

ALLIANZ SE
Form 424B3
June 12, 2008

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Filed pursuant to Rule 424(b)(3)
Registration No. 333-151308

PROSPECTUS SUPPLEMENT

Dated June 12, 2008

(To Prospectus dated May 30, 2008 as supplemented by the Prospectus Supplement dated June 3, 2008)

EXPLANATORY NOTE

This Prospectus Supplement is being filed solely to disclose the Calculation of the Registration Fee chart in accordance with Rule 456(b)(1)(ii) of the Securities Act of 1933 for the aggregate principal amount of the underwriters overallotment portion of the 8.375% Undated Subordinated Callable Bonds of Allianz SE being offered pursuant to the above-referenced prospectus supplement dated June 3, 2008.

CALCULATION OF THE REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Amount of Registration Fee
8.375% Undated Subordinated Callable Bonds	\$250,000,000(1)	\$9,825(2)(3)

(1) Equals the aggregate principal amount of the underwriters overallotment portion of the 8.375% Undated Subordinated Callable Bonds.

(2) Calculated in accordance with Rule 457(r).

(3) Paid herewith.

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**PROSPECTUS SUPPLEMENT
(To Prospectus dated May 30, 2008)**

ALLIANZ SE

(incorporated as a European Company, or Societas Europaea (SE), in Munich, Germany)

\$1,750,000,000

8.375% Undated Subordinated Callable Bonds

The \$1,750,000,000 aggregate principal amount of 8.375% Undated Subordinated Callable Bonds (the **Undated Subordinated Bonds**) offered hereby will be issued by Allianz SE (the **Issuer**, **Allianz** or **we**) pursuant to a subordinated indenture between the Issuer and The Bank of New York, as trustee.

The Undated Subordinated Bonds will bear interest at a rate of 8.375% per annum on their outstanding principal amount, payable in U.S. dollars quarterly in arrears on March 15, June 15, September 15, and December 15, commencing on September 15, 2008. You will receive interest payments due on your Undated Subordinated Bonds only in cash, except when payment in kind is utilized. As more fully described in this prospectus supplement, we may, in certain circumstances, defer and are, in certain other circumstances, required to defer interest payments for any period of time; *provided, however*, that such deferred payments or, as applicable, a portion thereof will become due and payable (subject to the limitations and restrictions applicable to the Alternative Payment Mechanism) on the date specified herein upon the occurrence of certain events, including, without limitation, the full or partial payment on our Junior Securities (as defined herein) or Parity Securities (as defined herein), the declaration of any dividend, other distribution or payment in respect of Allianz ordinary shares at, or payment on account of our balance sheet profit since, the relevant Allianz ordinary General Meeting of shareholders, and on the fifth anniversary following the relevant interest payment date on which the interest payment was originally deferred.

Although you will always receive cash in satisfaction of any payments, except when payment in kind is utilized, we may, in certain circumstances and subject to certain limitations, elect and, in the case of deferred payments, be required to satisfy our obligation to make such payments by issuing Allianz ordinary shares or other eligible securities, which, when sold, will provide a sufficient amount of cash necessary to make all such payments. We refer to this as the Alternative Payment Mechanism. Subject to certain restrictions, as part of the Alternative Payment Mechanism, we may also issue payment-in-kind securities to cover deferred interest amounts.

The Undated Subordinated Bonds are perpetual securities that have no fixed maturity or redemption date. However, at our option, we may redeem the Undated Subordinated Bonds in whole or in part at the aggregate principal amount of the Undated Subordinated Bonds so redeemed, together with any outstanding payments in respect thereof, including accrued and unpaid interest for the applicable interest period, on June 15, 2013, or any time thereafter, and, prior to June 15, 2013, in whole but not in part, upon the occurrence of certain regulatory and tax events. Upon the occurrence of certain regulatory and tax events, the redemption payment shall be made either at the Early Redemption Amount (as defined herein) or, as applicable, at the aggregate principal amount of the Undated Subordinated Bonds, together with any outstanding payments in respect thereof, including accrued and unpaid interest until the date of redemption. In the case of any redemption, such redemption may be made only if the Solvency Condition (as defined herein) is satisfied and the principal amount of the Undated Subordinated Bonds to be redeemed has been replaced by at least equivalent regulatory capital or if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any successor authority has given its consent.

We will apply to list the Undated Subordinated Bonds on the New York Stock Exchange under the symbol **AZM** . Trading of the Undated Subordinated Bonds on the New York Stock Exchange is expected to begin within 30 days after the initial delivery thereof.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined that this prospectus supplement and the accompanying prospectus are truthful or complete. Any representation to the contrary is a criminal offense.

See **Risk Factors** beginning on page S-19 of this prospectus supplement and on page 6 of Allianz's Annual Report on Form 20-F for the year ended December 31, 2007, which is incorporated by reference into this prospectus supplement, for a discussion of certain risks that you should consider before buying the Undated Subordinated Bonds. Investors should note, without limitation, that the Undated Subordinated Bonds have no fixed date for repayment, being perpetual in nature.

	Price to Public(1)	Underwriting Discount(2)	Proceeds to Allianz SE(2),(3)
Per Undated Subordinated Bond	\$ 25.0000	\$ 0.7875	\$ 24.2125
Total	\$ 1,750,000,000	\$ 55,125,000	\$ 1,694,875,000

(1) Plus accrued interest, if any, from June 10, 2008.

(2) For sales to certain institutions, we will pay the underwriters compensation of \$0.5000 per Undated Subordinated Bond and, to the extent of such sales, the proceeds to Allianz SE will be higher than those stated in the table above. See **Use of Proceeds** .

(3) Before deducting expenses.

The underwriters will have the option to purchase on or prior to June 26, 2008 up to an additional \$250,000,000 in principal amount of Undated Subordinated Bonds to cover overallotments, if any, at the offering price less the underwriting discount.

The Undated Subordinated Bonds will be evidenced by one or more global certificates in registered form deposited with a custodian for, and registered in the name of a nominee of, the Depository Trust Company (**DTC**). The initial distribution of the Undated Subordinated Bonds will be cleared through DTC only, which will occur on or about June 10, 2008. Beneficial interests in the Undated Subordinated Bonds will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct and indirect participants, including Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking S.A., Luxembourg (**Clearstream**).

Joint Bookrunning Lead Managers

Citi	Morgan Stanley	UBS Investment Bank	Wachovia Securities	Merrill Lynch & Co.
	Banc of America Securities LLC		RBC Capital Markets	

The date of this prospectus supplement is June 3, 2008.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus supplement and the accompanying prospectus, as well as information we previously filed with the Securities and Exchange Commission, which we sometimes refer to as the SEC, and incorporated by reference, is accurate as of the date on the front cover of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus supplement does not constitute an offer to sell, or a solicitation of an offer to buy, any of the securities offered hereby by any person in any jurisdiction in which it is unlawful for such person to make such an offering or solicitation. The offer or sale of the Undated Subordinated Bonds may be restricted by law in certain jurisdictions, and you should inform yourself about, and observe, any such restrictions.

The Undated Subordinated Bonds will form part of the regulatory capital of the Allianz Group and, as such, it is intended that the Undated Subordinated Bonds only be redeemed to the extent that Allianz or any of its financing subsidiaries has, in the period of six months preceding such redemption, raised funds in an amount at least equal to the aggregate principal amount of the Undated Subordinated Bonds by the issuance and sale of any ordinary

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shares or any securities that have equal or greater equity characteristics relative to the Undated Subordinated Bonds.

The Undated Subordinated Bonds are not deposits or other obligations of Allianz. The Undated Subordinated Bonds are not insured by any governmental agency.

Certain persons participating in this offering may engage in transactions that stabilize, maintain or otherwise affect the price of the Undated Subordinated Bonds. Such transactions may include purchases of the Undated Subordinated Bonds to stabilize their market price, purchases of the Undated Subordinated Bonds to cover all or some of an over-allotment or a short position maintained by the underwriters, and the imposition of penalty bids. Such activities, if commenced, may be discontinued at any time. For a description of these activities, see **Underwriting** in this prospectus supplement and **Plan of Distribution** in the accompanying prospectus.

CERTAIN DEFINED TERMS

In this offering circular, references to the **Issuer** and **Allianz** refer to Allianz SE. References to **we**, **us** and **our** refer to Allianz SE or, if the context so requires, also to Allianz SE and its consolidated subsidiaries. References to the **Allianz Group** refer to Allianz SE and its consolidated subsidiaries.

References to **EUR**, **euro** and **€** are to the single currency introduced at the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community as amended by the Treaty of the European Union. All references to **USD** and **\$** are to the lawful currency of the United States of America.

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SUMMARY OF THE OFFERING

The following summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. This summary is not complete and does not contain all the information that may be important to you. You should read the entire prospectus supplement and the accompanying prospectus, including the financial statements and related notes incorporated by reference herein, before making an investment decision. Terms which are defined in "Description of the Undated Subordinated Bonds" in this prospectus supplement and the accompanying prospectus have the same meaning when used herein.

Issuer	Allianz SE
Interest	The Undated Subordinated Bonds will bear interest at a rate of 8.375% per annum payable quarterly in arrears.
Interest Payment Dates	Subject to our right or obligation to defer interest payments as described below, interest payments on the Undated Subordinated Bonds will be payable quarterly in arrears commencing on September 15, 2008, on March 15, June 15, September 15 and December 15 of each year. We refer to these dates as Interest Payment Dates .
Subordinated Status of the Bonds	<p>The obligations under the Undated Subordinated Bonds constitute unsecured and subordinated obligations of the Issuer ranking <i>pari passu</i> among themselves.</p> <p>Until all Outstanding Perpetual Liabilities have been redeemed or discharged in full, the Undated Subordinated Bonds will rank at least <i>pari passu</i> with all other unsecured and undated subordinated obligations of the Issuer, except for any subordinated obligation required to be preferred by law. If certain events of liquidation, dissolution or insolvency should occur against the Issuer, your claims under the Undated Subordinated Bonds will be satisfied after (but only after) the claims of all of the Issuer's unsubordinated and dated subordinated creditors together with any subordinated obligations required to be preferred by law. In any such event, you will not receive any amounts payable in respect of the Undated Subordinated Bonds until the claims of all unsubordinated and dated subordinated creditors of the Issuer have first been satisfied in full.</p> <p>Once all Outstanding Perpetual Liabilities have been redeemed or discharged in full, if certain events of liquidation, dissolution or insolvency should occur against the Issuer, the obligations of the Issuer under the Undated Subordinated Bonds will be subordinated to the claims of all unsubordinated and dated subordinated creditors of the Issuer (except for dated subordinated obligations expressly ranking <i>pari passu</i> with, or junior to, the Undated Subordinated Bonds) and any undated subordinated obligations expressly ranking senior to the Undated Subordinated Bonds. In any such event, you will not receive any amounts payable in respect of the Undated Subordinated Bonds until the claims of</p>

all unsubordinated and dated subordinated creditors of the Issuer (except those described above) and any claims of undated subordinated creditors holding obligations that expressly rank senior to the Undated Subordinated Bonds have first been satisfied in full.

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Outstanding Perpetual Liabilities means the:

- (w) 800 million 5.375% Undated Subordinated Fixed Rate Callable Bonds, issued on March 3, 2006 by Allianz Finance II B.V., a wholly-owned subsidiary of Allianz, and guaranteed on a subordinated basis by Allianz (ISIN: DE 000A0GNPZ3);
- (x) 1.5 billion 5.5% Undated Subordinated Hybrid Capital Fixed to Floating Rate Callable Notes, issued on February 27, 2004 by Allianz (ISIN: XS 018 716 2325);
- (y) 1.4 billion 4.375% Guaranteed Undated Subordinated Fixed to Floating Rate Callable Bonds, issued on February 17, 2005 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 021 163 7839); and
- (z) \$500 million 7.25% Undated Guaranteed Subordinated Bonds, issued on December 10, 2002 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 015 915 0720).

No security of any kind is, or will at any time be, provided by the Issuer or any other person to secure your rights under the Undated Subordinated Bonds. No subsequent agreement may limit the subordination or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Undated Subordinated Bonds. If the Undated Subordinated Bonds are redeemed early, the amounts redeemed must be returned to the Issuer irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the German Federal Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any Successor Authority has given its consent to the redemption.

Successor Authority means any authority which becomes a successor in capacity of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) with respect to us.

You may not set off any claims arising under the Undated Subordinated Bonds against claims that the Issuer may have against you. We may set off against any of your claims under the Undated Subordinated Bonds only if such amounts have been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the German Federal Financial Supervisory Authority or any Successor Authority has given its consent to the set-off, and subject to the Solvency Condition (as defined below) being met.

Redemption

The Undated Subordinated Bonds are perpetual securities and have no fixed maturity date or redemption date. The Undated Subordinated Bonds are redeemable at the Issuer's option, in whole, or in part, at their aggregate

principal amount, plus any Deferred Interest Payments and accrued and unpaid interest for the applicable Interest Period to the date of redemption, on June 15, 2013, which we refer to as the **First Call Date**, or anytime thereafter. The Undated Subordinated Bonds are also subject to redemption in whole but not in part at any

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time prior to the First Call Date (i) at the Early Redemption Amount upon the occurrence of a Regulatory Event and (ii) at their aggregate principal amount, plus any Deferred Interest Payments and accrued and unpaid interest until the date of redemption upon the occurrence of a Gross-Up Event or a Tax Event. In the case of any redemption, such redemption may be made only if the Solvency Condition is satisfied and the principal amount of the Undated Subordinated Bonds to be redeemed has been replaced by other at least equivalent regulatory capital or if the German Federal Financial Supervisory Authority or any Successor Authority has given consent.

Payments and Optional Deferral of Interest Payments

Subject to the Solvency Condition (as defined below) being met and no Mandatory Deferral Event (as defined below) having occurred or continuing, we may, on each Optional Interest Payment Date (as defined below), elect in our discretion to defer the payment of interest. In this case any such deferred interest will constitute an **Optionally Deferred Interest Payment**. We may elect in our discretion to satisfy any interest payment we do not defer on the Interest Payment Date with funds raised prior to the Interest Payment Date by way of the Alternative Payment Mechanism (**APM**) (as described below).

An **Optional Interest Payment Date** occurs if up to the end of the 10th Business Day preceding such Interest Payment Date (the **Calculation Date**):

- (a) no dividend, other distribution or payment was declared in respect of any class of our shares at our ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*) immediately preceding that Interest Payment Date;
- (b) no payment on account of the balance sheet profit has been made since such ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*); and
- (c) we have not made any payment of interest or any deferred payment on any Junior Security as described under Compulsory Interest Payment Date below.

Subject to the Solvency Condition being met and no Mandatory Deferral Event having occurred or continuing, interest which accrues during any Interest Period to but excluding a Compulsory Interest Payment Date (as defined below) will be payable in cash on that Compulsory Interest Payment Date.

Compulsory Interest Payment Date means any Interest Payment Date which is not an Optional Interest Payment Date; provided that, in the case of a Compulsory Interest Payment Date that is the result of a payment described under clause (c) above, Compulsory Interest Payment Date shall mean the next four consecutive Interest Payment Dates, in the case of an

annual pay Junior Security, the next two consecutive Interest Payment Dates, in the case of a semi-annual pay Junior Security and the next Interest Payment Date, in the case of a quarterly pay Junior Security, unless there shall be a breach of the Solvency Condition or a Mandatory Deferral Event which shall occur or be continuing on any Compulsory Interest Payment Date.

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Mandatory Deferral of Interest Payments

If, on an Interest Payment Date, the Solvency Condition is not or would not be met then we will be required to defer interest that accrues during the Interest Period to but excluding such Interest Payment Date (provided that in the case where the payment of such interest would itself cause a breach of the Solvency Condition, we will be required to defer the payment of the Solvency Shortfall only), unless we elect in our discretion to satisfy on the Interest Payment Date such interest with funds raised prior to the Interest Payment Date by way of the APM.

Such deferred interest will constitute **Solvency Deferred Interest Payment**.

Solvency Shortfall means the portion of the interest payment that would cause a breach of the Solvency Condition.

The **Solvency Condition** will be met if:

- (a) the Issuer and the Allianz Group have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of German insurance regulatory law (for group solvency or single solvency purposes or the solvency pursuant to the regulation for financial conglomerates) and generally recognized administrative practice, if any, of the German Federal Financial Supervisory Authority or any Successor Authority applicable at that time, and such funds would not, as a result of a full or partial interest payment or redemption payment that would otherwise be due on such Interest Payment Date or date of redemption, as the case may be, fall below the required minimum solvency margin;
- (b) no order by the German Federal Financial Supervisory Authority or any Successor Authority is in effect prohibiting us from making interest payments, other distributions or redemptions (including to the holders of any Parity Security or Junior Security);
- (c) we are able to pay our debts owed to our Senior Creditors (as defined below) as they fall due; and
- (d) our Assets (as defined below) exceed our Liabilities (as defined below) (other than Liabilities to persons who are not Senior Creditors).

With respect to the Solvency Condition, references to we, us and our refer to Allianz SE. References to we, us, and our elsewhere in this document may refer to Allianz SE and its consolidated subsidiaries depending on context.

Assets means our unconsolidated total assets, as shown in our latest published annual audited balance sheet, but adjusted for subsequent events, all as we shall determine, or if we are being liquidated, our

liquidator shall determine.

Liabilities means our unconsolidated total liabilities, as shown in our latest published annual audited balance sheet, but adjusted for subsequent events, all as we shall determine, or if we are being liquidated, our liquidator shall determine.

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Senior Creditors means our creditors (a) who are our unsubordinated creditors or (b) whose claims are subordinated to the claims of our other creditors (other than those whose claims rank *pari passu* with, or junior to, your claims).

If on an Interest Payment Date a Mandatory Deferral Event has occurred, then we will be required to defer any Excess Amount.

Excess Amount means, in relation to the amount of interest which would be payable on the aggregate principal amount of Undated Subordinated Bonds outstanding on the relevant Interest Payment Date that would otherwise have been due (the **Interest Amount**), the amount by which the Interest Amount exceeds the New Capital Amount (as defined below).

New Capital Amount means the net proceeds we receive from new issuances and/or sales during the period of six months prior to the relevant Interest Payment Date of (i) Payment Shares or (ii) Payment Securities.

A **Mandatory Deferral Event** will occur on an Interest Payment Date, if up to the end of the Calculation Date:

(x) our Accumulated Quarters Net Income (as defined below) for the four-quarter period ending on the quarter that is two quarters prior to the most recently completed and published quarter is less than or equal to zero; and

(y) the Adjusted Shareholders Equity Amount (as defined below) as at the end of the quarter that is two quarters before the most recently completed and published quarter has declined by 10% or more as compared to the Adjusted Shareholders Equity Amount as at the end of the quarter that is ten quarters prior to our most recently completed and published quarter (the **Benchmark Quarter**); and

(z) our Adjusted Capital Amount (as defined below) at the end of the most recently completed and published quarter has declined by more than 10% as compared to the Adjusted Shareholders Equity Amount at the end of the Benchmark Quarter.

For the purposes of the foregoing:

Accumulated Quarters Net Income means, as at the end of any quarter, the sum of our consolidated net income, as determined in accordance with Applicable Accounting Standards, for the four quarters ending as of the last day of such quarter.

Adjusted Capital Amount means the Adjusted Shareholders Equity Amount plus Qualifying Mandatory Convertibles.

Adjusted Shareholders' Equity Amount means, as at the end of any quarter, the shareholders' equity before minority interests as reflected in our consolidated balance sheet for such quarter end, as determined in accordance with the Applicable Accounting Standards (as defined below), minus foreign currency translation adjustments and unrealized gains and losses (net) as reflected on such consolidated balance sheet.

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Applicable Accounting Standards means the International Financial Reporting Standards as adopted by the European Union (IFRS) as applicable at the relevant dates and for the relevant periods, or other accounting principles generally accepted in Germany and applied by us which subsequently supersede them. Any restatement of financial reporting by us following subsequent changes in the Applicable Accounting Standards will be disregarded for the purposes of calculating Accumulated Quarters Net Income, Adjusted Capital Amount, and Adjusted Shareholders Equity Amount.

Payment Securities means Parity Securities or Junior Securities (but excluding Qualifying Mandatory Convertible and Qualifying Warrants) issued and sold, directly or indirectly, which constitute regulatory capital (*Eigenmittel*) of equal or junior status with terms and conditions substantially similar to the terms and conditions of the Undated Subordinated Bonds (in terms of maturity, deferral, subordination and replacement).

Payment Shares means our ordinary shares, Qualifying Mandatory Convertibles and Qualifying Warrants.

Qualifying Mandatory Convertible means, to the extent permitted under prevailing applicable regulatory criteria, a convertible instrument issued directly or indirectly by us that mandatorily converts into an amount or a maximum amount of our ordinary shares (as predefined at the date of issuance of the relevant convertible instrument) on or prior to the third anniversary of the date of its issuance and in respect of which claims by holders rank *pari passu* with the claims of holders of our ordinary shares in the event of bankruptcy.

Qualifying Warrants means share settled warrants to purchase our ordinary shares that we are not entitled to redeem for cash and the holders of which are not entitled to require us to purchase for cash in any circumstances.

If we are required to defer a payment of interest on an Interest Payment Date following the occurrence of a Mandatory Deferral Event, then we will also be required to defer on one or more subsequent Interest Payment Dates the interest that would otherwise be due on such Interest Payment Dates until the Mandatory Deferral Event has been cured on any subsequent Calculation Date. After one or more Mandatory Deferral Events has or have occurred, we may begin to pay interest on the Undated Subordinated Bonds on any Interest Payment Date only if on the Calculation Date for that Interest Payment Date (x) no new Mandatory Deferral Event has occurred and (y) any previous Mandatory Deferral Events have been cured.

A Mandatory Deferral Event that has occurred on a previous Calculation Date has been cured on any Calculation Date if the Adjusted Capital Amount as at our most recently completed and published quarter before that Calculation Date has increased to more than 90% of the Adjusted Shareholders' Equity Amount at the end of the Benchmark Quarter for that previous Calculation Date on which the Mandatory Deferral Event has occurred.

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Any such deferred interest, together with any Solvency Deferred Interest Payment will constitute a **Mandatorily Deferred Interest Payment** (together with any Optionally Deferred Interest Payment, the **Deferred Interest Payments**).

We may elect in our discretion to satisfy on the relevant Interest Payment Date the interest that would otherwise have to be deferred with funds raised prior to the Interest Payment Date by way of the APM.

Subject to the limitations set forth below, it is our intention that we would use our best endeavours to utilize the APM to satisfy any interest payments deferred due to the occurrence of a Mandatory Deferral Event (other than in circumstances where we are deferring interest or distributions on all our subordinated debt issues) within a period no longer than 30 days following the applicable Interest Payment Date.

Payments of Deferred Interest

We may at any time upon giving prior notice satisfy in whole or in part any Optionally Deferred Interest Payment with funds raised prior to the date on which the Deferred Interest Payment becomes due (the **Optional Deferred Settlement Date**) by way of the APM.

We may elect, at any time upon giving prior notice of the date, to satisfy in whole or in part any Mandatorily Deferred Interest Payment utilizing the APM (subject to the limitations and restrictions applicable to the APM) and will be required to apply the APM (subject to the limitations and restrictions applicable to the APM) to satisfy any Deferred Interest Payments upon the earliest to occur of the following situations (in each case, a **Mandatory Deferred Settlement Date** and collectively with the Optionally Deferred Settlement Date, the **Deferred Settlement Date**):

- (i) the date on which the Undated Subordinated Bonds fall due for redemption or we substitute for the Undated Subordinated Bonds as set forth under **Substitution or Variation** below;
- (ii) on the next subsequent Interest Payment Date (x) following the date on which we make any payment of interest or any deferred payment on any Junior Security; or (y) if up to the end of the Calculation Date preceding such Interest Payment Date any dividend, other distribution or payment was declared in respect of any class of our shares at our ordinary General Meeting of shareholders preceding that Interest Payment Date, or any payment of account of the balance sheet profit has been made since our ordinary General Meeting of shareholders was made;
- (iii) if we make any full or partial payment of interest or of a deferred payment on any Parity Security (except for payments at the end of the specified maximum deferral period following the deferral of interest in accordance with the terms of the relevant Parity Securities), we will satisfy any Deferred Interest Payment in the same proportion on the next

subsequent Interest Payment Date following the date on which such payment was made. In this case, the proportion will be equal to the result from the division of the

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amount of the deferred payment actually paid by the outstanding amount of the deferred payment;

(iv) on the fifth anniversary following the relevant Interest Payment Date from which interest was originally deferred; and

(v) the date on which a reason for dissolution pursuant to Section 262, para. 1, of the German Stock Corporation Act (*Aktiengesetz*) with respect to us exists (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, where the continuing entity assumes substantially all of our assets and obligations).

Parity Security means any security issued by us which ranks *pari passu* with the Undated Subordinated Bonds and which constitutes regulatory capital of at least equal status with the Undated Subordinated Bonds, and any security guaranteed by us or for which we have otherwise assumed liability where our obligations under the relevant guarantee or other assumption of liability rank *pari passu* with our obligations under the Undated Subordinated Bonds and which obligations constitute regulatory capital of at least equal status with the Undated Subordinated Bonds.

For the purposes of this definition the term security shall exclude securities issued to entities forming part of the Allianz Group. Notwithstanding the foregoing, for purposes of the Undated Subordinated Bonds, the following outstanding bonds shall be considered Parity Securities solely for purposes of Deferred Interest Payments:

(i) 800 million 5.375% Undated Subordinated Fixed Rate Callable Bonds, issued on March 3, 2006 by Allianz Finance II B.V., a wholly-owned subsidiary of Allianz, and guaranteed on a subordinated basis by Allianz (ISIN: DE 000A0GNPZ3); and

(ii) 1.5 billion 5.5% Undated Subordinated Hybrid Capital Fixed to Floating Rate Callable Notes, issued on February 27, 2004 by Allianz (ISIN: XS 018 716 2325).

Notwithstanding the foregoing, for purposes of the Undated Subordinated Bonds, the following outstanding bonds shall not be considered Parity Securities but shall be treated as senior to the Undated Subordinated Bonds solely for purposes of Deferred Interest Payments:

(i) 1.4 billion 4.375% Guaranteed Undated Subordinated Fixed to Floating Rate Callable Bonds, issued on February 17, 2005 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 021 163 7839); and

(ii) \$500 million 7.25% Undated Guaranteed Subordinated Bonds, issued on December 10, 2002 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 015 915 0720).

There is no limitation in the Undated Subordinated Bonds on our rights to issue debt securities or guarantees senior to the Undated Subordinated Bonds.

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Junior Security means any security issued by us which ranks junior to the Undated Subordinated Bonds or any Parity Security (excluding our ordinary shares or cumulative preferred shares), and any security guaranteed by us or for which we have otherwise assumed liability where our obligations under the relevant guarantee or other assumption of liability rank junior to our obligations under the Undated Subordinated Bonds or any Parity Security.

For the purposes of this definition the term security shall exclude securities issued to entities forming part of the Allianz Group.

Alternative Payment Mechanism

We may satisfy any interest payment by way of the APM only if and to the extent that we have raised the funds required for the satisfaction of the interest payment by issuing or selling Qualifying APM Securities (as defined below) within six months prior to the relevant Interest Payment Date.

In addition, to the extent permitted, we may satisfy such Deferred Interest Payment through the issuance of PIK on the Deferred Settlement Date. Our obligation to satisfy Deferred Interest Payments by way of the APM shall be subject to certain conditions including, among others, limitations of applicable mandatory German law, the availability of ordinary shares and, in the case of a Mandatorily Deferred Interest Payment, the limitations on issuance set forth below.

We are not obligated, under any circumstances, to issue new shares or sell treasury shares. You understand that we may be prevented by compulsory provisions of German stock corporation law or otherwise from issuing new shares or selling treasury shares.

We may for purposes of satisfying any Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, in accordance with the APM (i) sell such number of Payment Shares (as defined below) in each calendar year (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory Convertibles or Qualifying Warrants as of their respective date of issuance) not exceeding 2.00% of our issued share capital (*Grundkapital*) at the relevant date; provided that, for the purpose of determining whether or not this limitation has been exceeded, no account shall be taken of any Mandatorily Deferred Interest that was settled within 30 days of being deferred and (ii) sell such number of Payment Securities or utilize PIK to the extent the aggregate principal amount or nominal amount of Payment Securities (together with any Payment Securities previously issued to satisfy any Mandatorily Deferred Interest Payment) and any PIK Amount (together with any previous PIK Amounts utilized to satisfy any Mandatorily Deferred Interest Payment) would not exceed 25% (the **Threshold**) of the initial aggregate principal amount of the Undated Subordinated Bonds; provided further that within

this Threshold the aggregate principal amount of Payment Securities which are not qualifying non-cumulative Payment Securities together with the PIK Amount (and any previous principal amounts of Payment Securities which are not qualifying non-cumulative Payment Securities and previous PIK Amounts utilized to satisfy any Mandatorily Deferred Interest Payment) may not exceed 15% (the

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Sub-Threshold) of the initial aggregate principal amount of the Undated Subordinated Bonds.

We intend to satisfy any Mandatorily Deferred Interest Payment by issuing or selling Qualifying APM Securities. Where we are unable to satisfy the Mandatorily Deferred Interest Payment by issuing or selling Qualifying APM Securities, we intend to utilise PIK up to the Sub-Threshold (as defined above) to the extent permitted by applicable regulatory criteria.

If any Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, has become due and payable on any Mandatory Deferred Settlement Date (or such longer period which may be caused by the occurrence of a Market Disruption Event) and within a period of one (1) year following such Mandatory Deferred Settlement Date the requirements for the execution of the APM are not met, or (i) if Payment Shares are issued, to the extent the 2.00% threshold applies and would be exceeded or the amount that would be payable exceeds the proceeds from the sale of the Payment Shares and (ii) the Threshold to the extent it applies would be exceeded or, in the case of the aggregate of Payment Securities which are not qualifying non-cumulative Payment Securities and of PIK, the Sub-Threshold to the extent it applies would be exceeded or the amount that would be payable exceeds the proceeds from the sale of Payment Securities or PIK Amounts, as the case may be, our obligation to satisfy the Mandatorily Deferred Interest Payment shall be cancelled to such extent on the first anniversary of the relevant Mandatory Deferred Settlement Date.

If any Optionally Deferred Interest Payment and/or Solvency Deferred Interest Payment has become due and payable on any Mandatory Deferred Settlement Date and within a period of five (5) years following such Mandatory Deferred Settlement Date (or such longer period which may be caused by the occurrence of a Market Disruption Event) the legal requirements for the execution of the APM are not met, or to the extent the amount that would be payable exceeds the proceeds from the sale of Qualifying APM Securities or utilization of PIK, as the case may be, our obligation to satisfy the Optionally Deferred Interest Payment and/or Solvency Deferred Interest Payment shall be cancelled to such extent on the fifth anniversary of the relevant Mandatory Deferred Settlement Date.

If we elect or are required to satisfy any Deferred Interest Payment on the date on which a reason for dissolution pursuant to Section 262, para. 1, of the German Stock Corporation Act (*Aktiengesetz*) with respect to us exists, but we are unable to apply the APM, our obligations in respect of such unsettled Mandatorily Deferred Interest Payments (only in connection with a Mandatory Deferral Event) shall rank *pari passu* with our obligations in respect of the principal amount of the Undated Subordinated Bonds in an amount up to the Threshold less all payments made up to such point through the issuance of Payment Securities and/or

by utilization of PIK, and the rest of the claim with respect to unpaid
Mandatorily Deferred Interest Payments deferred pursuant to a Mandatory
Deferral Event will be cancelled.

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During a period of at least 12 months following the settlement of a Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, we will not redeem or purchase (a) any Payment Shares or (b) any other Qualifying APM Securities, the proceeds of which were used to settle any resulting Mandatorily Deferred Interest Payment, other than in connection with (A) in the case of Payment Shares (i) any present or future stock option plan or similar arrangement and (ii) a reclassification of shares or exchange or conversion into shares of another class, or (B) in the case of Payment Shares and any other Qualifying APM Securities, the regular trading and investment activities of our banking, insurance and asset management subsidiaries.

Qualifying APM Securities means Payment Shares (including, to the extent available, treasury stock purchased at least six months prior to the relevant Interest Payment Date) and, to the extent permitted under prevailing applicable regulatory criteria, Payment Securities.

PIK (Payment in Kind) means to the extent permitted under prevailing applicable regulatory criteria, any increase in the outstanding aggregate principal amount of the Undated Subordinated Bonds by an amount equal to all or part, as the case may be, of the outstanding Deferred Interest Payments (the **PIK Amount**), and the outstanding principal amount of each Undated Subordinated Bond shall be so increased proportionately. For the avoidance of doubt, if PIK is used, it may only be used on an Interest Payment Date and only to settle Deferred Interest Payments.

Market Disruption Event

If, in our opinion, a Market Disruption Event exists on or after the 15th Business Day preceding any date upon which we are due to satisfy a payment using the APM through the sale of Qualifying APM Securities, we may delay making payment to you until the Market Disruption Event no longer exists plus 60 Business Days. This may, among others, result in an extension of either the one year period in respect of Mandatorily Deferred Interest Payments, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, or the five year period in respect of Optionally Deferred Interest Payments and/or Solvency Deferred Interest, as the case may be, following the relevant Mandatory Deferred Settlement Date. No amount shall be payable by way of interest accruing due to the occurrence of a Market Disruption Event.

Market Disruption Event means:

the occurrence or existence of any temporary suspension of, or limitation imposed on, trading by reason of movements in price exceeding limits permitted by the Frankfurt Stock Exchange or on settlement procedures for transactions in our ordinary shares on the Frankfurt Stock Exchange if, in any such case, that suspension or limitation is, in the opinion of the Issuer, material in the context of the sale of ordinary shares;

a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities or acts of war, or an effect of international conditions on the financial markets or

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currency exchange rates or controls such as to make it, in our opinion, impracticable or inadvisable to proceed with the issue or delivery of Qualifying APM Securities; or

where, pursuant to the terms of the Indenture, moneys are required to be converted from one currency into another currency in respect of any payment, the occurrence of any event that makes it impracticable to effect such conversion.

Additional Amounts

All payments of principal and interest in respect of the Undated Subordinated Bonds will be made free and clear of German withholding taxes, unless we are compelled by law to make such withholding or deduction. In the event of such withholding, we will pay additional amounts such that you will receive the same amount as you would have received if no deduction or withholding were required subject to certain customary exceptions.

Substitution or Variation

If a Gross-Up Event, Tax Event or Regulatory Event should occur and continue which would permit us to redeem the Undated Subordinated Bonds, then we may, instead of redeeming the Undated Subordinated Bonds, subject to our being permitted to redeem (Solvency Condition being satisfied) and the German Federal Financial Supervisory Authority or any Successor Authority having given its consent (without any requirement for the consent or approval of the Holders of the Undated Subordinated Bonds) and all required notices (which notice shall be irrevocable) having been given, substitute at any time all (but not some only) of the Undated Subordinated Bonds for, or vary the terms of the Undated Subordinated Bonds so that they remain or become (as the case may be) Qualifying Securities or Qualifying Solvency Securities, and the Trustee shall (subject to the satisfaction of certain conditions) agree to such substitution or variation.

If a Capital Event (as defined below) or Accounting Event (as defined below) should occur and continue, subject to the notice provisions above, and the German Federal Financial Supervisory Authority or any Successor Authority having given its consent, the Issuer may substitute at any time all (but not some only) of the Undated Subordinated Bonds for, or vary the terms of the Undated Subordinated Bonds so that they remain or become (as the case may be) Qualifying Securities and the Trustee shall (subject to the satisfaction of certain conditions) agree to such substitution or variation.

Qualifying Securities means securities issued directly or indirectly by us or another issuer wholly-owned by us (which issuer shall have the benefit of a subordinated guarantee from us), in each case, that have terms not materially less favorable to an investor than the terms of the Undated Subordinated Bonds (as reasonably determined by us); provided that (1) they shall contain terms which comply with the then current requirements in relation to an instrument with at least the equivalent

regulatory capital treatment as the Undated Subordinated Bonds of the German Federal Financial Supervisory Authority or any Successor Authority, (2) they shall include terms which provide for the same aggregate principal amount, interest payment dates, maturity, rates of interest, redemption dates, and denominations applying to the

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Undated Subordinated Bonds, (3) they shall rank at least *pari passu* with the Undated Subordinated Bonds, (4) such securities shall be SEC-registered and listed on the New York Stock Exchange; (5) if not issued by us, such securities shall be fully and unconditionally guaranteed by us on a subordinated basis at least equal to the ranking of the Undated Subordinated Bonds, and (6) such securities shall preserve any existing rights under the Undated Subordinated Bonds to any Deferred Interest Payments or any other accrued interest which has not been satisfied, except that such securities need not necessarily include provisions analogous to the APM.

Qualifying Solvency Securities means securities issued directly or indirectly by us or another issuer wholly-owned by us (which issuer shall have the benefit of a subordinated guarantee from us), in each case, that have terms not materially less favorable to an investor than the terms of the Undated Subordinated Bonds (as reasonably determined by the Issuer); provided that (1) they shall contain terms which comply with the then current requirements in relation to any instrument which will qualify towards regulatory solvency capital of the German Federal Financial Supervisory Authority or any Successor Authority, (2) they shall include terms which provide for the same aggregate principal amount, interest payment dates, maturity, rates of interest, redemption dates, and denominations applying to the Undated Subordinated Bonds, (3) they shall rank senior to, or *pari passu* with, the Undated Subordinated Bonds, (4) such securities shall be SEC-registered and listed on the New York Stock Exchange; (5) if not issued by us, such securities shall be fully and unconditionally guaranteed by us on a subordinated basis at least equal to the ranking of the Undated Subordinated Bonds, and (6) such securities shall preserve any existing rights under the Undated Subordinated Bonds to any Deferred Interest Payment or any other accrued interest which has not been satisfied, except that such securities need not include provisions analogous to the APM.

In addition, it shall be provided in each case, that (a) we have received the written opinion of a nationally recognized law firm in the United States that (i) to the extent that interest payments on the Undated Subordinated Bonds are eligible to be treated as qualified dividend income as described under Taxation United States Taxation Taxation of Dividends by a particular Holder immediately prior to the substitution or variation date, reinvestment in such Qualifying Securities or Qualifying Solvency Securities, as the case may be, will not adversely affect the qualified dividend income eligibility for purposes of Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation), of interest payments on the Undated Subordinated Bonds and (ii) such substitution or variation will not cause the holders thereof to recognize gain or loss for U.S. federal income tax purposes and (b) such substitution or variation does not result in a Gross-Up Event, a Tax Event or a Regulatory Event.

Accounting Event means that an opinion of a recognized accounting firm has been delivered to us, stating that our obligations in respect of the Undated Subordinated Bonds must not or must no longer be recorded as liabilities on our balance sheet prepared in

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accordance with Applicable Accounting Standards for purposes of our published annual financial statements and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to an Accounting Event, we will deliver an applicable opinion to the Trustee.

Capital Event means a change by an internationally recognized statistical rating organization to its equity credit criteria, or the interpretation or application thereof, for securities such as the Undated Subordinated Bonds, as such criteria are in effect on the date hereof (the **Current Criteria**), which change results in a lower equity credit being given to the Undated Subordinated Bonds as of the date of such change than the equity credit that would have been assigned to the Undated Subordinated Bonds as of the date of such change by such internationally recognized statistical rating organization pursuant to its current criteria.

Remedy for Non-Payment

There are no rights on the part of the Holders or the Trustee to accelerate the payment of the Undated Subordinated Bonds.

In the event that we should breach our obligations under the Undated Subordinated Bonds, including any obligation to make a payment on a Compulsory Interest Payment Date or to make a payment on any Undated Subordinated Bonds called for redemption, the Trustee may pursue all legal remedies available to it, including commencing a judicial proceeding for the collection of the sums so due and unpaid or a bankruptcy proceeding in Germany, but the Trustee may not declare the principal amount of any outstanding Undated Subordinated Bonds to be due and payable. Holders of the Undated Subordinated Bonds have the absolute and unconditional right to institute suit for the enforcement of any payment when due, and such right may not be impaired without the consent of the Holder as provided in the Indenture. In addition, to the extent the Trustee is not permitted to pursue the remedies provided for above as a matter of German law, the Holder of the Undated Subordinated Bonds may pursue such remedies in accordance with the terms of the Indenture.

Governing Law

The Undated Subordinated Bonds and the related Indenture will be governed by, and construed in accordance with, the laws of the State of New York, except that the subordination provisions, the waiver of rights of set-off, the absence of security of any kind in respect of the rights of Holders of the Undated Subordinated Bonds and obligations to return payments made early on the Undated Subordinated Bonds in certain circumstances included in the Undated Subordinated Bonds will be governed by and construed in accordance with the laws of Germany.

Listing

NYSE

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The following table shows the Allianz Group's ratio of earnings to fixed charges, computed in accordance with IFRS, for the three months ended March 31, 2008 and for the years ended December 31, 2007, 2006, 2005, 2004 and 2003:

Three Months Ended March 31, 2008	Years Ended December 31,				
	2007	2006	2005	2004	2003
2.0	2.7	2.7	2.2	1.9	1.5

The ratio of earnings to fixed charges is calculated by dividing earnings by fixed charges. For this purpose, earnings means income before income taxes and minority interest in earnings before fixed charges. Fixed charges means interest expense *plus* the interest components of rental expenses. If fixed charges also included the interest component of net periodic benefit cost, which amount is only available at year-end, the Allianz Group's ratio of earnings to fixed charges for the years ended December 31, 2007, 2006, 2005, 2004 and 2003 is as shown in the table below and is included in the 2007 Form 20-F:

Years Ended December 31,				
2007	2006	2005	2004	2003
2.5	2.6	2.1	1.8	1.5

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RISK FACTORS

Investing in the Undated Subordinated Bonds using this prospectus supplement and the accompanying prospectus involves risk. We urge you to carefully review the risks described below, together with the risks described in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus before you decide to buy the Undated Subordinated Bonds. In particular, you should review the risks related to the Allianz Group's business beginning on page 6 of our 2007 Form 20-F, which is incorporated by reference herein. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the price and liquidity of the Undated Subordinated Bonds could decline, in which case you may lose all or part of your investment.

Risks Relating to an Investment in the Undated Subordinated Bonds

The Undated Subordinated Bonds have no scheduled maturity, and you do not have the right to redeem or otherwise accelerate the Undated Subordinated Bonds

The Undated Subordinated Bonds are perpetual securities and have no fixed maturity date or redemption date. We are under no obligation to redeem the Undated Subordinated Bonds at any time, and you have no right to call for their redemption or otherwise accelerate their maturity if there is a default under the Undated Subordinated Bonds.

The Undated Subordinated Bonds may be redeemed in certain circumstances and at our option at any time on and after June 15, 2013, and such redemption might occur when prevailing interest rates are low

If certain specified tax or regulatory events occur, and certain other conditions are satisfied, the Undated Subordinated Bonds could be redeemed at any time in whole but not in part at our option. These circumstances are summarized under "Description of the Undated Subordinated Bonds—Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event." Additionally, the Undated Subordinated Bonds may be redeemed by us, in whole or in part, on June 15, 2013 (the "First Call Date"), and at any time thereafter.

Any such redemption will require that the Solvency Condition be met as well as the approval of the German Federal Financial Supervisory Authority or a Successor Authority. You should assume that the redemption option exercisable on the First Call Date and at any time thereafter will be exercised if we are able to refinance at a lower cost of funding or it is otherwise in our interest to redeem the Undated Subordinated Bonds. See "Description of the Undated Subordinated Bonds—Optional Redemption." If the Undated Subordinated Bonds are redeemed, you may only be able to reinvest the redemption proceeds in securities with a lower yield.

We are not prohibited from issuing further debt which ranks senior to or pari passu with the Undated Subordinated Bonds

There is no restriction on the amount or type of liabilities which we may issue or guarantee which rank senior to the Undated Subordinated Bonds or on the amount or type of liabilities which we may issue or guarantee which rank *pari passu* with the Undated Subordinated Bonds. The occurrence of such event may reduce the amount recoverable by you on a liquidation, dissolution, insolvency, composition or other proceeding for the avoidance of insolvency of, or against, us or may increase the likelihood that we may elect to defer payments of interest under the Undated Subordinated Bonds.

We are not required to pay you under the Undated Subordinated Bonds unless we first make other required payments

The Undated Subordinated Bonds will be our unsecured and undated subordinated obligations. Until all Outstanding Perpetual Liabilities (as defined herein) have been redeemed or discharged in full, the Undated Subordinated Bonds will rank at least *pari passu* with all of our other unsecured and undated subordinated obligations, except for any subordinated obligation required to be preferred by law. If certain events of liquidation, dissolution or insolvency should occur against us, your claims under the Undated Subordinated Bonds will be satisfied after (but only after) the claims of all of our unsubordinated and dated subordinated creditors together with any subordinated obligations required to be preferred by law. In any such event, you will not receive any amounts

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payable in respect of the Undated Subordinated Bonds until the claims of all such unsubordinated and dated subordinated liabilities have first been satisfied in full.

Once all Outstanding Perpetual Liabilities have been redeemed or discharged in full, if certain events of liquidation, dissolution or insolvency should occur against us, our obligations under the Undated Subordinated Bonds will be subordinated to the claims of all of our unsubordinated and dated subordinated creditors (except for dated subordinated obligations expressly ranking *pari passu* with, or junior to, the Undated Subordinated Bonds) and any undated subordinated obligations expressly ranking senior to the Undated Subordinated Bonds. In any such event, you will not receive any amounts payable in respect of the Undated Subordinated Bonds until the claims of all such unsubordinated and dated subordinated liabilities (except for dated subordinated obligations expressly ranking *pari passu* with, or junior to, the Undated Subordinated Bonds) and undated subordinated obligations expressly ranking senior to the Undated Subordinated Bonds have first been satisfied in full.

We may decide to defer interest payments on the Undated Subordinated Bonds, and, in certain circumstances, interest payments may be cancelled in total

You should be aware that, subject to the Solvency Condition being met and no Mandatory Deferral Event having occurred or continuing, we may, with respect to each Interest Payment Date, elect in our discretion to defer the interest by giving not less than three (3) Business Days prior notice, if up to the 10th Business Day preceding such Interest Payment Date no payment has been made on any Junior Security and no dividend, other distribution or payment was declared in respect of any class of Allianz shares at our ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*) immediately preceding that Interest Payment Date, and no payment on account of the balance sheet profit has been made since that ordinary General Meeting of shareholders.

We may elect in our discretion to satisfy any interest payment we do not defer on the Interest Payment Date with funds raised prior to the Interest Payment Date by way of the APM.

You will not receive any additional interest or compensation for the optional deferral of payment of interest. You should be aware that under certain circumstances a payment of interest may be cancelled in total.

Upon the occurrence of certain events, we may be required to defer interest payments on the Undated Subordinated Bonds, and, in certain circumstances, interest payments may be cancelled in total

You should be aware that if on an Interest Payment Date the Solvency Condition is not met, then we will be required to defer all or part of such interest which accrued during the Interest Period to but excluding such Interest Payment Date, unless we elect in our discretion to satisfy on the Interest Payment Date such interest with funds raised prior to the Interest Payment Date by way of the APM.

If on an Interest Payment Date a Mandatory Deferral Event has occurred, then we will be required to defer any Excess Amount. If we are required to defer a payment of interest following the occurrence of a Mandatory Deferral Event on an Interest Payment Date, then we will also be required to defer on one or more subsequent Interest Payment Dates the interest that would otherwise be due on such Interest Payment Dates until the Mandatory Deferral Event has been cured.

You will not receive any additional interest or compensation for the mandatory deferral of payment. You should be aware that under certain circumstances a payment of interest may be cancelled in total.

You may not receive any interest payments that have been deferred, and interest payments may be cancelled if we are unable to sell shares or other securities ranking junior to or pari passu with the Undated

Subordinated Bonds

Our obligation to pay Deferred Interest Payments is subject to the condition that these payments can only be settled by way of the APM. The APM may only be used if and to the extent that we have raised the funds required for the satisfaction of the interest payments by issuing or selling Qualifying APM Securities within certain specified time periods, which includes the issuance and sale of Payment Shares (which are existing or newly issued shares of ours or existing or newly issued Qualifying Mandatory Convertibles and Qualifying Warrants) and of Payment Securities (which are securities that constitute regulatory capital (*Eigenmittel*) ranking at least equal in status with

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the Undated Subordinated Bonds). In addition and to the extent permitted under prevailing applicable regulatory criteria, in certain circumstances we may utilize PIK (that is, through the increase in the outstanding aggregate principal amount of the Undated Subordinated Bonds by an amount equal to all or part of the outstanding Deferred Interest Payments) to cover Deferred Interest Payments. In certain cases, our obligation to pay Deferred Interest Payments may be cancelled if we have not been able to use (or are unable to use) the APM to satisfy such payments.

There are limitations on using the APM, including that in the case of delivery of cash from the issuance of Payment Shares or Payment Securities in connection with the satisfaction of any interest payment, such shares or securities must have been issued during the period from and including the date falling six months prior to the relevant Deferred Settlement Date to but excluding the date which falls one year or five years, as the case may be, following the relevant Deferred Settlement Date (these are the dates on which Mandatorily Deferred Interest Payments or Optionally Deferred Interest Payments, respectively, become due). In addition, in accordance with mandatory provisions of German stock corporation law, we (i) may not use existing treasury shares for the purposes of the APM unless our Board of Management (*Vorstand*) is authorized to use treasury shares for such purpose and (ii) may issue new shares only pursuant to an authorization in our articles of association (authorized capital, or *genehmigtes Kapital*) and only if our Board of Management is not subject to any restriction with respect to issuing such new shares for purposes of the APM and our Supervisory Board (*Aufsichtsrat*) has consented to the issuance of such new shares. For more information on these and other limitations, see Description of the Undated Subordinated Bonds Alternative Payment Mechanism.

In the case of a Mandatorily Deferred Interest Payment triggered by a Mandatory Deferral Event, the use of the APM is subject to additional limitations. Both the issuance and sale of Payment Shares and Payment Securities and the utilization of PIK to satisfy such Mandatorily Deferred Interest Payment may only be used to the extent that the number of Payment Shares (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory Convertibles or Qualifying Warrants as of their respective date of issuance) or the aggregate principal amount or nominal amount of Payment Securities (including, in certain cases, Payment Securities which are not qualifying non-cumulative Payment Securities) and any PIK Amount do not exceed certain thresholds. If these thresholds are exceeded, under certain circumstances, our obligations to pay such Deferred Interest Payments will be cancelled. For more information on these additional limitations, see Description of the Undated Subordinated Bonds Alternative Payment Mechanism.

If we elect or are required to satisfy any Deferred Interest Payment on the date on which a reason for dissolution pursuant to Section 262, para. 1, of the German Stock Corporation Act (*Aktiengesetz*) with respect to us exists, but we are unable to apply the APM, our obligations in respect of such unsettled Mandatorily Deferred Interest Payments (only in connection with a Mandatory Deferral Event) shall rank *pari passu* with our obligations in respect of the principal amount of the Undated Subordinated Bonds in an amount up to the Threshold not previously used as described further under Description of the Undated Subordinated Bonds Alternative Payment Mechanism.

The U.S. Tax Treatment of certain U.S. investors will be adversely affected if proposed U.S. legislation is enacted

Subject to the limitations described below in Taxation United States Taxation, the interest received by certain individuals subject to U.S. federal income taxation is expected to be treated for U.S. federal income tax purposes as dividends subject to tax at a maximum tax rate of 15% if the dividends are qualified dividend income and are received before January 1, 2011. A legislative proposal introduced in the U.S. Congress in 2007 generally would, if enacted, deny qualified dividend income treatment to interest payments on the Undated Subordinated Bonds received after the date of enactment. It is not possible to predict whether or in what form this proposal may be enacted into law.

The Undated Subordinated Bonds are a new issue of securities, and there is no assurance that a trading market will exist or that it will be liquid

The Undated Subordinated Bonds are a new issue of securities and have no established trading market. Although application will be made to list the Undated Subordinated Bonds on the New York Stock Exchange, there

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can be no assurance that an active trading market will develop. Even if an active trading market does develop, no one, including the underwriters, is required to maintain its liquidity. The liquidity and the market prices for the Undated Subordinated Bonds can be expected to vary with changes in market and economic conditions, our financial condition and prospects and other factors that generally influence the market prices of securities.

The Undated Subordinated Bonds are subject to interest rate risk

The Undated Subordinated Bonds will carry a fixed interest rate. A holder of a security with a fixed interest rate is exposed to the risk that the price of such security falls as a result of changes in the current interest rate (e.g., if the market rates are higher than the coupon) in the capital markets (the **Market Interest Rate**). While the normal interest rate of a bond or note with a fixed interest rate is fixed during the life of such security or during a certain period of time, the Market Interest Rate typically could change on a daily basis. As the Market Interest Rate changes, the price of such security changes in the opposite direction. If the Market Interest Rate increases, the price of such security typically falls. If the Market Interest Rate falls, the price of a security with a fixed interest rate typically increases. Movements of the Market Interest Rate can adversely affect the market price of the Undated Subordinated Bonds and could lead to losses for you if you were to sell the Undated Subordinated Bonds.

There are limitations on the remedies available to you and the Trustee should we fail to pay amounts due on the Undated Subordinated Bonds

There are no rights on the part of you or the Trustee to accelerate the payment of the Undated Subordinated Bonds. In the event that we should breach our obligations under the Undated Subordinated Bonds, including any obligation to make a payment on a Compulsory Interest Payment Date or to make a payment on any Undated Subordinated Bonds called for redemption, the Trustee may pursue all legal remedies available to it, including commencing a judicial proceeding for the collection of the sums so due and unpaid or a bankruptcy proceeding in Germany, but the Trustee may not declare the principal amount of any outstanding Undated Subordinated Bonds to be due and payable. See Description of the Undated Subordinated Bonds Limitation on Remedies.

We may defer payments on the Undated Subordinated Bonds if a Market Disruption Event Occurs

If, following our decision to satisfy a payment using the APM, in our opinion, a Market Disruption Event exists, such payment may be deferred until the cessation of such market disruption, as more fully described under Description of the Undated Subordinated Bonds Market Disruption Event.

You will be deemed to have waived all rights of set-off

Subject to applicable law, you may not exercise or claim any right of set-off in respect of any amount we owe you arising under or in connection with the Undated Subordinated Bonds, and you will be deemed to have waived all such rights of set-off.

If the Allianz Group's financial condition were to deteriorate, you could lose all or a part of your investment

If the Allianz Group's financial condition were to deteriorate, we could be required or elect to suspend distributions or other payments under the Undated Subordinated Bonds and you may not receive any distributions or other payments at that time or in the future. If the Allianz Group liquidates, dissolves or winds up, you could lose all or a part of your investment.

You may not be entitled to receive U.S. dollars in a winding-up

If any Holder of the Undated Subordinated Bonds is entitled to any recovery with respect to the Undated Subordinated Bonds in any winding-up, the Holder of the Undated Subordinated Bonds might not be entitled in those proceedings to a recovery in U.S. dollars and might be entitled only to a recovery in euro or any other lawful currency of Germany. In addition, under current German law, our liability to Holders of the Undated Subordinated Bonds would have to be converted into euro or any other lawful currency of Germany at a date close to the

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commencement of proceedings against us and Holders of the Undated Subordinated Bonds would be exposed to currency fluctuations between that date and the date they receive proceeds pursuant to such proceedings, if any.

The ratings on the Undated Subordinated Bonds could be lowered

We expect that S&P will assign a rating to the Undated Subordinated Bonds of A+ and that Moody's will assign a rating to the Undated Subordinated Bonds of A3. In addition, other rating agencies may assign credit ratings to the Undated Subordinated Bonds with or without any solicitation from us and without any provision of information from us. Generally, rating agencies base their ratings on such material and information, and such of their own investigative studies and assumptions, as they deem appropriate. There is no assurance that any rating will apply for any given period of time or that a rating may not be adjusted or withdrawn. A downgrade or potential downgrade in these ratings, the assignment of a new rating that is lower than existing ratings, or a downgrade or potential downgrade in the ratings assigned to us, our subsidiaries or any of our securities could adversely affect the price and liquidity of the Undated Subordinated Bonds.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual reports on Form 20-F with, and furnish other reports and information on Form 6-K to, the Securities and Exchange Commission (the **SEC**) pursuant to the requirements of the U.S. Securities Exchange Act of 1934, as amended (the **Exchange Act**). You may read and copy any document that we file with, or furnish to, the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities. Our filings with the SEC are also available to the public through the SEC's Internet site at <http://www.sec.gov>. We have filed a registration statement on Form F-3 under the Securities Act of 1933, as amended (the **Securities Act**), with the SEC covering the Undated Subordinated Bonds. For further information on the Undated Subordinated Bonds, you should review our registration statement and its exhibits.

The principal trading market for Allianz's ordinary shares is the Frankfurt Stock Exchange. The ordinary shares also trade on other German stock exchanges in Berlin-Bremen, Düsseldorf, Hamburg, Hanover, Munich and Stuttgart, as well as the stock exchanges in London, Paris, Zürich and Milan. Allianz's American Depositary Shares, referred to as ADSs, and each representing one-tenth of one ordinary share of Allianz, trade on the New York Stock Exchange under the symbol **AZ**. You can consult reports and other information about Allianz at the New York Stock Exchange Inc., 20 Broad Street, New York, New York.

INCORPORATION BY REFERENCE

The SEC allows us to incorporate by reference the information we file or furnish to them, which means:

incorporated documents are considered a part of this prospectus supplement;

we can disclose important information to you by referring you to those documents; and

information that we file with the SEC will automatically be considered to update and supersede information in this prospectus supplement and information previously incorporated by reference herein.

We incorporate by reference the documents listed below, which we filed with or furnished to the SEC:

Annual Report on Form 20-F for the year ended December 31, 2007 (the **2007 Form 20-F**), filed on March 20, 2008;

Our Current Report on Form 6-K (the **2008 First Quarter Form 6-K**) filed on May 15, 2008, except for references therein to consolidated operating profit and operating profit as it relates to the Allianz Group, including the tables entitled operating profit on pages 2 and 4 of such report and the section entitled Reconciliation of Consolidated Operating Profit and Income before Income Taxes and Minority Interests in Earnings, return on risk adjusted capital (or **RoRAC**) and any other non-GAAP financial measure, as such term is defined under Regulation G of the Securities Act; and

Our Current Report on Form 6-K filed on May 30, 2008.

We also incorporate by reference any future filings made by us with the SEC under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, as well as any Form 6-K furnished to the SEC to the extent such Form 6-K expressly states that we incorporate such form by reference into this prospectus supplement, until this offering is completed.

You may also request a copy of documents incorporated by reference at no cost, by writing, by telephone or by e-mail or website (the information found on our website is not part of this prospectus supplement):

Allianz SE
Attention: Investor Relations
Königinstrasse 28
80802 Munich, Germany
Tel: +(49) (89) 38000
E-Mail: investor.relations@allianz.com
Website: www.allianz.com

We present the financial statement amounts in this prospectus supplement and the accompanying prospectus, in our 2007 Form 20-F and in our 2008 First Quarter Form 6-K in accordance with International Financial Reporting

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Standards (IFRS) as adopted by the European Union (EU) in accordance with clause 315(a) of the German Commercial Code. The consolidated financial statements of the Allianz Group have also been prepared in accordance with IFRS as issued by the International Accounting Standards Board (IASB). The Allianz Group s application of IFRS results in no differences between IFRS as adopted by the EU and IFRS as issued by the IASB.

You should rely only upon the information provided in this document or incorporated into this document by reference. We have not authorized anyone to provide you with different information. You should not assume that the information in this prospectus supplement or the accompanying prospectus is accurate as of any date other than that on the front cover of this document and the various dates of the documents incorporated by reference herein.

ENFORCEABILITY OF CIVIL LIABILITIES

Allianz is a European Company (*Societas Europaea*, or SE) incorporated in the Federal Republic of Germany and organized under the laws of the Federal Republic of Germany and the European Union. Many of the directors and officers of Allianz, and some of the experts named in this document, are not citizens or residents of the United States, and all or a substantial part of the assets of these persons may be located outside the United States. Also, a large part of the assets of Allianz are located outside the United States. As a result, it may be difficult for investors to effect service of process on such persons within the United States. It may also be difficult to enforce against them, either inside or outside the United States, judgments obtained against them in U.S. courts, or to enforce in U.S. courts, judgments obtained against them in courts in jurisdictions outside the United States, in any action based on civil liabilities under the U.S. federal securities laws. There is doubt as to the enforceability against such persons in Germany, whether in original actions or in actions to enforce judgments of U.S. courts, of liabilities based solely on the U.S. federal securities laws.

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The net proceeds of the issuance of the Undated Subordinated Bonds, after payment of underwriting discount of \$53,563,185 and other fees and expenses related to the offering of \$915,775, are expected to be approximately \$1,695,521,040 (assuming no exercise of the underwriters' overallotment option). We intend to use the net proceeds of the issue and sale of the Undated Subordinated Bonds for general corporate purposes of the Allianz Group and to further strengthen our capital base. See "Capitalization" below.

CAPITALIZATION

The following table sets forth the Allianz Group's capitalization as of March 31, 2008 and as adjusted to give effect to the issuance of the Undated Subordinated Bonds offered hereby (assuming no exercise of the underwriters' overallotment option). This table should be read in conjunction with "Selected Consolidated Financial Data" and

"Operating and Financial Review and Prospects" in our 2007 Form 20-F, our consolidated financial statements and unaudited interim condensed consolidated financial statements and the related notes, and other financial information appearing elsewhere or incorporated by reference into this prospectus supplement.

	As of March 31, 2008 ⁽¹⁾			
	Actual		As adjusted for the Undated Subordinated Bonds	
	EUR	USD ⁽²⁾	EUR	USD ⁽²⁾
	(In millions)			
Participation certificates and subordinated liabilities⁽³⁾	14,877	23,403	15,990	25,153
<i>Thereof:</i>				
Subordinated bonds ^{(3),(4)}	6,832	10,747	7,945	12,497
Certificated liabilities	36,453	57,344	36,453	57,344
Equity				
Issued capital	1,158	1,822	1,158	1,822
Capital reserve	27,366	43,049	27,366	43,049
Revenue reserves	13,747	21,625	13,747	21,625
Treasury shares	(376)	(591)	(376)	(591)
Foreign currency translation adjustments	(4,486)	(7,057)	(4,486)	(7,057)
Unrealized gains and losses (net)	7,572	11,912	7,572	11,912
Shareholders' equity	44,981	70,760	44,981	70,760
Minority interests	3,507	5,516	3,507	5,516
Total equity	48,488	76,276	48,488	76,276
Total capitalization	99,818	157,023	100,931	158,773

(1)

Except as disclosed herein, since March 31, 2008, there has not been a material adverse change in our capitalization.

- (2) Amounts given in Euros have been translated for convenience only into U.S. dollars at the rate of \$1.5731 = 1.00, the noon buying rate in New York for cable transfers in Euros certified by the Federal Reserve Bank of New York for customs purposes on May 27, 2008.
- (3) As adjusted columns include the Undated Subordinated Bonds offered hereby (assuming no exercise of the underwriters' overallotment option).
- (4) Includes subordinated bonds issued by Allianz Finance B.V. and Allianz Finance II B.V. and guaranteed by Allianz.

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The following description is only a summary and does not describe every aspect of the Undated Subordinated Bonds or the Indenture. Therefore, it may not contain all of the information that is important to you as a potential purchaser of the Undated Subordinated Bonds. If you purchase the Undated Subordinated Bonds, your rights will be determined by the Undated Subordinated Bonds, the Indenture and the Trust Indenture Act of 1939. In light of this, you should read the Indenture and the form of Undated Subordinated Bond filed with the SEC before making an investment decision.

DESCRIPTION OF THE UNDATED SUBORDINATED BONDS

General

Allianz SE (**we** , **our** or the **Issuer**) will issue the 8.375% Undated Subordinated Callable Bonds (the **Undated Subordinated Bonds**) under a subordinated indenture to be dated as of June 10, 2008 among the Issuer and The Bank of New York, as trustee (the **Trustee**), as supplemented by a supplemental indenture with respect to the Undated Subordinated Bonds among the same parties dated as of June 10, 2008 (collectively, the **Indenture**). The terms of the Undated Subordinated Bonds include those stated in the Indenture.

The following summary description of the material terms of the Indenture supplements the description of certain terms and provisions of the debt securities of any series set forth in the accompanying prospectus under "Description of Debt Securities and Guarantees We May Offer". Together with the terms contained in the accompanying prospectus, the terms described herein constitute a description of the material terms of the Indenture. In cases of inconsistency between the terms described herein and the relevant terms described in the prospectus, the terms presented herein will apply and replace those described in the accompanying prospectus.

The Undated Subordinated Bonds will constitute unsecured and subordinated obligations of the Issuer ranking *pari passu* among themselves.

Until all Outstanding Perpetual Liabilities have been redeemed or discharged in full, the Undated Subordinated Bonds will rank at least *pari passu* with all other unsecured and undated subordinated obligations of the Issuer, except for any subordinated obligation required to be preferred by law. If certain events of liquidation, dissolution or insolvency should occur against the Issuer, your claims under the Undated Subordinated Bonds will be satisfied after (but only after) the claims of all of the Issuer's unsubordinated and dated subordinated creditors together with any subordinated obligations required to be preferred by law (hereinafter referred to as **Initial Senior Debt**). In any such event, you will not receive any amounts payable in respect of the Undated Subordinated Bonds until the claims of all Initial Senior Debt have first been satisfied in full.

Once all Outstanding Perpetual Liabilities have been redeemed or discharged in full, if certain events of liquidation, dissolution or insolvency should occur against the Issuer, the obligations of the Issuer under the Undated Subordinated Bonds will be subordinated to the claims of all unsubordinated and dated subordinated creditors of the Issuer (except for dated subordinated obligations expressly ranking *pari passu* with, or junior to, the Undated Subordinated Bonds) and any undated subordinated obligations expressly ranking senior to the Undated Subordinated Bonds (hereinafter referred to as **Subsequent Senior Debt** and together with Initial Senior Debt, **Senior Debt**). In any such event, you will not receive any amounts payable in respect of the Undated Subordinated Bonds until the claims of all Subsequent Senior Debt have first been satisfied in full.

No security of any kind is, or will at any time be, provided by the Issuer or any other person to secure your rights under the Undated Subordinated Bonds. No subsequent agreement may limit the subordination, provide for any fixed maturity date or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Undated Subordinated Bonds. If the Undated Subordinated Bonds are redeemed early, the amounts redeemed must be returned to the Issuer.

irrespective of any agreement to the contrary unless the Issuer has been dissolved or such amounts have been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any Successor Authority has given its consent to the redemption.

You may not set off any claims arising under the Undated Subordinated Bonds against claims that we may have against you. We may set off against any of your claims under the Undated Subordinated Bonds only if such amounts

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have been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the German Federal Financial Supervisory Authority or any Successor Authority has given its consent to the set-off, and subject to the Solvency Condition (as defined below) being met.

The Indenture does not contain any restrictions on our ability to (i) pay dividends or distributions on, or redeem, purchase, acquire, or make a liquidation payment with respect to, any of our share capital or (ii) make any payment of principal, interest or premium, if any, on or repay, repurchase or redeem any of our debt securities, including any such share capital and debt securities that rank pari passu with or junior to the Undated Subordinated Bonds, or make any guarantee payments with respect to any other guarantee by us of debt securities of any of our subsidiaries including any such debt securities that rank pari passu with or junior to the Undated Subordinated Bonds. The Indenture will also not limit our ability to incur additional indebtedness or to provide guarantees that are senior to the Undated Subordinated Bonds.

Form of Undated Subordinated Bonds

The Undated Subordinated Bonds will be issued in fully registered form, without coupons, in the form of beneficial interests in one or more global securities (each, a **Global Note**). The Undated Subordinated Bonds will be issued in denominations of US\$25 and integral multiples thereof. The Undated Subordinated Bonds will be issued as global securities registered in the name of Cede & Co., as nominee for DTC. Please read Book-entry System; Delivery and Form for more information about the form of the Undated Subordinated Bonds and their clearance and settlement.

Interest Payments

Interest on the Undated Subordinated Bonds will start to accrue from June 10, 2008 and will be payable quarterly in arrears on March 15, June 15, September 15 and December 15 of each year, at a rate of 8.375% per annum, commencing on September 15, 2008 (calculated on a 30/360 day basis) with equal payments for any full Interest Period. Each such date is an **Interest Payment Date**. If any Interest Payment Date is not a Business Day, interest will be payable on the next succeeding Business Day without any additional interest or payment in respect of such delay.

The regular record dates for each Interest Payment Date will be March 1, June 1, September 1 and December 1, whether or not a Business Day.

Each period from and including an Interest Payment Date or the Issue Date, as applicable, to but not including the next Interest Payment Date is an **Interest Period**.

The Undated Subordinated Bonds shall cease to bear interest from the end of the day preceding the day on which they become due for redemption. If we fail to redeem the Undated Subordinated Bonds when due, interest shall continue to accrue on the outstanding principal amount of the Undated Subordinated Bonds beyond the due date until the end of the day preceding the day of the actual redemption of the Undated Subordinated Bonds. The applicable rate of interest will be determined as set forth below. If however, a redemption date falls on the day that is not a Business Day, the payment will be made on the next succeeding Business Day without any additional interest or payment in respect of such delay.

Payments

Payments of any amounts in respect of any Undated Subordinated Bonds represented by global securities will be made by the Trustee to DTC. Any such payments of interest and certain other payments on or in respect of the Undated Subordinated Bonds will be in U.S. dollars and will be calculated by the Trustee or such other agent as we may appoint.

Payments and Optional Deferral of Interest Payments

Optional Payment. Subject to the Solvency Condition being met and no Mandatory Deferral Event having occurred or continuing, we may, on each Optional Interest Payment Date, elect in our discretion to make such payment of interest in cash or to defer the payment of interest by giving not less than three (3) Business Days notice

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prior to the Optional Interest Payment Date. In this case any such deferred interest will constitute an **Optionally Deferred Interest Payment**. We may elect in our discretion to satisfy any interest payment we do not defer on the Interest Payment Date with funds raised prior to the relevant Interest Payment Date by way of the Alternative Payment Mechanism (**APM**). See Alternative Payment Mechanism.

An **Optional Interest Payment Date** occurs if up to the end of the 10th Business Day preceding such Interest Payment Date (the **Calculation Date**):

no dividend, other distribution or payment was declared in respect of any class of our shares at our ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*) immediately preceding that Interest Payment Date;

no payment on account of the balance sheet profit has been made since such ordinary General Meeting of shareholders (*ordentliche Hauptversammlung*); and

we have not made any payment of interest or any deferred payment on any Junior Security as described under Compulsory Interest Payment Date below.

If we elect to defer an interest payment on an Optional Interest Payment Date, we shall not have any obligation to make such interest payment on the relevant Optional Interest Payment Date and the failure to pay such interest shall not constitute a default or any other breach of obligations under the Undated Subordinated Bonds or the Indenture or for any other purpose.

Optionally Deferred Interest Payments shall not themselves bear interest.

Compulsory Payment. Subject to the Solvency Condition being met and no Mandatory Deferral Event having occurred or continuing, interest which accrues during any Interest Period to but excluding a Compulsory Interest Payment Date will be payable in cash on that Compulsory Interest Payment Date. We may elect in our discretion to satisfy such interest payment on such Interest Payment Date with funds raised prior to the Interest Payment Date by way of the APM.

Compulsory Interest Payment Date means any Interest Payment Date which is not an Optional Interest Payment Date; *provided that*, in the case of a Compulsory Interest Payment Date that is the result of a payment under the third circumstance described above in the definition of Optional Interest Payment Date, Compulsory Interest Payment Date shall mean the next four consecutive Interest Payment Dates, in the case of an annual pay Junior Security, the next two consecutive Interest Payment Dates, in the case of a semi-annual pay Junior Security and the next Interest Payment Date, in the case of a quarterly pay Junior Security, unless there shall be a breach of the Solvency Condition or a Mandatory Deferral Event which shall occur or be continuing on any such Compulsory Interest Payment Date.

Mandatory Deferral of Interest Payments

Mandatory Deferral if Solvency Condition Not Met. If, on an Interest Payment Date the Solvency Condition is not or would not be met, then we will be required to defer interest that accrues during the Interest Period to but excluding such Interest Payment Date (provided that in the case where the payment of such interest would itself cause a breach of the Solvency Condition, we will be required to defer the payment of the Solvency Shortfall (as defined below) only), unless we elect in our discretion to satisfy on the Interest Payment Date such interest with funds raised prior to the Interest Payment Date by way of the APM.

Such deferred interest will constitute a **Solvency Deferred Interest Payment**.

Solvency Shortfall means the portion of the interest payment that would cause a breach of the Solvency Condition.

The **Solvency Condition** will be met if:

the Issuer and the Allianz Group have appropriate funds to cover the required minimum solvency margin (or a comparable term in case of a change in applicable rules) in accordance with the provisions of German insurance regulatory law (for group solvency or single solvency purposes or the solvency

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pursuant to the regulation for financial conglomerates) and generally recognized administrative practice, if any, of the German Federal Financial Supervisory Authority or any Successor Authority applicable at that time, and such funds would not, as a result of a full or partial interest payment or redemption payment that would otherwise be due on such Interest Payment Date or date of redemption, as the case may be, fall below the required minimum solvency margin;

no order by the German Federal Financial Supervisory Authority or any Successor Authority is in effect prohibiting us from making interest payments, other distributions or redemptions (including to the holders of any Parity Security or Junior Security);

we are able to pay our debts owed to our Senior Creditors as they fall due; and

our Assets exceed our Liabilities (other than Liabilities to persons who are not Senior Creditors).

With respect to the Solvency Condition, references to we , us and our refer to Allianz SE. References to we , us and our elsewhere in this document may refer to Allianz SE and its consolidated subsidiaries if the context so requires.

Mandatory Deferral if a Mandatory Deferral Event Occurs. If, on an Interest Payment Date, a Mandatory Deferral Event has occurred, then we will be required to defer any Excess Amount.

A Mandatory Deferral Event will occur on an Interest Payment Date, if up to the end of the Calculation Date:

our Accumulated Quarters Net Income for the four-quarter period ending on the quarter that is two quarters prior to the most recently completed and published quarter is less than or equal to zero; and

the Adjusted Shareholders Equity Amount as at the end of the quarter that is two quarters before the most recently completed and published quarter has declined by 10% or more as compared to the Adjusted Shareholders Equity Amount as at the end of the quarter that is ten quarters prior to our most recently completed and published quarter (the **Benchmark Quarter**); and

our Adjusted Capital Amount at the end of the most recently completed and published quarter has declined by more than 10% as compared to the Adjusted Shareholders Equity Amount at the end of the Benchmark Quarter.

For the purposes of the foregoing:

Accumulated Quarters Net Income means, as at the end of any quarter, the sum of our consolidated net income, as determined in accordance with Applicable Accounting Standards, for the four quarters ending as of the last day of such quarter.

Adjusted Capital Amount means the Adjusted Shareholders Equity Amount *plus* Qualifying Mandatory Convertibles.

Adjusted Shareholders Equity Amount means, as at the end of any quarter, the shareholders equity before minority interests as reflected in our consolidated balance sheet for such quarter end, as determined in accordance with the Applicable Accounting Standards, *minus* foreign currency translation adjustments and unrealized gains and losses (net) as reflected on such consolidated balance sheet.

Applicable Accounting Standards means the International Financial Reporting Standards as adopted by the European Union (IFRS) as applicable at the relevant dates and for the relevant periods, or other accounting principles generally accepted in Germany and applied by us which subsequently supersede them. Any restatement of financial reporting by us following changes in the Applicable Accounting Standards will be disregarded for the purposes of calculating Accumulated Quarters Net Income, Adjusted Capital Amount, and Adjusted Shareholders Equity Amount.

If we are required to defer a payment of interest on an Interest Payment Date following the occurrence of a Mandatory Deferral Event, then we will also be required to defer on one or more subsequent Interest Payment Dates the interest that would otherwise be due on such Interest Payment Dates until the Mandatory Deferral Event has

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been cured on any subsequent Calculation Date. After one or more Mandatory Deferral Events has or have occurred, we may begin to pay interest on the Undated Subordinated Bonds on any Interest Payment Date only if on the Calculation Date for that Interest Payment Date (x) no new Mandatory Deferral Event has occurred and (y) any previous Mandatory Deferral Event has been cured.

Cure of Mandatory Deferral Event. A Mandatory Deferral Event that has occurred on a previous Calculation Date has been cured on any Calculation Date if the Adjusted Capital Amount as at our most recently completed and published quarter before that Calculation Date has increased to more than 90% of the Adjusted Shareholders' Equity Amount at the end of the Benchmark Quarter for that previous Calculation Date on which the Mandatory Deferral Event has occurred.

Issuer's Option to Use APM Instead of Mandatory Deferral. We may elect in our discretion to satisfy on the relevant Interest Payment Date the interest that would otherwise have to be deferred with funds raised prior to the Interest Payment Date by way of the APM.

If we are required to defer interest, due to a Solvency Event or a Mandatory Deferral Event, any such deferred interest (together with any Solvency Deferred Interest Payment) will constitute a **Mandatorily Deferred Interest Payment** (together with any Optionally Deferred Interest Payment, the **Deferred Interest Payments**).

We shall give notice not less than three (3) Business Days prior to any Interest Payment Date either:

that (or, in the case of a breach of the Solvency Condition and/or a Mandatory Deferral Event, to what extent) the relevant interest payment shall be deferred; or

that, in the case of the Solvency Condition not being met or the continuance of a Mandatory Deferral Event, we will satisfy such interest payment; in this case, we will be required to state in such notice that we have elected to satisfy such interest payment by way of the APM.

If an interest payment is deferred due to the Solvency Condition not being met or the occurrence or continuation of a Mandatory Deferral Event, we shall not have any obligation to make such interest payment on the relevant Interest Payment Date, and the failure to pay such interest shall not constitute a default by us or any other breach of obligations under the Undated Subordinated Bonds or for any other purpose.

Mandatorily Deferred Interest Payments shall not themselves bear interest.

Subject to the limitations set forth below, it is our intention that we would use our best endeavors to utilize the APM to satisfy any interest payments deferred due to the occurrence of a Mandatory Deferral Event (other than in circumstances where we are deferring interest or distributions on all our subordinated debt issues) within a period no longer than 30 days following the applicable Interest Payment Date.

Payment of Deferred Interest

We may at any time upon giving prior notice satisfy in whole or in part any Optionally Deferred Interest Payment with funds raised prior to the date on which the Deferred Interest Payment becomes due (the **Optional Deferred Settlement Date**) by way of the APM.

We may elect, at any time upon giving prior notice of the date, to satisfy in whole or in part any Mandatorily Deferred Interest Payment utilizing the APM (subject to the limitations and restrictions applicable to the APM) and will be required to apply the APM (subject to the limitations and restrictions applicable to the APM) to satisfy any Deferred

Interest Payments upon the earliest to occur of the following situations (in each case, a **Mandatory Deferred Settlement Date** and collectively with the Optional Deferred Settlement Date, the **Deferred Settlement Date**):

the date on which the Undated Subordinated Bonds fall due for redemption or we substitute for the Undated Subordinated Bonds as set forth under Substitution or Variation of Undated Subordinated Bonds ;

on the next subsequent Interest Payment Date

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following the date on which we make any payment of interest or any deferred payment on any Junior Security, or

if up to the end of the Calculation Date preceding such Interest Payment Date any dividend, other distribution or payment was declared in respect of any class of our shares at our ordinary General Meeting of shareholders preceding that Interest Payment Date, or any payment on account of the balance sheet profit has been made since our ordinary General Meeting of shareholders was held;

if we make any full or partial payment of interest or of a deferred payment on any Parity Security (except for payments at the end of a specified maximum deferral period following the deferral of interest in accordance with the terms of the relevant Parity Securities), we will satisfy any Deferred Interest Payment in the same proportion on the next subsequent Interest Payment Date following the date on which such payment was made. In this case, the proportion will be equal to the result from the division of the amount of the deferred payment actually paid by the outstanding amount of the deferred payment;

on the fifth anniversary following the relevant Interest Payment Date from which interest was originally deferred; and

the date on which a reason for dissolution pursuant to Section 262, para. 1, of the German Stock Corporation Act (*Aktiengesetz*) with respect to us exists (other than for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent, where the continuing entity assumes substantially all of our assets and obligations).

Alternative Payment Mechanism

We may satisfy any interest payment by way of the APM only if and to the extent that we have raised the funds required for the satisfaction of the interest payment by issuing or selling Qualifying APM Securities within six months prior to the relevant Interest Payment Date. In addition, to the extent permitted, we may satisfy any Deferred Interest Payment through the issuance of PIK on the Deferred Settlement Date.

For the avoidance of doubt, we intend to raise the funds required for the satisfaction of the relevant payment by issuing or selling Qualifying APM Securities during the period six months prior to the relevant Deferred Settlement Date unless we are restricted or prevented in any way from doing so or we otherwise elect to use PIK (subject to any applicable restrictions).

Our obligation to satisfy Deferred Interest Payments by way of the APM shall be subject to certain conditions being satisfied, including:

In the case of Payment Shares, subject to the limitations of applicable mandatory German law;

we hold treasury shares, and our Board of Management (*Vorstand*) is authorized to use such treasury shares for purposes of the APM; or

our Board of Management (*Vorstand*) may issue new shares pursuant to an authorization by the articles of association (authorized capital, or *genehmigtes Kapital*), and our Board of Management is not subject to any restriction with respect to issuing such new shares for purposes of the APM, and our Supervisory Board (*Aufsichtsrat*) has declared its consent with respect to the issuance of such new shares.

We are not obligated, under any circumstances, to issue new shares or sell treasury shares. You understand that we may be prevented by compulsory provisions of German stock corporation law or otherwise from issuing new shares or selling treasury shares.

There is no reason why (for any legal reason or de facto) we are unable to issue or sell Qualifying APM Securities.

We may not use any treasury shares purchased in the market for cash during the six months period prior to the relevant Deferred Settlement Date for purposes of fulfilling the APM.

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We may for purposes of satisfying any Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, in accordance with the APM:

sell such number of Payment Shares in each calendar year (including the maximum number of shares issued or issuable pursuant to all Qualifying Mandatory Convertibles or Qualifying Warrants as of their respective date of issuance) not exceeding 2.00% of our issued share capital (*Grundkapital*) at the relevant date; *provided* that, for the purpose of determining whether or not this limitation has been exceeded, no account shall be taken of any Mandatorily Deferred Interest that was settled within 30 days of being deferred; and

sell such number of Payment Securities or utilize PIK to the extent the aggregate principal amount or nominal amount of Payment Securities (together with any Payment Securities previously issued to satisfy any Mandatorily Deferred Interest Payment) and any PIK Amount (together with any previous PIK Amounts utilized to satisfy any Mandatorily Deferred Interest Payment) would not exceed 25% (the **Threshold**) of the initial aggregate principal amount of the Undated Subordinated Bonds; *provided further* that within this Threshold the aggregate principal amount of Payment Securities which are not qualifying non-cumulative Payment Securities together with the PIK Amount (and any previous principal amounts of Payment Securities which are not qualifying non-cumulative Payment Securities and previous PIK Amounts utilized to satisfy any Mandatorily Deferred Interest Payment) may not exceed 15% (the **Sub-Threshold**) of the initial aggregate principal amount of the Undated Subordinated Bonds.

We intend to satisfy any Mandatorily Deferred Interest Payment by issuing or selling Qualifying APM Securities. Where we are unable to satisfy the Mandatorily Deferred Interest Payment by issuing or selling Qualifying APM Securities, we intend to utilize PIK up to the Sub-Threshold to the extent permitted by applicable regulatory criteria.

If any Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, has become due and payable on any Mandatory Deferred Settlement Date (or such longer period which may be caused by the occurrence of a Market Disruption Event) and within a period of one (1) year following such Mandatory Deferred Settlement Date the requirements for the execution of the APM are not met, or (i) if Payment Shares are issued, to the extent the 2.00% threshold applies and would be exceeded or the amount that would be payable exceeds the proceeds from the sale of the Payment Shares and (ii) the Threshold to the extent it applies would be exceeded or, in the case of the aggregate of Payment Securities which are not qualifying non-cumulative Payment Securities and of PIK, the Sub-Threshold to the extent it applies would be exceeded or the amount that would be payable exceeds the proceeds from the sale of Payment Securities or PIK Amounts, as the case may be, **our obligation to satisfy the Mandatorily Deferred Interest Payment shall be cancelled to such extent on the first anniversary of the relevant Mandatory Deferred Settlement Date.**

If any Optionally Deferred Interest Payment and/or Solvency Deferred Interest Payment has become due and payable on any Mandatory Deferred Settlement Date and within a period of five (5) years following such Mandatory Deferred Settlement Date (or such longer period which may be caused by the occurrence of a Market Disruption Event) the legal requirements for the execution of the APM are not met, or to the extent the amount that would be payable exceeds the proceeds from the sale of Qualifying APM Securities or the utilization of PIK, as the case may be, **our obligation to satisfy the Optionally Deferred Interest Payment and/or Solvency Deferred Interest Payment shall be cancelled to such extent on the fifth anniversary of the relevant Mandatory Deferred Settlement Date.**

If we elect or are required to satisfy any Deferred Interest Payment by using the APM, we will place Qualifying APM Securities, except when PIK is utilized, during the periods provided for above. We will provide the cash proceeds from the sale of any Qualifying APM Securities, which shall be used to make the relevant payment, by crediting such amounts to the Trustee for payment to DTC.

If we elect or are required to satisfy any Deferred Interest Payment on the date on which a reason for dissolution pursuant to Section 262, para. 1, of the German Stock Corporation Act (*Aktiengesetz*) with respect to us exists, but we are unable to apply the APM, our obligations in respect of such unsettled Mandatorily Deferred Interest Payments (only in connection with a Mandatory Deferral Event) shall rank *pari passu* with our obligations

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in respect of the principal amount of the Undated Subordinated Bonds in an amount up to the Threshold *less* all payments made up to such point through the issuance of Payment Securities and/or by utilization of PIK, and the rest of the claim with respect to unpaid Mandatorily Deferred Interest Payments deferred pursuant to a Mandatory Deferral Event will be cancelled.

During a period of at least 12 months following the settlement of a Mandatorily Deferred Interest Payment, deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, we will not redeem or purchase (a) any Payment Shares or (b) any other Qualifying APM Securities, the proceeds of which were used to settle any resulting Mandatorily Deferred Interest Payment, other than in connection with (A) in the case of Payment Shares (i) any present or future stock option plan or similar arrangement and (ii) a reclassification of shares or exchange or conversion into shares of another class, or (B) in the case of Payment Shares and any other Qualifying APM Securities, the regular trading and investment activities of our banking, insurance and asset management subsidiaries.

Market Disruption Event

If, in our opinion, a Market Disruption Event exists on or after the 15th Business Day preceding any date upon which we are due to satisfy a payment using the APM through the sale of Qualifying APM Securities, we may delay making payment to you until the Market Disruption Event no longer exists *plus* 60 Business Days. This may, among others, result in an extension of either the one year period in respect of Mandatorily Deferred Interest Payments deferred as a result of the occurrence or the continuance of a Mandatory Deferral Event, or the five year period in respect of Optionally Deferred Interest Payments and/or Solvency Deferred Interest, as the case may be, following the relevant Mandatory Deferred Settlement Date. We shall give notice of both the occurrence of a Market Disruption Event and the date on which, in our opinion, the Market Disruption Event no longer exists. No amount will be payable by way of interest due to the occurrence of a Market Disruption Event.

Market Disruption Event means:

the occurrence or existence of any temporary suspension of, or limitation imposed on, trading by reason of movements in price exceeding limits permitted by the Frankfurt Stock Exchange or on settlement procedures for transactions in our ordinary shares on the Frankfurt Stock Exchange if, in any such case, that suspension or limitation is, in our opinion, material in the context of the sale of ordinary shares;

a material adverse change in general domestic or international economic, political or financial conditions, including without limitation as a result of terrorist activities or acts of war, or an effect of international conditions on the financial markets or currency exchange rates or controls such as to make it, in our opinion, impracticable or inadvisable to proceed with the issue or delivery of Qualifying APM Securities; or

where, pursuant to the terms of the Indenture, moneys are required to be converted from one currency into another currency in respect of any payment, the occurrence of any event that makes it impracticable to effect such conversion.

Additional Amounts

All payments of principal and interest in respect of the Undated Subordinated Bonds will be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature (**Taxes**) imposed, levied, collected, withheld or assessed by the Federal Republic of Germany or any political subdivision or any authority of or in the Federal Republic of Germany that has power to tax (a **Relevant Jurisdiction**), unless we are compelled by law to make such withholding or deduction. In the event of such withholding or deduction, we will pay such additional amounts (the **Additional Amounts**) as are necessary for each

Holder to receive, after deduction or withholding of such Taxes, the full amount that the Holder would have received if no such withholding or deduction had been required.

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There are certain circumstances in which we will not be obligated to pay such Additional Amounts. Please see Description of Debt Securities and Guarantees We May Offer Payment of Additional Amounts with Respect to the Debt Securities in the accompanying prospectus.

Any reference to interest herein shall, if applicable, include a reference to any Additional Amount payable hereunder.

Optional Redemption

The Undated Subordinated Bonds are perpetual securities, have no fixed maturity date and may only be redeemed as set forth below. Subject to the principal amount of the Undated Subordinated Bonds to be redeemed having been replaced by other at least equivalent regulatory capital or if the German Federal Financial Supervisory Authority or any Successor Authority consent (the **Conditions Precedent**) and subject to the Solvency Condition being met, we may, upon giving not less than 30 nor more than 60 days notice, redeem all or part only of the Undated Subordinated Bonds at their principal amount *plus* any Deferred Interest Payments and accrued and unpaid interest to the date of redemption on June 15, 2013 (the **First Call Date**) and anytime thereafter.

Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event

The Undated Subordinated Bonds are subject to redemption in whole but not in part at any time prior to the First Call Date (i) at the Early Redemption Amount upon the occurrence of a Regulatory Event and (ii) at their aggregate principal amount *plus* any Deferred Interest Payments and accrued and unpaid interest until the date of redemption upon the occurrence of a Gross-Up Event or a Tax Event. In the case of any redemption, such redemption may be made only if the Solvency Condition and the Conditions Precedent (as defined above under Optional Redemption) are satisfied.

A **Regulatory Event** will occur if:

- (a) the German Federal Financial Supervisory Authority or any Successor Authority states in writing to us that the Undated Subordinated Bonds (in whole or in part) no longer fulfill the requirements for regulatory capital or own funds for group solvency or single solvency purposes for us or the solvency pursuant to the regulations for financial conglomerates. This applies only if at any time prior to such statement the Undated Subordinated Bonds did fulfill such requirements; or
- (b) at any time, we are, or the Allianz Group is, required for any regulatory capital purposes to have Tier I regulatory capital (howsoever described), and the Undated Subordinated Bonds would not be eligible to qualify for inclusion in our Tier I regulatory capital for group solvency purposes or the solvency pursuant to the regulations for financial conglomerates existing at the time.

A **Gross-Up Event** will occur if we have or will become obligated by a legislative body, a court or any authority to pay Additional Amounts as a result of any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or any change in or amendment to any official interpretation or application of those laws or rules or regulations after the Issue Date or, in the case of a successor entity or New Issuer, after the date such entity assumes the obligations of the Issuer under the Undated Subordinated Bonds, and that obligation cannot be avoided by us or the successor entity taking reasonable measures.

A **Tax Event** will occur, if as a result of any amendment to, or change in, the laws (or any rules or regulations thereunder) of a Relevant Jurisdiction, or as a result of any amendment to, or change in, an official interpretation or application of any such laws, rules or regulations by any legislative body, court, governmental agency or regulatory authority (including the enactment of any legislation and the publication of any judicial decision or regulatory

determination) after the Issue Date or, in the case of a successor entity or New Issuer, after the date such entity assumes our obligations under the Undated Subordinated Bonds, interest payable by us in respect of the Undated Subordinated Bonds is no longer, or within 90 days of the date of the delivery of certain opinions will no longer be, fully deductible by us for German income tax purposes or by any successor entity or New Issuer under the laws of the Relevant Jurisdiction, and that risk cannot be avoided by us or any successor entity or New Issuer taking reasonable measures.

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At the time of issuance we intend to fully deduct interest payable by us in respect of the Undated Subordinated Bonds for German income tax purposes.

Early Redemption Amount shall be equal to the greater of (in each case together with Deferred Interest Payments and accrued and unpaid interest for the applicable Interest Period to the date of redemption):

- (a) 100% of the aggregate principal amount of the Undated Subordinated Bonds outstanding on the redemption date; or
- (b) the sum of (i) the present value of the principal amount of the Undated Subordinated Bonds to be redeemed, assuming that the Undated Subordinated Bonds were to be redeemed on the First Call Date, and (ii) the present value of each remaining scheduled quarterly interest payment on the Undated Subordinated Bonds (assuming each such scheduled interest payment to be due in full) from the redemption date through and including the First Call Date.

The present values of interest and principal payments referred to in clauses (i) and (ii) above will be determined in accordance with generally accepted principles of financial analysis. Such present values will be calculated by discounting the amount of each payment of interest or principal from the date that each such payment would have been payable, but for the redemption, to the redemption date on a quarterly basis (assuming a 360-day year consisting of twelve 30-day months) at a discount rate equal to the Treasury Rate (as defined below) *plus* 50 basis points.

The Early Redemption Amount shall be calculated by the Independent Investment Banker who shall act as calculation agent for such purpose.

Comparable Treasury Issues means the United States Treasury security or securities selected by an Independent Investment Banker as having an actual or interpolated maturity comparable to the remaining term of the Undated Subordinated Bonds to be redeemed that would be utilized at the time of selection in accordance with customary financial practice, in pricing issues of corporate debt securities of a comparable maturity to the remaining term of such Undated Subordinated Bonds.

Comparable Treasury Price means with respect to any redemption date, (A) the average of the Reference Treasury Dealer Quotations for such redemption date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Independent Investment Banker obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such quotations.

Independent Investment Banker means one of the Reference Treasury Dealers appointed by the trustee after consultation with the Issuer.

Reference Treasury Dealer means each of Citigroup Global Markets Inc. and Merrill Lynch Pierce, Fenner & Smith Incorporated or their affiliates and at least two other investment banking institutions of national standing, in each case which are primary U.S. Government securities dealers, and their respective successors provided, however, that if any of the foregoing or their affiliates shall cease to be a primary U.S. Government securities dealer in the United States of America (a **Primary Treasury Dealer**), the Issuer shall substitute therefor another Primary Treasury Dealer.

Reference Treasury Dealer Quotations means, with respect to each Reference Treasury Dealer and any redemption date, the average as determined by the Independent Investment Banker of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Independent Investment Banker by the Reference Treasury Dealer at 3:30 p.m. New York time on the third business day preceding such redemption date.

Treasury Rate means, with respect to any redemption date, the rate per annum equal to the quarterly equivalent yield to maturity or interpolated (on a day count basis) of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such redemption date.

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Notice of Redemption

We must give 30 to 60 days' notice of redemption to the Holders of the Undated Subordinated Bonds; *provided that* a redemption notice following a Gross-Up Event shall not be given earlier than 60 days prior to the earliest date on which we or any successor entity would become obligated to pay Additional Amounts. Any notice of redemption is irrevocable. If the Early Redemption Amount or the principal amount *plus* any Deferred Interest Payments and accrued and unpaid interest, as the case may be, is improperly withheld or refused and is not paid by us, interest on the Undated Subordinated Bonds will continue to be payable until the relevant redemption price is actually paid.

Trading Characteristics

We will apply to list the Undated Subordinated Bonds on the New York Stock Exchange under the symbol **AZM**. We expect the Undated Subordinated Bonds to trade, within 30 days of the initial delivery thereof, as an individual unit at a trading price that takes into account the value, if any, of accrued but unpaid interest. This means that purchasers will not pay, and sellers will not receive, accrued but unpaid interest on the Undated Subordinated Bonds which has not been included in their trading price.

Purchase of the Undated Subordinated Bonds

We, or any of our subsidiaries, may repurchase the Undated Subordinated Bonds in the open market or otherwise only if the principal amount of the Undated Subordinated Bonds to be repurchased has been replaced by other at least equivalent regulatory capital or if the German Federal Financial Supervisory Authority or any Successor Authority has given its consent to the repurchase. This aforementioned restriction does not apply if any such purchase is made by subsidiaries of the Issuer for (x) the account of a third party which is not an affiliate of the Issuer or (y) funds (as defined for the purposes of Section 2(2) in connection with Section 30 of the German Investment Act (*Investmentgesetz*)), unless the majority of the shares in the relevant fund are held by the Issuer or any of its subsidiaries.

Substitution or Variation of Undated Subordinated Bonds

If a Gross-Up Event, Tax Event or Regulatory Event should occur and continue which would permit us to redeem the Undated Subordinated Bonds, then we may, instead of redeeming the Undated Subordinated Bonds, subject to the Solvency Condition being satisfied and the German Federal Financial Supervisory Authority or any Successor Authority having given its consent (without any requirement for the consent or approval of the Holders) and all required notices (which notice shall be irrevocable) having been given, substitute at any time all (but not some only) of the Undated Subordinated Bonds for, or vary the terms of the Undated Subordinated Bonds so that they remain or become (as the case may be), Qualifying Securities or Qualifying Solvency Securities, and the Trustee shall (subject to the satisfaction of certain conditions) agree to such substitution or variation.

If a Capital Event or Accounting Event should occur and continue, subject to the notice provisions above and the German Federal Financial Supervisory Authority or any Successor Authority having given its consent, we may substitute at any time all (but not some only) of the Undated Subordinated Bonds for, or vary the terms of the Undated Subordinated Bonds so that they remain or become (as the case may be), Qualifying Securities, and the Trustee shall (subject to the satisfaction of certain conditions) agree to such substitution or variation.

Qualifying Securities means securities issued directly or indirectly by us or another issuer wholly-owned by us (which issuer shall have the benefit of a subordinated guarantee from us), in each case, that have terms not materially less favorable to an investor than the terms of the Undated Subordinated Bonds (as reasonably determined by us); *provided that* (1) they shall contain terms which comply with the then current requirements in relation to an

instrument with at least the equivalent regulatory capital treatment as the Undated Subordinated Bonds of the German Federal Financial Supervisory Authority or any Successor Authority, (2) they shall include terms which provide for the same aggregate principal amount, interest payment dates, maturity, rates of interest, redemption dates, and denominations applying to the Undated Subordinated Bonds, (3) they shall rank at least *pari passu* with the Undated Subordinated Bonds, (4) such securities shall be SEC-registered and listed on the New York Stock Exchange, (5) if not issued by us, such securities shall be fully and unconditionally guaranteed by us on a subordinated basis at least equal to the ranking of the Undated Subordinated Bonds and (6) such securities shall

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preserve any existing rights under the Undated Subordinated Bonds to any Deferred Interest Payments or any other accrued interest which has not been satisfied, except that such securities need not necessarily include provisions analogous to the APM.

Qualifying Solvency Securities means securities issued directly or indirectly by us or another issuer wholly-owned by us (which issuer shall have the benefit of a subordinated guarantee from us), in each case, that have terms not materially less favorable to an investor than the terms of the Undated Subordinated Bonds (as reasonably determined by us); *provided* that (1) they shall contain terms which comply with the then current requirements in relation to any instrument which will qualify towards regulatory solvency capital of the German Federal Financial Supervisory Authority or any Successor Authority, (2) they shall include terms which provide for the same aggregate principal amount, interest payment dates, maturity, rates of interest, redemption dates, and denominations applying to the Undated Subordinated Bonds, (3) they shall rank senior to, or *pari passu* with, the Undated Subordinated Bonds, (4) such securities shall be SEC-registered and listed on the New York Stock Exchange, (5) if not issued by us, such securities shall be fully and unconditionally guaranteed by us on a subordinated basis at least equal to the ranking of the Undated Subordinated Bonds and (6) such securities shall preserve any existing rights under the Undated Subordinated Bonds to any Deferred Interest Payment or any other accrued interest which has not been satisfied, except that such securities need not include provisions analogous to the APM.

In addition, it shall be provided in each case, that (i) we have received the written opinion of a nationally recognized law firm in the United States that (a) to the extent that interest payments on the Undated Subordinated Bonds are eligible to be treated as qualified dividend income as described under Taxation United States Taxation Taxation of Dividends by a particular Holder immediately prior to the substitution or variation date, reinvestment in such Qualifying Securities or Qualifying Solvency Securities, as the case may be, will not adversely affect the qualifying dividend income eligibility for purposes of Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation), of interest payments on the Undated Subordinated Bonds and (b) such substitution or variation will not cause the holders thereof to recognize gain or loss for U.S. federal income tax purposes and (ii) such substitution or variation does not result in a Gross-Up Event, a Tax Event or a Regulatory Event.

Accounting Event means that an opinion of a recognized accounting firm has been delivered to us, stating that our obligations in respect of the Undated Subordinated Bonds must not or must no longer be recorded as liabilities on our balance sheet prepared in accordance with Applicable Accounting Standards for purposes of our published annual financial statements and this cannot be avoided by us taking such reasonable measures as we (acting in good faith) deem appropriate. With respect to an Accounting Event, we will deliver an applicable opinion to the Trustee.

Capital Event means a change by an internationally recognized statistical rating organization to its equity credit criteria, or the interpretation or application thereof, for securities such as the Undated Subordinated Bonds, as such criteria are in effect on the date hereof (the **Current Criteria**), which change results in a lower equity credit being given to the Undated Subordinated Bonds as of the date of such change than the equity credit that would have been assigned to the Undated Subordinated Bonds as of the date of such change by such internationally recognized statistical rating organization pursuant to its Current Criteria.

Subordination Provisions

Holders of Undated Subordinated Bonds should recognize that contractual provisions in the Indenture may prohibit us from making payments on the Undated Subordinated Bonds. The Undated Subordinated Bonds are subordinated in right of payment to the extent and in the manner stated in the Indenture.

The Indenture provides that, unless all principal of, or interest on, all obligations which rank senior to the Undated Subordinated Bonds has been paid in full, no payment or other distribution may be made in respect of the Undated

Subordinated Bonds in the event of any insolvency or bankruptcy proceedings, or any receivership, liquidation, reorganization, assignment for creditors or other similar proceedings or events involving us, or our assets, respectively.

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If the Trustee under the Indenture or any Holders receive any payment or distribution that is prohibited under the subordination provisions, then the Trustee or the Holders will have to repay that money to the trustee in bankruptcy, receiver or other relevant person charged with the insolvency of us.

We may not limit the subordination of the Undated Subordinated Bonds.

Mergers and Similar Transactions

We are generally permitted to merge or consolidate with or into another company. We are also permitted to sell substantially all our assets to another company. However, we may not take any of these actions unless, if we are not the successor entity, the successor entity must expressly agree to be legally responsible for our obligations under the Indenture with respect to the Undated Subordinated Bonds and must be organized as a corporation, partnership, trust, limited liability company or similar entity. The successor entity may be organized under the laws of any jurisdiction; *provided, however*, that if such successor entity is organized or resident in any jurisdiction other than the Federal Republic of Germany (a **Successor Jurisdiction**) for tax purposes, such Successor Jurisdiction will be substituted for the Federal Republic of Germany under the Indenture with respect to our obligation to pay Additional Amounts, the conditions under which no Additional Amounts would be payable as a result of either condition (i) or (ii) under Additional Amounts above, and our right to redeem the Undated Subordinated Bonds in the case of a Gross-Up Event or Tax Event.

If the conditions described above are satisfied, we will not need to obtain the approval of the Holders in order to merge or consolidate or to sell our assets. Also, these conditions will apply only if we wish to merge or consolidate with another entity or sell our assets substantially as an entirety to another entity. We will not need to satisfy these conditions if we enter into other types of transactions, including any transaction in which we acquire the stock or assets of another entity, any transaction that involves a change of control of Allianz but in which we do not merge or consolidate, and any transaction in which we sell less than substantially all our assets.

Also, if we merge, consolidate or sell our assets substantially in their entirety, neither we nor any successor entity would have any obligation to compensate you for any resulting adverse tax consequences relating to the Undated Subordinated Bonds other than the payment of Additional Amounts, if any, that become payable with respect to the Undated Subordinated Bonds.

Substitution of Issuer

We may at any time, without the consent of the Holders, substitute any other company (other than an insurance undertaking), which is directly or indirectly controlled by us, as new issuer (the **New Issuer**) in respect of all obligations arising under or in connection with the Undated Subordinated Bonds with the effect of releasing us (subject to clause (iii) below) of all such obligations if:

- (i) the New Issuer assumes any and all of our obligations arising under or in connection with the Undated Subordinated Bonds and, if service of process vis à vis the New Issuer would have to be effected outside the United States, appoints a process agent within the United States;
- (ii) we and the New Issuer have obtained all authorizations and approvals necessary for the substitution and the fulfilment of the obligations arising under or in connection with the Undated Subordinated Bonds; the New Issuer is in the position to pay to the Trustee in U.S. dollars and without deducting or withholding any taxes or other duties of whatever nature imposed, levied or deducted by the country (or countries) in which the New Issuer has its domicile or tax residence all amounts required for the performance of the payment obligations arising from or in connection with the Undated Subordinated Bonds;

- (iii) we irrevocably and unconditionally guarantee on a subordinated basis such obligations of the New Issuer under the Undated Subordinated Bonds at least equal to the Undated Subordinated Bonds;
- (iv) in connection with such substitution, there is no modification or amendment to the terms of the Undated Subordinated Bonds with respect to the principal amount of the Undated Subordinated Bonds, the Interest Payment Dates, rate of interest, the dates upon which the Undated Subordinated Bonds may be redeemed

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as described under Optional Redemption and Redemption Upon the Occurrence of a Gross-Up Event, or Tax Event, and the denominations of the Undated Subordinated Bonds;

- (v) such substitution does not result in a Tax Event or a Gross-Up Event;
- (vi) each of the Issuer and the New Issuer is not a passive foreign investment company, or PFIC, for the taxable year of such substitution under then applicable U.S. federal income tax laws; and
- (vii) such securities (and the applicable guarantee) shall be SEC registered and listed on the New York Stock Exchange.

Where the New Issuer is organized or resident in any jurisdiction other than Germany for tax purposes, each such other jurisdiction will be substituted for Germany under the subordinated guarantee to be provided by us in connection with the substitution of the New Issuer and the Indenture with respect to the Issuer's obligation to pay Additional Amounts, the conditions under which no Additional Amounts would be payable as a result of either condition (i) or (ii) under Additional Amounts above, and the Issuer's rights to redeem the Undated Subordinated Bonds in the case of a Gross-Up Event or Tax Event.

In addition, it shall be provided in each case, that we have received the written opinion of a nationally recognized law firm in the United States (a) to the extent that interest payments on the Undated Subordinated Bonds are eligible to be treated as qualified dividend income as described under Taxation United States Taxation Taxation of Dividends by a particular Holder immediately prior to the substitution date, that the substitution of the Issuer as contemplated above, will not adversely affect the qualifying dividend income eligibility for purposes of Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation), of interest payments on the Undated Subordinated Bonds and (b) the substitution will not cause the holders thereof to recognize gain or loss for U.S. federal income tax purposes.

For the avoidance of doubt, following the substitution of the Issuer by a New Issuer pursuant to the foregoing provisions, any reference to the Issuer in the terms and conditions of the Undated Subordinated Bonds and the Indenture shall constitute a reference to the New Issuer.

Limitation on Remedies

There are no rights on the part of the Holders or the Trustee to accelerate the payment of the Undated Subordinated Bonds.

In the event that we should breach our obligations under the Undated Subordinated Bonds, including any obligation to make a payment on a Compulsory Interest Payment Date or to make a payment on any Undated Subordinated Bonds called for redemption as provided for under Optional Redemption or Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event, and such breach is continuing, the Trustee may pursue all legal remedies available to it, including commencing a judicial proceeding for the collection of the sums so due and unpaid or a bankruptcy proceeding in Germany, but the Trustee may not declare the principal amount of any outstanding Undated Subordinated Bonds to be due and payable.

Holders of the Undated Subordinated Bonds have the absolute and unconditional right to institute suit for the enforcement of any payment when due, and such right may not be impaired without the consent of the Holder as provided in the Indenture. In addition, to the extent the Trustee is not permitted to pursue the remedies provided for above as a matter of German law, the Holders of the Undated Subordinated Bonds may pursue such remedies in accordance with the terms of the Indenture.

Winding Up

In the event of any bankruptcy, insolvency or similar proceeding or any action that causes our liquidation, with respect to each Undated Subordinated Bond you own, you will have a mature claim equal to the principal amount of your Undated Subordinated Bonds *plus* any Deferred Interest Payments and any other accrued and unpaid interest. Any such claim for payment will rank ahead of any Junior Security and share capital but ranking junior to the claims of Senior Debt. In addition the amount of any such claim related to the Mandatorily Deferred Interest Payments only

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in connection with a Mandatory Deferral Event may not exceed the Threshold *less* all payments made up to such point through the issuance of Payment Securities or by utilization of PIK.

As a consequence of the subordination provisions, the Holders of the Undated Subordinated Bonds may recover less than the holders of our Senior Debt and the holders of certain of our subordinated liabilities which may rank ahead of the Undated Subordinated Bonds. If, upon liquidation, the amount payable on any Undated Subordinated Bonds and any claims ranking *pari passu* with the Undated Subordinated Bonds are not paid in full, the Undated Subordinated Bonds and other claims ranking equally will share rateably in any distribution of our assets upon liquidation in proportion to the respective amounts to which they are entitled.

If any Holder is entitled to any recovery with respect to the Undated Subordinated Bonds upon liquidation, the Holder might not be entitled to any recovery in U.S. dollars and might be entitled only to a recovery in euros. In addition, under current German law, our liability to Holders of the Undated Subordinated Bonds would be converted into euros at a date close to the commencement of insolvency proceedings against us and Holders of the Undated Subordinated Bond would be exposed to currency fluctuations between that date and the date they receive proceeds pursuant to such proceedings, if any.

No Liability of Directors, Officers, Employees, Incorporators and Shareholders

Subject to mandatory provisions of applicable law, no director, officer, employee, incorporator, member or shareholder of us, as such, will have any liability for any obligations of us under the Undated Subordinated Bonds or the Indenture or for any claim based on, in respect of, or by reason of, such obligations. Each Holder of Undated Subordinated Bonds by accepting an Undated Subordinated Bond waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Undated Subordinated Bonds.

No Amendments of Certain Provisions

The following provisions of the Indenture and the Undated Subordinated Bonds, as applicable, may not be amended:

- (1) the absence of any security of any kind securing the Holders' rights under the Undated Subordinated Bonds;
- (2) that no subsequent agreement may limit the subordination, provide for any fixed maturity date or shorten any applicable notice period (*Kündigungsfrist*) in respect of the Undated Subordinated Bonds;
- (3) that if the Undated Subordinated Bonds are redeemed early, the amounts redeemed must be returned to us irrespective of any agreement to the contrary unless we have been dissolved or such amounts have been replaced by other at least equivalent regulatory capital (*Eigenmittel*) of at least equal status or if the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) or any Successor Authority has given its consent to the redemption;
- (4) the waiver by the Holders of rights of set-off under the Undated Subordinated Bonds against us; and
- (5) the inability to reduce the principal amount of the Undated Subordinated Bonds during the period in which they remain outstanding.

Notwithstanding the foregoing, to the extent that the insurance laws and regulations applicable to us, in their current form or as amended from time to time, permit the foregoing provisions to be modified, then such provisions may be amended in a manner that complies with such laws and regulations. In such case, the foregoing provisions may only be amended as provided for under Description of Debt Securities and Guarantees We May Offer Modifications of the

Indenture, in the accompanying Prospectus, with any reduction in the principal amount requiring consent of each Holder of the Undated Subordinated Bonds.

Concerning the Trustee

The Bank of New York is the Trustee under the Indenture.

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Except in connection with any breach of obligations under the Indenture and the Undated Subordinated Bonds, the Trustee need perform only those duties that are specifically set forth in the Indenture and no others, and no implied covenants or obligations will be read into the Indenture against the Trustee. In case a breach has occurred and is continuing, the Trustee shall exercise those rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs. No provision of the Indenture will require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties thereunder, or in the exercise of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability or expense.

Reports to Trustee

We will deliver to the Trustee as soon as possible and in any event within 30 days after we become aware or should reasonably become aware of the occurrence of any breach of the Indenture, the Undated Subordinated Bonds or an event which, with notice or the lapse of time or both, would constitute such a breach, an officer's certificate setting forth the details of such breach, and the action which we propose to take with respect thereto.

Governing Law

The Indenture and the Undated Subordinated Bonds will be governed by the laws of the State of New York, except that the subordination provisions of the Indenture and the Undated Subordinated Bonds, as well as the waiver of rights of set-off, the absence of security of any kind in respect of the rights of Holders of the Undated Subordinated Bonds and the obligation to return certain payments received early will be governed by the laws of Germany.

Prescription

Under New York law, claims relating to payment of principal and interest on the Undated Subordinated Bonds will be prescribed according to the later of the applicable statute of limitations or not less than five years.

Book-entry System; Delivery and Form

General

The Undated Subordinated Bonds will initially be represented by one or more Global Notes in registered form, without coupons attached. They will be deposited with or on behalf of DTC or its nominee and registered in the name of Cede & Co., as nominee of DTC. Until the Undated Subordinated Bonds are exchanged for definitive securities, the Global Notes may not be transferred except as a whole by DTC to a nominee or a successor of DTC.

The Undated Subordinated Bonds have been accepted for clearance by DTC, Euroclear and Clearstream. The initial distribution of the Undated Subordinated Bonds will be cleared through DTC only. Beneficial interests in the Undated Subordinated Bonds in the form of Global Notes will be shown on, and transfers thereof will be effected only through, the book-entry records maintained by DTC and its direct and indirect participants, including Euroclear and Clearstream. Owners of beneficial interests in the Undated Subordinated Bonds in the form of Global Notes will receive all payments relating to their Undated Subordinated Bonds in U.S. dollars.

So long as DTC, or its nominee, is the holder of a Global Note, it will be considered the sole holder of the Undated Subordinated Bond for all purposes under the Indenture. Except as described below under Issuance of Definitive Securities, no participant, indirect participant or other person will be entitled to have Undated Subordinated Bonds registered in its name, receive or be entitled to receive physical delivery of Undated Subordinated Bonds in definitive form or be considered the owner or holder of the Undated Subordinated Bonds under the Indenture. Each person

having an ownership or other interest in Undated Subordinated Bonds must rely on the procedures of DTC, Euroclear and Clearstream and, if a person is not a participant or another securities intermediary through which that person owns its interest, exercise any rights and obligations of a holder under the Indenture or the Undated Subordinated Bonds.

For more information on DTC, Euroclear and Clearstream, see Legal Ownership and Book-Entry Issuance Considerations Relating to Euroclear, DTC and Clearstream in the accompanying Prospectus.

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Payments on the Global Notes

Payments of any amounts in respect of any Undated Subordinated Bonds in the form of Global Notes will be made by the Trustee to DTC. Payments will be made to beneficial owners of Undated Subordinated Bonds in accordance with the rules and procedures of DTC or its direct and indirect participants, as applicable. Neither we, the Trustee nor any of our agents will have any responsibility or liability for any aspect of the records of any securities intermediary in the chain of intermediaries between DTC, Euroclear or Clearstream, and any beneficial owner of an interest in a Global Note, or the failure of DTC, Euroclear or Clearstream, or any intermediary to pass through to any beneficial owner any payments that we make to DTC.

Issuance of Definitive Securities

So long as DTC holds the Undated Subordinated Bonds, the Global Notes will not be exchangeable for definitive securities unless:

DTC notifies the Trustee that it is unwilling or unable to continue to hold the book-entry Undated Subordinated Bonds or DTC ceases to be a clearing agency registered under the Exchange Act and the Trustee does not appoint a successor to DTC which is registered under the Exchange Act within 120 days;

in the event of our bankruptcy, we fail to make a payment on the Undated Subordinated Bonds when due; or

at any time we determine in our sole discretion that the Undated Subordinated Bonds in the form of Global Notes should be exchanged for definitive debt securities of that series in registered form.

Each person having an ownership or other interest in Undated Subordinated Bonds must rely exclusively on the rules and procedures of DTC, Euroclear or Clearstream, as the case may be, and any agreement with any participant of DTC, Euroclear or Clearstream, as the case may be, or any other securities intermediary through which that person holds its interest to receive or direct the delivery or possession of any definitive security.

Definitive securities will be issued in registered form only in denominations of U.S.\$25 and in integral multiples of U.S.\$25 in excess thereof. To the extent permitted by law, we and the Trustee are entitled to treat the person in whose name any definitive security is registered as its absolute owner.

Payments in respect of the Undated Subordinated Bonds issued in registered form will be made to the person in whose name the definitive securities are registered as it appears in the register. Payments will be made in respect of the Undated Subordinated Bonds by transfer to the Holder's account in New York.

If we issue definitive securities in exchange for the Global Notes, DTC, as holder of the Global Notes, will surrender it against receipt of the definitive securities, cancel the book-entry securities of that series and distribute the definitive securities of that series to the persons in the amounts that DTC specifies.

If definitive securities are issued in the limited circumstances described above, those securities may be transferred in whole or in part in denominations of any whole number of securities upon surrender of the definitive securities certificates together with the form of transfer endorsed on it, duly completed and executed at the specified office of the trustee. If only part of a securities certificate is transferred, a new securities certificate representing the balance not transferred will be issued to the transferor.

Certain Definitions

Accounting Event has the meaning set forth under Substitution or Variation of Undated Subordinated Bonds.

Accumulated Quarters Net Income has the meaning set forth under Mandatory Deferral of Interest Payments.

Additional Amounts has the meaning set forth under Additional Amounts.

Adjusted Capital Amount has the meaning set forth under Mandatory Deferral of Interest Payments.

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Adjusted Shareholders Equity Amount has the meaning set forth under Mandatory Deferral of Interest Payments.

Allianz Group means Allianz SE and its consolidated subsidiaries.

APM means the Alternative Payment Mechanism which we may elect to use, or may be required to use, to satisfy Deferred Interest Payments or which we may elect to use to pay interest on an Interest Payment Date and which is more fully described under Alternative Payment Mechanism.

Applicable Accounting Standards has the meaning set forth under Mandatory Deferral of Interest Payments.

Assets means our unconsolidated total assets, as shown in our latest published annual audited balance sheet, but adjusted for subsequent events, all as we shall determine, or if we are being liquidated, our liquidator shall determine.

Benchmark Quarter has the meaning set forth in the Definition of Mandatory Deferral Event under Mandatory Deferral of Interest Payments.

Business Day means a day (other than a Saturday or Sunday) on which commercial banks in New York and London are open for business.

Calculation Date means the 10th Business Day preceding any Interest Payment Date.

Capital Event has the meaning set forth under Substitution or Variation of Undated Subordinated Bonds.

Comparable Treasury Issues has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross Up Event or Tax Event Early Redemption Amount.

Comparable Treasury Price has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross Up Event or Tax Event Early Redemption Amount.

Compulsory Interest Payment Date has the meaning set forth under Payments and Optional Deferral of Interest Payments.

Deferred Interest Payments has the meaning set forth under Mandatory Deferral of Interest Payments Issuer's Option to Use APM Instead of Mandatory Deferral.

Deferred Settlement Date has the meaning set forth under Payment of Deferred Interest.

Early Redemption Amount has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event Early Redemption Amount.

Excess Amount means, in relation to the amount of interest which would be payable on the aggregate principal amount of Undated Subordinated Bonds outstanding on the relevant Interest Payment Date that would otherwise have been due (the **Interest Amount**), the amount by which the Interest Amount exceeds the New Capital Amount (as defined below).

First Call Date means June 15, 2013.

Global Notes have the meaning set forth under Form of Undated Subordinated Bonds.

Gross-Up Event has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event.

Holder means a holder of the Undated Subordinated Bonds.

Independent Investment Banker has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross Up Event or Tax Event Early Redemption Amount.

Initial Senior Debt has the meaning set forth under General.

Interest Payment Date has the meaning set forth under Interest Payments.

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Interest Period has the meaning set forth under Interest Payments.

Issue Date means June 10, 2008.

Junior Security means any security issued by us which ranks junior to the Undated Subordinated Bonds or any Parity Security (excluding our ordinary shares or cumulative preferred shares), and any security guaranteed by us or for which we have otherwise assumed liability where our obligations under the relevant guarantee or other assumption of liability rank junior to our obligations under the Undated Subordinated Bonds or any Parity Security;

For the purposes of this definition, the term security shall exclude securities issued to entities forming part of the Allianz Group.

Liabilities means our unconsolidated total liabilities, as shown in our latest published annual audited balance sheet, but adjusted for subsequent events, all as we shall determine, or if we are being liquidated, our liquidator shall determine.

Mandatory Deferral Event has the meaning set forth under Mandatory Deferral of Interest Payments.

Mandatorily Deferred Interest Payment has the meaning set forth under Mandatory Deferral of Interest Payments.

Mandatory Deferred Settlement Date has the meaning set forth under Payment of Deferred Interest.

Market Disruption Event has the meaning set forth under Market Disruption Event.

New Capital Amount means the net proceeds we receive from new issuances and/or sales during the period six months prior to the relevant Interest Payment Date of (i) Payment Shares or (ii) Payment Securities.

Optional Deferred Settlement Date has the meaning set forth under Payment of Deferred Interest.

Optional Interest Payment Date has the meaning set forth under Payments and Optional Deferral of Interest Payments.

Optionally Deferred Interest Payment has the meaning set forth under Payments and Optional Deferral of Interest Payments.

ordinary shares means our ordinary shares or depositary receipts issued in respect of our ordinary shares.

Outstanding Perpetual Liabilities means the:

- (w) 800 million 5.375% Undated Subordinated Fixed Rate Callable Bonds, issued on March 3, 2006 by Allianz Finance II B.V., a wholly-owned subsidiary of Allianz, and guaranteed on a subordinated basis by Allianz (ISIN: DE 000A0GNPZ3);
- (x) 1.5 billion 5.5% Undated Subordinated Hybrid Capital Fixed to Floating Rate Callable Notes, issued on February 27, 2004 by Allianz (ISIN: XS 018 716 2325);
- (y) 1.4 billion 4.375% Guaranteed Undated Subordinated Fixed to Floating Rate Callable Bonds, issued on February 17, 2005 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 021 163 7839); and

- (z) \$500 million 7.25% Undated Guaranteed Subordinated Bonds, issued on December 10, 2002 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 015 915 0720).

Parity Security means any security issued by us which ranks *pari passu* with the Undated Subordinated Bonds and which constitutes regulatory capital of at least equal status with the Undated Subordinated Bonds, and any security guaranteed by us or for which we have otherwise assumed liability where our obligations under the relevant guarantee or other assumption of liability rank *pari passu* with our obligations under the Undated Subordinated Bonds and which obligations constitute regulatory capital of at least equal status with the Undated Subordinated Bonds;

For the purposes of this definition, the term security shall exclude securities issued to entities forming part of the Allianz Group.

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Notwithstanding the foregoing, for purposes of the Undated Subordinated Bonds, the following outstanding bonds shall be considered Parity Securities solely for purposes of Deferred Interest Payments:

- (i) 800 million 5.375% Undated Subordinated Fixed Rate Callable Bonds, issued on March 3, 2006 by Allianz Finance II B.V., a wholly-owned subsidiary of Allianz, and guaranteed on a subordinated basis by Allianz (ISIN: DE 000A0GNPZ3); and
- (ii) 1.5 billion 5.5% Undated Subordinated Hybrid Capital Fixed to Floating Rate Callable Notes, issued on February 27, 2004 by Allianz (ISIN: XS 018 716 2325).

Notwithstanding the foregoing, for purposes of the Undated Subordinated Bonds, the following outstanding bonds shall not be considered Parity Securities but shall be treated as senior to the Undated Subordinated Bonds solely for purposes of Deferred Interest Payments:

- (i) 1.4 billion 4.375% Guaranteed Undated Subordinated Fixed to Floating Rate Callable Bonds, issued on February 17, 2005 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 021 163 7839); and
- (ii) \$500 million 7.25% Undated Guaranteed Subordinated Bonds, issued on December 10, 2002 by Allianz Finance II B.V. and guaranteed on a subordinated basis by Allianz (ISIN: XS 015 915 0720).

There is no limitation in the Undated Subordinated Bonds on our rights to issue debt securities or guarantees senior to the Undated Subordinated Bonds.

Payment Securities means Parity Securities or Junior Securities (but excluding Qualifying Mandatory Convertible and Qualifying Warrants) issued and sold, directly or indirectly, which constitute regulatory capital (*Eigenmittel*) of equal or junior status with terms and conditions substantially similar to the terms and conditions of the Undated Subordinated Bonds (in terms of maturity, deferral, subordination and replacement).

Payment Shares means our ordinary shares, Qualifying Mandatory Convertibles and Qualifying Warrants.

PIK (Payment in Kind) means, to the extent permitted under prevailing applicable regulatory criteria, any increase in the outstanding aggregate principal amount of the Undated Subordinated Bonds by an amount equal to all or part of the outstanding Deferred Interest Payments (the **PIK Amount**), and the outstanding principal amount of each Undated Subordinated Bond shall be so increased proportionately. For the avoidance of doubt, if PIK is used it may only be used on an Interest Payment Date and only to settle Deferred Interest Payments.

Qualifying APM Securities means Payment Shares (including, to the extent available, treasury stock purchased at least six months prior to the relevant Interest Payment Date) and, to the extent permitted under prevailing applicable regulatory criteria, Payment Securities.

Qualifying Mandatory Convertible means, to the extent permitted under prevailing applicable regulatory criteria, a convertible instrument issued directly or indirectly by us that mandatorily converts into an amount or a maximum amount of our ordinary shares (as pre-defined at the date of issuance of the relevant convertible instrument) on or prior to the third anniversary of the date of its issuance and in respect of which claims by holders rank *pari passu* with the claims of holders of our ordinary shares in the event of bankruptcy.

Qualifying Securities has the meaning set forth under Substitution or Variation of Undated Subordinated Bonds.

Qualifying Solvency Securities has the meaning set forth under Substitution or Variation of Undated Subordinated Bonds.

Qualifying Warrants means share settled warrants to purchase our ordinary shares that we are not entitled to redeem for cash and the holders of which are not entitled to require us to purchase for cash in any circumstances.

Reference Treasury Dealer has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event Early Redemption Amount.

Reference Treasury Dealer Quotations has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event Early Redemption Amount.

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Regulatory Event has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event a Gross-Up Event or Tax Event.

Senior Creditors means our creditors (a) who are our unsubordinated creditors; or (b) whose claims are subordinated to the claims of our other creditors (other than those whose claims rank *pari passu* with, or junior to, your claims.)

Senior Debt has the meaning set forth under General.

Solvency Condition has the meaning set forth under Mandatory Deferral of Interest Payments.

Solvency Deferred Interest Payment has the meaning set forth under Mandatory Deferral of Interest Payments.

Solvency Shortfall has the meaning set forth under Mandatory Deferral of Interest Payments.

Sub-Threshold has the meaning set forth under Alternative Payment Mechanism.

Subsequent Senior Debt has the meaning set forth under General.

Successor Authority means any authority which becomes a successor in capacity of the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) with respect to us.

Taxes has the meaning set forth under Additional Amounts.

Tax Event has the meaning set forth under Redemption Upon the Occurrence of a Gross-Up Event, or Tax Event.

Threshold has the meaning set forth under Alternative Payment Mechanism.

Treasury Rate has the meaning set forth under Redemption Upon the Occurrence of a Regulatory Event, a Gross-Up Event or Tax Event Early Redemption Amount.

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UNDERWRITING

Under the terms and subject to the conditions set forth in the underwriting agreement (the **Underwriting Agreement**) dated June 3, 2008 between Allianz and the several underwriters of the Undated Subordinated Bonds (the

Underwriters) set forth in the table below, the Underwriters have severally agreed to purchase from us, and we have agreed to sell to the Underwriters, severally, the respective principal amounts of Undated Subordinated Bonds set forth opposite the names of the Underwriters below:

Name	Principal Amount
Citigroup Global Markets Inc.	