



Good morning, Ladies and Gentlemen,

Welcome to our presentation of the Allianz Group's half-year results. I'm delighted to be with you on this telephone conference today for the first time in my new role as CEO of Allianz. Again, welcome.

*Slide 2: Agenda*

I would like to focus today on three key issues:

- First of all, I'd like to share with you our business results for the first half of 2015. As you'll see, the results are very good.
- I would then like to take a look at the overall economic environment, which is likely to remain volatile, largely for reasons related to Greece, China and the US Fed.
- Finally, I'd like to talk to you about the work we're doing on our "Heritage and Renewal" program. International teams are currently working very hard on this program, which will ensure Allianz's sustainable success well into the future. We have many strengths, so we won't be doing everything differently, of course, but we do want to further enhance these strengths and, at the same time, embark on a targeted renewal path. Within this context, I'd like to give you some insight into the things we've been discussing and the next steps we will take.

Dieter Wemmer, our CFO, will then explain the figures for the second quarter to you in greater detail.

### ***Business development in the first half of 2015***

#### *Slide 3: Key figures for H1 2015*

Our key figures for the first six months of 2015 show a solid result. Once again, our diversified business model made it possible for positive developments in some segments to compensate for less favorable trends in others.

- At 67.9 billion euros, our total half-year revenue once again reached a new high. The increase of a good 7 percent is largely attributable to the Property & Casualty insurance business.
- Our operating profit climbed by 3.7 percent to a total of 5.7 billion euros. Improved results in the property and casualty insurance business more than compensated for an anticipated, temporary decline in the asset management business.
- Net income attributable to shareholders for the half-year climbed by more than 13 percent to around 3.8 billion euros.
- With a Solvency II capitalization that was up by 22 percentage points to 212 percent, Allianz continues to have strong capital resources.
- We are well positioned for the introduction of Solvency II, as the renewed increase in our Solvency II capitalization in this quarter shows. We still have a solid capital base and we are fully able to meet our obligations to customers and investors alike, despite the continued, low-interest-rate environment. This improvement is due not only to a rise in interest rates, but also to active management on our part.

A few remarks on the individual segments:

In the **Property & Casualty insurance business**, gross written premiums rose to more than 29 billion euros, up by 12 percent. This positive premium development is also reflected in the result: at 3.0 billion euros, the segment made the biggest contribution to the Group's operating profit.

In the first half of the year, we implemented most of the reorganization measures in the US that we had already announced: we completed the sale

of Fireman's Fund's retail business and integrated its corporate business into our industrial insurer, AGCS. This now gives us the necessary critical size in the US corporate-client business that we were unable to attain under the Fireman's Fund brand.

In our core markets and also elsewhere, our new modular products in the P&C insurance business are receiving a positive response from our customers. These products are structured in a manner that is transparent and easy to understand, and, in an increasing number of cases, policies can be taken out both online and through traditional distribution channels.

One example is the "Allianz Now" auto insurance product, which has been available in Austria starting this year. Customers can now get an auto insurance quote on the Internet after providing only four pieces of information.

The Allianz "*PrivatSchutz*" personal cover concept in Germany works along similar lines: customers enter their age, marital status, place of residence and the size of their home online and can then either put their own insurance cover concept together themselves, or choose from one of the available packages. Customers can then take their policy out by phone or with an agent face-to-face.

The **life insurance business** also developed well in the first six months of the year. Gross written premiums climbed by around 4 percent to over 35.5 billion euros, although there was a decline in the second quarter, as sales of traditional life products were down following our new product strategy. The operating result climbed by 5 percent to 2.0 billion euros.

These days, we are repeatedly being told that the age of life insurance is over. We disagree – on the contrary: We believe in an alternative future for the life insurance, because our newly developed products allow our customers to make solid retirement provisions – even in times of low interest rates.

The success of these products speaks for itself, by the way: since the "Perspektive" concept was launched two years ago, around 130,000

policies have been sold in Germany. In the first half of 2015, products featuring new guarantees accounted for a new business share of 63 percent of private provision products at Allianz Lebensversicherung. Another new product in Germany is "*KomfortDynamik*", which includes a dynamic component made up of equity investments, allowing our customers to participate more in stock market developments.

With these measures, Allianz Lebensversicherung has managed to boost its market share for risk products and products that involve recurring premium payments, while we made a conscious decision to let our share of the single-premium business market drop.

In Italy, too, a further major core market for our life insurance business, 75 percent of gross written premiums came from the sale of new capital efficient products in the first half of the year. We have launched two new products on the Italian market this year as well: Allianz Hybrid and Allianz Hybrid Premium Edition, both of which are already proving to be a hit. Similar products are also becoming increasingly popular in the growing Asian markets. One of the implications of our product strategy is that our conventional product business is declining.

Developments in the **Asset Management** segment are in line with our expectations. Assets under management remain stable compared with the end of last year, at 1.8 trillion euros. The drop in operating profit to 1.1 billion euros is consistent with our projections for this year.

At PIMCO, third-party net outflows more than halved in the second quarter compared with the first quarter. This trend continued in July, too. Allianz Global Investors reported a further increase in net inflows from third parties in the first half of the year. The second quarter actually saw Allianz Global Investors generate the highest net inflow of funds from third parties ever recorded in a quarter, at 6.7 billion euros.

The first half of 2015 was successful for us on the whole in a challenging market environment. PIMCO is still reporting excellent investment results. Despite difficult market conditions, 84 percent of assets under management

for third parties continued to outperform the benchmark index over a three-year period at the end of June.

We are continually expanding the range we offer our customers in the Asset Management segment as well. In the first six months of the year, these efforts included the expansion of the equity strategy in order to exploit growth opportunities on the stock markets and absorb risks at the same time.

PIMCO expanded its fund business with equities and index products in cooperation with Research Affiliates. Allianz Global Investors extended its "Best Styles" product family to the US market.

## **Investments**

We have made a number of successful investments over the past few months.

We have further expanded our infrastructure portfolio and are supporting the city of London with measures to modernize its sewage system. We also recently invested in the highway service-station company Tank & Rast. The first infrastructure debt transaction increased our total volume in this asset class to 3 billion euros.

We have also stepped up our commitment to renewable energy - by the end of the first half of the year, we had 54 wind farms and 7 solar parks in our portfolio. This means that we are generating enough electricity to supply a city the size of Barcelona. Furthermore, our new investments in real estate totaled 2.1 billion euros for the first half of 2015.

## ***The economic environment***

### ***Slide 4: The economic environment***

The economic environment is dominated by three topics: Greece, China and the Fed. The two latter issues - the risk of a hard landing in China and the imminent turnaround in interest rates in the US - are certainly more significant in terms of their direct impact on the global economy than the first factor, which is mainly a European issue.

So let me turn my attention to China first. The big question on everyone's mind is this: is the turbulence on the Shanghai Stock Exchange merely the correction of an overheated market or a sign that the days of controlled economic development in China could soon be over? There is a lot at stake: over the past five years, Asia - with China as its driving force - has been responsible for around half of global growth. If this engine starts to stall, there will be massive implications for all of us.

The potential impact of the announced turnaround in interest rates should not be underestimated either. Many markets have very ambitious valuations - and these valuations can often only be justified against the backdrop of the zero interest rate policy; liquidity has dropped considerably, also due to stringent regulation, which means that the market is more vulnerable to substantial price fluctuations. Let there be no mistake: we welcome the turnaround in interest rates and are working on the assumption that things will return to normal. But every process of change comes hand-in-hand with risks: the sheer volume of the capital flows could trigger new ups and downs. The emerging markets could be hit particularly hard by another withdrawal of capital. In addition to the slowdown in growth in China, this would put further pressure on the regions that used to be the global economy's powerhouses.

Last but not least, there is Greece: given the circumstances, the agreement reached on a renewed attempt to save Greece's future in the eurozone is the best possible outcome. I'd like to emphasize the phrase "given the circumstances". Because let's be under no illusions: the Greek crisis has cost us Europeans a lot in terms of our image and reputation, and international confidence in the euro has taken a heavy blow. So the last Euro Summit left a double mission to be fulfilled: one for Greece and one for the eurozone as a whole.

Some degree of skepticism is still called for, because the prospect of "Grexit" is certainly not off the agenda yet. We mainly have the ECB to thank for removing any question marks hovering over the future of monetary union - despite all of the side effects and collateral damage associated with the ECB's continued measures to save the euro, which we are all too familiar with. It is high time for policymakers to make the most of the time that has been "bought" for us and make far-reaching reforms to the architecture of the monetary union.

This certainly won't be an easy task, and it won't happen quickly either. As a result, we also expect the ECB to stick to its zero interest rate policy for some time to come. And this is the assumption that we're basing our business plans on.

*Slide 5: Status and outlook for 2015*

This brings me to my **outlook** for the Allianz Group. New products and our diversified business model have helped us to achieve solid half-yearly results, despite negative one-offs. As a result, we confirm our operating profit outlook for 2015 at the upper end of the target range at 10.8 billion euros.

As always, our outlook is subject to the caveat that natural catastrophes and turbulence on the capital markets remain within the normal boundaries.

***“Heritage and Renewal”***

*Slide 6: Since October 2014: various forms of dialogue with our stakeholder groups*

This now brings me to our "**Heritage and Renewal**" program.

I had the privilege of having the time between October and taking over as CEO in May to be able to listen intently. I wanted to find out first-hand what people think of Allianz: customers and shareholders, colleagues and distribution partners, representatives from the world of politics, as well as associations, the media, non-governmental organizations and supervisory authorities. And I wanted to hear what these groups expect from us in the future.

In a nutshell, the main outcome was:

1. We are seen as a strong, trusted partner. Integrity, competence and sustainability are all closely associated with our brand.
2. Nonetheless, the world is in a process of rapid and fundamental change, mainly due to digitalization.
3. This means we need to take decisive action.

*Slide 7: Allianz has a strong position in many areas*

I have already summarized how stable the foundation of Allianz is. We have achieved a number of record results in recent years. Our share price performance has been solid in spite of the shocks that the market had to digest. This is testimony to the capability and strength of our organization.

Another sign of our strength is the trust that our partners place in us.

Strength also means a high level of vitality. We have one of the most attractive brands in the world. We lead the field when it comes to insurance and asset management expertise. The core of our organization consists of exceptionally loyal and motivated employees. And Allianz has a business model that has stood the test of time and reliably achieves solid results, even in times of crises.

*Slide 8: The world is changing faster and more fundamentally than ever before*

None of these things guarantee that an organization will survive in a world that is undergoing fast and fundamental change. Global growth is shifting. Technological advances and digitalization are changing our day-to-day lives at a speed virtually never seen before. The face of society is changing and becoming older and older. And the world has become much less secure in geopolitical terms than it was only a few years ago.

Cyclical trends are exacerbating the change within our sector: interest rate lows and capital market bubbles, the current downward trend in prices for property and casualty insurance and regulatory issues - all of these factors are having more of an impact on our business than in the past.

Finally, we have to be prepared to experience shocks on an unprecedented scale. Political and new financial crises have much more potential to cause disruption than they used to, which means we have to be extremely vigilant and prudent.

But because Allianz has built such a solid foundation for itself and because its business is still showing such positive development, we are in a position to see these changes as an opportunity and create added value from them. All we need to do is to take decisive action.

*Slide 9: As our solid foundations ...*

Here, you can see how changes in our environment impact major, positive factors at Allianz: solid customer support, functional optimization, technical expertise, strength in our core markets, a good financial track record and crisis resistance.

In an age of complete digital transparency, customer benefits have to be clearly defined and turned into something that people can experience. The challenges associated with the digital revolution cannot be mastered by making partial adjustments, but only by redefining our services and business models. A trend towards falling investment returns means that we have to achieve much better underwriting results and similar increases in investment performance. If growth in our core markets slows, we have to tap into new sources of revenue. And Allianz has to do absolutely everything possible to maintain its distinctive identity in this new world and define its profile even more clearly.

In order to address these changes, we are implementing our "Heritage and Renewal" program. It defines **five areas of action**, namely true customer centricity, digital by default, technical excellence, growth engines and inclusive meritocracy.

*Slide 10: Targets and measures are currently being developed for each of these five topics*  
**True customer centricity** is about dramatically improving our service quality so that we can leave the middle of the rankings behind us and achieve top ratings in customer satisfaction not just in many markets, but truly across the board. We want to be the leading service provider known for protecting the lives and assets of our customers, building their confidence in the future and contributing to their financial success.

**Digital by default** is not just about making changes here and there, but about a paradigm shift: we aim to achieve fully digital business processes. Our customers expect us to offer products that are easy to understand and they expect fast, lean and automated processes – and where needed and requested, personal and individual support. This is how we can add real value for our customers.

As far as **Technical Excellence** is concerned, our aim is to significantly improve the combined ratio, our new business margin and the cost-income ratio. We aim to make up or even to more than compensate for shrinking investment returns by sustainably strengthening our underwriting result. We can also continuously improve our investment performance.

**Growth engines** is about allocating capital into those markets, sectors and business units that offer greater growth potential. For the mature markets this means that we will act with

even more customer focus and in a more decisive way, to grow above market average. We will expand our portfolio in the next five to ten years in growth markets such as China, Latin America or Southeast Asia. We are also selectively thinking about acquisitions should we identify good value for money and the opportunity to create long-term value. In addition we will tap the potential that exists in closer collaboration among our entities in the individual markets and the Global Lines.

**Inclusive meritocracy** is based on leadership and collaboration founded on clear responsibilities, cooperation and entrepreneurial spirit. We have set our goals high here, too.

Inclusion is the key word here. Currently colleagues from various departments and entities are working on the individual workstreams. We want all of the targets and measures that they produce with their work to be supported and sustained on a broad basis by our colleagues. We want ideas to be challenged – which is why in July we asked 100 colleagues from all over the Allianz Group to come together for a one-day event to critically evaluate the experts' work so far. For this meeting we used discussion and communication formats that haven't been used previously at Allianz.

#### *Slide 11: Next steps*

Our 250 top managers will be coming together in September at their second, extraordinary meeting this year to discuss the results of the working groups and to further refine them, together with the experts.

For each workstream there are two Board of Management colleagues on hand to act as sponsors, advisors and dialogue partners for each area of action. They are assisted by CEOs of group companies. The full Board of Management has looked at, and discussed, the interim results at its regular meetings and also at a two-day off-site event.

As you can see, the "Heritage and Renewal" program has been designed as a common journey for the entire organization. We have adopted an approach that applies to the whole of Allianz: agility, prioritization and unconditional focus on changes that will have a major impact. Close collaboration across all hierarchical levels, companies and national borders. Taking the best market players as a benchmark, even if they operate in other industries. Focusing on the market and not on ourselves. And being prepared to question the status quo, to courageously clear existing obstacles out of the way in order to facilitate change and arrive at straightforward, customer-oriented solutions. This is how we want to raise our organization to a new level of performance together.

The strong sense of shared identity, the willingness to change and the enthusiasm that I have already experienced throughout this process gives me pride and confidence in what lies ahead.

We will communicate final plans for the program during the fourth quarter. And we will start implementing the first set of measures before this calendar year is over.

### **Summary**

#### *Slide 12: Summary*

To summarize, then, Allianz experienced growth in revenue and results in the first half of the year. We believe that the upper end of the target corridor of 10.8 billion euros is in reach.

Although the global economic environment remains volatile due to issues related to Greece, China and the Fed's interest-rate policy, we do not expect to see any drastic market slump.

But the most important and exciting task that lies ahead in this era of fast and fundamental change is to exploit new opportunities for Allianz and to use the "Heritage and Renewal" program to make the future a successful one for Allianz, for our customers and indeed for all stakeholders.

Our CFO Dieter Wemmer will now present the figures for the second quarter to you. Thank you.

###