Good morning, Ladies and Gentlemen,

and welcome to the presentation of the Allianz Group’s figures for the first half of 2014.

I’ll begin today by commenting on global economic developments, specifically economic growth, the European elections and the interest rate policy. Against this background, I will give you an overview of the business of Allianz Group in the first half of 2014, and explain some of the activities we are undertaking to strengthen our business.

The past few weeks have seen intense public debate on the issue of infrastructure investments. I will discuss our position in this segment before I come finally to the full year outlook for 2014.

Dr. Wemmer will then explain the figures for the second quarter to you in detail.

Let me begin by talking about developments in the global economy. The somewhat disappointing start to the year was due, among other things, to the severe winter in the US and the ensuing production disruption.
In the second quarter, the US economy bounced back and the development of the global economy started to gather speed. An exception was Japan, where a decision to increase VAT slowed the economy. However, this effect is likely to become less pronounced in the second half of the year.

Economic development in some major emerging markets was only moderate, partly due to structural problems and partly to political crises in these countries.

Over the past few weeks and months, the general mood regarding the global economy has brightened a bit. The more optimistic assessment of incoming orders in the global purchasing managers’ index for the manufacturing industry, and the increase in the production index for China in early summer, provided the first indications that global economic growth will continue to pick up over the coming months.

Although this gives us reason to be optimistic, the global economy is still not in robust shape. Geopolitical tension, for example in Ukraine, or Iraq and the rest of the Middle East, is giving rise to sustained global uncertainty – in addition to the often dramatic personal stories in the affected areas – which poses a risk to a continued upswing.

In the US, the signs for solid growth over the next few quarters are generally positive, especially now that the fiscal drag is lower and the financial situation of private households has improved considerably. However, there is still a question as to how well the US Fed will manage the gradual withdrawal from its expansionary monetary policy. It is likely to put an end to its asset purchase program in the fall, by which time the financial markets are expected to focus increasingly on the timing and scope of initial corrections to the key interest rate. The financial markets could react very sensitively to statements on monetary policy.
In Europe, governments must continue consolidating their budgets, while at the same time the economy is showing only subdued growth. Six years after the outbreak of the financial and sovereign debt crisis, they are still struggling to find the right way to reduce their debt while enabling economic growth. In the meantime, euroskeptic voices are growing louder. Support for the consolidation measures is low because the results of this policy are not sufficiently tangible.

The nervous financial markets had expected a clear strengthening of the euroskeptic vote in the run-up to the European elections at the end of May. Once the elections were over, they initially acted with relief. The results were interpreted as a step towards "normalization" after a number of turbulent years.

With a majority of around 70 percent, the pro-European parties still have enough scope to strengthen the domestic market. In addition, it should not be a surprise to see a shift in the balance of power in the European parliament after years of recession and high youth unemployment in many European countries.

The success of Europe as a whole, and the euro, can only be secured in the long term if policymakers manage to lay a sustainable foundation for economic growth, support structural reforms in the member states, and improve competition issues such as energy costs.

It is doubtful whether the sustained low interest rates will make an effective contribution to achieving this. Initially, they bought governments time to take the necessary measures to reduce their debt. Even in 2014, for the sixth year running government debt ratios are still too high. Although progress has been made, it has not been sustainable or sufficient in view of our aging societies, nor has it reaped fruit on the investment side.
So while the low interest rates are of little macroeconomic benefit, they come at a significant cost. First, citizens are paying a sort of solidarity surcharge in the form of the low returns on their savings. Given that they can expect to live longer, all savers are faced with the dilemma that conventional savings are not attractive because of the low interest rates. This means that the benefits, in the form of lower interest rates on debt, are being nationalized, whereas the cost and risk involved are privatized.

There is also a risk that the low interest rates will fuel further financial risks in the medium term. Investors are forced to interpret the current interest rate environment as a signal that they can only generate satisfactory returns from riskier investments. An exaggerated risk appetite, however, provides a breeding ground for market imbalances. In fact, we already believe that some asset classes are too expensive; German government bonds, for example.

Given the general background I have just described, the stock markets were uneasy in the first six months of the year. The insurance stock index, the STOXX Insurance 600 underperformed the broader market as a whole, while the DAX30 stayed at 2.9 percent.

Developments in the first half of the year also weighed on Allianz shares. This is primarily due to the ECB's interest rate policy, but also to issues related to the regulatory requirements for our capital management. The news from our asset management subsidiary, PIMCO, added to the pressure on share price performance.

With a share price of EUR 121.70 at the end of June, overall performance including the dividend came in at minus 2.6 percent. Analysts remain optimistic in their assessment of Allianz: with an average target price of EUR 145, 75 percent have issued a "Buy" recommendation for Allianz's shares, with 25 percent issuing a "Hold" recommendation.

Let me now provide you with an overview of Allianz's situation.
Our key figures for the first six months of 2014 show that Allianz remains on track.

- With EUR 63.4 billion, we achieved the highest half-year total revenues in Allianz history. The increase of just under 8 percent is due primarily to the life insurance business, where statutory premiums rose 17.8 percent to more than EUR 34 billion.

- The operating profit rose by 6.4 percent to EUR 5.5 billion. The increase in results in the property and casualty and in the life and health insurance segments more than compensated for the expected drop in asset management.

- The half-year net income attributable to shareholders climbed 3.0 percent to EUR 3.4 billion.

- With a solvency ratio of 185 percent, Allianz still has strong capital position.

In the property and casualty insurance business, gross written premiums rose to more than EUR 26 billion, an increase of 0.4 percent. This slight increase is due primarily to unfavorable foreign exchange effects. All of the world’s major currencies traded easier against the euro: especially the Australian dollar, but also the US dollar, the Brazilian real and the Turkish lira. Excluding exchange rate and consolidation effects, growth was at 2.2 percent in the first half of the year and was especially volume-driven.

The good performance of the property and casualty business is evident from the results. With 2.8 billion euros, the segment contributed about half of the operating profit of the group. The main drivers were a lower expense ratio and a lower impact from natural catastrophes. Storm “Ela”, which devastated parts of Belgium, France and Germany in June, has attracted the most attention. In the future, we expect an increase in damages from hail, storms and heavy rain, especially in Europe.
At country level, our companies in Brazil, Russia and the United States are faced with challenges. In Brazil, we are in the midst of moving to a group IT system. In Russia, we are scaling down our retail business in the regions, and in the US the management at FFIC is developing plans to accelerate operational improvements.

At segment level, the life insurance business showed very positive development. The increase in statutory premiums of around 18 percent to more than EUR 34 billion is due primarily to strong development in Germany, Italy and the US. Compared to the first half of 2013, premiums in our US subsidiary increased from 3.4 billion euros to 5.9 billion euros, and in Germany, from 8.1 billion euros to 9.4 billion.

With 30,000 policies sold, our new life insurance product, "Perspektive", made a decisive contribution to this development. The higher return opportunities combined with guarantees offer customers an attractive way of setting money aside for their retirement. We do not expect the widely predicted demise of life insurance to materialize; on the contrary, our figures show the huge demand for life insurance as retirement provision.

In this environment, we welcomed the German government's initiative to reform life insurance in Germany. The controversial debate surrounding the German Life Insurance Reform Act (LVRG) shows how seemingly minor changes in legislation can have a major technical impact, and also how difficult it is to convey such changes.

Let me make one point clear: the LVRG will sustainably boost the benefits paid to the community of all customers. With regards to the legal ramifications, Allianz is not affected by the distribution ban because customers benefit from the guarantee profit and loss agreement provided by Allianz as the parent company, and from the excellent financial strength and capital reserves of Allianz Leben.
In addition, Allianz Leben has been reporting its administrative and acquisition expenses for every single policy for some time now, meaning that it already meets one of the main new requirements imposed by the LVRG. At around one percent of the yield of a retail life insurance policy, the costs are much lower than the market average due to our persistent cost discipline and investment expertise. This naturally also encourages new business growth.

The operating profit also increased by more than 20 percent in the first half of the year, in line with the higher revenues in the life and health insurance segment. It came in at EUR 1.9 billion compared with EUR 1.5 billion last year. In the second quarter this business segment also achieved the highest operating profit in the history of Allianz. Fortunately, this result was supported by the performance of all the life insurance subsidiaries of Allianz Group.

In the asset management segment, third-party assets under management rose to EUR 1.4 trillion and the operating profit is also in line with projections at just over EUR 1.3 billion in the first half year 2014.

PIMCO grew its total assets under management by EUR 48 billion to EUR 1.44 trillion in the first half of the year. Third party assets under management advanced EUR 21 billion to EUR 1.13 trillion in the same period. 89 percent of assets under management outperforming the benchmark over a three-year period.

Our second asset manager, Allianz Global Investors, recorded third party net inflows of EUR 5.1 billion in the first half of the year. The second quarter saw Allianz Global Investors generate the highest quarterly third party net inflows in the company’s history, at EUR 3.2 billion.

When looking at the overall results, the first half of 2014 can be described as a successful one. I am now going to give you a few examples to demonstrate how we are reacting to the current environment in order to ensure that we remain successful in the future. I would like to address four aspects:
1. Acquisitions,
2. Organic growth,
3. Strengthening brand recognition and
4. Women in leadership

As you know, Allianz takes a cautious approach to acquisitions. In addition to sales activities in growth markets, we want to strengthen our position in the P&C insurance segment in particular. Here we have to ensure that the companies we acquire can be successfully integrated into our existing entities and make our acquisitions profitable as soon as possible.

This is exactly what we achieved in the first half of the year with the acquisition of part of the property and casualty insurance business of UnipolSai in Italy. After UnipolSai was forced to sell part of its business due to a merger, a solution was identified that respects the interests of all parties.

In mid-March, Allianz signed an agreement to take over up to 729 UnipolSai agencies as a first step. Around half of these agencies are located in the more economically developed north of Italy, whereas the density of agencies decreases further south in Italy. A total of 725 agencies decided to move to Allianz; so, all but four of them.

This has significantly strengthened Allianz’ presence in the Italian market, and the great popularity of the agencies is proof of how attractive Allianz is in Italy. Over the next few months, property and casualty insurance portfolios with a premium volume of up to EUR 1.1 billion will be transferred to Allianz.

In Italy, Allianz offers a modular product portfolio that customers can access using various digital channels. The digital agency concept that was successfully tested in 2013 will be gradually introduced to more than 2,000 agencies by 2015. This concept has been convincing for the newly added agencies.
But Italy is not the only place we’re doing something new. In January, we consolidated our B2B2C activities in a new global line: Allianz Worldwide Partners. This new entity bundles all our business units that do not target individual retail customers, but rather attract these customers via other companies. These include our Global Automotive, Allianz Global Assistance and Allianz Worldwide Care entities, as well as the international health insurance business of Allianz France.

The fact that these entities focus on B2B2C not only provides obvious synergies thanks to the use of a common IT platform; due to the international business focus, with a high proportion of digital processes and applications, we also see AWP as a real driver of innovation within the Group. AWP develops solutions to address two trends that are gaining momentum: the increasing shift towards combining insurance and services, and the demand for digital products.

The idea is that the double-digit growth rates reported by the individual AWP entities to date can now be continued as part of the joint structure. Looking ahead to 2015, we expect to generate gross written premiums of around EUR 7.5 billion. This corresponds to an average annual growth rate of 12.6 percent for the period from 2013 to 2015.

At the same time, we are driving ahead with our organic growth by launching new products and entering into other cooperation initiatives.

In June we reached an agreement with Deutsche Telekom to develop and launch digital services for residential and business customers. For example, with the “Connected Home” product, sensors automatically inform the user if something goes wrong, such as a burst water pipe, and also notify Allianz. Our service center evaluates the alert message and then organizes the appropriate response. In the current pilot phase, the product is available in selected Telekom shops.

Data protection and IT security are at the very top of our agenda with Deutsche Telekom. Due to the growing risks originating from the Internet and increasing digitalization within the business world, the demand for security solutions among our corporate customers is higher than ever.
Allianz and Deutsche Telekom will be developing integrated solutions for loss prevention, network security, risk management and assistance services as part of their partnership. This will provide corporate customers with the first ever end-to-end cyber security solutions.

Allianz Global Automotive and Ford signed an agreement at the end of April to collaborate on solutions for the German market. Starting in October, Ford plans to offer its customers integrated and customized insurance solutions from Allianz, which are sold under Ford’s name.

At the end of last year, we intensified our cooperation with Ford and agreed on a long-term collaboration on mobility at the European level. The aim is to jointly develop integrated mobility concepts and then deliver them to Ford customers via the Ford Trade Organization. Our Allianz Center for Technology will also be working with Ford to investigate issues such as networked driving, driver assistance systems and electromobility. The aim of these technical cooperation initiatives is to improve vehicle safety for customers and improve insurance cover.

As you know, we also invested more in Allianz brand awareness in the first half of the year. In addition to expanding our cooperation with FC Bayern, including securing the naming rights to the Allianz Arena until 2041, we also made an agreement with the Austrian football club Rapid Vienna in June. The club’s new stadium is scheduled for completion in 2016, and we have secured naming rights for an initial period of ten years.

Allianz’s ability to remain competitive in the future also depends on its ability to attract and retain good employees. This includes the targeted promotion of women in leadership positions. We have already made good progress in recent years: women now account for more than 28 percent of management positions in Germany, which brings the 30 percent target we set as part of the voluntary DAX30 commitment within reach.

Let me now move on to the discussion of our infrastructure sector.
As you are all aware, the low interest rates are making it difficult to identify attractive investment opportunities. For private investors and savers, in particular, it is almost impossible with interest rates at an all-time low to generate adequate returns without taking unwanted risks.

This situation is also affecting Allianz as an institutional investor, as we invest the money of our insurance clients and thus contribute to the retirement security of millions of our customers. We are already seeing some investment opportunities at significantly higher prices – for example, German government bonds or residential property in certain preferred residential areas. There is a risk that a bubble will form. It is however important to prevent these price bubbles so as not to have a new set of problems to deal with in a few years' time. Real asset classes, a category that includes shares, commercial and office properties, as well as investments in renewable energy and infrastructure, offer real advantages if they are carefully selected.

Various studies prove that the investments made by industrialized countries over the last three decades are not sufficient to keep infrastructure in good condition. In order to ensure that streets, bridges and railway lines, as well as digital networks, are able to meet the demands placed on them and that the current investment backlog is cleared, a global total of more than 50 trillion US dollars will be needed over the decades to come. In the EU and the US, around 1.25 percent of the gross national product is currently invested in infrastructure. In order to maintain it, however, three or four percent is necessary.

Given the high government debt ratios, the industrialized countries are unlikely to increase their infrastructure investments over the next few years. They will be concentrating on reducing debt and restructuring their budgets so that the burden of levies to be borne by their citizens does not increase any further. In view of our aging societies, there is no relief to be expected in the long term. So while the heavy burdens on government budgets remain, the need for extensive infrastructure renewal is set to grow at the same time.
If some public authorities are no longer available as capital donors in the future, then private investors are needed to close the investment gap. Policymakers have already made statements to this effect. In the current debate surrounding the further financing of infrastructure investments, institutional investors like insurance companies are often mentioned as potentially large-scale capital donors.

We have specialized infrastructure investment teams, both on the equity and on the debt side. To provide examples of their work, I can cite our investments in European gas pipelines, as well as the financing of highways in France and Scotland.

Since our business model is focused on the long term, the combination of Allianz as a capital donor and infrastructure as an investment target is a good one. Infrastructure investments generally provide offer attractive, risk-appropriate returns. Since they are also designed for a long investment period, they help to bring the term of insurance investments more into line with the term of our liabilities, allowing us to meet one of the key requirements of the regulatory authorities.

This brings me to four aspects that determine the success of infrastructure investments:

1. Infrastructure is still seen as a public asset. As a result, there are reservations about private investors generating returns from investments that are considered the state’s responsibility. This view fails to acknowledge the fact that citizens’ private retirement provision benefits from the returns on these investments.

2. More investment opportunities would not only accelerate infrastructure modernization, they would also foster greater transparency in project management. In addition, this would boost the economy and combat deflationary pressure. It would be good to see an infrastructure plan in which policymakers set priorities; this would also make it clear which infrastructure measures policymakers consider to be the job of public authorities in the future.
3. Investors with a long-term focus need investment security for their customers. This is an area in which the political framework has to ensure stability. Insurance companies, in particular, can only invest if they have planning security, in the interest of protecting their customers.

4. Investors should not be punished for investing in infrastructure. Solvency II has excessively high capital requirements for individual asset classes. Given the stable cash flows and low risk of default for these investments, the capital requirements imposed to date do not reflect the actual risk profile in some individual areas.

The first set of constructive solutions is starting to emerge. The European Investment Bank, for example, has piloted a "Project Bond Initiative" to make credit-financed infrastructure deals available to institutional investors. The European insurance supervisory body, EIOPA, has also signaled an understanding and now plans to mitigate the capital requirements for particularly high-quality, secured liabilities. Private investors will not be able to close the infrastructure investment gap, but they can make a key contribution to improving infrastructure while stimulating the economy and opening up a long-term asset class to citizens for their retirement provision.

Let me now come finally to the outlook of Allianz Group. The market environment continues to present challenges for customers and financial service providers. Our well-diversified business model as well as new solutions for customers enabled us to achieve already 55 percent of the midpoint of the operating profit outlook range in the first six months of 2014.

In view of these good half-year results, we maintain our outlook for the operating profit for 2014 of 10 billion euros, plus or minus 500 million euros, but expect the upper end of the target range to be in reach. As always, this forecast is under the caveat that natural catastrophes and capital market turbulence do not exceed expected levels.

Mr. Wemmer will now discuss the details of the second-quarter figures. Thank you for your attention.

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