

**Annual General
Meeting**
of Allianz SE
on May 6, 2015

Report by the Chairman of the Board of Management
Michael Diekmann

The spoken word shall prevail.

Allianz 



Michael Diekmann

Good morning, Ladies and Gentlemen,

On behalf of the Board of Management, please allow me to welcome you to our Annual General Meeting.

2015 is a special year for Allianz, because we are celebrating our 125th anniversary. Yet, the real reason why this anniversary gives us reason to be happy is the fact that we managed to stay young and dynamic by constantly seeking change, without giving up our core. This is what combines the honor of such an anniversary with our justified confidence for the future.

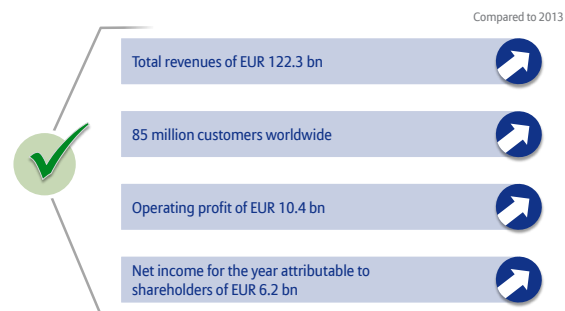
Allianz as a company is in good shape in all respects, and this is something we are proud of. Nevertheless, a great deal of food for thought remains, because, as a company that operates at the nexus where politics and economy converge, the risks that we have to manage for our customers are constantly growing. Although this development is helpful in terms of boosting our business, it is not a positive one from a societal perspective.

I will be addressing some of the issues that give us cause for concern in my report on business developments in 2014. I'll then be explaining our new dividend policy and our specific dividend proposal, as well as the outlook for 2015. I will then be presenting the key data for the first quarter of 2015 to you.

Finally, I'd like to look at two issues in greater detail:

1. the significance of life insurance in the current interest rate environment and
2. the contribution Allianz can make to infrastructure financing.

Allianz Group overview for 2014



2014 was a very good year for Allianz. Our revenues broke through the threshold of 122 billion euros for the first time, which translates into growth of more than 10 percent or 11.5 billion euros. This means that the revenue growth of a single year is higher than the total revenue of most European insurers. We gained two million new customers and now insure 85 million people across the globe.

Our operating profit increased to 10.4 billion euros. The proportion of our consolidated net income after taxes for the year that is attributable to our shareholders amounted to 6.2 billion euros.

We achieved this result in an environment which, to put it gently, can be described as “challenging”.

Economic growth remained at a very low level in Europe, our core market. Armed conflicts in many regions of the world are cause for alarm. Images of the fighting in Nigeria, Ukraine, the Middle East and images of the tide of refugees crossing the Mediterranean serve as testimony to the brutality and chaos in our world today. And there are no real solutions recognizable for these conflicts.

In the western world, central banks are trying to stimulate economic growth through an increasingly loose monetary policy. As a result of this approach, the euro is depreciating at a rapid rate and interest rates are falling to all-time lows in many places. This is creating major investment challenges and higher risks, as well as placing a real burden on all pension systems and savers. This is another development that we view with grave concern.

The situation in Europe also raises concerns. While the UK is still flirting with the idea of an exit from the European Union, despite the experience of the Scottish referendum, the new Greek government is testing the limits of European solidarity. The Austrian province of Carinthia distances itself from a default guarantee, thus undermining trust in public payment morale. Instead of concentrating on the global challenges facing us, we sadly have to use a lot of energy on protecting against potential implications of all these uncertainties.

Key strategic decisions in 2014

Russia	Fireman's Fund	PIMCO
<ul style="list-style-type: none">Withdrawal from the auto insurance business	<ul style="list-style-type: none">Sale of the retail lines of businessIncorporation of the Fireman's Fund corporate lines of business into AGCS	<ul style="list-style-type: none">Transition from a culture focused on the founder to a team approachPresentation of a Group Chief Investment Officer (G-CIO) and six CIOs to head the Investment Management team

In this difficult environment, which does not allow to have too many weak spots, we made key **strategic decisions** at three of our subsidiaries last year:

We decided to withdraw from the auto insurance business in **Russia** almost completely. The economic situation in Russia and changes in the overall legal framework, meant that it was becoming increasingly difficult to operate our auto insurance business on the Russian market profitably.

Another decision relates to our US subsidiary **Fireman's Fund**. As you might remember from previous Annual General Meetings, we were repeatedly forced to increase the reserves for the in-force business. This put pressure on the subsidiary's results time and again.

As a result, we decided to sell the retail lines of business at Fireman's Fund, which account for around one-third of the company, to a competitor. Expanding this business segment would have required substantial investments that we were not prepared to make in view of the alternatives, especially not in this highly competitive segment of the US market.

The corporate lines of business at Fireman's Fund, which are much larger and make up two-thirds of the company's total premium income, are to be incorporated into our subsidiary Allianz Global Corporate & Specialty. This is our global industrial insurer and this move will now allow us to provide our global corporate clients in the US, too, with a comprehensive one-stop service under the Allianz brand name.

Finally, we put a new management structure in place at our Asset Management unit **PIMCO**, spreading responsibilities over several individuals.

You will all have followed last year's developments at PIMCO in numerous media reports. After his 70th birthday, PIMCO's founder Bill Gross took the decision to leave the company in September. Since in a company that has one thousand five hundred billion US-dollars under management we should not be dependent on individual persons, we had to be prepared for such a situation.

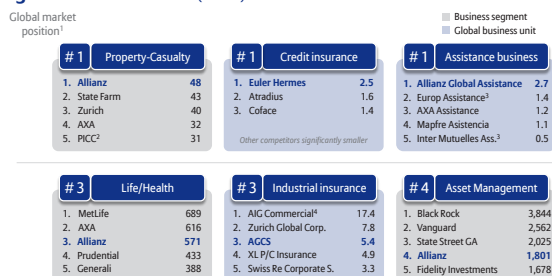
For this reason the new management team, which boasts more than 20 years of investment experience on average and has been bestowed with numerous awards for outstanding investment performance, had already been established at the start of 2014. The team was then able to take over the reins of the business as soon as Bill Gross had left – and they did a really good job at that.

Nevertheless, when such a high-profile figure leaves the upper echelons of an Asset Management company, this inevitably leads to customer fund outflows. Although this is deeply regrettable, the important thing is that this established team gives the company the right structure for the future, and that we are not reliant on individual persons.

convinced that this active strategy offers greater customer benefits. This is confirmed by the large number of our funds that outperform their benchmark indices.

In the world-wide industrial insurance segment, too, we meanwhile rank among the three leading providers of global solutions with Allianz Global Corporate & Specialty.

Strong position in all business segments and global business units (EUR bn)



1) Fiscal year 2014; Basis: gross written premiums (Property-Casualty, industrial insurance), revenue (credit insurance, assistance business), operating investment assets incl. loans (Life/Health) or assets under management (Asset Management)
 2) Basis: gross written premiums from direct business as reported to the China Insurance Regulatory Commission
 3) Revenue estimates: Europ based on 3-year average growth rate, IMA based on plan
 4) Net premiums

Good operating development in all business segments



Property and Casualty Insurance

- Revenues of EUR 48.3 bn (+3.7 percent vs. 2013)
- Combined ratio of 94.3 percent
- Operating profit of EUR 5.4 bn (+22.2 percent vs. 2013)



Life/Health Insurance

- Revenues of EUR 67.3 bn (+18.6 percent vs. 2013)
- Operating profit of EUR 3.3 bn (+22.8 percent vs. 2013)



Asset Management

- Operating profit of EUR 2.6 bn (-14.9 percent vs. 2013)
- Cost-income ratio of 59.2 percent

The solid overall result achieved by the Allianz Group is thanks to a **strong market position** in our various business segments, both on our local markets and in our global business units.

We are the clear market leader in what has traditionally been our core business, the property and casualty insurance segment. The same applies to credit insurance, where we are proving very successful with our subsidiary Euler Hermes. Our market leadership in the global assistance business provides another important basis for the future. We provide services such as breakdown assistance on the roads or help with health-related emergencies that arise when traveling in 34 countries under the Allianz Global Assistance brand name. This allows Allianz not only to provide financial compensation, but also to give our customers a practical helping hand in times of need, wherever they are in the world.

In the life and health insurance segment, we rank among the biggest three companies in the world. In this area, our capital strength and impeccable reputation are just as important as our investment expertise.

In the asset management business, only a handful of competitors manage a bigger volume of customer funds than our subsidiaries Allianz Global Investors and PIMCO. While many major asset managers take a passive approach, merely tracking index trends, we are consistently banking on an active investment strategy. We are

Let's look at the results achieved by our three operating segments in detail:

Gross written premiums in the **property and casualty insurance segment** totaled more than 48 billion euros, up by 3.7 percent. In addition to our large entities in Germany, Italy, France and the UK, our global business units also contributed to this result. In the industrial insurance segment (AGCS), we achieved growth of 8 percent. At Allianz Worldwide Partners, the parent company for our assistance business, we showed growth of almost 10 percent.

We managed to keep our combined ratio, i.e. the ratio of expenditure on claims and costs to premium income, constant at a very positive 94.3 percent.

All in all, we increased our operating profit in the property and casualty insurance business to 5.4 billion euros.

The **life and health insurance segment** showed impressive premium growth of almost 19 percent in 2014, bringing premiums up to more than 67 billion euros. In the US, we are the market leader for fixed index annuities. Sales of these index-linked products more than doubled and now amount to almost 13 billion US-dollars. Italy and Germany also reported double-digit revenue growth. This is a clear sign that our products are meeting our customers' needs.

But it was not only in respect of life and health insurance revenues that we managed to achieve double-digit growth. Our profit growth was also in the double digits, rising by 23 percent to 3.3 billion euros.

Our two **Asset Management** subsidiaries developed differently in 2014.

I have already talked about the changes in PIMCO's management structure. Let me now turn my attention to the results:

The investment results achieved over the past few months once again confirm that PIMCO delivers outstanding results for its customers. At the end of 2014, 88 percent of the assets under management for third-party customers had outperformed the relevant benchmark over a three-year period. This shows that this performance is not a mere coincidence, but rather that PIMCO achieves sustainable outstanding investment success.

Despite the good results fund outflows were at the upper end of our expectations last year. This pushed PIMCO's operating profit down by 18 percent to 2.2 billion euros. Encouragingly, since the start of the year outflows have reduced month after month. It appears that we have digested the impact of the change in management. This also makes me confident that we will be able to stabilize the assets under management in 2015.

Our second asset manager Allianz Global Investors continued with its very encouraging development in 2014, recently reporting continuous fund inflows for the ninth quarter in a row. These fund inflows are also being boosted by good investment results. Allianz Global Investors' operating profit broke through the 400 million euro mark for the first time.

All in all, we achieved an operating profit of 2.6 billion euros in asset management.

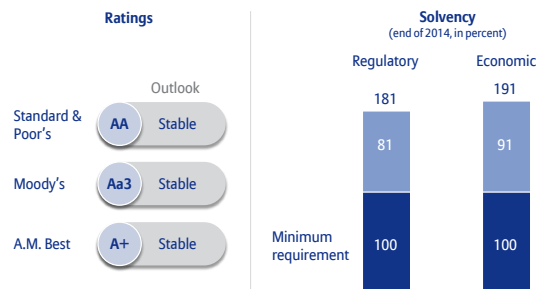
Allianz compared with major international competitors: operating profit (EUR bn)¹⁾

2009		2010		2011		2012		2013		2014	
1. Allianz	7.2	1. Allianz	8.2	1. Allianz	7.9	1. Allianz	9.5	1. Allianz	10.1	1. Allianz	10.4
2. AXA	5.7	2. AXA	6.0	2. AXA	5.9	2. AIG	7.2	2. AXA	7.3	2. AIG	7.9
3. Zurich	4.6	3. Zurich	5.1	3. Zurich	5.0	3. MetLife	6.3	3. AIG	6.8	3. Ping An	7.6
4. Generali	3.7	4. MetLife	4.1	4. MetLife	4.8	4. AXA	6.3	4. MetLife	6.4	4. AXA	7.5
5. MetLife	2.3	5. Generali	4.1	5. Generali	3.9	5. Generali	4.2	5. Ping An	5.5	5. MetLife	6.8
6. ACE	2.2	6. AIG	3.0	6. Ping An	3.7	6. Ping An	3.9	6. Generali	4.2	6. Zurich	4.9
7. Ping An	2.0	7. ACE	2.8	7. Prudential	2.1	7. Prudential	3.5	7. Zurich	3.4	7. Generali	4.5
8. AIG	1.4	8. Ping An	2.6	8. ACE	1.6	8. Zurich	3.2	8. ACE	3.1	8. Prudential	4.0
9. Prudential	0.8	9. Prudential	1.7	9. AIG	0.3	9. ACE	2.3	9. Prudential	2.0	9. ACE	2.9

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

Combining all of our operating segments, this produced an operating profit of 10.4 billion euros, allowing Allianz to not only defend its top global position in the operating profit rankings, but to once again increase its lead over its European competitors. As you can see from the slide, Allianz has been topping the table of the most profitable international insurance companies by a wide margin for years now. This highlights our sustained solid position on the global competitive landscape.

Solid capital base



The success of our three operating segments is also due to the solid **capital resources** that the Allianz Group continues to have.

When it comes to assessing capital strength, there are three main parameters: the rating, regulatory solvency and economic solvency. They all look at whether a company can fulfil its future obligations. Yet different criteria form the basis for this.

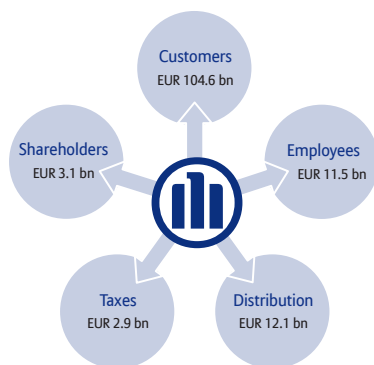
Our S&P rating of AA with a stable outlook remains in place and other leading rating agencies have also confirmed their outlook.

At 181 percent, our regulatory capital base is almost on a par with the previous year, putting it well ahead of the minimum requirements.

As of the coming year we will have to get used to a new key figure. The introduction of the new European regulatory standard, Solvency II, means that economic solvency will be the figure to watch in the future. The regulatory requirement for this key figure once again stands at 100 percent. Based on the current interpretation, Allianz achieved an economic solvency ratio of 191 percent as at December 31, 2014.

So even based on this new standard, Allianz is equipped with almost twice as much capital as necessary. Nevertheless – and it is important for me to stress this already today – we will have to get used to considerably more fluctuation than we have been familiar with under the old regulatory regime. The new regulations are risk-based and more sensitive to volatility on the capital market. The old regulations, on the other hand, are more revenue-based. This means that, in view of the ongoing drop in interest rates, we will have to maintain a sufficient capital buffer.

Substantial benefits to all stakeholders

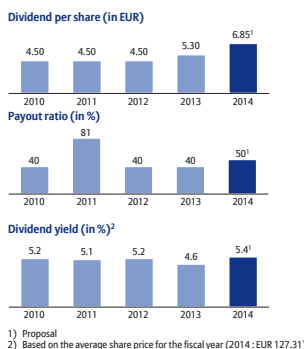


I'd now like to show you what these business figures mean for Allianz' **stakeholders**.

In 2014, our customers received benefits worth almost 105 billion euros. Both our distribution partners and our 147,000 employees received approximately 12 billion euros each. We also paid taxes totaling 2.9 billion euros.

Our shareholders should naturally also benefit from Allianz' success, which brings me to our **dividend proposal** for fiscal year 2014.

Dividend proposal: EUR 6.85 per share



Dividend policy as of fiscal year 2014

- 50% payout ratio
- Dividend per share at least on prior-year level
- Decision on unused budget for external growth every three years

We have repeatedly pointed out that we would be revising our dividend policy as soon as the capital requirements under the new Solvency II regime became clearer. The main overall framework has now been in place since last year and the start date has been set as January 2016.

The Board of Management and Supervisory Board have therefore decided that, starting with fiscal year 2014, we distribute 50 percent, as opposed to the previous 40 percent, of our consolidated net income for the year. We want to maintain this payout ratio in the future, too.

Based on a consolidated net income for the year of 6.2 billion euros, this corresponds to a total dividend of 3.1 billion euros. This equates to a dividend of 6.85 euros per share, up by almost 30 percent year-on-year. The dividend is paid out of the net income according to the individual financial statements of Allianz SE, which amounts to 3.8 billion euros.

We ask for your approval for this proposal.

In order to give our shareholders additional security to plan, it is intended that the future dividend per share will be at least on a par with the previous year.

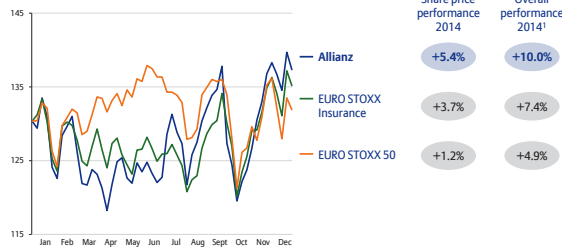
Every three years, we will also evaluate whether to additionally distribute the funds set aside for acquisitions – insofar as they have not been used up. This is to be reviewed for the first time at the end of 2016.

The dividend policy is subject to a sustainable Solvency II capital ratio of over 160 percent.

I am convinced that this policy is well balanced: Allianz will continue to make ongoing investments in growth and, at the same time, you, as our shareholders, can look forward to attractive recurring returns.

Allianz shares performed well in 2014

Share price performance in 2014
(indexed to Allianz share price in EUR)



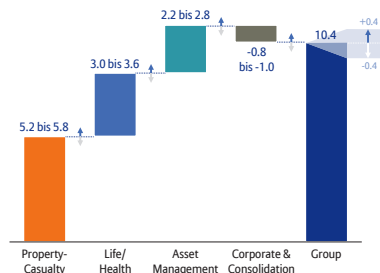
¹⁾ Including dividend
Source: Thomson Reuters Datastream

This brings me to the development of Allianz shares in 2014. In the course of the year, our shares gained 5.4 percent, closing the year at 137.35 euros. This means that they outperformed both the EURO STOXX Insurance index and the broader EURO STOXX 50. Together with the dividend of 5.30 euros paid last year, you have achieved a total return of 10 percent with your investment in Allianz.

This positive trend continued in the first few months of this year. Yesterday evening, the closing price stood at 150.55 euros, meaning that the company's share price has risen by nearly 10 percent since the start of the year.

The share price reflects what the capital market expects in terms of the company's future development and shows that the market has confidence in Allianz' development. In my **outlook for fiscal year 2015**, I would like to explain why this confidence is justified.

Outlook for operating profit in 2015 (EUR bn)



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

We expect to achieve another strong result in the property and casualty insurance segment in 2015. Without the extraordinary losses from Russia, Brazil and Fireman's

Fund, we are aiming to achieve an operating profit of between 5.2 billion and 5.8 billion euros.

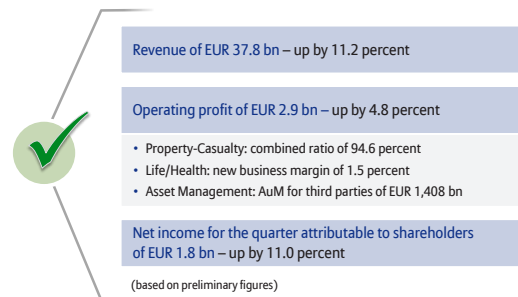
In the life and health insurance segment, the strong growth achieved last year has laid the foundation for good performance this year, too. Even though product changes triggered by the interest rate environment will slow down growth in the life business, we are expecting an operating profit of between 3.0 billion and 3.6 billion euros.

In the Asset Management business, the outflows of last year will put pressure on our results in 2015. The strong US-dollar, however, will provide us with a boost, meaning that we expect to achieve a profit of between 2.2 billion and 2.8 billion euros.

All in all, we expect to achieve a result in 2015 that is on a par with last year, at 10.4 billion plus or minus 400 million euros. This outlook rests on the assumption that the global economy will show a moderately positive development and that we will not be faced with any dramatic turbulence on the capital markets or an exceptional accumulation of natural catastrophes.

Business developments in the first quarter support our outlook for the year as a whole.

Highlights of Q1 2015



Based on the preliminary figures, our revenue grew by 11.2 percent to 37.8 billion euros in the first three months of the year. We are particularly pleased about the two-digit growth in property and casualty insurance.

Sadly, storms Niklas and Mike shaved around 150 million euros off our operating profit. The combined ratio was up by two percentage points in a year-on-year comparison to 94.6 percent.

Despite the current interest rate environment, we achieved a new business margin of 1.5 percent in the life insurance segment.

In Asset Management, third-party assets under management increased to more than 1,400 billion euros due to positive market and currency effects.

The Group's operating result grew by 4.8 percent to 2.9 billion euros. The net income from the quarter that is attributable to our shareholders comes in at 1.8 billion euros, up by 11 percent on the good first quarter of 2014.

Our capital strength is reflected in our previously mentioned economic solvency ratio of 192 percent, which remained constant compared to the end of last year despite a further significant drop in interest rates.

All in all, this means that we have made a very good start to the year, putting us well on track to achieve our outlook for the year as a whole.

Special issues



Significance of life insurance in the current environment



Infrastructure financing

Ladies and Gentlemen,

I said that I wanted to come back to take a closer look at the future of life insurance and the role that insurance companies can play in infrastructure financing.

First, allow me to tell you a bit about the current environment, taking German government bonds as an example. At the moment, it is impossible to generate any return at all on German government bonds with a term of up to five years. The return on 30-year bonds is a paltry one percent a year. This allows the state to reduce its debt, but puts savers and investors in a real predicament. Obviously, this also has an impact on **life insurance**.

There are people who believe that in such an interest-rate environment private retirement provision is pointless. This must be countered in no unclear terms. In view of demographic change, a statutory pay-as-you-go pension system will not suffice. It is precisely because interest rates are low that we need to save on an ongoing basis. And the lower the interest rates, the more we need to set aside to achieve our goals.

The growth witnessed in our life insurance segment shows that our customers have recognized this. The

double-digit revenue growth seen in established markets like the US, France, Italy and Germany is clear testimony to this. It is now more important than ever to invest in the right products. And these are products which combine security, on the one hand, and return opportunities on the other.

Capital market-linked products like index-linked annuity products in the US and state-of-the-art products like the "Perspektive" product in Germany are the right response to current customer needs and the market environment.

Since guarantees are a less prominent feature of these products than is the case with traditional products, we as an insurer have more leeway available when it comes to investing. Customers benefit from this in the sense that they have an opportunity to generate higher returns, while, at the same time, we need less risk capital.

Independent of the interest rate environment life insurance is and remains an important business segment for us. What is key, however, is that we use new products, adapted to the environment, to ensure that we are fit for the future and that we generate value for customers and shareholders alike by pursuing a professional investment strategy. In exactly the same way as you and our customers are used to from the past.

Special issues



Significance of life insurance in the current environment



Infrastructure financing

This brings me to our contribution to **infrastructure financing**.

As a life insurer, we make long-term promises to our customers in terms of the benefits they can expect to receive. Long-term investments are a perfect match for these promises. So it is not surprising that we have a keen interest in financing infrastructure projects, whose operations run over several decades. We have already successfully initiated a whole range of such projects: in Norway, we have invested in a gas pipeline network. Our portfolio also includes 48 wind farms and 7 solar parks, generating enough energy to supply a city the size of Munich. We have financed road construction projects in Scotland, France, Slovakia and Spain and we have a stake in a UK company that rents out locomotives and other railway vehicles.

Our colleagues in investment management have accumulated a great deal of specialist expertise in the valuation of the risks associated with infrastructure investments. We use this expertise to invest successfully for our customers. As a result, we have also decided to increase our medium-term investment target for real asset classes, which include real estate, infrastructure and others, from 80 billion to 110 billion euros.

Our willingness to invest responds to a sizeable need for investment in order to expand and maintain infrastructure. If, for example, you happen to find yourself on the highway between Munich and Salzburg, then you will experience deep pot holes. The need for investment is obvious. At the same time, the federal government, states and municipalities are faced with tight budget constraints.

Policymakers have therefore been discussing new forms of cooperation in recent months. We are talking about investments involving public-private partnerships. Such partnerships, however, can only be successful in the long run if they provide an efficient means of building and operating infrastructure for the general public, while at the same time offering private investors the prospect of returns that are commensurate with the risk involved. After all, these returns make up the retirement provision of the customers whose money we are investing.

I hope that both Germany and Europe can progress quickly from recognizing the issue to implementing concrete steps. That would be a real contribution to economic growth and much better than forcing interest rates to zero.



Thank you to ...
... 147,000 employees
... 156,000 agents
... 200,000 independent sales people

Let me finish by coming back to Allianz' **125-year anniversary**. Allianz was set up as a transport insurance company in Berlin back in 1890. 125 years later, we insure 85 million customers in more than 70 countries, covering a whole variety of risks; we also support them in accumulating assets and help to lay the foundation for secure retirement provision.

This development is the result of the work of many thousands of people across the globe. Today, 147,000 employees invest their energy in working for Allianz day in, day out. They are joined in their commitment by 156,000 Allianz agents and almost 200,000 independent sales people.

Our sales employees and representatives are our face to the customer. The contribution they have made to customer satisfaction has allowed us to rise up the ranks and achieve the status of being the world's leading insurance company. Please allow me to take this opportunity to extend my most sincere thanks to all Allianz employees, agents and other distribution partners for the good cooperation and the huge contribution they have made to Allianz' success.

I'd like to finish my speech today by extending my profound thanks to you, our shareholders, as well and to say goodbye. After 27 years – precisely twelve of which have been spent as CEO – today is my last day of work at Allianz.

The Supervisory Board has appointed Oliver Bäte as my successor and he will take over tomorrow. I hope you will place the same trust in him that you have placed in me over the past twelve years. I would like to wish Mr. Bäte and the entire Board of Management every success and a steady hand. I wish you and Allianz all the best.

Thank you.

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

Forward-looking statements

The statements contained herein may include prospects, 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. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements. Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) 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.

No duty to update

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

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