Allianz Global Corporate & Specialty

Allianz Global Corporate & Specialty AG

Annual Report 2008

Allianz

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Foreword

It is without exaggeration that I can say 2008 will be remembered as a turning point for both Allianz Global Corporate & Specialty and the world at large.
In corporate and specialty insurance, the major market events proved the robustness of the AGCS model. We successfully weathered the year's many storms, coming out as one of the few serious players left in our segment, even as our company continued to develop and adapt according to our long-term strategy.

Taken together, AGCS units wrote € 2.859 billion in gross written premiums, a commendable increase on the 2007 result of € 2.811 billion in the face of the current financial crisis and economic downturn. It is proof positive that our client focus initiatives are paying off. At the same time, our strong combined ratio proves that this growth is not coming at the cost of profitability, that our fundamentals remain strong and that we are benefiting from our prudence in prior years. The soft market impacted our accident year performance in property and we have taken actions to improve premium quality.

Why are we ahead as the others drop behind? Partnership, client orientation, trust, reputation – these are the key issues in today's crisis. We listen and we keep promises. Most importantly, we realise the importance to our clients of our own financial stability – insurance is not about making bets. The ratings agencies confirmed this. Last fall AM Best raised the financial strength ratings on Allianz Global Corporate & Specialty AG, Allianz Global Corporate & Specialty (France) and on Allianz Global Corporate & Specialty North America (legal name Allianz Global Risks US Insurance Company) to A+ (superior), and in December S&P confirmed the AA rating of Allianz SE, specifically citing the contribution of AGCS to the Group's long-term success. Our return on investment was lower than last year, but unlike most of our competitors it was positive. We suffered less than EUR 30 million in losses from Hurricanes Gustav and Ike, a performance that puts our competitors in the shade. Yet again, we have demonstrated the ability to learn from the past and to plan for the future.

Our vision for that future when we founded AGCS three years ago is also coming true. The marine portfolio will become one of the largest in the world through the planned transfer of the Fireman's Fund marine business to AGCS, a process which we announced in 2008. That and the new marine office AGCS opened last summer in Canada means we now have offices in virtually every major international shipping hub, fulfilling our promise to our clients to cover them wherever they do business. AGCS AG also continued its branch expansion, integrating our Italian business and opening our Copenhagen office to bring Allianz back to Scandinavia for the first time in nearly a decade. During 2009 and 2010, we expect to complete our branch projects in Spain, Netherlands and Belgium, as well as growing the AGCS presence in Brazil, Mexico and South Africa. We have also made strong progress with the ongoing roll-out of integrated global systems, benefiting not only AGCS but also delivering real service benefits to our clients around the world.

AGCS expanded in practically all of our lines of business as well. AGCS was one of the only insurers not only to write a profit in Energy lines but also to grow the business. In the Financial Lines area we added new products such as Professional Indemnity and the like to our field of expertise. These are just some of the highlights, and they show what an innovative place AGCS is becoming. It is the same innovation that has led to new products, new business processes and exciting new areas of cross-selling and collaboration with clients and brokers.

That innovation has been driven and carried by the more than 2,500 women and men at AGCS around the world. I want to thank them all for their commitment and hard work throughout 2008.

I said last year that globalization and change will accompany us every day. That statement is now more true than ever. Globalization also means that a financial crisis will have global effects, and change is not always good. At Allianz Global Corporate & Specialty, we take our responsibility seriously to be prepared for this as well. That is why clients turn to us.

Theis

Axel Theis, CEO Allianz Global Corporate & Specialty

AGCS Structure

Allianz Global Corporate & Specialty AG (AGCS AG), a fully-owned subsidiary of Allianz SE, Munich, Germany, is a globally operating company registered in Munich, Germany. The company is embedded in a network of various companies in Europe and North America which reflect the global needs of its corporate and specialty insurance customers. The Allianz Group has decided to serve these global needs by implementing global business structures within one segment. AGCS operates through a network of branch offices and local insurance companies within and outside the Allianz Group, who cede business to AGCS AG.

AGCS AG has a headquarter function within this segment. It has established branch offices in the UK, France, Denmark (for the Nordic region), Austria and Italy. Additional branches are planned in Spain, Belgium and the Netherlands.

AGCS AG subsidiary AZT Risk & Technology GmbH, Munich/Germany provides supplemental loss control engineering services in the form of risk analyses and claims expertise.

To serve the needs of the North American market Allianz Global Risks US Insurance Company (AGR US), an indirect subsidiary of Allianz SE, operates in the USA with a Canadian branch in Toronto.

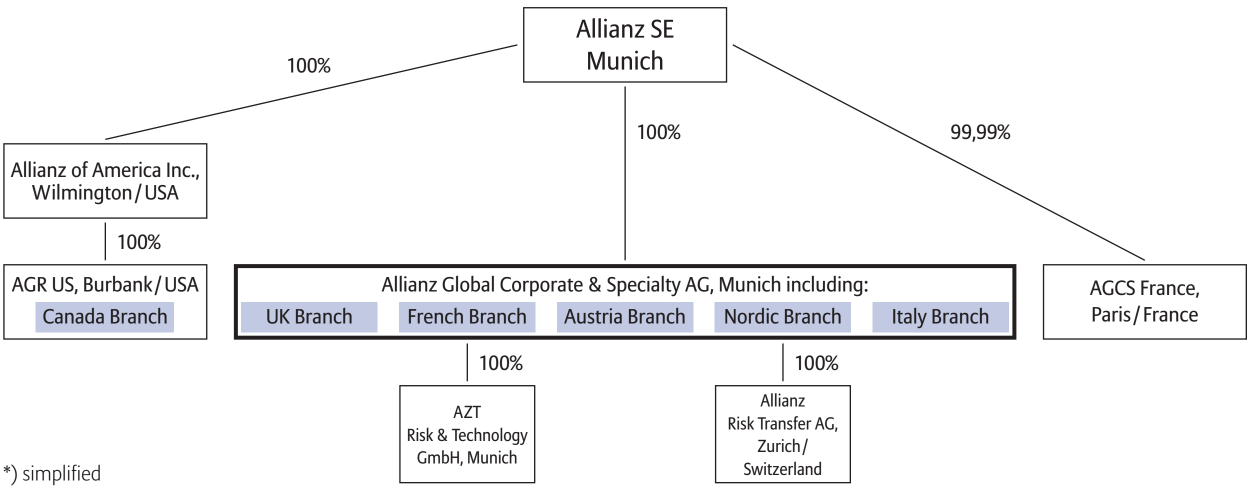
French customers are either served by the French branch of AGCS AG or by Allianz Global Corporate & Specialty (France) (AGCS France), Paris/France, another direct subsidiary of Allianz SE.

The special needs of the Swiss market are serviced by Allianz Risk Transfer AG, Zurich/Switzerland, a fully-owned subsidiary of AGCS AG.

The following section refers to AGCS as a segment, i.e. the figures reflect a consolidated view. The legal part of this Annual Report refers to AGCS AG only.

Allianz Global Corporate & Specialty AG

Legal Structure*)



*) simplified

AGCS Global by Line of Business

AGCS' Global Business consists of the legal entities AGCS AG, AGCS France, AGR US, AZ Re Dublin and ART (Switzerland). The Lines of Business are reported only for AGCS AG, AGCS France, AGR US and the International Corporate Business part of ART. The business written by AZ Re Dublin was exclusively made up of reinsurance cessions from AGCS AG, and the main part of the ART business stemmed from the reinsurance cession from AGCS AG. Gross figures per Line of Business are shown on a non-consolidated basis as consolidation between legal entities is not performed at the Line of Business level. The consolidation effect of gross premiums written amounts to € 279.4 million, leading to gross consolidated premiums written of € 2,859.15 million.

Gross premiums written for **Aviation** business amounted to € 517.0 (533.7) million which is 3.1% lower than prior year. The US business grew in 2008 and has become the strongest Aviation market for AGCS. AGR US has started underwriting Aviation business in 2007 only, taking over US business which had previously been written by the UK branch of AGCS AG. On the claims side, large losses in the Sub-line Airlines were the main driver for the calendar year loss ratio of 64.8% (62.7%). The full combined ratio amounted to 88.1% (84.4%).

Energy insurance continued the successful performance achieved in the previous year as gross premiums written grew further, reaching € 182.9 (136.3) million, exceeding prior year by 34.2%. Claims activity remained below expectations translating into a good result for Energy in 2008 with a full combined ratio of 75.6% (31.7%).

Confirming the positive trend from 2007, gross premiums written in **Engineering** reached € 423.0 (386.6) million, exceeding the prior-year figure by 9.4%. Especially Germany and France contributed to the strong top-line result, while North America's growth slowed down during the second half of the year as a result of the financial crisis and its impact on construction. The calendar year loss ratio of 61.8% (64.2%) improved further compared to 2007. Backed up by the strong top-line result, Engineering managed to lower its full combined ratio to 83.8% (90.9%).

Financial Lines managed an increase in gross premiums written to € 96.8 (84.5) million. Due to the financial crisis, additional IBNR have been set up in Germany, the UK and Switzerland. As a result, the full combined ratio went up to 134.5% (80.7%).

In 2008, gross premiums written in **Liability** increased by € 57.4 million to € 545.4 (488.0) million. The PharmChem segment, which belongs to Liability, strongly contributed to this result with gross premiums written of € 52.9 (23.0) million. The total claims charge amounted to € 192.8 (219.5) million, resulting in a calendar year loss ratio of 58.7% (68.4%). The full combined ratio of 84.0% (91.8%) showed an improvement of 7.8%-p. vs. prior year.

Gross premiums written in **Marine** insurance showed a slight decrease of 1.0% to € 423.1 (427.3) million. The total claims of € 237.2 (264.2) million were affected by large losses in Germany and France, resulting in a calendar year loss ratio of 75.0% (78.0%). The full combined ratio improved to 102.5% (107.9%).

AGCS' largest line, **Property**, generated gross premiums written of € 924.2 (1,037.9) million. The effect of high frequency of medium sized losses and several large losses in the first half of the year in North America was compensated by the positive run-off for prior years, due to a review of reserves. On a global level, the claims charge totaled € 231.8 (305.8) million, which resulted in a good calendar year loss ratio of 52.3% (67.7%) and a full combined ratio of 87.8% (98.3%).
The gross premiums written of Other lines amounted to € 26.2 (32.5) million.

Supervisory Board

Clement Booth
Member of the Board
of Management, Allianz SE
Chairman

Dr. Helmut Perlet
Member of the Board
of Management, Allianz SE
Deputy Chairman

Dr. Stefan Jentzsch
Member of the Board
of Management,
Dresdner Bank AG

Jay Ralph
CEO – Allianz Re,
Allianz SE

Alexandra Stein
Insurance sales
Employee representative
until April 9, 2008

Bernadette Ziegler
Personnel Officer
Employee representative

Senol Sabah
IT department
Employee representative
since April 9, 2008

Board of Management

Dr. Axel Theis
CEO
Chairman

Klaus Otto Bick
CRO

Chris Fischer Hirs
ART/Asia Pacific

Dr. Hermann Jörissen
CUO

Dr. Reinhard Schwarz
CSO & Europe
until September 5, 2008

Robert Tartaglia
COO

Wilfried Verstraete
CFO

General Managers

Branch office
UK

Douglas Pennycuick
Chief Executive

Branch office
France

Gilles Mareuse
Chief Executive

Branch office
Austria

Robert Korn
Chief Executive

since 05/01/2008
Branch office
Nordic Region

Stig Jensen
Chief Executive

Since 12/01/2008
Branch office
Italy

Giorgio Bidoli
Chief Executive

Report of the Supervisory Board

We continually monitored the Board of Management's conduct of business on the basis of regular reports and we informed ourselves about the state of affairs in several meetings. We have examined the Annual Financial Statements and the Management Report. We concur with the findings of KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, which issued an unqualified auditor's certificate for the Annual Financial Statements for fiscal 2008 and the Management Report presented to it. In its meeting of April 20, 2009, the Supervisory Board approved the Annual Financial Statements prepared by the Board of Management, which are hereby confirmed.

Effective September 5, 2008, Dr. Reinhard Schwarz resigned from his position as member of the Board of Management with the consent of the Supervisory Board. We thanked Dr. Schwarz for his contribution to the work of the Board of Management.

Based on the results of his examination, the responsible actuary granted unqualified actuarial certification as provided for by section 11 e in conjunction with section 11 a 3 (2) of the German Insurance Supervision Law (VAG).

Munich, April 20, 2009

For the Supervisory Board

Clement Booth

Management Report

As a provider of International Industrial Insurance, our company was exposed to difficult market conditions in the reporting year. The worldwide economic crisis caused strong volatility in the capital markets which, on the one hand, led to exchange rate fluctuations, particularly of the U.S. dollar and the British pound, and, on the other hand, had a strong impact on the valuation of investments. In this difficult context, the business model of Allianz Global Corporate & Specialty AG and the basic strategy we introduced in 2006 has proven its resilience and now produces palpable results. The rather conservative investment strategy we adopted left our investments less exposed to the volatility of the capital markets. The effectiveness of this strategy is reflected in our strong credit ratings from Standard & Poor's and A.M. Best. The expansion of our direct underwriting activities by setting up branches in the neighbouring European countries continued on schedule in 2008 with the opening of a branch office in Denmark for the Nordic Region and in Italy. With the introduction of a Market Management unit for customer-focused services, and thanks to our stronger international profile, we are now in a position to cater more closely to our customers' needs.

Development Overview

The business of Allianz Global Corporate & Specialty AG (AGCS AG) includes the German and International Corporate Business (ICB), as well as the specialty insurance lines Marine and Aviation, in both the direct and the indirect business. While the German subsidiary underwrites all insurance lines, the branch office in Paris only underwrites the specialty insurance lines Marine and Aviation. The branch offices in London, Vienna, Copenhagen and Milan underwrite ICB business and also the specialty lines. In Switzerland, ICB business and the specialty lines have been underwritten since 2007 by our subsidiary Allianz Risk Transfer AG in Zurich.
The bundling of our activities, the increasing share of direct business and the further diversification of insurance risks has also enabled us to strengthen our offer of insurance solutions for specific needs, as well as our comprehensive service. For us, customer focus is the starting point for cross-border standardization and optimization of our business practices in all business areas.

Premium income of € 2.2 (2.3) billion declined slightly by € 25.3 million from the previous year. The growing business volume resulting from the reorientation of the company was counteracted by strong competition and very noticeable price pressures. Currency effects also had a slight negative impact on sales. Premium income in Germany fell by € 22.0 million to € 1.6 (1.6) billion while the UK registered a drop of € 59.4 million to € 536.6 (596.0) million. France reported growth of € 3.2 million to € 36.6 (33.4) million and Austria posted a substantial increase of € 21.6 million to € 24.8 (3.2) million. The noticeable reduction of gross premium income at the UK branch office is due to the shift of aviation business underwritten in North America to Allianz Global Risks USA as well as the transfer of locally underwritten ICB risks from the Scandinavian market to the newly founded branch office in Denmark. The branch offices in Demark and in Italy, which both opened in 2008, contributed premium income of € 10.7 million and € 20.6 million respectively. In an environment marked by growing competitive pressures, we continued to pursue our risk-adequate and selective underwriting and reinsurance policy. The impact of major elementary losses on claims expenses was less strong in the reporting year. The influence of hurricanes Gustav and Ike amounted to € 68.2 million, of which a large part was reinsured in the market. Total gross claims expenses came to € 1.3 (1.3) billion – only € 26.0 million less than in the previous year. With respect to the overall portfolio, this corresponds to a slight reduction of the gross loss ratio by 0.9 percentage points to 60.5 percent, compared to 61.4 percent in the previous year.

Gross underwriting expenses decreased by € 31.7 million to € 477.4 (509.1) million, which corresponds to a clearly lower gross cost ratio of 21.9 (23.2) percent. This is essentially due to lower reinsurance premiums from business assumed and the transfer of direct underwriting activities to the branch offices.

The equalization reserves and reserves similar to equalization reserves, whose recognition in the balance sheet is required by law, required total allocations of € 62.4 (release of 146.4) million.

This led to an underwriting profit for own account of € 115.4 (272.6) million. The result for own account is to a great extent influenced by the quota share cessions of certain business segments to Allianz Risk Transfer AG, which were already introduced on January 1, 2007, and to Allianz Reinsurance in Dublin.

To be able to evaluate the development of our business segment, the International Corporate Business must be evaluated in its totality. The impact of the AGCS business model of being closer to the client through direct underwriting by local offices is characterized by the fact that insurance business, that was previously written as reinsurance assumed and reported as indirect business, is since 2007 increasingly reported as direct business. Basically, this is still the same insurance business. In the year under review, the shift of our premium income from the indirect insurance business to the direct insurance business, as a result of the activities of our European branch offices, continued. Both the direct and indirect insurance business experienced favorable claims developments in the reporting year and reported a gross loss ratio of 62.8 (60.7) percent in the direct and of 58.6 (61.9) in the indirect business.

Direct Insurance Business

- Premium income in Personal Accident Insurance rose to € 3.8 (2.8) million, mainly in Germany. After a moderate allocation to the equalization reserve of € 0.1 (0.7) million, the underwriting profit of € 0.4 (0.9) million was slightly below the prior-year level because of higher reinsurance cessions.

- In Liability Insurance, premium income grew in the reporting year by € 25.4 million to € 385.6 (360.2) million, an increase of 7.1 (6.9) percent. While premiums at the UK branch office were clearly lower, the decline was more than compensated by higher premium income in Germany and the extension of our activities to the Nordic region and to Italy. Compared to the previous year this line reported slightly higher losses, which brought up gross claims by € 2.1 million to € 224.4 (222.2) million. For the main part, the company had already in the previous year made adequate provisions for the German insurance business in view of the sub-prime crisis in D&O insurance in Germany. These provisions were adjusted to the expected claims payout and increased to a total of € 50 million in view of the overall portfolio of the branch office. Before allocation to the equalization reserve and due to a lower premium retention rate, this insurance line reported a profit of € 29.8 (62.3) million. After the allocation of € 10.9 (52.2) million to the equalization reserve, an underwriting profit of € 18.9 (10.1) million was reported.

- Fire Insurance and other Property Insurance generated premium income of € 286.9 (273.8) million in fiscal 2008. The premium income reported by Fire Insurance for the reporting year remained at the prior-year level of € 32.8 (32.6) million. Due to higher gross claims expenses of € 26.3 (15.1) million, the underwriting result of € – 12.0 (– 5.0) before allocations to the claims equalization reserve was once again negative. The reason for this were individual gross losses, which remained in the retained portfolio of the company and were not covered by reinsurance. After a withdrawal from the equalization reserve of € 7.4 (1.7) million, an underwriting loss of € – 4.6 (– 3.3) million was reported. Premium income from Other Property Insurance grew by 5.3 percent to € 254.1 (241.2) million. This year, the increase came from business written in Germany while business written by the London branch office declined. In absolute terms, the claims situation in the reporting year was less favorable and drove up claims expenses by € 14.7 million to € 133.5 (118.8) million. However, due to higher premiums earned, this was more than compensated in the loss ratio of 55.2 (56.6) percent. The underwriting profit thus remained at the prior-year level of € 16.7 (16.8) million.

- Premium income in Marine and Aviation Insurance fell by a total of € 22.2 million to € 268.0 (290.2) million in the reporting year. In Marine Insurance, gross premiums decreased slightly to € 233.9 (237.0) million. In contrast to the previous year, an unfavorable claims development resulted in claims expenses of € 188.3 (147.7) million. After the release of € 15.9 (0.5) million from the equalization reserve this insurance line posted a moderate profit of € 3.4 (1.4) million. Aviation insurance once again registered a premium decline by 35.9 (35.6) percent to € 34.1 (53.2) million. The decline in premium income, which primarily affected the UK branch office, resulted from the transfer of the underwriting of risk based in the U.S. to Allianz Global Risks USA. The negative claims development, which was impacted by several major losses in the course of the reporting year resulted in a negative underwriting result before changes in the equalization reserve of € – 9.3 (4.9) million. After a withdrawal from the equalization reserve of € – 8.2 (allocation of 9.4) million the underwriting result amounted to € – 1.1 (– 4.5) million. Overall, the underwriting result of this branch group, before changes in the equalization reserve, worsened to a loss of € – 21.8 (profit of 5.7) million. After a withdrawal from the equalization reserve of € 24.1 (allocation of 8.9) million, a profit of € 2.3 (loss of – 3.1) million was recorded.

- Gross premiums written in Other Insurance grew by € 17.3 million to € 87.9 (70.6) million in the reporting year, which is due to the expanded underwriting business of the Italian and Nordic branch offices. However, since claims developed considerably more favorably than in the previous year, and no major losses occurred, gross claims expenses registered a clear decline to € 7.8 (31.3) million. After a small allocation to the equalization reserve of € 1.5 (0.5) million, this insurance line reported a profit of € 27.8 (loss of – 6.8) million, which is attributable to the favorable loss situation.

Reinsurance Business Assumed

- In Property/Casualty Insurance premium income increased slightly to € 4.0 (3.6) million. The overall favorable claims development caused a moderate increase of claims expenses to € 0.9 (0.6) million, which resulted in an underwriting profit of € 1.2 (1.2) million.

- Gross premium income in Liability Insurance came to € 334.9 (340.5) million in the reporting year, which was once again lower than in the previous year. This decline is set against the backdrop of a premium increase in direct insurance and a result of the reduced direct business written by the European branch offices. Gross claims expenses were favored by a very moderate claims development in the reporting year and registered a drop of € 128.7 million to € 125.0 (253.7) million. Therefore, before allocations to the claims equalization reserve, the reporting year ended with an even higher result of € 55.2 (14.6) million. After allocations to the equalization reserve in the amount of € 87.3 (30.4) million, a loss of € – 32.1 (– 15.9) million was posted.

- Premium income in the Fire Insurance and Other Property Insurance line in the reporting year remained clearly below the prior year level and fell by € 98.8 million from € 695.6 million to € 596.8 million. In this insurance line as well, the direct underwriting by the European branch offices resulted in a decrease of premiums in the indirect business. This is counteracted by an increase of premiums in the direct business in other property insurance and other insurance. In Fire Insurance, premium income amounted to € 368.3 (467.3) million. The unfavorable claims development due to major losses drove up claims expenses by € 56.2 million to € 281.5 (225.3) million. The gross loss ratio increased from 45.2 percent in the previous year to 69.7 percent. The protection covers provided by the reinsurers considerably reduced the company's claims expenses so that the underwriting result was clearly better than in the previous year and amounted to € 56,8 (20,5) million before changes in the claims equalization reserve. In the reporting year, € 12.9 (216.5) million could be released from the equalization reserve, which led to an underwriting result of € 69.7 (237.0) million after changes in the equalization reserve. Other Property Insurance reported comparable gross premium income of € 228.4 (228.3) million. Due to the less favorable claims development in the wake of hurricanes Gustav and Ike, claims expenses in this insurance line increased by € 39.5 million to € 121.4 (81.9) million. The impact of these two elementary losses drove up gross claims expenses to € 68.2 million. Despite this development a positive underwriting result before changes to the equalization reserve € 38.1 (59.2) million was posted. In the reporting year, € 0.6 (allocation of 3.4) million were withdrawn from the equalization reserve and similar reserves, resulting in a profit of € 38.6 (55.8) million. Overall, the branch group posted an underwriting profit of € 108.3 (292.8) million.

- Marine and Aviation Insurance generated gross premiums of € 132.9 (129.6) million. In Marine Insurance, premium income of € 67.2 (67.4) remained at the level of the previous year. The claims development also remained unfavorable, but claims expenses decreased slightly by € 8.3 million to 63.2 (71.5) million. This insurance line once again closed the year with a loss of € – 11.1 (– 54.1) million. Allocations to the equalization reserve amounted to € 3.4 (0.0) million. In Aviation Insurance, gross premium income came to € 65.7 (62.2) million. The claims development was favored by the smaller number of major losses in the reporting year and resulted in claims expenses of 37.9 (53.0) million. After an allocation to the equalization reserve of € 4.2 (3.1) million, this insurance line reported a negative underwriting result of € – 6.1 (0.1) million. Overall, the branch group ended the year with an underwriting loss of € – 20.6 (– 54.0) million after changes in the equalization reserve.

- Other Insurance recorded gross premiums of € 132.0 (90.9) million in the reporting year. Contrary to the previous year, claims expenses dropped by € 19.1 million as a result of the favorable gross claims situation and amounted to € 70.8 (89.9) million. This insurance line closed the year with an underwriting loss of € – 2.6 (profit of 42.6) million, after an allocation to the equalization reserve of € 0.1 (withdrawal of 27.5) million. The loss is due to high reinsurance cessions in the framework of the protection cover program.

Reinsurance Business Ceded

The company cedes its insurance business in part to the various Group companies and in part to external reinsurers. In the area of reinsurance assumed, AGCS AG at the beginning of the year concluded a retrocession agreement that was modified with respect to the previous year and now provides for quota share reinsurance for all lines of insurance assumed through an agreement with Allianz Risk Transfer Zurich, a subsidiary which is part of the global segment. In addition, a new quota share reinsurance agreement for the cession of almost all lines of the direct insurance business was made with the group company Allianz Re Dublin Ltd., effective January 1, 2008. Next to Allianz SE, the two reinsurance companies now assume the largest part of the business ceded to Allianz companies. The leading external reinsurer for AGCS AG is Munich Re (Münchener Rückversicherungs-Gesellschaft AG) in Munich. Reinsurance is provided mainly for maximum risks and natural disasters on a proportional basis in the insurance business accepted, and selectively in all insurance lines. Premiums ceded to reinsurers amounted to a total of € 1,010.1 (1,095.7) million. Passive reinsurance closed the year with a loss of € – 198.2 (– 205.9) million.

Supplementary Information to the Management Report

The various insurance lines and types offered are presented in detail on page 41.

The financial crisis and its impact on investments

The financial crisis that has been ravaging the world economy since the middle of 2007, considerably worsened after the insolvency of Lehmann Brothers and the near-failure of several other major banks, despite massive governmental rescue actions for the financial system. All signs appear to indicate that the financial crisis is spreading to the real economy. This will have negative effects on growth and the employment situation.

The results were rapidly deteriorating share prices, unusually high volatility in the stock markets as well as significantly higher risk premiums in the fixed-interest market. Stocks plunged to the price levels of three to five years ago; measured against the prices at the end of 2007, the EuroStoxx50 index lost 44 percent. At the same time, premiums for corporate debt with A-ratings shot up from 150 to 500 base points.

The currency markets were also marked by high volatility. While the US dollar rose by nearly 5 percent with respect to the euro in the course of the year, the British pound lost about 30 percent and the Canadian dollar about 18 percent with respect to the euro.

In this financial crisis, the safety-oriented investment strategy of AGCS AG paid off. The relatively small share of stocks in our portfolio and the broad diversification of investments in different segments considerably dampened the effect of the crisis.

But the market-wide decline of share prices and the developments in the currency markets affected both stocks and fixed-interest securities and caused considerable declines in market value, which required write-downs that impacted our profit and loss account.

Because of their current premium income, insurance companies, unlike banks, do not have liquidity problems. We generally evaluate the risk situation with respect to our capital base as well as the coverage of our financial obligations and qualified investments from two perspectives: external regulatory requirements and internal risk capital requirements. Both areas are covered by stress test models. In view of the current situation in the financial markets, these tests are performed on an ongoing basis and our investments have passed all of them.

Investments

The book value of investments grew to € 4.784,3 (4,742.2) million in the reporting year.

Investments in affiliated enterprises and participations declined from € 410.6 million to € 298.3 million in the reporting year, which is essentially due to the repayment of a loan of € 215 million extended to Allianz SE. Towards the end of the year, two new loans for a total amount of € 102 million were extended to Allianz SE.

The book value of shares, investment certificates and other variable-income securities amounted to € 2,163.8 (1,849.8) million at the end of the year. The increase is essentially attributable to allocations of investment certificates. The main area for new investments were annuities.

The book value of bearer bonds and other fixed-interest securities increased to € 845.3 (774.6) million, while other loans declined to € 1,165.6 (1,225.6) million.

Bank deposits were clearly reduced in the reporting year by €173.3 million to € 262.5 million. Funds held by others amounted to € 48.8 million and were thus slightly higher than in the previous year (€ 45.7 million).

Including the special funds of AGCS AG, the market values of investments in instruments issued by governments or governmental agencies amounted to € 1,632.6 million at the end of the year. Of these, € 545.3 million came from German issuers. The market value of mortgage bonds amounted to € 1,315.7 million, of which € 969.3 million were issued in Germany.

Investment income

Current income from investments grew to € 255.0 (167.8) million – clearly higher than in the previous year. The increase is essentially due to higher distributions from investment funds and the increased dividend distribution of the affiliated enterprise Allianz Risk Transfer Zurich to AGCS AG. Current income from fixed-interest securities was lower than in the previous year.

The disposal of investments resulted in earnings of € 10.9 (52.2) million in 2008. The comparatively higher prior-year amount was due to a special effect (sale of an interest in Germanischer Llyod). Income from write-ups amounted to € 22.8 (1.5) million. These are mainly attributable to the recovered value of an investment fund that had been written off in the previous year.

The losses from the disposal of investments amounted to € 18.6 (14.3) million. These were primarily incurred from bearer bonds.

Total investments were written down by € 89.2 (43.3) million. These write-downs were required for directly held fixed-interest securities and investment fund units, and are to a great extent due to the negative developments in the stock markets, and of the exchange rate of the British pound.

The possibility provided by paragraph 341 b HGB of making write-offs on investments only if an impairment is deemed to be permanent, was used for investment fund units for an amount of € 44.8 million.

Investment management and interest expenses amounted to € 4.7 (6.4) million. This reduction is to a great extent due to lower interest expenses.

Total investment income reached € 176.2 (157.5) million and thus exceeded the prior-year level.

Valuation reserves on investments (less undisclosed liabilities) declined to € 521.9 (619.9) million. Valuation reserves on shares in affiliated and associated enterprises remained relatively unchanged at € 384.8 (391.8) million. While valuation reserves on investment certificates dropped to € 62.2 (230.2) million, they rose to € 30.8 (2.7) million on bearer bonds and to € 44.1 (– 4.9) million on other loans.

The reserve ratio, i.e. the percentage of valuation reserves in relation to the book value of total investments, thus decreased to 11.0 (13.1) percent.

Other non-underwriting business

Other non-underwriting business generated a loss of € – 13.0 (income of 8.2) million, which, mainly resulted from declining foreign exchange gains as well as additional impairments of receivables.

Overall result

As the result of a group-internal transfer of tax losses to a subsidiary of Allianz SE under group relief taxation rules in the UK, income taxes were reduced. Tax charges for the reporting year came to € 89.5 (212.8) million.

The overall result after taxes was a profit of € 190.9 (225.5) million. Under the terms of the existing management control and transfer-of-profit agreement, this profit was transferred to Allianz SE.

Corporate agreements

A control and transfer-of-profit agreement has been concluded between Allianz SE as controlling company and AGCS AG.

Branch Offices

AGCS AG maintains branch offices in London, UK, Paris, France, Vienna, Austria, Copenhagen, Denmark, and Milan, Italy.

Outsourcing of functions

Transfer of responsibilities

Accounting and collection functions are provided to the company by the newly created CFO – Accounting department in Munich and Hamburg, which was set up after the restructuring. The accounting functions of the foreign affiliates are handled locally.

Investments and asset management

On the basis of group-internal service contracts, these functions are handled by Allianz Deutschland AG, Munich, by Allianz Investment Management SE as well as by the portfoliomanagement division of Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt / Main.

Information Technology

Computing center services as well as printing and IT services are, depending on the system concerned, provided to AGCS AG either by Allianz Shared Infrastructure Services GmbH, Munich, or by Allianz Service Ltd., London, UK.

Employees

Personnel management at AGCS AG is strictly aligned with the strategic objectives of the Allianz Group. We promote a performance-oriented corporate culture based on fairness and trust. AGCS AG relies on management by objective, performance-based remuneration and flexible working hours. By combining company objectives with individual annual objectives which are fixed in a personal interview by the employee with his/her supervisor at the beginning of the year, all employees and managers take direct responsibility for the contribution they make to the success of the company.

Even before the General Act on Equal Treatment came into force in Germany, Allianz Group – in its Code of Conduct and its worldwide HR Diversity Policy – decreed that nobody is to be discriminated against, particularly not for reasons of origin, religion, gender, disability, age or sexual orientation.

We also offer our employees a company pension scheme and a group-wide employee stock purchase plan.

In addition to the ongoing implementation of eleven world-wide HR guidelines and the operative support of the line managers in all personnel-related questions, one of the key priorities of personnel management in 2008 was the implementation of a worldwide bonus plan and of an electronic system for agreeing on individual objectives, which is now also used for all non-management employees in Germany. Its purpose is to lend further support to AGCS AG on its way towards a high-performance organization.

In addition, development assessments and individual development programs based on uniform standards have been systematically introduced at all locations worldwide.

The AGCS Academy gives all employees access to individually designed training programs. With these resources Allianz Global Corporate & Specialty AG makes an important contribution to the ongoing in-house qualification of our workforce.

Objectives for 2009

Our main focus is on the continued training of our employees by means of the specifically tailored instruction programs of our AGCS Academy and on the implementation of global career paths and job profiles. These are a control and guidance tool for the ongoing work of our Career Development Committees.
Another key area is the strengthening and optimization of operative HR management.

In addition, surveys of all employees and managers are conducted on a worldwide basis. These surveys give AGCS AG an instrument for the implementation of a worldwide corporate culture; they help to identify the need for optimization in specific areas, to define the corresponding measures and to help us in coming together as a global company.

At the end of 2008, AGCS AG had a total of 1,061 in-house employees.

Figures and facts

	2008	2007
Employees [1]	**1,061**	**1,083**
Full-time staff	1,053	1,075
Part-time staff (temps and interns)	8	8
Share of women	45%	39%
Share of men	55%	61%
Share of full-time staff	83%	83%
Share of part-time staff	17%	17%
Age (average in years)	41.8	41.5
Time with the group (average in years)	14.8	14.5

[1] As of 12/31; including dormant employment contracts

Thanks to our employees

The Board of Management would like to take this opportunity to thank all employees for their personal commitment in the past year. And we thank those employees who are members of the employee representative bodies for their intensive cooperation.

Risk Report

Controlling risks is a core competency of AGCS AG. Therefore, risk management is an integral part of the control processes in the Allianz Group. The key elements of our risk management are a strong risk management culture, comprehensive risk capital calculations and the integration of risk considerations and capital needs into the decision-making process.

Organizational embedding of risk management

The responsibility for risk management within the Board of Management lies with the Chief Risk Officer (CRO) who is responsible for actuarials, reinsurance, cumulation control and risk management, as well as for a unit in change of unwinding discontinued business activities. The Chief Risk Officer oversees the risks assumed and regularly informs the Board of Management of AGCS AG about risk-relevant developments, the current risk profile and capital adequacy. In addition, the Chief Risk Officer makes sure that appropriate measures are taken, for instance in cases where a withdrawal from a high-risk situation is required, and he is responsible for the continued development of the risk management processes.

Risk categories and control measures

In controlling risk in the insurance business, we pay special attention to premium and reserve risks, as well as to credit and market risks. Another one of our essential tasks is the limitation of operational and legal risks.

Premium risks arise from an unexpected variance of the volume of losses, which exceeds premiums fixed in advance. These risks are controlled primarily with the help of actuarial models used to calculate premiums and monitor claim patterns. In addition, we issue guidelines for concluding insurance contracts and assuming insurance risks.

Natural catastrophes such as earthquakes, storms and floods represent a special challenge for risk management. In order to manage such risks and to better estimate the potential effects of natural disasters, we use special modeling techniques based on probability. These involve the correlation of information on our portfolios – for example the geographic distribution of the amounts covered – with simulated natural disaster scenarios to estimate potential damages. This approach makes it possible to determine the possible effects and concentration of these events. Where such models do not exist, for example for the flood risk in the Netherlands, we use scenario-based deterministic approaches. We control our exposure to natural catastrophes by means of a limit system and the monthly monitoring of possible damages caused. The insights gained therefrom are used to limit the risks we underwrite and to calculate the capital efficiency of a risk transfer toward the reinsurance or capital markets.

Reserve risks arise from the unexpected deviation of the payouts for losses incurred from the provisions set aside. To reduce the reserve risk, we constitute provisions for insurance claims that have been submitted but not yet settled and we control the reserve risk by constantly monitoring the development of these provisions and amend the provisions if necessary. For this, we use various actuarial methods.

Credit and counterparty risks arise from unexpected economic losses due to the insolvency of our debtors, bond issuers and reinsurance partners or because of the deterioration of their creditworthiness.
When selecting our reinsurance partners, we consider only companies that offer excellent collateral. To control the credit risk, we use comprehensive rating information which is either in the public domain or gathered through internal investigations.
We limit credit risks in investments by making high requirements on the creditworthiness of our debtors and by spreading the risk. We consolidate our exposure according to debtors and across all investment categories, and we use limit lists to monitor exposure.

Market risks. Our investments are broadly diversified according to type of investment, issuers and situs. This mixture and the spread form the core of our risk management. Investment-related market risks are constantly monitored by means of sensitivity analyses and stress tests. Risks arising from exchange rate fluctuations are covered with matching currencies to minimize their impact.

Operational risks are risks caused by inadequacies or faults in business processes or controls. They may be related to technical problems or employees, operational structures or external influences. We control such risks by setting up a comprehensive system of internal controls and security systems. Operational risks are limited by a wide range of technical and organizational measures.

Legal risks have a significant influence on the insurance business. Above all, legislative changes can heavily impact our activities. Legal risks also include major litigation and disputes, regulatory proceedings, and contractual clauses that are unclear or construed differently by the courts. Limitation of such legal risks is a major task of our legal department, carried out with support from the operating departments.
The objective is to insure that laws are observed, to react appropriately to all impending legislative changes or new court rulings, attend to legal disputes and litigation, and provide legally suitable solutions for transactions and business processes.

Post Balance Sheet Events

There were no post balance sheet events, which required recognition in the net assets, financial and earnings situation of AGCS AG.

Outlook

After several years of declining insurance rates, we expect at least a stabilization of rate levels in 2009 – some lines and markets there might even offer the possibility of slight increases. In this respect, the worldwide financial crisis presents both opportunities and risks.

The current scarcity of capital could lead to changes in the market environment. It is possible that competitors withdraw from certain markets or market segments or that customers redirect their business because they only want to deal with insurance companies with first class ratings. This might provide opportunities for rate increases or the acquisition of new business. But it is also possible that the aggressive market behavior of some competitors might have a negative impact on rate development. In addition, the expected downturn of the gross domestic product in 2009 could bring about lower premium income in volume-dependent contracts and insurance lines. A reliable evaluation of future market developments is not possible at this time.

As in 2008, we are planning to further expand our market presence as a primary insurer in 2009 and to set up branch offices in Spain, Belgium and the Netherlands as a part of this process. This will enable us to directly underwrite business which we previously assumed in reinsurance. This positive development is counteracted by the loss of the quota share cessions from Allianz Global Risks USA, which will itself retain a large share of this business beginning in 2009. Irrespective of this situation we expect premium income to grow. Not included in these considerations is the reorganization of the French industrial insurance business, which is still being negotiated. A possible solution is to integrate the French industrial business of the Allianz Group company in France into AGCS France S.A. This would also eliminate the quota share cessions of this company to AGCS AG (cf. the organization chart on page 3).

Over the medium term, the combined ratio should be stable at about 96 percent, despite continued substantial investments in information technology, which are required for the standardization of the systems and processes used worldwide. An important milestone, the launch of SAP for the company's general ledger, will be reached in the first quarter of 2009.

The above statements are subject to the proviso that natural disasters or adverse developments may undermine the validity of our forecasts to a greater or lesser extent.

Our principle of underwriting only sustainably profitable business and to forgo volume in favor of profitability, which is anchored in our underwriting guidelines, is indispensable for attaining our objectives. Our comprehensive risk management, which ensures the strict adherence to this principle, is regularly reviewed and expanded. The initiatives towards even more far-reaching controls that were launched in the reporting year will be continued in 2009. At the same time, our portfolio will be further developed and strengthened in profitable areas.

From its investments, AGCS AG expects a somewhat lower but still satisfactory return in the coming year. This expectation is based on the assumptions that the capital markets will be stable. Any prolonging of the current economic and financial crisis could result in a further decline of the capital markets in years to come, and potentially have a negative impact on the market value of investments, and, because of the necessity of higher write-offs, on the investment results of AGCS AG.

Our reinsurance concept will undergo a number of decisive changes in 2009. We will replace more of our proportional reinsurance cessions – which have been dominant in the past – with non proportional contracts. In addition, Allianz Reinsurance will replace Munich Re as our biggest reinsurer. However, our quota share cessions to Allianz Re Dublin Ltd. and Allianz Risk Transfer Zurich are expected to be phased out in 2009.

Allianz Risk Transfer Zurich, a fully-owned subsidiary of AGCS AG, decided in February 2009 to focus its activities on those business areas that directly support the strategic objectives of Allianz Group. Its Alternative Assets unit will therefore cease to underwrite new business. In the future, Allianz Risk Transfer Zurich will concentrate on the three core business areas Structured Insurance, Reinsurance and Insurance-Linked Markets.

Annual Financial Statements
Allianz Global Corporate & Specialty AG

Balance sheet as of December 31, 2008

Assets

	2008 € thou	2008 € thou	2008 € thou	2007 € thou
A. Intangible assets			42,148	39,434
B. Investments				
I. Investments in affiliated and associated enterprises		298,292		410,643
II. Other investments		4,437,202		4 285,861
III. Funds held by others under reinsurance business assumed		48,807		45,718
			4,784,301	4,742,222
C. Receivables				
I. Accounts receivable from direct insurance business				
1. Policy holders	29,376			12,300
2. Insurance brokers	179,463			253,978
including from affiliated enterprises: € thou – (py: 0)				
		208,839		266,278
II. Accounts receivable on reinsurance business		394,790		461,954
including from affiliated enterprises: € thou 106,078 (142,998)				
III. Other receivables		65,650		148,047
including taxes of: € thou 7,506 (0)				
including from affiliated enterprises: € thou 21,288 (58,789)				
			669,279	876,279
D. Other assets				
I. Cash with banks, checks and cash on hand	23,802		46,788	
II. Miscellaneous assets		15,072		15,734
			38,874	62,522
E. Deferred income and prepaid expenses				
I. Accrued interest and rent		38,056		38,891
II. Other prepaid expenses and deferred income		10,125		17,883
			48,181	56,774
Total assets			5,582,783	5,777,231

Equity and liabilities

	2008 € thou	2008 € thou	2008 € thou	2007 € thou
A. Shareholders' equity				
I. Capital stock		27,793		27,793
II. Additional paid-in capital		741,608		741,608
III. Appropriated retained earnings				
other retained earnings		8,355		8,355
			777,756	777,756
B. Insurance reserves				
I. Unearned premiums				
1. Gross	594,844			553,622
2. Less: amounts ceded	280,231			275,455
		314,613		278,167
II. Aggregate reserve				
1. Gross	4,364,758			4,342,527
2. Less: share in reinsured insurance business	1,567,318			1,385,862
		2,797,440		2,956,665
III. Reserve for loss and loss adjustment expenses		583,161		520,259
IV. Other insurance reserves				
1. Gross	23,870			21,014
2. Less: share in reinsured insurance business	1,991			1,835
		21,879		19,179
			3,717,093	3,774,270
C. Other accrued liabilities			93,482	67,838
D. Funds held under reinsurance business ceded			4,820	4,573
E. Other liabilities				
I. Accounts payable on direct insurance business to				
1. Policy holders	2,435			1,004
2. Agents	26,000			67,127
including to affiliated enterprises: € thou (0)				
		28,435		68,131
II. Accounts payable on reinsurance business		396,582		423,547
including to affiliated enterprises: € thou 42,488 (45,954)				
III. Other liabilities		559,681		655,991
including taxes of: € thou 11,408 (22,776)				
including to affiliated enterprises: € thou 525,037 (601,315)				
			984,698	1,147,669
F. Other accrued liabilities			4,934	5,125
Total equity and liabilities			5,582,783	5,777,231

I herewith confirm that the cover provisions stated in the balance sheet under item B. II of the total equity and liabilities have been calculated in compliance with sections 341 f and 341 g HGB as well as the statutory orders issued on the basis of section 65 1 VAG [Law on the Supervision of Insurance Companies].

Munich, January 23, 2009
The Responsible Actuary

Gunter Meissler

Income Statement

For the period from January 1 to December 31, 2008

	2008 € thou	2008 € thou	2008 € thou	2007 € thou
I. Underwriting account				
1. Premiums earned – net				
a) Gross premiums written	2,232,700			2,257,981
b) Premiums ceded	– 1,010,070			– 1,095,671
		1,222,630		1,162,310
c) Change in unearned premiums – gross	– 53,508			– 66,883
d) Change in unearned premiums ceded – gross	6,592			128,431
		– 46,916		61,548
			1,175,714	1,223,858
2. Allocated interest return – net			47	114
3. Other underwriting income – net			451	42
4. Loss and loss adjustment expenses – net				
a) Claims paid				
aa) Gross	– 1,277,010			– 1,555,893
bb) Amounts ceded in reinsurance	461,148			852,979
		– 815,862		– 702,914
b) Change in reserves for loss and loss adjustment expenses				
aa) Gross	– 41,780			211,117
bb) Amounts ceded in reinsurance	163,310			– 278,837
		121,530		– 67,720
			– 694,332	– 770,634
5. Change in other insurance reserves – net			– 3,600	178
6. Underwriting expenses – net			– 296,939	– 322,334
7. Other underwriting expenses – net			– 3,497	– 5,056
8. Subtotal			177,844	126,168
9. Change in claims equalization and similar reserves			– 62,408	146,431
10. Net underwriting result			115,436	272,599

	2008 € thou	2008 € thou	2007 € thou
II. Non-underwriting account			
1. Investment income	288,652		221,517
2. Investment expenses	– 112,471		– 64,027
	176,181		157,490
3. Allocated interest return	– 84		– 90
		176,097	157,400
4. Other income	35,471		48,728
5. Other expenses	– 48,512		– 40,470
		– 13,041	8,258
6. Non-underwriting result		163,056	165,658
7. Earnings from ordinary activities before taxes		278,492	438,257
8. Earnings from ordinary activities before taxes	– 89,464		– 212,846
less amounts charged to other group companies: € thou – 4,046 (– 212,451)			
9. Other taxes	1,915		63
less amounts charged to other group companies: € thou – 51 (+ 79)			
		190,943	225,474
10. Expense from transfer of profits / Income from transfer of losses		– 190,943	– 225,474
11. Unappropriated retained earnings		–	–

Notes

Applicable legal regulations

The financial statements and the Management Report have been prepared in accordance with the regulations contained in the German Commercial Code (HGB), the Corporation Law (AktG), the Law on the Supervision of Insurance Enterprises (VAG), and the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).
The amounts in the financial statements are stated in euro thousand (€ thousand).

Accounting, valuation and calculation methods

Requirement to reinstate original values and write-ups

The requirement to reinstate original values applies to assets that were written down to a lower market value in past years. If their value at the balance sheet date is higher than the book value, they must be written up again. The write-up is made either to amortized cost or to a lower market or stock exchange value. In the reporting year, write-ups were made on investment certificates and bearer bonds. They were recorded as income in the income statement.

Intangible assets

These are recorded at their acquisition cost minus tax-allowable depreciation. Assets of low cost are written off immediately in full.

Investments in affiliated enterprises and participating interests

These are valued at cost, less amortization, according to the German Commercial Code (section 253 (2) HGB).

Stocks, bearer bonds, other fixed-income securities and variable-income securities

These are valued at whichever is lower, the acquisition cost or fair market value at the balance sheet date, in accordance with section 341 b (2) HGB and with section 253 (1 and 3) HGB.
Different acquisition costs for similar securities are averaged.

Investment fund units

These are valued at acquisition cost in accordance with applicable regulations for fixed assets as defined by section 341 (2) HGB. Write-downs are made only in case of permanent impairment.

Receivables and other assets

These include the following:
a) loans to affiliated enterprises
b) bearer bonds
c) debentures and loans
d) bank deposits
e) funds held by others under reinsurance business accepted
f) accounts receivable on direct insurance business
g) accounts receivable on reinsurance business
h) other receivables
i) cash with banks, checks and cash on hand
j) other assets

These have been recorded at face value less repayments. For accounts receivable on direct insurance business, general loss allowances are made to account for the credit risk.

Prepaid expenses

Accrued interest and rent are valued at nominal amounts. Premiums and discounts carried forward as prepaid income and expenses are amortized over the remaining life of the related loans.

Insurance reserves

Unearned premiums

In the direct insurance business, these were predominantly determined according to the daily calculation method. Payments to agents were deducted as non-transferable portions according to tax guidelines. Flat rates were applied to a limited extent.
For reinsurance business assumed, unearned premiums were determined on the basis of the information provided by the ceding insurers. The reinsurers' share deducted from the gross unearned premiums was calculated according to the same principles as the gross premiums, likewise with deduction of non-transferable portions.
In respect of quota charges with participation in the original costs, the proportional unearned premiums were accordingly deducted from the quota share of the reinsurer.

Reserve for loss and loss adjustment expenses

The gross reserve for direct insurance business consists of the following partial reserves:

Reserves for known insured losses (excluding annuities) are generally determined individually on a per case basis according to the probable payout. In liability insurance in Germany, average provisions are used for losses of up to € 50 thousand in the first year.

Pro rata unearned premium reserves for annuities the direct insurance business were calculated according to actuarial principles for each individual annuity. The mortality was based on the DAV 2006 HUR mortality.

For already incurred or caused but not yet reported losses, late claims reserves were set up on the basis of the experience from previous years.

For loss adjustment expenses to be expected in settling outstanding losses, reserves were constituted in accordance with the decree of the Federal Ministry of Finance of February 2, 1973.

Receivables from recourse, salvages and apportionment agreements were recognized for the amounts to which they could be expected to materialize.

For reinsurance business assumed, the reserves were set up according to information provided by the ceding insurers, partly based on estimations.

The reinsurers' shares of the reserves were calculated in accordance with the reinsurance contracts.

To account for the reinsurers' default risk, individual reinsurers' shares for claims not yet settled were curtailed.

Equalization reserve and reserves similar to the equalization reserve

The equalization reserve and the reserves for nuclear, pharmaceutical and terrorist risks were calculated for the net retention portion according to section 341 h of the German Code of Commerce in conjunction with sections 29 and 30 of the Government Order on the External Accounting Requirements of Insurance Enterprises (RechVersV).

For the equalization reserve in the "other insurance" line, Allianz Global Corporate & Specialty AG has availed itself of the possibility of a further sub-division according to the type of insurance.

Other insurance reserves

Direct insurance business:

Reserve for cancellations
The reserve for cancellations was determined on the basis of the previous years' experience.

Reserve for anticipated losses
The assessment is based on expected premium income as well as loss and cost developments for the respective line of business. The reserve is calculated taking into account proportional interest income from the underwriting reserves for the deductible portion only. The reserve is calculated for both the direct insurance business and for reinsurance assumed. It was not necessary to set up such a reserve during the fiscal year.

Reserve for contractual subsequent premium settlement
This reserve is set up by way of precaution for possible return premiums which only become due after the expiry of an observation period of a number of years. This reserve was determined on the basis of the reimbursements which have actually become payable on expiry of observation periods.

Reinsurance business accepted:
These reserves were constituted according to information provided by the ceding insurers.

Reinsurance business ceded:
The reinsurers' shares were calculated in accordance with the reinsurance contracts.

Other reserves

Other reserves are calculated as a function of foreseeable requirements. For this purpose, pension accruals and reserves for early retirement benefits, employee long-service awards and phased-in retirements benefits are calculated actuarially based on the updated mortality tables 2005G of Prof. Dr. K. Heubeck. For phased-in retirement contracts beginning on or after July 1, 2004, the new legally required insolvency insurance for phased-in retirement accounts was implemented by means of a Contractual Trust Arrangement, which is coordinated by Allianz SE and provides for the transfer of the guarantee assets to a trustee. Agreements taking effect before July 1, 2004 are secured by a guarantee declaration provided by Allianz SE. Additional explanations on the reporting of pension accruals are provided in the notes under “Contingent liabilities from company pension commitments and similar commitments“.

Liabilities

They include the following:
a) funds held under reinsurance business ceded
b) liabilities from direct insurance business
c) accounts payable on reinsurance business
d) other liabilities

These liabilities are stated at the amounts payable on maturity.

Approximation and simplification methods

To the extent that calculations from ceding insurers are not received in time for the fiscal year, the corresponding amounts are estimated on the basis of past experience, taking into account current developments.

Currency translation

Investments denominated in foreign currencies are stated at an amount based on the local currency and the exchange rate on the balance sheet date. The moderate or strict lower of either cost or market principle is used. The other balance sheet items are valued in accordance with established principles for currency translation for open and – where applicable – closed positions.

Change of assets A., B.I. through B.II in fiscal year 2008

	Values stated as 0f 12/31/2007		Additions	Disposals
	€ thou	%	€ thou	€ thou
A. Intangible assets				
Other intangible assets	39,434	–	11,780	–
B.I. Investments in affiliated and associated enterprises				
1. Shares in affiliated and associated enterprises	193,343	4.1	649	–
2. Loans to affiliated enterprises	217,300	4.6	102,000	215,000
Subtotal B.I.	**410,643**	**8.7**	**102,649**	**215,000**
B.II. Other investments				
1. Stocks, investment fund units and other variable income securities	1,849,769	39.4	354,095	630
2. Bearer bonds an other fixed-income securities	774,628	16.5	890,695	793,042
3. Other loans				
a) registered bonds	777,000	16.5	171,000	183,423
b) note loans and loans	448,621	9.6	10,000	57,621
c) other loans	21	0.0	1	–
4. Bank deposit	435,822	9.3	–	173,338
Subtotal B.II.	**4,285,861**	**91.3**	**1,425,791**	**1,208,054**
Subtotal B.I. through B.II.	**4,696,504**	**100.0**	**1,528,440**	**1,423,054**
Total	**4,735,938**		**1,539,200**	**1,423,054**

Intangible assets (Assets A.)

This balance sheet position essentially comprises the acquisition cost of the insurance portfolios acquired within the Group, less scheduled depreciation and capitalized own and third-party expenses for the system integration of purchased software.

Shares in affiliated and associated enterprises (Assets B.I.)

The amounts stated at the end of the year essentially concern the book value of the shares of Allianz Risk Transfer AG, Zurich (€ 186,242 thousand) as well as loans to Allianz SE. The outstanding loan to Allianz SE on 31/12/2007 in the amount of € 215,000 thousand was repaid in 2008. In the course of the year, loans amounting to € 102,000 thousand were made to Allianz SE.

Disclosure of equity investments

The information required by the German Code of Commerce (section 285 (11) HGB) is published in a special listing in the German Electronic Federal Gazette.

Revaluation € thou	Depreciation € thou	Net additions (+) disposals (–) € thou	Values stated as of 12/31/2008 € thou	%
–	9,066	2,714	42,148	–
–	–	649	193,992	4.1
–	–	– 113,000	104,300	2.2
–	–	– 112,351	298,292	6.3
21,319	60,757	314,027	2,163,796	45.7
1,454	28,412	70,695	845,323	17.9
–	–	– 12,423	764,577	16.1
–	–	– 47,621	401,000	8.5
–	–	1	22	0.0
–	–	– 173,338	262,484	5.5
22,773	**89,169**	**151,341**	**4,437,202**	**93.7**
22,773	**89,169**	**38,990**	**4,735,494**	**100.0**
22,773	**97,215**	**41,704**	**4,777,642**	

Market value of investments

	Market value 12/31/2008 € thou	Market value 12/31/2007 € thou
B.I. Investments in affiliated and associated enterprises		
1. Shares in affliated and associated enterprises	578,750	585,101
2. Loans to affliated and associated enterprises	104,380	217,394
B.II. Other investments		
1. Shares, investment fund units and other variable interest securities	2,225,991	2,079,942
2. Bearer bonds and other fixed-interest securities	876,090	777,342
3. Other loans		
a) Registered bonds	795,543	775,020
b) Promissory notes and loans	414,156	445,722
c) Other loans	24	22
4. Overnight and fixed-term funds	262,484	435,822
B.III. Funds held by others under reinsurance business assumed	48,807	45,718
Total investments	5,306,225	5,362,083

The following valuation methods were used to determine the market value:

Dividend-bearing securities

Exchange-listed companies are valued at the share price value of the last trading day of 2008. Unlisted companies are valued at their capitalised earnings value, or, in the more recent past, on principle at acquisition costs.

Bearer bonds

At the share price value on the last trading day of 2008.

Nominal bonds

Loans are valued on the basis of maturity- and risk-adequate yield curves.

Undisclosed liabilities

Investment fund units with a book value € 2,163,769 thousand, which are part of other investments, include undisclosed liabilities of € 44.8 million. Due to permanent impairments, write-downs in the amount of € 60.8 million were required.

Miscellaneous assets (Assets D.II.)

This position mainly involves unsettled transactions and options on Allianz SE shares, which are used to hedge company risks in connection with Group Equity Incentives.

Other prepaid expenses and deferred income (Assets E.II.)

This amount concerns discounts on bearer bonds as well as debentures and loans.

Derivative financial instruments

Share option trades

Class	Number	Fair value €	Valuation method	Significant assumptions	Reported in item	Book value €
Allianz Long Call	14,379	144	Binominal model	Discount rate 2.6 %	Assets D.II.	144
239.80 €				Volatility 55.2 %	Miscellaneous	
March 2009				Dividend yield 0.0 %	Assets	
(Hedge-SAR 2002)				Share price € 75.00		
				Cap € 599.50		
Allianz Long Call	5,653	122,444	Binominal model	Discount rate 2.4 %	Assets D.II.	122,444
65.91 €				Volatility 70.6 %	Miscellaneous	
May 2010				Dividend yield 7.2 %	Assets	
(Hedge-SAR 2003)				Share price € 75.00		
				Cap € 164.78		
Allianz Long Call	21,390	322,561	Binominal model	Discount rate 2.5 %	Assets D.II.	322,561
83.47 €				Volatility 54.6 %	Miscellaneous	
May 2011				Dividend yield 7.1 %	Assets	
(Hedge-SAR 2004)				Share price € 75.00		
				Cap € 208.68		
Allianz Long Call	46,016	528,264	Binominal model	Discount rate 2.7 %	Assets D.II.	528,264
92.87 €				Volatility 45.0 %	Miscellaneous	
May 2012				Dividend yield 7.0 %	Assets	
(Hedge-SAR 2005)				Share price € 75.00		
				Cap € 232.18		
Allianz Long Call	26,817	135,158	Binominal model	Discount rate 2.9 %	Assets D.II.	135,158
132.41 €				Volatility 37.0 %	Miscellaneous	
May 2013				Dividend yield 6.9 %	Assets	
(Hedge-SAR 2006)				Share price € 75.00		
				Cap € 331.03		
Allianz Long Call	51,122	114,002	Binominal model	Discount rate 3.0 %	Assets D.II.	114,002
160.13 €				Volatility 32.1 %	Miscellaneous	
March 2014				Dividend yield 6.9 %	Assets	
(Hedge-SAR 2007)				Share price € 75.00		
				Cap € 400.33		
Allianz Long Call	90,461	379,936	Binominal model	Discount rate 3.1 %	Assets D.II.	379,936
117.38 €				Volatility 30.7 %	Miscellaneous	
March 2015				Dividend yield 6.8 %	Assets	
(Hedge-SAR 2008)				Share price € 75.00		
				Cap € 293.45		
Allianz Equity Swap	18,381	1,278,582	DCF model	Discount rate 2.7 %		– *)
May 2009				Dividend yield 7.3 %		
(Hedge-RSU 2004)				Share price € 75.00		
Allianz Equity Swap	26,184	1,682,060	DCF model	Discount rate 2.5 %		– *)
May 2010				Dividend yield 7.2 %		
(Hedge-RSU 2005)				Share price € 75.00		
Allianz Equity Swap	14,151	835,900	DCF model	Discount rate 2.5 %		– *)
May 2011				Dividend yield 7.1 %		
(Hedge-RSU 2006)				Share price € 75.00		
Allianz Equity Swap	25,727	1,519,693	DCF model	Discount rate 2.5 %		– *)
March 2012				Dividend yield 7.1 %		
(Hedge-RSU 2007)				Share price € 75.00		
Allianz Equity Swap	44,983	2,431,331	DCF model	Discount rate 2.6 %		– *)
March 2013				Dividend yield 7.0 %		
(Hedge-RSU 2008)				Share price € 75.00		

*) There are no separate acquisition costs for the Allianz Equity Swap, which is therefore considered as a valuation unit.

Derivative financial instruments

The book value of the Allianz Long Call is valued at acquisition cost or at the lower of the stock exchange or market value, according to section 253 (3) of the German Commercial Code (HGB).

Shareholders' equity (Equity and Liabilities A.I.)

On December 31, the issued capital of € 27,793 thousand is divided into 27,792,613 fully-paid in registered shares.

These shares can be transferred only with the company's consent.

Allianz SE is the sole shareholder of Allianz Global Corporate & Specialty AG.

Gross underwriting reserves according to insurance branch groups, insurance branches and types of insurance in € thou

	total		of which: Gross reserves for unsettled claims		Equalization reserve and similar reserves	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Direct insurance business written						
Personal accident	3,245	2,468	1,111	1,061	922	832
3rd party liability	1,249,855	1,091,118	993,013	859,141	166,256	154,889
Fire and property	336,148	287,633	243,148	197,912	4,068	11,508
of which fire insurance	39,000	32,625	26,032	14,356	4,058	11,487
of which other property insurance	297,148	255,008	217,116	183,556	10	21
Transport and aviation insurance	277,475	304,174	236,186	242,486	8,276	32,342
Other insurance	68,195	69,411	23,647	37,460	14,336	12,794
Total*)	**1,934,918**	**1,754,804**	**1,497,105**	**1,338,060**	**193,858**	**212,365**
Reinsurance business assumed						
Total	3,631,716	3,682,617	2,867,653	3,004,467	389,303	307,894
Insurance business total	5,566,633	5,437,421	4,364,758	4,342,527	583,161	520,259

*) This amount cannot be derived from the insurance branches listed above because according to RechVersV, non-essential branch groups do not have to be listed.

Other accrued liabilities (Equity and liabilities C.)

Pension reserves and similar commitments

Allianz Global Corporate & Specialty AG has made pension commitments in the framework of a defined contribution pension agreement. To cover these commitments, reserves for pension entitlements based on contributions are constituted. These pension contributions are secured in the framework of a so-called “Contractual Trust Agreement”, which is coordinated by Allianz SE. In addition, employees who convert part of their salary into additional retirement benefits, receive “pension commitments based on salary conversion” which are secured by pledged pension plan reinsurance contracts or funds.

The total amount of the pension reserves constituted at Allianz Global Corporate & Specialty AG is € 19,523 (12,167) thousand. In addition, pension commitments and grants for anniversary gifts were made, which, because of the existing joint and several liability, are recorded in the financial statement of Allianz SE

Tax reserves

In the reporting year tax reserves in the amount of € 430 (0) thousand were constituted for the Austrian branch office and of € 52 (0) thousand for the Nordic branch office. The tax reserve for French branch office was fully dissolved in the fiscal year. The tax reserve for Germany in the amount of € 9 (9) thousand remained unchanged in the reporting year.

Other reserves

The largest item under other reserves concerns the reserve for commissions and other remunerations that have not yet been definitely determined, which amounted to € 18,220 (14,247) thousand, the reserve for invoices not yet received of € 11,751 (5,764) thousand, the reserve for severance pay of € 9,868 (0) thousand, the company restructuring reserve of € 7,238 (13,326) thousand, the reserve for Group Equity Incentives of € 6,636 (3,905) thousand, the reserve for phased-in retirement amounting to € 5,761 (5,623) thousand, the reserve for employee long-service awards amounting to € 4,188 (3,986) thousand, the reserve for entitlements relating to holidays and flexible working hours amounting to € 3,877 (3,580) thousand as well as the profit sharing reserve amounting to € 3,880 (2,887) thousand.

Deferred income (Equity and liabilities F.)

This amounts to € 4,934 (5,124 thousand) and incorporates discounts on registered bonds, promissory notes and loans.

Supplementary information on insurance branch groups, insurance branches and types of insurance

	Gross premiums written		Gross earned premiums		Net earned premiums	
	2008 € thou	2007 € thou	2008 € thou	2007 € thou	2008 € thou	2007 € thou
Direct insurance business written						
Personal accident	3,758	2,786	3,133	2,548	1,939	2,291
3rd party liability	385,558	360,231	368,586	336,121	192,795	219,354
Fire and property	286,888	273,804	272,632	237,808	187,067	169,720
of which fire insurance	32,779	32,631	30,791	27,832	8,121	16,954
of which other property insurance	254,109	241,173	241,841	209,976	178,946	152,766
Transport and aviation insurance	268,051	290,245	262,781	287,300	183,022	236,693
Other insurance	87,927	70,644	76,100	58,423	47,790	29,923
Total *)	**1,032,183**	**997,709**	**983,233**	**922,198**	**612,613**	**657,981**
Reinsurance business assumed						
Total	**1,200,518**	**1,260,272**	**1,195,959**	**1,268,899**	**563,102**	**565,878**
Insurance business total	**2,232,700**	**2,257,981**	**2,179,192**	**2,191,097**	**1,175,715**	**1,223,859**

*) This amount cannot be derived from the insurance branches listed above because according to RechVersV, non-essential branch groups do not have to be listed.

Gross premiums incurred for direct insurance business according to area of origin

	Germany		EU		Other countries	
	2008 € thou	2007 € thou	2008 € thou	2007 € thou	2008 € thou	2007 € thou
Personal accident	3,202	2,630	486	95	25	60
3rd party liability	276,149	178,410	40,404	136,649	22,917	45,172
Fire and property	218,087	156,061	49,119	84,276	26,170	33,467
of which fire insurance	21,486	15,633	12,289	11,675	6,661	5,323
of which other property insurance	196,601	140,428	36,829	72,601	19,508	28,144
Transport and aviation insurance	262,685	169,774	17,879	86,897	35,615	33,574
Other insurance	68,263	27,608	6,779	38,607	3,480	4,429
Total	**828,386**	**534,483**	**114,667**	**346,524**	**88,207**	**116,702**

Allocated interest return (Income Statement I.2.)

Allocated interest return is calculated and transferred from the non-underwriting section to the underwriting section in accordance with section 38 RechVersV.

Run-off

The run-off in direct insurance amounted to € 37,408 thousand net; in business assumed it was € 193,757 thousand.

	Gross expenditure for insurance claims		Gross expenditure for insurance business		Reinsurance balance		Net underwriting result		Number of insurance contracts with at least a 1-year period	
	2008 € thou	2007 € thou	2008 € thou	2007 € thou	2008 € thou	2007 € thou	2008 € thou	2007 € thou	2008	2007
	767	115	889	640	– 1,024	– 202	353	875	4,691	4,455
	224,292	222,234	60,489	63,738	– 53,169	11,728	18,917	10,064	15,569	15,262
	159,847	133,804	56,555	57,773	– 46,968	14	12,117	13,526	5,916	4,680
	26,294	15,082	7,371	7,274	– 7,658	– 9,267	– 4,607	– 3,277	601	233
	133,550	118,766	49,184	50,499	– 39,310	– 23,244	16,724	16,773	5,315	4,447
	225,121	172,363	63,588	72,215	4,301	– 36,260	2,281	– 3,181	12,990	12,817
	7,840	31,295	11,873	10,735	– 25,276	–21,434	27,801	– 6,765	572	986
	617,861	**559,899**	**193,394**	**205,102**	**– 122,136**	**– 78,667**	**61,471**	**14,460**	**39,738**	**38,200**
	700,929	**784,876**	**283,977**	**303,980**	**– 76,021**	**– 127,681**	**53,966**	**258,139**		
	1,318,790	**1,344,775**	**477,371**	**509,082**	**– 198,157**	**– 206,348**	**115,437**	**272,599**		

Expenditure for own-account insurance business (Income Statement I.6.)

	2008 € thou	2007 € thou
a) gross expenditure for insurance business	477,371	509,082
b) less: received provisions and profit sharing from reinsurance ceded	180,432	186,748
Total	**296,939**	**322,334**

Of the gross expenditures for insurance business, € thou 350,869 are attributable to closing expenses and € thou 126,502 to adminstrative expenses.

Commissions and other remuneration for insurance agents, payroll costs

	2008 € thou	2007 € thou
a) Commission of any kind for insurance agents within the meaning of clause 92 HGB for direct insurance business	100,171	107,627
b) other remuneration of insurance agents the meaning of section 92 HGB	181	422
c) wages and salaries	69,715	82,214
d) social security contributions and other social contributions	4,766	9,668
e) pensions costs	6,694	8,937
Total	**181,527**	**208,868**

Investment income (Income Statement II.1.)

	2008 € thou	2007 € thou
a) Income from investments		
including in affiliated enterprises: € thou 48,556 (previous year: 39,441)	254,989	167,823
b) Income from write-ups	22,773	1,516
c) Gains from disposals	10,890	52,178
Total	288,652	221,517

Investment expenses (Income Statement II.2.)

	2008 € thou	2007 € thou
a) Investment management, interest, charges		
and other investment expenses	4,714	6,389
b) Depreciation and write-downs on investments	89,169	43,327
c) Losses from disposals	18,588	14,311
Total	112,471	64,027

Write-downs on intangible assets

The acquired insurance portfolios, which are recognized as intangible assets, were subject to scheduled write-downs in fiscal year 2008, according to section 255 4 (2) of the German code of Commerce, taking into account their respective useful lives. Scheduled write-downs were made for a total of € 8,113 (8,302) thousand.

Write-offs on investments

Unscheduled write-offs in accordance with paragraph 253 (3) HGB were made on bearer bonds in the amount of € 28,412 thousand. Unscheduled write-offs in accordance with paragraph 253 (2) HGB were made on investment unit shares in the amount of € 60,757 thousand.

Income taxes (Income statement II.8.)

The Coporate Tax Reform Law of 2008 brought important reforms of the corporate tax law and the commercial tax law. As the result of the first-time application of the new provisions in the reporting year, the tax burden was reduced by € 23,701 thousand compared to the previous legal situation.

Other information

Contingent liabilities from company pension commitments and similar commitments

Guarantee obligations exist within the framework of pension plans. The basis for the pension plans of the employees of Allianz Group companies is generally the membership in the Allianz Versorgungskasse VVaG (AVK), which, as a legally independent pension fund, is subject to the supervision of the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleitungsaufsicht). The benefits provided by AVK are financed according to the lump-sum contribution system, under which the member companies make payments to the fund based on salary conversion. In addition to Allianz SE, the member companies include Allianz Deutschland AG, Allianz Versicherungs-AG, Allianz Lebensversicherungs-AG and, among others, Allianz Global Corporate & Specialty AG.

Allianz Global Corporate & Specialty AG has a legal obligation to make employer contributions and to cover the administrative costs of AVK on a pro-rated basis. Payments are made through Allianz SE.

The member companies also make contributions to the Allianz Pensionsverein e.V. (APV), an insurance-backed Group support fund.

In addition to the pension commitments for supplementary pension benefits from the defined contribution pension agreement and the pension commitments based on salary conversion, for which Allianz Global Corporate & Specialty AG constitutes its own reserves (Assets and liabilities E.I), supplementary pension commitments and commitments for granting birthday gratifications were made to the members of the Board of Management and to employees. For these commitments, Allianz Global Corporate & Specialty AG and Allianz SE have assumed joint and several liability. Internally, Allianz SE has assumed responsibility for settlement.

The corresponding pension reserves are recorded in the financial statements of Allianz SE and have been fully constituted for their partial value according to the German Income Tax Act (Sec. 6 a EstG). The commitments for the birthday gratifications are also recorded at Allianz SE and recognized under "other reserves". They were calculated with an interest rate of 5.5% by the partial value method according to sec. 6 a EstG and constituted in the full amount.

On 31/12/2008 the joint and several liability of Allianz Global Corporate & Specialty AG from these pension commitments and the commitments for birthday gratifications amounted to a total of € 33,533 thousand. This liability is matched by rights of relief for the same amount against Allianz SE.

As a result of changes in the financing of the Pensions-SicherungsVereins VVaG pension fund, there is a liability of € 141 (150) thousand on December 31, 2008, which is not shown in the company's balance sheet because this liability is matched by rights of relief for the same amount against Allianz SE.

Other financial commitments

At the balance sheet date, liens in the amount of € 393,060 thousand were granted in connection with group-internal cessions and € 313,937 thousand were deposited in trust accounts.

Long-term rental agreements account for liabilities of € 65,275 thousand, including € 58,275 thousand to affiliated companies.

Remuneration of the Board of Management and the Supervisory Board

The total remuneration of the Board of Management amounted to € 5,426 thousand in the reporting year. The protective clause of section 286 (4) HGB with respect to departing members of the Board of Management was applied.
A total of 12,727 Restricted Stock Units and 26,228 Stock Appreciation Rights were issued to the members of the Board of Management. The fair value of these instruments at the date of grant amounts to € 1,682 thousand.
The total remuneration of the Supervisory Board of Allianz Global Corporate & Specialty AG amounted to € 31 thousand.

The member of the Supervisory Board and the Board of Management are listed on page 6.

Number of employees (annual average)

The average number of employees of Allianz Global Corporate & Specialty AG for the reporting year was 975 (not including members of the Board of Management, trainees, interns and employees on parental leave or on basic military/civil service).

	2008 Number	2007 Number
Full-time employees	809	715
Part-time employees	166	147
Total	975	862

Group affiliation

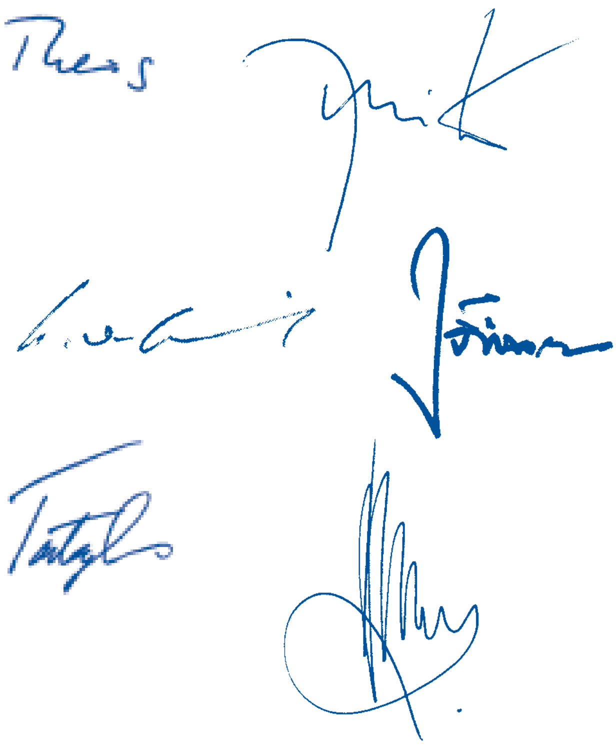
Allianz Global Corporate & Specialty AG is a member of the Allianz Group headed by Allianz SE, Munich. The Allianz SE Consolidated Financial Statements and the Management Report are published in that company's Annual Report in March and published in the German Electronic Federal Gazette subsequent to the Allianz Annual General Meeting in May. They can be consulted there or are available upon request from our company. The Annual Report is also available on the website of Allianz SE.

Allianz Global Corporate & Specialty AG is incorporated into Allianz SE's Consolidated Financial Statements and Management Report. The Consolidated Financial Statements and the Management Report legally dispense our company from any other reporting obligations so that Allianz Global Corporate & Specialty AG does not establish Consolidated Financial Statements and a Management Report of its own.

Munich, January 30, 2009
Allianz Global Corporate & Specialty AG

The Board of Management

Dr. Theis	Bick	Fischer Hirs
Dr. Jörissen	Tartaglia	Verstraete



Independent Auditor's Report

We have audited the Annual Financial Statements, including the accounting records and Management Report, of Allianz Global Corporate & Specialty AG for the fiscal year from January 1 to December 31, 2008. The Board of Management of the company is responsible for the accounting policies and the preparation of the Annual Financial Statements and Management Report in accordance with German commercial law and the supplementary provisions laid down in the company's statutes. It is our responsibility to form an independent opinion, based on the audit carried out by us, on the Annual Financial Statements, including the accounting records, and on the Management Report.

We conducted our audit of the Annual Financial Statements in accordance with section 317 HGB (German Commercial Code) and with the generally accepted German auditing standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors). Those standards require that we plan and perform our audit so as to obtain all the information and explanations necessary in order to provide us with sufficient evidence to give reasonable assurance that misstatements and irregularities materially affecting the presentation of the net worth, financial position and the results presented in the Annual Financial Statements in accordance with generally accepted accounting principles and in the Management Report are identified. Knowledge of the business activities and the economic and legal environment of the company and expectations of possible errors are taken into account in the determination of audit procedures. The audit includes an examination, on the basis of sample checks, of the effectiveness of the internal control system for rendering accounts and the evidence supporting the disclosures in the accounting records, the Annual Financial Statements and Management Report. The audit also includes an assessment of the significant estimates and judgments made by the Board of Management of the company, and whether the accounting policies are appropriate to the Group's circumstances. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the Annual Financial Statements and Management Report. We believe that the audit we have conducted provides an adequate basis for the formation of our opinion.

Our audit has revealed no grounds for objection.

In our opinion, based on the findings of the audit, the annual financial statements comply with the legal requirements and supplemental 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 compliance with [German] principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides an appropriate view of the company's position and suitably presents the opportunities and risks of future development.

Munich, March 20, 2009

KPMG AG
Wirtschaftsprüfungsgesellschaft
(formerly KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft Wirtschaftsprüfungsgesellschaft)

Johannes Pastor	Dr. Peter Ott
Auditor	Auditor

Insurance lines covered

Direct insurance business written:

General personal accident insurance
Test persons, aviation personal accident

Liability insurance
Private liability, public and professional liability, environmental liability, financial loss liability, radiation and nuclear liability, neighbor's liability fire, liability for terrestrial vehicles without mandatory coverage, other liability insurance

Aviation insurance
Comprehensive aircraft insurance, comprehensive spacecraft insurance

Fire insurance
Industrial fire, other fire

Burglary, theft and robbery insurance

Water damage insurance

Glass insurance

Storm insurance

Homeowners insurance

Engineering insurance
Plant and equipment, electronic equipment, erection all risks, contractor's all risks, other engineering insurance

Transport insurance
Hull (including hulls of sea-going, inland waterway and river-going vessels, building risk), goods in transit, valuables (commercial), film property, liability in traffic cases, risk of war, other transport

Extended-Coverage (EC) insurance, insurance of additional risks in conjunction with fire or fire business interruption insurance

Business interruption insurance
Fire business interruption, technical business interruption, other business interruption

Aviation and aerospace liability insurance
Aviation liability, aerospace liability

Other property and casualty insurance
Other property damage (including nuclear plant property), other economic loss (including machine guarantee, loss of license, check cards), as well as other combined insurance (including dynamic property insurance), other types of other property and casualty insurance

Reinsurance business assumed:

Personal accident insurance

Liability insurance

Automobile insurance

Aviation insurance

Fire and property insurance

Burglary, theft and robbery insurance

Water damage insurance

Glass insurance

Storm insurance

Homeowners insurance

Engineering insurance

Marine insurance

Extended Coverage insurance for fire and interruption to business

Business interruption insurance

Aviation and aerospace liability insurance

Other property and casualty insurance

Advisory council of Allianz Global Corporate & Specialty AG

Dr. Heinrich Weiss
(Chairman)
Chairman of the Board of Management
SMS GmbH

Dr. Wilhelm Bender
Chairman of the Board of Management
Fraport AG

Dipl.-Ing. Herbert Bodner
Chairman of the Board of Management
Bilfinger Berger AG

Burkhard Breiing
Chairman of the Board of Management
Volkswagen Financial Services AG
(until 09/19/2008)

Dr. Rudolf Colm
Member of the Board of Management
Robert Bosch GmbH

Klaus Eberhardt
Chairman of the Board of Management
Rheinmetall AG

Dr.-Ing. e.h. Siegfried Goll
Former Chairman of the Board of Management
ZF Friedrichshafen AG
(until 06/30/07)

Hans-Georg Härter
Chief Executive Officer
ZF Friedrichshafen AG

Dr. Jörg Hanisch
Member of the Board of Management
Wieland-Werke AG

Dr. Michael Kerkloh
Chairman of the Board of Management
Flughafen München GmbH

Baldwin Knauf
Managing Partner
Knauf Gips KG

Dipl.-Kfm. Thomas Kölbl
CFO
Südzucker AG

Klaus Kühn
Member of the Board of Management
Bayer AG

Robert Lorenz-Meyer
Managing Partner
Ernst Russ GmbH & Co.

Wolfgang Mayrhuber
Chairman of the Board of Management
Deutsche Lufthansa AG

Prof. Dr. Ulrich Middelmann
Deputy Chairman of the Board of Management
ThyssenKrupp AG

Jürg Oleas
Chairman of the Board of Management
GEA Group AG

Dr. Eberhart von Rantzau
Managing Partner
Deutsche Afrika-Linien GmbH & Co. KG

Dr. Lothar Steinebach
Executive Vice President/CFO
Henkel KGaA

Prof. Dr.-Ing. Udo Ungeheuer
Chairman of the Board of Management
Schott AG

Thomas Unger
Member of the Board of Management
Metro AG

Jürgen Heinz Walker
Chairman of the Board of Management
Daimler Financial Services AG

Michel Wurth
Member of the Group Management Board Arcelor SA

Dr. Reinhard Zinkann
Managing Partner
Miele & Cie. KG

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The German original of this Annual Report
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