

Annual General Meeting of Allianz SE on May 5, 2010

Report by Michael Diekmann,
Chairman of the Board of Management,
on business developments

The spoken word shall prevail.

Allianz 



Michael Diekmann

Dear shareholders,

On behalf of my colleagues on the Board of Management, I would like to extend a warm welcome to you at Allianz's Annual General Meeting here in the Olympiahalle.

I'd like to start by talking to you about the results we achieved in 2009 and by offering some explanatory information on our dividend proposal. In the second part of my speech, I will be addressing the issue of sustainability, before moving on to talk about the focus of our work in 2010, and the results we achieved in the first quarter, in the third part of my speech.

Before we take a look at the figures, I'd like to focus on our employees. Last year, Allianz boasted a global workforce of 153,000 employees, just under a third of whom were based in Germany. All of the success stories that I will be unveiling to you today are the result of the hard work of these 153,000 people. So I'd like to say a heartfelt thank you to our employees and sales partners, and hope that you will join me in doing so.

The people who work for us are also one of the interest groups that we serve.

Superior benefits for all stakeholders
(Payout 2009)



You know this picture from the last Annual General Meeting. Here are the current figures for the year under review.

Based on our dividend proposal, you, our shareholders, will receive 1.9 billion euros. By way of example, third parties – including the public sector (tax revenues) – received 2.4 billion euros from us. Our employees received almost 10 billion euros, our sales partners 11.6 billion euros and the largest share – just short of 83 billion euros – went to our customers. Broken down, this corresponds to a daily cash flow to our customers of 227 million euros.

This picture depicts a financial community of shareholders, customers, employees, sales partners and the general public itself. It is a picture that portrays your Allianz – a strong community that has not only defied the financial crisis, but has also proved reliable in serving all of its interest groups.

Allianz 2009: Important parameters improved



1) From continuing operations

All in all, Allianz achieved solid results in 2009: revenues were up by 5.2 percent to 97.4 billion euros, the operating result came in at 7.2 billion euros and net income for the year from continuing operations climbed to 4.7 billion euros. With a solvency ratio of 164 percent, we more than satisfied the capital requirements imposed by the supervisory law, putting us in a very good position in comparison with the rest of the market, too.

Our "AA – outlook stable" Standard & Poor's rating is not only the best among Europe's primary insurers, it has also remained stable throughout the entire crisis.

All segments contribute to net profit



Our three business areas made positive contributions to our result in 2009, with life insurance and asset management reporting particularly encouraging developments.

In the non-life business, we forged ahead systematically with our selective underwriting policy last year. We did not attempt to expand our market shares in unprofitable market segments that are characterized by particularly intense competition, and will not be doing so in the future either in the interests of both our customers and shareholders.



Last year was a difficult one for the property and casualty business, not only from a revenue point of view, but also as far as claims development was concerned. After hurricane “Klaus” hit in January, and following a striking cluster of less spectacular weather related claims in the first half of the year, it took until the second six months of the year for us to significantly cut our combined ratio and achieve a level of 97.4 percent for the year as a whole. This corresponds to an operating result worth of 4 billion euros, a level that is admittedly down by 28 percent year-on-year. As a result, reducing combined ratio further remains one of the management team’s top priorities for Allianz this year.

The life insurance business, on the other hand, developed very well in 2009.

With written premiums totaling almost 51 billion euros, in 2009 we generated the highest revenues in the life and health insurance business in our history. At 2.8 billion euros, the operating result was almost on a par with the record-breaking 2007. Given the ageing global population and social security systems that are cracking under pressure, life insurance will remain a growth area for our Company for a long time to come.

Our asset management division also achieved a result that I can only describe as outstanding.

Investments managed for third parties were up by more than 30 percent to total 926 billion euros. The operating result rose by a good 50 percent to a record high of 1.4 billion euros. In 2009, our customers entrusted new funds worth more than 84 billion euros to us for management. This is the most substantial inflow of funds in the history of our asset management business.

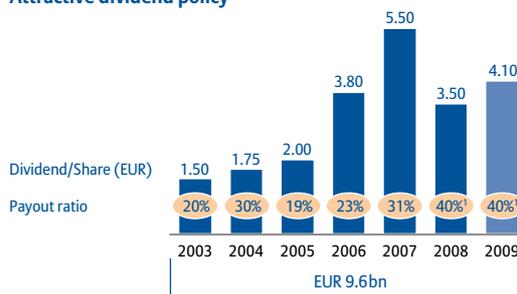
This success is attributable to several factors:

In a challenging year for the capital markets, our products perfectly fit investor demand. What’s more, with PIMCO we have a world-class manager for fixed-income securities on board. The other success factors included very good investment performance overall, improvements to the sales structure and Allianz’s capital strength, something that was received very positively by our asset management customers, too.

The newly formed “Corporate and Other” segment, which encompasses holding and banking activities in particular, closed the fiscal year with an operating loss of around one billion euros. The structure of this segment, which contains not only the costs of Allianz’s holding company, but also incurs the interest payments on the Company’s liabilities, means that a negative result of this scale is within expectations.

Ladies and Gentlemen, the facts and figures from our core business areas speak for themselves: Allianz has a good operating position and a secure capital basis. This means that, even after a financial crisis spanning almost three years, Allianz has lived up to its claim of standing firm as a strong financial community comprising shareholders, customers, employees, sales partners and the general public itself.

Attractive dividend policy



► 2009: Attractive dividend yield of 6%

1) Based on net income from continuing operations, after minorities

It goes without saying that you, as our shareholders, should benefit from this success. The Board of Management and the Supervisory Board therefore propose that the profit available for distribution in the amount of 1.86 billion euros be distributed as a dividend of 4.10 euros on every share carrying dividend rights. This proposal meets both our “capital strength” and “dividend yield” objectives. For one thing, even after the dividend distribution, our

solvency ratio will be right in our target corridor at a solid 164 percent. For another, the dividend yield, based on the average share price for last year, will come in at 6 percent, the highest level seen in the last five years. This will allow us to ensure that Allianz maintains its position as a reliable and attractive partner for investors.

I'd now like to move on to the share price performance.

Insurance stocks underperformed cross-sector indices in 2009, because the closing quarter of the year came hand-in-hand with a considerable deterioration in how some countries' credit worthiness was perceived. This had an adverse impact on insurance companies as large financial intermediaries. Accordingly, the STOXX Europe 600 Insurance rose by only 12.9 percent, while Allianz's shares climbed by 16.2 percent to 87.15 euros. The total return for shareholders corresponds to the share price performance plus the dividend. As far as this key indicator is concerned, we managed to set ourselves even further apart from our competitors. We gained 22 percent, outperforming the insurance index by 5 percentage points.

All in all, the majority of analysts polled by Bloomberg continue to maintain a positive outlook on our shares. Following the publication of the results for fiscal 2009, two thirds of analysts issued a "buy" recommendation for Allianz shares.

I would like to mention one more change that falls under the "shares" heading: we decided to withdraw from the European stock markets and from the New York Stock Exchange. Investors were the force behind this decision, because the vast majority of them were trading the Allianz share in Germany. Our listings were withdrawn at the end of 2009/early 2010. Our shares are still traded on all of the German stock exchanges as well as on Xetra.

Before I conclude my report on fiscal 2009, I would like to show you where we are in the competitive landscape.

Allianz stayed at the top
Operating profit (EUR bn)

2006		2007		2008		2009	
1. AIG	17.1	1. Allianz	10.9	1. Allianz	7.3	1. Allianz	7.2
2. Allianz	10.4	2. ING	10.7	2. AXA	6.4	2. AXA	5.7
3. ING	9.7	3. AXA	8.0	3. Generali	3.9	3. Zurich	4.6
4. AXA	6.9	4. AIG	7.3	4. Zurich	3.4	4. Generali	3.7
5. Zurich	4.6	5. Generali	4.9	5. AVIVA	-0.2	5. AVIVA	2.3
6. AVIVA	4.3	6. Zurich	4.7	6. AEGON	-0.2	6. AIG	1.4
7. Generali	4.0	7. AVIVA	2.8	7. ING	-0.5	7. AEGON	1.1
8. AEGON	2.9	8. AEGON	2.6	8. AIG	-58.1	8. ING	0.7

You can see from the development of our operating profit compared with that of our major international competitors that Allianz achieved excellent results in an international comparison. Here we have been the world's number one for the past three years now.

This strength is vital if we are to remain on our success path in the long term in an environment that has been altered by the financial crisis. You might have seen the term "New Normal" being used in connection with this environment. So what does "New Normal" mean?

We expect to see a moderate global economic recovery in 2010. We predict that, following a period of consolidation next year, inflation will return to the level seen before the crisis from 2012 onwards.

A number of fundamental aspects of the general framework have, however, changed for good, and this is what "New Normal" means.

Investors have to prepare for the New Normal



In our view, it means that, while globalization will continue, the growth rates will be lower. The experience of the last two years has made all market participants less keen to take risks. We are witnessing a considerable increase in regulation, both at the European and at the national level, with final decisions still to be reached on a range of issues. We expect to see lower interest rate returns and increasing volatility due to a combination of stricter accounting standards and more considerable periods of turbulence in the capital markets. We also expect private households to save more, and consume less, in the long term.

The high level of government debt and the possible consequences, which are being discussed in great detail in connection with the Greek debate for example, are also cause for concern.

So what are we doing at the Allianz Group to manage these changes in the overall environment? First and foremost, we are focusing on those tools that have kept us safe during the crisis.

Allianz stands for capital strength, a high-quality investment portfolio, operating excellence, customer focus and a balanced global positioning.

Obviously, we don't want these concepts to remain headlines with no real content. In the third part of my speech, I would like to go into more detail on what these concepts will involve in terms of the focal points of our work over the next few years.



The Board of Management considers shareholder interests in all its activities. We make sure that the total risks that we enter into are manageable for the Company as a whole, and that the returns justify the capital employed. This is why we carefully allocate our capital to our operating companies and look specifically at their individual risk-return profiles and strategic positions. By doing so, we aim to secure long-term value creation.

Often, when we talk about values, we actually mean figures. Ladies and Gentlemen, in the second part of my speech, I would like to address another meaning of the word “values”, namely our fundamental convictions. What did Allianz stand for in the past, what does it stand for today and what will it stand for in the future?

We are convinced that we can only win the trust of our customers and other interest groups if we can offer the highest standards of expertise, integrity and sustainability.

We understand expertise as meaning the following: On our markets, the service we provide has to be the yardstick by which others measure themselves. Our highly-qualified employees enjoy the respect of customers and competitors alike. By combining a global reach with local entrepreneurial spirit, we are able to enhance the products and services we offer, as well as our expertise, on an ongoing basis.

We believe that our integrity means more than constantly living up to our service promise and adhering to the law. Rather, it calls upon us only to make promises that we can actually keep, without taking excessive risks. And especially given the current circumstances, it is particularly crucial for us to secure our financial stability. This means that we regularly check whether or not our services balance the interests of our customers, sales partners and shareholders.

Sustainability is a term that we take to mean our long-term success. We can achieve this success by making use of our considerable, profitable growth opportunities. The current environment is clear testimony to the fact that the demand for solid investment and insurance services will rise substantially. This means that we have to be in the right strategic position and have the right operating tools at our disposal.

We are convinced that Allianz can make a substantial contribution to improving the way in which the mounting risks in our society are managed. This will allow us not only to create long-term value for our customers and shareholders, but also to assume social responsibility.

And these aren't just empty promises, but principles that we apply to our day-to-day work. I would like to show you a few examples of how this works.

Allianz4Good contributions – examples



Allianz Micro-Insurance offers more than 3.5 million of the poorest people in Africa, Asia and Latin America protection in the event of invalidity, accidents or physical loss or damage. By giving these people at the very lowest end of the income scale access to financial products, we can make a social contribution and make early inroads into markets that offer huge potential for the future.

In order to boost general financial knowledge among young people aged between 11 and 16, we launched a long-term program in the reporting year to give these young people the skills they need to make their own financial decisions. The program relies on the voluntary commitment made by Allianz employees who work closely with partner schools and teachers. We want to use the program to reach more than 50,000 young people in Germany a year with 2,000 Allianz volunteers. However, strategic partnerships as part of further training for teachers, too, will bring this figure up to between 600,000 and 700,000 from 2015 onwards.

Another new program launched in 2009 means that those employees who are involved in our OPEX quality management program help organizations and companies with a strong social commitment to optimize their processes. This allows us to use our expert knowledge to help social organizations achieve their objectives in a more efficient manner.

Climate change is closely linked to our core business. 40 percent of the claims lodged by our industrial customers are caused by natural catastrophes alone. We will be investing up to 1.5 billion euros in the renewable energy sector, with well in excess of 500 million euros of this amount already having been implemented. We are also supporting the development of environmentally-friendly technology with new products and services. By way of example, we offer more than 50 “ecological” products, for example for environmentally-friendly building renovation projects

in the US, or for energy services at Mondial Assistance in France. Our involvement in the German Energy Agency also sends out a clear signal as far as our commitment to energy efficiency is concerned. Our Allianz Climate Solutions unit creates a competence and experience network within the Allianz Group so that we can offer our customers the best possible services in the fields of renewable energy, environmental technology and reducing CO₂ emissions. We are still building on our position on the market for renewable energy insurance in many countries. The German government is also aware of, and is drawing on, the expertise we have at our fingertips.

But sustainability does not only determine our actions in the outside world – it also affects how we treat our employees. Allianz's stability and reliability throughout the crisis have made us far more attractive as an employer. An employer study crowned Allianz as the company that had moved furthest up the rankings in Germany in 2009. This increasing attractiveness is evident if we consider that Allianz SE received twice as many unsolicited applications in 2009 as in 2008.

Our management survey also confirms this trend: 84 percent of our more than 5,000 executives worldwide are proud of their company. This figure is up again on the previous year, which was already high at 82 percent. By contrast, the corresponding figure for 40 of our competitors came in at only 74 percent. This internal and external confirmation of our performance as an employer is something that we find particularly encouraging, because, after all, as a service provider we rely on the motivation of our employees and invest a lot of time in pursuing this objective at a personal level, too.

We are also aware of our responsibility as a provider of training. Last year, for example, we were able to offer more than 1,700 young school-leavers a vocational apprenticeship, or an initial trainee position, in our German companies alone.

Our employees are also the most important source of innovation that is available for us to use. Just under 40,000 of these employees caught our attention in 2009 with official submissions for suggested improvements. And we are proud to have already implemented 14,200 of these suggestions in practice in the year under review.

One example from Switzerland is telematics. A mini computer was developed for the vehicle fleet management team that has automated the transmission of journey and consumption data. This results in far more efficient fleet management. One additional benefit is the fact that an emergency call can be made at the touch of a button in the event of an accident, and that the service center then knows exactly where the vehicle is located. This saves time that can save lives. As soon as it was launched, there was considerable demand for the product among our vehicle fleet customers in Switzerland, and it has become a door-opener in this fiercely competitive business area.

Ladies and Gentlemen, in the third part of my speech, I would now like to turn my attention to the focal points of our work over the next few years as part of our underlying strategy. We have presented this strategy, under the motto "3 plus One" on several occasions over the past few years. The strategy contains five priorities for our day-to-day work.



Our top priority is becoming the partner of choice for all of our interest groups, and maintaining this position if we have already achieved it. This is an objective that analysts have put in the limelight, too. They believe that this is a credible way of showing that Allianz equates to a responsible, sustainable investment.

We are well aware that we can only continue to develop if we succeed in balancing the concerns of all of our interest groups – customers, employees, investors, sales partners and the general public.

A market and customer focus is vital in this respect. Everything boils down to the satisfaction of our customers. Despite the progress we have made in recent years, we still have some homework to do here. In principle, one would think that, especially in a service sector, customer satisfaction is something that can be achieved very easily with the good will of all concerned. It's easy to forget that our industry had to act in a very legal, bureaucratic manner for decades, and that this is reflected in our data processing systems. Moreover, we have to deal with millions of transactions and a large number of internal and external interfaces. Our customers, however, have the right to expect to be served in a fast and unbureaucratic manner that attends to their individual needs. Their expectations are getting higher and higher. Customer loyalty depends not only on sound advice but also very much on whether or not customers feel that they are being treated well, fairly and professionally at all times. Customer focus, therefore, is another issue that is high up on our list of priorities for the next few years.

We are going to be bringing our organizational structures closer into line with the needs of our customers. Our new operating model reflects this objective in its new structural and procedural organization, with market management at the centre of the new structures and customer value as a key component of our processes.

Obviously, we measure ourselves based on the quality of the service we provide. In this respect, we don't just sit back and rely on our own impressions, but continuously measure the satisfaction of our customers and their willingness to recommend us to others, as well as our market strength, a concept that ranges from brand awareness to purchasing behavior.

The support and commitment of our employees are key to achieving excellent customer service and market success. We invest in our employees and offer them attractive opportunities for further development. Every year, we conduct a global survey on management culture and employee commitment to highlight any shortfalls. We intend to use local HR planning tools, as well as talent promotion programs and productivity improvements, to ensure that the supply and demand of qualified employees is in a state of optimum balance.

You, Ladies and Gentlemen, provide us with the capital we require to expand our business. In these times of considerable uncertainty, we are keen to make sure that we not only protect your investments, but also continue to offer attractive returns and dividends. We believe that this is an aspect that deserves particular attention, because the entire sector has been suffering under a massive loss of confidence. We take this sentiment very seriously, and try to address your needs and suggestions in good time.

Our communication with institutional investors plays an important role here. In 2009 we met with institutional investors in 29 cities across Europe, Asia, the USA and Canada. In personal discussions with members of the Management Board or the Investor Relations team we offered investors the opportunity to clarify their open questions. Our Investor Relations team once again received numerous awards in 2009 from analysts and portfolio managers.

The third main focus over the next three years is to increase profitable growth. What does this mean for the individual segments?

We have been the world's number one property and casualty insurer for years. And we intend to keep this ranking. Nevertheless, we will only continue to grow in areas where profitable growth is possible. To this end we will employ our different sales channels even more rigorously to improve productivity in sales as well as customer loyalty.

In Life and Health insurance we have a strong capital position, a growing asset base and attractive new business margins. Here too we are focusing on greater value creation. In other words, our goal is not to simply increase the premium volume. We prefer to utilize the competence we have in annuity insurance and risk management for customers and sales partners who appreciate this expertise and our financial stability. Here we can build on the excellent reputation which we have earned over many decades of hard work. Our consistently increasing market share in Germany assures us that our policy of not making risky investments, but of reliably achieving guaranteed returns and attractive net income, is a sensible one.

Our goal in Asset Management is to promote growth by continuing to invest in sales channels, risk management, technology and innovative product solutions. We aim to keep our product quality, our customer loyalty and our investment returns in the upper quarter across the entire market cycle and in comparison with our competitors.

The following statement applies to all segments: we take great care in avoiding business which, while promising gains in revenue and market share, fails to create economic value added.

Our growth opportunities are closely linked to the improvement of our competitiveness – the fourth priority. I'm sure you'll understand that at this stage I'd like to keep our competitors somewhat in the dark as to what our exact plans are. However it's important to me to address some key points: we're focusing particularly on technology, our excellent sales competence and our strong brand.

New technologies enable better and more reliable customer service at lower costs. Allianz designs its business models, products and customer interfaces in line with such new technologies. We'll make even greater efforts to improve our efficiency, to reduce complexity and to increase the quality of our services to our customers and our sales organizations. One aspect is the new Internet-assisted technologies along the entire value chain which we utilize to remain a modern partner for customers and sales organizations in the future as well.

Our sales organization is one of our key success factors here. We must ensure that this also applies in the future when customer requirements may change. Thus, for example, there are differing types of experience within the Allianz Group when it comes to the direct selling of finance products or the integration of insurance products into the offer of automobile manufacturers. Group-wide teams are filtering this wealth of experience and making this knowledge available to individual Group companies. Here too we work in line with the principle of balancing the interests of all participants in a sensible manner.

Yet, efficient processes alone are not enough. Market leaders must be better able than others to select risks, adequately price and manage them. Over the past years we have set the foundation for an excellent global performance in assuming risks and in claims management. Now, however, we must be even more careful in seeking out a balance between customer loyalty and the protection of margins, since in some segments of our most important markets the prices for property and casualty insurance simply do not suffice.

The fifth pillar in the coming years will be discipline as far as our capital is concerned. Allianz has successfully emerged from one of the most difficult financial crises of all time. Let me clearly say it again: in spite of all the ups and downs of the financial crisis our solvency is strong and our capital basis rose by almost 20 percent to more than 40 billion euros in 2009. What is more, our ratings benefit greatly from this discipline.

Given the conditions of a new global economic reality, the “New Normal” already described, we protect our capital by considering the issue of takeovers or acquisitions extremely carefully. We’re watching the market closely and, when the opportunity arises, we will not hesitate to acquire an enterprise if it fits into our goals. But there is no pressure on us to acquire companies, merely because others are doing so. Under the key term of capital protection we are also actively advancing the conversion to the new Solvency II requirements.

Please allow me to briefly elaborate on this subject. What is Solvency II? This is a project of the European Commission concerning the fundamental reform of the regulatory laws for insurance enterprises in Europe, above all of the provisions for the capital resources of insurance companies. We support this process, because we consider risk-based capital requirements to be the right way. At the same time we are intensively working on the further development of our own risk models to be able to provide our executive staff with a modern risk management which will allow them to assess risks even better.

To protect our capital we are also further developing the integration of our global investment, capital and cash management in the Holding company to be able to better utilize our economies of scale and react even quicker to market turbulence.

Even at the risk of it sounding unexciting or perhaps boring, I would like to reiterate one point. By focusing on our management priorities and on our fundamental convictions, we’re achieving two things: we avoid nasty surprises – for us and for you. And, we’re also increasing the value of Allianz in the long term. In order that this “we” also applies to the entire executive staff in the Group and that these goals will actually be realized, we have consistently structured our remuneration system so as to meet these priorities and these fundamental convictions.

I’m convinced that integrity and the idea of a really strong financial community which unites all interests under the heading of “security” and “earnings stability” will become one of the most decisive factors for success in the coming years.

We are well positioned to compensate for earnings volatility in single business segments and to exploit profitable growth opportunities. This reassures me that in 2010 we will manage to build on the good results of the year under review – as always with the proviso that it will not come to dramatic upheavals on the capital markets or to major catastrophes.

That’s why I would be very happy if you, our owners, were to concur with this assessment and continue to invest in Allianz.

Thank you for your attention.

These assessments are, as always, subject to the disclaimer provided below.

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management’s current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words “may”, “will”, “should”, “expects”, “plans”, “intends”, “anticipates”, “believes”, “estimates”, “predicts”, “potential”, or “continue” and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group’s core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences. The company assumes no obligation to update any forward-looking statement.

No duty to update

The company assumes no obligation to update any information contained herein.

Allianz SE
Koeniginstrasse 28
80802 Muenchen
Germany

Phone 089 38 00 - 0
Fax 089 38 00 - 3425
info@allianz.com
www.allianz.com