Annual General Meeting of Allianz SE on May 21, 2008

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INSURANCE | ASSET MANAGEMENT | BANKING

Allianz

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

The spoken word shall prevail

Dear Shareholders,

I should like to extend a warm welcome to all of you at the Annual General Meeting of Allianz SE at the Olympic Hall in Munich. You are the owners of a world-class company. I am proud to be able to state, on behalf of the entire Allianz team: We have continued our success story in 2007. For the second year running, Allianz is the most successful German company measured by the net annual profit.

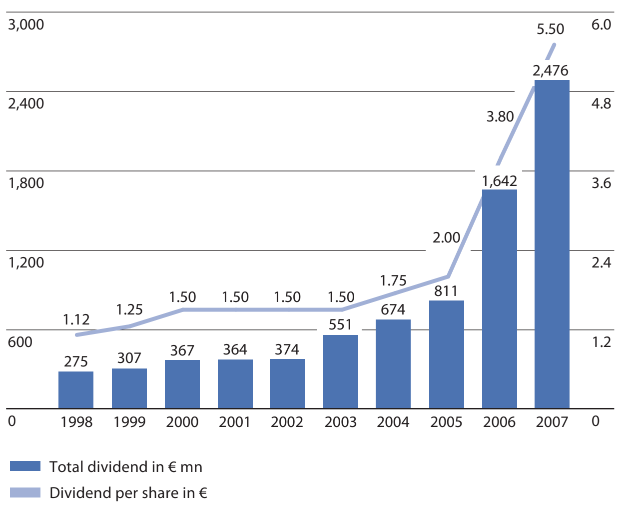
We owe this performance to the commitment of our 180,000 employees and our sales partners throughout the world. I should like to express my sincere thanks to them at the beginning of my presentation.

The operating result at 10.9 billion euros in 2007 represented just as much of a record as the net income of 8 billion euros. We generated earnings per share of 18 euros, 60 percent more than in 2005. The increase in earnings is all the more remarkable since we had to shoulder very high levels of expenditure for natural catastrophes in 2007 and had to weather the subprime crisis in the capital markets during the second half of the year.

Our shareholders are also entitled to benefit from the good results. We are therefore proposing to you that the dividend for the reporting year 2007 should be raised from 3.80 to 5.50 euros per share. This corresponds to an increase of some 45 percent and highlights the fact that we are confident of strong earnings over the long term.

As a leading financial services provider, we are concerned to establish our strong position not least with an attractive dividend policy. We want to put this policy into practice with a payout ratio of approximately 31 percent and a dividend yield of more than 4 percent.

Total dividend and dividend per share



Ladies and gentlemen, I will now present the key indicators for the fiscal year 2007. You can find more detailed figures in our Annual Report.

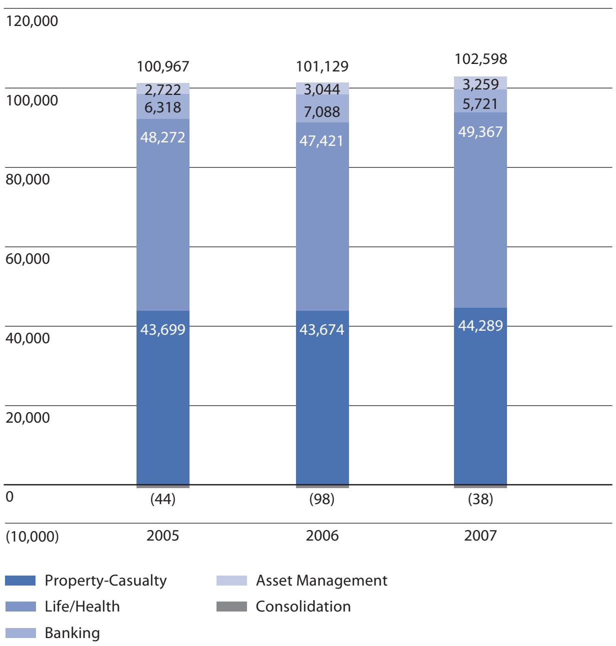
Compared with the previous year, sales for the Group went up by 1.5 billion euros to 102.6 billion euros. The increase in sales of 2.6 percent may appear to be somewhat meager at first glance. However, if we take the fact that by comparison with 2005 the exchange rate with the US$ alone reduced sales by 1.5 billion euros and the subprime crisis caused a further reduction of 1.4 billion euros in Banking Business, the increase in sales looks extremely respectable.

Sales performance in the segments Life and Health insurance and Asset Management were very gratifying. In Life and Health, we achieved double-digit growth in most markets and made more progress than our competitors in all core markets with the exception of the USA. In Asset Management, the impressive growth in value added in our fund products led to increased customer and sales figures compared with previous years.

We are also satisfied with sales performance in Property and Casualty insurance. In 2007, we maintained our consistent underwriting policy and focused on profitable growth. This approach enabled us to expand sales where we were able to generate adequate prices. The emerging economies presented particularly attractive areas and their share in overall business continues to grow.

Banking Business was dominated by the impact of turbulence in the financial markets. Volatility also left its mark in the calculation of sales. Income at 5.7 billion euros was 1.4 billion euros below the level for the previous year. Corrections in valuation amounting to 1.3 billion euros in the trading income generated by the investment bank played a key role in the setback. By contrast, performance of Private and Corporate Clients continued to be positive. We there increased revenues from interest margins and fee and commission income by 7 percent.

Total revenues-segment in € mn



I should now like to take a rather closer look at sales performance in the four business segments.

In Property and Casualty insurance, we again slightly increased the already high level of earnings despite the negative impact of higher claims arising from natural disasters. We were able to compensate for the additional expenses necessitated by natural disasters amounting to 0.6 billion euros by comparison with 2006 with lower administrative costs and enhanced investment success. The combined ratio of 93.6 percent remained below our medium term goal of 94 percent. This ratio continues to represent a stellar performance by comparison with competitors.

In Life and Health insurance, the operating profit went up by an impressive 17 percent. It is very gratifying that this dynamic growth in profit was driven by all four components in the result: higher sales, increased investment income, enhanced efficiency and improved insurance underwriting. The steady increase in inflows of customer funds to the current level of 354 billion euros forms the basis for continuing sustained income performance in this segment.

In Asset Management, we were again able to increase the excellent results in spite of the subprime crisis and fall in the value of the dollar. 86 percent of the third-party funds invested outperformed their comparative benchmark over a 3-year period. Asset Management continued to achieve peak levels of efficiency. The cost-income ratio at 58.3 percent is outstanding compared with the competition.

Banking Business is essentially driven by Dresdner Bank. After a very promising start in 2007, the 2nd half of the year saw impairments in the trading portfolio and our operating profit was 46 percent lower than in 2006. Nevertheless, we achieved an increase of 730 million euros in operating profit despite the turbulence in the capital markets. This represents a significant increase over, say, 2005.

Only a few product areas were directly affected by the crisis in the capital market. In a difficult economic environment, we increased revenues from interest margins and fee and commission income – also in investment banking. The cost-income ratio for Private and Corporate Clients was improved further. By contrast, the cost-income ratio of Dresdner Bank went up because falling sales in conjunction with the credit crisis could not be compensated by cost savings.

Naturally, we are not satisfied with the result in Banking Business and we have taken countermeasures to bring about an improvement. At the same time, we should consider the entire picture fairly, not least with respect to employees at Dresdner Bank.

1. The long-term performance trend since the integration of Dresdner Bank has been going in the right direction and good results were achieved in most areas of Banking Business during the course of 2007. Operating business is eminently respectable, in particular with Private and Corporate Clients, and demonstrates that the bank is working well in transacting business with customers.

2. The impairments reported by Dresdner Bank are in the low range on a national and international scale. The remaining risk was significantly reduced.

3. Dresdner Bank is built on sound foundations. It has a good market position and an excellent customer base, and it is well capitalized with core capital ratio of 10.6 percent at the close of the year and 9.2 percent at the end of the first quarter of 2008. I should like to remind you that to date our competitors have had to raise fresh capital amounting to 160 billion euros to support their operations.

However, the fact remains that the results in Banking Business have not yet reached the quality of our other business segments. We are currently working on this challenge.

In March of this year, the Board of Management of Dresdner Bank resolved to adapt the legal structure of the bank to the operating conditions. Because the media reports on this subject were not always correct, I should like to take this opportunity to give you a short outline of the background to this decision.

Since 2006, we have been operating two business segments under the umbrella of Dresdner Bank AG – Private and Corporate Clients (PCC) and Investment Banking known under the brand Dresdner Kleinwort. However, neither area is currently a separate legal unit. We should like to change this situation with the aim of unleashing additional entrepreneurial forces. To this end, we will "hive down" Private and Corporate Clients in an independent legal unit within the subgroup Dresdner Bank. We are assuming that we will have implemented this at the latest by the end of the year.

This step coincides with the first apparently realistic possibility of a significant consolidation process on the German banking market. We welcome this development. In an environment that is dominated in Germany by the public-law financial institutions, the aim for private banks must be to establish competitive market shares.

Discussions are currently taking place, although these have not yet reached the stage where I should like to report on them today. I should therefore like to ask for your understanding when I say that I will not be able to say any more on these discussions in the subsequent question and answer session in order not to compromise our negotiating position.

I should like to conclude the report on business development with the figures from the 1st quarter of 2008.

As you know from the publications at the beginning of May, we started the fiscal year 2008 with weaker sales, declining operating profit and a much lower net income than in the comparable quarter for 2007. The significant decline was essentially due to two factors. Firstly, we had to write down a further 845 million euros on our structured banking products, while the bank had achieved outstanding results in the 1st quarter of 2007. We also deliberately realized lower gains on equity investments amounting to 1.4 billion euros owing to the unfavorable capital markets.

When we published our annual results in February, we already indicated that we will not be able to achieve the planned contributions to earnings from Banking Business in view of the continuing crisis in capital markets. However, contributions to earnings from operating business in the insurance segment make us confident of again being able to achieve a very good operating result in 2008. By contrast, net income will also depend on performance in the stock market and we predict a positive outlook for the second half of the year.

Ladies and Gentlemen, your Allianz achieved a record result for 2007 in a very difficult environment, and we are looking ahead to 2008 with confidence. Allianz is one of the biggest and most successful companies worldwide, and our business segments and national companies are well positioned for the competition. However, the basic foundations for success and strength were not laid down in a single business year, and they will not come to an end with the year 2007. I should therefore like to talk about what we have achieved for you over the past five years and then move on to talk about the latest progress and the next steps.

Five years ago – after the attacks on the World Trade Center and the collapse of the capital markets – the Board of Management had adopted a program that was intended to provide better protection against fluctuations in earnings. This program can be summarized in three points:

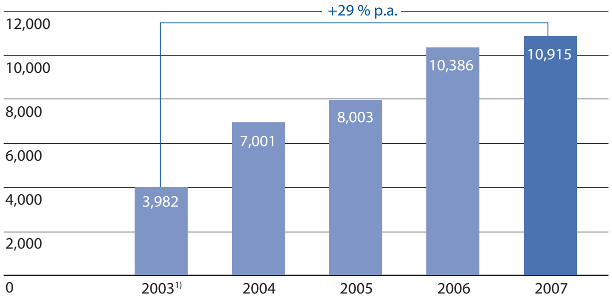
1. The focus was on operating discipline. The aim was to strengthen strong units, move weak units into the profit zone and improve their operations over the long term. Profitability was to be the sole criterion for deciding where we invest our capital for growth – and conversely where not to invest.

2. We wanted to build up a capital base which would secure a good rating and provide adequate protection against emergency capital measures.

3. The core business and the markets were to be strengthened and Group structures simplified.

What have we achieved since 2003? Let's first look at the performance of profit. In 2003, Allianz reported a net profit of 2.7 billion euros. By 2007, the volume of this result had increased by more than 5 billion euros to 8 billion euros. This entails an increase of around 10 euros for each of your shares. The operating result increased over the same period from 4 to almost 11 billion euros – an average improvement of 29 percent each year.

Operating profit € mn

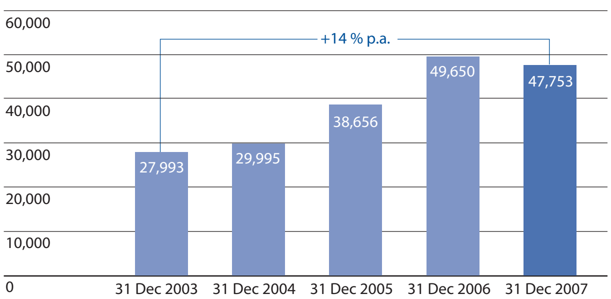


[1)] Operating profit for the year ended December 31, 2003 does not reflect the reporting changes effective January 1, 2006

The comparison with our competitors underscores the extraordinary achievement behind this improvement in results. Since 2003, we have made most progress in improving the operating result and moved from being ranked third to the leading position. I remember our Annual General Meeting in 2004, when I announced that we were setting out to achieve the profitability of our American competitor AIG. In the media, this project received the comment "Still a good way to go before getting to a place in the sun". After five years, we have reached our goal.

We have also made good progress in strengthening the capital base. Since 2003, our shareholders' equity has increased year by year by more than 14 percent to 47.8 billion euros. We achieved an improvement of 54 percentage points in the statutory requirements for capital resources and exceeded the minimum requirements by more than 16 billion euros.

Shareholders' equity € mn



Capital base and dynamic growth are key drivers in adding value to your company. If we compare the change in market capitalization, we see that Allianz has also performed well on this front. We have achieved the fastest growth among all our competitors with an increase of market capitalization of 34 billion euros.

This brings me to the third point in our program, strengthening core business and brand, and reducing complexity. We can see here that investment in the future has not been neglected on the back of rising profits.

1. In Italy, France, Germany, Russia and Taiwan, we purchased minority shareholdings. In Turkey, we acquired the majority shareholding from our partners. We significantly increased our shareholding in PIMCO.

2. We made good progress in strengthening our brand. In 2009, more than 80 percent of sales will be generated under the Allianz brand. As announced, our core brand will become our main brand.

3. We have converted Allianz AG into a company under European law – a commitment to the home market in Europe and a significant streamlining of corporate governance.

We have invested around 19 billion euros in more than 40 transactions. At the same time, we discontinued activities that did not live up to our aspirations. More than 65 transactions amounted to a volume of around 8 billion euros.

These changes, investments and rationalization measures therefore result in direct simplifications which are clearly indicated in this chart. Today, we are much leaner and more focused than five years ago. Direct channels of communication simplify management within the Group. Bureaucracy and capital costs are coming down.

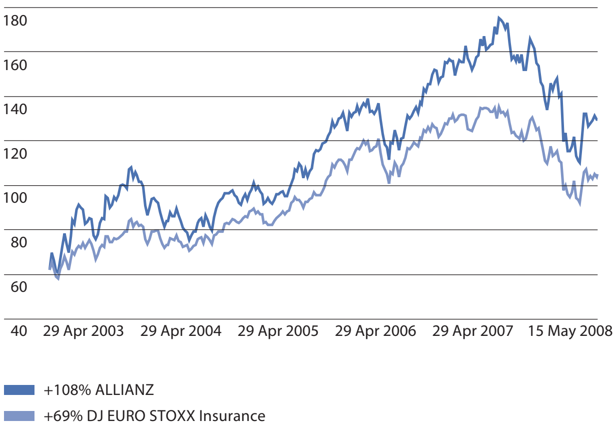
However, the changes have an even more far reaching indirect effect because they create the prerequisites for genuine transformation of the Group and therefore only represent a staging post. For example, introduction of the uniform business model I presented to you in 2007 is only possible if there is direct access to the national companies. Bundling forces and competences – for example in capital management, reinsurance or IT infrastructure – only develops its full potential if the functions of a large number of units are merged. This is not possible in complex Groups.

Let's analyze the share price performance as a benchmark for the success of the investment made by our shareholders. With an advance of nearly 100 percent, the Allianz share outperformed the comparative index by more than 40 percentage points. This underscores the fact that the Allianz share was and is a good investment over the long term.

Naturally, we are very dissatisfied with the performance of the share price since the second half of 2007. Despite outstanding operating results, we were unable to buck the negative trend evident among financial equities. Our aim is to be a dependable and long-term partner for our shareholders, as well as for our customers, employees and sales partners, and this is why we are all working toward making our results more consistent over the long term. Analysts are of the same view and anticipate an increase in share price to 166 euros over the next 12 months.

Development of the Allianz share price versus Dow Jones EURO STOXX Insurance

Indexed on the Allianz share price in €



Ladies and gentlemen, I now come to the third part of my report – an overview of the challenges to come and our next steps. The central challenge of Allianz like that of other service providers is to grow profitably.

We have also made good progress on this front over the past five years. Since 2003, the number of customers entrusting their business to Allianz has risen from 60 million to more than 80 million. In 2007 alone, we acquired five million new customers. The number of customers is experiencing particularly dynamic development in the growth markets of Asia and Eastern Europe. But we were also able to expand our customer base in our core markets of Western Europe and North America.

Nevertheless: Profitable growth remains a challenge. We want to continue playing a role in the dynamic development of the growth regions and also enhance what are still low sales per customer. Cooperation with our customers needs to be even more intensive in our core markets with their rather modest prospects for growth. We need attractive product solutions, expert sales staff and a lean business model that is focused on customer needs in order to make progress there.

Our work around the world is focusing on leveraging these successes. I should like to demonstrate our current position by taking Germany as an example.

In 2007, I presented the business model that we are introducing worldwide. The model envisages bundling all interdisciplinary activities across different business lines and only keeping specific product knowledge separate. The market manager is the focal point and is the customer's representative in the company with the function of addressing customers' needs across all business lines. These needs provide the motivation for all other actions: the development of solutions across business lines geared to needs, the package of solutions marketed through the sales channel desired by the customer, and implementation of product and claim processes based on a service mindset.

In Germany, remodeling the "old" product-oriented world to create this "new" world is gradually taking shape. We have introduced the business model in two of the four service areas. Our postal reception center in Berlin is now processing more than 250,000 pages a day. This will have risen to 600,000 pages by the end of 2008. The call center in Leipzig is already taking more than 150,000 calls a week. This will increase to 400,000. For the first time, we have an integrated customer database that incorporates all business lines and this gives employees a complete overview of all the transactions carried out by every customer. All this has many advantages for customers and sales partners. For example, our employees in the call center can deal with 80 percent of customer's concerns in the first contact. That saves time and money.

But the path into the new world is stony. Perhaps you have read one or other of the critical press reports on our new operating model. I do not intend to comment individually on these reports. But I should like to say – Naturally, there are technical problems associated with a conversion like this, naturally we have to adapt our processes, and unfortunately we are also having to deal with backlogs in processing policies and claims.

Many examples in the history of Allianz demonstrate that long-term success is only possible if you reinvent yourself periodically, even if this process is uncomfortable. This was true for the introduction of punch cards in 1923 and for the launch of modern data processing systems during the 1970s. In both cases, the innovations had powerful effects: Processes were changed, and employees had to be retrained and inducted in the new workflows.

However, both examples demonstrate how important it is to remain streamlined: for the economic crisis in the Weimer Republic and as the foundations for international expansion. Without the far reaching, painful changes of the time, we would not be number one in Germany today. We wouldn't be employing 70,000 staff in Germany alone and we wouldn't be in a position to pay out a dividend amounting to 2.5 billion euros. We shouldn't therefore be put off by difficult decisions and lean periods today if we want to be a dependable, long-term partner for you, for our customers, our employees and our sales partners.

And that is precisely our aspiration.

When we announced our new operating model in 2006, we were assuming that the period of implementation would take three years. We are confident that we can keep to this schedule and gradually achieve a smooth-running operation. During the coming months, the service areas in the south will be converted to the new structure. This will mean we have completed the restructuring by the close of the fiscal year 2008 as scheduled.

All this doesn't change the fact that we are making big demands on our employees and sales partners during this phase, and ultimately also on our customers. I should therefore like to acknowledge the commitment shown by our employees and sales partners. I would also like to thank our customers for their understanding when a lot of things don't operate with the usual Allianz efficiency they are entitled to expect. We are very grateful for the achievements of all those involved in Germany.

We are working on strengthening our sales efforts in parallel with the new operational direction. This is applicable to all the sales channels we use to reach our customers.

- Firstly, we want to again expand the number of our sales agents in Germany. Establishment of the Allianz Sales Force Academy in Cologne is directed toward this objective and we are working intensively on our recruitment and training processes. In addition, we are trialing new agency formats in order to be in a better position to meet the needs of our customers.

- Our direct channel Allianz 24 underwent gratifying development during 2007 and we were able to conclude more than 90,000 policies online for the first time. Close cooperation with agency sales means that direct sales are also accepted by our representatives.

- We have integrated customer and broker communication more closely for Industrial and Corporate Customers across different units with the aim of coordinating customer needs more closely and then providing comprehensive service.

As with all technical issues, we are committed to systematic international exchange for sales initiatives. The new agency formats are well developed in Germany and are important for our foreign companies with strong agency sales. Our direct business is particularly successful in Italy and serves as a model for establishing direct business in Holland, Belgium and France. We are also clear market leaders for sales through automobile manufacturers in Germany and we are establishing the model in other countries. This is all possible because we have radically simplified our group structures as outlined above. I am very pleased to conclude my short report on our sales initiatives by announcing to you that last year we successfully concluded our first negotiations on international cooperation in the insurance sector. Allianz is now one of the strategic partners for the global bank HSBC in insurance business. This partnership will involve HSBC mediating Property and Casualty insurance business in Europe, the Middle East and Asia Pacific. I am confident that a very exciting global business relationship can be created here for both partners.

Ladies and Gentlemen, this morning you received the newspaper Bald, which students of the German School of Journalism have devoted to the issue of aging. The effects of demographic change are a key challenge for our society. As a financial services provider, it is our function to assist our customers in mastering the consequences of getting older. We want to help them take measures to address the risks and take advantage of the opportunities offered by this – and other – megatrends. I should therefore like to conclude by using a product example on the issue of retirement provision to explain our work in the product area. You can also obtain information on this issue from the theme island.

Analyses by our market experts have demonstrated that there is a big demand for annuity insurance in Europe that allows our customers to participate in the rewards of performance in the capital market over their lifetime without having to abandon the security that is rightly part of supplementary retirement provision.

We combine the expertise of Allianz in Asset Management with the know-how of our life insurers for these unitlinked annuity insurance policies with explicit benefit guarantees. We are drawing on our experience in the USA and Japan to avoid reinventing the wheel. During the course of 2008, we will be introducing this new product family in several of our core European markets and in Germany this summer.

Ladies and Gentlemen, I should now like to give a brief summary. Your Allianz was extraordinarily successful during the course of 2007, and we are also confident about 2008, despite the setbacks in results experienced during the 1st quarter. The business model of your company is designed for the long term and we are consistently pursuing our path of placing Allianz in a position to meet the challenges of the future. We have instituted the measures required to promote profitable growth. We have highly qualified and motivated employees who enjoy working for your Allianz and who you can rely on.

Thank you for your attention.

Financial calendar

Interim report 2nd quarter 2008: August 7, 2008
Interim report 3rd quarter 2008: November 10, 2008

Financial press conference for the fiscal year 2008: February 26, 2009

Annual General Meeting 2009: April 29, 2009

All assessments are as always subject to the following cautionary statements.

Cautionary Note Regarding Forward-Looking Statements:
Certain of the statements contained herein may be 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, (iii) the frequency and severity of insured loss events, (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 involve risks and uncertainties described from time to time in Allianz AG's filings with the U.S. Securities and Exchange Commission. The company assumes no obligation to update any forward-looking information contained herein.

No obligation to update
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