

Allianz Deutschland AG

Annual Press Conference, March 7, 2007 Munich

Report by Dr. Gerhard Rupprecht Chairman of the Board of Management

Ladies and Gentlemen,

(Chart: Annual Press Conference)

I too would like to welcome you cordially to the first annual press conference of Allianz Deutschland AG.

(Chart: Reorganization: On course)

Reorganization: To remain the unchallenged Number One in Germany, and to achieve our ambition of being our customers' choice as the most trustworthy insurer.

2006 was an extraordinary year for Allianz. It was the first major German corporation to adopt the legal form of a "Societas Europea," or European Company. This is much more than a mere legal technicality. It is a declaration of faith in the future of the European market. Our merger with Italy's RAS and tender offer to the minority shareholders of France's AGF show that we are not just paying lip service to the idea. Yet at the same time, Allianz's success in Europe depends critically on its strength in its home country, Germany. So our re-

organization of the insurance business in Germany is not just a German affair – it's one of the cornerstones of the Allianz Group's entire strategy.

The changes in structures and business processes that we have set in motion at our German insurance companies have meant equally profound changes in the career plans of many of our employees. That is what makes such decisions very painful. And it's also not easy to communicate them in a situation when they haven't been forced upon us.

Yet we're absolutely convinced that it's essential to reorganize our presence in Germany. To safeguard our future in the German market, we have got to work more cost-effectively and with an even better focus on the customer. We will not lose sight of our goal – to remain the unchallenged Number One in Germany, and to achieve our ambition of being the customers' choice as the most trustworthy insurance company.

**2006:
Laying the
groundwork for
our reorganization.**

(Chart: Summary of 2006: Year One of ADAG)

I can sum up 2006 by saying that in Year One of Allianz Deutschland AG, we stayed on course and made considerable headway in our reorganization.

We:

- implemented the legal structure for our reorganization process,
- we worked out the details of the future working procedures in our new operations model,
- and we reached agreement with our employee representatives on shared goals and the appropriate levels of social responsibility.

Ladies and Gentlemen,

it was not self-evident that we would be able to achieve this without falling short of our business targets. I think it's a sign of strength that ADAG, its employees, and its agents generated such a good result in the face of so many stresses.

To provide you with the most up-to-date information possible, we're reporting today on the basis of preliminary figures, which are meaningful all the same. So I can show you at this early stage how the German insurance business fits into the accounting calculations of Allianz SE, I'll be reporting selected key figures to you in accordance with International Accounting Standards. But I should make it clear that audited IFRS subgroup financial statements for ADAG will not be available until we report on the current fiscal year. The individual results of our single-line companies have already been prepared under IFRS for Allianz Leben.

Property/casualty and health insurance are still reporting under the German Commercial Code. You'll find a summary of important data and key figures for our various lines in your press kits.

(Chart: 2006 earnings: ADAG – selected key figures)

ADAG:
The Group's performance engine.

ADAG is the operating holding company that heads our three single-line companies – Allianz Versicherungs-AG, Allianz Lebensversicherungs-AG, and Allianz Private Krankenversicherungs-AG – as well as our sales and financial advice company, Allianz Beratungs- und Vertriebs-AG (ABV).

Premium income at ADAG was up 3.1 percent, to EUR 25.6 billion. Neither this figure nor the comparison basis includes industrial insurance for multinationals, which we transferred last year to Allianz Global Corporate & Specialty. Premium income at ADAG accounts for about one-quarter of the consolidated revenues of Allianz SE. The contribution to revenues from the life and health segments, which are growing fast because of demographic changes, came to 63 percent in Germany, 16 percentage points higher than for the Group as a whole. But property and casualty also contributes far more than its share toward earnings in Germany too.

ADAG's operating profit was EUR 2.0 billion. Of this figure, EUR 1.3 billion came from property and casualty, 0.5 billion from life, and 0.2 billion from health.

Net income totaled EUR 1.7 billion for the year, and shareholders' equity was EUR 16 billion.

(Chart: 2006 earnings: Contribution of single-line companies and ABV)

Ladies and Gentlemen,

Let's take a closer look at what our individual lines and our sales company contributed here.

Last year's economic upswing also had a positive impact on the German insurance industry in general. Preliminary figures from the National Association of German Insurers indicate that revenues increased 2.3 percent for the industry as a whole. Premium income was up in life and health, but down in property and casualty. This is the same picture that we find at ADAG and its subsidiaries.

*Property & casualty:
Claims ratio down again.*

Premium income at Allianz Sach tapered off slightly against the previous year, to reach EUR 9.5 billion. After adjustment for the reassignment of

Group business that I mentioned earlier, the decrease is equivalent to 0.5 percent.

In the motor business, revenues were down 4.2 percent, in part because of stiff competition in this price-sensitive market, and in part because of our systematic policy of not taking on under-rated business even in a cyclical downswing.

Another contributing factor was a more reassuring general trend: drivers appear to be driving more carefully. The result is that increasing numbers of accident-free customers slip into lower-priced no-claims rate groups, and pay lower premiums. This is the situation for most of our clients at Allianz. Experienced drivers – which means a large number of our insurance clients – are especially likely to cause fewer accidents. This effect will be even more obvious in ten to fifteen years, when demographic change will mean that more and more risk-aware senior clients are on the roads. The aging of the population is also having an effect on property and casualty insurance.

On the other hand, we slightly expanded the number of vehicles covered, by about 20,000 cars.

Premium income was up in other branches of insurance, such as casualty and liability. A point particularly worth emphasizing here is the increase in

casualty insurance with premium refunds. The rise in revenues there was 8.6 percent.

Here again, the older generation has been setting a trend. Policies taken out for a one-time premium have been on the increase. Often clients over the age of 50 want to cover the risk that they might need extended care after an accident. Many of these customers decide in favor of the Allianz “CarePlus” component of casualty insurance, and at the same time have the financial resources to pay the one-time minimum premium of EUR 25,000 for the insurance package.

Sales successes among our full-time agents also yielded a gratifying increase in the commercial mass-market business. Premium revenues in corporate property insurance rose 2.3 percent, and the number of risks insured also increased.

Despite regional natural events like storms and floods, total claims expenses were down for the fourth year in a row. This made it possible to keep the total expense for claims and costs almost constant relative to premium income, even though there were several exceptional charges on the cost side. This ratio, known as the combined ratio, remains very favorable.

Leben:
**Gains in market
share.**

Allianz Leben gained market share once again. Life insurance is the growth engine at ADAG. New premiums grew by about a quarter, to EUR 4.5 billion. Allianz Leben grew substantially – both in the segment for private individuals, where retirement insurance, and especially Riester products, generated a 39 percent gain, and in the corporate business for company retirement plans, where the increase was 9 percent.

The strong influx from new business increased gross premiums written by 6.4 percent, substantially more than for the market as a whole. In all, premium income passed the EUR 13.0 billion mark.

Yet payments to clients for terminations, pensions, deaths and redemptions did not increase, and remained steady at the previous year's EUR 11.8 billion.

Consequently the investment portfolio grew vigorously, from EUR 122.5 to EUR 128.6 billion. Most of this is reserved to cover our clients in old age. To make sure that we can perform reliability on our benefits guarantees to clients, we have placed about three-quarters of our capital in fixed-income investments. But Allianz Leben also makes use of its available risk capital to invest in stocks. We expanded our stock exposure in terms of market

value from 17.7 percent to 21.0 percent. Thanks to our strong financial backing, this percentage is well above the market as a whole, so that we can take particular advantage of opportunities for long-term gains for our customers' benefit. We set aside EUR 3.5 billion in our premium refund reserve so that our clients can share in our future profits.

***Kranken:
Net income from
insurance opera-
tions improves
significantly.***

In new business in health insurance, the debate about health care reform again interfered with sales of full-coverage policies at Allianz Private Krankenversicherung (APKV). Many potential clients remained uneasy, and hesitated to sign up. But demand for supplemental coverage was up. New business overall was down 6.0 percent. At the end of 2006, APKV had more than 2.4 million individuals insured, a gain of 0.5 percent. Although the number of individuals with full coverage declined 1.6 percent, those with supplemental coverage increased 1.4 percent.

Premium income grew 1.6 percent, to about EUR 3.1 billion. The gain came in equal parts from new business and from necessary premium adjustments. With an average premium adjustment of less than four percent, we believe we raised our premiums less than the market at large. We owe that to our successful benefits and health manage-

ment system, which has been in place for several years now.

We spent some EUR 2.1 billion on claims for our clients. In part because fewer individuals are ill at the moment, the loss ratio declined from 78.7 percent to 77.0 percent.

Last year we added EUR 959 million to the increasing-age reserve – up 3.2 percent from the year before. That reserve is now endowed with EUR 14.4 billion, substantially more than the premium income for four years, all of which Allianz alone has invested at interest to mitigate the impact of age on its clients' health expenses.

This provision for the future is an important plus for clients with private health insurance. By comparison, the public health insurance system, with its pay-as-you go funding, still has no answer to the challenges of an aging society. For that reason especially, parliament's increasing regulation of private health insurance is almost incomprehensible.

The improved claims situation again led to an improvement in the net income ratio for insurance operations: following the prior year's 9.7 percent, it reached an outstanding 12.1 percent.

***ABV:
Launched as
planned***

Allianz Beratungs- und Vertriebs-AG, or ABV for short, finished out its first fiscal as planned. ABV combines the exclusive sales organizations of Allianz and our agents under a single roof.

ABV generated commission income of EUR 2.1 billion as a sales agent for insurance, retirement, capital formation and banking products. It receives this income in the form of performance-based lump-sum commissions from the product providers. As expected, these revenues were enough to cover ABV's costs, especially compensation for its roughly 11,000 full-time agents, part-time agents and sales employees. ABV also showed a small after-tax profit of EUR 5.0 million for 2006, which it contributed toward the profits of ADAG.

As you already know from announcements in the press, ABV was able to attract more than 330,000 clients for Dresdner Bank during the year, and thus considerably exceeded its target once again. These clients are by no means just fillers on the books. The bank now generates an average of EUR 450 in gross earnings from the clients acquired in 2004 – a figure consistent with the average for personal banking, and a demonstration of the potential of the business brought in by Allianz.

At the end of 2006, ADAG and its subsidiaries had a total of 32,307 employees, 3,353 fewer than at the

end of 2005. This figure includes a transfer of 847 employees from the sector Konzerne and Allianz Marine & Aviation to the new subsidiary Allianz Global Corporate & Specialty. After adjusting for this effect, the number of employees was down by 2,506 compared to the end of 2005. Thus since restructuring began, voluntary agreements have pared away 1,555 full-time positions.

Ladies and Gentlemen,

As you can see, Allianz earned a very good profit in Germany in 2006. Here we also profited from lower claims and from the positive performance of the capital markets. But that environment can change. So we must take advantage of it today, so as to ready ourselves for more difficult conditions. Only lasting cost cuts can detach us from the natural cycles of our business and let us grow profitably even during adverse phases of the market. Our aim in reorganizing our insurance business is to make systematic use of the potential for efficiency that undoubtedly still remains, and to create the necessary leeway for action in the future.

But costs are only one side of the coin. The other side is growth.

(Chart: 2007: New on the sales front)

To ensure growth, we've put a whole series of projects in motion. Here we're particularly counting on product innovations that set us apart from our competitors.

An important characteristic of our new products will be assistance benefits. Merely reimbursing costs for property damage or a benefits claim only goes part way toward serving the customer. The customer's biggest concern is to remedy the damage caused by an accident, a fire or a broken pipe, and to get the right help for an injury or illness, or if there's legal trouble. That's where we come in. We mean to evolve from a mere provider of reimbursements into a problem-solver for our clients.

That's why we'll expand our successful "Schutzbrief" emergency assistance package concept until it becomes a synonym in Germany for assistance services in all lines. With Mondial Assistance, Allianz already owns the world market leader in this business.

Demographic change will mean that the segment of the population over age 55 will become ever larger and ever more solvent. Although these customers are particularly open to the topic of coverage, the range of products available to meet their specific needs is still inadequate. That's a gap we intend to fill. For that reason, this year we will launch two new multi-line

products in this growth market. We'll be introducing them in April.

In property and casualty insurance, we've been well aligned with this trend for some years now, with our Allianz Handwerker-Service in residential building insurance, our Haus- und Wohnungsschutzbrief emergency assistance package for homeowners and renters, and the Unfall 60 Aktiv accident package for senior clients. Over 400,000 policies sold prove how well we're doing. And health insurance too has been following this approach with its health management programs – for example, the Patient Support Advocate who assists clients after severe injuries or illnesses.

Last year we expanded this product line in legal insurance, with Around-the-Clock Legal Advice – and our legal coverage clients have already made use of the service a good 94,000 times.

We've also blazed new trails in life insurance. The Allianz Indexpolice is a combination of retirement insurance and a long-term certificate with a guaranteed minimum payout. It combines the security of life insurance with the additional opportunities for returns offered by the capital market. Our customers and sales partners have been very receptive to this new product – in its very first year we collected one-time

premiums of some EUR 320 million, one-eighth of the total new premiums in our business with private individuals. Dresdner Bank placed much of the subscribed volume with its customers.

After a slow start, the “Rürup pension” has also begun selling significantly better. The number of new sign-ups for the Allianz BasisRente plan grew by a factor of two and a half, to 16,800. This is also in part because this form of retirement coverage has now become really worthwhile for the group for whom it was originally intended – the self-employed. Now they too can claim tax-deductible contributions up to the maximum of EUR 20,000 for individuals, or EUR 40,000 for couples, starting with the very first euro. We assume that the change in the laws will produce a further significant increase in demand for our BasisRente product.

On March 1, our health insurance segment introduced a three-level rate system in full-coverage insurance, called AktiMed. With their new risk assessment method, these rate schedules lead to pricing that is more differentiated, and thus more risk-appropriate. Until now, the descriptions of medical conditions from the existing APKV data were evaluated on the basis of how those conditions progressed, and where necessary the risk was brought into line with the risk for healthy individuals by way of

individual risk surcharges. It was not possible to take account of the interactions of various diagnoses or the risk of subsequent illnesses. The resulting deterioration in the risk structure of the customer portfolio led to premium adjustments that the entire community of the insured had to support.

The new system eliminates the former costing drawbacks, evaluates illnesses on a statistical basis, and calculates in any surcharges that may be necessary for the individual case. The result is that the basic premium to be paid by the client is over 20 percent lower for all three of the available benefits levels – Basic, Plus and Best.

**Allfinanz:
One millionth client
expected.**

But growth is not just a question of innovative products and services. Another crucial factor is sales channels. That's why we began testing a new sales concept in February. In a pilot project, we'll start by expanding 100 of our Allianz agencies into banking agencies.

The banking agency will have a bank consultant – a Dresdner Bank employee – permanently on duty. This will allow Allianz agents and the banker to work out the best coverage and capital-building concept for their clients right on the spot. It creates optimum conditions in which to welcome the one millionth Dresdner Bank customer attracted by way of an Allianz agency.

More and more clients expect us to be available for them in person, on the phone, and of course on line. That's why we plan to work with our agents to make even better use of the sales potential of the Internet. About two-thirds of our agencies now have their own Web sites. Over 4,000 agencies are Allianz eBusiness agencies. A year ago, they were attracting something over 3,000 contacts a month. By now the figure is around 30,000 a month. Our Dialog Center at allianz.de, where clients can take care of such business as reporting claims and requesting offers, logs more than 130,000 visits per month. These inquiries are passed on to our eBusiness agencies, where an agent responds within one business day.

Our Internet brand Allianz 24 has also been performing nicely. In 2006, we gained nearly 60,000 new clients through this sales channel. Allianz 24 allows us to focus on serving the customer segments that we can't reach through the conventional Allianz sales organization.

(Chart: 2007: New operating model introduced in service regions)

*Customer satisfaction:
Implementation of
operating model
begins.*

But growth also depends on word of mouth from our clients. And that's the starting point for our Net Promoter Score – the method by which we at Allianz

measure customer loyalty in Germany and world-wide. As we know from surveys, good word of mouth depends to a large degree on our customers' satisfaction with the level of service provided by our in-house staff. That's why our new operating model puts the main focus on customer orientation. In the negotiations on reconciling interests with our labor councils, we extensively discussed and defined the details of the employment concept. Now we can start implementing it.

The first area of emphasis will be the Northeast Service Region. Around mid-year, we plan to start up our new Incoming Mail Center in Berlin, and in Leipzig we'll start up our pilot site for handling phone inquiries from clients.

The Mail Center will scan incoming insurance mail electronically, and pass it on within 24 hours to the computer screen of the appropriate customer service agent. That will significantly cut the time till we can start processing a question, compared to the mail system we had before. The customer will get a first response from the Company far earlier. In the final phase, when the Mail Center is serving all four service regions, it will be able to process electronically up to 700,000 documents a day.

The customer support center is expected to resolve 80 percent of customer requests directly by phone or

email, letter or fax, with no need for further action. The foundation for this capability will be provided by the Allianz Business System (ABS), an IT platform that makes it possible to view a customer's account across all our different lines. We're hard at work on it right now.

**2007:
Business expectations positive.**

Despite the very demanding changes in our working procedures, we expect to grow further in 2007. We intend to grow once again in property insurance, even though the insurance association has projected that revenues in this sector overall will decline. We expect new momentum from the sale of our new products. Gains at Allianz Leben should also outperform the projections for the market as a whole. In health insurance, we expect to achieve at least the same growth rate as we did in 2006.

(Chart: 2007: Minority buyout at Allianz Leben)

Ladies and Gentlemen,

**Minority buyout at Allianz Leben:
An attractive offer.**

Finally, a few words about our buyout of the minority interests in Allianz Leben. We've summarized the key points for you here again here on the chart. As you know, a week ago we submitted our offer to some 8,800 shareholders who hold the remaining roughly nine percent of Allianz Leben stock. By buying out the minority, we hope to reduce the complexity of our equity ownership structure in Germany. Additionally, this effort complies with our shareholders' repeated

requests at shareholders' meetings to make a settlement offer because of our small free float.

We believe that the price of EUR 750 per share, including the dividend entitlement for 2006, is a very attractive, fair offer. It represents a substantial 19.7 percent premium over the stock's average trading price for the six months before we announced our plans on January 18. I think it's a good deal, and a deal that the shareholders should accept. We certainly do not plan to increase our offer. We've already made that clear.

If we can acquire 95 percent of the stock, we intend to initiate the usual squeeze-out procedure. We intend to ensure that shareholders who accept the buyout offer, and those who must sell their stock in the squeeze-out, are both compensated equally. In other words, shareholders who agree now will by no means be at a disadvantage, because they will still be entitled to a further payment to make up for any difference that arises later.

(Chart: Annual Press Conference)

Ladies and Gentlemen,

Let me sum up. The reorganization of our German insurance business is progressing as planned. We're advancing full steam toward achieving our final oper-

ating model. The product pipeline for our sales organizations is well filled.

Many thanks for your kind attention.

(Check against delivery.)

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