

Allianz Group

Annual Report 2006

INSURANCE | ASSET MANAGEMENT | BANKING



The goal of the Allianz Group is to achieve sustainable growth of its competitive strength and value. Our performance in 2006 is a testament to our continued progress towards that goal.

1

PROTECTING AND STRENGTHENING OUR CAPITAL BASE

Shareholders' equity € 50.5 bn

2

SIGNIFICANT INCREASE OF OUR OPERATING PROFITABILITY

Operating profit € 10.4 bn

Combined ratio in Property-Casualty insurance 92.9%

Operating profit in Life/Health insurance € 2.6 bn

Cost-income ratio in Banking 79.5%

Operating profit in Asset Management € 1.3 bn

3

LEANER PORTFOLIO AND REDUCTION OF COMPLEXITY

Merger of RAS with and into Allianz AG

Conversion of Allianz AG into Allianz SE

Comprehensive reorganization programs

+One

SUSTAINABLE IMPROVEMENT OF OUR COMPETITIVE POSITION AND OUR COMPANY VALUE

Sustainability Programs for our insurance operations

Customer Focus Initiative

New operating model

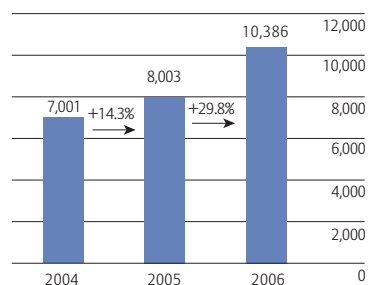
The contents can be found on the inside back cover.

Allianz Group Selected Consolidated Financial Data

		2006	Change from previous year	2005	2004	2003	2002	More details on page
Income Statement								
Total revenues ¹⁾	€ mn	101,129	0.2%	100,967	96,949	93,740 ²⁾	— ³⁾	35
Operating profit ⁴⁾	€ mn	10,386	29.8%	8,003	7,001	3,982 ²⁾	— ³⁾	36
Income before income taxes and minority interests in earnings	€ mn	10,323	31.9%	7,829	5,044	3,812	(4,044)	36
Net income ⁵⁾	€ mn	7,021	60.3%	4,380	2,266	2,691	(3,243)	37
Balance Sheet								
Investments	€ mn	298,134	4.6%	285,015	254,085	237,682	239,220	158
Loans and advances to banks and customers	€ mn	408,278	21.2%	336,808	377,223	378,295	329,195	162
Total assets	€ mn	1,053,226	6.5%	989,288	990,959	933,802	848,753	66
Liabilities to banks and customers	€ mn	361,078	16.4%	310,316	348,484	332,906	284,598	170
Reserves for loss and loss adjustment expenses	€ mn	65,464	(2.3)%	67,005	62,331	62,782	65,961	171
Reserves for insurance and investment contracts	€ mn	287,697	3.4%	278,312	251,497	233,896	225,049	173
Shareholders' equity	€ mn	50,481	27.8%	39,487	29,995	27,993	21,046	180
Minority interests	€ mn	6,409	(15.8)%	7,615	7,696	7,266	7,965	183
Returns								
Return on equity after income taxes ⁶⁾	%	15.6	3.0pts	12.6	7.8	11.0	(12.5)	
Return on equity after income taxes and before goodwill amortization ⁶⁾	%	15.6	3.0pts	12.6	11.6	16.5	(8.3)	
Share Information								
Basic earnings per share ⁵⁾	€	17.09	52.0%	11.24	6.19	7.96	(11.71)	222
Diluted earnings per share ⁵⁾	€	16.78	50.6%	11.14	6.16	7.93	(11.71)	222
Weighted average number of shares outstanding								
Basic	mn	410.9	5.4%	389.8	365.9	338.2	276.9	222
Diluted	mn	418.3	6.4%	393.3	368.1	339.8	276.9	222
Shareholders' equity per share	€	123	21.8%	101	82	83	76	
Dividend per share	€	3.80	90.0%	2.00	1.75	1.50	1.50	28
Dividend payment	€ mn	1,642	102.5%	811	674	551	374	28
Share price as of December 31 ⁷⁾	€	154.76	21.0%	127.94	97.60	100.08	80.80	28
Market capitalization as of December 31	€ mn	66,880	28.7%	51,949	35,936 ⁸⁾	36,743 ⁸⁾	22,039 ⁸⁾	29
Other data								
Employees		166,505	(6.3)%	177,625	176,501	173,750	181,651	98
Third-party assets under management as of December 31	€ mn	763,855	2.8%	742,937	584,624	564,714	560,588	58

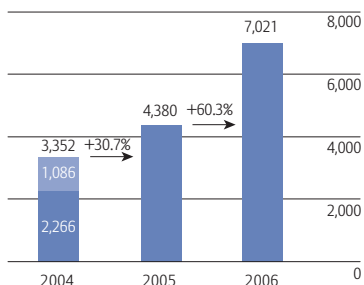
Operating profit⁴⁾

in € mn



Net income⁵⁾

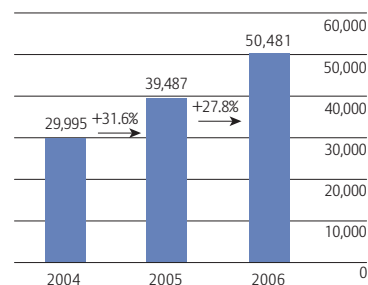
in € mn



■ Goodwill amortization, net of tax

Shareholders' equity⁹⁾

in € mn



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

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

³⁾ Not presented, because total income and net income were the relevant performance measures used by the Allianz Group for 2002.

⁴⁾ The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole.

⁵⁾ Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

⁶⁾ Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and preceding year's shareholders' equity.

⁷⁾ Retrospectively adjusted for transactions affecting our share capital, specifically capital increases.

⁸⁾ Excluding treasury shares.

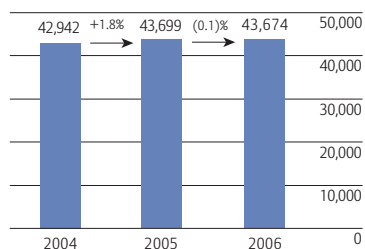
⁹⁾ Does not include minority interests.

¹⁰⁾ Due to changes in methodology, comparable data is only available for the years ended December 31, 2005 and 2006.

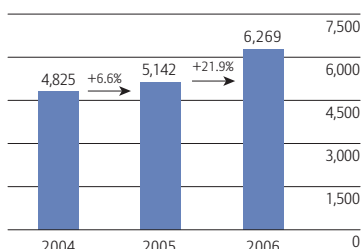
Segment Performance: All Targets for 2006 Exceeded.

Property-Casualty: Underwriting excellence – 92.9% combined ratio.

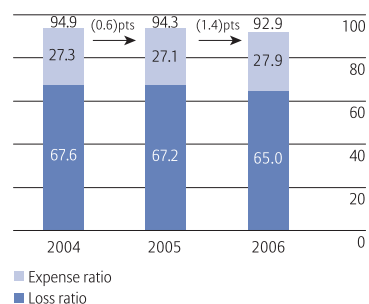
Total revenues¹⁾
in € mn



Operating profit⁴⁾
in € mn

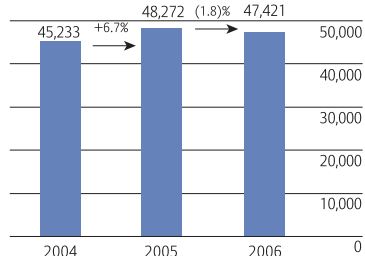


Combined ratio
in %

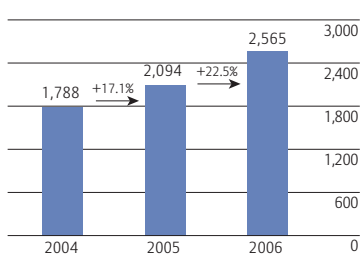


Life/Health: Dynamic operating profit growth continued.

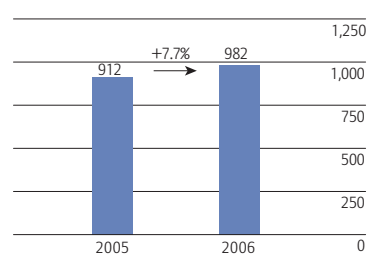
Total revenues¹⁾
in € mn



Operating profit⁴⁾
in € mn

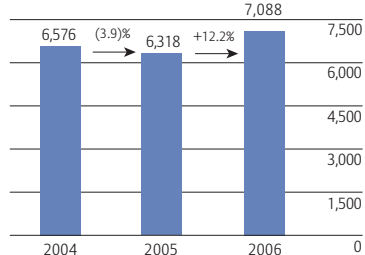


New business value¹⁰⁾
in € mn

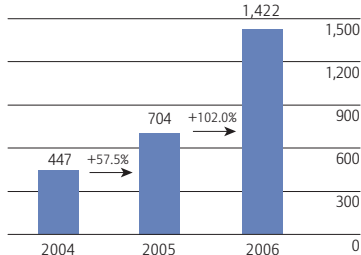


Banking: Milestone achieved for cost-income ratio of below 80%.

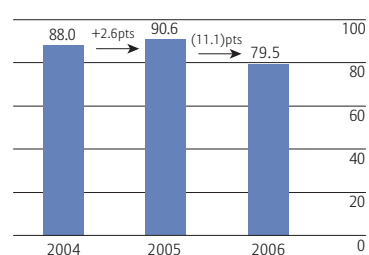
Operating revenues¹⁾
in € mn



Operating profit⁴⁾
in € mn

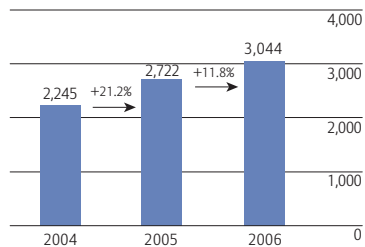


Cost-income ratio
in %

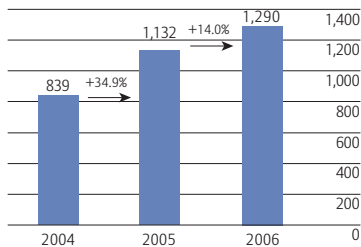


Asset Management: Consistently delivered double-digit operating profit growth.

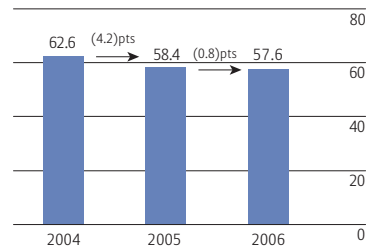
Total revenues¹⁾
in € mn



Operating profit⁴⁾
in € mn



Cost-income ratio
in %



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Financial calendar for 2007/2008

Important dates for shareholders and analysts

<u>May 2, 2007</u>	<u>Annual General Meeting</u>
<u>May 8, 2007</u>	<u>Announcement of first quarter results 2007</u> <u>Interim report first quarter 2007</u>
<u>August 3, 2007</u>	<u>Announcement of second quarter results 2007</u>
<u>August 10, 2007</u>	<u>Interim report second quarter 2007</u>
<u>November 9, 2007</u>	<u>Announcement of third quarter results 2007</u> <u>Interim report third quarter 2007</u>
<u>February 21, 2008</u>	<u>Financial press conference for the 2007 fiscal year</u>
<u>February 22, 2008</u>	<u>Analysts' conference for the 2007 fiscal year</u>
<u>May 21, 2008</u>	<u>Annual General Meeting</u>

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

As we cannot rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.



Dear Shareholders,

In 2006 Allianz set an earnings record, yet at the same time went through a period in which, as seldom before, there was much disagreement as to the course of the company, especially in Germany. The response to the repositioning of our German subsidiaries was mixed. Some praised us for our courage in introducing far-reaching reforms at an appropriate time and for our systematic approach to implementing these reforms, while others voiced criticism, particularly for cutting jobs in Germany at a time of rising Group profits.

Neither of these viewpoints does justice to the truth; only time will tell whether we can summon up the energy when it matters to emerge victorious from the competition for customer, employee and investor loyalty. The steps we are taking are simply a response to this battle for market leadership, which is being played out on a global level and is becoming increasingly intense.

Will we be successful? What we can promise is that we will do everything within our power to secure an even better position as one of the best among the world's leading financial services providers. At the same time I have a great deal of confidence in the ability and commitment of everyone at Allianz to adapt to and help implement the necessary changes. A deeply rooted entrepreneurial spirit exists at all levels within the company and a great deal of energy is everywhere. There is a lot going on in the company, and the results of this activity will help us to achieve our goals in the years to come.

It is our intention to win this race, which is why we are ensuring right now that Allianz is viewed by customers, employees and investors as the most attractive choice among international financial services providers. This is not some vague, non-committal vision of what the future may hold but a reference to quite specific developments, the results of which have been reflected in our financial figures for some time now. A brief look at what has been achieved over the past three years shows us that from 2004 to 2006 operating profits improved by 48.4%, and in 2006 alone by 29.8% to € 10,386 million. The net income rose by 109.5% and in 2006 alone by 60.3% to € 7,021 million. Shareholders' equity has increased by 68.3% since 2004, and in 2006 alone by 27.8% to € 50.5 billion. Finally a look at Economic Value Added® (EVA®), which is value generated in excess of capital costs. Over the past three years this increased by 92.1%, and in 2006 alone by 37.6% to € 3,528 million. In the year under review all four business segments posted significantly better results than in the previous year. Even when one takes into account the fact that we were spared major natural disasters in 2006 and that the capital markets performed positively, these results indicate how robust our business has now become.

Perhaps you may still recall the promise my colleagues and I on the Board of Management made after the shock of 2002? We said we would make every possible effort to regain Allianz's position among the world leaders in its field. Significant milestones were reached along this path in fiscal 2006. We are now number one in property and casualty insurance, credit insurance and in assistance services. In asset management and life insurance we are among the top five worldwide. Our banking business in Germany has improved considerably and is generating healthy earnings for the company in excess of the cost of capital. Apart from that, we are the only European financial services provider operating with real success in Central and Eastern Europe, Asia-Pacific and the United States for its shareholders' benefit.

So what does this mean for you, the owners of Allianz? The value of the Allianz share rose by 21.0% to € 154.76 in 2006. In addition we propose to increase the dividend per ordinary share certificate from € 2.00 to € 3.80, an increase of 90.0%.

No matter how encouraging these results are, one cannot deny the fact that other international financial service providers have also done well. When comparing ourselves with the competition, what is important for us is not just the financial results, but the relationship between operating results and the trend in the market share. It is in this area in particular that we still have some work to do in order to continue building our position as leader in a sustainable manner. We did not perform as planned with the growth of our annuities business in the United States and with the marketing of life insurance products via bank cooperation agreements in Italy. We are therefore putting particular effort into both these endeavors.

In our view the most important event in fiscal 2006 was the merger of the Italian RAS into Allianz and the conversion of our company into a *Societas Europaea*. This has created an elegant and clear structure, reinforced the capital base and shortened cross-border processes, enabling us to perform even better and act with greater speed. If we will be able to complete the acquisition from minority shareholders of all the shares that we do not already own in our subsidiaries AGF and Allianz Leben, as announced in January 2007, our position in our European home market will continue to strengthen, creating the foundations of a company which, in terms of its coverage, customer orientation and performance, will be second to none. By taking this step we have not only created better conditions, leading to more growth and higher earnings, but have also demonstrated over recent years our ability to derive maximum benefit from these measures and to be systematic in our approach to and implementation of our projects. I am quite sure that a lean organizational structure centered on our customers will further improve our international competitiveness in the years to come.

The fact that our Customer Focus initiative is no longer just a catchphrase but reality, strengthens my belief in this. The introduction of a new operating model worldwide will also add considerable momentum to our plans and will result in our corporate culture being more consistent from the point of view of our customers. This will enable us, even more so than before, to pursue profitable growth even in saturated markets and higher revenue per customer through a combination of innovation, service and quality.

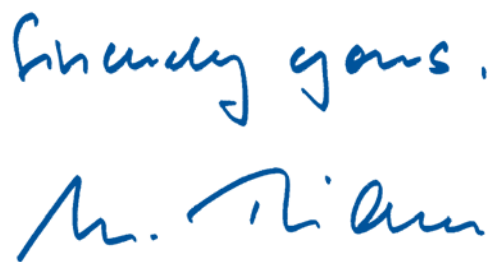
The sustainability initiatives I have reported in previous years are making substantial progress. The results of these initiatives can be seen in improved products, distribution and processes. This demonstrates once again the enormous increase in value that can be achieved by this company if it rolls out its best solution to a particular problem across its global operations. Although "I2s" (Ideas to success), our new innovation initiative, is still in its early stages, its first concrete results have already shown the wealth of ideas present among our employees.

The company has also made a breakthrough in China. Sales of insurance through branches of the Industrial and Commercial Bank of China (ICBC), in which we invested in 2006, have so far surpassed even our expectations. Meanwhile, growth in our insurance companies in India is accelerating almost daily. In fact, we are now number two among foreign providers in the country and are gaining 400,000 new customers each month. Given our majority holding in the Russian company Rosno we are now well equipped to repeat the success of our operations in the interesting markets of Central and Eastern Europe.

Implementation of our strategy is the key to success, and everyone in the organization knows it. In 2007 we will continue to work on creating value for your company. And what drives us, both now and in the future? The new business model is gradually becoming a reality, especially in Germany. We intend to continue expanding our market share and strengthening our financial results. We are also doing all we can to increase the willingness of our customers to recommend us to potential new customers and to refine our strategy for further growth and higher earnings.

This work plan shows we still have a long way to go before we become the world's leading financial services provider, a company that keeps promises and exceeds expectations. Yet all the men and women working within Allianz – more than 160,000 worldwide – are nevertheless confident, as I am, that we will have continued success along the way. Many of these people are also Allianz shareholders, which means they have an additional way of participating in the success of the company while at the same time having the same interest as you in excellent customer service and outstanding business results. In 2006 our employees showed you that they had understood the urgency of the task. They possess courage, skills and drive and are determined to see Allianz move forward. My sincere thanks goes out to our employees and representatives for their outstanding commitment – and I hope I may also offer this appreciation on your behalf.

We will continue to work hard on ways to improve our results on a sustainable basis, and we will pay close attention to our customers' changing requirements and new developments within the business. One thing is certain: our flexible strategy and the strength of our resources will enable us at all times to take advantage of new business opportunities. This is already the case today, and we will continue with the same passion tomorrow. We will never forget our ultimate commitment to you, which is to sustainably increase the value of your investment.



Michael Diekmann,
Chairman of the Board of Management

Supervisory Board Report



Ladies and Gentlemen,

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

Within the framework of its monitoring and advisory activities, the Supervisory Board was regularly provided by the Management Board, both verbally and in writing, with timely and comprehensive information on the course of business, the financial and economic development of the Allianz Group and of Allianz SE, including the risk situation and the management of risk as well as the company strategy. In Supervisory Board meetings, on the basis of reporting from the Management Board, we discussed in detail the development of the business and important decisions

and business matters. As far as necessary under the law or the Statutes, the Supervisory Board passed resolutions after detailed examination. In addition we took care of the Management Board's planning for the financial year 2007 and medium term planning. For the past financial year, explanations of any deviation from plans and objectives in the course of the business were presented to us and examined by us on the basis of the documents provided.

The Supervisory Board met in total six times during financial year 2006. The Allianz AG Supervisory Board met in February, March, May and in September. The constitutive meeting of the Allianz SE Supervisory Board also took place in September. The first regular meeting of the Allianz SE Supervisory Board was held in December. In between meetings the Management Board kept us informed in writing of important issues. In addition the chairman of the Supervisory Board was continually kept up to date on major developments and decisions.

Merger of RAS into Allianz AG, transformation of Allianz AG into a European Company (SE)

An important area of our advisory and supervisory activity was the merger of the Italian Allianz subsidiary RAS Holding S.p.A. (RAS) into Allianz AG and the necessary preparations for this. We discussed and checked all this in our meetings in March, May and September on the basis of verbal reports from the Management Board and written material. In two cases, the Supervisory Board passed written resolutions on this. In addition to its ordinary meetings, the Standing Committee twice took decisions through the medium of telephone conference calls. One of the decisions dealt with the conclusion of a settlement with those shareholders who had started actions in law to contest the merger. In the settlement that was reached the plaintiffs agreed to withdraw their actions in consideration for our assuming their lawyers' costs, so that these actions no more stood in the way of the merger and transformation of the company. The Supervisory Board also closely monitored the

negotiations over the future participation of employees in Allianz SE, in conjunction with the merger and transformation of the company. These negotiations ended on September 20, 2006 with the signing of the Agreement concerning the Participation of Employees in Allianz SE. The merger became effective with registration in the Commercial Register on October 13, 2006. At the same time Allianz took on the form of a European Company (Societas Europaea – SE) and its company name is now Allianz SE.

Reorganization of our insurance business in Germany

At our meetings in March, May, September and December, the Management Board kept us informed of progress in the reorganization of our German insurance business. We appraised ourselves with the new business organization headed up by the insurance holding company for Germany, Allianz Deutschland AG, and concerned ourselves with Allianz Beratungs- und Vertriebs-AG, the consulting and marketing company responsible for all sales activity. Finally we were consulted on the concept for business locations and employment in Germany and its implementation.

Planned buy-out of minority interests in AGF and Allianz Lebensversicherungs-AG

In January and February 2007 in two extraordinary telephone conference calls and one extraordinary meeting of the Standing Committee as well as an extraordinary meeting of the Supervisory Board we dealt with the tender offer to buy the minority interests in the French Allianz subsidiary AGF. At the same time we considered the decision by Allianz Deutschland AG to make an offer to purchase the minority shareholdings in Allianz Lebensversicherungs-AG. Both transactions were approvingly noted by the Supervisory Board. The Standing Committee gave its formal consent to purchase 100% of AGF. In addition, the Standing Committee gave its approval to the Management Board's decision to exercise Authorized Capital 2006/I in order to create the Allianz shares offered as part of the consideration for the acquisition of AGF shares. Again in March 2007 and on the basis of a presentation of the Management Board we concerned ourselves in the Supervisory Board plenum with the tender offer to the minority shareholders in AGF and Allianz Lebensversicherungs-AG.

Restructuring of Dresdner Bank AG

In addition to regular reports on turnover and results of our banking business segment we were informed in the September and December meetings of developments at Dresdner Bank and its restructuring into the business divisions Private & Corporate Clients and Investment Banking. We were able to satisfy ourselves that Dresdner Bank, after having amortized its equity costs in 2005, was able in 2006 to increase profitability and obtain a post-tax return on equity employed of 10.9 %, excluding restructuring costs. We will continue to follow developments at Dresdner Bank very closely.

Financial situation and profitability

In every Supervisory Board meeting throughout financial year 2006 (except the constitutive meeting of the Allianz SE Supervisory Board) the Management Board reported on turnover and results in the group and gave further details on how business was running in each individual business segment and reported on the financial situation. This was then discussed in the Supervisory Board. The Management Board explained that the capital base was further strengthened and that the group's high rating was once again assured.

Other issues

We were kept continually up to date by the Management Board on current capital investment projects. In our September 2006 meeting we appraised ourselves of the main points of the reform of the health care system in Germany and possible consequences for private health insurance business; in addition we took a look at the planned reform of the law on insurance contracts. In our September and December meetings we were brought up-to-date on the current state of settlement of claims arising out of the World Trade Center loss. One of the subjects of our March and December meetings was also the completed concentration of our industrial insurance business in Allianz Global Corporate & Specialty AG and the objectives of this realignment. In addition to regular information updates on risk exposures the Management Board gave a presentation to our September meeting on risk management at Allianz SE.

As in previous years, we unanimously welcomed the decision of the Management Board to offer Allianz shares to employees of the Allianz Group in 22 different countries at preferential terms.

Corporate Governance and declaration of compliance

We were involved in the further development of corporate governance standards in the organization on an ongoing basis. On December 18, 2006 the Management Board and the Supervisory Board issued our declaration of compliance in accordance with Section 161 of the German Stock Corporation Act (*Aktiengesetz*) and put it up on the company website on a permanent basis where it can be consulted at will. Allianz SE is in compliance with all recommendations of the Government Commission German Corporate Governance Code, also those in the June 12, 2006 version of the Code.

In our December meeting, without the presence of the Management Board, we monitored once again the efficiency of our work. We worked on the implementation of measures agreed upon in the previous year to improve efficiency and discussed further possibilities to improve the workings of the Supervisory Board, in particular to improve the efficiency of the work done in the committees.

In the context of the transformation into an SE the Supervisory Board in its December meeting adopted new rules of procedure. These replaced the temporary procedures that the SE Supervisory Board had adopted at its constitutive meeting in September and which were only designed to remain in force until the employee representatives joined the Supervisory Board. These new rules of procedure were necessary so as to bring the existing Allianz AG Supervisory Board rules of procedure into line with the provisions in the SE Regulation, the German SE Implementation Act (*SE-Einführungsgesetz*) and the newly enacted Statutes of Allianz SE. In the course of adopting these new procedures we took a look at the split of responsibilities between the Supervisory Board plenary sessions and committees and also set up a new Risk Committee.

Further explanations on corporate governance in the Allianz Group are available in the combined Management and Supervisory Board report on pages 10 to 14 of this annual report. The Allianz website at

www.allianz.com/corporate-governance also contains further information on corporate governance.

Committee activities

In order to efficiently exercise its functions, the Supervisory Board has set up an Audit Committee, a Standing Committee and a Personnel Committee and in December 2006 it also set up a Risk Committee. These committees prepare resolutions and the work of Supervisory Board plenary sessions. Also, in adequate cases authority to take decision has been delegated to committees themselves. The Conciliation Committee no longer exists because the German Co-Determination Act (*Mitbestimmungsgesetz*), which provides for such a committee, does not apply to Allianz SE. The current composition of these committees is set out in the following list.

Committees of the Supervisory Board of Allianz SE

As of December 31, 2006

Chairman of the Supervisory Board

Dr. Henning Schulte-Noelle

Deputy Chairpersons of the Supervisory Board

Dr. Gerhard Cromme

Claudia Eggert-Lehmann

Audit Committee

Dr. Gerhard Cromme (Chairman)

Dr. Wulf H. Bernotat

Igor Landau

Jean-Jacques Cette

Jörg Reinbrecht

Personnel Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Gerhard Cromme

Claudia Eggert-Lehmann

Risk Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Wulf H. Bernotat

Prof. Dr. Renate Köcher

Godfrey Robert Hayward

Margit Schoffer

Standing Committee

Dr. Henning Schulte-Noelle (Chairman)

Dr. Gerhard Cromme

Dr. Franz B. Humer

Claudia Eggert-Lehmann

Rolf Zimmermann

During financial year 2006 the Standing Committee held three meetings (two as part of Allianz AG and one as part of Allianz SE) and two telephone conference calls dealing primarily with implementing the merger of RAS into Allianz AG, the transformation into an SE, the employee share purchase program and questions of corporate governance. The Personnel Committee met on two occasions. The meetings dealt with staffing matters as well as the structure and amount of Management Board remuneration. No occasion arose that necessitated calling a meeting of the former Conciliation Committee.

The Audit Committee held five meetings in financial year 2006 (four as part of Allianz AG and one as part of Allianz SE). Together with the auditors the committee discussed and checked the Allianz SE and Allianz Group annual accounts, the management reports, the auditor's reports and the US Form 20-F report. In addition the committee checked the quarterly financial statements and together with the auditors went through details of the auditor's review of the quarterly financial statements. After carrying out these checks the Audit Committee had no objections to raise. In addition the committee decided on the different audit assignments to be carried out and set the main audit objectives. Furthermore the measures that are taken to bring about compliance with the provisions of the US Sarbanes Oxley Act in respect of efficiency of internal control systems for financial reporting were discussed. In the reporting year too, the company asked the auditors to check that the provisions of section 404 of the Sarbanes Oxley Act are being complied with. In addition assignments to the auditors for services not connected to the audit itself were discussed. The head of Group Audit reported to the committee on the audit plan for 2007 and on the main points that resulted from the audit process in financial year 2006.

The newly established Risk Committee held no meetings in the last financial year. Its future role will be to supervise the establishment and maintenance of the risk management and risk control system and its organization and development. Furthermore it monitors

consistency of the risk strategy with overall business strategy and appraises itself of the general risk situation and any particular risk developments. Within the framework of the audit of the annual accounts and management reports, this committee is responsible for prior verification of any particular risk-related statements and for reporting to the Audit Committee on the results of this preliminary review.

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

Audit of annual accounts and consolidated financial statements

KPMG Deutsche Treuhand-Gesellschaft AG Wirtschaftsprüfungsgesellschaft, Munich, audited the financial statements of Allianz SE and Allianz Group as well as the respective management reports and issued their certification without any reservations. The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS). In addition the quarterly financial statements were reviewed by KPMG.

The financial statements and the KPMG auditor's report for financial year 2006 were made available to all members of the Supervisory Board in a timely manner. The financial statements and the results of the KPMG audit were discussed on a provisional basis by the Audit Committee in their meeting held on February 21, 2007. The final accounts and KPMG auditor's reports were examined by the Audit Committee in its meeting on March 13, 2007 and in the Supervisory Board plenary session on March 14, 2007. The auditors took part in these discussions. They gave an account of the main findings of the audit and were available for any questions or further information.

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

Explanations appending to the management report's statements in accordance with section 289 paragraph 4 and section 315 paragraph 4 of the German Commercial Code

For the first time in financial year 2006 the German Act on the Implementation of the EU Takeover Directive of July 8, 2006 lays down in section 289 paragraph 4 and section 315 paragraph 4 of the German Commercial Code (Handelsgesetzbuch) supplementary information obligations relating to the management report. The Supervisory Board is obliged to make a statement relating to this in accordance with section 171 paragraph 2 sentence 2 of the German Stock Corporation Act. The Management Board has provided the necessary information and it can be found on pages 110 to 112. We concur with the explanations provided by the Management Board and in addition would like to point out the following:

Allianz SE issues registered shares with restricted transferability. Under German stock corporation law in case of registered shares only those persons who appear in the share register are deemed by the company to be shareholders. This is particularly important for such things as taking part in general meetings and making use of voting rights. Appearing in the share register also facilitates direct communications with the shareholders. In this way, for instance, all shareholders can be personally invited to attend general meetings. The restriction on share transferability goes right back to the creation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. In accordance with the Statutes, the company will only withhold the approval necessary for transfer of shares when this is for extraordinary reasons and is considered to be in the interest of the company. For several decades no such case has occurred. With the standardization of share transfer processes, the restriction on share transferability does not cause any delay in the registration in the share register and does not impede in any way the quotation of the shares on stock exchanges.

The authority explained in the management report to buy back or make use of treasury shares or issue convertible bonds or bonds with warrants or issue new shares out of authorized capital enables the Management Board to raise capital swiftly and flexibly taking advantage of attractive financing opportunities as and when they arise on the markets and, for example, offer Allianz stock as consideration when making

acquisitions of participations. Furthermore Allianz stock can be offered to employees of the Allianz Group. The authority to deal in own stock for trading purposes is especially useful for Dresdner Bank giving it the possibility to deal in Allianz stock.

The so-called "change of control" clause in Management Board members' contracts of employment for the eventuality that a member should leave the board following a change in control is explained in the remuneration report on page 18 of this report. The Supervisory Board considers this arrangement to be justified. It is only effective when one shareholder alone or acting with other shareholders, holds more than 50% of voting rights in Allianz SE. Furthermore, it only applies if there is a close link between leaving the board and the change of control, in that the provision requires that within 12 months of the change of control the Supervisory Board terminates the appointment of the Management Board member concerned or the member leaves on the basis of an agreement or the member relinquishes, on account of materially diminished responsibilities, his or her appointment. The Supervisory Board also considers the amounts mentioned in this arrangement to be justified. Only in the case the remaining un-served period of the service contract is less than three years the compensation is higher than the remuneration for the remaining un-served period of the service contract. In such cases the amount of fixed remuneration and annual bonus claimable is increased corresponding to a period of three years. The same rules apply when a Management Board appointment is not renewed prior to the expiry of two years after the change in control. The change of control arrangement is designed to contribute to the independency of the Management Board's opinion in the event of a possible change in control.

The Supervisory Board also considers the inclusion of a change of control clause in so-called Group Equity Incentive Plans to be justified; further details can be found on page 112 of this report. In providing for the non application, in the event of a change of control, of any limitation on the period for exercising rights under such plans, account is taken of the fact that the conditions under which the share price moves are very different when there is a change in control.

The rules explained on page 112 of this report whereby holders of profit participation certificates may cancel their participation certificates on change of

control and receive a compensation on the basis of the terms and conditions of the participation certificate, are, in our opinion, justified too, and correspond to usual market practice for the defense of the interests of holders of participation certificates.

Members of the Supervisory and Management Boards

With the transformation into an SE the appointments of the members of the previous Allianz AG Supervisory Board came to an end. We have thanked the departing members of the Supervisory Board for their much appreciated work on our board.

As part of this transformation the Supervisory Board has been reduced to twelve members and is now composed of six shareholder representatives and six employee representatives. The six shareholder representatives in the Allianz SE Supervisory Board were appointed through the Statutes that formed part of the merger plan resolved at the Shareholders' General Meeting of February 8, 2006. The shareholder representatives on the first Allianz SE Supervisory Board are Professor Dr. Renate Köcher, Dr. Wulf H. Bernotat, Dr. Gerhard Cromme, Dr. Franz B. Humer, Mr Igor Landau and Dr. Henning Schulte-Noelle.

The employee representatives on the Allianz SE Supervisory Board were nominated in the Agreement concerning the Participation of Employees in Allianz SE signed on September 20, 2006, and appointed by the local court of Munich on October 27, 2006. The employee representatives on the Allianz SE Supervisory Board are Ms Claudia Eggert-Lehmann and Ms Margit Schoffer as well as Mr Jean-Jacques Cette, Mr Godfrey Robert Hayward, Mr Jörg Reinbrecht and Mr Rolf Zimmermann. For the first time employee representatives from EU states outside Germany have been appointed as

Supervisory Board members of Allianz SE and these are Mr Cette from France and Mr Hayward from the UK.

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

The appointments of Allianz AG Management Board members also expired on the effective date of the transformation. They were all re-appointed by the Supervisory Board as members of the Allianz SE Management Board. The position of labour director within the meaning of section 33 of the German Co-determination Act no longer exists in Allianz SE. In accordance with the Agreement concerning the Participation of Employees in Allianz SE, the Management Board has appointed the former labour director, Dr. Gerhard Rupprecht, as Management Board member responsible for work and social welfare. The Supervisory Board has approved this appointment.

The Supervisory Board would like to thank all Allianz Group employees for the great effort they have put into our business over the past year.

Munich, March 14, 2007

For the Supervisory Board:



Dr. Henning Schulte-Noelle
Chairman

Corporate Governance and Remuneration Report

Allianz is now a European Company (SE) and still has a responsibility to achieve excellence in its corporate governance and corporate controls.

Corporate Governance

Allianz AG has adopted the form of a European Company (Societas Europaea or SE) on October 13, 2006, and is the first DAX and first EURO STOXX 50 company to do so. This step comes along with a couple of important changes in the corporate governance structure. In particular, the reduction of the size of the Supervisory Board to 12 members and the Europeanization of its composition constitute a milestone for the modern and efficient corporate governance of Allianz.

The conversion to an SE and our ongoing efforts to ensure high corporate governance standards have been warmly welcomed by our customers and shareholders as well as by the public. Furthermore, the special interest shown by analysts and institutional investors indicates that corporate governance matters can also have an impact on the overall rating of a corporation.

The regulatory framework for corporate governance was subject to changes during the last year. An important point was the regulation by law regarding the individual disclosure of the compensation of the members of the board of management by the German “*Vorstandsvergütungsoffenlegungsgesetz*” and the corresponding changes in the German Corporate Governance Code.

From Allianz AG to Allianz SE

On October 13, 2006 with effectiveness of the cross-border merger of the Italian Riunione Adriatica di Sicurtà S.p.A. (RAS) with and into Allianz AG, Allianz AG changed its legal form to a European Company. Beside the German company law, special European SE regulations and the German law implementing the European Company are now applicable to Allianz SE. This has resulted in a couple of changes that mainly relate to the Supervisory Board. The main features of the company's existing corporate governance structure, in particular the

two-tier board system consisting of the Board of Management and the Supervisory Board, as well as the principle of equal employee representation on the Supervisory Board, have been maintained in Allianz SE. For further details on the differences between a German stock corporation and a European stock corporation with registered seat in Germany, please refer to our web site under www.allianz.com/allianz-se.

Board of Management

The board of management is responsible for managing Allianz SE and the Allianz Group. Corresponding to the international scope of the Allianz Group's business, the internationally composed board of management currently consists of 11 members. The management board's main responsibilities are the determination of the business objectives and the strategic directions, the coordination and supervision of the operating entities, as well as the implementation and supervision of an efficient risk control system. The chairman of the management board coordinates the board's activities. As a consequence of the transformation into Allianz SE, the position of the chairman was strengthened by providing him with a statutory veto right with respect to the management board's decisions. If he objects a decision, that decision is deemed to be not taken. On the other hand, he can not bind the board of management to any decision against the majority vote. In cases of equal votes the chairman has the casting vote. This definition of the chairman's position is essentially in line with the already exercised practice.

The board of management reports regularly and comprehensively to the Supervisory Board on the business developments, the financial and profit situation, the planning and achievement of objectives as well as on the strategy and existing risk exposures. Certain important decisions of the management board, for example, major acquisitions or divestments of strategic stakeholdings, the conclusion of significant agreements or the opening or closure of important business segments require approval from the supervisory board.

An overview of the composition of the board of management can be found on page 23 of this report.

Supervisory Board

The conversion of the company into an SE has brought noteworthy changes to the supervisory board. The German law on co-determination (*“Mitbestimmungsgesetz”*) does no longer apply. The size and the composition of the supervisory board is now determined in line with the European framework regulations on SE's. To a material extent, these regulations have been implemented by an agreement on employee representation at Allianz SE, which was signed on September 20, 2006 with representatives of the European Allianz employees. This agreement can be found on our web site under www.allianz.com/allianz-se.

The size of the supervisory board has been reduced from 20 to 12 members. Six of these members are appointed pursuant to a nomination by the employees. For the first time in the history of Allianz there are employee representatives from several European countries on the supervisory board. In accordance with the agreement on employee representation in Allianz SE, the seats for the 6 employee representatives are arranged in proportion to the total number of Allianz employees in the EU member states. The first supervisory board and the supervisory board that will be elected at the 2007 General Meeting consists of 4 employee representatives from Germany and one each from France and the UK. Given that the duration of nominations to the first Supervisory Board is limited by law to the next Annual General Meeting, the entire Supervisory Board will newly be elected by the Annual General Meeting of Allianz SE on May 2, 2007. As regards the election of employee representatives, the General Meeting is bound to accept the candidates proposed by the company employees.

The supervisory board oversees and advises the board of management on managing the business. Furthermore, the supervisory board is responsible for appointing the members of the board of management and the determination of their remuneration as well as the review of Allianz SE's and Allianz Group's annual financial statements. The supervisory board takes all decisions on a simple majority. The special decision-making provisions for the appointment of members of the board of management contained in the law on co-determination as well as the requirement to establish a mediation committee, no longer apply. In cases of tied votes, the casting vote lies with the chairman of the Supervisory Board, or, if he is not present, with the deputy chairman

representing shareholder interests. Another deputy chairman is elected on recommendation of the employee representatives, but he has no casting vote.

A part of the supervisory board's activities is delegated to the following committees of the supervisory board.

The **Audit Committee** is responsible for the preliminary review of the annual financial statements of the company and the group as well as the respective management reports (including the risk report) and the recommendation on profit distribution. In addition, it reviews the quarterly reports and the US annual report on Form 20-F. Finally, the audit committee is an important contact for the external auditor, whose independence it supervises.

The **Standing Committee** is responsible for the approval of certain transactions that need to be approved by the supervisory board. These include, in particular, certain capital measures and acquisitions or divestments. Furthermore, the standing committee is responsible for the preparation of the compliance statement pursuant to section 161 of the German Stock Corporation Act (AktG) as well as for the periodic review of the company's corporate governance and the efficiency of the Supervisory Board's activities.

The **Personnel Committee** is responsible for personnel matters concerning members of the board of management. It prepares the nomination of members of the board of management, takes decisions concerning their contracts with the company, including the remuneration of the board of management and is involved in long-term succession planning for the board of management.

The Risk Committee, recently established by the Supervisory Board, monitors the risk strategy and the appropriateness of the company's risk management organization as well as the related group-wide guidelines. The Risk Committee also has the responsibility for information on the general risk situation and on specific risk developments within the Allianz Group. The Risk Committee and the Audit Committee have a common responsibility to ensure that appropriate risk management and risk control mechanisms are in place and to review the specific risk related statements within Allianz SE's and Allianz Group's annual reports (including the management reports).

The composition of the supervisory board and its committees can be found on page 22 and 6 to 7 of this report.

SE Works Council

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

General Meeting

At the general meeting, the shareholders exercise their rights. In the course of taking decisions, each share provides one vote ("one share – one vote"). To ensure the exercise of the shareholder's rights we provide to our shareholders the possibility to follow the general meeting on the internet and vote through proxy holders. We constantly promote the use of e-mail and internet services. The general meeting elects the members of the supervisory board. As regards the election of employee representatives, the general meeting is bound to the proposals of the employees. The General Meeting decides on the approval of the actions of the Management Board and the Supervisory Board. It decides on the appropriation of net earnings, on capital measures, on the approval of company agreements, on the remuneration of the Supervisory Board, and on changes to the company's articles of association. Each year, an ordinary general meeting takes place at which the management board and supervisory board give an account of the preceding financial year. The German Stock Corporation Law provides for calling an extraordinary general meeting in special cases.

Accounting standards and audit of annual accounts

Allianz group accounts follow International Financial Reporting Standards (IFRS). As the Allianz share is quoted on the New York Stock Exchange (NYSE), we are obliged to file an annual report on Form 20-F with the US stock exchange supervisory authority, the Securities and Exchange Commission (SEC), in accordance with the rules applicable to foreign issuers. This report is based on

the IFRS group accounts and additionally contains a reconciliation statement in line with US Generally Accepted Accounting Principles (US GAAP). In compliance with special provisions applying to insurance companies (section 341k paragraph 2 of the Commercial Code) our auditors are appointed by the supervisory board and not by the general meeting. The audit of the annual accounts relates to the individual financial statements of Allianz SE as well as the consolidated financial statements under German and US law.

Further developments in Corporate Governance

Further developments in corporate governance are mainly driven by the European guidelines and initiatives. On January 20, 2007, the German rules implementing the European Transparency Directive became effective. These lead to changes in the obligations relating to publications and notifications, for example, of percentage of voting rights or for calling the general meeting as well as in the area of accounting standards. From financial year 2007 onwards the board of management has to give a specific assurance that the annual and interim financial statements as well as the corresponding consolidated financial statements and management reports impart a true picture of the actual circumstances.

The Directive on Shareholders Rights, that is intended to establish a uniform minimum standard in Europe regarding the information and the use of voting rights in general meetings and, in particular, to eliminate obstacles to the use of voting rights across borders, is currently under discussion. This issue is also important given the often insufficient presence at general meetings. In this regard the use of registered shares offers the advantage that documents can be sent directly by letter or e-mail to the shareholders registered in the share register and registration and exercise of voting rights can be done over the internet. A major obstacle in the exercise of voting rights across borders is that currently there is insufficient registration of actual shareholders in the share register or that the documents for the general meetings are not passed on or the use of the right to exercise voting rights by intermediaries. Apart from this directive, there are several discussions under way in Germany aiming to increase the low numbers of people attending general meetings.

Furthermore, the European Commission in the autumn of 2006 commissioned a study on the implementation across Europe of the principle of "One share - one vote".

German Corporate Governance Code and Declaration of Compliance

The German Corporate Governance Code (the “Code”) applies as amended on June 12, 2006. Besides setting out important legal provisions, the Code also contains recommendations and suggestions for good corporate governance. There is no legal obligation to follow these standards. Under section 161 of the German Stock Corporation Act, listed companies are, however, obliged to make a declaration of compliance following the terms of the Code’s recommendations on the basis “comply or explain”.

In Germany the Code is ever-increasingly taken as the benchmark of good corporate governance and control. Analyses show that acceptance of the German Corporate Governance Code is rising continuously. At 2006 year end, the DAX-30 companies met an average of 97 percent of all recommendations whereas in the M-DAX around 92 percent and in the S-DAX about 89 percent of the recommendations had been followed by the companies.

The declaration of compliance with the German Corporate Governance Code pursuant to section 161 of the German Stock Corporation Act, issued by Allianz SE on December 18, 2006, is as follows:

- “1. Allianz SE will comply with all the recommendations made by the Government Commission of the German Corporate Governance Code (Code version as of June 12, 2006).
2. Since the last Declaration of Compliance as of December 15, 2005, which referred to the German Corporate Governance Code in its June 2, 2005 version, Allianz SE has complied with all recommendations made by the Government Commission on the German Corporate Governance Code then in force.”

The text of this declaration can be found on our website under www.allianz.com/corporate-governance.

Furthermore, we comply with the non-binding suggestions of the German Corporate Governance Code with the exception that the shareholder representatives on the Supervisory Board are, in principle, not elected to staggered terms, as suggested by the Code. It is preferable, in our view, for a Supervisory Board with employee co-determination to retain a uniform term of office.

Our two listed group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG issued own declarations of compliance in December 2006. Allianz Lebensversicherungs-AG discloses therein a deviation from the recommendation concerning performance-based remuneration for its Supervisory Board. Oldenburgische Landesbank AG will in future comply with all recommendations except the recommendation of a self-retention on its Directors&Officers insurance.

US Corporate Governance Rules

As our stock is listed on the New York Stock Exchange we are subject to US corporate governance rules, insofar as these apply to foreign issuers.

In the previous financial years we had already been working intensely on the implementation of section 404 of the Sarbanes Oxley Act (SOA) and eliminated discovered weak points. We have extensively documented our control system over financial reporting and tested its effectiveness. For the first time this year, we will disclose the results of auditing our compliance with SOA section 404 in our US annual report on Form 20-F.

In accordance with the applicable US legislation, our Audit Committee has established procedures for dealing with complaints relating to accounting standards and financial reporting as well as special procedures to ensure the independence of the external auditors. The Allianz SE Supervisory Board has determined that Dr. Wulf Bernotat, Dr. Gerhard Cromme and Mr. Igor Landau fulfill the requirements laid down by US legislation for the co-called “Audit Committee Financial Expert”.

In compliance with provisions contained in the SOA, Allianz SE has drawn up, in addition to the Code of Conduct applying to all employees, a special “Code of Ethics” that applies to the members of the board of management and to senior employees in certain divisions, mainly in finance.

At management level in Allianz SE and in the larger group companies, we have put in place Disclosure Committees. In the Allianz SE Disclosure Committee first drafts of the financial reports are reviewed and discussed by the heads of the relevant units. In this way the Disclosure Committee assists the board of management and particularly the Chairman of the board of management and the Chief Financial Officer in providing

their certifications of the financial statements to the SEC, as laid down in the SOA.

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

Directors dealings

Members of the Board of Management and of the Supervisory Board are required, pursuant to section 15a of the German Securities Trading Act (WpHG), to disclose any acquisitions or divestments of Allianz SE securities, provided the value of such acquisitions or divestments made by the board member or any person close to him or her reaches or exceeds 5,000 euros in one calendar year. These declarations are published on our website under [www.allianz.com/corporate governance](http://www.allianz.com/corporate-governance). On September 22, 2006 Ms Claudia Eggert-Lehmann, member of the Supervisory Board, sold 55 shares in (formerly) Allianz AG at a price of € 135.18.

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

The total holdings of members of the Management Board and the Supervisory Board in Allianz SE as of December 31, 2006 amounted to less than 1 percent of the company's issued stock.

Remuneration Report

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

Board of Management remuneration

The remuneration of the Board of Management consists of different components and is aimed at supporting a sustained value-oriented management. Therefore, a distinction should be made between fixed salary, performance-based remuneration and equity-based remuneration as a long-term incentive. The amount of total remuneration of individual Board Members is dependent upon the delegated role and accountability, individual performance, achievement of the financial goals of the Allianz Group and of the respective business unit, as well as the evolution of the Allianz SE share price. The remuneration of the Board of Management is set by the Personnel Committee within the Supervisory Board while considering market and competition. Moreover, the structure of remuneration is regularly reviewed and discussed at the Supervisory Board.

In detail, the remuneration of the Board of Management comprises the following components:

Fixed salary

The fixed amount is paid as a monthly basic salary unrelated to performance. It is reviewed at the latest every three years. The amount is firstly influenced by the delegated role and accountability and, secondly, by external market conditions.

Performance-based remuneration

This component consists of an annual and a mid-term three-year bonus that are both dependent on performance and success, and limited in their amounts.

Equity-based remuneration

This element consists of virtual options ("Stock Appreciation Rights", SAR) and virtual stocks ("Restricted Stock Units", RSU). It is identical to the Allianz Equity Incentive Program which around 700 top managers and approximately 100 top performing future leaders

participate in worldwide. Its value is aligned to the evolution of the Allianz SE share price. More detailed information on equity-based remuneration components can be found under Note 48 of our consolidated financial statements and on the internet at www.allianz.com/corporate-governance.

The amount of equity-based remuneration shown represents solely a mathematically calculated reference value. If and when the equity-based remuneration component actually leads to payout depends on the future evolution of the share price and the strike price on the exercise date. The exercise of SARs is possible, at the earliest, two years after their grant. RSUs will be exercised by the Company after five years. In relation to the exercise of SARs, the Board of Management has voluntarily committed to always hold the rights until the end of the plan as long as the share price has not already reached the defined maximum relevant to the exercise of the specific SARs. The exercises, the number of rights issued and the evolution of the value of equity-based remuneration are shown in the consolidated income statement.

Performance-based remuneration and equity-based remuneration together form a three-tier incentive system as presented in the following overview:

Three-tier incentive system

Annual bonus (short-term)	Three-year bonus (mid-term)	Equity-based remuneration (long-term)
Target category	Target category	Target category
Allianz Group financial goals	EVA-objective during issue period	Sustained increase in share price
Business division financial goals	Allianz Group	
Individual objectives	Business division Strategic or "+One" objectives	

Miscellaneous

The members of the Board of Management also receive perquisites. These are essentially contributions to accident and liability insurances as well as the provision of a company car; they are taxed individually as a remuneration component for each individual Board Member. In total, the value of perquisites amounted to € 0.3 million in 2006.

The following table sets forth the total remuneration each individual member of the Board of Management of Allianz SE received in 2006.

Board of Management	Fixed remuneration		Perquisites	Total non-performance-related remuneration		Annual bonus ¹⁾		Reserves 3-year bonus ²⁾	
	2006 € thou	Change from previous year		2006 € thou	2006 € thou	Change from previous year	2006 € thou	Change from previous year	2006 € thou
		%	%			%			
Michael Diekmann (Chairman)	1,050	17	40	1,090	16	2,224	49	458	(15)
Dr. Paul Achleitner	700	0	25	725	1	1,575	48	308	(14)
Clement B. Booth	700	n/a	44	744	n/a	1,476	n/a	345	n/a
Jan R. Carendi	700	17	15	715	16	1,308	51	285	(5)
Enrico Cucchiani	700	n/a	13	713	n/a	1,488	n/a	358	n/a
Dr. Joachim Faber	700	17	16	716	16	1,399	53	296	(10)
Dr. Helmut Perlet	700	17	31	731	16	1,508	64	315	(12)
Dr. Gerhard Rupprecht	700	17	15	715	16	1,500	65	330	(8)
Jean-Philippe Thierry	700	n/a	21	721	n/a	1,437	n/a	353	n/a
Dr. Herbert Walter	700	0	33	733	1	1,363	30	363	17
Dr. Werner Zedelius	700	17	14	714	16	1,570	61	294	9
Total	8,050	n/a	267	8,317	n/a	16,848	n/a	3,705	n/a

¹⁾ Paid in 2007 for fiscal year 2006.

²⁾ Proportional amount accrued for fiscal year 2006.

The following table sets forth the equity-based remuneration each individual member of the Board of Management received in 2006.

Distribution of remuneration with long-term incentive effect

Board of Management	Number of SARs granted	Number of RSUs granted	Mathematical	Mathematical	Total	
			value of SARs at the date of grant	value of RSUs at the date of grant	2006 € thou	Change from previous year %
	2006 € thou	2006 € thou	2006 € thou			
Michael Diekmann (Chairman)	15,228	7,752	571	957	1,528	(27)
Dr. Paul Achleitner	10,476	5,332	393	658	1,051	(34)
Clement B. Booth	9,379	4,774	352	589	941	0
Jan R. Carendi	9,380	4,775	352	589	941	(34)
Enrico Cucchiani	7,139	5,634	268	696	963	(23)
Dr. Joachim Faber	9,673	4,924	363	608	971	(31)
Dr. Helmut Perlet	9,697	4,936	364	609	973	(30)
Dr. Gerhard Rupprecht	9,638	4,906	361	606	967	(29)
Jean-Philippe Thierry	9,321	4,745	350	586	935	73
Dr. Herbert Walter	10,476	13,398	393	1,654	2,047	(34)
Dr. Werner Zedelius	10,027	5,104	376	630	1,006	(15)

SARs can be exercised any time from May 17, 2008 to May 16, 2013 at the latest after the expiration of a blocking period, under the condition that the price of the Allianz SE share is at least € 158.89 and that it at least once during the plan period exceeded the Dow Jones Europe STOXX Price Index (600) during a period of five consecutive trading days. Moreover, the Board of Management has voluntarily committed to hold options in principle until the end of plan as long as the share price has not already reached the defined maximum relevant for the exercise of the specific SARs. For further information on the SARs please refer to Note 48 of the consolidated financial statements.

The RSUs are exercised on the first day after the expiration of a five-year blocking period, i.e. May 17, 2011, at the price of the Allianz SE share at that date. For further information on the RSU please see Note 48 of the consolidated financial statements.

The total remuneration of the Board of Management for fiscal year 2006 amounted to € 41.2 million (2005: € 37.1 million).

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

If a member of the Board of Management accepts mandates in other companies and receives compensation for it, the amount is fully transferred to Allianz SE in the case of Allianz owned companies. In case of remuneration received from mandates in companies outside the Allianz Group, 50% of it is normally transferred to Allianz SE. In 2006, the remuneration that the members of the Board of Management were entitled to keep after payment to Allianz SE amounted to € 397,225. The remuneration from mandates in companies outside the Allianz Group is shown in the Annual Reports of the companies concerned.

For a list of Supervisory Board mandates in companies outside the Allianz Group see page 240 to 241.

Pensions and similar benefits

The pension agreements for members of the Board of Management up to 2004 stipulated retirement benefits of a fixed amount that was not linked to the evolution of fixed or variable remuneration components. These pension agreements were examined and revised at irregular intervals. Effective 2005, Allianz SE changed to a contribution-oriented system. The rights from the respective pension promises existing at that point in time were frozen. As a result of the change, since 2005, annual contributions have been made by the Company instead of the former increase amendments. 2.75% per year is guaranteed as the minimum interest rate applicable to these contributions. In case of an insured event, the accumulated capital is converted to equal annuity payments which are then paid out for the rest of the member's life. If the net return on investment exceeds the actuarial interest rate, a corresponding profit share will be credited in the following year. The amount of the contribution payment will be revised yearly. The contribution payments are guaranteed only as required for further regular financing of accrued pension rights resulting from defined benefits promises existing on December 31, 2004. The increase in reserves for pensions (service cost) includes the required expenditures for further financing of accrued pension rights as well as the contribution payments for the new contribution-oriented system.

When a mandate of the Board of Management ends, an old age pension may become payable at the earliest upon completion of the 60th year of age, except for cases of professional or general disability for medical reasons, or survivors' pensions in the case of death. If the mandate is terminated for other reasons before the retirement age has been reached, a non-forfeitable pension promise is maintained. This does not include, however, a right to pension payments beginning immediately.

The Allianz Group has paid € 3.6 million (2005: € 2.0 million) to increase pension reserves and reserves for similar benefits for active members of the Board of Management. On December 31, 2006, pension reserves and reserves for similar benefits to members of the Board of Management who were active at that date, amounted to € 23.1 million.

The following table sets forth the current service cost and contributions arising with the current pension plans according to IAS 19, excluding the current service cost for the old pension plan redeemed as of December 31, 2004, for each individual member of the Board of Management of Allianz SE in 2006.

Board of Management	€ thou	Board of Management	€ thou
Michael Diekmann (Chairman)	365	Dr. Helmut Perlet	239
Dr. Paul Achleitner	187	Dr. Gerhard Rupprecht	226
Clement B. Booth	258	Jean-Philippe Thierry	34
Jan R. Carendi	0	Dr. Herbert Walter	195
Enrico Cucchiani	255	Dr. Werner Zedelius	238
Dr. Joachim Faber	253		

The additional current service cost in 2006 according to IAS 19 for the frozen old pension plan amounted to, in € thousand, for Mr. Diekmann € 166, for Dr. Achleitner € 257, for Dr. Faber € 134, for Dr. Perlet € 138, for Dr. Rupprecht € 174, for Dr. Walter € 383 and for Dr. Zedelius € 89.

Termination of service

Former members of the Board of Management who leave the Board after at least a five-year term of membership are entitled to a transition payment for a period of six months. This consists of monthly fixed payments to the amount of the last paid fixed salary and the proportionate annual bonus on the basis of 100% target achievement.

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

A change of control requires that a stockholder of Allianz SE acting alone or together with other stockholders holds more than 50% of voting rights in Allianz SE. If the appointment of a member of the Board of Management is unilaterally revoked by the Supervisory Board as a result of such a change of control within a period of twelve months after the change of control, membership terminates by resignation jointly or from the side of the concerned member of the Board of Management, because his or her responsibilities as manager are substantially decreased and, without the concerned Board Member culpably giving cause for termination, he receives the contracted benefits for the rest of the duration of his or her employment contract paid in the form of a lump-sum payment. The amount depends on the following determining factors: the fixed salary at the change of control, the annual and current three-year bonus, in each case discounted according to market conditions at the time of payment. A target achievement of 100% is the basis for the annual or three-year bonus. If the remaining duration of the service contract is not at least three years at the time of the change of control, the lump-sum payment increases in regard to fixed salary and annual bonus to correspond to a term of three years. If the concerned member of the Board of Management completes his or her 60th year of age before three years have elapsed, the lump-sum payment decreases correspondingly. In view of equity-based remuneration the concerned member of the Board of Management is treated as a pensioner according to the respective conditions of the pension plan. These regulations are effective correspondingly if the Board of Management mandate is not extended within two years after a change of control.

For other cases of an early termination of appointment to the Board of Management, the service contracts do not contain any particular regulations.

Benefits to retired Members of the Board of Management

In 2006, remuneration and other benefits of € 4.3 million (2005: € 4.3 million) were paid to retired members of the Board of Management and their surviving dependents. Additionally, a reserve for current pensions and accrued pension rights totaled in € 47.0 million (2005: € 38.9 million).

Remuneration of the Supervisory Board

Remuneration system

The remuneration of the Supervisory Board is based on the size of the company, the functions and responsibilities of the members of the Supervisory Board and the financial situation of the company. It is determined by the Annual General Meeting. Remuneration for the Supervisory Board of Allianz AG was regulated in clause 9 of the Articles of Association of Allianz AG. In connection with the conversion of Allianz AG into Allianz SE, effective October 13, 2006, the regulations for remuneration of the Supervisory Board were transferred unchanged into clause 11 of the Articles of Association of Allianz SE.

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

The maximum sum for each of the two variable remuneration components is limited to € 24,000. This means that with the fixed sum of € 50,000 the maximum total compensation for an ordinary Supervisory Board member amounts to € 98,000. This maximum amount is achieved when the previous year's earnings-per-share have risen by 16% and when this indicator has further improved by a total of 40% or more over the last three years. If there has been no improvement in corporate earnings-per-share during the relevant period (i.e. the past fiscal year or the past three years), no performance-based remuneration will be awarded.

The Chairman and Deputy Chairpersons of the Supervisory Board as well as the Chairman and members of its committees receive additional remuneration as follows: The Chairman of the Supervisory Board receives double, and his deputies one-and-a-half times the remuneration of an ordinary member of the Supervisory Board. Members of the Personnel Committee, Standing Committee and Risk Committee receive an additional 25%, and the Chairmen of each of these committees 50%. Members of the Audit Committee are entitled to a fixed sum of € 30,000 per year, the Committee Chairman receives € 45,000.

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

The members of the Supervisory Board receive a € 500 attendance fee for each Supervisory Board or committee meeting that they personally attend. This sum remains unchanged if several meetings occur on one day or when various meetings are held on consecutive days. The total expenditure for attendance fees in 2006 amounted to € 55,500.

Remuneration of the Supervisory Board of Allianz AG

On October 13, 2006, when the conversion of Allianz AG into Allianz SE became effective, the mandates of the present Supervisory Board members of Allianz AG were terminated. Therefore, they received a time-apportioned

10/12 of the above-described remuneration for their activity in 2006 according to clause 9 paragraph 4 of the Articles of Association of Allianz AG. The fixed sum for fiscal year 2006 was thus 10/12 of € 50,000, i.e. € 41,667. In 2006, both performance-based remuneration components reached € 24,000 because the consolidated earnings-per-share improved by more than 16% in 2006 and more than 40% during the period from 2003 to 2006. Because of the time-apportioned calculation both performance-based remuneration components total 10/12 of € 24,000, i.e. € 20,000. Additional remuneration for the Chairman and Deputy Chairman of the Supervisory Board as well as the Chairman and the members of committees is determined based on these amounts.

Each individual member of the Supervisory Board of Allianz AG (up to October 13, 2006) received the following remuneration.

Remuneration of the Supervisory Board of Allianz AG

Name	Fixed remuneration €	Performance-based remuneration		Committee remuneration (may be capped) €	Total remuneration €
		short-term €	long-term €		
Dr. Henning Schulte-Noelle (Chairman)	83,334	40,000	40,000	81,666	245,000
Norbert Blix (Deputy Chairman)	62,500	30,000	30,000	40,834	163,334
Dr. Wulf H. Bernotat	41,667	20,000	20,000	0	81,667
Dr. Diethart Breipohl	41,667	20,000	20,000	0	81,667
Dr. Gerhard Cromme	41,667	20,000	20,000	65,834	147,501
Claudia Eggert-Lehmann	41,667	20,000	20,000	25,000	106,667
Hinrich Feddersen	41,667	20,000	20,000	0	81,667
Franz Fehrenbach	41,667	20,000	20,000	0	81,667
Peter Haimerl	41,667	20,000	20,000	20,417	102,084
Prof. Dr. Rudolf Hickel	41,667	20,000	20,000	25,000	106,667
Dr. Franz B. Humer	41,667	20,000	20,000	0	81,667
Prof. Dr. Renate Köcher	41,667	20,000	20,000	0	81,667
Igor Landau	41,667	20,000	20,000	0	81,667
Dr. Max Link	41,667	20,000	20,000	0	81,667
Iris Mischlau-Meyrahn	41,667	20,000	20,000	0	81,667
Karl Neumeier	41,667	20,000	20,000	0	81,667
Sultan Salam	41,667	20,000	20,000	0	81,667
Dr. Manfred Schneider	41,667	20,000	20,000	57,917	139,584
Margit Schoffer	41,667	20,000	20,000	0	81,667
Prof. Dr. Dennis J. Snower	41,667	20,000	20,000	0	81,667
Total	895,840	430,000	430,000	316,668	2,072,508

Remuneration of the Supervisory Board of Allianz SE

The newly constituted first Supervisory Board of Allianz SE was established with the completion of the conversion of Allianz AG into Allianz SE, effective October 13, 2006. Employee representatives were legally appointed on October 27, 2006. The remuneration for the appointment period of members of the first Supervisory Board until the regular Annual General Meeting on May 2, 2007 can be determined only by the Annual General Meeting according to clause 113 paragraph 2 of the German Stock

Corporation Act (Aktengesetz, AktG). The Board of Management and the Supervisory Board will propose to the Annual General Meeting to grant remuneration corresponding to the regulation in clause 11 of the Articles of Association of Allianz SE. In order to avoid a double payment, remuneration for October 2006 is guaranteed only for the Supervisory Board functions assumed for the first time in that month. On that basis, the members of the Supervisory Board would receive the following remuneration:

Remuneration of the Supervisory Board of Allianz SE

Name	Fixed remuneration €	Performance-based remuneration short-term €	Performance-based remuneration long-term €	Committee remuneration (may be capped) €	Total remuneration €
Dr. Henning Schulte-Noelle (Chairman)	16,667	8,000	8,000	16,333	49,000
Dr. Gerhard Cromme (Deputy Chairman)	14,584	7,000	7,000	16,918	45,502
Claudia Eggert-Lehmann (Deputy Chairman)	10,417	5,000	5,000	4,084	24,501
Dr. Wulf H. Bernotat	8,334	4,000	4,000	15,667	32,001
Jean-Jacques Cette	12,500	6,000	6,000	2,500	27,000
Godfrey Robert Hayward	12,500	6,000	6,000	2,042	26,542
Dr. Franz B. Humer	8,334	4,000	4,000	12,250	28,584
Prof. Dr. Renate Köcher	8,334	4,000	4,000	9,542	25,876
Igor Landau	8,334	4,000	4,000	7,500	23,834
Jörg Reinbrecht	12,500	6,000	6,000	2,500	27,000
Margit Schoffer	8,334	4,000	4,000	2,042	18,376
Rolf Zimmermann	12,500	6,000	6,000	2,042	26,542
Total	133,338	64,000	64,000	93,420	354,758

Remuneration for Mandates in other Allianz Group subsidiaries

In connection with the assumption of Supervisory Board or similar mandates in other companies of the Allianz Group, Dr. Diethart Breipohl received € 57,829, Claudia Eggert-Lehmann € 45,000, Peter Haimerl € 67,500, Igor Landau € 45,000, Sultan Salam € 45,000 and Margit Schoffer € 45,000.

Agent commissions

One member of the Supervisory Board receives small-scale commission payments for peripheral agent activities.

Loans to Members of the Board of Management and Supervisory Board

Loans granted by the Dresdner Bank AG and other Allianz Group companies to members of the Board of Management and Supervisory Board totalled € 61,285 on the date of balance. Loans are provided at standard market conditions or at those conditions also valid for employees. The repaid amounts of these loans amounted to € 12,168 in 2006. Moreover, overdraft facilities were granted to members of the Board of Management and Supervisory Board as part of existing account relationships, likewise corresponding to conditions according to market standard or those valid for employees.

Supervisory Board

Dr. Henning Schulte-Noelle

Chairman
Former Chairman of the Board of Management
Allianz AG

Dr. Gerhard Cromme

Vice Chairman
Chairman of the Supervisory Board ThyssenKrupp AG

Claudia Eggert-Lehmann

Vice Chairman
Employee, Dresdner Bank AG

Dr. Wulf H. Bernotat

Chairman of the Board of Management E.ON AG

Norbert Blix until October 13, 2006

Vice Chairman
Employee, Allianz Versicherungs-AG

Dr. Diethart Breipohl until October 13, 2006

Former Member of the Board of Management
of Allianz AG

Jean-Jacques Cette since October 27, 2006

Secretary of the Group commission AGF,
Assurances Générales de France

Hinrich Feddersen until October 13, 2006

Former Member of the Board of Management at ver.di

Franz Fehrenbach until October 13, 2006

Chairman of the Supervisory Board Robert Bosch GmbH

Peter Haimerl until October 13, 2006

Employee, Dresdner Bank AG

Godfrey Robert Hayward since October 27, 2006

Employee, Allianz Cornhill Insurance plc, UK

Prof. Dr. Rudolf Hickel until October 13, 2006

Professor of finance, University of Bremen

Dr. Franz B. Humer

President of the Board of Management and Chief
Executive Officer F. Hoffmann-La Roche AG

Prof. Dr. Renate Köcher

Chairman Institut für Demoskopie Allensbach

Igor Landau

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

Dr. Max Link until October 13, 2006

Employee, Allianz Versicherungs-AG

Iris Mischlau-Meyrahn until October 13, 2006

Employee, Allianz Lebensversicherungs-AG

Karl Neumeier until October 13, 2006

Employee, Allianz Versicherungs-AG

Jörg Reinbrecht since October 27, 2006

Trade Union Secretary, ver.di Bundesverwaltung

Sultan Salam until October 13, 2006

Employee, Dresdner Bank AG

Dr. Manfred Schneider until October 13, 2006

Chairman of the Supervisory Board Bayer AG

Margit Schoffer

Employee, Dresdner Bank AG

Prof. Dr. Dennis J. Snower until October 13, 2006

President Institut für Weltwirtschaft, University of Kiel

Rolf Zimmermann since October 27, 2006

Employee, Allianz Versicherungs-AG

Board of Management

Michael Diekmann

Chairman of the Board of Management

Dr. Paul Achleitner

Finance

Clement B. Booth

Insurance Anglo Broker Markets / Global Lines

Jan R. Carendi

Insurance NAFTA

Enrico Cucchiani

Insurance Europe I

Dr. Joachim Faber

Asset Management Worldwide

Dr. Helmut Perlet

Controlling, Reporting, Risk

Dr. Gerhard Rupprecht

Insurance Germany, Director
responsible for Work and Social Welfare

Jean-Philippe Thierry

Insurance Europe II

Dr. Herbert Walter

Banking Worldwide

Dr. Werner Zedelius

Insurance Growth Markets

International Executive Committee

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



Michael Diekmann
Allianz SE, Munich

Enrico Cucchiani
Allianz SE, Munich

Hansjörg Cramer
Allianz Deutschland AG,
Munich



Herbert Walter
Dresdner Bank,
Frankfurt/Main

Charles Kavitsky
Allianz of America,
Novato

Werner Zedelius
Allianz SE, Munich



Gary C. Bhojwani
Allianz Life Insurance,
Minneapolis

Andrew Torrance
Allianz Cornhill Insurance,
London

Gerhard Rupprecht
Allianz SE, Munich

Axel Theis
Allianz Global Corporate
& Specialty, Munich



William S. Thompson
PIMCO, Newport Beach

Wolfram Littich
Allianz Elementar,
Vienna

Manfred Knof
Allianz Suisse, Zurich



Thomas Pleines
Allianz Deutschland AG,
Munich

Jean-Philippe Thierry
Allianz SE, Munich

Helmut Perlet
Allianz SE, Munich

Joe Beneducci
Fireman's Fund, Novato



Jan R. Carendi
Allianz SE, Munich

Maximilian Zimmerer
Allianz Deutschland AG,
Munich

Joachim Faber
Allianz SE, Munich



Clement B. Booth
Allianz SE, Munich

Laurent Mignon
AGF, Paris

Paul Achleitner
Allianz SE, Munich



Paolo Vagnone
RAS, Milan

Terry Towell
Allianz Australia, Sydney

Vicente Tardío Barutel
Allianz Compañía de
Seguros y Reaseguros,
Barcelona

Ulrich Rumm
Allianz Deutschland AG
Munich

Strategy

Sustainably profitable growth remains our prime strategic goal.

We are a leading financial services provider seeking a market capitalization which ranks us among the ten largest international companies in our industry. Our success is based on a consistent long-range strategy aimed at generating returns in excess of the capital cost, regardless of the underlying trend. Although our strategy has global reach, we do not wish to operate everywhere with the same level of commitment. Our core markets are Europe, the USA, and a series of Asian countries whose economies have shown to be highly dynamic over the long term. Through broad implementation of our "3+One" program we have laid the foundation for a significant increase in our market value and are now making a major effort to develop new areas offering high-yield growth.

Fundamental principles

Our strategy for high-margin growth and efficient capital use is based on five fundamental principles:

1. We believe we can serve our shareholders best by making our customers the focus of our work.
2. We know that the sustainability of our success is based on our reputation, our acceptance by society and our appeal as a company employing high-performing individuals.
3. We promote entrepreneurial decision-making in our local units and back these decisions up with an efficient global infrastructure.
4. We wish to expand in business segments in which we can earn more than our capital costs on a sustainable basis.
5. We will only satisfy our customers in the long term by offering them an entire range of outstanding products and services for their financial needs, including all-in solutions. For this reason we will also be increasing our offer of banking services in strategically important markets.

Former strength regained

We have been very successful in implementing our 3+One program. Allianz has recaptured its ability to operate profitably in every conceivable setting. This is demonstrated by our performance, even under difficult conditions, in the financial and insurance markets. A strengthened capital base, higher operating profitability

and less complexity were the objectives signified by the "3" in our program. Not only were these goals achieved; in some areas they were substantially exceeded. We will nevertheless continue to work on these goals and will continue replacing what is good with what is better. Moving forward, our main focus will now be on sustainably boosting our competitiveness and shareholder value, the "+One" in the Allianz program. This dimension, too, has already seen considerable progress. Our strategic initiatives "Sustainability" and "Customer Focus", together with the new operating model, will produce top results, and are already improving our performance in some areas. Nonetheless, the progress made is not enough to enhance our position on a truly sustainable basis in a highly competitive environment. In particular, we recognize the need to improve growth and market share in our core markets.

Future areas of growth

We are continuously monitoring trends and analyzing how they impact our markets and business opportunities. In doing so our focus is not solely on our traditional segments; we also seek additional business options that have not been in the focus of large international financial service providers, for example assistance services.

An extremely influential factor observable in almost every country on Earth is the way society is ageing. People are living longer and the birth rates have been significantly lower since the end of the baby-boom years following the end of the Second World War. The proportion of elderly people will inevitably become larger over the next 30 years, and the proportion of working population is declining relative to the pensioner

generation. We have been addressing this trend for some time now, principally by offering differentiated product ranges in life and health insurance and in asset management. In addition, we have recently introduced pan-European pension products and assistance services for elderly customers. We will also launch special solutions to enable our customers to benefit from their assets throughout their post-retirement life and to pass on as much wealth as possible to the next generation.

Another major trend is the growing importance of building up assets. This is increasing in emerging markets, including as a supplement to pay-as-you-go state-run social security systems whose performance declines as society ages. We are acting on this trend by investing in alternative financial forms, including private/public co-financing of infrastructure projects (private/public partnerships), investment in unlisted companies (private equity) and investment in high-growth industries such as biotechnology and renewable energy. Wealth Management for high net worth individuals, a part of our banking business which we are further expanding, points in the same direction.

The interconnectedness of the global economy is altering patterns of mobility and migration; new middle classes

are emerging, and in general there is rapid growth in the significance of previously economically peripheral regions. Customer requirements in highly developed countries are also changing in the wake of globalization. Our growth strategy targets these trends. For example, we are developing new areas of business in the USA, Middle East, India and Japan, enabling us to tap into additional potential for growth in these markets.

Lastly, we attach major significance to climate change. It affects actuarial practice because it demonstrably increases the risk of natural disaster. Yet it also offers business opportunities, such as the trade of emissions rights or investment in renewable energy.

We are convinced that our strategic initiatives and measures will make a substantial contribution towards Allianz further strengthening its reputation as a leading global financial services provider. This will boost customer loyalty, profitability and ultimately also our market value on a sustainable basis.

Allianz Share

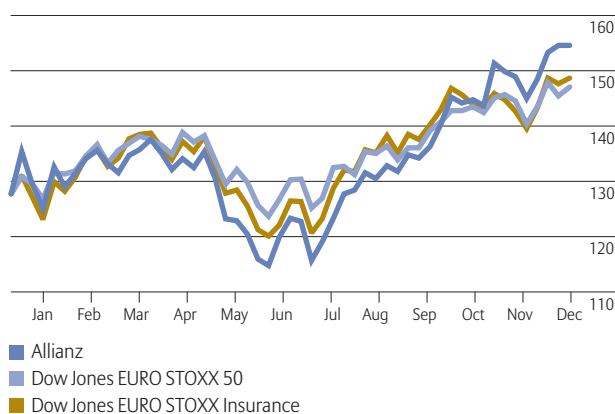
Further increase in share price

In 2006 the Allianz share continued its strong performance of the previous year. The share price rose by 21%, finishing the year at € 154.76 per share. On the one hand this increase is an endorsement by the market of our operational performance, which has improved yet again, and on the other hand it highlights that our strategic initiatives have been convincing, and that you, our shareholders, have confidence in Allianz's ability to sustain its profitable growth also in the future.

Significant price increase in the second half of the year

The 21.0% rise in our stock's value means that it did significantly better than the Dow Jones EURO STOXX Insurance (+16.3%). This index tracks the share performance of the major insurance companies in the Euro zone and is consequently our most important benchmark. In a comparison of the share performance of our stock with the standard indices, the Allianz share also performed well in 2006. It performed along similarly positive lines as the DAX (+22.0%) and significantly better than the Dow Jones EURO STOXX 50 (+15.1%), particularly in the second half of the year, in which the value of our share increased from € 123.52 to € 154.76. Impressive business figures, conclusion of the RAS deal and successful investor conferences and roadshows substantially boosted demand for Allianz shares during that period. Our share was the most heavily traded DAX stock in 2006.

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



Source: Thomson Financial Datastream

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

The 2006 price trend was a factor in our stock also producing an attractive return of 15.6% per year, viewed over three years. To calculate the performance of your own investment in Allianz shares, you can use the share performance calculator available online at www.allianz.com/stock.

Allianz share performance in comparison average annual performance in %

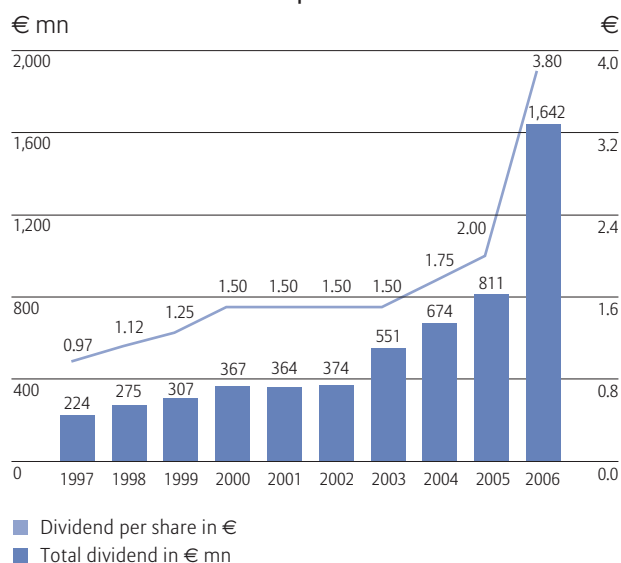
Performance	1 year 2006	3 years 2004-06	5 years 2002-06	10 years 1997-06
Allianz (excluding dividends)	21.0	15.6	(8.2)	2.1
Allianz (including dividends)	22.8	17.6	(6.7)	3.2
DAX	22.0	18.5	5.0	8.6
Dow Jones EURO STOXX 50	15.1	14.3	1.6	8.3
Dow Jones EURO STOXX Insurance	16.3	18.1	(1.5)	7.5

Source: Thomson Financial Datastream

Dividend

We would like our shareholders to benefit from the improved business development and will therefore propose at the annual general meeting the payment of a dividend of € 3.80 per share, which represents an increase of € 1.80 or 90% per share. Because of the higher number of shares, the dividend payout will rise by 102% to € 1,642 million.

Total dividend and dividend per share



Price increase raises index weighting

In 2006 our stock market capitalization grew by € 15 billion to € 66.9 billion. Allianz continues to be one of Europe's financial services providers with the highest market capitalization. As a result it has bolstered its weighting within major indices; it is now the second-ranking security within the German blue chip index DAX (previously ranked third). Our share is also included in the calculation of the Dow Jones EURO STOXX 50 and the MSCI World and appears in the sustainability indices FTSE-4-Good and the Advanced Sustainable Performance Index. Allianz is number one among the insurance stocks in the Dow Jones Sustainability Index which has global coverage. For more information, visit www.allianz.com/sustainability.

Weighting of the Allianz share in major indices as of December 31, 2006

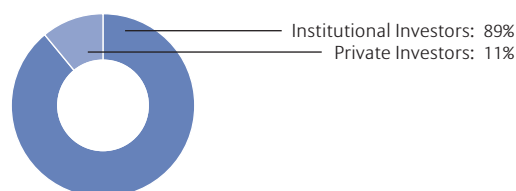
	Weighting	Ranking	Index members
DAX	9.7%	2	30
Dow Jones EURO STOXX 50	3.2%	9	50
Dow Jones EURO STOXX Insurance	20.7%	2	18
MSCI World	0.3%	45	1,904

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

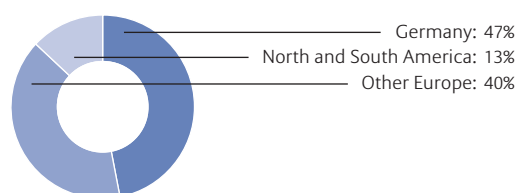
Shareholder structure is becoming increasingly international

Allianz has approximately 439,000 shareholders and, as such, is one of the biggest publicly held corporations in Europe. As before, 100% of our shares are held in free float. Investors in Germany hold 47% of our stock. 53% of the capital stock is in the hands of shareholders from outside Germany, 5% points more than in the previous year. The proportion of Allianz shares held by institutional investors rose from 86% to 89%, with private investors holding 11% of our capital stock. For up-to-date information on our shareholder structure, visit www.allianz.com/investor-relations.

Shareholder structure as of December 31, 2006 in % of subscribed capital



Regional breakdown as of December 31, 2006 in % of subscribed capital



Source: Allianz SE share register

Since the end of 2000, Allianz shares have been traded on the New York Stock Exchange in the form of American Depositary Receipts (ADR). Ten ADRs are the equivalent of one Allianz share. For detailed information, visit www.allianz.com/investor-relations.

Basic Allianz share information

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

Extraordinary General Meeting

An Extraordinary General Meeting of Allianz was held on February 8, 2006. With a 99.90% majority it resolved to merge the Italian subsidiary RAS into Allianz AG and to convert Allianz AG into a Societas Europaea (SE). The

Ordinary General Meeting in May 2006 showed a higher proportion of capital stock represented compared to the previous year. It rose to 39 % (35%). At the Extraordinary General Meeting in February presence was as high as 42%. For detailed information about the Annual General Meeting, visit www.allianz.com/aggm.

Allianz share key indicators at a glance

		2006	2005	2004
Number of shares outstanding as of December 31		432,150,000	406,040,000	385,775,000
Weighted number of shares outstanding		410,871,602	389,756,350	365,930,584
Share price as of December 31	€	154.76	127.94	97.60
High for the year	€	156.75	129.70	111.15
Low for the year	€	111.20	89.72	73.87
Share price performance in the year	%	21.0	31.1	(2.5)
Market capitalization as of December 31	€ bn	66.9	51.9	35.9
Average number of shares traded per day	mn	3.3	3.1	2.6
Beta-Factor ¹⁾		1.2	1.3	1.3
Basic earnings per share	€	17.09	11.24	6.19
Price-earnings ratio		9.1	11.4	15.8
Dividend per share	€	3.80	2.00	1.75
Dividend yield	%	2.5	1.6	1.8
Return on equity after income taxes ²⁾	%	15.6	12.6	7.8

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

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

Investor Relations is important to us

Communication with our investors is important to us. In 2006 we visited a total of 387 investors in 19 cities worldwide and dedicated 41 days to discussing the current course of business and answering any questions. Once a year we organize an analysts' conference and, for some time now, also a "Capital Markets Day". This has already become a subject of high interest and is now firmly established in the calendar of events. In the year under review it dealt intensively with our customer focus initiative, with the reorganization of our German

insurance business and with our investment banking. More than 50 analysts participated. Overall in 2006 we held 348 meetings with analysts and institutional investors, which was 16% more than in the previous year. The Investor Relations team replied to about 8,800 queries from private investors.

Our Investor Relations again received several awards in 2006. Across a range of industries, "Investor Relations Magazine" placed Allianz among the best five companies in continental Europe in the category "Best Investor Relations".

Comprehensive service for Allianz shareholders

Internet

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

Telephone enquiries

- For telephone enquiries, our "Allianz Investor Line" is available 24 hours a day, seven days a week.
+ 49 1802 2554269
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E-mail: investor.relations@allianz.com

Internet: www.allianz.com/investor-relations

Financial calendar for 2007/2008

Important dates for shareholders and analysts

May 2, 2007	Annual General Meeting
May 8, 2007	Announcement of first quarter results 2007 Interim report first quarter 2007
August 3, 2007	Announcement of second quarter results 2007
August 10, 2007	Interim report second quarter 2007
November 9, 2007	Announcement of third quarter results 2007 Interim report third quarter 2007
February 21, 2008	Financial press conference for the 2007 fiscal year
February 22, 2008	Analysts' conference for the 2007 fiscal year
May 21, 2008	Annual General Meeting

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

As we cannot rule out changes of dates, we recommend checking them on the internet at www.allianz.com/financialcalendar.

Group Management Report

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

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Cautionary Note Regarding Forward-Looking Statements

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

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

markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

The matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking statement.

Executive Summary and Outlook¹⁾

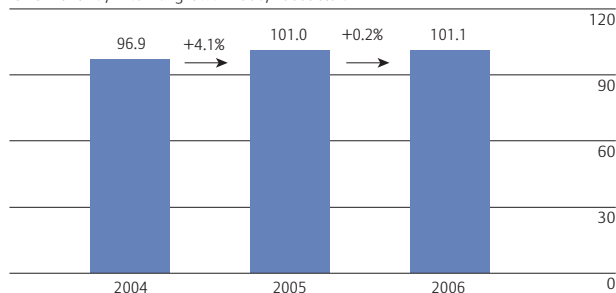
2006 was a year of success.

- Group operating profit was up 30% and exceeded the € 10 billion mark.
 - Property-Casualty underwriting profitability stands out with a combined ratio of 92.9%.
 - Operating profit in Life/Health grew by 23%.
 - Milestone achieved for cost-income ratio of below 80% in Banking.
 - Asset Management performed strongly again, further improving operating profit to € 1.3 billion.
- Net income grew by 60% to € 7.0 billion.
- Shareholder's equity stands at € 50.5 billion, up almost 28%

Total revenues

in € bn

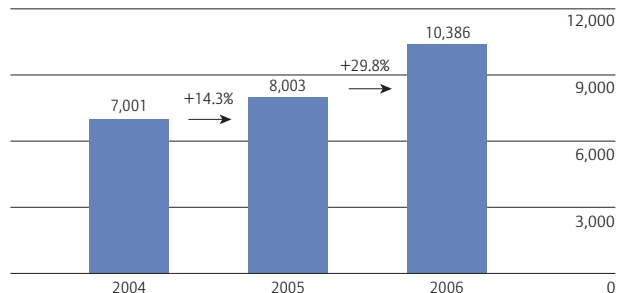
CAGR²⁾: 2.1% / internal growth 2006/2005: 0.5%



Operating profit

in € mn

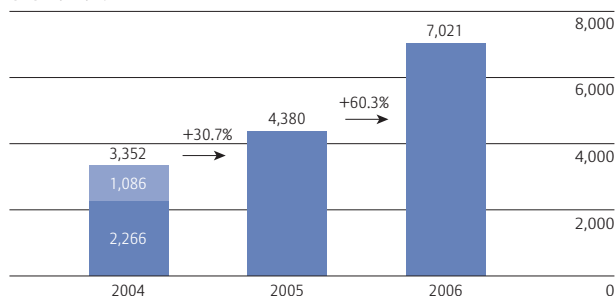
CAGR²⁾: 21.8%



Net income

in € mn

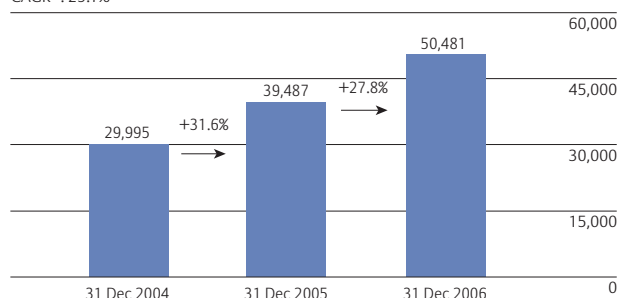
CAGR²⁾: 44.7%



Shareholders' equity³⁾

in € mn

CAGR²⁾: 29.7%



¹⁾ The Allianz Group operates and manages its activities primarily through four operating segments: Property-Casualty, Life/Health, Banking and Asset Management. Effective January 1, 2006, in addition to our four operating segments and with retrospective application, we introduced a fifth business segment named Corporate. For detailed information on the Allianz Group, our activities and structures, as well as the environment in which we operate please see "Allianz Group Success Factors" on pages 88 to 99. Furthermore, effective January 1, 2006, we implemented certain other revisions to our consolidated financial statements. For detailed information on all revisions please see Note 3 to our consolidated financial statements. All revisions are intended to enhance the reader's understanding of our financial results and to use a more consistent presentation with that of our peers. We have retrospectively applied these revisions to our consolidated financial statements as of and for the years ended December 31, 2005 and 2004, as previously issued in connection with our Annual Report 2005, without any impact on our consolidated net income and shareholders' equity for these years.

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

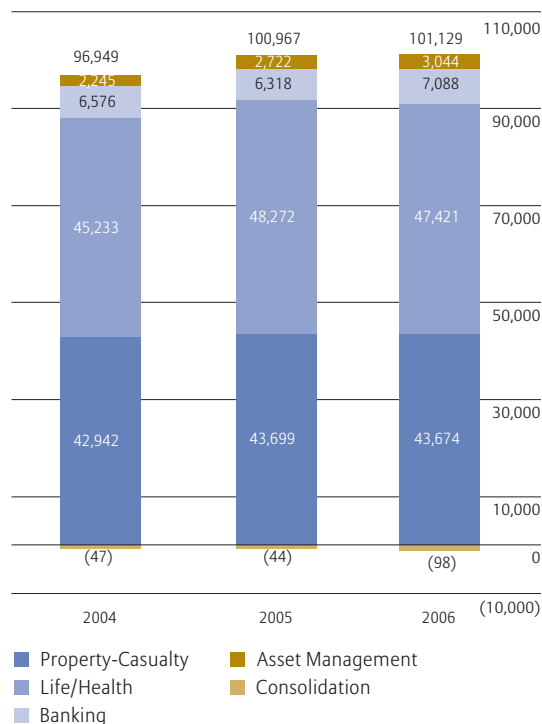
³⁾ Does not include minority interests.

Allianz Group's Consolidated Results of Operations

Total revenues¹⁾

Total revenues – Segments

in € mn



Our total revenues remained stable at € 101.1 billion. This result reflects the net effect of substantial operating revenue growth in our Banking and Asset Management segments, flat Property-Casualty gross premiums written, combined with a decline in Life/Health statutory premiums. Total internal revenue growth amounted to 0.5%.²⁾

Property-Casualty Gross premiums written were flat at € 43.7 billion reflecting average constant prices and a

slightly increased sales volume. On an internal growth basis, premium volume was up marginally by 0.3%.²⁾ We continued to manage local market cycles and to write profitable business, while market conditions varied considerably around the world. Our operations in South America, Spain, New Europe and the United States recorded increases in gross premiums written.

Life/Health Most of our operations worldwide continued to record statutory premium growth, such as in Germany, France, Asia-Pacific, New Europe and Spain. In 2006, our growth markets of Asia-Pacific and New Europe, in aggregate, contributed 9.6% of our total Life/Health statutory premium volume. However, due to considerable decreases in the United States and Italy, total Life/Health statutory premiums were down slightly by 1.8% to € 47.4 billion. We believe we will regain growth momentum in these markets. Based on internal growth, statutory premiums decreased by 1.6%.²⁾

Banking Operating revenues were up substantially by 12.2% to € 7.1 billion in 2006. All income categories contributed to this strong development, with double-digit growth rates in Dresdner Bank's net interest income and net trading income. Both operating divisions at Dresdner Bank recorded considerably higher revenues than a year ago.

Asset Management Based on our consistent strong investment performance, we again ranked in the top quartile based on net inflows in 2006 compared to our peer companies. With net inflows of € 36 billion and market-related appreciation of € 43 billion, we achieved our growth target for third-party assets of above 10%, excluding currency conversion effects. Overall, our third-party assets amounted to € 764 billion as of December 31, 2006, up 2.8% from a year earlier, after unfavorable exchange rate effects of € 57 billion. Our strong asset base was a key factor in repeating double-digit operating revenue growth while facing a challenging market environment.

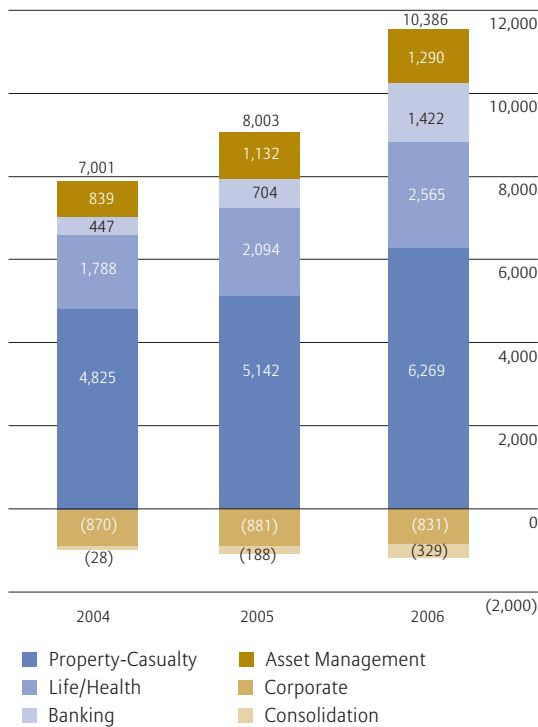
¹⁾ Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

²⁾ Internal total revenue growth excludes the effects of foreign currency translation as well as acquisitions and disposals. Please see page 114 for a reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole.

Operating profit¹⁾

Operating profit – Segments

in € mn



At € 10.4 billion in 2006, up 29.8% over the prior year, we continued to significantly grow our consolidated operating profit. All operating business segments exhibited strong double-digit increases.

Property-Casualty Operating profit increased to € 6.3 billion, reflecting our strong underwriting profitability. Our combined ratio improved again from an already very competitive level to 92.9% in 2006, 1.4 percentage points better than a year ago. Both lower severity and frequency of claims contributed to this development. In particular, the exceptionally heavy damages in 2005 from major natural catastrophes in the United States, Central Europe and Asia were not repeated in 2006. In addition, our Sustainability Program²⁾ has helped us improve the effectiveness and efficiency of workstreams.

Life/Health We were again successful in growing our operating profit which increased in 2006 by 22.5% to € 2.6 billion. While continuing to grow our asset base, we

further improved our investment, expense and technical margins. Our policyholders also benefit from profit growth as, in 2006, we were able to credit them with a higher participation amount than last year. Our Sustainability Program²⁾ was also an important contributing factor to operating profit growth in Life/Health.

Banking Our Banking segment's operating profit more than doubled to € 1.4 billion in 2006. Operating revenue growth was achieved at the same time as accomplishing improvements in productivity and efficiency, reflected in decreased operating expenses. Thereby, we achieved our milestone of a cost-income ratio of below 80%.

Asset Management We continued to deliver double-digit operating profit growth and improved our cost-income ratio to 57.6% from an already competitive level in 2005. While at the same time making substantial investments in our distribution network and human resources development, key drivers for these developments were our strong and further growing asset base, and effective cost management.

Non-operating items

Non-operating items amounted to an overall expense of € 63 million, down € 111 million from 2005. In particular, increased restructuring charges were offset by higher realized gains.

The most significant capital gains resulted from the sale of our shareholdings in Schering AG and in Eurohypo AG in the first half of 2006, as well as from the disposal of Four Seasons Health Care Ltd. in the second half. Overall, the impact from realized gains/losses and impairments of investments (net) increased € 829 million to € 2.7 billion.

Restructuring charges amounted to € 824 million, € 724 million more than last year. This increase primarily reflects the reorganization of our German insurance operations and the "Neue Dresdner Plus" reorganization program.³⁾

Net expenses from financial assets and liabilities held for trading was down significantly, as, in the prior year, heavy negative impacts stemmed from derivatives from

¹⁾ The Allianz Group uses operating profit to evaluate the performance of its business segments and the Allianz Group as a whole. Please see page 113 for further information.

²⁾ Under our Sustainability Program, we systematically search for best practices in product and service offerings, and processes across our insurance companies. The highest standard is then made obligatory for all companies.

³⁾ Please see "Allianz Group Success Factors" and Note 49 to our consolidated financial statements for further information on our restructuring plans.

an equity-linked loan which was issued as a component of financing the cash tender offer for the outstanding RAS shares.

In 2006, non-operating items included a charge of € 429 million due to reclassification of policyholder participation in tax benefits arising in connection with tax-exempt income in the Life/Health segment. In the segment reporting, this item is presented within operating items.

Net income

We grew net income by 60.3% to € 7.0 billion. This development was primarily driven by our operating profit growth, reflecting the high quality of our earnings.

Income tax expenses of € 2.0 billion benefited from the tax-exemption of the significant capital gains, and the capitalization of the Allianz Group's total corporate tax credits as a consequence of the new German Reorganization Tax Act (SEStEG) which entered into force in December 2006. Following this tax law change, current income tax expenses were reduced by € 571 million. Please see Note 41 to our consolidated financial statements for further information. As a result of the above, our effective tax rate declined to 19.5% from 26.3%.

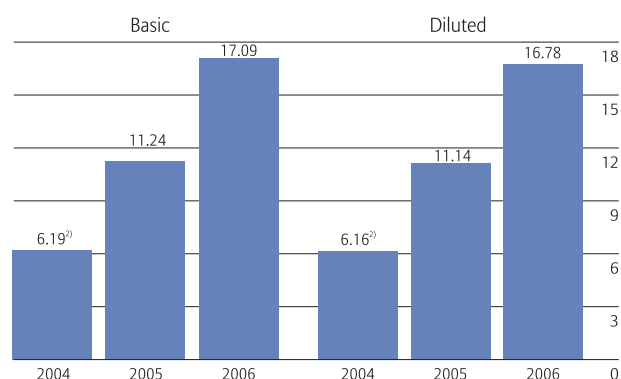
Minority interests in earnings were down € 97 million to € 1.3 billion. This was primarily a result of the acquisition of the minority interest in RAS.

Our strong net income growth translates into continuously significantly increasing earnings per share.

The following graph presents our basic and diluted earnings per share for the years ended December 31, 2006, 2005 and 2004.

Earnings per share¹⁾

in €



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

²⁾ Includes goodwill amortization. Effective January 1, 2005, under IFRS, and on a prospective basis, goodwill is no longer amortized.

The following table summarizes the total revenues, operating profit and net income for each of our segments for the years ended December 2006, 2005 and 2004, as well as IFRS consolidated net income of the Allianz Group.

	Property-Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation adjustments € mn	Allianz Group € mn
2006							
Total revenues ¹⁾	43,674	47,421	7,088	3,044	—	(98)	101,129
Operating profit (loss)	6,269	2,565	1,422	1,290	(831)	(329)	10,386
Non-operating items	1,291	135	(147)	(555)	(156)	(631)	(63)
Income (loss) before income taxes and minority interests in earnings	7,560	2,700	1,275	735	(987)	(960)	10,323
Income taxes	(2,075)	(641)	(263)	(278)	824	420	(2,013)
Minority interests in earnings	(739)	(416)	(94)	(53)	(16)	29	(1,289)
Net income (loss)	4,746	1,643	918	404	(179)	(511)	7,021
2005							
Total revenues ¹⁾	43,699	48,272	6,318	2,722	—	(44)	100,967
Operating profit (loss)	5,142	2,094	704	1,132	(881)	(188)	8,003
Non-operating items	1,024	177	822	(707)	(1,118)	(372)	(174)
Income (loss) before income taxes and minority interests in earnings	6,166	2,271	1,526	425	(1,999)	(560)	7,829
Income taxes	(1,804)	(488)	(387)	(129)	741	4	(2,063)
Minority interests in earnings	(827)	(425)	(102)	(52)	(10)	30	(1,386)
Net income (loss)	3,535	1,358	1,037	244	(1,268)	(526)	4,380
2004							
Total revenues ¹⁾	42,942	45,233	6,576	2,245	—	(47)	96,949
Operating profit (loss)	4,825	1,788	447	839	(870)	(28)	7,001
Non-operating items	475	(175)	(539)	(1,114)	(172)	(432)	(1,957)
Income (loss) before income taxes and minority interests in earnings	5,300	1,613	(92)	(275)	(1,042)	(460)	5,044
Income taxes	(1,751)	(458)	302	52	263	(18)	(1,610)
Minority interests in earnings	(681)	(333)	(101)	(52)	(28)	27	(1,168)
Net income (loss)	2,868	822	109	(275)	(807)	(451)	2,266

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

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

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

Effective January 1, 2006, we implemented certain revisions to our consolidated financial statements to enhance the reader's understanding of our financial results and to use a more consistent presentation with that of our peers. These revisions reflect certain reclassifications in our consolidated balance sheet and consolidated income statement, changes to our segment reporting, changes to operating profit methodology and changes to our consolidated statements of cash flows. We applied these revisions to all three years of the Allianz Group's consolidated financial statements presented in this Annual Report. As a result, we have retrospectively applied these revisions to the Allianz Group's consolidated financial statements as of and for the years ended December 31, 2005 and 2004, as previously issued in connection with our Annual Report for the year ended December 31, 2005, without any impact on our consolidated net income and shareholders' equity for these years. See Note 3 to our consolidated financial statements for detailed information on the changes of our consolidated financial statements and the impact of these revisions.

Recommendation for Appropriation of Profit

The Board of Management and the Supervisory Board propose that the available net earnings of Allianz SE of € 2,008,618,258.00 for the fiscal year 2006 be appropriated as follows:

- Distribution of a dividend of € 3.80 per no-par share entitled to a dividend: € 1,642,170,000.00

To the extent the Company holds treasury shares on the day of the Annual General Meeting, which are not entitled to dividends pursuant to clause 71 b of the German Stock Corporation Act (Aktiengesetz), the

amount attributable to such shares shall be carried forward to new account.

- Allocation to other appropriated retained earnings
€ 366,448,258.00

Munich, February 7, 2007
Allianz SE

Events After the Balance Sheet Date

See "Outlook – Significant Expected Investments" below and Note 52 to the consolidated financial statements.

Outlook

Outlook for the Allianz Group

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

The Allianz Group expects to continue improving its financial position during the next years.

In the years 2007 to 2009, we expect average annual consolidated operating profit growth of 10% from the 2006 level, partly adjusted for the particularly favorable natural catastrophe trend.

Within the same time period within our Property-Casualty segment we are striving to maintain a strong combined ratio of less than 94% on average. In Life/Health we aim to achieve an average new business margin greater than 3%.¹⁾ We are also confident of an average return on risk-adjusted capital in our Banking segment of above 15%. For our Asset Management segment, we are targeting average annual growth of third-party assets of 10%, excluding foreign currency conversion effects.

As always, natural catastrophes and adverse developments in the capital markets, as well as the

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

factors stated on page 33 in our cautionary note regarding forward-looking statements, may severely impact our results of operations.

Significant expected investments

On January 18, 2007, Allianz SE announced its intention to launch a tender offer to acquire the outstanding shares in Assurances Générales de France S.A. (or “AGF”, and together with its subsidiaries, the “AGF Group”) that it does not already own. The tender offer is not and will not be made to the public in the United States and cannot be accepted from there. The Allianz SE shares offered in the offer have not been and will not be registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from registration.

In addition, Allianz AZL Vermögensverwaltung GmbH & Co. KG, a subsidiary of Allianz Deutschland AG, Allianz SE’s wholly-owned German insurance holding company, launched a tender offer on February 28, 2007 to acquire the approximately 9% of outstanding shares of Allianz Lebensversicherungs-Aktiengesellschaft (or “Allianz Leben”) that Allianz does not already own. Allianz AZL Vermögensverwaltung GmbH & Co. KG will offer € 750.00 in cash per Allianz Leben share.

Allianz filed the draft tender offer to acquire all outstanding AGF shares on February 22, 2007 with the Autorité des Marchés Financiers (AMF). The acceptance period is being expected to start on March 23, 2007 after the draft tender offer has been approved by the AMF. The consideration for one AGF share provided in the offer is 0.25 of an Allianz SE share to be issued in the exchange for one AGF share, and € 87.50 in cash subject to the following adjustments:

- Increased by an amount equal to the dividend per Allianz SE share for 2006 multiplied by 0.25 as Allianz SE shares issued due to the tender offer will not carry the rights to dividends for 2006; and
- reduced by the amount of any dividend per AGF share paid after February 22, 2007 but not received by Allianz SE.

The Board of Directors of AGF has welcomed the proposed transaction. To achieve 100% ownership of AGF, Allianz SE intends to implement a squeeze-out

immediately following the completion of the tender offer. In the event it will not be in a position to implement a squeeze-out, Allianz could envisage implementing a merger of AGF and Allianz which would then be proposed to both AGF and Allianz shareholders. The acceptance period for the tender offer is currently scheduled to end on April 20, 2007.

This will allow Allianz to simplify the implementation of Group-wide initiatives and to strengthen our position in our core home markets and business lines. Completing the acquisition of the minority interests of the Allianz Group’s largest operating entities positions us to further streamline our group structure across regions and business units.

The cash consideration required for the two transactions of approximately € 7.5 billion, which amount depends primarily on the acceptance rate of the cash tender offers, is planned to be funded internally by the Allianz Group. However, to bridge possible time gaps until the necessary liquidity is available, bridge loans from different financial institutions may be used. With the additional approximately € 3.0 billion share consideration paid to AGF shareholders, the total acquisition cost for the AGF and Allianz Leben minority shareholdings is expected to amount to approximately € 10.5 billion.

Economic outlook – Little or no business cycle burdens for financial service providers

We assume that the dynamics of global economic development will slacken slightly in 2007. Both industrialized countries and emerging markets will grow more slowly than in 2006. Uncertainties still arise from the United States’ foreign trade imbalance. Since the danger of inflation is low, we are not counting on a more restrictive monetary policy; in fact, the key rate in the United States may rather be lowered. This means that the macroeconomic framework conditions have a rather positive impact on financial service providers’ business.

Slight slowdown

Our economists predict a global economy growth of approximately 3% in 2007, which is about half a percentage point less than last year. This will mean a breathing space after the strong growth in previous years. Development in emerging markets should be

particularly dynamic again; we expect an increase of 5.75%. We estimate growth in industrialized countries at 2.25%, after nearly 3% in 2006.

Once again, Asia is the most powerful growth driver in the global economy; we expect growth of over 7% here, as compared to 8% in 2006. The highest growth rates are once more expected to be achieved by China (9.5%; 2006: 10.5%) and India (8%; 2006: 9%). Most other economies in Asia are expected to continue their growth trend of last year, with the exception of Singapore, where the 7.5% rate in 2006 could fall to 5% in 2007. For Japan, we expect economic growth to remain unchanged at 2% (2006: 2.1%).

We believe that the US economic situation in the United States will slow down to 2.5%, compared to 3.4% in 2006, due to the interest rate rises and the downturn in the real estate market last year. Growth in the European Union (EU) should also flatten to a similar level (2006: 2.8%). Among the larger EU states, France will match last year's growth. The dynamism of the German economy will fall, and we forecast growth of 1.75% (2006: 2.7%). The dent in growth at the start of the year, linked to increased value added tax (VAT) rates, is expected to recede as the year progresses. Private consumption should suffer most due to the higher tax. However, the German economic situation is bolstered by the good position of German export firms, which are benefiting from continuing dynamic global trade.

Interest rate movements will be limited in 2007, as inflationary pressure is declining and the economy is slowing down. This means that the prerequisites are met for central banks to increase interest rates slightly at most, in the United States even an interest rate reduction seems possible. The U.S. Dollar will be quoted at rather a weak rate compared to the Euro. As earning prospects for companies are not quite as good as in 2006 and last year saw sharp price rises in stock markets, we are no longer as positive about equity markets as we were then.

Industry outlook – Good framework conditions overall for financial service providers

The business prospects for financial service providers remain positive against this background.

An ageing society with a simultaneous reduction in the level of health care support by state pension systems will continue to be an important demand driver for private and corporate **life and health insurance** in the short term. As state pension systems in many countries have not been adapted to the demographic reality yet or only inadequately so, the future prospects for life and pension insurance remain highly positive. Health systems also have to be adapted to cater for ageing; in view of the high costs for the old, higher own contributions by patients are unavoidable. This irreversible trend opens up new, additional business opportunities for private health insurers.

The high provision required for longevity, health and care makes it necessary for the citizen to save more for retirement during his or her working life. **Asset Management** benefits as a result. This business sector is already well developed in the United States and Europe, not least because the post-war baby boom generation has been accumulating assets for retirement for quite some time. Asset saving is now also becoming a focus of attention in Asia, as demographic problems are similarly aggravating here and many emerging markets are experiencing rises in income that permit asset accumulation for old age.

Property-Casualty insurance is characterized by highly intensive competition. This has led to a situation where the battle for market share is being waged at the expense of margins in some countries or business sectors. The bullish economic trend, in particular in Asia with its growth dynamics, offer asset insurers interesting new business opportunities.

The **Banking segment**, whose activities are more sensitive to the business cycle than the insurance sector and which had a very good financial year in 2006, will have to cut back in 2007 against the background of slowing economic expansion. We do not expect any additional drivers from the lending sector, as demand from private households should shrink, especially for house-building.

Property-Casualty Insurance Operations

Underwriting performance drives operating profitability.

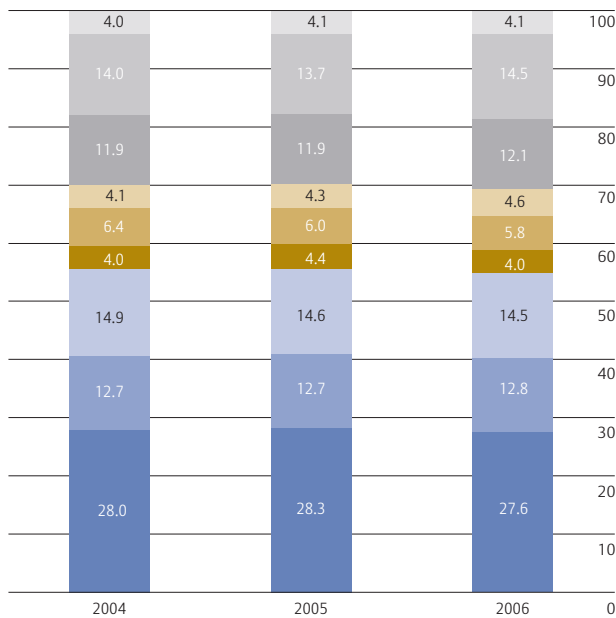
- Very competitive combined ratio of 92.9%.
- Further operating profit growth of 22% to € 6.3 billion after an already strong year in 2005.
- We sustained our successful strategy of selective use of market opportunities.

Earnings Summary

Gross premiums written

Gross premiums written by region¹⁾

in %

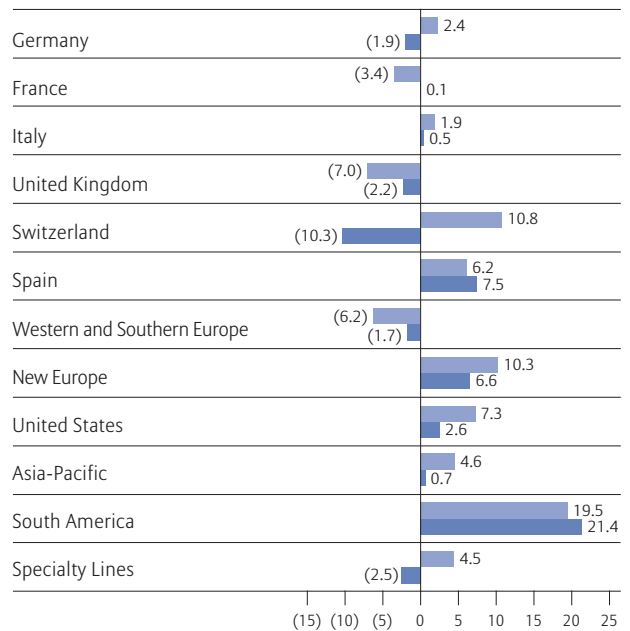


- Germany
- Italy
- France
- Switzerland
- United Kingdom
- Spain
- Other Europe
- North and South America
- Asia-Pacific and Rest of World

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

Gross premiums written – Growth rates¹⁾

in %



- 2005 over 2004
- 2006 over 2005

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

In 2006, our underwriting strategy of putting profitability ahead of volume was again successful. Gross premiums written were flat at € 43,674 million reflecting average constant prices and a slightly increased sales volume, with considerably varying developments across our different markets. Increases in gross premiums written were primarily achieved within Spain (+ € 140 million) and the United States (+ € 115 million), as well as our emerging markets of New Europe (+ € 117 million) and South America (+ € 153 million). Lower gross premiums written were recorded within Germany, in Switzerland at Allianz Risk Transfer (or “ART”) and within our specialty lines at Allianz Global Corporate & Specialty. On an internal growth basis, gross premiums written grew marginally by 0.3%.

We continued to benefit from our global diversification and the measures implemented as part of our Sustainability Program which allow us to take selective advantage of market opportunities and to perform local market cycle management.

At Allianz Sach within Germany, we closely monitored pricing development in order to maintain profitability. Premiums in our motor business were down, reflecting largely lower prices. The development in our casualty lines primarily due to increased sales of accident insurance products with premium refunds, however, compensated partially for the decline in motor. An additional factor contributing to the lower premiums within Germany was that the Allianz Group’s Property-Casualty subsidiaries outside of Germany reduced their internal reinsurance cessions to Allianz SE.

In some markets, such as the United States and Spain, we recorded increasing volumes while being able to maintain stable, profitable prices. Two lines of business contributing to the increased business volume at Fireman’s Fund Insurance Company (or “Fireman’s Fund”) in the United States were the crop insurance business and specialty casualty lines. The positive development in Spain was attributable to higher sales across all lines of business.

The decrease of € 207 million in Switzerland reflected an increase in gross premiums written at Allianz Suisse due to a favorable development in our motor business and lower premium volume at ART. At ART, in 2005, we benefited from a large single premium multi-year contract.

Within New Europe, the increase in gross premiums written took place in a well-performing economy. Our

distribution network captured a significant part of the growing market potential. The expanded sales capacity in Poland was the key driver for the growth of our property-casualty portfolio. In contrast, in Hungary, we were willing to forego volume for better prices and thereby protect our profitability.

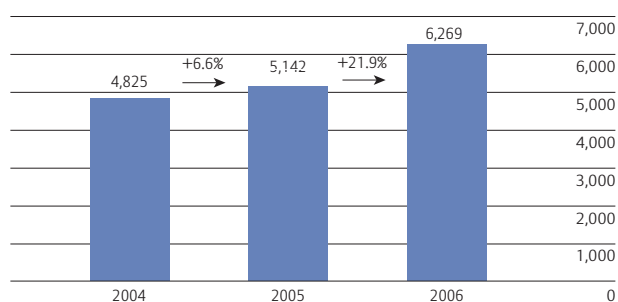
In South America, our operations benefited predominantly from growth in our Brazilian motor business driven by a continued good performance of the fleet business and an increase of new car sales.

At Allianz Global Corporate & Specialty gross premiums written were down € 142 million to € 2,802 million. This development was to a large extent brought about by foregoing business volume as a result of declining prices mainly in Europe.

Operating profit

Operating profit

in € mn



Operating profit showed a strong increase of 21.9% to € 6,269 million. The top three contributing operations to our operating profit growth were Allianz Global Corporate & Specialty at € 658 million, the United States at € 328 million and France at € 193 million. In Italy and Switzerland we also experienced strong increases of € 75 million each. The decrease within Germany by € 286 million stemmed from declines of a similar magnitude at both Allianz Sach and Allianz SE. Lower gross premiums written, previously described, were the primary factor for the decline in operating profit at Allianz Sach. At Allianz SE, operating profit was down mainly due to lower premium income as a result of decreased internal cessions from Allianz Group companies outside of Germany, as well as increased loss estimates for Hurricane Katrina in the United States in 2005.

Our significantly improved underwriting profitability was the main driver behind these strong developments, with excellent combined ratios across all markets. Driven by the improvement of our loss ratio, our combined ratio

was down to 92.9%, 1.4 percentage points better than a year earlier. Thereby, we surpassed our target of 95% and further solidified our competitive position within the Property-Casualty market.

In 2006, we recorded both lower severity and frequency of claims. The exceptionally high losses from natural catastrophes in the prior year were not repeated. In addition, our motor business experienced severity increases which were clearly lower than inflation. Accordingly, our accident year loss ratio improved by 2.8 percentage points to 67.6%.

Overall, claims and insurance benefits incurred (net), at € 24,672 million in 2006, were down 2.6% from a year ago. As a result, our calendar year loss ratio improved by 2.2 percentage points to 65.0%. The difference between the improvement of our loss ratio based on accident year compared to that based on calendar year is due to lower run-offs in 2006 compared to 2005. We continued to deliver positive net development on prior years' loss reserves primarily in Italy, France, the United Kingdom and within our credit insurance business. Partially, we attribute this positive development to the measures we are undertaking in the context of our Sustainability Program, such as improved claims management processes in many companies.

Acquisition and administrative expenses (net), at € 10,590 million in 2006, were € 374 million higher than last year. This drove our expense ratio up by 80 basis points to 27.9%.

However, in the amount of € 109 million, these developments resulted from the inclusion of additional net expenses in acquisition and administrative expenses, previously not included in this item. Further important factors were strategic project-related expenses associated with our initiatives for future profit growth, such as our Sustainability Program, as well as increased accruals for retirements in Germany and additional pension accruals. Increased accruals for retirements arose, among other factors, from the facilitation of the use of early retirement schemes due to pension law changes in Germany, of which many employees at Allianz Sach took advantage.

Interest and similar income rose by € 349 million to € 4,096 million, reflecting higher dividends received, improved yields from debt securities due to slightly higher coupon payments, and our growing asset base.

Realized gains/losses (net) from investments, shared with policyholders, declined by € 227 million to € 46 million. In 2005, realizations from available-for-sale equity investments in connection with accident insurance products with premium refunds in Germany were exceptionally high due to a strategy change at the fund managing these assets. This had an impact of a similar, but opposite, magnitude on changes in reserves for insurance and investment contracts (net), which amounted to a net expense of € 425 million in 2006 compared to a net expense of € 707 million a year earlier.

Non-operating items

Non-operating items, in aggregate, resulted in a gain of € 1,291 million, up € 267 million from a year ago. This improvement is principally the result of increased realized gains which were only partially offset by higher impacts from impairments of investments and restructuring charges.

Realized gains/losses (net) from investments, not shared with policyholders, amounted to € 1,746 million, € 598 million higher than last year. The transactions contributing most to this increase were the sale of Allianz Sach's participation in Schering AG and the disposal of our real estate portfolio in Austria in June 2006, as well as the sale of Lloyd Adriatico's shareholding in Banca Antoniana Popolare Veneta S.p.A. in April 2006, which together accounted for € 726 million of the increase.

Non-operating impairments of investments (net) rose by € 98 million to € 175 million, to a large extent brought about by impairments of available-for-sale equity securities in the second quarter of 2006 at Allianz Sach following at that time the downward trend in the equity capital markets.

Restructuring charges were up € 294 million to € 362 million, stemming primarily from the reorganization of our German insurance operations.¹⁾

Net income

Net income increased 34.3% to € 4,746 million, driven both by our significantly improved operating profitability and the higher gain from non-operating items.

¹⁾ Please see "Allianz Group Success Factors – Important Group Organizational Changes – Reorganization of German Insurance Operations" and Note 49 to our consolidated financial statements for further information.

Income tax expenses rose by 15.0% and amounted to 2,075 million. Our effective tax rate declined from 29.3% to 27.4%, largely due to the capitalization of corporate tax credits in Germany.

Minority interests in earnings decreased by 10.6% to € 739 million primarily as a result of the minority buyout at RAS in Italy.

The following table sets forth our Property-Casualty insurance segment's income statement, loss ratio, expense ratio and combined ratio for the years ended December 31, 2006, 2005 and 2004.

	2006 € mn	2005 € mn	2004 € mn
Gross premiums written¹⁾	43,674	43,699	42,942
Ceded premiums written	(5,415)	(5,529)	(5,299)
Change in unearned premiums	(309)	(485)	(258)
Premiums earned (net)	37,950	37,685	37,385
Interest and similar income	4,096	3,747	3,615
Income from financial assets and liabilities designated at fair value through income (net) ²⁾	106	132	5
Realized gains/losses (net) from investments, shared with policyholders ³⁾	46	273	58
Fee and commission income	1,014	989	782
Other income	69	53	288
Operating revenues	43,281	42,879	42,133
Claims and insurance benefits incurred (net)	(24,672)	(25,331)	(25,271)
Changes in reserves for insurance and investment contracts (net)	(425)	(707)	(611)
Interest expense	(273)	(339)	(417)
Loan loss provisions	(2)	(1)	(7)
Impairments of investments (net), shared with policyholders ⁴⁾	(25)	(18)	(37)
Investment expenses	(300)	(333)	(204)
Acquisition and administrative expenses (net)	(10,590)	(10,216)	(10,192)
Fee and commission expenses	(721)	(775)	(530)
Other expenses	(4)	(17)	(39)
Operating expenses	(37,012)	(37,737)	(37,308)
Operating profit	6,269	5,142	4,825
Income from financial assets and liabilities held for trading (net) ²⁾	83	32	20
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	1,746	1,148	997
Impairments of investments (net), not shared with policyholders ⁴⁾	(175)	(77)	(107)
Amortization of intangible assets	(1)	(11)	(403)
Restructuring charges	(362)	(68)	(32)
Non-operating items	1,291	1,024	475
Income before income taxes and minority interests in earnings	7,560	6,166	5,300
Income taxes	(2,075)	(1,804)	(1,751)
Minority interests in earnings	(739)	(827)	(681)
Net income	4,746	3,535	2,868
Loss ratio ⁵⁾ in %	65.0	67.2	67.6
Expense ratio ⁶⁾ in %	27.9	27.1	27.3
Combined ratio⁷⁾ in %	92.9	94.3	94.9

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

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

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

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

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

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

⁷⁾ Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Property-Casualty Operations by Geographic Region

The following tables set forth our property-casualty gross premiums written, premiums earned (net), combined ratio, loss ratio, expense ratio and operating profit by geographic region for the years ended December 31, 2006, 2005 and 2004. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

	Gross premiums written			Premiums earned (net)			Combined ratio		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 %	2005 %	2004 %
Germany ¹⁾	11,427	11,647	11,373	9,844	10,048	9,702	92.9	89.4	93.0
France	5,110	5,104	5,282	4,429	4,375	4,484	99.2	102.0	100.5
Italy	5,396	5,369	5,271	4,935	4,964	4,840	91.8	93.6	94.4
United Kingdom	2,396	2,449	2,632	1,874	1,913	2,012	95.7	96.2	95.7
Switzerland	1,805	2,012	1,816	1,706	1,708	1,659	92.8	97.8	93.4
Spain	2,013	1,873	1,763	1,675	1,551	1,454	90.3	91.4	91.1
Netherlands	926	930	981	813	823	835	88.7	91.3	99.2
Austria	922	935	926	782	773	710	98.4	98.3	100.6
Ireland	704	733	792	622	653	734	74.4	76.9	77.8
Belgium	356	352	351	298	293	282	104.5	104.1	108.2
Portugal	287	304	315	258	275	271	91.2	92.8	98.8
Luxembourg ²⁾	—	—	108	—	—	106	—	—	79.7
Greece	74	71	73	46	46	47	92.4	82.0	119.2
Western and Southern Europe	3,269	3,325	3,546	2,819	2,863	2,985	90.2	91.2	94.7
Hungary	576	599	533	499	523	472	97.0	101.6	103.2
Slovakia	289	301	326	251	251	266	86.4	74.5	100.3
Czech Republic	253	242	234	179	160	140	82.6	85.7	83.7
Poland	284	235	196	200	160	104	92.8	93.3	94.8
Romania	292	220	169	132	125	95	92.0	94.8	94.2
Bulgaria	96	92	78	70	37	34	80.2	66.6	51.6
Croatia	71	60	48	53	45	36	95.6	97.7	98.5
Russia	30	25	24	4	12	4	88.5	22.9	42.6
New Europe	1,891	1,774	1,608	1,388	1,313	1,151	91.2	90.9	96.8
Other Europe	5,160	5,099	5,154	4,207	4,176	4,136	90.5	91.1	95.3
United States ¹⁾	4,510	4,395	4,097	3,523	3,478	3,392	88.6	96.0	97.7
Canada ³⁾	—	—	464	—	—	354	—	—	91.9
Mexico	192	175	260	100	88	155	102.5	104.8	32.1
NAFTA	4,702	4,570	4,821	3,623	3,566	3,901	88.9	96.2	94.5
Australia	1,452	1,469	1,324	1,195	1,159	1,081	96.2	95.2	101.0
Other	310	280	348	141	121	162	93.8	94.5	93.7
Asia-Pacific	1,762	1,749	1,672	1,336	1,280	1,243	95.9	95.2	100.0
South America	869	716	599	623	510	378	101.2	100.8	102.7
Other	68	58	63	32	30	33	— ⁵⁾	— ⁵⁾	— ⁵⁾
Specialty lines									
Credit Insurance	1,672	1,725	1,630	1,113	997	901	77.6	67.0	76.0
Allianz Global Corporate & Specialty ¹⁾	2,802	2,944	2,885	1,545	1,633	1,779	92.2	122.4	99.7
Travel Insurance and Assistance Services	1,044	991	900	1,008	934	863	101.8	93.3	95.5
Subtotal	46,226	46,306	45,861	37,950	37,685	37,385	—	—	—
Consolidation adjustments ⁴⁾	(2,552)	(2,607)	(2,919)	—	—	—	—	—	—
Total	43,674	43,699	42,942	37,950	37,685	37,385	92.9	94.3	94.9

¹⁾ We have combined the activities of Allianz Global Risks Re and Allianz Marine & Aviation, previously presented separately under Specialty lines, the corporate customer business of Allianz Sach, previously included within Germany, as well as the activities of Allianz Global Risks US, previously included within the United States, within the newly established operating entity Allianz Global Corporate & Specialty. In addition, we reclassified the Life/Health business assumed by Allianz SE, previously included within Germany, and now present it within Other in the Life/Health breakdown by geographic region (please see "Life/Health Insurance Operations – Life/Health Operations by Geographic Region"). Prior year balances have been adjusted to reflect these reclassifications and allow for comparability across periods.

²⁾ The decline since 2004 is due to the merger of International Reinsurance Company S.A. into Allianz SE. The remaining operating profit amounts reflect run-off.

³⁾ In December 2004, we sold our Property-Casualty insurance business, other than our industrial insurance risks business, in Canada.

⁴⁾ Represents elimination of transactions between Allianz Group companies in different geographic regions.

⁵⁾ Presentation not meaningful.

	Loss ratio			Expense ratio			Operating profit		
	2006 %	2005 %	2004 %	2006 %	2005 %	2004 %	2006 € mn	2005 € mn	2004 € mn
Germany ¹⁾	65.1	63.0	66.6	27.8	26.4	26.4	1,479	1,765	1,524
France	71.0	74.0	73.5	28.2	28.0	27.0	420	227	245
Italy	68.8	69.3	69.4	23.0	24.3	25.0	816	741	686
United Kingdom	64.1	65.4	65.1	31.6	30.8	30.6	281	268	276
Switzerland	69.3	74.9	72.9	23.5	22.9	20.5	228	153	148
Spain	71.0	71.4	72.2	19.3	20.0	18.9	252	217	197
Netherlands	57.1	60.5	68.4	31.6	30.8	30.8	150	135	81
Austria	73.1	72.4	72.2	25.3	25.9	28.4	82	92	55
Ireland	50.2	53.8	55.9	24.2	23.1	21.9	222	204	217
Belgium	66.9	66.1	68.9	37.6	38.0	39.3	30	24	23
Portugal	64.4	67.0	70.2	26.8	25.8	28.6	36	32	16
Luxembourg ²⁾	—	—	76.6	—	—	3.1	20	(4)	51
Greece	57.7	49.7	87.9	34.7	32.3	31.3	10	11	(9)
Western and Southern Europe	61.7	63.2	67.0	28.5	28.0	27.7	550	494	434
Hungary	64.8	70.7	72.1	32.2	30.9	31.1	68	63	54
Slovakia	55.4	43.2	72.6	31.0	31.3	27.7	52	82	17
Czech Republic	61.4	63.8	63.3	21.2	21.9	20.4	29	27	27
Poland	57.4	59.7	61.2	35.4	33.6	33.6	20	12	13
Romania	72.4	75.8	71.1	19.6	19.0	23.1	11	11	13
Bulgaria	41.7	27.0	12.5	38.5	39.6	39.1	16	14	18
Croatia	63.8	63.0	58.7	31.8	34.7	39.8	4	2	2
Russia	34.7	5.8	14.0	53.8	17.1	28.6	1	2	2
New Europe	61.0	61.6	67.7	30.2	29.3	29.1	201	213	146
Other Europe	61.5	62.7	67.2	29.0	28.4	28.1	751	707	580
United States ¹⁾	57.9	66.8	66.7	30.7	29.2	31.0	810	482	336
Canada ³⁾	—	—	62.6	—	—	29.3	—	—	57
Mexico	78.8	81.2	19.3	23.7	23.6	12.8	15	13	13
NAFTA	58.4	67.1	64.4	30.5	29.1	30.1	825	495	406
Australia	70.3	69.1	75.1	25.9	26.1	25.9	225	235	134
Other	55.7	57.2	57.1	38.1	37.3	36.6	19	17	20
Asia-Pacific	68.7	68.0	72.7	27.2	27.2	27.3	244	252	154
South America	64.8	64.5	64.7	36.4	36.3	38.0	47	61	8
Other	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	— ⁵⁾	(7)	7	10
Specialty lines									
Credit Insurance	49.7	41.3	40.8	27.9	25.7	35.2	442	420	350
Allianz Global Corporate & Specialty ¹⁾	62.5	91.1	70.5	29.7	31.3	29.2	404	(254)	178
Travel Insurance and Assistance Services	58.7	60.3	59.7	43.1	33.0	35.8	90	77	59
Subtotal	—	—	—	—	—	—	6,272	5,136	4,821
Consolidation adjustments ⁴⁾	—	—	—	—	—	—	(3)	6	4
Total	65.0	67.2	67.6	27.9	27.1	27.3	6,269	5,142	4,825

Life/Health Insurance Operations

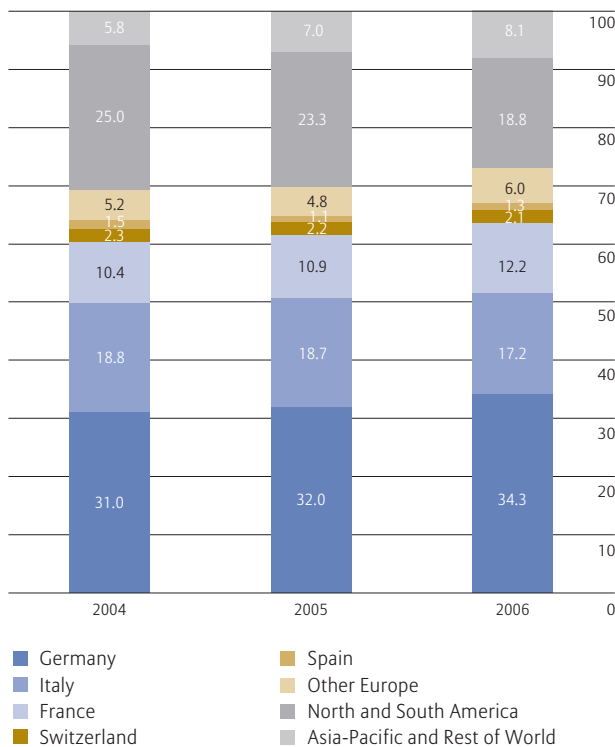
Strong operating profit growth sustained, while revenues were nearly flat.

- Statutory premium growth held back by Italy and the United States.
- Dynamic operating profit growth continued.
- Higher investment, expense and technical margins drive operating profit.

Earnings Summary

Statutory premiums

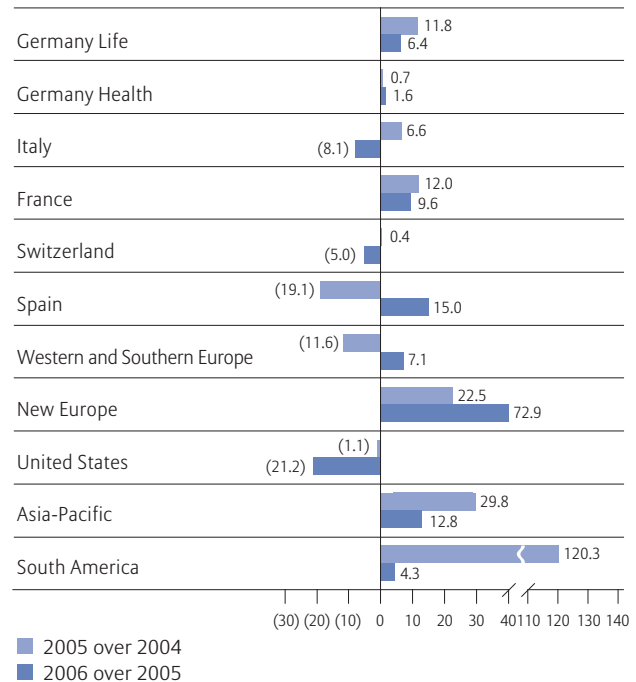
Statutory premiums by region¹⁾
in %



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

Many of our operating entities worldwide, especially in the growth markets of Asia-Pacific and New Europe, increased their statutory premiums with high double-digit growth rates. In 2006, these two markets, in aggregate, contributed 9.6% of our total statutory premiums, compared to 7.8% in 2005. But also most of our established markets continued to grow dynamically,

Statutory premiums – Growth rates¹⁾
in %



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

such as Germany Life at 6.4% and France at 9.6%. However, these increases were offset by marked declines particularly in the United States and Italy of 21.2% and 8.1%, respectively. Overall, our statutory premiums, at € 47,421 million in 2006, were slightly down 1.8% on a nominal basis and 1.6% on an internal basis compared to 2005. Our new business mix showed an increase in

recurring premium products and a decrease in single premium business compared to last year. Given that in the year of sale, a recurring premium contract only contributes a fraction of a single premium contract to annual premiums, this change in new business mix had a negative impact on statutory premium growth year-on-year in 2006. The new recurring premium contracts will however increase premiums in subsequent years.

Within Germany Life, statutory premiums excelled to € 13,009 million, primarily a result of strong new business production in both our individual and group life business.

At our life operating entities of AGF Group in France, we generated statutory premium growth to € 5,792 million. This positive development was brought about by strong sales of unit-linked contracts, particularly related to several newly-launched products. Growth was achieved both through our proprietary financial advisors network and partnerships with independent advisors.

Within Asia-Pacific, statutory premiums in South Korea increased to € 2,054 million as we recorded strong sales of equity-indexed annuity products and in our variable annuity business. In China, growth was also significant, albeit starting from a low base. Here, we began to benefit from our strategic partnership with Industrial and Commercial Bank of China Ltd. We have received further sales licenses and expanded our branch network.

Within New Europe – our growth markets in Central and Eastern Europe – our Polish operations recorded a strong increase in statutory premiums from a very successful sales campaign for unit-linked contracts with a bank partner. In addition, in Slovakia, we generated considerable new business production through our tied agents network. In the fourth quarter of 2006, our companies in the region launched a limited-edition index-linked life insurance product across six markets. Overall, our operations within New Europe recorded statutory premiums of € 828 million in 2006, 72.9% up from a year earlier.

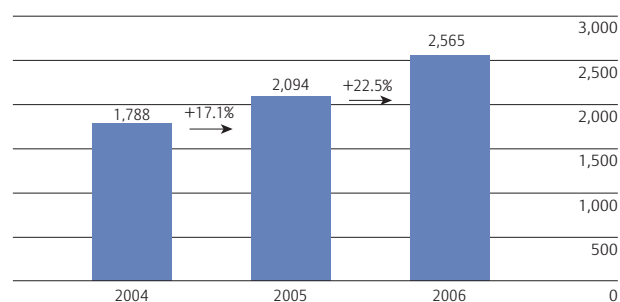
Conversely, in the United States, statutory premiums declined significantly by 21.2% to € 8,758 million. This development is primarily attributable to challenges faced by our sales channels in response to the NASD's¹⁾ notice in late 2005 to members regarding the sale of equity-indexed annuities. However, despite the decrease

¹⁾ The National Association of Securities Dealers (or "NASD") is a private-sector provider of financial regulatory services in the United States.

in statutory premiums, our Life/Health asset base in the United States grew. In Italy, statutory premiums were down considerably by 8.1% to € 8,555 million, principally negatively influenced by a difficult market environment which was characterized by, among other factors, decreased overall private demand for life insurance products in the bancassurance channel. In addition, at RAS Group, our share in the total life production of our joint venture partner UniCredit Group decreased.²⁾

Operating profit

Operating profit in € mn



We again delivered growth in operating profit which increased to € 2,565 million, up 22.5% from a year ago. Key factors in this strong development were the growth of our Life/Health asset base, our improved margins both from our new and in-force business, as well as efficiency gains in many operating entities following the implementation of our Sustainability Program and other initiatives. Furthermore, in 2006, we increased the shareholders' share in our gross earnings while at the same time we credited a higher participation amount to our policyholders.

Most of our life operating companies exhibited operating profit growth, with the highest absolute increases at our operations in Germany, the United States, South Korea, France and Spain. In addition, we experienced a solid increase in aggregate operating profit within New Europe.

²⁾ Please see "Global Diversification – Our Largest Insurance Markets and Companies – Life/Health Insurance Operations – United States – Outlook" and "Global Diversification – Our Largest Insurance Markets and Companies – Life/Health Insurance Operations – Italy – Outlook" for information on certain measures to regain growth momentum in the United States and Italy.

Our improved investment margin was brought about by significantly higher interest and similar income, and the growth in aggregate realized gains/losses and impairments of investments (net). Interest and similar income increased primarily due to higher dividends received from available-for-sale equity investments in Germany and France. In addition, our U.S. operations benefited from higher yields on bonds and growth in asset base. Significant realized gains resulted from the sale of our shareholdings in Schering AG and the disposal of Four Seasons Health Care Ltd. Partially offsetting was the unfavorable net development in our income from financial assets and liabilities carried at fair value through income mainly as Germany Life exhibited significant negative effects from the accounting treatment for certain derivative instruments. In the United States, an increase in market interest rates had an additional negative impact. Furthermore, increased investment expenses stemmed predominantly from the weaker U.S. Dollar compared to the Euro.

Acquisition and administrative expenses (net) rose by € 464 million to € 4,437 million, partly triggered by adjustments recorded for the unlocking of deferred acquisition costs at various operating entities after the regular review of assumptions for the calculation of our deferred acquisition costs asset. In addition, higher commissions due to the strong new business production within Germany Life, previously mentioned, also contributed to increased acquisition and administrative expenses (net).

Consequently, together with the decline in statutory premiums (net), our statutory expense ratio increased to 9.6% from 8.4% a year ago. Excluding the adjustments described above, our statutory expense ratio would only have increased 70 basis points from 8.7% in 2005 to 9.4% in 2006.

Claims and insurance benefits incurred (net), and changes in reserves for insurance and investment contracts (net), in aggregate, resulted in charges of € 28,150 million, up 1.0% over 2005. While premiums were lower than in 2005, this development in particular reflects the investment income on our assets which benefits our policyholders.

Overall charges of € 140 million were recorded for operating restructuring charges in 2006. These charges were incurred in connection with the reorganization of our German insurance operations.¹⁾

Non-operating items

Non-operating items, in aggregate, resulted in a gain of € 135 million after a gain of € 177 million a year ago. This development largely mirrors higher non-operating restructuring charges, at € 34 million in 2006, mainly in connection with the reorganization of our German insurance operations.¹⁾

Net income

Driven by the higher operating profit, net income rose by 21.0% to € 1,643 million.

With income tax expenses of € 641 million in 2006, up € 153 million from a year ago, our effective tax rate increased to 23.7% (2005: 21.5%). Both in 2006 and 2005, our effective tax rate benefited from significant tax-exempt income. However, based on a higher income before income taxes, the tax-exempt income in 2006 had a lower impact on our effective tax rate than a year ago. Additional significant one-time factors contributing to the relatively low effective tax rates in both years were the capitalization of corporate tax credits in Germany in 2006 and a beneficial tax settlement in the United States in 2005.

Minority interests in earnings remained stable at € 416 million. Higher minority interests in earnings at AGF Group in France, reflecting its increased earnings after income taxes, were offset by lower minority interests in earnings at RAS Group in Italy, stemming from its decreased earnings after income taxes and the acquisition of the minority interest in RAS.

¹⁾ Please see "Allianz Group Success Factors – Important Group Organizational Changes – Reorganization of German Insurance Operations" and Note 49 to our consolidated financial statements for further information.

The following table sets forth our Life/Health insurance segment's income statement and statutory expense ratio for the years ended December 31, 2006, 2005 and 2004.

	2006 € mn	2005 € mn	2004 € mn
Statutory premiums¹⁾	47,421	48,272	45,233
Ceded premiums written	(840)	(942)	(1,309)
Change in unearned premiums	(221)	(168)	(69)
Statutory premiums (net)	46,360	47,162	43,855
Deposits from SFAS 97 insurance and investment contracts	(25,786)	(27,165)	(24,451)
Premiums earned (net)	20,574	19,997	19,404
Interest and similar income	12,972	12,057	11,493
Income from financial assets and liabilities carried at fair value through income (net)	(361)	258	198
Realized gains/losses (net) from investments, shared with policyholders ²⁾	3,087	2,523	1,990
Fee and commission income	630	507	224
Other income	43	45	44
Operating revenues	36,945	35,387	33,353
Claims and insurance benefits incurred (net)	(17,625)	(17,439)	(17,535)
Changes in reserves for insurance and investment contracts (net)	(10,525)	(10,443)	(8,746)
Interest expense	(280)	(452)	(452)
Loan loss provisions	(1)	—	(3)
Impairments of investments (net), shared with policyholders	(390)	(199)	(281)
Investment expenses	(750)	(567)	(649)
Acquisition and administrative expenses (net)	(4,437)	(3,973)	(3,711)
Fee and commission expenses	(223)	(219)	(145)
Other expenses	(9)	(1)	(43)
Operating restructuring charges ³⁾	(140)	—	—
Operating expenses	(34,380)	(33,293)	(31,565)
Operating profit	2,565	2,094	1,788
Realized gains/losses (net) from investments, not shared with policyholders ²⁾	195	208	17
Amortization of intangible assets	(26)	(13)	(168)
Non-operating restructuring charges ³⁾	(34)	(18)	(24)
Non-operating items	135	177	(175)
Income before income taxes and minority interests in earnings	2,700	2,271	1,613
Income taxes	(641)	(488)	(458)
Minority interests in earnings	(416)	(425)	(333)
Net income	1,643	1,358	822
Statutory expense ratio⁴⁾ in %	9.6	8.4	8.5

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

²⁾ The total of these items equals realized gains/losses (net) in the segment income statement included in Note 5 to the consolidated financial statements.

³⁾ The total of these items equals restructuring charges in the segment income statement included in Note 5 to the consolidated financial statements.

⁴⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Life/Health Operations by Geographic Region

The following tables set forth our life/health statutory premiums, premiums earned (net), statutory expense ratio and operating profit by geographic region for the years ended December 31, 2006, 2005 and 2004. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different geographic regions and different segments.

	Statutory premiums ¹⁾			Premiums earned (net)		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
Germany Life	13,009	12,231	10,938	10,543	10,205	8,936
Germany Health ²⁾	3,091	3,042	3,020	3,091	3,042	3,019
Italy	8,555	9,313	8,738	1,098	1,104	1,088
France ³⁾	5,792	5,286	4,719	1,436	1,420	1,545
Switzerland	1,005	1,058	1,054	455	470	504
Spain	629	547	676	400	350	576
Netherlands	424	381	430	146	144	154
Austria	380	343	335	283	262	272
Belgium	597	601	532	302	327	337
Portugal	98	83	85	66	60	56
Luxembourg	58	47	87	30	25	25
Greece	98	91	82	62	54	59
United Kingdom ⁴⁾	—	—	198	—	—	79
Western and Southern Europe	1,655	1,546	1,749	889	872	982
Hungary	96	89	77	75	73	61
Slovakia	183	149	134	135	129	123
Czech Republic	76	64	53	54	50	43
Poland	367	99	75	96	53	36
Romania	25	18	11	12	7	3
Bulgaria	25	19	14	23	19	9
Croatia	48	41	25	36	33	24
Russia	8	—	—	7	—	—
Cyprus	—	—	2	—	—	1
New Europe	828	479	391	438	364	300
Other Europe	2,483	2,025	2,140	1,327	1,236	1,282
United States	8,758	11,115	11,234	533	522	428
South Korea	2,054	1,752	1,370	986	972	961
Taiwan	1,336	1,347	988	107	136	64
Malaysia	107	106	111	88	73	58
Indonesia	115	69	59	38	31	28
Other	121	35	22	37	10	20
Asia-Pacific	3,733	3,309	2,550	1,256	1,222	1,131
South America	147	141	64	42	36	29
Other⁵⁾	439	455	911	393	390	866
Subtotal	47,641	48,522	46,044	20,574	19,997	19,404
Consolidation adjustments ⁶⁾	(220)	(250)	(811)	—	—	—
Total	47,421	48,272	45,233	20,574	19,997	19,404

¹⁾ Statutory premiums are gross premiums written from sales of life insurance policies as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

²⁾ Loss ratios were 68.4%, 69.7% and 68.9% for the years ended December 31, 2006, 2005 and 2004, respectively.

³⁾ On December 31, 2004, AVIP and Martin Maurel Vie were consolidated within the Life/Health insurance operations in France.

⁴⁾ In December 2004, we sold our life insurance business in the United Kingdom in order to concentrate on our Property-Casualty insurance business in that region. The remaining operating profit amounts reflect run-off.

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

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

⁷⁾ Presentation not meaningful.

	Statutory expense ratio			Operating profit		
	2006 %	2005 %	2004 %	2006 € mn	2005 € mn	2004 € mn
Germany Life	9.1	8.1	9.9	521	347	262
Germany Health ²⁾	9.3	9.1	9.6	184	159	137
Italy	6.4	5.4	3.0	339	334	276
France ³⁾	12.6	15.1	17.8	582	558	359
Switzerland	9.9	8.7	10.2	50	55	35
Spain	9.3	7.4	5.9	92	71	66
Netherlands	18.4	13.5	17.5	50	41	32
Austria	12.1	9.4	14.3	29	35	39
Belgium	12.5	12.1	15.4	62	76	102
Portugal	15.1	19.1	20.4	25	13	11
Luxembourg	12.2	14.4	8.5	5	5	12
Greece	22.6	25.9	26.3	13	7	7
United Kingdom ⁴⁾	—	—	34.7	(2)	(11)	3
Western and Southern Europe	14.8	13.3	17.6	182	166	206
Hungary	25.7	26.9	25.3	12	10	5
Slovakia	18.2	24.4	27.5	16	8	3
Czech Republic	20.1	21.5	24.0	9	6	4
Poland	17.6	33.3	29.1	6	3	2
Romania	39.3	28.0	13.1	—	1	—
Bulgaria	14.2	10.5	13.7	3	3	4
Croatia	20.4	22.7	39.4	4	3	5
Russia	28.1	—	—	—	—	—
Cyprus	—	—	17.9	—	—	—
New Europe	19.6	25.7	27.0	50	34	23
Other Europe	16.4	16.3	19.4	232	200	229
United States	8.0	4.8	2.4	418	257	376
South Korea	13.9	16.6	20.3	64	20	60
Taiwan	5.0	4.3	0.1	14	11	2
Malaysia	19.9	14.0	6.8	10	2	8
Indonesia	19.3	25.0	36.1	3	1	(4)
Other	18.4	36.9	39.5	(10)	(7)	(4)
Asia-Pacific	11.2	12.0	12.6	81	27	62
South America	16.9	17.7	26.6	1	2	4
Other⁵⁾	—⁷⁾	—⁷⁾	—⁷⁾	74	92	(8)
Subtotal	—	—	—	2,574	2,102	1,798
Consolidation adjustments ⁶⁾	—	—	—	(9)	(8)	(10)
Total	9.6	8.4	8.5	2,565	2,094	1,788

Banking Operations

Ambitious 2006 targets surpassed.

- Strong growth of operating revenues and operating profit, outperforming our expectations.
- Milestone for cost-income ratio of below 80% achieved.
- Both operating divisions improved strongly.

Earnings Summary

The results of operations of our Banking segment are almost exclusively represented by Dresdner Bank, accounting for 96.1% of our total Banking segment's operating revenues for the year ended December 31, 2006 (2005: 95.6%, 2004: 96.7%). Accordingly, the discussion of our Banking segment's results of operations relates solely to the operations of Dresdner Bank.

Operating revenues

Dresdner Bank's operating revenues strongly increased to € 6,811 million, up 12.8% from a year ago. All income categories contributed to this development, with double-digit growth rates in net interest income and net trading income. Both operating divisions, Private & Business Clients (or "PBC") and Corporate & Investment Banking (or "CIB") recorded higher operating revenues compared to 2005.

Net interest income was € 2,645 million, an increase of 19.3%, with significant growth from CIB, largely driven by its increased loan book from structured finance and syndicated loan transactions. PBC recorded stable net interest income, as higher revenues in the deposit business were offset by lower net interest income from the loan business. The increase in our net interest income was aided by the development of the impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting, amounting to a positive effect of € 66 million in 2006 compared to a negative effect of € 346 million in 2005.

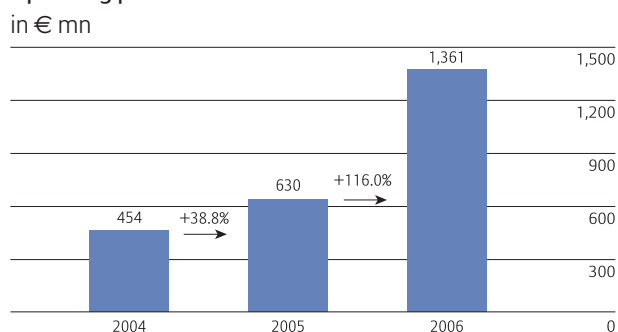
At € 2,841 million, we grew net fee and commission income by 5.5% over the 2005 level. This development was mainly a result of our growing securities business in PBC which benefited from both higher turnover-related commissions and increased assets under management.

In addition, PBC's positively developing life and pension insurance business contributed, with particularly strong sales of "Riester" pension products. Net fee and commission income from CIB also improved. Here, our advisory business benefited from increased merger and acquisition activities. In contrast, our Corporate Other division experienced a decline in net fee and commission income, principally impacted by the closure of our Institutional Restructuring Unit (or "IRU") in September 2005.

Trading income (net), at € 1,248 million in 2006 and up 11.1% compared to a year ago, benefited from a growth momentum across all product groups, particularly within the derivatives and the foreign exchange business. Contrary to the development of net interest income, net trading income was negatively affected by the impact from the accounting treatment for derivative instruments which do not qualify for hedge accounting, amounting to a negative effect of € 113 million in 2006, after a positive effect of € 132 million in 2005.

Operating profit

Operating profit – Dresdner Bank



We more than doubled our operating profit, up 116.0% to € 1,361 million in 2006, primarily resulting from the positive revenue development previously described. With our higher operating revenues and lower operating

expenses, our cost-income ratio improved significantly to 79.6% in 2006, down 11.8 percentage points compared to 2005.

Operating expenses, at € 5,423 million, were down 1.8% from a year earlier due to decreased administrative expenses. Administrative expenses amounted to € 5,384 million, of which personnel expenses were € 3,400 million, up 3.8%, and non-personnel expenses were € 1,984 million, down 8.9%.

Higher personnel expenses were entirely driven by increased performance-related bonuses, reflecting the strong growth of our operating revenues. On the other hand, further staff reductions and efficiency gains, helped to decrease both non-performance-related personnel expenses and non-personnel expenses. The decline in non-personnel expenses stemmed from materially lower office space expenses.

Within our loan loss provisions we continued to benefit from the improved quality of our loan portfolio. In aggregate, loan loss provisions experienced moderate net additions of € 27 million, compared to net releases of € 113 million a year ago. Net releases in the prior year were driven by recoveries and substantial releases in connection with the wind-down of the IRU. Our coverage ratio¹⁾ improved to 61.5% as of December 31, 2006 from 56.8% a year ago.

Non-operating items

In aggregate, the impact from non-operating items declined from € 825 million profit to a loss of € 146 million, as expected.

Realized gains/losses (net) decreased by € 529 million to € 491 million, primarily due to a reduced number of significant sale transactions compared to a year ago. Realized gains in 2006 included a tax-exempt gain from the sale of Dresdner Bank's remaining 2.3% shareholdings in Munich Re to Allianz SE (formerly Allianz AG) as well as a gain from the disposal of our remaining participation in Eurohypo AG.

Impairments of investments (net) was up 17.5% to € 215 million, largely attributable to write-downs on real estate properties used by third-parties.

Restructuring charges increased by € 410 million to € 422 million, reflecting the "Neue Dresdner Plus" reorganization program which was finally agreed between the Board of Management and the works council of Dresdner Bank AG in late December 2006.²⁾

Net income

Net income amounted to a strong € 895 million, evidencing the high quality of our earnings. Our significantly improved operating profit almost compensated for the expected decline in non-operating items.

With income tax expenses down 35.9%, our effective tax rate decreased from 25.6% to 19.7%. This development was mainly attributable to higher tax exempt income and the capitalization of corporate tax credits in Germany, while income before income taxes was lower in 2006.

¹⁾ Represents total loan loss allowance as a percentage of total non-performing loans and potential problem loans.

²⁾ Please see "Allianz Group Success Factors—Important Group Organizational Changes – "Neue Dresdner Plus" Reorganization Program" and Note 49 to our consolidated financial statements for further information.

The following table sets forth the income statements and cost-income ratios for both our Banking segment as a whole and Dresdner Bank for the years ended December 31, 2006, 2005 and 2004.

	2006		2005		2004	
	Banking Segment ¹⁾ € mn	Dresdner Bank € mn	Banking Segment ¹⁾ € mn	Dresdner Bank € mn	Banking Segment ¹⁾ € mn	Dresdner Bank € mn
Net interest income ²⁾	2,720	2,645	2,294	2,218	2,356	2,264
Net fee and commission income ³⁾	3,008	2,841	2,850	2,693	2,707	2,574
Trading income (net) ⁴⁾	1,282	1,248	1,170	1,123	1,518	1,524
Income from financial assets and liabilities designated at fair value through income (net) ⁴⁾	53	53	(7)	(6)	(9)	(9)
Other income	25	24	11	11	4	4
Operating revenues⁵⁾	7,088	6,811	6,318	6,039	6,576	6,357
Administrative expenses	(5,605)	(5,384)	(5,661)	(5,452)	(5,643)	(5,416)
Investment expenses	(47)	(53)	(30)	(37)	(25)	(32)
Other expenses	14	14	(33)	(33)	(117)	(118)
Operating expenses	(5,638)	(5,423)	(5,724)	(5,522)	(5,785)	(5,566)
Loan loss provisions	(28)	(27)	110	113	(344)	(337)
Operating profit	1,422	1,361	704	630	447	454
Realized gains/losses (net)	492	491	1,020	1,020	543	533
Impairments of investments (net)	(215)	(215)	(184)	(183)	(509)	(505)
Amortization of intangible assets	—	—	(1)	—	(281)	(281)
Restructuring charges	(424)	(422)	(13)	(12)	(292)	(290)
Non-operating items	(147)	(146)	822	825	(539)	(543)
Income (loss) before income taxes and minority interests in earnings	1,275	1,215	1,526	1,455	(92)	(89)
Income taxes	(263)	(239)	(387)	(373)	302	296
Minority interests in earnings	(94)	(81)	(102)	(82)	(101)	(60)
Net income	918	895	1,037	1,000	109	147
Cost-income ratio⁶⁾ in %	79.5	79.6	90.6	91.4	88.0	87.6

¹⁾ Consists of Dresdner Bank and non-Dresdner Bank banking operations within our Banking segment, as well as the elimination of trading income (net) of € 6 mn at Dresdner Bank resulting from Dresdner Bank's trading activities in Allianz SE shares during the year ended December 31, 2006.

²⁾ Represents interest and similar income less interest expense.

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

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

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

⁶⁾ Represents operating expenses divided by operating revenues.

Banking Operations by Division

The following table sets forth our banking operating revenues, operating profit and cost-income ratio by division for the years ended December 31, 2006, 2005 and 2004. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues			Operating profit (loss)			Cost-Income ratio		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 %	2005 %	2004 %
Private & Business Clients ¹⁾	3,204	3,033	2,974	653	470	187	76.6	80.0	86.5
Corporate & Investment Banking ¹⁾	3,525	3,038	3,005	692	513	515	80.0	83.6	81.1
Corporate Other ²⁾	82	(32)	378	16	(353)	(248)	— ³⁾	— ³⁾	— ³⁾
Dresdner Bank	6,811	6,039	6,357	1,361	630	454	79.6	91.4	87.6
Other Banks ⁴⁾	277	279	219	61	74	(7)	76.0	72.4	100.0
Total	7,088	6,318	6,576	1,422	704	447	79.5	90.6	88.0

- ¹⁾ Our reporting by division reflects the organizational changes within Dresdner Bank in 2006, resulting in two operating divisions. Private & Business Clients combines all banking activities for private and corporate customers formerly provided by the Personal Banking and Private & Business Banking divisions. Furthermore, Corporate & Investment Banking combines the former Corporate Banking and Dresdner Kleinwort Wasserstein divisions. Prior year balances have been adjusted accordingly to reflect these reorganization measures and allow for comparability across periods. After a final agreement between the Board of Management and the works council of Dresdner Bank AG in late December 2006 and effective starting with the first quarter of 2007, the future business model of Dresdner Bank will consist of two new operating divisions Private & Corporate Clients and Investment Banking. According to this future business model, we will integrate our business activities with medium-sized corporate clients into that with private and business clients. In the table above, our medium-sized business clients remain in Corporate & Investment Banking. The future business model with the two new business divisions Private & Corporate Clients and Investment Banking is not reflected in the table above.
- ²⁾ The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include, in particular, impacts from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting as well as provisioning requirements for country and general risks. For the years ended December 31, 2006, 2005 and 2004 the impact from the accounting treatment for derivative financial instruments which do not qualify for hedge accounting on Corporate Other's operating revenues amounted to € (47) mn, € (214) mn and € 7 mn, respectively. With effect from the first quarter of 2006, the majority of expenses for support functions and central projects previously included within Corporate Other have been allocated to the operating divisions. Additionally, the non-strategic Institutional Restructuring Unit was closed down effective September 30, 2005, having successfully completed its mandate to free-up risk capital through the reduction of non-strategic risk-weighted assets. Furthermore, effective in the first quarter of 2006, and as a result of Dresdner Bank restructuring its divisions, the Institutional Restructuring Unit's 2005 and 2004 results of operations were reclassified into Corporate Other. Prior year balances have been adjusted accordingly to reflect these reclassifications and allow for comparability across periods.
- ³⁾ Presentation not meaningful.
- ⁴⁾ Consists of non-Dresdner Bank banking operations within our Banking segment, as well as the elimination of trading income (net) of € 6 mn at Dresdner Bank resulting from Dresdner Bank's trading activities in Allianz SE shares in the year ended December 31, 2006.

Banking Operations by Geographic Region

The following table sets forth our banking operating revenues and operating profit by geographic region for the years ended December 31, 2006, 2005 and 2004. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating revenues			Operating profit (loss)		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
Germany	4,312	4,340	4,290	853	814	38
Rest of Europe	2,006	1,620	1,557	237	(105)	(27)
NAFTA	560	176	603	251	(78)	411
Rest of World	210	182	126	81	73	25
Total	7,088	6,318	6,576	1,422	704	447

Asset Management Operations

Another year of substantial improvement across all key performance indicators.

- Strong net inflows of € 36 billion despite challenging capital market environment.
- Further double-digit operating profit growth to € 1.3 billion.
- Very competitive cost-income ratio at 57.6%.

Third-Party Assets Under Management of the Allianz Group

In 2006, we faced a volatile and challenging capital market environment. Whereas in the first, third and fourth quarter, equity capital markets developed favorably worldwide, the second quarter showed substantial declines in market values. In the fixed income capital markets, substantial decreases in fixed income indices occurred throughout the first half of the year, following the increases in market interest rates, and values only recovered slowly during the second half of the year.

This capital market environment led to mixed developments in the asset management industry. For example, net flows in the fixed income mutual fund market in the United States turned negative during the second quarter of 2006. In Germany, the equity and fixed income mutual fund markets recorded net outflows in 2006, whereas balanced and money market products saw net inflows of a similar magnitude.

Despite this challenging environment and also dampened private demand for third-party asset management products and services, we achieved net inflows to third-party assets of € 36 billion, primarily stemming from the United States and Europe, compared to € 65 billion in 2005. Both fixed income and equity products contributed to net inflows in 2006, which again

affirms our strong position as one of the largest asset managers worldwide, based on total assets under management.¹⁾

A key success factor continued to be our competitive investment performance. The overwhelming majority of the third-party assets we manage again outperformed their respective benchmarks in 2006. Market-related appreciation was € 43 billion. Net inflows and positive market effects were partly offset by negative currency conversion effects of € 57 billion, resulting primarily from a weaker U.S. Dollar versus the Euro. Overall, on a Euro-basis, our third-party assets increased by € 21 billion²⁾ to € 764 billion as of December 31, 2006, compared to € 743 billion as of December 31, 2005.

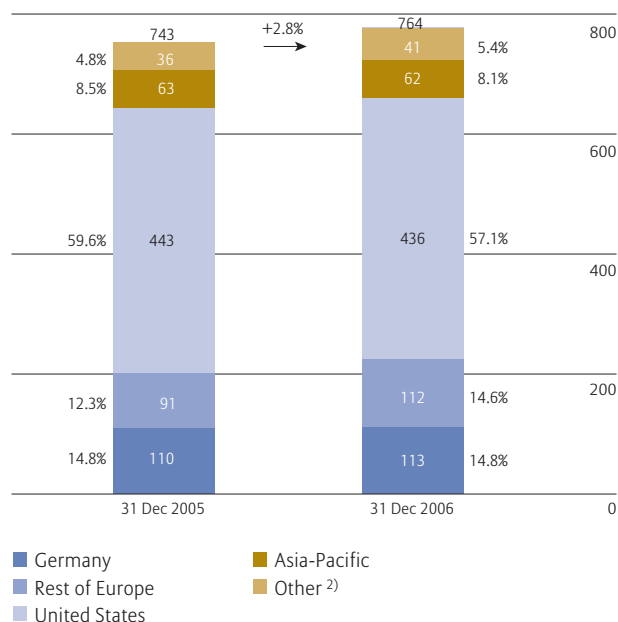
We operate our third-party asset management business primarily through Allianz Global Investors (or "AGI"). As of December 31, 2006, AGI managed approximately 94.6% (2005: 95.2%) of the Allianz Group's third-party assets. The remaining third-party assets are managed by Dresdner Bank (approximately 2.7% and 2.3% as of December 31, 2006 and December 31, 2005, respectively) and other Allianz Group subsidiaries (approximately 2.7% and 2.5% as of December 31, 2006 and December 31, 2005, respectively).

The following graphs present the third-party assets managed by the Allianz Group by geographic region, investment category and investor class as of December 31, 2006 and 2005.

¹⁾ Source: Own internal analysis and estimates.

²⁾ Including a negative deconsolidation effect of € 1 bn.

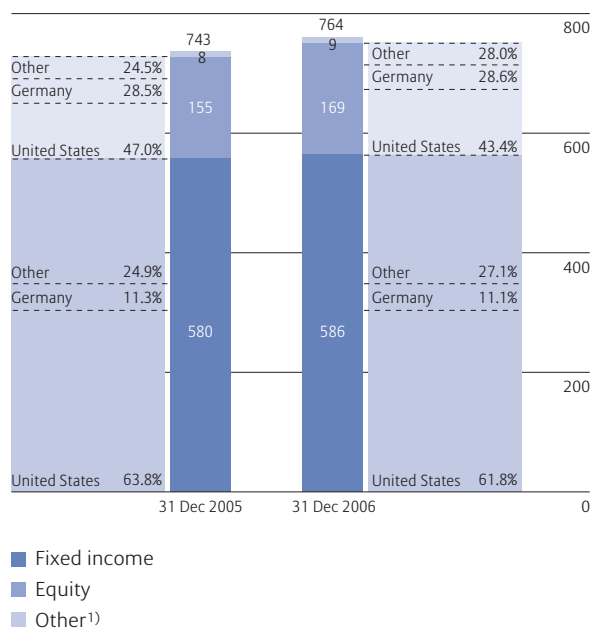
Third-party assets under management – Fair values by geographic region¹⁾ in € bn



¹⁾ Based on the origination of the assets.

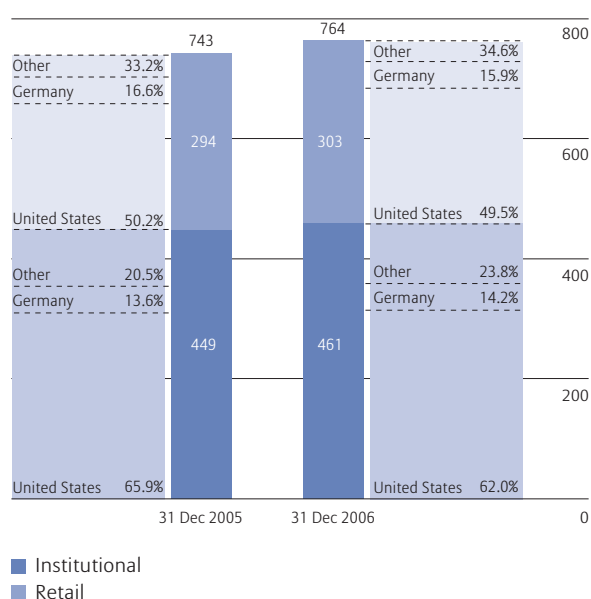
²⁾ Consists of third-party assets managed by Dresdner Bank (approximately € 21 bn and € 17 bn as of December 31, 2006 and 2005, respectively) and by other Allianz Group companies (approximately € 20 bn and € 19 bn as of December 31, 2006 and 2005, respectively).

Third-party assets under management – Fair values by investment category in € bn



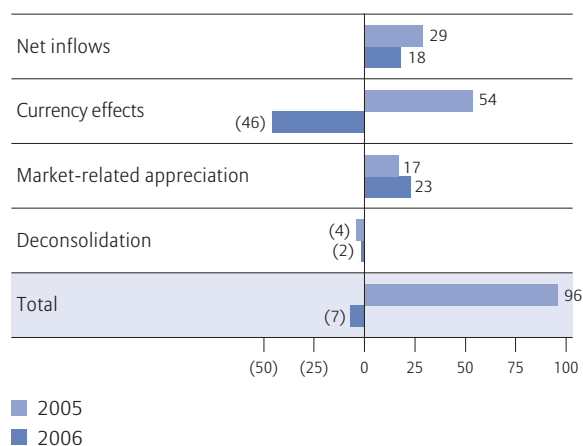
¹⁾ Includes primarily investments in real estate.

Third-party assets under management – Fair values by investor class in € bn



United States

Third-party assets under management – Composition of fair value development in € bn



Our major achievements in 2006 included:

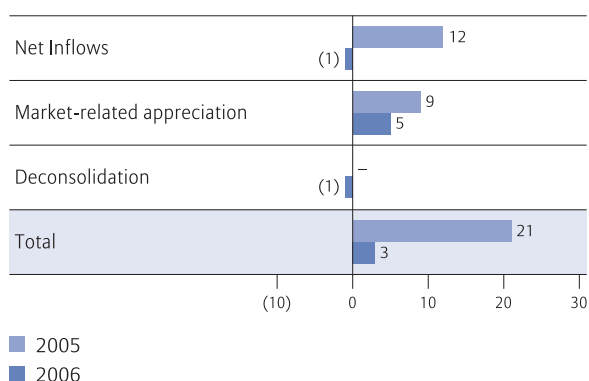
- Allianz/PIMCO Funds were named “Best Mutual Fund Family” in the 2006 Lipper/Barron’s Fund Families Survey.
- Particularly strong net inflows of approximately € 7 billion at our equity fund manager NFJ Investment Group.

- PIMCO CommodityRealReturn Funds began trading on June 29, 2006 and already successfully raised USD 773 million in assets to December 31, 2006.
- PIMCO was named “Investor of the Year” in the 2006 Securitization News survey.

Germany

Third-party assets under management – Composition of fair value development

in € bn



Our major achievements in 2006 included:

- Allianz Global Investors Germany is market leader in the innovative segment of certificate funds.¹⁾
- Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (or “dit”) ranked first in the “Most Improved Group” of Standard & Poor’s German Fund Awards 2006.
- dit was awarded five stars by the German financial magazine “Capital”, the highest possible score.

Effective January 1, 2007, our German retail fund company dit and our German special fund company dresdnerbank investment management Kapitalanlagegesellschaft mbH (or “dbi”) were merged to form Allianz Global Investors Kapitalanlagegesellschaft mbH. In connection with this merger, the new brand image of the combined company will focus on the global expertise and presence of AGI.

¹⁾ Source: Bundesverband Investment und Asset Management (or “BVI”), an association representing the German investment fund industry.

Earnings Summary

The results of operations of our Asset Management segment are almost exclusively represented by AGI, accounting for 98.2% of our total Asset Management segment’s operating revenues for the year ended December 31, 2006 (2005: 98.3%, 2004: 99.8%). Accordingly, the discussion of our Asset Management segment’s results of operations relates solely to the operations of AGI.

Operating revenues

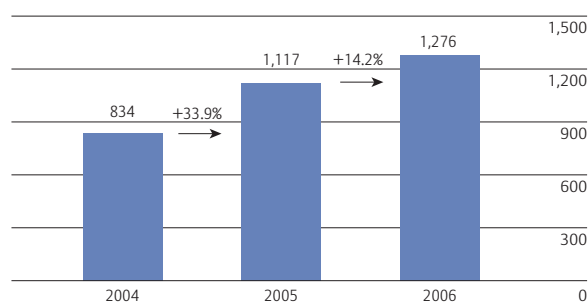
At € 2,989 million, operating revenues reflect a solid growth of 11.7% at stable revenue margins, primarily attributable to strict pricing discipline and a further improved responsiveness to our clients’ needs. Net fee and commission income was up € 277 million to € 2,874 million, predominantly due to higher management fees as a result of the growing third-party asset under management base, as previously discussed. Internal operating revenue growth of 13.2% was even stronger, as nominal operating revenue growth was impacted by the weaker U.S. Dollar compared to the Euro.

The following table sets forth the composition of AGI’s net fee and commission income for the years ended December 31, 2006, 2005 and 2004.

	2006 € mn	2005 € mn	2004 € mn
Management fees	3,368	2,941	2,491
Loading and exit fees	334	333	315
Performance fees	107	122	56
Other income	309	294	228
Fee and commission income	4,118	3,690	3,090
Commissions	(895)	(812)	(706)
Other expenses	(349)	(281)	(208)
Fee and commission expenses	(1,244)	(1,093)	(914)
Net fee and commission income	2,874	2,597	2,176

Operating profit

Operating profit – Allianz Global Investors in € mn



Operating profit grew by 14.2% to € 1,276 million.

Administrative expenses, excluding acquisition-related expenses, at € 1,713 million in 2006, were up 9.8%, representing a considerably less than proportionate increase compared to that in our operating revenues due to effective cost control. As a result, our cost-income ratio decreased by 1.0 percentage point to 57.3%. This success was achieved despite substantial investments in our distribution network and human resources development.

Non-operating Items

In aggregate, the net loss from non-operating items decreased significantly from € 708 million to € 556 million. Thereof, at € 532 million, acquisition related expenses declined 22.6%. This decrease was mainly driven by a lower number of outstanding PIMCO LLC Class B Units (or “Class B Units”) in 2006 as compared to 2005. As of December 31, 2006, the Allianz Group had acquired 21,762 of the 150,000 Class B Units originally outstanding. Going forward, we expect acquisition-related expenses to be mainly driven by the number of Class B Units outstanding and our operating profit development at PIMCO. Please see Note 48 to our consolidated financial statements for further information on the Class B Units. Amortization of intangible assets of € 23 million in 2006 was related to the merger of dit and dbi to Allianz Global Investors Kapitalanlagegesellschaft mbH, previously mentioned. Thereby, our dit brand was fully written off in 2006.

Net income

Net income reached € 395 million, exceeding previous year’s level by 68.8%. Primarily as a result of higher taxable income in the United States income tax expenses increased 117.3% to € 276 million, representing a rise of our effective tax rate from 31.1% to 38.3%.

The following table sets forth the income statements and cost-income ratios for both our Asset Management segment as a whole and AGI for the years ended December 31, 2006, 2005 and 2004.

	2006		2005		2004	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Net fee and commission income ¹⁾	2,924	2,874	2,636	2,597	2,178	2,176
Net interest income ²⁾	71	66	56	51	42	41
Income from financial assets and liabilities carried at fair value through income (net)	38	37	19	18	11	10
Other income	11	12	11	11	14	14
Operating revenues³⁾	3,044	2,989	2,722	2,677	2,245	2,241
Administrative expenses, excluding acquisition-related expenses ⁴⁾	(1,754)	(1,713)	(1,590)	(1,560)	(1,405)	(1,406)
Other expenses	—	—	—	—	(1)	(1)
Operating expenses	(1,754)	(1,713)	(1,590)	(1,560)	(1,406)	(1,407)
Operating profit	1,290	1,276	1,132	1,117	839	834
Realized gains/losses (net)	7	5	6	5	17	17
Impairments of investments (net)	(2)	(2)	—	—	—	—
Acquisition-related expenses, thereof:⁴⁾						
Deferred purchases of interests in PIMCO	(523)	(523)	(677)	(677)	(501)	(501)
Other acquisition-related expenses ⁵⁾	(9)	(9)	(10)	(10)	(120)	(120)
Subtotal	(532)	(532)	(687)	(687)	(621)	(621)
Amortization of intangible assets ⁶⁾	(24)	(23)	(25)	(25)	(510)	(510)
Restructuring charges	(4)	(4)	(1)	(1)	—	—
Non-operating items	(555)	(556)	(707)	(708)	(1,114)	(1,114)
Income (loss) before income taxes and minority interests in earnings	735	720	425	409	(275)	(280)
Income taxes	(278)	(276)	(129)	(127)	52	53
Minority interests in earnings	(53)	(49)	(52)	(48)	(52)	(52)
Net income (loss)	404	395	244	234	(275)	(279)
Cost-income ratio⁷⁾ in %	57.6	57.3	58.4	58.3	62.6	62.8

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

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

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

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

5) Consists of retention payments for the management and employees of PIMCO and Nicholas Applegate. These retention payments largely expired in 2005.

6) Includes primarily the impairment of the dit brand name in 2006 and amortization charges related to capitalized bonuses for PIMCO management. These amortization charges expired in 2005. Until December 31, 2005, these amortization charges were classified as acquisition-related expenses. Prior year balances have been reclassified to allow for comparability across periods.

7) Represents operating expenses divided by operating revenues.

Corporate Activities

Effective January 1, 2006, in addition to our four operating segments Property-Casualty, Life/Health, Banking and Asset Management, and with retrospective application, the Allianz Group introduced a fifth segment named Corporate. Activities included in the Corporate segment were previously reported in the Property-Casualty segment. Generally, the Corporate segment includes all Group activities that are not allocated to one of our operating segments, in particular:

Holding Function Comprises Group Center functions carried out by the Allianz Group's holding company Allianz SE, as well as regional management companies and special investment vehicles. In particular, the Holding Function works with the operating entities to guide the Allianz Group towards effective operation using a common set of values and corporate governance processes. It supports the growth of the Allianz Group's businesses through its risk, corporate finance, treasury, financial control, communication, legal, human resources strategy and technology functions.

Private Equity Includes the income and expense items associated with the private equity investments held in particular by Allianz Capital Partners GmbH and Allianz Private Equity Partners GmbH.

Earnings Summary

While operating loss, down € 50 million to € 831 million in 2006, remained relatively stable, net expenses from non-operating items declined significantly by € 962 million. As a result, loss before income taxes and minority interests in earnings was down € 1,012 million to € 987 million.

See Note 5 to the consolidated financial statements for our Corporate segment's income statement for the years ended December 31, 2006, 2005 and 2004.

The following table sets forth Corporate's operating profit and non-operating items by activity for the years ended December 31, 2006, 2005 and 2004. Consistent with our general practice, these figures are presented before consolidation adjustments, representing the elimination of transactions between Allianz Group companies in different segments.

	Operating profit (loss)			Non-operating items		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
Holding Function	(838)	(923)	(618)	(455)	(1,109)	(649)
Private Equity	7	42	(252)	299	(9)	477
Total	(831)	(881)	(870)	(156)	(1,118)	(172)

Holding Function

Operating profit The considerable decrease in operating loss stemmed primarily from higher interest and similar income due to higher dividends received from equity investments. Further key operating items included within Holding Function are administrative expenses to run our Group Center, expenses associated with our pension plans, and expenses for certain Allianz Group-wide growth initiatives.

Non-operating items Net expenses from non-operating items decreased by € 654 million, predominantly from higher realized gains brought about by various sales transactions. With net realized gains of € 434 million the sale of our shareholding in Schering AG in June 2006 contributed most. In addition, non-operating items benefited from a lower net loss from financial assets and liabilities held for trading in comparison to 2005 when the effects of derivatives from an equity-linked loan issued in connection with financing the cash tender offer for the outstanding RAS shares made a significant negative impact. Interest expense from external debt, at € 775 million in 2006, remained relatively constant.

Private Equity

Operating profit Operating profit decreased € 35 million from the 2005 level. In August 2006, the Allianz Group acquired 100.0% of MAN Roland Druckmaschinen AG. The full consolidation of this private equity investment had impacts of a similar magnitude both on operating revenues and operating expenses, namely income and expenses from fully consolidated private equity investments.

Non-operating items Non-operating items improved from a loss of € 9 million to a gain of € 299 million. The disposal of Four Seasons Health Care Ltd. (or “Four Seasons”) in August 2006 contributed € 287 million to this development.

Balance Sheet Review

Another year of strong growth in shareholders' equity.

Consolidated Balance Sheets

The following table sets forth the Allianz Group's consolidated balance sheets as of December 31, 2006 and 2005.

As of December 31,	2006 € mn	2005 € mn
ASSETS		
Cash and cash equivalents	33,031	31,647
Financial assets carried at fair value through income	156,869	180,346
Investments	298,134	285,015
Loans and advances to banks and customers	408,278	336,808
Financial assets for unit linked contracts	61,864	54,661
Reinsurance assets	19,360	22,120
Deferred acquisition costs	19,135	18,141
Deferred tax assets	4,727	5,299
Other assets	38,893	42,293
Intangible assets	12,935	12,958
Total assets	1,053,226	989,288
LIABILITIES AND EQUITY		
Financial liabilities carried at fair value through income	79,699	86,842
Liabilities to banks and customers	361,078	310,316
Unearned premiums	14,868	14,524
Reserves for loss and loss adjustment expenses	65,464	67,005
Reserves for insurance and investment contracts	287,697	278,312
Financial liabilities for unit linked contracts	61,864	54,661
Deferred tax liabilities	4,618	5,324
Other liabilities	49,764	51,315
Certificated liabilities	54,922	59,203
Participation certificates and subordinated liabilities	16,362	14,684
Total liabilities	996,336	942,186
Shareholders' equity	50,481	39,487
Minority interests	6,409	7,615
Total equity	56,890	47,102
Total liabilities and equity	1,053,226	989,288

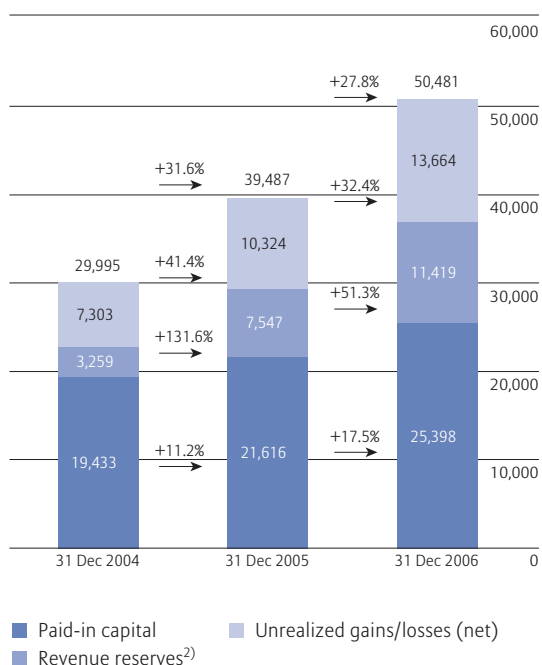
Total Equity

In 2006, we again significantly increased our shareholders' equity which increased to € 50.5 billion as of December 31, 2006, up 27.8% from a year earlier, primarily driven by our strong net income.

The following graph sets forth the development of our shareholders' equity.

Shareholders' equity¹⁾

in € mn



¹⁾ Does not include minority interests. Please see Note 23 to the consolidated financial statements for further information.

²⁾ Includes foreign currency translation adjustments.

Paid-in capital increased mainly due to the issuance of approximately 25.1 million new Allianz SE shares from the capital increase in October 2006 for the execution of the merger of RAS with and into Allianz AG (now Allianz SE).

Net income was the key driver of the growth in revenue reserves. Partially offsetting were negative effects from the acquisition cost of the additional interest in RAS. This transaction was accounted for as a transaction between equity holders. Therefore, the Allianz Group recorded a decrease in both shareholders' equity and minority interests. In addition, higher negative foreign currency translation adjustments, included in revenue reserves in the graph above, stemmed primarily from a weaker U.S. Dollar compared to the Euro.

The growth of unrealized gains/losses (net) was brought about by significantly increased unrealized gains from available-for-sale equity investments, largely as a result of the general upward trends in equity capital markets worldwide. In contrast, higher market interest rates and, as a result, downward trends in fixed income indices, had a partially offsetting negative effect on the values of our fixed income securities and their corresponding unrealized gain or loss.

Total Assets and Total Liabilities

Total assets and total liabilities increased by € 63.9 billion and € 54.2 billion, respectively. In the following sections we analyze important developments within the balance sheets of our Life/Health, Property-Casualty and Banking segments. Relative to the Allianz Group's total assets and total liabilities, we consider the total assets and total liabilities from our Asset Management segment as immaterial and have, accordingly, excluded these assets and liabilities from the following discussion. Our Asset Management segment's results of operations stem primarily from its business with third-party assets. See "Asset Management Operations - Third-Party Assets Under Management of the Allianz Group" for a discussion of our Asset Management segment's third-party assets. See "Liquidity and Capital Resources" for information on the development of Allianz SE's issued debt, and our consolidated cash and cash equivalents.

Insurance Assets and Liabilities

Life/Health insurance operations

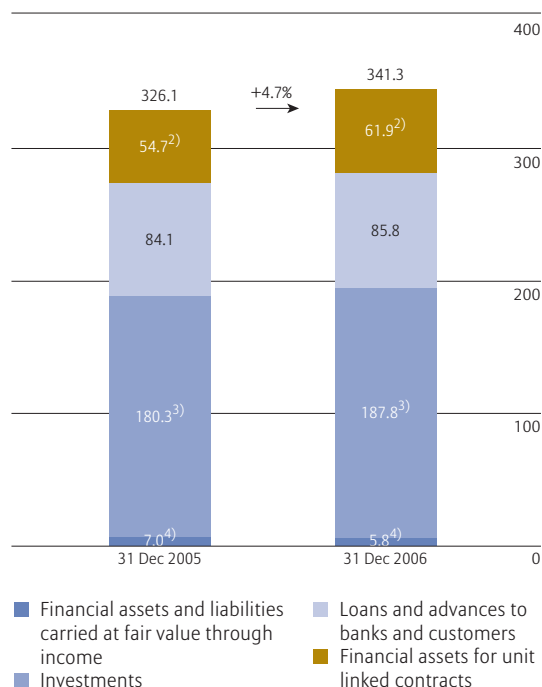
Life/Health reserves for insurance and investment contracts were up € 9.3 billion to € 278.7 billion, primarily stemming from higher aggregate policy reserves for long-duration insurance contracts. Similarly, the assets backing these reserves also grew, in particular reflected in increased investments. Life/Health investments, at € 187.8 billion as of December 31, 2006, were € 7.5 billion higher than a year ago, excluding affiliates. Thereof, equity investments amounted to € 42.2 billion, € 9.2 billion higher than a year ago, primarily from upward trends in equity capital markets. In contrast, debt securities were down slightly by € 1.8 billion to € 138.8

billion principally due to increased market interest rates and, as a result, downward trends in fixed income indices. Financial liabilities and assets for unit-linked contracts each increased € 7.2 billion to € 61.9 billion, reflecting our sales successes with unit-linked insurance and investment contracts. In aggregate, premiums collected for unit-linked insurance and investment contracts amounted to € 14.3 billion.

The following graph sets forth the development of our Life/Health asset base.

Life/Health asset base

fair values¹⁾ in € bn



- ¹⁾ Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information see Note 2 to the consolidated financial statements.
- ²⁾ Financial assets for unit-linked contracts represent assets owned by, and managed on the behalf of, policyholders of the Allianz Group, with all appreciation and depreciation in these assets accruing to the benefit of policyholders. As a result, the value of financial assets for unit-linked contracts in our balance sheet corresponds with the value of financial liabilities for unit-linked contracts.
- ³⁾ Does not include affiliates at € 2.8 bn and € 3.1 bn as of December 31, 2006 and 2005, respectively.
- ⁴⁾ Includes debt securities at € 7.3 bn and € 7.5 bn as of December 31, 2006 and 2005, respectively, equity securities at € 2.9 bn and € 2.3 bn as of December 31, 2006 and 2005, respectively, and derivative financial instruments at € (4.4) bn and € (2.8) bn as of December 31, 2006 and 2005, respectively.

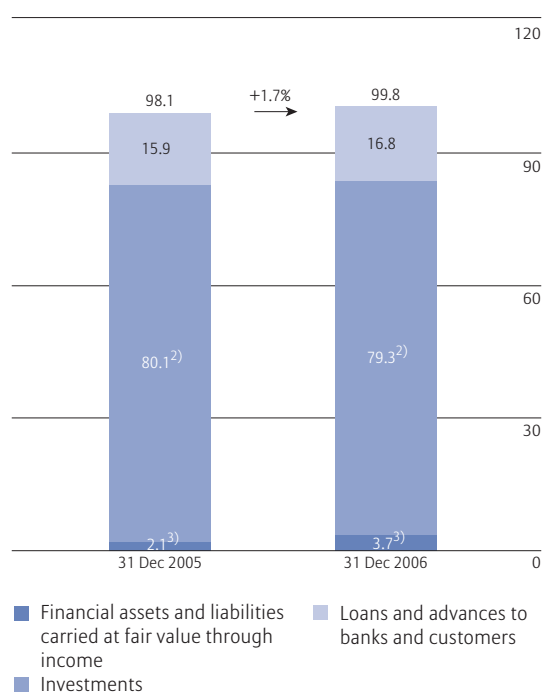
Property-Casualty insurance operations

Property-Casualty reserves for loss and loss adjustment expenses decreased by € 1.6 billion to € 58.7 billion. Important contributors to this decline were the positive net development on prior years' loss reserves primarily in Italy, France, the United Kingdom and within our credit insurance business, as well as the weakening of the U.S. Dollar and Australian Dollar relative to the Euro. The assets backing our property-casualty insurance reserves grew modestly. In the segment's investments, excluding affiliates, we recorded a slight decline to € 79.3 billion, of which debt securities amounted to € 52.3 billion and equity investments to € 19.1 billion.

The following graph sets forth the development of our Property-Casualty asset base.

Property-Casualty asset base

fair values¹⁾ in € bn



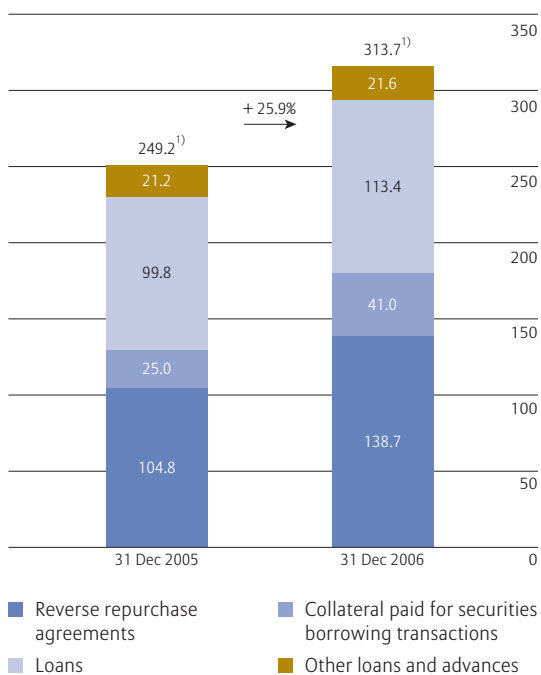
- ¹⁾ Loans and advances to banks and customers, held-to-maturity investments, and real estate held for investment are stated at amortized cost. Investments in associates and joint ventures are stated at either amortized cost or equity, depending upon, among other factors, our ownership percentage. For further information see Note 2 to the consolidated financial statements.
- ²⁾ Does not include affiliates at € 9.5 bn and € 7.5 bn as of December 31, 2006 and 2005, respectively.
- ³⁾ Includes debt securities at € 3.2 bn and € 1.7 bn as of December 31, 2006 and 2005, respectively, equity securities at € 0.4 bn and € 0.4 bn as of December 31, 2006 and 2005, respectively, and derivative financial instruments at € 0.1 bn and € – bn as of December 31, 2006 and 2005, respectively.

Banking Assets and Liabilities

Loans and advances to banks and customers in our Banking segment amounted to € 313.7 billion as of December 31, 2006. This reflects an increase of € 64.5 billion from a year earlier, particularly driven by higher volumes of collateralized refinancing activities at Dresdner Bank, commensurate with the overall market trend, which led to higher balances of reverse repurchase agreements and collateral paid for securities borrowing transactions. A key factor in these developments was the continuously tightened interest rate policy executed by the European Central Bank (or "ECB") which has encouraged to more long-term oriented refinancing activities. These activities predominantly take part in the repurchase market. Our loan business with corporate customers also contributed to the increase in loans and advances to banks and customers. This development was largely driven by the increased loan book from structured finance and syndicated loan transactions within Dresdner Bank's Corporate & Investment Banking division.

The following graph sets forth the development of our Banking segment's loans and advances to banks and customers.

Banking loans and advances to banks and customers
in € bn



¹⁾ Includes loan loss allowance at € (1.0) bn and € (1.6) bn as of December 31, 2006 and 2005, respectively.

The developments within our collateralized refinancing activities at Dresdner Bank, previously described, also led to an increase in our liabilities to banks and customers, namely in the form of repurchase agreements and collateral received from securities lending transactions.

Our Banking segment's financial assets and liabilities carried at fair value through income, in aggregate, declined to € 67.3 billion from € 83.8 billion, as we reduced the volume of our debt securities trading business.

Off-Balance Sheet Arrangements

In the ordinary course of business, the Allianz Group enters into arrangements that, under IFRS, are not recognized on the consolidated balance sheet and do not affect the consolidated income statement. Such arrangements remain off-balance sheet as long as the Allianz Group does not incur an obligation from them or become entitled to an asset itself. As soon as an obligation is incurred, it is recognized on the Allianz Group's consolidated balance sheet, with the corresponding loss recorded in the consolidated income statement. However, in such cases, the amount recognized on the consolidated balance sheet may or may not, in many instances, represent the full loss potential inherent in such off-balance sheet arrangements. The importance of such arrangements to the Allianz Group as it concerns liquidity, capital resources or market and credit risk support, is not significant. Additionally, the Allianz Group does not rely on off-balance sheet arrangements as a significant source of revenue. Similarly, the Allianz Group has not incurred significant expenses from such arrangements and does not reasonably expect to do so in the future.

Distinct areas in which the Allianz Group is involved in off-balance sheet arrangements as of December 31, 2006, which are all conducted through the normal course of our business, include various irrevocable loan commitments, leasing commitments, purchase obligations and various other commitments. Additionally, we extend market value guarantees to customers, as well as execute indemnification contracts under existing service, lease or acquisition transactions. See Note 46 to our consolidated financial statements for further information.

Liquidity and Capital Resources

The Allianz Group and its subsidiaries continued to be well capitalized. During the course of 2006, our strengthened capital base has been recognized by Standard & Poor's.

Organization

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

Liquidity Resources

Our liquidity resources result from the operating activities of our Property-Casualty, Life/Health, Banking and Asset Management segments, as well as from capital raising activities. In the context of a financial services company, where our working capital is largely representative of our liquidity, we believe our working capital is sufficient for our present requirements. For information on the management of our liquidity risk please see our Risk Report on page 86.

Allianz SE coordinates and executes external debt financing, securities issues and other capital raising transactions for the Allianz Group in order to fund any liquidity need which cannot fully be covered by our operating or investment cash flows. We also have access to commercial paper, medium-term notes and other credit facilities as additional sources of liquidity. As of December 31, 2006, we had access to unused, committed and long-term credit lines as a source of further liquidity with different banks.

Debt and Capital Funding

As of December 31, 2006, the majority of Allianz SE's external debt financing was in the form of debentures and money market securities.

Our total certificated liabilities outstanding as of December 31, 2006 and 2005 were € 54,922 million and € 59,203 million, respectively. Of the certificated liabilities outstanding as of December 31, 2006, € 33,542 million are due within one year. See Note 21 to our consolidated financial statements for further information. Our total participation certificates and subordinated liabilities outstanding as of December 31, 2006 and 2005 were € 16,362 million and € 14,684 million, respectively. Of the participation certificates and subordinated liabilities as of December 31, 2006, € 1,481 million are due within one year. See Note 22 to our consolidated financial statements for further information. Additionally, see Note 43 to our consolidated financial statements for information regarding how we use certain derivatives to hedge our exposure to interest rate and foreign currency risk related to certificated and subordinated liabilities.

Allianz SE owns several finance companies. Among those, primarily Allianz Finance B.V. and Allianz Finance II B.V., both incorporated in the Netherlands, are used from time to time for external debt financing and other corporate financing purposes. In addition, in December 2003, Allianz SE (then Allianz AG) established a Medium Term Note (or "MTN") program which is used from time to time for the purposes of external and internal debt issuance. The aggregate volume of debt issued by Allianz Finance B.V. and Allianz Finance II B.V. for the years ended December 31, 2006 and 2005 was € 2.3 billion and € 2.7 billion, respectively. As of December 31, 2006, Allianz SE had money market securities outstanding with a carrying value of € 870 million.

On December 20, 2006, we repaid the RWE exchangeable bond issued in 2001. The issue amount of € 1,075 million was repaid in shares as the share price of RWE AG was above the exercise price. Additionally, on May 2, 2006, we repaid the € 1,446 million equity-linked loan issued in the third quarter of 2005 in connection with financing the Allianz-RAS merger. Our use of commercial paper as a short-term financing instrument was reduced by 18.2% to € 0.9 billion in 2006 from € 1.1 billion in 2005. However, interest expense on commercial paper increased to € 47.0 million (2005: € 31.3 million) due to increasing interest rates in 2006 and higher average usage.

In March 2006, Allianz Finance II B.V. issued € 800 million of subordinated perpetual bonds, guaranteed by Allianz SE, with a coupon rate of 5.375%. Allianz Finance II B.V. has the right to call the bonds after five years.

Under our MTN program, Allianz Finance II B.V. issued € 1.5 billion of senior bonds on November 23, 2006, guaranteed by Allianz SE, with a coupon rate of 4.00%. The maturity of the bond is November 23, 2016.

On January 18, 2007, Allianz SE announced its intention to acquire the outstanding shares in AGF that it does not already own. In addition, Allianz AZL Vermögensverwaltung GmbH & Co. KG, a subsidiary of Allianz Deutschland AG, Allianz SE's wholly-owned German insurance holding company, announced its intention to acquire the approximately 9% of outstanding shares of Allianz Leben that Allianz Deutschland AG does not already own. The cash consideration required for the two transactions of approximately € 7.5 billion, which amount depends primarily on the acceptance rate of the cash tender offers, is planned to be funded internally by the Allianz Group. However, to bridge possible time gaps until the necessary liquidity is available, bridge loans from different financial institutions may be used. See "Executive Summary and Outlook – Outlook – Significant Expected Investments" for further information.

On January 29, 2007, the Allianz Group announced its intention to make an early redemption of 64.35% of the BITES exchangeable bond issued in February 2005 as part of the Allianz Group's "All-in-One" capital market transactions. See Note 52 to our consolidated financial statements for further information on this early redemption.

The following table sets forth Allianz SE's issued debt as of December 31, 2006 and 2005.¹⁾

	2006			2005		
	Nominal value € mn	Carrying value € mn	Interest expense € mn	Nominal value € mn	Carrying value € mn	Interest expense € mn
Senior bonds ²⁾	6,232	6,201	258.9	4,732	4,696	250.3
Subordinated bonds	7,079	6,883	404.6	6,324	6,220	355.7
Exchangeable bonds	1,262	1,262	14.8	2,337	2,326	103.1
Total	14,573	14,346	678.3	13,393	13,242	709.1

¹⁾ Bonds and exchangeable bonds issued or guaranteed by Allianz SE in the capital market, presented at nominal and carrying values. Excludes € 85.1 mn of participation certificates at each December 31, 2006 and 2005, with interest expense of € 6.2 mn and € 6.3 mn, respectively.

²⁾ Excludes € 85 mn related to a private placement which was due in 2006.

The following table describes Allianz SE's issued debt outstanding as of December 31, 2006 at nominal values. For further information, see Note 21 and 22 to our consolidated financial statements.

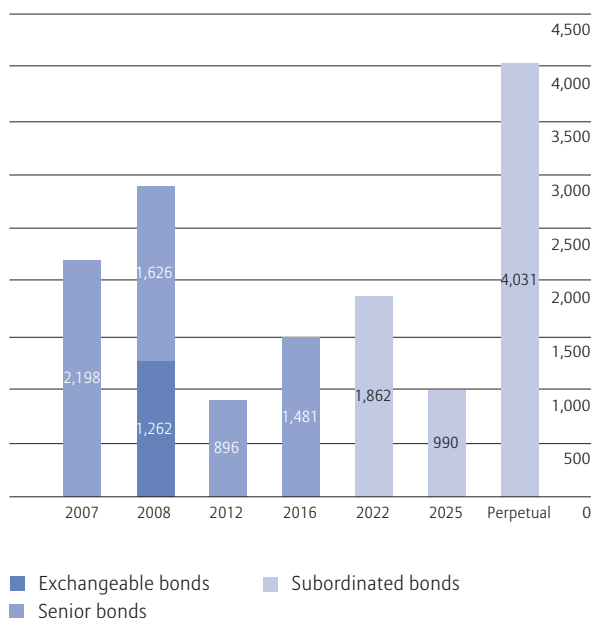
Allianz SE Issued Debt¹⁾

		Interest expense in 2006			Interest expense in 2006
1. Senior bonds					
5.75% bond issued by Allianz Finance B.V., Amsterdam					
Volume	€ 1.1 bn		Volume	€ 1.5 bn	
Year of issue	1997/2000		Year of issue	2004	
Maturity date	7/30/2007		Maturity date	Perpetual Bond	
SIN	194 000		SIN	A0A HG3	
ISIN	DE 000 194 000 5		ISIN	XS 018 716 232 5	
Interest expense		€ 63.8 mn	Interest expense		€ 83.9 mn
5.0% bond issued by Allianz Finance B.V., Amsterdam					
Volume	€ 1.6 bn		Volume	€ 1.4 bn	
Year of issue	1998		Year of issue	2005	
Maturity date	3/25/2008		Maturity date	Perpetual Bond	
SIN	230 600		SIN	A0DX0V	
ISIN	DE 000 230 600 8		ISIN	XS 021 163 783 9	
Interest expense		€ 84.8 mn	Interest expense		€ 62.8 mn
4.625% bond issued by Allianz Finance II B.V., Amsterdam					
Volume	€ 1.1 bn		Volume	€ 0.8 bn	
Year of issue	2002		Year of issue	2006	
Maturity date	11/29/2007		Maturity date	Perpetual Bond	
SIN	250 035		SIN	A0GNPZ	
ISIN	XS 015 878 835 5		ISIN	DE000A0GNPZ3	
Interest expense		€ 52.6 mn	Interest expense		€ 38.2 mn
5.625% bond issued by Allianz Finance II B.V., Amsterdam					
Volume	€ 0.9 bn		Total interest expense for subordinated bonds		
Year of issue	2002				€ 404.6 mn
Maturity date	11/29/2012		3. Exchangeable bonds		
SIN	250 036		0.75% Basket Index Tracking Equity Linked Securities (BITES) issued by Allianz Finance II B.V., Amsterdam		
ISIN	XS 015 879 238 1		Underlying	DAX®	
Interest expense		€ 51.1 mn	Volume	€ 1.3 bn	
4.00% bond issued by Allianz Finance B.V., Amsterdam					
Volume	€ 1.5 bn		Year of issue	2005	
Year of issue	2006		Maturity date	2/18/2008	
Maturity date	11/23/2016		SIN	A0DX0F	
SIN	A0G180		ISIN	XS 021 157 635 9	
ISIN	XS 027 588 026 7		Interest expense ²⁾		€ 14.8 mn
Interest expense		€ 6.6 mn	Total interest expense for exchangeable bonds		
Total interest expense for senior bonds		€ 258.9 mn			€ 14.8 mn
2. Subordinated bonds					
6.125% bond issued by Allianz Finance II B.V., Amsterdam					
Volume	€ 2 bn		4. Participation certificates		
Year of issue	2002		Allianz SE participation certificate		
Maturity date	5/31/2022		Volume	€ 85.1 mn	
SIN	858 420		SIN	840 405	
ISIN	XS 014 888 756 4		ISIN	DE 000 840 405 4	
Interest expense		€ 123.5 mn	Interest expense		€ 6.2 mn
7.25% bond issued by Allianz Finance II B.V., Amsterdam					
Volume	USD 0.5 bn		Total interest expense for participation certificates		
Year of issue	2002				€ 6.2 mn
Maturity date	Perpetual Bond		5. Issues that matured in 2006		
SIN	369 290		1.25% exchangeable bond issued by Allianz Finance II B.V., Amsterdam		
ISIN	XS 015 915 072 0		Exchangeable for	RWE AG shares	
Interest expense		€ 30.3 mn	Volume	€ 1.1 bn	
6.5% bond issued by Allianz Finance II B.V., Amsterdam					
Volume	€ 1 bn		Year of issue	2001	
Year of issue	2002		Maturity date	12/20/2006	
Maturity date	1/13/2025		Current exchange price	€ 50.16	
SIN	377 799		SIN	825 371	
ISIN	XS 015 952 750 5		ISIN	XS 013 976 180 2	
Interest expense		€ 65.9 mn	Interest expense ²⁾		€ 38.0 mn
Received option premium at issue					
€ 178.1 mn					
Total interest expense for matured issues					
€ 38.0 mn					
Total interest expense					
€ 722.5 mn					

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

²⁾ Includes coupon payment and option premium at amortized cost.

Certificated liabilities and subordinated bonds¹⁾ by maturity – Overview as of December 31, 2006
in € bn



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

Allianz SE ratings as of December 31, 2006¹⁾

	Standard & Poor's	Moody's	A.M. Best
Insurer financial strength	AA-	Aa3	A+
Outlook	Positive ²⁾	Stable	Stable
Counterparty credit	AA-	Not rated	aa- ³⁾
Outlook	Positive ²⁾		Stable
Senior unsecured debt	AA-	Aa3	aa-
Outlook		Stable	Stable
Subordinated debt	A/A- ⁴⁾	A2	a+/a ⁴⁾
Outlook		Stable	Stable
Commercial paper (short term)	A-1+	P-1	Not rated
Outlook		Stable	

¹⁾ Includes ratings for securities issued by Allianz Finance B.V., Allianz Finance II B.V. and Allianz Finance Corporation.

²⁾ Outlook revised from "Stable" to "Positive" on April 20, 2006.

³⁾ Issuer credit rating.

⁴⁾ Ratings vary on the basis of maturity period and terms.

Capital Requirements and Ratings

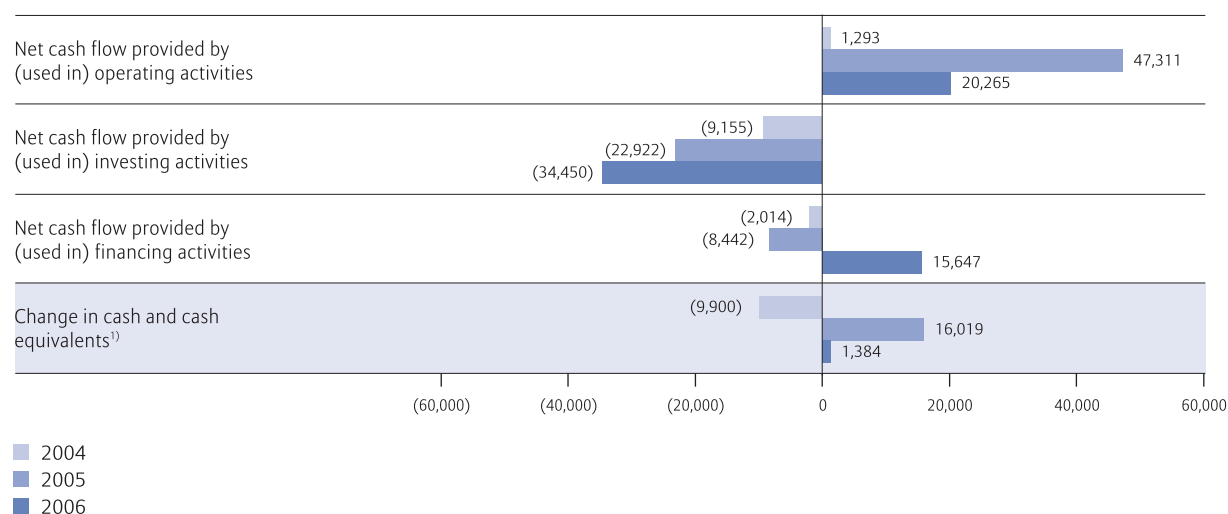
Certain of the operating entities within the Allianz Group are subject to legal restrictions on the amount of dividends they can pay to their shareholders. Furthermore, regulators impose minimum capital rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole. See Note 23 to our consolidated financial statements for detailed information on our capital requirements.

In addition to regulatory requirements and our internal risk capital model, rating agencies use distinct methodologies to determine if our capital base is adequate. During the course of 2006, "Standard & Poor's" has recognized the considerable strengthening of our capital base and revised the outlook for our rating accordingly.

As of December 31, 2006, Allianz SE had the following ratings with the major rating agencies:

Allianz Group Consolidated Cash Flows

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



¹⁾ Includes effect of exchange rate changes on cash and cash equivalents of € (78) mn, € 72 mn and € (24) mn in 2006, 2005 and 2004, respectively.

Net cash flow provided by operating activities was € 20.3 billion in 2006, down € 27.0 billion from a year ago. This decline resulted primarily from higher volumes of collateralized refinancing activities at Dresdner Bank, previously discussed under “Balance Sheet Review – Banking Assets and Liabilities”.

Higher net cash flow used in investing activities, at € 34.5 billion in 2006 compared to € 22.9 billion in the prior year, was mainly attributable to an increased balance of loans and advances to banks and customers.

Net cash flow provided by financing activities rose by € 24.1 billion to € 15.6 billion in 2006. The primary

contributing factor were net inflows from liabilities to banks and customers included within financing cash flow of € 13.5 billion, compared to net outflows of € 19.2 billion in 2005.

Overall, cash and cash equivalents increased by € 1.4 billion in 2006 to € 33.0 billion as of December 31, 2006.

The Allianz Group holds cash and cash equivalents in more than 30 different currencies, although such cash and cash equivalents are held primarily in Euros, U.S. Dollars and Swiss Francs. See Note 6 to our consolidated financial statements for additional information on the Allianz Group’s cash and cash equivalents.

Risk Report

Risk management is targeted at protecting our capital base and supporting our value-based management.

- As a provider of financial services, we consider risk management one of our core competencies. It is therefore an integrated part of our business processes.
- Risks arise for a number of reasons, including insufficient information concerning possible adverse developments affecting our business targets or plans.
- We identify, measure, aggregate and manage risks. The result of this process determines, among other things, how much capital is attributed and allocated to the Allianz Group's various segments.

Risk Governance Structure

The Board of Management of Allianz SE formulates the business objectives and allocates the capital resources of the Allianz Group balancing return on investment and risk criteria.

The Group Risk Committee monitors the Allianz Group's availability of capital and risk profile to ensure a reasonable relationship between these two criteria. Its role is to provide for comprehensive risk awareness within the Allianz Group and to further improve risk control.

Group Risk, which reports to the Chief Financial Officer, develops methods and processes for identifying, assessing and monitoring risks on an Allianz Group-wide basis. An important instrument to assess the Allianz Group's risk profile is our internal risk capital model, which is the methodology we use to assess quantitative risk. This model is described in more detail in the section below entitled "Internal Risk Capital". This structure is designed to enable us to manage our local and global risks equally and to reduce the likelihood of our overall risk increasing unnoticed.

Within our risk governance policy, operating units assume independent responsibility for their own risk control, as it is ultimately they who have to respond quickly to risk changes in a market-oriented manner. In 2006, local risk monitoring was further strengthened through the establishment of local risk committees and risk control functions in our major operating units headed by a local Chief Risk Officer.

Insurance, banking and asset management are all heavily influenced by legal factors; legislative changes in

particular have a primary influence on our activities. Limitation of these legal risks is a major task of our Legal Department, carried out with support from other departments. Our objective is to ensure laws and regulations are observed, to react appropriately to all impending legislative changes or new court rulings, to attend to legal disputes and litigation, and to provide legally appropriate solutions for transactions and business processes.

The Trend Assessment Committee is responsible for early recognition of new risks and opportunities.

In 2005, we established the Allianz Climate Core Group. This panel of experts consists of representatives from our Property-Casualty, Life/Health, Banking and Asset Management segments and was established to examine the possible effects of climate change on our business. Its task is to develop risk management strategies and to identify potential opportunities resulting from climate change.

Independent risk oversight

The principle of independent risk oversight is well-established within the Allianz Group. There is a clear distinction between active risk taking by line management functions, on the one hand, and risk oversight conducted by independent functions, on the other. The latter role not only consists of independent risk identification, assessment, reporting and monitoring, but also includes analyzing alternative courses of action and proposing recommendations to the Risk Committee and the Boards of Directors of the local operating units or the Board of Management of Allianz SE.

Risk policies

The Group Risk Policy defines the minimum requirements that are binding on all operating units. Specific minimum risk standards for our Property-Casualty, Life/Health, Banking and Asset Management segments, as well as on specific risk topics such as risk capital modeling, translate these requirements into action. These standards are implemented by the operating units worldwide and are monitored on a regular basis by Group Risk through a structured risk-based diagnostic process.

Risk Capital

We employ a value-based approach (Economic Value Added or “EVA”^{®1}), among other approaches, to manage our business activities, which are conducted through our local operating units. Risk capital, which is required to protect against unexpected losses, is one of the key parameters of this approach.

Internal risk capital, as described below, forms the central element for our local risk-oriented control performance measurement processes. However, in managing our capital position we have to consider additional conditions imposed by our regulator (the BaFin) and rating agencies.

As a Financial Conglomerate based in the European Union, our regulatory solvency capital requirements are defined by the EU Financial Conglomerate Directive (or “FCD”), which was issued in 2002 and transposed into German national law effective at the end of 2005.

As of December 31, 2006, our regulatory capital required by the FCD amounted to € 26.1 billion in comparison to our admissible capital of € 50.5 billion.

Stress tests

In addition to internal risk capital analysis, we perform regular stress tests, which act as early-warning indicators in monitoring the regulatory solvency capital ratios for the Allianz Group. We also apply regular stress tests on a local operating unit level in order to monitor capital

requirements imposed by regulators and rating agencies locally.

A 10% price decline in our available-for-sale equity securities as of December 31, 2006 would have resulted in a € 3.1 billion decline in shareholders’ equity before minority interests. If the interest rate had increased by 100 basis points, shareholders’ equity before minority interests would have decreased by € 3.9 billion, if we take into account the available-for-sale fixed income securities as of December 31, 2006. A 10% devaluation of the U.S. Dollar against the Euro as of December 31, 2006 would have decreased shareholders’ equity before minority interests by € 1.0 billion. These calculations do not take into account derivatives.

Internal Risk Capital

Internal risk capital, which is the capital required to protect against unexpected economic losses, is a key parameter of our EVA[®]-approach, consistently applied to all segments. In 2006, we used an integrated internal risk capital model to assess and allocate quantitative risk for our major insurance companies as well as for our banking subsidiary, Dresdner Bank. This process allows us to consistently aggregate risk capital for all segments on the Group level within our internal risk capital framework. By using our internal risk capital model, we endeavor to evaluate risks more precisely in an effort to optimize allocation of capital within the Allianz Group.

Value-at-risk approach

Our internal risk capital model is based on the value-at-risk approach. This model, consistent with value-at-risk determinations, calculates a maximum loss in the value of our portfolio of assets and liabilities within a given timeframe and with a certain specified probability, or frequency, in the event of adverse market movements. More specifically, for each risk category, we calculate the net fair value of our assets and liabilities in terms of (i) a best estimate under current market conditions and (ii) an adverse value under adverse market conditions over a certain holding period. The required internal risk capital per risk category is then defined as the difference between the best estimate and adverse value of the portfolio. In order to calculate both of these values, we revalue options and guarantees under

current and adverse market conditions using statistical models. Internal risk capital results per category are aggregated in a manner that takes diversification effects across risk categories and/or regions into account. The required internal risk capital is determined on a quarterly basis.

Assumptions

On the Allianz Group level, our objective is to maintain capital according to a confidence level or solvency probability of 99.97% over a holding period of one year, which is equivalent to an “AA” rating of Standard & Poor’s. The time horizon over which the change in value is measured on the Allianz Group level is set at one year, as it is generally assumed that it may take a year to find a counterparty to whom to transfer the liabilities in our portfolio. In support of the Allianz Group’s objective to ensure a solvency probability of 99.97% over a holding period of one year at the Group level, we require our local operating units to hold risk capital allowing them to remain solvent with a certainty of 99.93% over a holding period of one year and take into account the diversification effects resulting from balancing our portfolio risks.

The Allianz Group’s policy is that all loans and deposits in foreign currencies should generally be funded and reinvested in investments in the same currency with matching maturities. Therefore, our residual foreign currency risk results primarily from the net fair value base of financial instruments denominated in foreign currency and the net asset value of our local non-Euro operating units. This currency market risk is generally managed centrally at the Allianz Group level and is, therefore, allocated to the Corporate segment.

Scope

Our internal risk capital covers the specific assets and liabilities listed below:

- **Assets** Bonds, mortgages, investment funds, loans, floating rate notes, equities, real estate, conventional options, and swaps,

- **Liabilities** Cash flow profile of all technical reserves as well as deposits and issued securities.

The model takes substantially all of our derivatives into account, in particular when such instruments are entered into as part of the operating unit’s regular business model (e.g. Dresdner Bank or Allianz Life Insurance Company of North America) or if they are of such a magnitude that they have a significant impact on the resulting risk capital (e.g. hedges of Allianz SE or in the Life/Health segment, if material obligations to policyholders are hedged through financial derivatives).

Our internal risk capital model quantifies the following risk categories:

- **Market risks** Possible losses caused by changes in interest rates, exchange rates, share prices, real estate values and other relevant market prices (such as commodities);
- **Credit risks** Possible losses caused by the inability to pay or a downgrade in the credit rating of debtors or counterparties;
- **Actuarial risks** Unexpected financial losses from the sale of insurance protection; and
- **Business risks** Cost and lapse risks, as well as operational risks including risks associated with external events or arising from insufficient or failing internal processes, procedures and systems.

The internal risk capital model allows us to evaluate the risk to which we are exposed by using statistically-based methods. The individual characteristics of our operating units and the specific nature of their risks are taken into account by reflecting local management rules such as investment strategies and policyholder participation rules in the Life/Health segment and establishing risk parameters based on past developments affecting each such unit.

Risk Measurement

The Allianz Group-wide internal risk capital after Group diversification effects and before minority interests, as calculated pursuant to our internal risk capital model discussed more fully above under “Value-at-risk approach” amounted to € 35.8 billion as of December 31, 2006.

Allocated internal risk capital by risk category¹⁾

– total portfolio –

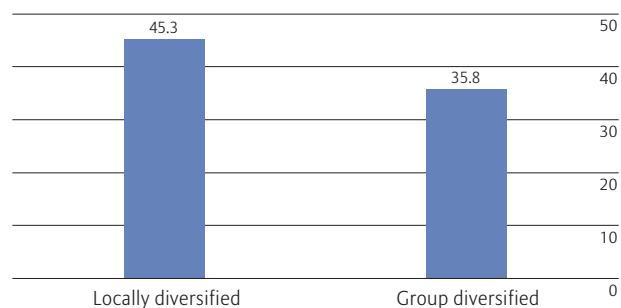
As of December 31,	Before minority interests		After minority interests	
	2006 € mn	2005 ²⁾ € mn	2006 € mn	2005 ²⁾ € mn
Market risks	17,457	18,270	16,217	16,592
Credit risks	5,767	6,208	5,199	5,612
Actuarial risks	5,846	5,912	5,190	5,085
Business risks	6,716	6,221	6,075	5,708
Total	35,786	36,611	32,681	32,997

¹⁾ After Group diversification

²⁾ 2005 figures adjusted as coverage of internal risk capital model has been extended.

Total internal risk capital as of December 31, 2006, before and after Group diversification (before minority interests)

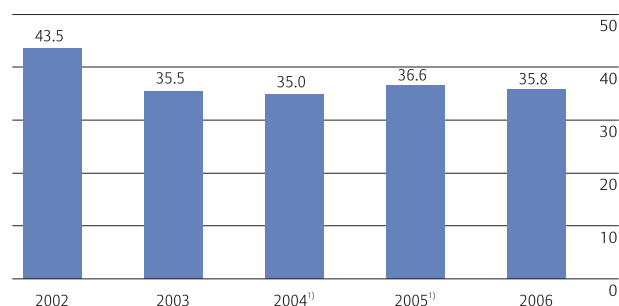
in € bn



The risk profile of the Allianz Group is actively managed. Under the “3+One” program, we have reduced internal risk capital from € 43.5 billion as of December 31, 2002 to € 35.8 billion as of December 31, 2006, thereby strengthening the Allianz Group’s capitalization. The overall decrease of internal risk capital in 2006 was due to a decline in market risk, resulting from an increase in interest rates, which in turn, decreases our exposure to risk in connection with the minimum guaranteed credits that we must provide to policyholders for some of our Life/Health products.

Total internal risk capital development as of December 31 after Group diversification (before minority interests)

in € bn



¹⁾ 2004 and 2005 figures adjusted as coverage of internal risk capital model has been extended.

As an integrated financial service provider we are exposed to a wide range of different risks in our Property-Casualty, Life/Health, Banking, Asset Management and Corporate segments. Although these risks are different in nature and each of these sources of risk has distinct statistical properties internal risk capital sets a common standard for measuring the degree of risk taking, thus making them comparable.

Allocated internal risk capital by segment¹⁾

– total portfolio –

As of December 31,	Before minority interests		After minority interests	
	2006 € mn	2005 ²⁾ € mn	2006 € mn	2005 ²⁾ € mn
Property-Casualty	17,973	18,269	15,826	15,644
Life/Health	5,477	5,773	4,568	4,756
Banking	5,897	6,216	5,887	6,215
Asset Management	2,602	2,474	2,492	2,474
Corporate	3,837	3,879	3,908	3,908
Total	35,786	36,611	32,681	32,997

¹⁾ After Group diversification

²⁾ 2005 figures adjusted as coverage of internal risk capital model has been extended.

Concentration of insurance risks

Property-Casualty segment

The Allianz Group's Property-Casualty segment provides both personal and commercial insurance coverage. Our business activities are focused in Western Europe (in terms of IFRS reserves 61% as of December 31, 2006), with further significant activities in North America (in terms of IFRS reserves 11% as of December 31, 2006). The worldwide corporate business is centrally managed by Allianz Global Corporate & Specialty, which was formed in 2006 by the integration of Allianz Global Risks Re and significant elements of Allianz Marine & Aviation. Please see "Allianz Group Success Factors – Important Group Organizational Changes – Merger of Industrial Insurance Business within Allianz Global Corporate & Specialty" for further information.

Potential risk concentrations (e.g. natural catastrophes) are closely monitored on a regular basis. In addition, underwriting guidelines define maximum limits to the segment's risk exposure. Reinsurance coverage is obtained to mitigate the peak risks resulting from natural catastrophes and to limit the impact of adverse conditions on profit and loss and shareholders' equity. We analyze the reinsurance program in an effort to further optimize the Allianz Group's use of reinsurance arrangements.

Life/Health segment

The Allianz Group's Life/Health segment provides both traditional contracts and unit-linked contracts. Traditional contracts include life, endowment, annuity, and supplemental health contracts. We issue both

deferred and immediate traditional annuity contracts. In addition, the Allianz Group's life operations in the United States issues a significant amount of equity indexed deferred annuities.

A significant part of the Allianz Group's Life/Health segment operations is conducted in Western Europe. Insurance laws and regulations in Western Europe have historically been characterized by the legal or contractual participation of contract holders in the profits of the insurance company issuing the contract subject to a minimum guaranteed crediting rate. In particular, our Life/Health contracts in Germany, Switzerland and Austria, which comprise approximately 42% of the Allianz Group's IFRS reserves for insurance and investment contracts as of December 31, 2006, include a significant level of policyholder participation in all sources of risk including market, actuarial and expense risks.

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

Due to policyholder participation, our internal risk capital model for the Life/Health segment has a specific focus on the interaction between investments and insurance liabilities. We are continuously developing the integrated asset-liability management modeling to enable us to quantify the risk-mitigating effects resulting from policyholder participation in market, actuarial and expense risks.

Market Risk Measurement

In the following we present our Group-wide internal risk capital related to market risks, as calculated pursuant to our internal risk capital model. The figures presented take into account diversification effects, but do not include minority interests.

Allocated internal risk capital by business segment and source of risk¹⁾

– total portfolio before minority interests –

As of December 31,	2006 € mn	2005 € mn
Property-Casualty		
Market risks	8,379	8,717
thereof: Interest rate	427	642
Equity	7,300	7,408
Real estate	617	631
Currency ²⁾	35	36
Life/Health		
Market risks	3,244	3,668
thereof: Interest rate	383	917
Equity	2,615	2,544
Real estate	246	207
Currency ²⁾	—	—
Banking		
Market risks	2,090	2,092
thereof: Interest rate	55	38
Equity	1,865	2,050
Real estate ³⁾	165	—
Currency ²⁾	5	4
Asset Management⁴⁾		
Market risks	—	—
thereof: Interest rate	—	—
Equity	—	—
Real estate	—	—
Currency ²⁾	—	—
Corporate		
Market risks	3,744	3,793
thereof: Interest rate	394	639
Equity	2,010	1,774
Real estate	55	33
Currency ²⁾	1,285	1,347
Total	17,457	18,270

- ¹⁾ Internal risk capital is calculated as value-at-risk with a one-year holding period and a confidence level of 99.97%.
- ²⁾ According to the Allianz Group's policy, foreign currency risks are generally managed centrally at the Allianz Group level and are, therefore, allocated to the Corporate segment. As commodity risk is not significant on Group level, it is covered in our internal risk capital model within currency risk.
- ³⁾ For our Banking segment, internal risk capital for real estate risk was introduced in 2006.
- ⁴⁾ The internal risk capital calculation for the Asset Management segment at Group level is based on a standard model of Standard & Poor's. This approach does not provide separate risk capital figures for market risk. Approximately 99% of the investments held by the Asset Management segment's units are held for the benefit of third parties and, therefore, do not result in significant market risk for Allianz. As a result, the risk capital calculated for the Asset Management segment is allocated to business risk in its entirety.

Non-trading portfolios

The Allianz Group's non-trading portfolios contain all non-trading activities of the Banking segment as well as the financial assets and liabilities of the Property-Casualty and Life/Health segments. The Allianz Group holds and uses many different financial instruments in managing its businesses.

Property-Casualty, Life/Health and Corporate segments

Most of the Allianz Group's insurance-related equity investments are intended to be held for the long-term, where our internal risk capital model is used to regularly align the insurance business' risk-bearing capacity with the economic risks it faces by taking into account short-term market developments.

The Property-Casualty and Life/Health segments are exposed to interest rate risk due to their investments in fixed income instruments, in particular bonds, loans and mortgages serving as collateral for policyholder obligations that are different in terms of maturity and size. Our internal risk capital model provides management with information regarding the cash flow profiles of the segments' liabilities, which allows for active asset-liability management and monitoring. While the potential cash flow payments related to our liabilities in the Property-Casualty segment are typically shorter in nature than the financial assets backing them, the opposite usually holds true for our Life/Health segment, which provides us with a natural hedge at the Allianz Group level. In our Life/Health segment, risks are mitigated by policyholder participation, though there exist guarantees in that we must credit minimum rates for individual contracts. The valuation of these guarantees, which take into account the interaction of assets and policyholder obligations, forms an integral part of our risk management framework. Our primary interest rate exposure is the risk that interest rates in Germany, France, United States, Italy and South Korea may fall below the guaranteed credit minimums for certain of our Life/Health policies in those markets. In 2006, this interest rate risk decreased as interest rates increased in the Euro-zone and the United States and as the difference between interest rates and the average guaranteed levels also increased.

Interest rate risk in the Corporate segment primarily arises in connection with securities issued to fund the capital requirements of the Allianz Group. These securities include structured products that might be partly repaid in the form of equity participations held in

our asset portfolio. Some of the securities issued qualify as eligible capital for existing regulatory solvency requirements to the extent they constitute subordinated debt or are perpetual in nature.

The primary exposures for foreign exchange risk are related to the U.S. Dollar, Swiss Franc and Korean Won. Local laws generally require that the insurance policy obligations of the Allianz Group's subsidiaries and the investments covering them are in the same currency. When this is not the case (e.g. in Switzerland, obligations to policyholders resulting from life insurance contracts are partly backed by Euro-dominated bonds), the resulting foreign exchange risk is generally hedged against the local currency. Hedge efficiency is monitored by the local risk managers. As a result, currency fluctuations in connection with foreign subsidiaries have only a minor impact on the Property-Casualty and Life/Health segments' risk management strategies locally, and active management of currency risks is performed centrally at the Allianz Group level within the Corporate segment.

Banking segment

The Banking segment's interest rate risk arises from its non-trading portfolio of loans and deposits, issued securities, interest rate-related investment securities, as well as corresponding hedges of Dresdner Bank and the other banks forming part of the Allianz Group. The market risk in the non-trading portfolio is also primarily interest rate risk that results from long-term fixed rate loans funded in part by short-term deposits. As is the case for Dresdner Bank's trading portfolio, Dresdner Bank manages this risk by setting value-at-risk limits. As of December 31, 2006, the value-at-risk, with a 99% confidence level and 10-day holding period, for interest rate risks at Dresdner Bank amounted to € 15.5 million, compared to € 14.0 million as of December 31, 2005.¹⁾ The value-at-risk in Dresdner Bank's non trading book increased due to increases in market volatility and lower diversification effects between asset classes.

Dresdner Bank limits currency risks by applying the Allianz Group-wide policy that all loans and deposits in foreign currencies are refinanced or reinvested in the same currency with matching maturities.

¹⁾ Last year's disclosure value has been restated for reasons of comparability with current value-at-risk figure, which according to new methodology includes for the first time equity positions (without participation intention).

Asset Management segment

The internal risk capital calculation for the Asset Management segment at Group level is based on a standard model of Standard & Poor's. This approach does not provide separate risk capital figures for market risk. Approximately 99% of the investments held by the Asset Management segment's units are held for the benefit of third parties and, therefore, do not result in significant market risk for Allianz. As a result, the risk capital calculated for the Asset Management segment is allocated to business risk in its entirety.

Trading portfolios

The trading portfolios of the Allianz Group contain all assets and liabilities classified as "held for trading" positions. In terms of activity and absolute volumes they relate primarily to the Banking segment. While our Banking segment business is separated into a designated trading portfolio and a non-trading portfolio, trading activities in the Property-Casualty, Life/Health and Corporate segments relate mainly to the hedging of insurance liabilities not internally classified as trading. Trading activities in the Asset Management segment are immaterial. In our worldwide trading activities, the Allianz Group uses financial derivatives both as non-standardized financial instruments for the individual management of market risks and as a component of structured financial transactions. The Allianz Group's derivative trading activities focus on interest-bearing financial instruments, predominately interest rate swaps. The Allianz Group also uses currency, credit and equity/index derivatives.

Property-Casualty, Life/Health and Corporate segments

The Allianz Group's insurance business does not generally engage in trading activities. With the adoption of IAS 39, however, we are exposed to market risks due to trading positions not only in respect of the banking business but also in respect of the insurance business. However, derivatives used in the Allianz Group's insurance operations are principally used for portfolio hedging and not for trading purposes.

Banking segment

The Banking segment is active in trading equities, interest rate instruments, foreign exchange and commodities. The Banking segment uses derivatives in its trading portfolios primarily to meet customer demands as well as to hedge market and credit risk. Derivatives are also used to take advantage of market

opportunities. Dresdner Bank has expanded its use of credit derivatives in line with market growth in order to meet client demands in this product field. In terms of volume, the primary derivative products held by the Allianz Group are interest rate swaps, futures and options as well as foreign exchange forwards and equity-related options. The primary exposures in foreign currencies are U.S. Dollars and British Pounds.

The value-at-risk model, which is used to evaluate capital adequacy for regulatory purposes and which forms the basis for our internal risk capital model, must take into account market fluctuations that can occur at a confidence level of 99% and a 10-day holding period. The value-at-risk model is supplemented by stress tests that estimate the potential loss under extreme market conditions.

For the purpose of setting internal limits and risk management, Dresdner Bank calculates a value-at-risk

with a confidence level of 95% and a one-day holding period. While the value-at-risk for regulatory purposes is based on volatilities derived from equally weighted time series, the value-at-risk for internal use is based on volatilities derived from exponentially weighted time series, which assigns a greater weight to the most recent market developments. Therefore, unlike the value-at-risk calculation required by the BaFin, which is based on historical market data, we thus assign greater weight to the most recent market fluctuations. By doing so, we endeavor to reflect current market trends in the value-at-risk calculation on a timely basis.

Market risks within Dresdner Bank's trading portfolio had a value-at-risk, with a 99% confidence level and a 10-day holding period, of € 57 million as of December 31, 2006, compared to € 66 million as of December 31, 2005. Market risk from trading activities declined in comparison to last year mainly due to the lower interest rate risk.

Value-at-risk statistics (Dresdner Bank)

– 99% confidence level, 10-day holding period –

	As of		Years ended December 31,					
	December 31,		Average		High		Low	
	2006	2005	2006	2005	2006	2005	2006	2005
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Aggregate risk	57	66	46	49	89	105	26	26
Interest-rate risk	43	71	51	52	77	121	32	25
Equity risk	44	12	23	19	85	36	8	10
Currency risk	9	9	10	7	25	21	1	1
Commodity risk	4	1	4	3	17	10	1	—
Diversification effect	(43)	(27)	(42)	(32)	(—) ¹⁾	(—) ¹⁾	(—) ¹⁾	(—) ¹⁾

¹⁾ No diversification effects are taken into account because the high and low values were measured on different dates.

Credit Risk Measurement

Credit risk arises from claims against obligors like borrowers, counterparties, issuers, guarantors or insurers. Losses may result in the following events:

- Failure to meet payment obligations (default risk).
- In a given country, default on government debt, temporary suspension of payment obligations (“moratorium”), deterioration of economic or political conditions, expropriation of assets, inability to transfer assets abroad due to sovereign intervention, etc. (country risk including transfer risk).
- Failure in the settlement of transactions (settlement risk).

Group Risk’s credit risk methodology is comparable to one of the most widely used approaches in this area.

We assume probability distributions and estimate their parameters for random variables such as the portion of a counterparty’s exposure that would be lost in event of default, of country or industry market-wide events or of counterparty-specific changes on the creditworthiness.

We perform Monte-Carlo simulations to obtain the loss profile of a given portfolio – its loss probability distribution. The loss profile serves as the basis of our credit risk measure.

Allocated internal risk capital by business segment and source of risk¹⁾

– total portfolio before minority interests –

As of December 31,	2006	2005
	€ mn	€ mn
Property-Casualty		
Credit risks	1,844	1,753
thereof: Investment	521	505
Reinsurance	1,323	1,248
Life/Health		
Credit risks	685	874
thereof: Investment	548	702
Reinsurance	137	172
Banking		
Credit risks	3,236	3,575
thereof: Investment	3,236	3,575
Reinsurance	—	—
Asset Management²⁾		
Credit risks	—	—
thereof: Investment	—	—
Reinsurance	—	—
Corporate		
Credit risks	2	6
thereof: Investment	2	6
Reinsurance	—	—
Total	5,767	6,208

¹⁾ Internal risk capital is calculated as value-at-risk with a one-year holding period and a confidence level of 99.97%.

²⁾ The internal risk capital calculation for the Asset Management segment at Group level is based on a standard model of Standard & Poor’s. This approach does not provide separate risk capital figures for market risk. Approximately 99% of the investments held by the Asset Management segment’s units are held for the benefit of third parties and, therefore, do not result in significant market risk for Allianz. As a result, the risk capital calculated for the Asset Management segment is allocated to business risk in its entirety.

We monitor and manage credit risks pursuant to a limit system applicable to the entire Allianz Group. The limit system aggregates major risks having Group-wide significance such as credit insurance, lending and our capital investments and serves as the basis for controlling the risk on an Allianz Group-wide basis by detecting credit risks at an early stage.

Property-Casualty, Life/Health and Corporate segments

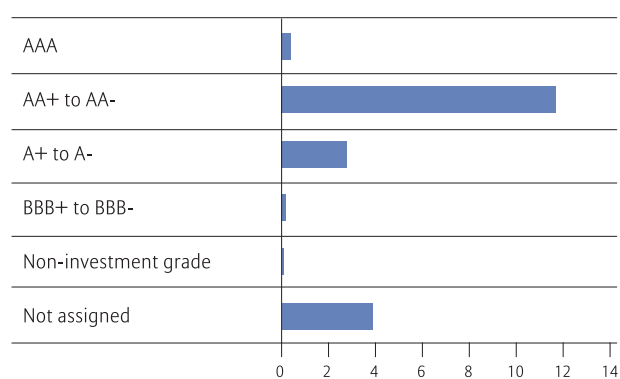
In the Property-Casualty, Life/Health and Corporate segments credit risk arising from reinsurance counterparties are considered separately from issuer and counterparty risks arising from our asset investment activities, though the same methodology is applied.

Reinsurance credit risk

We take steps to limit our liability from insurance business by ceding part of the risks we assume to the international reinsurance market. When selecting our reinsurance partners, we consider only companies with strong credit profiles. To manage this credit risk, we compile Allianz Group-wide data on receivables from insurance losses. As of December 31, 2006, approximately 80% of the Allianz Group's reinsurance recoverables were distributed among reinsurers with an investment grade rating. Additionally, more than 79% were distributed among reinsurers that have been assigned at least an "A" rating by Standard & Poor's. We may also require letters of credit, deposits or other financial measures to further minimize our exposure to credit risk. See Note 10 to our consolidated financial statements for further information.

Ceded reserves by rating class as of December 31, 2006¹⁾

in € bn



¹⁾ Represents netted amounts per reinsurer.

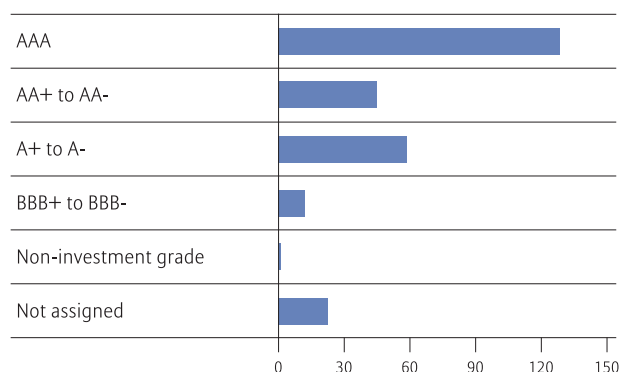
Investment credit risk

We limit our fixed income investment credit risk by setting high requirements on the creditworthiness of our debtors and by diversifying our investments. Through our central credit risk management, we consolidate our exposure according to debtors and across all investment categories and business segments, and monitor the exposure of the Allianz Group on a monthly basis. As of December 31, 2006, approximately 91% of the fixed income investments of the insurance companies of the Allianz Group had an investment grade rating. More than 86% were distributed among obligors that had been assigned at least an "A" rating by Standard & Poor's.

Fixed income investments by rating class

as of December 31, 2006

in € bn



Banking segment

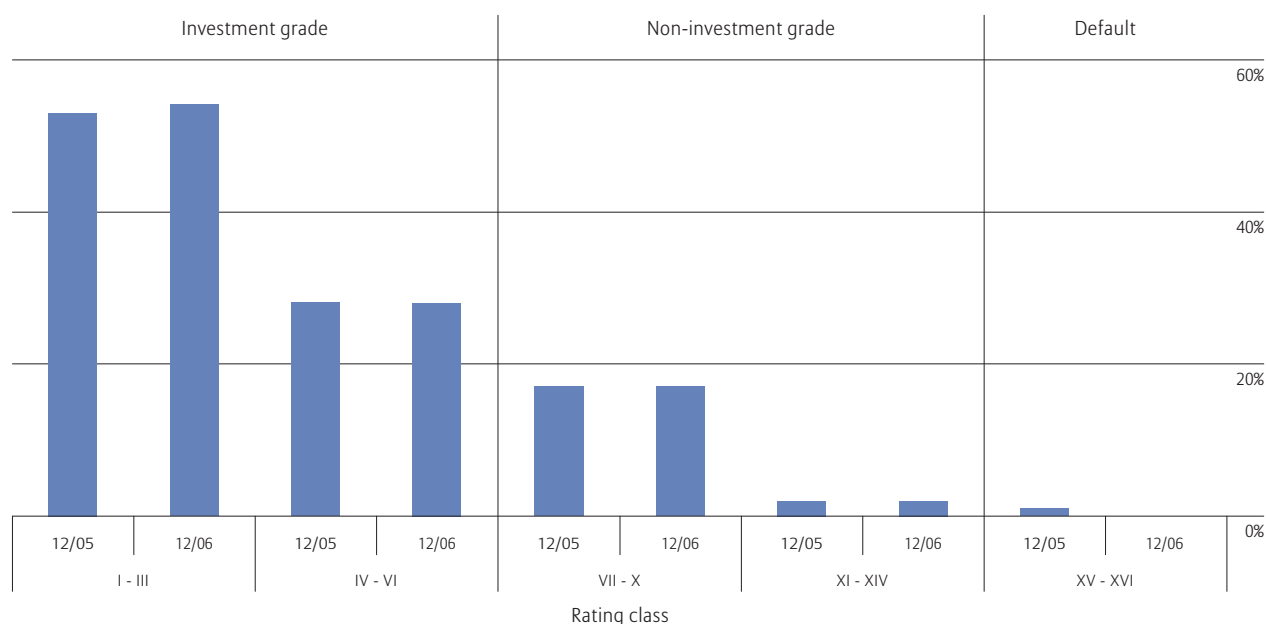
In the Banking Segment, credit risks include credit and counterparty risks in the lending business, issuer risks from our securities business, counterparty risks from trading activities and country risks.

We use our customers' credit ratings as the central element for our approval, monitoring and control process. In this process, the various creditworthiness characteristics of our customers are represented in the form of rating classes. To categorize the default probability of a borrower, we use a system with 16 different rating classes. The first six classes correspond to "investment grade" and classes VII to XIV signify "non-investment grade". Rating classes XV and XVI are default classes according to the Basel II definition. We assess and endeavor to improve our rating procedures on an ongoing basis.

The total credit risk exposure of Dresdner Bank of € 341 billion includes loans from lending business and market values of trading positions, in the case of derivatives it contains the positive replacement values plus risk-based add-ons. As of December 31, 2006, approximately 82% of overall counterparty limits in the trading and non-trading portfolios of Dresdner Bank were included in the rating classes I to VI, compared to 81% as of December 31, 2005. Approximately 18% of limits are included in the rating classes VII to XVI (2005: 19%). Furthermore, 97% (2005: 96%) of the counterparty limits in the trading portfolio are classified with a rating of I to VI.

Overall portfolio view by rating class as of December 31, 2006 (Dresdner Bank)

in %



Of Dresdner Bank's lending activities measured by limits as of December 31, 2006, 29% (2005: 32%) were accounted for by the Private & Business Clients divisions and 71% (2005: 68%) by the Corporate & Investment Banking division.

Increasing loan volumes have been accompanied by a reduction of important risk parameters such as average probability of default, expected loss and internal risk capital. Dresdner Bank has made an effort to improve its loan quality, supported by state-of-the-art loan processes, the implementation of a value-oriented growth strategy as well as better economic environment. As of December 31, 2006, approximately 68% (2005: 64%) of Dresdner Bank's loans were with investment grade counterparties.

In line with the observed portfolio quality, our total volume of problem loans and potential problem loans (measured by usage), which are two additional indicators for the quality of the loan portfolio, decreased from approximately € 3.0 billion as of December 31, 2005 to € 2.0 billion as of December 31, 2006.

Asset Management segment

As part of the investment management process the Asset Management segment's units assess credit risk affecting their customers' portfolios. Though our asset management companies do not engage in any lending

transactions, counterparty risks can arise in certain circumstances, such as with broker-related over-the-counter transactions. Our asset management companies analyze the creditworthiness of their counterparties and set limits per counterparty based on objective criteria.

Actuarial Risk Measurement

Actuarial risks consist of premium and reserve risks in the Property-Casualty segment as well as mortality risks in our Life/Health segment. In the Banking, Asset Management and Corporate segments actuarial risks are immaterial.

Property-Casualty segment

Premium risk

is defined as an unexpected high loss volume resulting in an insufficient coverage from premiums. Premium risk is subdivided into catastrophe risk (CAT risk) and non-catastrophe risk (non-CAT risk). We primarily quantify and manage premium risks using actuarial models used to calculate premiums and to monitor claim patterns. Natural disasters such as earthquakes, storms and floods represent a special challenge for risk management. In order to measure such risks and better

estimate the potential effects of natural disasters, we use special modeling techniques in which we combine data about our portfolio (such as the geographic distribution of insurance amounts), with simulated natural disaster scenarios to estimate the magnitude of potential damage. Where such models do not exist (for example, hail risk in Germany), we use a scenario-based methodology.

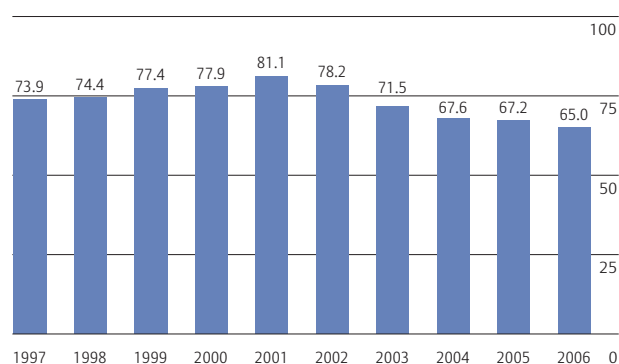
In order to manage exposures due to natural catastrophes, the Management Board of Allianz SE has defined an earnings volatility limit for these exposures. These limitations are based at both the operating unit and Group levels and define the amount Allianz is willing to lose in any such event with an occurrence probability of once in 250 years.

Reserve risk

quantifies the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitively settled and the reserves established to cover these payments, which may be due to the use of an insufficient basis for the calculation of reserves. We measure and manage reserve risks by constantly monitoring the development of the provisions for insurance claims that have been submitted but not yet settled in all companies, and change the provision for reserves as necessary. To the extent available, we use assumptions approved by supervisory authorities and actuarial associations to enhance our models.

Actuarial risks in property-casualty insurance have led to fluctuations of the loss ratio in our Property-Casualty segment over time, as shown below.

Property-Casualty loss ratios for the years ended December 31,¹⁾
in %



¹⁾ Loss ratios for the years ended December 31, 1997 to 2003 do not reflect the reporting changes effective January 1, 2006.

Life/Health segment

Mortality risk

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

Business Risk Measurement

Business risks consist of operational risks and cost risks.

Operational risks

These are the risks of losses resulting from inadequate or failed internal processes, people and systems or from external events. The definition includes legal risk, whereas strategic risk and reputational risk are excluded in accordance with Basel II.

Cost risks

These risks consist of unanticipated fluctuations in earnings arising from a decline in income without a corresponding decrease in expenses and include the risk of budget deficits resulting from lower revenues or higher costs than budgeted. Within our Life/Health segment we also evaluate lapse risks.

Allocated internal risk capital by business segment¹⁾

– total portfolio before minority interests –

As of December 31,	2006 € mn	2005 € mn
Property-Casualty		
Business risks	1,941	1,927
Life/Health		
Business risks	1,509	1,190
Banking		
Business risks	570	550
Asset Management		
Business risks	2,605	2,474
Corporate		
Business risks	91	80
Total	6,716	6,221

¹⁾ Internal risk capital is calculated as value-at-risk with one-year holding period and confidence level of 99.97%.

Allianz has developed an operational risk framework for the Allianz Group that focuses on early recognition and pro-active management of operational risks. The framework defines roles and responsibilities, risk processes and methods and has been implemented at the major Allianz Group companies. Local risk managers implement this framework within the respective operating units. The operating units identify and evaluate relevant operational risks and control weaknesses through a bottom-up approach via self-assessment.

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

Management of Other Risks

There are certain risks that cannot be quantified using our internal risk capital model. For these risks, we pursue a systematic approach with respect to identification, analysis, assessment and monitoring. The assessment is based on qualitative criteria or using scenario analyses. For example, these risks include:

Liquidity risk

Liquidity risk is the risk that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the event of a company liquidity crisis, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount. Liquidity risk does not include the risk of a change in market prices due to a worsening of the market liquidity of assets, as this is a component of market risk analyzed through our internal risk capital model.

Reputational risk

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

Group Risk identifies and assesses this risk qualitatively as part of a quarterly evaluation. On the basis of this evaluation, Group Risk creates an overview of local and global risks which also includes reputational risks, analyses the risk profile of the Allianz Group and regularly informs management about the current situation.

Strategic risk

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

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

Risk Monitoring by Third-Parties

Supervisory authorities and rating agencies are additional risk monitoring bodies. Supervisory authorities stipulate the minimum precautions and capital requirements that we must meet in individual countries and on an international level. Rating agencies evaluate the relationship between the required risk capital of a company and its available safeguards. In the agencies' evaluation of capital resources, they consider equity shown in the balance sheet, minority interests and other items representing additional securities in times of crisis. As of December 31, 2006, this total was at a level that corresponds to our current ratings. As of December 31, 2006, the insurer financial strength of the Allianz SE was rated by Standard & Poor's as "AA-" (outlook positive), by A. M. Best as "A+" (outlook stable), and by Moody's as "Aa3" (outlook stable).

Outlook

We plan to continue to strengthen our risk management system in 2007. We strive to constantly improve our accumulation monitoring systems for accumulating

risk-related data, particularly those related to natural and man-made catastrophes. We are continuing to develop our modeling for natural catastrophes and to combine results with geographical information systems. We also continue to develop our monitoring and early warning systems related to "Emerging Risks", which are new and developing or existing risks that are difficult to quantify in terms of frequency and severity of potential losses. Therefore, these Emerging Risks are generally characterized by major uncertainty. Discontinuities in the evolution of a risk are often driven by scientific-technological, socio-political or legal and regulatory changes.

In 2007, the Group Risk function at Allianz SE plans to embark on a multi-year project to consolidate all Allianz Group-related risk information, calculations and analysis onto one technology platform. This platform will be centrally hosted and available to support risk staff both in the Group Center and in the operating units around the world. Data from a data warehouse for both finance and risk data will be included on the platform to provide consistency between both areas. It will also be subject to a rigorous but flexible change management process designed to serve as a Solvency II platform.

Furthermore in 2007, we expect to introduce a revised internal risk capital model for life insurance business. The new model is part of an integrated framework addressing the Market Consistent Embedded Value (MCEV) calculation, the assessment of risk capital and the estimation of sensitivity analyses for our life portfolios. When fully introduced, this model is expected to provide significant support to the risk management of our life insurance business.

We also plan to continue our project to evaluate derivatives on the basis of an Allianz Group-wide uniform IT system. In addition, we will further strengthen and clarify our guidelines for handling derivatives.

We are monitoring the Solvency II Project to prepare for the anticipated changes to the European insurance solvency requirements. In particular, we are continuously updating the methodology of our internal risk model to meet future requirements on internal models resulting from this project.

Allianz Group Success Factors

Founded in 1890 and with 116 years of experience in the financial services industry, the Allianz Group is committed to providing financial security to a broad base of customers ranging from private individuals to large multinational corporations. Beyond the quality of our financial performance a number of other activities and factors are important for the sustainable growth of our competitive strength and company value. These include, but are not limited to, the conversion of our holding company into a European Company, our global diversification, the reduction of complexity, our value-based management approach, and our crucially important employees.

The Allianz Group's Business Model

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

Property-Casualty and Life/Health insurance operations

We are one of the leading insurance groups in the world and rank number one in the German property-casualty and life insurance markets based on gross premiums written and statutory premiums, respectively, in 2006.¹⁾ We are also among the largest insurance companies in a number of the other countries in which we operate.

Our product portfolio includes a wide array of property-casualty and life/health insurance products for both private and corporate customers.

In our Property-Casualty segment, our product range consists of, among others, individual motor, injury, liability, homeowner and accident insurance. Furthermore, we are a leading provider of commercial and industrial coverage to enterprises of all sizes, including many of the world's largest companies.

Through our specialty lines of business, we offer credit insurance, marine, aviation and industrial transport insurance, international industrial risks reinsurance, as well as travel insurance and assistance services, which we manage on a world-wide basis.

Our Life/Health segment's portfolio includes, among others, traditional life, endowment, annuity and term insurance products as well as unit-linked and investment-oriented products. Additionally we serve private customers with health, disability and related coverage and provide group life and pension products for employers.

We distribute our insurance products via a broad network of self-employed full-time agents, part-time tied agents, brokers, banks and other channels. The particular distribution channels vary by product and geographic market.

Within our home market of Europe, Germany, France, Italy, the United Kingdom, Switzerland and Spain comprise our primary insurance markets, with Germany as our most important single market, although we operate in almost every European country. We also consider the United States and Asia-Pacific as one of our primary markets. Our more mature insurance markets (e.g. Germany, France, Italy, United States) are highly competitive. In recent years, we have also experienced increased competition in emerging markets as large insurance companies and other financial services providers from more developed countries have entered these markets to participate in their high growth potential. In addition, local institutions have become more experienced and have established strategic relationships, alliances or mergers with our competitors.

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

Our global diversification in the property-casualty business permits us to implement “cycle management”, whereby we seek to capitalize on growth opportunities that offer a profitable correlation between premium rates and risks and forego premium growth in markets with increasing pricing pressures. In our life insurance business, we view the expected increased demand for wealth accumulation and private retirement provisions in the face of underfunded social insurance systems as an opportunity for growth.

In order to further strengthen our market position and maintain profitable growth we have launched two comprehensive programs for our insurance segments: the Sustainability Program and the Customer Focus Initiative. Under our Sustainability Program, we systematically search for best practices in product and service offerings, and processes across our organization. The highest standard is then made obligatory for all Allianz Group companies. The objective of our Customer Focus Initiative is to take a more customer-oriented approach towards our product and service offerings, and our flexibility and awareness. In addition, we are undertaking various reorganization measures.¹⁾

Allianz SE, the Allianz Group’s parent company, acts on an arm’s length basis as our reinsurer for most of our insurance operations, other than international industrial risks reinsurance. Allianz SE assumed 33.3%, 35.6% and 38.1% of all reinsurance ceded by Allianz Group companies for the years ended December 31, 2006, 2005 and 2004, respectively. Allianz SE also assumes a relatively small amount of reinsurance from external cedents. We also cede risk to third-party reinsurers, of which Munich Re is our primary partner.

Allianz SE also provides advice to subsidiaries on structuring their own reinsurance programs and establishing lists of permitted reinsurers. In addition the Allianz Group has a pooling concept via Allianz SE in place offering reinsurance cover to the Allianz Group’s subsidiaries against natural catastrophes, which provides Group internal diversification benefits.

Banking operations

Our Banking activities are primarily executed by Dresdner Bank Group (or “Dresdner Bank”), through which we serve individual, corporate and governmental

customers with a broad range of private, commercial and investment banking products. Dresdner Bank has a strong and well-known brand and is one of the largest banks in Germany.²⁾

We distribute our banking products mainly through 952 (as of December 31, 2006) branch offices, of which 902 are located in Germany and 50 outside of Germany. Furthermore, the distribution of Dresdner Bank products through our insurance agents network is increasing in importance. While Dresdner Bank focuses on selected geographic regions worldwide, Germany is its primary market, which, as of December 31, 2006, made up 73% of Dresdner Bank’s operating revenues. Similarly, on the same date, 61% of Dresdner Bank’s loan portfolio represented loans to German counterparties. The largest credit exposures to borrowers in Germany are loans to private individuals (including self-employed professionals) at 55%; this category represented 34% of total loans outstanding as of December 31, 2006.

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

For the purpose of strengthening our position as a leading bank in Germany, we started our “Neue Dresdner Plus” reorganization program in 2006 to further integrate our banking business model and to thereby enable us to increase efficiency and reduce complexity.³⁾

Asset Management operations

Our business activities in this segment consist of asset management products and services both for third-party investors and for the Allianz Group’s insurance operations. As of December 31, 2006, we managed € 764 billion of third-party assets on a worldwide basis, which includes fixed income, equity, money market and sector products, as well as alternative investments. We are one of the five largest asset managers in the world.⁴⁾

²⁾ Based on total assets as of December 31, 2006.

³⁾ Please see “Important Group Organizational Changes – “Neue Dresdner Plus” Reorganization Program” on page 93, which includes a description of Dresdner Bank’s operating divisions effective starting in the first quarter of 2007.

⁴⁾ Based on total assets under management as of December 31, 2006.

¹⁾ For further information please see “Important Group Organizational Changes”.

We conduct our retail asset management business primarily through our operating companies worldwide under the brand name "Allianz Global Investors". In our institutional asset management business, we operate under the brand names of our investment management entities; Allianz Global Investors serves as an endorsement brand.

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

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

Our distribution channels vary by product and geographic market. In Europe and in the United States, Allianz Global Investors markets and services its institutional products through specialized personnel located in Frankfurt, London, Munich, Paris, Milan, San Francisco, San Diego and Newport Beach (California). Retail products in Europe are mostly distributed through proprietary Allianz Group channels such as branch bank advisors, full-time agents employed by affiliated companies and other Allianz Group

financial planners and advisors. With the merger of Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (or "dit") and dresdner bank investment management Kapitalanlagegesellschaft mbH (or "dbi") into Allianz Global Investors Kapitalanlagegesellschaft mbH, we combined our institutional business with our retail business in Germany in order to implement the existing integrated asset management business model into one entity.

In the United States, Allianz Global Investor's local asset management operating entities offer a wide range of retail products. We have committed substantial resources to the expansion of the third-party asset management business in the Asia-Pacific region with offices in Tokyo, Hong Kong, Shanghai, Singapore, Taipei, Seoul and Sydney. We expect this region to become an increasingly important market.

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

Our competitive investment performance has resulted in the majority of our third-party assets outperforming their respective benchmarks in 2006.

Legal Structure: Conversion into Allianz SE¹⁾ Completed

On September 11, 2005, Allianz AG (now Allianz SE) and Riunione Adriatica di Sicurtà S.p.A. (or “RAS”, and taken together with its subsidiaries, the “RAS Group”) announced their intention to merge RAS with and into Allianz AG in a cross-border merger. Effective with the registration of the merger in the commercial register of Allianz AG on October 13, 2006, Allianz AG changed its legal form to a European Company (*Societas Europaea*, or SE), and is now named Allianz SE. The last step in connection with the transaction was the listing of the Allianz SE shares on the Italian Stock Exchange on October 16, 2006. Allianz SE is the first company in the Dow Jones EURO STOXX 50 to have become an SE.

Concurrent with the merger, and in order to provide the merger consideration to RAS shareholders, Allianz completed a capital increase involving the issuance of approximately 25.1 million new Allianz SE shares. In accordance with the merger plan, the remaining RAS shareholders received 3 new Allianz SE shares in exchange for 19 RAS shares. Prior to the merger date, Allianz AG had purchased in a voluntary cash tender offer certain of the RAS ordinary shares and RAS savings shares that were not already held by Allianz AG. The total consideration for the acquisition of the outstanding RAS shares amounted to approximately € 6.4 billion, which includes the approximately € 2.7 billion paid to acquire RAS shares in the voluntary cash tender offer.

The merger with RAS and the conversion of Allianz AG to Allianz SE was designed to simplify the Allianz Group’s

management and organizational structures, thus reducing complexity and increasing efficiency. Our Allianz Group-wide objectives and programs on the basis of our “3+One” program are expected to be achieved more consistently and more efficiently with the implementation of the merger. Furthermore, the merger was designed to facilitate more efficient capital and liquidity management within the Allianz Group, to simplify accounting and reporting processes, and to increase the Allianz Group’s presence in the attractive Italian insurance market.

In addition to improving efficiency, the change in governance framework to an SE reflects the Allianz Group’s European and international dimension. As part of these changes, we reduced the size of the Supervisory Board and established an SE works council. Nevertheless, Allianz SE remains governed to a large extent by German Corporate Law.

Milestones of the Allianz-RAS Merger 2006

February 3, 2006	RAS S.p.A. shareholders approve the merger plan at the extraordinary shareholders’ meetings.
February 8, 2006	Allianz AG shareholders approve the merger plan at the extraordinary shareholders’ meeting.
July 19, 2006	Contestation suits against formation of Allianz SE withdrawn.
September 20, 2006	Agreement concerning participation of employees in Allianz SE signed.
October 13, 2006	Allianz AG’s legal form changed to a <i>Societas Europaea</i> , new company name Allianz SE. Capital increase effective (3 new Allianz SE shares for 19 RAS shares).
October 16, 2006	Allianz SE shares listed in Italy.

¹⁾ The SE is a legal form based on European Community law and was introduced into the EU by the Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (the “SE Regulation”). Since Allianz SE keeps its registered office in Germany, it is governed by the SE Regulation, the applicable German law supplementing the SE Regulation and relevant German law applicable to German stock corporations, in particular the German Stock Corporation Act.

Important Group Organizational Changes¹⁾

Simplification of European Structures

The Allianz-RAS merger provided the opportunity to streamline the Allianz Group's structure in an effort to increase capital efficiency and to benefit from operational and strategic synergies.

As a consequence of the merger, Allianz SE now holds 100% of its property-casualty and life/health subsidiaries in Switzerland (Allianz Suisse Versicherungs-Gesellschaft and Allianz Suisse Lebensversicherungs-Gesellschaft) and in Austria (Allianz Elementar Versicherungs-Aktiengesellschaft and Allianz Elementar Lebensversicherungs-Aktiengesellschaft) through holding companies. These subsidiaries were formerly held jointly by Allianz AG (now Allianz SE) and RAS, with RAS holding the majority. Also due to implementation of the merger, Allianz SE now directly holds majority interests in the Portuguese insurance subsidiary, Companhia de Seguros Allianz Portugal S.A., and in the Spanish insurance subsidiary, Allianz Compañía de Seguros y Reaseguros S.A.

The proposed acquisition of the minority interests in AGF and Allianz Leben, which were announced on January 18, 2007, are also designed to further streamline our Group structure across regions and business units.²⁾

Reorganization of German Insurance Operations

In 2006, we further consolidated our major German insurance subsidiaries (Allianz Versicherungs-Aktiengesellschaft, Allianz Lebensversicherungs-Aktiengesellschaft, and Allianz Private Krankenversicherungs-Aktiengesellschaft), under the new holding company Allianz Deutschland AG (wholly-owned by Allianz SE). In the course of this reorganization, which we announced in September 2005, Frankfurter Versicherungs-AG and Bayerische Versicherungsbank AG were merged into Allianz Versicherungs-Aktiengesellschaft. The tied agent sales activities of the German property-casualty and life/health business,

which previously were run by five different corporations, were consolidated into a separate sales company, Allianz Beratungs- und Vertriebs-AG, which is also a subsidiary of Allianz Deutschland AG. We have replaced the insurance operations' previous regional structure with four sales and service regions.

The reorganization of our German insurance operations is designed to simplify structures and reduce complexity within the Allianz Group, allowing us to react to changes in our markets with greater speed, focus and flexibility. Our goal is to create one joint presence of our insurance operations, with customers perceiving Allianz as one unit with comprehensive high quality services geared toward the customer's needs. This process is part of our strategy to further develop our leading position in the German insurance market.

We are continuing this reorganization plan and expect to have the new business model in place by 2008. The new business model will require approximately 5,700 fewer staff. In connection with this reorganization we took the following steps in 2006:

- Created the German insurance holding company Allianz Deutschland AG.
- Top management team in place.
- Agreement on key points between the works councils and the management of Allianz Deutschland AG and its main subsidiaries.
- Allianz Deutschland AG and its main subsidiaries committed not to make any compulsory redundancies until the end of 2009.
- Districts organized into four regions.
- Distribution centralized.
- Property-Casualty companies merged.

We expect the reduced complexity to allow us to reduce costs in the long-term. As of December 31, 2006, Allianz Deutschland AG's provisions for restructuring amounted to € 455 million.³⁾

¹⁾ See Note 4 to our consolidated financial statements for information on changes in the scope of consolidation in the years ended December 31, 2006, 2005 and 2004.

²⁾ Please see "Executive Summary and Outlook – Outlook – Significant Expected Investments" for further information on these contemplated transactions.

³⁾ For further information see Note 49 to our consolidated financial statements.

Merger of industrial insurance business within Allianz global corporate & Specialty

In the second half of 2006, we commenced the reorganization of the Allianz Group's international corporate and specialty insurance business by creating Allianz Global Corporate & Specialty AG, a wholly-owned subsidiary of Allianz SE. This unit houses the activities of the former Allianz Global Risks Re and Allianz Marine & Aviation operating entities, the corporate customer business of Allianz Sach, as well as Allianz Risk Transfer in Switzerland, under the umbrella of one Munich-based company. In the future, we also plan to integrate other local corporate and specialty insurance activities in selected locations into Allianz Global Corporate & Specialty AG in order to offer a comprehensive range of risk management solutions and specialist expertise from one source. The new organization is designed to facilitate a clear client focus, while it reduces complexity, increases efficiency and promotes globally consistent management practices.

“Neue Dresdner Plus” Reorganization Program

In 2006, Dresdner Bank launched the “Neue Dresdner Plus” reorganization program, by integrating its former four operating divisions into two operating divisions. After an agreement between the Board of Management and the works council of Dresdner Bank AG in late December 2006 and effective starting with the first quarter of 2007, it was determined that the final new business model of Dresdner Bank will require approximately 2,500 fewer employees, and consist of the following two new operating divisions:

- **Private & Corporate Clients** combines all banking activities formerly provided by the Personal Banking and Private & Business Banking (including Private Wealth Management) divisions as well as our activities with medium-sized business clients from our former Corporate Banking division.

- **Investment Banking**, with Global Banking and Capital Markets, unites the activities formerly provided by the Dresdner Kleinwort Wasserstein division and the remaining activities of the former Corporate Banking division.

In addition, the Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions.

The goal of the “Neue Dresdner Plus” program is to re-position Dresdner Bank to further develop its advisory services and sales activities for private clients as well as to create a single source for groups and institutional clients. As of December 31, 2006, Dresdner Bank Group's provisions for restructuring amounted to € 379 million. In 2006, Dresdner Bank Group recorded restructuring charges for all restructuring programs of € 422 million.¹⁾

Reorganization in the United States

In order to capture the potential for regional synergies, the Allianz Group has commenced a reorganization of the business lines in the United States by strengthening the role of the Allianz of America Inc. holding company in an effort to create expense and distribution synergies between the different businesses in the United States. This regionalization is designed to allow our U.S. companies to leverage all of the available resources and assets and to enable Allianz Life United States and Fireman's Fund to more effectively anticipate and deliver on customer needs. The respective management teams of each company will be able to draw upon the resources of Allianz of America to provide customers with high-quality solutions, maximize cross-selling opportunities, simplify services, and leverage combined assets while driving a performance-based culture. The goal of the reorganization is to optimize the ability of both companies to improve their market positions.

¹⁾ For further information see Note 49 to our consolidated financial statements.

Value-Based Management

Value-based management at Allianz

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

What do we mean when we talk about the creation of value? The capital used by a company must yield a higher return than a comparable alternative investment. In order to accomplish this objective and to measure our success, we apply the EVA^{®1)} (Economic Value Added) concept, adapted to our specific needs, across the Allianz Group. EVA[®] involves comparing profit with the cost of capital, representing the return an investor can expect from an alternative investment with comparable risk. EVA[®] – whether positive or negative – is the difference between profit and the cost of capital. A positive EVA[®] means that an added value has been achieved and a negative EVA[®] indicates that a shareholder would have received a greater return from another risk adequate investment than from Allianz SE shares.

Implementation into the Allianz Group

EVA[®] is an all-encompassing tool for the coordination and direction of our enterprise and gives our internal management approach with a capital market orientation.

An important component in the calculation of EVA[®] is the determination of the capital required to cover the financial risks involved in our business activities.²⁾

It is our role to provide that the sum of our risks is affordable for the Group and that the achieved return justifies the amount of capital employed. Therefore we assign available capital on the basis of a risk-return profile and the value of our operating entities. Using this process, our companies can only ensure that they receive growth capital if they:

- operate in a profitable market or business;
- transform their market position into one allowing for

the sustainable creation of value and achieve a leading market position;

- maintain an orientation and competency that fit within the long-term strategy of the Allianz Group; and
- are able to generate distributable earnings in an amount that is at least equal to their cost of capital.

All Allianz Group companies are thus responsible for generating a return on their risk capital that covers at least their cost of capital. Profits exceeding the cost of capital can be retained by the operating entities to finance their internal growth. As a result our most profitable entities have direct access to considerable funds. If these funds are not required to finance their profitable growth, they will be distributed to the holding company.

The requirement to meet the cost of capital is just the minimum we demand. Over the medium-term, our objective is to generate a return of 15% or more on the capital employed. Therefore, our companies must determine what business activities will increase their value and concentrate their efforts and resources on these activities. Further, new value drivers must be created, for example, through new products, more cost-effective processes and optimized distribution channels. Local management must also prevent value from being diminished along the value chain. If value diminishes, countermeasures must be immediately implemented.

In measuring our success, we minimize the impact of equity market fluctuations by basing our calculations on "normalized" long-term average returns.

Due to our strong net income our EVA[®], after minority interests, reached € 3,528 million in 2006 and the return on risk adjusted capital³⁾ was 21.3%.

Management remuneration

Because EVA[®] is an important factor in managing our business, senior management compensation is based on this measurement to a significant extent⁴⁾ Our incentive-based management compensation system helps to make the continuous increase in the value of the Allianz Group a priority across our entire organization.

³⁾ Return on risk adjusted capital represents normalized profit divided by average risk adjusted capital.

⁴⁾ For detailed information on the remuneration of the board of management and of the supervisory board see our remuneration report on pages 15 to 20.

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

²⁾ For detailed information on the determination of our internal risk capital please see pages 75 to 76 of our risk report.

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

Our Employees

We consider the work done by Human Resources to be a key factor in successful implementation of our strategy, and the investment we make in our employees reflects this. Our talent management, performance management and individual agreements on targets as well as variable salary components are all geared towards promoting a culture of leadership and performance in the Allianz Group, and are closely linked to our strategic requirements.

To a greater extent than in the past we support an international outlook, together with closer networking of local units with headquarters. Our legal transformation into a European company underlines this approach. We actively promote multicultural teams of experts to engage in cross-border team efforts or in virtual collaboration, such as projects involving product development or sales. Our strategic initiatives – Customer Focus, Operating Efficiency, Innovation and the realization of our new operating model – are projects that have major significance for our business. They represent the transformation of the Allianz Group into a financial services provider operating across the globe. A company that understands how to satisfy customer needs and achieve optimum cooperation across borders and sectors, and which is able to deal with the changes in each market rapidly and innovatively.

The aim is for our entire organization to reach a common understanding on attitudes that are important for realizing our strategic objectives. Human Resources has initiated numerous supportive measures and processes to enable our committed employees to play a key role in promoting change at the Allianz Group and to derive maximum benefit for themselves and their career from this transformation. This essentially involves developing a new culture of leadership and performance, as well as investing in opportunities for staff development.

Performance management (leadership and performance culture)

The most important aspect here is for our managers to act as role models for this performance culture; they must promote it and be the driving force behind change. Our **leadership values** provide the framework, and are mandatory worldwide. Our managers, more than 5,000 of them, are surveyed each year about the extent to which these values have been implemented and how effective they are in the work of the local managers. The fact that the response rate was 84% in the 2006 survey, on a par with the high level of previous years, is considered by us as confirmation that these leadership values are important to our management and that discussion of this topic remains lively.

To support our management in implementing our leadership values we have drawn up mandatory **communication guidelines** intended to give momentum to this process of transformation. These underline the high degree of importance accorded to communication in change-related projects and set out the role played by the management in applying them. The guidelines also state that in change management, all significant interest groups (“stakeholders”) and risk aspects must be taken into account.

The culture of dialogue embodied by these communication standards is one actively pursued by members of the Allianz SE Board of Management. Regular **employee forums** in the Group companies and “**+One Forums**”, at which the heads of the subsidiary in a region discuss strategic issues with the Allianz Chairman and other Board members, assist in making more visible the changes that have already been made, and highlight areas where change is still needed.

In order to establish whether our employees receive adequate support from the organization when implementing strategic initiatives, we regularly conduct **employee surveys** in the subsidiaries. The responses indicate to what extent our workforce is motivated when putting our strategy into action and what the general mood is; they also provide management with indicators of what areas have deficiencies that still need to be addressed in order to improve the way this strategy is implemented.

The success of our strategy and successful change management depend crucially on the actual, verifiable satisfaction of our customers. The standard by which we

measure this throughout the Group is the willingness of customers to recommend us. **Bottom-up Net Promoter Score** is the standardized method by which we regularly and systematically measure how satisfied a customer has been with our service after some significant interaction (such as complaint, policy management or loss adjustment). Customers are contacted by phone and asked to report on their experience with Allianz and its staff in that specific situation. The replies convey to the employee in question and, as a summary of the responses, to Allianz overall, what remains to be done to promote customer satisfaction and loyalty even more and to increase their willingness to recommend us to others.

The results of our surveys as well as other important HR parameters are included in a "**Human Resource Scorecard**", which we have developed in 2006 as a standard to be applied worldwide. It is a work tool for local management teams and provides support in realizing our strategy, since it reveals the extent to which the change process in a given company has progressed, while highlighting any remaining need for action. The Human Resource Scorecard will be introduced into the local units in 2007.

In 2006, we launched our **Operational Excellence (OPEX) Black Belt Program** with the aim of providing even better support for our change processes. This program trains managers and experts as certified change managers (Change Agents) using the OPEX method. They are deployed on-site at their own units, where they manage major projects aimed particularly at improving customer orientation and process efficiency. Our longer-term objective is for 1% of the workforce to pass through this program. In 2006, OPEX was used to initiate 32 projects in 11 Group companies. OPEX is based on the Six Sigma method, well-known from quality management in the manufacturing sector. We have adapted it to the requirements of an international financial services provider.

Talent management

Another tool for promoting a performance culture is the program offered by the **Allianz Group Management Institute (AMI Group)**. The task of AMI is to communicate the Allianz Group's strategy to our management worldwide. AMI also has the task of developing our top managers and candidates for senior positions. This group of individuals is familiarized with

the latest developments, prepared for more advanced management responsibilities, and maintains a management dialog with the top level of management in the Holding company or in Allianz Group subsidiaries. Allianz SE Board members are closely integrated into the AMI program – as project patrons, as speakers and as sponsors involved in the details of program design. In the year under review, AMI organized programs in which 615 managers and executives participated.

AMI sessions often produce important input to solving the challenges currently being faced by the Allianz Group. Our executive high-potentials participating in the Allianz Excellence Program deal with strategic projects for resolving business policy issues within international teams, and then present their results and proposals to the Board of Management. The strategic initiatives Sustainability, Customer Focus and Innovation are examples of their output.

Promotion of talent along specific business lines and optimum deployment of human resources are essential elements of our new operating model and for the cross-border and cross-sector cooperation of our staff, and the fact that the demographic age-shift taking place in society will in future place limits on HR resources. To achieve even better results in this area we have introduced a new **talent assessment and development concept**. This will be standardized across the Group, and lays down the skills that a candidate for one of our key positions must possess. The system stores information about the knowledge, experience and development potential held by our junior managers and provides the internal and external benchmarks required for this purpose. This platform enables us to identify systematically who can be considered as a candidate for a senior position, and in particular indicates the specific skills a candidate possesses that will further strengthen our strategic initiatives and allow him or her to prove themselves in different areas of business and markets. The concept is already being used in succession planning conducted at Holding Board level. In 2007, it will be gradually introduced to the local units and its application broadened.

With a view to positioning ourselves even better in the external labor markets, we have launched a standard worldwide **eRecruiting solution**: a particularly user-friendly internet portal for applicants. This makes faster decision-making possible and intensifies communication with the candidates, which in turn promotes the success and efficiency of HR work.

eRecruiting can also be used to earmark applicants for positions that have not yet been announced. A precursor tool is currently used by 13 Group companies and has already resulted in about 2,000 appointments in 2006 alone; in addition, about 45,000 interested candidates have newly registered in the talent pool. A further 23 Allianz Group companies will work with this eRecruiting solution over the next few years.

We promote cooperation between employees of different cultural origins and those of different ages, levels of experience and abilities. We believe **diversity** is the ideal way to boost our **capacity for innovation** and find viable solutions to varied and constantly changing markets. Our **Diversity Guidelines** define the specific framework for successful, non-discriminatory cooperation, both internally and with persons outside the company. The international character of the Holding company is increasing with the conversion of Allianz AG into a European company, and this favors its involvement in **cross-border projects and initiatives**. We are using this development to **promote talent**. At the start of 2007 employees from 40 countries were working at the SE Holding, and more than 20% of the Holding workforce are not German by origin.

We support the international mobility of our staff and managers. Cross-border placements play a major role, especially in our strategic initiatives. A recently launched staff exchange program enables managers and experts from all over the world to work together on teams involving these strategic projects for between six months and two years. As a result, international expertise flows directly into these projects. When their employees return to the parent companies that placed them, these companies benefit from their new knowledge and additional experience.

Our Group companies also maintain relations with a large number of educational establishments around the globe in order to interest talented individuals from a wide range of origins in working for our company. Our continuing education and trainee programs are open to anyone who has the ability and skills to be successful in our firm.

Investment in staff

We have a substantial need for well-trained staff and this need will continue to increase. On the one hand this is a result of the fundamental process of change taking place

within the Allianz Group, which will continue for some years. All the projects and strategic initiatives connected with this process require a considerable deployment of highly qualified and motivated staff. On the other hand there is increasingly intense competition to acquire qualified employees due to low and constantly declining birth rates in our key markets. We are meeting this competition head-on and are investing substantial resources on recruitment and on continuing to educate and equip our employees. We make a great effort to support our staff with processes, work tools and IT for HR work so they can meet the increasing expectations of customers and shareholders.

Our **remuneration systems** are geared towards offering both managers and staff incentives for implementing the Allianz Group's business strategy in a targeted and efficient manner, and to contribute to our performance culture. We determine the variable components of salary by agreeing individual targets and then monitoring whether these have been met. In recent years we have steadily expanded the proportion of variable salary components on all levels and, within the scope of the options available under local legislation, have also adjusted these components to reflect conditions in individual business areas and at specific levels of responsibility. We believe that by doing so we will achieve significantly better focus of all business units on joint objectives and on the objectives of the individual employee. Where the opportunity arises and it is considered good economic sense, the variable component of remuneration will be further extended.

As an additional incentive to contribute to the Allianz Group's performance, an **employee stock purchase offer** was again launched in 2006. This gave 124,000 employees in 22 countries the opportunity to acquire Allianz SE shares on preferential terms. The average investment volume per participating employee rose by 11% to € 3,053 (2005: € 2,753).

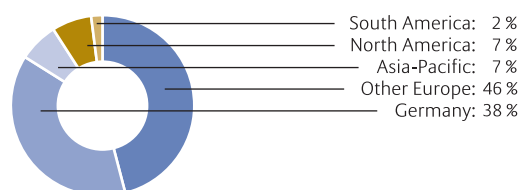
Senior management again participated in the **Group Equity Incentive Program**, made up of virtual shares and options. The potential yield depends on the development of the Allianz SE share price. The calculation takes into account the Economic Value Added (or "EVA®") of the Allianz Group and the EVA® of the Group company in question, as well as fulfillment of objectives in relation to the risk capital applied. The Group Equity Incentive Program meets all requirements and recommendations of the German Corporate Governance Code. More detailed information on stock-based remuneration and

on the Board of Management's remuneration is provided on pages 15 to 20.

Total **payments** made by the Group to its employees worldwide amounted to € 10.2 billion (2005: 9.6 billion) in 2006. Of this amount, € 3.0 billion alone or 29% was performance-related. Social security contributions, pensions and other additional employee benefits amounted to € 2.7 billion (2005: 2.5 billion).

Employees by region as of December 31, 2006

in %



Employees by country

Country	2006	2005
Germany	76,154	72,195
France	17,096	17,246
United States	10,691	10,840
United Kingdom	9,945	27,661
Italy	7,661	7,706
Australia	3,474	3,673
Hungary	3,159	2,839
Spain	3,139	2,762
Austria	3,106	3,024
Switzerland	2,874	2,823
Slovakia	2,564	2,645
Brazil	2,334	2,345
Romania	2,061	1,749
Netherlands	1,988	1,851
South Korea	1,749	1,711
Belgium	1,633	1,563
Other	16,877	14,992
Total	166,505	177,625

Employee representation in a Societas Europaea (SE)

We have been an SE (see page 91) since 13 October 2006. At the same time the companies involved, RAS and Allianz AG, reached an agreement with employees on how they will participate under the new circumstances. This agreement basically regulates corporate codetermination in the Supervisory Board of Allianz SE as well as the composition and area of responsibility of the future European Staff Council. The Supervisory Board of Allianz SE consists of 12 members, giving equal representation to the shareholders and to employees. For the first time the employee representatives come from different European countries: four from Germany and one each from France and the UK. In the first pan-European SE Staff Council, 37 members from 24 countries represent the interests of employees.

Global Compact and Sustainability Risks

Climate change, nanotechnology and viruses with the potential to cause a pandemic are present-day risks to which a financial enterprise could be particularly susceptible. Detecting such risks at an early stage is not only a requirement for our risk management but is also part of our social responsibility for sustainable development.

In our risk management we also constantly analyze fundamental political and economic trends that impact on our business and the risks to which our customers are exposed. This is aimed at enabling us to take counter-measures in good time if a pre-determined danger level is reached. Our risk policy, which applies to the whole Group, stipulates these tolerance limits for the entire risk portfolio (more details on page 73 to 87 of this Annual Report).

As insurers we are also trustees. This gives rise to a particular duty we have to comply with sustainability criteria. We are true to our word in respect of our customers and shareholders, our employees, and society as a whole. In meeting this responsibility we are guided by the ten principles of the UN's Global Compact (for more information about this, visit www.unglobalcompact.org). These relate to environmental protection, human rights and transparency of corporate management.

Climate change

The particularly destructive natural disasters in fiscal year 2005, which are partially attributable to climate change, have led us to adjust our risk management to the new risk exposure. At the same time, new regulations relating to climate change open up additional business

opportunities. In order to be in a better position to assess risks and opportunities, and because we are convinced that transparency also benefits our customers in this regard, we urge disclosure of climate-related risks. We are signatories to the Carbon Disclosure Project (for more information about this, visit www.cdproject.net) and make use of the Enhanced Analytics Initiative (further information at www.enhancedanalytics.com) so that, as an investor, we are in a better position to identify risks that are not apparent from financial figures but which are nonetheless of material significance.

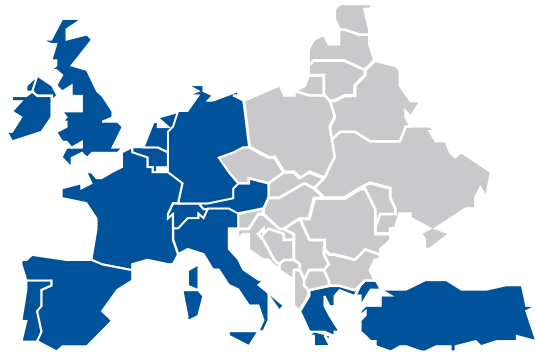
In January 2006, Allianz adopted a climate strategy involving an action program containing about 80 measures, applicable to the whole Group. We set ourselves three objectives:

1. We wish to improve our identification of climate-related risks in the insurance, banking and asset management lines of business and to quantify them as precisely as possible. This will be achieved by the end of 2007. We will be guided by sustainability criteria throughout this process.
2. We are working on tapping into new business opportunities resulting from climate change (for example, investment in renewable energy or in trading emissions rights).
3. We sponsor cooperation with scientific institutes with an acknowledged involvement in these areas.

The Allianz Climate Core Group, comprising managers from the relevant business units, is responsible for the action program. The "task force" is chaired by the Chief Risk Officer at Dresdner Bank. He reports to the chairman of Allianz SE and to a Holding Board for each of the business segments Insurance and Asset Management. Further information on the subject is available on our website at www.allianz.com/sustainability and www.allianz.com/climate.

Global Diversification¹⁾

As an integrated financial services provider we offer insurance, banking and asset management products and services from a single source to more than 60 million customers in over 70 countries. We are one of the leading insurers and financial services providers worldwide. Based on our market capitalization²⁾ we are the largest financial institution in Germany.



Europe is our home market. We consider property-casualty insurance in the region to be rather saturated. In life/health insurance, we see the characteristics of aging societies and their rising need for private retirement provision products and additional health insurance coverage as a growth opportunity.



New Europe – We are committed to a region in transition: We are established in the most important insurance markets in the region and have leading market positions. New Europe offers substantial opportunities across all lines of business alongside rising living standards.

■ ■ ■ ■ ■	Austria	■ ■ ■ ■ ■	Luxembourg
■ ■ ■ ■ ■	Belgium	■ ■ ■ ■ ■	Netherlands
■ ■ ■ ■ ■	France	■ ■ ■ ■ ■	Portugal
■ ■ ■ ■ ■	Germany	■ ■ ■ ■ ■	Spain
■ ■ ■ ■ ■	Greece	■ ■ ■ ■ ■	Switzerland
■ ■ ■ ■ ■	Ireland	■ ■ ■ ■ ■	United Kingdom
■ ■ ■ ■ ■	Italy	■ ■ ■ ■ ■	Turkey

■ ■ ■ ■ ■	Bulgaria	■ ■ ■ ■ ■	Slovakia
■ ■ ■ ■ ■	Croatia		
■ ■ ■ ■ ■	Czech Republic		
■ ■ ■ ■ ■	Hungary		
■ ■ ■ ■ ■	Poland		
■ ■ ■ ■ ■	Romania		
■ ■ ■ ■ ■	Russia		

2006 in review:³⁾

- January 1: Allianz Deutschland AG and a new independent sales company in Germany are launched and, at the same time, regional structures are simplified.
- June 22: Restructuring details at Allianz Deutschland AG and Dresdner Bank AG announced.
- October 13: Allianz AG completes conversion into Allianz SE.
- November 28: First European company pension offer launched.
- December 18: Merger of dit and dbi in our Asset Management segment.

2006 in review:³⁾

- October 2: Introduction of a limited edition index-linked life insurance product in Bulgaria, Croatia, Czech Republic, Poland, Romania and Slovakia.
- October 17: Allianz Hungária is the first insurer and asset manager in Hungary to found a retail bank. With this move, Allianz in Hungary becomes an integrated financial services provider.
- December 27: Allianz Direct New Europe commences operations as the first pan-European regional direct platform offering property-casualty insurance products for customers in Poland and the Czech Republic.

¹⁾ Please see pages 225 to 228 for a breakdown of selected operating entities.
²⁾ As of March 1, 2007. Source: Deutsche Börse Group.

³⁾ Further information are available at www.allianz.com.



The Americas – We are well-positioned in the United States, the largest insurance market of the world. Overall, our American operations take place in attractive markets.

- ■ Argentina
- ■ ■ Brazil
- Colombia
- Mexico
- ■ ■ ■ United States
- ■ Venezuela



Asia-Pacific and Africa – Asia-Pacific is the Allianz Group’s largest emerging region. Many markets in this part of the world are characterized by high growth rates.

- ■ ■ Australia
- ■ ■ ■ China
- ■ ■ ■ Indonesia
- ■ ■ India
- ■ ■ Japan
- ■ Laos
- ■ ■ South Korea
- ■ ■ ■ Malaysia
- ■ ■ ■ Singapore
- ■ ■ Taiwan
- ■ ■ Egypt

2006 in review:³⁾

- September 5: Standard & Poor’s affirmed its “A” counterparty and insurer financial strength ratings on Fireman’s Fund and rated subsidiaries. The rating outlook has been revised to positive from stable.
- December 7: Allianz Life United States announced the full integration of operations between its retail broker/dealer subsidiaries, USAllianz Securities® and Questar Capital Corporation. The organization will operate under the Questar Capital name.

2006 in review:³⁾

- January 24: Allianz is the first western joint-venture insurer to introduce insurance products in Indonesia, which comply with the rules of the Islamic law, Sharia.
- January 27: Allianz and Industrial and Commercial Bank of China Ltd. (or “ICBC”) announce strategic investment and partnership agreement. Allianz acquires a 2.5% interest in ICBC.
- April 1: Following the shareholder change in 2005, the former Allianz Dazhong was renamed into Allianz China Life.

■ Property-Casualty

■ Life/Health

■ Banking

■ Asset Management

Our Largest Insurance Markets and Companies

Property-Casualty Insurance Operations¹⁾

Germany

Operations We operate in the German property-casualty market through operating entities combined under the umbrella of Allianz Versicherungs-Aktiengesellschaft (or “Allianz Sach”). Allianz Sach is the market leader in Germany based on gross premiums written in 2006.²⁾ Our results of operations presented under Germany also include our property-casualty assumed reinsurance business, primarily attributable to Allianz SE.

Products and Distribution We offer a wide variety of insurance products, of which our main lines of business include motor liability and own damage, general liability, homeowner and accident. Allianz Sach distributes its products mainly through a network of full-time tied agents. However, distribution through Dresdner Bank branches and the internet is increasing in relative importance.

Outlook With Germany being a rather mature market with a high degree of competition, one of the key challenges is managing the trade-off between achieving growth while maintaining profitability. We are currently reorganizing our major German operating entities. The new structure is designed to further develop our leading position in the German insurance market by a joint presence, thus allowing us to provide an enhanced customer orientation and improved service, while at the same time cutting costs in the long-term through reduced complexity.³⁾

France

Through the companies of AGF Group, we ranked third in the property-casualty market in France, based on gross premiums written in 2005.⁴⁾

Products and Distribution The broad range of “AGF” brand products for both individuals and corporate customers, including property, injury and liability

insurance, are distributed primarily through a network of general agents, brokers and other direct sales channels.

Outlook Operating in a market that has seen limited growth in recent years, we seek to focus on maintaining operating profitability while simultaneously implementing selective initiatives aimed to generate growth. One such initiative is the introduction of a new motor tariff at the end of 2006, which we expect will have a beneficial impact on our business development in the coming years.

The proposed acquisition of the minority interest in AGF is expected to reduce the complexity of our organization and allows us to further implement Allianz Group-wide programs and initiatives, as well as to strengthen our market position in France.⁵⁾

Italy

Operations We operate in the Italian market through our “RAS”, “Lloyd Adriatico” and “Allianz Subalpina” brands. Jointly, we continued to rank third in the Italian property-casualty market, based on gross premiums written in 2005.⁶⁾

Products and Distribution The RAS Group operates in most major personal and commercial property-casualty lines in Italy, while Lloyd Adriatico S.p.A. underwrites mainly personal lines. The RAS Group’s most important business line is motor. Other important businesses include fire, general liability and personal accident.

Outlook The Italian non-motor market, which has a lower penetration rate for insurance products compared to other European markets, represents a potential market for growth. Among other channels, we also view distribution through direct operations as a growth channel.

RAS S.p.A., Lloyd Adriatico S.p.A. and Allianz Subalpina S.p.A. have launched the project to integrate the Allianz Group’s operations in Italy. The integration is designed to allow Allianz to serve the Italian market, its second largest based on gross premiums written 2006, with a broad range of insurance and financial products and with more effective customer service. We are also implementing this integration to seek to benefit from the

¹⁾ Please see pages 225 to 228 for the Allianz Group’s ownership percentages in the consolidated operating subsidiaries mentioned.

²⁾ Source: German Insurance Association, GDV.

³⁾ Please see “Allianz Group Success Factors – Important Group Organizational Changes – Reorganization of German Insurance Operations” for further information.

⁴⁾ Source: French Insurers Association, FFSA.

⁵⁾ Please see “Executive Summary and Outlook – Outlook – Significant Expected Investments” for further information.

⁶⁾ Source: Italian Insurers Association, ANIA.

announced deregulation of insurance distribution in Italy.

United Kingdom

Operations We serve the market in the United Kingdom primarily through our subsidiary Allianz Cornhill Insurance plc. (or “Allianz Cornhill”) and rank seventh based on gross premiums written in 2005.¹⁾ In 2006, Allianz Cornhill further strengthened its market position in the United Kingdom through the acquisition of the remaining interest in PremierLine Direct Ltd. and the acquisition of Home & Legacy Holdings Ltd.

Products and Distribution We offer a broad range of property-casualty products, including a number of specialty products, which we offer through our personal, commercial and specialty lines and through a range of distribution channels, including affinity groups.

Outlook Operating in a highly competitive market, Allianz Cornhill has concentrated on active cycle management as a measure to support its operating profitability.

Effective April 30, 2007, Allianz Cornhill Insurance plc. will change its company name to Allianz Insurance plc. in order to benefit from the “Allianz” brand.

Switzerland

Operations In the Swiss market we are represented by the Allianz Suisse brand and Allianz Risk Transfer AG. Allianz Suisse acts as the umbrella brand for our four general property-casualty legal entities in Switzerland. Based on gross premiums written in 2005, Allianz Suisse ranks fourth in Switzerland.²⁾

Products and Distribution While Allianz Suisse operates in the general property-casualty market in Switzerland, Allianz Risk Transfer AG offers conventional reinsurance and a variety of alternative risk transfer products. The most important line of business for Allianz Suisse is motor, comprising approximately 42% of its gross premiums written in 2006.

Outlook In the very competitive market environment in Switzerland, we will continue to put profitability first while expecting to achieve attractive growth.

Spain

Operations We serve the Spanish market through our operating entities Allianz Compañía de Seguros y Reaseguros S.A. and Fénix Directo S.A. We currently rank third in the Spanish market, based on gross premiums written in 2006.³⁾

Products and Distribution In Spain, we offer a wide variety of personal and commercial property-casualty insurance products, with an emphasis on motor business, comprising approximately two-thirds of our gross premiums written in Spain in 2006.

Outlook Market conditions in Spain are characterized by the continuation of intense price competition in motor business.

Western and Southern Europe

Operations We conduct property-casualty operations in most of the other Western and Southern European countries, of which, based on gross premiums written in 2006, the largest are our operations in the Netherlands, Austria and Ireland.

Products and Distribution The most important lines of business of Allianz Nederland Schadeverzekering N.V. in the Netherlands are motor and fire insurance. Our Dutch subsidiary distributes its products through independent agents and brokers.

Allianz Elementar Versicherungs-Aktiengesellschaft in Austria offers a broad range of products to individual and group customers primarily through salaried sales forces, tied agents and brokers.

Our subsidiary Allianz Irish Life Holdings p.l.c. offers a wide variety of products, mainly motor and property insurance for both commercial and private customers in Ireland, and distributes predominantly through brokers and banks as well as telephone- and internet-based direct sales channels.

Outlook The Dutch insurance market is characterized by intense competition, with expected price decreases in the motor business. In Ireland, we expect the market will become more favorable in 2007, both in commercial and in personal lines.

¹⁾ Source: Financial Services Authority, FSA.

²⁾ Source: Statistics of the Swiss Federal Bureau of Private Insurers.

³⁾ Source: Research and Statistics Bureau of Spanish Insurers and Pension Funds, ICEA.

New Europe

Operations We are the leading international insurance company in Central and Eastern Europe, based on gross premiums written in 2005¹⁾ which we believe is one of the fastest growing insurance markets in the world. We serve the market through our operating subsidiaries in Hungary, the Czech Republic, Slovakia, Poland, Bulgaria, Romania and Croatia. We also sell property-casualty insurance in Russia through our subsidiaries embraced under Allianz Russia and our participation in Russian People's Insurance Society "Rosno".

Products and Distribution The primary products sold in these countries are mandatory motor third-party liability and motor own damage coverage.

Outlook Motor business and increasingly other personal lines products continue to be the primary sources of our profitable growth, while we also expect to expand and further develop our sales network. We believe we are well-positioned to capture the opportunities from the expected growth in demand for property-casualty insurance products.

On February 21, 2007, the Allianz Group announced the purchase of further interest in Rosno, increasing our holding to approximately 97%. With this acquisition we are expanding our position as the number one insurer in Central and Eastern Europe.

United States

Operations Our operations in the United States are organized under the umbrella of Allianz of America Inc., which comprises a group of operating entities underwriting a wide, but focused, variety of lines of business.

Products and Distribution Through Fireman's Fund Insurance Company (or "Fireman's Fund"), we underwrite personal, commercial and specialty lines. Fireman's Fund's business strategy focuses on specific markets. The personal lines address the needs of high net worth customers. The commercial business targets a core set of industries offering specialized products and services. Our specialty products are sold through local distribution channels which allows us to tailor our products and services to our customer's needs.

Outlook Fireman's Fund expects to continue to grow in these target markets by enhancing customer solutions.

¹⁾ Source: Own estimate based on published annual reports.

We plan to upgrade customer service capabilities, introduce new products and services, and leverage cross-selling through strengthened distribution management.

In addition, we are currently undertaking certain reorganization measures in the United States. We expect these measures will help us to strengthen our market position.²⁾

Asia-Pacific

Operations In Asia-Pacific, the large majority of our business is generated by Allianz Australia, which serves the markets of Australia and New Zealand. We also maintain operations in Malaysia, Indonesia, as well as other Asia-Pacific countries, including China, Thailand, Japan, Hong Kong, Singapore, Laos and India.

Products and Distribution Our Australian insurance operations include a variety of products and services, with particularly strong positions in the workers compensation market, as well as in rehabilitation and occupational health, safety and environment services. We also operate in certain niche markets, including premium financing and pleasure craft insurance. Allianz Australia markets our products through brokers and non-tied agents as well as directly to customers.

Outlook Allianz Australia expects to continue to employ market segmentation technique, which includes diversifying its portfolio outside of the traditionally cyclical areas.

South America

Operations We conduct our property-casualty operations in Brazil through our subsidiary AGF Brasil Seguros S.A. Based on gross premiums written in 2006, we are the seventh-largest property-casualty insurance provider in Brazil.¹⁾ We also sell property-casualty products in Colombia, Argentina and Venezuela.

Products and Distribution In Brazil, we write primarily automobile insurance, but also fire, transportation and other lines. Distribution is organized primarily through independent agents and brokers. In Colombia, Venezuela and Argentina we also market a broad range of products.

Outlook We expect growth to continue, primarily in Brazil and Argentina, mainly driven by the motor market.

²⁾ Please see "Allianz Group Success Factors – Important Group Organizational Changes – Reorganization in the United States" for further information.

Specialty Lines

Operations Through our subsidiary Euler Hermes, the largest credit insurer in the world, based on gross premiums written in 2005¹⁾, we underwrite credit insurance in major markets around the world.

Allianz Global Corporate & Specialty primarily combines the Allianz Group's international corporate insurance business.²⁾

Through Mondial Assistance Group, we are among the world's largest providers of travel insurance and assistance services based on gross premiums written in 2005.¹⁾

Products and Distribution Euler Hermes provides enterprises protection against the risk of non-payment of receivables and customer insolvency. Thereby, we help companies of all sizes, wherever they trade, to safeguard and grow their business. In addition, through Allianz Global Corporate & Specialty, we offer a variety of other specialty lines of business, namely marine, aviation and industrial transport insurance, international industrial risks reinsurance, and through Mondial Assistance Group, we offer travel insurance and assistance services. In contrast to our other insurance businesses, we manage and offer these services on a worldwide basis.

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

At Mondial Assistance Group, we seek to enter in new markets and develop new products. A variety of sales channels including the internet is used to achieve this goal.

Life/Health Insurance Operations³⁾

Germany Life

Operations In our most important market, Allianz Lebensversicherungs-Aktiengesellschaft (or "Allianz

Leben") is the market leader for life insurance based on statutory premiums in 2006.⁴⁾ In addition to Allianz Leben, we operate through a variety of smaller operating entities in the German market.

Products and Distribution We are active both in the private and commercial markets and offer a comprehensive range of life insurance and related products on both an individual and group basis. The main classes of coverage offered include annuity, endowment and term insurance. In our commercial lines, we offer group life insurance and provide companies with services and solutions in connection with pension schemes and defined contribution plans. Allianz Leben distributes its products mainly through a network of full-time tied agents, while distribution through Dresdner Bank branches and brokers is increasing.

Outlook We are currently reorganizing our major German operating entities. The new structure is designed to further develop our leading position in the German insurance market by a joint presence, thus allowing us to provide an enhanced customer orientation and improved service, while at the same time cutting costs in the long-term through reduced complexity.⁵⁾ The proposed acquisition of the minority interest in Allianz Leben is part of our strategy to establish our German insurance business under one entity, Allianz Deutschland AG.⁶⁾ This strategy is also designed to simplify our corporate governance structure.

Germany Health

Operations Through Allianz Private Krankenversicherungs-Aktiengesellschaft (or "Allianz Private Kranken"), we are the third-largest private health insurer in Germany based on statutory premiums in 2005⁴⁾ with more than two million customers.

Products and Distribution Allianz Private Kranken provides a wide range of health insurance products, including full private healthcare coverage for salaried employees and the self-employed, supplementary insurance for individuals insured under statutory health insurance plans, supplementary care insurance as well as foreign travel medical insurance. Allianz Private

¹⁾ Source: Own estimate based on published annual reports.

²⁾ Please see "Allianz Group Success Factors – Important Group Organizational Changes – Merger of Industrial Insurance Business within Allianz Global Corporate & Specialty" for further information on this newly created subsidiary.

³⁾ Please see pages 225 to 228 for the Allianz Group's ownership percentages in the consolidated operating subsidiaries mentioned.

⁴⁾ Source: German Insurance Association, GDV.

⁵⁾ Please see "Important Group Organizational Changes – Reorganization of German Insurance Operations" for further information.

⁶⁾ Please see "Executive Summary and Outlook – Outlook – Significant Expected Investments" and "Allianz Group Success Factors – Important Group Organizational Changes – Reorganization of German Insurance Operations" for further information.

Kranken distributes its products mainly through a network of full-time tied agents.

Outlook The ongoing discussions about reforming the German statutory health insurance system causes uncertainty among customers. The demographic change combined with medical progress will cause rising expenses within the statutory health insurance system. Furthermore, benefit cuts will most likely occur. Private health insurers will benefit from this development in the long-run.¹⁾

France

Operations In France, through the companies of AGF Group, we are the eighth-largest life insurance provider based on statutory premiums in 2005.²⁾

Products and Distribution We provide a broad range of life and health insurance products, including short-term investment and savings products. An important portion of our life statutory premiums in France is generated through the sale of unit-linked policies.

Outlook Life insurance is one of the fastest growing businesses of the AGF Group and we expect this strong growth to continue.

The proposed acquisition of the minority interest in AGF is designed to allow us to reduce the complexity of our organizational and management structures, permitting us to further implement Allianz Group-wide programs and initiatives, as well as strengthen our market position in France.³⁾

Italy

Operations We maintain a strong position in the Italian life insurance market through RAS Group, Lloyd Adriatico S.p.A. and Allianz Subalpina S.p.A. Jointly, on the basis of statutory premiums in 2005, our Italian subsidiaries ranked second.⁴⁾

Products and Distribution In Italy we offer individual life policies, primarily endowment policies, but also annuities and unit-linked products in addition to other products. Consistent with general trends in the Italian market, our business includes an increasing number of unit-linked policies, in which policyholders participate

directly in the performance of policy-related investments. In 2006, two-thirds of our combined statutory premiums in Italy comprised unit-linked products. A large percentage of our contracts are marketed through our bancassurance channel.

Outlook RAS S.p.A., Lloyd Adriatico S.p.A. and Allianz Subalpina S.p.A. have launched the project to integrate the Allianz Group's operations in Italy. The integration is designed to allow Allianz to serve the Italian market, its third largest based on statutory premiums in 2006, with a broad range of insurance and financial products and with more effective customer service. We are also implementing this integration to seek to benefit from the announced deregulation of insurance distribution in Italy.

Switzerland

Operations We conduct our life/health operations in Switzerland primarily through Allianz Suisse Lebensversicherungs-Gesellschaft and Phénix Vie. In aggregate, these operating entities represent the sixth largest life insurance provider in Switzerland based on statutory premiums in 2005.⁵⁾

Products and Distribution We market a wide range of individual and group life insurance products, including retirement, death and disability products.

Outlook Given the relatively higher market share we hold in our property-casualty business in Switzerland, we believe there is potential for growth in our Life/health business through cross-selling between our segments.

Spain

Operations We conduct our life/health operations in Spain through Allianz Compañía de Seguros y Reaseguros S.A. and through Eurovida, our joint venture with Banco Popular.

Products and Distribution Our Spanish insurance subsidiaries offer a broad product portfolio, consisting primarily of traditional life insurance, annuities, pension and unit-linked products, which are mainly distributed by agents and through our bank channel.

Outlook In 2006, income tax reforms were approved in Spain and became effective as of January 2007. Under the new tax law, most life insurance policies, except annuities, lose their tax privileges. It is still too early to finally assess the long-term impact of this income tax

¹⁾ Please see "Important Group Organizational Changes – Reorganization of German Insurance Operations" for further information.

²⁾ Source: French Insurers Association, FFSA.

³⁾ Please see "Executive Summary and Outlook – Outlook – Significant Expected Investments" for further information.

⁴⁾ Source: Italian Insurers Association, ANIA.

⁵⁾ Source: Statistics of the Swiss Federal Bureau of Private Insurers.

reform on our business. Nevertheless, we have analyzed our existing product range resulting in the development of new products and adaptation of the existing ones, in order to benefit through further profitable growth.

Western and Southern Europe

Operations We conduct life/health insurance operations in most of the other Western and Southern European countries, of which, based on statutory premiums 2006, the largest are in Belgium and the Netherlands.

Products and Distribution AGF Belgium Insurance S.A. markets a wide range of life insurance products mainly through brokers. In the Netherlands, we also offer a broad range of life insurance products and have a strong position in the unit-linked market.

Outlook The larger life insurance markets forming our Western and Southern European region are mature and provide limited growth opportunities.

New Europe

Operations We are present in all key markets in this region and are one of the top four international life insurance providers, based on statutory premiums in 2005.¹⁾

Products and Distribution In 2006, we continued to expand our product range and sales capacity throughout New Europe. We follow a multi-channel distribution approach and sell both unit-linked and traditional life insurance products. In the fourth quarter of 2006, our companies in the region launched a limited-edition index-linked life insurance product across six markets. In 2006, our Hungarian insurer, Allianz Hungária Biztosító Rt., opened its own retail bank and has become an integrated financial services provider.

Outlook Central and Eastern Europe represents one of the fastest growing life insurance markets of the world, as current penetration levels are low. In anticipation of the expected growth, we continuously strengthen our sales capacity and product range.

United States

Operations In the United States, we are represented by Allianz Life Insurance Company of North America (or "Allianz Life United States") which is, as with our property-casualty business in the United States, also

organized under the umbrella of Allianz of America Inc. In August 2006, Allianz Life United States sold its health insurance business to HCC Insurance Holdings Inc.

Products and Distribution Allianz Life United States is the market leader in fixed-indexed annuities, with approximately one-third of the market share based on statutory premiums in 2006.²⁾ On the same basis, Allianz Life United States holds a 10% share of the overall fixed annuity market and also has a 2% share of the large variable annuity market.²⁾ Its smaller but growing product lines include individual life and long-term care insurance.

Outlook Allianz Life United States is taking measures to grow its annuity products business by expanding distribution with broker-dealers, banks and wire-houses, designing channel-specific products, and also reinforcing product development of variable products and fixed-indexed products. For example, since November 2006, Allianz Life United States has entered into broker-dealer marketing agreements, having signed six in 2006 adding more than 10,000 agents. In addition, we are confident that our reorganization measures previously described will also help us to strengthen our market position.³⁾

Asia-Pacific

Operations In Asia-Pacific, the majority of our operations are conducted in South Korea through Allianz Life Insurance Co. Ltd. (or "Allianz Life Korea"). Allianz Life Korea is the fifth-largest life insurance company in South Korea based on statutory premiums in 2005.⁴⁾ We are also represented in Taiwan by Allianz President Life Insurance Co. Ltd. (or "Allianz Life Taiwan") and maintain operations in Malaysia, Indonesia, as well as other Asia-Pacific countries, including China, Thailand and India.

Products and Distribution Our South Korean operations market a wide range of life insurance products. Due to the very low interest rate environment and a favorable equity market in South Korea, Allianz Life Korea has increasingly shifted its focus to variable life products. Allianz Life Taiwan sells term life, whole life and endowment products. In addition, Allianz Life Taiwan increasingly offers investment-linked products.

²⁾ Source: LIMRA.

³⁾ Please see "Important Group Organizational Changes – Reorganization in the United States" for further information.

⁴⁾ Source: South Korean Life Insurance Association.

¹⁾ Source: Own estimate based on published annual reports.

Outlook We are seeking to expand in all of our selected Asia-Pacific markets, through internal growth and selected acquisitions. For example, in January 2007, we agreed with our long-term joint venture partner in Taiwan, the Uni-President Group, to acquire Uni-President's shareholding in our joint venture Allianz Life Taiwan.

China is a strategic market for the Allianz Group and our partnership with Industrial and Commercial Bank of China Ltd. emphasizes our long-term commitment to the market and also offers a platform for our strategic expansion in China.

Additionally, Bajaj Allianz Life Insurance Company Ltd. (or "Allianz Life India"), in which we held an interest of 26.0% at December 31, 2006, has demonstrated strong growth in the last several years, becoming a leading private insurer in India, which we expect to continue.

South America

Operations Our largest life operation in this region is in Colombia. We also operate a small life portfolio in Brazil.

Products and Distribution Our life insurance activities in Colombia include traditional group life insurance as well as investment-oriented products like savings, pensions and annuity products.

Outlook We estimate that growth rates in the South American life insurance market will remain attractive over the coming years. Accordingly, we seek to expand our presence in life insurance beyond our Colombian subsidiary.

Other Information

Principal Accountant Fees and Services

KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft (or “KPMG DTG”) serves as the external auditing firm for the Allianz Group.

The table set forth below contains the aggregate fees billed for each of the last two fiscal years by KPMG DTG or KPMG DTG and the worldwide member firms of KPMG International (or “KPMG”) in each of the following categories: (i) Audit Fees, which comprise fees billed for services rendered for the audit of the Allianz Group’s consolidated financial statements, the statutory audits of the financial statements of Allianz SE and its subsidiaries or services that are normally provided in connection with statutory and regulatory filings or engagements; (ii) Audit-Related Fees, which comprise fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the financial statements and which are not reported under (i); (iii) Tax Fees, which comprise fees billed for professional services rendered for tax advice and tax compliance; and (iv) All Other Fees, which comprise fees billed for all other products and services provided other than the services reported under (i) through (iii).

Fees of KPMG worldwide

	2006 € mn	2005 € mn
Audit fees	57.8 ¹⁾	60.1
Audit-related fees	8.1	11.0
Tax fees	6.0	4.0
All other fees	7.0	12.1
Total²⁾	78.9¹⁾	87.2

¹⁾ Includes € 1.7 mn, thereof € 1.1 mn attributable to KPMG DTG, additional audit service for Dresdner Bank Group relating to fiscal year 2005 which have been billed in 2006.

²⁾ Fees attributable to KPMG DTG for audit fees were € 24.7 mn (2005: € 26.3 mn), audit-related fees € 3.6 mn (2005: € 3.6 mn), tax fees € 2.7 mn (2005: € 1.0 mn) and all other fees € 3.6 mn (2005: € 3.7 mn) for the year ended December 31, 2005.

Audit fees

KPMG billed the Allianz Group an aggregate of € 57.8 million in 2006 and € 60.1 million in 2005 in connection with professional services rendered for the audit of our annual consolidated financial statements and services normally provided by KPMG in connection with statutory and regulatory filings or engagements. These services consisted mainly of periodic review engagements and the annual audit.

Audit-related fees

KPMG billed the Allianz Group an aggregate of € 8.1 million in 2006 and € 11.0 million in 2005 for assurance and related services. These services consisted primarily of advisory and consulting services related to accounting and financial reporting standards and financial due diligence services.

Tax fees

KPMG billed the Allianz Group an aggregate of € 6.0 million in 2006 and € 4.0 million in 2005 for professional services, primarily for tax advice and tax compliance.

All other fees

KPMG billed the Allianz Group an aggregate of € 7.0 million in 2006 and € 12.1 million in 2005 for other services, which consisted primarily of general consulting services and other services under the guidance of Allianz Group management.

All services provided by KPMG to Allianz Group companies must be approved by the Audit Committee of the Allianz SE Supervisory Board. Services other than audit services must be pre-approved by the Audit Committee. The Audit Committee pre-approval process is based on the use of a “Positive List” of activities decided by the Audit Committee and, in addition, a “Guiding Principles and User Test” is applied. All internal control-related services are specifically pre-approved by

the Audit Committee. Group Compliance and KPMG report to the Audit Committee periodically with respect to services performed.

Statements in Accordance with Section 315 Paragraph 4 of the German Commercial Code and Explanations

The share capital of Allianz SE was € 1,106,304,000 as of December 31, 2006; it was divided into 432,150,000 registered no-par value shares. All shares carry the same rights and obligations. Each no-par value share grants one vote. Each shareholder's share in the Company's profit is determined in proportion to the share in the share capital held by it (Section 60 German Stock Corporation Act (*Aktiengesetz*, AktG)). Pursuant to Article 3 Paragraph 1 of the Statutes, shareholders shall not have the right to receive share certificates.

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

Under German stock corporation law in case of registered shares only those persons who appear in the share register are deemed by the company to be shareholders. This is particularly important for such things as taking part in general meetings and making use of voting rights. Appearing in the share register also facilitates direct communications with the shareholders. In this way, for instance, all shareholders can be personally invited to attend general meetings. The restriction on share transferability goes right back to the creation of Allianz in 1890. This practice is widespread in the insurance industry in Germany. In accordance with the Statutes, the company will only withhold the approval necessary for transfer of shares when this is for extraordinary reasons and is considered to be in the interest of the company. For several decades no such case has occurred. With the standardization of share transfer processes, the restriction on share transferability does not cause any delay in the registration in the share register and does not impede in any way the quotation of the shares on stock exchanges.

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

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

The members of the Board of Management of Allianz SE are appointed by the Supervisory Board for a maximum term of five years (Article 9 Paragraph 1, Article 39 Paragraph 2 and Article 46 SE Regulation, Sections 84, 85 AktG, Section 5 Paragraph 3 of the Statutes). Re-appointments, in each case for a maximum of five years, are permitted. The members of the Board of Management may be dismissed by the Supervisory Board if there is an important reason (Section 84 AktG). If a required member of the Board of Management is absent, in urgent cases the court must appoint the member upon the application of an involved party, by virtue of Section 85 AktG. With respect to the appointment, it is essential to ensure in particular that the members of the Board of Management are suited to managing an insurance company in terms of reliability and professional competence (Sections 121 a, 7a German Insurance Supervision Act (*Versicherungsaufsichtsgesetz*, VAG)). The intention of appointing a member to the Board of Management must be notified to the Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) (Sections 121 a, 13 d No. 1 VAG).

Amendments to the Statutes must be resolved upon by the General Meeting. In the case of an SE, the resolution amending the Statutes must be passed with a majority of at least two thirds of the votes cast, unless the laws and regulations in the SE's country of domicile provide for or permit a greater majority (Article 59 Paragraph 1 SE

Regulation). Any Member State may stipulate, however, that a simple majority of votes is sufficient, provided at least half of the share capital is represented (Article 59 Paragraph 2 SE Regulation). German legislation has made use of this in Section 51 Sentence 1 SE Implementation Act (*SE-Ausführungsgesetz*), pursuant to which the Statutes may stipulate that, a simple majority of votes is sufficient for the resolution of the General Meeting amending the Statutes, provided at least half of the share capital is represented. This does not apply to a change in the corporate object, relocation of the registered office to another Member State and to cases in which a higher majority is mandatory by law (Section 51 Sentence 2 SE Implementation Act). Accordingly, Article 13 Paragraph 4 Sentence 2 of the Statutes of Allianz SE stipulates that, unless this conflicts with mandatory legal provision, changes of the Statutes require a majority of two thirds of the votes cast, or, as the case may be, if at least half of the share capital is represented, a simple majority of the votes cast. The Supervisory Board may alter the wording of the Statutes (Section 179 Paragraph 1 Sentence 2 AktG and Article 10 of the Statutes).

The Board of Management has the following authority to issue shares:

- It is authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash and/or in kind, on one or more occasions, up to a total of € 450,000,000 (Authorized Capital 2006/I). Shareholders' subscription rights may be excluded for fractional amounts, for safeguarding the rights pertaining to holders of convertible bonds or bonds with warrants, and in the event of a cash capital increase by up to 10%, if the issue price of the new shares is not significantly less than the stock market price. Subscription rights may furthermore be excluded in the event of a capital increase against contributions in kind (Article 2 Paragraph 3 of the Statutes).
- The Management Board is also authorized to increase the Company's share capital on or before February 7, 2011, upon approval of the Supervisory Board, by issuing new registered no-par value shares against contributions in cash, on one or more occasions, up to a total of € 12,473,943.04 (Authorized Capital 2006/II). The Board of Management may exclude the shareholders' subscription rights, upon the approval of the

Supervisory Board in order to issue the new shares to employees of Allianz SE and its Group companies as well as for fractional amounts (Article 2 Paragraph 4 of the Statutes).

- The Company has a conditional capital in the amount of € 250,000,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds which Allianz SE or its subsidiaries have issued on the basis of the authorization granted by the General Meeting of February 8, 2006 are exercised, or conversion obligations arising from such bonds are fulfilled (Article 2 Paragraph 6 of the Statutes).
- There is furthermore conditional capital in the amount of € 5,632,000; this conditional capital increase is only carried out to the extent that conversion or option rights resulting from bonds which Allianz SE or its subsidiaries have issued on the basis of the authority granted by the Annual General Meeting of May 5, 2004 are exercised, or conversion obligations arising from such bonds are fulfilled (Article 2 Paragraph 5 of the Statutes).

The Board of Management has the authority to buy back Allianz shares on the basis of the authorization of the Extraordinary General Meeting of February 8, 2006 to acquire treasury shares for other purposes (Section 71 Paragraph 1 No. 8 AktG). On that basis, the Company is authorized, on or before August 7, 2007, to acquire treasury shares; together with other treasury shares that are in the possession of Allianz SE or which are attributable to it under Sections 71a et sequ. AktG, such shares may not exceed 10% of the share capital at any time. The shares acquired according to this authorization may be used, under exclusion of subscription rights, for any legally admissible purposes and in particular those specified in the authorization. There is also an authorization to acquire treasury shares for the purposes of securities trading (Section 71 Paragraph 1 No. 7 AktG).

The authority explained in the management report to buy back or make use of treasury shares or issue convertible bonds or bonds with warrants or issue new shares out of authorized capital enables the Management Board to raise capital swiftly and flexibly taking advantage of attractive financing opportunities as and when they arise on the markets and, for example, offer Allianz stock as consideration when making acquisitions of participations. Furthermore Allianz stock can be offered to employees of the Allianz Group. The authority to deal in own stock for trading purposes is

especially useful for Dresdner Bank giving it the possibility to deal in Allianz stock.

The section below describes the agreements entered into by Allianz SE which contain provisions or conditions for the event of a change of control.

Under the terms and conditions of the participation certificates issued by Allianz SE, the participation certificate holders are entitled to call for redemption of the participation certificates and to demand payment of a redemption amount per participation certificate of 122.9% of the average official price (*Einheitskurs*) of the Allianz share on the Munich Stock Exchange for the last three months prior to termination of the participation certificate relationship, if an enterprise acquires a majority shareholding in Allianz SE. These rules correspond to usual market practice and protect in an adequate way the interests of holders of participation certificates.

The reinsurance agreement with Münchener Rückversicherungsgesellschaft AG provides for an extraordinary termination right if the ownership structure or control of Allianz SE should change substantially. The provision accounts for the fact that in case of a change in control the conditions on which the contractual relation is based can materially change.

The service contracts of the members of the Allianz SE Board of Management contain a "change-of-control" clause. If, within 12 months after acquisition of more than 50% of the share capital by one shareholder or several shareholders acting in concert (change of control), the appointment as a member of the Board of Management is revoked unilaterally by the Supervisory Board, the mandate is ended by mutual agreement, or the mandate is ended by the Management Board member through resigning his office because the responsibilities as a board member are significantly reduced without the board member's fault, the member of the Board of Management member shall receive his contractual remuneration for the remaining term of the service contract in the form of a one-off payment. To the extent the remaining term of the service contract is less than three years, the one-off payment is generally

increased with regard to fixed remuneration and the annual bonus in line with a term of 3 years. This applies accordingly if a board mandate that is coming to an end and is not extended within two years of a change of control. Please refer to the Remuneration Report on pages 15 to 20 for further details.

The Group Equity Incentive (GEI) scheme also contains provisions in respect of a change of control. Under this scheme, Stock Appreciation Rights (SAR) and Restricted Stock Units (RSU) are granted as a stock-based remuneration component worldwide to senior management of the Allianz Group (see also Note 48 to our consolidated financial statements). SARs are virtual options on Allianz shares; they obligate the Allianz Group to pay in cash the excess of the market price of the Allianz share over the reference price on the exercise date. They vest after two years. If a majority of the voting share capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, in derogation of the above, however, the SARs shall be exercised, pursuant to the general conditions for the SAR, by the Company for the relevant plan participants without observing any vesting period.

RSUs are virtual Allianz shares which obligate the Allianz Group to pay in cash an amount corresponding to the average market price for Allianz shares in the ten trading days preceding the vesting date, or to issue one Allianz share, or other equivalent equity instrument, for each RSU granted. RSUs vest after five years and are exercised by the Allianz Group on the first trading day after their vesting date. If a majority of the voting capital in Allianz SE is acquired, directly or indirectly, by one or more third parties who do not belong to the Allianz Group, the RSUs shall be exercised, pursuant to the general conditions for the RSUs, by the Company for the relevant plan participants without observing any vesting period. In providing for the non application, in the event of a change of control, of any limitation on the period for exercising rights under such plans, account is taken of the fact that the conditions under which the share price moves are very different when there is a change in control.

Reconciliation of Consolidated Operating Profit and Total Revenue Growth

The previous analysis is based on our consolidated financial statements and should be read in conjunction with those statements. The Allianz Group uses operating profit to evaluate the performance of its business segments and the Group as a whole. The Allianz Group considers the presentation of operating profit to be useful and meaningful to investors because it enhances the understanding of the Allianz Group's underlying operating performance and the comparability of its operating performance over time. Operating profit highlights the portion of income before income taxes and minority interests in earnings attributable to the on-going core operations of the Allianz Group. To better understand the on-going operations of the business, we exclude the effects of acquisition-related expenses and the amortization of intangible assets, as these relate to business combinations; and we exclude interest expense

from external debt and income from financial assets and liabilities held for trading (relating to exchangeables on external debt) as these relate to our capital structure.

We believe that trends in the underlying profitability of our business can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments of investment securities, as these are largely dependent on market cycles or issuer-specific events over which we have little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at our discretion. Similarly, we exclude restructuring charges because the timing of the restructuring charges are largely within our control, and accordingly their exclusion provides additional insight into the operating trends of the underlying business.

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

The following table reconciles operating profit on a consolidated basis to the Allianz Group's income before income taxes and minority interests in earnings.

	2006 € mn	2005 € mn	2004 € mn
Operating profit	10,386	8,003	7,001
Realized gains/losses and impairments of investments (net)	2,682	1,853	1,346
Income from financial assets and liabilities held for trading (net)	(134)	(403)	(142)
Interest expense from external debt	(775)	(787)	(831)
Restructuring charges	(824)	(100)	(347)
Acquisition-related expenses	(532)	(687)	(621)
Amortization of intangible assets ¹⁾	(51)	(50)	(1,362)
Reclassification of policyholder participation in tax benefits arising in connection with tax-exempt income	(429)	—	—
Income before income taxes and minority interests in earnings	10,323	7,829	5,044

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

We further believe that an understanding of our total revenue performance is enhanced when the effects of foreign currency translation as well as acquisitions and disposals (or “changes in scope of consolidation”) are excluded. Accordingly, in addition to presenting “nominal growth”, we also present “internal growth”, which excludes the effects of foreign currency translation and changes in scope of consolidation. The following table sets forth the reconciliation of nominal total revenue growth to internal total revenue growth for each of our segments and the Allianz Group as a whole for the years ended December 31, 2006 and 2005.

Munich, February 21, 2007
Allianz SE

The Board of Management

Diekmann	Dr. Achleitner
Booth	Carendi
Cucchiani	Dr. Faber
Dr. Perlet	Dr. Rupperecht
Thierry	Dr. Walter
Dr. Zedelius	

Composition of total revenue¹⁾ growth for the years ended December 31, 2006 and 2005

	Nominal growth	Changes in scope of consoli- dation	Foreign currency translation	Internal growth
	%	%	%	%
2006				
Property-Casualty	(0.1)	(0.2)	(0.2)	0.3
Life/Health	(1.8)	—	(0.2)	(1.6)
Banking	12.2	—	(0.1)	12.3
thereof: Dresdner				
Bank	12.8	—	(0.1)	12.9
Asset Management	11.8	(0.7)	(0.9)	13.4
thereof: Allianz				
Global Investors	11.7	(0.7)	(0.9)	13.3
Allianz Group	0.2	(0.1)	(0.2)	0.5
2005				
Property-Casualty	1.8	(1.2)	0.4	2.6
Life/Health	6.7	—	0.5	6.2
Banking	(3.9)	—	(0.1)	(3.8)
thereof: Dresdner				
Bank	(5.0)	—	(0.1)	(4.9)
Asset Management	21.2	1.9	0.2	19.1
thereof: Allianz				
Global Investors	19.5	1.9	0.2	17.4
Allianz Group	4.1	(0.5)	0.4	4.2

¹⁾ Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues. Segment growth rates are presented before the elimination of transactions between Allianz Group companies in different segments.

Allianz Group

Consolidated Financial Statements

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Allianz Group Consolidated Balance Sheets

As of December 31,	Note	2006 € mn	2005 € mn
ASSETS			
Cash and cash equivalents	6	33,031	31,647
Financial assets carried at fair value through income ¹⁾	7	156,869	180,346
Investments ²⁾	8	298,134	285,015
Loans and advances to banks and customers	9	408,278	336,808
Financial assets for unit linked contracts		61,864	54,661
Reinsurance assets	10	19,360	22,120
Deferred acquisition costs	11	19,135	18,141
Deferred tax assets	41	4,727	5,299
Other assets	12	38,893	42,293
Intangible assets	13	12,935	12,958
Total assets		1,053,226	989,288

As of December 31,	Note	2006 € mn	2005 € mn
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	14	79,699	86,842
Liabilities to banks and customers	15	361,078	310,316
Unearned premiums	16	14,868	14,524
Reserves for loss and loss adjustment expenses	17	65,464	67,005
Reserves for insurance and investment contracts	18	287,697	278,312
Financial liabilities for unit linked contracts	19	61,864	54,661
Deferred tax liabilities	41	4,618	5,324
Other liabilities	20	49,764	51,315
Certificated liabilities	21	54,922	59,203
Participation certificates and subordinated liabilities	22	16,362	14,684
Total liabilities		996,336	942,186
Shareholders' equity	23	50,481	39,487
Minority interests	23	6,409	7,615
Total equity		56,890	47,102
Total liabilities and equity		1,053,226	989,288

¹⁾ As of December 31, 2006, € 90,211 mn are pledged to creditors and can be sold or repledged (2005: € 77,954 mn).

²⁾ As of December 31, 2006, € 3,156 mn are pledged to creditors and can be sold or repledged (2005: € 5,079 mn).

To read the notes, simply click >> on the number.

Allianz Group Consolidated Income Statements

	Note	2006 € mn	2005 € mn	2004 € mn
Premiums earned (net)	24	58,524	57,682	56,789
Interest and similar income	25	23,956	22,644	21,196
Income from financial assets and liabilities carried at fair value through income (net)	26	940	1,163	1,677
Realized gains/losses (net)	27	6,151	4,978	4,568
Fee and commission income	28	8,856	8,162	6,813
Other income	29	86	92	329
Income from fully consolidated private equity investments	30	1,392	598	175
Total income		99,905	95,319	91,547
Claims and insurance benefits incurred (net)	31	(42,297)	(42,770)	(42,806)
Change in reserves for insurance and investment contracts (net)	32	(11,375)	(11,176)	(9,556)
Interest expense	33	(5,759)	(6,377)	(5,688)
Loan loss provisions	34	(36)	109	(354)
Impairments of investments (net)	35	(775)	(540)	(1,475)
Investment expenses	36	(1,108)	(1,092)	(767)
Acquisition and administrative expenses (net)	37	(23,486)	(22,559)	(21,969)
Fee and commission expenses	38	(2,351)	(2,312)	(1,804)
Amortization of intangible assets		(51)	(50)	(1,362)
Restructuring charges	49	(964)	(100)	(347)
Other expenses	39	1	(51)	(200)
Expenses from fully consolidated private equity investments	40	(1,381)	(572)	(175)
Total expenses		(89,582)	(87,490)	(86,503)
Income before income taxes and minority interests in earnings		10,323	7,829	5,044
Income taxes	41	(2,013)	(2,063)	(1,610)
Minority interests in earnings		(1,289)	(1,386)	(1,168)
Net income		7,021	4,380	2,266

	Note	2006 €	2005 €	2004 €
Basic earnings per share	50	17.09	11.24	6.19
Diluted earnings per share	50	16.78	11.14	6.16

Allianz Group Consolidated Statements of Changes in Equity

	Paid-in capital	Revenue reserves	Foreign currency translation adjustments	Unrealized gains and losses (net)	Shareholders' equity	Minority interests	Total equity
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Balance as of January 1, 2004	19,347	4,093	(1,893)	6,446	27,993	7,266	35,259
Foreign currency translation adjustments	—	—	(805)	(12)	(817)	(2)	(819)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾	—	—	—	2,336	2,336	482	2,818
Transferred to net income on disposal ²⁾	—	—	—	(1,405)	(1,405)	(166)	(1,571)
Cash flow hedges	—	—	—	225	225	(1)	224
Miscellaneous	—	217	—	(260)	(43)	(533)	(576)
Total income and expense recognized directly in shareholders' equity	—	217	(805)	884	296	(220)	76
Net income	—	2,266	—	—	2,266	1,168	3,434
Total recognized income and expense for the year	—	2,483	(805)	884	2,562	948	3,510
Paid-in capital	86	—	—	—	86	—	86
Treasury shares	—	(59)	—	—	(59)	—	(59)
Transactions between equity holders	—	(73)	64	(27)	(36)	—	(36)
Dividends paid	—	(551)	—	—	(551)	(518)	(1,069)
Balance as of December 31, 2004	19,433	5,893	(2,634)	7,303	29,995	7,696	37,691
Foreign currency translation adjustments	—	—	1,601	50	1,651	33	1,684
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾	—	—	—	3,805	3,805	549	4,354
Transferred to net income on disposal ²⁾	—	—	—	(1,114)	(1,114)	(133)	(1,247)
Cash flow hedges	—	—	—	3	3	—	3
Miscellaneous	—	370	—	—	370	141	511
Total income and expense recognized directly in shareholders' equity	—	370	1,601	2,744	4,715	590	5,305
Net income	—	4,380	—	—	4,380	1,386	5,766
Total recognized income and expense for the year	—	4,750	1,601	2,744	9,095	1,976	11,071
Paid-in capital	2,183	—	—	—	2,183	—	2,183
Treasury shares	—	352	—	—	352	—	352
Transactions between equity holders	—	(1,742)	1	277	(1,464)	(1,328)	(2,792)
Dividends paid	—	(674)	—	—	(674)	(729)	(1,403)
Balance as of December 31, 2005	21,616	8,579	(1,032)	10,324	39,487	7,615	47,102
Foreign currency translation adjustments	—	—	(1,175)	(4)	(1,179)	(276)	(1,455)
Available-for-sale investments							
Unrealized gains and losses (net) arising during the year ¹⁾³⁾	—	—	—	4,731	4,731	20	4,751
Transferred to net income on disposal ²⁾	—	—	—	(1,744)	(1,744)	(146)	(1,890)
Cash flow hedges	—	—	—	1	1	—	1
Miscellaneous	—	246	—	—	246	111	357
Total income and expense recognized directly in shareholders' equity	—	246	(1,175)	2,984	2,055	(291)	1,764
Net income	—	7,021	—	—	7,021	1,289	8,310
Total recognized income and expense for the year	—	7,267	(1,175)	2,984	9,076	998	10,074
Paid-in capital	129	—	—	—	129	—	129
Treasury shares	—	910	—	—	910	—	910
Transactions between equity holders	3,653	(2,316)	(3)	356	1,690	(1,552)	138
Dividends paid	—	(811)	—	—	(811)	(652)	(1,463)
Balance as of December 31, 2006	25,398	13,629	(2,210)	13,664	50,481	6,409	56,890

¹⁾ During the year ended December 31, 2006 unrealized gains and losses (net) arising during the year included in shareholders' equity are net of deferred tax benefit of € 478 mn (2005: deferred tax charge of € 568 mn; 2004: deferred tax charge of € 868 mn).

²⁾ During the year ended December 31, 2006, realized gains/losses (net) transferred to net income on disposal are net of income tax charge of € 308 mn (2005: € 303 mn; 2004: € 318 mn).

³⁾ Includes € 2,005 mn unrealized gains from the investment in Industrial and Commercial Bank of China ("ICBC") as of December 31, 2006.

Allianz Group

Consolidated Statements of Cash Flows

	2006 € mn	2005 € mn	2004 € mn
Summary			
Net cash flow provided by (used in) operating activities	20,265	47,311	1,293
Net cash flow provided by (used in) investing activities	(34,450)	(22,922)	(9,155)
Net cash flow provided by (used in) financing activities	15,647	(8,442)	(2,014)
Effect of exchange rate changes on cash and cash equivalents	(78)	72	(24)
Change in cash and cash equivalents	1,384	16,019	(9,900)
Cash and cash equivalents at beginning of period	31,647	15,628	25,528
Cash and cash equivalents at end of period	33,031	31,647	15,628
Cash flow from operating activities:			
Net income	7,021	4,380	2,266
Adjustments to reconcile net income to net cash flow provided by (used in) operating activities:			
Minority interests in earnings	1,289	1,386	1,168
Share of earnings from investments in associates and joint ventures	(287)	(253)	(253)
Realized gains/losses (net) and impairments of investments (net) of:			
Available-for-sale and held-to-maturity investments, investments in associates and joint ventures, real estate held for investment, loans to banks and customers	(5,376)	(4,438)	(3,093)
Other investments, mainly financial assets held for trading and designated at fair value through income	(947)	(1,557)	(1,651)
Depreciation and amortization	916	723	1,236
Amortization of goodwill	—	—	1,164
Loan loss provision	36	(109)	354
Interest credited to policyholder accounts	3,126	2,748	2,523
Net change in:			
Financial assets and liabilities held for trading	19,265	10,371	(30,174)
Reverse repurchase agreements and collateral paid for securities borrowing transactions	(50,096)	43,508	(19,368)
Repurchase agreements and collateral received from securities lending transactions	36,990	(18,692)	33,488
Reinsurance assets	663	428	1,499
Deferred acquisition costs	(1,434)	(1,753)	(1,171)
Unearned premiums	593	876	286
Reserves for losses and loss adjustment expenses	(188)	2,621	1,274
Reserves for insurance and investment contracts	7,025	7,634	7,049
Deferred tax assets/liabilities	292	(39)	470
Other (net)	1,377	(523)	4,226
Subtotal	13,244	42,931	(973)
Net cash flow provided by (used in) operating activities	20,265	47,311	1,293
Cash flow from investing activities:			
Proceeds from the sale, maturity or repayment of:			
Financial assets designated at fair value through income	7,207	9,981	1,332
Available-for-sale investments	118,747	137,915	124,481
Held-to-maturity investments	336	534	781
Investments in associates and joint ventures	730	3,938	1,876
Assets held for sale	2,253	792	—
Real estate held for investment	1,376	1,091	890
Loans and advances to banks and customers (purchased loans)	8,365	5,195	3,739
Property and equipment	453	113	667
Subtotal	139,467	159,559	133,766

Allianz Group

Consolidated Statements of Cash Flows — continued

	2006 € mn	2005 € mn	2004 € mn
Payments for the purchase or origination of:			
Financial assets designated at fair value through income	(9,680)	(11,278)	(2,297)
Available-for-sale investments	(130,949)	(161,583)	(135,005)
Held-to-maturity investments	(280)	(255)	(1,071)
Investments in associates and joint ventures	(491)	(934)	(526)
Assets held for sale	—	(178)	—
Real estate held for investment	(860)	(1,064)	(1,752)
Loans and advances to banks and customers (purchased loans)	(10,598)	(5,493)	(6,172)
Property and equipment	(1,588)	(1,126)	(2,345)
Subtotal	(154,446)	(181,911)	(149,168)
Business combinations (Note 4):			
Proceeds from sale, net of cash disposed	—	2,029	(886)
Acquisition, net of cash acquired	(344)	—	(416)
Change in other loans and advances to banks and customers (originated loans)	(19,224)	(1,877)	10,287
Other (net)	97	(722)	(2,738)
Net cash flow provided by (used in) investing activities	(34,450)	(22,922)	(9,155)
Cash flow from financing activities:			
Policyholders' account deposits	13,234	14,118	10,364
Policyholders' account withdrawals	(8,432)	(5,560)	(4,232)
Net change in liabilities to banks and customers	13,524	(19,167)	(14,597)
Proceeds from the issuance of certificated liabilities, participation certificates and subordinated liabilities	103,429	115,422	107,861
Repayments of certificated liabilities, participation certificates and subordinated liabilities	(103,946)	(111,737)	(100,698)
Cash inflow from capital increases	98	2,159	69
Transactions between equity holders	(70)	(2,932)	(598)
Dividends paid to shareholders	(1,463)	(1,403)	(1,069)
Net cash from sale or purchase of treasury shares	(458)	2,061	(53)
Other (net)	(269)	(1,403)	939
Net cash flow provided by (used in) financing activities	15,647	(8,442)	(2,014)
Supplementary information on the consolidated statement of cash flows:			
Income taxes paid	(2,241)	(1,644)	(1,691)
Dividends received	1,946	1,476	1,339
Interest received	20,598	19,796	18,780
Interest paid	(5,556)	(6,332)	(5,687)
Significant non-cash transactions:			
Settlement of exchangeable bonds issued by Allianz Finance II B.V. with shares:			
Available-for-sale investments	(1,074)	—	(989)
Certificated liabilities	(1,074)	—	(989)
Novation of quota share reinsurance agreement:			
Reinsurance assets	(1,111)	(1,117)	—
Deferred acquisition costs	76	76	—
Payables from reinsurance contracts	(1,035)	(1,041)	—
Effects from the merger of RAS with and into Allianz AG (Note 4):			
Revenue reserves	(2,362)	—	—
Minority interests	(1,659)	—	—
Paid-in capital	3,653	—	—
Unrealized gains and losses (net)	368	—	—
Proceeds from sales of available-for-sale investments:			
Debt securities	89,813	107,929	101,239
Equity securities	21,696	24,800	17,462
Total	111,509	132,729	118,701

Allianz Group

Notes to the Consolidated Financial Statements

1 Nature of operations and basis of presentation

Nature of operations

Allianz SE and its subsidiaries (“the Allianz Group”) have global Property-Casualty insurance, Life/Health insurance, Banking and Asset Management operations in more than 70 countries, with the largest of its operations in Europe. The Allianz Group’s headquarters are located in Munich, Germany. The parent company of the Allianz Group is Allianz SE, Munich. On October 13, 2006 Allianz AG changed its legal form to that of a European Company or Societas Europaea (“SE”) incorporated in Germany. It is recorded in the Commercial Register of the municipal court Munich under its registered address at Königinstraße 28, 80802 Munich.

Basis of presentation

The consolidated financial statements of the Allianz Group have been prepared in conformity with International Financial Reporting Standards (“IFRS”), as adopted under European Union (“EU”) regulations in accordance with section 315a of the German Commercial Code (“HGB”). IFRS as adopted by the EU offers certain options for applying IFRS standards. The Allianz Group’s application of these options results in no material differences between IFRS as adopted by the EU and IFRS as adopted by the International Accounting Standard Board (“IASB”).

IFRS does not provide specific guidance concerning all aspects of the recognition and measurement of insurance and reinsurance contracts. Therefore, as envisioned in IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors, the provisions embodied under accounting principles generally accepted in the United States of America (“US GAAP”) have been applied to those aspects where specific guidance is not provided by IFRS 4, Insurance Contracts. See Note 3 regarding changes to IFRS effective January 1, 2006. The consolidated financial statements are presented in millions of Euro (€).

2 Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements of the Allianz Group include those of Allianz SE, its subsidiaries and certain investment funds and special purpose entities (“SPEs”). Subsidiaries, investment funds and SPEs, hereafter “subsidiaries”, which are directly or indirectly controlled by the Allianz Group, are consolidated. Subsidiaries are consolidated from the date control is obtained by the Allianz Group. Subsidiaries are consolidated until the date that the Allianz Group no longer maintains control. The Allianz Group has used interim financial statements for certain subsidiaries whose fiscal year is other than December 31, but not exceeding a lag of three months. The effects of intra-Allianz Group transactions have been eliminated.

A business combination occurs when the Allianz Group obtains control over a business. Business combinations are accounted for by applying the purchase method. The purchase method requires that the Allianz Group allocate the cost of a business combination on the date of acquisition by recognizing the acquiree’s identifiable assets, liabilities and certain contingent liabilities at their fair values. The cost of a business combination represents the fair value of the consideration given and any costs directly attributable to the business combination. If the acquisition cost of the business combination exceeds the Allianz Group’s proportionate share of the fair value of the net assets of the acquiree, the difference is recorded as goodwill. Any minority interest is recorded at the minority’s proportion of the fair value of the net assets of the acquiree.

For business combinations with an agreement date before March 31, 2004, minority interests are recorded at the minority’s proportion of the pre-acquisition carrying amounts of the identifiable assets and liabilities.

Acquisitions and disposals of minority interests are treated as transactions between equity holders. Therefore, any difference between the acquisition cost or sale price of the minority interest and the carrying amount of the minority interest is recognized as an increase or decrease of equity.

The Allianz Group transfers financial assets to certain SPEs in revolving securitizations of commercial mortgage or other loan portfolios. The Allianz Group consolidates these SPEs as the Allianz Group continues to control the financial assets transferred and retains the servicing of such loans.

Foreign currency translation and transactions

The individual financial statements of each of the Allianz Group's subsidiaries are prepared in the prevailing currency in the environment where the subsidiary conducts its ordinary activities (its functional currency). Transactions recorded in currencies other than the functional currency (foreign currencies) are recorded at the rate of exchange on the date of the transaction. At the balance sheet date, monetary assets and liabilities recorded in foreign currencies are translated into the functional currency using the closing exchange rate and non-monetary assets and liabilities are translated at historical rates.

Currency gains and losses arising from foreign currency transactions are reported in investment expenses.

For purposes of the consolidated financial statements, the results and financial position of each of the Allianz Group's subsidiaries are expressed in Euro, the functional currency of the Allianz Group. Assets and liabilities of subsidiaries not reporting in Euro are translated at the closing rate on the balance sheet date and income and expenses are translated at the quarterly average exchange rate. Any foreign currency translation differences, including those arising from the equity method, are recorded directly in shareholders' equity, as foreign currency translation adjustments.

Fair value of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as publicly traded derivatives and trading and available-for-sale investments) are based on quoted market prices or dealer price quotations on the last exchange trading day prior to the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price; the quoted market price used for financial liabilities is the current ask price.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which observable market prices exist and other valuation models. The Allianz Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. In the process, appropriate adjustments are made for credit and measurement risks.

Use of estimates and assumptions

The preparation of consolidated financial statements requires the Allianz Group to make estimates and assumptions that affect items reported in the consolidated balance sheets and consolidated income statements, and the disclosure of contingent assets and liabilities. Actual results could differ from those estimates. The most significant accounting estimates are associated with the reserves for loss and loss adjustment expenses, reserves for insurance and investment contracts, loan loss allowance, fair value and impairments of financial instruments, goodwill, deferred acquisition costs, deferred taxes and reserves for pensions and similar obligations.

Supplementary information on the Allianz Group's assets

Cash and cash equivalents

Cash and cash equivalents include balances with banks payable on demand, balances with central banks, cash on hand, treasury bills to the extent they are not included in financial assets held for trading, checks and bills of exchange which are eligible for refinancing at central banks, subject to a maximum term of three months from the date of acquisition.

Financial assets carried at fair value through income

Financial assets carried at fair value through income include financial assets held for trading and financial assets designated at fair value through income.

Financial assets held for trading consist of debt and equity securities, promissory notes and precious metal holdings, which have been acquired principally for the purpose of generating a profit from short-term fluctuations in price, and derivative financial instruments with positive fair values that do not meet the criteria for hedge accounting. Financial assets held for trading are reported at fair value. Changes in fair value are recognized directly in net income for the period.

Financial assets designated at fair value through income are recorded at fair value with changes in fair value recorded in net income for the period. A financial instrument may only be designated at inception as held at fair value through income and cannot subsequently be changed.

Investments

Investments include available-for-sale investments, held-to-maturity investments, funds held by others

under reinsurance contracts assumed, investments in associates and joint ventures, and real estate held for investment.

Available-for-sale investments are securities that are not classified as held-to-maturity, loans and advances to banks and customers, or financial assets carried at fair value through income. Available-for-sale securities are recorded at fair value. Unrealized gains and losses, which are the difference between fair value and cost or amortized cost, are included as a separate component of shareholders' equity, net of deferred taxes and the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. Realized gains and losses on securities are generally determined by applying the average cost method at the subsidiary level.

Available-for-sale equity securities include investments in limited partnerships. The Allianz Group records its investments in limited partnerships at cost, where the ownership interest is less than 20%, as the limited partnerships do not have a quoted market price and fair value cannot be reliably measured. The Allianz Group accounts for its investments in limited partnerships with ownership interests of 20% or greater using the equity method due to the rebuttable assumption that the limited partner has no control over the limited partnership.

Held-to-maturity investments are debt securities which the Allianz Group has the positive intent and ability to hold to maturity. These securities are recorded at amortized cost using the effective interest method over the life of the security, less any impairment losses. Amortization of premium or discount is included in interest and similar income.

A held-to-maturity or available-for-sale debt security is impaired if there is objective evidence that a loss event has occurred, which has impaired the expected cash flows, i.e. all amounts due according to the contractual terms of the security are not considered collectible. Typically this is due to deterioration in the creditworthiness of the issuer. A decline in fair value below amortized cost due to changes in risk free interest rates does not represent objective evidence of a loss event.

If there is objective evidence that the cost may not be recovered, an available-for-sale equity security is

considered to be impaired. Objective evidence that the cost may not be recovered, in addition to qualitative impairment criteria, includes a significant or prolonged decline in the fair value below cost. The Allianz Group's policy considers a significant decline to be one in which the fair value is below the weighted-average cost by more than 20% and a prolonged decline to be one in which fair value is below the weighted-average cost for greater than nine months. This policy is applied by all subsidiaries at the individual security level.

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

In a subsequent period, if the fair value of an available-for sale debt security instrument increases and the increase can be objectively related to an event occurring after the recognition of an impairment loss, such as an improvement in the debtor's credit rating, the impairment is reversed through impairments of investments (net). Reversals of impairments of available-for-sale equity securities are not recorded through the income statement.

Funds held by others under reinsurance contracts assumed relate to cash deposits to which the Allianz Group is entitled, but which the ceding insurer retains as collateral for future obligations of the Allianz Group. The cash deposits are recorded at face value, less any impairments for balances that are deemed to be not recoverable.

Associated enterprises are entities over which the Allianz Group can exercise significant influence and which are not joint ventures. Significant influence is the power to participate in, but not to control, the financial and operating policies within an enterprise. Significant influence is presumed to exist where the Allianz Group has at least 20% but not more than 50% of the voting rights. Joint ventures are entities over which the Allianz Group and one or more other parties have joint control.

Investments in associated enterprises and joint ventures are generally accounted for using the equity method of

accounting, in which the results and the carrying amount of the investment represent the Allianz Group's proportionate share of the entity's net income and net assets, respectively. The Allianz Group accounts for all material investments in associates on a time lag of no more than three months. Income from investments in associated enterprises and joint ventures is included in interest and similar income.

Real estate held for investment (i.e., real property and equivalent rights and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. Real estate held for investment is depreciated on a straight-line basis over its estimated life, with a maximum of 50 years. When testing for impairment, the fair value of real estate held for investment is determined by the discounted cash flow method. Improvement costs are capitalized if they extend the useful life or increase the value of the asset; otherwise they are recognized as an expense as incurred.

Loans and advances to banks and customers

Loans and advances to banks and customers are financial assets with fixed and determinable payments, not quoted in an active market, that are not classified as available-for-sale investments or held-to-maturity investments, financial assets held for trading, or financial assets designated at fair value through income. Loans to banks and customers are initially recorded at fair value plus transaction costs, and subsequently recorded at amortized cost using the effective interest rate method. Interest income is accrued on the unpaid principal balance, net of charge-offs. Using the effective interest method, net deferred fees and premiums or discounts are recorded as an adjustment of interest income yield over the lives of the related loans.

Loans are placed on non-accrual status when the payment of principal or interest is doubtful based on the credit assessment of the borrower. Non-accrual loans consist of loans on which interest income is no longer recognized on an accrued basis, and loans for which a specific provision is recorded for the entire amount of accrued interest receivable. When a loan is placed on non-accrual status, any accrued interest receivable is reversed against interest and similar income. Loans can only be restored to accrual status when interest and principal payments are made current (in accordance with the contractual terms), and future payments in accordance with those terms are reasonably assured. When there is a doubt regarding the ultimate collectibility of the principal of a loan placed in

non-accrual status, all cash receipts are applied as reductions of principal. Once the recorded principal amount of the loan is reduced to zero, future cash receipts are recognized as interest income.

Loans and advances to banks and customers include reverse repurchase ("reverse repo") agreements and collateral paid for securities borrowing transactions. Reverse repo transactions involve the purchase of securities by the Allianz Group from a counterparty, subject to a simultaneous obligation to sell these securities at a certain later date, at an agreed upon price. If control of the securities remains with the counterparty over the entire lifetime of the agreement of the transaction, the securities concerned are not recognized as assets. The amounts of cash disbursed are recorded under loans and advances to banks and customers. Interest income on reverse repo agreements is accrued over the duration of the agreements and is reported in interest and similar income.

Securities borrowing transactions generally require the Allianz Group to deposit cash with the security's lender. Fees paid are reported as interest expense.

Loans and advances to customers include the Allianz Group's gross investment in leases, less unearned finance income, related to lease financing transactions for which the Allianz Group is the lessor. The gross investment in leases is the aggregate of the minimum lease payments and any unguaranteed residual value accruing to the Allianz Group. Lease financing transactions include direct financing leases and leveraged leases. The unearned finance income is amortized over the period of the lease in order to produce a constant periodic rate of return on the net investment outstanding with respect to finance leases.

Loan loss allowance is recognized for loans for which there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan, and that loss event has an impact on the estimated future cash flows of the loan that can be reasonably estimated. If there is objective evidence that a loan is impaired, a loan loss allowance is recognized as the difference between the loan's carrying amount and the present value of future cash flows, which includes all contractual interest and principal payments, discounted at the loan's original effective interest rate. The loan loss allowance is reported as a reduction of loans and advances to banks and customers. Provisions for contingent liabilities, such as guarantees, loan

commitments and other obligations are reported as other liabilities.

Loans with an outstanding balance greater than € 1 mn are considered to be individually significant, and they are assessed individually to determine whether an impairment exists. Individually significant loans that are not impaired, as well as loans that are not individually significant, are grouped with loans evidencing similar credit characteristics and are collectively assessed for impairment. Loans impaired individually or collectively are eliminated from further testing to ensure that there is no duplication of impairment. The following allowances comprise the total loan loss allowance.

Specific allowances are established to provide for specifically identified counterparty risks. Specific allowances are established for impaired loans. The amount of the impairment is based on the present value of expected future cash flows or based on the fair value of the collateral if the loan is collateralized and foreclosure is probable. If the amount of the impairment subsequently increases or decreases due to an event occurring after the initial measurement of impairment, a change in the allowance is recognized in earnings by a charge or a credit to the loan loss provisions.

General allowances are established to provide for incurred but unidentified losses for individually significant loans that do not have a specific allowance. Loans are segmented into groups of loans with similar risk characteristics and general allowances are calculated using statistical methods of credit risk measurement based on historical loss experience and the evaluation of the loan portfolio under current events and economic conditions.

Portfolio allowances are established for all loans that are not considered individually significant and have not been individually assessed. These loans are segmented into portfolios of homogeneous loans exhibiting similar loss characteristics, and allowances are calculated using statistical methods based upon historical loss rates which are regularly updated.

Country risk allowances are established for transfer risk. Transfer risk is a measure of the likely ability of a borrower in a country to repay its foreign currency-denominated debt in light of the economic or political situation prevailing in the country. Country risk allowances are based on a country risk rating system that incorporates current and historical economic, political

and other data to categorize countries by risk profile. Loans with specific allowances are excluded from the country risk rating system, and countries provided for within the country risk allowance are excluded from the determination of the transfer risk component of the general allowance.

Loans are charged-off when all economically sensible means of recovery have been exhausted. At the point of charge-off, the loan, as well as any specific allowance associated with the loan, is removed from the consolidated balance sheet or a charge may be recorded to directly charge-off the loan. A charge-off may be full or partial. Subsequent to a charge-off, recoveries, if any, are recognized as a credit to the loan loss provisions.

The loan loss provisions are the amount necessary to adjust the loan loss allowance to a level determined through the process described above.

Financial assets for unit linked contracts

Financial assets for unit linked contracts are recorded at fair value with changes in fair value recorded in net income together with the offsetting changes in fair value of the corresponding financial liabilities for unit linked contracts.

Reinsurance

Premiums ceded for reinsurance and reinsurance recoveries on benefits and claims incurred are deducted from premiums earned and insurance and investment contract benefits. Assets and liabilities related to reinsurance are reported on a gross basis. Amounts ceded to reinsurers from reserves for insurance and investment contracts are estimated in a manner consistent with the claim liability associated with the reinsured risks. Accordingly, revenues and expenses related to reinsurance agreements are recognized in a manner consistent with the underlying risk of the business reinsured.

Deferred acquisition costs

Deferred acquisition costs ("DAC"), present value of future profits and deferred sales inducements comprise the deferred acquisition costs in the balance sheet.

DAC generally consist of commissions, underwriting expenses and policy issuance costs, which vary with and are directly related to the acquisition and renewal of insurance contracts. These acquisition costs are deferred, to the extent they are recoverable, and amortized over the life of the related contracts.

For investment contracts, acquisition costs are only deferred if the costs are incremental. Acquisition costs are incremental if the costs would not have been incurred if the related contracts would not have been issued.

Present value of future profits ("PVFP") is the present value of net cash flows anticipated in the future from insurance contracts in force at the date of acquisition and is amortized over the life of the related contracts. PVFP was determined using discount rates ranging from 12% to 15%. Interest accrues on the PVFP balance based upon the policy liability rate or contract rate. Interest accrues on PVFP at rates between 3.5% and 8.5%.

Deferred sales inducements on insurance contracts that meet the following criteria are deferred and amortized using the same methodology and assumptions used to amortize deferred acquisition costs:

- recognized as part of reserves for insurance and investment contracts,
- explicitly identified in the contract at inception,
- incremental to amounts the Allianz Group credits on similar contracts without sales inducements, and
- higher than the contract's expected ongoing crediting rates for periods after the inducement.

Other assets

Other assets primarily consist of receivables, prepaid expenses, derivative financial instruments used for hedging that meet the criteria for hedge accounting, and firm commitments, property and equipment, assets held for sale and other assets.

Receivables are generally recorded at face value less any payments received, net of valuation allowances.

Property and equipment includes real estate held for use, equipment and software.

Real estate held for use (e.g., real property and buildings, including buildings on leased land) is carried at cost less accumulated depreciation and impairments. The capitalized cost of buildings is calculated on the basis of acquisition cost and depreciated on a straight-line basis over a maximum of 50 years in accordance with their useful lives. Costs for repairs and maintenance are expensed as incurred, while improvements if they extend the useful life or increase the value of the asset are capitalized. An impairment is recognized when the recoverable amount of these assets is less than their

carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable cost of an individual asset, an estimate of the recoverable amount of the cash generating unit to which the asset belongs is used.

Equipment is carried at cost less accumulated depreciation and impairments. Depreciation is generally computed using the straight-line method over the estimated useful lives of the assets. The estimated useful life of equipment ranges from 2 to 10 years, except for purchased information technology equipment, which is 2 to 8 years.

Software, which includes software purchased from third parties or developed internally, is initially recorded at cost and is amortized on a straight-line basis over the estimated useful service lives or contractual terms, generally over 3 to 5 years.

Costs for repairs and maintenance are expensed as incurred, while improvements, if they extend the useful life of the asset or provide additional functionality, are capitalized.

Intangible assets

Intangible assets include goodwill, brand names and other intangible assets.

Goodwill resulting from business combinations represents the difference between the acquisition cost of the business combination and the Allianz Group's proportionate share of the net fair value of identifiable assets, liabilities and certain contingent liabilities. Goodwill resulting from business combinations is not subject to amortization. It is initially recorded at cost and subsequently measured at cost less accumulated impairments.

The Allianz Group conducts an annual impairment test of goodwill during the 4th quarter or more frequently if there is an indication that goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to each of the Allianz Group's cash generating units that is expected to benefit from the business combination. The impairment test includes comparing the recoverable amount to the carrying amount, including goodwill, of all relevant cash generating units. A cash generating unit is impaired if the carrying amount is greater than the recoverable amount. The impairment of a cash generating unit is equal to the difference between the carrying amount and recoverable amount

and is allocated to reduce any goodwill, followed by allocation to the carrying amount of any remaining assets. Impairments of goodwill are not reversed. Gains or losses realized on the disposal of subsidiaries include any related goodwill.

Intangible assets acquired in business combinations are initially recorded at fair value on the acquisition date if the intangible asset is separable or arises from contractual or other legal rights. Intangible assets with an indefinite useful life are not subject to amortization and are subsequently recorded at cost less accumulated impairments. Intangible assets with a definite useful life are amortized over their useful lives and are subsequently recorded at cost less accumulated amortization and impairments.

The brand name “Dresdner Bank” has an indefinite life, as there is no foreseeable end to its economic life; therefore, it is not subject to amortization and it is recorded at cost less accumulated impairments. The fair value of this brand name, registered as a trade name, was determined using a royalty savings approach.

Similar to goodwill, an intangible asset with an indefinite life is subject to an annual impairment test, or more frequently if there is an indication that it is not recoverable. The impairment test includes comparing the recoverable amount to the carrying amount. Where it is not possible to identify separate cash flows for estimating the recoverable amount of an individual asset, the Allianz Group estimates the recoverable amount of the cash generating unit to which the intangible asset belongs. An intangible asset is impaired if the carrying amount is greater than the recoverable amount. The impairment of an intangible asset is equal to the difference between the carrying amount and recoverable amount.

Supplementary information on the Allianz Group's liabilities and equity

Financial liabilities carried at fair value through income

Financial liabilities carried at fair value through income include financial liabilities held for trading and financial liabilities designated at fair value through income.

Financial liabilities held for trading primarily consist of derivative financial instruments with negative fair values that do not meet the criteria for hedge accounting and obligations to deliver assets arising from short sales of securities, which are carried out in order to benefit from

short-term price fluctuations. The securities required to close out short sales are obtained through securities borrowing or reverse repurchase agreements.

Financial liabilities designated at fair value through income are recorded at fair value with changes in fair value recorded directly in net income for the period.

Liabilities to banks and customers

Liabilities to banks and customers include repurchase (“repo”) agreements and securities lending transactions. Repo transactions involve the sale of securities by the Allianz Group to a counter-party, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. If control of the securities remains with the Allianz Group over the entire lifetime of the transaction, the securities concerned are not derecognized by the Allianz Group. The proceeds of the sale are reported under liabilities to banks or customers. Interest expense from repo transactions is accrued over the duration of the agreements and reported in interest and similar expenses.

In securities lending transactions the Allianz Group generally receives cash collateral which is recorded as liabilities to banks or customers. Fees received are recognized as interest income.

Unearned premiums

For short-duration insurance contracts, such as property-casualty contracts, in accordance with SFAS 60, premiums written to be earned in future years are recorded as unearned premiums. These premiums are earned in subsequent years in relation to the insurance coverage provided. Deferred policy acquisition costs for short-duration insurance contracts are amortized over the periods in which the related premiums are earned.

For long-duration insurance contracts, in accordance with SFAS 97, amounts charged as consideration for origination of the contract, (i.e. initiation or front-end fees) are reported as unearned premium. These fees are recognized using the same methodology as DAC amortization.

Reserves for loss and loss adjustment expenses

Reserves are established for the payment of losses and loss adjustment expenses (“LAE”) on claims which have occurred but are not yet settled. Reserves for loss and loss adjustment expenses fall into two categories: case reserves for reported claims and incurred but not reported reserves (“IBNR”).

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

IBNR reserves are established to recognize the estimated cost of losses that have occurred but where the Allianz Group has not yet been notified. IBNR reserves, similar to case reserves for reported claims, are established to recognize the estimated costs, including expenses, necessary to bring claims to final settlement. Since nothing is known about the occurrence, the Allianz Group relies on its past experience, adjusted for current trends and any other relevant factors. IBNR reserves are estimates based on actuarial and statistical projections of the expected cost of the ultimate settlement and administration of claims. The analyses are based on facts and circumstances known at the time, predictions of future events, estimates of future inflation and other societal and economic factors. Trends in claim frequency, severity and time lag in reporting are examples of factors used in projecting the IBNR reserves. IBNR reserves are reviewed and revised periodically as additional information becomes available and actual claims are reported.

The process of estimating loss and LAE reserves is by nature uncertain due to the large number of variables affecting the ultimate amount of claims. Some of these variables are internal, such as changes in claims handling procedures, introduction of new IT systems or company acquisitions and divestitures. Others are external, such as inflation, judicial trends, and legislative changes. The Allianz Group attempts to reduce the uncertainty in reserve estimates through the use of multiple actuarial and reserving techniques and analysis of the assumptions underlying each technique.

There is no adequate statistical data available for some risk exposures in liability insurance, such as environmental and asbestos claims and large-scale individual claims, because some aspects of these types of claims become known very slowly and continue to evolve. Appropriate provisions have been made for such

cases based on the Allianz Group's judgment and an analysis of the portfolios in which such risks occur. These provisions represent the Allianz Group's best estimate. The reserves for loss and loss adjustment expenses for asbestos claims in the United States were reviewed by independent actuaries during the year end of 2005; current reserves reflect subsequent loss developments and reestimation of initial reserves.

Reserves for insurance and investment contracts and financial liabilities for unit linked contracts

Reserves for insurance and investment contracts include aggregate policy reserves, reserves for premium refunds and other insurance reserves.

Contracts issued by insurance subsidiaries of the Allianz Group are classified according to IFRS 4 as insurance or investment contracts. Contracts under which the Allianz Group accepts significant insurance risk from a policyholder are classified as insurance contracts. Contracts under which the Allianz Group does not accept significant insurance risk are classified as investment contracts. Certain insurance and investment contracts include discretionary participation features. All insurance contracts and investment contracts with discretionary participating features are accounted for under the provisions of US GAAP, including SFAS 60, SFAS 97 and SFAS 120.

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

The aggregate policy reserves for traditional participating insurance contracts are computed in accordance with SFAS 120 using the net level premium method. The method uses assumptions for mortality, morbidity and interest rates that are guaranteed in the contract or used in determining the policyholder

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

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

Current and historical client data, as well as industry data, are used to determine the assumptions.

Assumptions for interest reflect expected earnings on assets, which back the future policyholder benefits. The information used by the Allianz Group’s actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies, and profitability analyses.

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

	Long-duration insurance contracts (SFAS 60)	Traditional participating insurance contracts (SFAS 120)
Aggregate policy reserves	2.5 – 6%	3 – 4%
Deferred acquisition costs	5 – 6%	5 – 6%

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

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

Reserves for premium refunds include the amounts allocated under the relevant local statutory or contractual regulations to the accounts of the policyholders and the amounts resulting from the differences between these IFRS based financial statements and the local financial statements (“latent reserve for premium refunds”), which will reverse and enter into future profit participation calculations. Unrealized gains and losses recognized for available-for-sale investments are recognized in the latent reserve for premium refunds to the extent that policyholders will participate in such gains and losses on the basis of statutory or contractual regulations when they are realized. The profit participation allocated to participating policyholders or disbursed to them reduces the reserve for premium refunds.

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

Country	Base	Percentage
Germany		
Life	all sources of Profit	90%
Health	all sources of Profit	80%
France		
Life	investments	80%
Italy		
Life	investments	85%
Switzerland		
Group Life	all sources of Profit	90%
Individual Life	all sources of Profit	100%

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

Other liabilities

Other liabilities include payables, unearned income, provisions, deposits retained for reinsurance ceded, derivative financial instruments for hedge accounting purposes that meet the criteria for hedge accounting and firm commitments, financial liabilities for puttable equity instruments, disposal groups held for sale, and other liabilities. These liabilities are reported at redemption value.

Tax payables are calculated in accordance with relevant local tax regulations.

Liabilities for puttable equity instruments include the minority interests in shareholders' equity of certain consolidated investment funds. These minority interests qualify as a financial liability of the Allianz Group, as they give the holder the right to put the instrument back to the Allianz Group for cash or another financial asset (a "puttable instrument"). These liabilities are required to

be recorded at redemption amount with changes recognized in net income.

Certificated liabilities, participation certificates and subordinated liabilities

Certificated liabilities, participation certificates and subordinated liabilities are initially recorded at cost, which is the fair value of the consideration received, net of transaction costs incurred. Subsequent measurement is at amortized cost, using the effective interest method to amortize the premium or discount to the redemption value over the life of the liability.

Equity

Issued capital represents the mathematical per share value received from the issuance of shares.

Capital reserves represent the premium, or additional paid in capital, received from the issuance of shares.

Revenue reserves include the retained earnings of the Allianz Group and treasury shares. Treasury shares are deducted from shareholders' equity. No gain or loss is recognized on the sale, issuance, acquisition or cancellation of these shares. Any consideration paid or received is recorded directly in shareholders' equity.

Any translation differences, including those arising in the application of the equity method of accounting, are recorded as foreign currency translation adjustments directly in shareholders' equity without affecting earnings.

Unrealized gains and losses (net) include unrealized gains and losses from available-for-sale investments and derivative financial instruments used for hedge purposes that meet the criteria for hedge accounting, including cash flow hedges and hedges of a net investment in a foreign entity.

Minority interests represent the proportion of equity that is attributable to minority shareholders.

Supplementary information on the Allianz Group's income statement

Premiums earned (net)

Property-casualty insurance premiums are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual

policy to cover the unexpired portion of written premiums.

Health insurance premiums for long-duration contracts such as non-cancelable and guaranteed renewable contracts that are expected to remain in force over an extended period of time are recognized as earned when due. Premiums for short-duration health insurance contracts are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums.

Life insurance premiums from traditional life insurance policies are recognized as earned when due. Premiums from short-duration life insurance policies are recognized as revenues over the period of the contract in proportion to the amount of insurance protection provided. Unearned premiums are calculated separately for each individual policy to cover the unexpired portion of written premiums. Benefits are recognized when incurred.

Revenues for universal life-type and investment contracts, such as universal life and variable annuity contracts, represent charges assessed against the policyholders' account balances for the front-end loads, net of the change in unearned revenue liability, cost of insurance, surrenders and policy administration and are included within premiums earned (net). Benefits charged to expense include benefit claims incurred during the period in excess of policy account balances and interest credited to policy account balances.

Interest and similar income/expense

Interest income and interest expense are recognized on an accrual basis. Interest income is recognized using the effective interest method. This line item also includes dividends from available-for-sale equity securities, interest recognized on finance leases and income from investments in associated entities and joint ventures. Dividends are recognized in income when declared. Interest on finance leases is recognized in income over the term of the respective lease so that a constant period yield based on the net investment is attained.

Income from investments in associated entities and joint ventures (net) represents the share of net income from entities accounted for using the equity method.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income includes all investment income, and realized and unrealized gains and losses from financial assets and liabilities carried at fair value through income. In addition, commissions attributable to trading operations and related interest expense and transaction costs are included in this line item.

Fee and commission income and expenses

In addition to traditional commission income received on security transactions, fee and commission income in the securities business also includes commissions received in relation to private placements, syndicated loans and financial advisory services. Other fees reflect fees from underwriting business (new issues), commissions received for trust and custody services, for the brokerage of insurance policies, and fees related to credit cards, home loans, savings contracts and real estate. Fee and commission income is recognized in Allianz Group's Banking segment when the corresponding service is provided.

Assets and liabilities held in trust by the Allianz Group in its own name, but for the account of third parties, are not reported in its consolidated balance sheet. Commissions received from such business are shown in fee and commission income.

Investment advisory fees are recognized as the services are performed. Such fees are primarily based on percentages of the market value of the assets under management. Investment advisory fees receivable for private accounts consist primarily of accounts billed on a quarterly basis. Private accounts may also generate a fee based on investment performance, which is recognized at the end of the respective contract period if the prescribed performance hurdles have been achieved.

Distribution and servicing fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Administration fees are recognized as the services are performed. Such fees are generally based on percentages of the market value of assets under management.

Income and expenses from fully consolidated private equity investments

All of the income from fully consolidated private equity investments and all of the expenses from fully consolidated private equity investments are presented in separate income and expense line items. Revenue from fully consolidated private equity investments is recognized upon customer acceptance of goods delivered and when services have been rendered.

Income taxes

Income tax expense consists of the current taxes on profits actually charged to the individual Allianz Group subsidiaries and changes in deferred tax assets and liabilities.

The calculation of deferred tax is based on temporary differences between the Allianz Group's carrying amounts of assets or liabilities in its consolidated balance sheet and their tax bases. The tax rates used for the calculation of deferred taxes are the local rates applicable in the countries concerned; changes to tax rates already adopted prior to or as of the consolidated balance sheet date are taken into account. Deferred tax assets are recognized only to the extent it is probable that sufficient future taxable income will be available for realization.

Other supplementary information

Derivative financial instruments

The Allianz Group's Property-Casualty and Life/Health segments use derivative financial instruments such as swaps, options and futures to hedge against changes in market prices or interest rates in their investment portfolios.

In the Allianz Group's Banking segment, derivative financial instruments are used both for trading purposes and to hedge against movements in interest rates, currency exchange rates and other price risks of investments, loans, deposit liabilities and other interest sensitive assets and liabilities.

Derivative financial instruments that do not meet the criteria for hedge accounting are reported at fair value as financial assets held for trading or financial liabilities held for trading. Gains or losses from these derivative financial instruments arising from valuation at fair value are included in income from financial assets and liabilities held for trading. This treatment is also

applicable for bifurcated embedded derivatives of hybrid financial instruments.

For derivative financial instruments used in hedge transactions that meet the criteria for hedge accounting ("accounting hedges"), the Allianz Group designates the derivative financial instrument as a fair value hedge, cash flow hedge, or hedge of a net investment in a foreign entity. The Allianz Group documents the hedge relationship, as well as its risk management objective and strategy for entering into various hedge transactions. The Allianz Group assesses, both at the hedge's inception and on an ongoing basis, whether the derivative financial instruments that are used for hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

Derivative financial instruments used in accounting hedges are recognized as follows:

Fair value hedges

Fair value hedges are hedges of a change in the fair value of a recognized financial asset or liability or a firm commitment due to a specified risk. Changes in the fair value of a derivative financial instrument, together with the share of the change in fair value of the hedged item attributable to the hedged risk are recognized in net income.

Cash flow hedges

Cash flow hedges offset the exposure to variability in expected future cash flows that is attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction. Changes in the fair value of a derivative financial instrument that represent an effective hedge are recorded in unrealized gains and losses (net) in shareholders' equity, and are recognized in net income when the offsetting gain or loss associated with the hedged item is recognized. Any ineffectiveness of the cash flow hedge is recognized directly in net income.

Hedges of a net investment in a foreign entity

Hedge accounting may be applied to derivative financial instruments used to hedge the foreign currency risk associated with a net investment in a foreign entity. The proportion of gains or losses arising from valuation of the derivative financial instrument, which is determined to be an effective hedge, is recognized in unrealized gains and losses (net) in shareholders' equity, while any ineffectiveness is recognized in net income.

For all fair value hedges, cash flow hedges, and hedges of a net investment in a foreign entity, the derivative financial instruments are included in other assets or other liabilities.

The Allianz Group discontinues hedge accounting prospectively when it is determined that the derivative financial instrument is no longer highly effective, when the derivative financial instrument or the hedged item expires, or is sold, terminated or exercised, or when the Allianz Group determines that designation of the derivative financial instrument as a hedging instrument is no longer appropriate. After a fair value hedge is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value, but changes in the fair value of the hedged item are no longer recognized in net income. After hedge accounting for a cash flow hedge is discontinued, the Allianz Group continues to record the derivative financial instrument at its fair value; any net unrealized gains and losses accumulated in shareholders' equity are recognized when the planned transaction occurs. After a hedge of a net investment in a foreign entity is discontinued, the Allianz Group continues to report the derivative financial instrument at its fair value and any net unrealized gains or losses accumulated in shareholders' equity remain in shareholders' equity until the disposal of the foreign entity.

Derivative financial instruments are netted when there is a legally enforceable right to offset with the same counterparty and the Allianz Group intends to settle on a net basis.

Leases

Payments made under operating leases to the lessor are charged to administrative expenses using the straight-line method over the period of the lease. When an operating lease is terminated before the lease period has expired, any penalty is recognized in full as an expense at the time when such termination takes place.

Pensions and similar obligations

The Allianz Group uses the projected unit credit actuarial method to determine the present value of its defined benefit plans and the related service cost and, where applicable, past service cost. The principal assumptions used by the Allianz Group are included in Note 47. The census date for the primary pension plans is October or November, with any significant changes through December 31, taken into account.

For each individual defined benefit pension plan, the Allianz Group recognizes a portion of its actuarial gains and losses in income or expense if the unrecognized actuarial net gain or loss at the end of the previous reporting period exceeds the greater of: a) 10% of the projected benefit obligation at that date; or b) 10% of the fair value of any plan assets at that date. Any unrecognized actuarial net gain or loss exceeding the greater of these two values is generally recognized in net periodic benefit cost in the consolidated income statement over the expected average remaining working lives of the employees participating in the plans.

Share-based compensation plans

The share-based compensation plans of the Allianz Group are required to be classified as equity settled or cash settled plans. Equity settled plans are measured at fair value on the grant date and recognized as an expense, with an increase in shareholders' equity, over the vesting period. Equity settled plans include a best estimate of the number of equity instruments that are expected to vest in determining the amount of expense to be recognized. For cash settled plans, the Allianz Group accrues the fair value of the award as compensation expense over the vesting period. Upon vesting, any change in the fair value of any unexercised awards is recognized as compensation expense.

Restructuring plans

Provisions for restructuring are recognized when the Allianz Group has a detailed formal plan for the restructuring and has started to implement the plan or has communicated its main features. The detailed formal plan includes the business concerned, approximate number of employees who will be compensated for terminating their services, the expenses to be incurred and the time period over which the plan will be implemented. The detailed plan must be communicated such that those affected have an expectation that the plan will be implemented.

Reclassifications

For reasons of comparability with the current reporting year, some prior-year amounts were adjusted in the consolidated balance sheet and the consolidated income statements through reclassifications that do not affect net income or shareholders' equity.

Certain immaterial amounts of unearned premium were previously netted against DAC in the consolidated balance sheets and against the related amortization

account in the income statements. All periods have now been presented on a gross basis.

3 Recently adopted and issued accounting pronouncements and changes in the presentation of the consolidated financial statements

Recently adopted accounting pronouncements (effective January 1, 2006)

In December 2004, the IASB issued an amendment to IAS 19, Employee Benefits, relating to the recognition of actuarial gains and losses and disclosure requirements for defined benefits plans. The amendment allows the Allianz Group the election to adopt an accounting policy to recognize actuarial gains and losses in the period in which they occur outside of net income. The Allianz Group did not elect to utilize this option; however, this amendment requires additional disclosure requirements with respect to defined benefit plans that have been incorporated into the consolidated financial statements for the year ended December 31, 2006.

In April 2005, the IASB issued an amendment to IAS 39, Financial Instruments: Recognition and Measurement, related to the cash flow hedge accounting of intragroup transactions. The Allianz Group adopted this amendment as of January 1, 2006 with no material effect on its financial results or financial position.

In August 2005, the IASB issued amendments to IAS 39 and IFRS 4, Insurance Contracts, relating to the recognition and measurement of financial guarantee contracts. The amendments require that financial guarantee contracts be initially measured at fair value. After initial recognition, the financial guarantee contracts are measured at the higher of the amount determined in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, and the amount initially recognized less cumulative amortization recognized in accordance with IAS 18, Revenue. The amendment is effective January 1, 2006; however, the Allianz Group will be required to retrospectively apply the provisions of the amendments to reporting periods prior to January 1, 2006. As the Allianz Group previously applied US GAAP to its credit insurance contracts, the amendments will not impact the insurance segments. The Allianz Group adopted these amendments as of January 1, 2006 with no material effect on its financial results or financial position.

Recently issued accounting pronouncements (effective on or after January 1, 2007)

In August 2005, the IASB issued an amendment to IAS 1, Presentation of Financial Statements. The amendment requires additional disclosures relating to the Allianz Group's capital. In addition, in August 2005, the IASB issued IFRS 7, Financial Instruments: Disclosures. This standard requires additional disclosures relating to the Allianz Group's financial instruments and insurance contracts. The amendment to IAS 1 and IFRS 7 are effective for the year ended December 31, 2007. The adoptions are not expected to have an impact on the Allianz Group's financial results or financial position.

In March 2006, the International Financial Reporting Interpretations Committee ("IFRIC") issued IFRIC 9, Reassessment of Embedded Derivatives. The Interpretation clarifies whether a reassessment should be made regarding whether an embedded derivative needs to be separated from the host contract after the initial hybrid contract has been recognized. IFRIC 9 concludes that reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 is effective for annual periods beginning on or after June 1, 2006. As the interpretation is consistent with the Allianz Group's existing policy, there is no expected impact on the Allianz Group's financial results or financial position.

In July 2006, the IFRIC issued IFRIC 10, Interim Financial Reporting and Impairment. IFRIC 10 address the potential conflict between requirements of IAS 34 and the requirements for recording impairment losses on goodwill in IAS 36 and certain financial assets in IAS 39. The interpretation prohibits the reversal of an impairment loss recognized in a previous interim period with respect to goodwill or an investment in either an equity instrument or a financial asset carried at cost. IFRIC 10 is effective for annual periods beginning on or after November 1, 2006. As the interpretation is consistent with the Allianz Group's existing policy, there is no expected impact on the Allianz Group's financial results or financial position.

In November 2006, the IASB issued IFRS 8, Operating Segments. IFRS 8 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and assess its performance (i.e., the

“management approach”). IFRS 8 requires explanations of how the segment information is prepared as well as reconciliations of total reportable segment revenues, total profits or losses, total assets, total liabilities, and other amounts disclosed for reportable segments to corresponding amounts recognized in the entity’s financial statements. IFRS 8 applies to annual financial statements for periods beginning on or after January 1, 2009. IFRS 8 will have no impact on the Allianz Group’s financial results or financial position. The Allianz Group is currently evaluating the potential impact, if any, that the adoption of IFRS 8 will have on the Group’s segment reporting.

In November 2006, the IFRIC issued IFRIC 11, Group and Treasury Share Transactions. IFRIC 11 addresses the application of IFRS 2 to share-based payment arrangements in three cases. When an entity chooses or is required to buy its own equity instruments to settle the share-based payment obligation, the arrangement should be accounted for as equity-settled share-based payment transactions. When a parent grants employees of a subsidiary rights to its equity instruments, assuming the transaction is recorded as an equity-settled transaction in the consolidated financial statements, the subsidiary would also record the transaction as an equity-settled transaction in its financial statements. When a subsidiary grants its employees rights to equity instruments of its parent, the subsidiary should record the transaction as a cash-settled share-based payment transaction. IFRIC 11 is effective for annual periods beginning on or after March 1, 2007. The interpretation does not impact the Allianz Group’s consolidated financial statements.

Changes in the presentation of the consolidated financial statements

The Allianz Group comprehensively reviewed its financial reporting methodology to improve the transparency of its financial results and ensure consistency with its peers. As a result of this review, the Allianz Group implemented numerous revisions to its financial reporting that were effective on January 1, 2006. The Allianz Group’s financial reporting reflects reclassifications in the consolidated balance sheets and consolidated income statements, changes to segment reporting, changes to operating profit methodology and changes to the consolidated statements of cash flows that reflects the continuous review of our evolving business.

Reclassifications

A significant portion of these revisions to financial reporting resulted from the implementation of changes to the presentation of certain financial information of the Allianz Group’s consolidated balance sheets and consolidated income statements. These revisions were implemented to improve transparency and result in the following:

- The line items in the consolidated income statements include aggregations of items which are similarly aggregated as the line items utilized for determining operating profit.
- The line items in the consolidated income statements include aggregations of items that allow the Allianz Group’s key performance indicators to be directly derived from the Allianz Group’s external financial results.
- The line items in the consolidated income statements include aggregations of items which are based more on the nature rather than the function.
- The line items in the consolidated balance sheets include aggregations of items which are consistently presented within the line items in the consolidated income statements.
- The line items in the consolidated balance sheets are relatively displayed in a liquidity format as required by IAS 1.

As a result, the Allianz Group’s previously reported consolidated balance sheets and consolidated income statements were reclassified to ensure consistency and comparability with the presentation as implemented on January 1, 2006. These reclassifications did not have an impact on the Allianz Group’s net income or shareholders’ equity for any previously reported period.

The key changes to the previous presentation in the Allianz Group’s consolidated balance sheets are:

- Financial assets and liabilities for unit linked contracts are presented as separate line items.
- Investments in associates and joint ventures have been reclassified to investments.
- Deferred acquisition costs, including present value of future profits and deferred sales inducements, are presented as a separate line item.

- Unearned premiums and reserves for loss and loss adjustment expenses are presented as separate line items.
- Financial liabilities for puttable equity instruments have been reclassified to other liabilities.
- Deferred tax assets and deferred tax liabilities are presented on a net basis to the extent the requirements of IAS 12 for offset are met.

The key changes to the previous presentation in the Allianz Group's consolidated income statements are:

- Interest and similar income includes share of earnings from investments in associates and joint ventures.
- Realized gains and realized losses are presented net as a separate line item. Realized gains/losses (net) include realized gains and losses from disposals of associates and subsidiaries and loans and advances to banks and customers.
- Income from fully consolidated private equity investments and expenses from fully consolidated private equity investments are presented as separate line items in the consolidated income statements. Fully consolidated private equity investments include the Four Seasons Health Care Ltd., Wilmslow and MAN Roland Druckmaschinen AG, Offenbach.
- Impairments and reversals of impairments are presented net as a separate line item. Impairments of investments (net) include impairments and reversals of impairments of investments in associates and joint ventures.
- Changes in reserves for insurance and investment contracts (net) are presented as a separate line item.
- Fee and commission expenses and investment expenses are presented as separate line items.
- Foreign currency gains and losses and depreciation of real estate held for investment are included in investment expenses.
- Amortization of intangible assets includes amortization of intangible assets previously included in other expenses.
- Restructuring charges are presented as a separate line item. Restructuring charges were previously presented in other expenses.
- Acquisition and administrative expenses (net) include a significant portion of the amounts previously reported in other income and other expense. Acquisition and administrative expenses (net) include other taxes previously included in taxes.

Summary of the impact of the reclassifications on the consolidated balance sheet as of December 31, 2005:

	As of December 31, 2005, as previously reported € mn	Reclassifi- cations € mn	As of December 31, 2005 € mn
ASSETS			
Cash and cash equivalents	31,647	—	31,647
Financial assets carried at fair value through income	235,007	(54,661)	180,346
Investments ¹⁾	285,015	—	285,015
Loans and advances to banks and customers ²⁾	336,808	—	336,808
Financial assets for unit linked contracts	—	54,661	54,661
Reinsurance assets ³⁾	22,120	—	22,120
Deferred acquisition costs	—	18,141	18,141
Deferred tax assets	14,596	(9,297)	5,299
Other assets	57,303	(15,010)	42,293
Intangible assets	15,385	(2,427)	12,958
Total assets	997,881	(8,593)	989,288
LIABILITIES AND EQUITY			
Financial liabilities carried at fair value through income	144,640	(57,798)	86,842
Liabilities to banks and customers ⁴⁾	310,316	—	310,316
Unearned premiums	—	14,524	14,524
Reserves for loss and loss adjustment expenses	—	67,005	67,005
Reserves for insurance and investment contracts	359,137	(80,825)	278,312
Financial liabilities for unit linked contracts	—	54,661	54,661
Deferred tax liabilities	14,621	(9,297)	5,324
Other liabilities ⁵⁾	48,178	3,137	51,315
Certificated liabilities	59,203	—	59,203
Participation certificates and subordinated liabilities	14,684	—	14,684
Total liabilities	950,779	(8,593)	942,186
Shareholders' equity	39,487	—	39,487
Minority interests	7,615	—	7,615
Total equity	47,102	—	47,102
Total liabilities and equity	997,881	(8,593)	989,288

¹⁾ Includes investments in associated enterprises and joint ventures previously reported as a separate balance sheet line item.

²⁾ Includes loans and advances to banks and loans and advances to customers previously reported as two separate balance sheet line items.

³⁾ Formerly "Amounts ceded to reinsurers from reserves for insurance and investment contracts".

⁴⁾ Includes liabilities to banks and liabilities to customers previously reported as two separate balance sheet line items.

⁵⁾ Includes other accrued liabilities, other liabilities and deferred income previously reported as three separate balance sheet line items.

Summary of the impact of the reclassifications on the consolidated income statements for the years ended December 31, 2005 and 2004:

	Year ended December 31, 2005, as previously reported € mn	Reclassifi- cations € mn	Year ended December 31, 2005 € mn	Year ended December 31, 2004 as previously reported € mn	Reclassifi- cations € mn	Year ended December 31, 2004 € mn
Premiums earned (net)	57,747	(65)	57,682	56,789	—	56,789
Interest and similar income	22,341	303	22,644	20,956	240	21,196
Income from investments in associated enterprises and joint ventures (net)	1,257	(1,257)	—	777	(777)	—
Income from financial assets and liabilities carried at fair value through income (net)	1,159	4	1,163	1,658	19	1,677
Realized gains/losses (net) ¹⁾	4,710	268	4,978	5,179	(611)	4,568
Fee and commission income ²⁾	8,310	(148)	8,162	6,823	(10)	6,813
Other income	2,182	(2,090)	92	2,533	(2,204)	329
Income from fully consolidated private equity investments	—	598	598	—	175	175
Total income	97,706	(2,387)	95,319	94,715	(3,168)	91,547
Claims and insurance benefits incurred (net) ³⁾	(53,797)	11,027	(42,770)	(52,255)	9,449	(42,806)
Change in reserves for insurance and investment contracts (net)	—	(11,176)	(11,176)	—	(9,556)	(9,556)
Interest expense ⁴⁾	(6,370)	(7)	(6,377)	(5,703)	15	(5,688)
Loan loss provisions	109	—	109	(354)	—	(354)
Impairments of investments (net) ⁵⁾	(1,679)	1,139	(540)	(2,672)	1,197	(1,475)
Investment expenses	—	(1,092)	(1,092)	—	(767)	(767)
Acquisition costs and administrative expenses (net)	(24,447)	1,888	(22,559)	(23,380)	1,411	(21,969)
Fee and commission expenses	—	(2,312)	(2,312)	—	(1,804)	(1,804)
Amortization of intangible assets ⁶⁾	—	(50)	(50)	(1,164)	(198)	(1,362)
Restructuring charges	—	(100)	(100)	—	(347)	(347)
Other expenses	(3,642)	3,591	(51)	(4,091)	3,891	(200)
Expenses from fully consolidated private equity investments	—	(572)	(572)	—	(175)	(175)
Total expenses	(89,826)	2,336	(87,490)	(89,619)	3,116	(86,503)
Income before income taxes and minority interests in earnings	7,880	(51)	7,829	5,096	(52)	5,044
Income taxes ⁷⁾	(2,114)	51	(2,063)	(1,662)	52	(1,610)
Minority interests in earnings	(1,386)	—	(1,386)	(1,168)	—	(1,168)
Net income	4,380	—	4,380	2,266	—	2,266

1) Formerly "Other income from investments".

2) Formerly "Fee and commission income, and income from service activities".

3) Formerly "Insurance and investments contract benefits (net)".

4) Formerly "Interest and similar expenses".

5) Formerly "Other expenses from investments".

6) Formerly "Amortization of goodwill".

7) Formerly "Taxes".

Segment Reporting

Effective January 1, 2006, the Allianz Group introduced a Corporate segment. The Corporate segment includes all group activities which are not allocated to a specific business segment. Further, the Corporate segment includes group funding and risk management activities, such as the senior bonds, subordinated bonds and money market securities issued or guaranteed by Allianz SE and the related derivative financial instruments held by Allianz SE or one of its subsidiaries. The activities included in the Corporate segment were previously reported in the Property-Casualty segment.

In addition, the Allianz Group reclassified its life and health reinsurance assumed business to the Life/Health segment. This business was previously reported in the Property-Casualty segment.

Finally, the Allianz Group revised the presentation of elimination for intra- Allianz Group dividends. Intra-Allianz Group dividends are now eliminated by the subsidiary receiving the dividend. Intra-Allianz Group dividends were previously eliminated within the segment if the dividend-involved subsidiaries were within the same segment or eliminated in the consolidation adjustments if the dividend-involved subsidiaries were in different segments.

The effects of all of these changes to segment reporting were implemented retrospectively; therefore, all previously reported segment balance sheets and segment income statements were reclassified to ensure consistency and comparability with the presentation as implemented on January 1, 2006.

Operating Profit Methodology

As a result of the reclassifications and changes in segment reporting, as well as improving the consistency of external financial reporting with internal financial reporting, the methodology for defining operating profit was changed effective January 1, 2006. A summary of the key changes is as follows:

- Amortization of intangible assets and restructuring charges, except for the operating restructuring charges for the Life/Health segment, are non operating items for all segments.
- Realized gains/losses (net) from investments, shared with policyholders and impairments of investments (net), shared with policyholders are included in operating profit for the Property-Casualty and Life/Health segment.

- The policyholder participation in tax income/tax expenses on premium refunds arising in connection with tax exempted income/expenses is, similar to the recognition of premium refunds included in the operating profit of the Life/Health segment.

Summary of the impact of the changes to operating profit by segment for the years ended December 31, 2005 and 2004:

	Operating profit, as previously reported € mn	Changes € mn	Operating profit € mn
2005			
Property-Casualty	4,162	980	5,142
Life/Health	1,603	491	2,094
Banking	845	(141)	704
Asset Management	1,133	(1)	1,132
Corporate	—	(881)	(881)
Consolidation adjustments	—	(188)	(188)
Allianz Group	7,743	260	8,003
2004			
Property-Casualty	3,979	846	4,825
Life/Health	1,418	370	1,788
Banking	586	(139)	447
Asset Management	856	(17)	839
Corporate	—	(870)	(870)
Consolidation adjustments	—	(28)	(28)
Allianz Group	6,839	162	7,001

Cash Flow Statements

As a result of the reclassifications to the consolidated balance sheets and consolidated income statements discussed above, the Allianz Group made corresponding reclassifications to the consolidated statements of cash flows. In addition, the Allianz Group reclassified the following line items from operating activities to investing or financing activities in order to consistently present changes in interest-bearing assets and liabilities:

- Loans and advances to banks and customers are reclassified as investing activities.
- Liabilities to banks and customers are reclassified as financing activities.
- Aggregate policy reserves for universal-life type insurance and investment contracts are reclassified as financing activities.
- Certificated liabilities are reclassified as financing activities.

4 Consolidation

Scope of the consolidation

As of December 31, 2006, in addition to Allianz SE, 143 (2005: 169; 2004: 156) German and 824 (2005: 840; 2004: 907) foreign subsidiaries have been consolidated. As of December 31, 2006, 51 (2005: 67; 2004: 68) German and 21 (2005: 26; 2004: 29) foreign investment funds and 46 (2005: 35; 2004: 24) SPEs were also consolidated.

As of December 31, 2006, of the entities that have been consolidated, 9 (2005: 9; 2004: 9) subsidiaries have been consolidated where the Allianz Group owns less than majority of the voting power of the subsidiary, including CreditRas Vita S.p.A. ("CreditRas") and Antoniana Veneta Popolare Vita S.p.A. ("Antoniana"). The Allianz Group controls these entities on the basis of shareholder agreements between the Allianz Group subsidiary owning 50% of each such entity and the other shareholders. Pursuant to these shareholder agreements, the Allianz Group has the power to govern the financial and operating policies of these subsidiaries and the right to appoint the general manager, in the case of CreditRas, and the CEO, in the case of Antoniana, who have been given unilateral authority over all aspects of the financial and operating policies of these entities, including the hiring and termination of staff and the purchase and sale of assets. Furthermore, all management functions of these subsidiaries are performed by the employees of the Allianz Group and all operations are undertaken in Allianz Group's facilities. The Allianz Group also develops all insurance products written through these subsidiaries. Although the Allianz Group and the other shareholders each have the right to appoint half of the

directors of each subsidiary, the rights of the other shareholders are limited to matters specifically reserved to the board of directors and shareholders under Italian law, such as decisions concerning capital increases, amendments to articles and similar matters. In addition, in the case of Antoniana, the Allianz Group has the right to appoint the Chairman, who has double board voting rights, thereby giving the Allianz Group a majority of board votes. The shareholder agreements for CreditRas and Antoniana are subject to automatic renewal and are not terminable prior to their stated terms.

As of December 31, 2006, there were 9 (2005: 10; 2004: 11) joint ventures that were accounted for using the equity method; each of these entities is jointly managed by the Allianz Group together with a third party not consolidated in the Allianz Group's consolidated financial statements. As of December 31, 2006, there were 177 (2005: 150; 2004: 181) associated entities accounted for using the equity method.

All subsidiaries, joint ventures, and associated enterprises are individually listed in the disclosure of equity investments that will be published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's Website. The disclosure of equity investments includes individually listed commercial partnerships which are exempt from preparing single financial statements in accordance with section 264b of the German Commercial Code ("HGB") as they are included in the consolidated financial statements of the Allianz Group. Selected subsidiaries and associated entities are listed in the selected subsidiaries and other holdings section.

Acquisitions

	Effects on the Consolidated Financial Statements in the Year of Acquisition ¹⁾			
	Date of first-time consolidation	Revenues	Net income	Goodwill ²⁾
		€ mn	€ mn	€ mn
2006				
Home & Legacy Limited, London	6/15/2006	—	1	68
MAN Roland Druckmaschinen AG, Offenbach	7/18/2006	1,044	3	144
Premier Line Direct Limited, Lancaster	10/1/2006	7	1	36
2004				
Four Seasons Health Care Ltd., Wilmslow	8/18/2004	163 ³⁾	2	141

¹⁾ Consolidated in the business segments.

²⁾ At the date of first-time consolidation.

³⁾ Income from service agreements (not included in total revenues of the Allianz Group).

2006 Acquisitions

MAN Roland Druckmaschinen AG, Offenbach

On July 18, 2006, the Allianz Group acquired 100.0% of MAN Roland Druckmaschinen AG, Offenbach at a purchase price of € 554 mn. MAN Roland is the world's second largest manufacturer of printing systems. The impact of the acquisition of MAN Roland Druckmaschinen AG, Offenbach, net of cash acquired, on the consolidated statements of cash flows for the year ended December 31, 2006 was:

As of December 31,	2006 € mn
Intangible assets	268
Loans and advances to banks and customers	386
Other assets	931
Liabilities to banks and customers	(491)
Other liabilities	(625)
Deferred tax liabilities	(125)
Acquisition of subsidiary, net of cash acquired	344

Disposals

2004 Acquisitions

Four Seasons Health Care Ltd., Wilmslow

On August 18, 2004, the Allianz Group acquired 100.0% of Four Seasons Health Care Ltd., Wilmslow at a purchase price of € 347 mn. Four Seasons Health Care Ltd., Wilmslow operates care homes and specialist centres in England, Scotland and Northern Ireland.

Effects on the Consolidated Financial Statements in the Year of Disposal¹⁾

	Date of deconsolidation	Revenues	Net income	Disposed goodwill charged to income ²⁾
		€ mn	€ mn	€ mn
2006				
Four Seasons Health Care Ltd., Wilmslow	8/31/2006	—	16	158
2005				
Cadence Capital Management Inc., Delaware	8/31/2005	17	5	39
DresdnerGrund-Fonds, Frankfurt am Main	12/22/2005	—	85	—
2004				
Allianz of Canada, Inc., Toronto	9/12/2004	458	105	31
Allianz President General Insurance Co. Ltd., Taipeh	9/27/2004	69	10	4
ENTENIAL, Guyancourt	4/2/2004	—	—	(5)

¹⁾ Consolidated in the business segments.

²⁾ At the date of deconsolidation.

2006 Disposals

Four Seasons Health Care Ltd., Wilmslow

On August 31, 2006, the Allianz Group sold its shares in Four Seasons Health Care Ltd., Wilmslow. The proceeds from sale of these shares amounted to € 863 mn.

2005 Disposals

DresdnerGrund-Fonds, Frankfurt am Main

On December 22, 2005, the Allianz Group sold its shares in DresdnerGrund-Fonds, Frankfurt am Main. The proceeds from sale of these shares amounted to € 2,029 mn.

Acquisitions and disposals of minority interests

2006

Riunione Adriatica di Sicurtà S.p.A., Milan ("RAS")

On October 13, 2006, the Allianz Group increased its interest in RAS by 23.7% to 100.0% followed by the merger of RAS with and into Allianz AG. The acquisition cost for the additional interest was € 3,653 mn. This transaction was accounted for as a transaction between equity holders; therefore, the Allianz Group recorded a decrease in shareholders' equity of € 1,994 mn and a decrease of minority interests of € 1,659 mn.

Allianz Global Investors of America L.P., Delaware

During the year ended December 31, 2006, the Allianz Group increased its interest in Allianz Global Investors of America L.P., Delaware, by 0.3% to 97.3%. The acquisition cost for the additional interest was € 70 mn. This transaction was accounted for as a transaction between equity holders; therefore, the Allianz Group recorded a decrease in shareholders' equity of € 70 mn.

2005

Riunione Adriatica di Sicurtà S.p.A., Milan ("RAS")

On November 30, 2005, the Allianz Group increased its interest in RAS, by 20.7% to 76.3%. The acquisition cost for the additional interest was € 2,701 mn. This transaction was accounted for as a transaction between equity holders; therefore, the Allianz Group recorded a decrease in shareholders' equity of € 1,339 mn and a decrease of minority interests of € 1,362 mn.

Allianz Global Investors of America L.P., Delaware

During the year ended December 31, 2005, the Allianz Group increased its interest in Allianz Global Investors of America L.P., Delaware, by 3.4% to 97.0%. The acquisition cost for the additional interest was € 209 mn. This transaction was accounted for as a transaction between equity holders; therefore, the Allianz Group recorded a decrease in shareholders' equity of € 209 mn.

Bayerische Versicherungsbank AG, Munich (was merged in January 2006 retroactively effective October 1, 2005 into Allianz Versicherungs-Aktiengesellschaft, Munich)

On November 15, 2005, the Allianz Group increased its interest in Bayerische Versicherungsbank AG, Munich, by 10.0% to 100.0%. The acquisition cost for the additional interest was € 22 mn. This transaction was accounted for as a transaction between equity holders; therefore, the Allianz Group recorded an increase in shareholders' equity of € 82 mn and a decrease of minority interest of € 104 mn.

Assurances Générales de France, Paris

During the year ended December 31, 2005, Assurances Générales de France, Paris issued shares to plan participants as a result of exercises of share options. These issuances resulted in a decrease in the Allianz Group's ownership interest in Assurances Générales de France, Paris from 62% at December 31, 2004 to 61% at December 31, 2005. These transactions were accounted

for as transactions between equity holders; therefore, the Allianz Group recorded an increase in shareholders' equity of € 19 mn and an increase in minority interests of € 127 mn.

2004

Allianz Global Investors of America L.P., Delaware

In January, April and November 2004, the Allianz Group increased its interest in Allianz Global Investors of America L.P., Delaware, by a total of 9.7% to 93.6%, resulting in additional goodwill of € 583 mn. The acquisition cost for the additional interest was € 598 mn.

5 Segment reporting

As a result of the Allianz Group's worldwide organization, the business activities of the Allianz Group are first segregated by product and type of service: insurance activities, banking activities, asset management activities and corporate activities. Due to differences in the nature of products, risks and capital allocation, insurance activities are further divided between property-casualty and life/health categories. Thus, the Allianz Group's segments are structured as Property-Casualty, Life/Health, Banking, Asset Management and Corporate. Based on various legal, regulatory and other operational issues associated with operating entities in jurisdictions worldwide, the segments of the Allianz Group are also further analyzed by geographical areas or regions in matrixes that comprise a number of profit and service-center segments (see following pages). This geographic analysis is performed to provide further understanding of trends and results underlying the segment data.

Property-Casualty

The Allianz Group is the largest German property-casualty insurance company based on gross premiums written during the year ended December 31, 2006. Principal product lines offered primarily within Germany include automobile liability and other automobile insurance, fire and property insurance, personal accident insurance, liability insurance and legal expense insurance. The Allianz Group is also among the largest property-casualty insurance companies in other countries, including France, Italy, the United Kingdom, Switzerland and Spain. The Allianz Group conducts its property-casualty insurance operations in these countries through five main groups of operating entities

in France, primarily offering automobile, property, injury and liability insurance for both individual and corporate customers; Italy, operating in all personal and commercial property-casualty lines in particular personal automobile insurance; the United Kingdom, offering products generally similar to those offered by the Allianz Group's German property-casualty operations as well as a number of specialty products, including extended warranty and pet insurance; Switzerland, offering property-casualty insurance, travel and assistance insurance, conventional reinsurance as well as a variety of alternative risk transfer products for corporate customers worldwide; and Spain, offering a wide variety of traditional personal and commercial property-casualty insurance products, with an emphasis on automobile insurance.

Life/Health

The Allianz Group is the largest provider of life insurance and the third largest provider of health insurance in Germany as measured by gross premiums written during the year ended December 31, 2006. Germany is the Allianz Group's most important market for life/health insurance. The Allianz Group's German life insurance companies offer a comprehensive and unified range of life insurance and life insurance-related products on both an individual and group basis. The main classes of coverage offered include endowment life insurance, annuity policies, term life insurance, unit linked annuities, and other life insurance-related forms of cover, which are provided as riders to other policies and on a stand-alone basis. The Allianz Group's German health insurance companies provide a wide range of health insurance products, including full private healthcare coverage for the self-employed, salaried employees and civil servants, supplementary insurance for people insured under statutory health insurance plans, daily sickness allowance for the self-employed and salaried employees, hospital daily allowance, supplementary care insurance and foreign travel medical expenses insurance. The Allianz Group also maintains significant life/health operations in the United States, offering a wide variety of life insurance, fixed and variable annuity contracts, including equity-indexed annuities to individuals, and long-term care insurance to individual and corporate customers. Italy and France are also markets where the Allianz Group maintains a significant presence offering products such as unit linked and investment-oriented products, health insurance and individual and group life insurance.

Banking

The Allianz Group's banking operations primarily comprise the operations of the Dresdner Bank AG and subsidiaries, hereafter "Dresdner Bank Group", whose principal banking products and services include traditional commercial banking activities such as deposit taking, lending (including residential mortgage lending) and cash management, as well as corporate finance advisory services, mergers and acquisitions advisory services, capital and money market services, securities underwriting and securities trading and derivatives business on its own account and for its customers. The Allianz Group operates through the domestic and international branch network of the Dresdner Bank Group and through various subsidiaries both in Germany and abroad, some of which also have branch networks.

Asset Management

The Allianz Group's Asset Management segment operates as a global provider of institutional and retail asset management products and services to third-party investors and provides investment management services to the Allianz Group's insurance operations. The Allianz Group managed € 764 bn of third-party assets on a worldwide basis as of December 31, 2006, with key management centers in Munich, Frankfurt, London, Paris, Singapore, Hong Kong, Milan, Westport (Connecticut) and San Francisco, San Diego and Newport Beach (California). The United States is the Allianz Group's largest geographic region for third-party assets under management accounting for approximately 57.1% (2005: 59.6% and 2004: 59.5%) of the total third-party assets under management. As measured by total assets under management at December 31, 2006, the Allianz Group is one of the five largest asset managers in the world.

Corporate

The Corporate segment includes all group activities which are not allocated to a specific business segment. Further, the Corporate segment includes group funding and risk management activities, such as the senior bonds, subordinated bonds and money market securities issued or guaranteed by Allianz SE and the related derivative financial instruments held by Allianz SE or one of its subsidiaries. The activities included in the Corporate segment were previously reported in the Property-Casualty segment.

Allianz Group Business Segment Information – Consolidated Balance Sheets

As of December 31,	Property-Casualty		Life/Health		Banking	
	2006 € mn	2005 € mn	2006 € mn	2005 € mn	2006 € mn	2005 € mn
ASSETS						
Cash and cash equivalents	4,100	3,793	6,998	5,874	21,528	21,848
Financial assets carried at fair value through income	4,814	2,243	11,026	10,564	139,505	165,928
Investments	88,819	87,587	190,607	183,350	17,803	17,323
Loans and advances to banks and customers	16,825	15,873	85,769	84,072	313,709	249,212
Financial assets for unit linked contracts	—	—	61,864	54,661	—	—
Reinsurance assets	11,437	12,728	7,966	9,494	—	—
Deferred acquisition costs	3,704	3,563	15,381	14,550	—	—
Deferred tax assets	1,651	1,775	503	567	1,679	2,016
Other assets	17,737	16,607	12,891	12,505	9,571	12,273
Intangible assets	1,653	1,595	2,399	2,390	2,285	2,283
Total assets	150,740	145,764	395,404	378,027	506,080	470,883

As of December 31,	Property-Casualty		Life/Health		Banking	
	2006 € mn	2005 € mn	2006 € mn	2005 € mn	2006 € mn	2005 € mn
LIABILITIES AND EQUITY						
Financial liabilities carried at fair value through income	1,070	132	5,251	3,517	72,215	82,080
Liabilities to banks and customers	4,473	4,383	7,446	5,479	350,148	301,586
Unearned premiums	12,994	12,945	1,874	1,580	—	—
Reserves for loss and loss adjustment expenses	58,664	60,259	6,804	6,806	—	—
Reserves for insurance and investment contracts	8,956	9,161	278,701	269,433	—	2
Financial liabilities for unit linked contracts	—	—	61,864	54,661	—	—
Deferred tax liabilities	3,902	4,155	1,181	1,800	83	405
Other liabilities	18,699	16,491	16,314	18,454	12,140	12,557
Certificated liabilities	657	412	3	4	46,191	50,719
Participation certificates and subordinated liabilities	1,605	1,634	66	141	8,456	7,428
Total liabilities	111,020	109,572	379,504	361,875	489,233	454,777

Asset Management		Corporate		Consolidation		Group	
2006	2005	2006	2005	2006	2005	2006	2005
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
767	476	536	166	(898)	(510)	33,031	31,647
985	1,031	1,158	956	(619)	(376)	156,869	180,346
774	832	96,652	88,130	(96,521)	(92,207)	298,134	285,015
367	477	2,963	2,180	(11,355)	(15,006)	408,278	336,808
—	—	—	—	—	—	61,864	54,661
—	—	—	—	(43)	(102)	19,360	22,120
50	28	—	—	—	—	19,135	18,141
196	213	1,473	1,840	(775)	(1,112)	4,727	5,299
3,471	3,567	7,020	5,331	(11,797)	(7,990)	38,893	42,293
6,334	6,690	264	—	—	—	12,935	12,958
12,944	13,314	110,066	98,603	(122,008)	(117,303)	1,053,226	989,288

Asset Management		Corporate		Consolidation		Group	
2006	2005	2006	2005	2006	2005	2006	2005
€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
—	—	1,713	1,492	(550)	(379)	79,699	86,842
605	667	7,293	9,985	(8,887)	(11,784)	361,078	310,316
—	—	—	—	—	(1)	14,868	14,524
—	—	—	—	(4)	(60)	65,464	67,005
—	—	306	(78)	(266)	(206)	287,697	278,312
—	—	—	—	—	—	61,864	54,661
46	54	171	22	(765)	(1,112)	4,618	5,324
3,689	3,876	14,149	11,931	(15,227)	(11,994)	49,764	51,315
—	4	9,265	8,956	(1,194)	(892)	54,922	59,203
—	—	7,099	6,428	(864)	(947)	16,362	14,684
4,340	4,601	39,996	38,736	(27,757)	(27,375)	996,336	942,186
Total equity						56,890	47,102
Total liabilities and equity						1,053,226	989,288

Allianz Group Business Segment Information – Consolidated Income Statements

	Property-Casualty			Life/Health			Banking		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
Premiums earned (net)	37,950	37,685	37,385	20,574	19,997	19,404	—	—	—
Interest and similar income	4,096	3,747	3,615	12,972	12,057	11,493	7,312	7,321	6,545
Income from financial assets and liabilities carried at fair value through income (net)	189	164	25	(361)	258	198	1,335	1,163	1,509
Realized gains/losses (net)	1,792	1,421	1,055	3,282	2,731	2,007	492	1,020	543
Fee and commission income	1,014	989	782	630	507	224	3,598	3,397	3,237
Other income	69	53	288	43	45	44	25	11	4
Income from fully consolidated private equity investments	—	—	—	—	—	—	—	—	—
Total income	45,110	44,059	43,150	37,140	35,595	33,370	12,762	12,912	11,838
Claims and insurance benefits incurred (net)	(24,672)	(25,331)	(25,271)	(17,625)	(17,439)	(17,535)	—	—	—
Change in reserves for insurance and investment contracts (net)	(425)	(707)	(611)	(10,525)	(10,443)	(8,746)	—	—	—
Interest expense	(273)	(339)	(417)	(280)	(452)	(452)	(4,592)	(5,027)	(4,189)
Loan loss provisions	(2)	(1)	(7)	(1)	—	(3)	(28)	110	(344)
Impairments of investments (net)	(200)	(95)	(144)	(390)	(199)	(281)	(215)	(184)	(509)
Investment expenses	(300)	(333)	(204)	(750)	(567)	(649)	(47)	(30)	(25)
Acquisition and administrative expenses (net)	(10,590)	(10,216)	(10,192)	(4,437)	(3,973)	(3,711)	(5,605)	(5,661)	(5,643)
Fee and commission expenses	(721)	(775)	(530)	(223)	(219)	(145)	(590)	(547)	(530)
Amortization of intangible assets	(1)	(11)	(403)	(26)	(13)	(168)	—	(1)	(281)
Restructuring charges	(362)	(68)	(32)	(174)	(18)	(24)	(424)	(13)	(292)
Other expenses	(4)	(17)	(39)	(9)	(1)	(43)	14	(33)	(117)
Expenses from fully consolidated private equity investments	—	—	—	—	—	—	—	—	—
Total expenses	(37,550)	(37,893)	(37,850)	(34,440)	(33,324)	(31,757)	(11,487)	(11,386)	(11,930)
Income before income taxes and minority interests in earnings	7,560	6,166	5,300	2,700	2,271	1,613	1,275	1,526	(92)
Income taxes	(2,075)	(1,804)	(1,751)	(641)	(488)	(458)	(263)	(387)	302
Minority interests in earnings	(739)	(827)	(681)	(416)	(425)	(333)	(94)	(102)	(101)
Net income (loss)	4,746	3,535	2,868	1,643	1,358	822	918	1,037	109

Asset Management			Corporate			Consolidation			Group		
2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
—	—	—	—	—	—	—	—	—	58,524	57,682	56,789
112	90	63	509	416	395	(1,045)	(987)	(915)	23,956	22,644	21,196
38	19	11	(334)	(441)	(61)	73	—	(5)	940	1,163	1,677
7	6	17	861	172	1,225	(283)	(372)	(279)	6,151	4,978	4,568
4,186	3,746	3,096	190	164	137	(762)	(641)	(663)	8,856	8,162	6,813
11	11	14	28	—	—	(90)	(28)	(21)	86	92	329
—	—	—	1,392	598	175	—	—	—	1,392	598	175
4,354	3,872	3,201	2,646	909	1,871	(2,107)	(2,028)	(1,883)	99,905	95,319	91,547
—	—	—	—	—	—	—	—	—	(42,297)	(42,770)	(42,806)
—	—	—	—	—	(204)	(425)	(26)	5	(11,375)	(11,176)	(9,556)
(41)	(33)	(13)	(1,282)	(1,321)	(1,361)	709	795	744	(5,759)	(6,377)	(5,688)
—	—	—	(5)	—	—	—	—	—	(36)	109	(354)
(2)	—	—	32	(62)	(505)	—	—	(36)	(775)	(540)	(1,475)
—	(1)	(8)	(215)	(345)	(44)	204	184	163	(1,108)	(1,092)	(767)
(2,286)	(2,277)	(2,026)	(655)	(516)	(540)	87	84	143	(23,486)	(22,559)	(21,969)
(1,262)	(1,110)	(918)	(127)	(92)	(84)	572	431	403	(2,351)	(2,312)	(1,804)
(24)	(25)	(510)	—	—	—	—	—	—	(51)	(50)	(1,362)
(4)	(1)	—	—	—	—	—	—	1	(964)	(100)	(347)
—	—	(1)	—	—	—	—	—	—	1	(51)	(200)
—	—	—	(1,381)	(572)	(175)	—	—	—	(1,381)	(572)	(175)
(3,619)	(3,447)	(3,476)	(3,633)	(2,908)	(2,913)	1,147	1,468	1,423	(89,582)	(87,490)	(86,503)
735	425	(275)	(987)	(1,999)	(1,042)	(960)	(560)	(460)	10,323	7,829	5,044
(278)	(129)	52	824	741	263	420	4	(18)	(2,013)	(2,063)	(1,610)
(53)	(52)	(52)	(16)	(10)	(28)	29	30	27	(1,289)	(1,386)	(1,168)
404	244	(275)	(179)	(1,268)	(807)	(511)	(526)	(451)	7,021	4,380	2,266

Allianz Group Business Segment Information – Insurance

As of and for the years ended December 31,	Premiums earned (net)			Loss ratio ¹⁾		
	2006 € mn	2005 € mn	2004 € mn	2006 %	2005 %	2004 %
PROPERTY-CASUALTY						
Europe						
Germany ²⁾	9,844	10,048	9,702	65.1	63.0	66.6
France	4,429	4,375	4,484	71.0	74.0	73.5
Italy	4,935	4,964	4,840	68.8	69.3	69.4
United Kingdom	1,874	1,913	2,012	64.1	65.4	65.1
Switzerland	1,706	1,708	1,659	69.3	74.9	72.9
Spain	1,675	1,551	1,454	71.0	71.4	72.2
Western and Southern Europe	2,819	2,863	2,985	61.7	63.2	67.0
New Europe	1,388	1,313	1,151	61.0	61.6	67.7
Subtotal	28,670	28,735	28,287	—	—	—
NAFTA Region	3,623	3,566	3,901	58.4	67.1	64.4
Asia-Pacific	1,336	1,280	1,243	68.7	68.0	72.7
South America	623	510	378	64.8	64.5	64.7
Other	32	30	33	—	—	—
Specialty Lines						
Credit Insurance	1,113	997	901	49.7	41.3	40.8
Allianz Global Corporate and Specialty ²⁾	1,545	1,633	1,779	62.5	91.1	70.5
Travel Insurance and Assistance Services	1,008	934	863	58.7	60.3	59.7
Subtotal	3,666	3,564	3,543	—	—	—
Subtotal	37,950	37,685	37,385	—	—	—
Consolidation adjustments³⁾	—	—	—	—	—	—
Total	37,950	37,685	37,385	65.0	67.2	67.6

As of and for the years ended December 31,	Statutory premiums ⁴⁾			Statutory expense ratio ⁵⁾		
	2006 € mn	2005 € mn	2004 € mn	2006 %	2005 %	2004 %
LIFE/HEALTH						
Europe						
Germany Life	13,009	12,231	10,938	9.1	8.1	9.9
Germany Health	3,091	3,042	3,020	9.3	9.1	9.6
Italy	8,555	9,313	8,738	6.4	5.4	3.0
France	5,792	5,286	4,719	12.6	15.1	17.8
Switzerland	1,005	1,058	1,054	9.9	8.7	10.2
Spain	629	547	676	9.3	7.4	5.9
Western and Southern Europe	1,655	1,546	1,749	14.8	13.3	17.6
New Europe	828	479	391	19.6	25.7	27.0
Subtotal	34,564	33,502	31,285	—	—	—
United States	8,758	11,115	11,234	8.0	4.8	2.4
Asia-Pacific	3,733	3,309	2,550	11.2	12.0	12.6
South America	147	141	64	16.9	17.7	26.6
Other⁶⁾	439	455	911	—	—	—
Subtotal	47,641	48,522	46,044	—	—	—
Consolidation adjustments³⁾	(220)	(250)	(811)	—	—	—
Total	47,421	48,272	45,233	9.6	8.4	8.5

¹⁾ Represents claims and insurance benefits incurred (net) divided by premiums earned (net).

²⁾ With effect from the first quarter of 2006, we have combined the activities of the former Allianz Global Risks Re and Allianz Marine & Aviation, as well as the corporate customer business of Allianz Sach, which was formerly included within property-casualty Germany. Additionally, with effect from the second quarter of 2006, we have included Allianz Global Risks US, which was formerly presented within NAFTA, within the newly combined entity Allianz Global Corporate & Specialty. Prior year balances have been adjusted to reflect this reclassification and allow for comparability across periods.

³⁾ Represents elimination of intercompany transactions between Allianz Group subsidiaries in different geographic regions.

⁴⁾ Statutory premiums are gross premiums written from sales of life insurance policies, as well as gross receipts from sales of unit-linked and other investment-oriented products, in accordance with the statutory accounting practices applicable in the insurer's home jurisdiction.

⁵⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

⁶⁾ Contains, among others, the life/health business assumed by Allianz SE, which was previously reported under property-casualty Germany in the Property-Casualty segment. Prior year balances have been adjusted to reflect this reclassification and allow for comparability across periods.

Expense ratio ⁷⁾			Operating profit (loss)			Total assets	
2006	2005	2004	2006	2005	2004	2006	2005
%	%	%	€ mn	€ mn	€ mn	€ mn	€ mn
		26.4	1,479	1,765	1,524	49,570	46,625 ⁸⁾
27.8	26.4	27.0	420	227	245	14,395	15,627
28.2	28.0		816	741	686	30,373	30,225
23.0	24.3	30.6	281	268	276	7,344	7,026
31.6	30.8	20.5	228	153	148	5,832	6,298
23.5	22.9	18.9	252	217	197	3,990	3,797
19.3	20.0	27.7	550	494	434	7,686	7,969
28.5	28.0	29.1	201	213	146	3,427	3,049
30.2	29.3		4,227	4,078	3,656	122,617	120,616
—	—	30.1	825	495	406	13,591	8,018
—	—	27.3	244	252	154	6,880	5,111
—	—	38.0	47	61	8	1,295	1,228
—	—		(7)	7	10	211	209
—	—						
27.9	25.7	35.2	442	420	350	4,674	4,763
29.7	31.3	29.2	404	(254)	178	17,929	14,637 ⁹⁾
43.1	33.0	35.8	90	77	59	1,246	1,161
—	—		936	243	587	23,849	20,561
—	—		6,272	5,136	4,821	168,443	155,743
—	—		(3)	6	4	(17,703)	(9,979)
—	—						
27.9	27.1	27.3	6,269	5,142	4,825	150,740	145,764

Operating profit (loss)			Total assets	
2006	2005	2004	2006	2005
€ mn	€ mn	€ mn	€ mn	€ mn
		262	154,178	146,946
521	347	137	19,022	18,136
184	159	276	49,905	50,085
339	334	359	69,231	67,076
582	558	35	9,053	9,305
50	55	66	5,840	5,639
92	71	206	16,693	15,833
182	166	23	2,537	1,924
50	34		326,459	314,944
2,000	1,724	376	56,371	55,466
418	257	62	13,061	11,497
81	27	4	259	272
1	2	(8)	286	250
74	92		396,436	382,429
2,574	2,102	1,798	(1,032)	(4,402)
(9)	(8)	(10)	395,404	378,027
2,565	2,094	1,788		

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

⁸⁾ Includes the corporate customer segment business of Allianz Sach.

⁹⁾ Does not include the corporate customer segment business of Allianz Sach, previously included within property-casualty Germany.

Allianz Group Business Segment Information – Banking

BANKING SEGMENT – BY DIVISION

	Operating revenues			Operating profit (loss)			Cost-income ratio		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 %	2005 %	2004 %
Private & Business Clients ¹⁾	3,204	3,033	2,974	653	470	187	76.6	80.0	86.5
Corporate & Investment Banking ¹⁾	3,525	3,038	3,005	692	513	515	80.0	83.6	81.1
Corporate Other ²⁾	82	(32)	378	16	(353)	(248)	— ³⁾	— ³⁾	— ³⁾
Dresdner Bank	6,811	6,039	6,357	1,361	630	454	79.6	91.4	87.6
Other Banks ⁴⁾	277	279	219	61	74	(7)	76.0	72.4	100.0
Total	7,088	6,318	6,576	1,422	704	447	79.5	90.6	88.0

¹⁾ Our reporting by divisions reflects the organizational changes within Dresdner Bank in 2006, resulting in two operating divisions. Private & Business Clients combines all banking activities for private and corporate customers formerly provided by the Personal Banking and Private & Business Banking divisions. Furthermore, Corporate & Investment Banking combines the former Corporate Banking and Dresdner Kleinwort divisions. Prior year balances have been adjusted accordingly to reflect these reorganization measures and allow for comparability across periods. After a final agreement between the Board of Management and the works council of Dresdner Bank AG in late December 2006 and effective starting with the first quarter of 2007, the future business model of Dresdner Bank will consist of two new operating divisions Private & Corporate Clients and Investment Banking. According to this future business model, we will integrate our business activities with medium-sized corporate clients into that with private and business clients. In the table above, our medium-sized business clients remain part of Corporate & Investment Banking. The future business model with the two new business divisions Private & Corporate Clients and Investment Banking is not reflected in the table above.

²⁾ The Corporate Other division contains income and expense items that are not assigned to Dresdner Bank's operating divisions. These items include impacts from the accounting treatment for derivative financial instruments used as a hedge which do not qualify for hedge accounting as well as provisioning requirements for country and general risks. For the years ended December 31, 2006, 2005 and 2004 the impact from the accounting treatment for derivative financial instruments used as a hedge which do not qualify for hedge accounting on Corporate Other's operating revenues amounted to € (47) mn, € (214) mn and € 7 mn, respectively. With effect from the first quarter of 2006, the majority of expenses for support functions and central projects previously included within Corporate Other have been allocated to the operating divisions. Additionally, the non-strategic Institutional Restructuring Unit was closed down effective September 30, 2005, having successfully completed its mandate to free-up risk capital through the reduction of non-strategic risk-weighted assets. Furthermore, effective in the first quarter of 2006, and as a result of Dresdner Bank restructuring its divisions, the Institutional Restructuring Unit's 2005 and 2004 results of operations were reclassified into Corporate Other. Prior year balances have been adjusted accordingly to reflect these reclassifications and allow for comparability across periods.

³⁾ Presentation not meaningful.

⁴⁾ Consists of non-Dresdner Bank banking operations within our Banking segment, as well as the elimination of trading income (net) of € 6 mn at Dresdner Bank resulting from Dresdner Bank's trading activities in Allianz SE shares during the year ended December 31, 2006.

BANKING SEGMENT – BY GEOGRAPHIC REGION

	Operating revenues			Operating profit (loss)		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
Germany	4,312	4,340	4,290	853	814	38
Rest of Europe	2,006	1,620	1,557	237	(105)	(27)
NAFTA	560	176	603	251	(78)	411
Rest of World	210	182	126	81	73	25
Total	7,088	6,318	6,576	1,422	704	447

Business Segment Information – Operating Profit

The Allianz Group evaluates the results of its Property-Casualty, Life/Health, Banking, Asset Management and Corporate segments using a financial performance measure referred to herein as “operating profit”. The Allianz Group defines segment operating profit as earnings from ordinary activities before taxes, excluding, as applicable for each respective segment, all or some of the following items: net capital gains and impairments on investments, net trading income, intra-Allianz Group dividends and profit transfer, interest expense on external debt, restructuring charges, other non-operating income/expenses, acquisition-related expenses and amortization of goodwill.

While these excluded items are significant components in understanding and assessing the Allianz Group’s consolidated financial performance, the Allianz Group believes that the presentation of operating results enhances the understanding and comparability of the

performance of its operating segments by highlighting net income attributable to ongoing segment operations and the underlying profitability of its businesses. For example, the Allianz Group believes that trends in the underlying profitability of its segments can be more clearly identified without the fluctuating effects of the realized capital gains and losses or impairments on investment securities, as these are largely dependent on market cycles or issuer-specific events over which the Allianz Group has little or no control, and can and do vary, sometimes materially, across periods. Further, the timing of sales that would result in such gains or losses is largely at the Allianz Group’s discretion. Operating profit is not a substitute for earnings from ordinary activities before taxes or net income as determined in accordance with IFRS. The Allianz Group’s definition of operating profit may differ from similar measures used by other companies, and may change over time.

The following table sets forth the total revenues, operating profit and net income for each of our business segments for the years ended December 31, 2006, 2005 and 2004, as well as consolidated net income of the Allianz Group.

Segment Information – Total Revenues and Operating Profit

	Property- Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation € mn	Allianz Group € mn
2006							
Total revenues ¹⁾	43,674	47,421	7,088	3,044	—	(98)	101,129
Operating profit (loss)	6,269	2,565	1,422	1,290	(831)	(329)	10,386
Non-operating items	1,291	135	(147)	(555)	(156)	(631)	(63)
Income (loss) before income taxes and minority interests in earnings	7,560	2,700	1,275	735	(987)	(960)	10,323
Income taxes	(2,075)	(641)	(263)	(278)	824	420	(2,013)
Minority interests in earnings	(739)	(416)	(94)	(53)	(16)	29	(1,289)
Net income (loss)	4,746	1,643	918	404	(179)	(511)	7,021
2005							
Total revenues ¹⁾	43,699	48,272	6,318	2,722	—	(44)	100,967
Operating profit (loss)	5,142	2,094	704	1,132	(881)	(188)	8,003
Non-operating items	1,024	177	822	(707)	(1,118)	(372)	(174)
Income (loss) before income taxes and minority interests in earnings	6,166	2,271	1,526	425	(1,999)	(560)	7,829
Income taxes	(1,804)	(488)	(387)	(129)	741	4	(2,063)
Minority interests in earnings	(827)	(425)	(102)	(52)	(10)	30	(1,386)
Net income (loss)	3,535	1,358	1,037	244	(1,268)	(526)	4,380
2004							
Total revenues ¹⁾	42,942	45,233	6,576	2,245	—	(47)	96,949
Operating profit (loss)	4,825	1,788	447	839	(870)	(28)	7,001
Non-operating items	475	(175)	(539)	(1,114)	(172)	(432)	(1,957)
Income (loss) before income taxes and minority interests in earnings	5,300	1,613	(92)	(275)	(1,042)	(460)	5,044
Income taxes	(1,751)	(458)	302	52	263	(18)	(1,610)
Minority interests in earnings	(681)	(333)	(101)	(52)	(28)	27	(1,168)
Net income (loss)	2,868	822	109	(275)	(807)	(451)	2,266

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

Property-Casualty Segment

	2006 € mn	2005 € mn	2004 € mn
Gross premiums written¹⁾	43,674	43,699	42,942
Ceded premiums written	(5,415)	(5,529)	(5,299)
Change in unearned premiums	(309)	(485)	(258)
Premiums earned (net)	37,950	37,685	37,385
Interest and similar income	4,096	3,747	3,615
Income from financial assets and liabilities designated at fair value through income (net) ²⁾	106	132	5
Realized gains/losses (net) from investments, shared with policyholders ³⁾	46	273	58
Fee and commission income	1,014	989	782
Other income	69	53	288
Operating revenues	43,281	42,879	42,133
Claims and insurance benefits incurred (net)	(24,672)	(25,331)	(25,271)
Changes in reserves for insurance and investment contracts (net)	(425)	(707)	(611)
Interest expense	(273)	(339)	(417)
Loan loss provisions	(2)	(1)	(7)
Impairments of investments (net), shared with policyholders ⁴⁾	(25)	(18)	(37)
Investment expenses	(300)	(333)	(204)
Acquisition and administrative expenses (net)	(10,590)	(10,216)	(10,192)
Fee and commission expenses	(721)	(775)	(530)
Other expenses	(4)	(17)	(39)
Operating expenses	(37,012)	(37,737)	(37,308)
Operating profit	6,269	5,142	4,825
Income from financial assets and liabilities held for trading (net) ²⁾	83	32	20
Realized gains/losses (net) from investments, not shared with policyholders ³⁾	1,746	1,148	997
Impairments of investments (net), not shared with policyholders ⁴⁾	(175)	(77)	(107)
Amortization of intangible assets	(1)	(11)	(403)
Restructuring charges	(362)	(68)	(32)
Non-operating items	1,291	1,024	475
Income before income taxes and minority interests in earnings	7,560	6,166	5,300
Income taxes	(2,075)	(1,804)	(1,751)
Minority interests in earnings	(739)	(827)	(681)
Net income	4,746	3,535	2,868
Loss ratio ⁵⁾ in %	65.0	67.2	67.6
Expense ratio ⁶⁾ in %	27.9	27.1	27.3
Combined ratio⁷⁾ in %	92.9	94.3	94.9

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

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

³⁾ The total of these items equals realized gains/losses (net) in the segment income statement.

⁴⁾ The total of these items equals impairments of investments (net) in the segment income statement.

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

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

⁷⁾ Represents the total of acquisition and administrative expenses (net) and claims and insurance benefits incurred (net) divided by premiums earned (net).

Life/Health Segment

	2006 € mn	2005 € mn	2004 € mn
Statutory premiums¹⁾	47,421	48,272	45,233
Ceded premiums written	(840)	(942)	(1,309)
Change in unearned premiums	(221)	(168)	(69)
Statutory premiums (net)	46,360	47,162	43,855
Deposits from SFAS 97 insurance and investment contracts	(25,786)	(27,165)	(24,451)
Premiums earned (net)	20,574	19,997	19,404
Interest and similar income	12,972	12,057	11,493
Income from financial assets and liabilities carried at fair value through income (net)	(361)	258	198
Realized gains/losses (net) from investments, shared with policyholders ²⁾	3,087	2,523	1,990
Fee and commission income	630	507	224
Other income	43	45	44
Operating revenues	36,945	35,387	33,353
Claims and insurance benefits incurred (net)	(17,625)	(17,439)	(17,535)
Changes in reserves for insurance and investment contracts (net)	(10,525)	(10,443)	(8,746)
Interest expense	(280)	(452)	(452)
Loan loss provisions	(1)	—	(3)
Impairments of investments (net), shared with policyholders	(390)	(199)	(281)
Investment expenses	(750)	(567)	(649)
Acquisition and administrative expenses (net)	(4,437)	(3,973)	(3,711)
Fee and commission expenses	(223)	(219)	(145)
Other expenses	(9)	(1)	(43)
Operating restructuring charges ³⁾	(140)	—	—
Operating expenses	(34,380)	(33,293)	(31,565)
Operating profit	2,565	2,094	1,788
Realized gains/losses (net) from investments, not shared with policyholders ²⁾	195	208	17
Amortization of intangible assets	(26)	(13)	(168)
Non-operating restructuring charges ³⁾	(34)	(18)	(24)
Non-operating items	135	177	(175)
Income before income taxes and minority interests in earnings	2,700	2,271	1,613
Income taxes	(641)	(488)	(458)
Minority interests in earnings	(416)	(425)	(333)
Net income	1,643	1,358	822
Statutory expense ratio⁴⁾ in %	9.6	8.4	8.5

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

²⁾ The total of these items equals realized gains/losses (net) in the segment income statement.

³⁾ The total of these items equals restructuring charges in the segment income statement.

⁴⁾ Represents acquisition and administrative expenses (net) divided by statutory premiums (net).

Banking Segment

	2006		2005		2004	
	Banking Segment ¹⁾ € mn	Dresdner Bank € mn	Banking Segment ¹⁾ € mn	Dresdner Bank € mn	Banking Segment ¹⁾ € mn	Dresdner Bank € mn
Net interest income ²⁾	2,720	2,645	2,294	2,218	2,356	2,264
Net fee and commission income ³⁾	3,008	2,841	2,850	2,693	2,707	2,574
Trading income (net) ⁴⁾	1,282	1,248	1,170	1,123	1,518	1,524
Income from financial assets and liabilities designated at fair value through income (net) ⁴⁾	53	53	(7)	(6)	(9)	(9)
Other income	25	24	11	11	4	4
Operating revenues⁵⁾	7,088	6,811	6,318	6,039	6,576	6,357
Administrative expenses	(5,605)	(5,384)	(5,661)	(5,452)	(5,643)	(5,416)
Investment expenses	(47)	(53)	(30)	(37)	(25)	(32)
Other expenses	14	14	(33)	(33)	(117)	(118)
Operating expenses	(5,638)	(5,423)	(5,724)	(5,522)	(5,785)	(5,566)
Loan loss provisions	(28)	(27)	110	113	(344)	(337)
Operating profit	1,422	1,361	704	630	447	454
Realized gains/losses (net)	492	491	1,020	1,020	543	533
Impairments of investments (net)	(215)	(215)	(184)	(183)	(509)	(505)
Amortization of intangible assets	—	—	(1)	—	(281)	(281)
Restructuring charges	(424)	(422)	(13)	(12)	(292)	(290)
Non-operating items	(147)	(146)	822	825	(539)	(543)
Income (loss) before income taxes and minority interests in earnings	1,275	1,215	1,526	1,455	(92)	(89)
Income taxes	(263)	(239)	(387)	(373)	302	296
Minority interests in earnings	(94)	(81)	(102)	(82)	(101)	(60)
Net income	918	895	1,037	1,000	109	147
Cost-income ratio⁶⁾ in %	79.5	79.6	90.6	91.4	88.0	87.6

¹⁾ Consists of Dresdner Bank and non-Dresdner Bank banking operations within our Banking segment, as well as the elimination of trading income (net) of € 6 mn at Dresdner Bank resulting from Dresdner Bank's trading activities in Allianz SE shares during the year ended December 31, 2006.

²⁾ Represents interest and similar income less interest expense.

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

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

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

⁶⁾ Represents operating expenses divided by operating revenues.

Asset Management Segment

	2006		2005		2004	
	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn	Asset Management Segment € mn	Allianz Global Investors € mn
Net fee and commission income ¹⁾	2,924	2,874	2,636	2,597	2,178	2,176
Net interest income ²⁾	71	66	56	51	42	41
Income from financial assets and liabilities carried at fair value through income (net)	38	37	19	18	11	10
Other income	11	12	11	11	14	14
Operating revenues³⁾	3,044	2,989	2,722	2,677	2,245	2,241
Administrative expenses, excluding acquisition-related expenses ⁴⁾	(1,754)	(1,713)	(1,590)	(1,560)	(1,405)	(1,406)
Other expenses	—	—	—	—	(1)	(1)
Operating expenses	(1,754)	(1,713)	(1,590)	(1,560)	(1,406)	(1,407)
Operating profit	1,290	1,276	1,132	1,117	839	834
Realized gains/losses (net)	7	5	6	5	17	17
Impairments of investments (net)	(2)	(2)	—	—	—	—
Acquisition-related expenses, thereof:⁴⁾						
Deferred purchases of interests in PIMCO	(523)	(523)	(677)	(677)	(501)	(501)
Other acquisition-related expenses ⁵⁾	(9)	(9)	(10)	(10)	(120)	(120)
Subtotal	(532)	(532)	(687)	(687)	(621)	(621)
Amortization of intangible assets ⁶⁾	(24)	(23)	(25)	(25)	(510)	(510)
Restructuring charges	(4)	(4)	(1)	(1)	—	—
Non-operating items	(555)	(556)	(707)	(708)	(1,114)	(1,114)
Income (loss) before income taxes and minority interests in earnings	735	720	425	409	(275)	(280)
Income taxes	(278)	(276)	(129)	(127)	52	53
Minority interests in earnings	(53)	(49)	(52)	(48)	(52)	(52)
Net income (loss)	404	395	244	234	(275)	(279)
Cost-income ratio⁷⁾ in %	57.6	57.3	58.4	58.3	62.6	62.8

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

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

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

4) The total of these items equals acquisition and administration expenses (net) in the segment income statement.

5) Consists of retention payments for the management and employees of PIMCO and Nicholas Applegate. These retention payments largely expired in 2005.

6) Includes primarily the impairment of the dit brand name and amortization charges relating to capitalized bonuses for PIMCO management. These amortization charges expired in 2005. Until December 31, 2005, these amortization charges were classified as acquisition-related expenses. Prior year balances have been reclassified to allow for comparability across periods.

7) Represents operating expenses divided by operating revenues.

Corporate Segment

	2006 € mn	2005 € mn	2004 € mn
Interest and similar income	509	416	395
Income from financial assets and liabilities designated at fair value through income (net) ¹⁾	(60)	—	—
Fee and commission income	190	164	137
Other income	28	—	—
Income from fully consolidated private equity investments	1,392	598	175
Operating revenues	2,059	1,178	707
Change in reserves for insurance and investment contracts	—	—	(204)
Interest expense, excluding interest expense from external debt ²⁾	(507)	(534)	(530)
Loan loss provisions	(5)	—	—
Investment expenses	(215)	(345)	(44)
Acquisition and administrative expenses (net)	(655)	(516)	(540)
Fee and commission expenses	(127)	(92)	(84)
Expenses from fully consolidated private equity investments	(1,381)	(572)	(175)
Operating expenses	(2,890)	(2,059)	(1,577)
Operating profit (loss)	(831)	(881)	(870)
Income from financial assets and liabilities held for trading (net) ¹⁾	(274)	(441)	(61)
Realized gains/losses (net)	861	172	1,225
Impairments of investments (net)	32	(62)	(505)
Interest expense from external debt ²⁾	(775)	(787)	(831)
Non-operating items	(156)	(1,118)	(172)
Loss before income taxes and minority interests in earnings	(987)	(1,999)	(1,042)
Income taxes	824	741	263
Minority interests in earnings	(16)	(10)	(28)
Net income (loss)	(179)	(1,268)	(807)

¹⁾ The total of these items equals income from financial assets and liabilities carried at fair value through income (net) in the segment income statement.

²⁾ The total of these items equals interest expense in the segment income statement.

Supplementary Information to the Consolidated Balance Sheets

6 Cash and cash equivalents

As of December 31,	2006 € mn	2005 € mn
Balances with banks payable on demand	26,915	26,640
Balances with central banks	4,945	3,807
Cash on hand	919	1,045
Treasury bills, discounted treasury notes, similar treasury securities and checks	224	23
Bills of exchange	28	132
Total	33,031	31,647

As of December 31, 2006, compulsory deposits on accounts with national central banks under restrictions due to required reserves from the European Central Bank totaled € 4,176 mn (2005: € 3,232 mn).

7 Financial assets carried at fair value through income

As of December 31,	2006 € mn	2005 € mn
Financial assets held for trading		
Debt securities	81,881	109,384
Equity securities	31,266	30,788
Derivative financial instruments	24,835	26,012
Subtotal	137,982	166,184
Financial assets designated at fair value through income		
Debt securities	14,414	10,686
Equity securities	3,834	3,476
Loans to banks and customers	639	—
Subtotal	18,887	14,162
Total	156,869	180,346

Equity and debt securities held in financial assets held for trading are primarily marketable and listed securities. As of December 31, 2006, the debt securities include € 21,924 mn (2005: € 38,375 mn) from public-sector issuers and € 59,957 mn (2005: € 71,009 mn) from other issuers.

8 Investments

As of December 31,	2006 € mn	2005 € mn
Available-for-sale investments	277,898	266,953
Held-to-maturity investments	4,748	4,826
Funds held by others under reinsurance contracts assumed	1,033	1,572
Investments in associates and joint ventures	4,900	2,095
Real estate held for investment	9,555	9,569
Total	298,134	285,015

Available-for-sale investments

As of December 31,

	2006				2005			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Debt securities								
Government and agency mortgage-backed securities (residential and commercial)	8,757	16	(218)	8,555	9,894	10	(253)	9,651
Corporate mortgage-backed securities (residential and commercial)	4,768	38	(53)	4,753	3,265	37	(31)	3,271
Other asset-backed securities	3,911	25	(40)	3,896	3,381	56	(22)	3,415
Government and government agency bonds								
Germany	14,523	335	(139)	14,719	15,801	825	(32)	16,594
Italy	23,722	560	(127)	24,155	23,479	1,339	(39)	24,779
France	15,353	798	(133)	16,018	16,250	1,656	(13)	17,893
United States	5,219	28	(135)	5,112	9,527	202	(85)	9,644
Spain	8,322	337	(42)	8,617	8,484	823	(3)	9,304
All other countries	36,865	736	(281)	37,320	35,824	1,604	(117)	37,311
Subtotal	104,004	2,794	(857)	105,941	109,365	6,449	(289)	115,525
Corporate bonds	81,946	1,482	(769)	82,659	73,136	3,331	(214)	76,253
Other	2,122	215	(18)	2,319	1,556	154	(2)	1,708
Subtotal	205,508	4,570	(1,955)	208,123	200,597	10,037	(811)	209,823
Equity securities	43,139	26,795	(159)	69,775	38,157	19,161	(188)	57,130
Total	248,647	31,365	(2,114)	277,898	238,754	29,198	(999)	266,953

Held-to-maturity investments

As of December 31,

	2006				2005			
	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn	Amortized Cost € mn	Unrealized Gains € mn	Unrealized Losses € mn	Fair Value € mn
Government and government agency bonds								
Germany	104	2	—	106	140	8	—	148
Italy	437	18	—	455	427	42	—	469
All other countries	1,561	56	(1)	1,616	1,604	72	—	1,676
Subtotal	2,102	76	(1)	2,177	2,171	122	—	2,293
Corporate bonds	2,620	92	(3)	2,709	2,619	154	—	2,773
Other	26	—	—	26	36	—	—	36
Total	4,748	168	(4)	4,912	4,826	276	—	5,102

Unrealized losses on available-for-sale investments and held-to-maturity investments

The following table sets forth gross unrealized losses on available-for-sale investments and held-to-maturity investments and the related fair value, segregated by investment category and length of time such investments have been in a continuous unrealized loss position as of December 31, 2006 and 2005.

	Less than 12 months		Greater than 12 months		Total	
	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn	Fair Value € mn	Unrealized Losses € mn
As of December 31,						
2006						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	2,706	(66)	4,815	(152)	7,521	(218)
Corporate mortgage-backed securities (residential and commercial)	1,738	(13)	1,078	(40)	2,816	(53)
Other asset-backed securities	1,447	(19)	728	(21)	2,175	(40)
Government and government agency bonds	37,923	(554)	9,833	(304)	47,756	(858)
Corporate bonds	31,888	(516)	6,397	(256)	38,285	(772)
Other	481	(7)	100	(11)	581	(18)
Subtotal	76,183	(1,175)	22,951	(784)	99,134	(1,959)
Equity securities	3,607	(159)	—	—	3,607	(159)
Total	79,790	(1,334)	22,951	(784)	102,741	(2,118)
2005						
Debt securities						
Government and agency mortgage-backed securities (residential and commercial)	6,465	(185)	2,443	(68)	8,908	(253)
Corporate mortgage-backed securities (residential and commercial)	1,474	(31)	—	—	1,474	(31)
Other asset-backed securities	1,190	(19)	113	(3)	1,303	(22)
Government and government agency bonds	23,006	(260)	1,154	(29)	24,160	(289)
Corporate bonds	13,073	(187)	695	(27)	13,768	(214)
Other	210	(2)	—	—	210	(2)
Subtotal	45,418	(684)	4,405	(127)	49,823	(811)
Equity securities	3,667	(188)	—	—	3,667	(188)
Total	49,085	(872)	4,405	(127)	53,490	(999)

Government and agency mortgage-backed securities (residential and commercial)

Total unrealized losses amounted to € 218 mn at December 31, 2006. The unrealized loss positions concern mostly issues of United States government agencies, which are primarily held by Allianz Group's North American entities. These pay-through/pass-through securities are serviced by cash flows from pools of underlying loans to mostly private debtors. The unrealized losses of these mortgage-backed securities were partly caused by interest rate increases between purchase date of the individual securities and the balance sheet date. Also in various instances, price decreases were caused by increased prepayment risk for individual loan pools that were originated in a significantly higher interest rate environment. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, instances of insignificant deterioration of credit quality, the Allianz Group does not consider these investments to be impaired at December 31, 2006.

Government and government agency bonds

Total unrealized losses amounted to € 858 mn at December 31, 2006. The Allianz Group holds a large variety of government bonds, mostly of OECD countries (Organization of Economic Cooperation and Development). Given the fact that the issuers of these bonds are backed by the fiscal capacity of the issuers and the issuers typically hold an "investment grade" country-and/or issue-rating, credit risk is not a significant factor. Hence, the unrealized losses on Allianz Group's investment in government bonds were mainly caused by interest rate increases between the purchase date of the individual securities and the balance sheet date. Because the decline in fair value is attributable to changes in interest rates and, to a lesser extent, to instances of insignificant deterioration of credit quality, the Allianz Group does not consider these investments to be impaired at December 31, 2006.

Corporate bonds

Total unrealized losses amounted to € 772 mn at December 31, 2006. The Allianz Group holds a large variety of bonds issued by corporations mostly domiciled in OECD countries. For the vast majority of the Allianz Group's corporate bonds, issuers and/or issues are of "investment grade". Therefore, the unrealized losses on Allianz Group's investment in corporate debt securities were primarily caused by interest rate increases between the purchase date of the individual securities compared to balance sheet date. As the decline in fair value is primarily attributable to changes in interest rates, the Allianz Group does not consider these investments to be impaired at December 31, 2006.

Equity securities

As of December 31, 2006, unrealized losses from equity securities amounted to € 159 mn. These unrealized losses concern equity securities that did not meet the criteria of Allianz Group's impairment policy for equity securities as described in Note 2. Substantially all of the unrealized losses have been in a continuous loss position for less than 6 months. In addition, only 2 securities have an aggregated unrealized loss greater than € 10 mn.

Contractual term to maturity

The amortized cost and estimated fair value of available-for-sale debt securities and held-to-maturity debt securities as of December 31, 2006, by contractual term to maturity, are as follows:

As of December 31, 2006	Amortized Cost € mn	Fair Value € mn
Available-for-sale		
Due in 1 year or less	12,924	12,925
Due after 1 year and in less than 5 years	66,687	67,182
Due after 5 years and in less than 10 years	61,923	62,476
Due after 10 years	63,974	65,540
Total	205,508	208,123
Held-to-maturity		
Due in 1 year or less	206	208
Due after 1 year and in less than 5 years	1,476	1,505
Due after 5 years and in less than 10 years	2,191	2,250
Due after 10 years	875	949
Total	4,748	4,912

Actual maturities may deviate from the contractually defined maturities, because certain security issuers have the right to call or repay certain obligations ahead of schedule, with or without redemption or early repayment penalties. Investments that are not due at a single maturity date are, in general, not allocated over various maturity buckets, but are shown within their final contractual maturity dates.

Equity investments carried at cost

As of December 31, 2006, fair values could not be reliably measured for equity investments with carrying amounts totaling € 1,486 mn (2005: € 935 mn). These investments are primarily investments in privately held corporations and partnerships. During the year ended December 31, 2006, such investments with carrying amounts of € 12 mn (2005: € 10 mn) were sold leading to gains of € 32 mn (2005: € 28 mn) and losses of € 1 mn (2005: € – mn).

Investments in associates and joint ventures

As of December 31, 2006, loans to associated enterprises and joint ventures and debt securities available-for-sale issued by associated enterprises and joint ventures held by the Allianz Group amounted to € 2,236 mn (2005: € 12,618 mn).

Real estate held for investment

	2006 € mn	2005 € mn	2004 € mn
Cost as of January 1,	13,090	13,655	12,617
Accumulated depreciation as of January 1,	(3,521)	(3,027)	(2,116)
Carrying amount as of January 1,	9,569	10,628	10,501
Additions	792	608	1,669
Changes in the consolidated subsidiaries of the Allianz Group	68	240	83
Disposals	(746)	(740)	(709)
Reclassifications	345	(745)	—
Foreign currency translation adjustments	(71)	70	(5)
Depreciation	(149)	(252)	(172)
Impairments	(253)	(240)	(739)
Carrying amount as of December 31,	9,555	9,569	10,628
Accumulated depreciation as of December 31,	3,923	3,521	3,027
Cost as of December 31,	13,478	13,090	13,655

As of December 31, 2006, the fair value of real estate used by third parties was € 13,494 mn (2005: € 12,901 mn). As of December 31, 2006, real estate used by third parties pledged as security, and other restrictions on title, were € 55 mn (2005: € 55 mn).

9 Loans and advances to banks and customers

As of December 31,	2006			2005		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Short-term investments and certificates of deposit	6,775	—	6,775	5,292	—	5,292
Reverse repurchase agreements	86,957	52,456	139,413	63,009	42,322	105,331
Collateral paid for securities borrowing transactions	17,612	23,419	41,031	6,369	18,659	25,028
Loans	69,211	129,319	198,530	65,488	114,933	180,421
Other	15,225	8,358	23,583	11,427	10,956	22,383
Subtotal	195,780	213,552	409,332	151,585	186,870	338,455
Loan loss allowance	(108)	(946)	(1,054)	(201)	(1,446)	(1,647)
Total	195,672	212,606	408,278	151,384	185,424	336,808

Loans and advances to banks and customers by contractual maturity

As of December 31, 2006	Less than 3 months	3 months to less than 1 year	1 year to less than 3 years	3 years to less than 5 years	Greater than 5 years	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Loans and advances to banks	115,657	16,221	21,979	14,384	27,539	195,780
Loans and advances to customers	103,921	18,974	18,342	20,430	51,885	213,552
Total	219,578	35,195	40,321	34,814	79,424	409,332

Loans and advances to banks and customers by geographic region

As of December 31,	2006			2005		
	Germany € mn	Other countries € mn	Total € mn	Germany € mn	Other countries € mn	Total € mn
Short-term investments and certificates of deposit	1,124	5,651	6,775	1,590	3,702	5,292
Reverse repurchase agreements	31,884	107,529	139,413	23,474	81,857	105,331
Collateral paid for securities borrowing transactions	7,087	33,944	41,031	2,925	22,103	25,028
Loans	146,333	52,197	198,530	148,010	32,411	180,421
Other	2,875	20,708	23,583	3,473	18,910	22,383
Subtotal	189,303	220,029	409,332	179,472	158,983	338,455
Loan loss allowance	(834)	(220)	(1,054)	(1,154)	(493)	(1,647)
Total	188,469	219,809	408,278	178,318	158,490	336,808

Loans and advances to customers by type of customer

As of December 31,	2006	2005
	€ mn	€ mn
Corporate customers	146,750	123,015
Private customers	59,505	59,316
Public authorities	7,297	4,539
Total	213,552	186,870

Loans and advances to customers, by economic sector

As of December 31,	2006 € mn	2005 € mn
Germany		
Corporate Customers		
Manufacturing industry	6,383	5,425
Construction	916	721
Wholesale and retail trade	4,306	5,023
Financial institutions (excluding banks) and insurance companies	7,740	5,988
Service providers	10,091	10,425
Other	3,615	3,351
Subtotal	33,051	30,933
Public authorities	3,578	2,739
Private customers	51,084	57,218
Subtotal	87,713	90,890
Other countries		
Corporate Customers		
Industry, wholesale and retail trade and service providers	13,474	10,732
Financial institutions (excluding banks) and insurance companies	93,155	75,957
Other	7,070	5,393
Subtotal	113,699	92,082
Public authorities	3,719	1,800
Private customers	8,421	2,098
Subtotal	125,839	95,980
Total	213,552	186,870

As of December 31, 2006, unearned income related to discounts deducted from loan balances was € 69 mn (2005: € 85 mn).

Finance lease receivables

Loans and advances to customers include amounts receivable under finance leases at their net investment value of € 2,081 mn (2005: € 1,500 mn).

	2006 € mn	2005 € mn
Gross investment in the lease		
2007	372	158
2008	176	—
2009	261	878
2010	222	—
2011	677	—
Thereafter	1,036	1,141
Subtotal¹⁾	2,744	2,177
Unrealized finance income		
2007	(98)	(3)
2008	(103)	—
2009	(70)	(285)
2010	(58)	—
2011	(83)	—
Thereafter	(251)	(389)
Subtotal	(663)	(677)
Net investment in the lease		
2007	274	155
2008	73	—
2009	191	593
2010	164	—
2011	594	—
Thereafter	785	752
Total	2,081	1,500

¹⁾ As of December 31, 2006 and 2005, the residual values of the entire leasing portfolio were fully guaranteed.

During the year ended December 31, 2006, lease payments received were recognized as income in the amount of € 154 mn (2005: € 122 mn; 2004: € 42 mn). As of December 31, 2006 and 2005, an allowance for uncollectible lease payments was not recorded.

Loan loss allowance

As of December 31, 2006, the overall volume of risk provisions includes loan loss allowances deducted from loans and advances to banks and customers in the amount of € 1,054 mn (2005: € 1,647 mn; 2004: € 4,135 mn) and provisions for contingent liabilities, such as guarantees, loan commitments and other obligations included in other liabilities in the amount of € 261 mn (2005: € 117 mn; 2004: € 371 mn).

	Specific allowances			Country risk allowances			General allowances ¹⁾			Total		
	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn	2006 € mn	2005 € mn	2004 € mn
As of January 1,	880	3,685	5,304	225	261	270	659	560	700	1,764	4,506	6,274
Changes in the consolidated subsidiaries of the Allianz Group	(1)	(3)	(251)	—	—	—	—	—	(62)	(1)	(3)	(313)
Additions charged to the income statement	511	604	1,313	11	83	117	11	87	9	533	774	1,439
Charge-offs	(615)	(2,829)	(1,900)	—	—	—	(1)	—	—	(616)	(2,829)	(1,900)
Releases/recoveries	(192)	(641)	(756)	(86)	(90)	(119)	(39)	(51)	(98)	(317)	(782)	(973)
Other additions/reductions	13	40	6	(43)	(48)	1	(2)	63	13	(32)	55	20
Foreign currency translation adjustments	(3)	24	(31)	(12)	19	(8)	(1)	—	(2)	(16)	43	(41)
As of December 31,	593	880	3,685	95	225	261	627	659	560	1,315	1,764	4,506

¹⁾ includes portfolio allowances.

The following tables present information relating to the Allianz Group's impaired and non-accrual loans:

As of December 31,	2006 € mn	2005 € mn
Impaired loans	2,072	2,888
Impaired loans with specific allowances	1,428	1,754
Impaired loans with portfolio allowances	532	562
Non-accrual loans	1,801	2,102

	2006 € mn	2005 € mn
Average balance of impaired loans	2,390	4,581
Interest income recognized on impaired loans	28	36
Interest income not recognized from non-accrual loans	86	102
Interest collected and recorded on non-accrual loans	7	4

As of December 31, 2006, the Allianz Group had € 34 mn (2005: € 39 mn) of commitments to lend additional funds to borrowers whose loans are non-performing or whose terms have been previously restructured.

10 Reinsurance assets

As of December 31,	2006 € mn	2005 € mn
Unearned premiums	1,317	1,448
Reserves for loss and loss adjustment expenses	9,719	10,874
Aggregate policy reserves	8,223	9,772
Other insurance reserves	101	26
Total	19,360	22,120

Changes in aggregate policy reserves ceded to reinsurers are as follows:

	2006 € mn	2005 € mn
Carrying amount as of January 1,	9,772	10,276
Foreign currency translation adjustments	(340)	443
Change recorded in insurance and investment contract benefits (net)	(7)	135
Other changes ¹⁾	(1,202)	(1,082)
Carrying amount as of December 31,	8,223	9,772

¹⁾ Primarily relates to novation of quota share reinsurance agreement.

The Allianz Group reinsures a portion of the risks it underwrites in an effort to control its exposure to losses and events and protect capital resources. For international corporate risks exposures exceeding the relevant retention levels of the Allianz Group's subsidiaries are reinsured internally by Allianz Global Corporate & Specialty AG ("AGCS") where the portfolio is pooled and with risks exceeding retention limits ceded by external reinsurance. The Allianz Group maintains a centralized program for natural catastrophe events which pools exposures from a number of subsidiaries by internal reinsurance agreements with Allianz SE. Allianz SE limits exposures in this portfolio through external reinsurance. For other risks, the subsidiaries of the Allianz Group maintain individual reinsurance programs. Allianz SE participates as a reinsurer on an arms' length basis in these programs.

Reinsurance involves credit risk and is subject to aggregate loss limits. Reinsurance does not legally discharge the Allianz Group from primary liability under the reinsured policies. Although the reinsurer is liable to the Allianz Group to the extent of the reinsurance ceded, the Allianz Group remains primarily liable as the direct insurer on all risks it underwrites, including the portion that is reinsured. The Allianz Group monitors the financial condition of its reinsurers on an ongoing basis and reviews its reinsurance arrangements periodically in order to evaluate the reinsurer's ability to fulfill its obligations to the Allianz Group under existing and planned reinsurance contracts. The Allianz Group's evaluation criteria, which includes the claims-paying and debt ratings, capital and surplus levels, and marketplace reputation of its reinsurers, are such that the Allianz Group believes that its reinsurance credit risk is not significant, and historically has not experienced noteworthy difficulty in collecting from their reinsurers. Additionally, and as appropriate, the Allianz Group may also require letters of credit, deposits, or other financial measures to further minimize its exposure to credit risk. In certain cases, however, the Allianz Group does establish an allowance for doubtful amounts related to reinsurance as appropriate, although this amount was not significant as of December 31, 2006 and 2005. Concentrations the Allianz Group has with individual reinsurers include Munich Re, Swiss Reinsurance Company and SCOR. As of December 31, 2006, amounts ceded to reinsurers for insurance and investment contracts includes € 6,297 mn (2005: € 7,613 mn) related to Munich Re.

11 Deferred acquisition costs

As of December 31,	2006 € mn	2005 € mn
Deferred acquisition costs		
Property-Casualty	3,692	3,550
Life/Health	13,619	12,712
Asset Management	50	28
Subtotal	17,361	16,290
Present value of future profits	1,227	1,336
Deferred sales inducements	547	515
Total	19,135	18,141

Deferred acquisition costs

	2006 € mn	2005 € mn	2004 € mn
Property-Casualty			
Carrying amount as of January 1,	3,550	3,434	3,380
Additions	3,357	2,582	1,732
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(60)
Foreign currency translation adjustments	(35)	78	(51)
Amortization	(3,180)	(2,544)	(1,567)
Carrying amount as of December 31,	3,692	3,550	3,434
Life/Health			
Carrying amount as of January 1,	12,712	10,681	9,705
Additions	2,783	2,895	2,957
Changes in the consolidated subsidiaries of the Allianz Group	—	(26)	(158)
Foreign currency translation adjustments	(464)	541	(712)
Amortization	(1,412)	(1,379)	(1,111)
Carrying amount as of December 31,	13,619	12,712	10,681
Asset Management	50	28	—
Total	17,361	16,290	14,115

Present value of future profits

	2006 € mn	2005 € mn	2004 € mn
Cost as of January 1,	2,374	2,361	2,306
Accumulated amortization as of January 1,	(1,038)	(839)	(648)
Carrying amount of January 1,	1,336	1,522	1,658
Additions	—	—	47
Changes in the consolidated subsidiaries of the Allianz Group	—	—	(4)
Foreign currency translation adjustments	(6)	7	(5)
Amortization ¹⁾	(103)	(193)	(174)
Carrying amount as of December 31,	1,227	1,336	1,522
Accumulated amortization as of December 31,	1,132	1,038	839
Cost as of December 31,	2,359	2,374	2,361

¹⁾ During the year ended December 31, 2006, includes interest accrued on unamortized PVFP € 62 mn (2005: € 74 mn; 2004: € 94 mn).

As of December 31, 2006, the percentage of PVFP that is expected to be amortized in 2007 is 13.79% (13.66% in 2008, 12.36% in 2009, 10.74% in 2010 and 9.96% in 2011).

Deferred sales inducements

	2006 € mn	2005 € mn	2004 € mn
Carrying amounts as of January 1,	515	303	—
Transfer from insurance reserves	—	—	89
Cumulative effect adjustment due to implementation of SOP 03-1	—	—	23
Additions	120	209	222
Foreign currency translation adjustment	(56)	52	—
Amortization	(32)	(49)	(31)
Carrying amount as of December 31,	547	515	303

12 Other assets

As of December 31,	2006 € mn	2005 € mn
Receivables		
Policyholders	4,292	4,105
Agents	3,698	3,852
Reinsurers	2,832	2,489
Other	6,283	6,772
Less allowance for doubtful accounts	(330)	(317)
Subtotal	16,775	16,901
Tax receivables		
Income tax	1,995	1,523
Other tax	690	600
Subtotal	2,685	2,123
Accrued dividends, interest and rent	5,658	5,474
Prepaid expenses		
Interest and rent	2,678	2,518
Other prepaid expenses	173	139
Subtotal	2,851	2,657
Derivative financial instruments used for hedging that meet the criteria for hedge accounting and firm commitments	463	849
Property and equipment		
Real estate held for use	4,758	4,391
Equipment	1,597	1,385
Software	1,078	1,091
Subtotal	7,433	6,867
Non-current assets and disposal groups held for sale	—	3,292
Other assets¹⁾	3,028	4,130
Total	38,893	42,293

¹⁾ As of December 31, 2006, includes prepaid benefit costs for defined benefit plans of € 265 mn.

Other assets due within one year amounted to € 30,255 mn (2005: € 34,196 mn), and those due after more than one year totaled € 8,638 mn (2005: € 8,097 mn).

Property and equipment

Real estate held for use

	2006 € mn	2005 € mn	2004 € mn
Cost as of January 1,	5,894	7,499	6,527
Accumulated depreciation as of January 1,	(1,503)	(1,457)	(1,507)
Carrying amount as of January 1,	4,391	6,042	5,020
Additions	284	540	1,373
Changes in the consolidated subsidiaries of the Allianz Group	819	(2,493)	691
Disposals	(248)	(318)	(789)
Reclassification	(345)	745	—
Foreign currency translation adjustments	(24)	84	(19)
Depreciation	(119)	(209)	(234)
Carrying amount as of December 31,	4,758	4,391	6,042
Accumulated depreciation as of December 31,	1,395	1,503	1,457
Cost as of December 31,	6,153	5,894	7,499

As of December 31, 2006, the fair value of real estate held for use was € 6,379 mn (2005: € 6,227 mn). As of December 31, 2006, assets pledged as security and other restrictions on title were € 27 mn (2005: € 25 mn).

Software

	2006 € mn	2005 € mn	2004 € mn
Cost as of January 1,	3,472	3,320	2,991
Accumulated amortization as of January 1,	(2,381)	(2,348)	(1,927)
Carrying amount as of January 1,	1,091	972	1,064
Additions	523	577	757
Changes in the consolidated subsidiaries of the Allianz Group	73	(2)	(70)
Disposals	(70)	(38)	(232)
Foreign currency translation adjustments	(10)	14	(6)
Amortization	(529)	(432)	(541)
Carrying amount as of December 31,¹⁾	1,078	1,091	972
Accumulated amortization as of December 31,	2,686	2,381	2,348
Cost as of December 31,	3,764	3,472	3,320

¹⁾ As of December 31, 2006, includes € 683 mn (2005: € 772 mn; 2004: € 608 mn) for software developed in-house and € 395 mn (2005: € 319 mn; 2004: € 364 mn) for software purchased from third parties.

Non-current assets and disposal groups held for sale

During the year ended December 31, 2005, the Allianz Group reclassified the assets, including goodwill, and liabilities related to its ownership of Four Seasons Health Care Ltd., Wilmslow and BetterCare Group Limited, Kingston upon Thames to disposal groups held for sale as the classification criteria in IFRS 5 were met. On the date of reclassification, as the fair value less cost to sell was in excess of the carrying amount a gain or loss was not recognized. The disposal of Four Seasons Health Care Ltd., Wilmslow and BetterCare Group Limited, Kingston upon Thames occurred August 31, 2006. In 2005, the assets and liabilities of the disposal group held for sale related to Four Seasons Health Care Ltd., Wilmslow and BetterCare Group Limited, Kingston upon Thames were included in the Corporate segment.

As a result of the agreements described in Note 45, the Allianz Group reclassified the carrying amount of its ownership interest in Eurohypo AG to assets held for sale during the year ended December 31, 2005. On the agreement date, as the fair value less costs to sell of the Eurohypo AG ownership interest was greater than the Allianz Group's carrying amount, a gain or loss was not recognized. Therefore, both on December 15, 2005, the date of derecognition of the first tranche, and March 31, 2006, the date of derecognition of the second tranche, the Allianz Group recognized gains on disposal which are included in realized gains from associates and joint ventures for the years ended December 31, 2006 and 2005, respectively. The assets held for sale related to Eurohypo AG have been fully derecognized.

13 Intangible assets

As of December 31,	2006 € mn	2005 € mn
Goodwill	12,007	12,023
Brand names	717	740
Other	211	195
Total	12,935	12,958

Amortization expense of intangible assets is estimated to be € 42 mn in 2007, € 42 mn in 2008, € 42 mn in 2009, € 42 mn in 2010 and € 42 mn in 2011.

Goodwill

	2006 € mn	2005 € mn	2004 € mn
Cost as of January 1,	12,247	11,901	12,594
Accumulated impairments as of January 1,	(224)	(224)	(224)
Carrying amount as of January 1,	12,023	11,677	12,370
Additions	315	70	803
Disposals	—	(45)	(62)
Foreign currency translation adjustments	(368)	479	(270)
Reclassification	37	(158)	—
Amortization	—	—	(1,164)
Carrying amount as of December 31,	12,007	12,023	11,677
Accumulated impairments as of December 31,	224	224	224
Cost as of December 31,	12,231	12,247	11,901

Additions include goodwill from

- the acquisition of 100.0% participation in MAN Roland Druckmaschinen AG, Offenbach,
- the acquisition of 100.0% participation in Home & Legacy Limited, London,
- the acquisition of 100.0% interest in 1. Pensionssparkasse, a.s., Bratislava,
- increasing the interest in PremierLine Direct Ltd., Lancaster, from 20.0% to 100.0%,
- increasing the interest in Ann Arbor Annuity Exchange Inc., Ann Arbor, from 40.0% to 100.0%,
- increasing the interest in Roster Financial LLC, Quincy, from 49.0% to 100.0%.

2006

The reclassification affects intangible assets of Allianz-Slovenská poisťovňa a.s., Bratislava as they were reclassified to goodwill due to a change in the accounting treatment.

2005

The reclassification affects the goodwill of Four Seasons Health Care Ltd., Wilmslow and BetterCare Group Limited, Kingston upon Thames as these subsidiaries were reclassified to disposal groups held for sale.

Impairment tests for goodwill and intangible assets with indefinite lives

For purposes of impairment testing, the Allianz Group has allocated goodwill to cash generating units. These cash generating units represent the lowest level at which goodwill is monitored for internal measurement purposes. During 2006, the Allianz Group realigned its cash generating units in the Property-Casualty and Life/

Health segments to ensure consistency with the management responsibilities of the Board of Management. As a result, the Allianz Group has allocated goodwill to nine cash generating units in the Property-Casualty segment, six cash generating units in the Life/Health segment, three cash generating units in the Banking segment, one cash generating unit in the Asset Management segment and one cash generating unit in the Corporate segment. In addition, the brand name “Dresdner Bank” has been allocated to two cash generating units in the Banking segment and to one cash generating unit in the Asset Management segment.

The groups of cash generating units of the Property-Casualty segment are: Insurance Germany; Europe I, including Italy, Spain, Portugal, Switzerland, Austria and Greece; Europe II, including France, Netherlands, Belgium, Luxemburg, and South America; Anglo Broker Markets, including United Kingdom, Ireland and Australia; NAFTA Markets, including the United States and Mexico; Asia Pacific; Eastern Europe; Specialty Lines I, including Allianz Global Corporate & Specialty and Specialty Lines II, including Credit Insurance, Travel Insurance and Assistance Services.

The cash generating units of the Life/Health segment are: Insurance Germany Life; Insurance Germany Health; Europe I, including Italy, Spain, Portugal, Switzerland, Austria and Greece; Europe II, including France, Netherlands, Belgium, Luxemburg and South America; NAFTA Markets, including the United States; and Asia Pacific.

The cash generating units of the Banking segment are Private & Business Clients; Corporate & Investment Banking and Other Banking. The Asset Management segment is considered a cash generating unit. The cash generating unit of the Corporate segment is Private Equity. The recoverable amounts of all cash generating units are determined on the basis of value in use calculations.

The Allianz Group applies generally acknowledged valuation principles to determine the value in use. In this regard, the Allianz Group utilizes the capitalized earnings method to derive the value in use for all cash generating units in the Property-Casualty and Banking segments and for the Asset Management, Insurance Germany Health and Private Equity cash generating units. Generally, the basis for the determination of the capitalized earnings value is the business plan (“detailed planning period”) as well as the estimate of the

sustainable returns which can be assumed to be realistic on a long term basis (“terminal value”) of the companies included in the cash generating units. The capitalized earnings value is calculated by discounting the future earnings using an appropriate discount rate.

The business plans applied in the value in use are the results of the structured management dialogues between the Board of Management of the Allianz Group and the companies in connection with a reporting process integrated into these dialogues. Generally, the business plans comprise a planning horizon of three years.

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

The discount rate is based on the capital asset pricing model. The assumptions, including the risk free interest rate, market risk premium, segment beta and leverage ratio, used to calculate the discount rates are consistent with the parameters used in the Allianz Group’s planning and controlling process, specifically those utilized in the calculation of Economic Value Added.

For all cash generating units in the Life/Health segment, with the exception of Insurance Germany Health, the Market Consistent Embedded Value, specifically Appraisal Value, approach is utilized to determine the value in use. The Market Consistent Embedded value is an industry-specific valuation method and is in compliance with the general principles of the discounted earnings methods. The Market Consistent Embedded Value approach utilized is based on the Allianz Group’s Market Consistent Embedded Value guidelines.

The carrying amounts of goodwill and brand names allocated to Allianz Group’s cash generating units as of December 31, 2006 and 2005 are as follows:

As of December 31, Cash generating units	2006		2005	
	Goodwill € mn	Brand names € mn	Goodwill € mn	Brand names € mn
Property-Casualty				
Insurance Germany	243	—	243	—
Europe I	123	—	123	—
Europe II	632	—	632	—
NAFTA Markets	115	—	115	—
Asia Pacific	31	—	31	—
Eastern Europe	108	—	71	—
Anglo Broker Markets	304	—	200	—
Specialty Lines I	5	—	5	—
Specialty Lines II	19	—	20	—
Subtotal	1,580	—	1,440	—
Life/Health				
Insurance Germany Life	634	—	634	—
Insurance Germany Health	325	—	325	—
Europe I	132	—	132	—
Europe II	538	—	538	—
NAFTA Markets	436	—	405	—
Asia Pacific	320	—	320	—
Subtotal	2,385	—	2,354	—
Banking				
Private & Business Clients	1,391	377	1,390	377
Corporate & Investment Banking	183	279	183	279
Other Banking	52	—	52	—
Subtotal	1,626	656	1,625	656
Asset Management	6,272	61	6,604	84
Corporate				
Private Equity	144	—	—	—
Subtotal	144	—	—	—
Total	12,007	717	12,023	740

14 Financial liabilities carried at fair value through income

As of December 31,	2006 € mn	2005 € mn
Financial liabilities held for trading		
Obligations to deliver securities	39,951	49,029
Derivative financial instruments	27,823	28,543
Other trading liabilities	10,988	8,820
Subtotal	78,762	86,392
Financial liabilities designated at fair value through income	937	450
Total	79,699	86,842

15 Liabilities to banks and customers

As of December 31,	2006			2005		
	Banks € mn	Customers € mn	Total € mn	Banks € mn	Customers € mn	Total € mn
Payable on demand	18,216	68,677	86,893	14,534	57,624	72,158
Savings deposits	—	5,421	5,421	—	5,608	5,608
Term deposits and certificates of deposit	68,429	50,380	118,809	73,189	45,968	119,157
Repurchase agreements	68,189	49,403	117,592	50,850	39,156	90,006
Collateral received from securities lending transactions	19,914	8,703	28,617	11,369	7,908	19,277
Other	876	2,870	3,746	2,015	2,095	4,110
Total	175,624	185,454	361,078	151,957	158,359	310,316

Liabilities to banks and customers by contractual maturity

As of December 31, 2006	Less than 3 months	3 months to less than 1 year	1 year to less than 3 years	3 years to less than 5 years	Greater than 5 years	Total
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Liabilities to banks	142,225	22,776	3,392	2,727	4,504	175,624
Liabilities to customers	165,704	10,547	1,997	3,021	4,185	185,454
Total	307,929	33,323	5,389	5,748	8,689	361,078

Liabilities to banks and customers, by type of customer

As of December 31,	Germany	Other countries	Total
	€ mn	€ mn	€ mn
2006			
Liabilities to banks	54,546	121,078	175,624
Liabilities to customers			
Corporate customers	48,332	92,879	141,211
Public authorities	1,886	5,994	7,880
Private customers	28,438	7,925	36,363
Subtotal	78,656	106,798	185,454
Total	133,202	227,876	361,078
2005			
Liabilities to banks	61,919	90,038	151,957
Liabilities to customers			
Corporate customers	44,973	71,356	116,329
Public authorities	1,026	6,105	7,131
Private customers	27,762	7,137	34,899
Subtotal	73,761	84,598	158,359
Total	135,680	174,636	310,316

As of December 31, 2006, liabilities to customers include € 33,302 mn (2005: € 30,049 mn) of noninterest bearing deposits.

16 Unearned premiums

As of December 31,	2006 € mn	2005 € mn
Property-Casualty	12,994	12,945
Life/Health	1,874	1,580
Consolidation adjustments	—	(1)
Total	14,868	14,524

17 Reserves for loss and loss adjustment expenses

As of December 31,	2006 € mn	2005 € mn
Property-Casualty	58,664	60,259
Life/Health	6,804	6,806
Consolidation adjustments	(4)	(60)
Total	65,464	67,005

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

	2006			2005			2004		
	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn	Gross € mn	Ceded € mn	Net € mn
As of January 1,	60,259	(10,604)	49,655	55,528	(10,049)	45,479	56,750	(12,067)	44,683
Loss and loss adjustment expenses incurred									
Current year	28,214	(2,573)	25,641	30,111	(3,580)	26,531	28,693	(2,965)	25,728
Prior year	(1,186)	217	(969)	(1,633)	433	(1,200)	(1,293)	836	(457)
Subtotal	27,028	(2,356)	24,672	28,478	(3,147)	25,331	27,400	(2,129)	25,271
Loss and loss adjustment expenses paid									
Current year	(12,436)	675	(11,761)	(12,742)	861	(11,881)	(12,290)	845	(11,445)
Prior year	(14,696)	2,455	(12,241)	(13,284)	2,568	(10,716)	(14,384)	2,576	(11,808)
Subtotal	(27,132)	3,130	(24,002)	(26,026)	3,429	(22,597)	(26,674)	3,421	(23,253)
Foreign currency translation adjustments and other	(1,491)	497	(994)	2,278	(837)	1,441	(1,132)	534	(598)
Change in the consolidated subsidiaries of the Allianz Group	—	—	—	1	—	1	(816)	192	(624)
As of December 31,	58,664	(9,333)	49,331	60,259	(10,604)	49,655	55,528	(10,049)	45,479

Prior year's loss and loss adjustment expenses incurred reflects the changes in estimation charged or credited to the consolidated income statement in each year with respect to the reserves for loss and loss adjustment expenses established as of the beginning of that year. During the year ended December 31, 2006,

the Allianz Group recorded additional income of € 969 mn (2005: € 1,200 mn; 2004: € 457 mn) with respect of losses occurring in prior years. During the year ended December 31, 2006, these amounts as percentages of the net balance of the beginning of the year were 2.0% (2005: 2.6%; 2004: 1.0%).

Loss and loss adjustment expenses development for the Property-Casualty segment

The following table illustrates the development of the Allianz Group's reserves for loss and loss adjustment expenses, over the past five years. The table presents calendar year data, not accident year data. In addition, the table includes (excludes) subsidiaries from the date acquired (disposed).

	2001 € mn	2002 € mn	2003 € mn	2004 € mn	2005 € mn	2006 € mn
Loss and loss adjustment expenses						
Net	45,327	45,061	44,683	45,479	49,655	49,331
Ceded	16,156	14,588	12,067	10,049	10,604	9,333
Gross	61,483	59,649	56,750	55,528	60,259	58,664
Paid (cumulative) as of						
One year later	15,945	16,357	14,383	13,282	14,696	
Two years later	24,567	24,093	21,155	20,051		
Three years later	29,984	29,007	26,148			
Four years later	33,586	32,838				
Five years later	36,430					
Liability re-estimated as of						
One year later	58,570	56,550	54,102	56,237	57,932	
Two years later	56,554	55,704	55,363	53,374		
Three years later	56,056	57,386	53,906			
Four years later	57,640	56,802				
Five years later	57,005					
Cumulative surplus (deficiency)						
Gross surplus	4,478	2,847	2,844	2,154	2,327	
Gross surplus after changes in the consolidated subsidiaries of the Allianz Group	4,571	2,847	2,305	2,154	2,327	
Net surplus	3,517	428	1,522	1,772	1,931	
Net surplus after changes in the consolidated subsidiaries of the Allianz Group	3,606	428	1,070	1,772	1,931	
Percent	8.0%	1.0%	2.4%	3.9%	3.9%	

Discounted loss and loss adjustment expenses

As of December 31, 2006 and 2005, the Allianz Group Property-Casualty reserves for loss and loss adjustment expenses reflected discounts of € 1,377 mn and € 1,326 mn, respectively.

The discount reflected in the reserves is related to annuities for certain long-tailed liabilities, primarily in workers' compensation, personal accident, general liability, motor liability, individual and group health disability and employers' liability. All of the reserves that have been discounted have payment amounts that are fixed and timing that is reasonably determinable.

The following table shows, by country, the carrying amounts of reserves for loss and loss adjustment expenses that have been discounted, and the interest rates used for discounting:

As of December 31,	Discounted reserves for loss and loss adjustment expenses		Amount of the discount		Interest rate used for discounting	
	2006 € mn	2005 € mn	2006 € mn	2005 € mn	2006 %	2005 %
France	1,325	1,404	349	357	3.25	3.25
Germany	504	445	346	298	2.75 – 4.00	2.75 – 4.00
Switzerland	427	414	253	237	3.25	3.25
United States	181	213	200	230	6.00	6.00
United Kingdom	139	116	133	110	4.00 – 4.25	4.00 – 4.25
Belgium	91	91	26	28	3.20 – 4.68	4.68
Portugal	79	57	47	44	4.00	4.00
Hungary	74	67	23	22	1.40	1.40
Total	2,820	2,807	1,377	1,326	—	—

18 Reserves for insurance and investment contracts

As of December 31,	2006 € mn	2005 € mn
Aggregate policy reserves	256,333	249,012
Reserves for premium refunds	30,689	28,510
Other insurance reserves	675	790
Total	287,697	278,312

Aggregate policy reserves

As of December 31,	2006 € mn	2005 € mn
Traditional participating insurance contracts (SFAS 120)	123,835	120,967
Long-duration insurance contracts (SFAS 60)	45,390	39,679
Universal-Life type insurance contracts (SFAS 97)	86,681	88,078
Non unit linked investment contracts	427	288
Total	256,333	249,012

Changes in aggregate policy reserves for traditional participating insurance contracts and long-duration insurance contracts for the year ended December 31, 2006 were as follows:

	Traditional participating insurance contracts (SFAS 120) € mn	Long-duration insurance contracts (SFAS 60) € mn
As of December 31, 2005	120,967	39,679
Reclassifications	—	4,945
As of January 1, 2006	120,967	44,624
Foreign currency translation adjustments	(119)	(356)
Changes recorded in consolidated income statements	2,393	927
Novation of reinsurance agreements	(420)	—
Dividends allocated to policyholders	1,029	198
Other changes	(15)	(3)
As of December 31, 2006	123,835	45,390

Changes in aggregate policy reserves for universal-life type insurance contracts and non unit linked investment contracts for the year ended December 31, 2006 were as follows:

	Universal-life type insurance contracts (SFAS 97) € mn	Non unit linked investment contracts € mn
As of December 31, 2005	88,078	288
Reclassifications	(4,945)	—
As of January 1, 2006	83,133	288
Foreign currency translation adjustments	(3,686)	(12)
Premiums collected	13,092	142
Separation of embedded derivatives	(543)	—
Interest credited	3,106	20
Releases upon death, surrender and withdrawal	(7,785)	(104)
Policyholder charges	(541)	(2)
Transfers	(95)	95
As of December 31, 2006	86,681	427

Changes in aggregate policy reserves and financial liabilities for unit linked contracts for the year ended December 31, 2005 were as follows:

	2005		
	SFAS 120 € mn	SFAS 60 € mn	SFAS 97 € mn
As of January 1, 2005	117,439	38,442	114,900
Foreign currency translation adjustments	(28)	280	7,378
Changes in the consolidated subsidiaries of the Allianz Group	77	—	(99)
Deposits from SFAS 97 contracts	—	—	27,179
Changes recorded in premiums earned (net)	—	—	(2,414)
Changes recorded in changes in reserves for insurance and investment contracts (net)	2,698	558	2,125
Changes recorded in income from financial assets and liabilities carried at fair value through income (net)	—	—	3,551
Other changes	781	399	(9,593)
As of December 31, 2005	120,967	39,679	143,027
Comprised of:			
Universal life type insurance contracts			88,078
Non unit linked investment contracts			288
Unit linked insurance contracts			30,320
Unit linked investment contracts			24,341
Total			143,027

As of December 31, 2006, participating life business represented approximately 62% (2005: 62%) of the Allianz Group's gross insurance in-force. During the year ended December 31, 2006, participating policies represented approximately 66% (2005: 66%) of gross premiums written and 63% (2005: 63%) of life premiums earned. As of December 31, 2006, reserves for conventional participating policies were approximately 54% (2005: 53%) of the Allianz Group's consolidated aggregate policy reserves.

Reserves for premium refunds

	2006 € mn	2005 € mn	2004 € mn
Amounts already allocated under local statutory or contractual regulations:			
As of January 1,	10,915	8,794	7,326
Foreign currency translation adjustments	(9)	14	6
Changes in the consolidated subsidiaries of the Allianz Group	—	—	27
Change	1,858	2,107	1,435
As of December 31,	12,764	10,915	8,794
Latent reserves for premium refunds:			
As of January 1,	17,595	12,443	8,001
Foreign currency translation Adjustments	(24)	(4)	6
Changes due to fluctuations in market value	(50)	4,094	3,771
Changes in the consolidated subsidiaries of the Allianz Group	(491)	6	71
Changes due to valuation differences charged (credited) to income	895	1,056	594
As of December 31,	17,925	17,595	12,443
Total	30,689	28,510	21,237

Concentration of insurance risk in the Life/Health segment

The Allianz Group's Life/Health segment provides a wide variety of insurance and investment contracts to individuals and groups in approximately 30 countries around the world. Individual contracts include both traditional contracts and unit-linked contracts. Without consideration of policyholder participation, traditional contracts generally incorporate significant investment risk for the Allianz Group. Traditional contracts include life, endowment, annuity, and supplemental health contracts. Traditional annuity contracts are issued in both deferred and immediate types. In addition, the Allianz Group's Life/Health operations in the United States issue a significant amount of equity indexed deferred annuities. Unit-linked contracts generally result in the contract holder assuming investment risk. In addition, in certain markets, the Allianz Group issues group life, health, and pension contracts.

As of December 31, 2006 and 2005, the Allianz Group's deferred acquisition costs and reserves for insurance and investment contracts for the Life/Health segment are summarized as follows:

As of December 31,	Deferred acquisition costs € mn	Aggregate policy reserves € mn	Reserves for premium refunds € mn	Other insurance reserves € mn	Total non-unit linked reserves € mn	Unit linked liabilities € mn	Total € mn
2006							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk:							
Germany Life	5,331	112,103	18,844	3	130,950	1,095	132,045
Germany Health	857	12,070	3,369	3	15,442	—	15,442
France	1,238	41,622	4,837	59	46,518	12,430	58,948
Italy	1,148	19,640	408	2	20,050	24,779	44,829
Switzerland	267	5,707	689	117	6,513	558	7,071
Austria	126	3,050	365	—	3,415	194	3,609
South Korea	786	5,847	58	—	5,905	970	6,875
Subtotal	9,753	200,039	28,570	184	228,793	40,026	268,819
Other Countries:							
Belgium	118	5,035	26	—	5,061	325	5,386
Spain	24	4,637	451	1	5,089	114	5,203
Other Western and Southern Europe	305	2,188	126	—	2,314	3,564	5,878
Eastern Europe	236	1,465	27	11	1,503	668	2,171
United States	4,601	32,762	—	—	32,762	15,063	47,825
Taiwan	209	1,883	—	—	1,883	1,868	3,751
Other Asia-Pacific	131	434	45	—	479	176	655
South America	—	88	—	—	88	58	146
Other	4	716	7	6	729	2	731
Subtotal	5,628	49,208	682	18	49,908	21,838	71,746
Total	15,381	249,247	29,252	202	278,701	61,864	340,565
2005							
Countries with legal or contractual policyholder participation in insurance, investment and/or expense risk:							
Germany Life	5,196	107,977	15,735	3	123,715	681	124,396
Germany Health	819	11,370	3,049	3	14,422	—	14,422
France	1,096	40,987	5,358	67	46,412	9,692	56,104
Italy	1,175	19,212	963	2	20,177	23,886	44,063
Switzerland	292	5,894	657	129	6,680	464	7,144
Austria	108	2,924	323	—	3,247	119	3,366
South Korea	694	5,679	68	—	5,747	484	6,231
Subtotal	9,380	194,043	26,153	204	220,400	35,326	255,726
Other Countries:							
Belgium	93	4,782	62	—	4,844	368	5,212
Spain	21	4,394	716	—	5,110	131	5,241
Other Western and Southern Europe	321	2,194	44	—	2,238	3,258	5,496
Eastern Europe	200	1,270	17	10	1,297	289	1,586
United States	4,217	32,218	—	—	32,218	13,751	45,969
Taiwan	170	1,778	—	—	1,778	1,325	3,103
Other Asia-Pacific	107	296	29	—	325	120	445
South America	—	90	—	1	91	92	183
Other	41	1,127	2	3	1,132	1	1,133
Subtotal	5,170	48,149	870	14	49,033	19,335	68,368
Total	14,550	242,192	27,023	218	269,433	54,661	324,094

A significant part of the Allianz Group's Life/Health segment operations is conducted in Western Europe. Insurance laws and regulations in Western Europe have historically been characterized by legal or contractual minimum participation of contract holders in the profits of the insurance company issuing the contract. In particular, Germany, Switzerland and Austria, which comprise approximately 42% and 41%, of the Allianz Group's reserves for insurance and investment contracts as of December 31, 2006 and 2005 respectively, include a significant level of policyholder participation in all sources of profit including mortality/morbidity, investment and expense. As a result of this policyholder participation, the Allianz Group's exposure to insurance, investment and expense risk is mitigated.

Furthermore, a significant portion of the Allianz Group's traditional and unit-linked contracts issued in the United States meet the criteria for classification as insurance contracts under IFRS 4 on an individual contract basis, because these contracts include options for contract holders to elect a life-contingent annuity. These contracts currently do not expose the Allianz Group to significant insurance risk, nor are they expected to do so in the future, as the projected annuitization rates are not significant. Additionally, a significant portion of the Allianz Group's traditional contracts issued in France and Italy do not incorporate significant insurance risk despite the fact that they are accounted for as insurance contracts, due to their discretionary participation features. Similarly, a significant portion of the Allianz Group's unit-linked contracts in France and Italy do not incorporate significant insurance risk.

As a result of the significant diversity in types of contracts issued, including the offsetting effects of mortality risk and longevity risk inherent in a combined portfolio of life insurance and annuity products, and the geographic diversity of the Allianz Group's Life/Health segment, as well as the significant level of policyholder participation in mortality/morbidity risk in certain countries in Western Europe, the Allianz Group does not believe its Life/Health segment has any significant concentrations of insurance risk, nor does it believe its net income or shareholders' equity is highly sensitive to insurance risk.

The Allianz Group's Life/Health segment is exposed to significant investment risk as a result of guaranteed minimum interest rates included in most of its traditional contracts. A summary of the weighted average guaranteed minimum interest rates of the Allianz Group's most significant operating entities in the Life/Health segment by country is as follows:

As of December 31,	2006 %	2005 %
Country		
Germany Life	3.44	3.49
France	2.44	na
Italy	2.50	2.85
Switzerland	2.86	3.05
Spain	5.38	5.39
Netherlands	0.82	0.84
Austria	3.11	3.10
Belgium	4.06	4.18
United States	—	—
South Korea	6.06	6.34
Taiwan	3.74	4.84

In most of these markets, the effective interest rates being earned on the investment portfolio exceed these guaranteed minimum interest rates. In addition, the operations in these markets may also have significant mortality and expense margins. As a result, as of December 31, 2006 and 2005, the Allianz Group does not believe that it is exposed to a significant risk of premium deficiencies in its Life/Health segment. However, the Allianz Group's life/health operations in Switzerland, Belgium, South Korea and Taiwan, have high guaranteed minimum interest rates on older contracts in their portfolios and, as a result, may be sensitive to any declines in investment rates or a prolonged low interest rate environment.

19 Financial liabilities for unit linked contracts

As of December 31,	2006 € mn	2005 € mn
Unit linked insurance contracts	36,296	30,320
Unit linked investment contracts	25,568	24,341
Total	61,864	54,661

Changes in financial liabilities for unit linked insurance contracts and unit linked investment contracts for the year ended December 31, 2006 were as follows:

	Unit linked insurance contracts € mn	Unit linked investment contracts € mn
As of January 1, 2006	30,320	24,341
Foreign currency translation adjustments	(1,765)	(6)
Premiums collected	8,313	5,987
Interest credited	3,013	705
Releases upon death, surrender, and withdrawal	(2,584)	(5,257)
Policyholder charges	(914)	(289)
Transfer	(87)	87
As of December 31, 2006	36,296	25,568

20 Other liabilities

As of December 31,	2006 € mn	2005 € mn
Payables		
Policyholders	5,322	6,295
Agents	1,494	1,764
Reinsurance	1,868	1,648
Social security	219	176
Subtotal	8,903	9,883
Tax payables		
Income tax	2,076	2,150
Other	968	1,004
Subtotal	3,044	3,154
Accrued interest and rent	793	513
Unearned income		
Interest and rent	2,645	2,257
Other	279	236
Subtotal	2,924	2,493
Provisions		
Pensions and similar obligations	4,120	5,594
Employee related	3,120	2,737
Share-based compensation	1,898	1,703
Restructuring plans	887	186
Loan commitments	261	117
Other provisions	1,943	1,947
Subtotal	12,229	12,284
Deposits retained for reinsurance ceded	5,716	7,105
Derivative financial instruments used for hedging purposes that meet the criteria for hedge accounting and firm commitments	907	1,019
Financial liabilities for puttable equity instruments	3,750	3,137
Disposal groups held for sale	—	1,389
Other liabilities	11,498	10,338
Total	49,764	51,315

Other liabilities due within one year amounted to € 40,839 mn (2005: € 43,635 mn) and those due after more than one year totaled € 8,925 mn (2005: € 7,680 mn).

21 Certificated liabilities

	Contractual Maturity Date						As of	As of
	2007	2008	2009	2010	2011	Thereafter	December 31, 2006	December 31, 2005
	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾
Allianz SE²⁾								
Senior bonds:								
Fixed rate	2,198	1,626	—	—	—	2,371	6,195	4,781
Contractual interest rate	5.19%	5.00%	—	—	—	4.61%		
Exchangeable bonds:								
Fixed rate	—	1,262	—	—	—	—	1,262	2,326
Contractual interest rate	—	0.75%	—	—	—	—		
Money market securities:								
Fixed rate	870	—	—	—	—	—	870	1,131
Contractual interest rate	3.69%	—	—	—	—	—		
Total Allianz SE²⁾	3,068	2,888	—	—	—	2,371	8,327	8,238
Banking subsidiaries								
Senior bonds:								
Fixed rate	6,000	3,553	2,510	504	500	1,541	14,608	15,260
Contractual interest rate	5.12%	4.75%	5.26%	4.14%	6.04%	6.20%		
Floating rate	1,220	1,436	1,361	877	2,239	1,596	8,729	11,002
Current interest rate	4.41%	4.07%	3.72%	4.66%	3.31%	4.06%		
Subtotal	7,220	4,989	3,871	1,381	2,739	3,137	23,337	26,262
Money market securities:								
Fixed rate	17,677	—	—	—	—	—	17,677	17,306
Contractual interest rate	5.13%	—	—	—	—	—		
Floating rate	4,978	—	—	—	—	—	4,978	6,981
Current interest rate	2.98%	—	—	—	—	—		
Subtotal	22,655	—	—	—	—	—	22,655	24,287
Total banking subsidiaries	29,875	4,989	3,871	1,381	2,739	3,137	45,992	50,549
All other subsidiaries								
Certificated liabilities:								
Fixed rate	—	—	—	—	—	4	4	16
Contractual interest rate	—	—	—	—	—	2.22%		
Money market securities:								
Fixed rate	599	—	—	—	—	—	599	400
Contractual interest rate	3.51%	—	—	—	—	—		
Total all other subsidiaries	599	—	—	—	—	4	603	416
Total	33,542	7,877	3,871	1,381	2,739	5,512	54,922	59,203

¹⁾ Except for the interest rates. The interest rates represent the weighted-average.

²⁾ Includes senior bonds, exchangeable bonds and money market securities issued by Allianz Finance B.V. and Allianz Finance II B.V. guaranteed by Allianz SE and money market securities issued by Allianz Finance Corporation, a wholly-owned subsidiary of Allianz SE, which are fully and unconditionally guaranteed by Allianz SE.

22 Participation certificates and subordinated liabilities

	Contractual Maturity Date						As of	As of
	2007	2008	2009	2010	2011	Thereafter	December 31, 2006	December 31, 2005
	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾	€ mn ¹⁾
Allianz SE²⁾								
Subordinated bonds								
Fixed rate	—	—	—	—	—	1,164	1,164	1,984
Contractual interest rate	—	—	—	—	—	5.99%		
Floating rate	—	—	—	—	—	5,719	5,719	4,236
Current interest rate	—	—	—	—	—	5.61%		
Subtotal	—	—	—	—	—	6,883	6,883	6,220
Participation certificates								
Floating rate ³⁾	—	—	—	—	—	85	85	85
Total Allianz SE²⁾	—	—	—	—	—	6,968	6,968	6,305
Banking subsidiaries								
Subordinated bonds:								
Fixed rate	709	385	203	122	20	1,182	2,621	3,078
Contractual interest rate	6.46%	5.75%	5.33%	6.40%	6.75%	6.27%		
Floating rate	92	54	304	32	63	503	1,048	1,195
Current interest rate	4.33%	4.12%	3.87%	3.95%	5.08%	4.79%		
Subtotal	801	439	507	154	83	1,685	3,669	4,273
Hybrid equity:								
Fixed rate	—	—	—	—	500	2,013	2,513	1,614
Contractual interest rate	—	—	—	—	5.79%	7.23%		
Participation certificates⁴⁾								
Fixed rate	680	837	—	—	—	745	2,262	1,499
Contractual interest rate	7.84%	6.95%	—	—	—	5.39%		
Floating rate	—	—	—	—	—	—	—	18
Current interest rate	—	—	—	—	—	—	—	—
Subtotal	680	837	—	—	—	745	2,262	1,517
Total banking subsidiaries	1,481	1,276	507	154	583	4,443	8,444	7,404
All other subsidiaries								
Subordinated liabilities:								
Fixed rate	—	60	—	—	—	620	680	705
Contractual interest rate	—	6.84%	—	—	—	5.35%		
Floating rate	—	—	—	—	—	225	225	225
Current interest rate	—	—	—	—	—	3.23%		
Subtotal	—	60	—	—	—	845	905	930
Hybrid equity:								
Fixed rate	—	—	—	—	—	45	45	45
Contractual interest rate	—	—	—	—	—	3.58%		
Total all other subsidiaries	—	60	—	—	—	890	950	975
Total	1,481	1,336	507	154	583	12,301	16,362	14,684

¹⁾ Except for interest rates. Interest rates represent the weighted-average.

²⁾ Includes subordinated bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz SE.

³⁾ The terms of the profit participation certificates provide for an annual cash distribution of 240% of the dividend paid by Allianz SE per one Allianz SE share. Holders of profit participation certificates do not have voting rights, or any rights to convert the certificates into Allianz SE shares, or rights to liquidation proceeds. Profit participation certificates are unsecured and rank pari passu with the claims of other unsecured creditors. Profit participation certificates can be redeemed by holders upon twelve months prior notice every fifth year. Allianz SE has the right to call the profit participation certificates for redemption, upon six months' prior notice every year. The next call date is December 31, 2007. Upon redemption by Allianz SE, the cash redemption price per certificate would be equal to 122.9% of the then current price of one Allianz SE share during the last three months preceding the recall of the participation certificate. In lieu of redemption for cash, Allianz SE may offer 10 Allianz SE ordinary shares per 8 profit participation certificates.

⁴⁾ Participation certificates issued by the Dresdner Bank Group entitle holders to annual interest payments, which take priority over its shareholders' dividend entitlements. They are subordinated to obligations for all other creditors of the respective issuer, except those similarly subordinated, and share in losses of the respective issuers in accordance with the conditions attached to the participation certificates. The profit participation certificates will be redeemed subject to the provisions regarding loss sharing.

23 Equity

As of December 31,	2006 € mn	2005 € mn
Shareholders' equity		
Issued capital	1,106	1,039
Capital reserve	24,292	20,577
Revenue reserves	14,070	9,930
Treasury shares	(441)	(1,351)
Foreign currency translation adjustments	(2,210)	(1,032)
Unrealized gains and losses (net) ¹⁾	13,664	10,324
Subtotal	50,481	39,487
Minority interests	6,409	7,615
Total	56,890	47,102

¹⁾ As of December 31, 2006 includes € 140 mn related to cash flow hedges (2005: € 139 mn).

Issued capital

Issued capital at December 31, 2006 amounted to € 1,106,304,000 divided into 432,150,000 registered shares. The shares have no par value but a mathematical per share value of € 2.56 each as a proportion of the issued capital.

Authorized capital

As of December 31, 2006, Allianz SE had € 450,000,000 (175,781,250 shares) of authorized unissued capital (Authorized Capital 2006/I) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the pre-emptive rights of shareholders if the shares are issued against a contribution in kind and, in certain cases, if they are issued against a cash contribution.

As of December 31, 2006, Allianz SE had € 12,473,943 (4,872,634 shares) of authorized unissued capital (Authorized Capital 2006/II) which can be issued at any time up to February 7, 2011. The Board of Management, with approval of the Supervisory Board, is authorized to exclude the pre-emptive rights of shareholders if the shares are issued to employees of the Allianz Group. Further, as of December 31, 2006, Allianz SE had € 5,632,000 (2,200,000 shares) of unissued conditional authorized capital which will be carried out only to the extent that conversion or option rights are exercised by holders of bonds issued by Allianz SE or any of its subsidiaries or that mandatory conversion obligations are fulfilled.

Changes to the number of issued shares outstanding

	2006	2005	2004
Issued shares outstanding as of January 1,	405,298,397	366,859,799	366,472,698
Capital increase for merger with RAS	25,123,259	—	—
Exercise of warrants	—	9,000,000	—
Capital increase for cash	—	10,116,850	—
Capital increase for employee shares	986,741	1,148,150	1,056,250
Change in treasury shares held for non-trading purposes	(57,232)	17,165,510	(2,861)
Change in treasury shares held for trading purposes	(2,014,874)	1,008,088	(666,288)
Issued shares outstanding as of December 31,	429,336,291	405,298,397	366,859,799
Treasury shares	2,813,709	741,603	18,915,201
Total number of issued shares	432,150,000	406,040,000	385,775,000

In November 2006, 986,741 (2005: 1,148,150) shares were issued at a price of € 131.00 (2005: € 103.50) per share, enabling employees of Allianz Group subsidiaries in Germany and abroad to purchase 929,509 (2005: 1,144,196) shares at prices ranging from € 91.70 (2005: € 72.45) to € 111.35 (2005: € 87.98) per share. The remaining 57,232 (2005: 3,954) shares were warehoused and booked as treasury shares for further subscriptions by employees in the context of the employee share purchase plan in 2007. As a result, issued capital increased by € 3 mn and capital reserve increased by € 126 mn.

On October 13, 2006, Allianz AG and RAS merged resulting in the issuance of 25,123,259 shares of Allianz SE to the shareholders of RAS. As a result, share capital increased by € 64 mn and capital reserve increased by € 3,589 mn.

In September 2005, the Allianz Group issued 10,116,850 shares for proceeds of € 1,062 mn, which increased issued capital by € 26 mn and capital reserve of € 1,036 mn.

On February 18, 2005, the Allianz Group issued a subordinated bond with 11.2 mn detachable warrants, which allow the holder to purchase a share of Allianz SE. The warrants are exercisable at any time during their three year term and have an exercise price of € 92 per share. The warrants were recorded in capital reserve at the premium received of € 174 mn on their issuance date. During the year ended December 31, 2005, as a result of the exercise of 9 mn warrants the Allianz Group received consideration of € 828 mn, which increased issued capital by € 23 mn and capital reserve by € 805 mn.

All shares issued during the years ended December 31, 2006, 2005 and 2004 are qualifying shares from the beginning of the year of issue.

Dividends

For the year ended December 31, 2006, the Board of Management will propose to shareholders at the Annual General Meeting the distribution of a dividend of € 3.80 per qualifying share. During the years ended December 31, 2005 and 2004, Allianz SE paid a dividend of € 2.00 and € 1.75, respectively, per qualifying share.

Treasury shares

The Annual General Meeting on May 3, 2006 (2005: May 4), authorized Allianz SE to acquire its own shares for other purposes pursuant to clause 71(1) no. 8 of the German Stock Corporation Law ("Aktengesetz"). During the year ended December 31, 2006 the authorization was used to acquire 57,232 shares of Allianz SE.

In order to enable Dresdner Bank Group to trade in shares of Allianz SE, the Annual General Meeting on May 3, 2006 authorized the Allianz Group's domestic or foreign credit institutions in which Allianz SE has a majority holding to acquire treasury shares for trading purposes pursuant to clause 71(1) no. 7 of the Aktengesetz. During the year ended December 31, 2006, in accordance with this authorization, the credit institutions of the Allianz Group purchased 44,741,900 (2005: 83,202,188) of Allianz SE's shares at an average price of € 131.45 per share (2005: € 104.66), which included previously held Allianz SE shares. During the year ended December 31, 2006, 42,180,935 shares (2005: 87,652,805) were disposed of holdings at an average price of € 132.76 per share (2005: € 105.06). During the year ended December 31, 2006, the gains arising from treasury share transactions and in consideration of the holding, were € 29 mn (2005: losses of € 31 mn), which were recorded directly in revenue reserves.

In 2005, the Dresdner Bank Group placed 17,155,008 shares of Allianz SE in the market.

The resulting short position in own shares is hedged by the use of derivatives and is reflected in the revenue reserves. Due to written put options the Allianz Group is obliged to buy own shares amounting to € 2 mn (2005: € 1,261mn), in case the put options are exercised.

Composition of the treasury shares

As of December 31,	Acquisition costs € mn	Number of shares	Issued capital %
2006			
Allianz SE	57	481,267	0.11
Dresdner Bank Group	382	2,332,442	0.54
Dresdner Bank Group (obligation for written put options on Allianz SE shares)	2	—	—
Total	441	2,813,709	0.65
2005			
Allianz SE	50	424,035	0.10
Dresdner Bank Group	40	317,568	0.08
Dresdner Bank Group (obligation for written put options on Allianz SE shares)	1,261	—	—
Total	1,351	741,603	0.18

Capital Requirements

The Allianz Group's capital requirements are primarily dependent on our growth and the type of business that it underwrites, as well as the industry and geographic locations in which it operates. In addition, the allocation of the Allianz Group's investments plays an important role. During the Allianz Group's annual planning dialogues with its operating entities, capital requirements are determined through business plans regarding the levels and timing of capital expenditures and investments. Regulators impose minimum capital rules on the level of both the Allianz Group's operating entities and the Allianz Group as a whole.

On January 1, 2005, the Financial Conglomerates Directive, a supplementary European Union (or "EU") directive, became effective in Germany. Under this directive, a financial conglomerate is defined as any financial parent holding company that, together with its subsidiaries, has significant cross-border and cross-sector activities. The Allianz Group is a financial conglomerate within the scope of the directive and the related German law. The law requires that the financial conglomerate calculates the capital needed to meet the respective solvency requirements on a consolidated basis.

At December 31, 2006, based on the current status of discussion, our eligible capital for the solvency margin, required for our insurance segments and our banking

and asset management business, was € 50.5 bn (2005: € 39.3 bn) including off-balance sheet reserves¹⁾, surpassing the minimum legally stipulated level by € 24.4 bn (2005: € 15.1 bn). This margin resulted in a preliminary cover ratio²⁾ of 194% at December 31, 2006 (2005: 162%). In 2006, all Allianz Group companies also have met their local solvency requirements.

At December 31, 2006, our eligible capital for the solvency margin, required for insurance groups under German law, was € 54.0 bn (2005: € 43.6 bn), surpassing the minimum legally stipulated level by € 38.5 bn (2005: € 29.4 bn). This margin resulted in preliminary cover ratio²⁾ of 349% (2005: 307%).

Dresdner Bank is subject to the risk-adjusted capital guidelines (or “Basle Accord”) promulgated by the Basle Committee on Banking Supervision (or “BIS-rules”) and therefore calculates and reports under such guidelines to the German Federal Financial Supervisory Authority (the Bundesanstalt für Finanzdienstleistungsaufsicht, or “BaFin”) and the Deutsche Bundesbank, the German central bank. These guidelines are used to evaluate capital adequacy based primarily on the perceived credit risk associated with balance sheet assets, as well as certain off-balance sheet exposures such as unfunded loan commitments, letters of credit, and derivative and foreign exchange contracts. In addition, for Allianz SE to maintain its status as a “financial holding company” under the U.S. Gramm-Leach-Bliley Financial Modernization Act of 1999, Dresdner Bank must be considered “well capitalized” under guidelines issued by the Board of Governors of the Federal Reserve System. To be considered “well capitalized” for these purposes, Dresdner Bank must have a Tier I Capital Ratio of at least 6% and a combined Tier I and Tier II Capital Ratio of at least 10%, and not be subject to a directive, order or written agreement to meet and maintain specific capital levels. As shown in the table below, Dresdner Bank maintained a “well capitalized” position during both 2006 and 2005.

The following table sets forth Dresdner Bank’s BIS capital ratios:

As of December 31,	2006 € mn	2005 ¹⁾ € mn
Tier I capital (core capital)	12,469	11,126
Tier I & Tier II capital	18,668	18,211
Tier III capital (supplementary capital)	—	—
Total capital	18,668	18,211
Risk-weighted assets—banking book	117,355	108,659
Risk-weighted assets—trading book	2,625	2,875
Total risk-weighted assets	119,980	111,534
Tier I capital ratio (core capital) in %	10.39	9.98
Tier I & Tier II capital ratio in %	15.56	16.33
Total capital ratio in %	15.56	16.33

¹⁾ Effective June 2005, Dresdner Bank changed the accounting basis for calculation and disclosure of BIS-figures from German GAAP to IFRS.

The distinction between “core capital” and “supplementary capital” in the table above reflects the ability of the capital components to cover losses. Core capital, with the highest ability to cover losses, corresponds to Tier I capital, while supplementary capital corresponds to Tier II capital as such terms are defined in applicable U.S. capital adequacy rules.

In addition to regulatory capital requirements, Allianz SE also uses an internal risk capital model to determine how much capital is required to absorb any unexpected volatility in results of operations.

Certain of the Allianz Group’s insurance subsidiaries prepare individual financial statements based on local laws and regulations. These laws establish restrictions on the minimum level of capital and surplus an insurance entity must maintain and the amount of dividends that may be paid to shareholders. The minimum capital requirements and dividend restrictions vary by jurisdiction. The minimum capital requirements are based on various criteria including, but not limited to, volume of premiums written or claims paid, amount of insurance reserves, asset risk, mortality risk, credit risk, underwriting risk and off-balance sheet risk.

As of December 31, 2006, the Allianz Group’s insurance subsidiaries were in compliance with all applicable solvency and capital adequacy requirements.

Certain insurance subsidiaries are subjected to regulatory restrictions on the amount of dividends which can be remitted to Allianz SE without prior approval by

¹⁾ Representative of the difference between fair value and amortized cost of real estate used by third parties and investments in associates and joint ventures, net of deferred taxes, policyholders’ participation and minority interests.

²⁾ Represents the ratio of eligible capital to required capital.

the appropriate regulatory body. Such restrictions provide that a company may only pay dividends up to an amount in excess of certain regulatory capital levels or based on the levels of undistributed earned surplus or current year income or a percentage thereof. By way of example only, the operations of our insurance subsidiaries located in the United States are subject to limitations on the payment of dividends to their parent company under applicable state insurance laws.

Dividends paid in excess of these limitations generally require prior approval of the insurance commissioner of the state of domicile. The Allianz Group believes that these restrictions will not affect the ability of Allianz SE to pay dividends to its shareholders in the future. In addition, Allianz SE is not subject to legal restrictions on the amount of dividends it can pay to its shareholders, except the legal reserve in the appropriated retained earnings, which is required according to clause 150 (1) of the German Stock Corporation Act (AktG).

Minority interests

As of December 31,	2006 € mn	2005 € mn
Unrealized gains and losses	840	1,321
Share of earnings	1,289	1,386
Other equity components	4,280	4,908
Total	6,409	7,615

Supplementary Information to the Consolidated Income Statements

24 Premiums earned (net)

	Property- Casualty € mn	Life/ Health € mn	Consoli- dation € mn	Total € mn
2006				
Premiums written				
Direct	40,967	21,252	—	62,219
Assumed	2,707	362	(13)	3,056
Subtotal	43,674	21,614	(13)	65,275
Ceded	(5,415)	(816)	13	(6,218)
Net	38,259	20,798	—	59,057
Change in unearned premiums				
Direct	(351)	(225)	—	(576)
Assumed	156	1	—	157
Subtotal	(195)	(224)	—	(419)
Ceded	(114)	—	—	(114)
Net	(309)	(224)	—	(533)
Premiums earned				
Direct	40,616	21,027	—	61,643
Assumed	2,863	363	(13)	3,213
Subtotal	43,479	21,390	(13)	64,856
Ceded	(5,529)	(816)	13	(6,332)
Net	37,950	20,574	—	58,524
2005				
Premiums written				
Direct	40,547	20,707	—	61,254
Assumed	3,152	386	(26)	3,512
Subtotal	43,699	21,093	(26)	64,766
Ceded	(5,529)	(926)	26	(6,429)
Net	38,170	20,167	—	58,337
Change in unearned premiums				
Direct	(378)	(161)	—	(539)
Assumed	(246)	(6)	—	(252)
Subtotal	(624)	(167)	—	(791)
Ceded	139	(3)	—	136
Net	(485)	(170)	—	(655)
Premiums earned				
Direct	40,169	20,546	—	60,715
Assumed	2,906	380	(26)	3,260
Subtotal	43,075	20,926	(26)	63,975
Ceded	(5,390)	(929)	26	(6,293)
Net	37,685	19,997	—	57,682

24 Premiums earned (net) – continued

	Property- Casualty € mn	Life/ Health € mn	Consoli- dation € mn	Total € mn
2004				
Premiums written				
Direct	40,460	20,246	—	60,706
Assumed	2,482	526	(24)	2,984
Subtotal	42,942	20,772	(24)	63,690
Ceded	(5,299)	(1,294)	24	(6,569)
Net	37,643	19,478	—	57,121
Change in unearned premiums				
Direct	(304)	(72)	—	(376)
Assumed	10	(2)	—	8
Subtotal	(294)	(74)	—	(368)
Ceded	36	—	—	36
Net	(258)	(74)	—	(332)
Premiums earned				
Direct	40,156	20,174	—	60,330
Assumed	2,492	524	(24)	2,992
Subtotal	42,648	20,698	(24)	63,322
Ceded	(5,263)	(1,294)	24	(6,533)
Net	37,385	19,404	—	56,789

25 Interest and similar income

	2006 € mn	2005 € mn	2004 € mn
Interest from held-to-maturity investments	233	253	269
Dividends from available-for-sale investments	2,119	1,469	1,320
Interest from available-for-sale investments	9,160	8,592	7,689
Share of earnings from investments in associates and joint ventures	287	253	253
Rent from real estate held for investment	930	993	964
Interest from loans to banks and customers	11,058	10,875	10,475
Other interest	169	209	226
Total	23,956	22,644	21,196

26 Income from financial assets and liabilities carried at fair value through income (net)

	Property- Casualty € mn	Life/Health € mn	Banking € mn	Asset Management € mn	Corporate € mn	Consolidation € mn	Group € mn
2006							
Income (expense) from financial assets and liabilities held for trading	83	(808)	1,282	7	(273)	72	363
Income (expense) from financial assets designated at fair value through income	121	742	95	(105)	4	—	857
Expense from financial liabilities designated at fair value through income	(1)	(2)	(42)	—	—	1	(44)
Income (expense) from financial liabilities for puttable equity instruments (net)	(14)	(293)	—	136	(65)	—	(236)
Total	189	(361)	1,335	38	(334)	73	940
2005							
Income (expense) from financial assets and liabilities held for trading	32	(324)	1,170	3	(441)	(3)	437
Income from financial assets designated at fair value through income	128	780	74	247	—	—	1,229
Expense from financial liabilities designated at fair value through income	—	—	(81)	—	—	3	(78)
Income (expense) from financial liabilities for puttable equity instruments (net)	4	(198)	—	(231)	—	—	(425)
Total	164	258	1,163	19	(441)	—	1,163
2004							
Income (expense) from financial assets and liabilities held for trading	20	116	1,518	11	(61)	(5)	1,599
Income from financial assets designated at fair value through income	12	159	54	—	—	—	225
Expense from financial liabilities designated at fair value through income	—	—	(63)	—	—	—	(63)
Income (expense) from financial liabilities for puttable equity instruments (net)	(7)	(77)	—	—	—	—	(84)
Total	25	198	1,509	11	(61)	(5)	1,677

Income from financial assets and liabilities held for trading (net)

Life/Health Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2006 includes expenses of € 811 mn (2005: € 377 mn; 2004: € 104 mn) from derivative financial instruments in the Life/Health insurance segment. This includes expenses from derivative financial instruments related to equity indexed annuity contracts and guaranteed benefits under unit-linked contracts of € 350 mn (2005: € 199 mn; 2004: € 128 mn) and expenses from other derivative financial instruments of € 461 mn (2005: € 178 mn; 2004: income: € 24 mn).

Banking Segment

Income from financial assets and liabilities held for trading of the Banking segment comprises:

	2006 € mn	2005 € mn	2004 € mn
Trading in interest products	777	473	771
Trading in equity products	217	274	219
Foreign exchange/precious metals trading	354	222	149
Other trading activities	(66)	201	379
Total	1,282	1,170	1,518

Corporate Segment

Income from financial assets and liabilities held for trading for the year ended December 31, 2006, includes expenses of € 152 mn (2005: € 332 mn; 2004: € 149 mn) from derivative financial instruments in the Corporate segment for which hedge accounting is not applied. This includes expenses from derivative financial instruments embedded in exchangeable bonds of € 570 mn (2005: € 605 mn; 2004: € 11 mn), income from derivative

financial instruments which partially hedge the exchangeable bonds, however which do not qualify for hedge accounting, of € 290 mn (2005: € 288 mn; 2004: € 17 mn), and income from other derivative financial instruments of € 128 mn (2005: expense: € 15 mn; 2004: expense: € 155 mn).

27 Realized gains/losses (net)

	2006 € mn	2005 € mn	2004 € mn
Realized gains			
Available-for-sale investments			
Equity securities	5,052	3,348	3,579
Debt securities	739	968	1,109
Subtotal	5,791	4,316	4,688
Investments in associates and joint ventures¹⁾	891	1,218	868
Loans to banks and customers	47	116	(6)
Real estate held for investment	766	373	357
Subtotal	7,495	6,023	5,907
Realized losses			
Available-for-sale investments			
Equity securities	(342)	(566)	(517)
Debt securities	(795)	(332)	(373)
Subtotal	(1,137)	(898)	(890)
Investments in associates and joint ventures²⁾	(15)	(32)	(302)
Loans to banks and customers	(57)	(93)	(95)
Real estate held for investment	(135)	(22)	(52)
Subtotal	(1,344)	(1,045)	(1,339)
Total	6,151	4,978	4,568

¹⁾ During the year ended December 31, 2006, includes realized gains from the disposal of subsidiaries and businesses of € 613 mn (2005: € 394 mn; 2004: € 183 mn).

²⁾ During the year ended December 31, 2006, includes realized losses from the disposal of subsidiaries of € 3 mn (2005: € 14 mn; 2004: € 251 mn).

28 Fee and commission income

	2006			2005			2004		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Property-Casualty									
Fees from credit and assistance business	681	—	681	662	—	662	471	—	471
Service agreements	318	(37)	281	316	(42)	274	302	(84)	218
Investment advisory	15	—	15	11	—	11	9	—	9
Subtotal	1,014	(37)	977	989	(42)	947	782	(84)	698
Life/Health									
Service agreements	191	(26)	165	176	(82)	94	175	(107)	68
Investment advisory	423	(28)	395	306	—	306	33	(4)	29
Other	16	(16)	—	25	(13)	12	16	(10)	6
Subtotal	630	(70)	560	507	(95)	412	224	(121)	103
Banking									
Securities business	1,472	(186)	1,286	1,339	(151)	1,188	1,203	(153)	1,050
Investment advisory	611	(156)	455	558	(140)	418	524	(110)	414
Payment transactions	364	(2)	362	381	(3)	378	399	(4)	395
Mergers and acquisitions advisory	284	—	284	256	—	256	182	—	182
Underwriting business	133	—	133	102	—	102	97	(2)	95
Other	734	(77)	657	761	(19)	742	832	(12)	820
Subtotal	3,598	(421)	3,177	3,397	(313)	3,084	3,237	(281)	2,956
Asset Management									
Management fees	3,420	(112)	3,308	2,987	(93)	2,894	2,493	(75)	2,418
Loading and exit fees	341	—	341	338	—	338	318	—	318
Performance fees	107	1	108	123	(2)	121	56	—	56
Other	318	(6)	312	298	(2)	296	229	(5)	224
Subtotal	4,186	(117)	4,069	3,746	(97)	3,649	3,096	(80)	3,016
Corporate									
Service agreements	190	(117)	73	164	(94)	70	137	(97)	40
Subtotal	190	(117)	73	164	(94)	70	137	(97)	40
Total	9,618	(762)	8,856	8,803	(641)	8,162	7,476	(663)	6,813

29 Other income

	2006	2005	2004
	€ mn	€ mn	€ mn
Income from real estate held for use			
Realized gains from disposals of real estate held for use	82	23	191
Other income from real estate held for use	3	33	139
Subtotal	85	56	330
Income from non-current assets and disposal groups held for sale			
Other	1	35	—
Total	86	92	329

30 Income from fully consolidated private equity investments

	MAN Roland Druckma- schinen AG € mn	Four Seasons Health Care Ltd. € mn	Total € mn
2006			
Sales and service revenues	1,044	327	1,371
Other operating revenues	15	—	15
Interest income	5	1	6
Total	1,064	328	1,392
2005			
Sales and service revenues	—	597	597
Other operating revenues	—	—	—
Interest income	—	1	1
Total	—	598	598
2004			
Sales and service revenues	—	173	173
Other operating revenues	—	—	—
Interest income	—	2	2
Total	—	175	175

31 Claims and insurance benefits incurred (net)

	Property-Casualty € mn	Life/Health € mn	Consolidation € mn	Total € mn
2006				
Gross				
Claims and insurance benefits paid	(27,132)	(18,485)	27	(45,590)
Change in loss and loss adjustment expenses	104	(35)	(2)	67
Subtotal	(27,028)	(18,520)	25	(45,523)
Ceded				
Claims and insurance benefits paid	3,130	777	(27)	3,880
Change in loss and loss adjustment expenses	(774)	118	2	(654)
Subtotal	2,356	895	(25)	3,226
Net				
Claims and insurance benefits paid	(24,002)	(17,708)	—	(41,710)
Change in loss and loss adjustment expenses	(670)	83	—	(587)
Total	(24,672)	(17,625)	—	(42,297)
2005				
Gross				
Claims and insurance benefits paid	(26,026)	(18,281)	8	(44,299)
Change in loss and loss adjustment expenses	(2,452)	(51)	—	(2,503)
Subtotal	(28,478)	(18,332)	8	(46,802)
Ceded				
Claims and insurance benefits paid	3,429	875	(8)	4,296
Change in loss and loss adjustment expenses	(282)	18	—	(264)
Subtotal	3,147	893	(8)	4,032
Net				
Claims and insurance benefits paid	(22,597)	(17,406)	—	(40,003)
Change in loss and loss adjustment expenses	(2,734)	(33)	—	(2,767)
Total	(25,331)	(17,439)	—	(42,770)
2004				
Gross				
Claims and insurance benefits paid	(26,674)	(18,470)	(27)	(45,171)
Change in loss and loss adjustment expenses	(726)	(96)	(1)	(823)
Subtotal	(27,400)	(18,566)	(28)	(45,994)
Ceded				
Claims and insurance benefits paid	3,421	1,045	27	4,493
Change in loss and loss adjustment expenses	(1,292)	(14)	1	(1,305)
Subtotal	2,129	1,031	28	3,188
Net				
Claims and insurance benefits paid	(23,253)	(17,425)	—	(40,678)
Change in loss and loss adjustment expenses	(2,018)	(110)	—	(2,128)
Total	(25,271)	(17,535)	—	(42,806)

32 Change in reserves for insurance and investment contracts (net)

	Property-Casualty € mn	Life/Health € mn	Corporate € mn	Consolidation € mn	Total € mn
2006					
Gross					
Aggregate policy reserves	(291)	(4,307)	—	(1)	(4,599)
Other insurance reserves	31	(78)	—	—	(47)
Expenses for premium refunds	(211)	(6,136)	—	(426)	(6,773)
Subtotal	(471)	(10,521)	—	(427)	(11,419)
Ceded					
Aggregate policy reserves	29	(38)	—	2	(7)
Other insurance reserves	2	11	—	—	13
Expenses for premium refunds	15	23	—	—	38
Subtotal	46	(4)	—	2	44
Net					
Aggregate policy reserves	(262)	(4,345)	—	1	(4,606)
Other insurance reserves	33	(67)	—	—	(34)
Expenses for premium refunds	(196)	(6,113)	—	(426)	(6,735)
Total	(425)	(10,525)	—	(425)	(11,375)
2005					
Gross					
Aggregate policy reserves	(225)	(5,162)	—	—	(5,387)
Other insurance reserves	(11)	(12)	—	—	(23)
Expenses for premium refunds	(521)	(5,409)	—	(26)	(5,956)
Subtotal	(757)	(10,583)	—	(26)	(11,366)
Ceded					
Aggregate policy reserves	17	118	—	—	135
Other insurance reserves	(6)	5	—	—	(1)
Expenses for premium refunds	39	17	—	—	56
Subtotal	50	140	—	—	190
Net					
Aggregate policy reserves	(208)	(5,044)	—	—	(5,252)
Other insurance reserves	(17)	(7)	—	—	(24)
Expenses for premium refunds	(482)	(5,392)	—	(26)	(5,900)
Total	(707)	(10,443)	—	(26)	(11,176)
2004					
Gross					
Aggregate policy reserves	(251)	(4,244)	—	(1)	(4,496)
Other insurance reserves	(57)	(31)	—	—	(88)
Expenses for premium refunds	(372)	(4,523)	(204)	5	(5,094)
Subtotal	(680)	(8,798)	(204)	4	(9,678)
Ceded					
Aggregate policy reserves	26	40	—	1	67
Other insurance reserves	1	(1)	—	—	—
Expenses for premium refunds	42	13	—	—	55
Subtotal	69	52	—	1	122
Net					
Aggregate policy reserves	(225)	(4,204)	—	—	(4,429)
Other insurance reserves	(56)	(32)	—	—	(88)
Expenses for premium refunds	(330)	(4,510)	(204)	5	(5,039)
Total	(611)	(8,746)	(204)	5	(9,556)

33 Interest expense

	2006 € mn	2005 € mn	2004 € mn
Liabilities to banks and customers	(2,818)	(3,102)	(2,099)
Deposits retained on reinsurance ceded	(120)	(279)	(311)
Certificated liabilities	(1,532)	(1,498)	(1,362)
Participating certificates and subordinated liabilities	(716)	(693)	(477)
Other	(573)	(805)	(1,439)
Total	(5,759)	(6,377)	(5,688)

34 Loan loss provisions

	2006 € mn	2005 € mn	2004 € mn
Additions to allowances including direct impairments	(533)	(774)	(1,439)
Amounts released	317	782	973
Recoveries on loans previously impaired	180	101	112
Total	(36)	109	(354)

35 Impairments of investments (net)

	2006 € mn	2005 € mn	2004 € mn
Impairments			
Available-for-sale investments			
Equity securities	(479)	(245)	(722)
Debt securities	(106)	(10)	(29)
Subtotal	(585)	(255)	(751)
Held-to-maturity investments	(8)	(2)	(4)
Investments in associates and joint ventures	(12)	(50)	(59)
Real estate held for investment	(252)	(240)	(739)
Subtotal	(857)	(547)	(1,553)
Reversals of impairments			
Available-for-sale investments			
Debt securities	1	3	12
Held-to-maturity investments	1	3	—
Investments in associates and joint ventures	—	—	9
Real estate held for investment	80	1	57
Subtotal	82	7	78
Total	(775)	(540)	(1,475)

36 Investment expenses

	2006 € mn	2005 € mn	2004 € mn
Investment management expenses	(493)	(374)	(422)
Depreciation from real estate held for investment	(230)	(253)	(255)
Other expenses from real estate held for investment	(278)	(265)	(235)
Foreign currency gains and losses (net)			
Foreign currency gains	473	417	481
Foreign currency losses	(580)	(617)	(336)
Subtotal	(107)	(200)	145
Total	(1,108)	(1,092)	(767)

37 Acquisition and administrative expenses (net)

	2006			2005			2004		
	Segment	Consolidation	Group	Segment	Consolidation	Group	Segment	Consolidation	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Property-Casualty									
Acquisition costs									
Incurred	(7,131)	—	(7,131)	(6,805)	—	(6,805)	(6,814)	—	(6,814)
Commissions and profit received on reinsurance business ceded	722	(1)	721	953	(1)	952	908	(1)	907
Deferrals of acquisition costs	3,983	—	3,983	2,804	—	2,804	2,056	—	2,056
Amortization of deferred acquisition costs	(3,843)	—	(3,843)	(2,686)	—	(2,686)	(1,888)	—	(1,888)
Subtotal	(6,269)	(1)	(6,270)	(5,734)	(1)	(5,735)	(5,738)	(1)	(5,739)
Administrative expenses	(4,321)	81	(4,240)	(4,482)	82	(4,400)	(4,454)	39	(4,415)
Subtotal	(10,590)	80	(10,510)	(10,216)	81	(10,135)	(10,192)	38	(10,154)
Life/Health									
Acquisition costs									
Incurred	(3,895)	—	(3,895)	(3,822)	—	(3,822)	(4,414)	—	(4,414)
Commissions and profit received on reinsurance business ceded	150	—	150	115	—	115	174	—	174
Deferrals of acquisition costs	2,771	—	2,771	2,796	—	2,796	2,760	—	2,760
Amortization of deferred acquisition costs	(1,772)	—	(1,772)	(1,393)	—	(1,393)	(1,195)	—	(1,195)
Subtotal	(2,746)	—	(2,746)	(2,304)	—	(2,304)	(2,675)	—	(2,675)
Administrative expenses	(1,691)	(19)	(1,710)	(1,669)	14	(1,655)	(1,036)	3	(1,033)
Subtotal	(4,437)	(19)	(4,456)	(3,973)	14	(3,959)	(3,711)	3	(3,708)
Banking									
Personnel expenses	(3,485)	—	(3,485)	(3,352)	—	(3,352)	(3,322)	—	(3,322)
Non-personnel expenses	(2,120)	54	(2,066)	(2,309)	29	(2,280)	(2,321)	59	(2,262)
Subtotal	(5,605)	54	(5,551)	(5,661)	29	(5,632)	(5,643)	59	(5,584)
Asset management									
Personnel expenses	(1,657)	—	(1,657)	(1,679)	—	(1,679)	(1,462)	—	(1,462)
Non-personnel expenses	(629)	16	(613)	(598)	8	(590)	(564)	17	(547)
Subtotal	(2,286)	16	(2,270)	(2,277)	8	(2,269)	(2,026)	17	(2,009)
Corporate									
Administrative expenses	(655)	(44)	(699)	(516)	(48)	(564)	(540)	26	(514)
Subtotal	(655)	(44)	(699)	(516)	(48)	(564)	(540)	26	(514)
Total	(23,573)	87	(23,486)	(22,643)	84	(22,559)	(22,112)	143	(21,969)

38 Fee and commission expenses

	2006			2005			2004		
	Segment	Consoli- dation	Group	Segment	Consoli- dation	Group	Segment	Consoli- dation	Group
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn
Property-Casualty									
Fees from credit and assistance business	(487)	1	(486)	(594)	—	(594)	(375)	1	(374)
Service agreements	(231)	27	(204)	(172)	10	(162)	(150)	—	(150)
Investment advisory	(3)	2	(1)	(9)	4	(5)	(5)	2	(3)
Subtotal	(721)	30	(691)	(775)	14	(761)	(530)	3	(527)
Life/Health									
Service agreements	(88)	27	(61)	(137)	31	(106)	(134)	63	(71)
Investment advisory	(135)	19	(116)	(82)	—	(82)	(11)	—	(11)
Subtotal	(223)	46	(177)	(219)	31	(188)	(145)	63	(82)
Banking									
Securities business	(120)	1	(119)	(114)	—	(114)	(98)	(1)	(99)
Investment advisory	(190)	7	(183)	(178)	5	(173)	(169)	5	(164)
Payment transactions	(22)	—	(22)	(21)	—	(21)	(20)	—	(20)
Mergers and acquisitions advisory	(49)	—	(49)	(37)	—	(37)	(27)	—	(27)
Underwriting business	(4)	—	(4)	—	—	—	—	—	—
Other	(205)	49	(156)	(197)	19	(178)	(216)	23	(193)
Subtotal	(590)	57	(533)	(547)	24	(523)	(530)	27	(503)
Asset Management									
Commissions	(953)	427	(526)	(862)	350	(512)	(731)	291	(440)
Other	(309)	4	(305)	(248)	5	(243)	(187)	13	(174)
Subtotal	(1,262)	431	(831)	(1,110)	355	(755)	(918)	304	(614)
Corporate									
Service agreements	(127)	8	(119)	(92)	7	(85)	(84)	6	(78)
Subtotal	(127)	8	(119)	(92)	7	(85)	(84)	6	(78)
Total	(2,923)	572	(2,351)	(2,743)	431	(2,312)	(2,207)	403	(1,804)

39 Other expenses

	2006	2005	2004
	€ mn	€ mn	€ mn
Expenses from real estate held for use			
Realized losses from disposals of real estate held for use	(9)	(8)	(37)
Depreciation of real estate held for use	(3)	(9)	(119)
Subtotal	(12)	(17)	(156)
Other	13	(34)	(44)
Total	1	(51)	(200)

40 Expenses from fully consolidated private equity investments

	MAN Roland Druckma- schinen AG € mn	Four Seasons Health Care Ltd. € mn	Total € mn
2006			
Cost of goods sold	(849)	—	(849)
Commissions	(71)	—	(71)
General and administrative expenses	(133)	(264)	(397)
Interest expense	(14)	(50)	(64)
Total	(1,067)	(314)	(1,381)
2005			
Cost of goods sold	—	—	—
Commissions	—	—	—
General and administrative expenses	—	(497)	(497)
Interest expense	—	(75)	(75)
Total	—	(572)	(572)
2004			
Cost of goods sold	—	—	—
Commissions	—	—	—
General and administrative expenses	—	(151)	(151)
Interest expense	—	(24)	(24)
Total	—	(175)	(175)

41 Income taxes

	2006	2005	2004
	€ mn	€ mn	€ mn
Current income tax expense			
Germany	198	(1,020)	(373)
Other countries	(1,888)	(1,025)	(930)
Subtotal	(1,690)	(2,045)	(1,303)
Deferred income tax expense			
Germany	100	408	(32)
Other countries	(423)	(426)	(275)
Subtotal	(323)	(18)	(307)
Total	(2,013)	(2,063)	(1,610)

During the year ended December 31, 2006, current income tax expense included a benefit of € 51 mn (2005: charge of € 44 mn; 2004: charge of € 17 mn) related to prior periods. The dividend distribution for the year ended December 31, 2005, reduced corporate taxes for the year ended December 31, 2006, by € 38 mn. Due to the “moratorium” introduced by the “bill on the reduction of tax privileges”, the dividend distribution for the year ended December 31, 2004, did not lead to a reduction of corporate taxes for the year ended December 31, 2005.

The German Reorganization Tax Act (SEStEG) which entered into force in December 2006 stipulates that corporation tax credits accumulated under the pre-2001 corporation tax imputation system will be refunded in the future without regard to dividend distributions. The refunds are spread equally over a ten year period from 2008 to 2017. As a consequence of the tax law change Allianz Group’s total corporate tax credits were capitalised on a discounted basis as at December 31, 2006, and reduced current income tax expense by € 571 mn.

Of the deferred tax charge for the year ended December 31, 2006, income of € 480 mn (2005: € 468 mn; 2004: € 2 mn) are attributable to the recognition of deferred taxes on temporary differences and expense of € 785 mn (2005: € 492 mn; 2004: € 342 mn) are attributable to tax losses carried forward. The change of applicable tax rates due to changes in tax law produced deferred tax expense of € 18 mn (2005 income of € 7 mn; 2004 income of € 34 mn). Current and deferred tax benefit included in shareholders’ equity during the year ended December 31, 2006, amounted to € 740 mn (2005: charge of € 101 mn; 2004: charge of € 578 mn).

The recognized income tax charge for the year ended December 31, 2006, is € 1,130 mn lower than the expected income tax charge (2005: lower than expected by € 278 mn; 2004: higher than expected by € 131 mn). The following table shows the reconciliation of the expected income tax charge of the Allianz Group with the effectively recognized tax charge. The Allianz Group's reconciliation is a summary of the individual company-related reconciliations, which are based on the respective country-specific tax rates after taking into consideration consolidation effects with impact on the group result. The expected tax rate for domestic Allianz Group subsidiaries applied in the reconciliation includes corporate tax and the solidarity surcharge and amounts to 26.38% (2005: 26.38%; 2004: 26.38%).

The effective tax rate is determined on the basis of the effective income tax charge on income before income taxes and minority interests in earnings.

	2006 € mn	2005 € mn	2004 € mn
Income before income taxes and minority interests in earnings			
Germany	2,314	1,780	1,157
Other countries	8,009	6,049	3,887
Total	10,323	7,829	5,044
Expected income tax rate in %	30.4	29.9	29.3
Expected income tax charge	3,143	2,340	1,478
Municipal trade tax and similar taxes	208	280	227
Net tax exempt income	(884)	(503)	(426)
Amortization of goodwill	—	—	296
Effects of tax losses	(50)	(73)	(68)
Effects of German tax law changes	(571)	—	—
Other tax settlements	167	19	103
Income taxes	2,013	2,063	1,610
Effective tax rate in %	19.5	26.3	31.9

During the year ended December 31, 2006, a deferred tax charge of € 35 mn (2005: € 4 mn; 2004: € 129 mn) was recognized due to a devaluation of deferred tax assets on tax losses carried forward. Due to the use of tax losses carried forward for which no deferred tax asset was recognized, the current income tax charge diminished by € 45 mn (2005: € 64 mn; 2004: € 193 mn). The recognition of deferred tax assets on losses carried forward from earlier periods, for which no deferred taxes had yet been recognized or which had been devalued resulted in a deferred tax income of € 54 mn (2005: € 39 mn; 2004: € 87 mn). The non-recognition of deferred taxes on tax losses for the current fiscal year increased tax charges by € 14 mn (2005: € 26 mn; 2004: € 83 mn). The above mentioned effects are shown in the reconciliation statement as "effects of tax losses".

The tax rates used in the calculation of the Allianz Group deferred taxes are the applicable national rates, which in 2006 ranged from 10.0% to 46.1%. Changes to tax rates already adopted on December 31, 2006, are taken into account.

Deferred taxes on losses carried forward are recognized as an asset to the extent sufficient future taxable profits are available for realization.

Deferred tax assets and liabilities

As of December 31,	2006 € mn	2005 € mn
Deferred tax assets		
Intangible assets	556	370
Investments	2,786	1,658
Financial assets held for trading	236	332
Deferred acquisition costs	351	187
Tax losses carried forward	4,859	5,850
Other assets	955	1,205
Insurance reserves	4,668	3,929
Pensions and similar obligations	384	351
Other liabilities	1,513	1,546
Total deferred tax assets	16,308	15,428
Valuation allowance for deferred tax assets on tax losses carried forward	(731)	(832)
Effect of netting	(10,850)	(9,297)
Net deferred tax assets	4,727	5,299
Deferred tax liabilities		
Intangible assets	861	805
Investments	4,084	4,634
Financial assets held for trading	842	900
Deferred acquisition costs	3,927	3,207
Other assets	1,076	736
Insurance reserves	3,152	2,402
Pensions and similar obligations	257	146
Other liabilities	1,269	1,791
Total deferred tax liabilities	15,468	14,621
Effect of netting	(10,850)	(9,297)
Net deferred tax liabilities	4,618	5,324
Net deferred tax assets/(liabilities)	109	(25)

Tax losses carried forward

Tax losses carried forward at December 31, 2006, of € 13,336 mn (2005: € 15,740 mn) result in recognition of deferred tax assets to the extent there is sufficient certainty that the unused tax losses will be utilized. € 10,414 mn (2005: € 10,886 mn) of the tax losses carried forward can be utilized without time limitation. The Allianz Group believes that it is more likely than not that the results of future operations will generate sufficient taxable income to realize its deferred tax assets.

Tax losses carried forward are scheduled according to their expiry periods as follows:

	€ mn
2007	185
2008	71
2009	232
2010	42
2011	126
2012	13
2013	8
2014	—
2015	—
2016	—
>10 years	2,245
Unlimited	10,414
Total	13,336

Other Information

42 Supplemental information on the Banking Segment

Net interest income from the Banking Segment

	Segment € mn	Consolidation € mn	Group € mn
2006			
Interest and similar income	7,312	(52)	7,260
Interest expense	(4,592)	71	(4,521)
Net interest income	2,720	19	2,739
2005			
Interest and similar income	7,321	(36)	7,285
Interest expense	(5,027)	81	(4,946)
Net interest income	2,294	45	2,339
2004			
Interest and similar income	6,545	(30)	6,515
Interest expense	(4,189)	60	(4,129)
Net interest income	2,356	30	2,386

Net fee and commission income from the Banking Segment

	Segment € mn	Consolidation € mn	Group € mn
2006			
Fee and commission income	3,598	(421)	3,177
Fee and commission expense	(590)	57	(533)
Net fee and commission income	3,008	(364)	2,644
2005			
Fee and commission income	3,397	(313)	3,084
Fee and commission expense	(547)	24	(523)
Net fee and commission income	2,850	(289)	2,561
2004			
Fee and commission income	3,237	(281)	2,956
Fee and commission expense	(530)	27	(503)
Net fee and commission income	2,707	(254)	2,453

The net fee and commission income of the Allianz Group's Banking segment includes the following:

	2006 € mn	2005 € mn	2004 € mn
Securities business	1,352	1,225	1,105
Investment advisory	421	380	355
Payment transactions	342	360	379
Merger and acquisitions advisory	235	219	155
Underwriting business	129	102	97
Other	529	564	616
Total	3,008	2,850	2,707

Volume of foreign currency exposure from the Banking segment

The amounts reported constitute aggregate Euro equivalents of a wide variety of currencies outside the European Monetary Union ("EMU"). Any differences between assets and liabilities are a result of differing measurements under current accounting policies. Loans and advances to banks, loans and advances to customers, liabilities to banks and liabilities to customers are reported at amortized cost, while all derivative transactions are accounted for at fair value.

As of December 31,	2006				2005
	USD € mn	GBP € mn	Other € mn	Total € mn	Total € mn
Balance sheet items					
Assets	131,888	64,610	26,050	222,548	202,633
Liabilities	115,794	61,764	30,134	207,692	185,469

Trustee business in the Banking segment

The following presents trustee business within the Allianz Group's Banking segment not recorded in the balance sheet:

As of December 31,	2006 € mn	2005 € mn
Loans and advances to banks	1,956	1,747
Loans and advances to customers	1,205	1,405
Investments and other assets	729	855
Total assets¹⁾	3,890	4,007
Liabilities to banks	870	1,035
Liabilities to customers	3,020	2,972
Total liabilities	3,890	4,007

¹⁾ Including € 1,964 mn (2005: € 2,170 mn) of trustee loans.

Other banking information

As of December 31, 2006, the Allianz Group had deposits that have been reclassified as loan balances of € 6,697 mn (2005: € 6,131 mn) and deposits with related parties of € 627 mn (2005: € 2,297 mn). The Allianz Group received no deposits on terms other than those available in the normal course of banking operations. An amount of € – mn (2005: € 132 mn) eligible for refinancing with the central bank is held in cash funds.

The aggregate amount of certificates of deposit and other time deposits in the amount of € 100,000 or more issued by the Allianz Group's German offices at December 31, 2006 was € 67,136 mn (2005: € 67,239 mn), including banks and customers.

The aggregate amount of certificates of deposit and other time deposits in the amount of € 100,000 or more issued by the Allianz Group's non-German offices at December 31, 2006 was € 43,447 mn (2005: € 24,528 mn), including banks and customers.

43 Derivative financial instruments

Derivatives derive their fair values from one or more underlying assets or specified reference values.

Examples of derivatives include contracts for future delivery in the form of futures or forwards, options on shares or indices, interest rate options such as caps and floors, and swaps relating to both interest rates and non-interest rate markets. The latter include agreements to exchange previously defined assets or payment series.

Derivatives used by individual subsidiaries in the Allianz Group comply with the relevant supervisory regulations and the Allianz Group's own internal guidelines. The Allianz Group's investment and monitoring rules exceed regulations imposed by supervisory authorities. In addition to local management supervision, comprehensive financial and risk management systems are in force across the Allianz Group. Risk management is an integral part of the Allianz Group's controlling process that includes identifying, measuring, aggregating and managing risks. Risk management objectives are implemented at both the Allianz Group level and by the local operational units. The use of derivatives is one key strategy used by the Allianz Group to manage its market and investment risks.

Insurance subsidiaries in the Allianz Group use derivatives to manage the risk exposures in their investment portfolios based on general thresholds and targets. The most important purpose of these instruments is hedging against adverse market movements for selected securities or for parts of a portfolio. Specifically, the Allianz Group selectively uses derivative financial instruments such as swaps, options and forwards to hedge against changes in prices or interest rates in their investment portfolio.

Within the Allianz Group's banking business, derivatives are used both for trading purposes and to hedge against movements in interest rates, currency rates and other price risks of the Allianz Group's investments, loans, deposit liabilities and other interest-sensitive assets and liabilities.

Market and counterparty risks arising from the use of derivative financial instruments are subject to control procedures. Credit risks related to counterparties are assessed by calculating gross replacement values. Market risks are monitored by means of up-to-date value-at-risk calculations and stress tests and limited by specific stop-loss limits.

The counterparty settlement risk is virtually excluded in the case of exchange-traded products, as these are standardized products. By contrast, over-the-counter ("OTC") products, which are individually traded contracts, carry a theoretical credit risk amounting to the replacement value. The Allianz Group therefore closely monitors the credit rating of counterparties for OTC derivatives. In the derivatives portfolios of the Allianz Group's banking operations 96% of the positive replacement values, which are essential for assessing counterparty risk, involve counterparties with "investment grade" ratings. To reduce the counterparty risk from trading activities, so-called cross-product netting master agreements with the business partners are established. In the case of a defaulting counterparty, netting makes it possible to offset claims and liabilities not yet due.

Property-Casualty, Life/Health and Corporate Segments

As of December 31,

	2006						2005		
	Maturity by notional amount			Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn	Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn
	Up to 1 year € mn	1–5 years € mn	Over 5 years € mn						
Interest rate contracts, consisting of:									
OTC									
Forwards	2,786	2,233	38	5,057	69	(163)	6,776	110	(10)
Swaps	775	9,300	4,179	14,254	171	(89)	9,643	212	(95)
Swaptions	707	330	—	1,037	8	(11)	756	12	(5)
Caps	6,246	8,146	11	14,403	—	(83)	14,407	—	(102)
Options	2	—	—	2	—	—	—	—	—
Exchange traded									
Forwards	236	59	—	295	—	(3)	—	—	—
Futures	27,215	5,996	—	33,211	35	(39)	1,361	2	(2)
Options	1,417	—	—	1,417	—	(3)	1,084	2	—
Subtotal	39,384	26,064	4,228	69,676	283	(391)	34,027	338	(214)
Equity index contracts, consisting of:									
OTC									
Forwards	5,636	360	—	5,996	316	(1,178)	4,317	200	(599)
Swaps	295	—	—	295	—	—	308	3	—
Floors	3	—	—	3	3	—	—	—	—
Options ¹⁾	74,361	3,949	55	78,365	1,242	(4,554)	46,702	1,190	(3,341)
Exchange traded									
Futures	9,820	—	—	9,820	2	(42)	4,923	4	(28)
Options	691	—	1	692	—	(2)	1,942	2	(248)
Forwards	—	1,262	—	1,262	—	(752)	1,262	—	(409)
Warrants	—	1	—	1	4	—	2	1	—
Subtotal	90,806	5,572	56	96,434	1,567	(6,528)	59,456	1,400	(4,625)
Foreign exchange contracts, consisting of:									
OTC									
Forwards	5,157	65	—	5,222	965	(957)	1,048	9	(8)
Swaps	8	242	32	282	13	(11)	412	35	(2)
Subtotal	5,165	307	32	5,504	978	(968)	1,460	44	(10)
Credit contracts, consisting of:									
OTC									
Options	—	100	—	100	—	(3)	—	—	—
Swaps	40	910	188	1,138	2	(8)	996	4	(3)
Exchange traded									
Swaps	273	—	—	273	2	—	—	—	—
Subtotal	313	1,010	188	1,511	4	(11)	996	4	(3)
Total	135,668	32,953	4,504	173,125	2,832	(7,898)	95,939	1,786	(4,852)

¹⁾ As of December 31, 2006, includes embedded derivatives related to equity indexed annuities with negative fair values of € 4,199 mn (2005: € 2,841 mn).

Banking and Asset Management Segments

As of December 31,

	2006						2005		
	Maturity by notional amount			Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn	Notional principal amounts € mn	Positive fair values € mn	Negative fair values € mn
	Up to 1 year € mn	1–5 years € mn	Over 5 years € mn						
Interest rate contracts, consisting of:									
OTC									
Forwards	121,294	1,414	—	122,708	37	(30)	117,765	40	(33)
Swaps	997,593	1,157,122	1,209,833	3,364,548	41,870	(40,669)	3,235,959	58,931	(56,849)
Swaptions	23,001	27,490	42,447	92,938	858	(2,253)	95,353	1,094	(2,768)
Caps	4,590	45,424	11,761	61,775	172	(191)	58,366	141	(112)
Floors	8,600	27,753	5,089	41,442	203	(144)	30,921	404	(264)
Options	807	550	868	2,225	41	(32)	1,581	57	(62)
Other	3,923	1,632	6,644	12,199	2,316	(1,388)	10,018	64	(82)
Exchange traded									
Futures	99,259	16,905	—	116,164	7	(5)	185,288	105	(125)
Options	27,969	1,940	—	29,909	1,390	(915)	42,985	692	(262)
Subtotal	1,287,036	1,280,230	1,276,642	3,843,908	46,894	(45,627)	3,778,236	61,528	(60,557)
Equity index contracts, consisting of:									
OTC									
Swaps	22,897	6,052	13,080	42,029	1,059	(977)	20,505	642	(723)
Options	85,017	103,590	6,184	194,791	10,668	(11,091)	220,286	9,061	(9,429)
Forwards	—	—	—	—	—	—	70	—	(34)
Other	33	915	—	948	5	(47)	1,077	4	(11)
Exchange traded									
Futures	9,160	—	—	9,160	—	(10)	10,659	1	(38)
Options	45,824	44,536	3,323	93,683	4,705	(3,911)	81,115	3,185	(3,063)
Subtotal	162,931	155,093	22,587	340,611	16,437	(16,036)	333,712	12,893	(13,298)
Foreign exchange contracts, consisting of:									
OTC									
Forwards	359,752	14,487	486	374,725	4,888	(4,900)	410,566	4,805	(4,976)
Swaps	22,602	49,585	23,376	95,563	3,588	(3,222)	82,988	2,888	(2,634)
Options	182,133	32,321	1,372	215,826	1,540	(1,755)	148,183	1,340	(1,637)
Other	—	—	—	—	—	—	590	1	—
Exchange traded									
Futures	886	887	—	1,773	3	(5)	2,387	4	(5)
Options	722	—	—	722	4	(1)	297	10	(2)
Subtotal	566,095	97,280	25,234	688,609	10,023	(9,883)	645,011	9,048	(9,254)
Credit contracts, consisting of:									
OTC									
Credit default swaps	56,977	602,864	235,571	895,412	5,313	(5,025)	483,348	3,108	(2,711)
Total return swaps	4,961	3,873	2,685	11,519	937	(1,440)	13,653	769	(1,249)
Subtotal	61,938	606,737	238,256	906,931	6,250	(6,465)	497,001	3,877	(3,960)
Other contracts, consisting of:									
OTC									
Precious metals	9,081	2,809	—	11,890	440	(417)	8,848	503	(338)
Options	22	2	—	24	—	(1)	—	—	—
Other	3,678	3,892	48	7,618	126	(108)	2,206	48	(34)
Exchange traded									
Futures	1,759	174	5	1,938	1	—	1,317	8	—
Options	—	—	—	—	—	—	16	1	—
Subtotal	14,540	6,877	53	21,470	567	(526)	12,387	560	(372)
Total	2,092,540	2,146,217	1,562,772	5,801,529	80,171	(78,537)	5,266,347	87,906	(87,441)

Derivative financial instruments used in accounting hedges

The Allianz Group principally uses fair value hedging. Important hedging instruments used by the Banking segment are interest rate swaps and forwards and currency swaps and forwards. Hedging instruments may be implemented for individual transactions (micro hedge) or for a portfolio of similar assets or liabilities (portfolio hedge).

The interest rate swaps used by the Banking segment in fair value hedges of the interest rate risk of certificated and subordinated liabilities had a total net fair value as of December 31, 2006 of € 247 mn (2005: € 507 mn). Thereof, interest rate swaps with a positive fair value of € 305 mn (2005: € 537 mn) are recorded in the Allianz Group's consolidated balance sheet in other assets, and interest rate swaps with a negative fair value of € 58 mn (2005: € 30 mn) are recorded in other liabilities. During the year ended December 31, 2006, the fair value of the interest rate swaps decreased by € 184 mn (2005: increase by € 43 mn), whereas the certificated and subordinated liabilities hedged increased in fair value by € 187 mn (2005: decrease by € 24 mn), resulting in a net ineffectiveness of the hedge of € 3 mn (2005: € 19 mn) that is recognized in the Allianz Group's consolidated income statement as income (expense) for financial assets and liabilities held for trading. For detailed information about certificated and subordinated liabilities, see Note 21 and Note 22, respectively.

The derivative financial instruments used for all fair value hedges of the Allianz Group had a total negative fair value as of December 31, 2006 of € 388 mn (2005: € 102 mn).

During the year ended December 31, 2006, cash flow hedges were used to hedge variable cash flows exposed to interest rate fluctuations. As of December 31, 2006, the interest rate swaps utilized had a negative fair value of € 55 mn (2005: € 68 mn); other reserves in shareholders' equity increased by € 1 mn (2005: € 3 mn). Ineffectiveness of the cash flow hedges led to net realized losses of € 2 mn (2005: € 5 mn) in 2006.

As of December 31, 2002, foreign exchange hedging transactions in the form of foreign currency forwards with a total fair value of € 107 mn were outstanding with respect to hedges of currency risks related to a net investment in a foreign entity. This hedging strategy was terminated in the second quarter of 2003. Total unrealized gains of € 182 mn related to this hedging strategy remain in other reserves.

Derivative financial instruments indexed to Allianz Group's shares

The Allianz Group enters into various types of contracts indexed to Allianz Group shares with third-parties. Allianz Group uses such contracts as a hedge of its future obligations under its share-based compensation plans. In addition, in connection with various banking products offered by the Dresdner Bank Group, the Dresdner Bank Group has entered into various types of option contracts indexed to Allianz SE shares and AGF shares.

These contracts that are cash settled are accounted for as financial assets and liabilities held for trading. The contracts that are share settled are accounted for as equity transactions, with the exception of written put options and short forward contracts. The Allianz Group records a liability for the present value of its obligation to purchase the share with an offset to shareholders' equity.

The following table summarizes these option positions:

	Total shares	Maturity			Settlement		Fair Value		Weighted average strike price/forward rate €
		Up to 1 year	1–5 years	More than 5 years	of which cash settled	of which share settled	of which cash settled € mn	of which share settled € mn	
As of December 31,									
2006									
Derivatives on Allianz SE shares									
Allianz SE activities									
Long call options/warrants	22,300,720	300,586	22,000,134	—	22,300,720	—	708	—	100
Forward purchase contracts	4,801,593	4,801,593	—	—	4,801,593	—	93	—	137
Banking activities									
Long call options	33,549,966	16,230,456	17,319,510	—	2,750,495	30,799,471	40	1,166	129
Long put options	22,514,281	8,986,781	13,527,500	—	355,000	22,159,281	3	162	124
Short call options/warrants	42,246,623	20,106,000	22,140,623	—	11,582,391	30,664,232	(52)	(895)	135
Short put options	13,630,621	6,384,889	7,245,732	—	13,609,889	20,732	(64)	—	114
Derivatives on AGF shares									
Banking activities									
Long call options	500,000	500,000	—	—	—	500,000	—	15	90
Short call options	534,301	—	534,301	—	484,301	50,000	25	(1)	10
2005									
Derivatives on Allianz SE shares									
Allianz SE activities									
Long call options/warrants	22,518,424	217,704	21,300,720	1,000,000	22,518,424	—	487	—	102
Forward purchase contracts	4,574,891	4,574,891	—	—	4,574,891	—	154	—	95
Equity linked loan	10,700,000	10,700,000	—	—	10,700,000	—	(243)	—	105
Banking activities									
Long call options	24,357,414	12,601,414	11,756,000	—	6,148,170	18,209,244	188	447	112
Long put options	18,495,959	10,426,854	8,069,105	—	4,240,775	14,255,184	38	115	114
Short call options/warrants	23,326,959	11,970,876	11,356,083	—	5,506,227	17,820,732	(127)	(335)	122
Short put options	18,307,643	10,765,911	7,541,732	—	4,627,880	13,679,763	(18)	(63)	97
Derivatives on AGF shares									
Banking activities									
Long call options	540,000	40,000	500,000	—	540,000	—	4	—	89
Long put options	3,000	3,000	—	—	3,000	—	—	—	83
Short call options	599,154	75,000	524,154	—	524,154	75,000	(16)	(3)	6

44 Fair value of financial instruments

The fair value of a financial instrument is defined as the amount for which a financial instrument could be exchanged between two willing parties in the ordinary course of business. If market prices are not available, the fair value is based on estimates using the present value of future cash flows method or another appropriate valuation method. These methods are significantly influenced by the assumptions made, including the discount rate applied and the estimates of future cash flows. Specific financial instruments are discussed below.

The Allianz Group uses the following methods and assumptions to determine fair values:

Cash and cash equivalents

The carrying amount corresponds to the fair value due to its short-term nature.

Investments (including financial assets and liabilities held for trading and financial assets and liabilities designated at fair value through income)

The fair value of debt securities is based on market prices, provided these are available. If debt securities are not actively traded, their fair value is determined on the basis of valuations by independent data suppliers. The fair value of equity securities is based on their stock-market prices. The carrying amount and the fair value for debt securities and equity securities do not include the fair value of derivative contracts used to hedge the related debt and equity securities.

The fair value of derivative financial instruments is derived from the value of the underlying assets and other

market parameters. Exchange-traded derivative financial instruments are valued using the fair-value method and based on publicly quoted market prices. Valuation models established in financial markets (such as present value models or option pricing models) are used to value OTC-traded derivatives. In addition to interest rate curves and volatilities, these models also take into account market and counterparty risks. Fair value represents the capital required to settle in full all the future rights and obligations arising from the financial contract.

Loans and advances to banks and customers

The fair value of loans is calculated using the discounted cash flow method. This method uses the effective yield of similar debt instruments. Where there is doubt regarding the repayment of the loan, the anticipated cash flows are discounted using a reasonable discount rate and include a charge for an element of uncertainty in cash flows.

Financial assets and liabilities for unit linked contracts

The fair values of financial assets for unit linked contracts were determined using the market value of the underlying investments. Fair values of financial liabilities for unit linked contracts are equal to the fair value of the financial assets for unit linked contracts.

Investment contracts with policyholders

Fair values for investment and annuity contracts were determined using the cash surrender values of the policyholders' and contract holders' accounts.

Participation certificates, subordinated liabilities, and certificated liabilities

The fair value of bonds and loans payable is estimated using discounted cash flow analyses, using interest rates currently offered for similar loans and other borrowings.

The following table presents the carrying amount and estimated fair value of the Allianz Group's financial instruments:

As of December 31,	2006		2005	
	Carrying Amount € mn	Fair Value € mn	Carrying Amount € mn	Fair Value € mn
Financial assets				
Cash and cash equivalents	33,031	33,031	31,647	31,647
Financial assets held for trading	137,982	137,982	166,184	166,184
Financial assets designated at fair value through income	18,887	18,887	14,162	14,162
Available-for-sale investments	277,898	277,898	266,953	266,953
Held-to-maturity investments	4,748	4,912	4,826	5,102
Loans and advances to banks and customers	408,278	410,040	336,808	338,407
Financial assets for unit linked contracts	61,864	61,864	54,661	54,661
Derivative financial instruments and firm commitments included in other assets	463	463	849	849
Financial liabilities				
Financial liabilities held for trading	78,762	78,762	86,392	86,392
Financial liabilities designated at fair value through income	937	937	450	450
Liabilities to banks and customers	361,078	361,278	310,316	310,591
Investment contracts with policyholders	87,108	87,267	88,884	91,092
Financial liabilities for unit linked contracts	61,864	61,864	54,661	54,661
Derivative financial instruments and firm commitments included in other liabilities	907	907	1,019	1,019
Financial liabilities for puttable equity instruments	3,750	3,750	3,137	3,137
Certificated liabilities, participation certificates and subordinated liabilities	71,284	73,212	73,887	76,454

45 Related party transactions

Allianz Group companies maintain various types of ordinary course business relations (particularly in the area of insurance, banking and asset management) with related enterprises. In particular, the business relations with associated companies, which are active in the insurance business, take on various forms and may also include special service, computing, reinsurance, cost-sharing and asset management agreements, whose terms are deemed appropriate by management. Similar relationships may exist with pension funds, foundations, joint ventures and companies, which provide services to Allianz Group companies.

Eurohypo

As of December 31, 2004, the Allianz Group held an ownership interest of 28.48% in Eurohypo and accounted for it using the equity method. In November 2005, agreements for a two-step transfer of the 28.48% participation of Allianz Group in Eurohypo AG to Commerzbank AG were signed. In the first step, on December 15, 2005, Commerzbank AG acquired 7.35% and in a second step on March 31, 2006, Commerzbank acquired the residual 21.13% of the 28.48% participation of Allianz Group in Eurohypo AG. Since March 31, 2006,

there have been no mutual board interlocks between Eurohypo and Dresdner Bank AG or other Allianz Group companies. Therefore, as of March 31, 2006, we no longer consider Eurohypo as a related party since March 31, 2006. As of December 31, 2005, the Allianz Group had loans to and held debt securities available-for-sale issued by Eurohypo of € 11,149 mn in the aggregate. All of such loans were made in the ordinary course of business and are subject to arm's length conditions.

Schering Disposal

In June 2006, the Allianz Group sold its 10.6% shareholding in Schering AG for approximately € 1.8 bn to Dritte BV GmbH, a 100% subsidiary of Bayer AG. Following this sale, Bayer AG acquired control of Schering AG. One member of the Board of Management of Allianz SE is a member of the Supervisory Board of Bayer AG, but this individual did not participate in the meeting of the Supervisory Board of Bayer AG that approved the acquisition of Schering AG. In addition, at the time of the transaction, the Chairman of the Supervisory Board of Bayer AG was also a member of Allianz's Supervisory Board but was not involved in Allianz SE's decision to sell its interest in Schering AG to Bayer AG, which occurred at the level of the Board of Management.

46 Contingent liabilities, commitments, guarantees, and assets pledged and collateral

Contingent liabilities

Litigation

Allianz Group companies are involved in legal, regulatory and arbitration proceedings in Germany and a number of foreign jurisdictions, including the United States, involving claims by and against them, which arise in the ordinary course of their businesses, including in connection with their activities as insurance, banking and asset management companies, employers, investors and taxpayers. It is not feasible to predict or determine the ultimate outcome of the pending or threatened proceedings. Management does not believe that the outcome of these proceedings, including those discussed below, will have a material adverse effect on the financial position or results of operations of Allianz Group, after consideration of any applicable reserves.

In July 2002, the German Federal Cartel Office (Bundeskartellamt) commenced an investigation against several property-casualty insurance companies in Germany, in connection with alleged coordinated behavior to achieve premium increases in parts of the commercial and industrial insurance business and imposed administrative fines against these German insurance companies, among them Allianz Versicherungs-AG, which received a notice imposing a fine on March 22, 2005. Allianz Versicherungs-AG has appealed this decision. The fine imposed on Allianz Versicherungs-AG is of an immaterial amount for the Allianz Group and has been fully reserved for in Allianz's consolidated financial statements. Allianz's appeal of the decision relates to the full amount of the fine.

On November 5, 2001, a lawsuit, *Silverstein v. Swiss Re International Business Insurance Company Ltd.*, was filed in the United States District Court for the Southern District of New York against certain insurers and reinsurers, including a subsidiary of Allianz SE which is now named Allianz Global Risks US Insurance Company (AGR US). The complaint sought a determination that the terrorist attack of September 11, 2001 on the World Trade Center constituted two separate occurrences under the alleged terms of various coverages. Allianz SE is indirectly concerned by this lawsuit as reinsurer of AGR US. In connection with the terrorist attack of September 11, 2001 we recorded net claims expense of approximately € 1.5 bn in 2001 for the Allianz Group on

the basis of one occurrence. On December 6, 2004, a New York jury rendered a verdict that the World Trade Center attack constituted two occurrences under the alleged terms of various coverages. Following this decision, the Allianz Group determined that no additional provisions on a net basis were necessary because the additional liabilities arising from the decision were offset by positive developments in settling World Trade Center claims and higher levels of reinsurance coverage due to Allianz under the two occurrence theory. On October 18, 2006, the United States Court of Appeals for the Second Circuit of New York affirmed the decision of the lower court. We currently estimate the financial effect on the Allianz Group resulting from the Court of Appeals' decision to be USD 186 mn which is covered by the overall reserve.

A dispute of Dresdner Bank with the insolvency administrator of KirchMedia GmbH & Co. KGaA (KirchMedia) with respect to a 25% shareholding in the Spanish television group Telecinco, was resolved in 2006. The shareholding had been pledged by subsidiaries of KirchMedia to Dresdner Bank as collateral for a loan and was acquired by Dresdner Bank in a forced auction sale. The insolvency administrator contended that the pledge was created under circumstances that cause it to be invalid or void. At the end of June 2004, the 25% shareholding in Telecinco was placed within Telecinco's initial public offering. In October 2006, the insolvency administrator agreed to withdraw his claim against a settlement payment by Dresdner Bank AG. The settlement payment had no material impact on the situation or performance, financial or otherwise, of Dresdner Bank AG or the Allianz Group.

The insolvency administrator and the major limited partner of Heye KG have filed a complaint claiming damages of approximately € 200 mn from Dresdner Bank, alleging a failure to execute transfer orders despite a purported line of credit. In March 2006, the claim was dismissed at first instance. However, the decision was appealed and therefore is not yet final.

In January 2006, a putative class action lawsuit was filed against Dresdner Bank AG and some of its subsidiaries by six employees of Dresdner Kleinwort in the United States District Court for the Southern District of New York. The plaintiffs are claiming an amount of USD 1.4 bn alleging gender-based discrimination. We believe that the claims are without merit.

On May 24, 2002, pursuant to a statutory squeeze-out procedure, the general meeting of Dresdner Bank AG

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

Allianz Global Investors of America L.P. and some of its subsidiaries have been named as defendants in multiple civil US lawsuits commenced as putative class actions and other proceedings related to matters involving market timing and revenue sharing in the mutual fund industry. These proceedings are still in a preliminary stage and the potential outcome can not be predicted at this time.

The U.S. Department of Justice has alleged False Claims Act violations related to FFIC's involvement as a provider of Federal crop insurance from 1997 to 2003. The majority of the allegations concern falsified documentation in FFIC's Lambert, Mississippi and Modesto, California field offices. Two former FFIC claims employees and one contract adjuster have pled guilty to assisting farmers in asserting fraudulent crop claims. In November 2006, the Department of Justice proposed to FFIC a resolution of all civil, criminal and administrative allegations in the form of an offer to settle. FFIC is in the process of evaluating the offer, and the outcome of this matter cannot be predicted at this stage.

Three members of the Fireman's Fund group of companies in the United States, all subsidiaries of Allianz SE, are amongst the roughly 135 defendants named in a class action filed on August 1, 2005 in the United States District Court of New Jersey in connection with allegations relating to contingent commissions in the insurance industry. No class has been certified for this class action proceeding and the discovery stage is still underway. As a result, it is not possible to predict potential outcomes or assess any eventual exposure at this point.

In 2005 and 2006, Allianz Life Insurance Company of North America ("Allianz Life") was named as a defendant in various putative class action lawsuits in Minnesota and California in connection with the marketing and sale of deferred annuity products. One lawsuit in Minnesota and three in California have been certified as a class actions. The complaints allege that the defendant engaged in, among other practices, deceptive trade practices and misleading advertising in connection with the sale of such products, including, with the respect to the Minnesota lawsuit, the violation of the Minnesota Consumer Fraud and Deceptive and Unlawful Trade Practices Act. In addition, in January 2007, the Minnesota Attorney General filed a lawsuit against Allianz Life alleging unsuitable sales of deferred annuities to senior citizens. Discovery has recently commenced. The potential outcome and exposure related to these lawsuits are currently uncertain, because these proceedings have not yet progressed to a stage at which a potential outcome or exposure can be determined.

In March 2006, certain shareholders of Allianz SE filed contestation suits against the resolution of the General Meeting approving the merger of RAS with and into Allianz AG. On July 19, 2006, Allianz SE reached a court settlement with these shareholders which called for the withdrawal of all contestation suits by the plaintiffs against reimbursement by Allianz SE of the attorney costs incurred by the plaintiffs. The merger of Riunione Adriatica di Sicurtà S.p.A. (RAS) with and into Allianz AG became effective on October 13, 2006.

Other contingencies

Liquiditäts-Konsortialbank GmbH ("LIKO") is a bank founded in 1974 in order to provide funding for German banks which experience liquidity problems. 30% of LIKO shares are held by Deutsche Bundesbank, while the remaining shares are being held by other German banks and banking associations. The shareholders have provided capital of € 200 mn to fund LIKO; Dresdner Bank AG's participation is € 12.1 mn (6.05%). Dresdner Bank AG is contingently liable to pay future assessments to LIKO up to € 60.5 mn (6.05%). In addition, under clause 5(4) of the Articles of Association of LIKO, Dresdner Bank AG is committed to a secondary liability, which arises if other shareholders do not fulfill their commitments to pay their respective future assessments. In all cases of secondary liability, the financial status of the other shareholders involved is sound.

Dresdner Bank AG is a member of the German banks' Joint Fund for Securing Customer Deposits (Joint Fund),

which covers liabilities to each respective creditor up to specified amounts. As a member of the Joint Fund, which is itself a shareholder in LIKO, Dresdner Bank AG is liable with the other members of the Joint Fund for additional capital contributions, with the maximum being the amount of Dresdner Bank AG's annual contribution. During the year ended December 31, 2006, the Joint Fund levied a contribution of € 22 mn (2005: € 21 mn). Under section 5 (10) of the Statutes of the Joint Fund for Securing Customer Deposits, the Allianz Group has undertaken to indemnify the Federal Association of German Banks (Bundesverband deutscher Banken e.V.) for any losses it may incur by reason of measures taken on behalf of any bank in which the Allianz Group owns a majority interest.

Commitments

Loan commitments

The Allianz Group engages in various lending commitments to meet the financing needs of its customers. The following table represents the amounts at risk should customers draw fully on all facilities and then default, excluding the effect of any collateral. Since the majority of these commitments may expire without being drawn upon, the amounts shown may not be representative of actual liquidity requirements for such commitments.

As of December 31,	2006 € mn	2005 € mn
Advances	35,149	26,954
Stand-by facilities	8,930	9,496
Guarantee credits	1,765	1,733
Discount credits	64	46
Mortgage loans/public-sector loans	662	667
Total	46,570	38,896

Leasing commitments

The Allianz Group occupies property in many locations under various long-term operating leases and has entered into various operating leases covering the long-term use of data processing equipment and other office equipment.

As of December 31, 2006, the future minimum lease payments under non-cancelable operating leases were as follows:

	2006 € mn
2007	544
2008	501
2009	413
2010	368
2011	312
Thereafter	1,771
Subtotal	3,909
Subleases	(82)
Total	3,827

Rental expense net of sublease rental income received of € 37 mn, for the year ending December 31, 2006, was € 518 mn (2005: € 315 mn; 2004: € 280 mn).

Purchase obligations

The Allianz Group has commitments to invest in private equity funds totaling € 1,675 mn (2005: € 1,476 mn) as of December 31, 2006. As of December 31, 2006, commitments outstanding to purchase real estate used by third-parties and owned by the Allianz Group used for its own activities amounted to € 325 mn (2005: € 145 mn). As of December 31, 2006, commitments outstanding to purchase items of equipment amounted to € 112 mn (2005: € 66 mn). In addition, as of December 31, 2006, the Allianz Group has other commitments of € 290 mn (2005: € 244 mn) referring to maintenance, real estate development, sponsoring and purchase obligations.

Other commitments

Other principal commitments of the Allianz Group include the following:

For Allianz of America Inc., Wilmington, Allianz Group posted a surety declaration for obligations in connection with the acquisition of Allianz Global Investors of America L.P., Delaware ("AGI L.P."). The Allianz Group had originally acquired a 69.5% interest in AGI L.P., whereby minority interest holders had the option of putting their shares to Allianz of America, Inc. On December 31, 2006, the remaining interest of Pacific Life (the minority interest holder) in AGI L.P. was 2.0%, resulting in a commitment to Pacific Life amounting to USD 0.3 bn on December 31, 2006.

Pursuant to para. 124 ff. of the German Insurance Supervision Act (Versicherungsaufsichtsgesetz, VAG), a mandatory insurance guarantee scheme

(Sicherungsfonds) for life insurers was implemented in Germany. Each member of the scheme is obliged to make to the scheme annual contributions as well as special payments under certain circumstances. The exact amount of obligations for each member is calculated according to the provisions of a Federal Regulation („Sicherungsfonds-Finanzierungs-Verordnung (Leben) – SichLVFinV“). As of December 31, 2006, the future liabilities of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme amount to annual contributions of € 47 mn and an obligation for special payments of € 78 mn.

Already in December 2002, Protektor Lebensversicherungs-Aktiengesellschaft (“Protektor”), a life insurance company whose role is to protect policyholders of all German life insurers, was founded. Allianz Lebensversicherungs-AG and some of its subsidiaries are obligated to provide additional funds either to the mandatory insurance guarantee scheme or to Protektor, in the event that the funds provided to the mandatory insurance guarantee scheme are not sufficient to handle an insolvency case. Such obligation amounts to a maximum of 1% of the sum of the net underwriting reserve with deduction of payments already provided to the insurance guarantee scheme. At December 31, 2006, and under inclusion of the contributions to the mandatory insurance scheme mentioned above, the aggregate outstanding commitment of Allianz Lebensversicherungs-Aktiengesellschaft and its subsidiaries to the insurance guarantee scheme and to Protektor was € 751 mn.

Guarantees

A summary of guarantees issued by the Allianz Group by maturity and related collateral-held is as follows:

As of December 31,	Letters of credit and other financial guarantees € mn	Market value guarantees € mn	Indemnification contracts € mn
2006			
Up to 1 year	12,157	11	200
1-2 years	1,644	66	12
3-5 years	1,284	464	6
Over 5 years	1,498	2,419	268
Total	16,583	2,960	486
Collateral	7,537	—	4
2005			
Up to 1 year	10,680	—	167
1-2 years	1,989	76	13
3-5 years	1,702	154	1
Over 5 years	1,477	1,569	228
Total	15,848	1,799	409
Collateral	7,154	—	7

Letters of credit and other financial guarantees

The majority of the Allianz Group’s letters of credit and other financial guarantees are issued to customers through the normal course of business of the Allianz Group’s Banking segment in return for fee and commission income, which is generally determined based on rates subject to the nominal amount of the guarantees and inherent credit risks. Once a guarantee has been drawn upon, any amount paid by the Allianz Group to third-parties is treated as a loan to the customer, and is, therefore, principally subject to collateral pledged by the customer as specified in the agreement.

Market value guarantees

Market value guarantees represent assurances given to customers of certain mutual funds and fund management agreements, under which initial investment values and/or minimum market performance of such investments are guaranteed at levels as defined under the relevant agreements. The obligation to perform under a market value guarantee is triggered when the market value of such investments does not meet the guaranteed targets at pre-defined dates.

The Allianz Group’s Asset Management segment, in the ordinary course of business, issues market value guarantees in connection with investment trust accounts and mutual funds it manages. The levels of market value guarantees, as well as the maturity dates, differ based on the separate governing agreements of the respective investment trust accounts and mutual funds. As of December 31, 2006, the maximum potential amount of future payments of the market value guarantees was € 1,874 mn (2005: € 1,113 mn), which represents the total value guaranteed under the respective agreements including the obligation that would have been due had the investments matured on that date. The fair value of the investment trust accounts and mutual funds related to these guarantees as of December 31, 2006, was € 3,411 mn (2005: € 2,285 mn).

The Allianz Group’s banking operations in France, in the ordinary course of business, issue market value and performance-at-maturity guarantees in connection with mutual funds offered by the Allianz Group’s asset management operations in France. The levels of market value and performance-at-maturity guarantees, as well as the maturity dates, differ based on the underlying agreements. In most cases, the same mutual fund offers both a market value guarantee and a performance-at-maturity guarantee. Additionally, the

performance-at-maturity guarantees are generally linked to the performance of an equity index or group of equity indexes. As of December 31, 2006, the maximum potential amount of future payments of the market value and performance-at-maturity guarantees was € 1,086 mn (2005: € 686 mn), which represents the total value guaranteed under the respective agreements. The fair value of the mutual funds related to the market guarantees as of December 31, 2006, was approximately € 1,033 mn (2005: € 777 mn). Such funds generally have a duration of five to eight years.

Indemnification contracts

Indemnification contracts are executed by the Allianz Group with various counterparties under existing service, lease or acquisition transactions. Such contracts may also be used to indemnify counterparties under various contingencies, such as changes in laws and regulations or litigation claims.

In connection with the sale of various of the Allianz Group's former private equity investments, subsidiaries of the Allianz Group provided indemnities to the respective buyers in the event that certain contractual warranties arise. The terms of the indemnity contracts cover ordinary contractual warranties, environmental costs and any potential tax liabilities the entity incurred while owned by the Allianz Group.

Credit derivatives

Credit derivatives consist of written credit default swaps, which require payment by the Allianz Group in the event of default of debt obligations, as well as written total return swaps, under which the Allianz Group guarantees the performance of the underlying assets. The notional principal amounts and fair values of the Allianz Group's credit derivative positions as of December 31, 2006 are provided in Note 43.

Assets pledged and collateral

The carrying amount of the assets pledged as collateral where the secured party does not have the right by contract or custom to sell or repledge the assets are as follows:

As of December 31,	2006 € mn	2005 € mn
Investments	932	3,820
Loans and advances to banks and customers	1,432	1,161
Financial assets carried at fair value through income	10,637	16,189
Total	13,001	21,170

As of December 31, 2006, the Allianz Group has received collateral with a fair value of € 254,653 mn (2005: € 213,333 mn), respectively, which the Allianz Group has the right to sell or repledge. As of December 31, 2006, € 134,005 mn (2005: € 137,559 mn), respectively, related to collateral that the Allianz Group has received and sold or repledged.

47 Pensions and similar obligations

Retirement benefits in the Allianz Group are either in the form of defined benefit or defined contribution plans. Employees, including agents in Germany, are granted such retirement benefits by the various legal entities of the Allianz Group. In Germany, these are primarily defined benefit in nature.

For defined benefit plans, the participant is granted a defined benefit by the employer or via an external entity. In contrast to defined contribution arrangements, the future cost to the employer of a defined benefit plan is not known with certainty in advance.

Defined benefit plans

Amounts recognized in the Allianz Group's consolidated balance sheets for defined benefit plans are as follows:

As of December 31,	2006 € mn	2005 € mn
Prepaid benefit cost	(265)	(262)
Accrued benefit cost	4,120	5,856
Net amount recognized	3,855	5,594

The following table sets forth the changes in the projected benefit obligations, the changes in fair value of plan assets and the net amount recognized for the various Allianz Group defined benefit plans:

	2006 € mn	2005 € mn
Change in projected benefit obligations:		
Projected benefit obligations as of January 1,	17,159	14,279
Service cost	472	353
Interest cost	725	693
Plan participants' contributions	61	66
Amendments	(48)	(44)
Actuarial (gains)/losses	(689)	2,268
Foreign currency translation adjustments	(43)	125
Benefits paid	(678)	(655)
Changes in the consolidated subsidiaries of the Allianz Group	321	74
Projected benefit obligations as of December 31, ¹⁾	17,280	17,159
Change in fair value of plan assets:		
Fair value of plan assets as of January 1,	8,287	7,149
Expected return on plan assets	557	411
Actuarial gains/(losses)	(90)	472
Employer contributions ²⁾	2,154	374
Plan participants' contributions	61	66
Foreign currency translation adjustments	(30)	81
Benefits paid ³⁾	(307)	(293)
Changes in the consolidated subsidiaries of the Allianz Group	256	27
Fair value of plan assets as of December 31,	10,888	8,287
Funded status as of December 31,	6,392	8,872
Unrecognized net actuarial losses	(2,556)	(3,283)
Unrecognized prior service costs	19	5
Net amount recognized as of December 31,	3,855	5,594

¹⁾ As of December 31, 2006, includes direct commitments of the consolidated subsidiaries of the Allianz Group of € 5,306 mn (2005: € 8,164 mn) and commitments through plan assets of € 11,974 mn (2005: € 8,995 mn).

²⁾ During January 2006, the Allianz Group contributed € 1,876 mn to the defined benefit plans of the Dresdner Bank Group.

³⁾ In addition, the Allianz Group paid € 371 mn (2005: € 362 mn) directly to plan participants.

As of December 31, 2006, post-retirement health benefits included in the projected benefit obligation and net amount recognized amounted to € 142 mn (2005: € 165 mn) and € 152 mn (2005: € 151 mn), respectively. As of December 31, 2006, the accumulated benefit obligation for all defined benefit plans was € 16,457 mn (2005: € 16,188 mn).

Defined benefit plans with an accumulated benefit obligation in excess of plan assets are summarized as follows:

As of December 31,	2006 € mn	2005 € mn
Projected benefit obligation	15,567	16,069
Accumulated benefit obligation	14,954	15,242
Fair value of plan assets	9,130	7,215

The net periodic benefit cost related to defined benefit plans consists of the following components:

	2006 € mn	2005 € mn	2004 € mn
Service cost	472	353	313
Interest cost	725	693	676
Expected return on plan assets	(557)	(411)	(366)
Amortization of prior service costs	(33)	(45)	5
Amortization of net actuarial loss	126	57	8
(Income)/expenses of plan curtailments or settlements	(36)	(6)	36
Net periodic benefit cost	697	641	672

During the year ended December 31, 2006, net periodic benefit cost includes net periodic benefit cost related to post-retirement health benefits of € 9 mn (2005: € 8 mn; 2004: € 7 mn).

The actual return on plan assets amounted to € 467 mn, € 883 mn, € 431 mn during the years ended December 31, 2006, 2005 and 2004.

A summary of amounts related to defined benefit plans is as follows:

	2006 € mn
Projected benefit obligation	17,280
Fair value of plan assets	10,888
Funded status	6,392
Actuarial (gains) / losses from experience adjustments on:	
Plan obligations	8
Plan assets	90

Assumptions

The assumptions for the actuarial computation of the projected benefit obligation, accumulated benefit obligation and the net periodic benefit cost depend on the circumstances in the particular country where the plan has been established.

The calculations are based on current actuarially calculated mortality estimates. Projected turnover depending on age and length of service have also been used, as well as internal Allianz Group retirement projections.

The weighted-average value of the assumptions for the Allianz Group's defined benefit plans used to determine projected and accumulated benefit obligation:

As of December 31,	2006 %	2005 %
Discount rate	4.6	4.1
Rate of compensation increase	2.6	2.7
Rate of pension increase	1.5	1.4

The discount rate assumptions reflect the market yields at the balance sheet date of high-quality fixed income investments corresponding to the currency and duration of the liabilities.

The weighted-average value of the assumptions used to determine net periodic benefit cost:

	2006 %	2005 %	2004 %
Discount rate	4.1	4.9	5.5
Expected long-term return on plan assets	5.3	5.8	6.4
Rate of compensation increase	2.7	2.7	2.8
Rate of pension increase	1.4	1.6	1.9

For the year ended December 31, 2006, the weighted expected long-term return on plan assets was derived from the following target allocation and expected long-term rate of return for each asset category:

	Target allocation %	Weighted expected long- term rate of return %
Equity securities	30.1	7.7
Debt securities	64.2	4.2
Real estate	5.3	4.7
Other	0.4	0.7
Total	100.0	5.3

The determination of the expected long-term rate of return for the individual asset categories is based on capital market surveys.

Plan assets

The defined benefit plans' weighted-average asset allocations by asset category are as follows:

As of December 31,	2006 %	2005 %
Equity securities	28.3	28.4
Debt securities	66.6	66.0
Real estate	2.9	3.6
Other	2.2	2.0
Total	100.0	100.0

The bulk of the plan assets are held by the Allianz Versorgungskasse VVaG, Munich. This entity insures effectively all employees of the German insurance operations.

Plan assets do not include equity securities issued by the Allianz Group or real estate used by the Allianz Group.

The Allianz Group plans to gradually increase its actual equity securities allocation for plan assets of defined benefit plans.

Contributions

During the year ending December 31, 2007, the Allianz Group expects to contribute € 254 mn to its defined benefit plans and pay € 375 mn directly to plan participants of its defined benefit plans.

Estimated future benefit payments

The following estimated future benefit payments are based on the same assumptions used to measure the Allianz Group's projected and accumulated benefit obligations as of December 31, 2006, and reflect expected future service, as appropriate.

	€ mn
2007	694
2008	709
2009	737
2010	761
2011	788
Years 2012–2016	4,363

Defined contribution plans

Defined contribution plans are funded through independent pension funds or similar organizations. Contributions fixed in advance (e.g., based on salary) are paid to these institutions and the beneficiary's right to benefits exists against the pension fund. The employer has no obligation beyond payment of the contributions. The main pension fund is the Versicherungsverein des Bankgewerbes a.G., Berlin, which covers most of the banking employees in Germany.

During the year ended December 31, 2006, the Allianz Group recognized expense for defined contribution plans of € 227 mn (2005: € 197 mn; 2004: € 174 mn).

48 Share-based compensation plans

Group Equity Incentives Plans

The Group Equity Incentives Plans ("GEI") of the Allianz Group support the orientation of senior management, in particular the Board of Management, toward the long-term increase of the value of the Allianz Group. The GEI include grants of stock appreciation rights and restricted stock units.

Stock appreciation rights

The stock appreciation rights granted to a plan participant obligate the Allianz Group to pay in cash the excess of the market price of an Allianz SE share over the reference price on the exercise date for each stock appreciation right granted. The excess is capped at 150%

of the reference price. The reference price represents the average of the closing prices of an Allianz SE share on the ten trading days prior to the grant date. The stock appreciation rights vest after two years and expire after seven years. Upon vesting, the stock appreciation rights may be exercised by the plan participant if the following market conditions are attained:

- during their contractual term, the market price of Allianz SE share has outperformed the Dow Jones Europe STOXX Price Index at least once for a period of five consecutive trading days; and
- the Allianz SE market price is in excess of the reference price by at least 20% on the exercise date.

In addition, upon death of plan participants, a change in control of the Allianz Group or the sale of the subsidiary that employs the plan participant, the stock appreciation rights vest immediately.

Upon the expiration date, any unexercised stock appreciation rights that have not been exercised will be exercised automatically if the above market conditions have been attained. The stock appreciation rights are forfeited if the plan participant ceases to be employed by the Allianz Group or if the market conditions are not attained by the expiration date.

The fair value of the options at grant date is measured using a Cox-Rubinstein binomial tree option pricing model. Option valuation models require the input of subjective assumptions including the expected stock price volatility and the expected life of the options. Volatility was derived from observed historical market prices. In the absence of historical information regarding employee stock appreciation exercise patterns (all plans issued between 1999 and 2002 are significantly "out of the money"), the expected life has been estimated to equal the term to maturity of the stock appreciation rights.

The following table provides the assumptions used in estimating the fair value of the stock appreciation rights at grant date:

	2006	2005	2004
Expected volatility	28.0%	27.8%	35.2%
Risk-free interest rate	4.1%	3.1%	4.1%
Expected dividend rate	1.6%	1.9%	1.8%
Share price	€ 123.67	€ 93.33	€ 83.75
Expected life (years)	7	7	7

A summary of the number and the weighted-average grant date fair value of the nonvested stock appreciation rights are as follows:

	Number	Weighted average grant date fair value €
Nonvested as of January 1, 2004	2,107,070	51.38
Granted	1,788,458	30.71
Vested	(588,963)	110.53
Forfeited	(133,554)	40.56
Nonvested as of December 31, 2004	3,173,011	29.21
Granted	2,176,463	26.69
Vested	(1,398,426)	27.35
Forfeited	(165,998)	29.70
Nonvested as of December 31, 2005	3,785,050	28.42
Granted	1,192,518	37.50
Vested	(1,591,320)	30.71
Forfeited	(190,354)	28.06
Nonvested as of December 31, 2006	3,195,894	30.69

As of December 31, 2006, there were 1,951,716 stock appreciation rights, with a weighted average reference price of € 76.99, that were granted during the years ended December 31, 2003 and 2004, exercisable as the vesting and market conditions were met.

As of December 31, 2006, 1,103,025 stock appreciation rights, with a weighted average reference price of € 285.62, that were granted before 2003, were not exercisable as the market conditions were not met.

The stock appreciation rights are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the stock appreciation rights as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the unexercised stock appreciation rights are recognized as compensation expense. During the year ended December 31, 2006, the Allianz Group recognized compensation expense related to the unexercised stock appreciation rights of € 116 mn (2005: € 99 mn; 2004: € 23 mn). During the year ended December 31, 2006, the Allianz Group recognized a deferred tax benefit related to the unexercised stock appreciation rights of € 30 mn (2005: € 24 mn; 2004: € 6 mn). During the year ended December 31, 2006, the total amount paid related to stock appreciation rights exercised was € 46 mn (2005: € 11 mn; 2004: € -mn).

As of December 31, 2006, the Allianz Group recorded a liability, in other liabilities, for the unexercised stock appreciation rights of € 276 mn (2005: € 160 mn). Based upon the fair value of the stock appreciation rights

as of December 31, 2006, the total compensation expense not yet recognized related to the nonvested stock appreciation rights, due to vesting requirements was € 72 mn. The total compensation expense not yet recognized related to the nonvested stock appreciation rights is expected to be recognized over a weighted-average period of 1 year.

Restricted stock units

The restricted stock units granted to a plan participant obligate the Allianz Group to pay in cash the average market price of an Allianz SE share in the ten trading days preceding the vesting date or issue one Allianz SE share, or other equivalent equity instrument, for each restricted stock unit granted. The restricted stock units vest after five years. The Allianz Group will exercise the restricted stock units on the first stock exchange day after their vesting date. On the exercise date, the Allianz Group can choose the settlement method for each restricted stock unit.

In addition, upon death of plan participants, a change in control of the Allianz Group or the sale of the subsidiary that employs the plan participant, the restricted stock units vest immediately.

A summary of the number and the weighted-average grant date fair value of the nonvested restricted stock units are as follows:

	Number	Weighted average grant date fair value €
Nonvested as of January 1, 2004	539,310	65.91
Granted	749,030	77.02
Vested	(4,123)	73.54
Forfeited	(39,805)	69.74
Nonvested as of December 31, 2004	1,244,412	72.45
Granted	1,023,600	85.28
Forfeited	(75,859)	75.02
Nonvested as of December 31, 2005	2,192,153	78.35
Granted	644,991	123.45
Vested	(1,848)	72.56
Forfeited	(148,449)	82.72
Nonvested as of December 31, 2006	2,686,847	88.94

The restricted stock units are accounted for as cash settled plans as the Allianz Group intends to settle in cash. Therefore, the Allianz Group accrues the fair value of the restricted stock units as compensation expense over the vesting period. During the year ended December 31, 2006, the Allianz Group recognized compensation expense related to the nonvested restricted stock units of € 85 mn (2005: € 49 mn; 2004:

€ 18 mn). During the year ended December 31, 2006, the Allianz Group recognized a deferred tax benefit related to the nonvested restricted stock units of € 25 mn (2005: € 14 mn; 2004: € 5 mn). During the year ended December 31, 2006, the total amount paid related to restricted stock units exercised was € 0.2 mn (2005: € – mn; 2004: € 0.4 mn).

As of December 31, 2006, the Allianz Group recorded a liability, in other liabilities, of € 157 mn (2005: € 72 mn) for the nonvested restricted stock units. Based upon the fair value of the restricted stock units as of December 31, 2006, the total compensation expense not yet recognized related to the nonvested restricted stock units, due to vesting requirements, was € 247 mn. The total compensation expense not yet recognized related to the nonvested restricted stock units is expected to be recognized over a weighted-average period of 3 years.

Share-based compensation plans of subsidiaries of the Allianz Group

PIMCO LLC Class B Unit Purchase Plan

When acquiring AGI L.P. during the year ended December 31, 2000, Allianz SE caused Pacific Investment Management Company LLC (“PIMCO LLC”) to enter into a Class B Purchase Plan (the “Class B Plan”) for the benefit of members of the management of PIMCO LLC. The plan participants of the Class B Plan have rights to a 15% priority claim on the adjusted operating profits of PIMCO LLC.

The Class B equity units issued under the Class B Plan vest over three to five years and are subject to repurchase by AGI L.P. upon death, disability or termination of the participant prior to vesting. As of January 1, 2005, AGI L.P. has the right to repurchase, and the participants have the right to cause AGI L.P. to repurchase, a portion of the vested Class B equity units each year. The call or put right is only exercisable six months after the initial vesting of each grant. On the repurchase date, the repurchase price will be based upon the determined value of the Class B equity units being repurchased. As the Class B equity units are puttable by the plan participants, the Class B Plan is accounted for as a cash settled plan.

A summary of the number and the weighted-average grant date fair value of the outstanding Class B equity units are as follows:

	Number	Weighted average grant date fair value €
Outstanding as of January 1, 2004	120,000	5,461
Granted	30,000	8,480
Forfeited	(4,695)	5,169
Outstanding as of December 31, 2004	145,305	6,004
Granted	4,695	9,733
Called	(5,427)	3,998
Forfeited	(480)	7,823
Outstanding as of December 31, 2005	144,093	5,900
Granted	2,075	11,720
Called	(16,335)	4,547
Forfeited	(4,501)	7,264
Outstanding as of December 31, 2006	125,332	6,065

The Class B equity units are accounted for as cash settled plans. Therefore, the Allianz Group accrues the fair value of the Class B equity units as compensation expense over the vesting period. Upon vesting, any changes in the fair value of the Class B equity units are recognized as compensation expense. During the year ended December 31, 2006, the Allianz Group recognized compensation expense related to the Class B equity units of € 383 mn (2005: € 536 mn; 2004: € 399 mn). In addition, the Allianz Group recognized expense related to the priority claim on the adjusted operating profits of PIMCO LLC of € 140 mn (2005: € 141 mn; 2004: € 101 mn). During the year ended December 31, 2006, the Allianz Group recognized a deferred tax benefit related to the Class B equity units of € 156 mn (2005: € 219 mn; 2004: € 163 mn). During the year ended December 31, 2006, the Allianz Group called 16,335 Class B equity units. The total amount paid related to the call of the Class B equity units was € 238 mn.

The total recognized compensation expense for Class B equity units that are outstanding is recorded as a liability in other liabilities. As of December 31, 2006, the Allianz Group recorded a liability for the Class B equity units of € 1,455 mn (2005: € 1,473 mn). As of December 31, 2006, the total compensation expense not yet recognized related to the nonvested Class B equity units was € 842 mn (2005: € 1,191 mn). The total compensation expense not yet recognized related to the Class B equity units is expected to be recognized over the remaining vesting period of up to 5 years.

Dresdner Kleinwort

The Allianz Group awarded eligible employees of Dresdner Kleinwort (“DrK”) a promise to deliver Allianz SE shares on the vesting dates (hereafter “nonvested shares”). In jurisdictions in which regulatory restrictions do not allow for delivery of shares, the awards are settled in cash. The awards vest in three instalments in each of the three years following the initial award. A portion of the awards is also subject to performance vesting conditions, which are based on the financial operating results of DrK. If all of the performance targets have not been met for the previous year, then immediately prior to vesting, some or all of the performance related shares for that year are forfeited.

A summary of the number and the weighted-average grant date fair value of the nonvested share units are as follows:

	Number	Weighted average grant date fair value €
Nonvested as of January 1, 2004	—	—
Granted	1,475,250	105.62
Forfeited	(212,944)	105.62
Nonvested as of December 31, 2004	1,262,306	105.62
Granted	1,829,307	92.81
Vested	(333,516)	105.58
Forfeited	(198,071)	98.13
Nonvested as of December 31, 2005	2,560,026	97.05
Granted	1,405,646	135.40
Vested	(803,809)	98.00
Forfeited	(499,370)	112.83
Nonvested as of December 31, 2006	2,662,493	114.05

The shares settled by delivery of Allianz SE shares are accounted for as equity settled plans by the Allianz Group. Therefore, the Allianz Group measures the total compensation expense to be recognized for the equity settled shares based upon their fair value as of the grant date. The total compensation expense is recognized over the three year vesting period. The shares settled in cash are accounted for as cash settled plans by the Allianz Group. Therefore, the Allianz Group accrues the fair value of the cash settled shares as compensation expense over the vesting period. During the year ended December 31, 2006, the Allianz Group recognized compensation expense related to the nonvested shares of € 135 mn (2005: € 102 mn). During the year ended December 31, 2006, the Allianz Group recognized a deferred tax benefit of € 25 mn. During the year ended December 31, 2006, the total amount paid related to cash settled shares vested was € 6 mn. During the year ended December 31, 2006, the total fair value of equity settled shares that vested was € 117 mn.

As of December 31, 2006, the Allianz Group recorded a liability for the nonvested cash settled shares of € 10 mn (2005: € 6 mn). As of December 31, 2006, the total compensation expense not yet recognized related to the nonvested shares was € 75 mn (2005: € 74 mn). The total compensation expense not yet recognized related to the nonvested shares is expected to be recognized over a weighted-average period of 2.5 years.

AGF Group share option plan

The AGF Group has awarded share options on AGF shares to eligible AGF Group executives and managers of subsidiaries, as well as to certain employees, whose performance justified grants. The primary objective of the share option plan is to encourage the retention of key personnel of AGF Group and to link their compensation to the performance of AGF Group. These share options are independent of the remuneration plans of the Allianz Group. Share options granted have an exercise price of at least 85% of the market price on the day of grant. The maximum term for the share option granted is eight years.

The fair value of the options at grant date is measured using a Cox-Rubinstein binomial tree option pricing model. Option valuation models require the input of subjective assumptions including the expected stock price volatility and the expected life of the options. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life has been estimated to equal the term to maturity of the options.

The following table provides the grant date fair value of options and the assumptions used in calculating their fair value:

	2006	2005	2004
Fair value	€ 24.87	€ 17.40	€ 14.38
Assumptions:			
Share price at grant date	€ 110.20	€ 77.95	€ 52.00
Expected life (years)	5	8	8
Risk free interest rate	3.9%	2.7%	3.5%
Expected volatility	28.0%	27.5%	30.0%
Dividend yield	4.5%	4.0%	3.5%

A summary of the number, weighted-average exercise price, weighted-average remaining contractual term and aggregate intrinsic value of the options outstanding and exercisable are as follows:

	Number	Weighted average exercise price €	Weighted average remaining contractual term years	Aggregate intrinsic value € mn
Outstanding as of January 1, 2004	5,972,401	43.79		
Granted	1,130,656	50.86		
Exercised	(584,128)	36.94		
Forfeited	(11,952)	23.05		
Outstanding as of December 31, 2004	6,506,977	45.67		
Granted	1,398,000	78.24		
Exercised	(2,131,928)	46.47		
Forfeited	(346,126)	42.07		
Outstanding as of December 31, 2005	5,426,923	53.97		
Granted	1,193,300	103.45		
Exercised	(1,446,338)	45.20		
Forfeited	(5,175)	42.07		
Outstanding as of December 31, 2006	5,168,710	67.86	5.9	260
Exercisable as of December 31, 2006	3,975,410	57.18	5.3	242

During the year ended December 31, 2006, the total intrinsic value of share options exercised was € 77 mn (2005: € 50 mn; 2004: € 9 mn). During the year ended December 31, 2006, the AGF Group recorded compensation expense related to the share options of € 30 mn (2005: € 14 mn; 2004: € 16 mn). During the year ended December 31, 2006, the Allianz Group did not recognize a deferred tax benefit related to the share options as the share compensation expense is not tax deductible in France. As of December 31, 2006, the total compensation expense not yet recognized related to the share options was € 22 mn (2005: € 5 mn). The total compensation expense not yet recognized related to the share options is expected to be recognized over a weighted-average period of 1 year.

RAS Group share option plan

The RAS Group awarded eligible members of senior management with share purchase options on RAS ordinary shares. The share options had a vesting period of 18 months to 2 years and a term of 6.5 to 7 years.

The share options allow for exercise at any time after the vesting period and before expiration, provided that:

- on the date of exercise, the RAS share price is at least 20% higher than the average share price in January of

the grant year (for share options granted during the year ended December 31, 2001, the hurdle is 10%), and

- the performance of the RAS share in the year of grant exceeds the Milan Insurance Index in the same year.

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Option valuation models require the input of subjective assumptions including the expected stock price, volatility and the expected life of the options. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal the term to maturity of the options.

The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2005	2004
Fair value	€ 1.91	€ 1.51
Assumptions:		
Share price	€ 17.32	€ 14.56
Expected life (years)	7	7
Risk free interest rate	3.4%	3.3%
Expected volatility	18.0%	17.0%
Dividend yield	7.1%	6.8%

A summary of the number and weighted-average exercise price of the options outstanding and exercisable are as follows:

	Number	Weighted average exercise price €
Outstanding as of January 1, 2005	2,261,000	13.55
Granted	1,200,000	17.09
Exercised	(2,041,000)	13.47
Forfeited	(467,000)	15.78
Outstanding RAS share options as of December 31, 2005	953,000	17.09
Modification	(953,000)	17.09
Outstanding as of December 31, 2006	—	—
Exercisable as of December 31, 2006	—	—

On the effective date of the merger between Allianz SE and RAS, the RAS share option plan was modified. The outstanding share options, which were granted in 2005, on the date of the merger were replaced with Allianz SE share options on the basis of 1 Allianz SE option for every 5.5 RAS share options outstanding. The Allianz SE share options have the same service period of 2 years; however, the market conditions noted above were replaced with a performance condition, which was already achieved on the date of the modification.

A summary of the number, weighted-average exercise price, weighted-average remaining contractual term and aggregate intrinsic value of the options outstanding and exercisable are as follows:

	Number	Weighted average exercise price €	Weighted average remaining contractual term years	Aggregate intrinsic value € mn
Outstanding as of January 1, 2006	—	—	—	—
Granted	173,241	93.99	—	—
Outstanding as of December 31, 2006	173,241	93.99	5	11
Exercisable as of December 31, 2006	—	—	—	—

During the year ended December 31, 2006, the Allianz Group recorded compensation expense of € 1 mn (2005: € 1 mn; 2004: € 3 mn) related to these share options. During the year ended December 31, 2006, the Allianz Group did not recognize a deferred tax benefit related to the share options as the expenses are not tax deductible in Italy.

RAS Group Allianz SE share option plan

The fair value of the options at grant date was measured using a trinomial tree option pricing model. Option valuation models require the input of subjective assumptions including the expected stock price volatility and the expected life of the options. Volatility was derived from observed historical market prices aligned with the expected life of the options. The expected life was estimated to be equal the term to maturity of the options.

The following table provides the grant date fair value and the assumptions used in calculating their fair value:

	2006
Fair value	€ 66.35
Assumptions:	
Share price on modification date	€ 145.41
Expected life (years)	5
Risk free interest rate	3.9%
Expected volatility	30.5%
Dividend yield	1.5%

During the year ended December 31, 2006, the Allianz Group recorded compensation expense of € 6 mn related to share options. During the year ended December 31, 2006, the Allianz Group did not recognize a deferred tax benefit related to the share options as the expenses are not tax deductible. As of December 31, 2006, the total compensation expense not yet recognized related to the share options was € 4 mn. The total compensation expense not yet recognized related to the share options is expected to be recognized over a weighted-average period of 1 year.

Share purchase plans

The Allianz Group offers Allianz SE shares to qualified employees at favorable conditions. The shares have a minimum holding period of one year to five years. During the year ended December 31, 2006, the number of shares sold to employees under these plans was 929,509 (2005: 1,144,196; 2004: 1,051,191). During the year ended December 31, 2006, the Allianz Group recognized compensation expense, the difference between the market price and the offer price of the shares purchased by employees, of € 25 mn (2005: € 24 mn; 2004: € 18 mn).

In addition, during the year ended December 31, 2006, the AGF Group offered AGF shares to qualified employees in France at favorable conditions. The shares have a minimum holding period of five years. During the

year ended December 31, 2006 the number of shares sold to employees under this plan was 651,012 (2005: -; 2004: 787,685). During the year ended December 31, 2006 the compensation expense recorded was € 12 mn (2005: € - mn; 2004: € 8 mn).

Other share option and shareholding plans

The Allianz Group has other local share-based compensation plans, including share option and employee share purchase plans, none of which, individually or in the aggregate, are material to the consolidated financial statements. During the year ended December 31, 2006, the total expense, in the aggregate, recorded for these plans was € 3 mn (2005: € 4 mn; 2004: € 3 mn).

49 Restructuring plans

As of December 31, 2006, the Allianz Group has provisions for restructuring resulting from a number of restructuring programs in various segments. These provisions for restructuring primarily include personnel costs, which result from severance payments for employee terminations, and contract termination costs, including those relating to the termination of lease contracts that will arise in connection with the implementation of the respective initiatives.

Changes in the provisions for restructuring were:

	2006				2005			2004		
	Allianz Deutsch- land AG € mn	Dresdner Bank Group € mn	Other € mn	Total € mn	Dresdner Bank Group € mn	Other € mn	Total € mn	Dresdner Bank Group € mn	Other € mn	Total € mn
As of January 1,	—	90	96	186	670	69	739	815	30	845
New provisions	526	328	41	895	22	86	108	132	57	189
Additions to existing provisions	—	9	1	10	29	3	32	143	1	144
Release of provisions recognized in previous years	—	(15)	(5)	(20)	(48)	(2)	(50)	(62)	(11)	(73)
Release of provisions via payments	(2)	(13)	(83)	(98)	(288)	(68)	(356)	(274)	(8)	(282)
Release of provisions via transfers	(69)	(20)	—	(89)	(294)	—	(294)	—	—	—
Changes in the consolidated subsidiaries of the Allianz Group	—	—	4	4	—	—	—	(55)	—	(55)
Foreign currency translation adjustments	—	—	(1)	(1)	12	—	12	(6)	—	(6)
Other	—	—	—	—	(13)	8	(5)	(23)	—	(23)
As of December 31,	455	379	53	887	90	96	186	670	69	739

Allianz Deutschland AG's provisions for restructuring

During the year ended December 31, 2006, Allianz Deutschland AG announced a restructuring plan for the insurance business in Germany, which is expected to continue through 2008. The objective of the restructuring program is to make the insurance business more customer focused, operate more efficiently and achieve growth.

The insurance business in Germany was formally reorganized in 2005 with the integration of the three companies, Allianz Versicherungs-AG, Allianz Lebensversicherungs-AG and Allianz Private Krankenversicherungs-AG under the newly founded Allianz Deutschland AG. As part of the restructuring, the business and distribution structure has been changed and activities of central staff functions have been transferred to Allianz Deutschland AG.

The restructuring activities of Allianz Deutschland AG will result in the creation of a new business model. Administrative locations within Germany will be reduced from 21 to 12. In all locations a common IT-architecture will be introduced and the office work will be divided into customer service and counselling specialists. Teams in customer service will process all routine requests that can be handled through standardized procedures whereas the counselling specialists will deal with all non-routine cases.

During the year ended December 31, 2006, Allianz Deutschland AG recorded restructuring charges of € 526 mn. The reduction of staff within this program shall occur in consent with the employees. The plan includes a reduction of approximately 5.700 positions. Approximately 1,555 full time equivalent positions have already been terminated, a large majority of which are related to natural employee turnover and early retirement agreements (Altersteilzeit) that were agreed upon before the restructuring provision was recorded and are not part of the restructuring provision.

	2006 € mn
New provisions	526
Additions to existing provisions	—
Release of provisions recognized in previous years	—
Restructuring charges directly reflected in the consolidated income statement	—
Total restructuring charges during the year ended December 31, 2006	526
Total restructuring charges incurred to date	526

Dresdner Bank Group's provisions for restructuring

Dresdner Bank Group supplemented its existing restructuring programs introduced since 2000 with the program 'New Dresdner Plus'. For these combined initiatives, Dresdner Bank Group has announced plans to eliminate an aggregate of approximately 19,500 positions. As of December 31, 2006, an aggregate of approximately 16,350 positions had been eliminated and approximately 425 additional employees had contractually agreed to leave Dresdner Bank Group under these initiatives.

During the year ended December 31, 2006, Dresdner Bank Group recorded restructuring charges for all restructuring programs of € 422 mn. This amount includes new provisions, additions to existing provisions, releases of provisions recognized in previous years, and restructuring charges as reflected in the consolidated income statement. Total restructuring charges expected to be incurred include an additional € 40 mn of charges that are part of the restructuring program, but have not yet met the requirements for recording as a provision. A summary of the restructuring charges related to Dresdner Bank Group that are reflected in the Allianz Group's consolidated income statement for the year ended December 31, 2006, by restructuring program is as follows:

	2006		
	New Dresdner Plus € mn	Former Programs € mn	Total € mn
New provisions	328	—	328
Additions to existing provisions	—	9	9
Release of provisions recognized in previous years	—	(15)	(15)
Restructuring charges directly reflected in the consolidated income statement	80	20	100
Total restructuring charges during the year ended December 31, 2006	408	14	422
Total restructuring charges incurred to date	408	2,007	2,415

A summary of the existing provisions for restructuring related to the Dresdner Bank Group is as follows:

New Dresdner Plus

During the year ended December 31, 2006, Dresdner Bank Group recorded restructuring charges of € 408 mn for the announced restructuring initiative 'New Dresdner Plus', which is in addition to the "Former Programs" that

include the measures “2005 Measures”, “2004 Measures”, “New Dresdner” and “Other programs”.

The newly created division Private & Corporate Clients (“PCC”) comprises the two areas “Clients & Products” and “Advisory & Sales”. Whereas the “Advisory & Sales” unit consolidates all sales related activities of the former units “Personal Banking”, “Private & Business Banking” and “Corporate Banking”, the “Clients & Products” unit concentrates on product-related activities to implement an integrated platform for products and clients. At the same time the process flow within the branch network will be further automated, and the credit processes will be optimised by aligned workflows as well as further standardisation. Furthermore, a new client advisory concept will be implemented in order to transfer the existing advisory profiles to the requirements of the new client groups.

Our client support for multinational corporations and large clients, which have the greatest potential for capital markets products, will be integrated with Dresdner Kleinwort in the new Investment Banking Division (“IB”). In addition the client coverage follows a sectoral advisory approach with industry specific expertise. Thereby administrative activities will be reduced and concurrent functions will be eliminated. Furthermore, the trading of flow products will be consolidated and the equity business will be optimised in line with the new business model.

A summary of the changes in the provisions for restructuring of the Dresdner Bank Group’s during the year ended December 31, 2006 is:

	Provisions as of January 1, 2006	Provisions recorded during 2006				Release of provisions via transfers	Foreign currency translation adjustments	Other	Provisions as of December 31, 2006
		New provisions	Additions to existing provisions	Release of provisions recognized in previous years	Release of provisions via cash payments				
	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	€ mn	
New Dresdner Plus									
Personnel costs	—	299	—	—	—	—	—	299	
Contract termination costs	—	27	—	—	—	—	—	27	
Other	—	2	—	—	—	—	—	2	
Subtotal	—	328	—	—	—	—	—	328	
Former Programs									
Personnel costs	86	—	3	(14)	(11)	(20)	—	44	
Contract termination costs	3	—	—	—	(1)	—	—	2	
Other	1	—	6	(1)	(1)	—	—	5	
Subtotal	90	—	9	(15)	(13)	(20)	—	51	
Total	90	328	9	(15)	(13)	(20)	—	379	

The development of the restructuring provisions reflects the implementation status of the restructuring initiatives. Based on the specific IFRS guidance, restructuring provisions are recognized earlier than they would qualify to be recognized if they were recorded under the guidance for other types of provisions. In order to reflect the timely implementation of the various restructuring initiatives, restructuring provisions, as far as they are already 'locked in', have been transferred to the provision type, which would have been used if there had not been a restructuring initiative in place. This applies for each single contract. For personnel costs, at the time an employee has contractually agreed to leave Dresdner Bank Group by signing either an early retirement, a partial retirement (Altersteilzeit, which is a specific type of an early retirement program in Germany), or a termination arrangement, the respective part of the restructuring provision has been transferred to provisions for employee expenses. In addition, provisions for vacant office spaces that result from restructuring initiatives have been transferred to 'other' provisions after the offices have been completely vacated. In this context, Dresdner Bank Group recorded releases of provisions via transfers to other provision categories of € 20 mn as of December 31, 2006.

50 Earnings per share

Basic earnings per share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share reflects the effect of potentially dilutive securities. As of December 31, 2006, 1,175,554 (2005: 1,175,554) participation certificates issued by Allianz SE were outstanding which can potentially be converted to 1,469,443 (2005: 1,469,443) Allianz shares (on a weighted basis: 1,469,443 (2005: 1,469,443) Allianz SE shares) and therefore have a dilutive effect.

The Allianz Group's share compensation plans with potentially dilutive securities of 335,346 (2005: 493,229) are included in the calculation of diluted earnings per share for the year ended December 31, 2006.

Furthermore 4,868,560 (2005: 807,859) common shares from trading in derivatives on own shares have been included in the calculation of diluted earnings per share for the year ended December 31, 2006.

Reconciliation of basic and diluted earnings per share

	2006 € mn	2005 € mn	2004 € mn
Numerator for basic earnings per share (net income)	7,021	4,380	2,266
Effect of dilutive securities	(3)	—	3
Numerator for diluted earnings per share (net income after assumed conversion)	7,018	4,380	2,269
Denominator for basic earnings per share (weighted-average shares)	410,871,602	389,756,350	365,930,584
Dilutive securities:			
Participation certificates	1,469,443	1,469,443	1,469,443
Warrants	737,847	743,179	—
Share-based compensation plans	335,346	493,229	729,596
Derivatives on own shares	4,868,560	807,859	—
Subtotal	7,411,196	3,513,710	2,199,039
Denominator for diluted earnings per share (weighted-average shares after assumed conversion)	418,282,798	393,270,060	368,129,623
Basic earnings per share	€ 17.09	€ 11.24	€ 6.19
Diluted earnings per share	€ 16.78	€ 11.14	€ 6.16

During the year ended December 31, 2006, the weighted average number of shares does not include 730,391 (2005: 2,389,193; 2004: 18,915,201) treasury shares held by the Allianz Group.

51 Other Information

Employee information

As of December 31, 2006, the Allianz Group employed a total of 166,505 people (2005: 177,625; 2004: 176,501). Of those people, 76,154 (2005: 72,195; 2004: 75,667) were employed in Germany and 90,351 (2005: 105,430; 2004: 100,834) abroad. During the year ended December 31, 2006, the number of employees undergoing training decreased by 68 to 3,955. The average total number of employees for the year ended December 31, 2006 was 172,065 people.

Personnel expenses

	2006 € mn	2005 € mn	2004 € mn
Salaries and wages	10,230	9,582	9,277
Social security contributions and employee assistance	1,731	1,628	1,466
Expenses for pensions and other post-retirement benefits	1,005	855	806
Total	12,966	12,065	11,549

Issuance of the Declaration of Compliance with the German Corporate Governance Code according to clause 161 AktG

On December 18, 2006, the Board of Management and the Supervisory Board of Allianz SE issued the Declaration of Compliance according to clause 161 AktG and made it available on a permanent basis to the shareholders on the company's website. The text of the Declaration of Compliance is also reproduced in the Corporate Governance section beginning on page 10 of this annual report.

The Declaration of Compliance of the two publicly traded group companies Allianz Lebensversicherungs-Aktiengesellschaft and Oldenburgische Landesbank AG were issued in December 2006, respectively, and were made permanently available to the shareholders.

Principal accountant fees and services

For a summary of fees billed by the Allianz Group's principal auditors, see page 109. The information provided there is considered part of these consolidated financial statements.

Compensation for the Board of Management

As of December 31, 2006, the Board of Management had 11 (2005: 10) members.

Total compensation of the Board of Management for the year ended December 31, 2006 amounts to € 28.9 mn

(2005: € 20.4 mn). Furthermore 110,434 (2005: 222,125) stock appreciation rights and 66,280 (127,207) restricted stock units with a total fair value at grant date of € 12.3 mn (2005: € 16.8 mn) were granted to the Board of Management for the year ended December 31, 2006. Compensation to former members of the Board of Management and their beneficiaries totaled € 4.3 mn (2005: € 4.3 mn).

Pension obligations to former members of the Board of Management and their beneficiaries are accrued in the amount of € 47.0 mn (2005: € 38.9 mn).

Total compensation to the Supervisory Board amounts to € 2.5 mn (2005: € 2.6 mn).

Board of Management and Supervisory Board compensation by individual is included in the Corporate Governance section of this Annual Report. The information provided there is considered part of these consolidated financial statements.

52 Subsequent events

Acquisition of minority interests in Assurances Générales de France and Allianz Lebensversicherungs-Aktiengesellschaft

On January 18, 2007, Allianz SE announced its intention to acquire the outstanding shares in Assurances Générales de France (or "AGF", and together with its subsidiaries, the "AGF Group") that it does not already own. In addition, Allianz AZL Vermögensverwaltung GmbH & Co. KG a subsidiary of Allianz Deutschland AG, Allianz SE's wholly-owned German insurance holding company, announced its intention to acquire the approximately 9% interest in Allianz Lebensversicherungs-Aktiengesellschaft (or "Allianz Leben") that it does not already own. The aggregate volume of the transactions is expected to amount to approximately € 10.5 bn. Further details are provided on page 5 of this annual report.

Early partial redemption of BITES exchangeable bond

On January 29, 2007, the Allianz Group announced its intention to make an early redemption of 64.35% of the BITES bond issued in February 2005 with shares of Munich Re. The number of Munich Re shares used to redeem the bond was based on the averages of the DAX index and the Munich Re share price during a 20-day reference period which started on February 1, 2007 and ended on February 28, 2007. The delivery of the Munich Re shares took place on March 9, 2007.

This partial redemption means that each outstanding

BITES bond was reduced to 35.65% of the original principal value. The number of outstanding bonds remained unchanged.

As a result of the partial redemption of this exchangeable bond, the Allianz Group's shareholding in Munich Re was reduced from approximately 9.4% to approximately 4.9%.

Net claims from the "Kyrill" winter storm in Europe

On January 31, 2007, the Allianz Group published its initial estimate for the net claims arising from the "Kyrill" winter storm in Europe in January 2007. Based on the current information, net claims are expected to amount to approximately € 350 mn.

Disposal of subsidiaries of Kommanditgesellschaft Allgemeine Leasing GmbH & Co. ("KGAL")

Kommanditgesellschaft Allgemeine Leasing GmbH & Co. (or "KGAL") of which Allianz Group holds a 45% share, in mid January 2007 disposed of its shareholding in ASL Auto Service-Leasing GmbH and in Disko Group. The impact of the disposal on the results of operations of KGAL will be reflected in the first quarter 2007 results of Allianz Group.

Integration of the Allianz Group's business operations in Italy

On February 1, 2007, the Boards of Directors of RAS S.p.A., Lloyd Adriatico S.p.A. and Allianz Subalpina S.p.A. announced their intention to integrate the Allianz Group's business operations in Italy. The integration will be achieved through the creation of a single

company, Allianz S.p.A., that will operate on the market with three different brands ("Allianz RAS", "Allianz Lloyd Adriatico" and "Allianz Subalpina") and three separate distribution networks.

The completion of the company integration process is expected by fall 2007, depending on both the approval at shareholders' meetings and clearance by regulatory authorities.

Sale of shares in BMW AG

On February 7, 2007, as a part of its active portfolio management, Allianz SE sold approximately 16.1 million ordinary shares in BMW AG. The shares were placed with institutional investors. The sale resulted in proceeds of approximately € 736 mn.

Acquisition of majority in ROSNO

On February 21, 2006, Allianz SE acquired approximately 49.2% of the shares in ROSNO from Sistema. Together with its own stake of approximately 47.7%, Allianz SE holds now approximately 97.0% in ROSNO, one of the top four insurance companies in Russia that is active in the property/casualty, life/health and asset management business.

Acquisition of 50% in Sdu Group

On March 5, 2007, a subsidiary of Allianz Capital Partners GmbH has entered into an agreement to acquire 50% of Sdu Group from the Dutch State. The proportionate investment volume amounts to approximately € 207 mn. The acquisition is expected to be completed by the end of March 2007.

Munich, February 21, 2007

Allianz SE
The Board of Management

The image shows four handwritten signatures in black ink, arranged vertically. The signatures are: 1. A name that appears to be 'Mikael Gjelte'. 2. A name that appears to be 'Stefan J. Jansen'. 3. A name that appears to be 'Lutz Peter Huppert'. 4. A name that appears to be 'Dietmar J. Adam Zorn'.

Selected subsidiaries and other holdings

OPERATING SUBSIDIARIES – GERMANY	Equity € mn	% owned ¹⁾
AGIS Allianz Dresdner Informationssysteme GmbH, Munich	212	100.0
Allianz Capital Partners GmbH, Munich	0.03	100.0
Allianz Capital Partners Verwaltungs GmbH, Munich	934	100.0
Allianz Dresdner Bauspar AG, Bad Vilbel	101	100.0
Allianz Global Corporate & Specialty AG, Munich	778	100.0
Allianz Global Investors Advisory GmbH, Frankfurt am Main	3	100.0
Allianz Global Investors AG, Munich	3,039	100.0
Allianz Global Investors Europe GmbH, Munich	17	100.0
Allianz Global Investors Kapitalanlagegesellschaft mbH, Frankfurt am Main	139	100.0
Allianz Immobilien GmbH, Stuttgart	5	100.0
Allianz Lebensversicherungs-Aktiengesellschaft, Stuttgart	1,411	91.0
Allianz Pensionskasse AG, Stuttgart	121	100.0
Allianz Pension Partners GmbH, Munich	0.5	100.0
Allianz Private Equity Partners GmbH, Munich	0.04	100.0
Allianz Private Krankenversicherungs-Aktiengesellschaft, Munich	340	100.0
Allianz ProzessFinanz GmbH, Munich	0.4	100.0
Allianz Versicherungs-Aktiengesellschaft, Munich	2,480	100.0
Allianz Zentrum für Technik GmbH, Munich	0.2	100.0
DEGI Deutsche Gesellschaft für Immobilienfonds m.b.H., Frankfurt am Main	23	94.0
Deutsche Lebensversicherungs-AG, Berlin	43	100.0
Dresdner Bank AG, Frankfurt am Main	8,031	100.0
Euler Hermes Kreditversicherungs-AG, Hamburg	201	100.0
MAN Roland Druckmaschinen AG, Offenbach	241	100.0
Münchener und Magdeburger Agraversicherung AG, Munich	6	59.9
Oldenburgische Landesbank Aktiengesellschaft, Oldenburg	506	89.4
Reuschel & Co. Kommanditgesellschaft, Munich	134	97.5
risklab germany GmbH, Frankfurt am Main	0.03	100.0
Vereinte Spezial Krankenversicherung AG, Munich	3	100.0
Vereinte Spezial Versicherung AG, Munich	45	100.0

¹⁾ Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

OPERATING SUBSIDIARIES – OTHER COUNTRIES	Equity € mn	% owned ¹⁾
AAAM S.A., Paris	31	84.9
Adriatica de Seguros C.A., Caracas	20	98.3
AGF Allianz Argentina Compania de Seguros Generales S.A., Buenos Aires	16	100.0
AGF Asset Management S.A., Paris	90	99.8
AGF Belgium Insurance S.A., Brussels	390	100.0
AGF Brasil Seguros S.A., Sao Paulo	151	72.5
AFG La Lilloise S.A., Paris	85	100.0
Alba Allgemeine Versicherungs-Gesellschaft, Basel	23	100.0
Allianz Australia Limited, Sydney	972	100.0
Allianz Bulgaria Insurance and Reinsurance Company Ltd., Sofia	21	78.0
Allianz Bulgaria Life Insurance Company Ltd., Sofia	11	99.0
Allianz Compañia de Seguros y Reaseguros S.A., Barcelona	676	99.9
Allianz Cornhill Insurance plc., Guildford	1,182	98.0 ²⁾
Allianz China Life Insurance Co. Ltd., Shanghai	18	51.0
Allianz Egypt Insurance Company S.A.E., Cairo	5	85.0
Allianz Egypt Life Company S.A.E., Cairo	6	99.4
Allianz Elementar Lebensversicherungs-Aktiengesellschaft, Vienna	61	100.0
Allianz Elementar Versicherungs-Aktiengesellschaft, Vienna	458	100.0
Allianz Europe Ltd., Amsterdam	5,245	100.0
Allianz Fire and Marine Insurance Japan Ltd., Tokyo	0.03	100.0
Allianz General Insurance Company S.A., Athens	38	100.0
Allianz General Insurance Malaysia Berhad p.l.c., Kuala Lumpur	69	98.7
Allianz Global Corporate & Specialty France, Paris	158	100.0
Allianz Global Investors Distributors LLC, Stamford	16	100.0
Allianz Global Investors Hong Kong Ltd., Hong Kong	67	100.0
Allianz Global Investors Ireland Ltd., Dublin	1	100.0
Allianz Global Investors Korea Limited, Seoul	22	100.0
Allianz Global Investors Luxembourg S.A., Luxembourg	68	100.0
Allianz Global Investors of America L.P., Delaware	1,511	97.3
Allianz Global Investors Singapore Ltd., Singapore	4	100.0
Allianz Global Investors Taiwan (SITE) Ltd., Taipei	11	100.0
Allianz Global Risks US Insurance Company, Burbank	3,253	100.0
Allianz Hungária Biztosító Rt., Budapest	185	100.0
Allianz Insurance (Hong Kong) Ltd., Hong Kong	9	100.0
Allianz Insurance Company of Singapore Pte. Ltd., Singapore	17	100.0
Allianz Irish Life Holdings p.l.c., Dublin	328	66.4
Allianz Life Insurance Co. Ltd., Seoul	590	100.0
Allianz Life Insurance Company of North America, Minneapolis	2,611	100.0
Allianz Life Insurance Company S.A., Athens	28	100.0
Allianz Life Insurance Malaysia Berhad p.l.c., Kuala Lumpur	20	100.0
Allianz México S.A. Compañia de Seguros, Mexico	69	100.0
Allianz Nederland Asset Management B.V., Amsterdam	33	100.0
Allianz Nederland Levensverzekering N.V., Utrecht	272	100.0
Allianz Nederland Schadeverzekering N.V., Rotterdam	421	100.0
Allianz of America Inc., Wilmington	9,109	100.0
Allianz poistóvna a.s., Prague	121	100.0

¹⁾ Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%

²⁾ 99.99% of the voting share capital.

OPERATING SUBSIDIARIES – OTHER COUNTRIES	Equity € mn	% owned ¹⁾
Allianz President Life Insurance Co. Ltd., Taipei	62	50.0 ²⁾
Allianz Re Dublin Limited, Dublin	17	100.0
Allianz Risk Transfer AG, Zurich	402	100.0
Allianz-Slovenská poisťovňa a.s., Bratislava	340	84.6
ALLIANZ SUBALPINA S.p.A. SOCIETÀ DI ASSICURAZIONI E RIASSICURAZIONI, Turin	228	98.0
Allianz Suisse Lebensversicherungs-Gesellschaft, Zurich	426	100.0
Allianz Suisse Versicherungs-Gesellschaft, Zurich	554	100.0
Allianz Tiriac Asigurari SA, Bukarest	44	51.6
Allianz Underwriters Insurance Company, Burbank	41	100.0
Allianz (UK) Limited, Guildford	733	100.0
Allianz Worldwide Care Ltd., Dublin	12	100.0
Allianz Zagreb d.d., Zagreb	17	80.1
Assurances Générales de France, Paris	7,154	60.2
Assurances Générales de France IART S. A., Paris	2,485	100.0
Assurances Générales de France Vie S. A., Paris	2,600	100.0
Assurances Générales du Laos Ltd., Laos	4	51.0
Banque AGF S. A., Paris	270	100.0
Colseguros Generales S. A., Bogota	32	100.0
Commercial Bank Allianz Bulgaria Ltd., Sofia	32	99.8
Compagnie d'Assurance de Protection Juridique S. A., Zug	14	100.0
Companhia de Seguros Allianz Portugal S. A., Lisbon	186	64.8
Dresdner Bank Luxembourg, S. A., Luxembourg	544	100.0
Dreesdner Bank (Schweiz) AG, Zurich	112	99.8
Dresdner Bank ZAO, St. Petersburg	82	100.0
Dresdner Kleinwort Group Ltd., London	45	100.0
Dresdner Kleinwort (Japan) Limited, Hong Kong	269	100.0
Dresdner Kleinwort Securities LLC, Wilmington/Delaware	71	100.0
ELVIA Reiseversicherungs-Gesellschaft AG, Zurich	191	100.0
Euler Hermes Crédito Compañía de Seguros y Reaseguros, S. A., Madrid	5	100.0
EULER HERMES SFAC. S. A., Paris	306	100.0
Eurovida, S. A. Compañía de Seguros y Reaseguros, Madrid	59	51.0
Fireman's Fund Insurance Company, Novato	2,698	100.0
GENIALLOYD S. p. A., Milan	74	100.0
Insurance Joint Stock Company „Allianz“, Moscow	12	100.0
INVESTITORI SGR S.p.A., Milan	17	87.8
Kleinwort Benson Channel Islands Holdings Ltd., St. Peter Port/Guernsey	276	100.0
Kleinwort Benson Private Bank Ltd., London	97	100.0
Lloyd Adriatico S. p. A., Trieste	1,085	99.7
Mondial Assistance S. A. S., Paris Cedex	79	100.0
NFJ Investment Group LP, Dallas	4	100.0
Nicholas Applegate Capital Management LLC, Delaware	15	100.0
Oppenheimer Capital LLC, Delaware	7	100.0
Pacific Investment Management Company LLC, Delaware	192	85.0
Privatinvest Bank AG, Salzburg	14	74.0
PT Asuransi Allianz Life Indonesia p.l.c., Jakarta	20	99.8
PT Asuransi Allianz Utama Indonesia Ltd., Jakarta	19	75.4
RAS ASSET MANAGEMENT Società di gestione del risparmio S. p. A., Milan	46	100.0
RAS Tutela Giudiziaria S. p. A., Milan	11	100.0
RB Vita S. p. A., Milan	230	100.0

¹⁾ Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

²⁾ Controlled by the Allianz Group.

OPERATING SUBSIDIARIES – OTHER COUNTRIES	Equity € mn	% owned ¹⁾
RCM Capital Management LLC, San Francisco	23	100.0
RCM (UK) Ltd., London	14	100.0
Riunione Adriatica di Sicurtà S.p.A., Milan	2,815	100.0
TU Allianz Polska S.A., Warsaw	75	100.0
TU Allianz Zycie Polska S.A., Warsaw	25	100.0
Veer Palthe Voûte NV, Gouda	42	100.0
Wm. H McGee & Co. Inc., New York	4	100.0

¹⁾ Percentage includes equity participations held by dependent enterprises in full, even if the Allianz Group's share in the dependent enterprise is under 100%.

ASSOCIATED ENTERPRISES ¹⁾	Equity € mn	% owned ²⁾
dit-Euro Bond Total Return Fonds	5,729	22.6
AGF Euribor	3,461	4.0 ³⁾
Phenix Alternative Holding	3,275	36.4
AGF Eurocash	1,827	31.9
Deutsche Schiffsbank AG, Bremen und Hamburg	559	40.0
Oddo, Paris	304	20.0
Objectif Japon	302	20.8
Cofitem Cofimur, Paris	236	21.8
AGF Euro Credit Alpha	214	29.4
FONCIERE DES 6 ET 7 PARIS	197	23.6
PHRV (Paris Hotels Roissy Vaugirard), Paris	178	24.9
MFG Flughafen-Grundstücksverwaltungsgesellschaft mbH & Co. BETA KG, Gruenwald	171	29.4
W Finance Europe	170	14.8 ³⁾
Dresdner-Cetelem Kreditbank GmbH, Munich	162	49.9
Kommanditgesellschaft Allgemeine Leasing GmbH & Co, Gruenwald	152	40.5
Citylife Srl., Milano	129	26.7
Koç Allianz Sigorta T.A.S., Istanbul	117	37.1
Russian People's Insurance Society "Rosno", Moskau	116	47.7
Depfa Holding III, Frankfurt	109	22.4
AGF Haut Rendement	105	25.9
Parv Tar Ret + Eur	84	37.4
Bajaj Allianz Life Insurance Company Ltd., Pune	59	26.0
AGF Peh Eur. IV FCPR	58	49.2
Bajaj Allianz General Insurance Company Ltd., Pune	52	26.0
UBF N.V., Hilversum	22	39.7

¹⁾ Associated enterprises are all those enterprises other than affiliated enterprises or joint ventures, in which the Allianz Group has an interest of between 20% and 50% regardless of whether a significant influence is exercised or not. The presented associated enterprises represent 90% of total carrying amount of investments in associated enterprises.

²⁾ Including shares held by dependent subsidiaries.

³⁾ Significant influence

OTHER SELECTED HOLDINGS IN LISTED COMPANIES ¹⁾	Market value € mn	owned ²⁾ %	Group equity € mn	Net profit € mn	Balance sheet date
Banco BPI S.A., Porto	391	8.8	1,451	309	12/31/2006
Banco Popular Espanol S.A., Madrid	1,514	9.4	5,332	878	12/31/2005
BASF AG, Ludwigshafen	935	2.5	18,578	3,215	12/31/2006
Bayer AG, Leverkusen	1,146	3.8	11,157	1,597	12/31/2005
Bayerische Motorenwerke AG, Munich	1,195	4.2	16,973	2,239	12/31/2005
Beiersdorf AG, Hamburg	853	6.9	1,293	329	12/31/2005
BNP Paribas S.A., Paris	534	0.7	45,993	5,852	12/31/2005
Bollore Investissement S.A., Ergue-Gaberic	406	10.1	1,759	87	12/31/2005
Cofinimmo S.A., Brussels	135	8.8	1,218	90	12/31/2005
E.ON AG, Duesseldorf	2,211	3.1	49,218	7,407	12/31/2005
ENI S.p.A., Rom	864	0.8	39,217	8,788	12/31/2005
GEA Group AG, Bochum	333	10.1	1,585	(67)	12/31/2005
Heidelberger Druckmaschinen AG, Heidelberg	378	12.7	1,138	135	03/31/2006
Industrial and Commercial Bank of China Limited, Beijing	3,034	1.9	27,049	3,541	12/31/2005
KarstadtQuelle AG, Essen	344	7.4	290	(317)	12/31/2005
Linde AG, Wiesbaden	1,120	9.1	4,413	501	12/31/2005
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München, Munich	2,915	9.7	26,429	3,440	12/31/2006
Pirelli & Co. SpA, Mailand	176	6.5	5,614	327	12/31/2005
Rhön-Klinikum AG, Bad Neustadt/Saale	128	6.8	642	84	12/31/2005
Royal Dutch Shell plc, London	551	0.3	90,924	25,311	12/31/2005
RWE AG, Essen	1,480	4.1	14,111	3,847	12/31/2006
Sanofi-Aventis S.A., Paris	502	0.5	45,820	7,040	12/31/2006
Sequana Capital S.A., Paris	157	13.8	2,193	348	12/31/2005
Siemens Aktiengesellschaft, Munich	825	1.2	30,008	3,033	09/30/2006
Telefonica S.A., Madrid	508	0.6	20,001	6,233	12/31/2006
Total S.A., Paris	870	0.7	41,483	12,273	12/31/2005
Unicredito Italiano S.p.A., Mailand	2,216	3.2	39,106	2,470	12/31/2005
Unilever N.V., Rotterdam	509	1.4	11,672	5,015	12/31/2006
Zagrebacka banka d.d., Zagreb	374	13.7	6,540	140	12/31/2005

¹⁾ Market value greater than or equal to €100 mn and percentage of shares owned greater than or equal to 5%, or market value greater than or equal to €500 mn, excluding trading portfolio of banking business.

²⁾ Including shares held by dependent subsidiaries (incl. consolidated investment funds).

Disclosure of equity investments

Information according to clause 313 (2) German Commercial Code is published together with the consolidated financial statements in the German Electronic Federal Gazette as well as on the Company's website.

Auditors' Report

We have audited the consolidated financial statements prepared by Allianz Societas Europaea, Munich – comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements – together with the group management report for the business year from January 1 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB (Handelsgesetzbuch, "German Commercial Code") and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW, Institute of Independent Auditors), and in supplementary compliance with the Standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable

assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in the consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of the German commercial law pursuant to § 315a Abs. 1 HGB and supplementary provisions of the articles of incorporation and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Munich, March 6, 2007

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft



Johannes Pastor
Independent Auditor



Dr. Frank Pfaffenzeller
Independent Auditor

Glossary

The accounting terms explained here are intended to help the reader understand this Annual Report. Most of these terms concern the balance sheet or the income statement. Terminology relating to particular segments of the insurance or banking business has not been included.

Acquisition cost

The amount of cash or cash equivalents paid or the fair value of other consideration given to acquire an asset at the time of its acquisition.

Affiliated enterprises

The parent company of the Group and all consolidated subsidiaries. Subsidiaries are enterprises where the parent company can exercise a dominant influence over their corporate strategy in accordance with the control concept. This is possible, for example, where the parent Group holds, directly or indirectly, a majority of the voting rights, has the power to appoint or remove a majority of the members of the Board of Management or equivalent governing body, or where there are contractual rights of control.

Aggregate policy reserves

Policies in force – especially in life, health, and personal accident insurance – give rise to potential liabilities for which funds have to be set aside. The amount required is calculated actuarially.

Allowance for loan losses

The overall volume of provisions includes allowance for credit loss – deducted from the asset side of the balance sheet – and provisions for risks associated with hedge derivatives and other contingencies, such as guarantees, loan commitments or other obligations, which are stated as liabilities.

Identified counterparty risk is covered by specific credit risk allowances. The size of each allowance is determined by the probability of the borrower's agreed payments regarding interest and installments, with the value of underlying collateral being taken into consideration. General allowances for loan losses have been established on the basis of historical loss data.

Country risk allowances are established for transfer risks. Transfer risk is a reflection of the ability of certain country to serve its external debt. These country risk allowances are based on an internal country rating

system which incorporates economic data as well as other facts to categorize countries.

Where it is determined that a loan cannot be repaid, the uncollectable amount is written off against any existing specific loan loss allowance, or directly recognized as expense in the income statement. Recoveries on loans previously written off are recognized in the income statement under net loan loss provisions.

Assets under management

The total of all investments, valued at current market value, which the Group has under management with responsibility for maintaining and improving their performance. In addition to the Group's own investments, they include investments held under management for third parties.

Associated enterprises

All enterprises, other than affiliated enterprises or joint ventures, in which the Group has an interest of between 20% and 50%, regardless of whether a significant influence is actually exercised or not.

At amortized cost

Under this accounting principle the difference between the acquisition cost and redemption value (of an investment) is added to or subtracted from the original cost figure over the period from acquisition to maturity and credited or charged to income over the same period.

Available-for-sale investments

Available-for-sale investments are securities which are neither held to maturity nor have been acquired for sale in the near term; available-for-sale investments are shown at fair value on the balance sheet.

Business combination

A business combination is the bringing together of separate entities or businesses into one reporting entity.

Cash flow statement

Statement showing movements of cash and cash equivalents during an accounting period, classified by three types of activity:

- normal operating activities
- investing activities
- financing activities

Certificated liabilities

Certificated liabilities comprise debentures and other liabilities for which transferable certificates have been issued.

Combined ratio

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

Consolidated interest (%)

The consolidated interest is the total of all interests held by affiliated enterprises and joint ventures in affiliated enterprises, joint ventures, and associated enterprises.

Contingent liabilities

Financial obligations not shown as liabilities on the balance sheet because the probability of a liability actually being incurred is low. Example: guarantee obligations.

Corridor approach

With defined benefit plans, differences come about between the actuarial gains and losses which, when the corridor approach is applied, are not immediately recognized as income or expenses as they occur. Only when the cumulative actuarial gains or losses fall outside the corridor is redemption made from the following year onwards. The corridor is 10% of the present value of the pension rights accrued or of the market value of the pension fund assets, if this is higher.

Cost-income ratio

Represents operating expenses divided by operating revenues.

Coverage ratio

Represents ratio of total loan loss provisions to total risk elements according to SEC guide 3 (non-performing loans and potential problem loans).

Credit risk

The risk that one party to a contract will fail to discharge its obligations and thereby cause the other party to incur financial loss.

Current employer service cost

Net expense incurred in connection with a deferred benefit plan less any contributions made by the beneficiary to a pension fund.

Deferred acquisition costs

Expenses of an insurance company which are incurred in connection with the acquisition of new insurance policies or the renewal of existing policies. They include commissions paid and the costs of processing proposals.

Deferred tax assets/liabilities

The calculation of deferred tax is based on temporary differences between the carrying amounts of assets or liabilities in the published balance sheet and their tax base, and on differences arising from applying uniform valuation policies for consolidation purposes. The tax rates used for the calculation are the local rates applicable in the countries of the enterprises included in the consolidation; changes to tax rates already adopted on the balance sheet date are taken into account.

Defined benefit plans

Under defined benefit plans, the enterprise or an external pension fund pledges to pay the beneficiary a benefit at a particular level; unlike the defined contribution plans, the level of the contributions payable by the enterprise are not fixed from the start. To determine the expense over the period, accounting regulations require that actuarial calculations are carried out according to a fixed set of rules.

Defined contribution plans

Under retirement plans in the form of defined contribution plans, the enterprise pledges to pay the beneficiary benefits at a pre-defined level. This effectively releases the enterprise from any further obligations beyond the contributions payable and at the same time precludes the enterprise from participating in the investment success of the contributions.

Derivative financial instruments (derivatives)

Financial contracts, the values of which move in relationship to the price of an underlying asset. Derivative financial instruments can be classified in relation to their underlying assets (e.g. interest rates, share prices, exchange rates or prices of goods).

Important examples of derivative financial instruments are options, futures, forwards and swaps.

Earnings per share (basic/diluted)

Ratio calculated by dividing the consolidated profit or loss for the year by the average number of shares issued. For calculating diluted earnings per share the number of shares and the profit or loss for the year are adjusted by the dilutive effects of any rights to subscribe for shares which have been or can still be exercised. Subscription rights arise in connection with issues of convertible bonds or share options.

Equity consolidation

The relevant proportion of cost for the investment in a subsidiary is set off against the relevant proportion of the shareholders' equity of the subsidiary.

Equity method

Investments in joint ventures and associated companies are accounted for by this method. They are valued at the Group's proportionate share of the net assets of the companies concerned. In the case of investments in companies which prepare consolidated financial statements of their own, the valuation is based on the sub-group's consolidated net assets. The valuation is subsequently adjusted to reflect the proportionate share of changes in the company's net assets, a proportionate share of the company's net earnings for the year being added to the Group's consolidated income.

Expense ratio

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

Fair value

The amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

FAS

US Financial Accounting Standards on which the details of US GAAP (Generally Accepted Accounting Principles) are based.

Financial assets carried at fair value through income

Financial assets carried at fair value through income include debt and equity securities as well as other financial instruments (essentially derivatives, loans and precious metal holdings) which have been acquired solely for sale in the near term. They are shown in the balance sheet at fair value.

Financial liabilities carried at fair value through income

Financial liabilities carried at fair value through income include primarily negative market values from derivatives and short selling of securities. Short sales are made to generate income from short-term price changes. Short sales of securities are recorded at market value on the balance sheet date. Derivatives shown as financial liabilities carried at fair value through income are valued the same way as financial assets carried at fair value through income.

Forwards

The parties to this type of transaction agree to buy or sell at a specified future date. The price of the underlying assets is fixed when the deal is struck.

Functional currency

The functional currency is the currency of the primary economic environment in which the entity operates i.e. the one in which the entity primarily generates and expends cash.

Funds held by/for others under reinsurance contracts

Funds held by others are funds to which the reinsurer is entitled but which the ceding insurer retains as collateral for future obligations of the reinsurer. The ceding insurer shows these amounts as "funds held under reinsurance business ceded."

Futures

Standardized contracts for delivery on a future date, traded on an exchange. Normally, rather than actually delivering the underlying asset on that date, the difference between closing market value and the exercise price is paid.

Goodwill

Difference between the purchase price of a subsidiary and the relevant proportion of its net assets valued at the current value of all assets and liabilities at the time of acquisition.

Gross/Net

In insurance terminology the terms gross and net mean before and after deduction of reinsurance, respectively. In the investment terminology the term "net" is used where the relevant expenses (e.g. depreciations and losses on the disposal of assets) have already been deducted.

Hedging

The use of special financial contracts, especially derivative financial instruments, to reduce losses which may arise as a result of unfavorable movements in rates or prices.

Held for sale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through sale rather than through continuing use. On the date a non-current asset meets the criteria as held for sale, it is measured at the lower of its carrying amount and fair value less costs to sell.

Held-to-maturity investments

Held-to-maturity investments comprise debt securities held with the intent and ability that they will be held-to-maturity. They are valued at amortized cost.

IAS

International Accounting Standards.

IFRS

International Financial Reporting Standards. Since 2002, the designation IFRS applies to the overall framework of all standards approved by the International Accounting Standards Board. Already approved standards will continue to be cited as International Accounting Standards (IAS).

IFRS Framework

The framework for International Financial Reporting Standards (IFRS) which sets out the concepts that underlie the preparation and presentation of financial statements for external users.

Income from financial assets and liabilities carried at fair value through income (net)

Income from financial assets and liabilities carried at fair value through income (net) includes all realized and unrealized profits and losses from financial assets carried at fair value through income and financial liabilities carried at fair value through income. In addition, it includes commissions as well as any interest or dividend income from trading activities as well as refinancing costs.

Issued capital and capital reserve

This heading comprises the capital stock, the premium received on the issue of shares, and amounts allocated when option rights are exercised.

Joint venture

An enterprise which is managed jointly by an enterprise in the Group and one or more enterprises not included in the consolidation. The extent of joint management control is more than the significant influence exercised over associated enterprises and less than the control exercised over affiliated enterprises.

Loss frequency

Number of losses in relation to the number of insured risks.

Loss ratio

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

Market value

The amount obtainable from the sale of an investment in an active market.

Minority interests in earnings

That part of net earnings for the year which is not attributable to the Group but to others outside the Group who hold shares in affiliated enterprises.

Minority interests

Those parts of the equity of affiliated enterprises which are not owned by companies in the Group.

New cost basis

Historical cost adjusted by depreciation to reflect permanent diminution in value.

Options

Derivative financial instruments where the holder is entitled – but not obliged – to buy (call option) or sell (put option) the underlying asset at a predetermined price sometime in the future. The grantor (writer) of the option, on the other hand, is obliged to transfer or buy the asset and receives a premium for granting the option to the purchaser.

OTC derivatives

Derivative financial instruments which are not standardized and not traded on an exchange but are traded directly between two counterparties via over-the-counter (OTC) transactions.

Participating certificates

Amount payable on redemption of participating certificates issued. The participating certificates of Allianz SE carry distribution rights based on the dividends paid, and subscription rights when the capital stock is increased; but they carry no voting rights, no rights to participate in any proceeds of liquidation, and no rights to be converted into shares.

Pension and similar obligations

Reserves for current and future post-employment benefits formed for the defined benefit plans of active and former employees. These also include reserves for health care benefits and processing payments.

Premiums written/earned

Premiums written represent all premium revenues in the year under review. Premiums earned represent that part of the premiums written used to provide insurance coverage in that year. In the case of life insurance products where the policyholder carries the investment

risk (e.g. variable annuities), only that part of the premiums used to cover the risk insured and costs involved is treated as premium income.

Reinsurance

Where an insurer transfers part of the risk which he has assumed to another insurer.

Repurchase and reverse repurchase agreements

A repurchase (“repo”) transaction involves the sale of securities by the Group to a counterparty, subject to the simultaneous agreement to repurchase these securities at a certain later date, at an agreed price. The securities concerned are retained in the Group’s balance sheet for the entire lifetime of the transaction, and are valued in accordance with the accounting principles for financial assets carried at fair value through income or investment securities, respectively. The proceeds of the sale are reported in liabilities to banks or to customers, as appropriate. A reverse repo transaction involves the purchase of securities with the simultaneous obligation to sell these securities at a future date, at an agreed price. Such transactions are reported in loans and advances to banks, or loans and advances to customers, respectively. Interest income from reverse repos and interest expenses from repos are accrued evenly over the lifetime of the transactions and reported under interest and similar income or interest expenses.

Reserve for loss and loss adjustment expenses

Reserves for the cost of insurance claims incurred by the end of the year under review but not yet settled.

Reserve for premium refunds

That part of the operating surplus which will be distributed to policyholders in the future. This refund of premiums is made on the basis of statutory, contractual, or company by-law obligations, or voluntary undertaking.

Revenue reserves

In addition to the reserve required by law in the financial statements of the Group parent company, this item consists mainly of the undistributed profits of Group enterprises and amounts transferred from consolidated net income.

Segment reporting

Financial information based on the consolidated financial statements, reported by business segments (Property-Casualty, Life/Health, Banking, Asset Management and Corporate) and by regions.

Subordinated liabilities

Liabilities which, in the event of liquidation or bankruptcy, are not settled until after all other liabilities.

Swaps

Agreements between two counterparties to exchange payment streams over a specified period of time. Important examples include currency swaps (in which payment streams and capital in different currencies are exchanged) and interest rate swaps (in which the parties agree to exchange normally fixed interest payments for variable interest payments in the same currency).

Unearned premiums

Premiums written attributable to income of future years. The amount is calculated separately for each policy and for every day that the premium still has to cover.

Unrecognized gains/losses

Amount of actuarial gains or losses, in connection with defined benefit pension plans, which are not yet recognized as income or expenses (see also “corridor approach”).

Unrecognized past service cost

Present value of increases in pension benefits relating to previous years’ service, not yet recognized in the pension reserve.

US GAAP

Generally Accepted Accounting Principles in the United States of America.

Variable annuities

The benefits payable under this type of life insurance depend primarily on the performance of the investments in a mutual fund. The policyholder shares equally in the profits or losses of the underlying investments.

Joint Advisory Council of the Allianz Companies

Dr. Henning Schulte-Noelle

Chairman
Chairman of the Supervisory Board Allianz SE

Professor Dr. Bernd Gottschalk

President Verband der Automobilindustrie e.V.

Professor Dr. Peter Gruss

President Max-Planck-Gesellschaft zur Förderung der
Wissenschaften e.V.

Herbert Hainer

Chairman of the Board of Management adidas AG

Dr. Jürgen Hambrecht

Chairman of the Board of Management BASF AG

Professor Dr. h. c. Hans-Olaf Henkel

Senior Advisor, Bank of America

Dr. Jürgen Heraeus

Chairman of the Supervisory Board
Heraeus Holding GmbH

Dr.-Ing. Dieter Hundt, Honorary Senator

Managing Partner Allgaier Werke GmbH

Dr. Jürgen F. Kammer until December 31, 2006

until June 13, 2006 Chairman of the Supervisory Board
Süd-Chemie AG

Dr. Hans-Peter Keitel

Chairman of the Board of Management Hochtief AG

Dr. Hartmut Mehdorn

Chairman of the Board of Management
Deutsche Bahn AG

Dr. h. c. Bernd Pischetsrieder

Volkswagen AG

Professor Dr. Klaus Pohle

until April 2006 Deutsches Rechnungslegungs
Standards Committee e. V. (German
Accounting Standards Committee)

Dr.-Ing. Norbert Reithofer since January 1, 2007

Chairman of the Board of Management BMW Group

Harry Roels

Chairman of the Board of Management RWE AG

Dr. h. c. Rudolf Rupprecht until December, 2006

Member of the Supervisory Board MAN AG

Dr. h. c. Walter Scheel

Former President of the Federal Republic of
Germany

Dr. Manfred Schneider since January 1, 2007

Chairman of the Supervisory Board Bayer AG

Professor Dr. Dennis J. Snower since October 14, 2006

President Institut für Weltwirtschaft, University of Kiel

Dr. Jörg Spiekerkötter until December 31, 2006

Member of the Board of Management Schering AG

Dipl.-Kfm. Holger Strait

Managing Partner J. G. Niederegger GmbH & Co. KG

Dr. h. c. Heinrich Weiss

Chairman of the Board of Management SMS GmbH

Manfred Wennemer

Chairman of the Board of Management
Continental AG

International Advisory Board

Dr. Dr. h.c. Heinrich von Pierer

Chairman of the Supervisory Board Siemens AG

Khalifa Al-Kindi

Deputy Managing Director Abu Dhabi Investment Authority

Donald R. Argus AO

Chairman BHP Billiton Group

Belmiro de Azevedo

Presidente Sonae SGPS SA

Antony Burgmans

Chairman Unilever N.V.

Alfonso Cortina de Alcocer

Chairman Repsol YPF Foundation

Dr. Jürgen Hambrecht

Chairman of the Board of Management BASF AG

Rahmi Koç

Honorary Chairman of the Board of Directors Koç Holding AS

Aarnout Loudon

Chairman of the Supervisory Board Akzo Nobel NV

Minoru Makihara

Senior Corporate Advisor Mitsubishi Corporation

Jaques A. Nasser

Senior Partner One Equity Partners LLC

James W. Owens

Chairman and CEO Caterpillar Inc.

Dr. Marco Tronchetti Provera

Chairman and CEO Pirelli SpA

Dr. Gianfelice Rocca

Chairman Techint Group

Anthony Salim

President and CEO Salim Group

Louis Schweitzer

Chairman Renault SA

Peter Sutherland

Chairman BP PLC

Lord Vallance of Tummel

Chairman Nations Healthcare Ltd.

Javier Valls Taberner

Presidente del Consejo Banco Popular Español

Lorenzo H. Zambrano

Chairman and CEO CEMEX

Mandates of the Members of the Supervisory Board

Dr. Henning Schulte-Noelle

Membership in other statutory supervisory boards in Germany
E.ON AG, Siemens AG, ThyssenKrupp AG

Norbert Blix until October 13, 2006

Membership in other statutory supervisory boards in
Germany Allianz Versorgungskasse VVaG (Vice Chairman)

Dr. Wulf H. Bernotat

Membership in other statutory supervisory boards in
Germany METRO AG, RAG AG (Chairman), Bertelsmann AG
Membership in Group bodies E.ON Energie AG (Chairman),
E.ON Ruhrgas AG (Chairman)
Membership in comparable *) supervisory bodies
Membership in Group bodies E.ON Nordic AB (Chairman),
E.ON Sverige AB (Chairman), E.ON UK plc (Chairman),
E.ON U.S. Investments Corp. (Chairman)

Dr. Diethart Breipohl until October 13, 2006

Membership in other statutory supervisory boards in
Germany Continental AG, KarstadtQuelle AG, KM Europa
Metal AG (Chairman)
Membership in comparable *) supervisory bodies
Assurances Générales de France, Atos Origin S. A., LCL (Le
Crédit Lyonnais), Euler Hermes S. A.

Jean-Jacques Cette since October 27, 2006

Dr. Gerhard Cromme

Membership in other statutory supervisory boards in
Germany Axel Springer AG, Deutsche Lufthansa AG, E.ON AG,
Siemens AG, ThyssenKrupp AG (Chairman)
Membership in comparable *) supervisory bodies
BNP PARIBAS S. A., Compagnie de Saint-Gobain S. A.,
Suez S. A.

Claudia Eggert-Lehmann

Membership in other statutory supervisory boards in
Germany
Dresdner Bank AG

Hinrich Feddersen until October 13, 2006

Franz Fehrenbach until October 13, 2006
Membership in comparable *) supervisory bodies
Membership in Group bodies Robert Bosch Corporation

Peter Haimerl until October 13, 2006

Membership in other statutory supervisory boards in
Germany Dresdner Bank AG (Vice Chairman)

Godfrey Robert Hayward since October 27, 2006

Prof. Dr. Rudolf Hickel until October 13, 2006
Membership in other statutory supervisory boards in
Germany GEWOBA AG Wohnen und Bauen in Bremen,
Howaldtswerke-Deutsche Werft GmbH, Salzgitter AG Stahl
und Technologie

Dr. Franz B. Humer

Membership in other statutory supervisory boards in
Germany
Membership in Group bodies Hoffmann-La Roche AG
(Chairman), Roche Deutschland Holding GmbH
(Chairman), Roche Diagnostics GmbH (Chairman)
Membership in comparable *) supervisory bodies
DIAGEO plc London
Membership in Group bodies Chugai Pharmaceutical Co.
Ltd. Tokio, Roche Holding AG Basel (Chairman)

Prof. Dr. Renate Köcher

Membership in other statutory supervisory boards in
Germany BASF AG, Infineon Technologies AG, MAN AG

Igor Landau

Membership in other statutory supervisory boards in
Germany adidas AG, Dresdner Bank AG (until December 31,
2006)
Membership in comparable *) supervisory bodies
Essilor S. A., HSBC France, Sanofi-Aventis S. A.

Dr. Max Link until October 13, 2006

Iris Mischlau-Meyrahn until October 13, 2006

As of December 31, 2006 or (with members who resigned) day of resignation.
*) We regard memberships in other supervisory bodies as "comparable" if the
company is listed on a stock exchange or has more than 500 employees.

Karl Neumeier until October 13, 2006

Jörg Reinbrecht since October 27, 2006

Membership in other statutory supervisory boards in Germany

SEB AG

Sultan Salam until October 13, 2006

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG (until November 30, 2006)

Dr. Manfred Schneider until October 13, 2006

Membership in other statutory supervisory boards in Germany

Bayer AG (Chairman), DaimlerChrysler AG, Linde AG (Chairman), METRO AG, RWE AG, TUI AG

Margit Schoffer

Membership in other statutory supervisory boards in Germany

Dresdner Bank AG

Prof. Dr. Dennis J. Snower until October 13, 2006

Rolf Zimmermann since October 27, 2006

Mandates of the Members of Board of Management

Michael Diekmann

Membership in other statutory supervisory boards in Germany BASF AG, Deutsche Lufthansa AG, Linde AG (Vice Chairman)

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

Membership in comparable*) supervisory bodies

Membership in Group bodies Assurances Générales de France (Vice President), Riunione Adriatica di Sicurtà S. p. A. (Vice President)

Dr. Paul Achleitner

Membership in other statutory supervisory boards in Germany Bayer AG, RWE AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Investors AG, Allianz Lebensversicherungs-AG

Membership in comparable*) supervisory bodies

Membership in Group bodies Allianz Elementar Lebensversicherungs-AG (Chairman), Allianz Elementar Versicherungs-AG (Chairman), Allianz Investmentbank AG (Vice Chairman)

Clement B. Booth

Membership in other statutory supervisory boards in Germany

Membership in Group bodies Allianz Global Corporate & Specialty AG (Chairman)

Membership in comparable*) supervisory bodies

Membership in Group bodies Allianz Australia Ltd., Allianz Cornhill Insurance plc (Chairman), Allianz Irish Life plc, Euler Hermes S. A.

Jan R. Carendi

Membership in comparable*) supervisory bodies

Membership in Group bodies Allianz Life Insurance Company of North America (Chairman), Fireman's Fund Insurance Company (Chairman)

Enrico Cucchiani

Membership in comparable*) supervisory bodies

ACEGAS-APS S. p. A., Banca Antonveneta

Membership in Group bodies Allianz Compañía de Seguros S. A. Barcelona (Vice Chairman), Allianz Elementar Lebensversicherungs-AG (Vice Chairman), Allianz Elementar Versicherungs-AG (Vice Chairman), Allianz Investmentbank AG, Allianz Suisse

Lebensversicherungsgesellschaft, Allianz Suisse Versicherungsgesellschaft, Companhia de Seguros Allianz Portugal S. A. (Vice Chairman), Koc Allianz Hayat ve Emeklilik A. S., Koc Allianz Sigorta T. A. S., Lloyd Adriatico S. p. A. (Chairman), Riunione Adriatica di Sicurtà S. p. A.

Dr. Joachim Faber

Membership in other statutory supervisory boards in Germany Bayerische Börse AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Vice Chairman), Deutscher Investment-Trust Gesellschaft für Wertpapieranlagen mbH (Chairman)

Membership in comparable*) supervisory bodies

Membership in Group bodies Assurances Générales de France, Riunione Adriatica di Sicurtà S. p. A.

Dr. Helmut Perlet

Membership in other statutory supervisory boards in Germany GEA-Group AG

Membership in Group bodies Allianz Deutschland AG, Allianz Global Corporate & Specialty AG (Vice Chairman), Dresdner Bank AG, Allianz Global Investors AG, Dresdner Bank AG

Membership in comparable*) supervisory bodies

Membership in Group bodies Allianz Life Insurance of North America, Fireman's Fund Insurance Company, Lloyd Adriatico S. p. A., Riunione Adriatica di Sicurtà S. p. A.,

As of December 31, 2006 or (with members who resigned) day of resignation.

*) We regard memberships in other supervisory bodies as "comparable" if the company is listed on a stock exchange or has more than 500 employees.

Dr. Gerhard Rupprecht

Membership in other statutory supervisory boards in Germany Fresenius AG, Heidelberger Druckmaschinen AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG (Chairman), Allianz

Lebensversicherungs-AG (Chairman), Allianz Private

Krankenversicherungs-AG (Chairman), Allianz

Versicherungs-AG (Chairman)

Membership in comparable *) supervisory bodies

Membership in Group bodies Allianz Life Insurance Co. Ltd. Seoul

Jean-Philippe Thierry

Membership in other statutory supervisory boards in Germany

Membership in Group bodies Allianz Global Corporate & Specialty AG

Membership in comparable *) supervisory bodies

Baron Philippe de Rothschild, Compagnie Financière Saint-Honoré, Eurazeo, Paris Orléans, Pinault Printemps Redoute, Société Financière et Foncière de participation

Membership in Group bodies AGF International, Allianz Compañía de Seguros y Reaseguros S. A., Allianz Nederland Groep N.V., Euler Hermes S. A. (Chairman), Mondial Assistance AG (Chairman),

Dr. Herbert Walter

Membership in other statutory supervisory boards in Germany Deutsche Börse AG, E.ON Ruhrgas AG

Membership in Group bodies Allianz Beratungs- und Vertriebs-AG

Membership in comparable *) supervisory bodies

Banco Popular Español S. A., Banco Portugues de Investimento S. A.

Dr. Werner Zedelius

Membership in Group bodies Allianz Hungária Biztosító Rt. (Chairman), Allianz pojistovna a. s. (Chairman), Allianz-

Slovenska poistovna a. s. (Chairman), T. U. Allianz Polska

S. A. (Chairman), T. U. Allianz Zycie Polska S. A.

(Chairman), Rosno (Vice Chairman)

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International Presence

The following table sets forth selected Allianz Group operating subsidiaries by geographic region at December 31, 2006, including our ownership percentage. It does not contain all subsidiaries of the Allianz Group, nor does it indicate whether an interest is held directly or indirectly by Allianz SE. Further, the ownership percentage presented in the following table includes equity participations held by dependent enterprises of the Allianz Group in full, even if the Allianz Group's ownership in the dependent enterprise is below 100 %. Please see pages 225 to 228 for a more extensive list of Allianz Group subsidiaries.

GERMANY

■	Allianz Capital Partners GmbH	100.0%
■	Allianz Dresdner Bauspar AG	100.0%
■	Allianz Global Corporate & Specialty AG	100.0%
■	Allianz Global Investors Advisory GmbH	100.0%
■	Allianz Global Investors AG	100.0%
■	Allianz Global Investors Europe GmbH	100.0%
■	Allianz Global Investors Kapitalanlagegesellschaft mbH	100.0%
■	Allianz Lebensversicherungs-Aktiengesellschaft	91.0%
■	Allianz Private Krankenversicherungs-Aktiengesellschaft	100.0%
■	Allianz Versicherungs-Aktiengesellschaft	100.0%
■	DEGI Deutsche Gesellschaft für Immobilienfonds m.b.H.	94.0%
■	Deutsche Lebensversicherungs-AG	100.0%
■	Dresdner Bank AG	100.0%
■	Euler Hermes Kreditversicherungs-AG	100.0%
■	MAN Roland Druckmaschinen AG	100.0%
■	Oldenburgische Landesbank Aktiengesellschaft	89.4%
■	Reuschel & Co. Kommanditgesellschaft	97.5%

OTHER EUROPE – WESTERN AND SOUTHERN EUROPE

Austria

■	Allianz Elementar Lebensversicherungs-Aktiengesellschaft	100.0%
■	Allianz Elementar Versicherungs-Aktiengesellschaft	100.0%

Belgium

■	AGF Belgium Insurance S.A.	100.0%
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France

■	AGF Asset Management S.A.	99.8%
■	Assurances Générales de France IART S.A.	100.0%
■	Assurances Générales de France Vie S.A.	100.0%
■	Assurances Générales de France	60.2%
■	Banque AGF S.A.	100.0%
■	Euler Hermes SFAC S.A.	100.0%
■	Mondial Assistance S.A.S.	100.0%

Greece

■	Allianz General Insurance Company S.A.	100.0%
■	Allianz Life Insurance Company S.A.	100.0%

Ireland

■	Allianz Irish Life Holdings p.l.c.	66.4%
■	Allianz Worldwide Care Ltd.	100.0%

Italy

■	ALLIANZ SUBALPINA S.p.A. SOCIETÀ DI ASSICURAZIONI E RIASSICURAZIONI	98.0%
■	Lloyd Adriatico S.p.A.	99.7%
■	RAS ASSET MANAGEMENT Società di gestione del risparmio S.p.A.	100.0%
■	Riunione Adriatica di Sicurtà S.p.A.	100.0%

Luxembourg

■	Allianz Global Investors Luxembourg S.A.	100.0%
■	Dresdner Bank Luxembourg S.A.	100.0%

Netherlands

■	Allianz Nederland Levensverzekering N.V.	100.0%
■	Allianz Nederland Schadeverzekering N.V.	100.0%

Portugal

■	Companhia de Seguros Allianz Portugal S.A.	64.8%
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Spain

■	Allianz Compañía de Seguros y Reaseguros S.A.	99.9%
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Switzerland

■	Allianz Risk Transfer AG	100.0%
■	Allianz Suisse Lebensversicherungs-Gesellschaft	100.0%
■	Allianz Suisse Versicherungs-Gesellschaft	100.0%
■	Dresdner Bank (Schweiz) AG	99.8%
■	ELVIA Reiseversicherungs-Gesellschaft AG	100.0%

United Kingdom

■	Allianz Cornhill Insurance plc.	98.0% ¹⁾
■	RCM (UK) Ltd.	100.0%

OTHER EUROPE – NEW EUROPE

Bulgaria

■	Allianz Bulgaria Insurance and Reinsurance Company Ltd.	78.0%
■	Allianz Bulgaria Life Insurance Company Ltd.	99.0%
■	Commercial Bank Allianz Bulgaria Ltd.	99.8%

Croatia

■	Allianz Zagreb d.d.	80.1%
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Czech Republic

■	Allianz pojistovna, a.s.	100.0%
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Hungary

■	Allianz Hungária Biztosító Rt.	100.0%
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Poland

■	TU Allianz Polska S.A.	100.0%
■	TU Allianz Polska Zycie S.A.	100.0%

Romania

■	Allianz Tiriac Asigurari SA	51.6%
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Russian Federation

■	Insurance Joint Stock Company "Allianz"	100.0%
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Slovakia

■	Allianz-Slovenská poisťovňa a.s.	84.6%
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NORTH AND SOUTH AMERICA

Argentina

■	AGF Allianz Argentina Compañía de Seguros Generales S.A.	100.0%
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Brazil

■	AGF Brasil Seguros S.A.	72.5%
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Colombia

■	Colseguros Generales S.A.	100.0%
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Mexico

■	Allianz México S.A. Compañía de Seguros	100.0%
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United States

■	Allianz Global Investors of America L.P.	97.3%
■	Allianz Global Investors Distributors LLC	100.0%
■	Allianz Global Risks US Insurance Company	100.0%
■	Allianz Life Insurance Company of North America	100.0%
■	Fireman's Fund Insurance Company	100.0%
■	NFJ Investment Group L.P.	100.0%
■	Nicholas Applegate Capital Management LLC	100.0%
■	Oppenheimer Capital LLC	100.0%
■	Pacific Investment Management Company LLC	85.0%
■	RCM Capital Management LLC	100.0%

Venezuela

■	Adriática de Seguros C.A.	98.3%
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ASIA-PACIFIC AND REST OF WORLD

Australia

■	Allianz Australia Limited	100.0%
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China

■	Allianz China Life Insurance Co. Ltd.	51.0%
■	Allianz Global Investors Hong Kong Ltd.	100.0%
■	Allianz Insurance (Hong Kong) Ltd.	100.0%

Indonesia

■	PT Asuransi Allianz Utama Indonesia Ltd.	75.4%
■	PT Asuransi Allianz Life Indonesia p.l.c.	99.8%

Japan

■	Allianz Fire and Marine Insurance Japan Ltd.	100.0%
■	Dresdner Kleinwort (Japan) Ltd.	100.0%

Laos

■	Assurances Générales du Laos Ltd.	51.0%
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South Korea

■	Allianz Global Investors Korea Limited	100.0%
■	Allianz Life Insurance Co. Ltd.	100.0%

Malaysia

■	Allianz General Insurance Malaysia Berhad p.l.c.	98.7%
■	Allianz Life Insurance Malaysia Berhad p.l.c.	100.0%

Singapore

■	Allianz Global Investors Singapore Ltd.	100.0%
■	Allianz Insurance Company of Singapore Pte. Ltd.	100.0%

Taiwan

■	Allianz President Life Insurance Co. Ltd.	50.0% ²⁾
■	Allianz Global Investors Taiwan (SITE) Ltd.	100.0%

Egypt

■	Allianz Egypt Insurance Company S.A.E.	85.0%
■	Allianz Egypt Life Company S.A.E.	99.4%

Business segments

- Property-Casualty
- Life/Health
- Banking
- Asset Management
- Corporate

■ Operating entity contributes a substantial portion of our total revenues within our primary geographic markets. Total revenues comprise Property-Casualty segment's gross premiums written, Life/Health segment's statutory premiums, Banking segment's operating revenues and Asset Management segment's operating revenues.

1) 99.99% of the voting share capital.

2) Controlled by the Allianz Group.

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