Annual General Meeting
of Allianz SE
on May 7, 2014

Report by the Chairman of the Board of Management
Michael Diekmann

The spoken word shall prevail.

Allianz

Michael Diekmann

Good morning, Ladies and Gentlemen,
Dear shareholders,

I 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.

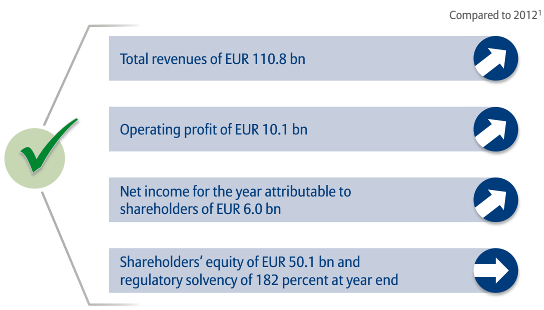
There will be three sections to my report to you today. I will start by talking about business developments in 2013 and our dividend proposal. I would then like to talk about our expectations for fiscal 2014, as well as our key figures for the first quarter. In the third section I would then like to look at three issues in greater depth:

1. our environmental, social and governance activities, ESG for short,
2. life insurance in a low interest rate environment and
3. changing customer behavior in the retail business.

Key success factor: our people

Let me start by extending my most sincere thanks to our approx. **148,000 employees** across the globe. After all, we owe our success in 2013 to their performance. In particular, let me single out our employees in the countries affected by natural catastrophes, who showed real dedication to helping our customers in times of distress and keeping business operations up and running. I am sure that I am also speaking on your behalf, dear shareholders, when I express my most sincere thanks to all Allianz employees.

Allianz Group overview for 2013

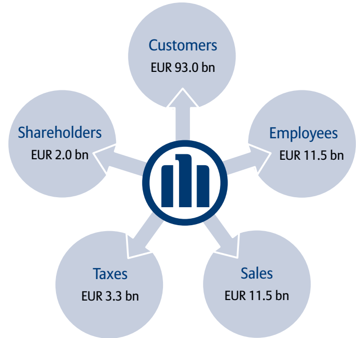


1) Considering adjustments to reflect the introduction of IAS 19 and changes to the statement of restructuring charges

Let me now talk a bit about **business developments in 2013**. Our revenues grew by more than four percent year-on-year to just under 111 billion euros, the highest revenue figure in Allianz's history. At the same time, we gained another five million or so customers, meaning that Allianz now insures more than 83 million people. We achieved the best operating profit since the outbreak of the financial crisis at just over 10 billion euros, which equates to a year-on-year increase of 8 percent. Also, the share of our net income for the year that is attributable to shareholders charted an above-average increase in 2013, rising by just under 15 percent to six billion euros.

But things weren't quite as easy as the figures would lead us to believe. We achieved this result in a difficult environment. Efforts to consolidate state finances in the euro area, the budget crisis in the United States and considerable political risks – particularly in the Middle East – put a damper on global economic growth. Although the central banks propped up the economy by providing more or less unlimited liquidity, the consequences of the sustained low interest rate environment are becoming an ever greater challenge for all savers and, as a result, also for us as insurers. In addition severe hail, heavy storms and floods had a negative impact on our results in 2013, particularly in Germany and Eastern Europe.

Substantial benefits paid to all stakeholders (2013)



We nevertheless managed to achieve a good result, providing the basis for what were, once again, **substantial payments made by Allianz to all of its stakeholders.** These stakeholders include our customers, employees and sales partners, but also our more than 430,000 shareholders.

The largest share, namely 93 billion euros, went to our customers, followed by approx. 12 billion euros destined for our sales partners and employees respectively. For fiscal 2012, we distributed two billion euros to our shareholders. And with just over three billion euros paid in taxes, Allianz also fulfilled its obligations vis-à-vis society at large.

Allianz compared with major international competitors: operating profit ...

(EUR bn)[1]

2009		2010		2011		2012		2013	
1. Allianz	**7.2**	**1. Allianz**	**8.2**	**1. Allianz**	**7.9**	**1. Allianz**	**9.5**	**1. Allianz**	**10.1**
2. AXA	5.7	2. AXA	6.0	2. AXA	5.9	2. AIG	7.3	2. AXA	7.3
3. Zurich	4.0	3. AIG	4.6	3. Generali	3.9	3. AXA	6.5	3. AIG	6.8
4. Generali	3.7	4. Generali	4.1	4. Zurich	2.9	4. Generali	4.2	4. Generali	4.2
5. AIG	1.4	5. Zurich	3.7	5. Prudential	2.1	5. Prudential	3.5	5. Zurich	3.4
6. Prudential	0.8	6. Prudential	1.7	6. AIG	-2.8	6. Zurich	3.2	6. Prudential	2.0

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

The quality of our results is also evident **in comparison to our major international competitors.** We were once again able to report the best operating profit. For the second year running, we extended our lead over the company in second place. As you can see from the graphic, the operating profit gap separating us from AXA in 2013 amounted to 2.8 billion euros, with as much as 3.3 billion euros separating us from the US insurer AIG.

... and market capitalization

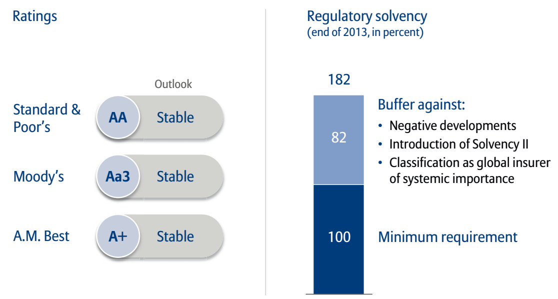
(EUR bn)[1]

2009		2010		2011		2012		2013	
1. Allianz	**39.6**	**1. Allianz**	**40.4**	1. AIG	34.3	**1. Allianz**	**47.8**	**1. Allianz**	**59.5**
2. AXA	37.9	2. AIG	30.1	**2. Allianz**	**33.7**	2. AIG	40.3	2. AIG	55.3
3. Generali	29.3	3. AXA	28.9	3. Zurich	25.8	3. AXA	31.9	3. AXA	48.8
4. Zurich	22.5	4. Zurich	28.4	4. AXA	23.7	4. Zurich	29.7	4. Prudential	41.2
5. Prudential	18.2	5. Generali	22.1	5. Prudential	19.5	5. Prudential	27.3	5. Zurich	31.4
6. AIG	14.1	6. Prudential	19.8	6. Generali	18.1	6. Generali	21.4	6. Generali	26.6

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

A glance at market capitalization tells a similar story. Here, too, we were able to defend our top spot in 2013. With a market value of just shy of 60 billion euros at the close of the year, we were well ahead of our peers.

Solid capital base



But what is even more important than these rankings is the fact that Allianz **remains one of the most strongly capitalized companies** in the sector. This is confirmed by the rating agency Standard & Poor's awarding us one of the top marks for insurers. In Q1 2013 this rating agency not only confirmed our very good AA rating, but also raised our outlook from negative to stable, acknowledging our capital strength and solidity. In addition, Standard & Poor's described our risk management activities as having "best in class status" last year. The rating agency Moody's also upgraded our outlook to stable at the beginning of 2014.

Yet another indicator of our financial strength is our **regulatory capital base**, which is expressed as our solvency ratio in technical terms. At year-end, it stood at a solid 182 percent, exceeding the minimum supervisory law requirement by 82 percentage points and providing a "safety buffer" against any negative developments. As regards setting the dividend, one might be justified to ask whether this buffer is appropriate, or possibly even excessive.

We believe that our capital base is appropriate as things stand at present in light of two unresolved issues. First, the proposed EU Directive on the solvency of insurers, **"Solvency II"** for short, is likely to bring changes as regards our capital requirements. But significant technical details which may impact the amount of the required capital have yet to be finalized. If everything goes as planned, then we should enjoy greater certainty as regards the exact capital requirements by this fall.

The second reason why we consider our capital base to be appropriate is the fact that Allianz was classified, back in July 2013, as a **global insurer of systemic importance.** It is not yet possible to predict the full consequences of this classification, but it could imply additional capital requirements, among other things. This issue, too, is only likely to be resolved this fall, and only then will we know just how appropriate our current safety buffer will be given the new requirements.

Ladies and Gentlemen, I would now like to move on to talk about **developments in our three operating segments.**

Good operating development in all business segments

Property and Caualty Insurance
- Operating profit of EUR 5.3 bn (+14.2 percent vs. 2012)
- Combined ratio of 94.3 percent

Life and Health Insurance
- Operating profit of EUR 2.7 bn (-8.0 percent vs. 2012)
- New business margin of 2.1 percent

Asset Management
- Operating profit of EUR 3.2 bn (+7.0 percent vs. 2012)
- Cost-income ratio of 55.9 percent

The **property and casualty insurance business** showed positive development. Admittedly, gross written premiums dipped slightly to 46.6 billion euros, due not only to the high exchange rate of the euro and weak other currencies, but also, in particular, to the drop in our crop insurance business in the US. Particularly in Latin America, Turkey, in the global assistance business, and in Germany, we reported solid growth. In spite of this slight dip in premiums and higher burdens resulting from natural catastrophes, we were able to reduce our combined ratio significantly, cutting it by almost two percentage points to just over 94 percent. Our US subsidiary Fireman's Fund, as well as the P&C insurance business in Italy, made the most significant contribution to this improvement. In Germany, too, our combined ratio remained under the 100 percent mark – in spite of the floods in June and the hail storms in the summer. Operating profit in the property and casualty business stood at more than 5 billion euros, up by approx. 14 percent on the previous year.

Gross written premiums in the **life and health insurance business** rose by approx. nine percent to just under 57 billion euros in 2013. To a large extent, this increase is the result of developments in Germany and Italy, but we were also able to boost our gross written premiums in Spain, the US, Taiwan and China. Our new products in Germany and Italy were a significant driver, showing that we evidently met customer demand in this respect. Our operating profit dropped by eight percent in a year-on-year comparison to well below three billion euros. This was due, in particular, to lower net investment income and to restructuring costs in Korea.

In the **Asset Management** segment, we once again achieved an outstanding operating profit at over three billion euros, up by seven percent on the previous year. Both Allianz asset managers, PIMCO and Allianz Global Investors, contributed to this improved result. The announcement of a reduction in the Fed's bond purchases, however, led to marked net outflows for traditional PIMCO products in the second half of the year. For non-conventional products, on the other hand, PIMCO was entrusted with new funds totaling over 41 billion euros in the year under review, meaning that ultimately, inflows and outflows almost balanced each other out.

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

World market position[1]

Business segment: P&C, Life/Health, Asset Management
Global business unit: Credit insurance, Assistance business[3], Industrial insurance

 # 1

P&C		Credit insurance		Assistance business[3]	
1. **Allianz**	**47**	1. **Euler Hermes**	**2.5**	1. **Allianz Global Ass.**	**2.4**
2. State Farm[2]	39	2. Atradius	1.6	2. Europ Assistance	1.4
3. AXA	31	3. Coface	1.4	3. Mapfre Asistencia	1.1
4. Zurich	30			4. AXA Assistance	1.1
5. PICC	27	*Other competitors significantly smaller*		5. Inter Mutuelles Ass.	0.5

 # 3

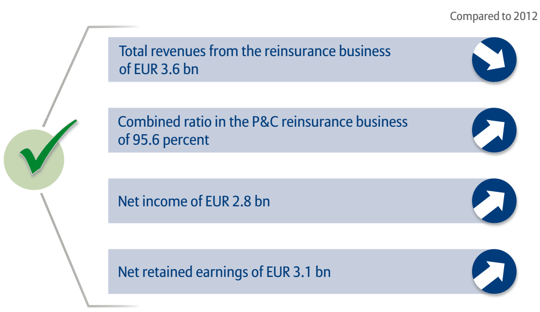
Life/Health		Asset Management		Industrial insurance	
1. MetLife	585	1. Black Rock	3,138	1. AIG Commercial[2]	15.1
2. AXA	566	2. Vanguard	1,997	2. Zurich Global Corp.	6.7
3. **Allianz**	**480**	3. **Allianz**	**1,770**	3. **AGCS**	**5.0**
4. Prudential	351	4. State Street GA	1,703	4. XL P/C Insurance	4.0
5. Generali	341	5. Fidelity Investments	1,411	5. Swiss Re Corporate S.	2.6

1) Basis: Fiscal year 2013; figures taken as a basis: gross written premiums, revenue or assets under management (Life/Health incl. loans and advances to banks and customers)
2) Net premiums
3) Estimate for Europ Assistance, 2012 values for Inter Mutuelles Assistance

I would now like to show you the **global market positions of our operating segments and global business units** compared with the biggest competitors in each case. As you know, we serve most insurance markets via local Allianz companies. We also, however, have customers with global operations which, for a variety of reasons, are best served by global entities. In addition to asset management, we have combined the credit insurance business, industrial lines and the assistance business in these global business units.

Based on premium income, Allianz is the world's no. 1 in the entire insurance business. This also holds for our property and casualty segment, as well as for the two global business units credit insurance and assistance business. In addition to this, we are the world's no. 3 in life and health insurance, active asset management and in international industrial lines. As you can see, we consistently rank among the global market leaders in all of our business areas.

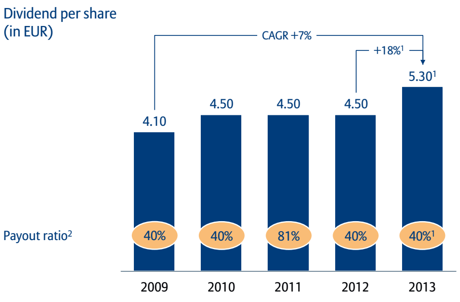
Allianz SE overview for 2013



Ladies and Gentlemen, I would now like to present the **numbers of of Allianz SE** for 2013, based on the accounting standards under German commercial law. These numbers form the basis for the appropriation of profit and our dividend payment.

The main business activity of Allianz SE is the reinsurance business. Our revenues from this business dipped slightly to 3.6 billion euros. As a result of significantly higher losses from natural catastrophes, the combined ratio rose by four percentage points to just under 96 percent. The net income for the year of Allianz SE, on the other hand, went up markedly by 22 percent to 2.8 billion euros, while the company's net earnings came in at just over three billion euros.

Attractive dividend policy



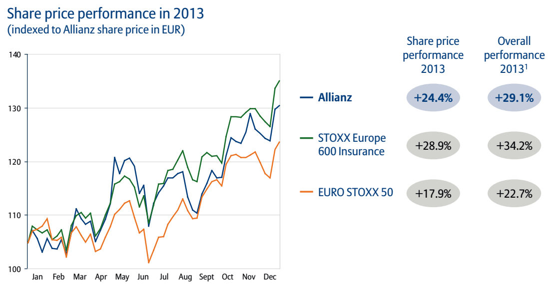
1) Proposal
2) Based on the net income for the year from continuing operations, net of minorities

This brings me to our **dividend proposal**. The Management Board and Supervisory Board propose to the Annual General Meeting that the dividend be raised by 18 percent in a year-on-year comparison to 5 euros and 30 cents per share. This corresponds to a payout ratio of 40 percent and a dividend yield of 4.6 percent on the average share price for 2013. In sum, this amounts to 2.4 billion euros which we can finance entirely from the current profit of Allianz SE.

By doing so, we are also sticking to what we announced we would do: allowing our shareholders to participate in economic growth for 2013, instead of just increasing the payout ratio.

But let me point out at this juncture that analysts and institutional investors are increasingly calling for higher distributions. Since, however – as I already mentioned – major requirements of the supervisory authorities have not yet been finalized, we are currently unable to predict with any certainty how much capital we will need to retain in future and with which margin of fluctuation. If, towards the end of the year, we find ourselves with surplus capital, the Board of Management will address this issue. In light of these circumstances, we would ask you to approve today's dividend proposal.

Allianz's shares performed well in 2013



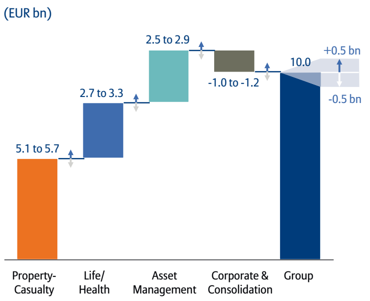
1) Including dividend
Source: Thomson Reuters Datastream

The positive business development in this reporting period was also accompanied by **encouraging share price performance**. Last year saw Allianz's shares gain 24 percent to just over 130 euros. The upward share price trend in the second half of the year was, however, increasingly overshadowed by concerns that higher interest rates in the US might adversely affect the growth of our asset manager PIMCO. So excluding dividends, the share price gains are slightly lower than the gains made by the STOXX Europe 600 Insurance index, which climbed by 29 percent. Compared to cross-sector indices, however, Allianz's shares were clear outperformers. The EURO STOXX 50, for instance, only gained 18 percent.

Over the longer term, too, Allianz's shares are a good investment. Assuming that dividends were reinvested in Allianz shares, investments in the last five years have more than doubled, yielding an increase of 120 percent, with the average annual value increase amounting to 17 percent. This means that we delivered the best performance among our European competitors.

In the first four months of 2014, on the other hand, stock market performance was somewhat weaker, with Allianz's shares falling by 4 percent. The increasing uncertainty surrounding future central bank policy and its impact on interest rate levels, as well as geopolitical crises such as the conflict in the Crimea and the Ukraine are putting the capital markets, and Allianz's shares, under strain.

Ambitious outlook for 2014 operating profit



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

Ladies and Gentlemen, I would now like to turn to the second section of my report, **our outlook for fiscal year 2014** and the **key figures for the first quarter**. Provided, as usual, that natural catastrophes and capital market fluctuations do not exceed normal expectations, we expect to achieve an operating profit of 10 billion euros in 2014, with room for a fluctuation of 500 million euros each way. In the mean, this corresponds to a slight drop compared with the exceptionally good result achieved in 2013. The continuing low interest rate environment and the strong euro, particularly against the US dollar, will have a negative impact. What is more, 2014 will have to do without the very high performance fees from PIMCO private equity funds that have now been closed. In the Property and Casualty insurance segment, by contrast, we expect to see our result increase slightly. In Life and Health insurance segment, we even expect significant growth, given that 2013 was hit by one-off effects. In the Corporate and Other segment, we believe that stable earnings development is on the cards. Given the sustained low interest rates and positive business performance in 2013, we believe that our targets for 2014 are ambitious.

Highlights of Q1 2014

Revenues of EUR 34 bn – up by 6%

Operating profit of EUR 2.7 bn – down by 3%

- P&C: combined ratio of 92.6%
- Life/Health: new business margin of 2.5%
- Asset Management: AuM for third parties up by EUR 13 bn[1]

Net income attributable to shareholders of EUR 1.6 bn - down by 4%

(based on preliminary figures)

1) Since the start of the year; on a comparable basis

The key **business performance** figures for the **first quarter of 2014** confirm our outlook for 2014. At approx. 34 billion euros, premium income rose by 6 percent compared to the same quarter of 2013. In particular, the life insurance business in Germany, the Benelux countries and the US has charted a positive course. At 2.7 billion euros, our operating profit was – as was to be expected – approx. 3 percent lower than in the first quarter of 2013, because the latter benefited significantly from PIMCO's performance fees, which I have already mentioned. By contrast, at 92.6 percent, the combined ratio in the property and casualty business and, at 2.5 percent, the new business margin in life and health insurance have improved. Total assets under management for third parties in the Asset Management business have also risen, namely by 13 billion euros, since the beginning of the year on a comparable basis in spite of continuing net outflows.

The slight drop in operating profit also impacts the share of our net income for the quarter that is attributable to shareholders: at 1.6 billion euros, this comes in almost 4 percent lower than the previous year. All in all, in view of the overall conditions, we are satisfied with the start to this fiscal year.

Q1 events generating prominent press coverage

- Purchase of an Italian P&C portfolio
- Strengthening of market position in an attractive market

- Purchase of an 8.33 percent stake in FC Bayern München AG
- Ensuring naming rights to Allianz Arena until 2041

PIMCO

- Very successful investment since purchase in 1999
- Rapid and prudent change in management structure

Let me now take the opportunity to briefly address three events in the first quarter which you may have read about in the press.

First of all, there is our agreement with **Unipol** regarding the purchase of an Italian property and casualty portfolio, which currently comprises premium income of over one billion euros. This transaction fits very well with our strategy of strengthening our property and casualty insurance business on our core markets. In the north and the center of Italy in particular, we will be able to use this takeover to expand our share of an attractive market. We are currently in the process of applying for the required supervisory approval.

The **extended cooperation with FC Bayern München**, which we entered into in the first quarter, is also worthy of mention. We purchased a stake of just over 8 percent in FC Bayern München AG and secured our naming rights to the Allianz Arena until 2041. In addition to our global Formula 1 commitment, the Allianz Arena is the single most successful marketing measure taken by Allianz. Since its completion in 2005, more than 23 million people have visited the arena. The Allianz Arena regularly reaches out to three quarters of a billion sports enthusiasts in more than 200 countries, and Allianz companies across the globe are making use of this partnership to boost their business. But just to avoid any misunderstandings: we do not use policyholder funds for this investment. Instead, we are investing holding company funds in the national and international development of our brand.

The third event, which the press has covered in recent weeks, is the **change in the PIMCO management team** following the departure of our CEO, Mr. El-Erian. On this note, let me stress the following: PIMCO is a very successful part of the Allianz Group. We have more than earned back all the expenses spent on the purchase of PIMCO over the past few years. In 2013, with an operating profit of rounded of three billion euros and net income for the year totaling just over one and a half billion euros, PIMCO again made a significant contribution to Allianz's solid overall result.

It goes without saying that we ensured Mr. El-Erian's succession, taking a decision on his successor within twelve hours of his resignation. We have also adjusted the management structure to reflect the growth in business volume and global presence. Mr. Gross, in his role as Chief Investment Officer, has six deputies to support him. And with a new CEO and a President, responsibilities at PIMCO have been redistributed and clearly set out. Our customers have given us very positive feedback on this new management structure.

Ladies and Gentlemen, I now turn to the third section of my report, in which I would like to look at three issues in greater depth. I start with the **ESG Board**, the establishment of which I reported on to you last year. ESG stands for Environment, Social and Governance, i.e. the consideration of environmental and social issues, as well as principles of good corporate governance. Today, I can tell you what the ESG Board has been working on and what it has achieved since its establishment.

ESG: Environment, social and governance

Sustainable development as an integral part of our business model

Binding guidelines for 13 sectors

Individual and careful analysis of projects and investments by our experts instead of general exclusion

Since the beginning of 2014: guidelines applied in practice

Let me start with a few words of commitment: for us, sustainable development is important because it forms an integral component of our business model as a risk manager. We issue guarantees and promises to our customers that last for decades and we can only keep these promises if we take social and ecological risks just as seriously as our commitment to good corporate governance.

ESG: Environment, social and governance

Sustainable development as an integral part of our business model

- Signatory to the "Principles for Responsible Investment" and the "UN Global Compact"
- Most sustainable insurer in the Dow Jones Sustainability Index
- Most transparent insurer according to Transparency International
- One of the first companies in the world to have a high-ranking ESG Board

Critical observers acknowledge that we have signed the Principles for Responsible Investment (PRI), the Principles for Sustainable Insurance (PSI) and the Principles of the United Nations Global Compact. In the Dow Jones Sustainability Index, the leading sustainability ranking system, we are also listed as the most sustainable insurer in the world. Transparency International considers us to be the most transparent insurer. We aim to remain the leading sustainable insurer and asset manager. In line with this quest, we already offer more than 150 "green" products and have approx. 25 million microinsurance customers in emerging markets, where access to fundamental insurance cover is very difficult.

ESG: Environment, social and governance

- Sustainable development as an integral part of our business model
- Binding guidelines for 13 sectors
- Individual and careful analysis of projects and investments by our experts instead of general exclusion
- Since the beginning of 2014: guidelines applied in practice

Our ESG Board took another key step last year: in dialogue with non-governmental organizations and other experts, we developed **guidelines for a total of 13 sensitive sectors**, including mining, infrastructure projects, agriculture and nuclear energy. These guidelines were incorporated into our standards for insurance and the investment of our own funds and have been in force since January 2014. They are binding for all underwriters as part of the risk assessment process and are also taken into account when investments are made. The guidelines include criteria such as involuntary resettlement, breaches of environmental requirements or inappropriate working conditions. If this sort of ESG risk is identified, our experts perform an assessment to be able to take an informed decision at local and/or Group level, having given due consideration to all advantages and disadvantages.

What is key in this respect is that, as a global insurer, investor and risk bearer, we do not rule out entire sectors per se, because we do not consider this to be a sustainable approach. As a risk manager, we do not want to ignore risks, but help provide solutions. We have several possible courses of action available to us in this respect, depending on whether we are the only ones making the decisions or are acting for customers on a fiduciary basis.

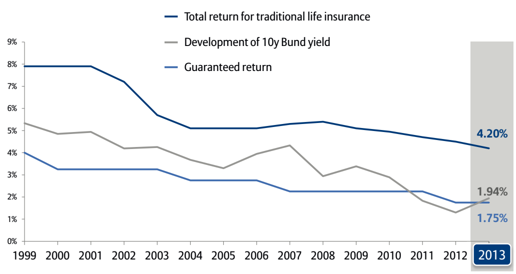
The latter is the case when it comes to investing **third-party funds**. In this area of activity, we adhere to the requirements, values and risk propensity of our customers, for instance by investing in broad market indices like the DAX, the S&P500 or the MSCI World on their behalf. This means that portfolios may well contain companies that do not always meet our ESG objectives. As a result, we are making more of an effort to convince index providers to demand transparency from the listed companies as regards ESG factors. At the same time, we incorporate specific ESG aspects into our selection process and our annual assessment of the asset managers we work with.

In the **area where we have room for decision-making**, for instance when we underwrite insurance risks or invest our own funds, we also analyze products and investments individually and do not rule them out categorically. We endeavor to enter into a dialogue with our customers. We can convince them if we highlight critical ESG issues as risks for them: risks that can be avoided, reduced or should, and indeed can, be resolved together.

I hope you now have a better idea of the specific measures we are taking to make improvements in the ESG area – and we are making progress. What is also clear, however, is that, despite our comprehensive package of ESG measures, we still have some way to go. Once we have drawn up and implemented our ESG guidelines this year and next, the key task will be to assess how well they work in practice. This will involve raising even greater awareness of ESG risks among our customers and employees and creating transparency in respect of ESG risks. Let me take this opportunity to invite you most warmly to find out more about our ESG issues by visiting our ESG stall when you stroll around the halls.

My second special issue is the **low interest rate environment** that will continue to accompany us in 2014. Although the European and US economies have stabilized, interest rates in both regions are likely to remain low for the foreseeable future. As a result, when it comes to traditional life insurance, members of the public are often asking themselves whether this product is still attractive at all in this sort of interest rate environment. Reference is often made to the development in the guaranteed interest rate, in particular to the potential cut in the guaranteed interest rate in Germany to 1.25 percent in 2015 – a matter that has been a hot topic in the press.

Allianz Lebensversicherung total return significantly above the guaranteed interest rate



We believe that a discussion that centers on the guaranteed interest rate alone is misleading. What is important, and ultimately decisive, for policyholders is the total return that their policies offer – the guaranteed benefits only represent the lower threshold for this total return. It is the insurer's financial and earnings power, not the guaranteed interest, that plays the key role in determining the total benefits that customers enjoy.

This is an area in which the figures have been speaking for themselves for years now: Allianz Leben customers will benefit from the company's financial strength this year, too. The total return on the savings elements will remain at a high level. It currently totals at least 4.2 percent in the conventional, traditional life insurance business. Not only in light of the lifelong guarantee, this return is more than respectable compared with other forms of investment.

Against the backdrop of the sustained low interest rates, the legislature is calling for much higher security to back up all potential risks in an effort to protect not only customers, but also taxpayers. In the insurance sector, security means setting more risk capital aside and this, in turn, translates into higher costs for customers. This affects lifelong guarantees, in particular. So to use a simple formula: the more risk capital that is needed for the guarantees, the less risk that can be taken and, as a result, the less return opportunities can be exploited on the investment side. We are launching new products on the market for those customers who, in light of Allianz's financial solidity, opt to do without part of the guarantee in order to exploit higher return opportunities on the investment side.

Our "Perspektive" product, which we successfully launched in 2013, is one of the first in this new group. The total return that we are declaring for "Perspektive" in 2013, for example, comes in at 4.5 percent, 0.3 percentage points more than for traditional pension insurance. At the same time, customers enjoy a very high level of security, because the risk of loss is zero.

So life insurance – especially in comparison with other investment opportunities and be it conventional or in the form of new products – remains an attractive option: its above-average returns and high level of security mean that it can certainly hold its own in the competition.

Ladies and Gentlemen, let me mention one more suggestion made by Allianz for how insurers could generate higher returns for their customers in the current low interest rate environment and, at the same time, generate a win-win situation for society at large. The opportunity I am talking about relates to **infrastructure funds to finance the move to alternative energy sources**.

Infrastructure funds to finance the move to alternative energy resources

- Huge investment needed for move to alternative energy sources
- Government investment declining as a result of high government debt
- Demographic change as an additional challenge for state finances
- Insurers seek for investment opportunities with a stable and profitable return in the long run for customer retirement provision funds
- Changes in regulation and increase in investment security as prerequisites for more active role of insurers

The most recent report published by the Intergovernmental Panel on Climate Change (IPCC) once again shows that we only have a few years left to put the brakes on global warming. One key lever in this regard is the energy revolution, i.e. the move away from the intensive use of fossil fuels. The International Energy Agency (IEA) estimates that, in order to do so, we will have to invest 1,000 billion US dollars a year in the move to alternative energy sources.

The scale of the necessary investment is surprising. Within the insurance sector, Allianz is one of the world's biggest investors in alternative energies. We currently have investments in 43 wind power facilities and seven solar parks. Together, these facilities produce enough electricity to supply a city the size of Brussels or Cologne with energy. All in all, we have invested almost two billion euros in wind and solar parks. While this is a substantial amount compared with other investors, it is a drop in the ocean compared with the estimated 1,000 billion US dollars that have to be invested.

Even if International Energy Agency says that these investments will have already paid off within only ten years thanks to the fuel costs saved as a result, the question arises as to who can or should provide the funds for the urgently required investments to finance the energy revolution, but also to finance bridges and roads? Governments are already grappling with high debt levels. The necessary restructuring of state finances, which is certainly a welcome move, is currently being achieved first and foremost at the expense of state investment in infrastructure, for example.

The situation is compounded by demographic change. Germany is an ageing society, as are other countries like Italy and Japan. By way of example, the ratio of over-65s to people in the 20-64 age group in Germany will have doubled by 2060. This has far-reaching implications for retirement provision that are only exacerbated by the unusually prolonged period of low interest rates.

Why don't we combine these two major challenges and solve both of them at the same time? Insurers would be natural, ideal partners in this respect. They collect customers' retirement provision funds and are on the search for investments that offer stable and profitable return in the long run. Regulations allowing the insurance sector to make bigger investments in infrastructure and the energy revolution would take pressure off the state and bring long-term, sustainable benefits for our ageing society and climate protection. This is an area in which Allianz would like to do more, even though we are already in a good position in a sector comparison.

So one area on which our ESG Board, which I mentioned earlier, is working in 2014 is the development of a holistic energy position combining criteria for climate and environmental risks, as well as energy supply security and the financing of sustainable economic growth. We will then be doing even more to raise this issue with the general public and policymakers alike.

Finally, I would like to briefly pick up on my third special issue: **changing customer behavior in the retail business**.

Today, our customers are increasingly well-informed, more discerning and demanding. There is no doubt that this is also due to the ever more widespread use of the Internet, social media and the hard work of consumer protection organizations. Ultimately, the tolerance level for mistakes is very low and customers no longer shy away from changing provider. From our perspective, this means that we have to do more and more to promote customer loyalty. This is why we have been regularly surveying our customers for years now on their satisfaction with our products, but also on how they rate us in terms of speed, expertise, commitment, fairness and transparency. We systematically analyze their feedback in order to realize potential for improvement, but also in order to pick up on changes in customer needs early on.

Many customers now expect optimum communication with us using digital media, with the option for telephone or face-to-face contact with an agent later on if necessary. This is a major challenge for us, and one that we have been addressing for years with the digitalization of our business model. This strategy starts with the modular products that are designed in such a way that they can be accessed and even purchased using digital media, including smartphones.

Another prerequisite is the merging of all data and contacts relating to each customer relationship across all lines of business. If needed, we can provide this data to our customers electronically as well. At the same time, this places the very highest demands on the protection of our customer data, but also our company data and processes. This is something we are working on day in, day out, because attackers looking to gain illegal access to data are constantly coming up with new tactics.

The digitalization of our business model in the interests of our customers is one of our most important tasks. But it will only work if we understand what motivates our customers and what is really important to them.

As part of an Allianz Deutschland advertising campaign, we also asked our customers this very question. The photographer and artist Foster Huntington traveled through Germany as an Allianz ambassador as part of the campaign. During his travels, he met our customer Ms. Herrmann – a very remarkable lady if you ask me. This meeting gave rise to a **short film** that I would now like to show you, not just because it reminds us of where our business originates, but also because it gives us courage to face the challenges of aging. Could we start the film, please?

I would like to add that, as far as we are aware, Ms. Herrmann is the oldest active competing table tennis player in the world and will be travelling to New Zealand this year to compete in the senior world championships.

Ladies and Gentlemen, this brings me to the **end of my report**. 2013 was a very successful year for Allianz and we have made a very positive start to 2014. We will continue to do everything in our power to maintain our earnings and financial strength and make us even fitter for the future. Even in the ongoing challenging conditions, I believe that Allianz is on the right track, 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.

Allianz SE
Königinstrasse 28
80802 Munich
Germany
Telephone +49. 89. 3800 0
info@allianz.com
www.allianz.com