

Allianz SE Annual Shareholders Meeting

Company Participants

- Giulio Terzariol, CFO & Member of Management Board
- Ivan de la Sota, Chief Business Transformation Officer & Member of Board of Management
- Michael Diekmann, Supervisory Board Chairman
- Niran C. Peiris, Director
- Oliver B  tte, Chairman of the Board of Management & CEO
- Peter Eliot, Head of Insurance Sector Research
- Unidentified Speaker, Unknown

Presentation

Michael Diekmann {BIO 1733646 <GO>}

Good morning, ladies and gentlemen. As the chairman of the supervisory board, I hereby open the regular AGM of Allianz SE. And on behalf of the supervisory board and the Board of Management, I would like to welcome all shareholders and all ladies and gentlemen from the shareholders' associations, the deposit banks and also the ladies and gentlemen of the press. And I would like to cordially welcome everyone.

I would also would like to welcome the shareholders who are following this general meeting through the Internet. And also personally, I would like to welcome you cordially as the chairman of the supervisory board. Now I'm going to lead you through the main and the Annual General Meeting as the chairman of the supervisory board for the first time. For the organizational respects, I would like to mention the following: I hereby determine that the AGM was convened on the 22nd of March, 2018, in due form and in due time. And Mr.(inaudible) takes over the authentication of this AGM. He's sitting on the middle of the podium.

And the meeting room is the entire room of the Olympics Hall, including all the accessory rooms and also the smokers' areas. So request to speak motions and also with regard -- and also voting can only be done down here in the arena. Those who want to speak during the general debate would -- is hereby asked to issue his or her request to speak as early as possible here at the request table and the speakers' table on the right-hand side.

At the entrance counters, the entry ticket was changed into the AGM card and you need this in order to make -- take part into the votings later on. Please keep this card. If you have several entry tickets and if you have not yet exchanged all the entry tickets against AGM cards, you can still do this all the way through the voting sessions at the entry counter. Only this way this entire represented shareholding can be considered. And so the entire process of the voting will then also be explained by me later after the general debate. Your votings will also be recorded by recording devices, which are mobile devices. And I would like to ask you to get familiar with this type of voting sessions and the procedures. And you'll find the explanations on the AGM cards.

If you wish to leave the AGM beforehand, please also take care of the remarks on the reverse of your AGM card. All the records and documents are presented at the speakers' table and are available and also have been published in the Internet. And if you want to submit a document in particular for the notary, then please also hand it only to the speakers' request table. That's where we also have the assistant notary sitting.

The list of participants can be inspected at monitors in electronic form and it's going to be updated until the end of the AGM. And the monitors are located in the rear part of the arena.

So I would like to refer to the point that any tape recording or -- and picture recordings and also recordings of the online transcription of the AGM are not permitted. And I would also like to ask you to switch off your mobile phones during the AGM. And I'm going to be a good example and switch off my own phone as well.

All right, this will be organizational remarks. Ladies and gentlemen, the members of the supervisory board and the Board of Management are fully present. And before we start with the agenda, I would like to inform you about changes in the Board of Management of the Allianz SE since the last AGM. The 31st December 2017, mister -- Dr. Dieter Wemmer, when he reached the regular age limit, he went into his deserved retirement. Dr. Wemmer was -- has been a member of the Board of Management since 1st January 2012. And also, he was responsible for the financial division. And Dr. Wemmer and -- he took over the financial areas. And he consistently developed the financial area and the capital management and also deserved a lot of merits for Allianz. And the supervisory board thanked him for his successful work expressly.

And also for the 31st of December 2017, Dr. Werner Zedelius, when reaching his age limit, was terminating from the Board of Management. Dr. Zedelius, who is also present here in the hall in the first row, has been a driving force for more than 30 years in Allianz and during the past 16 years, he was in the -- a member of the Board of Management of Allianz SE. And also Dr. Zedelius was also responsible for the insurance business in Germany, Switzerland and Austria in his Board of Management function and also in Central and Eastern Europe. And also the supervisory board expressed their gratitude to Dr. Zedelius for his long years of service in Allianz.

Ladies and gentlemen, I would like you to thank Dr. Wemmer and Dr. Zedelius again here also on your behalf and we wished him all the best and above all a good health.

Thank you very much. We have new members into the Board of Management. I would like to welcome on the panel Mr. Niran Peiris; Mr. Giulio Terzariol; and Mr. IvÄn de la Sota. Mr. Peiris and Mr. Terzariol were appointed to join the Board of Management on 1st of January 2018. And Mr. de la Sota was appointed on the 1st of April 2018 into the Board of Management of Allianz SE. Mr. Peiris in the Board of Management is particularly responsible for the global industry business. And the reinsurance, the Anglo-Saxon market. And also Central, Eastern and African countries.

Before that, Mr. Peiris had been working in an -- for 16 years in different management positions in Australia, in the Allianz Australia. And also since early 2013, he was Chief Executive Officer and also as Board of Management and CEO. Mr. Peiris, please introduce yourself to the shareholders.

Niran C. Peiris {BIO 17853727 <GO>}

Dear shareholders and investors, I'm very happy to introduce myself to you today. I was born in Sri Lanka and I was raised in New Zealand and Australia. I'm married and I have got one son. I'm looking forward to the challenges faced in Allianz. Thank you very much for your trust. Thank you.

Michael Diekmann {BIO 1733646 <GO>}

Thank you very much, Mr. Peiris. And Mr. Terzariol has taken over the responsibilities for the financial division of mister -- Dr. Wemmer. And for 19 years now he's been working for Allianz. And before his appointment into the Board of Management, he was leading the areas of group planning and controlling of Allianz SE. Between 2008 and 2015, he was the CFO of Allianz Life in the U.S. Mr. Terzariol, I would also kindly ask you to introduce yourself.

Giulio Terzariol {BIO 17125489 <GO>}

Dear shareholders, my name is Giulio Terzariol. And since January, I'm responsible for the financial controlling and risk division in Allianz. So I've been working for Allianz since 20 years. First off I started in Munich in group planning and controlling. And then for two years, I worked as CFO for Asia-Pacific and Singapore. Then I worked for (ATSC) for CFO and Allianz Life in Northern America. In 2016 I returned back to Munich as the head of group planning and controlling. I'm married and I have 2 children. Looking forward to my new tasks. And I would like to thank you for your trust. Thank you very much.

Michael Diekmann {BIO 1733646 <GO>}

Thank you very much, Mr. Terzariol. And now I would like to talk about Mr. de la Sota who was appointed as chief business transformation officer into the Board of Management of Allianz SE. His (inaudible) management division is to support the Allianz companies to utilize the business changes that derive from the growing needs of all customer groups for digital insurance and investment solutions. New business models will be further developed and new models will be integrated and also there will be a flexible combination of personal advice and digital offers. And apart from that, Mr. de la Sota is responsible for the European direct insurers for the global business unit, Allianz partners and also for the region of Spain, Portugal, Latin America.

Mr. de la Sota has been working for Allianz for 27 years even though you would not tell when you look at him. Before he was appointed as a member of the Board of Management, he was also working as CEO for Latin America and also for the regional entities of Spain and Portugal and he is going to introduce himself quickly.

Ivan de la Sota {BIO 19492628 <GO>}

Dear shareholders, for 21 years I've been working for Allianz. Well I spent my entire professional life with Allianz working in different countries and in different entities and different -- taking care of different tasks. I'm very happy to take over this new challenge and Allianz and the transformation and innovation of Allianz and to accelerate this development and of course such a task can only be accomplished in the cooperation and the cooperation of all my colleagues and the entire Allianz community. Thank you very much for your trust.

Michael Diekmann {BIO 1733646 <GO>}

Thank you. Gentlemen, as new members of the Board of Management, as you can tell by the applause. And also on behalf of the shareholders, I wish you every success in your new positions. Now I would like to talk about the supervisory board. The supervisory board was newly elected during the last AGM and there have been no changes in the supervisory board since that election.

And ladies and gentlemen, let us now start with the agenda of today's AGM. So I will call top one which is the presentation of the confirmed financial statement and the approved consolidated financial statement for 31st of December 2017; the status report for Allianz SE and the group; and also all the other written reports of the Board of Management and the supervisory board for fiscal year 2017.

Now I would like to present the financial statements first. The financial statements of Allianz SE and the group and also the pertaining status reports have been audited by KPMG AG Wirtschaftsprüfungsgesellschaft and have been approved to be duly made. Then the auditors have issued an unqualified opinion for both the statements, the Board of Management and also the auditors have presented the documents to the audit committee and also explained everything to the plenary session of the supervisory board. And after due audit, the supervisory board have checked and approved the financial statement, that's why the financial statement of Allianz SE is confirmed. And let me talk about the report of the supervisory board. So the plenary session of the supervisory board has held 7 meeting and telephone conference in 2017. So under the bottom line, there were 16 meetings of the supervisory board committees.

You will find a more detailed description of the work of the supervisory board, you can find in the consolidated management report on the pages following after Page 4. And let me just highlight a few areas. And in all the meetings of the supervisory board, the Board of Management explained also the business development, all the segments and the regions and there was a special focus on the implementation and realization of the renewal agenda. Mr. Peter is going to talk about that in more detail soon. And also with regard to the strategic position in the growth markets and the risk strategy, the capital management and also the business of asset management and the global health insurance, we've dealt with intensively.

And we are also dealing the topic of cybersecurity on a regular basis. And we also have set up a new technology committee in order to deal with the questions of the digitalization of the business models and other important questions of data processing in more detail.

Now let me talk about remuneration of the Board of Management and supervisory board. You will find more detailed explanations in the remuneration board on the Pages 20 through 23 following in the group consolidated report. So the remuneration system for the Board of Management has remained unchanged. So the Board of Management has attacked the remunerations for the appropriateness and also the -- after the expiry of the three years office mandate, we've lifted and increased Mr. Peter's remuneration 2018. That means that Mr. Peter who used to receive the 1.5x target remuneration of the Board of Management is now receiving the 1.75x remuneration 2018. The targets and the performance measuring coupled with the variable remuneration and the financial success of Allianz and the realization of the renewal agenda and also considers the individual performance of the Board of Management members.

The supervisory board believes that the current remuneration of the Board of Management is appropriate. But this year the target remuneration structure and the assessment criteria will also be looked at with giving the backdrop of the expectations of this topic in more detail with the help of a remuneration advisor.

Now let me come to the discussion about the (say on pay) in the AGM is devoting on the shareholders on the remuneration system. So for the Board of Management, the remuneration system for Allianz was put to vote for the last time in the year 2010 at the AGM. Since this system has remained unchanged and no criticism was expressed in this system or the amount of the remuneration system and none of the AGMs that have held before, we don't believe that we should discuss the remuneration of the Board of Management in more detail this year.

As already mentioned, the supervisory board is also checking the system of the remuneration, whether that is also living up to the changed expectations of the shareholders. But also we also have a view onto the new European transparency requirements that has to be translated into German law as well. And of course when there any changes or if there are adaptations of the remuneration systems that might become necessary, then of course we will put that to vote at the next AGM of course.

The remuneration of the supervisory board has changed -- has remained unchanged in the business year 2017 and has been issued as fixed remunerations. Memberships and committees of the supervisory boards are being remunerated differently. And for the last time in this meeting of the December 2017, the standing committee of the supervisory board has verified the appropriateness of the supervisory board remuneration. Based on this verification and after longer advisory sessions in the supervisory board, then the administration proposes under top 11 of today's agenda to increase the supervisory board remuneration and I will talk in more detail when I'm presenting the points of the agenda.

The work of the supervisory board also includes to look at the standards of corporate governance. So there are details about the development of the corporate governance in Allianz group can be found in the declaration regard corporate leadership and also in the corporate governance report and the group annual report starting from Page 12. The Board of Management have also made the

compliance declaration of the German corporate governance code in December 2017. I've issued that declaration and have made it available to the shareholders on the Internet page of the company. So to the bottom line, we are corresponding to all recommendations. We're following all the ideas and recommendations of the code in the version dated 7 February 2017.

Ladies and gentlemen, in the fiscal year 2017 under the given circumstances, Allianz for example, the lower interests and the number of nat cats, Allianz has delivered a very good operating result and that's why justified the trust given to Allianz by the investors, customers and employees. This good result of Allianz is based on the outstanding commitment of all employees of the Allianz SE and also committed the management. I'm sure that also speak on your behalf when I express my gratitude to the Board of Management and the entire employees for this outstanding result.

Thank you very much. So this is what I wanted to say about the reports of the supervisory board and I would like to ask Mr. Oliver Bäckte, the CEO of Allianz, to give his report. Mr. Bäckte, the floor is yours.

Oliver Bäckte

Thank you very much, Mr. Diekmann. Good morning ladies and gentlemen, dear shareholders. (foreign language) at EUR 8 per share, you expect -- can expect the highest dividend that we've ever paid. So today is the third time that I stand here at this rostrum as the CEO of Allianz SE. I am a little less nervous and then the first time I'm a little more relaxed. And I hope you feel just as well because the history of Allianz has a (threat). We're all working according to a consistent plan which is working well. Do you still remember my first speech in the year 2016 which presented our renewal agenda? This agenda and our strategy consists of 5 elements with -- which work reciprocally together. And the most important element is customer centricity, true customer centricity. And that's why it is at the focus and the center of our program. This point is the most decisive one. And all the other elements have a strengthening effect on it: digital by default, the improvement of technical excellence, the establishment of growth engines and the development of inclusive meritocracy.

If we continue to consistently implement our strategy, Allianz will remain a high-performing and sustainably working company. To measure our success at the end of the year 2015, we set ourselves 4 clear goals for the end of this year 2018. And we were highly ambitious in doing so.

Our financial targets are to measure the financial performance ability of Allianz. And here we'll, first of all, look at the earnings per share, which until the end of the year 2018 are to increase by 5% annually because our success is something that you should feel yourselves as shareholders. In addition, we want to reach a return on equity of 13%. And that is calculated based on the ratio between profits and equity. But the financial KPIs are not all that -- all there is. Your Allianz is to be a company that acts sustainably and is successful. And this has been measured in 2 further targets: We measure loyal customers and good leadership for the employees. The loyalty of customers is shown in the so-called Net Promoter Score. It shows the willingness to recommend us. If you recommend us, you are satisfied with us. And we want Allianz customers to be more satisfied with our offers and our services than with those of other companies.

At least they are to be more satisfied than with the market average. And in many of our markets, we've already crossed this threshold. For the end of the year, we want to achieve a value of 75% of all our activities to fulfill this claim. And this is a highly ambitious goal if you look at our starting position of close to 50% in 2015. Good employee dealership is measured by an index of our own that is derived from our annual global employee survey. And we call this index IMIX. And the goal is a value of 72% compared to a start of 68%. So Allianz wants to reach a balanced catalogue of targets, financial results on the one hand side and other elements that show the sustainability of our actions.

Now how well did we do in 2017? Well first of all, we need to look at the environment that we were facing. 2017 was another very difficult year when we look at the environment. In 2017, for example, we had the year with the highest costs ever for natural catastrophes for the insurance industry. Insurance has paid more than EUR 110 billion for claims. The exchange rate of the U.S. dollar, in addition, reduced the contribution of our U.S. business.

We continue to have a very low interest rate environment. And politics, the political situation, has become more and more instable in many countries, not least the United States. And the digital revolution continues to change almost every industry with higher speed and it also brings new competitors into play. And we believe that we've truly mastered these challenges well once again in the year 2017. And that is also reflected in our KPIs.

We're truly proud of what we've reached. When I say "we," that means our employees and distribution partners all across the world and our management teams that sits here together with our former colleagues Mr. Wemmer and Mr. Zedelius. Mr. Zedelius present here today as you've seen. So once again from my side and also from the side of my colleagues, thank you very much for your contribution to our success.

In 2017 we continued to grow. Our revenues were at EUR 126 billion and the operating result was EUR 11.1 billion. It was this in the upper half of our forecasted range. The Solvency II capital ratio increased to 229% and that is an important and highly excellent safety buffer in an environment that gets more and more difficult. The capital ratio is being calculated following the regulatory requirements for European insurance companies and experts are talking about the Solvency II ratio here.

Your Allianz shares in the year 2017 reached a total return of 27% which is more than double the average total return of all DAX 30 companies. If you compare the total return of Allianz stocks with the average return of the most important stock-listed insurance companies in Europe, then the situation looks even better for you and for us. 27% return plus for Allianz compared to 12% on average for the index STOXX Europe Insurance. So a difference of 15percentage points.

We support this development through our active capital management. In the Fourth Quarter of 2017 for the first time ever we bought back our own shares and for this we invested EUR 3 billion. That increased earnings per share just as well as the dividend, which is both to the advantage of you, dear shareholders. And from this year on the positive effect will also be reflected in our return on equity.

The next piece of good news for you, the annual surplus that is attributed to you as shareholders made up EUR 6.8 billion, which enables us to increase our dividend to EUR 8 per share. That is our dividend proposal, which is not just 5% more than in the previous year. But it's also the fifth dividend increase in a row. We are a strong. But also a responsible Allianz. Integrity, competence and sustainability create value. I've just explained to you how large the value was that we generated in the year 2017 and we deem it right and important that all stakeholders benefit from this value creation.

And I would like to show you a slide that was also showed to you in the past by Mr. Diekmann, how we -- how all our stakeholders can benefit. For customers, the most important stakeholder group we paid EUR 107.7 billion in claims. For employees, we transferred EUR 12.1 billion in salaries, wages, bonuses and social security contributions. Our distribution partners received EUR 13.9 billion and we paid more than EUR 9.4 billion in taxes, which are to the benefit of the society as a whole. EUR 2.1 billion in corporate taxes and many other kinds of taxes like for example insurance taxes and value-added tax that are sometimes forgotten. And in our largest OEs only, this amounted to EUR 7.3 billion. And we paid out dividends to you, our shareholders, to the tune of EUR 3.4 billion plus EUR 3 billion for share buybacks that amounts to EUR 6.4 billion in cash and add to this stock price gains at an amount of EUR 13 billion.

Now how do we stand compared to our targets? The KPIs you've just heard will also help us to reach those 4 quantitative strategic goals which I showed you at the beginning for the end of this year. For 3 of these 4 targets, we are already well on track. The earnings per share will further be strengthened. Customer loyalty is in many of our companies which are now on market average close to target and for the employee index IMIX we already reached our goal for 2018 because it jumped from 70 points to 72 points in the year 2017 and remember that we had started with an index value of 68 in the year 2015.

I'm also quite satisfied with the calculated return on equity of 11.8% for the year 2017. First of all, in 2017, we had negative one-off effects like the sale of Oldenburgische Landesbank and the tax reform in the U.S., which both affected our return. And on the other hand and secondly, for the ongoing year we can look forward to all kinds of catch-up effects which makes me optimistic that we will move towards return on equity of 13% over the course of the year 2018 and that will really be a large value that not too many of our competitors have and it is even more convincing if you realize that our equity capital costs have dropped from 10% to 9% over the past years, especially thanks to the further improved risk management in our balance sheet.

And now the scope of Allianz, its economic force and its economic importance, all of that wouldn't exist if our customers didn't trust us, if our employees didn't show that much effort as they once again did in the year 2017 and if our distribution partners didn't explain our products well and recommend them well and if the government didn't create the basic requirements for entrepreneurial and sustainable economic activity and if you as our shareholders wouldn't stick, stay loyal to us, that's why I would like to thank you all, all of you who believe in our success and enable it. Thank you, also to a supervisory board for its support in the -- this ambitious holistic approach.

Now you can see on the slide success leads to responsibility. We want to have sustainable economic activity and I would like to talk about this. As I said before, KPIs are not everything. Also when it comes to our commitment for sustainable economic activity, we had a major success in the year 2017 because in 2017 Allianz was the global number one amongst the insurance companies in their own sustainable reality index which is based on the globally leading sustainability ranking.

Now sustainable economic activity is not just important for society, the environment and for Allianz and its employees. But it's also close to my heart personally. That's why we do not rest on our laurels. An important part in which we want to further develop is climate protection. In the future, we will adapt our business even more to this goal and for this we will set ourselves even more ambitious goals.

We are part with the compound of a global initiative that wants to create a sea of free economy over the long term and this is the so-called science-based target initiative. So our insurance decisions are to support climate-friendly economic activity. Politics and then economics have to act together to protect our planet and we will go ahead in this regard.

But what now is our contribution to climate protection? Well as you know as capital investors we've stopped investing into coal-intensive business models for three years now. Over the next years, we will now step by step end all the existing investments which refer to coal-based business models and we've also informed our business partners about these important -- this important decision early on. And from now on we will also refrain from ensuring new coal projects. That wasn't easy. But an important decision because we know that people will be affected by this who work in -- today in the coal industry, which makes this step more difficult. But it is definitely necessary now if we want to contain climate change and the consequences for our planet and for our children. Thank you very much. Thank you.

Unidentified Speaker

I would now like to inform you about progress in our 3 business segments as a management, life/health and property and casualty insurance and I would like to take you on a path from the announcement of our new strategy in the November 2015 until today the -- or until the end of 2017. And there were 2 major tasks we were facing at the time. In the meantime, we've successfully addressed them to the advantage of both our customers and our shareholders. But now we have another major task that we need to deal with and I'll come back to this in a few minutes.

The first change affected our asset management business for third parties, that is our business with investment funds. For many years this business segment had contributed in a significant way with continuously growing contributions, even in years in which the insurance business had weaker results. But then from 2013 onwards the performance weakened a bit at PIMCO. The average return of our fund products wasn't what it used to be and in part it was worse than the performance of the products of our competitors. In addition to this, we had management turbulences and that's why many investors withdrew their money from mid-2013 until the turnaround of mid-2016, we lost in some EUR 470 billion in customer assets under management.

Together with our partners at PIMCO, we then established a new executive team step by step with a clear goal to bring back the return of our investment funds step by step to the top values and to regain customer trust which is essential for the success of such a company. As you can see, the result of our coming work in this diagram that I'll be setting up now, you can see that the amount of assets has started to gain again and of those assets which brought a better return than competitors. They went up continuously and quickly.

At the end of 2015 69% of our investments fulfilled this goal. In the year after we were back at 83% and then finally an extraordinary 91% in the year 2017. In a highly competitive industry, this is a fantastic value and that is why the trend in the flows turned around. We were talking about net inflows because -- we talked about net flows because the inflows and outflows of investment monies will be calculated and these are -- this is the money that investors hand us over that they trust us to invest and this trust has obviously been regained because in the year 2017 we had net inflows of EUR 150 billion which was a new record for Allianz.

This quick success was important for us, not just a question of sustainability of asset management business was linked to this. But also the preparation for more turbulent times, the first signs of which we've seen at the beginning of the year 2017. You see this in the interest rate turnaround in the U.S. and in the capital markets of the world which are sometimes strongly overheated.

Today, our asset management is back on track for success once again with the strong performance of PIMCO and Allianz Global Investors. They both received the award quality leader of Greenwich Associates. This is one of the leading market analysis and consulting companies for financial service providers. We're managing assets to the tune of close to EUR 2 trillion, EUR 1,960 billion to be exact. This is a new record. And EUR 1,448 billion of those were assets of third parties.

We've also become more efficient. In 2017 we had an improvement of the ratio between expenses and inflows of 1.5percentage points to 62%. And the operating result improved by 11%. And the asset management contributed EUR 2.4 billion to the operating overall result. So thanks to all the employees at PIMCO and Allianz Global Investors for this impressive development of the business. And this success gives us courage for the challenging environment in 2018 and for the next years.

Peter Eliot {BIO 7556214 <GO>}

Thank you very much. The second major challenge is the new positioning of our life insurance business. Life insurance continues to suffer from the artificial low interest rate environment all across the market. And many competitors have drawn the conclusion from this to withdraw from the business. This is no option for us because Allianz Life Insurance continues to be one of the best forms of old-age provision. There is no other product that pays back a guaranteed contribution until the end of life. And longevity is one of the most underestimated risks of our time.

Life insurance is also for you, as our shareholders, attractive and profitable. But you have to be able to create attractive returns for customers and shareholders alike also in times of artificially low interest rates. So why can we master this as Allianz, this difficult task? Well there are 3 reasons for this: First of all, we were under -- early on under Mr. Diekmann's reign in developing products with modern guarantees, which give us more leeway in capital investment, that improves the return for the customers. And one example for this is the German product, Perspektive, in which the overall return in 2017 and 2018 was at -- is at 3.7%. And the difference to the return of 10-year bonus has never been as high as today.

Secondly, we are experts in modern capital investment. That includes investments into more complex. But also more profitable forms of investments. And in addition to real estate, by this, I mean infrastructure and renewable energies, ladies and gentlemen. The high financial power of Allianz enables us to invest higher amounts into these attractive forms of investments. Our customers and you will benefit from this without foregoing financial safety. And also, the great performance of our asset managers, PIMCO and Allianz Global Investors that you've just seen, is to the benefit of our customers and you, in this case.

And the third point, our life insurance is -- our life insurance business is becoming more and more efficient. The lower the interest rates are, the more important it is that we act in a cost-efficient way as a provider. But there are also markets that are -- there were markets that we couldn't bring back to the profit zone in this -- under these -- against this environment. And that was in the case in South Korea and parts of the portfolio in Taiwan. That's why we've withdrawn successfully from these businesses. And the strategy has paid off.

The new product generation is highly successful. If you look at Germany, for example, 9 out of 10 customers buy products of the new product generation. That is why the share of preferred products in the life insurance business grew all over the world. In the year on the review, 2017, it amounted to 76% whereas in the year 2015 it had been 64% and in 2013 going back further only 48%. And we're very confident that in the ongoing year 2018 we will cross the target margin of 80%. So we will also deliver in this regard.

And you as shareholders of Allianz can also benefit from this strategic new positioning. The new business margin has improved from 2.2% in the year 2015 to 3.4% in the year under review and it shows us how profitable we are in the new business. With this we were above the target we had set ourselves for 2018 in 2017 already. This target value was 3% and we reached this in spite of the continued extremely low interest rates.

New preferred life insurance products therefore have really given the whole segment a huge push and it's proven its future viability also in the situation of continuously low interest rates. Why is that? Well we continued to grow. Compared to the previous year, our business volume has grown by 4% and that's not just thanks to our success. In Germany and Asia without South Korea, we also grew by close to 30%. The new business value increased by 30% in 2017. This is an important. But highly technical value and in this we assess how high today's value will be in -- how high the value of future profits of life insurance contract will be in present value. So overall the segment life and health insurance contributed EUR 4.4 billion to our operative overall results, another record value for your Allianz.

Let us now come to property and casualty insurance. This our third and largest segment and in 2017 it had to deal with a very difficult environment. All across the market P&C insurance suffered from an exceptionally high number of natural catastrophes and major claims. You might remember, as I said before, that 2017 was the most expensive year for the insurance industry ever with in short losses of more than EUR 110 billion. But we were well prepared for this.

Our employees are excellent in underwriting and we also help our customers actively to avoid losses in the best case or at least to restrain or to restrict the consequences of those and that paid off in a catastrophic year such as 2017. But it's also reflected in our daily business. Just look at the

loss ratio without natural catastrophes and weather-related incidents. It's improved step by step over the past years and it shows what we pay for, the large number of claims compared to the premiums we've generated. In 2015 the ratio was at 63.6%, in 2017 it dropped to 62.7% and with these large figures, even decimal places make an enormous difference.

Our core business, the assessment of actuarial risks is therefore something that we have a clear handle on and with this we could also balance the additional burden from natural catastrophes and weather-related claims. But can also see that 2017 was also highly expensive for us because 3.8 percentage point of loss ratio for these natural catastrophes and weather-related claims that amounts to EUR 1.8 billion. But nevertheless we were significantly less hit than our most important global competitors because for them the natural catastrophes on average led to 6.5 percentage point loss ratio on average. That's almost double our value. So the results in P&C were still quite good in spite of the difficult environment.

In 2017 the revenues increased by 2.3% adjusted for exchange ratio effects and a combined ratio at 95.2% also showed a good result. Combined ratio is the ratio of the expenses for claims and costs compared to the premium income in %. So all in all for P&C we generated an operating result of EUR 5.1 billion in spite of the fact that our financial investments in this area decreased due to the low interest rate environment. That is to say, property and casualty insurance remains our most important profit contributor and all 3 segments contributed therefore to the good overall result of Allianz group. That shows the good basis we have for what we plan in the near future and the importance of that is -- just is equal to the improvements we've reached in asset management and life insurance because what is it we want to do? Well we have to improve our productivity, ladies and gentlemen.

Especially in P&C because we have 2 challenges which are linked to each other. On the one hand side, we're too complex in many areas. That is something that we've realized in our work regarding digitalization. It doesn't make sense to use digital solutions for complex products and processes because that makes us inefficient and that's why we couldn't improve our productivity in the past years as we had planned.

Our expense ratio has continued to grow since 2015 and I'm dissatisfied with that. The expense ratio is the ratio of costs to the premium income in %. And it is and it will decrease in the future especially by focusing on what creates value for our customers and by foregoing any unnecessary complexity consistently.

Right now our products and processes in part are not as simple and intuitive as many customers would like them to be, especially the growing target groups which are really Internet-savvy, they expect this from us and that is why we cannot conquer enough of these customers for us. Complexity is therefore significant reason why we haven't been able to (inaudible) even more customers for Allianz. And as a consequence, we don't grow enough. Our revenue plus of -- for 2017 of 2.3% is better than that of many of our competitors. But it's not good enough. It's below the growth of the previous years, it's below our potential and we will no longer be satisfied with that.

So profitable growth is therefore the second challenge for property and casualty insurance. And let me explain this by a little image. So let's learn from the story of the rooster. The rooster comes into -- comes to the chickens in the morning, calls them, calls the hens and says come with me, I want to show you something. They go down the road to the next supermarket and there on the shelves they see ostrich eggs. And there is -- this is -- ladies and gentleman, I just wanted to show you what the competition does.

So we know that future competition will not be restricted to today's insurance companies. There are global platform operators with breathtaking size advantages. There are financial and insurtech companies. So digital companies which have newly been established for financial services. Many of them are rather small today. But they can get a really large tomorrow and they rely consistently on

simplicity, productivity and customer satisfaction by using intelligent technology, just as the large and successful platform operators.

The ostrich eggs of competition, ladies and gentleman, are productivity, simplicity and innovation along the whole value chain, including distribution. And we mustn't just keep up with them, we have to be leading and that is the next major challenge that we are facing.

Yogi Berra, the U.S. baseball hero who established many sayings, said by taking a close look you can see a lot. So let's take this close look and this diagram shows our challenge. To build it up we looked at our own companies in P&C in detail, at the lower part shows how the expense ratio gets down if you have a lower number of products offered. But what happens if you decrease the number of products offered and if the expense ratio will decrease? Well that is what you see in the upper part of this diagram. At the same time customer satisfaction increases and this is what drives growth as we all know. According to an international study (Six) which was done globally, 64% of the consumers are willing to pay a higher price for simpler and more intuitive products and business processes than for complicated ones.

So being uncomplicated, simple and understandable, especially the smartphone generation has these demands to every industry, also to insurances and the asset managers and by the way the smartphone generation, those are not just the young ones, also my parents are using smartphones. So we have to become simpler and through this more productive then because the other way it's -- round it's also true that customers don't like complexity, it's expensive for the company and it's de-motivating for employees and distribution partners.

Simplicity starts with the product design and doesn't end with the processes and technology. It will become a key competence. It stands for productivity growth for customer satisfaction and above all for competitiveness in a more and more digitalized world and it is the precondition for profitable growth. That holds true for all of our business fields and especially for property and casualty insurance.

But ladies and gentlemen, it's not sufficient to just work market by market, product by product, process by process on this simplification and we'll do this 70 times in as many markets as we are present. Now it shows making something really simple is anything but simple, as Steve Jobs has underlined time and again. That's why we set up a new executive department since the 1st of April, Iván de la Sota has been responsible for the transformation of the group.

He's been working for Allianz for 27 years and with large success he drove ahead the transformation of the Latin-American and Iberian business over the past two years from São Paulo. He turned the Latin-American business which was creating losses systematically around and brought it back into the profit zone. For this, we question the whole business model, not just how it is supposed to work. But how it has to work on a daily basis.

So he has the right approach for his new task and from now on he'll be responsible globally for making sure that Allianz gets even simpler and faster on its path towards the digital era. What will we do for this? We will continue to optimize our core business, that's the basic requirement. You can compare this to digital pictures, the resolution of them has improved year-by-year. But that is just one aspect of taking pictures.

The second point, we will continue to drastically simplify product systems and processes with the help of technology and harmonize them. This is a much larger step, which we call transformation. It's like the leap from a camera with the film to a camera with digital images. Taking pictures has become much easier with them and it now works even with cell phones quite well. And we now think across functions and across borders, customers of Allianz, wherever they have a touch-point with us, they should have the same good experience no matter whether they buy an insurance or

an investment fund or in case of a claim, be it in personal contact or online. We're serious about a unified customer view across country borders.

Ladies and gentleman, products and processes in the future will be developed consistently and also marketed consistently together with our country companies. And an important (inaudible) all of this is for the CEOs of our OEs, they have to learn to cooperate with us across borders. Moreover, we will cluster our direct business with the customers. So this is when customers buy directly or use our services directly over the Internet or by telephone. And step by step, we will enter into new business fields for the future together with companies in which we have holdings through our investment company Allianz X, which is highly successful after the initial issues which are usual, we have stepped up a lot with Allianz X and are really satisfied with its development.

With the support, we will also work on the support for the technologies, startups like American Well one of the leading telemeds in marketplaces in the United States together with other technology companies, we'll work on this. And with all these steps, we're well-prepared for the future. We can solve the problems of the past because we've seen how simple products can improve productivity. We've also learned this in our home market in Germany. Also the employees and distribution partners will profit from the simplicity because it means less need for explanation, less repetitive and boring work and less danger to make errors and a lower necessity to ask questions for advice and on the other hand, more time, time for customers, time to listen and time to focus on services that the customers truly are looking for and that they are willing to pay for and we've long started on this.

Our new German motor insurance reduced the number of questions to the customer from a maximum of 25 to 11. After 90 seconds or even quicker, customers will get price information. That is the quickest application in the German market. That is to say, we've taken large strides ahead. And the consequence of this was that growth in this extremely important field has tripled in 2017 compared to the previous year. In Italy, the situation was the same, a few years ago when I worked there we had to ask customers 15 questions for motor insurance. Today it's enough if you know the birthday of the customer and the picture of the license plate and in just a few seconds they will get a price offer. We're not just the quickest. But also the most profitable P&C insurer there.

And also our motor insurance in Spain is highly profitable. We only offer the customers 2 tariffs instead of several dozens as in many of our other markets. Productivity increases through this. The police and distribution partners are more satisfied. But the customers as well because they better understand their insurance and asset management products and this clarity creates trust, which then is the basis for growth. And that ladies and gentlemen, will enable us to tackle the third task which I showed you before, higher productivity and more profitable growth.

Key to that is simplification. That will take some time and need to reconsideration in all areas of the company because sometimes we're really proud of our complexity and that we can explain it to everyone. But I'm really confident that we can master this demanding task together on the Board of Management together with our employees all across the world.

Finally, I would like to give you an outlook on the operating result for the ongoing business year 2018. Ladies and gentlemen, we remain cautious because the uncertainties in the global economy are still high, the political situation is still difficult to foresee and the development of the U.S. dollar compared to the euro is not in our favor right now.

All in all, we expect an operating result of EUR 11.1 billion again and with the constant dollar exchange rate that would even have been EUR 11.3 billion. And the results can be -- can deviate by EUR 500 million plus or minus from this. So dear shareholders, we'll continue to step on the gas. Quite confident that at the end of the year, we can present a real good result to you again and what we promised to you in 2018, we will keep and of course we want to keep and we will keep this. And in 2018 and the following years, we will make the property and casualty insurance just as future-viable as we've already done with asset management and life insurance. The whole Allianz

will become simpler and more digital step by step. That will take some time and effort and it will not be without issues, certainly not. But we will prove that your company will remain difficult to beat after 120 years with our concept of continuity and renewal. You as our loyal shareholders will continue to benefit from the solidity of Allianz. So thank you very much, on behalf of my colleagues also for your continued trust.

So in the sense of customer centricity, I don't want to say the last word about our future path because this path will be decided by the wishes of our customers. And that's why we asked people from all over Europe what they dislike about insurances and what they would like to have different. Like for -- so most of the interviews were in Latin, English and not everyone here in the Olympic Hall will understand this. This is where we tried to give subtitles in German. And just see -- just look what consumers expect from us -- in the future from us and our solutions in insurance and asset management. That's a short video. So ladies and gentlemen, thank you very much for your kind attention. And with this, after the video, I'll hand back to Mr. Diekmann.

(presentation)

Michael Diekmann {BIO 1733646 <GO>}

Yes, ladies and gentlemen. Thank you very much, Mr. Peter. Thank you for that report. And I'm sure that all the people in the room can't wait to see what's happening with the ostrich eggs. So that's what you're going to see next here.

Ladies and gentlemen, those who are following our AGM in the Internet, I would like to refer to the fact that at this point, the public part of the live transmission is ending. And the further course of the AGM can -- only shareholders can follow, who are shareholders of Allianz SE and who have registered for the Internet transmission with their shareholders' numbers and their access password.

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