

Burkhard Keese
Executive Vice President

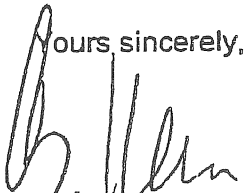
Sir David Tweedie
Chairman
International Accounting Standards Board
30 Cannon Street
London
EC4M 6XH
United Kingdom

10 October 2008

Dear Sir David,

In our view, the current market environment requires short-term amendments to IFRS. I would like to take the opportunity to provide our proposals for changes that we submitted in a letter to Commissioner McCreevy today. I would be pleased to discuss the proposed amendments in IAS 39 covered in the letter with you.

Yours sincerely,



Burkhard Keese

Encl.:
Letter to McCreevy

Dr. Helmut Perlet

Member of the Board of Management

Mr. Charlie McCreevy
Commissioner for Internal Market and Services
European Commission
200, rue de la Loi
1049 Brüssel
BELGIEN

9 October 2008

Dear Commissioner

In the light of the current market environment, we would like to take the opportunity to provide proposals for immediate short-term amendments to IFRS. In the following we would like to summarise our proposals for counteracting the current inappropriate accounting effects on equity and profit or loss. In our view, immediate action should be taken on:

- The determination of fair value measurement of financial instruments in illiquid markets
- The classification rules applying to financial instruments.

With respect to fair value determination, in our view, mark-to-market fair value measurement should be abandoned for financial instruments when markets are significantly illiquid and distressed. Illiquid markets are markets, where prices are not observable or are only randomly observable with few transactions which are not representative of an objective value. The concept of fair value measurement assumes an orderly transaction between market participants that are willing to transact. Distressed or forced liquidation sales are not orderly transactions.

Instead, mark-to-model fair values should be used for financial instruments in markets that are illiquid and distressed. When market data do not exist, the use of internal management's estimates that incorporate expectation of future cash flows, including an appropriate risk premium, should be used to determine the economic value of the financial instruments. The determination of fair value requires significant judgement. Multiple inputs from different sources, including internal assumptions as well as observable market data on illiquid markets should be collectively applied as factors for determining fair value.

In respect of the classifications rules, it should be distinguished between initial recognition and subsequent reclassification if those instruments were intended to be held until maturity. When first recognising financial instruments, it should be possible to treat debt securities similarly to loans. This principle requires that on initial recognition it must be possible to measure both, securitised and unsecuritised investments, at amortised cost. Of course, these instruments should be subject to strict impairment rules. If management, for what ever reason, decides to change its investment intent and would like to sell the instruments before maturity, the realised gains or losses on these instruments should be recognised immediately in profit or loss and disclosed in the notes.

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Reclassification from "Trading" and/or "Available for Sale" into "Loans and Receivables" should be permitted if market developments require respectively suggest to change the original business intent. In these circumstances, it should be possible to reclassify debt securities as "Loans and Receivables" and permit an accrual accounting treatment. The reclassification of the financial instruments should be at fair value and disclosed in the notes to the financial statements.

The proposed amendments should not apply to a specific industry. Instead, they should be effective for all industries in order to achieve a level-playing field in capital markets. Furthermore, we recommend to ensure that the elimination of the reconciliation to US GAAP should be maintained for the consolidated financial statements under the proposed new rules.

If you have any questions that you would like to raise in relation to the proposed amendments in IFRS covered in this letter, please feel free to contact us.

Yours sincerely,