22 (1) sentence 1 No. 6 in conjunction with § 22 (1) sentence 2 and 19,460 voting rights (0.0043 %) according to § 22 (1) sentence 1 No. 1 |

## Declaration of Compliance with the German Corporate Governance Code

On December 17, 2009, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance with the German Corporate Governance Code required by § 161 AktG and made it permanently available on the company's website under www.allianz.com/corporate-governance.

Munich, February 15, 2010
Allianz SE

The Board of Management

# Responsibility Statement

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

Munich, February 15, 2010
Allianz SE

The Board of Management

# Auditor's Report

We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of the Allianz SE, Munich, for the business year from 1 January to 31 December 2009. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law and supplementary provisions of the articles of incorporation are the responsibility of the Company's management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

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

Our audit has not led to any reservations.

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

Munich

March 3, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Frank Ellenbürger
Wirtschaftsprüfer

Johannes Pastor
Wirtschaftsprüfer

# Mandates of the Members of the Supervisory Board

**Dr. Henning Schulte-Noelle**
Membership in other statutory supervisory boards and SE administrative boards in Germany
E.ON AG, ThyssenKrupp AG

**Dr. Wulf H. Bernotat**
Membership in other statutory supervisory boards and SE administrative boards in Germany
Bertelsmann AG, METRO AG,
Deutsche Telekom AG (since January 1, 2010)

Membership in group bodies
E.ON Energie AG (Chairman),
E.ON Ruhrgas AG (Chairman)

Membership in comparable [1] supervisory bodies
Membership in group bodies
E.ON Nordic AB (Chairman) (until January 4, 2010),
E.ON Sverige AB (Chairman)

**Jean-Jacques Cette**
Membership in comparable [1] supervisory bodies
Membership in group bodies
Allianz France S.A.

**Dr. Gerhard Cromme**
Membership in other statutory supervisory boards and SE administrative boards in Germany
Axel Springer AG, Siemens AG (Chairman),
ThyssenKrupp AG (Chairman)

Membership in comparable [1] supervisory bodies
Compagnie de Saint-Gobain S.A.

**Claudia Eggert-Lehmann** until January 12, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Dresdner Bank AG (Vice Chairwoman)

**Karl Grimm** since January 28, 2009
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in group bodies
Allianz Versorgungskasse VVaG (Deputy Chairman)

**Godfrey Robert Hayward**

**Dr. Franz B. Humer** until December 31, 2009
Membership in comparable [1] supervisory bodies
DIAGEO plc (Chairman)

Membership in group bodies
Roche Holding AG (Chairman)

**Prof. Dr. Renate Köcher**
Membership in other statutory supervisory boards and SE administrative boards in Germany
BMW AG, Infineon Technologies AG, MAN SE

**Peter Kossubek**
Membership in other statutory supervisory boards and SE administrative boards in Germany
Membership in group bodies
Allianz Versorgungskasse VVaG

**Igor Landau**
Membership in other statutory supervisory boards and SE administrative boards in Germany
adidas AG (Chairman)

Membership in comparable [1] supervisory bodies
HSBC France, Sanofi-Aventis S.A.

**Jörg Reinbrecht**

**Peter Sutherland** since January 1, 2010
Membership in comparable [1] supervisory bodies
BW Group Ltd., Eli Lilly Holdings Ltd., Goldman Sachs International (Chairman), Koç Holding A.Ş.

**Rolf Zimmermann**

As of December 31, 2009 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

# Mandates of the Members of the Board of Management

## Michael Diekmann

**Membership in other statutory supervisory boards and SE administrative boards in Germany**
BASF SE (Deputy Chairman), Linde AG (Deputy Chairman), Siemens AG

**Membership in Group bodies**
Allianz Deutschland AG (Chairman),
Allianz Global Investors AG (Chairman)

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz France S.A. (Vice President), Allianz S.p.A.

## Dr. Paul Achleitner

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

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

## Oliver Bäte

**Membership in other statutory supervisory boards and SE administrative boards in Germany**
**Membership in Group bodies**
Allianz Global Corporate & Specialty AG (Vice Chairman),
Allianz Global Investors AG,
Allianz Investment Management SE (Vice Chairman)

## Clement B. Booth

**Membership in other statutory supervisory boards and SE administrative boards in Germany**
**Membership in Group bodies**
Allianz Global Corporate & Specialty AG (Chairman)

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz Australia Limited,
Allianz Insurance Holdings plc (Chairman),
Allianz Irish Life Holdings plc,
Allianz Life Insurance Company of North America (until December 31, 2009),
Euler Hermes S.A. (Chairman) (since January 1, 2010),
Fireman's Fund Insurance Company (until December 31, 2009)

## Enrico Cucchiani

**Membership in comparable [1] supervisory bodies**
Pirelli & C. S.p.A., Unicredit S.p.A.

**Membership in Group bodies**
Allianz Compañía de Seguros S.A. Barcelona (Vice Chairman),
Allianz Hayat ve Emeklilik A.Ş. (Vice Chairman),
Allianz Sigorta P&C A.Ş. (Vice Chairman),
Allianz S.p.A. (CEO),
Companhia de Seguros Allianz Portugal S.A.

As of December 31, 2009 or (with members who resigned) day of resignation
1) We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Dr. Joachim Faber
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
Deutsche Börse AG

**Membership in Group bodies**
Allianz Global Investors Deutschland GmbH (Chairman),
Allianz Global Investors Kapitalanlagegesellschaft mbH (Chairman)

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz France S.A.,
Allianz Global Investors Italia SGR S.p.A. (Chairman),
Allianz S.p.A.

Dr. Helmut Perlet until August 31, 2009
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
Commerzbank AG, GEA Group AG

**Membership in Group bodies**
Allianz Deutschland AG,
Allianz Global Corporate & Specialty AG (Vice Chairman) (until August 31, 2009),
Allianz Global Investors AG (until September 15, 2009),
Allianz Investment Management SE (Vice Chairman) (until September 9, 2009)

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz Life Insurance Company of North America,
Allianz S.p.A., Fireman's Fund Insurance Company

Dr. Christof Mascher since September 10, 2009
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
**Membership in Group bodies**
Allianz Shared Infrastructure Services SE (Chairman)

Jay Ralph since January 1, 2010
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
**Membership in Group bodies**
Allianz Global Corporate & Specialty AG

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz Life Insurance Company of North America (Chairman),
Fireman's Fund Insurance Company (Chairman)

Dr. Gerhard Rupprecht
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
Fresenius SE, Heidelberger Druckmaschinen AG

**Membership in Group bodies**
Allianz Beratungs- und Vertriebs-AG (Chairman),
Allianz Lebensversicherungs-AG (Chairman),
Allianz Private Krankenversicherungs-AG (Chairman),
Allianz Versicherungs-AG (Chairman)

**Membership in comparable [1] supervisory bodies**
**Membership in Group bodies**
Allianz Elementar Lebensversicherungs-AG (Chairman),
Allianz Elementar Versicherungs-AG (Chairman),
Allianz Investmentbank AG (Vice Chairman),
Allianz Suisse Lebensversicherungs-Gesellschaft,
Allianz Suisse Versicherungs-Gesellschaft

As of December 31, 2009 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Jean-Philippe Thierry until December 31, 2009
**Membership in comparable [1] supervisory bodies**
Atos Origin (Chairman), Baron Philippe de Rothschild, Eurazeo, Paris Orléans, Pinault Printemps Redoute, Société Financière et Foncière de participation

**Membership in Group bodies** until December 31, 2009
Allianz France S.A. (Chairman),
Allianz France International S.A. (Chairman),
Euler Hermes S.A. (Chairman),
Mondial Assistance AG (Chairman)

Dr. Herbert Walter until January 12, 2009
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
Deutsche Lufthansa AG, Deutsche Börse AG,
E.ON Ruhrgas AG

**Membership in comparable [1] supervisory bodies**
Banco BPI S.A., Banco Popular Español S.A.

Dr. Werner Zedelius
**Membership in other statutory supervisory boards and SE administrative boards in Germany**
**Membership in Group bodies**
Allianz Private Krankenversicherungs-AG (Vice Chairman)

**Membership in comparable [1] supervisory bodies**
Bajaj Allianz General Insurance Company Limited,
Bajaj Allianz Life Insurance Company Limited

**Membership in Group bodies**
Allianz Hungária Biztosító Rt. (Chairman),
Allianz pojistovna a. s. (Chairman),
Allianz-Slovenska poistovna a. s. (Chairman),
ROSNO (Chairman),
T. U. Allianz Polska S.A. (Chairman),
T. U. Allianz Życie Polska S.A. (Chairman)

As of December 31, 2009 or (with members who resigned) day of resignation
[1] We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

# List of Abbreviations

| | |
|---|---|
| A.Ş. | Anonim Şirket |
| a.s. | akciova společnost |
| AG | Aktiengesellschaft |
| AGF | Assurances Générales de France S.A. |
| AGR US | Allianz Global Risks US Insurance Company |
| AktG | Aktiengesetz (German Stock Corporation Act) |
| All Net | Allianz International Employee Benefits Network |
| ASPP | Allianz Sustained Performance Plan |
| AZ | Allianz |
| B.V. | Besloten Vennootschap met beperkte aansprakelijkheid |
| BaFin | Bundesanstalt für Finanzdienstleistungsaufsicht |
| BilMoG | Bilanzrechtsmodernisierungsgesetz |
| bn | billion |
| BCM | Business Continuity Management |
| CAT risk | catastrophe risk |
| CEO | Chief Executive Officer |
| CEIOPS | Committee of European Insurance and Occupational Pensions Supervisors |
| CFO | Chief Financial Officer |
| COO | Chief Operating Officer |
| COSO | Committee of Sponsoring Organization |
| CRisP | Credit Risk Reporting Platform |
| CRO Forum | Chief Risk Officer Forum |
| DAX | Deutscher Aktienindex |
| DVFA | Deutsche Vereinigung für Finanzanalyse und Asset Management |
| EAD | Exposure At Default |
| EEA | European Economic Area |
| ERM | Enterprise Risk Management |
| e.V. | eingetragener Verein |
| EPS | Earnings per share |
| EU | Europäische Union |
| EVA | Economic Value Added |
| FATF | Financial Action Task Force on Money Laundering |
| FSB | Financial Stability Board |
| GEA | Global Engineering Alliance |
| GEI | Group Equity Incentives |
| GmbH | Gesellschaft mit beschränkter Haftung |
| HGB | Handelsgesetzbuch (German Commercial Code) |
| HR | Human Ressources |
| IDW | Institut der Wirtschaftsprüfer in Deutschland e.V. |
| IFRS | International Financial Reporting Standards |
| Inc. | Incorporated Company |
| LGD | Loss Given Default |
| LLC | Limited Liability Company |
| Ltd. | Limited |
| M&A | Mergers and acquisitions |
| MaRisk VA | Aufsichtsrechtliche Mindestanforderungen an das Risikomanagement in Versicherungen (Minimum requirements for risk management in insurance companies) |
| MCEV | Market Consistent Embedded Value |
| mn | million |
| n/a | not applicable |
| NAFTA | North American Free Trade Agreement |
| NAT CAT | natural catastrophe |
| NBM | New Business Margins |
| No. | Number |
| non-CAT risk | non-catastrophe risk |
| NYSE | New York Stock Exchange |
| OE | Operating Entity |
| OECD | Organisation for economic co-operation and development |
| OLB | Oldenburgische Landesbank AG |
| plc | public limited company |
| pts | points |
| RechVersV | Verordnung über die Rechnungslegung von Versicherungsunternehmen (External Accounting Requirements of Insurance Enterprises) |
| Repo market | Repurchase market |
| ROSNO | Russian People’s Insurance Society |
| RSU | Restricted Stock Units |
| S.A. | Société Anonyme |
| S.p.A. | Società per Azioni |
| SAR | Stock Appreciation Rights |
| SCOR | SCOR SE |
| SE | Societas Europaea |
| thou | thousand |
| TOM | Target Operating Model |
| U.S. | United States |
| UN | United Nations |
| VAG | Versicherungsaufsichtsgesetz (Law on Supervision of Insurance Enterprises) |
| VaR | Value at Risk |
| VorstAG | Gesetz zur Angemessenheit der Vorstandsvergütung |
| VVaG | Versicherungsverein auf Gegenseitigkeit |
| WpHG | Wertpapierhandelsgesetz (German Securities Trading Act) |
| WpÜG | Wertpapiererwerbs- und Übernahmegsetz (German Takeover Act) |

Allianz SE
Koeniginstrasse 28
D-80802 Muenchen
Germany

Telephone +49 89 38 00 0
info@allianz.com
www.allianz.com

Photography: Andreas Pohlmann

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