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Embargo 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 Financial Press Conference for 2014. I will give you an overview of the following topics:

1. the global economic environment,
2. the development of Allianz in 2014,
3. the progress we have made with the launch of digital products,
4. our anniversary and
5. our outlook for 2015.

1. The global economic environment

With global economic growth at an unexpectedly low level, 2014 failed to meet expectations. There were a number of very specific reasons for this.

First of all, there were increasing **geopolitical tensions**, in particular in connection with the conflict between Russia and Ukraine. Russia slipped

into a recession, the Brazilian economy stagnated and even China reported **modest growth** by its standards. By contrast, there were encouraging developments in the US economy, which moved on to an increasingly firmer footing following the strong winter at the start of the year.

In this sort of environment, it was a somewhat turbulent year for the financial markets as well: **stock market volatility** increased across the globe – and, interest rates continued on a downward trend, despite increasing signs of a turnaround in monetary policy in the US. On the whole, however, the policy of "cheap money" continued and the **euro lost considerable ground against the US dollar**.

Market participants started **2015** in a similar mood to last year: one of subdued optimism. This confidence is being buoyed by the **low oil prices** that are having the same impact as an economic stimulus program in many countries. In Germany, the economy is also being boosted, on the export front, by the further drop in the euro against the US dollar.

Naturally, there are losers in this scenario, too, namely the oil-exporting countries. The most prominent example is Russia, whose economy has an extremely difficult year ahead of it, which is also reflected in the **collapse in the ruble exchange rate**.

The falling oil prices and stagnating cost of living in Europe presented the ECB with a welcome opportunity to turn its long-planned government bond purchase program into reality.

We are very skeptical about this **policy of "cheap money"** in the euro zone: economically speaking, its benefits are controversial; from a political perspective, it has the potential to blow the cohesion of monetary union to pieces and it also triggers further turbulence on the financial markets. Most importantly, it is cementing returns at the very lowest level – virtually zero. This means that savers will see their suffering continue in 2015.

All in all, 2015 is likely to paint a similar picture to last year's: economic opportunities and challenging financial markets sit alongside a plethora of political risks, not least also within Europe itself.

2. The development of Allianz in 2014

a) Strategic decisions

For Allianz, 2014 was characterized by a number of key strategic decisions that I would like to address before moving on to our results in detail.

1. ***In the US, we have reorganized our presence in the property and casualty insurance segment.*** We are consolidating the corporate business of Fireman's Fund with our industrial insurer, AGCS. The consolidation of the corporate business will give us the necessary critical size that we were unable to attain in the retail customer segment. The buyer we have found for the retail business, the US insurance company ACE, will also be keeping the vast majority of the current workforce in that area.

2. With the market conditions looking increasingly unattractive, we have scaled back our ***P&C insurance business with retail customers in Russia and Ukraine*** considerably. In Russia, we will be concentrating on the corporate customer and health insurance business in the future.

3. At ***PIMCO***, we introduced a new, broader ***management structure*** featuring excellent investment managers already back in spring. This eight-strong management team features no fewer than three Morningstar managers of the year. The reorganization meant that PIMCO was fully functional immediately after the departure of its founder, Bill Gross. This means that PIMCO has taken the long-awaited step from being an investment management company centered around its founder to becoming a much broader-based, modern company. This puts PIMCO now in a good position for the future.

4. Our acquisitions in 2014 were the next logical step in the implementation of the expansion strategy we have been pursuing for years now. The ***acquisition*** of part of the P&C insurance business of ***UnipolSai*** gives us a broader basis in northern and central Italy, in particular. The takeover saw Allianz acquire 725 new agencies that have already switched to the digital agency concept for Italy.

In northern Australia, we took over the insurance business of the **Territory Insurance Office** at the end of the year, further boosting our position in the Australian P&C insurance business as well.

5. As announced at this event a year ago, we have **adjusted our dividend policy**. Over the past few years, Allianz has done a good job of tackling the challenges associated with the financial crisis. Our profitability and cash flows are stable and we have strong capital resources at our disposal, also in view of the upcoming regulatory requirements.

As a result, we have increased our payout ratio to 50 percent from previously 40 percent of Allianz Group net income that is attributable to shareholders. In the interest of dividend continuity, we are also aiming to keep the dividend at least on a par with the previous year. We also plan to evaluate the unused budget earmarked for external growth every three years and pay it out to shareholders where appropriate. The first evaluation is scheduled for the end of 2016.

This dividend policy is subject to a sustainable Solvency II ratio of over 160 percent. Our new dividend policy is our way of showing that we have not only handled the impact of the financial crisis well. We are also well prepared for the introduction of Solvency II, the world's most stringent supervisory regime for the insurance industry. At the same time, we are giving our more than 445,000 shareholders an appropriate share in the free cash flow and profitability of the Allianz Group.

This brings me to our share price. At the close of the year, Allianz shares were trading at 137.35 euros, up by 5.4 percent compared to the start of the year. Taking into account the dividend payment in May 2014, the shareholder return amounted to 10.0 percent.

We will propose to the Annual General Meeting in May to approve a dividend of 6.85 euros for the fiscal year 2014. This corresponds to a payout ratio of 50 percent of the net income that is attributable to shareholders and a dividend yield of 5.4 percent on the average share price for 2014.

We also, however, forged ahead with **other issues** last year.

6. This included examining whether the **structure and processes of the Allianz holding** needed to be adjusted to the requirements of the new Solvency II world and the increasing digitalization of Allianz. We have completed this exercise and have decided on corresponding structural changes to the holding. In addition, we have determined that the cost of the holding is appropriate for a company the size of Allianz and is also appropriate in light of the tasks at hand.

7. We are also well on our way to meeting our target of increasing the proportion of **women in leadership positions** at all levels of management within Germany to 30 percent by the end of 2015. Aside from the political debates, a diverse workforce is in the vested entrepreneurial interest of Allianz if we want to be successful in the long run. This is why we are firmly committed to diversity. We are aiming to be an attractive employer for committed and talented individuals. This is something that will benefit all stakeholders.

8. We also made progress in our endeavors to strengthen our **brand recognition**. Not only did we purchase a stake in FC Bayern München and secure long-term naming rights to the Allianz Arena; we also acquired the naming rights for the new stadium of the Viennese soccer club SK Rapid Wien. These moves helped to push the brand value of Allianz up by 15 percent last year to 7.7 billion US dollars based on an assessment conducted by Interbrand.

b) Key figures

Allianz can build upon a very successful 2014 reporting year. This is also reflected in our very good financials.

1. Our **total revenues** rose by more than ten percent to over 122 billion euros
2. **Operating profit** grew by 3.3 percent to 10.4 billion euros. This means that we also achieved the goal we set in November of reaching an operating profit in the upper end of our forecast range of 10.0 billion euros, plus or minus 500 million euros.
3. **Net income attributable to shareholders** climbed by 3.8 percent in 2014 to a total of 6.2 billion euros.

4. Our **capital position** remained strong at the end of 2014, with shareholders' equity of 60.7 billion euros and a financial conglomerate solvency ratio of 181 percent.

The **P&C insurance segment** contributed 5.4 billion euros, or more than half, of the Allianz Group's operating profit in 2014.

Gross written premiums in the property and casualty insurance business totaled 48.3 billion euros, up by 3.7 percent. The combined ratio came in at 94.3 percent for 2014 as a whole, on a par with the previous year.

The segment's combined ratio benefited from the fact that losses from natural catastrophes were relatively moderate. Losses related mainly to the storm Ela in western Europe, hail damage in the Australian city of Brisbane and flooding in India. Revenue development was very positive. Our industrial insurer AGCS not only managed to boost its revenues, but also achieved a double-digit percentage increase in its operating profit, despite the tragic airline disasters. Our entity Allianz Worldwide Partners, which was set up one year ago, achieved a nearly double-digit revenue growth with 9.9 percent and in the UK revenues even increased by 12 percent.

In the **life and health insurance segment**, both gross written premiums and operating profit witnessed double digit growth last year. The segment achieved 67.3 billion euros in premiums, up by almost 19 percent in a year-on-year comparison.

Growth in gross written premiums in the US was particularly strong thanks to sustained high demand for fixed-index annuity products. Premium income more than doubled to 12.8 billion US dollars.

The strong growth in Italy and Germany, where there is considerable demand for unit-linked products, is also very encouraging. Gross written premiums also showed double-digit growth in these two countries.

Our customers from the "baby boomer" years are in the process of changing their savings habits, as we can see from the figures. This generation is less interested in short-term, fixed-interest forms of investment and is showing more and more interest in long-term solutions for their retirement provision. A good combination of returns and long-

term security, coupled with manageable risk, is paramount to this group of customers.

This development is particularly evident in the US. While we are witnessing cash outflows in the retail business of PIMCO, our US life insurance subsidiary has achieved impressive growth in the same customer segment.

Despite the sustained low interest rate environment, the life and health insurance segment achieved an operating profit at the upper end of the forecast range, at 3.3 billion euros.

Developments at our two **Asset Management** subsidiaries diverged in 2014. At PIMCO, we saw net outflows at the upper end of our expectations following the departure of Bill Gross. Assets under management for third parties at PIMCO stood at 1,053 billion euros at year-end 2014 (previous year: 1,114 billion euros).

Allianz customers once again benefited from PIMCO's solid performance in 2014, with the Allianz assets managed by PIMCO doing well in a market comparison. 85 percent of the Allianz assets managed by PIMCO have outperformed their benchmark over a three-year period. This performance is one of the reasons why we were able to offer our life insurance customers returns that are very attractive considering the low interest rates.

Our second Asset Management subsidiary Allianz Global Investors showed very positive development and achieved an operating profit in excess of 400 million euros for the first time since introduction of the new structure. This success is also evident from the net inflows, which were positive for the eighth time running in the fourth quarter of 2014.

All in all, the Asset Management segment achieved an operating profit of 2.6 billion euros. This result was in line with our outlook despite the reorganization at PIMCO and the challenges that came along with it.

All stakeholder groups benefited from the successful reporting year:

- Benefits to our 85 million customers amounted to more than 104 billion euros last year, more than ever before.
- Allianz taxes totaled 2.9 billion euros, which corresponds to a tax rate of 32 percent.

- Last year, our shareholders received a total of 2.4 billion euros as a dividend for 2013 and, provided that the Annual General Meeting approves our proposal, will to receive 3.1 billion euros for 2014.

3. Digitalization

I'd like to address one of the hot topics of the moment: digitalization.

I've repeatedly heard people saying that digitalization poses a risk to companies like Allianz because other companies could take the market by storm.. So digitalization would appear to be a situation that is associated with a great deal of downside potential.

It is generally true that new technologies are always something of both an opportunity and a risk for large, established companies. As far as Allianz is concerned, however, I believe that digitalization offers massive upside potential. We decided to tackle this issue early on, meaning that we have learned from experiments and adjusted our business model in such a way that key parts of our business, from targeting customers to processing transactions, are handled digitally.

I would like to take a particularly close look at the following aspects of our strategy: products and processes, and sales model and operating platforms.

a) Impact on processes and products

Often, the implications of digitalization for companies like Allianz are reduced to two aspects in the public debate.

First, there is the aspect of ***boosting efficiency***. Technical and automated innovations clearly offer considerable potential for more streamlined, cost-cutting processes.

The ***Allianz Deutschland logistics service center in Berlin*** processes almost 30 million items of incoming mail – i.e., letters, faxes or e-mails – every year. The automated recognition of almost 80 percent of the 118,000 items received per day means that they can be quickly allocated to the right person.

This is consistent with the expectations of our customers, who regard fast, straightforward communication and processing as a matter of course.

Naturally, digitalization is also influencing product design. Examples include **modular products** like "Allianz1" in Italy or "MeinAuto" and "PrivatSchutz" in Germany. The "PrivatSchutz" personal protection package combines home contents, personal liability insurance, residential buildings and legal expenses insurance. We have now exceeded the one million policy mark, with 1.1 million of these policies sold to date. Many customers want to choose the scope of their insurance cover themselves and put an individual package of suitable products together. Digitalization gives us the technical capabilities we need to offer these products in a clear and transparent manner.

b) Sales model and platforms

By the end of 2016, all of Allianz Deutschland's major products will be offered and shown online. In addition to the previous budget of 100 million euros, we have approved a further 80 million to 100 million euros for this purpose.

On March 5, 2015, Dr. Riess will be presenting Allianz Deutschland's new website at the Financial Press Conference, using the example of auto insurance.

I already reported on the **"digital agency" in Italy** a year ago. This is a digital platform for agents that can be accessed using various digital devices. We have now sold a total of 865,000 policies via the digital agency.

But the good sales results are not the only sign of how successful the digitalization efforts of Allianz in Italy are proving to be. Allianz has now reached the top of the Italian rankings for brand recognition and image for the first time.

The **"FastQuote" solutions** are another example of the fundamental changes taking place within the insurance sector. FastQuote allows

interested individuals to set a quote for car insurance, for example, within 60 seconds after answering only between two and seven questions.

Since its introduction in 2012 in Italy, FastQuote has been used nearly 10 million times.

Two components of FastQuote are decisive to its success: simplicity and speed. This is precisely because digitalization is not - as I already stated above - driven by business management considerations alone. Our customers expect straightforward solutions that can be accessed quickly and digitally and we are responding to these needs. This requires a substantial amount of investment and Allianz is in an excellent position, on the basis of its earnings and capital strength, to make the necessary effort and be successful in the process.

4. 125 years of Allianz

2014 allows us to look at our anniversary year, 2015, full of confidence, which is exactly how we want to celebrate our **125th anniversary**. We will not, however, restrict ourselves to looking back, but also want to take the opportunity to look forward and address the major issues of the future. As a result, we organized two dialog forums in Germany to be attended by international representatives, and internal discussion events at 20 Allianz locations around the world this year.

The first dialog event was held on February 4 in Berlin, the city where Allianz was founded, and looked at demographic change. The second event will be held on April 21 in Munich and will be dedicated to climate change.

We are also releasing two **publications**. The first volume looks at Allianz' 125-year history and its transformation from a German accident insurer into a leading global financial service provider. The second volume features internal and external experts and their take on the major topics of climate change and demographic development.

We will increase the capital of our **foundations** for the environment and culture by 12.5 million euros in total. We will also make 125 **scholarships** available to the European School of Management and Technology (ESMT) in Berlin for young, talented students from all over the world so that they can study in Berlin and get to know Germany.

5. Outlook

Ladies and Gentlemen, this brings me to my outlook for the 2015 fiscal year. Despite the subdued growth outlook for the global economy, we are optimistic about the year ahead. All in all, we expect to achieve an **operating profit** of 10.4 billion euros, plus or minus 400 million euros.

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.

In the **property and casualty** business, we expect to achieve an operating profit of between 5.2 billion and 5.8 billion euros, while in the **life and health insurance** segment, we are looking at an operating profit in the range of 3.0 billion to 3.6 billion euros. In the **asset management** business, we expect to report an operating profit of between 2.2 billion and 2.8 billion euros.

Ladies and Gentlemen,

after 12 years, I will step down as **Chairman of the Board of Management** after the Annual General Meeting on May 6. The Supervisory Board has appointed Oliver Bäte as my successor. I am convinced that the Supervisory Board has made an excellent choice and wish Mr. Bäte the very best of luck.

I would like to thank you for your patience over the past twelve years with me, and for your fair reporting. I would now like to hand over to Dr. Wemmer, who will be talking you through the details of our annual results.

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