Annual General Meeting
of Allianz SE
on May 7, 2013

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

The spoken word shall prevail.

Allianz

Michael Diekmann

Good morning, Ladies and Gentlemen, Dear shareholders,

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

My report will first of all look at business developments in 2012, before I go on to explain our dividend proposal and compare our results with those of our international competitors. I would then like to talk about our expectations for fiscal 2013 and give you a brief overview of the key figures we achieved in the first quarter.

After that, I will be addressing four special issues that had already attracted a great deal of interest at last year's Annual General Meeting:

1. Allianz Bank in Germany and our US subsidiary Fireman's Fund,
2. allegations relating to our investments in agricultural commodities,
3. the unresolved aspects relating to financial market regulation and finally
4. the impact of low interest rates on our life insurance business.

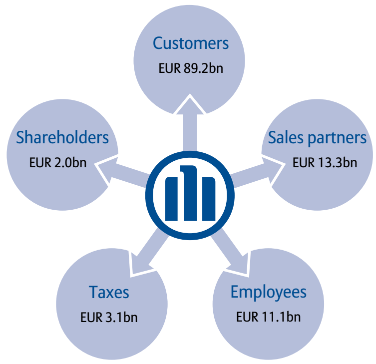
But before I begin with my report, I would like to start on a personal note.

2013 is a year of various landmarks in my career at Allianz. It is my 25th year with the company, my 15th on the Board of Management and my tenth as Chairman of the Board of Management. I would like to thank the company, and you, as Allianz's owners, for entrusting me with the responsibility of managing this company. Although the numerous financial crises that we have witnessed over the past ten years meant that my job has not always been easy, we have always had a clear objective in mind. We want Allianz to further extend its global leadership position as a company that is renowned for its good repute and for its sustainability. It is an honor and a pleasure for me to lead Allianz on your behalf as we strive to achieve this objective. And I would like to take this opportunity to thank you, our Supervisory Board members and my colleagues on the Board of Management most sincerely for giving me this opportunity.

I would also like to **thank our 144,000 employees**. Year after year, they lay the foundation for our business success and help to ensure that the millions of transactions with our customers are processed without a hitch to the greatest extent possible.

Both I and my colleagues on the Board are proud of the ongoing improvement in the values for commitment, satisfaction and willingness to recommend the company since we conducted our first global employee survey back in 2010. Similarly, we are proud of how our employees remain steadfast in their commitment to Allianz and its mission. I am sure that I am also speaking on your behalf when I extend my most sincere thanks to all Allianz employees.

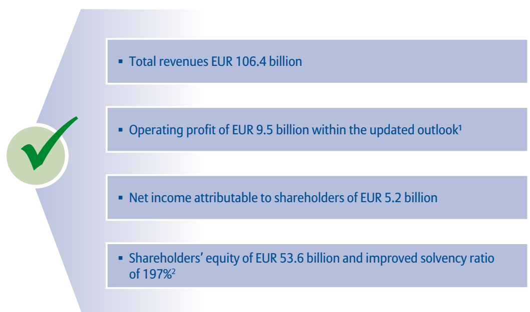
High performance for all stakeholders (2012)



Let us now take a look at fiscal year 2012.

2012 once again saw **considerable benefits** being provided to **all of our stakeholders**, as the graphic shows. Yet again, 453,000 shareholders, around 78 million customers, 144,000 employees, several hundreds of thousands of sales partners and the more than 70 countries in which we operate reaped the benefits from our solid business results. Naturally, the biggest share in this success went to our customers, who received more than 89 billion euros. With more than 3 billion euros in taxes and a tax rate of 36 percent, however, we also made our contribution to tax revenue and are beyond reproach in the current discussion regarding tax avoidance.

2012 Allianz Group overview



1) Impact of introduction of IAS 19 and revised reporting of restructuring costs as at January 1, 2013: EUR -0.2bn
2) Impact of introduction of IAS 19 as at January 1, 2013: EUR -3.2 billion in shareholders' equity and -16 percentage points in respect of the solvency ratio

These substantial payments are based on the **following figures for the reporting year**:

Revenues came in at 106.4 billion euros, up by just shy of 3 billion euros in a year-on-year comparison.

At 9.5 billion euros, we achieved the best operating profit since the outbreak of the financial crisis. This result was, in fact, even slightly ahead of our projections, which we had revised upwards in October. The introduction of the new IAS 19 accounting standard at the start of the year changes the way in which our pension obligations are recognized. Moreover, as of the start of the year, we will be reporting restructuring costs within the operating profit instead of under our non-operating profit, as in the past. Both changes lead to a retrospective restatement of the operating profit for 2012. The restated operating profit for 2012 amounts to 9.3 billion euros.

The share of our net income for the year that is attributable to shareholders doubled last year to 5.2 billion euros, as against 2.5 billion euros in 2011. Our capital resources under supervisory law - or "solvency ratio", to use the technical term - stood at 197 percent at the end of 2012, 18 percentage points higher than at the end of 2011. Shareholders' equity climbed by 19 percent to just under 54 billion euros during the same period.

The mentioned introduction of IAS 19 will shave 3.2 billion euros off our shareholders' equity and push our solvency ratio down by 16 percentage points. The new regulations do not, however, do anything to change Allianz's standing as one of the companies with the strongest capital resources in the sector.

The recent decision made by Standard & Poor's to confirm our "AA" rating and lift our outlook from "negative" to "stable" bears testimony to our capital strength. This means that we have one of the best S&P ratings compared with our peers and have also been able to distance ourselves from the negative evaluation of the eurozone.

All of Allianz's operating segments contributed to the outstanding fiscal year 2012 with double-digit growth in their operating profits, which once again highlights the strength of our business model.

Ladies and gentlemen, I have heard others make this statement as well, but without genuinely explaining the strength of the business model. You can do this in different ways, and I would like to explain my opinion on this subject.

We are continuously expanding our business position in all local markets that are of interest to us. At the same time we are concentrating activities targeting global customers – or those activities which, from a business management point of view, are not suited to being carried out on many different markets simultaneously – in our "Global Lines". These include, for instance, the credit insurance and assistance businesses. To give you a better idea of the strength of our business model, I would like to show you which global market positions Allianz has now developed.

We are the world's no. 1 in the entire insurance business and hold top global positions in all business segments

(EUR bn)[1]

Property / Casualty

1.	Allianz	47
2.	AXA[2]	31
3.	Zurich	28
4.	AIG	27
5.	Generali	23

#1 Global P/C insurer

Life / Health

1.	Japan Post Insurance[3]	62
2.	Aegon	56
3.	AXA	54
4.	Allianz	52
5.	Generali	47

#4 Global L/H insurer

Asset Management

1.	Black Rock	2,876
2.	Allianz AM	1,852
3.	BoNY Mellon	1,051
4.	AXA AM	903
5.	Amundi	727

#2 Global active asset manager

Credit

1.	Euler Hermes	2.4
2.	Atradius	1.6
3.	Coface	1.6

Worldwide leader in Credit insurance

Assistance

1.	Allianz Global Assistance	2.2
2.	Europ Assistance[4]	1.4
3.	AXA Assistance	0.9

Worldwide Leader in Assistance Services

Global corporate

1.	AIG Commercial	15.8
2.	ACE P/C Insurance	10.2
3.	Zurich Global Corp.	6.7
4.	AGCS[5]	5.3
5.	XL P/C Insurance	4.0

#4 Global Corporate Solutions insurer

1) Basis: fiscal year 2012; figures reflect gross premiums / total revenues (assets under management for asset management)
2) Incl. international commercial business
3) fiscal year 01.04.11-31.03.12
4) 2011 value
5) Contrary to peers the definition of AGCS business excludes commercial business
Source: publicly available company data

In this diagram you can see our position in the individual business segments in comparison to the biggest competitors by revenues. Based on premium income, Allianz is the world's number 1 in the entire insurance business, and, by a long way, also the number 1 in the property and casualty segment. We are ranked number 4 in life and health insurance, number 2 in active asset management, number 1 in the global assistance business and in the global credit insurance business and number 4 in the international industrial insurance business. These global positions, coupled with our strong local market positions in the relevant countries, form the foundation of our business. And the interaction of our global business activities with the worldwide network of our local subsidiaries accounts for the success of our business model. Our business partners confirm, time and again, how unique our global network and our comprehensive product offer is.

All operating segments improve their operating profit

Property and casualty insurance

- EUR 4.7bn operating profit (+12.5 percent)
- Combined ratio of 96.3 percent

Life/health insurance

- EUR 3.0bn operating profit (+22.1 percent)
- New business margin of 1.8 percent

Asset management

- EUR 3.0bn operating profit (+33.6 percent)
- Cost-income ratio of 55.6 percent

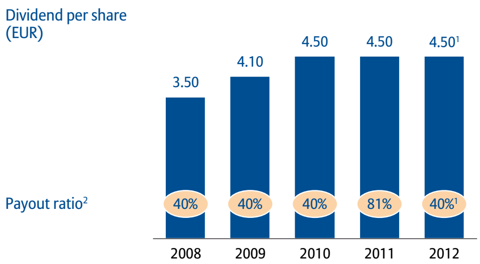
I would now like to return to the **developments in the three operating segments.**

The **property and casualty insurance business** showed very solid development. Gross written premiums increased by almost 5 percent in 2012 to 46.9 billion euros. Australia, the global industrial business and the Latin America region achieved above-average growth. The operating profit came in at 4.7 billion euros, up by 12.5 percent. This was largely due to a marked increase in the technical result to the tune of 700 million euros. This brought the combined ratio to 96.3 percent, compared with 97.8 percent in the previous year. The fact that natural catastrophes were well below-average in the reporting year, proved to be a positive factor here.

Gross written premiums in the **life and health insurance business** were down slightly in 2012 to a good 52 billion euros. This trend was due not only to lower sales via our bank distribution partners, but also, and primarily, to the closure of new business in Japan, which is still included in the figures for the prior year. The operating profit, on the other hand, climbed by 22 percent to 3.0 billion euros. This is due, in particular, to a considerable increase in investment income. As a result of the high proportion of traditional products with guarantees, however, the low interest environment did push new business margins down.

In **Asset Management**, we were able to continue to build on the very good development witnessed in the previous years. The operating profit increased by around 800 million euros to 3.0 billion euros. This means that the contribution made by this segment was even just ahead of that made by our life insurance business for the very first time. The cost-income ratio improved further to 55.6 percent, compared to 59.0 percent in the previous year. Total assets under management touched on close to 1.9 trillion euros at the end of the year. Net fund inflows from third parties increased considerably to 114 billion euros, as against 38 billion euros in 2011. In addition to the contribution made by the US, which has traditionally been strong, over one-third of net inflows are now generated in Europe.

Attractive dividend policy



1) Porposal
2) Based on the net income from continuing operations, net of minorities

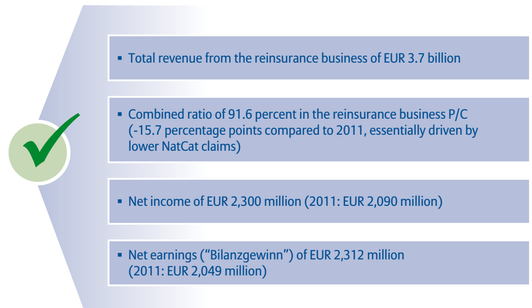
This brings me to our **dividend proposal**. The Management Board and Supervisory Board propose to the Annual General Meeting that the dividend be kept constant at 4 euros and 50 cents per share. This corresponds to a payout ratio of 40 percent and a dividend yield of 5.2 percent on the average share price for 2012.

In our opinion a payout ratio of 40 percent is appropriate for Allianz in the current environment. With the remaining 60 percent we will finance interesting organic growth, take advantage of external growth opportunities and use additional means to even better adapt our investment mix to the low interest rate environment.

As an example of external growth I would like to mention the recently agreed takeover of the insurance business of Yapı Kredi in Turkey. Following the merger with our own business, we will establish ourselves as the number 1 in the P&C insurance business, the number 2 in the pensions business and the number 3 in the life insurance business on the strategically important Turkish market. Turkey is a growth market with a young population which, as a whole, will soon reach the size of Germany's population. Given market shares that are similar to those of Allianz Germany, we will in future be able to participate in growth which, for demographic reasons alone, can no longer be achieved in Germany.

I do not, however, wish to make any secret of the fact that our dividend proposal has met with some criticism from a number of major shareholders, who are calling for dividend growth that reflects Allianz's excellent position. We can definitely understand these calls and we would also like to increase the dividend per share. The way in which we want to achieve this, however, is not by simply increasing the payout ratio, but rather by primarily boosting our net income for the year. I believe that it is in the interests of all shareholders to be able to participate in higher value creation instead of having us just loosen the purse strings more. As a result, the Board of Management would ask you to approve our dividend proposal.

2012 Allianz SE stand-alone financial statement overview



At this point, I would also like to take a brief look at the results achieved by Allianz SE in 2012 on the basis of the stand-alone financial statements, which are drawn up in line with the German Commercial Code. This is important, because the dividend is paid out on the basis of this balance sheet.

The main business activity of Allianz SE is the reinsurance business. Here, we boosted our revenues to 3.7 billion euros. The low level of losses from natural catastrophes helped us to achieve a marked reduction in our combined ratio, which fell to 91.6 percent. The net income for the year of Allianz SE rose by 10 percent to 2.3 billion euros, with the company's net earnings also climbing by almost 300 million euros to 2.3 billion euros. This proves that we are in a position to make our dividend proposal based on our current profits and do not have to resort to retained earnings.

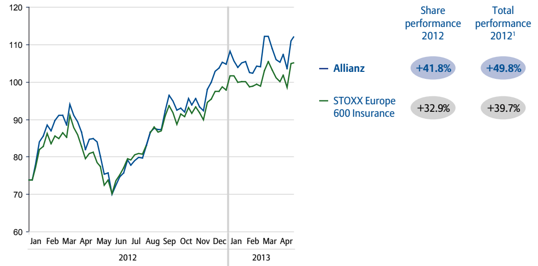
Allianz sustainably best in class in terms of operating profit …
(EUR bn)[1]

2008	2009	2010	2011	2012
1. Allianz 7.4	1. Allianz 7.2	1. Allianz 8.2	1. Allianz 7.9	1. Allianz 9.5
2. AXA 6.4	2. AXA 5.7	2. AXA 6.0	2. AXA 5.9	2. AIG 7.3
3. Generali 3.9	3. Zurich 4.0	3. AIG 4.6	3. Generali 3.9	3. AXA 6.5
4. Zurich 3.5	4. Generali 3.7	4. Generali 4.1	4. Zurich 2.9	4. Generali 4.2
5. AVIVA -0.2	5. AVIVA 2.3	5. Zurich 3.7	5. AEGON 1.4	5. Zurich 3.2
6. AEGON -0.2	6. AIG 1.4	6. AVIVA 3.6	6. AVIVA 0.6	6. AEGON 2.4
7. AIG -58.1	7. AEGON 1.1	7. AEGON 2.3	7. AIG -2.8	7. AVIVA 1.1

1) F/X conversion rates as at respective year-end; operating profit based on publicly available company data pursuant to the company-specific definition or own calculation; all figures as originally reported.

In 2012 highest increase in the value of Allianz's shares in 15 years

Share performance since 2012
(01.01.2012 – 30.04.2013) indexed on Allianz share price (EUR)



1) Including dividend
Source: Thomson Reuters Datastream

This brings me on to the subject of our position compared with our peers.

A **comparison with our major international competitors** shows that we once again did very well in the reporting year. As you can see from the graphic, we achieved the best operating profit again and actually managed to extend our lead over the company in second place. The gap in operating profit separating us from the US insurer AIG is 2.2 billion euros and as much as 3 billion euros in the case of the French insurer AXA.

… and in 2012 once again in terms of market capitalization
(EUR bn)[1]

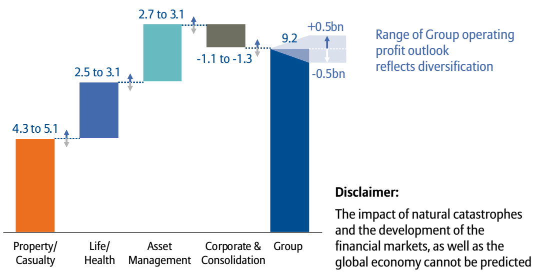
2008	2009	2010	2011	2012
1. Allianz 34.0	1. Allianz 39.6	1. Allianz 40.4	1. AIG 34.3	1. Allianz 47.0
2. AXA 33.1	2. AXA 37.9	2. AIG 30.1	2. Allianz 33.7	2. AIG 42.2
3. Generali 27.5	3. Generali 29.3	3. AXA 28.9	3. Zurich 25.8	3. AXA 31.1
4. Zurich 21.8	4. Zurich 22.5	4. Zurich 28.4	4. AXA 23.7	4. Zurich 30.8
5. AIG 15.2	5. AIG 14.1	5. Generali 22.1	5. Generali 18.1	5. Generali 18.9
6. AVIVA 10.7	6. AVIVA 12.4	6. AVIVA 12.9	6. AVIVA 10.5	6. AVIVA 12.7
7. AEGON 7.1	7. AEGON 7.9	7. AEGON 7.9	7. AEGON 5.9	7. AEGON 8.8

1) Market capitalization as at respective year-end and based on exchange rates as at respective year-end

In terms of market capitalization, we managed to win back the top spot in 2012. With a market value of 47 billion euros at the close of the year, we were well ahead of our competitors. A comparison with the market capitalization level at the end of 2008 also clearly shows that we have fared best during the crisis compared with our European peers in this category, too.

At the end of the year, the price of **Allianz shares** was 104.80 euros. This means that the company's stock gained 41.8 percent in the course of the reporting year as a whole, while the STOXX Europe 600 Insurance sector index rose by 32.9 percent during the same period. This was the highest increase in the value of Allianz shares in 15 years. The total return, i.e. including the dividend payment, on Allianz shares came in at as much as 49.8 percent. This year, the company's shares have continued to show encouraging development, with the share price sitting at 112.05 euros at the end of April. 76 percent of analysts are currently issuing a "buy" recommendation for our shares, with an average price target of 123 euros for the next 12 months.

Solid outlook for operating profit in 2013
(EUR bn)



Disclaimer:
The impact of natural catastrophes and the development of the financial markets, as well as the global economy cannot be predicted

Let me now turn to our **outlook for 2013**. Provided that natural catastrophes and capital market fluctuations do not exceed normal expectations, we expect to achieve an operating profit of 9.2 billion euros in 2013, with room for a fluctuation of 500 million euros each way. On average this outlook is in line with the strong operating profit we achieved in 2012 if we consider that, as of the start of the year, we will be reporting restructuring costs within the operating profit instead of under our non-operating results, as in the past.

The individual operating segments are expected - taking into account the new method for reporting restructuring costs in each case - to make the following contributions: in the property and casualty insurance segment, we expect to see slight earnings growth. In the life and health insurance segment, on the other hand, we believe that earnings are more likely to slip back slightly due to lower investment income. We will see a similar trend in the asset management segment, which will find it particularly difficult to maintain the exceptionally high level of performance-related fees, totaling just under 800 million euros, achieved in 2012. In the Corporate and Other segment, we believe that stable earnings development is on the cards. On average, this brings us to the figure of 9.2 billion euros, give or take 500 million euros. Given the sustained low interest rates and positive business performance in 2012, we believe that this outlook is an ambitious target.

I would now like to turn my attention to my **four special topics**.

The first relates to our two operating problem cases, namely Allianz Bank and our US subsidiary, Fireman's Fund.

At last year's Annual General Meeting we already spent a great deal of time talking about **Allianz Bank**, which legally operates as a branch of Oldenburgische Landesbank AG. We wanted to use Allianz Bank to give our agents an opportunity to offer their customers simple banking products. At the start of the year, the decision was then made to discontinue business in the middle of the year. This move was necessary because it was starting to look increasingly unlikely, in the current market environment, that we would be able to drive Allianz Bank into the black within an appropriate period of time. I am sorry that this decision had to be made, because it obviously comes as a disappointment to customers, agents and employees of the bank alike.

But this decision has to be seen in the light of the fact that since Allianz Bank was set up in 2009, it has clocked up net losses totaling around 400 million euros, including start-up costs and the restructuring costs that are now being incurred.

There are manifold reasons for this. The prolonged financial crisis and ongoing period of low interest rates are certainly one factor, with no signs of a turnaround on the interest rate horizon. Another aspect, however, is the fact that - in all honesty - we were unable to establish the banking business in a broad spectrum of our agencies. Nor were we successful in getting our customers to be enthusiastic about the products. Thus we lack the scales to be competitive.

Irrespective of this development, Oldenburgische Landesbank AG will continue its successful business in the north-west of Germany as the largest private regional bank.

The second operating problem child is, once again, our US P&C insurance company, **Fireman's Fund**. We discussed this company, too, at the Annual General Meeting last year, because we had already started implementing restructuring measures at the end of 2010.

It goes without saying that the operating profit of minus 550 million euros reported in 2012 comes as a crushing disappointment. Nevertheless, whatever justified criticism may have been leveled against us, it is also important to understand the reasons behind this trend. In the main this loss is driven by three specific influences.

Around 230 million euros can be traced back to storm Sandy, which hit the US east coast at the end of the year. The loss burden is commensurate with our market share in the region and represents an exceptional nat cat burden within the framework of our normal business.

Another special effect lies in the fact that the US experienced the worst period of drought in 50 years, which hit our crop insurance business to the tune of around 160 million euros. Again, this is an unpleasant matter but has to be seen as a one-off in an area that has otherwise made positive earnings contributions over the years.

What is more, we had to strengthen the reserves for existing policies in the amount of just under 350 million euros. A large part of these reserve increases is attributable to the underwriting years prior to 2008 and can be explained by the inflation in legal and medical treatment costs combined with much lower interest on the reserves.

The key question now is: how long will it take for Fireman's Fund to get back on track? We are working hard to achieve this at all levels and should see a marked improvement in earnings start to emerge this year, with earnings expected to return to an appropriate level in 2015 at the latest.

Thus the outlook for Fireman's Fund is essentially different from that of Allianz Bank.

Allianz's approach to environmental, social and governance (ESG) issues is based on internationally established principles

Now for my second special topic. Last year, we were accused here at the AGM of influencing food prices with our **investments on the futures markets for food commodities.**

The allegation was mainly based on the observation that investments on commodities futures markets had risen considerably over the past few years and that our asset management companies are among the investors. We were very open and sincere in our desire to seek dialog on this issue: in July of last year, our experts also attended a meeting with the non-governmental organization. We used the meeting to explain our investment model and answer all of the questions we were asked. The individuals responsible for launching the campaign did not go into any further detail on their allegations, or provide any evidence to back them up, either at or after this meeting. We also answered a written inquiry sent to us by the organization in January 2013. In our answer, we once again asked the organization to provide more specific information to back up its sweeping allegations and to start an objective debate on the measures that can be taken to help combat famine. We have not received any response to date.

So what, exactly, is the issue here? Our asset management companies use investments in relevant funds to bet on both rising and falling prices of commodities indices and act as a risk partner for farmers and commodities buyers on the commodities futures market.

It is important to know, in this respect, that the futures market does not trade in actual commodities, but rather only in the risks associated with future changes in the prices of commodities. Farmers use the market to protect themselves against excessively low prices, while buyers use it as a means of protection against excessively high prices. As a risk partner, we provide both parties on this futures market with liquidity and attractively priced futures contracts. And precisely for this reason we do not cause prices to rise by making commodities scarce. As a result, we do not feel that the criticism is justified in this case.

In a world with an ever increasing population, there is an increasing need for commodities, energy, progress and growth. In order to achieve these, we need functioning markets, investors and risk partners. As one of the largest insurers and asset managers we are part of these markets and want to ensure that we are really doing the right thing. As such we have also learned something ourselves from the discussions with critical organizations. Many of the issues are very complex and it is part of our responsibility to deal with the facts appropriately and to provide our employees with the right guidelines. We have therefore been looking for a way of integrating ecological and social aspects into our business decisions in an even clearer and more timely manner. This prompted us to set up a high-profile central body, the ESG Board, last year.

ESG stands for Environment, Social and Governance. This ESG body is to ensure that, alongside risk and business management aspects, environmental and social concerns are considered in all business activities in a transparent and comprehensible manner.

Even though we cannot ensure that our decisions will always meet the demands of the NGOs, we are more than happy to offer to work with these organizations on the relevant topics. We have proven our willingness to do so in a whole number of areas, such as demographic change, climate protection and microinsurance. And it is precisely this constructive approach that has resulted in Allianz being recognized as one of the most sustainable companies in the world according to the Dow Jones Sustainability Index. Moreover, according to an analysis conducted by Transparency International, it was confirmed that we are also one of the world's most transparent companies.

To illustrate this whole subject matter more vividly, we have set up an information booth here in the Olympiahalle. I would like to extend a warm invitation to you to visit our sustainability and ESG booth. Have a word with our employees there, form your own opinions and let us know which topics are important to you.

I would now like to talk about my third special topic, the increasing **regulation on the financial markets.** Here we are dealing with very complicated circumstances which I won't be able to explain in detail in my talk. But it is important that you, as shareholders, know that these issues exist, because they may influence our business.

At previous Annual General Meetings we already dealt with the topic of Solvency II in detail. Solvency II is the new supervisory law framework for European insurers that is the counterpart to the Basel III regulations for European banks. The launch date and impact of the Solvency II regulations, however, remain unclear as things stand at the moment.

There is also a global discussion underway on the regulation of financial institutions that are deemed to be of systemic importance. The global insurers that are considered to be of systemic importance are scheduled to be named in June. The associated supervisory law measures are expected to be passed at the same time, but their content is also unclear as things stand today.

Finally, the revision of the EU Insurance Mediation Directive (IMD) and the Directive on Markets in Financial Instruments (MiFID) is still on the agenda. The revision process could have far-reaching implications for our distribution. There are also numerous other initiatives that would imply more extensive regulation of our business. I would like to mention the financial transaction tax by way of example. I cannot yet provide you with any reliable information on the exact impact of all of these projects on Allianz. I can, however, assure you that we are making a very active contribution to the debate on these issues in order to ensure that appropriate solutions are reached and that Allianz is appropriately prepared for likely changes.

We are reacting to the sustained low interest rate environment in order to secure the long-term future of life insurance

1 Diversified investments

2 Adjustments to the product portfolio

3 Cost management

Finally, I would like to touch on my last special topic: how do we position **Allianz life insurance in an environment** that continues to be characterized by unresolved sovereign debt crises and **low interest rates**? Even if Allianz is still generating attractive returns for our customers at present despite interest rates being at an all-time low, and even if no Allianz customer has to worry about his or her life insurance because of the financial crisis, one thing is clear. The return on life insurance policies will inevitably drop in this sort of interest rate environment. This circumstance alone makes the topic of retirement provision more important than ever before.

Ultimately, according to the EU's calculations and forecasts, people will have to be prepared to accept an ever widening gap between the sort of income in old age that allows them to maintain their familiar standard of living and the actual flow of cash they can expect to receive. Due to the low interest rates alone, for example, savers are currently having to set an amount aside that is one third higher than it would be in a climate of interest rates that are in line with the historical average if they want to maintain their quality of life in old age.

So what can we at Allianz do now to protect the established 3-pillar model, consisting of statutory, company and private pensions, in the long run? We are focusing our efforts on the following three areas: investment, product development and cost management.

From our customers' perspective, the security of, and returns on, our investments is the decisive issue, alongside our capital resources. Our fixed-income security investments (including cash and cash equivalents) achieved a current yield of 4.0 percent last year. By way of comparison, the yield on ten-year German government bonds stood at 1.3 percent, and that on ten-year US government bonds at 1.8 percent. This reveals the dilemma and the challenge we face.

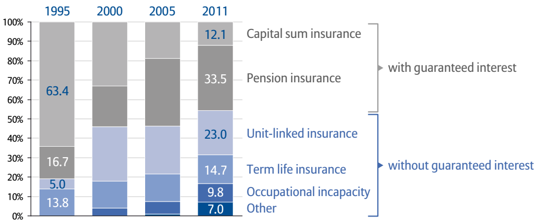
Even in a climate of low interest rates, Allianz must achieve an investment return that is attractive in a market comparison, while keeping any risk as low as possible. For this purpose we reduced the number of higher-risk asset classes and cluster risks in our portfolio in 2012 and, conversely, increased the proportion of globally diversified corporate bonds. We are also adding a broader mix of asset classes to our overall portfolio, including real estate and infrastructure investments, for example. This allows us to boost yields while taking lower risks on the whole.

Precisely when it comes to the issue of investments, Allianz can score positive points from the fact that we have a global presence and highly professional central investment management processes. Naturally, the fact that we have strong asset managers within the Group is also an advantage when implementing our investment objectives in the short term.

In this fiscal year, we can therefore offer our German life insurance customers, for example, a very attractive return of at least 4.2 percent. In addition to current returns of 3.6 percent, customers will receive a final profit and a basic amount for participation in valuation reserves totaling 0.6 percent. This does, admittedly, bring the overall return down by 0.3 percentage points as against the reporting year and shows that even we cannot escape the difficult capital market environment entirely unscathed. It also shows, however, that even in the current environment, life insurance remains an attractive provision product. There is, however, a clear need for action to be taken, particularly when it comes to the guaranteed returns that are fixed for life in Germany.

The product mix has shifted

New life insurance business in Germany[1]
(shares in %)



1) Only individual insurance policies
Source: GDV

Given the current low interest rate environment, the key question for **product development** is: what sort of guarantees can we give in the future at all? In seeking an answer to this question, we have to focus on our customers' needs on the one hand, but cannot lose sight of the long-term risks from a shareholder perspective on the other. Some of our competitors have responded to this difficult situation by making the decision to stop offering conventional guarantee products altogether. The graphic shows that the proportion of guarantee products has already been on the decline in Germany over the last 20 years.

We have consciously decided that we want to continue offering our customers security in the form of guarantees. Therefore, the summer will see us launch a new product on the market in Germany that limits the guaranteed interest rate to the savings phase only in the first instance. The guaranteed interest rate for the payout phase will not be set until the start of the pension phase. The product involves much lower guarantee costs, pushing the capital charges down for us as an insurer. The risk for you, as shareholders, is reduced and customers can enjoy a significant increase in returns. We will also be continuing to offer traditional guarantee products, although the higher value of lifelong guarantees will have to be reflected in lower potential returns.

The issue of **cost management** is extremely significant within this context. Since the total profits to be distributed are on the decline due to the low interest rate environment, the cost burden is becoming more and more significant. As far as our administrative expenses are concerned, we have an excellent position in a market comparison, especially in Germany, where these costs are only about half as high as the market average and we will be continuing to work on improving our processes so that we can secure this leading cost position in the long term.

From Allianz's point of view, life and pension insurance remains a key component of retirement provision and we will continue to modernize this business area in the future, too, in the interests of our customers, and without neglecting those of our shareholders.

Dear shareholders, this brings me to the end of my report. 2012 was a very good year for Allianz, and this positive trend persisted in the first quarter of this year. We will continue to do everything in our power to maintain our financial strength and make us even fitter for the future. Both will form the basis for sustainable and profitable growth in the future.

I believe Allianz to be well on course, even in a difficult environment, and I would therefore like to ask you to approve our proposals on the individual agenda items for this Annual General Meeting. Dr. Perlet, the Chairman of our Supervisory Board, will now take you through them.

Thank you for listening.

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

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