

Prospectus dated October 14, 2009

This document constitutes the prospectus of Allianz SE in respect of the \$1,750,000,000 8.375% Undated Subordinated Callable Bonds originally issued under the Prospectus Supplement dated May 30, 2008 and increased by an additional \$250,000,000 to an aggregate amount of \$2,000,000,000 effective June 13, 2008 (the "**Undated Subordinated Bonds**" or the "**Bonds**") for the purposes of the Luxembourg Stock Exchange (the "**Prospectus**"). It has been drawn up pursuant to Part IV of the Luxembourg Law relating to Prospectuses for Securities (*Loi relative aux prospectus pour valeurs mobilières*, the "**Luxembourg Law**") together with the rules governing the functioning of the Luxembourg Stock Exchange.



**ALLIANZ SE**

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

**\$2,000,000,000**

**8.375% Undated Subordinated Callable Bonds**

The \$2,000,000,000 aggregate principal amount of 8.375% Undated Subordinated Callable Bonds (the "**Undated Subordinated Bonds**" or the "**Bonds**") were issued by Allianz SE (the "**Issuer**", "**Allianz**", "**we**" "**our**" or "**us**") pursuant to a subordinated indenture between the Issuer and The Bank of New York Mellon, as Trustee.

Application has been made to the Luxembourg Stock Exchange, which is the entity competent for the purpose of Part IV the Luxembourg Law, for its approval of the Prospectus.

Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to trade the Bonds on the Euro MTF market ("**Euro MTF**") operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Markets in Financial Instruments Directive 2004/39/EC, and therefore a non-EU-regulated market (the "**Non-EU-Regulated Market**"). The Bonds are currently also listed on the New York Stock Exchange ("**NYSE**"). On September 22, 2009, the Issuer announced that it had provided written notice to the NYSE of its intention to voluntarily delist its securities, including the Bonds, from the NYSE and that the last trading day of the Bonds is expected to be on or about October 23, 2009. Subject to compliance with applicable laws and relevant listing procedures, the Bonds may also be included and traded on other markets.

This Prospectus will be published in electronic form on the website of the Luxembourg Stock exchange ([www.bourse.lu](http://www.bourse.lu)).

## THIS PROSPECTUS

This Prospectus has been drawn up in order to permit the admission of the Bonds to listing on the official list of the Luxembourg Stock Exchange and to trading on the Euro MTF operated by the Luxembourg Stock Exchange. The Euro MTF is a multilateral trading facility for the purposes of the Market and the Financial Instruments Directive 2004/39/EC, and therefore a Non-EU-Regulated Market.

This Prospectus fulfils the requirements for a prospectus pursuant to Part IV of the Luxembourg Law relating to prospectuses for securities (*Loi relative aux prospectus pour valeurs mobilières*, the "**Luxembourg Law**") and Subchapter 2 of Part 2 of the Rules and Regulations of the Luxembourg Stock Exchange, as amended. It does not constitute a prospectus pursuant to Part II of the Luxembourg Law, which implements Directive 2003/71/EC of the European Parliament and the Council of November 4, 2003 (the "**Prospectus Directive**"), and does not purport to meet the format and disclosure requirements of the Prospective Directive and Commission Regulation (EC) No. 809/2004 on the implementing measures of the Prospective Directive. This Prospectus has not been, and will not be, submitted for approval to any competent authority within the meaning of the Prospective Directive. The Bonds do therefore not qualify for the benefit of the single European passport pursuant to the Prospective Directive.

## **Responsibility Statement**

Allianz SE accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of the Issuer, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omissions likely to affect the import of the Prospectus.

## **Notice**

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Bonds shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof, or (ii) that there has been no adverse change in the financial situation of the Issuer which is material in the context of an investment in the Bonds since the date of this Prospectus, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Prospectus by reference or (iii) that any other information supplied in connection with the issue of the Bonds is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

No action has been taken by the Issuer that would permit a public offering of the Bonds, or possession or distribution of this Prospectus or any other material in any country or jurisdiction where action for that purpose is required. Accordingly, no Bonds may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction.

The Prospectus does not constitute an offer to sell or the solicitation of an offer to buy the Bonds to which it relates. The distribution of this Prospectus (or of any part thereof) and the offering and sale of the Bonds in certain jurisdiction may be restricted by law. Persons into whose possessions this Prospectus (or any part thereof) comes are required by the Issuer to inform themselves about and to observe any such restrictions. This Prospectus does not constitute, and may not be used for, or in connection with, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorized or to any person to whom it is unlawful to make such offer or solicitation.

No person has been authorized to give any information which is not contained in or is not consistent with this Prospectus or any other document entered into in relation to the Bonds or any information supplied by the Issuer or such other information as in the public domain and, if given or made, such information must not be relied upon as having been authorized by the Issuer.

**This Prospectus may only be used for the purpose for which it has been published.**

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## Documents Incorporated by Reference

This Prospectus should be read and construed in conjunction with the following documents which have been previously published or are published simultaneously with this Prospectus and which have been filed with the Luxembourg Stock Exchange and shall be deemed to be incorporated in, and form part of, this Prospectus:

### Cross Reference List

<b>Base Prospectus of the Allianz SE, Allianz Finance II B.V., Allianz Finance III B.V., € 20,000,000,000 Debt Issuance Programme, dated September 25, 2009</b>	
Risk Factors relating to Allianz SE/Allianz Group	pages 27-36
Description of Allianz SE and Allianz Group	pages 114- 163

<b>Audited Consolidated Annual Report 2007 of Allianz Group</b>	
Total revenues, operating profit, net income for business segments/consolidated net income	Page 38
Impact of the financial markets turbulence	Pages 38-41
Consolidated Balance Sheets	Page 128
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<b>Audited Consolidated Annual Report 2008 of Allianz Group</b>	
Consolidated Balance Sheets	Page 136
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<b>Unaudited Consolidated Interim Report for the Second Quarter and First Half 2009 of Allianz Group</b>	
Consolidated Balance Sheets	Page 40
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Consolidated Statements of Comprehensive Income	Page 42
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Notes to the Condensed Consolidated Interim Financial Statements	Pages 46-71
Supplementary Information to the Consolidated Balance Sheets	Pages 72-77
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All documents listed above shall be deemed to be incorporated in, and to form part of, this Prospectus and which shall be deemed to modify or supersede the contents of this Prospectus to the extent that a statement contained in any such document is inconsistent with such contents.

Any information not listed in the cross reference list but included in the documents incorporated by reference is given for information purposes only.

Copies of the documents which are incorporated herein by reference will be available free of charge from the specified office of the Issuer as set out at the end of this Prospectus.

This Prospectus and the documents incorporated by reference are also available for viewing at [www.bourse.lu](http://www.bourse.lu).

**The Undated Subordinated Bonds 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 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 of the United States or the Federal Republic of Germany.

#### **CERTAIN DEFINED TERMS**

In this Propectus, 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.

## Summary regarding the Bonds

*The following summary constitutes the summary of the essential characteristics associated with the Bonds. This summary is not complete and does not contain all the information that may be important to you. You should read the entire Prospectus including the documents incorporated by reference herein, before making an investment decision.*

<b>Issuer</b>	Allianz SE
<b>Interest</b>	The Undated Subordinated Bonds will bear interest at a rate of 8.375% per annum payable quarterly in arrears.
<b>Interest Payment Dates</b>	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 " <b>Interest Payment Dates</b> ".
<b>Subordinated Status of the Bonds</b>	<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 all unsubordinated</p>



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.

**"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 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.

#### **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.

**"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.

**"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.

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 Optional 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 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.

**"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 "**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.

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 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 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 defined under Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation) (the "Code") 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 Code, 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 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 and Trading**

Euro MTF operated by the Luxembourg Stock Exchange.



The Bonds are currently listed on the New York Stock Exchange ("**NYSE**"). On September 22, 2009, the Issuer announced that it had provided written notice to the NYSE of its intention to voluntarily delist its securities, including the Bonds, from the NYSE and that the last trading day of the Bonds is expected to be on or about October 23, 2009.

## Risk Factors

*Investing in the Undated Subordinated Bonds using this 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 before you decide to buy the Undated Subordinated Bonds. In particular, you should review the Risk Factors relating to Allianz SE/Allianz Group which are 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 Allianz SE and Allianz Group

The risks relating to Allianz SE and Allianz Group is incorporated by reference into this Prospectus, see page 5.

### 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 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 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."

#### ***Tax impact of the investment***

An effective yield on the Notes may be diminished by the tax impact on an investment in the Notes. Payments of interest on the Notes, or profits realised by the Noteholder upon the sale or repayment of the Notes, may be subject to taxation in its home jurisdiction or in any other jurisdiction in which it is required to pay taxes. All investors are advised to contact their own tax advisors for advice on the tax impact of an investment in the Notes.

#### ***There is no assurance that a trading market in the Undated Subordinated Bonds will exist or that it will be liquid***

Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to trade the Bonds on the Euro MTF operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Market and the Financial Instruments Directive 2004/39/EC, and therefore a Non-EU-Regulated Market. The Bonds are currently also listed on the NYSE. On September 22, 2009, the Issuer announced that it had provided written notice to the NYSE of its intention to voluntarily delist its securities, including the Bonds, from the NYSE and that the last trading day of the Bonds is expected to be on or about October 23, 2009.

There can be no assurance that an active trading market on the Euro MTF will develop. Even if an active trading market does develop, no one 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 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***

As of the date of this Prospectus the Undated Subordinated Bonds are rated by S&P with "A+" and by Moody's with "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.

### **Description of Allianz SE and Allianz Group**

The description of Allianz SE and Allianz Group is incorporated by reference into this Prospectus, see page 5.



*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 Bonds filed with the SEC before making an investment decision. These documents are available for viewing on the website [www.sec.gov](http://www.sec.gov).*

## **Description of the Undated Subordinated Bonds**

### **General**

On June 10, 2008 Allianz SE ("**we**", "**us**", "**our**" or the "**Issuer**") issued the 8.375% Undated Subordinated Callable Bonds (the "**Undated Subordinated Bonds**") under a subordinated indenture dated as of June 10, 2008 among the Issuer and The Bank of New York Mellon, as initial 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 is a summary description of the material terms of the Indenture. The Indenture and its associated documents, including any supplemental indenture and the Bonds, contain the full legal text of the matters described in this section and the other terms described herein. A copy of the Indenture has been filed with the SEC as part of our registration statement. These documents are available for viewing on the website [www.sec.gov](http://www.sec.gov). In cases of inconsistency between the terms described herein and the terms of the Indenture, the terms of the Indenture will apply and replace those presented herein.

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 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 are 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 are issued in denominations of US\$25 and integral multiples thereof. The Undated Subordinated Bonds are 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 started to accrue from June 10, 2008 and is 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 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 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 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
  - 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.

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 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.

However, no such Additional Amounts shall be payable with respect to such Taxes in respect of any amount payable on the Bonds:

- (i) to a holder which is liable for such Taxes in respect of the Bonds by reason of such holder having some connection with a Relevant Jurisdiction other than the mere holding of the Bonds;
- (ii) to a holder which would be able to avoid such withholding or deduction under the laws of a Relevant Jurisdiction by presenting any form or certificate and/or making a declaration of non-residence or similar claim for exemption or refund but fails to do so after proper notice has been sent to such holder by the issuer of the Bonds;
- (iii) in respect of any deduction or withholding imposed on a payment to an individual and required to be made pursuant to European Council Directive 2003/48/EC or any other European Union Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) to a holder which would have been able to avoid such withholding or deduction by presenting (where presentation is required) the Bonds to a Paying Agent in another Member State of the European Union.

In addition, we will not pay Additional Amounts to a holder that is a fiduciary or partnership or an entity that is not the sole beneficial owner of the payment where the law requires the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had it been the holder.

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.

*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.

### **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**

Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to trade the Bonds on the Euro MTF operated by the Luxembourg Stock Exchange, which is a multilateral trading facility for the purposes of the Market and the Financial Instruments Directive 2004/39/EC, and therefore a Non-EU-Regulated Market. The Bonds are currently also listed on the NYSE. On September 22, 2009, the Issuer announced that it had provided written notice to the NYSE of its intention to voluntarily delist its securities, including the Bonds, from the NYSE and that the last trading day of the Bonds is expected to be on or about October 23, 2009. We expect the Undated Subordinated Bonds to trade 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 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" by a particular Holder as defined under Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation) (the "Code") 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 Code, 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.

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 or 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 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" by a particular Holder as defined under Section 1(h)(11) of the Internal Revenue Code of 1986, as amended (or any successor legislation) (the "Code") 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 Code, 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 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 Bonds 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 "Modifications of the Indenture," below, 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 Mellon is initially serving as the Trustee for the Bonds issued under the Indenture.

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.

The Bank of New York Mellon has provided commercial banking and other services for us and our related companies in the past and may continue to do so in the future. Among other things, The Bank of New York Mellon may serve as trustee or agent with regard to certain of our other outstanding debt obligations we and our affiliates have.

Consequently, in connection with a breach of obligations under the Indenture and the Bonds, the Trustee may be considered to have a conflicting interest for purposes of the Trust Indenture Act of 1939. In that case, the Trustee may be required to resign under the Indenture and we would be required to appoint a successor Trustee.

The Trustee under the Indenture also provides administrative duties for us, such as sending you interest payments and notices.

### **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 is cleared through DTC only. Beneficial interests in the Undated Subordinated Bonds in the form of Global Notes are shown on, and transfers thereof are 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 Bonds 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" below.

### ***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 bonds 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."

**"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."

**"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.

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."

**"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."

## **Additional Characteristics of the Bonds**

### **We May Issue Many Series of Debt Securities**

We may issue as many distinct series of debt securities as we wish. The provisions of the Indenture allow us not only to issue debt securities with terms different from those of the Bonds or other debt securities previously issued under that Indenture, but also to "reopen" the Bonds or any other previous issue of a series of debt securities and issue additional debt securities of that series. We will only reopen an issuance if such reopening will be a "qualified reopening" for U.S. federal income tax purposes.

### **Debt Securities Not Secured by Assets**

The Bonds are not secured by any property or assets of the Allianz Group.

### **Modifications of the Indenture**

Except as otherwise indicated herein, there are four types of changes we can make to the Indenture and the Bonds issued thereunder.

#### ***Changes Requiring Each Holder's Approval***

First, there are changes that we or the Trustee cannot make without the approval of each holder of the Bonds. We cannot:

- change the time of payment of interest on the Bonds;
- reduce the principal amount, the interest rate or the redemption price for the Bonds;
- permit redemption of the Bonds if not previously permitted;
- change the times at which the Bonds may be redeemed or, once notice of redemption has been given, the time at which the Bonds must thereupon be redeemed;
- impair the right of any holder of the Bonds to receive any principal payment or interest payment on the Bonds in a manner other than as stated in the terms of the Bonds, on or after the applicable payment date thereof, or to institute suit for the enforcement of any such payment;
- change the currency of any payment on the Bonds other than as permitted by the Bonds;
- change our obligation (or of our successor) to pay Additional Amounts and interest (including deferred interest), if any;
- change any provision of the Indenture affecting the ranking of the Bonds, in a manner adverse to the holders of the Bonds;
- reduce the percentage in principal amount of the Bonds, the approval of whose holders is needed to change the Indenture or the Bonds;
- reduce the percentage in principal amount of the Bonds, the consent of whose holders is needed to waive our compliance with the Indenture; or
- change the provisions of the Indenture dealing with modification and waiver in any other respect, except to increase any required percentage referred to above or to add to the provisions that cannot be changed or waived without approval of the holder of the Bonds.

Neither we nor any of our subsidiaries or affiliates may, directly or indirectly, pay or cause to be paid any consideration, whether by way of interest, fee or otherwise, to any holder the Bonds as an inducement to any consent, waiver or amendment to any of the terms or provisions of the Indenture or the Bonds unless such consideration is offered to be paid or agreed to be paid to all holders of the Bonds that consent, waive or agree to amend such term or provision within the time period set forth in the solicitation documents relating to the consent, waiver or amendment.

### ***Changes Not Requiring Approval***

The second type of change does not require any approval by holders of the Bonds. These changes are limited to clarifications and changes that would not adversely affect the Bonds in any material respect.

### ***No modification of Subordination Provisions of the Indenture***

We may not amend the Indenture using a supplemental indenture that would directly or indirectly modify the subordination of the outstanding Bonds in any manner which might terminate or limit the subordination. In addition, we may not modify the subordination provisions of the Indenture in a manner that would adversely affect the Bonds of any one or more series then outstanding in any material respect, without the consent of the holders of a majority in aggregate principal amount of all affected series then outstanding, voting together as one class (and also of any affected series that by its terms is entitled to vote separately as a series, as described below).

### ***Changes Requiring Majority Approval***

Any other change to the Indenture and the Bonds issued under the Indenture would require the following approval:

- if the change affects only the Bonds, it must be approved by the holders of a majority in the principal amount of the Bonds; or
- if the change affects more than one series of debt securities issued under the Indenture, it must be approved by the holders of a majority in the principal amount of the series affected by the change, with all affected series voting together as one class for this purpose (and of any series that by its terms is entitled to vote separately as a series, as described below).

In each case, the required approval must be given by written consent. The same majority approval would be required for us to obtain a waiver of future compliance by us with any provision, including any of our covenants in the Indenture or the Bonds. If the holders agree to waive a covenant, we will not have to comply with it. A majority of holders, however, cannot approve a waiver of any provision in the Bonds or in the Indenture as it affects the Bonds, that we cannot change without the approval of each holder of the Bonds as described above in "— Changes Requiring Each Holder's Approval" unless that holder approves the waiver.

*Book-entry and other indirect owners should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the Bonds or request a waiver.*

### ***Special Rules for Action by Holders***

When holders take any action under the Indenture, such approving any change or waiver or giving the Trustee an instruction, we will apply the following rules.

### ***Only Outstanding Bonds Are Eligible***

Only holders of outstanding Bonds will be eligible to participate in any action by holders of the Bonds. Also, we will count only outstanding Bonds in determining whether the various percentage requirements for taking action have been met. For these purposes, a Bonds will not be "outstanding":

- if it has been surrendered for cancellation;
- if we have deposited or set aside, in trust for its holder, money for its payment or redemption; or
- if we or one of our affiliates is the owner.

### ***Special Series Voting Rights***

We may issue series of debt securities that are entitled, by their terms, to vote separately on matters (for example, modification or waiver of provisions in the Indenture) that would otherwise require a vote of all affected series, voting together as a single class. Any such series would be entitled to vote together with all other affected series, voting together as a single class, and would also be entitled to vote separately, as a series only. In some cases, other parties may be entitled to exercise these special voting rights on behalf of holders of the relevant series.

For the Bonds and any other series of debt securities issued under the Indenture that do not have these special rights, voting will occur as described in the preceding section, but subject to any separate voting rights of any series having special rights. We may issue series having these or other special rights without obtaining the consent of or giving notice to holders of outstanding securities.

### ***Determining Record Dates for Action by Holders***

We will generally be entitled to set any date as a record date for the purpose of determining the holders that are entitled to take action under the Indenture. In certain limited circumstances, only the Trustee will be entitled to set a record date for action by the holders. If we or the Trustee set a record date for an approval or other action to be taken by the holders, that vote or action may be taken only by persons or entities who are holders on the record date and must be taken during the period that we specify for this purpose, or that the Trustee specifies if it sets the record date.

We or the Trustee, as applicable, may shorten or lengthen this period from time to time. This period, however, may not extend beyond the 180th day after the record date for the action. In addition, record dates for any global debt security may be set in accordance with procedures established by the depositary from time to time.

### ***Payment Mechanics for the Bonds***

#### ***Who Receives Payment?***

If interest is due on the Bonds on an Interest Payment Date, we will pay the interest to the person or entity in whose name the Bonds is registered at the close of business on the regular record date relating to the interest payment date. If interest is due at maturity but on a day that is not an interest payment date, we will pay the interest to the person or entity entitled to receive the principal of the Bonds. If the principal or another amount besides interest is due on the Bonds, we will pay the amount to the holder of the Bonds against surrender of the Bonds at a proper place of payment, or, in the case of the Global Note, in accordance with the applicable policies of DTC, Euroclear or Clearstream, as applicable.

**Business Day**

Unless otherwise specified herein, the term "business day" means, for any debt security, a day that meets all the following applicable requirements:

- it is a Monday, Tuesday, Wednesday, Thursday or Friday that is not a day on which banking institutions in the place of payment and New York City generally are authorized or obligated by law, regulation or executive order to close, and that satisfies any other criteria specified herein;
- if the Bond is held through Euroclear, it is also not a day on which banking institutions in Brussels, Belgium are generally authorized or obligated by law, regulation or executive order to close; and
- if the Bond is held through Clearstream, it is also not a day on which banking institutions in Luxembourg are generally authorized or obligated by law, regulation or executive order to close.

**How We Will Make Payments Due in U.S. Dollars**

*Payments on the Global Note.* We will make payments on the Global Note in US Dollars in accordance with the applicable policies of the depositary as in effect from time to time. Under those policies, we will pay directly to the depositary, or its nominee, and not to any indirect owners who own beneficial interests in the global debt security. An indirect owner's right to those payments will be governed by the rules and practices of the depositary and its participants, as described under "Legal Ownership and Book-Entry Issuance —What Is a Global Security?"

*Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive payments on their Bonds.*

**Payment When Offices Are Closed**

If any payment is due on a Bond on a day that is not a business day, we will make the payment on the next day that is a business day unless such business day would fall in the next calendar year. Payments postponed to the next business day in this situation will be treated under the Indenture as if they were made on the original due date. A postponement of this kind will not result in a default under the Bonds or the Indenture, and no interest will accrue on the postponed amount from the original due date to the next day that is a business day. The term business day has a special meaning, which we describe above under "— Business Day."

**Paying Agent**

We may appoint one or more financial institutions to act as our paying agents, at whose designated offices debt securities in non-global form may be surrendered for payment at their maturity. We call each of those offices a paying agent. We may add, replace or terminate paying agents from time to time. We may also choose to act as our own paying agent. Initially, we have appointed the Trustee, at its corporate trust office in New York City, as the paying agent. We must notify you of changes in the paying agents.

**Unclaimed Payments**

Regardless of who acts as paying agent, all money paid by us to a paying agent that remains unclaimed at the end of two years after the amount is due to a holder will be repaid to us. After that two-year period, the holder may look only to us for payment and not to the Trustee, any other paying agent or anyone else.

**Notices**

Notices to be given to holders of the Bonds will be given to the depositary, in accordance with its applicable policies as in effect from time to time and all notices will be published on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)).

*Book-entry and other indirect owners should consult their banks or brokers for information on how they will receive notices.*

**Service of Process**

We have appointed Corporation Service Company, acting through its office at 1133 Avenue of the Americas, Suite 3100, New York, New York 10036, as our authorized agent for service of process in any legal action or proceeding to which we are a party relating to the Indenture or the Bonds brought in any federal or state court in New York City and have submitted to the non-exclusive jurisdiction of those courts.

## **Legal Ownership and Book-Entry Issuance — Considerations Relating to Euroclear, DTC and Clearstream**

In this section, we describe special considerations that will apply to registered securities issued in global — i.e., book-entry — form. First we describe the difference between legal ownership and indirect ownership of registered securities. Then we describe special provisions that apply to global securities.

### **Who is the Legal Owner of a Registered Security?**

Each security in registered form will be represented by one or more global securities representing the entire issuance of securities. We refer to those who have securities registered in their own names on the books that we or the trustee or any other agent maintain for this purpose as the "holders" of those securities. These persons are the legal holders of the securities. We refer to those who, indirectly through others, own beneficial interests in securities that are not registered in their own names as indirect owners of those securities. As we discuss below, indirect owners are not legal holders, and investors in securities issued in book-entry form or in street name will be indirect owners.

### **Legal Holders**

Our obligations, as well as the obligations of the trustee under the Indenture and the obligations, if any, of any agent and any other third parties employed by us, the trustee or any of those agents, run only to the legal holders of the securities. We do not have obligations to investors who hold beneficial interests in global securities, in street name or by any other indirect means. This will be the case whether an investor chooses to be an indirect owner of a security or has no choice because we are issuing the securities only in global form.

For example, once we make a payment or give a notice to the holder, we have no further responsibility for that payment or notice even if that holder is required, under agreements with depositary participants or customers or by law, to pass it along to the indirect owners but does not do so. Similarly, if we want to obtain the approval of the holders for any purpose— e.g., to amend the Indenture or to relieve us of the consequences of a default or of our obligation to comply with a particular provision of the Indenture —we would seek the approval only from the holders, and not the indirect owners, of the relevant securities. Whether and how the holders contact the indirect owners is up to the holders.

When we refer to "**you**" in this Prospectus, we mean those who invest in the Bonds whether they are the holders or only indirect owners of the Bonds. When we refer to "**your securities**" in this Prospectus, we mean the Bonds in which you will hold a direct or indirect interest.

### **Book-Entry Owners**

The Bonds are issued in book-entry form. This means the Bonds are represented by one or more global securities registered in the name of a financial institution that holds them as depositary on behalf of other financial institutions that participate in the depositary's book-entry system. These participating institutions, in turn, hold beneficial interests in the securities on behalf of themselves or their customers.

Under the Indenture, only the person in whose name a security is registered is recognized as the holder of that security. Consequently, for securities issued in global form, we will recognize only the depositary as the holder of the securities and we will make all payments on the securities, including deliveries of any property other than cash, to the depositary. The depositary passes along the payments it receives to its participants, which in turn pass the payments along to their



customers who are the beneficial owners. The depositary and its participants do so under agreements they have made with one another or with their customers; they are not obligated to do so under the terms of the securities.

As a result, investors will not own the Bonds directly. Instead, they will own beneficial interests in a global security, through a bank, broker or other financial institution that participates in the depositary's book-entry system or holds an interest through a participant. As long as the Bonds are issued in global form, investors will be indirect owners, and not holders, of the Bonds.

### **Street Name Owners**

In the future we may terminate a global security. In these cases, investors may choose to hold their securities in their own names or in "street name." Securities held by an investor in street name would be registered in the name of a bank, broker or other financial institution that the investor chooses, and the investor would hold only a beneficial interest in those securities through an account he or she maintains at that institution.

For securities held in street name, we will recognize only the intermediary banks, brokers and other financial institutions in whose names the securities are registered as the holders of those securities and we will make all payments on those securities, including deliveries of any property other than cash, to them. These institutions pass along the payments they receive to their customers who are the beneficial owners, but only because they agree to do so in their customer agreements or because they are legally required to do so. Investors who hold securities in street name will be indirect owners, not holders, of those securities.

### **Special Considerations for Indirect Owners**

If you hold the Bonds through a bank, broker or other financial institution, either in book-entry form, you should check with your own institution to find out:

- how it handles the Bonds payments and notices;
- whether it imposes fees or charges;
- whether and how you can instruct it to exercise any rights to purchase or sell bearer depositary receipts under a warrant or to exchange or convert the Bond for or into other property;
- how it would handle a request for the holders' consent, if ever required;
- whether and how you can instruct it to send you the Bonds registered in your own name so you can be a holder, if that is permitted in the future;
- how it would exercise rights under the Bonds if there were a default or other event triggering the need for holders to act to protect their interests; and
- if the Bonds are in book-entry form, how the depositary's rules and procedures will affect these matters.

### **What Is a Global Security?**

A global security may represent one or any other number of individual securities. Generally, all securities represented by the same global security will have the same terms.

A global security may not be transferred to or registered in the name of anyone other than the depositary or its nominee, unless special termination situations arise. We describe those situations below under "— Owner's Option to Obtain a Non-Global Security; Special Situations When a Global Security Will Be Terminated." As a result of these arrangements, the depositary, or its

nominee, will be the sole registered owner and holder of all Bonds represented by a global security, and investors will be permitted to own only indirect interests in a global security. Indirect interests must be held by means of an account with a broker, bank or other financial institution that in turn has an account with the depositary or with another institution that does. Thus, an investor of the Bonds will not be a holder of the security, but only an indirect owner of an interest in the global security.

The Bonds are issued in global form, therefore the Bonds are represented by a global security at all times unless and until the global security is terminated. If termination occurs, we may issue the Bonds through another book-entry clearing system or decide that the Bonds may no longer be held through any book-entry clearing system.

### **Special Considerations for Global Securities**

As an indirect owner, an investor's rights relating to a global security will be governed by the account rules of the depositary and those of the investor's financial institution or other intermediary through which it holds its interest (e.g., Euroclear or Clearstream, if DTC is the depositary), as well as general laws relating to securities transfers. We do not recognize this type of investor or any intermediary as a holder of the Bonds and instead deal only with the depositary that holds the global security.

As the Bonds are issued only in the form of a global security, an investor should be aware of the following:

- an investor cannot cause the Bonds to be registered in his or her name, and cannot obtain non-global certificates for his or her interest in the securities, except in the special situations we describe below or as may be set forth in the Prospectus;
- an investor will be an indirect holder and must look to his or her own bank or broker for payments on the Bonds and protection of his or her legal rights relating to the Bonds, as we describe above under "—Who is the Legal Owner of a Registered Security?";
- an investor may not be able to sell interests in the Bonds to some insurance companies and other institutions that are required by law to own their securities in non-book-entry form;
- in addition to restrictions imposed by applicable law, an investor may not be able to pledge his or her interest in a global security in circumstances where certificates representing the securities must be delivered to the lender or other beneficiary of the pledge in order for the pledge to be effective;
- the depositary's policies will govern payments, deliveries, transfers, exchanges, notices and other matters relating to an investor's interest in a global security, and those policies may change from time to time. We, the trustee and other agents will have no responsibility for any aspect of the depositary's policies, actions or records of ownership interests in a global security. We, the trustee and other agents also do not supervise the depositary in any way;
- the depositary will require that those who purchase and sell interests in a global security within its book-entry system use immediately available funds and your broker or bank may require you to do so as well; and
- financial institutions that participate in the depositary's book-entry system and through which an investor holds its interest in the global securities, directly or indirectly, may also have their own policies affecting payments, deliveries, transfers, exchanges, notices and other matters relating to the securities, and those policies may change from time to time. For example, if you hold an interest in a global security through Euroclear or Clearstream, when DTC is the

depository, Euroclear or Clearstream, as applicable, will require those who purchase and sell interests in that security through them to use immediately available funds and comply with other policies and procedures, including deadlines for giving instructions as to transactions that are to be effected on a particular day. There may be more than one financial intermediary in the chain of ownership for an investor. We do not monitor and are not responsible for the policies or actions or records of ownership interests of any of those intermediaries.

### **Considerations Relating to Euroclear, DTC and Clearstream**

Euroclear and Clearstream are securities clearance systems in Europe. Both systems clear and settle securities transactions between their participants through electronic, book-entry delivery of securities against payment.

DTC is the depository for the global security representing the Bonds and Euroclear and Clearstream may hold interests in the global security as participants in DTC.

Payments, deliveries, transfers, exchanges, notices and other matters relating to the securities made through Euroclear or Clearstream must comply with the rules and procedures of those systems. Those systems could change their rules and procedures at any time. We have no control over those systems or their participants and we take no responsibility for their activities. Transactions between participants in Euroclear or Clearstream, on one hand, and participants in DTC, on the other hand, when DTC is the depository, will also be subject to DTC's rules and procedures.

Purchases of securities within the DTC system must be made by or through DTC participants, which will receive a credit for the securities on DTC's records and on the records of Clearstream or Euroclear, if applicable. The ownership interest of each actual purchaser of securities, a beneficial owner of an interest in a global certificate, is in turn to be recorded on the DTC participants' and indirect participants' records. Beneficial owners of interests in a global certificate will not receive written confirmation from DTC of their purchases, but beneficial owners of an interest in a global certificate are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the DTC participants or indirect participants through which the beneficial owners of an interest in a global certificate purchased securities. Transfers of ownership interests in the securities are to be accomplished by entries made on the books of DTC participants and indirect participants acting on behalf of a beneficial owner of an interest in a global certificate. Beneficial owners of interests in a global certificate will not receive certificates representing their ownership interests in securities, unless use of the book-entry system for the securities is discontinued.

### **Special Timing Considerations for Transactions in Euroclear and Clearstream**

Investors will be able to make and receive through Euroclear and Clearstream payments, deliveries, transfers, exchanges, notices and other transactions involving any securities held through those systems only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, U.S. investors who hold their interests in the securities through these systems, and wish to transfer their interests, or to receive or make a payment or delivery or exercise any other right with respect to their interests, on a particular day may find that the transaction will not be effected until the next business day in Luxembourg or Brussels, as applicable. Thus, investors who wish to exercise rights that expire on a particular day

may need to act before the expiration date. In addition, investors who hold their interests through both DTC and Euroclear or Clearstream may need to make special arrangements to finance any purchases or sales of their interests between the U.S. and European clearing systems, and those transactions may settle later than would be the case for transactions within one clearing system.

## **Taxation**

The following comments are of a general nature and included herein solely for information purposes. They are based on the relevant laws currently in force and as applied on the data of this prospect, which are subject to change, possibly with retroactive effect. These comments cannot replace legal or tax advice. No representation with respect to the consequences to any particular prospective holder of a Bond is made hereby. Prospective holders of a Bond should consult their own tax advisers in each country which they are resident and in all relevant jurisdictions.

### **Federal Republic of Germany**

The following summary does not consider all aspects of income taxation in the Federal Republic of Germany ("**Germany**") that may be relevant to a holder of the Bonds in the light of its particular circumstances and income tax situation. The summary applies to investors holding the Bonds as private assets (except where explicitly stated otherwise) and is not intended to be, nor should it be construed to be, legal or tax advice. This discussion is based on German tax laws and regulations, all as currently in effect (except where explicitly stated otherwise) and all subject to change at any time, possibly with retroactive effect. The tax treatment of Bonds that were issued and acquired prior to January 1, 2009 may, subject to certain transition rules in connection with the introduction of the flat tax (*Abgeltungsteuer*) on investment income, differ significantly from the description in this summary.

Prospective holders should consult their own tax advisers as to the particular tax consequences to them of subscribing, purchasing, holding and disposing of the Bonds, including the application and effect of state, local, foreign and other tax laws and the possible effects of changes in the tax laws of Germany.

#### ***German tax residents holding Bonds as private assets***

##### ***Taxation of income from the Bonds***

If the Bonds are held as private assets (*Privatvermögen*) by an individual investor whose residence or habitual abode is in Germany, payments of interest under the Bonds are taxed as investment income (*Einkünfte aus Kapitalvermögen*) at a 25 per cent. flat tax (*Abgeltungsteuer*) (plus a 5.5 per cent. solidarity surcharge thereon and, if applicable to the individual investor, church tax).

The same applies to capital gains from the sale or redemption of the Bonds. The capital gain is generally determined as the difference between the proceeds from the sale or redemption of the Bonds and the acquisition costs. Expenses directly related to the sale or redemption are taken into account in computing the taxable gain. Otherwise the deduction of related expenses for tax purposes is not possible.

Where the Bonds are denominated in a currency other than Euro, the acquisition costs and the proceeds from the sale or redemption are computed in Euro, each at the time of the acquisition, sale or redemption, respectively.

The flat tax is generally collected by way of withholding (see succeeding paragraph – Withholding tax) and the tax withheld shall generally satisfy the individual investor's tax liability with respect to the Bonds. If, however, no or not sufficient tax was withheld the investor will have to include the income received from its investment in the Bonds in its income tax return and the flat tax will then be collected by way of tax assessment. The investor may also opt for inclusion of investment income in its income tax return if the aggregated amount of tax withheld on investment income

during the year exceeded the investor's aggregated flat tax liability on investment income (e.g., because of an available loss carry forward or a foreign tax credit). If the investor's total income tax liability on all taxable income including the investment income determined by generally applicable graduated income tax rates is lower than 25 per cent. the investor may opt to be taxed at graduated rates with respect to its investment income.

Capital losses from the Bonds held as private assets are tax-recognized irrespective of the holding period of the Bonds. The losses may, however, not be used to offset other income like employment or business income but may only be offset against investment income subject to certain limitations. Losses not utilized in one year may be carried forward into subsequent years but may not be carried back into preceding years.

Individual investor's are entitled to a tax allowance (*Sparer-Pauschbetrag*) for investment income of 801 Euro per year (1,602 Euro for married couples filing their tax return jointly). The tax allowance is considered for purposes of the withholding tax (see succeeding paragraph – Withholding tax) if the investor files a withholding tax exemption request (*Freistellungsauftrag*) with the respective bank or financial institution where the securities deposit account to which the Bonds are allocated is held. The deduction of related expenses for tax purposes is not possible.

#### *Withholding tax*

If the Bonds are kept or administered in a domestic securities deposit account by a German credit or financial services institution (or by a German branch of a foreign credit or financial services institution), or by a German securities trading firm (*Wertpapierhandelsunternehmen*) or a German securities trading bank (*Wertpapierhandelsbank*) (altogether the "Domestic Paying Agent") which pays or credits the interest, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent, is levied on the interest payments. If interest is paid in kind as PIK Amount (as defined in the Description of the Undated Subordinated Bonds), the investor will be required to provide the Domestic Paying Agent with the amount of withholding tax including surcharges in cash.

Capital gains are also subject to the 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, if the Bonds are kept or administered by a Domestic Paying Agent effecting the sale or redemption since their acquisition. If the Bonds were sold or redeemed after being transferred to another securities deposit account and the actual acquisition costs of the investor were not evidenced satisfactorily to the new Domestic Paying Agent, the new Domestic Paying Agent would be required to withhold the 25 per cent. withholding tax (plus a 5.5 per cent. solidarity surcharge thereon) on 30 per cent. of the proceeds from the sale or the redemption, as the case may be. If the account bank from which the Bonds are transferred is a Domestic Paying Agent it will be required, however, to remit the acquisition costs to the new Domestic Paying Agent.

The applicable withholding tax rate is in excess of the aforementioned rate if church tax is collected for the individual investor.

#### ***German resident investors holding the Bonds as business assets***

##### *Taxation of income from the Bonds*

If the Bonds are held as business assets (*Betriebsvermögen*) by an individual or corporate investor who is tax resident in Germany (i.e., a corporation with its statutory seat or place of management in Germany), interest income and capital gains from the Bonds are subject to personal income tax at graduated rates or corporate income tax (plus a 5.5 per cent. solidarity surcharge thereon) and trade tax. The trade tax liability depends on the applicable trade tax factor of the relevant municipality where the business is located. In case of individual investors the trade tax may,

however, be partially or fully creditable against the investor's personal income tax liability depending on the applicable trade tax factor and the investor's particular circumstances. Losses from the disposal or redemption of the Bonds will generally be tax-recognized and may generally be offset by income subject to certain limitations.

#### *Withholding tax*

If the Bonds are kept or administered by a Domestic Paying Agent which pays or credits the interest, a 25 per cent. withholding tax, plus a 5.5 per cent. solidarity surcharge thereon, resulting in a total withholding tax charge of 26.375 per cent, is levied on the interest payments. If interest is paid as PIK Amount, the investor will be required to provide the Domestic Paying Agent with the amount of withholding tax including surcharges in cash.

No withholding, however, is generally required on capital gains derived by German resident corporate investors and upon application by individual investors holding the Bonds as business assets.

Any losses incurred from the disposal or redemption of the Bonds will not be taken into account for withholding tax purposes. The withholding tax does not satisfy the investor's income tax liability with respect to the Bonds. The income from the Bonds will have to be included in the investor's personal or corporate income tax return. Any German withholding tax (including surcharges) is generally fully creditable against the investor's personal or corporate income tax liability or refundable, as the case may be.

#### ***Non-German resident investors***

Income derived from the Bonds by holders who are not tax resident in Germany is in general exempt from German income taxation, and no withholding tax shall be withheld, provided however (i) the Bonds are not held as business assets of a German permanent establishment of the investor or by a permanent German representative of the investor, or (ii) the Bonds are not otherwise subject to German taxation (e.g., because the Bonds were considered to be profit contingent instruments), or (iii) the Bonds are not presented for payment or credit at the offices of a German credit or financial services institution including a German branch of a foreign credit or financial services institution (over-the-counter transaction).

If the income derived from the Bonds is subject to German taxation according to (i) to (iii) above, the income is subject to withholding tax similar to that described above under the paragraphs Withholding tax. Under certain circumstances, foreign investors may benefit from tax reductions or tax exemptions under applicable double tax treaties (Doppelbesteuerungsabkommen) entered into with Germany.

#### ***Inheritance tax / gift tax***

The transfer of Bonds to another person by way of gift or inheritance is subject to German gift or inheritance tax, respectively, if

- (i) the testator, the donor, the heir, the donee or any other acquirer had his residence, habitual abode or, in case of a corporation, association (Personenvereinigung) or estate (Vermögensmasse), had its seat or place of management in Germany at the time of the transfer of property,
- (ii) except as provided under (i), the testator's or donor's Bonds belong to a business asset attributable to a permanent establishment or a permanent representative in Germany,

Special regulations apply to certain German expatriates.

### **Other taxes**

The purchase, sale or other disposal of Bonds does not give rise to capital transfer tax, value added tax, stamp duties or similar taxes or charges in Germany. However, under certain circumstances entrepreneurs may choose liability to value added tax with regard to the sales of Bonds which would otherwise be tax exempt. Net wealth tax (Vermögensteuer) is, at present, not levied in Germany.

### **European directive on the taxation of savings income**

On June 3, 2003 the EU Council of Economic and Finance Ministers adopted a new directive regarding the taxation of savings income (the "**Directive**"). The Directive is effective as from July 1, 2005. Under the Directive each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State; however, Austria, Belgium and Luxembourg may instead apply a withholding system for a transitional period in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period has commenced on July 1, 2005 and terminates at the end of the first fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). Similar provisions may apply under agreements entered into pursuant to the Directive in respect of interest payments made by persons within the jurisdiction of certain territories, not being Member States to individuals resident in Member States, and, in some cases, vice versa.



## **General**

### **Authorisation**

The issue of the Bonds was authorised by Allianz SE on April 30, 2008

### **Statutory Auditor**

KPMG AG Wirtschaftsprüfungsgesellschaft ("**KPMG**"), Ganghoferstraße 29, 80339 Munich, Germany, has been appointed as auditor for the fiscal years (*Geschäftsjahre*) ending December 31, 2008, 2007, and 2006 respectively, and audited the respective annual financial statements. KPMG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

### **ISIN and Common Code**

The Bonds have the following securities codes:

ISIN: US0188052007;

Common Code: 036955147.

### **Post-Issuance Information**

The Issuer has not and will not provide any post-issuance information.

### **Use of Proceeds**

The net proceeds in the amount of \$1,938,561,815 (including the net proceeds for the increase by an additional \$250,000,000 following the exercise of the green shoe option) were used for general corporate purposes of the Allianz Group and to further strengthen our capital base.

### **Issue price of the Bonds**

On the Issue Date each Undated Subordinated Bond was issued with an issue price of US\$25.00.

### **Listing Information**

Application has been made to list the Bonds on the official list of the Luxembourg Stock Exchange and to trade the Bonds on the Euro MTF operated by the Luxembourg Stock Exchange.

### **Underwriting or guaranteeing of the issue**

Upon the original issuance of the Bonds, an underwriting agreement dated 3 June 2008 was signed among the Issuer and several underwriters. The issue of the Bonds was not guaranteed.

No placement or underwriting of the Bonds occurred concurrently with the listing of the Bonds on the Luxembourg Stock Exchange.

### **Documents Available**

So long as the Bonds are listed on the official list of the Luxembourg Stock Exchange and admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange shall so require, copies (and, where appropriate, English translations) of the documents set out under (a) and (b) will be available in electronic form on the website of the Issuer ([www.allianz.com](http://www.allianz.com)), the documents set out under (c) and (d) will be available in electronic form on the website of the Luxembourg Stock Exchange ([www.bourse.lu](http://www.bourse.lu)) and the documents set out under (e) and (f) will be available for inspection at the office of the Issuer:

- (a) the Articles of Association (*Satzung*) of Allianz SE;

- (b) the Audited Annual Reports of Allianz SE (consolidated and non-consolidated) for the fiscal year ended December 31, 2007 and for the fiscal year ended December 31, 2008, and the Unaudited Consolidated Interim Report for the Second Quarter and First Half 2009 of Allianz Group as well as all future annual audited reports and all future interim reports which will be unaudited, consolidated and issued quarterly;
- (c) the Base Prospectus of the Allianz SE, Alliance Finance II B.V., Allianz Finance III B.V., € 20,000,000,000 Debt Issuance Programme, dated September 25, 2009
- (d) a copy of this Prospectus;
- (e) First Supplemental Indenture between Allianz SE and The Bank of New York to the Subordinated Debt Indenture between Allianz SE and The Bank of New York, dated June 10, 2008; and
- (f) all financial notices concerning Allianz SE intended for Bondholders.

Registered Office of the Issuer

**Allianz SE**

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D-80802 Munich  
Germany

Trustee and Paying Agent

**The Bank of New York Mellon**

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USA

Auditor to Allianz SE

**KPMG AG**

**Wirtschaftsprüfungsgesellschaft**

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