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- Courtesy English translation -

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Start of Michael Diekmann's speech

Based on preliminary figures

Good morning, ladies and gentlemen,

I would like to welcome you to the Allianz Group Financial Press Conference.

My address to you will be split into the following sections:

1. Highlights 2011
2. Allianz specific subjects
3. Outlook 2012

Allianz was one of the few companies at the beginning of 2011 that published an operating profit target for the entire year, despite the considerable challenges that were already looming on the horizon. Our operating profit target for 2011 of 8 billion euros, plus or minus 500 million euros, was initially regarded as very conservative. However, it very soon became apparent that, in addition to financial issues like the sovereign debt crisis, we would also be facing a number of other unexpected challenges and this supposedly conservative target was indeed most ambitious.

In a nutshell, the fiscal year saw the following developments:

- At 7.9 billion euros, Allianz posted an operating profit in line with the forecast. Considering the enormous challenges, the decrease of 4.6 percent from the previous year was a moderate one.
- At 2.8 billion euros, net income is clearly much lower than the result for the previous year, as it reflected not only our operative challenges but also write-downs on capital market investments.
- Since we regard a large portion of those write-downs to be one-off adjustments and are confident for 2012, the Board of Management has proposed a dividend at the same level as last year, 4.50 euros per share.

2011 was a very trying year for governments, for the economy and also for Allianz. Fukushima, the sovereign debt crisis and the political logjam in the US characterized this year of crises. The events surrounding the “Arab spring” also generated more uncertainties as the year progressed. While global economic activity increased in 2011, the sovereign debt crisis, low interest rates, a series of unusually severe natural catastrophes and the difficult situation in the financial sector left their mark on our business results.

Thus, for the second year in a row, our **Property and Casualty insurance** business was hit by an exceptionally high number of natural catastrophes. This meant negative repercussions for not only the loss ratios for our German and US business but also for the overall results of our reinsurance business. That said, units in other countries performed very well. We also made good headway in Central and Eastern Europe as well as in France, Italy and Spain. In view of these general conditions, our profit in the segment showed a gratifying continuity.

The decline in gross written premiums in the **Life and Health insurance** was due to low sales through bank distribution and the discontinuation of our Life business in Japan. In addition, in response to the low-interest environment, we placed a special focus on maintaining strict margin discipline. Capital market turbulence also put pressure on our results.

On the other hand, **Asset Management** again was a driver of growth and profit in 2011, mainly thanks to another very strong performance from PIMCO.

We are very pleased that Allianz has been able to achieve an operating profit within our target range, despite the challenging business environment and a slight decline in revenues.

The ongoing crisis has put a number of insurers in a tight spot. Some of them were or are for sale in, say, Poland, France and Italy. Others are suffering in this environment. Allianz, on the other hand, has weathered all of these recent developments well.

The volatile capital market trend in connection with the debt crisis forced us to make considerable write-downs on our Greek sovereign bonds but also on equities. We have discussed changes in market valuations promptly and transparently. What has to be written down is written down – quickly and in full.

By now, we have written our Greek sovereign debt holdings down to a quarter of their face value. The valuation of our holdings in financial institutions has also taken a strong hit; they account for around 22 percent of our equity portfolio. At the same time, our effective tax rate went up considerably, as a large proportion of the write-downs on equities was not tax deductible.

We have nonetheless deliberately refrained from augmenting our net income through disproportionate profit realization at the expense of long-term opportunities. Net income is a snapshot that reflects extraordinary events and market trends in the fiscal year but does not sufficiently depict our long-term earnings prospects.

Given our operating profit and our steadily solid business outlook, at the Annual General Meeting we will propose maintaining the dividend at the same level as last year, 4.50 euros per share. This means a doubling of the payout ratio to 81 percent of net profit. However, relative to our operating profit the payout only comes to 26 percent and therefore remains within the same range as previous years. With this dividend we are proposing, we want to emphasize the confidence with which we are entering the 2012 fiscal year. However, we will maintain our objective of a target payout ratio of 40 percent of net profit in normal years.

We also improved our business model in 2011, focusing on the four areas: financial strength, trusted partner, best people and operational excellence.

It is important that these four elements are tightly interlinked and mutually reinforce each other. To that end we are eliminating potential disruptive factors, adapting the system to new customer needs and business conditions and striving for a constant increase in efficiency.

Let's begin with financial strength.

Despite the difficult market situation, our shareholders' equity actually increased slightly last year. A further testimonial to our success is our robust solvency ratio of 179 percent and our "AA" rating from Standard & Poor's. After downgrading several European sovereign ratings, the agency re-examined the insurers – and confirmed the "AA" rating of Allianz – albeit now with a negative outlook.

Because conditions are still very prone to volatility, our capital strength and liquidity situation are scaled in a way that enables us to endure even extreme stress scenarios.

In the same vein, a few days ago we issued a 10-year corporate bond with a volume of 1.5 billion euros at 3.50 percent. That is an historically low coupon for Allianz and shows just how secure bond investors consider Allianz to be.

Acquisitions are another issue that relates to our capital strength. In this respect we have repeatedly referred to the ongoing uncertainties arising from Solvency II. These are now gradually becoming clarified. At the same time, there are new opportunities arising as banks modify their business models or local competitors are weakened by the crisis.

We still don't see any urgent need to act. But we will take a very close look at these opportunities and consider whether they would add financial value and augment our field of expertise.

In order to maintain our financial strength, which even in times of crisis has to satisfy the expectations of our customers and investors, we also strive for a low vulnerability to risks for our investment portfolio and operating profit drivers.

In our investments we avoid unduly high levels of volatility and, in the current low-interest environment, concentrate on achieving an attractive return.

Our asset portfolio risks are limited. At the end of the year, the share of bonds from Greece, Ireland, Portugal and Spain accounted for just 1.3 percent of our total investment portfolio of 461 billion euros. Across our entire Group, our holdings of Italian sovereign bonds amount to just over 26 billion euros, 5.7 percent of our total investment holdings. In the past we repeatedly stated that we felt the jitters over Italy to be unjustified. The excellent progress made by Mario Monti's government bears out our assessment.

The average return on our investments of 4.2 percent shows a handsome spread over 10-year bunds of around 2 to 2.5 percentage points. This demonstrates that our risk management works and that we know how to achieve attractive capital returns, even in times of low interest rates and great turmoil in financial markets. It also provides our life insurance business with a long-term foundation; thus, in our core German market we achieved the second-highest new business revenues ever in 2011.

Allianz investments in real estate and alternative asset classes such as infrastructure projects, renewable energy and loans continued to expand. They offer an attractive risk/opportunity profile with a long-term investment horizon. If you get electricity from wind power, insert coins in a parking meter in Chicago or choose gas from Norway in the future, you are supporting Allianz investments. To date, we have invested around 1.3 billion euros in wind farms and solar power plants, and in 2011 we took a share of roughly 800 million euros of the Norwegian gas pipeline, Gassled. In the last fiscal year we additionally invested over 1.5 billion euros in real estate.

A new feature is the expansion of our loan business. For this purpose we established a credit department organized as a lending desk which invests in asset-backed loans – business that offers attractive returns and a better risk profile than other types of investments.

Our financial strength and the quality of our investment management foster confidence in our ability to keep our promises to our stakeholders. Here you can see the benefits received by the various Allianz stakeholder groups in 2011. These funds are one key element of being a trusted partner. A further core aspect is an unwavering focus on the customer. Nowadays customer needs change quickly. It's important to possess a direct channel that tells us immediately and without interference how to keep in step with our customers.

For example, in 2011 we introduced modular insurance products in Italy, France and Germany that have met with strong demand from our customers. Moreover, we continue to carry out our in-depth customer surveys. The results show that we have made progress in comparison with our competitors. In the 2011 fiscal year the proportion of Allianz business units with customers who are more loyal and satisfied than those of the local competitors rose to 52 percent from 46 percent in the previous year. In the same period the proportion of our companies that are market leaders in terms of customer loyalty in their respective countries rose from 21 percent to 28 percent.

You can also tell what people who buy our products and services think of us from the number of our customers. In 2011 they increased worldwide from approximately 76 million to 78 million.

Of the financial analysts who observed Allianz in 2011, 62 percent recommend buying our shares. That is a clear indication of their trust. Our initiatives for profitable growth lend credence to their assessment. For example, in 2011 we signed new sales cooperation agreements with the car manufacturers BMW and Daimler as well as with the China Pacific Insurance Company. PIMCO set up a new distribution platform in the US. Allianz Leben in Germany and Allianz Global Investors founded the joint venture Corporate Pension Advisors to boost our group pension business.

We are also making strong headway in the fields of digitalization and direct sales. With growth rates of 14 percent over the last three years, the direct distribution channel is an above-average driver of growth for Allianz. Nevertheless, we will continue to carefully avoid unprofitable direct business.

In these turbulent times, I would like to add a final point on what it means to be a trusted partner for society. In 2011, our social commitment didn't just focus on environmental and demographic issues but also on ways of resolving the European sovereign debt crisis.

Our proposals for the effective utilization of the European rescue fund, with public statements and analyses from our Board, our economists and analysts on how to proceed, all showed one thing: We are willing to employ our expertise to the benefit of our stakeholders. Dr. Paul Achleitner in particular invested great effort in this regard.

Of course, Allianz has a vested interest in the successful resolution of the debt crisis. We are represented in every country in Europe and are one of Europe's biggest investors. But it is in Europe's own interests to move forward together – even if the path ahead is long. It would be unrealistic to expect to find a quick or simple resolution to the crisis. We are in favor of Greece remaining in the euro zone and disagree with the many speculations currently going on. In the past few weeks and months, important milestones have already been reached, and now that work needs to continue.

Let me now come to my next point, the people at Allianz. I am a big advocate of a well-developed performance and leadership culture focused on employees. In the service business, it is imperative to keep people at their peak and to motivate them, ultimately in order to provide customers with superior service. Our success depends in numerous ways on creating a working environment in which employees want to interact and work with each other and are able to learn from one another.

In this area, too, we make intensive use of employee surveys to find out where and how to make improvements. This has given rise to a worldwide initiative we call “best people”.

Essentially this means that talented individuals of all age groups, women as well as men, receive the encouragement and support they need to develop their full potential. This includes mentoring programs, flexible working hours, childcare services and much more. A year ago, I told you that as part of this initiative we intended to put more women in leading positions. In 2011, we also committed ourselves to have women in 30 percent of all management positions in Germany by 2015.

By now, many more women have advanced to top positions: for example, there is Dr. Helga Jung, who is now a member of the Board of Management, Lori Dickerson Fouché, CEO of Fireman's Fund, Sinéad Browne, a member of the Board of Management at Allianz Global Corporate & Specialty, Silke Grimm, on the Board of Management of Euler Hermes Deutschland, Dr. Birgit König, CEO at Allianz Krankenversicherung and member of the Board of Management of Allianz Deutschland. Further examples are Fabiana Castiñeira, the designated CEO of Allianz Argentina, and Sylvie Ouziel, the CEO of Allianz Managed Operations and Services, AMOS, the global shared services unit of the Allianz Group. We take this issue seriously, and we've made clear progress.

For an Allianz that wants to fulfill its promises to customers and shareholders over the long term, an essential key to success is measures to increase its <u>operational excellence</u>. This is another area where we are pursuing a unified approach worldwide, and last year we successfully completed the introduction of our uniform insurance business operating model across the entire group.

On the one hand, the operating model is an essential element for improving customer focus. On the other hand, it allows us to bundle individual components of the value-adding chain and leverage them on regional or global platforms.

This is what we did in the past when we set up Allianz Investment Management (AIM), our central unit responsible for investments. Now we are pressing ahead with the development of our in-house services in the form of AMOS (Allianz Managed Operations and Service). This unit takes care of services, such as providing IT, real estate management and global procurement for the Allianz companies. By combining the expertise of our best people worldwide and avoiding economic waste, we can offer better services at more attractive prices.

By the end of 2011, a good 30 percent of global IT services had already been merged. Over the next few years, more than 100 Allianz computing centers will be consolidated at four main locations in Europe, Asia and the Americas.

At the moment we are working at full speed to introduce a single global data and telecommunications network. The various national companies will migrate to this network by 2014.

The IT operating systems for insurance customer support will be reduced to three. This, coupled with a concentration on a few external IT service providers, should result in potential savings in the tens of millions just for maintenance.

In 2011 alone we achieved savings of around 160 million euros by bundling our procurement. Using a new platform for managing purchasing volumes totaling 1.6 billion euros, we will additionally reduce procurement costs in Property and Casualty insurance by more than 70 million euros by 2014.

These are all projects that lower expenses, increase service quality and thus make the Allianz financial community more resilient against the stagnating global economy and challenging capital markets.

This brings me to the current fiscal year. 2012 could be just as unpredictable as last year. The forecasts for economic activity are very downbeat. We are assuming zero growth in the euro zone, while growth in emerging markets is likely to slow down. We are also expecting the low-interest period in the capital markets to continue.

Nevertheless, we face this year with confidence

In addition to improving the productivity and distribution channels for Property and Casualty insurance in Germany and the US, we are placing a special focus on solid capital management and the successful further expansion of our global lines including reinsurance.

We've added some young, new talents to our Board of Management: Dr. Helga Jung, Gary Bhojwani, and Dr. Dieter Wemmer joined the Board on January 1st, and Dr. Maximilian Zimmerer will be taking over as Dr. Paul Achleitner's successor on June first.

For our 2012 operating profit we are expecting a slight improvement in Property and Casualty insurance. We are also forecasting a bit of an increase in Life and Health insurance. However, in this segment especially, low interest rates, volatile capital markets and competition with banks can make things very difficult. In Asset Management we would like to maintain its excellent profit levels. In total, we expect a higher operating profit of 8.2 billion euros with a range of plus/minus 500 million euros.

And now I would like to hand over to Oliver Bäte, who will give us a detailed look at the annual results.