

Annual General Meeting of Allianz SE on April 29, 2009

Report by the Chairman of the Board of Management Michael Diekmann on the development of business

The spoken word shall prevail.

INSURANCE | ASSET MANAGEMENT | BANKING

Allianz 



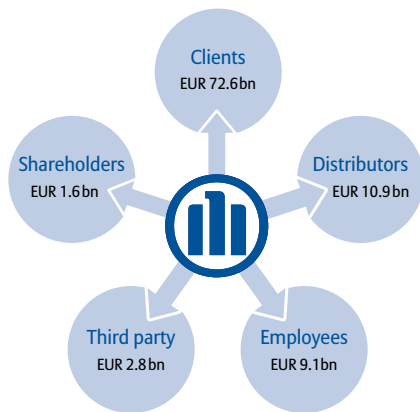
Michael Diekmann

Dear Shareholders,

I would like to extend a very warm welcome to you at the Annual General Meeting of Allianz SE in Munich's Olympiahalle today also on behalf of my colleagues on the Board of Management. As usual, I am reporting to you as the owners of Allianz SE on the result for 2008, and I will be explaining our dividend proposal. I will also address two other significant issues: the financial crisis and the sale of Dresdner Bank. Following on from the year 2008, the third section of my presentation will then be dedicated to outlining the main objectives of our work in the current year.

Initially, I would like to present a view of Allianz as a whole. This perspective will allow us to gain an insight into the cash flows, i.e. the sums of money and who they went to in the year 2008. The figures relate to continuing business, i.e. they have been adjusted for Dresdner Bank data.

Pay-out 2008

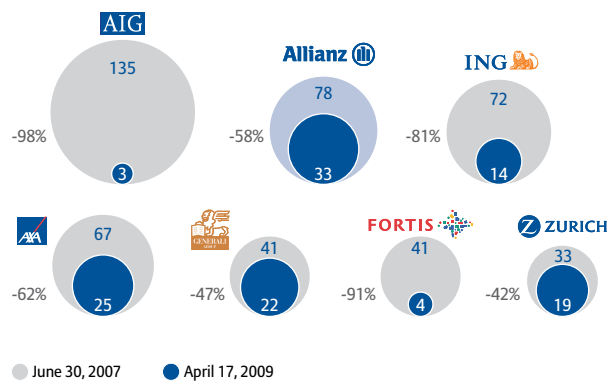


Let's start with yourselves, our shareholders. We have suggested 1.6 billion euros for the dividend pay-out. 2.8 billion euros have been paid out to third parties – and the lion's share goes to public authorities here – e.g. in the form of taxes. We paid our employees more than 9 billion euros and our sales partners received almost 11 billion euros. Most of the money went to our customers: claims payments, premium refunds and bonuses make up the massive sum of 72.6 billion euros. This amounts to nearly 200 million euros every day. My dear shareholders, this is your Allianz – consistently a dependable partner for all stakeholders year on year.

In 2008, a global crisis of breath-taking proportions kept us riveted and politicians, journalists, commentators and management have drawn on innumerable metaphors and comparisons to convey its magnitude: crash, tsunami, biblical plague and many more. I don't want to add any further colorful expressions. One look at the market capitalization Allianz and our major international competitors provides a clear picture of the effect this crisis has had on all financial institutions. You can see the massive difference between the grey circles, representing the market capitalization at the beginning of the crisis, and the blue circles, representing the market capitalization in April 2009.

It all changed

Market cap (EUR bn)



Source: Thomson Reuters Datastream

The market capitalization of AIG – up to now our largest competitor – has fallen to some two percent of its former value since June 2007. This is a reduction of 98 percent, and only intervention by the American government at literally the last minute prevented total collapse. This dramatic development impacted negatively on many sectors in 2008 and no financial services provider has remained immune to the crisis. Your Allianz hasn't bucked the trend either. But we have done relatively well in the circumstances, and if you compare the dark blue circles with each other, you will see that measured by market capitalization, we have ridden out this storm in the financial markets during 2008 and came out on top.

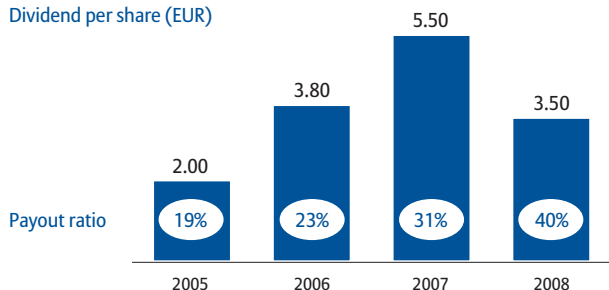
In this context it is notable that the number of shareholders rose by 15 percent during the course of 2008. Allianz is now one of the largest public stock companies in Europe with 489,000 shareholders.

The share price performance was disappointing in 2008, however it held up relatively well compared with our major competitors. We did not have to raise new capital like many other institutions but remained ahead of the competition as a reliable insurer with a strong capital base.

This stability is based on the loyalty of 75 million customers worldwide and on the performance and commitment of nearly 155,000 employees. I would like to take this opportunity to express my sincere thanks to them all, also on your behalf.

Sensible dividend policy

Dividend per share (EUR)

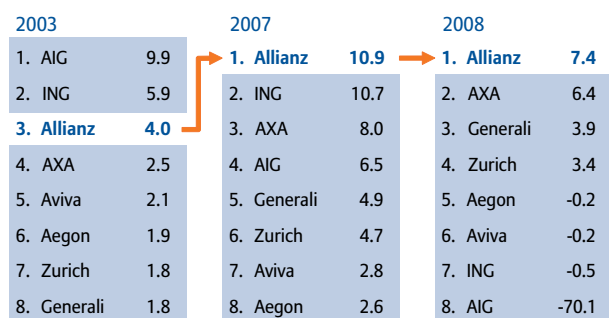


To a very considerable extent, our position owes its stability and strength to your confidence as investors, and my colleagues and I hope that we will do justice to your trust with our dividend proposal: The Board of Management and the Supervisory Board propose to you a dividend of 3.50 euros per share. Although this is two euros less than in the record year of 2007, it is a prudent amount which allows Allianz to maintain a strong capital position in this difficult environment and also represents an attractive dividend yield.

The dividend proposal is based on robust operating results. Naturally, I am still keeping the record year 2007 within my field of vision. However, in view of the turbulence in the markets, we cannot assume that 2008 is comparable with 2007.

We stayed at the top

Operating profit (in EUR bn)



The operating profit of Allianz amounting to 7.4 billion euros is again the best in the world for the insurance sector in 2008, following on from 2007. This is also true for net income in continued operations amounting to 4 billion euros generated from our insurance business and Asset Management. Unfortunately, the results from the sale of Dresdner Bank have pushed our consolidated net income overall into negative territory.

Nevertheless, our capital base and our solvency continue to remain healthy and robust. Our solvency ratio of 161 percent at the close of 2008 demonstrates that we exceed regulatory capital requirement by 61 percent. This means that we also have adequate funds under adverse market conditions and therefore do not have to issue new shares. Any dilution of your shareholding by a capital increase as a result of regulatory conditions, or even intervention by the state, are therefore not on our agenda.

Ladies and Gentlemen, I would now like to present further key data for the business year 2008. In order to leave enough time for the other important topics that will form part of my presentation, I shall refrain from giving you a string of indicators. Instead, I propose to focus on the main parameters, and I trust you will refer to our Annual Report for any details you may require.

The global economic downturn is reflected in our business figures. Total revenues of 92.5 billion euros are 5.3 percent down on last year. The sale of investment-oriented products suffered most in the Life Insurance business and in Asset Management for third parties, because these products were compromised particularly strongly by the uncertainty customers experienced concerning the effects of the crisis in the financial markets. The impact on sales behavior was therefore especially marked.

Property and Casualty insurance contributed 5.7 billion euros to the operating result of 7.4 billion euros. The broad range of insurance products for private and business customers continued to enjoy largely uninterrupted demand even in the face of the crisis in the financial markets. These products protect the property of our customers and contribute to their personal security. Higher claims expenses were partly offset by cost savings. However, the results of credit insurance were particularly negatively affected in this economic downturn.

Naturally, the turbulence in the financial markets has been exerting a strong impact on the investment results in Life and Health insurance, and this is reflected in a reduced operating result amounting to only 1.2 billion euros. The deteriorating market conditions also made the sale of investment-oriented products difficult – particularly through the banking channel. By contrast, business with traditional Life Insurance products remained stable.

The Life Insurance business in the USA is a particular challenge. The entire market in variable annuities is affected here, and we will again have to take tough cost-cutting measures and make massive product changes this year.

Our activities in the banking business reflected the sale of Dresdner Bank, and I will address this issue separately later on.

Other existing banking business as well as the Oldenburgische Landesbank and those banking customers who were acquired by agents of the Allianz Group for Dresdner Bank, will constitute our continuing banking activities following the sale of Dresdner Bank. In Germany, we are pooling the activities under the Allianz brand and we are offering our customers basic banking services under the umbrella of Oldenburgische Landesbank.

I would like to explain to you in more details how this works: In recent years, we were expanding sales of our banking and Asset Management products through our Allianz agencies in parallel with the sale of insurance policies through banks. There were a number of reasons why Commerzbank was not interested in comprehensive cooperation with agency banking. We therefore took over OLB so that our agencies would still have the opportunity to offer their customers standardized banking products such as an Allianz account or an Allianz loan.

OLB provides us with the necessary legal and technical infrastructure. We are now starting to transfer Allianz customers from Dresdner Bank to the Allianz branch office of OLB.

Naturally, the collapse in the capital markets has not left our Asset Management business untouched. Nevertheless, our Asset Management operations for third parties are proving to be relatively robust even in times of turbulent market conditions and generated an operating result of 926 million euros. Fixed income products in particular have been resilient in weathering the storm, while equity investments have suffered from the effects of market values and investors withdrawing their money. In spite of the crisis, Allianz Global Investors have remained among the biggest active asset managers in the world and were able to significantly expand their position.

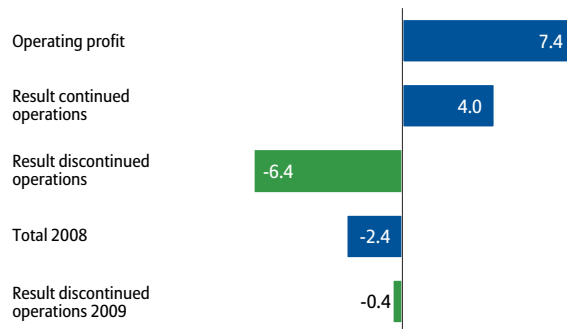
As I mentioned earlier, I would now return to the banking division and address the most significant event for us in the year 2008 apart from the financial crisis: the sale of Dresdner Bank.

In my presentation last year, I stated that this was the first time there had been the possibility of a significant process of consolidation in the German banking market and I said that we welcomed this development. I also emphasized that it must be the objective of private banks to establish competitive market shares within an environment that is dominated in Germany by banks established under public law.

You are well aware of the result of the process of consolidation: On August 31, 2008, Commerzbank purchased Dresdner Bank and the transaction was completed on January 12, 2009. In view of the uncertain current market environment, we are confident that by selling Dresdner Bank to Commerzbank, we have found a solution that is sustainable over the long term for all the stakeholders involved.

Result of continuing operations and impact of Dresdner Bank sale

(EUR bn)

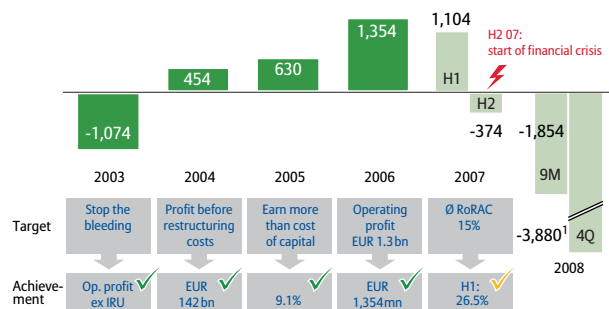


You can see from the chart the financial effects of the transaction on the results of Allianz for the year. The transaction impacted negatively on our income statement for 2008 to the tune of 6.4 billion euros, and a further 400 million euros during the first quarter of 2009.

At this point, I am not simply going to move on to the next item on the agenda. I would like to make a very clear statement: I regret that we were unable to execute our strategic plan with Dresdner Bank. However, I would like to add that this was not just as a result of failings on our part. It was primarily due to the very difficult circumstances that have prevailed since mid-2007. This chain of events came to a dramatic climax with the insolvency of Lehman Brothers in the autumn of 2008.

Dresdner Bank result heavily impacted by financial market crisis

Operating profit Dresdner Bank (EUR mn)

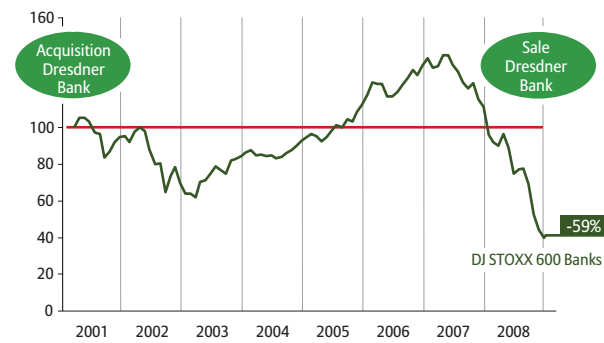


1) Figure reflects Dresdner Bank Group stand-alone

Of course, the management team has also been addressing the crucial issue of loss of value which has resulted from the earnings performance and the timing of the transaction in the midst of the financial crisis. However, there was no alternative to this sale from our perspective, and I do not believe you can accuse us of bad management up until mid-2007. As you can see from this chart, we had emerged successfully from the consequences of the financial crisis in 2002 and 2003, and the development of Dresdner Bank was proceeding according to plan up until mid-2007, i.e. the start of the financial crisis. Despite the many calls for a sale of the investment bank, the conditions were not right before 2008 and above all there was a lack of prospective buyers.

Share price development DJ STOXX 600 Banks

March 31, 2001 - January 12, 2009 (Index=100)



Source: Thomson Reuters Datastream

When the current financial crisis started to gather pace from mid-2007, all banks were subject to massive losses in value and this was by no means a phenomenon confined to Dresdner Bank. The chart actually plays down the situation slightly because the index comprises also pure retail banks without investment banking.

The rapid and consistent response to the dramatically deteriorating situation and the prompt closure of a transaction with a clear industrial logic were in the interests of Allianz shareholders.

When the financial crisis threatened to spiral out of control with the collapse of Lehman two weeks after the sale had been completed, we cooperated with Commerzbank in accelerating the transaction, which had initially been planned in two stages, in order to prevent a further fall in value as a result of a protracted period of uncertainty and lack of clear responsibility. When Commerzbank had to accept state aid as a result of regulatory requirements, the management of Allianz again demonstrated an awareness of responsibility at the turn of the year in order to reflect the change in the market environment and not to put the completion of the transaction at risk.

At times, the issue of personal consequences is raised. I would like to say here on behalf of my colleagues and for myself that I believe we took the right approach for Allianz under very difficult circumstances. While the financial effects are undoubtedly very serious, the sale was the right solution in light of the ongoing uncertainties in the banking sector.

In connection with the bank, there is another issue that has generated a great deal of debate in the public domain. This issue is about bonuses and severance payments for employees of the investment bank and board members of Dresdner Bank. I have no intention of evading this discussion either.

Before I address these issues, I would like to make one thing clear. The situation at Dresdner Bank before the sale to Commerzbank relates to very special circumstances that are only partially relevant to the general debate on compensation.

We were the owners of a bank in the midst of the turmoil of a financial crisis. During the protracted phase of negotiation, which resulted in daily speculation in the media, there was a great deal of uncertainty about the future of Dresdner Bank. When the solution became increasingly focused on the sale to Commerzbank, it was also suspected that many of the executive board members and a large number of employees of the investment bank would no longer have positions after the takeover.

In this situation, it was the duty of the executive board of Dresdner Bank, and also in our interests as the owner at the time, to ensure that we were in a position to hand over an intact bank at the end of a long transaction period. It is self-evident that this kind of transitional situation cannot be compared with a normal business year.

While the necessary measures to stabilize the situation were being implemented, statements were also made in late summer about the projected bonus budget. In individual cases, compensation agreements were reached with employees in key functions which were linked to retaining them in post. Still in 2008, the board of Dresdner Bank made the general issue of bonuses for the investment bank subject to earnings performance during the final months of the year. The business performance during the fourth quarter of 2008 in fact meant that the actual payouts to employees of the investment bank fell far short of the figure of 400 million euros that has repeatedly been mentioned. However, the decisions concerning the level of these payments were only made after the change in control that took place on January 12, 2009, so that Allianz was no longer involved in the outcome. I am therefore unable to provide you with any details on this.

The board of the Bank received no bonus payments for last year. However, Allianz share options that had been earned and reported in previous years fell due when the change of ownership took place on January 12, 2009. Furthermore, the change in management meant that job termination agreements had to be reached with seven members of the board due to the premature termination of their terms of office. Contractual obligations had to be honored for the residual terms of their contracts of service.

I hope you will understand why I have devoted a significant part of today's presentation to this issue. It is extremely important to me that, as the owners of Allianz, you are in possession of the facts because they are quite different from the distorted picture that has at times been projected in the media. I believe that the situation should be transparent and that you need to be able to see that there have not been excessive severance payments.

Compensation at Allianz has also been the subject of a number of shareholder proposals submitted. It is fair to say that systems of payment always present a balancing act between equitable payment on the one hand and the attractiveness of Allianz as an employer on the other hand. My colleagues and I have always been very aware of this balancing act and we remain so. Naturally, we can under-

stand the debate about the level of bonuses and salaries – particularly at a time when the standard of living enjoyed by many people is under threat.

However, I would also like to say on behalf of Allianz that many of the aspects of our compensation systems, such as sustainability and risk avoidance, are exemplary and the level of remuneration paid has always been reasonable and clearly related to the results achieved.

I would now like to turn to the second momentous event in 2008 – the financial crisis. Unfortunately, it is a fact that this crisis will remain with us for some time.

In our view, the crisis can only be overcome by strengthening the important banks in the system in order to get the supply of money flowing again. Ultimately, only the banks can provide proper financial support for companies and business enterprises. The state would be unable to fulfill this role. However, significant regulatory measures will have to be undertaken in order to include certain sections of the financial market that have not been regulated up to now. The resolutions passed by the G20 in London are going in the right direction, but some time will be necessary until the new regulatory and supervisory principles are fully implemented.

A positive outcome is the fact that the funds of the IMF and the development banks have been significantly bolstered in order to prop up countries that are having difficulty in keeping up with their payments, and avoiding countries going bankrupt.

Overall, we are assuming that the performance of the global economy will continue to be weak but that the economy will show a slight recovery driven by massive interest rate cuts and economic stimulus packages at the end of 2009 or the beginning of 2010. However, apart from finding a solution to the problems associated with the banks, the sustainability of this recovery will depend on how the US economy responds and how energy and oil prices develop.

The reductions in interest rates will come to an end in 2009. Over the medium term, we are again assuming a slightly higher money-market interest rate and a capital-market interest rate of one or two percent above inflation. This scenario would represent the good way forward – because it is controlled – which we believe will occur. However, as history has regrettably taught us, things don't necessarily turn out as we would like them to. We therefore need to prepare for extreme situations ranging between low-interest scenarios over the long term and high inflation environments.

The concrete effects of the current crisis are as follows:

First of all, the investments of European insurers are generally in securities with good quality and their investments are spread over a wide variety of areas. However, a sustained low-interest scenario and a deep recession would exert pressure on the bonuses, capital resources and profitability of life insurers.

The short-term prospects for growth in Life Insurance are highly dependent on customers' disposable incomes, investment products marketed by the banks, and developments of minimum guarantees. There are also sectors within property insurance which are directly affected by the recession, such as marine insurance, industrial insurance and credit insurance, and to a lesser extent motor insurance. Nevertheless, our business model is also appropriate for this environment. We are now able to reap the benefits of having made our business more fit to withstand adverse conditions on the financial investment and risk side in the wake of the crisis experienced in 2002.

A few examples: We created a more secure structure for our investment portfolio and reduced the concentration of risks. We centralized our investment process and provided ourselves with the capability to respond faster. We significantly strengthened risk management and we focused on strong and secure capital resources instead of excess return.

This means that our business is in a position to provide our customers with the most important condition in this environment – security. And that's why Allianz is able to continue developing even in a weak economic environment. After all, our strategy was always geared toward long-term trends. And in this context, it is still necessary to address two urgent problems: financial security for the aging global population, and mitigating economic risks both in industrialized countries and in the emerging economies. More than ever before, consumers and investors need safe, conservative, guaranteed products and they can only obtain these from a provider who really is up to surviving a crisis.

You are already familiar with our "3+One" program from the Annual General Meetings in previous years.

Our "3+One" program

Secure the basis

- 1 Increase operating profitability
- 2 Protect and strengthen the capital base
- 3 Reduce complexity

Strengthen future potential

- + One Sustainable increase in competitiveness

Apart from strengthening our capital base and reducing the complexity of our structures and workflows, we enhanced our competitiveness over the long term by sustainably increasing our operating profitability. My presentations in previous years have consistently highlighted this.

We have also made significant progress on these issues during the year under review. In April 2008, we took a majority shareholding in the Turkish insurance group Koç Allianz, one of the big Property/Casualty and life insurers

in Turkey. The acquisition enhances the profile of the Allianz brand in this important growth market.

Our commitment to The Hartford, one of America's biggest insurance companies with a strong sales network and a strong presence in the areas Property/Casualty and classic Life Insurance, is by contrast a financial investment. We have here shifted investments of European financial securities to the USA. Apart from equities, we have invested especially in subordinated capital generating a 10 percent return.

Finally, I can also report to you on the conclusion of the squeeze-out at Allianz Lebensversicherungs-AG commenced in January 2008. Allianz now owns 100 percent of the shares in the company and there are no longer any minority shareholders.

The success of "3+One" is also demonstrated in a comparison of the indicators for 2008: Allianz remains the biggest Property and Casualty insurer worldwide. With Mondial Assistance, we are the biggest provider of assistance services. Our subsidiary PIMCO manages the largest single fund in the world. We are number 7 among life insurers worldwide, and we lead the ranking of the biggest credit insurers.

A world class company

Largest P/C Insurer worldwide 

 Top 8 Reinsurer

Largest single fund P I M C O

 Largest provider of Assistance Service

No. 7 in Life business worldwide 

 Worldwide leader in Credit Insurance

No. 27 worldwide in terms of profit¹ 

 Best Global Primary Insurance Company

1) Forbes Global April 2008 (Data for 2007)

Sheer size is not an intrinsic value in itself, of course. We have to earn the trust of our customers and sales partners every day afresh.

With this end in mind, we offer our customers high-quality solutions for risk management in the areas of Property and Casualty, and for long-term investments in Life Insurance and Asset Management. We no longer regard banking as a core business but only as a supplementary product line. However, the principle of operating our business worldwide with integrity and sound capital resources remains unchanged. In this area, we are geared to operating excellence, i.e. to high quality in our operational processes from product development, through processing of proposals, to claims settlement. Enhancing customer relations is a top priority as far as we are concerned. We are therefore particularly concerned to maintain the product quality, first-class advice, and customer service.

In general terms, the recession will pose a threat to the social security for many customers. In our consulting acti-

vities, we are therefore foregrounding the issues which are able to provide customers with security over the long term, i.e. in concrete terms products for retirement provision, for safeguarding against accident and illness, and supporting the provision of care, for active assistance in emergencies, and for protecting assets.

All capital-market products, options and guarantees are checked, adapted and presented very transparently with regard to customer benefits, risk profile, and shareholders' interests.

I would also like to address the issue of quality in a different context.

The reorganization of the German insurance business was concluded in technical terms at the end of 2008. We now have the foundation from which we can focus more intensively on quality requirements and also react more quickly to changes in the marketplace.

This restructuring has demanded a great deal of patience from customers and sales partners in some areas, because the high level of Allianz service they have been accustomed to could not be provided consistently. I am very grateful for the patience and energy that has been demonstrated by customers and intermediaries alike, and also by employees.

We will be using the coming months to return the quality we offer in processing, i.e. accessibility, speed, and dependability, to world-class levels. In part, the process entailed considerable pain for all those involved, and some work still has to be carried out on optimization.

The experiences gained in Germany form the basis for implementing our business model in other countries, and comprehensive project organization enables us to achieve this as quickly and efficiently as possible.

We are therefore renewing our efforts in the area of "3+One". This would not be sufficient alone, however. There are also specific measures designed to protect your Allianz in the turmoil of the financial crisis.

Firstly: Active risk management – ensuring that we remain able to survive further turbulence in the financial markets and in the real economy. For example, we need to safeguard guaranteed benefits in the area of life insurance, even if an unlikely extreme scenario occurs in the financial markets. Apart from the European markets, this is particularly important for Allianz Life in the USA. The global economic crisis also means it is important to focus on taking appropriate countermeasures with our credit insurer Euler Hermes.

Secondly: "Cash is king". By this, I mean that cash and liquid assets are extremely important, not least for making payouts to customers who are no longer able to continue making contributions to their long-term policies. However, this also means that we have to remain flexible on the investment side at the expense of potential investment income, i.e. we have to maintain liquidity.

A third important module – and this brings to an end my brief selection from the pool of measures to tackle the crisis – is intensive work on product profitability. No involvement in price wars solely for gaining market shares, and active controlling of costs in all areas.

Ladies and Gentlemen, as in previous years, we will be focusing all our work on the guiding principles of sustainability and profitable growth. We will also be striving to ensure that this guideline is consistently maintained, right through to the target agreements at employee level.

Despite all these efforts, 2009 will not be an easy year. Our entire economic system is undergoing change and I would not like to make any promises that I cannot keep.

However, I would like to make one important promise: Our Allianz has experienced a number of highs and lows in the 119 years since the company was founded in 1890. Two world wars, the global economic crisis in 1929, the oil crisis at the beginning of the 1970s, September 11, 2001 and its consequences, and now we are once again in the midst of a difficult crisis.

An Allianz culture has developed during the course of those 119 years which was often ridiculed as conventional or even boring during the recent period of economic boom. Allianz plans for the long term, avoids excesses, has a conservative profile in respect to the outside world, and works with integrity and reliability. We are close to our customers and we are loyal to our business partners.

We are dedicated to these values and we promise to cherish and expand the partnership with our customers. This is particularly important in these stormy times. This approach benefits our customers, our employees, and hence also you, the shareholders of this company.

Allianz lives from its customers. Our customers rightly expect us to keep our promises – during normal times and in a crisis. And this crisis may be a very personal one. As the conclusion to my presentation, I will introduce you to “Julia”. Perhaps you have already read about her in our newspaper for the Annual General Meeting entitled „BALD“. She is a protagonist in a short film which translates everything I have said into daily life.

Thank you very much 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 matters discussed herein may also be affected by risks and uncertainties described from time to time in Allianz SE's filings with the U.S. Securities and Exchange Commission.

No obligation to update

The company assumes no obligation to update any forward-looking statement.

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