Michael Diekmann
CEO, Allianz SE

Presentation for the Financial Press Conference

Embargo deadline until beginning of speech – The spoken word shall prevail

Based on preliminary figures

(Chart 1: Title)

Good morning Ladies and Gentlemen,

I would like to welcome you to our Financial Press Conference and I am delighted by the interest you have demonstrated in attending.

One year ago, I said on the same occasion: “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.”

If we take stock of the situation again today, I believe that our business figures for 2010 will confirm this assessment.

Today, we are presenting figures for revenues and earnings that rank among the best in the history of Allianz. These are results that send out a message of strength, stability and security. Anyone connected with Allianz should benefit from these business figures.

A business magazine recently commented that Allianz is “financially strong, low risk and nevertheless highly profitable”. That sums it up very well.

(Chart 2: Agenda)

I am dividing my review into the following sections.

1. Highlights of 2010
2. Regulation
3. Women in leadership positions
4. Outlook for business figures in 2011

1. Highlights of 2010

The annual results of the Allianz Group for fiscal year 2010 have been outstanding overall. Our business model is based on a long-term approach and a spread of risks. Once again, it has proved to be a sound model generating good results and profitable growth. Our strategic “3+One” Program continues to be cutting edge. It keeps Allianz at the top of the international insurance sector. The **key performance indicators** have developed as follows:

(Chart 3: An excellent year)

- We generated very respectable growth in 2010. The demand for Allianz products and our revenues underwent strong growth by 9.3 percent to 106.5 billion euros, and this took them to a record level in the history of Allianz.
- Operating profit improved by an impressive 17 percent to 8.2 billion euros. This is the third best result in the history of Allianz. **Let me point out that this development also includes an accounting change and positive foreign currency effects amounting to roughly 500 million euros.**
- Net income rose by 12 percent to 5.2 billion euros, and this is also the third best result in the history of Allianz.
- Allianz has a sound capitalization with a solvency ratio of 173 percent. This is an improvement of 9 percentage points compared to year-end 2009. Our capitalization was not simply robust at the end of the 2010, but had remained so over the entire period of the recent crisis. Our capital position forms the platform for the stability that our customers, investors, employees and society as a whole expect from us. It helps us to ride out the current volatilities in the marketplace.

- The assessment by Standard and Poor's was correspondingly positive. The rating agency has maintained its rating for Allianz at the same level – "AA with stable outlook" – over the entire period of the global economic crisis. No other European primary insurer has been assessed with such a high rating or been accorded such a stable outlook.
- The dividend proposal of the Board of Management amounts to 4.50 euros per share, which is equivalent to an increase of 10 percent. This would be the second highest dividend in the history of Allianz.

The particularly pleasing aspect of the business result for year 2010 is the fact that each of our three lines of business has contributed to the growth, stability and earnings power of Allianz:

Property and casualty insurance generated a combined ratio of 97.2 percent despite the unusually large number of natural disasters last year, and achieved the best quarterly result of the past two years during the fourth quarter. Our global portfolio is so well diversified and profitable, that we have been able to compensate for setbacks in specific markets for our non-life business experienced by the national companies in Germany, France, Italy and the USA.

We also achieved improvements in our risk and **income-oriented underwriting policy**. Following on from our improvement of the underwriting margin for property and casualty insurance in 2009 to 2.6 percent, or approximately 2.3 percentage points better than the global market figure of some 0.3 percent, we succeeded in further expanding this gap in 2010. We increased our margin to 2.8 percent, while we anticipate a negative margin for the global market in 2010 on account of the ongoing soft market.

(Chart 4: Global P&C units gaining importance)

Our **international industrial insurer Allianz Global Corporate and Specialty (AGCS)** has continued to expand its global presence during 2010 and has opened new locations in Belgium, the Netherlands, Dubai, Hong Kong, Japan, Singapore, South Africa and Spain. AGCS is now present in more than 25 countries. After entering the Brazilian market at the end of 2009, AGCS already in 2010 acquired a 50 percent share in the insurance for two of the stadiums being built for the FIFA World Cup to be staged there in 2014. Since AGCS was established in 2006, the industrial insurer has delivered positive value added year on year, and contributed cumulative operating earnings of 2.2 billion euros.

At the same time as realigning its international business model in 2010, our **credit insurer Euler Hermes** achieved a good result in new business, increased customer loyalty from 82 to 85 percent, and grew operating profit to 445 million euros.

Mondial Assistance, our travel and assistance insurer, achieved good results, with a boost in revenues of 12 percent and a combined ratio of 95.6 percent. The planned re-branding to Allianz Global Assistance is in preparation and is already implemented in China. In Germany the re-branding is about to begin and further markets will successively follow.

The new unit **Global Automotive** succeeded in driving forward expansion of our market leadership in **insurance business with automobile manufacturers** in 2010. The unit increased global premium volume from 1.5 billion to 1.7 billion euros. One example of this expansion in 2010 was our launch of business in Russia with the complete range of products. In 2010, we acquired the warranty insurance range of a major German automobile manufacturer, and we recently purchased two other ranges from another major German automaker with a premium volume of 275 million euros over the next three years in Germany, France, Italy and the United Kingdom. Our tailor-made approach to the automobile industry is experiencing big demand and we are confident of our ability to continue growing the business.

Our **global business segments in property and casualty insurance** meanwhile contribute almost one-third of the premium volume in this segment.

Allianz **life insurance policies** again experienced strong demand despite a sustained period of low interest rates. The combination of insurance and competitive returns on our products gave sales a significant boost.
Revenues in life and health insurance increased worldwide by more than 12 percent to more than 57 billion euros.

We are continuing to invest conservatively in safe assets with attractive returns and in assets where price fluctuations in the capital markets are reflected less sensitively in the balance sheet. Examples are provided by our real estate investments in the region of 19 billion euros. In 2010, we acquired new portfolios valued at 1.8 billion euros, including a property portfolio from Aldi South and various office and business properties in Budapest, Paris, Rome, Düsseldorf, Frankfurt and Rotterdam. Other examples of investments with strong yields but low volatility are wind parks and solar power plants, as well as the concessions we are familiar with on parking meters in Chicago. Against the background of the infrastructure investments required throughout the world, we can also perceive some very exciting investment options for Allianz in this area.

(Chart 5: Asset Management significantly above target)

Asset Management delivered truly impressive value added during the year under review. The operating result significantly exceeded our forecast. Despite the general mood of uncertainty regarding the direction being taken by the global economy, sales of fund units, particularly in our bond products, virtually went through the roof. Net inflows in Asset Management achieved an outstanding 113 billion euros. This also meant that the share contributed by Asset Management to operating profit of the Allianz Group increased from 17 to 22 percent. Our management of bond products achieved an excellence that provides us with an extremely promising launch pad for the future.

The following success factors are important for the **Allianz Group**:

Irrespective of the short-term trend, we have continued to balance our **diversified business portfolio**, both in terms of geographical location and in terms of the type of business. All our activities have to deliver value added, and we are continually improving our ability to balance temporary fluctuations in individual segments or regions, thus enabling us to maintain a constant high level of income.

(Chart 6: Diversification successful)

On the left, this chart shows the performance of operating profit over time. The right-hand section shows the proportionate value-added contributions to operating profit generated from our three segments. It is noticeable that the diversification of the segments contributed to our comparatively high level of earnings even during the financial crisis, because the overall portfolio balances out any fluctuations in specific segments. Furthermore, the chart reveals that contributions to earnings from the three segments were better calibrated in 2010 than ever before. Our annual result for 2010 would look rather different if we had taken note of the criticism we received at the time of our acquisition concerning the purchase price paid for the asset manager Pimco. You can now see the effect of the fund business in terms of creating value and stabilizing earnings.

(Chart 7: Attractive dividend policy)

As this development has progressed, we have been able to increase our payout ratio from 23 to 40 percent. This provides our investors with a reasonable share in the stabilizing success and yield strength of Allianz.

The business figures for 2010 show that Allianz has generated sound and dependable results despite having had to weather adverse circumstances. Our business model is robust and customer demand is increasing. And we are able to offer investors attractive returns on the capital they have invested.

If the Supervisory Board and the Annual General Meeting accept our proposal, the **dividend yield** will be 5.2% for 2010. The **total return per share in the year 2010**, i.e. share price performance plus dividend payout, rose to 7.4 percent. This is significantly better than the corresponding values of many competitors and demonstrates a respectable gap in yield of some 4 percent to 10-year German government bonds. This year, the share price (including projected dividend) has already risen by some 20 percent.

The favorable annual result would not have been possible without satisfied customers. The **loyalty of Allianz customers** increased further over the last year. We measure this improvement by carrying out customer surveys to ascertain whether they would pass on a recommendation for Allianz. The customer satisfaction survey, NPS or Net Promoter Score obtained as a result of these surveys, show that during the period surveyed from 2007 to 2010 we were able to reduce the proportion of our companies that were rated less favorably than their direct competitors from 20 to 14 percent. At the same time, the proportion of our companies with customers who are more satisfied and more loyal than competitors' customers rose from 41 to 46 percent. Service improvements for advice and claims settlement, fast communication in key situations in the customer relationship, and bonus programs contributed to this improvement. This is not intended to be the end of the development but it represents significant progress in the midst of a turbulent period.

(Chart 8: Superior performance for all stakeholders (2010))

On the next chart you will find that Allianz in 2010 has secured superior benefits for our various stakeholders. Altogether, Allianz insurance customers were credited 91.4 billion euros in benefits. Add to that: 77 billion euros in market value growth for our Asset Management clients. Two billion euros went to shareholders, and other groups received a total of 4 billion euros, for example in the form of taxes. In addition, our employees and distributors each received double-digit billions of euros.

Although we are today reporting on the results of the Allianz Group, I hope that you will permit me to say a few words about **Allianz Deutschland**. The biggest national company in the Allianz Group again made a very dependable contribution to the earnings of the Group in 2010. Revenues increased by 2.8 percent to 28.5 billion euros and income rose by 22.4 percent to 1.8 billion euros.

The functional business model that was introduced remains intact and has withstood its ordeal by fire. However, improvements still need to be made in specific areas. After the situation was reviewed following analysis of the status quo, one of the first measures that emerged was the need to increase personnel capacity in claims processing by around 150 jobs. This improvement means that our customers are able to reach us more quickly by phone. For example, additional work involved in dealing with weather-related claims can be handled better and the damage suffered by customers can be remedied much faster as a result. Consistent customer orientation is also the key to ongoing business success at Allianz Deutschland. Dr. Rieß will be providing you with a report in the coming week at his press conference on the importance of adjusting to changes in the requirements of customers. Allianz Deutschland already made significant headway when it recently marketed a motor insurance promotion through AllSecur, through the online rate available on the agent home pages, and through traditional business conducted by agents.

2. Regulation

I would now like to address two topics that are not yet exerting a direct effect on our business figures but which have very significant implications for Allianz: the future of insurance regulation and the future of women in leadership positions.

These two issues are related – in some ways very closely related to the major trend of the next 50 years – the global trend toward aging societies.

Firstly, I would like to address **regulation**. This is already exerting significant pressure on existing provision systems and social systems. People urgently require safe and profitable provision instruments for their retirement. This is precisely the area where there are significant hurdles as a result of the low-interest environment and the large number of regulatory initiatives. I only need to cite the International Financial Reporting Standards 4 and 9, deliberations on insolvency protection, on supervision and on the relevance of systems for insurance, as well as Solvency II.

(Chart 9: Regulatory initiatives at the expense of customers?)

In particular, the new rules on capital adequacy of insurance companies enshrined in **Solvency II** are currently developing into a threat to traditional retirement provision. Many people rely on the dependability of life insurance for their private provision because of its long-term return and capital guarantees. The latest financial crisis has reinforced their resolve as far as this decision is concerned. However, precisely this popular class of product – German life insurance – is now being put at risk by Solvency II.

The objective of Solvency II is actually to make the sector more resilient in the face of financial crises. Naturally, we welcome this. But the regulators must not get carried away. When implementing this important project, the regulatory authorities should not lose sight of the fact that our business model has been operating without any hitches during the crisis. There was no turbulence of the kind that occurred in the banking sector and other financial services providers. There is therefore no need to take precautions against a risk that simply doesn't exist.

However, as the deliberations surrounding the Solvency II rules currently stand, the new rules will not make some parts of our business model more secure, but tend to put them at risk.

For example, the models for calculating the capital requirement in the life insurance business have been modeled in such a way that even very small changes in interest rates will lead to huge fluctuations in our theoretical capital requirement without anything having changed significantly in the actual realities of the economic environment.

The current deliberations entail the risk that the cost of life insurance policies will increase so drastically that it may no longer be worth customers using this safe provision instrument which is so necessary in the macroeconomic context. This would mean the disappearance of one of the most important building blocks of private provision for retirement. And this would be the case at a time when private provision is more necessary than ever.

Significantly more equity capital would be required as backing to ensure protection again extreme situations resulting from this model. This will cost a great deal of money and will make policies much more expensive without any concrete reason. The last and fifth test round QIS 5 has already provided some drastic evidence of the extent to which Solvency II needs to be revamped and improved. The calculated capital requirement fluctuated so much that on one day, a large number of life insurers would have to implement a capital increase that would prove to be superfluous a few days later.

This simply cannot be the intended result of Solvency II. If these rules remained in place, which I personally cannot imagine, the interests of all those involved would be compromised – without any meaningful economic benefit being gained as a result. Customers are being forced to accept higher prices – or they are having to expose themselves to the risk of making their own provision to plug the gap caused by the cutback in provision that was previously borne by life insurance.

We don't know yet how the various regulatory proposals will be implemented at the end of the day. But we share the concerns formulated by the German Insurance Association at the beginning of February. The technical design of Solvency II must be such that customers are not compelled to bear an excessive financial burden. And there shouldn't be any new accounting regulations that make the situation more difficult, subject the business model for life insurance to economically meaningless decisions, and disproportionately restrict our investment options at the expense of the customer (and the economy in general).

3. Women in leadership positions

The other burning question that is also related to demography involves the issue of **women in leadership positions**. As far as we are concerned, promotion of diversity within our workforce has been an important in-house objective for many years quite apart from all the encouragement given by politicians. The promotion of women at Allianz has been an important part of this process. Action is required not simply on grounds of gender equality. It is also urgently needed in view of the job market. We want to find better ways of identifying and using our potential high-flyers and talented employees. This will automatically enable us to enhance our attractiveness as an employer.

(Chart 10: More women in leadership positions at Allianz)

It's very likely that we shouldn't have too much trouble today in achieving this with the women we are already employing. They form 50 percent of our workforce. Another factor is that in many countries more than 50 percent of university graduates are women. The number of women customers is undergoing a rapid increase. In view of these developments, it is unsatisfactory that women are underrepresented at the decision-making level.

At first glance we aren't, in fact, doing so badly. We have women in charge of national companies and we have appointed women to some very important positions which are frequently featured in the media. If we analyze the entire

Allianz Group worldwide, 32 percent of management positions are occupied by women. However, if you look at the upper echelons of senior management, women only occupy 17 percent of the positions. And in the executive management there are only 5 percent. While this is the average for Europe, it falls way behind our expectations.

That's why we launched our Trainee Management Program in 2008 and started to promote qualified women in a strategic approach. The proportion of women in our pool of trainee managers should reach at least 30 percent by 2015. We will have achieved this goal in the middle-management pool as early as 2011. The target will have been reached for the two top levels of management by 2013 and 2015 respectively.

Parallel initiatives are supporting this approach with the aim of promoting women's career advancement. These include mentoring programs, network creation, workshops, child-support packages and individualized working-time models. And they are experiencing considerable success. The involvement of women in our management programs has risen exponentially. The participation of women in our development programs for prospective departmental managers and divisional managers in Germany has doubled and tripled respectively compared with 2009. In 2010, 43 percent of participants in courses for departmental managers were women, in courses for divisional managers – i.e. positions accountable directly to the Board of Management – 29 percent were women.

But this is not sufficient, as can easily be seen from the composition of our Boards of Management in Germany. That's why we have set ourselves the target of significantly increasing the proportion of women in management positions in the Allianz Group. Apart from a higher level of awareness on the part of top management, two new measures are aimed at assisting us in our endeavor:

- The top managers at Allianz will be working together with the most successful women in the Allianz Group operating on the international stage with a view to moving their development forward. Our trainee management will be providing the platform for this, because this tool has facilitated our annual exercise to identify top high-flyers worldwide since 2008. This applies to leading experts and talented leaders in the area of management.

- We will now be working on the development of **part-time management models** with the aim of creating modern work models that offer greater flexibility and are more attractive to women. Packages tailored to models of this nature are becoming increasingly important for trainee high-flyers in particular – and this applies to women and men.

Naturally, we will continue to follow the public debate about quotas for women in many EU countries. We will be participating in this debate within the company and in the public domain with an open mind. There are both advocates and opponents of quotas for women among men and women in our workforce. This debate is important, it clarifies positions and it raises awareness that there are no easy solutions to this issue. Whatever the final outcome of the debate – we will not be deflected from our continuing mission of bringing more women into management positions.

I am well aware that we have a great deal of work ahead of us. But we have made a good start that will strengthen our hand in the intensifying battle to attract highly qualified women in the years to come. I believe that women will soon also be represented on the Board of Management of the holding company Allianz SE, in the Boards of Management of our Group companies, and in our Supervisory Boards.

3. Outlook for business figures in 2011

Ladies and Gentlemen, I would now like to return to the business figures. We believe that the real economy will stabilize across the world in 2011, not least based on buoyant demand from an increasingly confident customer base. But the uncertainty factors will continue to be significant – volatility in the financial markets, indebtedness of government budgets, concerns about inflation. Irrespective of whether we generally tend toward an optimistic view of the future – I am optimistic about the future of Allianz.
Our business model and our strategy served us well during the years of crisis. We achieved a very good result in 2010, and I'm expecting the same for 2011,

even if the insurance cycle in non-life business remains unlikely to gather significant pace in the near future.

(Chart 11: Outlook 2011: operating profit at a high level)

For 2011, we expect again a high operating profit of 8.0 billion euros, plus or minus 500 million euros based on the mentioned uncertainties. Considering the two extraordinary effects described earlier, which give us an adjusted operating profit for 2010 of 7.7 billion euros, this is another increase on an already high profit level.

I would now like to hand over to Mr. Bäte, who will take you through the details of the annual result.