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Embargo deadline until beginning of speech -
The spoken word shall prevail
Based on preliminary figures



Good Morning Ladies and Gentlemen,

I would like to welcome you to our Financial Press Conference.

I am dividing my review today into three sections:

- 1) The results for 2009 and our dividend proposal
- 2) The crisis as an opportunity
- 3) The future for the markets and Allianz

To begin with

1. The results for 2009 and our dividend proposal

Overall, Allianz achieved a good result in 2009:

- Revenues increased by 5.2 percent to 97.4 billion euros, operating profit amounted to 7.2 billion euros, and net income was 4.7 billion euros.
- A solvency ratio of 164 percent means that we remain in our projected target corridor and we confirm our strong position in comparison to the market.
- Our Standard & Poor's rating of "AA – with stable outlook" is not just the best among the European primary insurers; it has also remained stable throughout the entire crisis period.

The two important indicators of operating profit and solvency ratio, highlighted here, demonstrate that the financial crisis has undoubtedly impacted the level of our results. However, quarter on quarter we achieved positive results and our capital position has always been solid. Precisely this reliability is highly-valued by our customers and all our other stakeholders.

All three lines of business have contributed positive earnings to the overall result, with development in life insurance business and asset management having a particularly positive outcome.

In **property and casualty insurance** last year we continued to consistently apply our selective underwriting policy. We did not try to expand our market share in extremely competitive market segments, and in the interest of our customers and our shareholders, we will not do so in future.

Altogether, it was a challenging year for property and casualty insurance. Following Hurricane "Klaus" in January and a marked accumulation of mid-sized losses incurred by adverse weather during the first half of the year, we did however succeed in significantly reducing the combined ratio during the second half of 2009 and achieving a ratio of 97.4 percent for the entire year. This positive development is reflected in the operating profit of property and casualty insurance, which again improved in the fourth quarter compared to the previous quarter. Further reducing our combined ratio remains one of the most important management priorities at Allianz during 2010.

Our global industrial insurance business AGCS – Allianz Global Corporate and Specialty – posted gratifying development. The AGCS portfolio continues to grow, and has already achieved a three-year cumulative operating profit of 1.84 billion euros since its establishment in 2006. This success confirms our business model of transferring this segment from the operating activities of our local Allianz companies to an independent legal and business entity. We opened new locations in Brazil, Mexico, Hong Kong, Dubai (for the Middle East), Japan and South Africa (January 2010) and can thus offer global services to our large international customers from even more local sites. In addition, the integration of our marine business with premium volume in excess of 800 million euros has created one of the biggest and most powerful providers in this sector.

The **life insurance business** also demonstrated a strong upward trend in 2009. Operating profit for last year at 2.8 billion euros has achieved virtually the same level as the record year 2007. Our US life insurance business also contributed to this, which after sustaining widening credit spreads in the bond market during 2008, returned to profitability last year.

With premium income totaling 50.8 billion euros, our life and health insurance segment in 2009 achieved a peak level. In view of the aging global population and overstretched social systems, life insurance will remain a growth area for our company over the long term.

Our **asset management** business achieved a result which I can only describe as outstanding.

Assets under management for third parties went up by 30 percent to 926 billion euros and operating profit grew by 50 percent to a record level at 1.4 billion euros.

This success has several reasons:

In a challenging year for the capital markets, our products met precisely with our customers' needs, and we have a world-class fixed-income manager in PIMCO. Other success factors included an overall very good investment performance, an improved sales setup, and the fact that the capital strength of Allianz is perceived very favorably by asset management customers.

These facts and figures from our core business areas demonstrate that Allianz is operatively strong and able to act on a secure capital foundation. Thus, after almost three years of financial crisis, Allianz has lived up to the challenge of creating a strong financial community of companies, customers, employees and shareholders.

And our **dividend proposal** reflects these good results:

The Board of Management will propose to the Supervisory Board for voting at the Annual General Meeting an increase of the dividend per share by 17 percent or 0.60 euros to 4.10 euros. With this proposal, we repeat the high

payout ratio of 40 percent from the previous year, while at the same time maintaining our capitalization and our solvency ratio within the range we consider necessary.

Mr. Bäte will shortly provide a detailed explanation of net income.

2. The crisis as an opportunity

The global economy changed significantly when Lehman Brothers collapsed and it will be some time before we get anywhere near the previous boom conditions. However, the market is already showing signs, as though nothing had changed in the opportunities for growth and return. I have a differentiated view on the matter. In future, we can expect restrained economic growth, greater risk aversion among all market players and tighter regulation. Historically low interest rates also mean that we will also have to adjust to lower earnings from financial investments.

Of course, the experiences of recent years are molding the expectations of customers and with that, defining the scope for maneuver available to financial services providers. Customers want to see verifiable facts which justify their confidence in a provider. They are looking for financial products and providers that deliver results based on quality and stability, and financial services providers must adapt to this.

We provide products with stable guarantees in all markets where we operate. We also have products providing temporary havens for liquid assets, fund products offering protection against inflation, and products that are benefiting from the changed priorities resulting from the crisis, for example through investments in renewable energies and infrastructure projects.

Another consumer trend clearly reinforced by the crisis is the demand for greater transparency in financial services. For us, transparency means comprehensibility of both products and advice. This need has been evident in all the international market surveys we have carried out.

Customers want to take much more responsibility in managing their financial affairs than in the past, and they are no longer prepared to leave their finances exclusively in the hands of advisers. This entails providing essential and comprehensible information – about markets and products, which is in tune with a customer's present lifestyle, and provides clarity on opportunity and risk profiles.

We are adjusting to this demand. Let me provide a few examples:

Explaining finances: We worked hard to build up a dialog with the public as the financial crisis progressed. Examples of initiatives we launched include providing financial know-how on the Internet, self-learning packages, and a program that helps to put an individual's personal finances in order. In an analysis of the Internet offerings by DAX 30 companies, we came top of the rankings in terms of "Readiness to engage in dialog at times of crisis" and "Transparency".

We are also engaged in improving general financial education in schools as a long-term commitment. Following the successful pilot project carried out in 2009, Allianz employees and representatives will provide training on issues relating to finance and pension provision in the states of Hesse and Bavaria. Allianz4Good joined forces with a leading independent educational publisher (Universum) to put together the teaching materials. These will be the basis for the voluntary training sessions. In addition, an advisory panel of independent experts will assist us in developing this training program further.

Advising customers: In 2009, we invested more than 200 million euros in our global sales channels. A total of 100 million euros of this investment was directed toward Western and Eastern Europe. We expanded our worldwide network of representatives by 10 percent and continued to invest considerably in training. In Germany alone, over 3000 seminars on training and career development for representatives are held each year.

Our intermediaries should also have more time available for our customers, and to this end we are providing support for structures which reduce their administrative burden. Service centers are now provided in some 20 cities in Germany, enabling several agencies to organize their office administration on a

joint basis. Our agencies in Switzerland and Italy are also merging their administrative responsibilities in dedicated service centers. Streamlining these activities creates more time to provide support and advice for the customers' benefit.

Safeguarding quality: At Allianz we don't just provide quality, we review quality in order to continuously enhance it. To achieve this, our agents and staff ask customers whether they are satisfied with our advice, claims processing, and our approach to handling their needs. The result of this annual quality assessment feeds into the *Net Promoter Score* (NPS). It measures customer satisfaction on the basis of willingness to recommend us. The results of our inquiries help to improve service distinctly from the customer's perspective. Compared to the previous year, we virtually doubled our call volume in 2009. We asked about customer satisfaction in almost one million NPS calls worldwide. In Germany alone we carried out 250,000 interviews. As you know, our customer services attracted criticism during the process of restructuring in Germany. We have therefore focused mainly on this area in discussions with our customers, and we launched more than 100 individual measures in 2009 in order to implement their suggestions for improvement.

In addition to carrying out customer surveys, we also use test shoppers to check the quality of the advice we provide in countries such as Germany, France, Austria and Eastern Europe. We use the results to identify potential improvements in advising our customers.

Compensation structure with moderation and balance: In December 2009, the Supervisory Board adopted a new compensation structure for the Board of Management and executive managers. The new structure further reinforces the aspect of long-term sustainability. Targets are pooled and focused more intensively to avoid lack of clarity and conflicts of interest. Clear upper limits are defined for all variable compensation elements. The existing options for transforming a bonus into a penalty have been expanded – if performance is not sustained over time. Compensation is no longer determined by just the Personnel Committee, but by the entire Supervisory Board. Three quarters of remuneration paid to the Board of Management of Allianz SE is variable and has to be authorized by the supervisory body. This reinforces the responsibility of the Supervisory Board as envisaged by the Management Compensation

Law. We have also suggested to the Supervisory Board that the new system for remunerating the Board of Management is put to a vote at the Annual General Meeting to be held in May.

Appeal as an employer: The stability and dependability of Allianz during the crisis have also contributed to our growing reputation as an attractive employer. A survey of the attractiveness of employers in Germany even identified us as "most improved company" of the year. This increasing appeal is demonstrated by the fact that Allianz SE received twice the number of unsolicited applications in 2009 as in the previous year.

Our executive employee survey underlines this trend: Of our more than 5,000 executives worldwide, 84 percent are proud of their company. The pride factor already achieved a high level of 82 percent in 2008, and this was further increased by 2 percentage points. The equivalent value for 40 competitors was only 74 percent. We are very pleased about this endorsement as an employer, from both inside and outside the company, because as a service provider we especially depend on the commitment of our employees, and we personally invest a considerable amount of time.

Reassessment of life insurance: The crisis generated considerable debate about classic life insurance in a context of historically low interest rates. A key issue was whether insurers in general and Allianz in particular can earn the product guarantees in this economic environment and whether traditional life insurance has a future under these circumstances.

I am only able to talk about our company in relation to this matter, and the answer to these questions is an unreserved "Yes". The status of life and annuity insurance has been confirmed, like few other products following the financial crisis. To maintain this, insurers must keep a firm grip on costs especially under difficult market conditions and adjust investment strategy to the financial environment at an early stage. We have achieved precisely that, which is why we are able to fulfill our guarantees over the long term, despite the interest rates prevailing at the moment.

Naturally, long periods of low interest rates also curtail returns for classic life insurance customers. The key factor is that the annual bonus is higher than the

current depletion in monetary value known as the real rate of interest. If I take Germany as an example, our customers have always done very well with us over the past 30 years. Even over the past two years, we have been able to achieve average yields of 4.5 percent and more on new investments.

Regulation commensurate with the business model: We have concerns about the interpretations of the Association of European Insurance Regulators on how the *Solvency II Framework Directive* adopted by the European Union for calculating the equity capital of insurance companies should be implemented in national law. They foresee an exaggerated level of capital required for insurers. There is still considerable movement in this area, and proposals for significantly tougher measures were retracted in the most recent consultation round. Nevertheless, the consequences of these decisions are far-reaching for our entire sector. This is why I should like to emphasize that while undertaking to improve regulation, decision-makers need to ensure that equilibrium is maintained for future regulations. They must also take account of business models, the interests of the customer as well as national economic interests. However, I would also like to highlight the fact that Allianz in principle welcomes and supports the European framework directive Solvency II and its approach to risk-sensitive capital requirements.

As far as future regulation of insurance business is concerned, the three principles set out below need to be firmly established:

- 1) Supervision must be principles-based. Only such an approach is able to react flexibly in the event of crisis. The objective must be an integrated European regulatory authority.
- 2) Supervision must take account of the different business models, customer interests and national peculiarities; Financial and product supervision must be in the same hand, in order to ensure comprehensive consumer protection.
- 3) An integrated supervisory concept, which takes account of both national regulations and systemic risks, requires comprehensive coordination and clear assignment of tasks and responsibilities. This is the only way to avoid

multi-dimensional reporting obligations and unnecessary bureaucratic formalities.

3. The future for the markets and Allianz

At the start of 2010, we are seeing economic recovery in many important **economies**. This is likely to continue as the year progresses. However, so far there is no question of a structural upturn. At most we are projecting growth of around two percent for industrial countries, and we believe that development in subsequent years will be rather restrained. This is clearly associated with the new global economic reality in the wake of capitalism's secular crisis.

Consolidation of national finances, reducing debt in the private sector, higher capital requirements, and tighter banking regulation are the key concepts in this environment. However, the recovery process in the emerging economies of Asia and Latin America will continue; also in Eastern Europe, albeit more slowly.

Yields in capital markets are also likely to move slowly upward. Positive signs in this context are rather higher rates of inflation, big issues of government bonds, and a gradual correction in the highly expansive money supply. Equity markets have already anticipated the general recovery scenario. This is an area where we see only a slight upward potential accompanied by high volatility.

All the while, dormant factors with the potential to cause disruption in the financial markets should not be underestimated. Strong movements in the price of oil, commodities or the US dollar can trigger severe reactions in the market – in the same way as a reversal of the current monetary and financial policy can. Nevertheless, a reasonable correction is necessary in order to reduce liquidity.

How do we steer Allianz through these markets?

Based on the business results for 2009 we feel we are well-prepared for 2010. The environment we have outlined opens up additional opportunities for utilizing the strengths we have at our disposal. The results for 2008 and 2009 have confirmed that the fundamentals of our business model are robust. We

are able to deal with any change in the markets and we have the capability to mitigate the financial effects of unforeseeable events for our customers.

The community associated with Allianz has a high regard for our resilience in dealing with crises. Indeed our reputation in this regard is greater today than before the financial crisis.

We also want Allianz to form an even stronger financial community of stakeholders in the coming years. Everyone working with Allianz should be able to derive security and clarity from the facts that based on our capital strength we can reliably deliver on our promises, and we can be trusted.

Attributes like passion for customers and the will to outperform the competition are part of this culture. This approach also encompasses a highly developed sense of steadiness and fair solutions that this company has cultivated during its existence over the past 120 years. This distinct profile will increase in importance once more in the future. I believe that integrity and taking a fair approach to balancing interests, rather than excessive returns and short-termism, will become key factors in the new world economy. We will continue to align our efforts to these values.

Because this is so important to us, at our Annual General Meeting last year, we presented the **flow of payments** made by us to our **customers, employees, sales partners, third parties** and **shareholders**. We took this step because in the context of the financial crisis, too much overall emphasis is frequently placed on failures in the market, defects in the economic system, and one-sided perception of shareholders' interests.

Self-centered actions and flashy results were never our style. Public debate shouldn't play down the values desired by society that are generated by companies that are focused on maintaining an even balance between growth and earnings.

Outlook: What are we doing to ensure that we can continue delivering the results our various stakeholders expect in 2010?

- In insurance, new business will continue to be managed on the basis of operating margin. We will confront tough price competition in property and casualty insurance with two main approaches: enhanced operating efficiency and customer service through our new business model, as well as continued focus on local and global business in dedicated units.
- In life and health insurance, we want to maintain the positive development of 2009. While the employment markets will be key drivers for sales performance in 2010, the proportion of this line of business in our total portfolio will continue to increase over the mid-term. This will be powered not least by the higher growth rates in life insurance business. We perceive significant opportunities in the more mature markets for attractive and flexible solutions that secure income during retirement for target groups aged 50 and above. At the same time, we anticipate positive developments in the Asian and other growth markets. We have already become established there as a reliable partner for wealth accumulation and stable income, so that we can benefit greatly from the growing target groups of young people.
- In asset management we will build on the substantial growth in funds during 2009. Based on that strong performance, we anticipate additional net inflows of funds in 2010 so that we can continue strengthening our position. For this, in asset management, we invest continuously in employees, innovations and infrastructure, in order to further improve our profile as a provider of solutions rather than simply as a supplier of products. For this, we combine a wide variety of investment styles and fund products with consultancy services for asset allocation and risk management. COMINVEST Asset Management, which has been fully integrated since the beginning of 2010, and the leaner European management structure introduced in 2009 have defined the parameters for stronger growth. We are also expanding our asset management business in China and have created the platform for a swift market launch in the key growth market of India through our joint venture with Bajaj Finserv.
- Our primary aim as a Group is to grow organically, rely on our inherent capabilities, and build on the new clarity that customers have gained about

risks. We see further significant opportunities for organic expansion especially in life insurance, in asset management, and in Asia.

- In the wake of the financial crisis, we also expect further consolidation in the insurance market. The management team sees a responsibility to review the opportunities resulting from this situation. We will appraise the economic landscape from a perspective of caution and from a position of strength. However, in our view, major transactions prior to clarification on the outstanding regulatory issues arising from Solvency II are unlikely.
- With regard to key figures for the fiscal year 2010, we believe that our operating profit will be at the same level as 2009. However, given the still volatile market environment, it is impossible to give a precise forecast. Already, a change in our combined ratio of one percentage point lowers or raises our operating profit by around 400 million euros. Accordingly, management focus in 2010 will be again on investment performance as well as combined ratio.

Thank you very much!