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Address to the Financial Press Conference

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- Courtesy English translation -
The spoken word shall prevail

Embargo start of speech

Based on preliminary figures

Allianz

Good morning, Ladies and Gentlemen,
Please allow me to welcome you to the Allianz Group Financial Press Conference.

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

1. Fiscal year 2012
2. Issues specific to Allianz
3. Outlook for 2013

A year ago, I was able to report that, in spite of a challenging business environment, Allianz had achieved an operating profit in 2011 that was in line with our projections. The same is also true for fiscal year 2012. By the third quarter, business developments were already looking so favorable that we were able to raise our operating profit target to more than 9 billion euros in a positive profit warning - despite the impact of the storm Sandy. This new outlook was confirmed at the end of the year despite the impact of the storm Sandy.

Considering the external factors in fiscal year 2012, it could have turned out to be an awful year. The economy had turned further downward. The European Union slipped into recession. In the middle of the year, it even nearly stood at the brink of a systemic crisis. The debate in the US surrounding the “fiscal cliff” sparked considerable uncertainty on the capital markets. Low interest rates made it difficult to find new investments for customer funds that offered an adequate risk-return profile. Numerous regulatory plans involving far-reaching changes to our business environment are still hanging in the balance, making it difficult to anticipate all eventualities.

But there were some rays of sunshine. The capital markets’ reaction to the European sovereign debt crisis eased visibly in the second half of the year after clear statements made by the ECB signaled its faith to the markets that the crisis could be dealt with. This resulted in a marked reduction in risk premiums for bonds from highly-indebted European countries and gave the stock markets a clear boost. The claims situation also improved compared with the previous year.

Worldwide, the number of natural catastrophes was down significantly. That said, the two major weather events of the year, namely the drought of the century in the US and the storm Sandy that did a lot of damage to the northeast coast of the United States, left their mark, especially in the profits and losses of our US subsidiary Fireman’s Fund.

What we managed to achieve together with our employees and sales partners in this mixed environment can be summarized in four key points:

- **Total revenues** grew by almost 3 percent to more than 106 billion euros.
- We earned an **operating profit** of 9.5 billion euros in 2012, the best result since the financial crisis started in 2008.
- At 5.2 billion euros, our **net income** has returned to normal compared with the prior-year value.

- Our capital strength has further improved: Our **shareholders' equity** grew by almost 20 percent to 53.6 billion euros and conglomerate solvency is 197 percent, 18 percentage points above 2011.

All three of our operative business segments contributed to this very gratifying fiscal year by generating double-digit growth in operating profit.

In the **Property and Casualty insurance** segment, our operating profit rose to 4.7 billion euros, with a combined ratio of 96.3 percent. With the exception of the US, we achieved very good results in all markets. This also applies to Germany, which is particularly encouraging given the somewhat weaker results achieved over the past few years.

Statutory premiums in the **Life and Health Insurance** segment dipped slightly due to a lower level of sales via our bank distribution partners on some markets. Operating profit was very strong at 3.0 billion. The increase of more than 20 percent was driven by higher investment income.

In 2012, our **Asset Management** segment once again returned a truly excellent performance. Third-party assets under management swelled by more than 150 billion euros to over 1.4 trillion euros. The record operating profit reached just over 3 billion euros. Thus, for the first time ever the contribution made by this segment to the Group's operating profit was just ahead of that from our Life and Health insurance segment.

Mr. Wemmer will talk you through the details of our annual financial statements afterwards.

Allianz's share price gained 41.8 percent over the entire reporting year. Our stock clearly outperformed all of the relevant benchmark indices, showing that we have been rewarded for our course of sustainability and that markets are impressed by our strict adherence to that course. In May we will be proposing a dividend of 4.50 euros per share at the Annual General Meeting. This represents a payout ratio of 40 percent, a dividend yield of 5.2 percent on the average share price for 2012.

This brings me to **issues specific to Allianz**.

The central question is: How should we position Allianz in the context of the still-unresolved sovereign debt crises and low interest rates?

As far as the euro crisis is concerned, I am now far more optimistic than a year ago. The ECB's announcement that it was prepared to buy an unlimited amount of government bonds issued by ailing euro zone countries marked the turning point.

But the ECB's announcement was not the only reason behind the turnaround. The ratification of the ESM and the declarations of intent on both the Fiscal Compact and, most importantly, banking union sent out clear political signals for further integration and stabilization in Europe.

Nevertheless, the temporary calm in the capital markets is no reason to waver in our efforts to find sustainable solutions. The ECB's announcement has only bought policymakers time to implement structural reforms in order to ensure that monetary union as a whole can once again bring about growth, employment and long-term prosperity gains. We must not allow a whole generation of young people in southern Europe to grow up out of work because their national economies lack competitiveness in the labor market. Therefore, in the long run, we need both: perseverance when it comes to austerity measures that are absolutely crucial to getting state finances in order. And at the same time, everything possible has to be done to make the highly-indebted countries competitive again on the global market, to stimulate growth and, in doing so, to offer people a future in their own countries. Last year, we published proposals for the European project with the title Euro 2022. These proposals summarize what we believe to be the key challenges facing policymakers at present.

Given this two-fold task, we expect this year to bring a further period of transition for Europe, in which the adjustments will slowly start to bear fruit, but further consolidation measures will also have a negative impact. What is more, policymakers will have to lay the foundation for a proper political fiscal union. We must continue to strive for a banking union. We need a uniform, efficient European regime for bank restructuring and liquidation. The debate over the roadmap proposals made by the President of the European Council, Mr. van

Rompuy, should also quickly lead to further progress on integration, for example in terms of identifying a common growth policy.

But overcoming the sovereign debt crisis is not the only issue at stake. Even if we assume that we will be successful in doing so in the foreseeable future, countries - including the wealthy industrialized nations - will have to move quickly to implement reforms in order to soften the blow of the future demographic burdens that will be placed on individual government budgets.

I am referring here to the well-known fact that we are all living longer, but the state financing for these “extra years” is not a given, unless new debt is accrued. But we want to, and indeed have to, reduce our debt. If these reforms are not implemented, a large number of countries will risk accumulating an additional debt burden due to their aging societies. In relation to the euro area as a whole, the sovereign debt created by demographic issues is expected to rise by around 7 percent of GDP on average by 2020. By 2050, however, sovereign debt (as a percentage of GDP) could more than double if no effective measures are taken to cut costs.

This is why the EU is currently involved in a lively debate on the “adequacy” of retirement provision. There is still no shared understanding of what sort of income in old age we will deem to be adequate in the future - the sort of income that protects us from poverty in old age or the sort of income that allows us to maintain the lifestyle we became accustomed to while working. But, according to the EU’s calculations and forecasts, people will have to be prepared for a widening gap between the sort of income in old age that allows them to maintain their familiar standard of living and the actual flow of cash they can expect to receive. So it is up to every individual to set funds aside early on in order to ensure that this gap does not become any wider.

We are also facing major challenges because the current period of artificially low interest rates comes at a steep price for savers. Thus, savers will have to set aside much higher amounts to close the retirement provision gap if interest rates remain as low in the long term as they were last year. We estimate that the average monthly amount to be set aside would have to be around one third higher in order to achieve the same effect as in a normal interest environment.

This is why it is very important, for example, that the planned financial market transaction tax is not applied to financial transactions that serve to accumulate provisions for retirement. This area is already struggling enough with the low interest rate environment and cannot be burdened any more. Otherwise the need for people to do more to invest in private and company pensions will be hindered even further.

So now I come back to the question I asked at the beginning:
How is Allianz preparing for the future?

We have once again invested in the core principles of our corporate culture, namely security, reliability and integrity. We have de-risked our investment portfolio and have further strengthened our capital base. We have also put money into fostering future growth and market share gains and have maintained a disciplined approach to the assumption of risks and to costs in order to ensure that our operating profit remains high even in periods when investment returns are lower. We want to ensure that even in difficult times we can deliver on the promises we make to all of our stakeholders.

An important indicator of the quality of a corporate culture is the attitude that employees have towards their employer. Our annual employee survey, in which 81 percent of the 118,000 employees surveyed took part in the reporting year, confirms that we are on the right track. The results of the survey show a steady improvement in engagement, satisfaction and employees' willingness to recommend the company to others, with the corresponding index rising from 67 percent in 2011 to 70 percent in 2012. Employees were particularly satisfied with our integrity. It got 80 percent, our highest level of agreement.

One key parameter for the issue of security and reliability is our capital base. Shareholders' equity increased in the reporting year to more than 53 billion euros. We upped our solvency ratio, which has traditionally been high, to 197 percent. Standard & Poor's has maintained our "AA" rating with a negative outlook – a top mark in these uncertain times and unrivaled by any of our global competitors.

Besides the capital base, the security and return of our investments is very important for all of our stakeholders. Even in a climate of low interest rates, we want to use Allianz's investments to achieve an investment return that is attractive in a market comparison and entails as little risk as possible. We continued to pursue this strategy systematically in 2012. We reduced the number of higher-risk asset classes and cumulative risks in our portfolio and increased, for example, the proportion of globally diversified corporate bonds. We are also increasing the share of asset classes like real estate and infrastructure investments in our overall portfolio mix. This boosts returns with low risks and low volatility.

Our fixed-income security investments (including cash holdings) achieved a return of 4.0 percent last year. By comparison, at the end of the year, the yield on ten-year German government bonds stood at 1.3 percent, and that on ten-year US government bonds was 1.8 percent.

Our investments benefit from the fact that we have a global presence and highly professional central investment management processes. Of course, our strong asset managers within the Group also help to quickly implement our asset allocation philosophy.

This brings me to the benefits for our customers. In 2012 for example, we made payments worth around 20 billion euros to our life insurance customers.

Our German life insurance business can also withstand a phase of low interest rates as well, thanks to our financial strength, investment expertise and very low administrative expenses relative to the market. In this fiscal year, we are offering our German life insurance customers a very attractive return of 4.2 percent. In addition to a current return of 3.6 percent, customers will receive a final profit participation and a fixed amount for participation in valuation reserves together totaling 0.6 percent. In order to achieve similarly high returns on the market, customers would have to invest in ten-year Spanish government bonds - with all of the risks that securities with a “BBB” rating entail.

Life insurance remains an important, tried-and-tested provision product, even in the current environment. However, there is a need to take action, particularly when it comes to the guaranteed lifetime returns in Germany.

That is why we regularly re-examine our life products with regard to the interaction of security with the leveraging of opportunities. Our customers can already choose between various options. Toward the middle of the year, this selection should become even more differentiated. The Board of Management of Allianz Deutschland will discuss this in more detail at the press conference on February 28th.

Regarding the political debate on new regulations governing valuation reserves, a topic that will soon be the subject of consultations in the upper and lower houses of the German parliament, I would like to say one thing: This is an initiative intended to create fairer regulations for all people insured. The measures are not designed to put customers at a disadvantage but rather are aimed at ensuring the fair allocation of valuation reserves relating to fixed-income securities among all customers.

I would like to add one more thing regarding investments: Since 2012, we have institutionalized the sustainability of our business and investments. In October, we set up the Environmental, Social, Governance (ESG) Board, headed up by my asset management colleague Jay Ralph. He is supported in his work by Maximilian Zimmerer and Clement Booth, representing the investment of policyholder funds. This ESG Board at the level of the Board of Management is the first of its kind. It supports all of Allianz's business units in incorporating environmental, social and governance issues into their business activities. This serves to promote long-term value creation and is also reflected in the stability of our investments.

In our view, the activities of our Asset Management business as an investor in the futures market for agricultural commodities, although non-governmental organizations oppose them, are consistent with our aim of being a responsible investor. These investments do not relate to commodities such as wheat or corn, but rather to the risk of price changes. This is a business that benefits both parties: The agricultural producers pass the risk of changing prices on to investment partners who, in turn, receive a premium.
Obviously, we can only speak for our investment approach and not for the market as a whole. However, we do note that academics have publicly countered the statements made by the non-governmental organizations. We

believe that these statements should trigger an objective discussion, one that we want to continue to contribute to.

Ladies and gentlemen, the main business issue facing us in 2013 will be how to steer Allianz in a low interest rate scenario. Mr. Zimmerer will be able to provide you with more in-depth information on our investments. The other side of this is boosting our operative business over the long term. This is the best way in uncertain times to reduce our dependency on our investment result.

In the reporting year, we forged ahead with a whole number of initiatives that will improve our revenue and operating performance.
These include company acquisitions, such as the takeover of the Belgian company Mensura, which specializes in occupational accident insurance, and the P&C insurance business of Gan Eurocourtage in France, which will give our broker business there a much broader basis.
In addition, there are sales cooperation agreements, such as with the globally active HSBC Bank with whom we have had successful strategic partnership for years. In 2012, we also signed a ten-year sales agreement with HSBC pertaining to life insurance in Asia. This will increase our coverage of the high-growth markets of China, Indonesia, Australia, Malaysia, Sri Lanka and Taiwan. Almost a month ago, we reached a similar sales agreement with HSBC for the highly attractive life insurance market in Turkey. The bank will be marketing Allianz life insurance policies and other retirement provision products via its 330 Turkish branches.
In Malaysia, we have expanded our network of agents considerably, adding a good 2,000 new advisors in the reporting year. Our life insurer in Malaysia is now one of the top-performing, fastest growing providers on the market.
And in China, the most populous country in the world and now the world's second-largest economy, we are pushing ahead with our "One Allianz in China" project. The aim is that, in the future, customers will see our numerous Allianz subsidiaries as one single entity, also triggering considerable synergy effects. Our strategic sales cooperation with the China Pacific Insurance Group, the country's third-largest insurer, is being expanded further, most recently to include advisory services relating to the credit insurance products offered by Euler-Hermes, car reinsurance via Allianz Global Automotive and the automotive assistance services offered by Allianz Global Assistance.
Furthermore, together with our Chinese partner we intend to apply for a permit

for a local health insurance company. So all in all, we believe that we are well positioned in China.

Our industrial insurer Allianz Global Corporate & Specialty is making good progress with its growth programs: In the next five years, premium income from the fast-growing markets of South America, Asia, Russia and Africa should increase from the current level of 600 million euros to around 2 billion euros. Another strategy aimed at boosting our competitiveness is the global expansion of our automotive business in cooperation with car manufacturers. For example, we have set up a car insurance joint venture with Volkswagen that targets its customers. We are working on ways to enhance our existing cooperation with other automotive manufacturers as well, such as Ford, BMW or Peugeot-Citroen (PSA).

We are also looking to bundle complementary strengths in our quest to achieve operating excellence and improve results. One example is the merger of our entities in Belgium and the Netherlands under a joint leadership team. This gives us the critical mass that we need in both markets in order to improve our market position through investments in IT and sales.

Another initiative is the bundling of our global entities Allianz Global Automotive, Allianz Global Assistance, Allianz Worldwide Care and the international health insurance business of Allianz France. As of this year, these businesses will be working under the project name Allianz Worldwide Partners. We want to put comprehensive support packages together for globally active corporate customers, which can then offer them to their employees or end customers. To this end, the existing health, mobility and assistance products will be coordinated and enhanced to reach more than 250 million end customers via a single platform. The four entities involved generated revenues of 5.6 billion euros in the reporting year. The aim is to increase this amount to around 7.6 billion euros by 2015.

In order to reduce dependency on the investment result through an improved operating structure, we also need the courage to withdraw from business activities that are unlikely to add any value in the foreseeable future despite a high level of start-up and restructuring investments. This was the conclusion reached by Oldenburgische Landesbank and Allianz Deutschland when they decided to close Allianz Bank. We regret the fact that we will be disappointing the customers and agents concerned, but this really was the only solution. Ladies and gentlemen, all of these measures are part of our ongoing work in the fields of digitalization, multi-channel distribution and product improvements.

Outlook for 2013

How these initiatives will actually affect our results in this business period – that we will only be able to judge in the future. Our targets for 2013 consist of the following points:

In total, we expect to achieve an **operating profit** of 9.2 billion euros, within a range of plus or minus 500 million euros. This number is consistent with our strong operating profit for 2012, because as of 2013 we now include restructuring measures in our operating profit. In previous years they had been presented as part of our non-operating items.

In the **Property and Casualty** business, we expect total gross written premiums to increase by between 2.5 and 3.5 percent and to achieve an operating profit of between 4.3 and 5.1 billion euros.

Premium income in the **Life and Health** insurance segment is likely to remain stable at the level seen in the year under review, and we predict an operating profit of between 2.5 billion euros and 3.1 billion euros in this segment.

In **Asset Management**, we are expecting further growth in assets under management and predict an operating profit between 2.7 billion and 3.1 billion euros.

I would now like to hand over to Mr. Wemmer, who will be talking you through the details of our annual results for the first time today.

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