



OLIVER BÄTE
Chairman of the Board of Management

Dear Investors –

Your Allianz looks back on another successful year – a year in which we celebrated our 125th anniversary and generated record revenues of € 125.2 BN. Operating profit grew 3.2% to € 10.7 BN and net income attributable to shareholders was € 6.6 BN. These figures show that your company is very well positioned and can deliver impressive results even in difficult times.

The excellent results are due, above all, to our more than 142,000 highly motivated employees, who have put all their energy into making 2015 a successful year for Allianz. I would like to extend to them my warmest thanks for their loyalty and hard work.

I am proud of this team. Allianz is a different company today from the one I joined in 2008. Besides being more profitable, we have become more versatile, more efficient and more responsive. This is the lasting legacy of Michael Diekmann, my predecessor as Chairman of the Board of Management. In twelve years, many of which were plagued by crisis, he took your company to new levels of performance and secured Allianz a place in the league of the most reputable financial service companies worldwide. I believe I speak in your name when I express my sincere thanks to Mr. Diekmann for his outstanding services.

At the same time, I am delighted that the share price performed so strongly in 2015 with the value of your shares increasing by 19.1%. Including the dividend payment, we are pleased to report a return of 24.6%. As we want you to further participate in our robust performance in 2015, we will propose to the Annual General Meeting to increase the dividend by € 0.45 to € 7.30.

The performance of the Property-Casualty segment was again very strong: By growing revenues by 6.8% and operating profit by 4.1%, Allianz has clearly confirmed its position as global market leader. Another major reason for our continued success in 2015 is the accelerating reorientation of our Life/Health insurance business towards unit-linked and capital-efficient products. We have successfully adjusted the product offer to match the low-yield environment in our key markets, such as Germany. The new products have a balanced opportunity-risk profile, as lower guarantees come with a higher share of the investment result. As a result they are in strong demand, allowing us to significantly increase the share of these innovative products in our new business.

In the case of PIMCO, although the new management team successfully stabilized the business and outflows were reduced, net outflows have not yet ceased. Overall, flows were significantly influenced by the macroeconomic environment and in particular by the expectation of rising interest rates in the United States, which prompted many investors to reduce their investments in fixed-income securities. As a consequence, PIMCO will again be an area of focus for Allianz in 2016, with the clear goal of regaining its former momentum.

Encouraged by the very good overall results, it is now time for us to look to the future. Rather than take our healthy position in the insurance market and asset management business for granted, we must adapt to the radical economic, political and global upheaval that is taking place. We are currently affected by geopolitical instability, demographic

and social change, a slowdown in growth in many markets, and persistently low interest rates. In addition, digitalization is revolutionizing everything we do. It is fundamentally changing the way in which people interact with companies and with each other.

In order for us to remain successful and strong in this constantly changing environment, we – the Board of Management, together with more than 200 colleagues in different countries and functions – have developed our Renewal Agenda. It was presented to you and the entire investor community at our Capital Markets Day in November 2015.

Your company has defined five fields of action to secure growth in revenues and profitability.

True Customer Centricity: We aim for an outstanding customer experience by gaining a better understanding of our customers' needs and tailoring our services so as to meet those needs. Our success is measured by our customers' willingness to recommend Allianz, for which we use the Net Promoter Score (NPS). The results reveal the level of our customers' satisfaction and loyalty and indicate how we can improve even more. Since a high NPS also means accelerated revenue growth, by 2018 we would like 75% of our businesses (currently 50%) to be loyalty leaders or at least above-market average in terms of NPS.

Digital by Default: Digitalization can suddenly threaten business models that have been successful in the past, as we have witnessed in other industries. But the good news for you as an Allianz investor is that digitalization also opens up major opportunities for your company. It allows us to transform Allianz and concentrate on the things that promote positive customer experience and customer growth, and at the same time to increase our productivity.

We are working throughout the Group on simplifying products and processes and on common technologies and platforms that will fully digitalize the business step by step. The resulting productivity gains will be invested in future business model improvements. Our ambition is that these initiatives will bring about a sustained increase in productivity of at least € 1 BN per year by 2018. In order to reach this goal, we will have to consistently align business models, products, and processes across country and company borders and minimize paper at each element of the value chain.

Technical Excellence: Our aim is to raise the quality of our insurance business to a level that generates superior margins and growth rates by leveraging the best analytical methods and our highly-talented experts and managers. The advantages offered by digitalization will be used to optimize our risk-adequate pricing and to streamline and speed up claims processing. We also seek to increase growth and effectiveness in our business with medium-sized enterprises and commercial firms. In the Property-Casualty segment, our goal is to achieve a combined ratio of 94% or better by 2018, with the support of the best technical experts, and to receive consistently positive feedback from brokers and customers. In the Life/Health business segment we are targeting a return on equity of 10% or higher and a new business margin of at least 3%. This also requires us to selectively wind down unprofitable business.

Growth Engines: We will consolidate our leading positions in mature markets and expand our presence in growth regions with the aim of generating stronger growth and improving margins. Our new joint venture with the Chinese web portal Baidu, which reaches 90% of Chinese internet users, is one good example. It puts us in a prominent position in one of the most dynamic digital insurance markets with annual growth rates of 40% and expected annual revenues of € 100 BN by 2020.

Inclusive Meritocracy: Our corporate culture will be refined to make not only high performance matter, but also the way in which our employees go about achieving it, for example by collaborating closely in cross-functional teams. The aim is to promote an entrepreneurial spirit that concentrates on finding the best ideas and implementing them productively together with others in the organization. For this to succeed, we are adjusting our remuneration and incentive systems. The Inclusive Meritocracy Index (IMIX), which is based on our annual employee surveys, shows the progress we have made towards renewing our management culture. It currently stands at 68% throughout the Group, and we aim to increase it to 72% by 2018.

We are implementing the Renewal Agenda together – full of optimism, ideas and confidence in our own capabilities because we have excellent and in many cases unique resources. Even in adverse conditions, our financial strength has firm foundations.

Allianz stands for trust based on competence, integrity, and resilience. That is why our customers and shareholders place their trust in us. We have a strong brand and it is getting even stronger – Allianz is the only insurer among the top 50 companies in the

Brand Finance brand value ranking. We must now use our existing strengths to become even stronger, so we can consistently make the most of the opportunities presented by change. But we can only continue to be resilient if we constantly adapt to our environment. We believe we have set ourselves the right priorities to achieve this with our Renewal Agenda program.

I feel particularly encouraged by the exciting and innovative initiatives that are being developed and launched in our strategic project groups covering these five fields of action. We have brought together a large number of enthusiastic colleagues from all continents who know what needs to be done and how important their mission is. They are already working hard to implement our plans in the operating businesses.

As the Board of Management of Allianz, it is particularly important to us that the organization develops a clearer market orientation. If we want to grow in the digital era, we will have to pay closer attention to our customers and our competition in the future. This includes competitors that have not been the primary focus of our benchmarking in the past.

It is also essential that we exercise discipline when allocating capital. Business segments that do not have market leadership are at a competitive disadvantage. We cannot afford to tie up valuable capital and personnel that offer greater earnings potential when re-deployed to businesses with higher margins and stronger growth. With this in mind, we will carefully reshape our portfolio with sound judgement to create even more leading and superior business units. Smaller, highly profitable companies will benefit from the advantages of using common regional platforms.

Allianz will become even more flexible and focused on its customers. At the same time, our intrinsic values will remain the same as in the past 125 years: integrity, competence, and resilience. We will not follow every trend that comes along. But if and when fundamental opportunities emerge we will take the lead in our industry and carry out any changes required. This includes our decision to gradually adapt our investment policy to sustainable investment criteria and stop financing the coal industry.

Although the operating environment poses growing risks and macroeconomic forces are unlikely to lead to an additional surge in growth, we will do everything we can to make 2016 another successful year for Allianz. 2016 will test our ability to implement the

Renewal Agenda in our operating businesses and to take concrete steps towards becoming an Allianz that is consistently customer-focused and digital throughout its business. I am encouraged by the strengths of our business, by the solidarity of our management, and by our employees, who know what is at stake.

It is clear to the employees of Allianz that both the future success of our company and your success as an investor depend, directly and entirely, on our ability to understand our customers and to tailor our products and services even more consistently to their requirements – or in other words, to provide simple, modern, and outstanding service quality at all times.

I would like to thank you for your support and the trust you have placed in us and would be delighted if you remain a part of Allianz in the future.

Sincerely yours,

Oliver Zito