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Address to the Financial Press Conference

on February 27, 2014 in Munich

Embargo until start of speech –
The spoken word shall prevail

Based on preliminary figures

Good morning, Ladies and Gentlemen,

Please allow me to welcome you to the Allianz Group Financial Press Conference.

In my review of the previous year, I will be addressing four points today:

1. Fiscal year 2013
2. The economic environment
3. Issues specific to Allianz
4. The outlook for 2014

Allianz achieved very good results in fiscal year 2013. We achieved the highest revenue and one of the best operating profits in the history of Allianz. These are also the best results since the outbreak of the financial crisis. We were even able to achieve an above-average increase in our net income. In addition, Allianz still boasts a very solid capitalization. As a result, in addition to investing in our competitiveness, we are also able to make an attractive dividend proposal.

We achieved our results under quite difficult conditions: What immediately comes to my mind is the sluggish progress of structural reforms in the euro zone, the budget crisis in the US and the turbulence witnessed on the bond markets following the contradictory announcements by the US Fed in the summer. There were political risks particularly in the Middle East and in eastern Europe. The economic challenges in Italy, France and Brazil represent the general stagnation in growth, and savers and investors continue to suffer from the flood of liquidity and low interest rates.

Last year, natural catastrophes hit central Europe particularly hard. In addition to the June floods, the summer brought hail storms to both Germany and Switzerland, while Canada, the French Pyrenees and Ireland were also affected by flooding. At 1.2 billion euros, the impact for Allianz from natural catastrophes in 2013 was up by around 500 million euros on the previous year.

Year after year, our business model has shown how robustly it delivers despite these challenges. We have used the past crisis-ridden years to reduce our potential risks and systematically further strengthen our operational competitive position. The outcome of this approach is reflected in our earnings figures for the fiscal year:

1. **Total revenues** grew by more than four percent to a total of 110.8 billion euros. At the same time, Allianz gained around five million customers. Now, more than 83 million people insure themselves with Allianz.
2. Our **operating profit** came in at 10.1 billion euros, up by 7.8 percent in a year-on-year comparison. This includes negative foreign currency exchange effects amounting to nearly 400 million euros.
3. We even achieved an above-average increase in our net income. Last year it climbed by just under 15 percent to six billion euros.

4. At the end of the year, Allianz's **shareholders' equity** amounted to 50.084 billion euros. In addition to that, we have a very solid financial conglomerate solvency ratio of 182 percent.
5. In March, Standard & Poor's raised the outlook for our 'AA' rating from "negative" to "stable". The rating agency described our risk management activities in 2013 as "best in class". Both assessments show that, even from an outside perspective, we professionally and successfully manage risks for our customers, employees and shareholders.
6. The employee survey conducted in September 2013 revealed that our employees across the globe are convinced that Allianz not only preaches, but also practices integrity - agreement on this aspect has risen to its highest level yet.

We managed to significantly reduce the combined ratio in the **Property and Casualty insurance segment** in spite of the heavier impact of natural catastrophes. It improved by 1.9 percentage points in 2013 to 94.3 percent. Our US subsidiary Fireman's Fund and the P&C insurance business in Italy made a significant contribution to this development. Even in Germany, where we had to bear the largest share of natural catastrophes, the combined ratio remained below 100 percent. Premium income dipped slightly last year to 46.6 billion euros, also due to currency effects. While premiums fell significantly at Fireman's Fund due to our reduction of agricultural insurance business, France, Turkey and Allianz Worldwide Partners saw double-digit growth in their gross written premiums. Over the same period, the segment's operating profit increased by 14 percent to 5.3 billion euros.

In the **Life and Health insurance segment**, statutory premiums climbed by 8.5 percent to almost 57 billion euros. This growth came mainly from Germany and Italy, but we also significantly increased our income in Spain amid a shrinking market. Business in Taiwan and China benefited from a successful start to the sales cooperation with HSBC. Thanks to strong demand for fixed indexed annuity products, AZ Life increased its premium income to a new high.

Our third segment, **Asset Management**, achieved an operating profit of 3.2 billion euros, an increase of 7.0 percent and the best in its history in a year marred by significant turbulence on the bond markets. Both PIMCO and Allianz Global Investors contributed to this development. Following an exceptionally good first half-year, the debate surrounding the timing and extent of a tapering in the Fed's bond purchases in the second half of the year led to significant net outflows for traditional PIMCO products. Non-traditional products, on the other hand, generated inflows of over 41 billion euros for PIMCO in 2013.

The Allianz share gained almost 25 percent last year, continuing the solid development seen in 2012. Our share closed the year at 130.35 euros, and our market capitalization increased to almost 60 billion euros. Due to the higher net income, we will propose that the Annual General Meeting in May approve a **dividend** that is 18 percent higher, namely 5.30 euros 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.

Thus, we are able to fulfill our stated intent of allowing our shareholders to participate mainly in the economic growth of 2013 rather than simply increasing the payout ratio.

Even successful companies like Allianz come under scrutiny from many quarters: The media, customers, employees, rating agencies, investors, analysts, supervisory authorities, auditors, sales partners, consumer protection agencies, comparison sites, NGOs and, of course, also close up by the Supervisory Board and our Compliance department.

We are happy to be subject to this critical observation and monitoring, as we want to do what we do well and can only learn from this sort of interaction. One outcome of such a dialogue was the establishment of our **ESG Board**.

"ESG" stands for Environment, Social and Governance, that is for the impact that business activities have on environmental and social issues and for good corporate governance. In a dialogue with our stakeholders we want to identify risks and fully discuss any potentially problematic commitments. This is also a very important issue for our employees who want to be part of a solution, not part of a problem. Last year the ESG Board, together with 50 experts from all business areas and a number of non-governmental organizations, defined a total of 13 sensitive areas and drew up corresponding guidelines for our business. In this way, we specify when activities need to pass through an additional critical examination and also at the same time have defined an escalation process.

This brings me to our assessment of the economic environment for the current business year:

Last year provides us with a few indicators in this respect. With the end of unlimited liquidity looming on the horizon, some emerging markets started to look a lot less appealing, and their own problems moved into the spotlight: one-sided economic models, growing debt burdens or political instability.

In the industrialized countries, on the other hand, the reform efforts made last year began to bear fruit, and the economy started to shake off the recession, including Europe in particular. The predicted disintegration of the euro zone is presumably now off the agenda once and for all, even though the challenges have not, of course, been fully resolved as yet. Hesitant investments by companies also reflect this clearly.

Overall, it must be noted that the signal effect of the central banks in times of expansive monetary policy has again increased enormously.

So will the situation change in 2014? Yes and no. The emerging markets are navigating choppy waters. At the same time, however, it is becoming increasingly difficult to put all emerging markets in the same basket. While there is currently a great deal of tension in Argentina and Ukraine, we view the macroeconomic situation in countries such as Mexico, the Philippines and China in a far more positive light.

Turkey is also facing major challenges at the moment. The adjustment processes that the country needs to reduce major imbalances such as the high current account deficit will put a noticeable damper on the economy in the short term. I believe, however, that the country's medium- and long-term growth prospects are still very positive, not least in view of its demographic development.

In the industrialized countries, by contrast, the real economy is increasingly gaining momentum. The changes that had to be made after the credit bubble burst have led to real progress. Many companies, particularly in southern Europe, have become more competitive again. The investment backlog is gradually being cleared, and new technologies, in particular the whole digitalization trend, will continue to change the economic environment. The US is also in the midst of an energy revolution which is contributing to growth. Our core markets are recovering. All in all, we expect real global economic growth upwards of three percent in 2014.

How will the central banks react to the revived economic activity? The ECB will hardly be taking its foot off the gas this year. The Fed, on the other hand, will at least start to gradually wind down its monthly bond purchases. However, these moves will not do anything to change what will essentially be a continuation of the low interest rate policy.

The extremely low interest rates were certainly justified in order to get the economy back on track. But the price we are paying for this zero interest rate policy – in particular the gradual dispossession of savers – is rising every day. The situation is exacerbated by the reaction of the savers themselves: People everywhere are cutting back on their efforts to save, although the very opposite behavior would, in fact, be rational and necessary. That is why we believe: The quicker and more orderly we can escape this quandary the better.

However, stronger economic policy impulses and a clear growth and investment policy would be necessary in order to free monetary policy from its role as the only "problem solver". That said, our expectations in this regard are not all that high right now.

There are also still several situations that could become significant issues for the capital market. One is the renewed discussion concerning the role of the European Central Bank, which will be called more into question again following the ruling of the German Federal Constitutional Court. The impending bank balance sheet test by the ECB certainly also has the potential to unsettle the markets. In addition, the European elections could bring a potential risk of uncertainty if Euro-critical tendencies manifest themselves more strongly.

All this means: The political and economic environment will remain extremely challenging in 2014. The encouraging economic upturn will, unfortunately, do little to change this.

After my speech, Mr. Zimmerer will go into more detail on what all of these challenges mean for our investments.

This brings me to a few **issues that are specific to Allianz**:

1. On the regulatory front, Solvency II in particular will put the insurance sector under considerable pressure to adjust, and specifically for Allianz there is also our designation as systemically important.
2. Allianz has done its very best to prepare for these regulatory changes but also for other challenges. We are using innovative products to react to the new conditions and the increasing trend towards digitalization. I will use the example of Allianz Italy to provide more detail in this regard, and I will also talk a bit about other initiatives that we have used to secure our internal and external growth.
3. Finally, I will then move on to asset management, our involvement with FC Bayern and the outlook for the year 2014.

But first, the regulatory environment, which went through an eventful and pivotal year in 2013.

We remain in favor of the regulation of all insurance activities in principle, and with **Solvency II** the insurance sector will be regulated by a comprehensive risk-based approach. The very cautious risk calibration under this new regime and the generally high capital requirements by themselves will bring about an extremely thorough risk analysis. The requirements for risk management and corporate governance, coupled with the high transparency standards, make Solvency II the most modern and stringent system of financial sector regulation in the world.

Allianz is prepared for the introduction of Solvency II as much as is possible based on the knowledge available to date. We plan not to resort to the interim regulations that we could, in theory, apply and will implement Solvency II in full on the start date. However, there are still substantial questions surrounding the technical details of the body of regulations and capital resources.

In addition to this, Allianz was designated as an insurance company of **global systemic importance** in July 2013. While it is not yet possible to foresee all of the implications of this, one thing is clear: This designation will not make life any easier for us, but rather significantly harder. We have to accept this decision in the current environment and can deal with it. It is, however, important that interested members of the public do not draw the wrong conclusions from this acceptance.

One of the main reasons behind this designation lies in Allianz's scope of business. But – unlike with banks – size alone does not result in systemic importance in the traditional insurance business, because the nature of our business is entirely different. Insurance companies are much less interconnected than banks – after all, more than 90 percent of our risks stay on our own balance sheet. Since we do not borrow money from, or lend to, other insurers, there is no domino effect for insurers.

But I'd like to move away from the question as to whether or not we are really systemically relevant as an insurer for the time being and talk about size. For us, size has never been an end in itself. Allianz has long aimed to achieve sustainable, profitable growth. This can entail breaking ties with certain business areas as well. In 2013, for example, we closed Allianz Bank, a decision that followed our moves to discontinue the life insurance business in Japan, sell several of our very small banking subsidiaries and withdraw from Kazakhstan.

Our positioning and our success in recent years show that Allianz can be managed efficiently despite its size. Our global lines, the reorganization of the asset management business and, most recently, the establishment of Allianz Worldwide Partners serve as examples of how we constantly review and adjust our structure.

Subjecting individual insurers to additional regulation on the grounds of their size inevitably results in distorted competition that harms the companies and their customers alike. It is important to us to ensure that we are not placed at a disadvantage without good reason but rather are subject to the sort of regulation that suits our business model. Our talks with the various parties involved have revealed that they essentially understand our concerns.

Given the above, 2014 will be a particularly important year, with the International Association of Insurance Supervisors set to decide on the first few elements of its capital regime for insurance companies of global systemic importance.

I would like to use the example of Italy to illustrate other ways Allianz is reacting to changes in the environment. The Italian insurance sector has been faced with considerable pressure to adjust in recent years due to the recession and changes in legislation. The market is shrinking, and a fierce price war is raging. So Allianz Italy has taken a whole series of measures to combat these developments and is thus now gaining market share and customers in both the P&C and life insurance segments.

For example, **Allianz Italy** has managed to attract 6.4 percent more customers in the auto insurance business alone. Also, especially thanks to our digitalization efforts, Allianz Italy's market share rose by more than two percentage points to over 13 percent in 2013. "FastQuote", for example, offers quick and easy access to our products. When just two simple pieces of information are entered over the internet or through a text message, an offer can be issued for auto insurance cover in no time at all. Since its launch in 2012, over 6.7 million offers have been issued through FastQuote, and more than 136,000 policies have been taken out.

Telematics has also proved successful in Italy. This approach involves a little box that records the driving behavior of insured drivers, meaning that customers only pay for the distance they actually travel. Around 225,000 customers have already opted for this sort of auto insurance policy.

The third quarter of the year marked the launch in Italy of the "digital agency" for all agencies. This is a digital platform for agents that can be accessed using a smartphone, tablet or PC. More than 27,000 policies were sold via this platform already by the end of 2013. Amid all these technology-driven activities, our direct insurer Genialloyd moved into the pole position on the direct insurance market last year, with more than one million customers. Since November 2013, Allianz in Italy has also been offering 13 different P&C and life insurance policies as modular products.

In the life insurance segment, we launched a unit-linked life insurance policy known as "Progetto Reddito" at the start of 2013, generating gross written premiums of 1.3 billion euros in the very first year. Allianz upped its share of the Italian unit-linked life insurance market by around seven percentage points in 2013 to more than 20 percent. In total, we boosted our share of the life insurance market from eight percent to almost ten percent.

Allianz's success in Italy shows that we can be successful even in places where the conditions are difficult. We have the efforts of all of our employees, an excellent management team and the courage to be innovative to thank for this.

We will also be launching these successful Italian initiatives in other countries. Spain and Switzerland have already introduced telematics-based products, with a test phase currently underway in another seven countries. "FastQuote" was introduced in Hungary in 2013. This year there are rollouts planned for France, Switzerland and Germany.

As you know, the modular "MeinAuto" (MyCar) products have already been on offer in Germany since May 2011. In 2012, modular personal liability as well as home contents insurance was added to the portfolio, which was expanded in 2013 to include the "PrivatSchutz" product which encompasses home contents, personal liability, residential building and legal expenses insurance. Further modular P&C insurance products are set to join the "PrivatSchutz" family in the fall of this year.

Our direct insurer "AllSecur" also reported very good performance. The total number of vehicles insured by AllSecur was up by 80,000 to 455,000 by the end of the year.

In the life insurance segment, we launched "Perspektive", a life insurance product offering new guarantees and better return opportunities, in July 2013. The demand for "Perspektive" has been constantly on the rise in recent months. In the fourth quarter of the year, it accounted for 24 percent of our agents' new business in the private retirement provision segment. Almost 20,000 "Perspektive" policies were taken out last year in total.

In Germany, with life insurance products featuring new guarantees like "Perspektive", we have upped their share of new business by 20 percentage points to 35 percent and half of new business in the fourth quarter alone.

Another example of the successful use of innovation is our IT platform in Spain. The platform was introduced in Portugal in 2009 and gradually introduced in Latin America starting in 2012. Colombia and Brazil have now moved over to the platform. After it was launched in Colombia in 2012, for example, the auto business grew by 38 percent, compared with market growth of only nine percent. We are now looking into launching the platform in Mexico and Argentina.

One key initiative that we plan to have completed by 2017 is the consolidation of our approximately 140 data centers across the globe. In the future, there will only be six centers. This consolidation forms part of our efforts to harmonize our IT infrastructure and technology, use it more efficiently and also further increase security. During this process, Allianz will be neither ceding data sovereignty nor handing over responsibility for technical design or processes that are relevant from a security perspective. What is more: Customer data relating to the European Allianz entities, for example, will be stored and processed exclusively in computer centers in Germany and France.

Our fundamentally cautious policy is also reflected in our acquisitions and collaborations. In recent years we have selectively acquired attractive companies, including the French company Gan Eurocourtage and Belgium-based Mensura. We acquired both of these companies in 2012, a year in which we also concluded an exclusive distribution agreement with HSBC in Asia, which was expanded to include an agreement for continental Europe in early 2013.

The acquisition of Yapi Kredi was an important milestone in 2013, making us the market leader in Turkey. In December, our unit Allianz Global Automotive reached an agreement with Ford to collaborate in various markets in Europe. To date, Allianz works with more than 40 carmakers in 25 countries all over the world. The development here remains very positive. We are also currently involved in exclusive negotiations with the Italian company Unipol regarding the acquisition of an insurance portfolio.

Let me now move on to the topic of **asset management**. Last year was very successful overall for our asset management business. Both Allianz Global Investors and PIMCO boosted their operating profit, with growth of ten percent before foreign currency exchange effects. But the weaker US-dollar, in particular, left its mark on the asset management business: Around four-fifths of the decline in third-party assets under management, for example, can be traced back to exchange rate effects.

The substance behind our asset management business is reflected in the management team. Mohamed El-Erian's decision to leave PIMCO has led to a new setup. PIMCO seized the opportunity to put its management on a broader footing after years of very rapid expansion.

Two highly experienced managers in CEO Doug Hodge and new president Jay Jacobs have been appointed to the executive leadership. The appointment of six deputy Chief Investment Officers also reflects PIMCO's broader setup in the investment area. At the same time, we are delighted that Allianz can continue to call upon the services of Mohamed El-Erian as Chief Economic Advisor in the future.

I would like now to turn to our involvement with FC Bayern München. As you know, we purchased a stake of 8.33 percent in FC Bayern München AG and secured an option for the naming rights for the Allianz Arena until 2041. Alongside our global collaboration with Formula 1, the Allianz Arena is our most successful marketing measure. Since 2005, more than 23 million people have visited the Allianz Arena. The Arena regularly reaches 750 million sport fans in 204 countries, and Allianz companies worldwide use the partnership to support their business. We want to secure this success for the future.

Of course, we do not use any insurance funds for this investment in our brand; that would not be permitted from a supervisory perspective. Rather, we are putting the holding company's investment capital, ultimately shareholder funds, into the national and international development of our brand.

I would like to finish, as in previous years, by talking about the **outlook** for this year, in which the low interest rate environment and the overall economic policy and regulatory framework will remain challenging. As always, our outlook is subject to the caveat that natural catastrophes remain within the normal boundaries and that we are spared any extreme turbulence on the capital markets.

All in all, we expect to achieve an **operating profit** of 10.0 billion euros, with room for a fluctuation of 500 million euros each way.

In the **Property and Casualty business**, we expect to achieve an operating profit of between 5.1 billion and 5.7 billion euros, while in the L**ife and Health insurance segment**, we are looking at an operating profit in the range of 2.7 billion to 3.3 billion euros. In the **Asset Management business**, we expect to report an operating profit of between 2.5 billion and 2.9 billion euros.

I would now like to hand over to Mr. Wemmer, who will talk you through the details of our annual results as he did last year.