

# Allianz Capital Markets Day

Renewal Agenda –  
bringing skills to scale

Munich, November 24, 2015



# Agenda

- |          |   |                     |
|----------|---|---------------------|
| <b>A</b> | Renewal Agenda – bringing skills to scale | Oliver Bäte         |
| <b>B</b> | True Customer Centricity                  | Sergio Balbinot     |
| <b>C</b> | PIMCO update                              | Douglas Hodge       |
| <b>D</b> | Technical Excellence in P/C               | Axel Theis          |
| <b>E</b> | Life business in low yield environment    | Maximilian Zimmerer |
| <b>F</b> | Value creation                            | Dieter Wemmer       |

Disclaimer

Investor Relations contacts

# Renewal Agenda – bringing skills to scale

Oliver Bäte  
CEO Allianz SE

Munich, November 24, 2015



## Framing today's discussion

Allianz acts from a position of strength: strong stakeholder trust, brand and culture, superior financial strength and resilience, leading positions in all our segments and especially outstanding people

Our world and our industry are changing fast and fundamentally, creating challenges but also huge opportunities for tomorrow's winners

Allianz has built strong foundations to reinforce its leadership position – but we need to act decisively now

Our Renewal Agenda amplifies our energy towards even higher value creation, especially by leveraging our superior skills into scale advantages

Customer Centricity stands at the core of our agenda. Digital and technical excellence, stronger growth and employee motivation will only translate into success if our clients trust us fully

As competition and investment requirements increase, we will address our productivity reserves with rigor. While we aim to deliver visible results in due course, our Renewal Agenda is designed to reinforce Allianz's leadership position for years to come



## We act from a position of strength

Sequence of  
**record profits**

**World's N°1 insurer** and  
**Top 5 asset manager**

Solid  
**TRS performance**  
despite shocks

**Performance**

**A trusted partner**  
building on

**Integrity**  
**Competence**  
**Resilience**

**Trust**

One of the **world's**  
**strongest brands**

Leading **insurance &**  
**asset mgmt. skills**

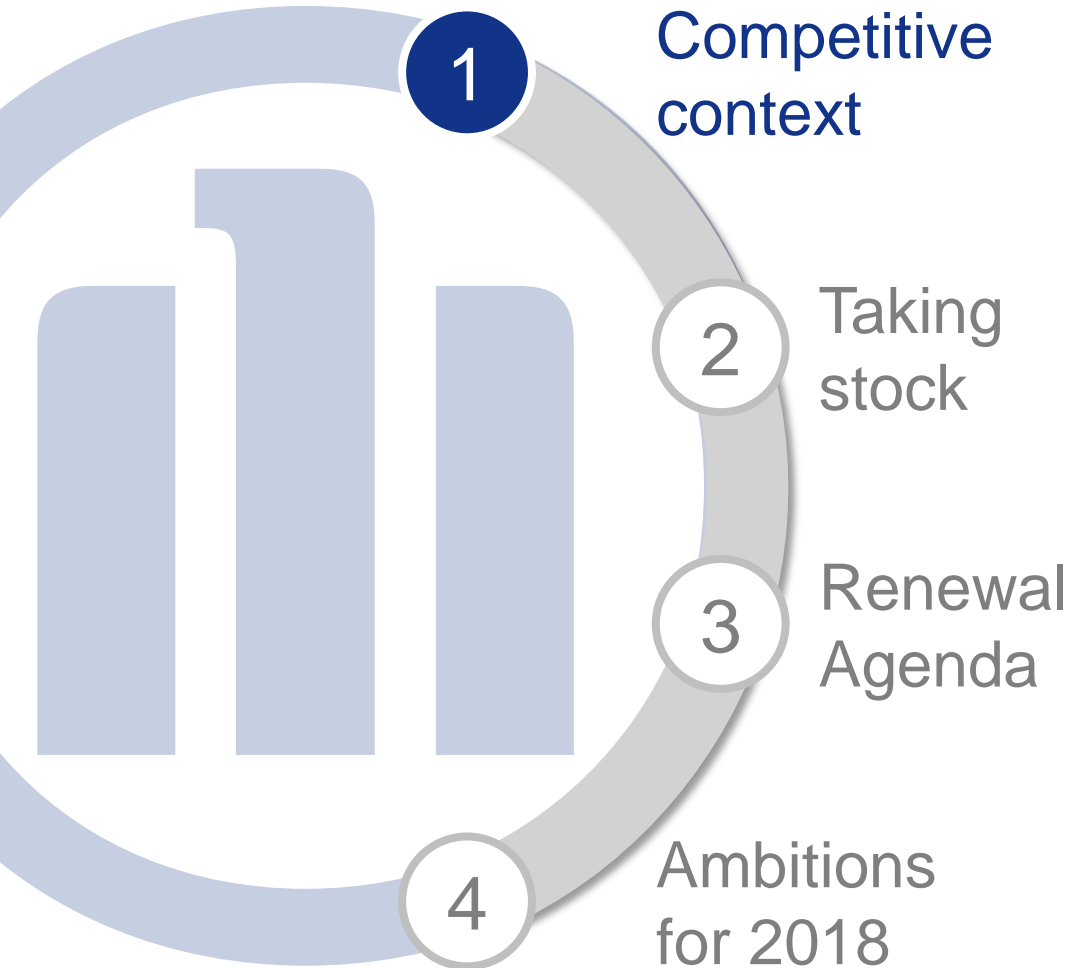
**Loyal, motivated staff**  
**Strengthened**  
**business models**

**Health**

## Disciplined thought, disciplined action



## Disciplined thought, disciplined action



Environmental trends & scenarios  
Requirements for tomorrow's winners

## Competitive context

### Environmental trends & scenarios

- Global society and economy very fragile and highly interdependent
- Digitalization transforming economies and economics, polarizing winners and losers
- Financial services challenged on margins and growth – however, strong value creation is clearly possible for leaders



### Requirements for tomorrow's winners

- Shock resilience of utmost importance – carefully balanced with capital efficiency
- Demonstrate benefits from scale on key value drivers: margins, cost of capital and growth
- Build commanding market positions and leverage digital to become customer-centric and agile
- Relentlessly lift productivity reserves in capital, cost and revenue base



# Global society and economy very fragile

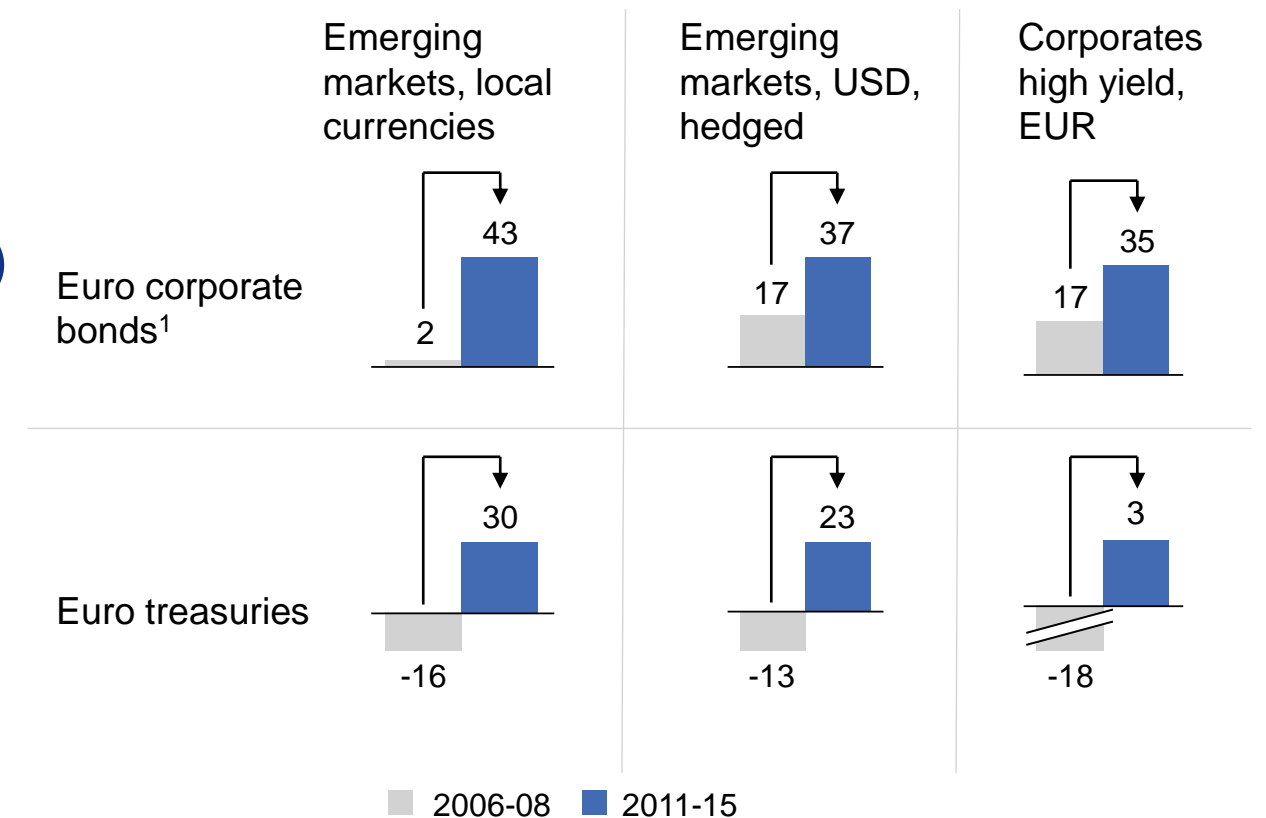
## Severe challenges to society and economy

- Geo-political instability**  
 Threat from terror attacks, unresolved South China Sea dispute, Ukraine/Russia conflict, potential third intifada, EU/Euro instability (e.g., BREXIT, GREXIT)
- Demographic and societal shifts**  
 Record arrival of migrants and refugees to Europe, ageing, political polarization
- Economic slowdown**  
 Sluggish growth outlooks for BRIC and other emerging markets (LatAm, Asia, Africa), infrastructure weakness



## Financial markets more correlated

Increase in correlation between asset classes, in %



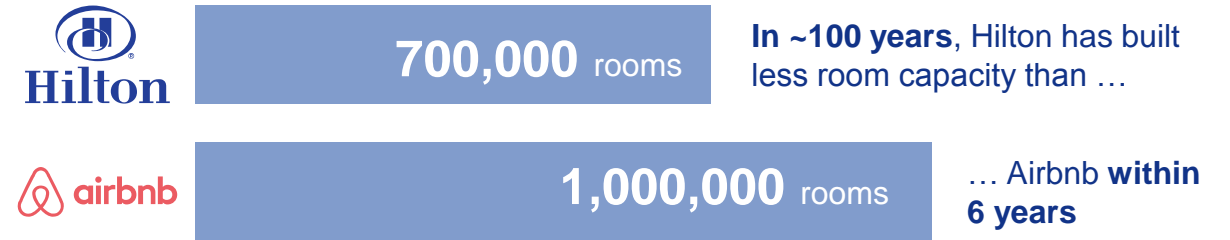
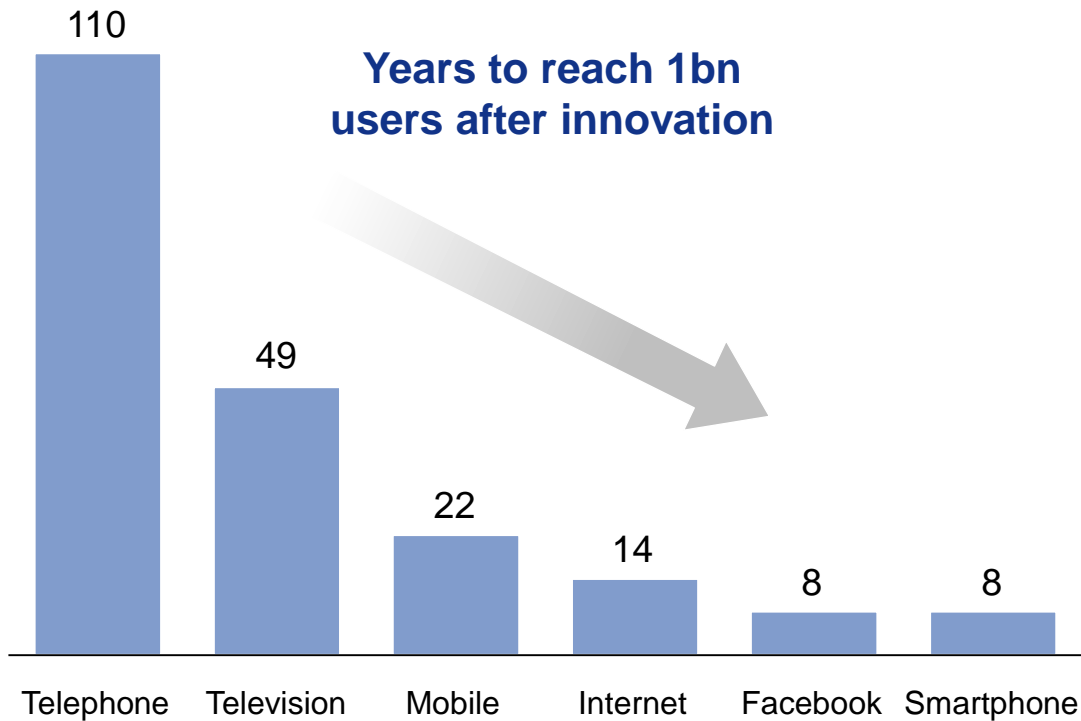
1) Ex financials  
Source: Datastream

# Digitalization transforming economies and economics, polarizing winners and losers

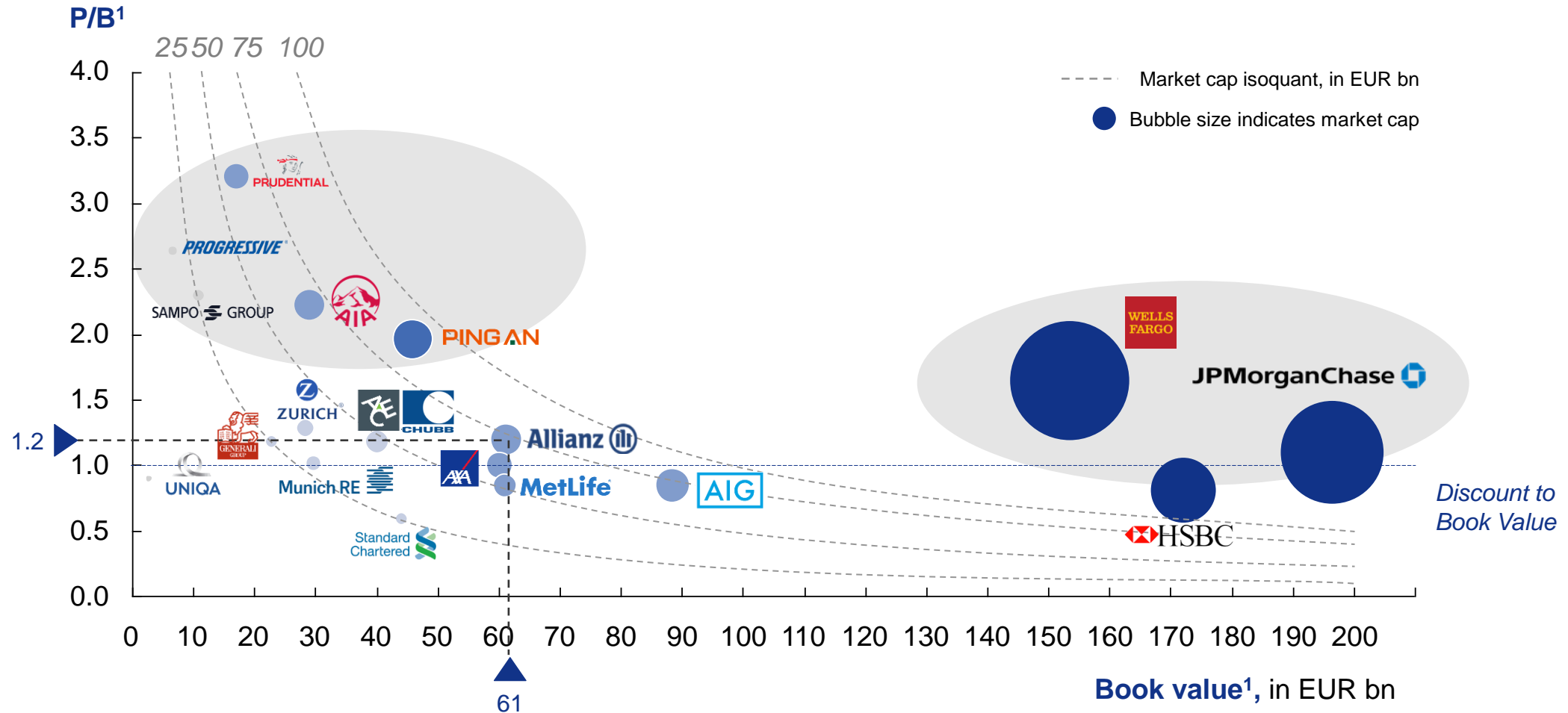
ILLUSTRATIVE

Innovation cycles reach scale much faster

New, winning businesses emerge within short time frames



# Financial services challenged, however, strong value creation is clearly possible for leaders



1) As of October 31, 2015; Book value refers to common shareholder's equity as last reported; Ace/Chubb: estimated pro-forma  
Source: Bloomberg

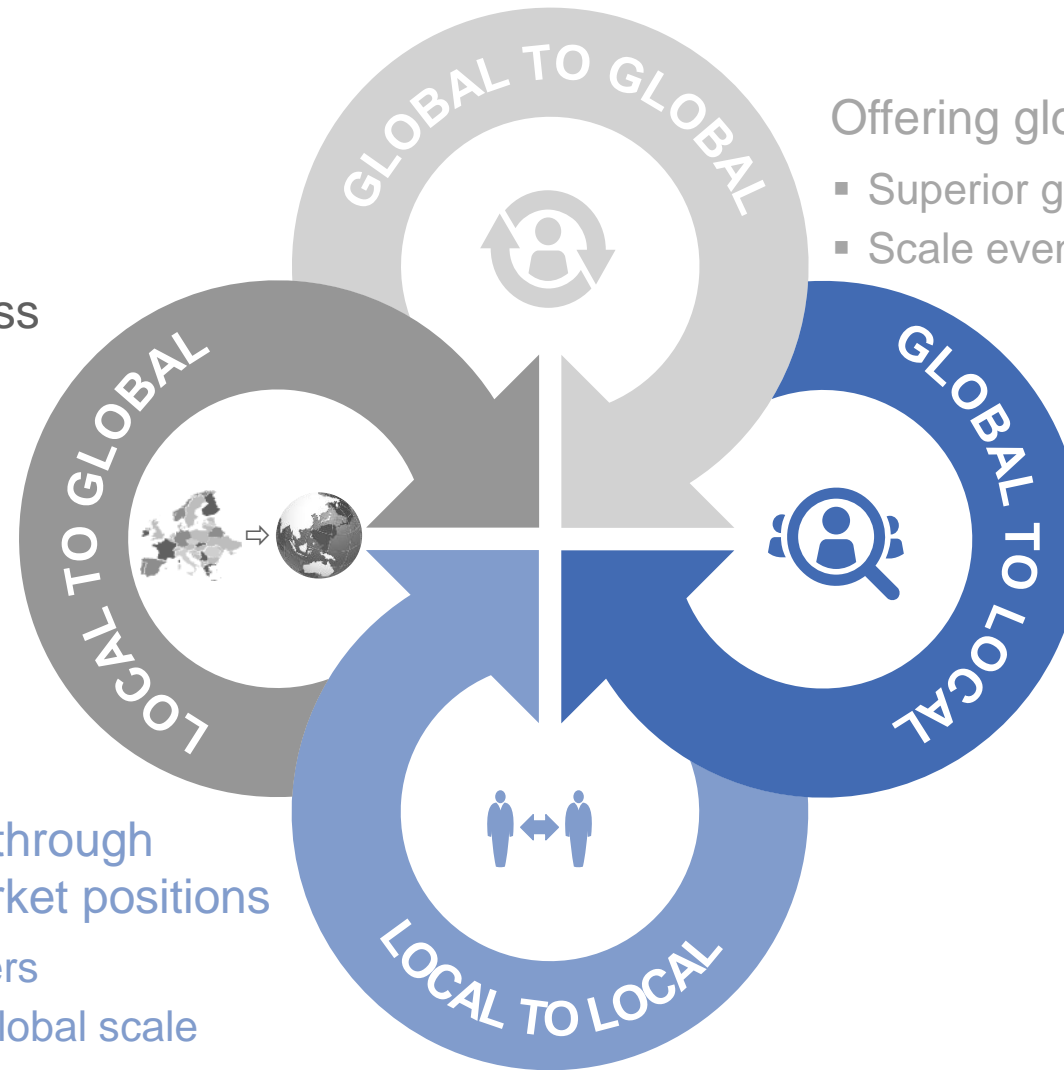
# Tomorrow's winners demonstrate clear benefits from global scale and superior value to local communities

Scaling up innovation across the entire organization

- Services, products, technology
- Leadership & culture

Securing impact through commanding market positions

- Local scale matters
- Prerequisite for global scale



Offering global solutions for global partners

- Superior global network
- Scale even harder to replicate

Leveraging global assets in local markets

- Superior value through combination of global & local scale
- Customization of global solutions



## The future of automotive insurance – both, superior skills and scale required

### Today

Personally owned car

Local/regional expertise

Focus on retail

Stand-alone business model

Focus on isolated damage risk

Little innovation

Restricted data availability

Strong product-orientation

**Predominantly local & retail competition**

### Tomorrow

Shared cars

Global reach to mirror setup of OEMs and fleets

Focus on institutions/systems

Business model fully integrated in institutional value chains

Focus on cumulative liability risk

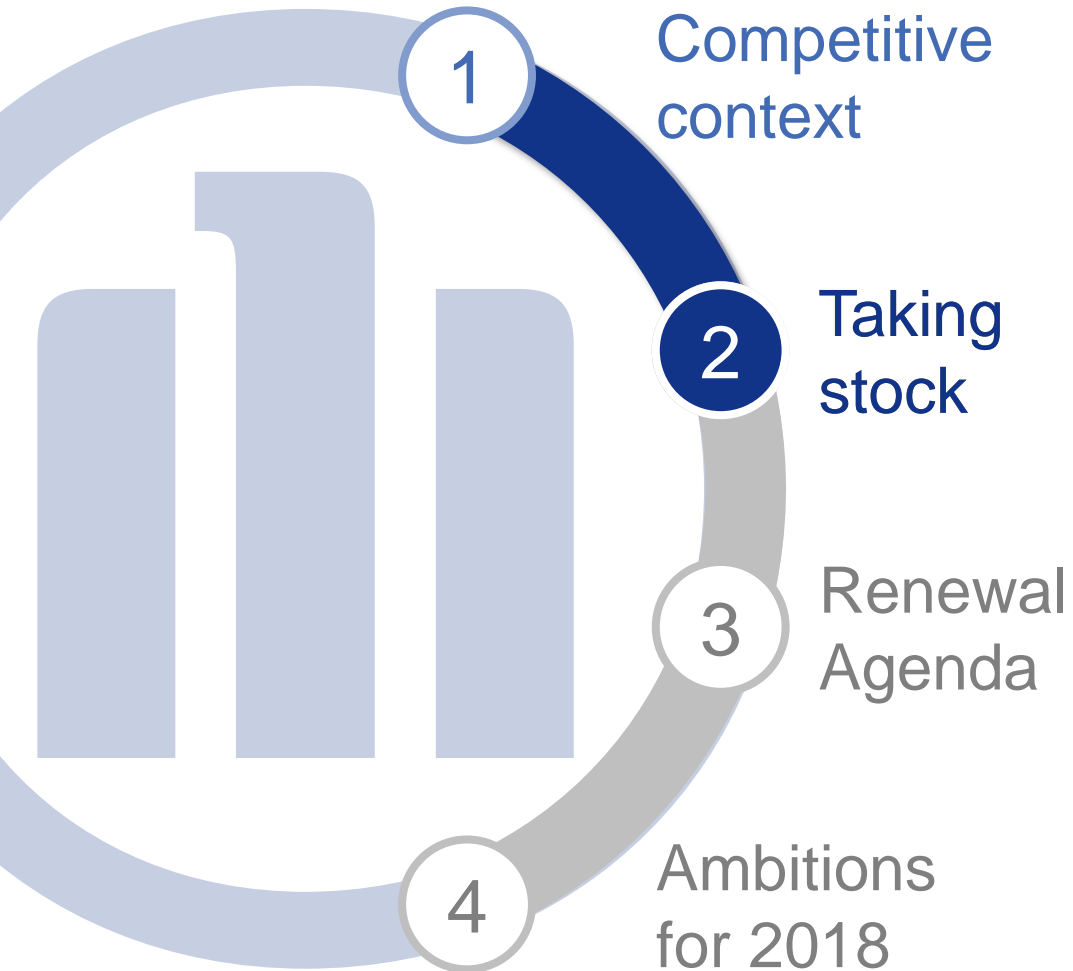
Continuing necessity to invest and evolve

Big data as commodity

Fully integrated assistance/service model

**Global scale & skill game**

## Disciplined thought, disciplined action



Where we lead, where we lag  
What to re-inforce, what to change

## Taking stock – strong starting position with upside

### Leading

Trust and resilience

Profitability

Global scale

Skills



Re-inforce

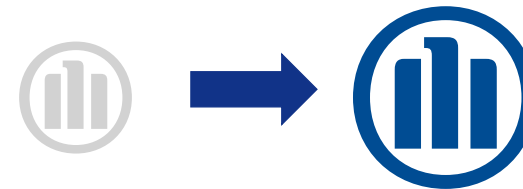
### Lagging

Customer centricity

Capital efficiency

Growth ambition

Productivity



Change

## Taking stock – decisiveness needed

### Where we lead, where we lag

### What to re-inforce, what to change

#### Organizational strength

Strong financial performance, reputation as trusted partner based on high integrity, competence and resilience (esp. due to strong balance sheet)



Re-inforce focus on organizational health – esp. customer satisfaction and leadership  
Maintain shock resistant balance sheet and strengthen capital productivity

#### Margins

High margins in AM and P/C, but need for improvement in L/H outside of Germany



Bring RoE of all OEs  $\geq 10\%$  in 2018 with largest impact on L/H, but additional margin upside in P/C and AM

#### Cost of capital

Very strong credit standing, but CoE still high



Further reduce volatility of solvency potential to free up EUR 3bn capital

#### Growth

Solid track record in earnings and dividends, but impact of low rates and past AM outflows to be addressed



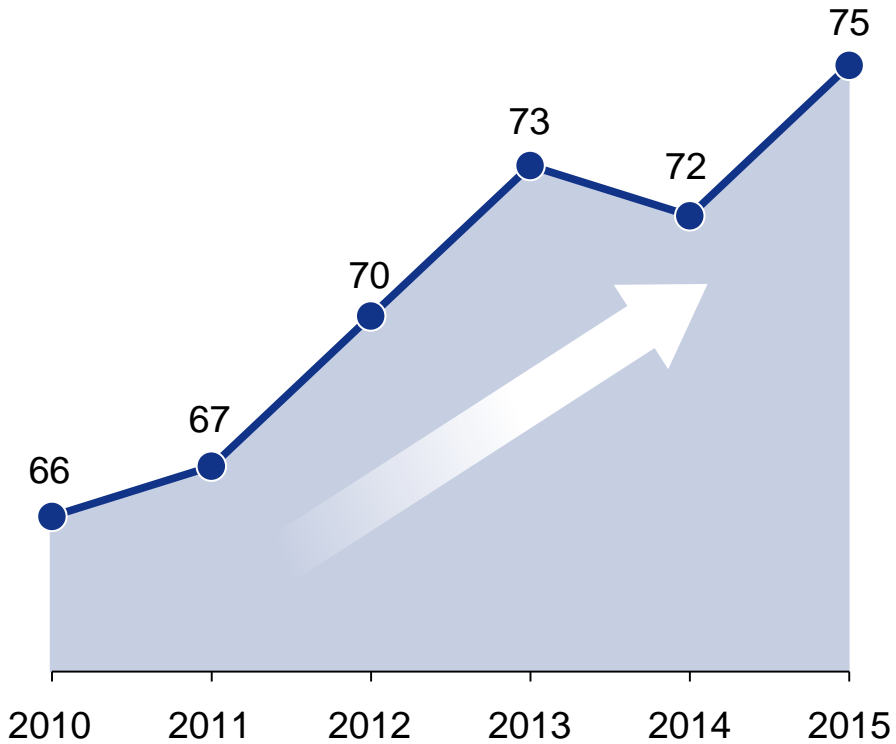
Grow EPS at average of 5% p.a. until 2018 with healthy mix of growth and efficiency measures



# Continuous strengthening of employee engagement and customer satisfaction

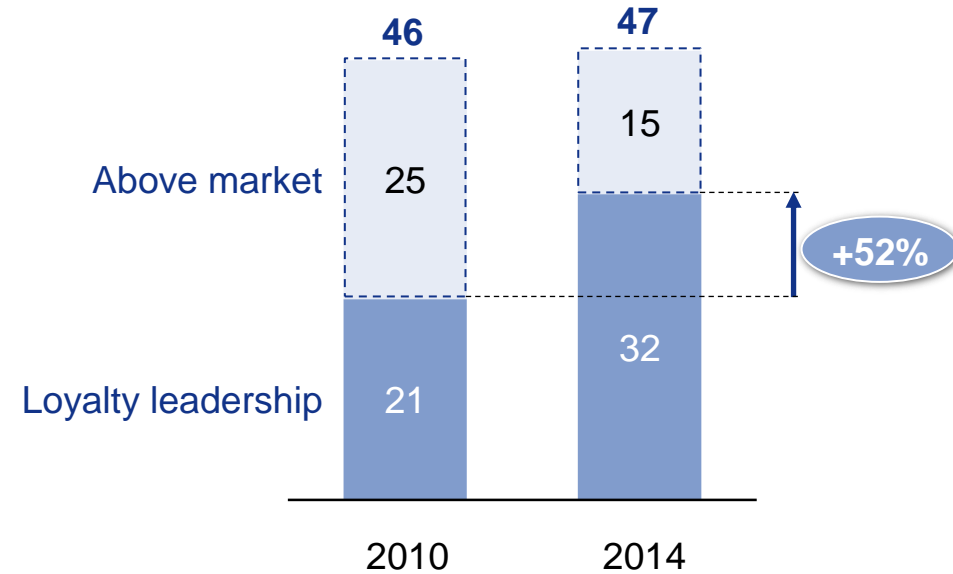
## Rising employee engagement

**AES<sup>1</sup>**: employee engagement AZ Group, in %



## Rising loyalty leadership

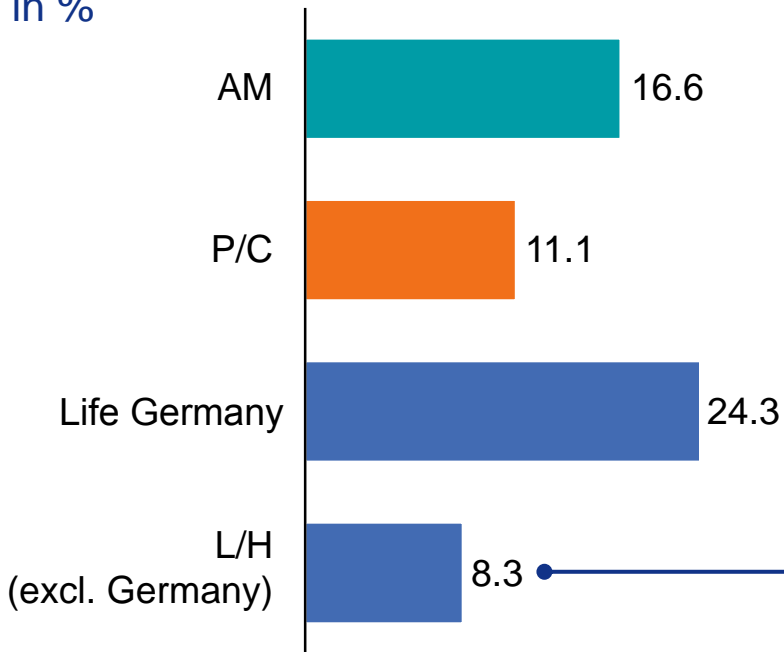
**NPS<sup>2</sup>**: share of businesses outperforming the market, in %



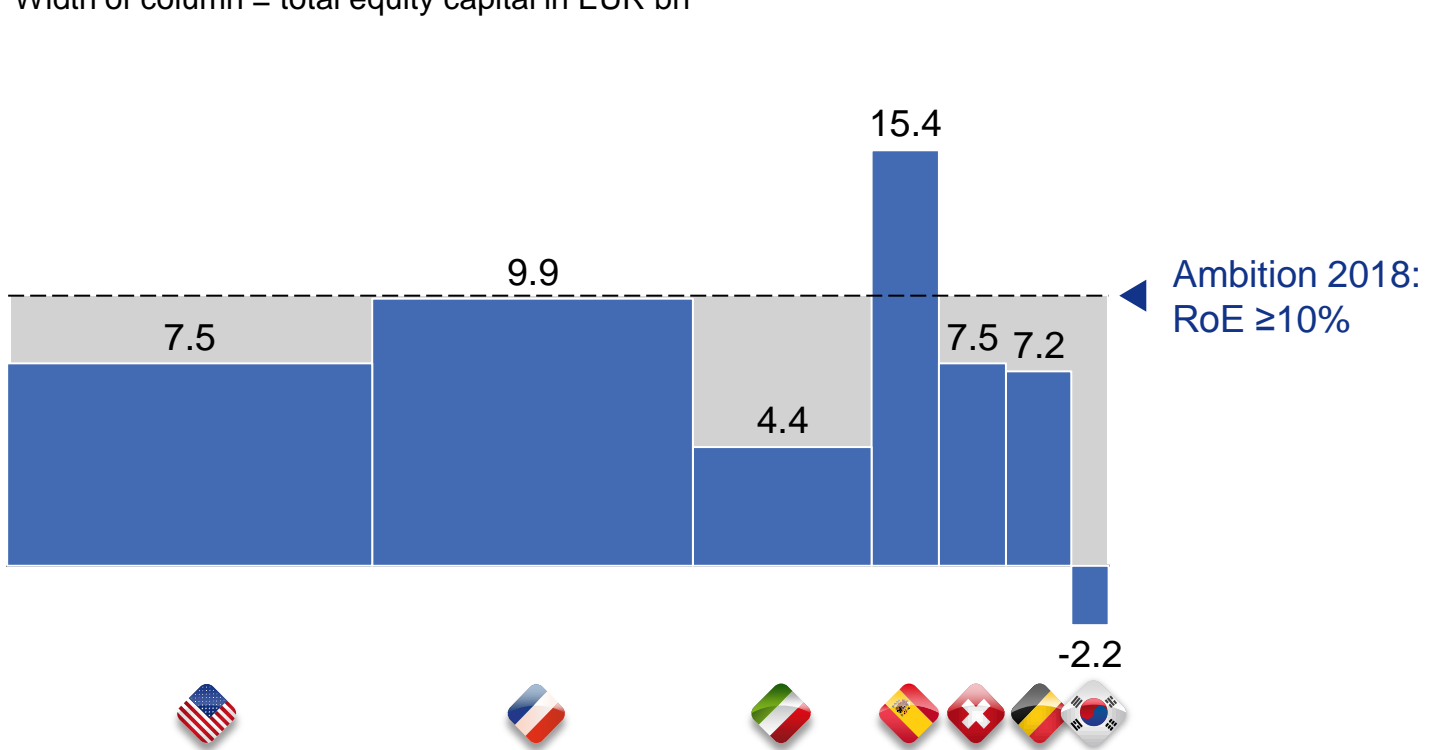
1) Allianz Engagement Survey measures the engagement of our people and allows to define measures for improvement  
2) Net Promoter Score

# Sound margins – but to be strengthened in Life excl. Germany

Return on equity 2014<sup>1</sup>  
in %



Key markets by capital consumption  
Width of column = total equity capital in EUR bn<sup>1</sup>

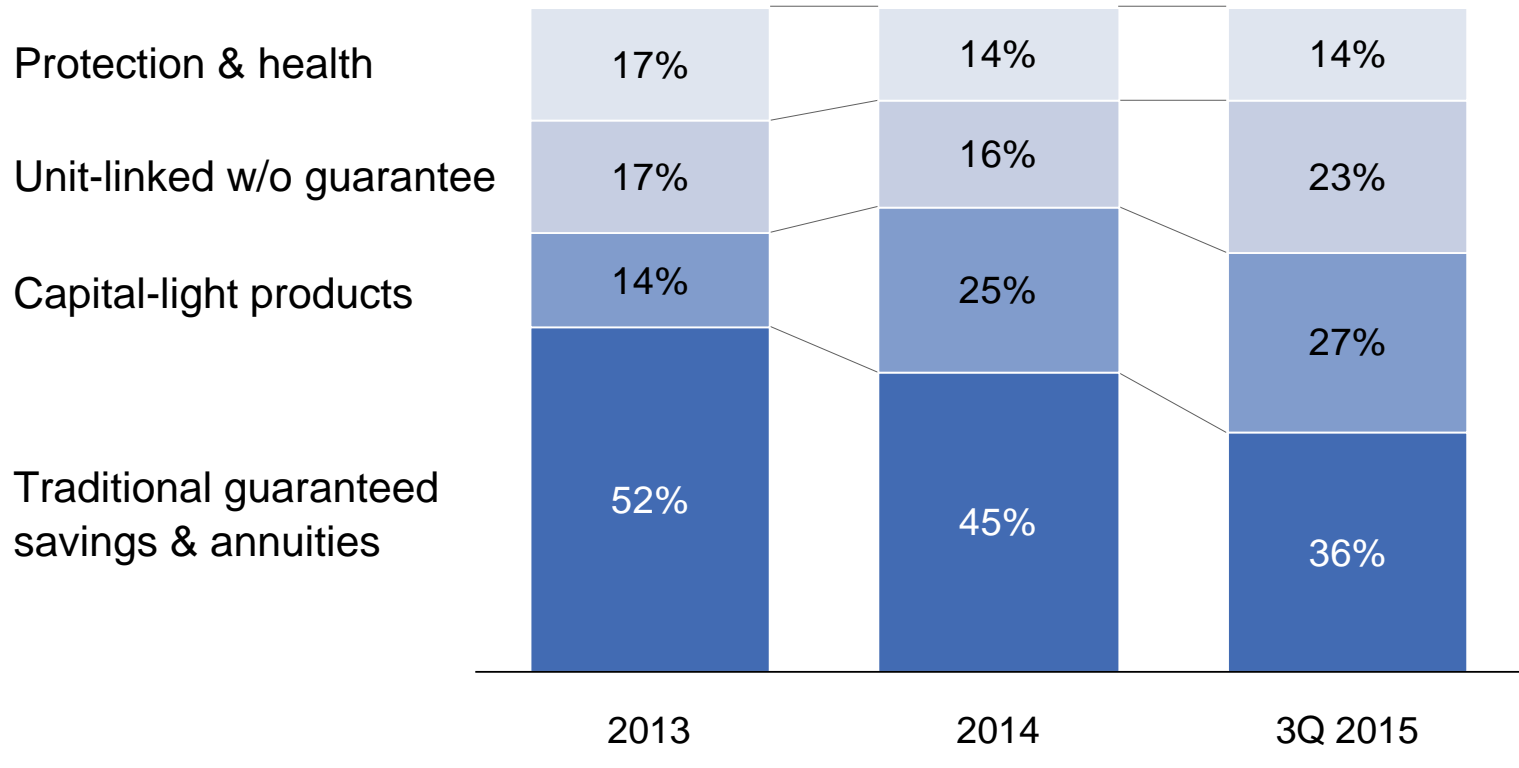


1) Excl. URGL on bonds; RoE for AM, P/C, L/H segment based on equity incl. goodwill, for individual OEs excl. goodwill

## Decisive action on Life/Health new business mix

L/H new business mix – new LoB reporting<sup>1</sup>  
% of PVNBP

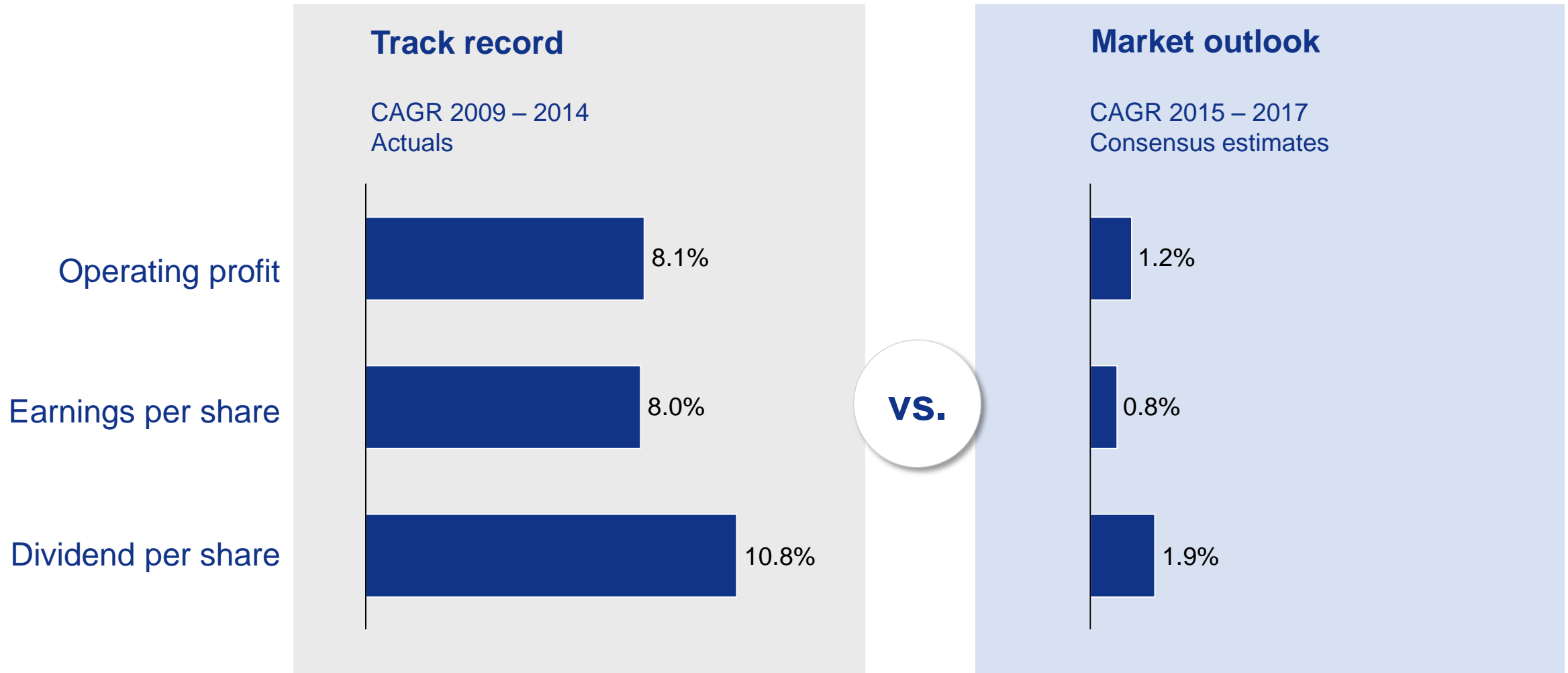
Ambition 2018



Approximation<sup>1</sup>

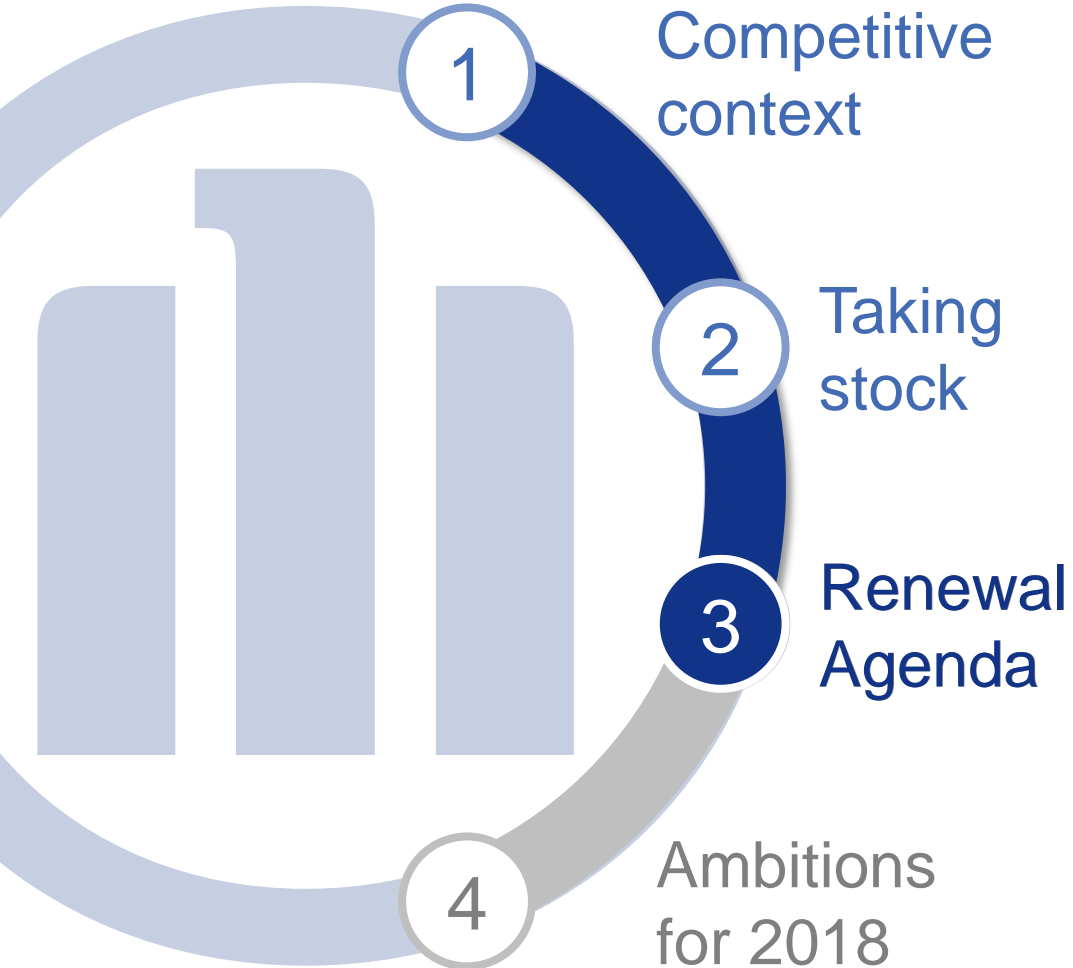
1) New reporting for lines of business starts 1Q 2016; values for 2013-2015 approximated

# Strong operating profit development – subdued growth expectations





## Disciplined thought, disciplined action



Pillars of continued industry leadership  
Ensuring successful execution

## The Renewal Agenda

### Pillars of continued industry leadership

- Capital allocation discipline to free up significant resources for stronger value creation
- Recalibration of portfolio strategy with aim to create more and larger “at scale” businesses with commanding market positions
- Execution of Renewal Agenda with five levers: 1. True Customer Centricity, 2. Digital by Default, 3. Technical Excellence, 4. Growth Engines, 5. Inclusive Meritocracy



### Ensuring successful execution

- Renewal Agenda builds on strong foundations for every lever, esp. global reach and business lines, business model and technology convergence, strong culture and values
- New horizontal change process mobilizing leaders and employees
- Governance, processes & incentives redesigned to facilitate capturing skill and scale benefits
- Stronger agility and market focus of corporate center

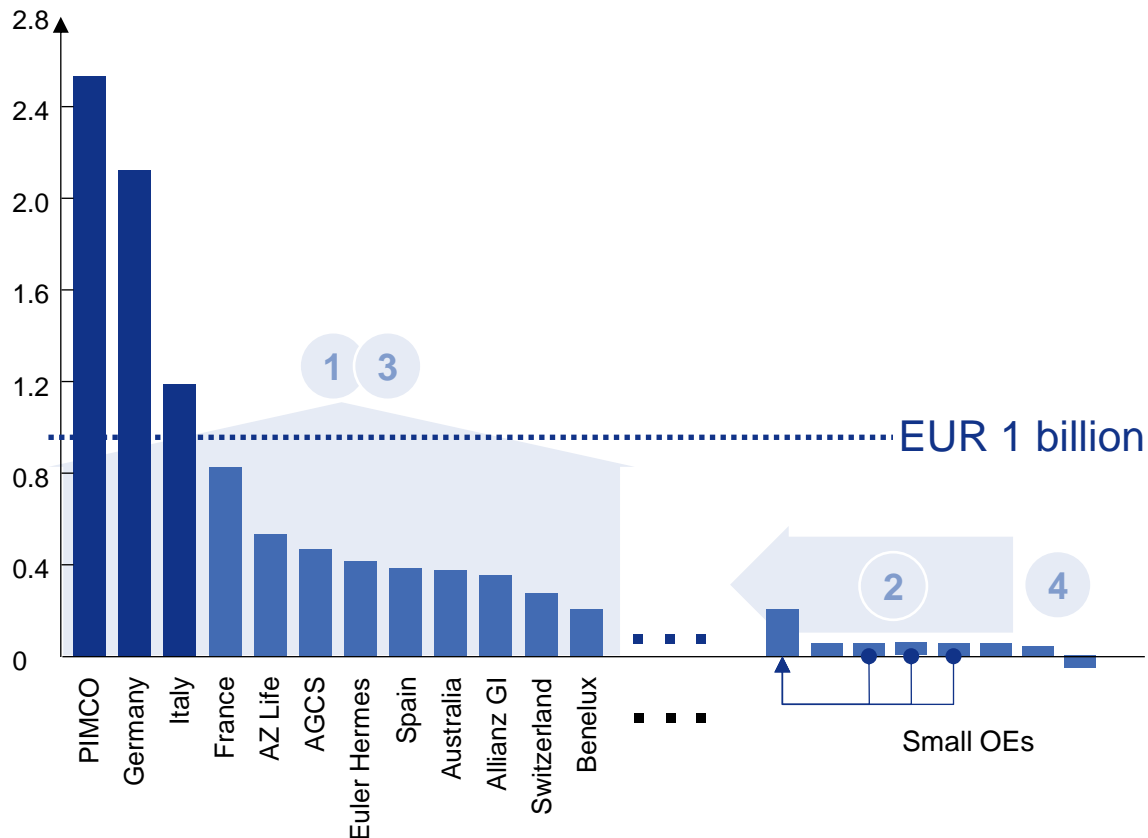
## Earnings, capital allocation, and cash management discipline for stronger value creation by 2018

Growth	Increase earnings	5% EPS CAGR
Capital	Improve ...	
	... capital productivity	13% RoE
	... capital intensity	Sensitivity reduction of Solvency II ratio, potential to free up EUR ~3bn
	... capital fungibility	At least EUR 4bn upstream opportunities
Cash	Enhance liquidity	Remittance ratio >80%

**Dieter Wemmer**  
to present more details today

# Create more and larger “at scale” businesses with commanding market positions

Operating profit (EUR bn)<sup>1</sup>



Four strategic levers based on relative size and competitiveness

- 1** Fortify large and competitive OEs  
 Create more “Earnings Engines” with > EUR 1bn operating profit and commanding market positions
  - 2** Scale up smaller, but high-performing OEs  
 Leverage true benefits from scale, incl. digital platforms  
 Create regional platforms (e.g., CEE, LatAm, AZAP, MENA/Africa)  
 Achieve Top 3 market positions, >10% market share
  - 3** Restructure large, but less profitable OEs  
 Focus on productivity and efficiency, release capital
  - 4** Reposition uncompetitive businesses  
 Improve productivity, take decisive portfolio actions
- +** Inorganic growth: continue to seize attractive opportunities with discipline

1) Annual operating profit by OE, average 2012-14

## Recalibration of portfolio strength: scale up smaller, but high-performing businesses through regional platforms

### Rationale

- Streamlined governance
- Shared expertise
- Joint business model, with integrated product architecture
- Common processes, IT platforms and tools

### Benefits<sup>1</sup>

- Better customer service and growth
- Higher efficiency
- Scaling-up best-practice
- Technical capabilities
- Faster digital transformation
- Compliance ensured

### In execution

Benelux

Iberia

LatAm

### Under redesign

Asia-Pacific

### To be set up

CEE

MENA/Africa

1) Not all benefits realized in all regional platforms yet

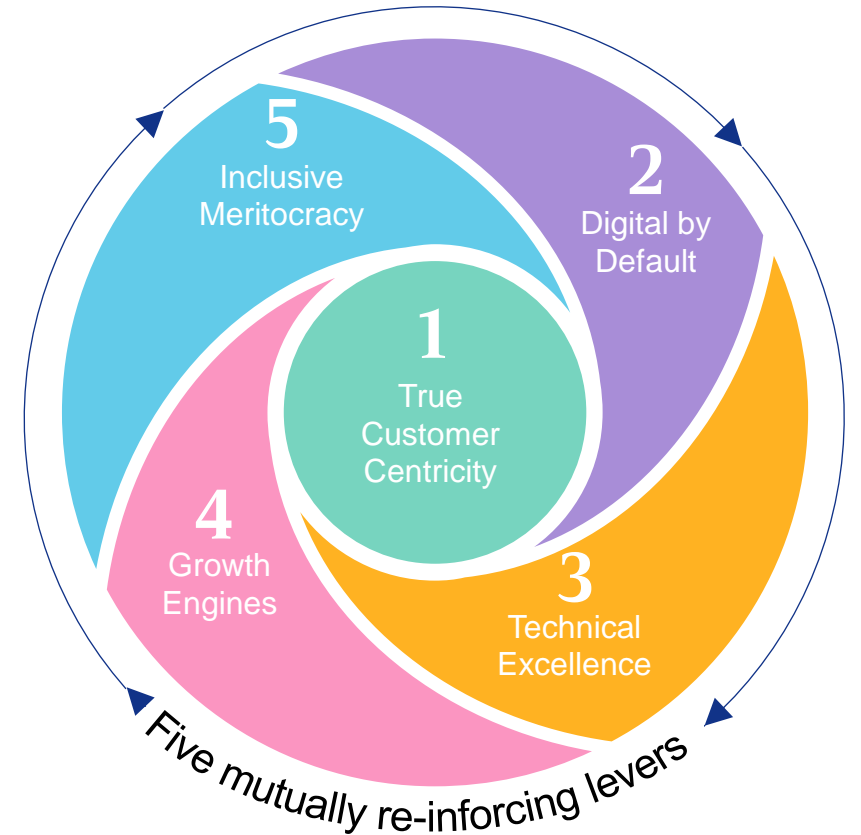
# Continue to seize attractive M&A opportunities with discipline

## Key transactions 2012-2014

	2012	2012	2013	2014	2014
Our M&A focus criteria					
Cash generating business	✓	✓	✓	✓	✓
Strong presence in region/synergies	✓	✓	✓	✓	✓
Core market		✓		✓	✓
Emerging market			✓		
Distribution capacity		✓	✓	✓	✓
Product capabilities	✓		✓		✓
Capture capital synergies					

## Execution of Renewal Agenda with five levers: further strengthening of our competitive advantages

- 1 True Customer Centricity** | Make superior customer experience the top priority for all our actions
- 2 Digital by Default** | Move from selected leading assets to become “Digital by Default” everywhere
- 3 Technical Excellence** | Create superior margins, innovation, and growth through best talents and state-of-the-art skills
- 4 Growth Engines** | Systematically exploit new sources for profitable growth
- 5 Inclusive Meritocracy** | Re-inforce a culture where both people and performance matter



# 1 | True Customer Centricity: superior customer experience is the top priority

- From NPS measurement to superior management of customer journeys
- Deliver superior value to our clients with a distinctive and caring customer experience
- Outperform on essential customer needs: ease & convenience and consistency & trust – focus on “what matters for the customer”
- Set clear customer-oriented targets hardwired into our culture, planning process and incentives



## Ambition 2018

- 75% of our businesses Loyalty Leader or NPS above market – up from 47%
- Flagships<sup>1</sup> at 80% – up from 45%
- Translating into at least additional 5mn customers and EUR 6.5bn revenues

**Sergio Balbinot**  
to present more details today

1) Germany, Italy, France, Switzerland, Austria, Benelux, Turkey, Spain, UK, US, Australia



# 1 | True Customer Centricity is the core of the Renewal Agenda

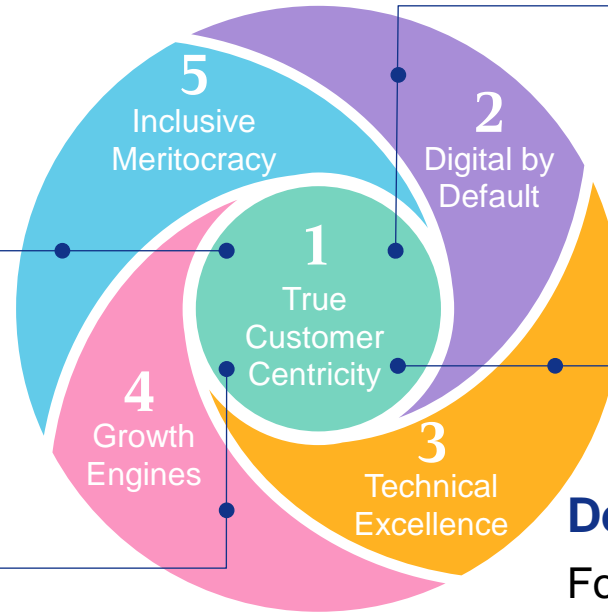
## Key driver for employee engagement

Customer satisfaction and employee engagement mutually reinforcing

## Basis for strong profitable global growth

Deep understanding of client segments/needs required to capture growth

High customer satisfaction as key enabler for increased cross-/up-selling, higher retention, and new business generation



## Defines design principles for digitalization

Customer needs as reference point for innovations  
Tailored processes for higher efficiency and effectiveness

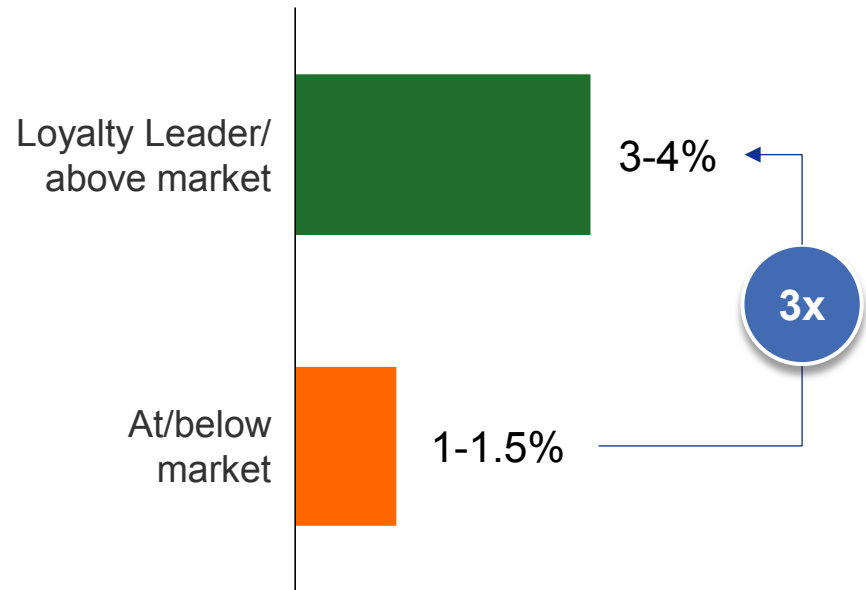
## Determines standards for Technical Excellence

Focus on customer needs to reduce product complexity without jeopardizing skill advantages

# 1 | Customer satisfaction as basis for growth and driver of employee engagement

Customer satisfaction leads to higher growth

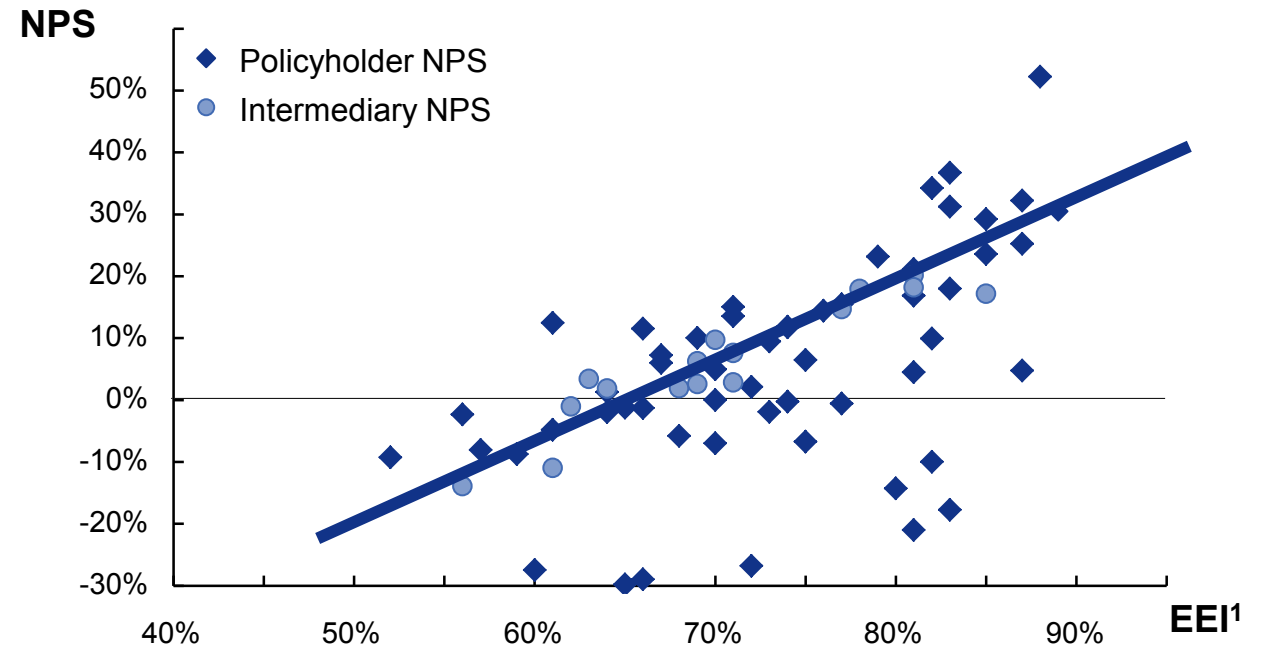
YOY growth, straight avg. of OEs by NPS category



Increased cross-selling, loyalty, retention, and lower costs (via decreased queries/complaints)

Strong correlation of customer satisfaction and employee engagement

NPS vs. AES/EEI<sup>1</sup> results – core Europe



Reverse also true!  
Employee engagement also drives customer satisfaction

1) Employee Engagement Index

## 2 | Decisive action along two major levers – unlocking the digital dividend and building new digital value



### Unlocking the digital dividend

- Simple digital product design to reduce overall complexity, esp. for the customer
- Digital communication by default, paper as exception
- Significant productivity gains by digitalization of our major processes



### Building new digital value

- New digital products and services to serve emerging needs of our clients and partners, e.g., protection against cyber risks, solutions for sharing economy
- Digital ventures to capture new business model innovations (esp. FinTechs) and to scale them up rapidly within Allianz
- Expand big data and analytics capabilities, e.g., for robo advice, connected homes



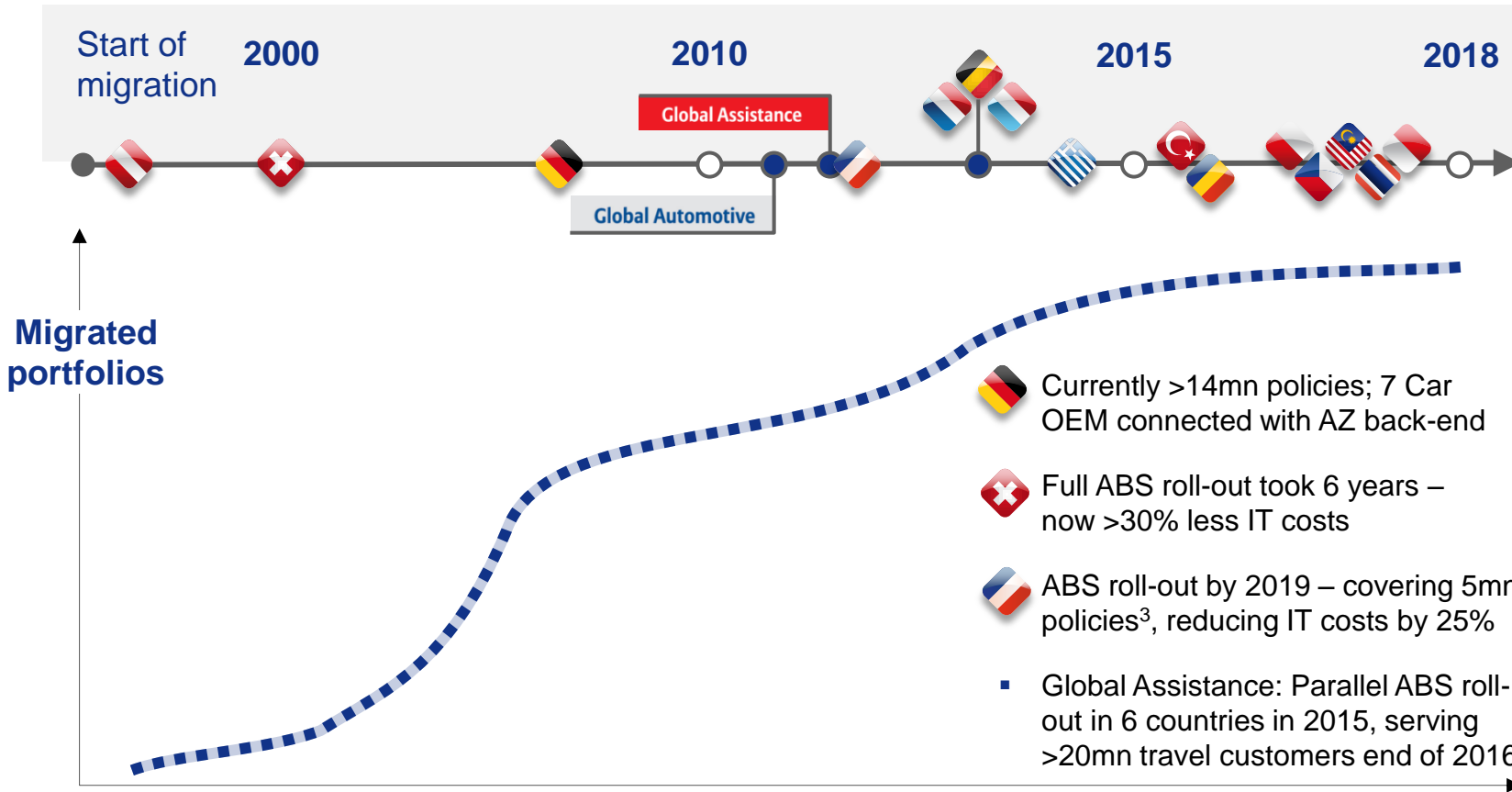
### Ambition 2018

- Increase our paperless/digital communication to > 50%
- Extend our digital offering of retail products to close to 100%
- Reinvest recurring productivity gains of EUR 1bn into our customer centric digital transformation

More details at  
Capital Markets  
Day mid 2016

# 2 | Leveraging our technology platforms for scale benefits

## Global platform roll-out<sup>1</sup>



➔ By 2018, ~70% of GWP and >20 OEs on global back-end<sup>2</sup> and common front-ends

1) ABS (Allianz Business System) roll-out in run or in implementation phase  
 2) ABS and EPAC combined  
 3) P/C only

# 2 | We are building scalable innovative assets



Information



Configuration



Cover



Service



Innovation



Allianz Now, Austria



Allianz 1, Italy



Privatschutz, Germany



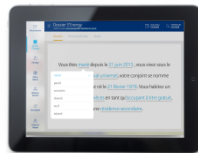
eCliente, Spain



Connected Telematics



Allianz Hilft, Germany



Agent Tablets, France



Allie, Italy



myHealth, AWC



Mobile & Digital Risk

# 2 | With our strong capabilities, we benefit from emerging revenue pools

- Connected car/telematics**

  - Eleven Allianz entities already involved in connected car ecosystems
- Banca@Digital**

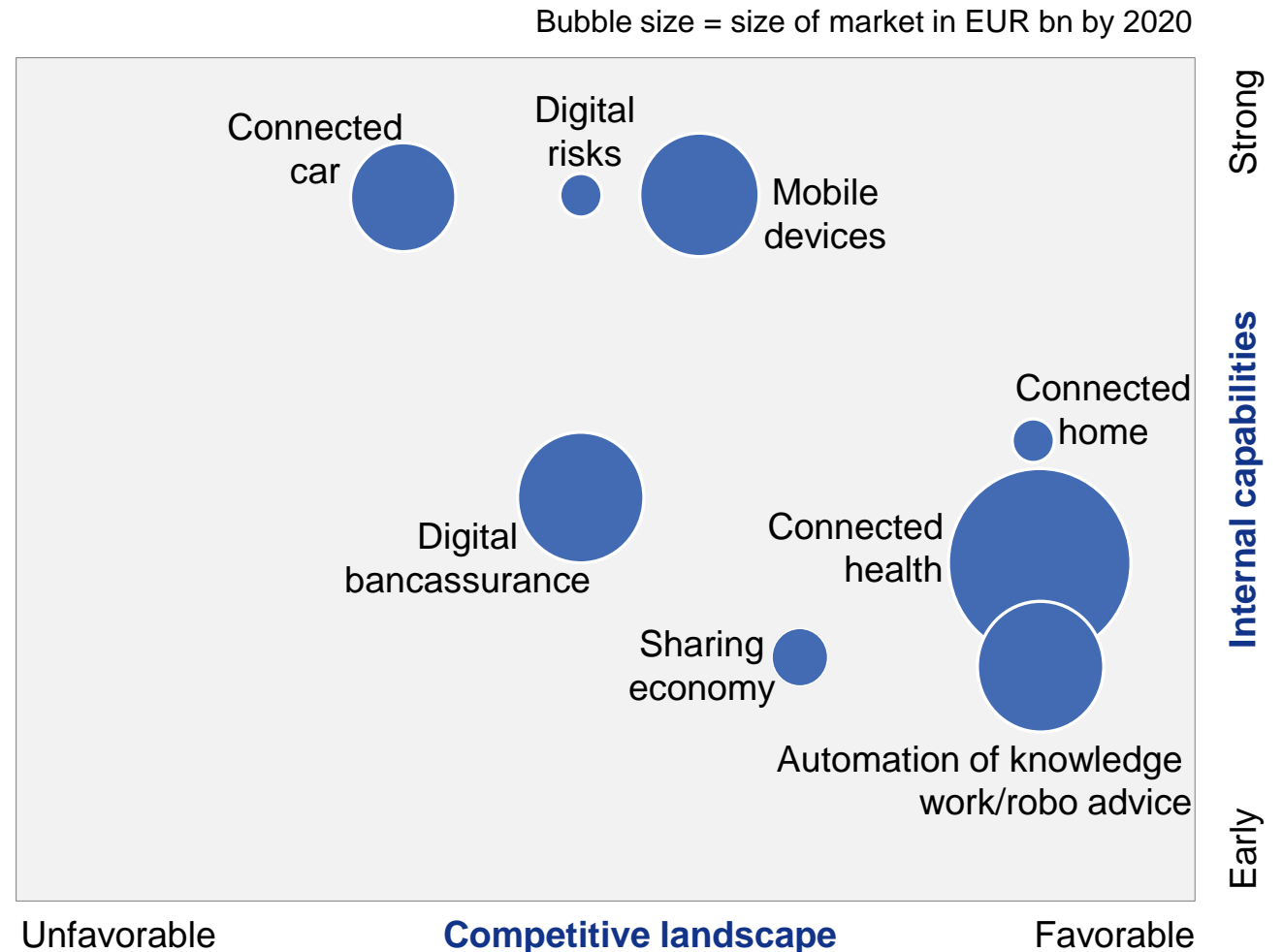
  - Cooperation with cooperative banks in Germany
- Mobile devices & digital risks**

  - Clare (mobile phone insurance) with new sales model in Germany
  - Initiative in India in 2016
- Connected home & health**

  - Allianz/Panasonic smart home
  - Allianz/Philips health program
- Sharing economy**

  - Major car sharing players already partnering with Allianz, e.g., Drivy, SnappCar, DriveNow
- Robo advice**

  - Pilot with AllianzGI



### 3 | Technical Excellence – P/C: create superior margins and growth through best talents and state-of-the-art skills

- Leverage **digital and big data** for better pricing, u/w & claims management through advanced analytics
- Foster **SME and mid-corp excellence** & growth
- Improve **broker productivity** and quality management, both at global and local level
- Attract and develop the **best technical talent** and push cross-functional collaboration (e.g., smart circle)



#### Ambition 2018

- CR ≤ 94%
- Highest satisfaction scores from intermediaries and clients for competence, service and integrity

Axel Theis  
to present more  
details today

# 3 | Pulling further levers for P/C Technical Excellence

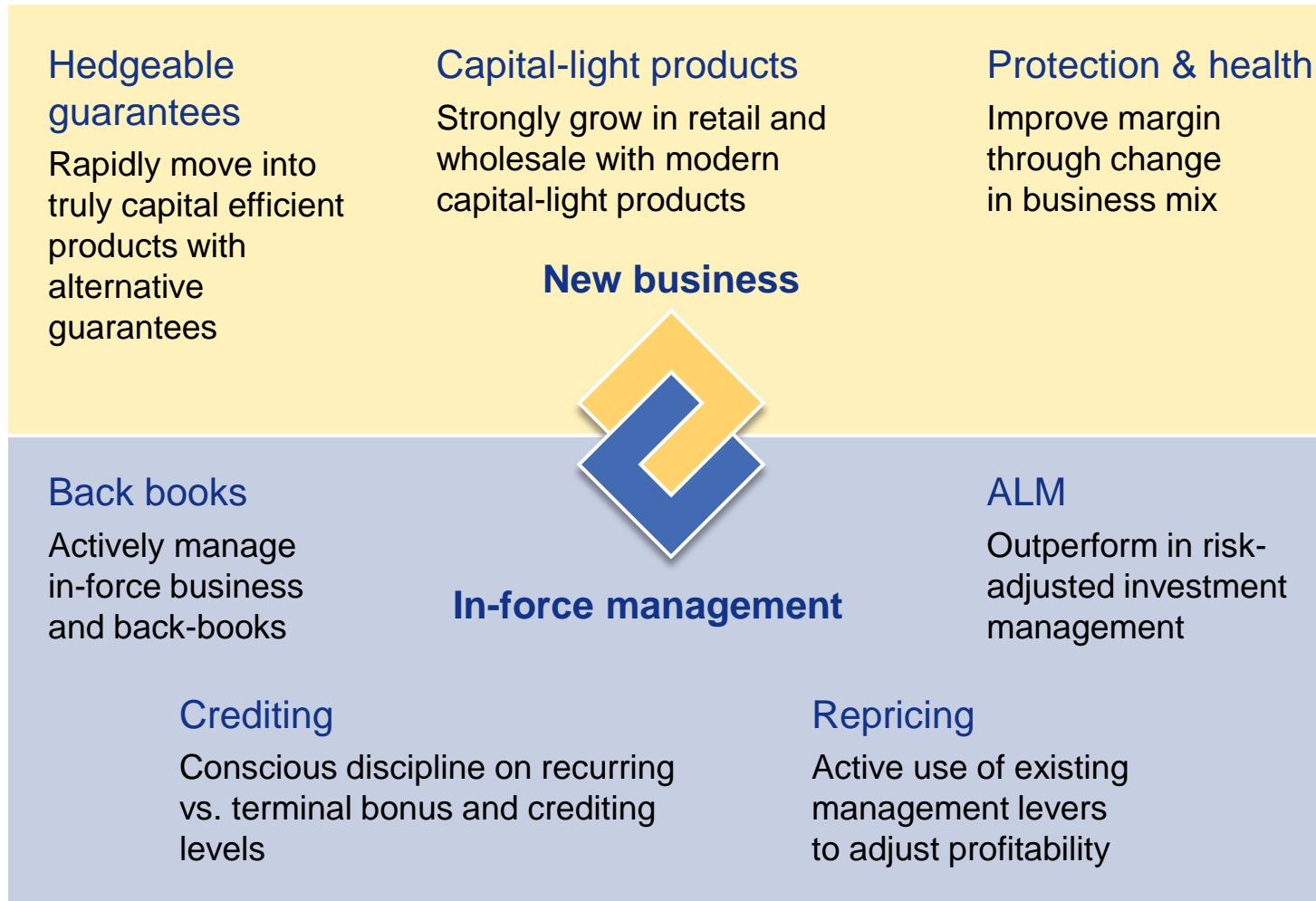
$\triangleq$  relevance

	Advanced risk & credit modeling	Micro-zoning, geo-localization	Price to market execution	Data based fraud management	“Real time” loss trend analytics
Retail					
SME					
Mid-corp					
Large-corp and specialties			done	(-)	
Sample applications	Sub-industry scoring	<ul style="list-style-type: none"> <li>▪ Superior event modeling</li> <li>▪ Accumulation control</li> </ul>	<ul style="list-style-type: none"> <li>▪ AP/TP<sup>1</sup> management</li> <li>▪ Retention/margin optimization</li> </ul>	Digital fraud detection tool <ul style="list-style-type: none"> <li>▪ Claims</li> <li>▪ Underwriting</li> </ul>	Reflects impact of technology and technical trends

1) Actual price/technical price



### 3 | Technical excellence – Life/Health: achieve superior margins through changing our new business mix and actively managing our in-force business



➔ **Ambition 2018**

- Increase NBM from 1.9%<sup>1</sup> to  $\geq 3\%$
- Each OE  $\geq 10\%$  RoE
- Significant reduction of interest sensitivity and capital intensity
- Accelerate growth and value creation from capital efficient products as well as protection & health

**Maximilian Zimmerer**  
to present more details today

1) 12M 2014 based on year-end assumptions

# 4 | Systematically exploit sources of profitable growth across regions, business segments and channels

	P/C	L/H	AM	Services/health
Europe	<ul style="list-style-type: none"> <li>Consolidate for leadership and scale</li> <li>Regional platform in CEE</li> <li>Grow Direct</li> </ul>	<ul style="list-style-type: none"> <li>Focus on capital light products</li> <li>Develop Bancassurance partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Achieve synergies with Life</li> </ul>	<ul style="list-style-type: none"> <li>Expand footprint in services</li> <li>Bundle insurance products and assistance services</li> <li>Capture growth opportunities in Health</li> </ul>
US	<ul style="list-style-type: none"> <li>Focus on strong specialty positions</li> </ul>	<ul style="list-style-type: none"> <li>Expand in retirement opportunity</li> </ul>	<ul style="list-style-type: none"> <li>Grow alternatives, income</li> </ul>	
Asia-Pacific & LatAM/Africa	<ul style="list-style-type: none"> <li>Scale up disruptive digital models</li> <li>Build regional platforms &amp; partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Focus on capital-light products</li> <li>Develop new distribution partnerships</li> </ul>	<ul style="list-style-type: none"> <li>Scale up strong foundations (e.g., Greater China)</li> </ul>	
Global lines	<ul style="list-style-type: none"> <li>Reinforce strong collaboration to provide joint solutions</li> </ul>	<ul style="list-style-type: none"> <li>Roll-out global key product innovations</li> </ul>	<ul style="list-style-type: none"> <li>Leverage global AM expertise into local markets</li> </ul>	

**Ambition 2018**

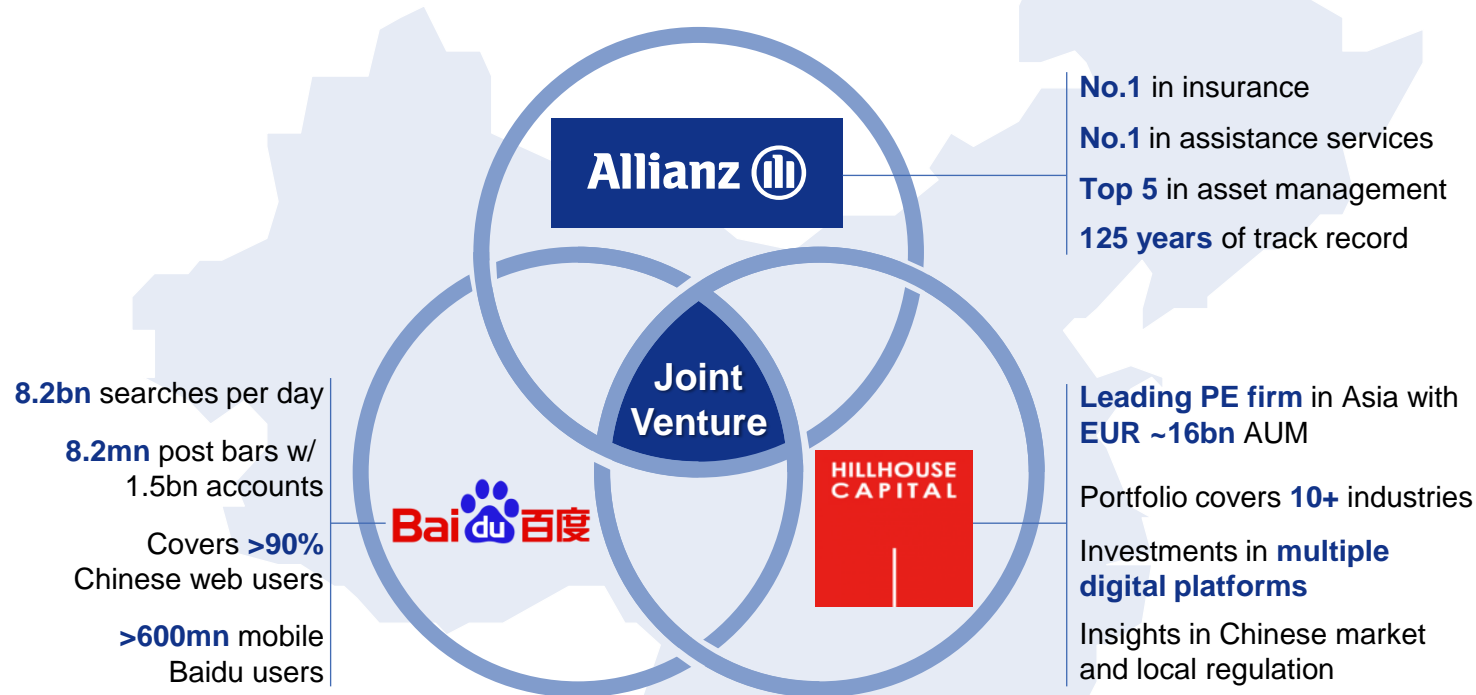
EPS CAGR 5%

# 4 | Allianz in Asia: New joint venture with Baidu and Hillhouse well positioned to capture opportunities in Chinese digital insurance market

Digital insurance in China is a large opportunity

**> EUR 100bn**  
Annual digital insurance GWP (2020)

**~ 40% CAGR**  
Projected growth for digital insurance in next 5 years



Access to >90% of China's internet users

- Application for nation-wide digital insurance license coverage
- Focus on P/C protection
- Insurance product innovation and modular architecture
- First-in-class insurance-related analytics (e.g., pricing, risk) and customer insights based on big data



**Ambition: Expansion of further partnerships in South-East Asia**

## 5 | Inclusive Meritocracy: reinforce a culture where both people and performance matter

### Leadership as a profession: local leaders must contribute to leveraging local and global scale

- Strengthen cultural foundation for the Renewal Agenda through **four common people attributes worldwide**: collaborative leadership, excellence with customers and markets, entrepreneurship, “being most trusted” (integrity!)
- Introduce “**people letter**” to systematically integrate cultural change into performance management, equally weighting “what” & “how”
- Scale up **leadership standards** and **skill building** along the value chain – eliminate silo-thinking, enforce customer centricity and entrepreneurship
- Bring **top leaders** from our strongest businesses into the center while bringing functional experts from the Holding into the markets, strengthen cultural diversity



### Ambition 2018

- Full implementation of new leadership incentive model
- Further improve IMIX<sup>1</sup> from 68% to 72%
- Establish at least two women per local Management Board (flagships<sup>2</sup>); min. of 40% women in all talent pools
- Increase cultural diversity in senior management

1) The Inclusive Meritocracy Index (IMIX) measures the progress of the organization on its way towards incorporating our renewed leadership principles as observed in AES

2) Germany, Italy, France, Switzerland, Austria, Benelux, Turkey, Spain, UK, US, Australia

# 5 | Reinforcing the motivation and productivity of our people

The Renewal Agenda implies significant change for our people

- Focus on **customer centricity**
- Embrace **digital opportunities**
- Higher **agility & flexibility**
- Real **productivity gains** – continuously



We will support our staff systematically to master the journey

- **Strengthened internal communication:** clear, direct, consistent and modern
- **Frontline empowerment:** reduced layers and co-creation of services, processes and technology, esp. with client facing staff
- **Strategic workforce planning:** resource evolution to be transparent and detailed for midterm implementation
- **Investment in skills & motivation**

## Successful execution supported by three pillars

1

### New “horizontal” change process

- Mobilization of entire global senior leadership team
- Team at the top: each Board Member sponsor of one Renewal Agenda lever
- Solution development by “tribes” of CEOs and experts in agile process
- Intensive dialogues in multiple-stakeholder approach
- Outward orientation: market experts and practitioners in driving seat, focus on relentless benchmarking, beating competition – not plans

2

### Organizational model redesigned to capture benefits of skill and scale

- Push for strong convergence of business models and execution globally
  - Core skills
  - Products/services
  - Tools & technology
  - Leadership quality
- Aligned incentives: delivering Group value beyond local business requirement for career success
- People letter: “What” & “How” both as key steering component, full reflection of Renewal Agenda

3

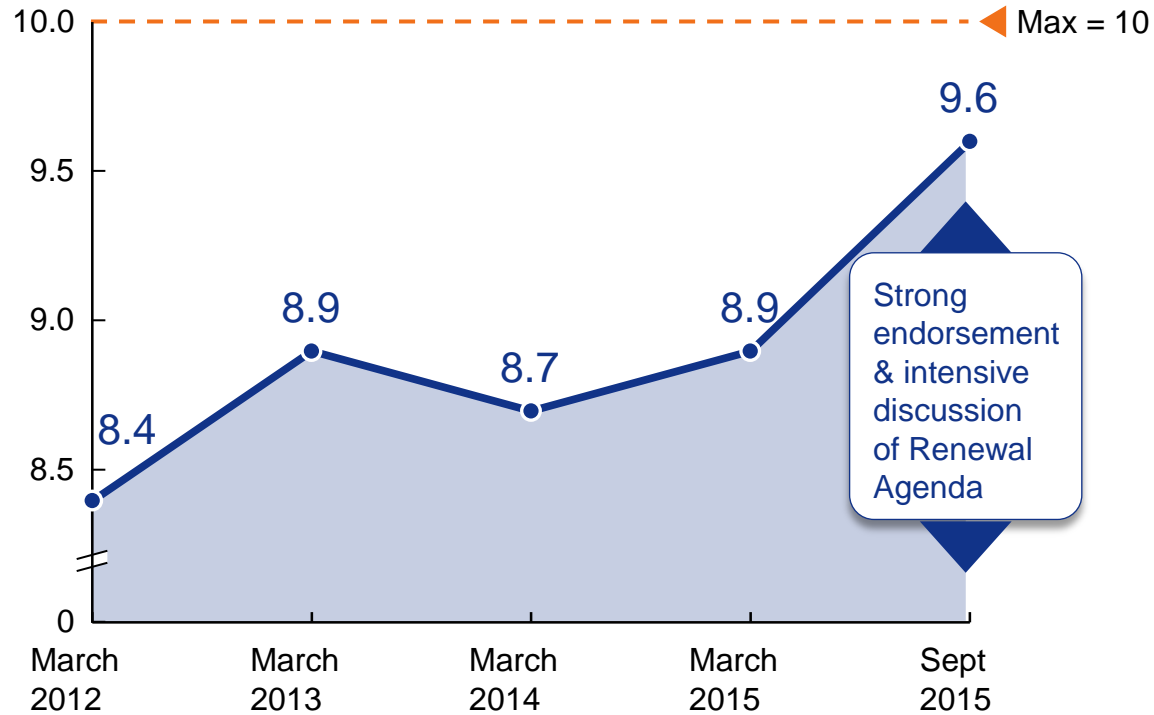
### Strengthen agility of corporate center

- Increase share of leaders with proven local business track record as Group Center heads
- Streamlining of Holding functions, focus on Renewal Agenda implementation
- Focus on customer and market success, not just controlling – incentives adjusted

# New “horizontal” change process mobilizing leaders and employees

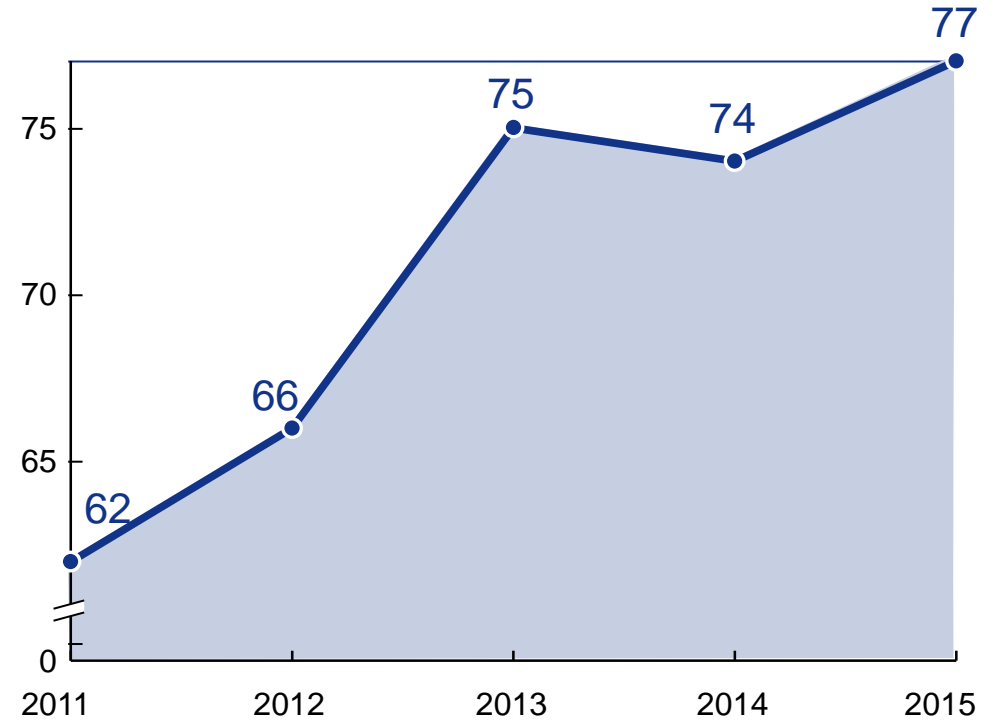
## Evaluation of Allianz global executive event

(Top ~250 managers, average, scale: 1=worst; 10=best)

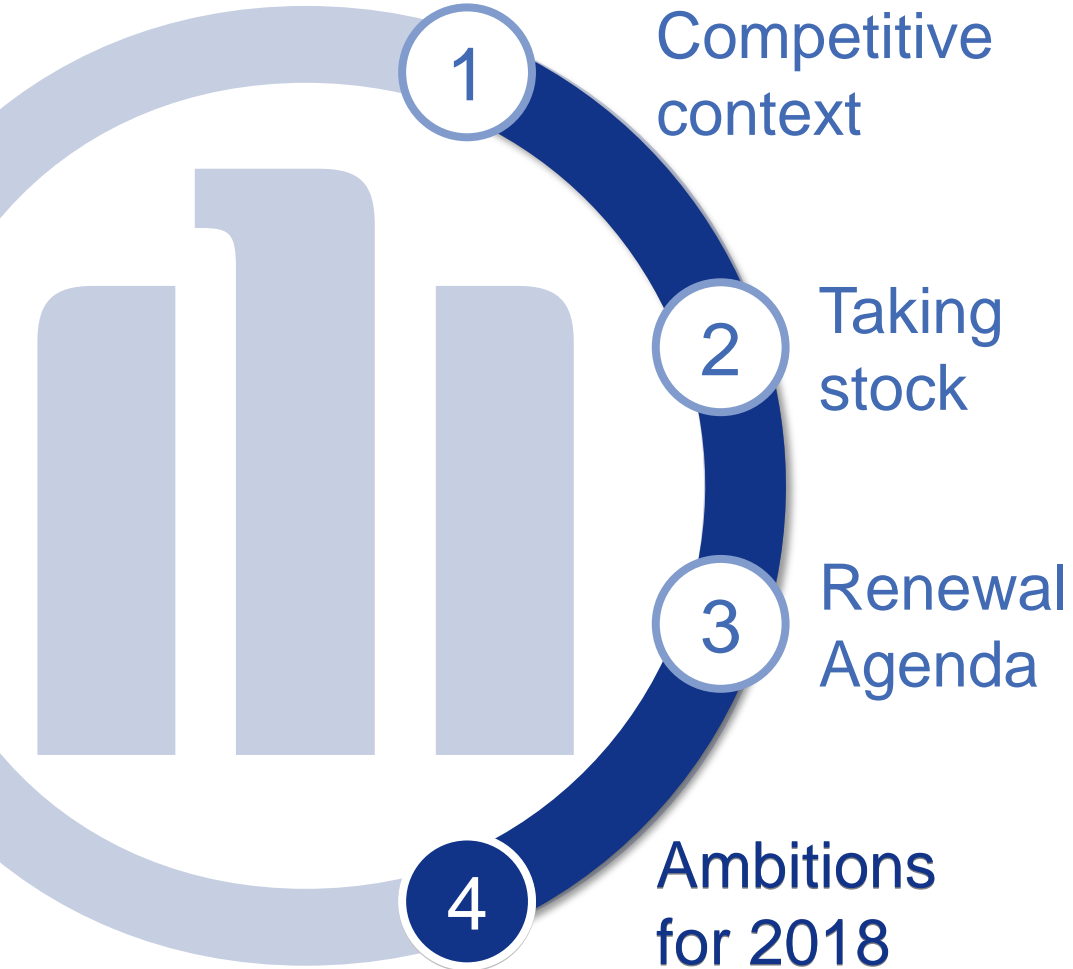


## Stronger strategy focus

AES: strategic orientation (Allianz SE), in %



## Disciplined thought, disciplined action



Renewal Agenda impact  
Achieving stronger performance & health



## Ambitious and balanced aspirations for 2018 (in %)



1) Excluding unrealized gains/losses on bonds

# Our Renewal Agenda will reinforce Allianz leadership position



<p><b>Content</b></p>	<p><b>True Customer Centricity</b></p> <ul style="list-style-type: none"> <li>▪ Superior customer experience</li> <li>▪ 75% of our businesses aim to be Loyalty Leader or above market</li> </ul>	<p><b>Digital by Default</b></p> <ul style="list-style-type: none"> <li>▪ Expand our common group platforms</li> <li>▪ Achieve productivity gains to finance our digital transformation</li> </ul>	<p><b>Technical Excellence</b></p> <ul style="list-style-type: none"> <li>▪ Rigorous management of underperforming portfolios</li> <li>▪ In-force management and a strong move into capital-light products</li> </ul>	<p><b>Growth Engines</b></p> <ul style="list-style-type: none"> <li>▪ Consolidate leadership in mature markets</li> <li>▪ Reinforce our presence in growth markets</li> </ul>	<p><b>Inclusive Meritocracy</b></p> <ul style="list-style-type: none"> <li>▪ Reinforce a culture where people and performance matter</li> <li>▪ Strengthen leadership bench and employee engagement</li> </ul>
<p><b>Impact</b></p>	<ul style="list-style-type: none"> <li>▪ Accelerated customer retention, growth and margins</li> </ul>	<ul style="list-style-type: none"> <li>▪ Globalization of new digital products and processes</li> <li>▪ EUR 1bn of recurring productivity gains by 2018</li> </ul>	<ul style="list-style-type: none"> <li>▪ Ambitious financial targets:                     <ul style="list-style-type: none"> <li>- P/C CR <math>\leq</math> 94%</li> <li>- L/H RoE <math>\geq</math> 10% for each OE;</li> <li>NBM <math>\geq</math> 3%</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ Improve margins and scale</li> <li>▪ Fortify growth</li> <li>▪ Secure our future potential</li> </ul>	<ul style="list-style-type: none"> <li>▪ Faster, more successful change execution</li> </ul>

## Today's presentations

True Customer  
Centricity

Sergio Balbinot

PIMCO update

Douglas Hodge

Technical  
Excellence  
in P/C

Axel Theis

Life business  
in low yield  
environment

Maximilian Zimmerer

Value creation

Dieter Wemmer



Digital by  
Default

*Key topic at  
CMD mid 2016*

# True Customer Centricity

Sergio Balbinot

Member of the Board of Management  
Allianz SE

Munich, November 24, 2015

# B

True Customer Centricity (TCC) means ...

**...to delight our customers by delivering  
superior value  
with an excellent and caring  
customer experience.**

How will the customer experience at Allianz look like?

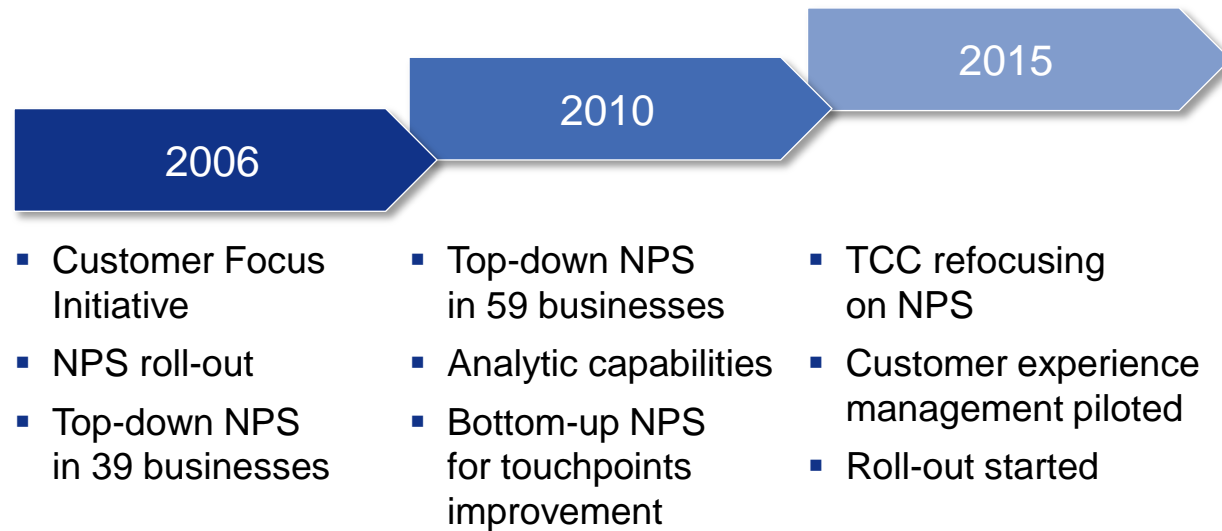
Easy & convenient

Relevant

Trustworthy

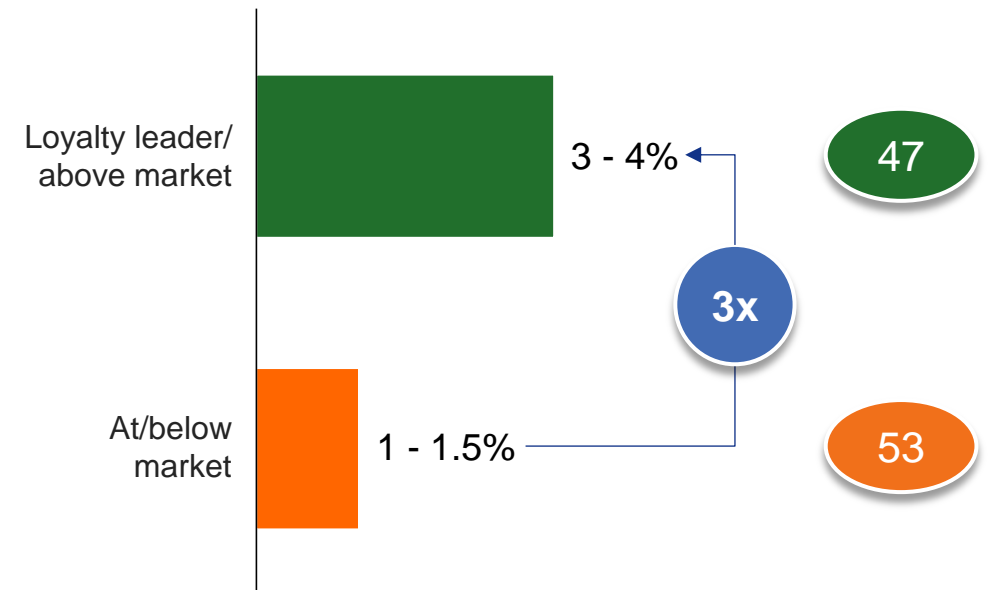
# Net Promoter Score (NPS<sup>1</sup>) is our core measure for customer centricity

NPS is broadly established in Allianz and we see correlation of NPS performance to growth



Customer growth  
(yoy, straight avg. of OEs by category)

% of businesses<sup>2</sup>  
(2014)



1) NPS is based on the question: on a scale 0-10, how likely is it that you would recommend our company to a friend or colleague?  
To calculate the NPS we deduct the detractors (scale 0-6) from the promoters (scale 9 and 10)

2) Excluding Global Lines, Russia, USA P/C

## We learned from our successful entities

From ... 

NPS as **occasional** target with low bonus relevance

**Touchpoint** focus and **process** improvement

**Complex**, paper based products

**Sales** focus

**Incremental** change

**Local** solutions and fragmented brands

... to

- 1 NPS as **broadly established** target with economic impact and **bonus relevance**
- 2 Customer **journey** focus and **culture** transformation
- 3 Modular, **digital** products
- 4 Customer **needs** focus
- 5 Reengineered **business models** with fully embedded assistance services
- 6 **Global** scale up under strong Allianz brand



# 1 NPS as broadly established target with economic impact and bonus relevance

Operating entities: plans on implementing True Customer Centricity & NPS development

4 > Renewal Agenda > TCC  
– True Customer Centricity

4 > Renewal Agenda > TCC  
– True Customer Centricity

4 > Renewal Agenda > TCC  
OE A – True Customer Centricity

Overall ambition level and KPI for True Customer Centricity

Key initiatives 2016

Customer Count

2018 est. 2020 est.

CAGR 6.7%

Market leader

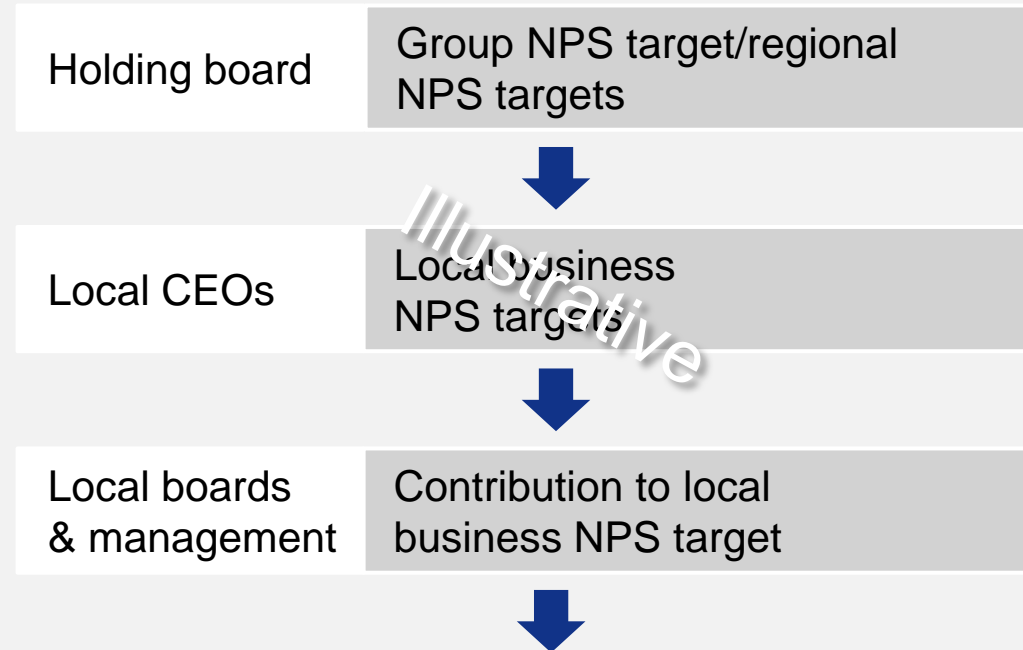
Market leader

#3 (below average)

#2 (above average)

Illustrative

Mid-term bonus letters: OE plans anchored in individual target letters and cascaded down

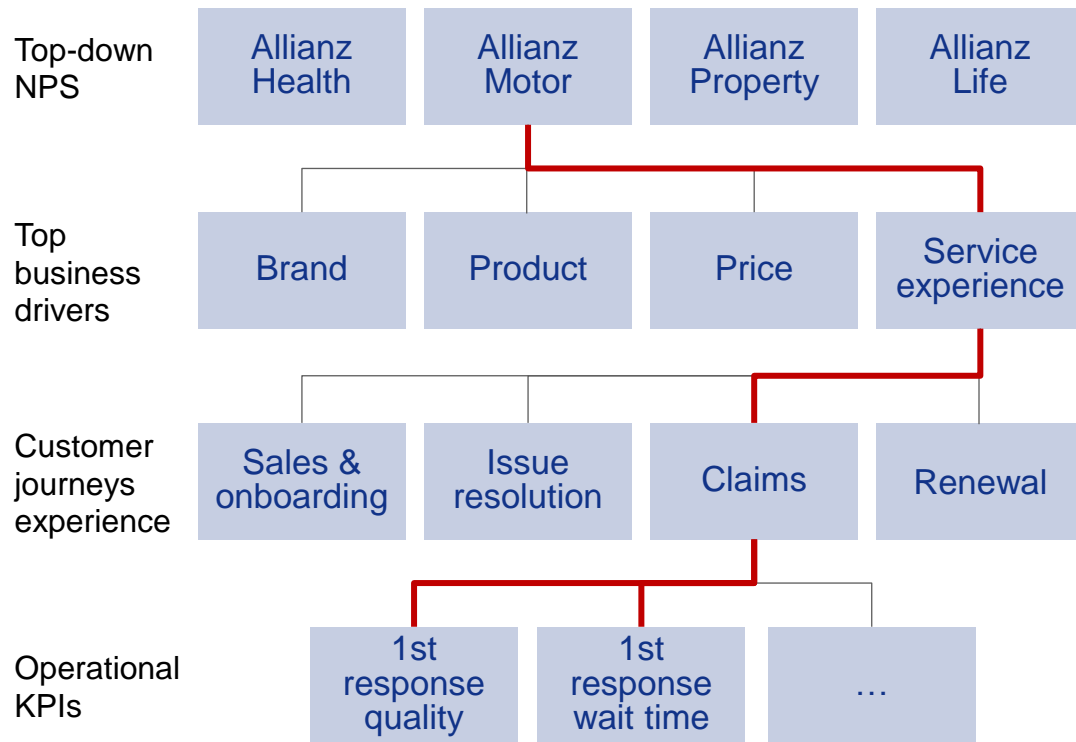


*Further cascading via annual target letters*

## 2 Customer experience (CX) management improves customer satisfaction along customer journeys - not just individual touchpoints

### Understanding NPS drivers

#### Target CX measurement system



### Implementing customer centric solutions Example: motor MOD claims journey

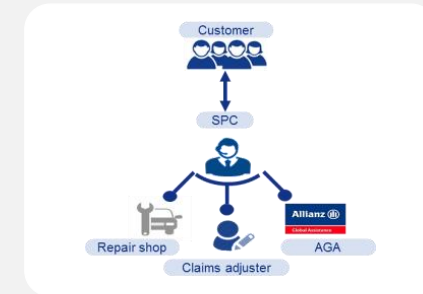


#### From ...

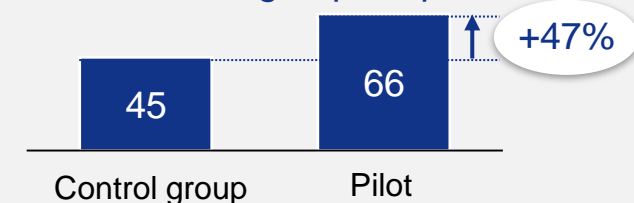
- Customers reaching out
- Multiple sources
- Inconsistent information

#### ... to

- Allianz proactively reaching out
- Single source
- Consistent information



### Bottom-up claims NPS: control group vs. pilot



## 2 Scaling up of customer experience management under way

After nine months: momentum established and solid foundation built



More than **33** out of **150 customer journeys** re-engineered end to end

Over **22mn** out of **82mn customer experiences** addressed

Over **400 improvement measures** developed and **50** already implemented

First improvements of **digital channels** and **phone** services already launched

### Example: P/C claims

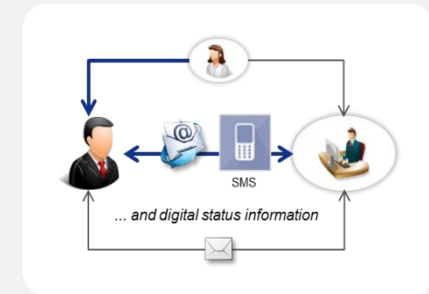
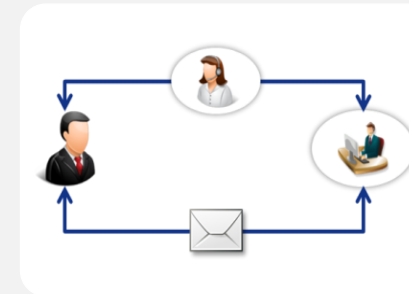


#### From ...

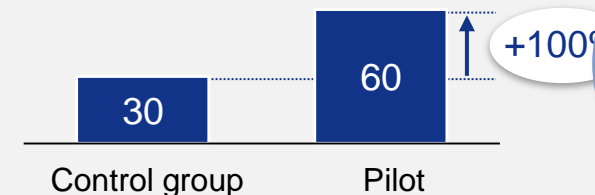
- Limited transparency on next steps
- Letter as primary channel
- Status inquiries via phone

#### ... to

- Expectation management e.g. SMS status info
- Phone as primary channel
- Explain decisions upfront via phone



### Bottom-up claims NPS: control group vs. pilot



**Outlook:** 2 journeys optimized per OE by 2016

### 3 Fast Quote solutions simplify the information and purchase process leading to better sales NPS and higher sales conversion

Easy, convenient and transparent solutions



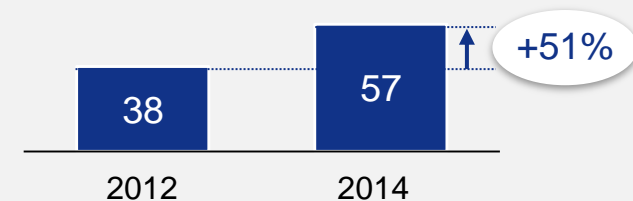
#### Highlights motor Fast Quote

- 2 basic customer data points only
- Max. 10 seconds to quote
- Conversion via agents

#### Impact 2015 YTD

- 1.5mn online quotes
- 500k convertible<sup>1</sup>
- 54k policies sold

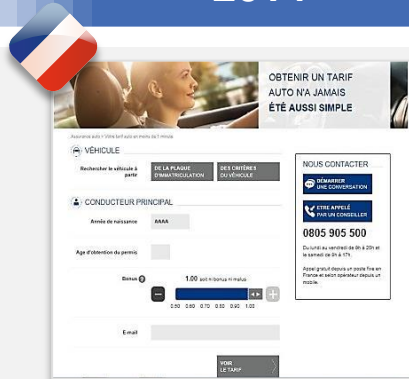
#### Bottom-up sales NPS motor Fast Quote 2012 vs. 2014



1) Existing policies expiring within 60 days

### 3 Fast Quote solutions are already deployed in 15 countries<sup>1</sup> and further roll-out is part of True Customer Centricity

2014

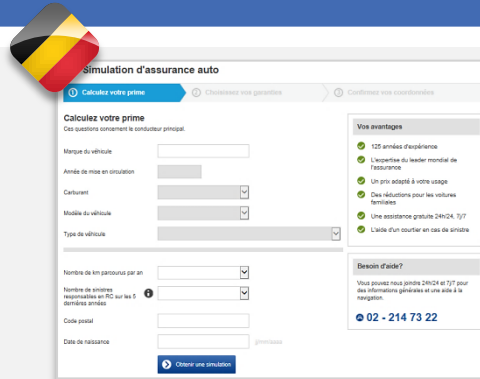


#### Motor, health, home

YTD 2015:

- 8mn visits on Fast Quote
- 54k online-initiated new business policies
- 9.7% of new motor business originated online
- By end of 2015 Fast Quote available for four Allianz branded products<sup>2</sup>

2015



#### Pilot of Fast Quote in a broker market (motor)

Pilot results:

- 3 times higher conversion vs. standard quote used on aggregators
- Cross-selling ratio 33%

2016 – 2018

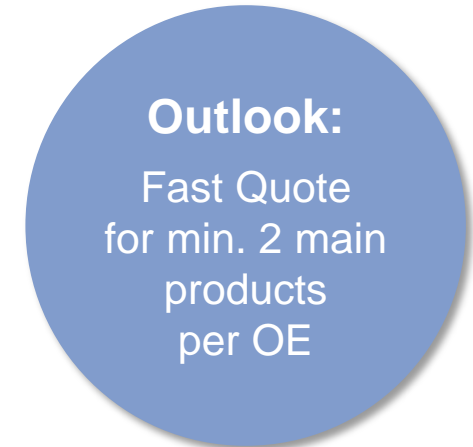


#### Latest launch testing customer centric design

“I am \_ years old, my car was built in\_, has \_ horse power and is registered under \_”

After three months:

- 450k visits on Fast Quote
- 148k quotes
- 1.9k leads to agents
- 750 policies sold



1) Fast Quote solutions already implemented in Italy, France, Germany, Hungary, Czech Republic, Australia, Taiwan, South Korea, Poland, Croatia, Slovakia, Turkey, Netherlands, Belgium, Austria  
 2) On top two Fast Quote products available via Allsecur



# 4 The next evolution will be Fast Quote combined with modular offers

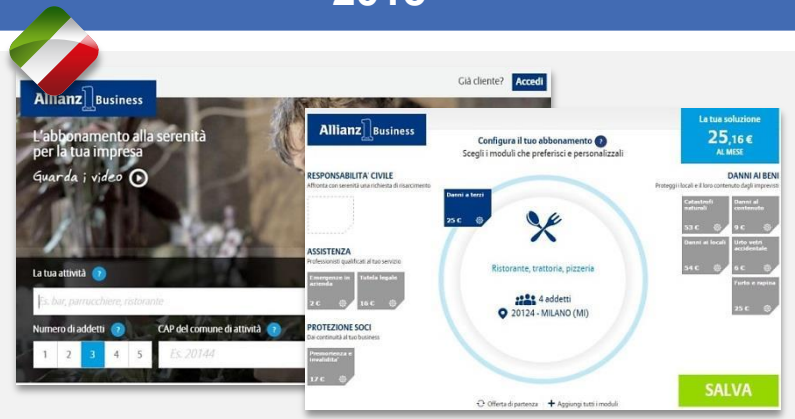


## Protect your family

- Three basic customer data points only
- Max. 30 seconds to quote
- 13 cross-LoB modules available

### Impact 2015 YTD

- 1.1mn quotes
- 26k units sold
- 60% of Allianz1 new business originated online
- Bottom-up NPS: 55%



## Protect your business

- Launched in November
- Three basic customer data points only
- Fast quotation in less than 10 seconds
- From 80 covers to 9 modules

**Outlook:**  
local adaptation of solution and pilot in 2-4 additional countries

Note: Allianz Germany also offers modular offer with immediate price indication (Privatschutz); modules cover household, accident, liability, legal protection and residential building insurance

# 5 Allianz global service entities as differentiator, creating value for customers



**Assistance market leader**  
EUR 2.65bn turnover

**Global presence**  
66 countries, 58 languages, 5,519 medical providers

**Helping 67mn people**  
3 calls per second + 1 case every 2 seconds

**B2B & partnerships**  
Car manufacturers insurers/banks, travel agents, etc.

**Outlook:**  
assistance services included for all major product lines by 2018

**Automobile**  
37%

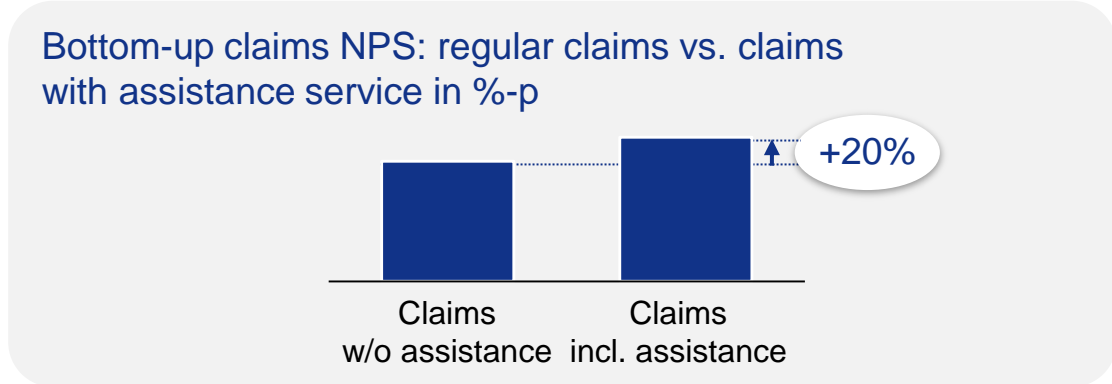
**Travel & leisure**  
43%

**Health**  
12%

**Home**  
8%

**Assistance included in insurance offer**

**Stand-alone assistance offers**



Note: data as per year end 2014

# 6 Allianz brand is a strong asset creating value but also impacting NPS ...

**2000:**  
36% of total revenues Allianz branded

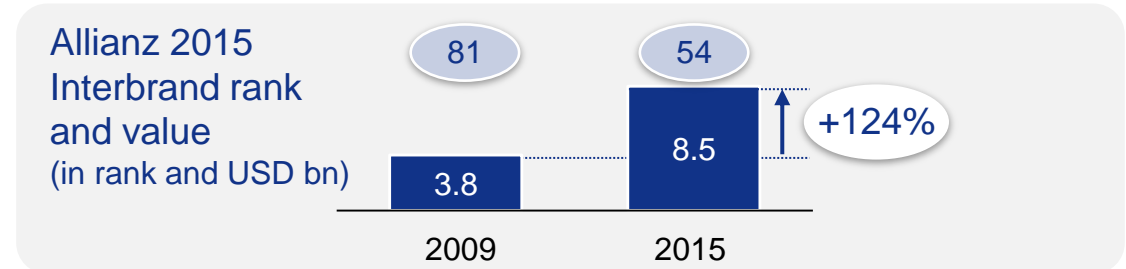


**2014:**  
83% of total revenues Allianz branded

## Allianz logo



**Outlook:**  
Repositioning of Allianz brand to boost brand perception and NPS



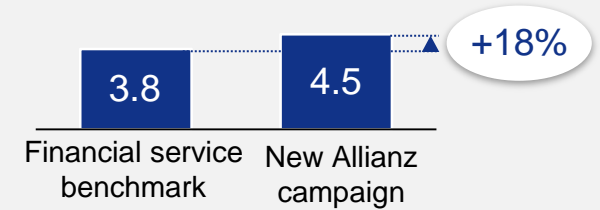


... and new positioning of brand will further boost impact



Local adaptation of “Dare to” concept (AZ Belgium):

Impact on sympathy (scores 1-5 with 1 low and 5 high sympathy)



# True Customer Centricity **ambition 2018**: step up NPS performance of each OE

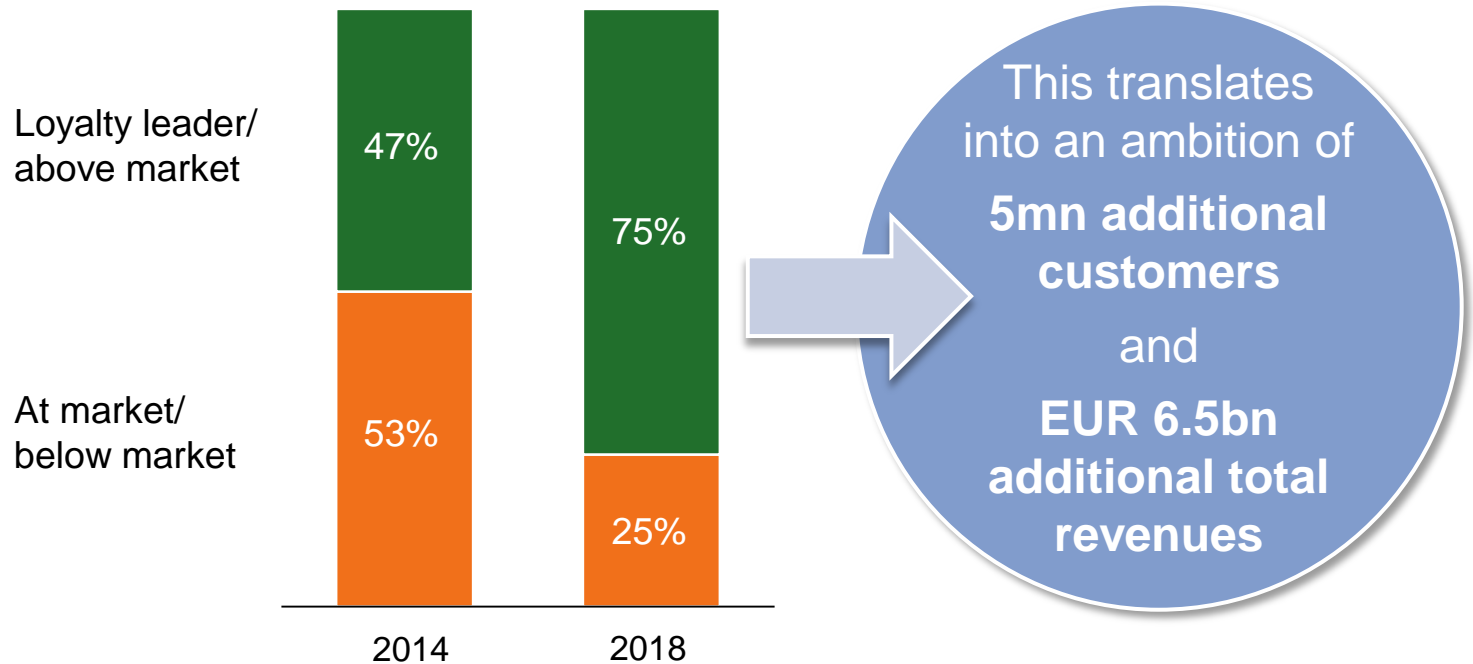
Stretching **each** OE's NPS level increases customer growth

## Ambition 2018

Step-change global **NPS** performance by 2018 with **75%** of our businesses **above market or at loyalty leadership** (+28%-p from 2014)

Our **flagships<sup>2</sup>** will improve even more (+35%-p from 2014). Business plans confirm that **80% of flagship businesses** will be **above market or at loyalty leadership** by 2018

In % of businesses<sup>1</sup>



1) Allianz branded business excluding Global Lines, Russia, USA P/C  
2) Germany, Italy, France, Switzerland, Austria, Benelux, UK, Turkey, Spain, USA, Australia

## Glossary

<b>NPS: Net Promoter Score</b>	Measurement of customer loyalty based on the question: “On a scale from 0 to 10, how likely is it that you would recommend our company to a friend or colleague?” $\text{NPS} = (\% \text{ of promoters}) - (\% \text{ of detractors})$ whereby promoters scored 9 or 10 and detractors scored 0 to 6
<b>Top-down Net Promoter Score</b>	Annual measurement on company level in comparison to competitors
<b>Bottom-up Net Promoter Score</b>	Measured directly after customer interaction at pre-defined touchpoints
<b>Businesses</b>	Operating entities at segment level (Life, Health, P/C), unweighted, excluding Global Lines, Russia and USA P/C for monoliners second level segment considered (e.g. UK personal, commercial)
<b>Fast Quote</b>	Initial price point given via any online medium for an offer that is calculated based on a limited number of customer data inputs. The number of data points requested is often significantly lower than for competitor offers (typically between 2 and 7) or quote can be obtained in less than 60 seconds

# PIMCO update

Douglas Hodge  
CEO PIMCO

Munich, November 24, 2015





- 1 PIMCO – a strong platform**
- 2 Strategic priorities**

# PIMCO at a glance

## Key data 3Q 2015

- Total AuM (EUR bn): 1,319
- 3rd party AuM (EUR bn): 985
- Operating profit 3Q 2015 (EUR mn): 500
- CIR: 58.6%
- 3 yr investment outperformance<sup>1</sup>: 77%
- Investment professionals: 750+

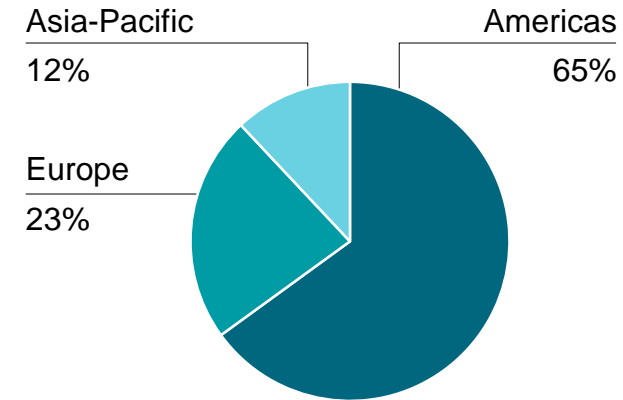
## Key characteristics

- Mission: “To preserve and enhance our clients’ assets with the highest-quality investment management service”
- Client interests always come first
- Focus on excellent risk-adjusted performance
- Seek to provide the highest quality client service in the industry
- Strong and truly global platform with performance and growth oriented culture
- Focus on active and smart-passive strategies

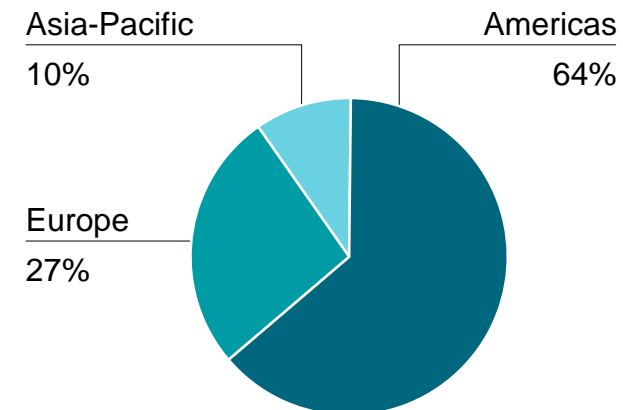
1) As of 31 October 2015

2) End of 3Q 2015

## Third-party AuM by region<sup>2</sup>



## Investment professionals by region<sup>2</sup>



# The global asset management market

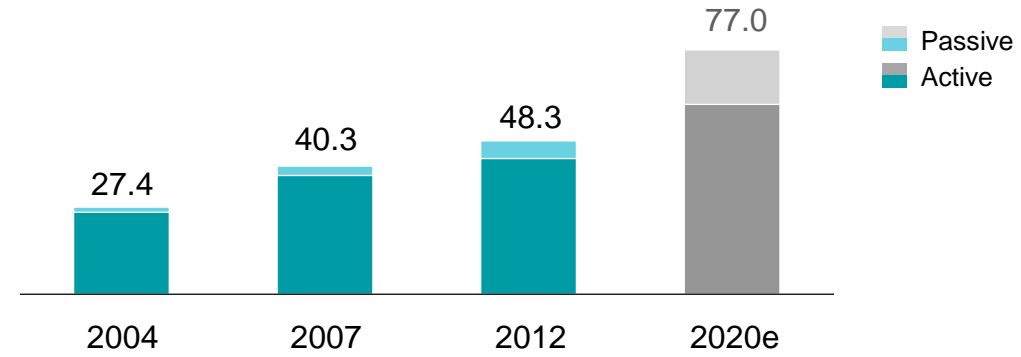
## Key industry data

- Global AuM expected to reach over EUR 75trn by 2020<sup>1</sup>

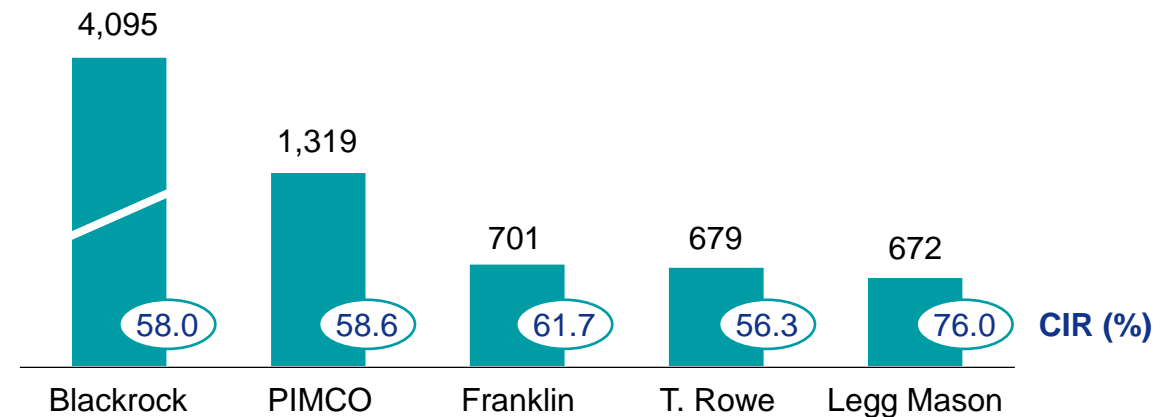
## Market and industry trends

- Growth primarily driven by individual retirement plans and increase of mass affluent and HNW individuals in emerging markets
- Rapidly growing pensioner and baby boomer numbers will continue to fuel demand for fixed income assets driven by their need for income and capital preservation
- Continued low interest rate environment fueling interest in higher-return seeking strategies
- Evolving client segments and needs
- Ongoing changes in distribution models
- Increasingly global business models
- Evolving digital capabilities
- Changes in regulatory landscape

Global AuM<sup>1</sup> (EUR trn)



AuM (EUR bn) and CIR (%) 2015<sup>2</sup>



1) Source: PWC; numbers FX adjusted using year end exchange rates (2012 year end USD/EUR exchange rate applied to 2020 estimates)

2) As of 3Q 2015; sources: company reports

# Governance structure has been fully institutionalized

## Business management



## Portfolio management

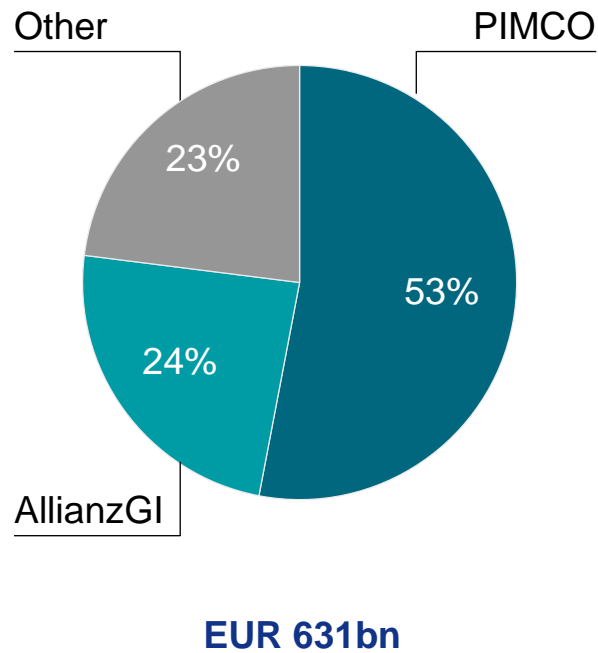
<b>24</b> years	Group CIO Dan Ivascyn	Morningstar 2013 Fixed-Income Fund Manager of the Year
<b>17</b> years	CIO – Global Fixed Income Andrew Balls	
<b>23</b> years	CIO – Global Credit Mark Kiesel	Morningstar 2012 Fixed-Income Fund Manager of the Year
<b>21</b> years	CIO – U.S. Core Strategies Scott Mather	
<b>28</b> years	CIO – Non-Traditional Strategies Marc Seidner	
<b>14</b> years	CIO – Real Return & Asset Allocation Mihir Worah	

Investment experience



# Allianz and PIMCO form a mutually beneficial partnership

Allianz: allocates majority of assets to PIMCO<sup>1</sup>

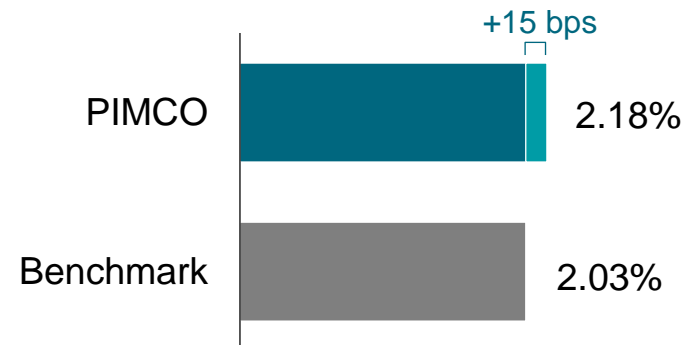


PIMCO: delivers superior investment return<sup>2</sup>

3 yr investment performance net of fees allocated to policyholders  
 Scope: German mandates, in total representing > EUR 200bn AuM<sup>3</sup>



Scope: Allianz Life U.S., in total representing > EUR 60bn AuM



1) Shares in AuM; as of end of 3Q 2015

2) As of end of 3Q 2015

3) Mandates referring to investments from Allianz Lebensversicherung, Allianz Pensionskasse, Deutsche Lebensversicherung, Allianz Private Krankenversicherung, AGCS, Allianz Versorgungskasse, Allianz Versicherung

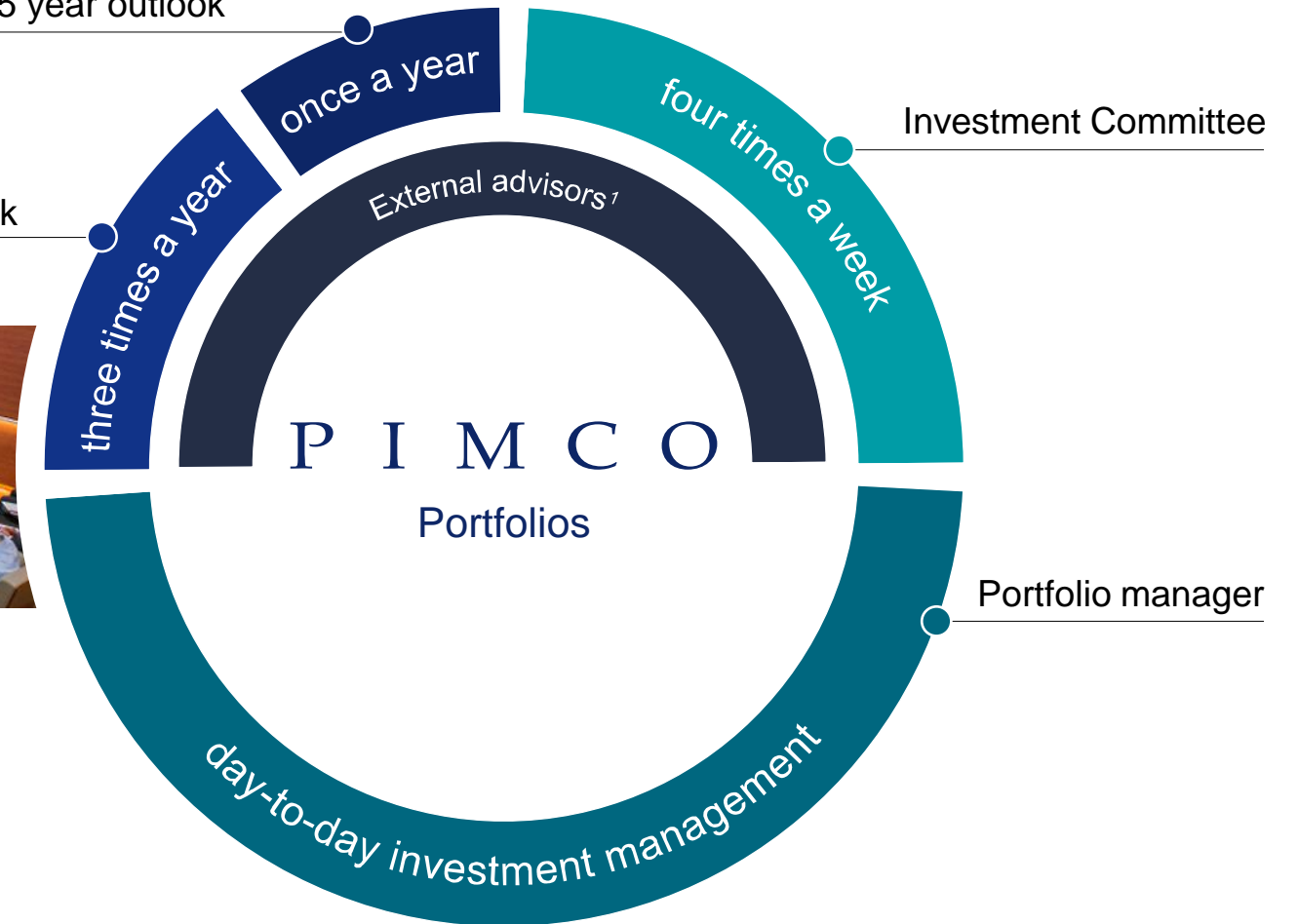
# Structured investment process



PIMCO Secular Forum 2015

Secular Forum: 3 to 5 year outlook

Cyclical Forum  
6 to 12 month outlook



1) External advisors include:

- Ben Bernanke, Senior Advisor; former Chairman of the Federal Reserve 2006 – 2014
- Gene Sperling, Global Economic Advisor; former Director of the National Economic Council and assistant to two Presidents for economic policy
- Michael Spence, consultant on macroeconomic and global policy issues; laureate of the 2001 Nobel Memorial Prize in economic sciences

## Excellent investment performance



Lipper Best-In-Class Fund Awards  
2013 & 2014



Lipper best fund over 3 and 5 year Award  
Income Fund, 2015



Lipper Best Group over 3 years Large Equity  
2010, 2011, 2012, 2013



Best Large F/I House Award  
Morningstar, 5 European countries  
and Singapore & Hong Kong, 2015



Morningstar F/I Manager of the Year  
Mark Kiesel, 2012

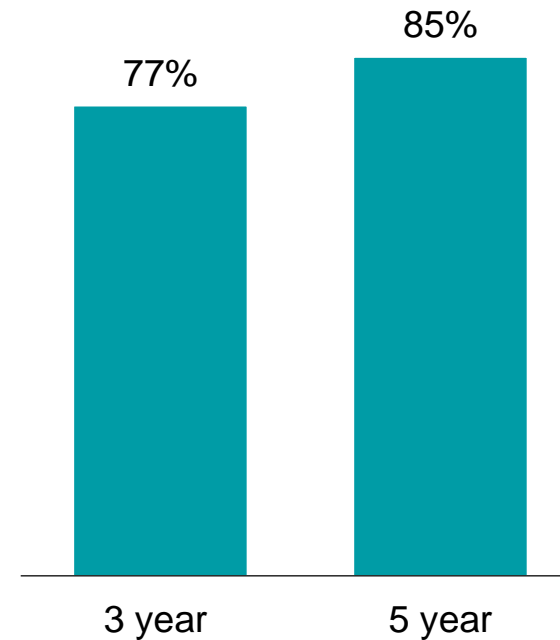


Morningstar F/I Manager of the Year  
Dan Ivascyn & Alfred Murata, 2013



Fund Manager of the Year  
Australian Morningstar Award  
Fixed Interest Category 2015

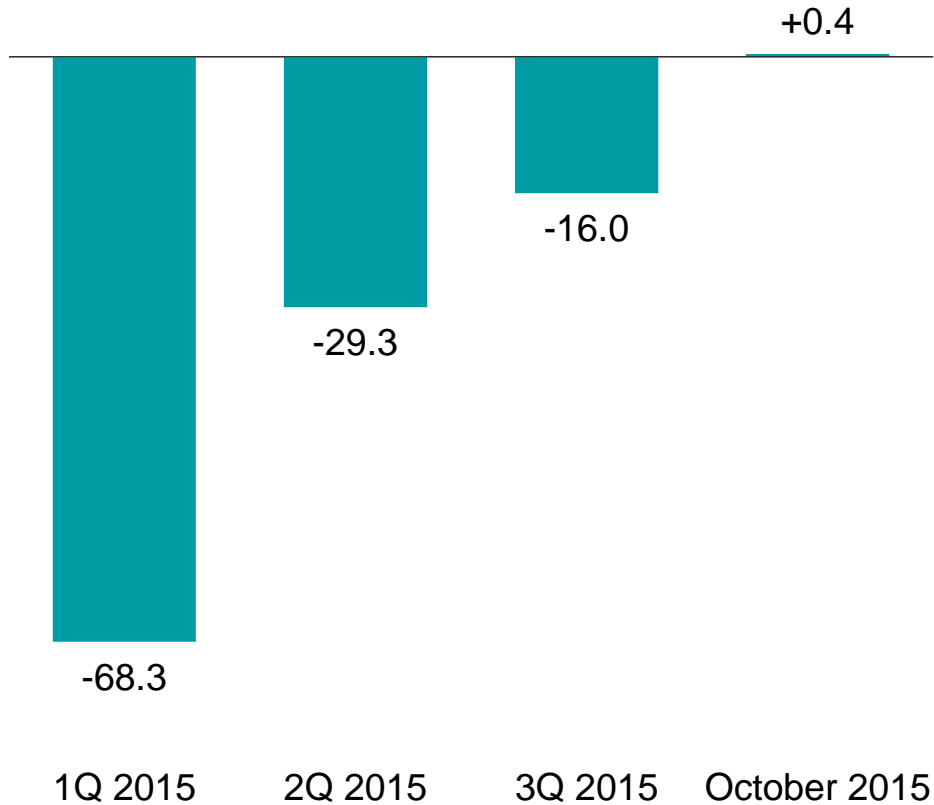
Investment outperformance through October 2015<sup>1</sup>



1) Preliminary figures as of 31 October 2015; percentage of 3rd party AuM beating its benchmark on a trailing 3 year / 5 year basis before fees

## Ongoing stabilization and substantial reduction in 3rd party net outflows ...

PIMCO 3rd party net flows (EUR bn)

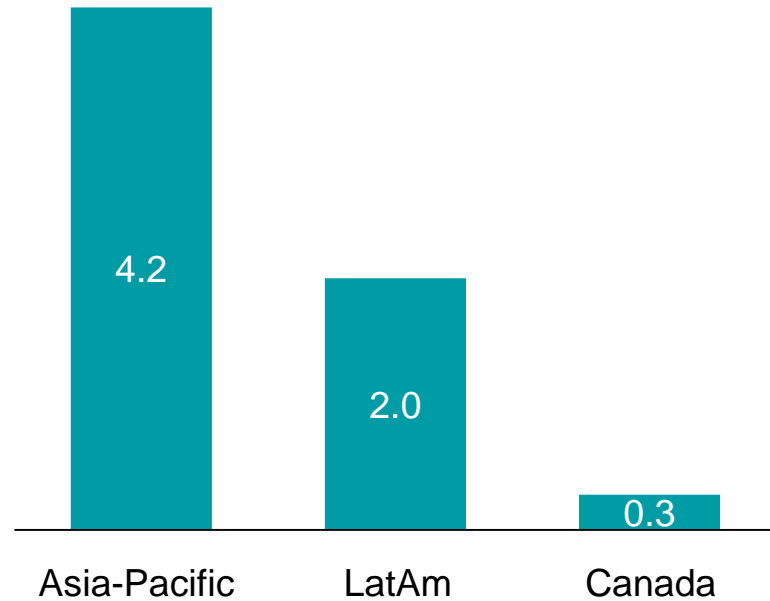


### Recent trends

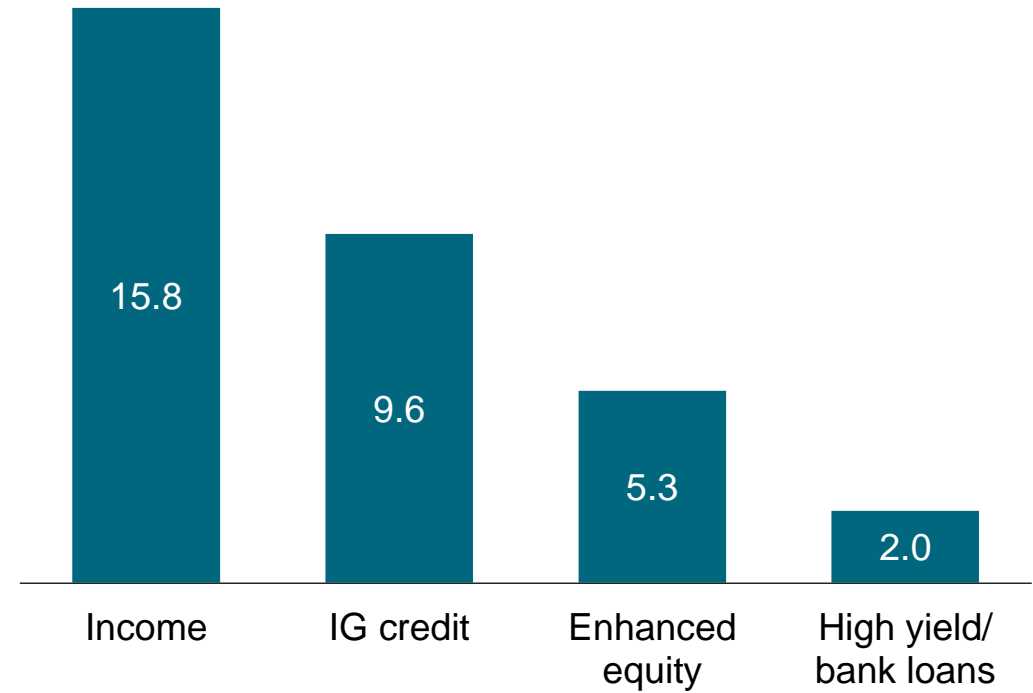
- Significant reduction of outflows over the last quarters, with 3Q 2015 posting the lowest quarterly outflows since taper tantrum in May 2013
- Outflows predominantly focused in the U.S. within traditional fixed income products
- Net inflows in October 2015 show further signs of stabilization
- 7 offices saw positive YTD flows including Asia-Pacific, Canada and Latin America businesses
- Income fund reached USD 51bn in AuM in October and posted 2nd highest YTD flows among its active U.S. peers

## ... with growth in key geographies and product categories

Top YTD net inflows by region<sup>1</sup>  
(USD bn)



Top YTD net inflows by strategy<sup>1</sup>  
(USD bn)

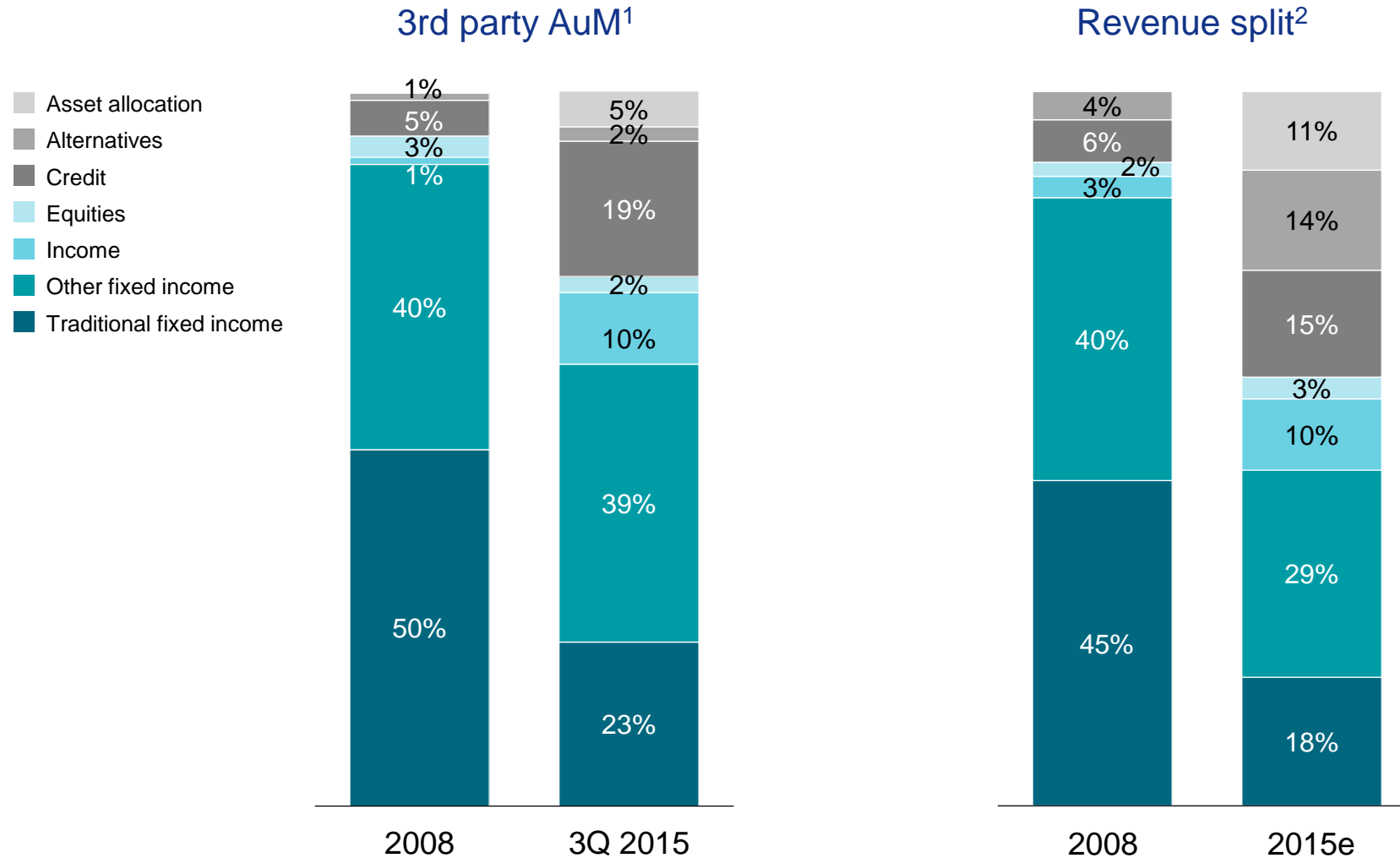


1) As of 31 October 2015; preliminary figures based on 3rd party net flows



- 1 PIMCO – a strong platform
- 2 **Strategic priorities**

# PIMCO's business is more diversified



1) As of 3Q 2015 based on 3rd party AuM; strategy classification might have changed over time  
 2) Based on 2015 year end estimates and total AuM; 2008 revenue split: asset allocation included in other fixed income

# Achieving growth by responding to client demand

## Income strategies

- Highly competitive performance
- Strong demand from clients seeking retirement income

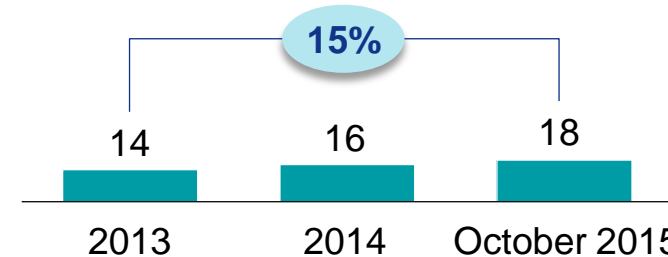
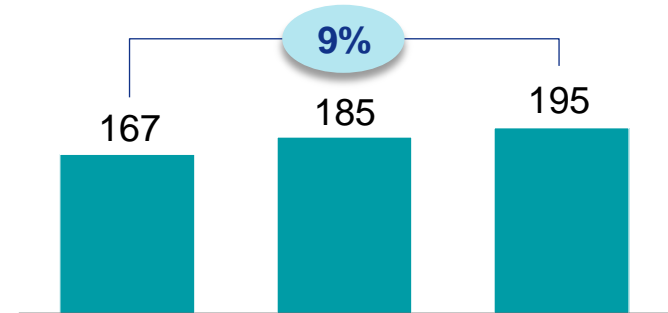
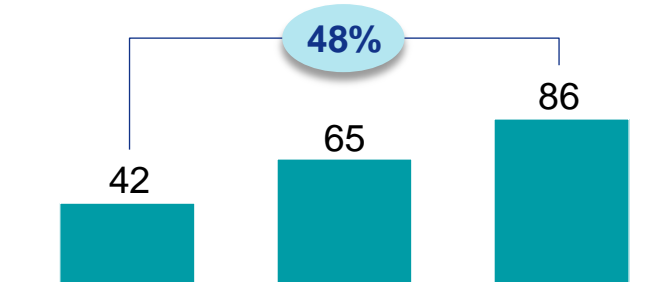
## Credit

- Strong interest in credit based strategies from clients seeking higher yielding strategies
- Broad set of global offerings covering investment grade credit, high yield, credit absolute return, bank loans and capital securities

## Alternatives

- Meet increasing investor demand for absolute return solutions
- Diversified product offerings include distressed credit, opportunistic real estate and hedge funds

AuM by strategy (EUR bn)<sup>1</sup>



CAGR

1) As of 31 October 2015; based on 3rd party AuM



## Attractive growth opportunities

Theme	PIMCO focus
Retirement demographics and generally low yields support secular demand for income-solutions	Income, credit
Extended period of low yields and elevated valuations drive continued interest in alternatives	Alternatives
Emerging middle class in developing countries and increasing importance of the individual investor in developed markets will lead to wealth management opportunities	Global distribution
Embedded advice and outcome-oriented strategies continue as themes for individual investors seeking simplification	Asset allocation / solutions
Desire to outperform traditional betas continues to fuel “smart beta” strategies	Enhanced equity

# Attractive growth opportunities – regional examples

## Canada

- Build upon strong momentum in Canadian market and launch dedicated products
- Continued investment in and support for retail and institutional client relationship coverage
- Position alternative strategies with institutional client base

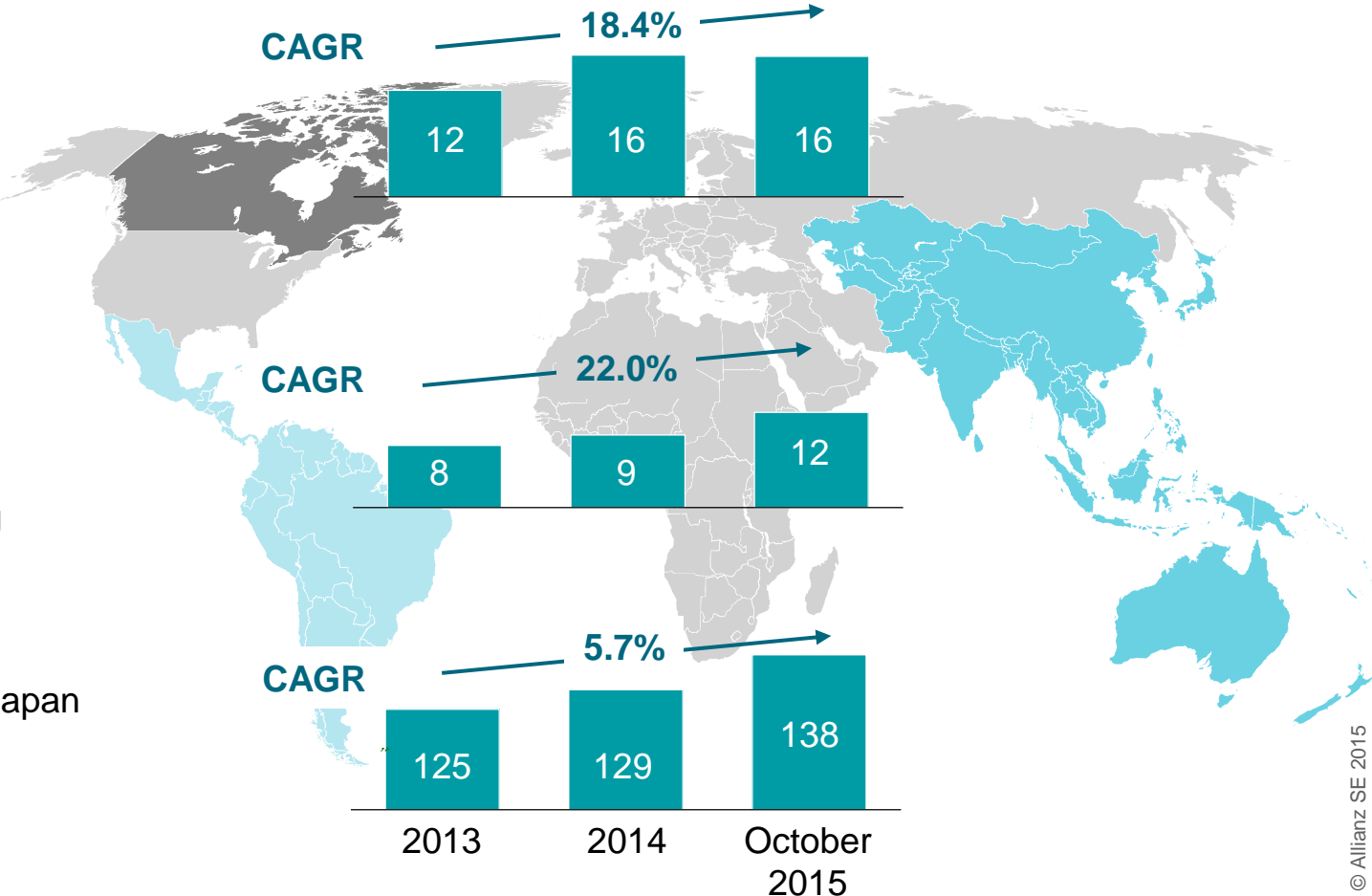
## Latin America

- Strengthen presence in Brazil and Miami to better service clients and increase business development
- Focus on official institutions, pension funds and family offices to expand institutional business
- Capture opportunities from ongoing de-regulation allowing institutions and individuals to invest abroad

## Asia-Pacific

- Increase coverage of private wealth channels in Asia ex-Japan
- Focus on transitioning Japanese investors from bank deposits to investment solutions
- Execute on China growth opportunity
- Position alternatives

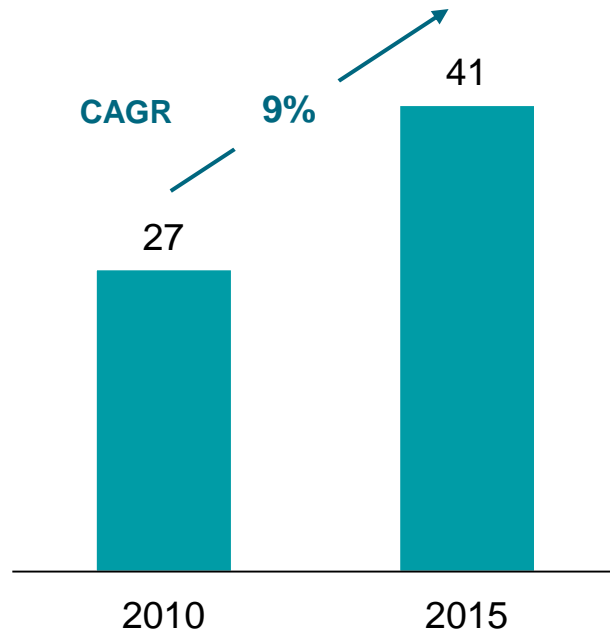
AuM per region (EUR bn)<sup>1</sup>



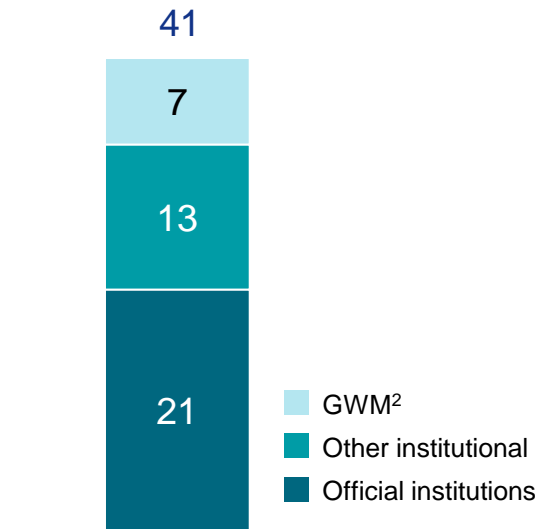
1) As of 31 October 2015, includes 3rd party and Allianz assets

# PIMCO: strong position in Asia to capitalize on secular growth opportunity

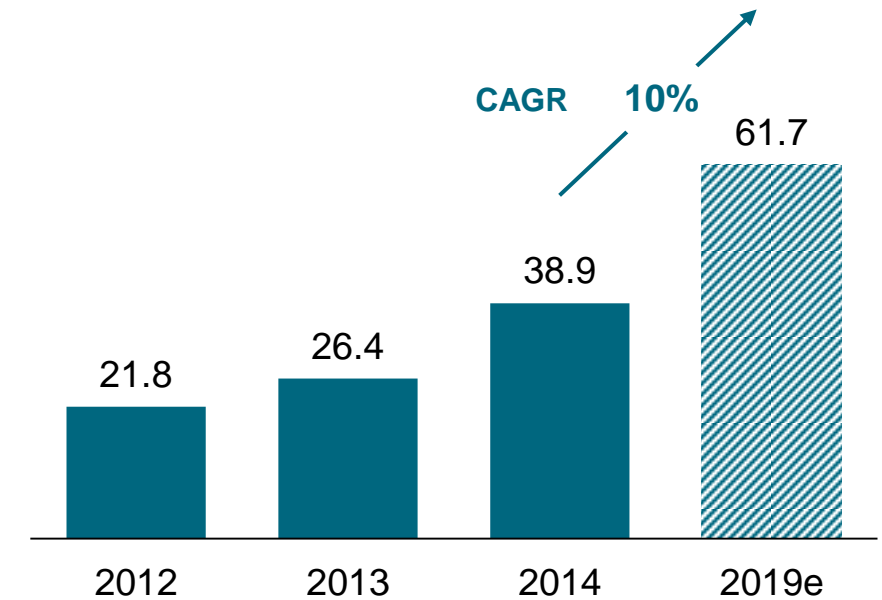
Historical Asia (ex-Japan)  
AuM growth<sup>1</sup>  
(EUR bn)



Current AuM snapshot  
(EUR bn)



Projection for Asia-Pacific  
(ex-Japan) private financial wealth<sup>3</sup>  
(EUR trn)



1) As of 31 December 2010 and 31 October 2015

2) GWM = global wealth management

3) Source: BCG; numbers FX adjusted using year end figures (2014 year end FX applied to 2019 estimates)

## Renewed focus and realignment of resources to enable growth



### Investing in enablers of growth ...

- Global distribution infrastructure
- Brand
- Culture and talent management



### ... and realigning resources to execute on opportunities

- Tilting resources towards
  - global markets
  - broadening set of investment solutions
  - serving the individual investor
- Executing on revised equity strategy
- Actively managing CIR

# The multi-year transition to a stronger firm and future



**It is not the strongest or the most intelligent who will survive, but those who can best manage change.**

*Charles Darwin*



# Technical Excellence in P/C

Axel Theis

Member of the Board of Management  
Allianz SE

Munich, November 24, 2015



## External changes require focus on P/C excellence

Environmental change and challenges for P/C business ...

Financial environment

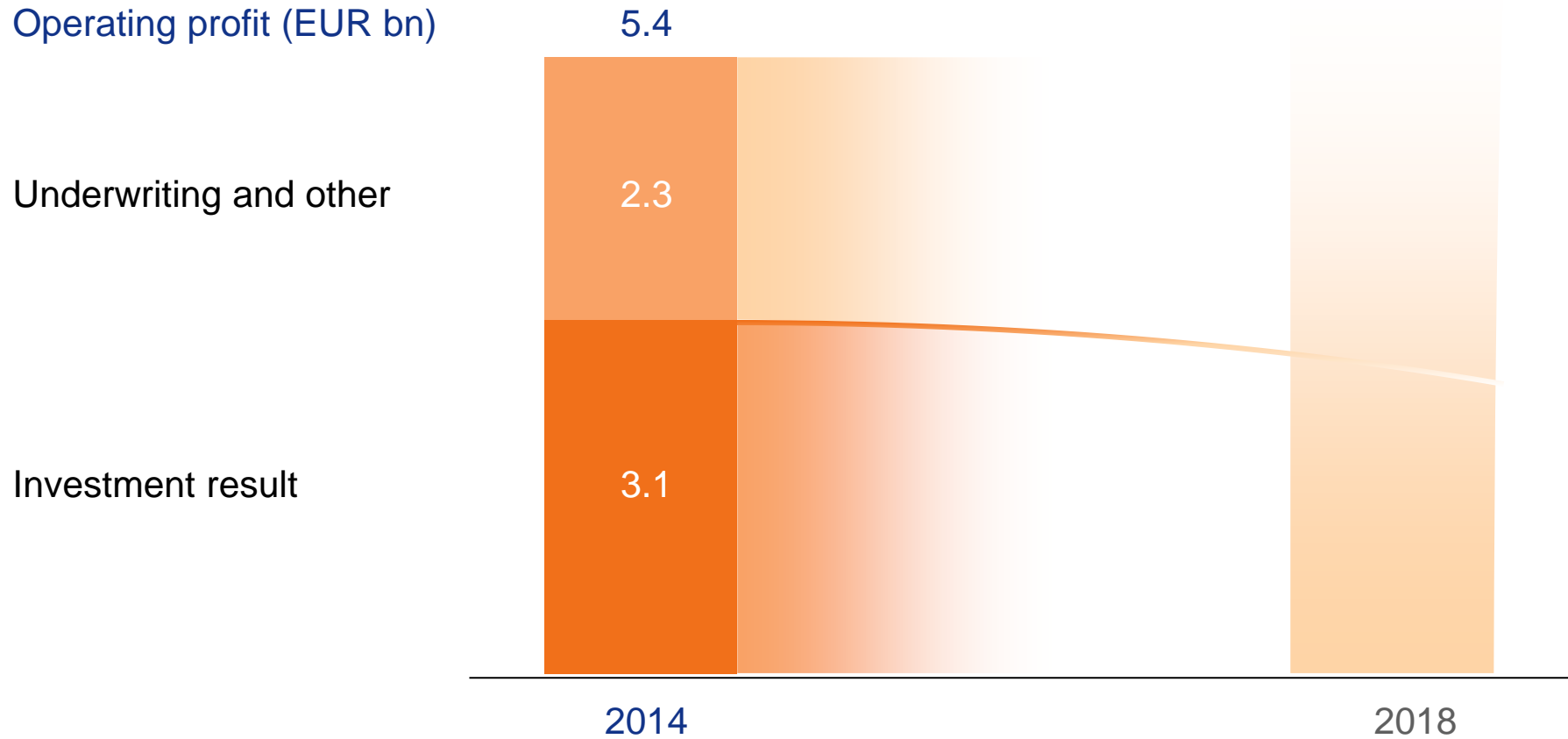
Customer behavior & technology

Underlying market shifts

... require Allianz to take actions to ...

- ... replace shrinking investment results by stronger u/w results
- ... expand other offerings (e.g. commercial book) to compensate for the shrinking motor book
- ... invest into the right technology and capabilities to improve u/w and pricing capabilities and customer experience

To keep our promise to shareholders, growth and underwriting result need to compensate for falling investment income in P/C<sup>1</sup>



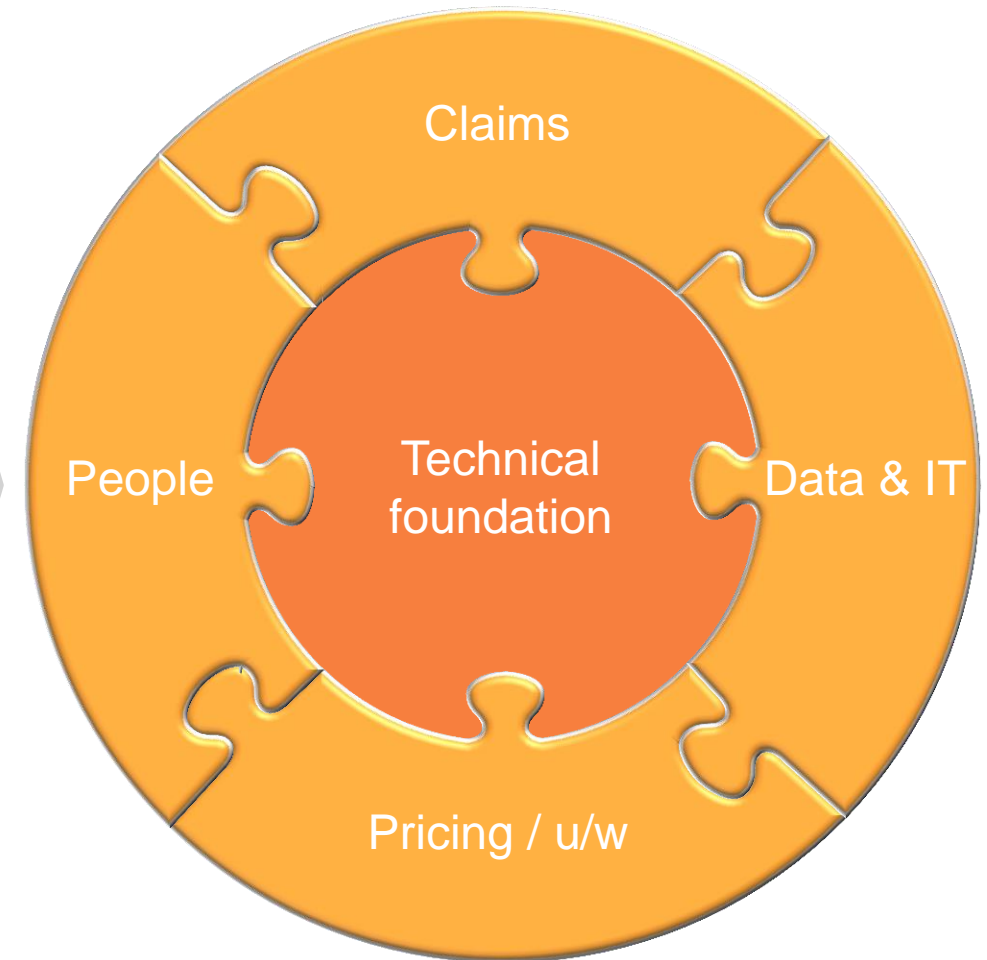
1) Illustrative only



## Technical Excellence as the guiding principle

What are the guiding principles of Technical Excellence in P/C?

- Growth and margin are equally important
- Good technical skills will support profitable growth
- Transparent and fact-based business decisions enable investments into defined growth areas, customer segments and distribution channels
- Customer needs are an integral part: account pricing, Fast Quote, use of external/proxy data etc.
- Technical Excellence is not a static view. Based on a clear economic perspective, we manage portfolios and customer accounts through the market cycle



# Technical Excellence in action in 2015

## Challenges in 2014

### Underperforming portfolios

- 52 underperforming portfolios identified in 2014
- These portfolios produced an u/w result of EUR -202mn

### Loss leaders

- FFIC: CR 120.0%
- LatAm: CR 116.1%, driven by Brazil performance
- Russia: CR 141.6%
- FFIC, Russia and Brazil: combined operating loss of EUR -524mn

### Pressure on motor portfolios

- Increasing pressure is seen on motor pricing in several markets
- UK and Ireland motor markets impacted significantly by the market dynamics

## Actions in 2015

- Discontinuation of unprofitable products
- Portfolio cleansing
- Introduction of new products
- Claims process optimization

- FFIC integration: significant progress made in 2015
- Russia: repositioning with a clear and targeted focus on corporate P/C and employee benefit solutions
- Brazil: developed a holistic Technical Excellence action plan to achieve profitability in motor retail

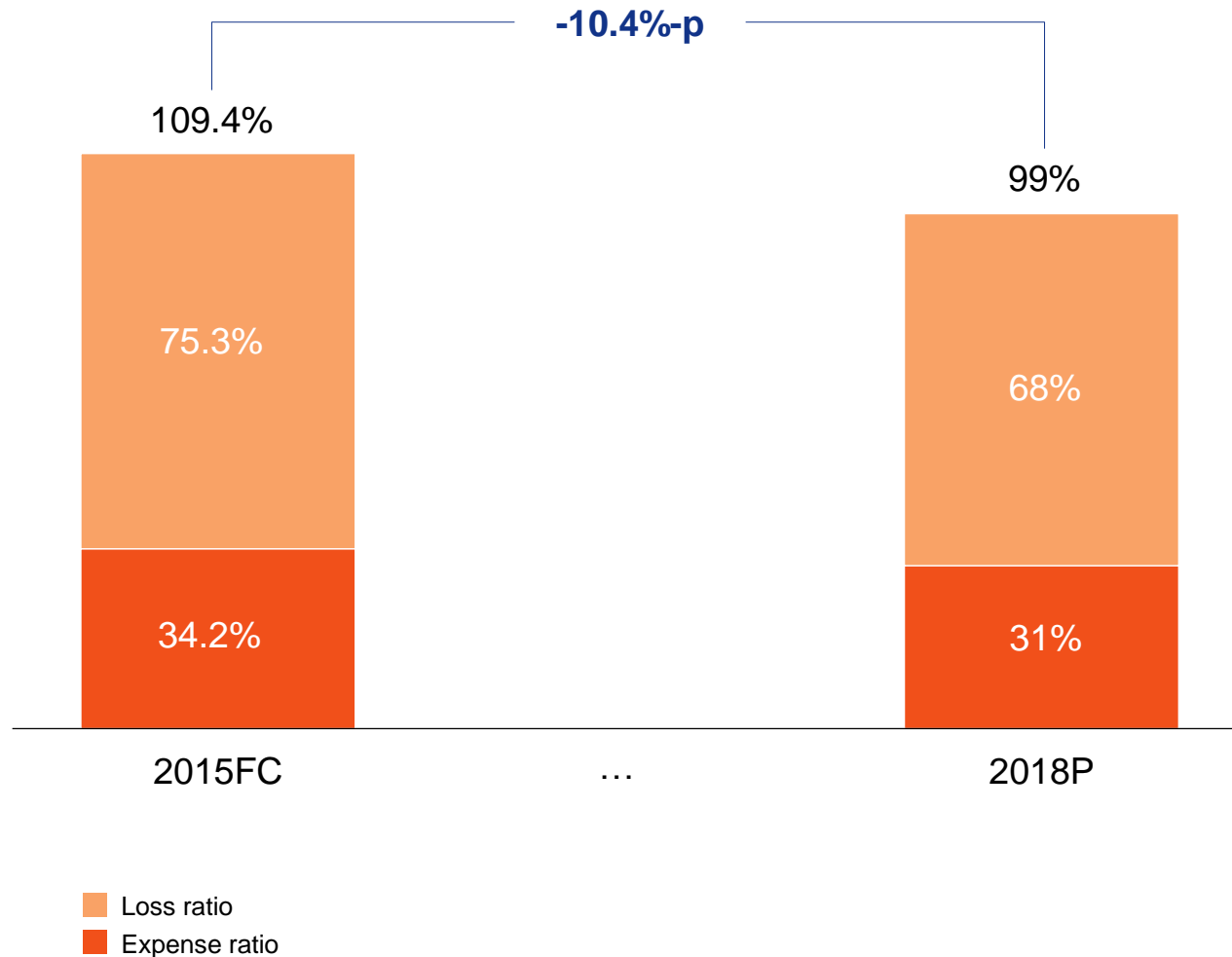
- Motor pricing actions taken to tackle underperforming portfolios in the UK and Ireland
- Repricing/pricing increases
- Improvements in technical pricing

# Technical Excellence: “Must have” initiatives for 2016 (Wave 1)

	KPI examples	OEs in scope
<b>1</b> Technical Price System	Certified Technical Price > 80% GPW by 2018	
<b>2</b> Smart Circle	Implemented in all in-scope OEs by the end of 2016	
<b>3</b> Enhanced u/w portfolio management	Implemented for 5 mature OEs by the end of 2016	
<b>4</b> Gross u/w culture	No proportional cessions for volatility protection (exceptions for e.g. special areas might apply)	
<b>5</b> Decoupled pricing engines	Decoupled pricing engines in place for selected countries by 2017	
<b>6</b> Strategic people plans	Plans in place for key positions for 100% of OEs by 2018	

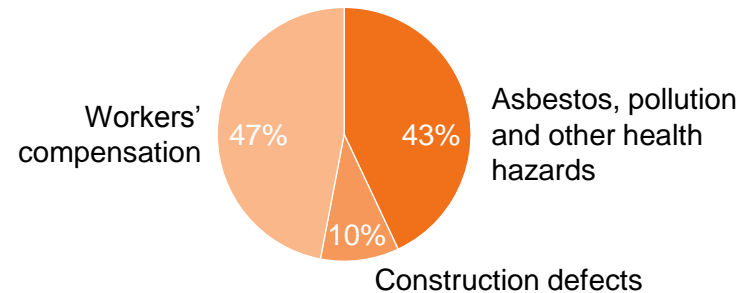
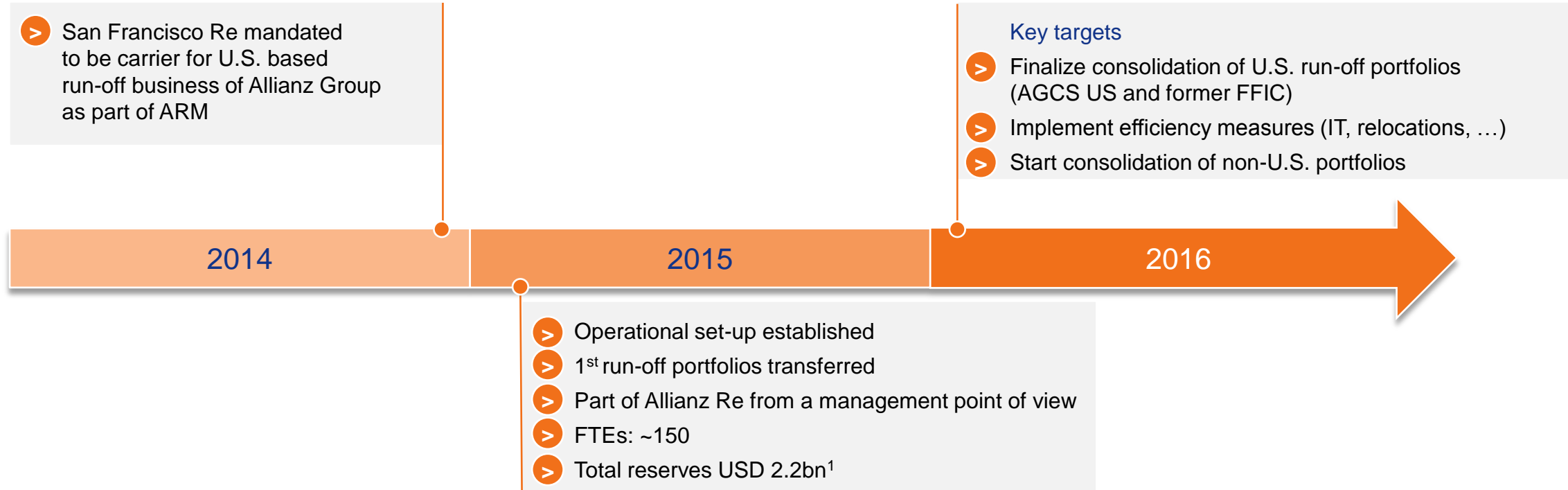
▶ Additional Wave 2 initiatives identified focusing on mid-corp, claims and advanced retail pricing

## Example: AGCS North America – FFIC integration shows strong turn-around potential



- Integration well on track
- YTD results show acceleration of net synergies
- 79% FTE synergies achieved as of August 2015
- Full year impact of FTE synergies first to be realized in 2016
- IT costs reduced by both synergies and savings
- Real estate synergy to be reflected starting from 2016

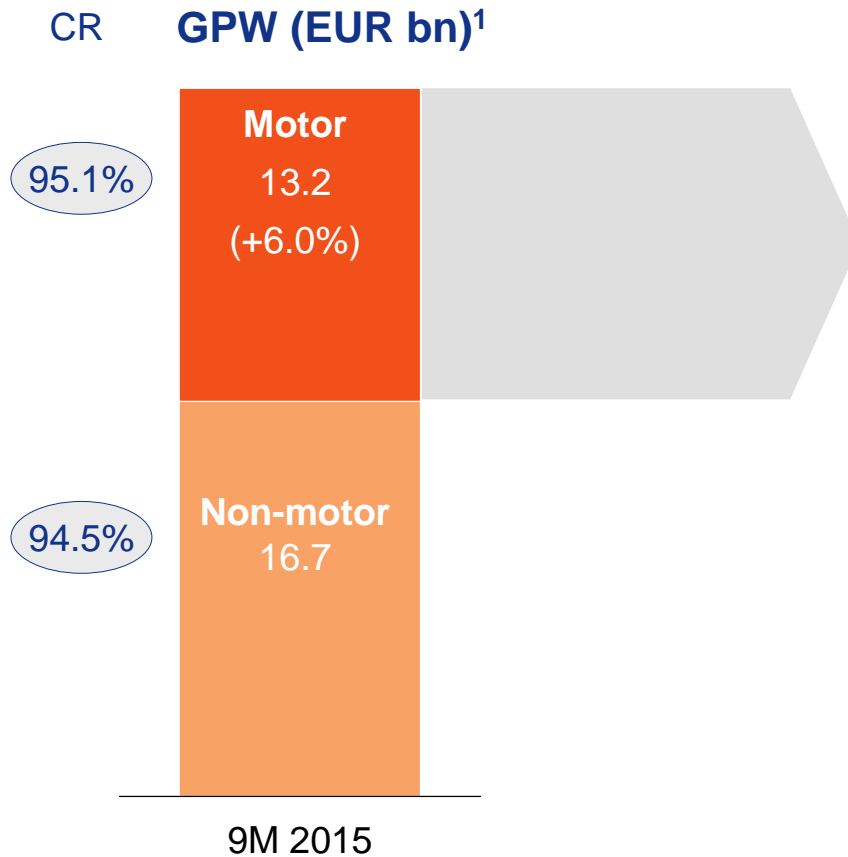
# Example: San Francisco Re is a key part of newly established Allianz Resolution Management (ARM)



1) 9M 2015

## Example: motor action

Technical Excellence supports profitable growth in our portfolio



### Actions taken

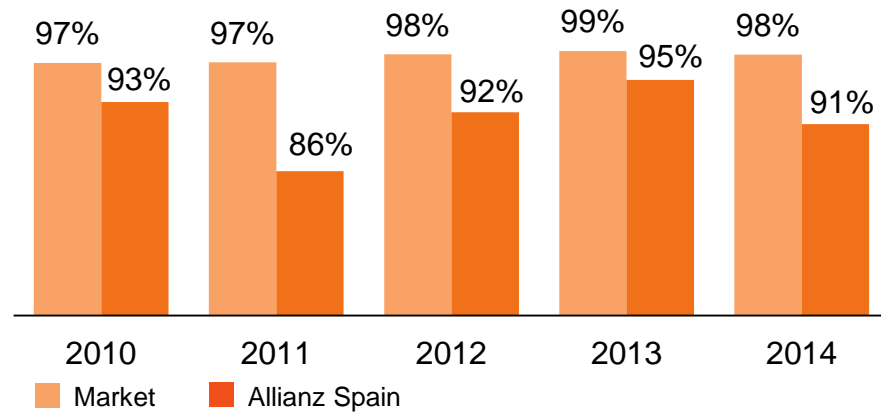
- Technical pricing systems established
- More granular pricing by moving from zip code to micro-zoning
- Granular discount system allows targeted growth in profitable segments
- Implementation of new motor tariffs, utilizing experience gained across the Group
- Daily pricing and u/w capabilities utilized where necessary

1) In-scope OEs only

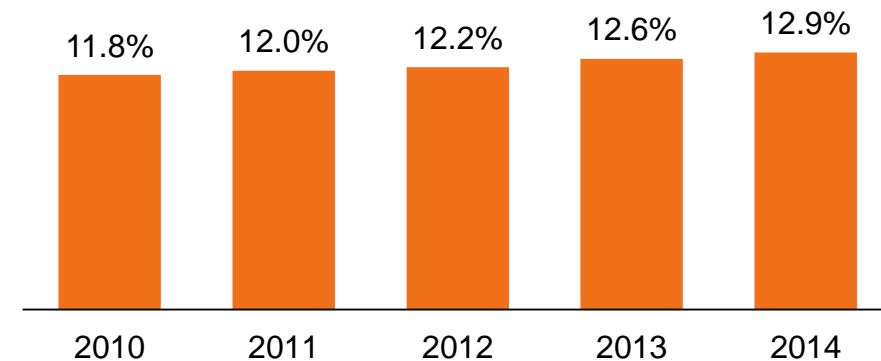
## Example: Allianz Spain - motor retail

Allianz Spain with consistently better performance than market

### CR



### Market share



#### Simple product design ...

- One motor product offering
- Customer can then select from 6 different product packages

#### ... lowers the expense ratio

- Low administration cost
- Efficient and easier claims handling

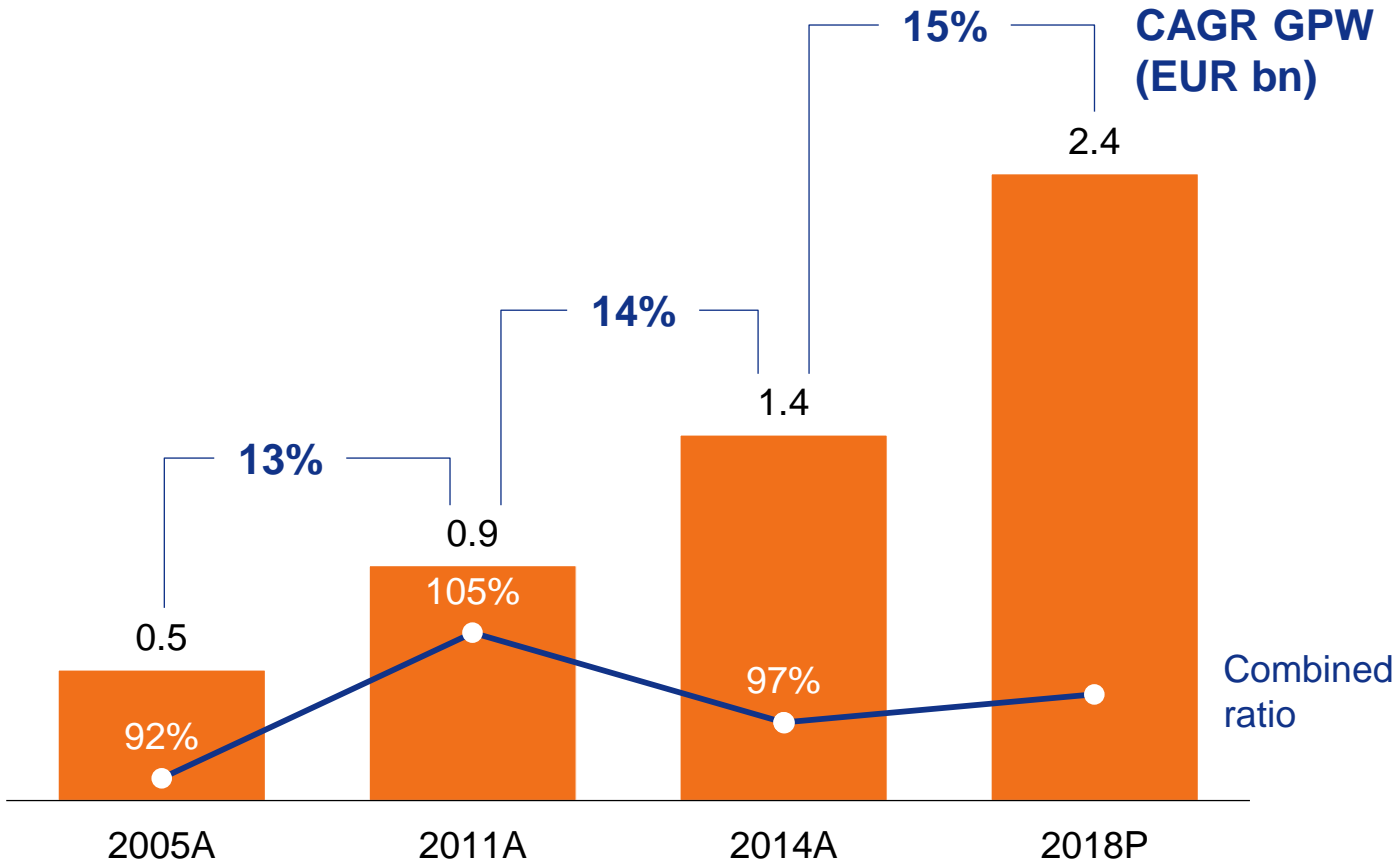
#### Advanced underlying technique ...

- Superb risk selection
  - Granular segmentation for new business
  - Elasticity analysis on price sensitivity for renewals
- Advanced IT system
  - Pricing engine decoupled completely

#### ... leads to price optimization

- Price differentiation between new business and renewal
- Tailored market campaigns by customer segment
- Real-time pricing possible
- Price optimization project in 2015

## Example: Direct is one of the innovative growth engines in retail



- More than 5mn policies
- CR < 100%<sup>1</sup>
- 24% of new motor policies in 2014 are Direct underwritten<sup>2</sup>

### Action to achieve ambition

- Enhanced technical pricing to support profitable growth
- New and innovative products, e.g. telematics
- Geographic expansion
- Leverage digitalization with analytical skills to optimize customer experience

1) Except UK  
 2) In selected key markets (DE, IT, ES, FR, UK, AU, NL)



# RoRC: almost 60% of our NPE are in the right corner<sup>1</sup> ...

% NPE; 6M change yoy		Combined ratio AY			Totals
		> 98%	98% - 95%	< 95%	
RoRC	> 20%	0% (-7%-p)	6% (-6%-p)	<b>56%</b> (+13%-p)	<b>63%</b> (+-0%-p)
	10% - 20%	11% (+10%-p)	0% (-11%-p)	4% (+-0%-p)	15% (-1%-p)
	< 10%	<b>23%</b> (+3%-p)	0% (+-0%-p)	0% (+-0%-p)	<b>23%</b> (+3%-p)

$$\text{RoRC}_{\text{P/C}}^{\text{NB}} = \frac{\left[ \overset{1}{\text{NPE}} - \overset{2}{\text{expenses}} - \overset{3}{\text{ultimate claims}} + \overset{4}{\text{risk free return}} \right] \times \left[ 1 - \text{tax rate} \right]}{\overset{5}{\text{Present value of risk capital}}}$$

- 1 **NPE** Earned premium is net of reinsurance and premium tax
- 2 **Expenses** Expenses, including commissions and fixed expenses, net of reinsurance (undiscounted)
- 3 **Ultimate claims** Incurred claims (accident year), net of reinsurance (undiscounted)
- 4 **Risk free return** Discounting effect on claims and expenses plus investment return on risk capital
- 5 **PV risk capital** Present value of all insurance related risk capital on an accident year basis

▶ ... but significant improvement potential with more than 1/5 of NPE generating a RoRC <10% and a CR >98%

1) 'Absolute' % values in each matrix component represent the 6M NPE share of each profitability bucket, estimated based on the size of each business as per 12M (based on NPE of in-scope OEs). The %-p changes represent the change in the share of each profitability bucket compared to 12M 2014

## Our ambition



▶ Our share of profits exceeds our market share of premiums

### Our ambition 2018

We aim to achieve a CR ≤ 94%

Key levers

- Improvements from portfolio cleansing and loss leading portfolios
- Strict implementation of Wave 1 “must-have” initiatives in 2016
- Start further development and implementation of Wave 2 initiatives

1) Market is making an underwriting profit/loss      Note: Data available for 32 OEs in 2013 and 17 OEs in 2014  
 2) OE is making an underwriting profit/loss      Source: GPC Market Database, Global P/C  
 3) Market share

# Life business in low yield environment

Maximilian Zimmerer

Member of the Board of Management  
Allianz SE

Munich, November 24, 2015

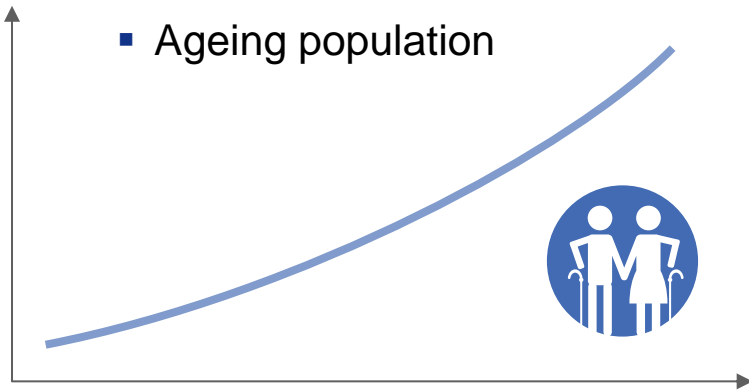
# E



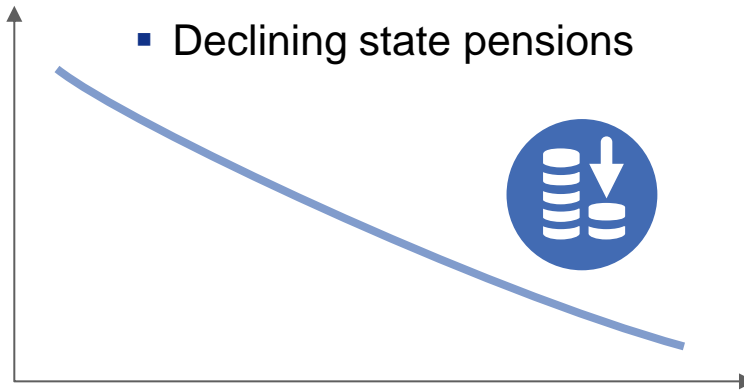
- 1 Solid starting position**
- 2** Ambitious targets and levers
  - a) New business management
  - b) In-force management
- 3** Summary

# Life remains a growth market

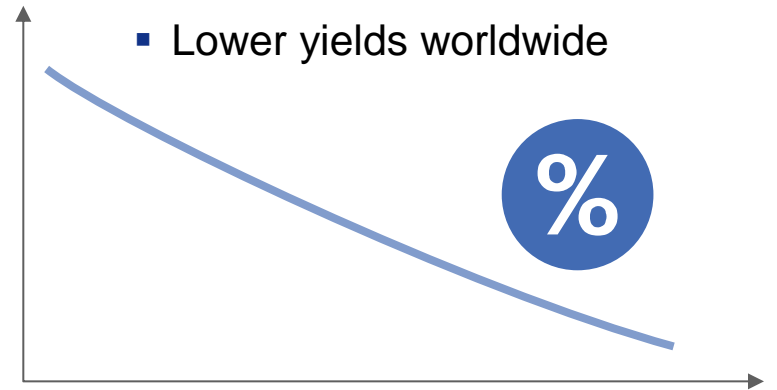
## Demographic trends



## Social security systems



## Interest yields



**Life opportunities are plenty, demand new “smart growth” paradigm**

**New product generation**

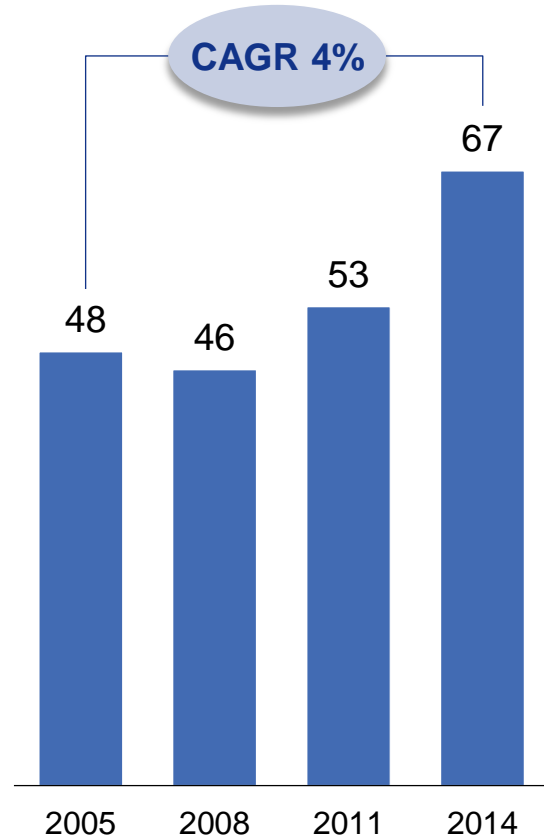
- Reduction of guarantees (level and duration)
- Low costs
- Additional biometric risk covers

**Win-win situation**

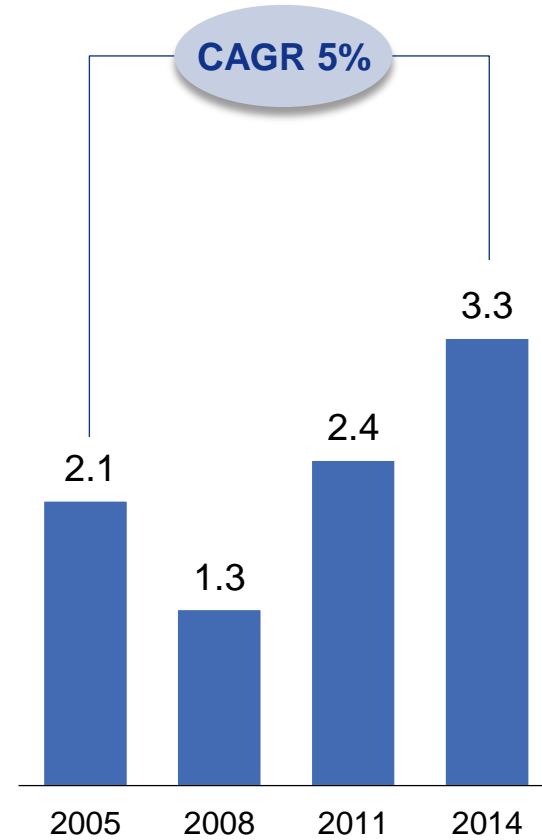
Policyholders	Shareholders
<ul style="list-style-type: none"><li>▪ Participation in rising yields and equity markets</li><li>▪ Higher expected returns</li></ul>	<ul style="list-style-type: none"><li>▪ Lower capital costs</li><li>▪ Improved RoE</li></ul>

# Allianz L/H: performance continuously improved (EUR bn)

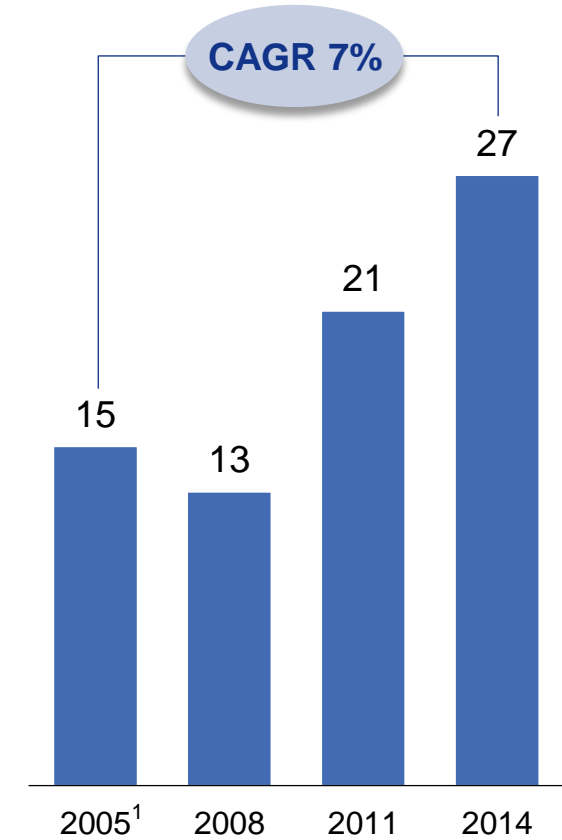
Revenues



Operating profit



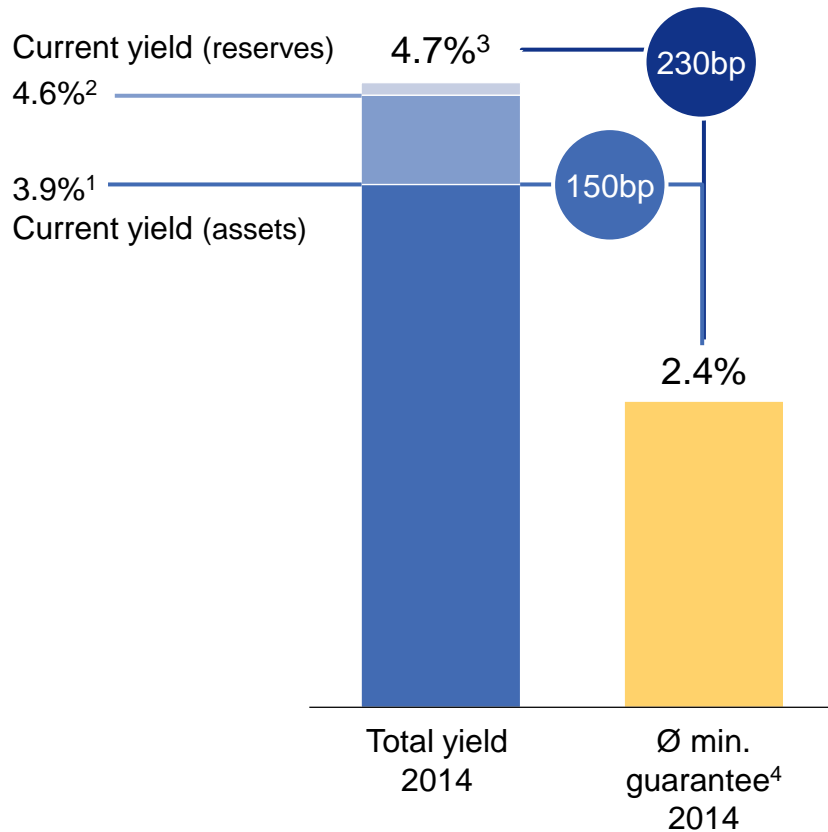
MCEV



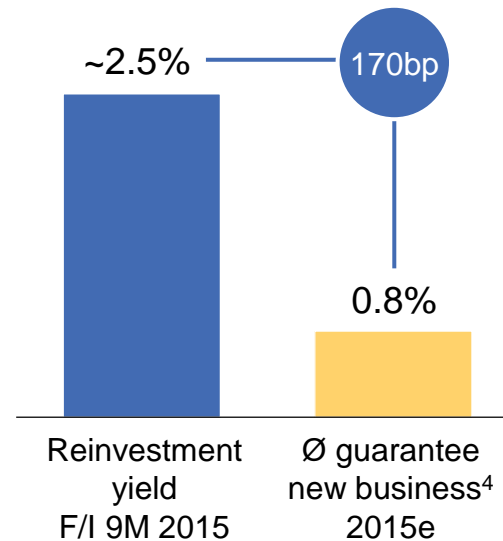
1) European Embedded Value

# Strong buffers and resilient margins

## Business in-force Allianz Group L/H



## New business



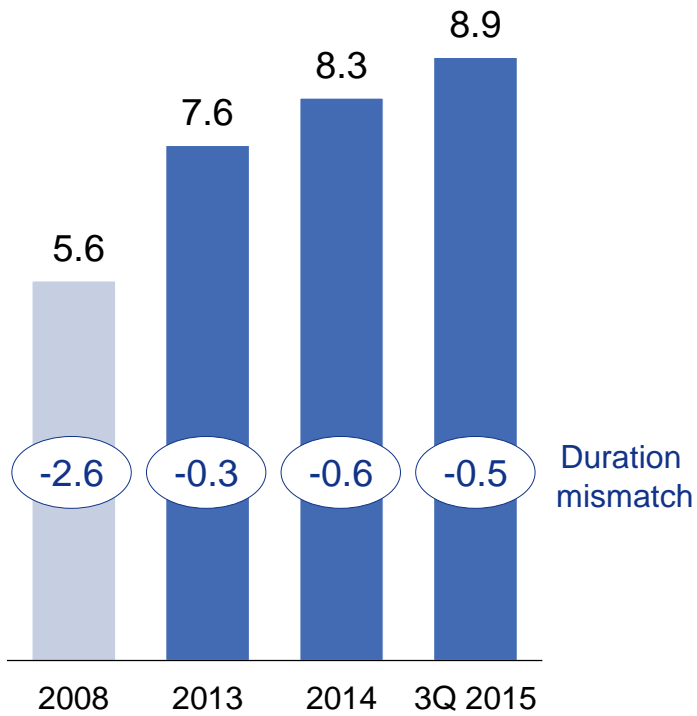
**Additional information on Allianz Leben Germany**

- 0.8% break-even reinvestment yield 2Q 2015
- ~300% SII ratio without transitional rules 3Q 2015

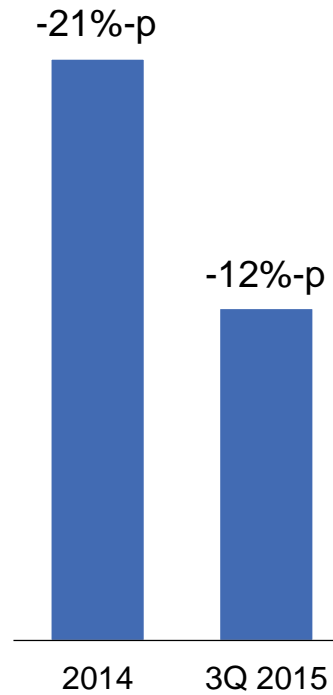
1) IFRS current interest and similar income (net of interest expenses) relative to average asset base (IFRS) which excludes unit-linked, FVO and trading  
 2) IFRS current interest and similar income (net of interest expenses) relative to average aggregate policy reserves  
 3) IFRS current interest and similar income (net of interest expenses) + net harvesting and other (operating) relative to average aggregate policy reserves  
 4) Weighted by aggregate policy reserves

## Reduced duration mismatch leads to improved risk profile ...

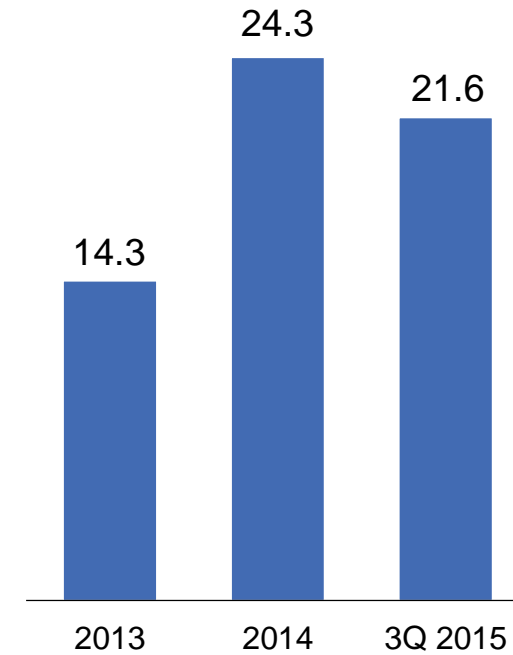
Asset duration L/H



SII ratio sensitivity to interest rates -50bps

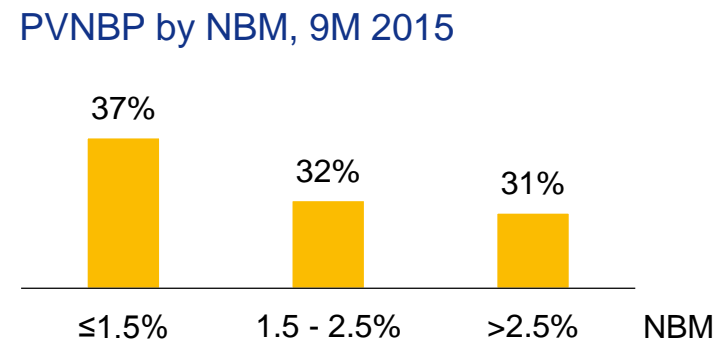
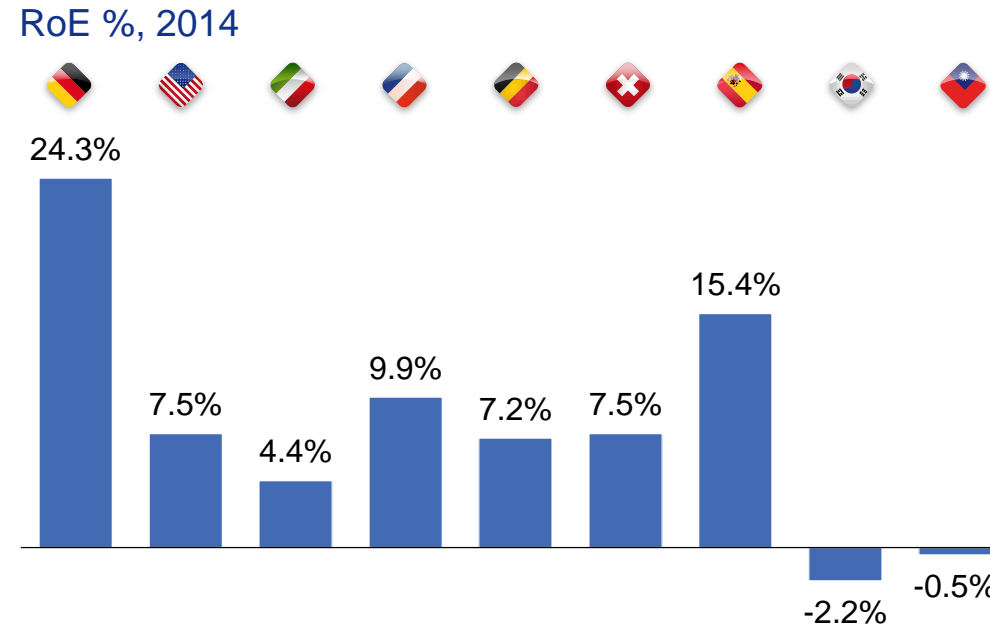
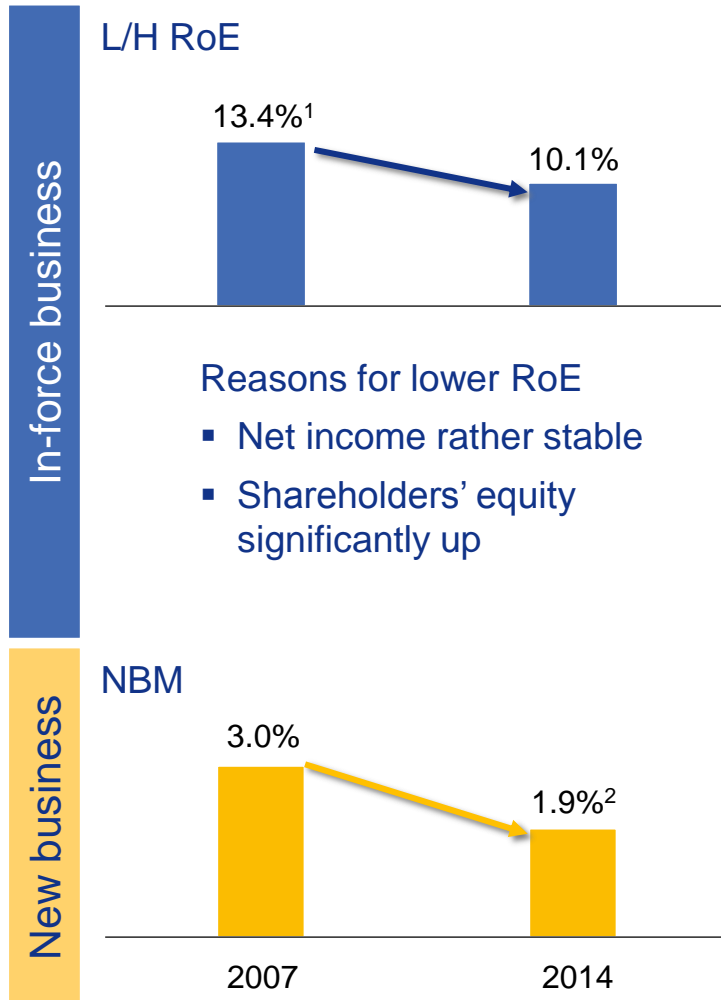


Required capital L/H bef. tax (EUR bn)





## ... but RoE and NBM under pressure

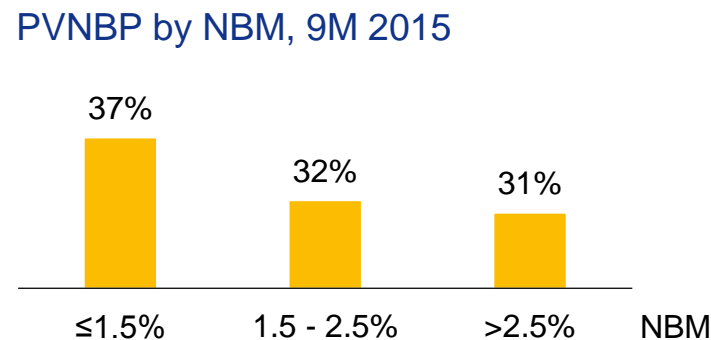
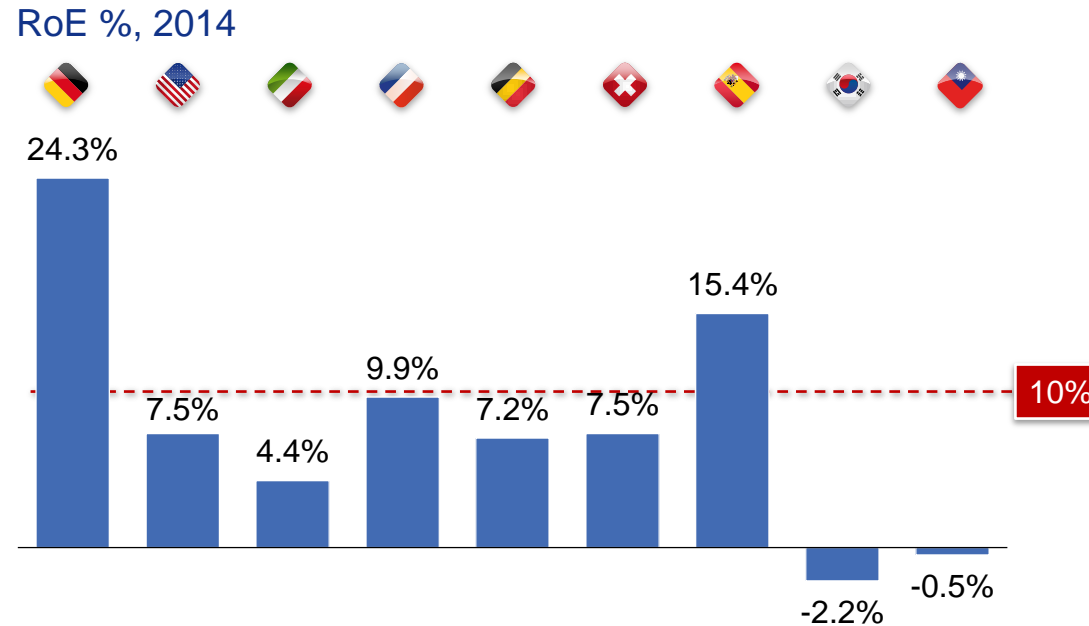
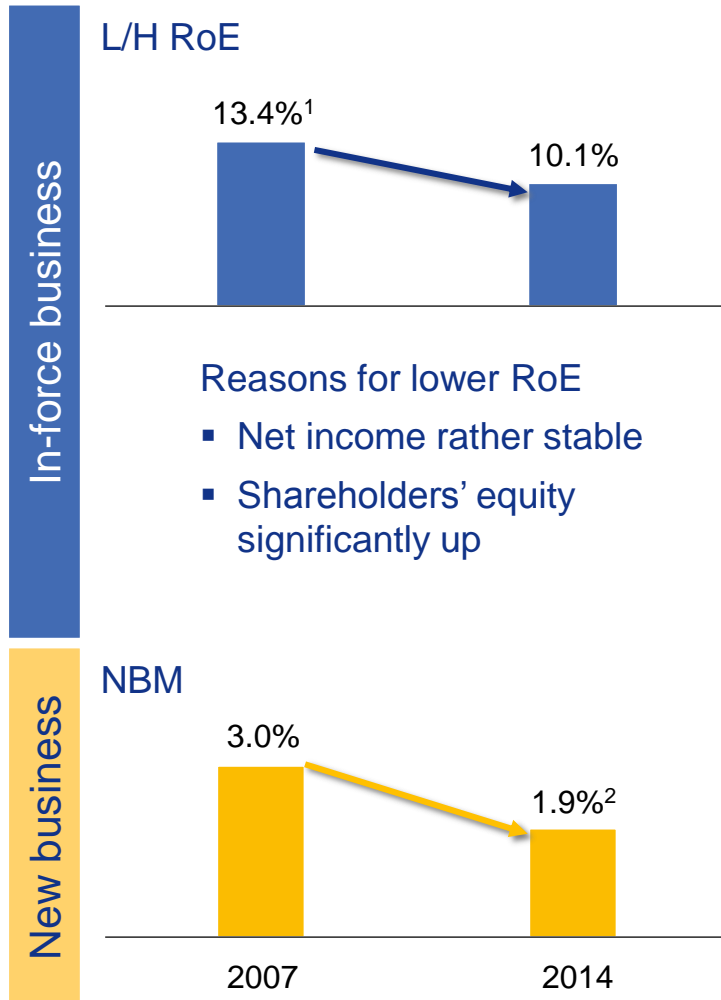


1) Approximation  
2) Based on year-end assumptions



- 1 Solid starting position
- 2 **Ambitious targets and levers**
  - a) New business management
  - b) In-force management
- 3 Summary

# Ambition 2018: significant improvement of RoE and NBM



**Ambition 2018**

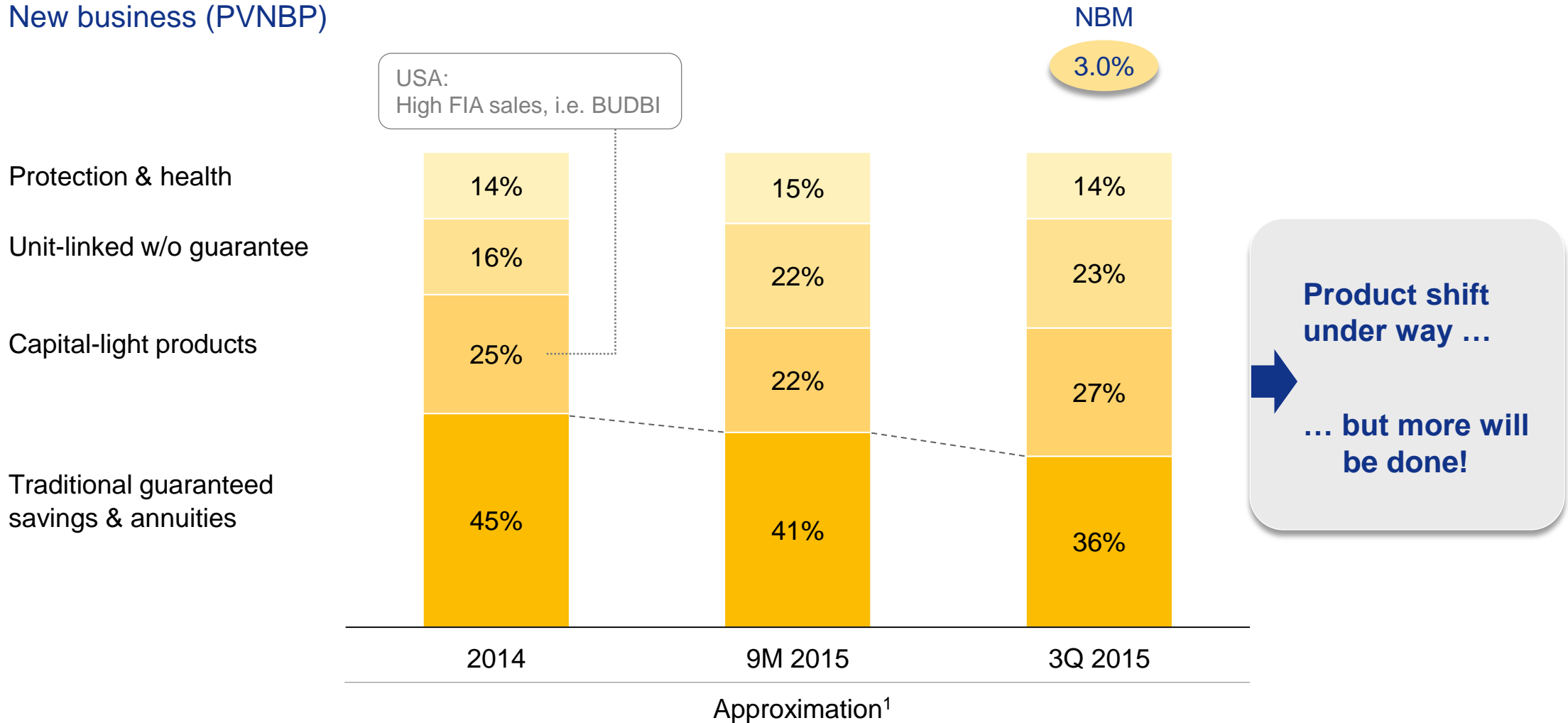
- RoE ≥10% for **each** OE
- Significant reduction of interest sensitivity

- NBM ≥3% or RoRC ≥15% with min. NBM ≥0.75% per product

1) Approximation  
2) Based on year-end assumptions

# New LoB-reporting enables efficient new business management

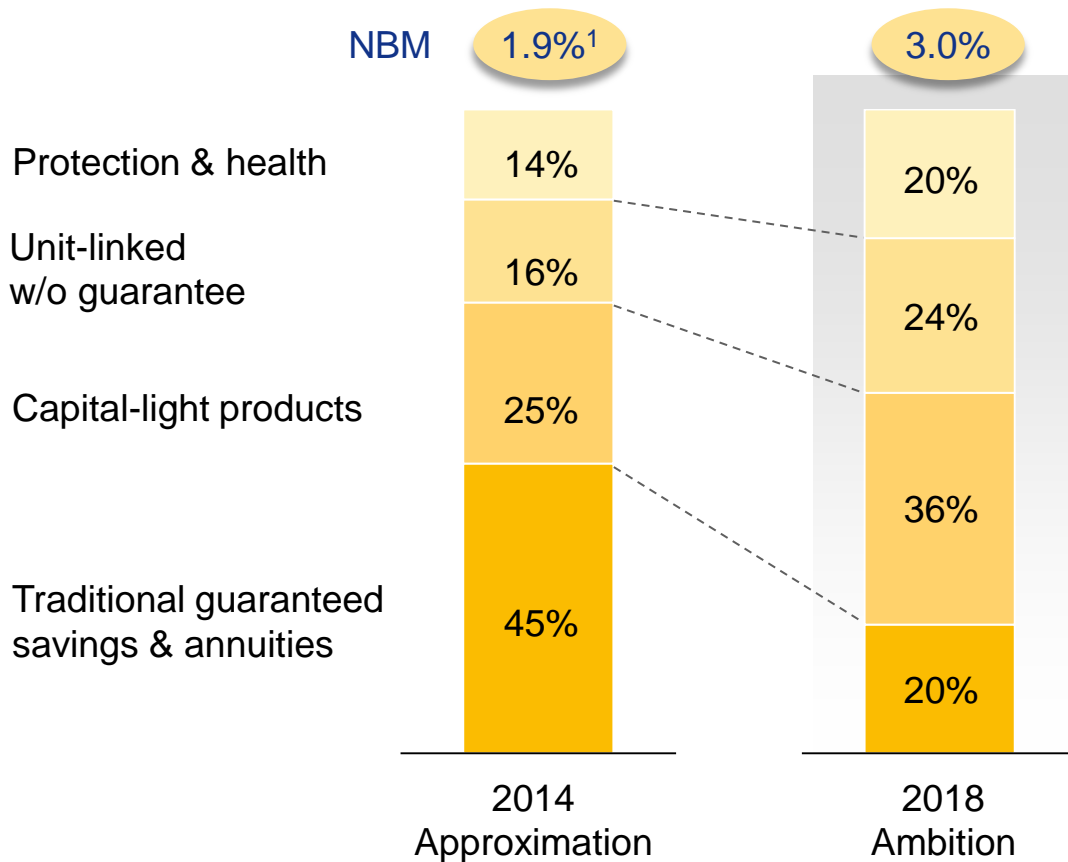
## New business (PVNBP)



1) New reporting for lines of business starts 1Q 2016

## New business mix ambition 2018: focus on smart growth

### Grow capital-light and protection products



### Measures for the new business mix change

- **Discipline**  
Stop of all business that does not meet our profitability hurdles
- **Implementation of a customer focused, needs-based sales approach**
- **Strong engagement from the top**  
Sales campaigns with personal commitment of management to get a buy-in from all sales partners
- **Alignment of incentive schemes**
- **New lines of business**  
Introduction of new lines of business in internal and external reporting 1Q 2016

1) Based on year-end assumptions

## Two levers to lift RoE: new business and in-force management

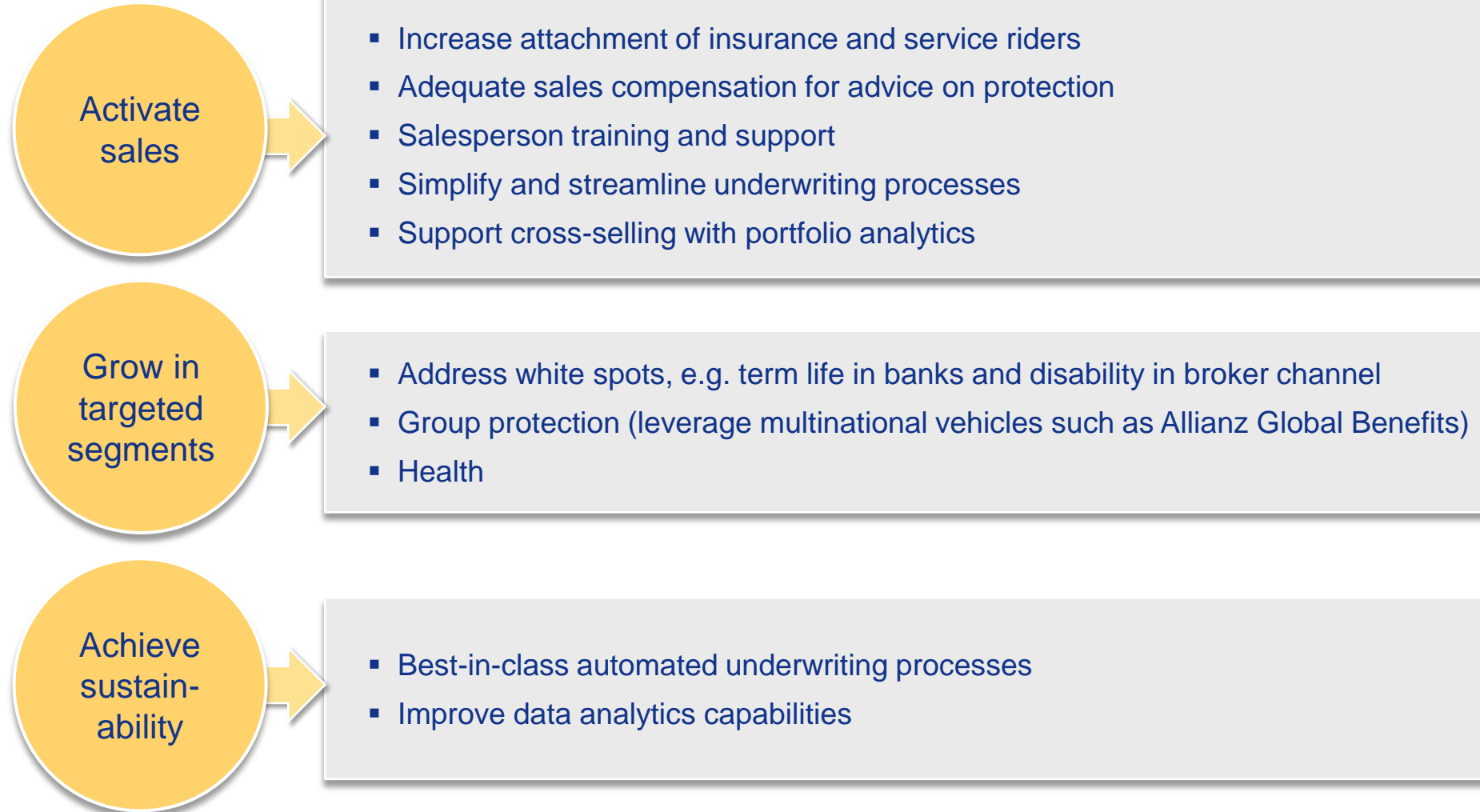




- 1 Solid starting position
- 2 **Ambitious targets and levers**
  - a) **New business management**
  - b) In-force management
- 3 Summary



## Protection business: we want more, but how do we get there?







New business

## Examples Switzerland and France: combination with risk coverage

### New business profitability

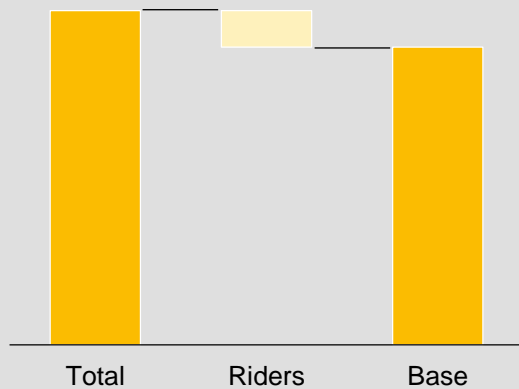
➔ Increase number of products with biometric risk coverage



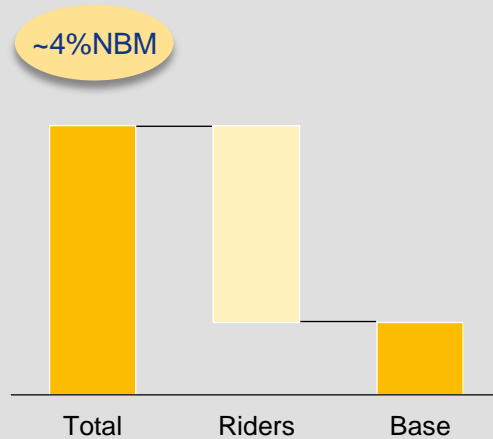
#### Example Allianz Switzerland (Individual Life)

➔ Profitability driven by riders

PVNB



NBV



#### Example Allianz France

➔ Launch of new product range with mandatory and optional riders

##### Mandatory rider

- Accidental death benefit

##### Optional riders

- Return of premium
- Long-term care
- Accidental disability benefit
- Additional accidental death benefit
- Kick-off in November 2015



New business

## Hedgeable guarantees only

Guarantees have to be adjusted to low interest rates

→ Guarantee below reinvestment yield for product term (including expenses)

→ Reset points for guarantee level reduce risk and allow customer to benefit from improved market conditions

→ Lower guarantees allow more upside potential (e.g., hybrids)

→ Flexibility for repricing to adjust to market conditions

i.e.



**Perspektive** (Allianz Leben)

Guaranteed premium refund at maturity ✓

Annuitization based on latest conditions ✓

Higher crediting rate ✓

Terminal bonus ✓



# Hedgeable guarantees only: example Allianz Life (USA)

New business

## New business at point of sale

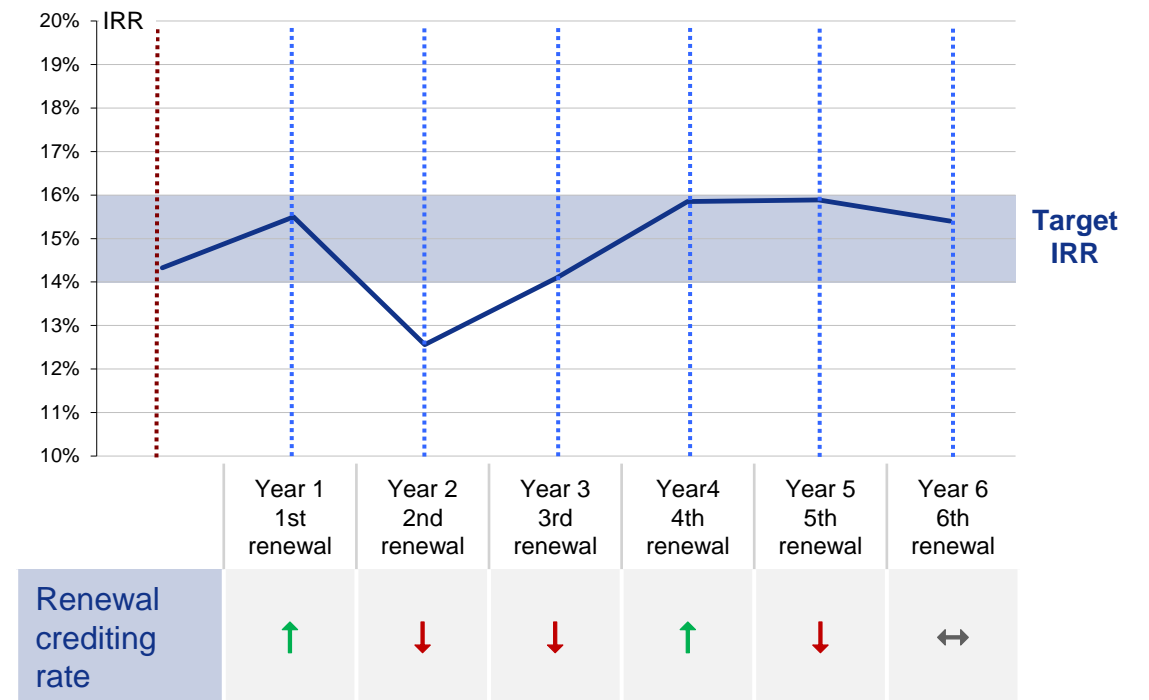
### Example FIA, 2014

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Product feature changes						↓						
Cap rate changes		↓	↓		↓	↓		↓		↓	↓	
IRR	12%		12%		12%		12%		12%		12%	
IRR without management action	9.4%		4.0%		3.2%		-0.4%					

▶ New business pricing as frequent as necessary, e.g. bi-weekly

## Active management of in-force portfolio

### Example FIA (business written in 2006)



▶ Use management levers to align profitability with target IRR



# Shift to capital-light products in interest of customers and shareholders

S/H view



Customer view

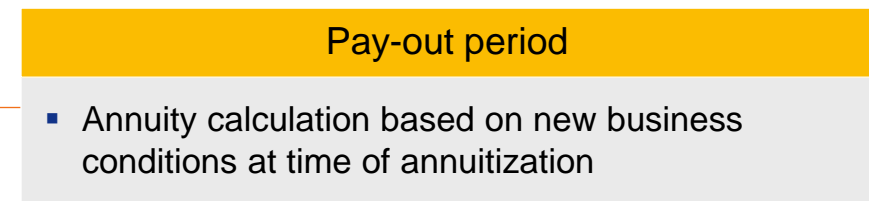
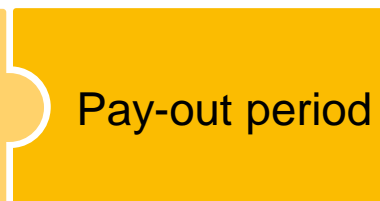
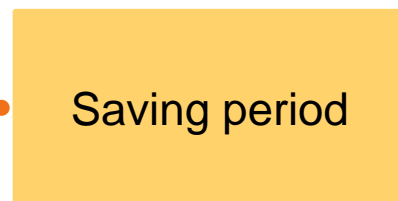
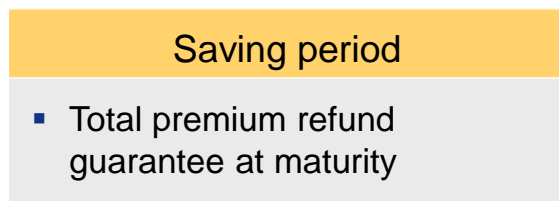
1	2	3	4
Traditional	Capital-light	Hybrid/UL+ guarantees	UL w/o guarantees
<p>Product example</p> <ul style="list-style-type: none"> <li>Traditional savings &amp; annuities</li> </ul>	<p>Product example</p> <ul style="list-style-type: none"> <li>Perspektive</li> </ul>	<p>Product example</p> <ul style="list-style-type: none"> <li>KomfortDynamik</li> <li>Fixed index annuities</li> </ul>	<p>Product example</p> <ul style="list-style-type: none"> <li>Pure unit-linked</li> <li>Life cycle unit-linked offerings</li> </ul>
<p>Insurance rationale</p> <p>Standard offering</p>	<p>Insurance rationale</p> <p>Lower guarantees allow for additional upside potential for customers</p>	<p>Insurance rationale</p> <p>Exposure to unit-linked or equity index</p>	<p>Insurance rationale</p> <p>Exposure to potential market upside</p>

▶ Tailor-made products with improved risk return profile for customers



# Example Allianz Leben (1): balance of interests

New business



▶ Reduced capital consumption allows higher return for customers



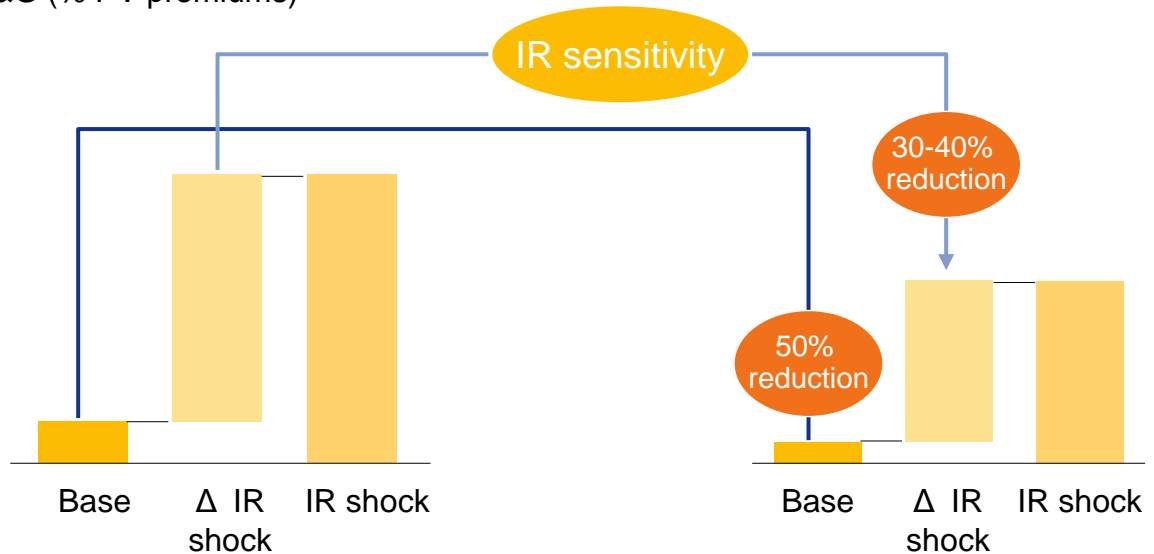
## Example Allianz Leben (2): improved risk profile

New business

### Allianz Leben

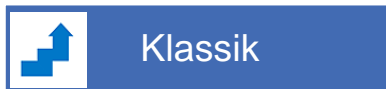
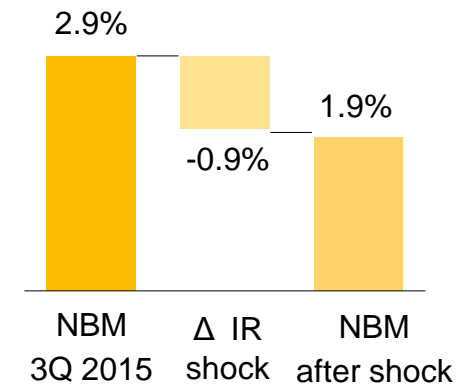
Illustrative example<sup>1</sup> of interest rate sensitivity

O&G (% PV premiums)



### Allianz Leben

NBM with risk free rate -100bps



▶ New products reduce capital consumption in the long run

▶ Resilient new business margin

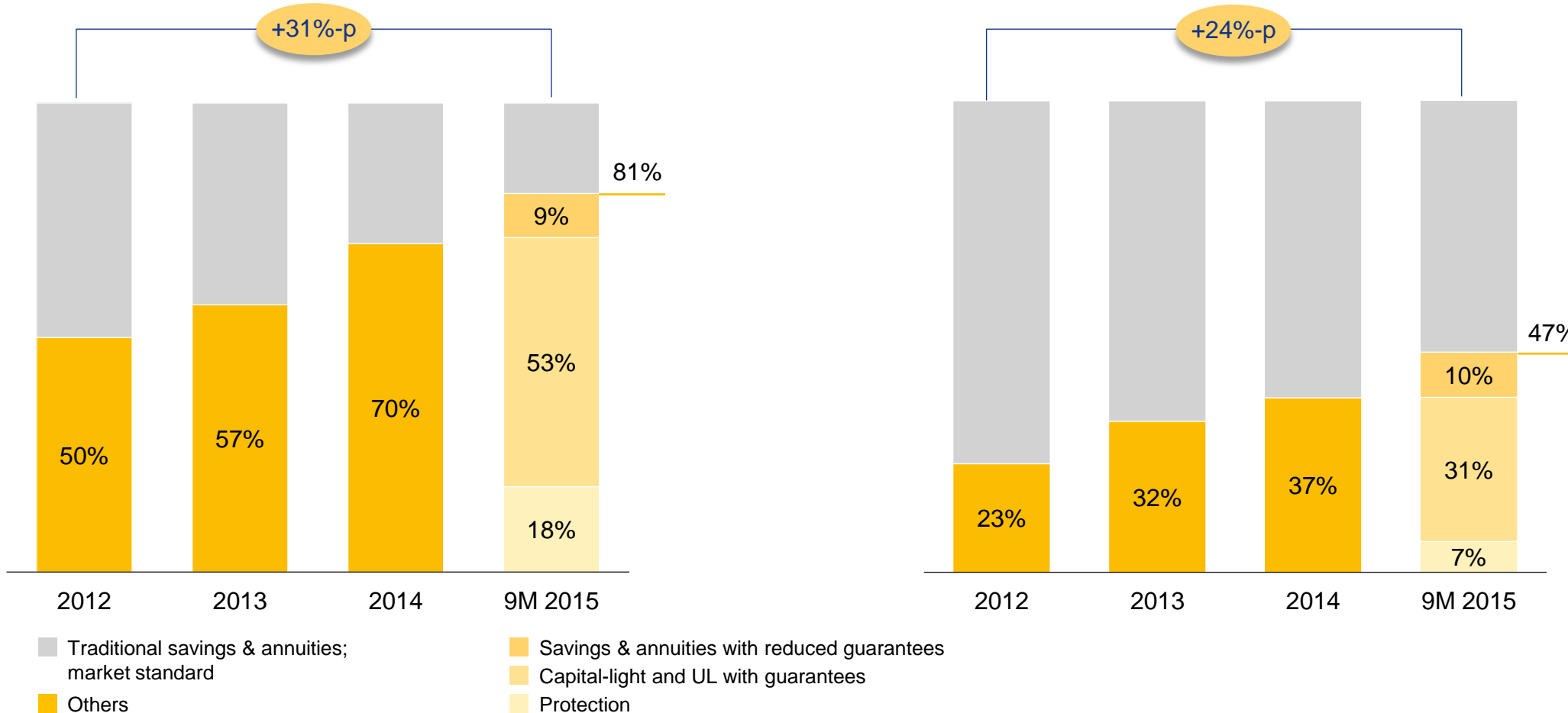
1) Illustrative example, interest-rate sensitivities of products might differ in some market environments



# Example Allianz Leben (3): increase share of protection and reduce weight of capital-intensive products

Retail – new business<sup>1</sup>

Corporate – new business<sup>1</sup>



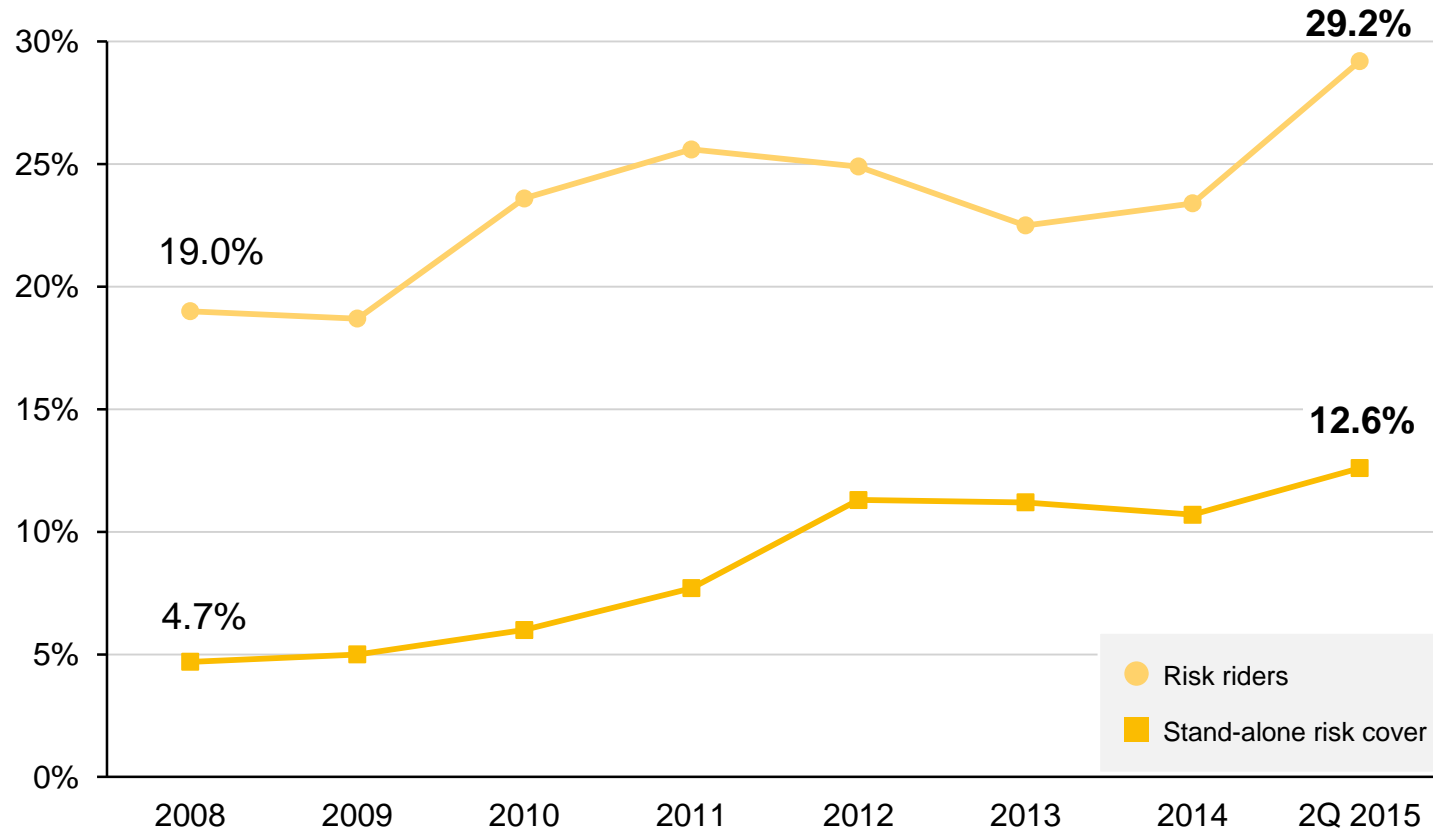
1) Based on weighted premium sum (BWS); split in lines of business for 9M 2015 approximated



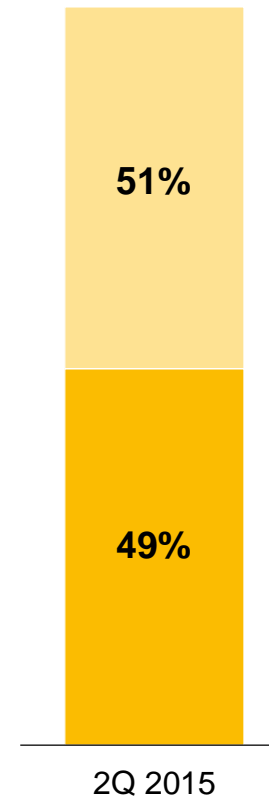
## Example Allianz Leben (4): higher market share in protection

New business

Market shares of Allianz Leben in risk cover business based on new business premiums



New business premiums of Allianz Leben







New business

# New business management shows progress already

Based on PVNBP forecast 2015 vs. 12M 2014		NBM		
		<1.5%	1.5% - 2.5%	>2.5%
RoRC	>20%	0%	0%	<b>24%-p</b> (-2%-p)
	10%-20%	0% (-22%-p)	<b>49%</b> (+46%-p)	5% (+2%-p)
	<10%	<b>22%</b> (-20%-p)	0% (-4%-p)	0%

with

$$RoRC^{NB} L/H = \frac{\overset{1}{PVFP^{MA}} - \overset{2}{O\&G^{MA}} + \overset{3}{Risk\text{-}free\ return}}{\underset{4}{Present\ value\ of\ risk\ capital}}$$

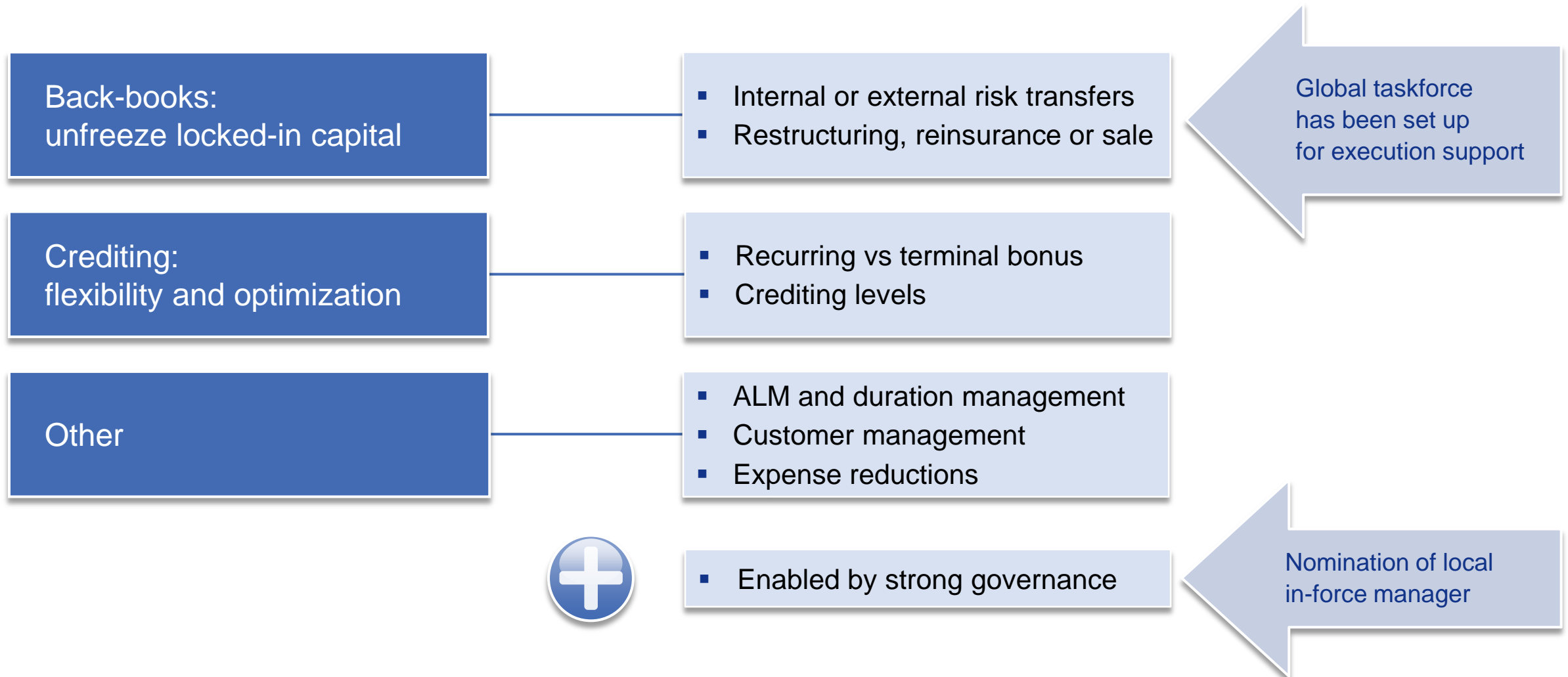
- 1 **PVFP<sup>MA</sup>** Present value of future profits for new business, after tax, valued under matching adjustment
- 2 **O&G<sup>MA</sup>** Value of options and guarantees embedded in new business, valued under matching adjustment
- 3 **Risk-free return** Investment return on risk capital, after tax
- 4 **PV of RC** Present value of risk capital for new business, including market and non-market risks



- 1 Solid starting position
- 2 **Ambitious targets and levers**
  - a) New business management
  - b) In-force management**
- 3 Summary



## In-force management: several levers to be pulled



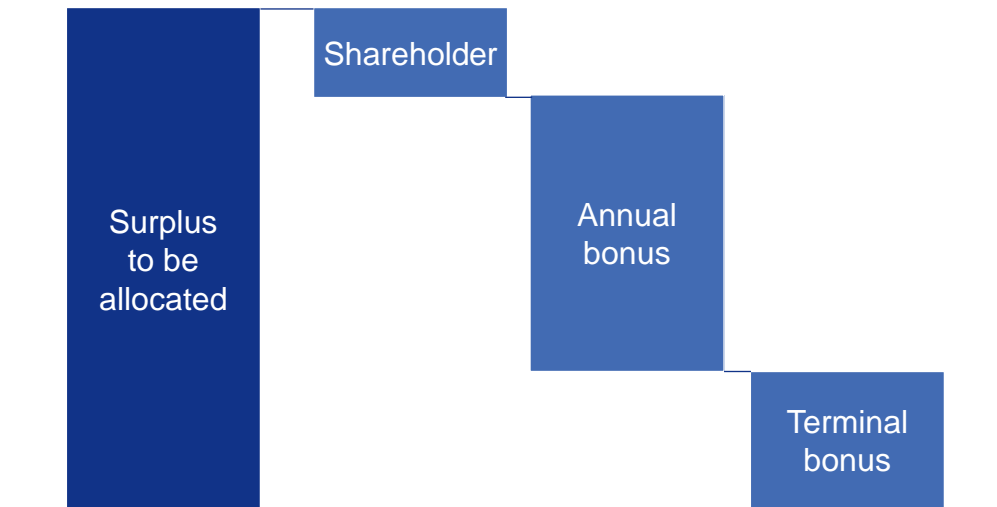


# Crediting: terminal bonus key to achieve sustainable returns

## Surplus allocation

Company may have discretion in allocating current surplus to policyholders

- as immediate bonus or
- as terminal bonus



## Reduce risk/increase RoRC

- Terminal bonus as an available financial resource (SII)
  - in emergency → buffer for s/h
  - going-concern → p/h profit
- Terminal bonus replaces expensive s/h capital and safeguards p/h attractiveness

## Reduce policyholder arbitrage

- Use terminal bonus to reduce arbitrage risk (e.g. single premium)
- Limit payment on surrender; link to capital market changes

## Customer value proposition

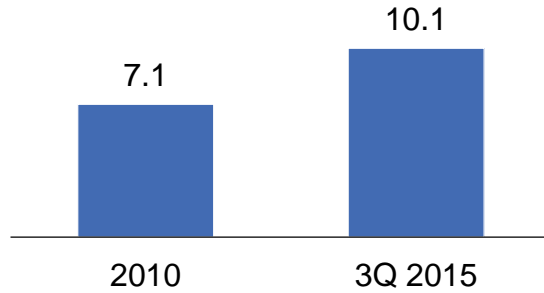
- Customer return upon maturity reduced only in extreme scenarios
- Reduction in risk budget helps to finance higher yielding investments in alternative assets

▶ Utilization of bonus flexibility key to achieve sustainable returns



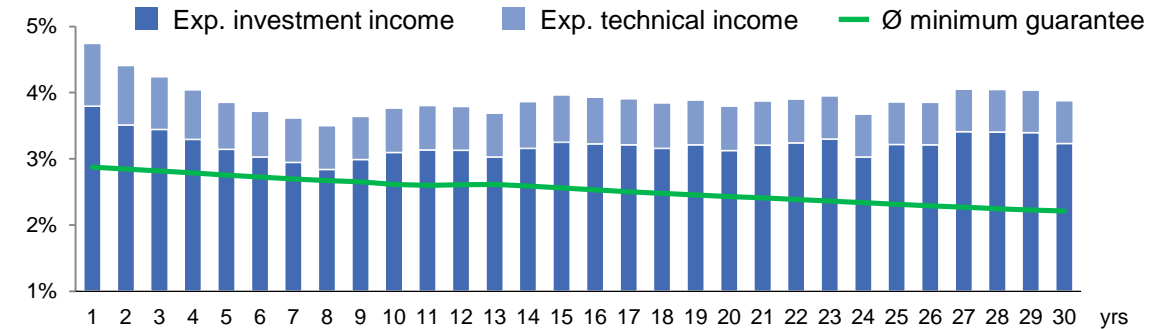
# Example Allianz Leben: successful in-force management

## Extension of asset duration



Duration significantly increased and above market

## Dynamic ALM<sup>1</sup>

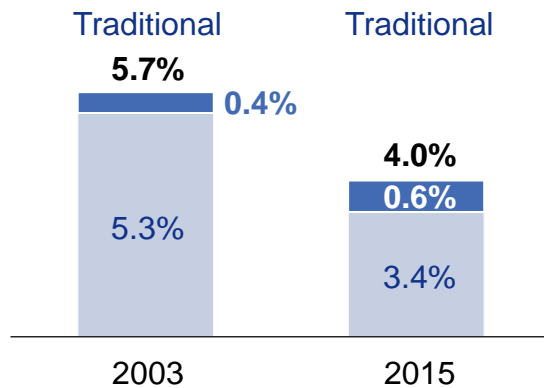


Minimum guarantees matched for the next 30yrs

## Crediting

Terminal bonus

Technical interest and lock-in bonus



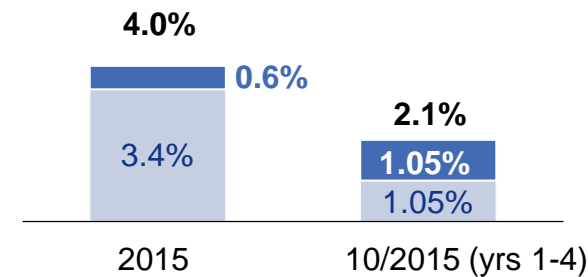
Increasing absolute and relative weight of terminal bonus

## Crediting

Regular premium

Single premium

Terminal bonus  
Technical interest and lock-in bonus



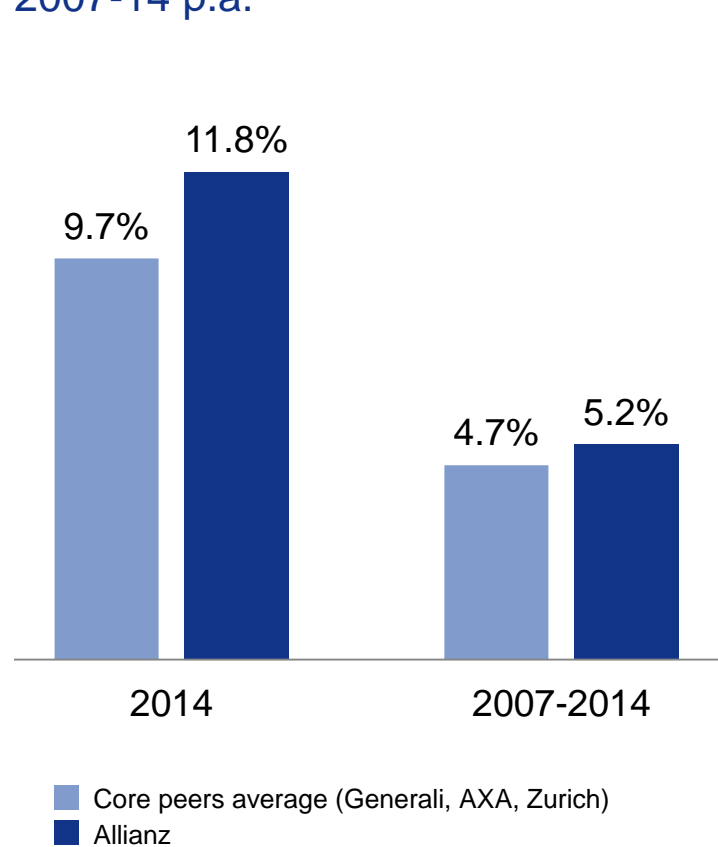
Single premium contracts with special crediting for the first 4 years

1) Run-off simulation per 3Q 2015



## Allianz with superior investment management vs. peers

Top IFRS investment performance<sup>1</sup> amongst core peers 2014 and 2007-14 p.a.



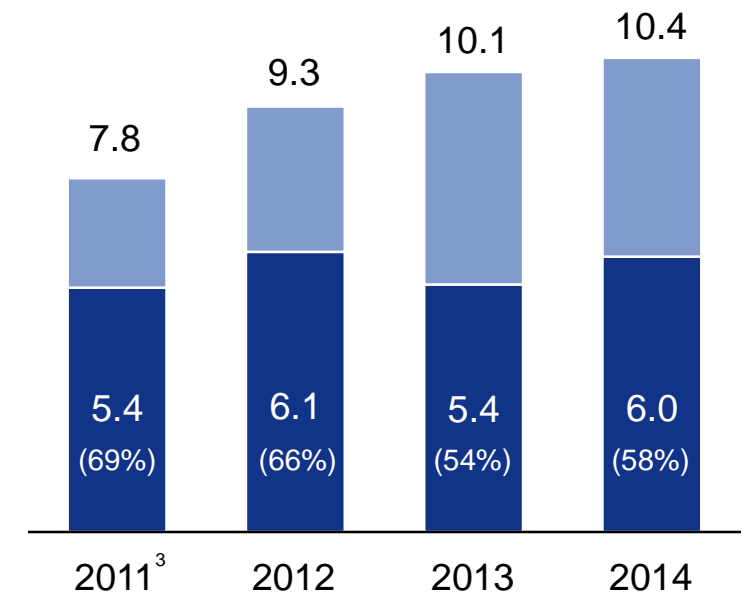
Allianz with **high credit quality** and low expected loss compared to peers

Current yield of Allianz above all core peers

Professional **in-house asset management** with continuous outperformance

Strict focus on **diversification**: best diversified sovereign portfolio vs. core peers

Allianz Group operating profit and thereof investment result<sup>2</sup> (EUR bn)



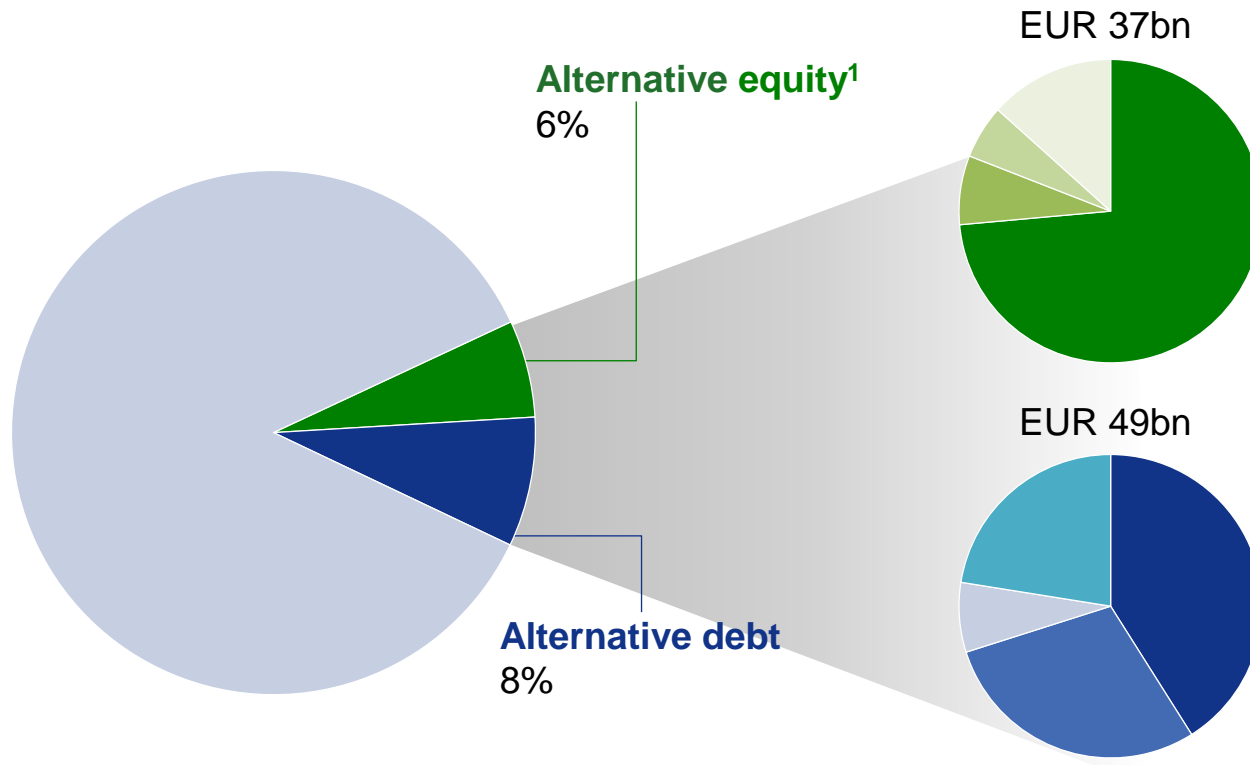
1) IFRS investment performance: including current income, realized gains and losses (net), impairments (net), trading/FX result, fair value option, investment expenses, and change in unrealized gains and losses  
 2) Insurance business only (P/C + L/H)  
 3) L/H investment margin in 2011 is restated for the new reporting format of operating profit sources introduced in 2012



# Allianz has invested 14% in alternative assets

Group investment portfolio: EUR 630.8bn

Alternative investment portfolio 3Q 2015: EUR 86bn  
 Mid-term target: EUR 110bn



Alternative equity		Return expectations
Real estate	74%	4-6%
Infrastructure equity	7%	5-8%
Renewable energy	6%	5-6%
Private equity	13%	10-12%

Alternative debt		Return expectations
Residential mortgages	41%	1.5-2%
Commercial mortgages	29%	1.5-2%
Infrastructure debt	7%	3%
Private placements	22%	2-4%

**Planned: private finance investments**

Project finance
Mid-cap corporates
Re-capitalizations

1) Book value except real estate (incl. own use properties) which is based on market value



- 1 Solid starting position
- 2 Ambitious targets and levers
  - a) New business management
  - b) In-force management
- 3 **Summary**



# Accelerating momentum: from aspiration to execution throughout the Group

## Mid of February 2015

1

- Modify/reprice products, e.g.,
1. Adjust guarantees & crediting rates
  2. Optimize surrender values
  3. Work on unprofitable features

2

- Introduce new products, e.g.,
1. New hybrids
  2. New protection

3

- Shift business mix, e.g.,
1. Adequate sales compensation
  2. Discontinue unprofitable products

4

- Expenses & other, e.g.,
1. Improve ALM

**Additional # of OEs: 5**

## Mid of September 2015

1

- Modify/reprice products, e.g.,
1. Adjust guarantees & crediting rates
  2. Optimize surrender values
  3. Work on unprofitable features
  4. Adjust profit participation
  5. Pricing/underwriting review
  6. Optimize fees
  7. Reduce longevity exposure and liability duration

2

- Introduce new products, e.g.,
1. New hybrids
  2. New protection
  3. New unit-linked

3

- Shift business mix, e.g.,
1. Adequate sales compensation
  2. Discontinue unprofitable products
  3. Review single premiums
  4. Reduce share in co-insurance
  5. Review partnership agreements

4

- Expenses & other, e.g.,
1. Improve ALM
  2. Reduce expenses
  3. Renegotiate AM rebates
  4. Digitalization

**Additional # of OEs: 11**

## Summary



Life remains growth market



Allianz in solid position to face challenges



Ambition 2018 with focus on

- New business
- In-force management
- ➔ **Win-win situation**
  - Customers: needs-based products with higher expected performance
  - Shareholders: higher RoE

### Ambition 2018

#### In-force business

- RoE  $\geq 10\%$  for **each** OE
- Significant reduction of interest sensitivity











#### New business

- NBM  $\geq 3\%$  or RoRC  $\geq 15\%$  with min. NBM  $\geq 0.75\%$  per product

# Appendix

## L/H: overview of reserves and operating profit

31.12.2014 (EUR bn)

	Aggregate policy reserves		Unit-linked reserves		Operating profit	
 Germany Life	164bn	42%	5.2bn	5%	1.1bn	32%
 USA	67bn	17%	25.4bn	27%	0.7bn	20%
 France	55bn	14%	17.4bn	18%	0.5bn	14%
 Italy	30bn	8%	26.2bn	28%	0.2bn	5%
 Germany Health	19bn	5%	0.0bn	0%	0.2bn	6%
 Belgium	9bn	2%	0.4bn	0%	0.1bn	2%
 Taiwan	1bn	0%	4.5bn	5%	0.0bn	0%
 Switzerland	10bn	3%	0.7bn	1%	0.1bn	3%
 Korea	10bn	3%	1.2bn	1%	-0.1bn	n.m.
 Spain	6bn	2%	0.2bn	0%	0.2bn	6%
Other	16bn	4%	13.8bn	15%	0.3bn	n.m.
<b>Total</b>	<b>387bn</b>	<b>100%</b>	<b>95bn</b>	<b>100%</b>	<b>3.3bn</b>	<b>100%</b>

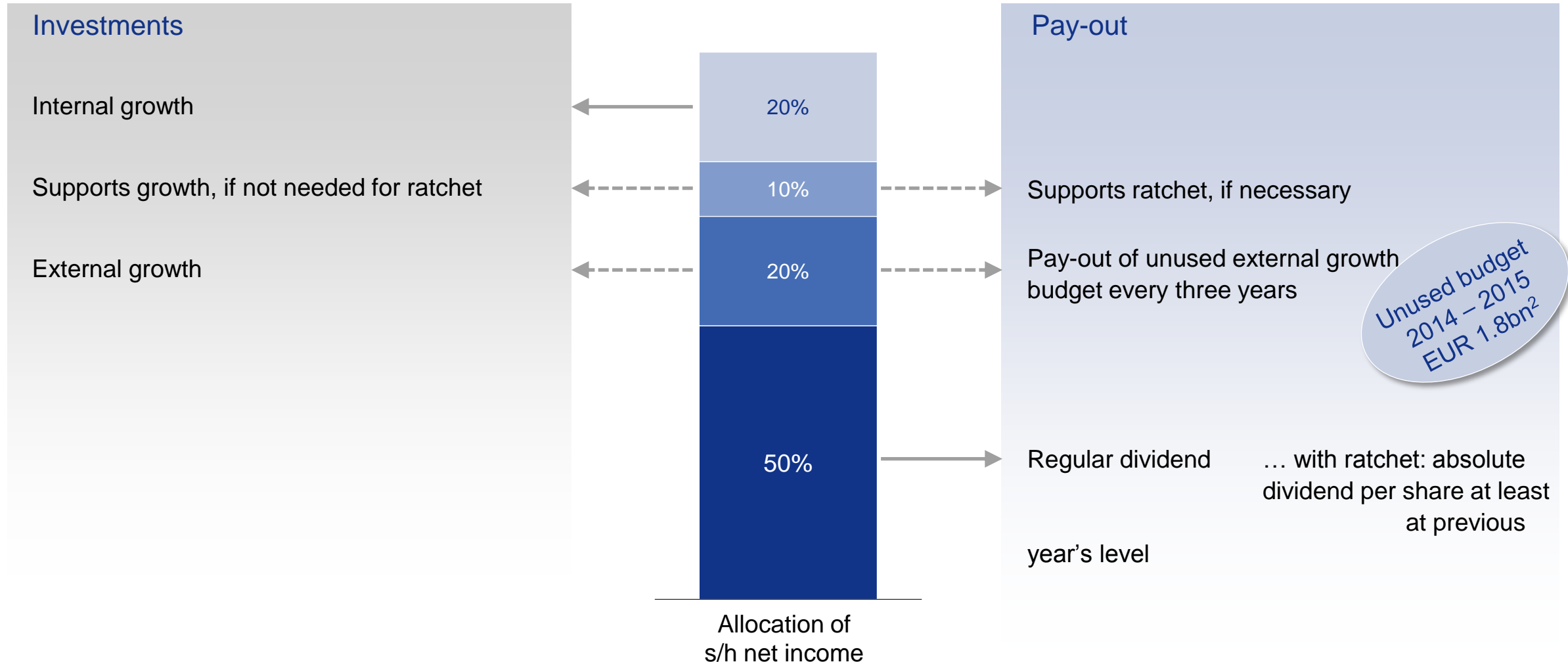
# Value creation

Dieter Wemmer  
CFO Allianz SE

Munich, November 24, 2015

# F

# Unchanged attractive dividend policy<sup>1</sup>

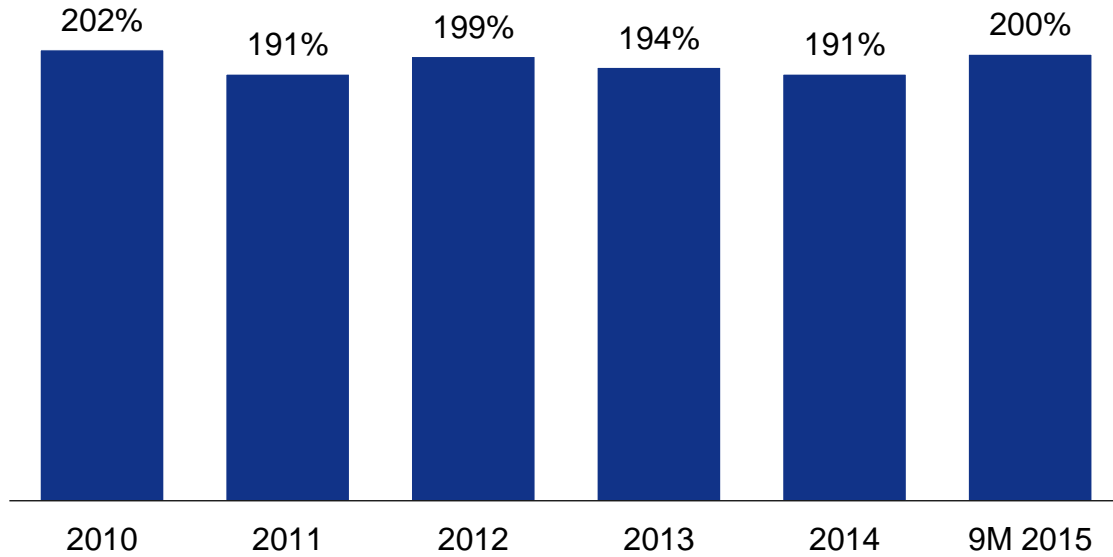


1) This dividend policy may be revised in the future. Also, the decision regarding dividend payments in any given year is subject to specific dividend proposals by the management and supervisory boards, each of which may elect to deviate from this dividend policy if appropriate under the then prevailing circumstances, as well as to the approval of the annual general meeting. The entire dividend policy is subject to a sustainable SII ratio > 160%

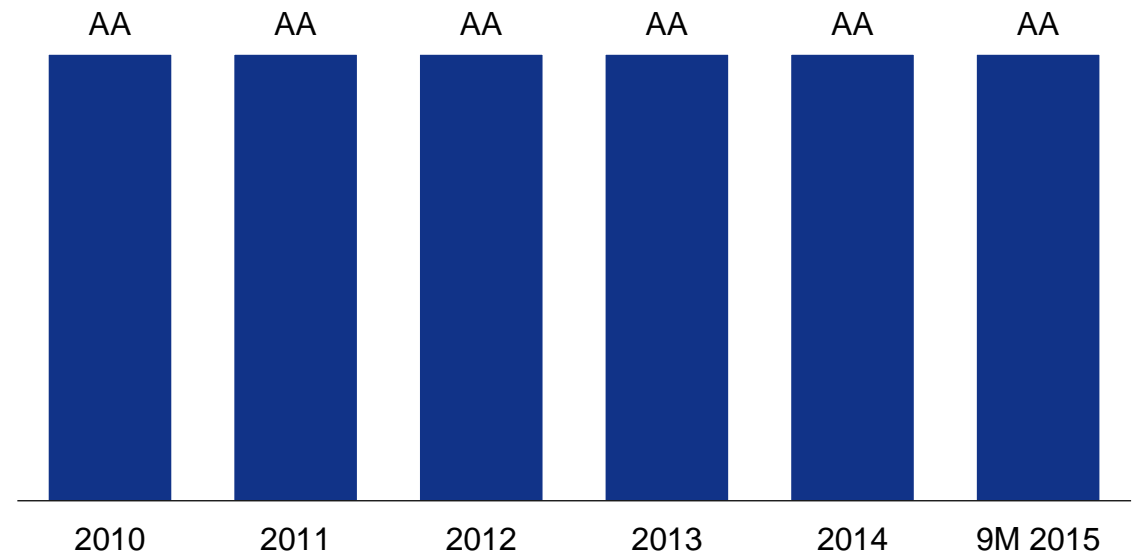
2) As of 18.11.2015

# Strong and stable capital position

## Solvency II ratio

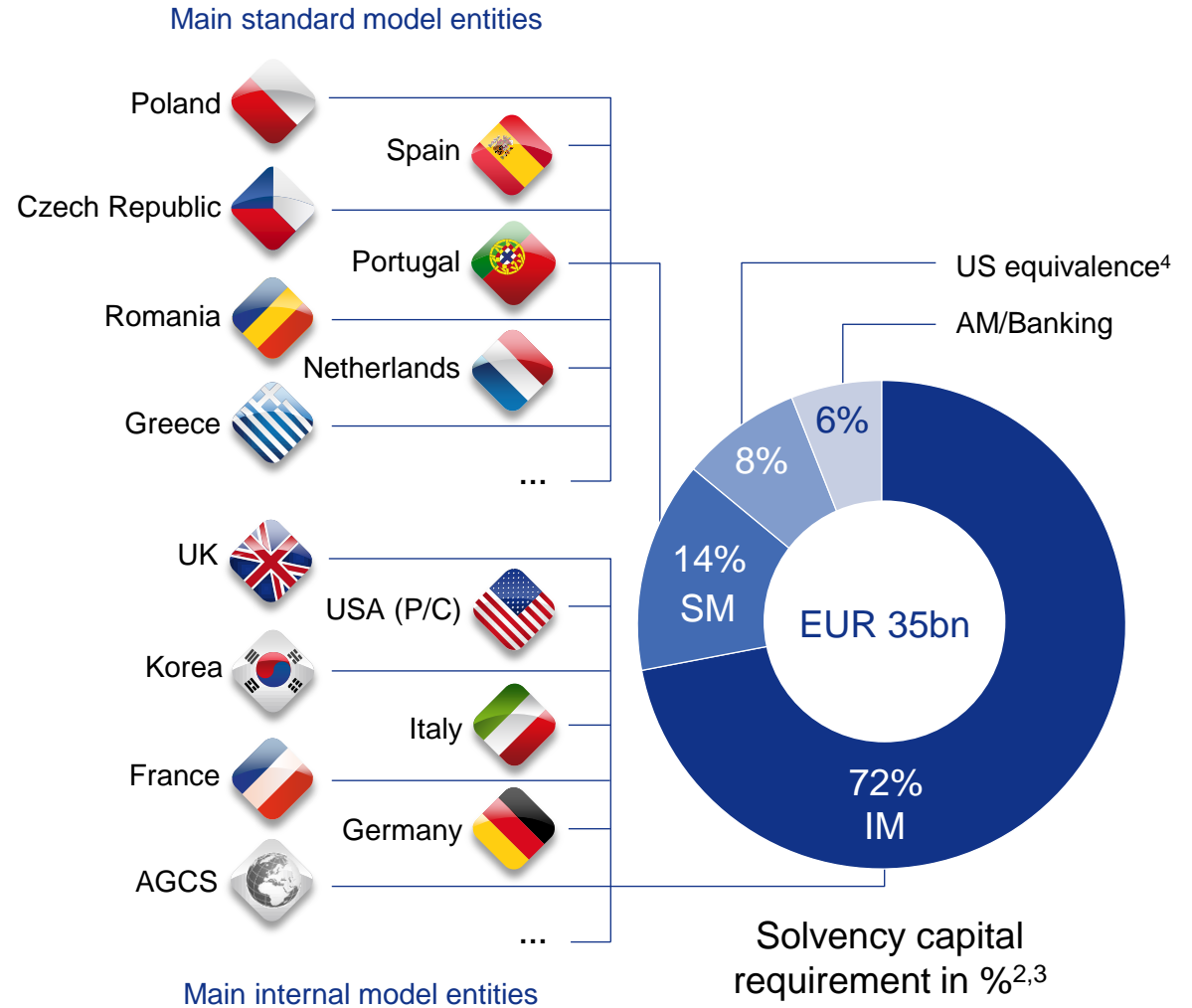
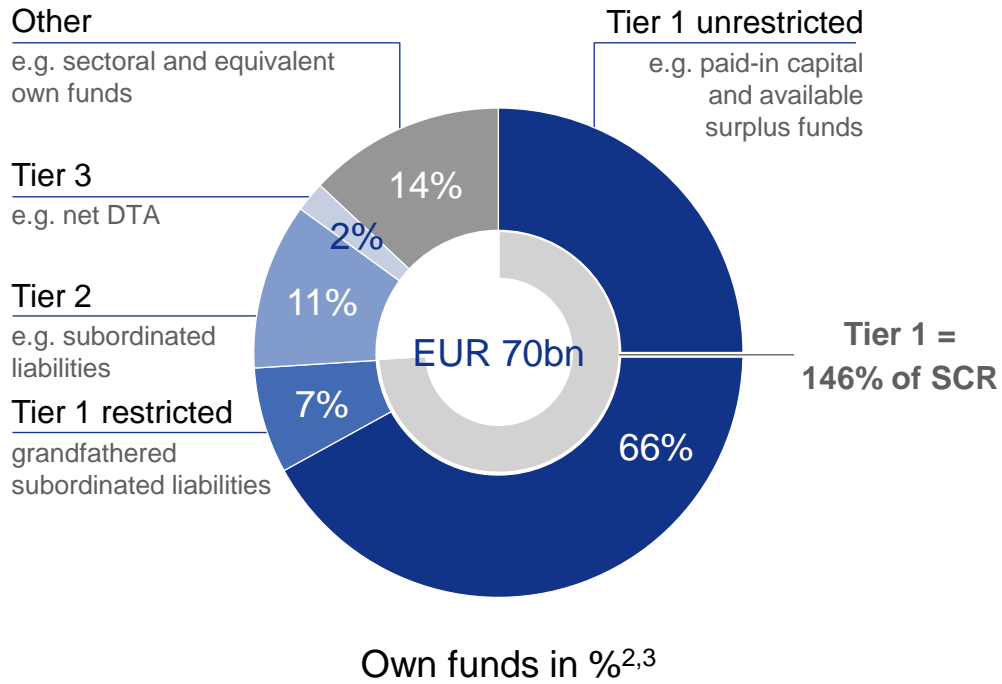


## S&P financial strength rating



# SII calculation approved November 18<sup>th</sup> – SII ratio at 200% confirmed








Conservative capital structure with > 100% Tier 1 coverage<sup>1</sup>



1) Requirements: Tier 1 ≥ 50%, Tier 2+3 ≤ 50%, Tier 3 ≤ 15% of consolidated insurance group SCR  
 2) Immaterial non-EEA insurance subsidiaries included via book value deduction (Art. 229 SII directive)  
 3) As of 30.09.2015, subject to pending decision regarding TCE  
 4) EU parliament to vote in December 2015



## SII interest rate sensitivity with small impact on distributable earnings

Segment	Relative impact of 50bps IR drop on SII ratio by segment <sup>1</sup>		Impact on distributable earnings	
<b>AM</b>		~0%		de minimis
<b>P/C</b>		~0%		small
<b>Life</b>	Asia	8%		small (not material / different regime)
	US	17%		small (different basis)
	Germany	42%		none (buffered by non-s/h own funds)
	Europe w/o Germany	25%		high (but local buffer stabilizes)
<b>Group</b>	(SII ratio -12%-p)	100%		small

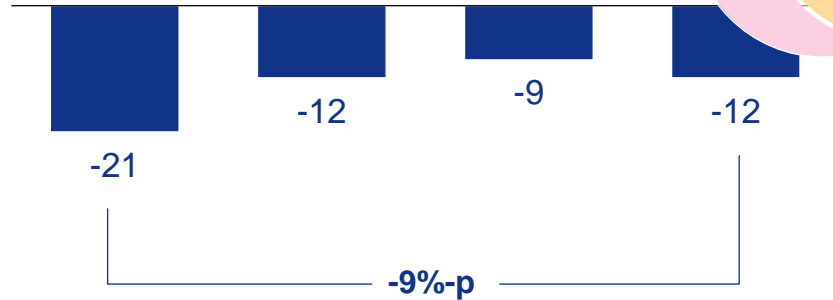
1) Based on 200% SII capitalization as of 30.09.2015, corporate segment not shown

# Renewal Agenda to further reduce SII interest rate volatility

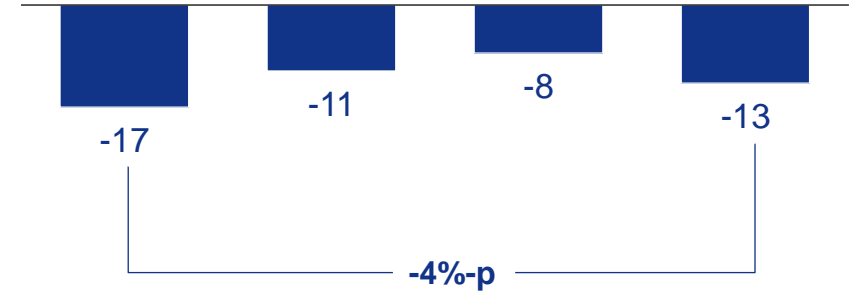
Stress impact on SII capitalization reduced (%-p)



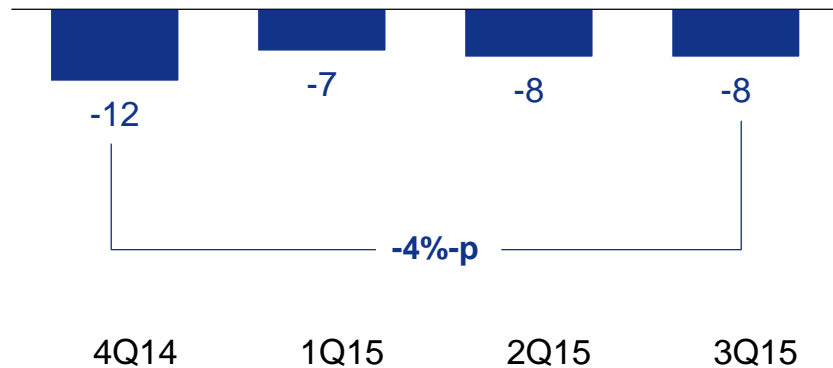
**IR**  
-50bps



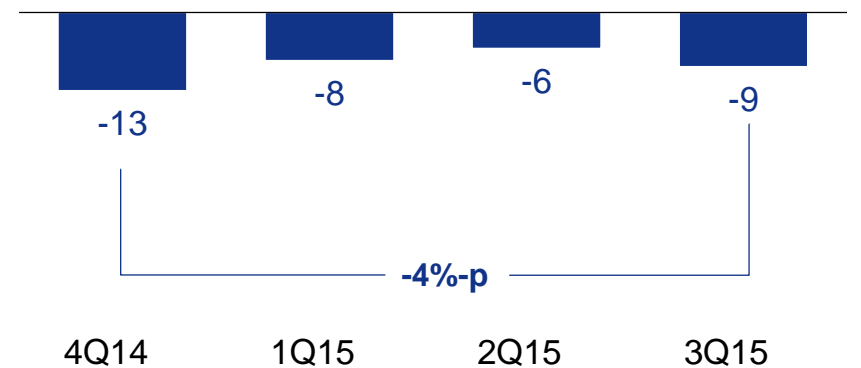
**Government bond spreads**  
+100bps



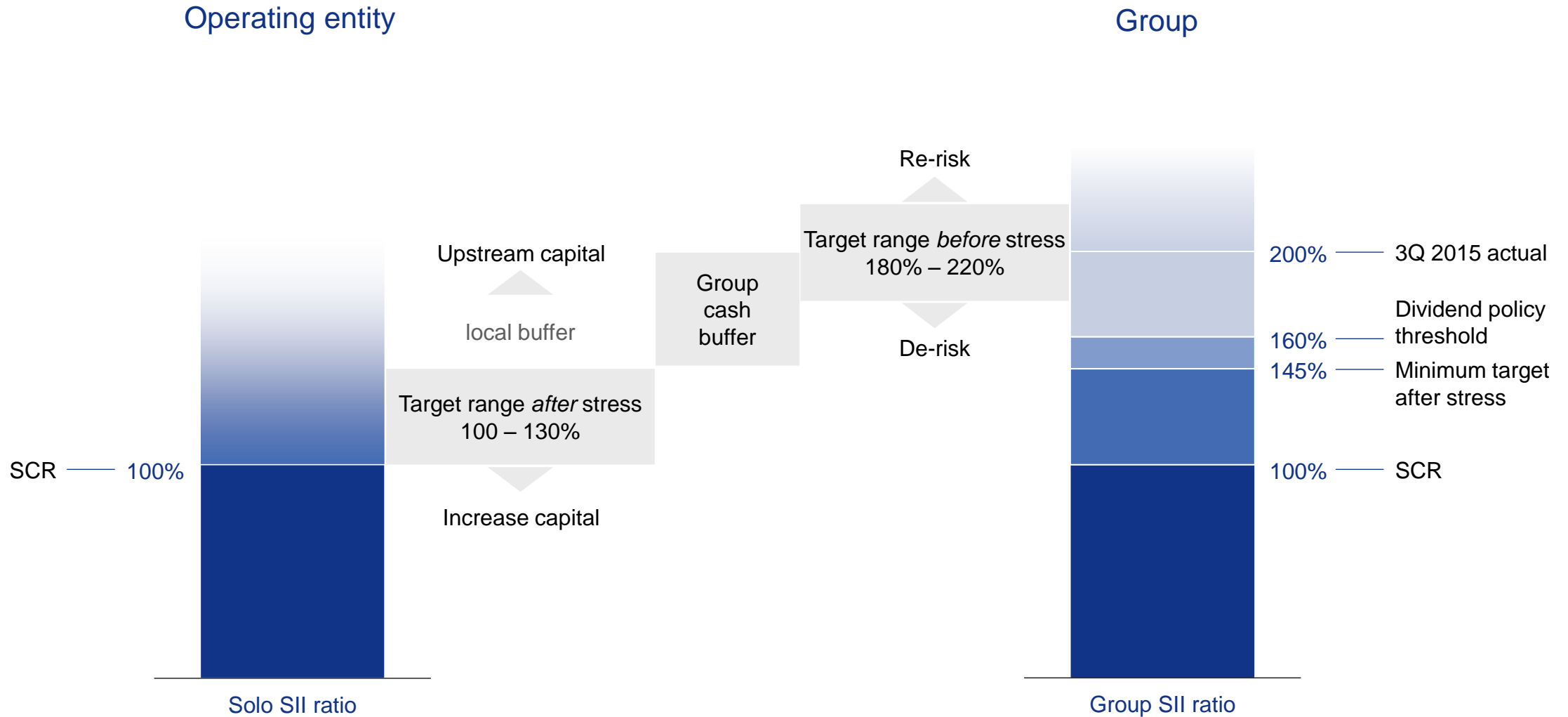
**Equities**  
-30%



**Corporate bond spreads**  
+100bps

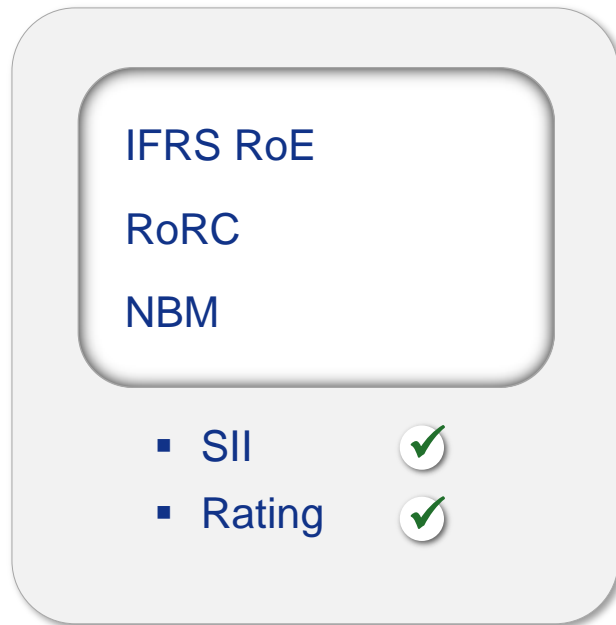


# SII ratio within today's target range

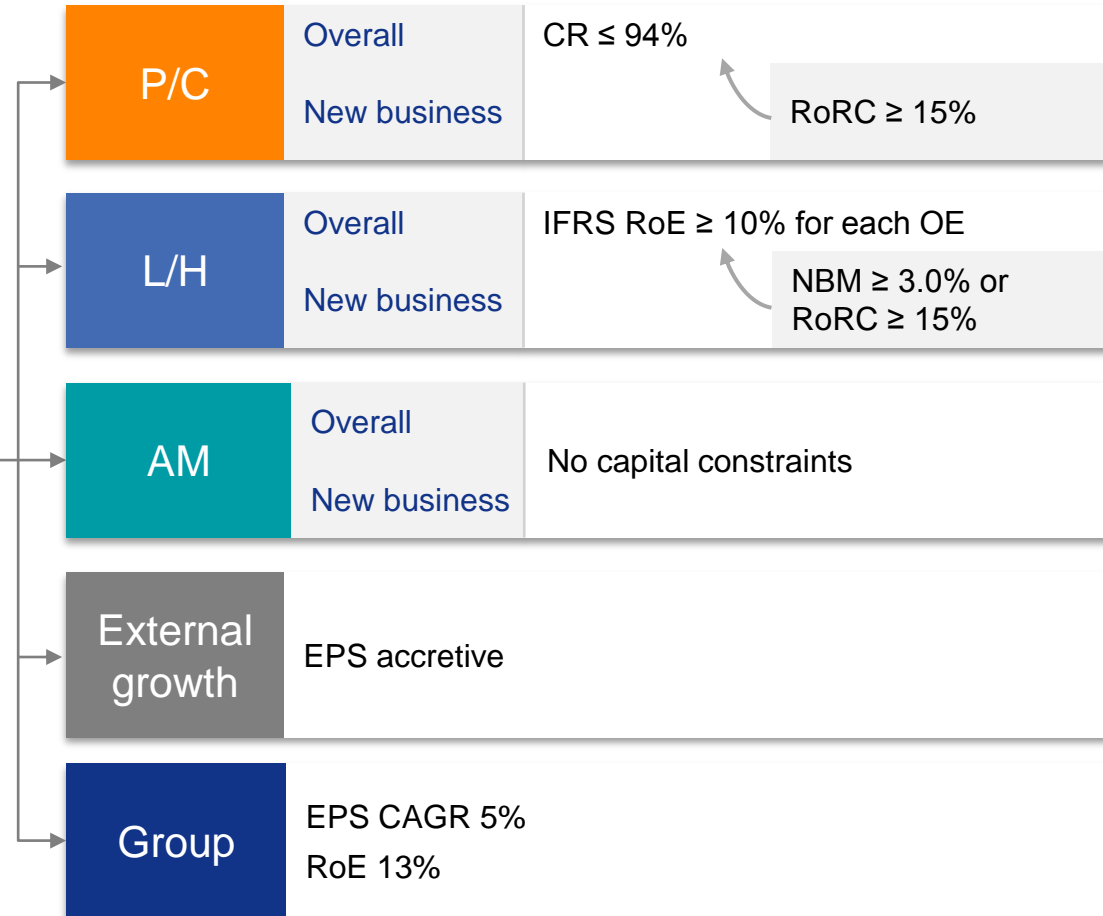


# Stringent framework to optimize value creation

## Steering framework

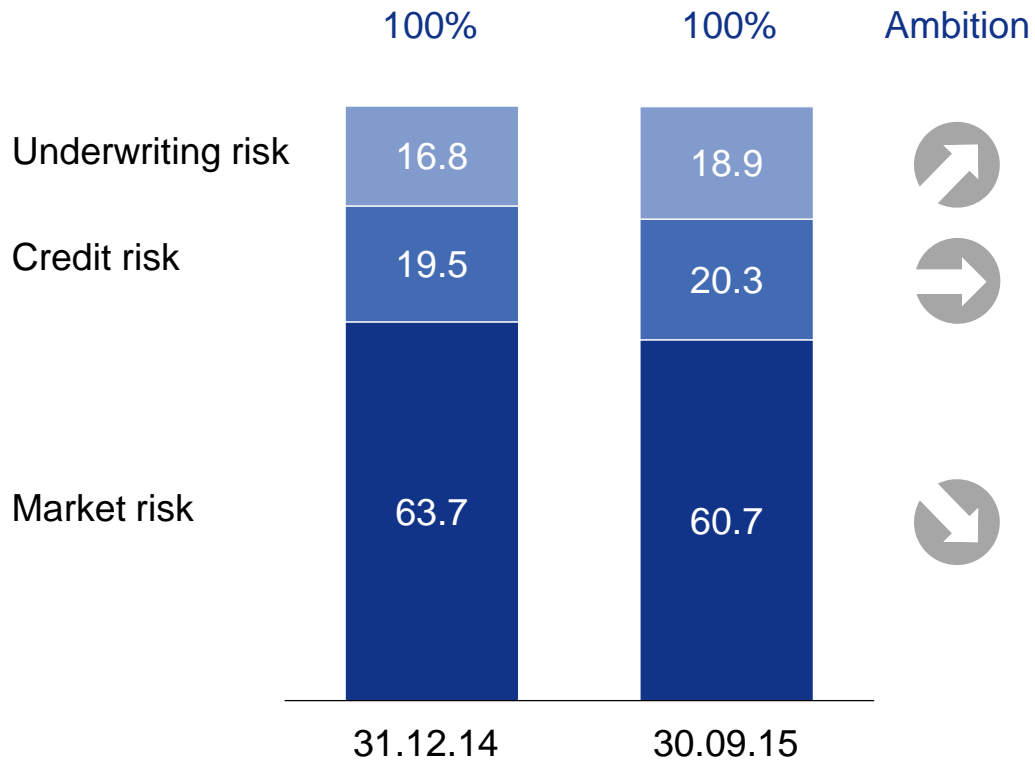


## Ambition 2018

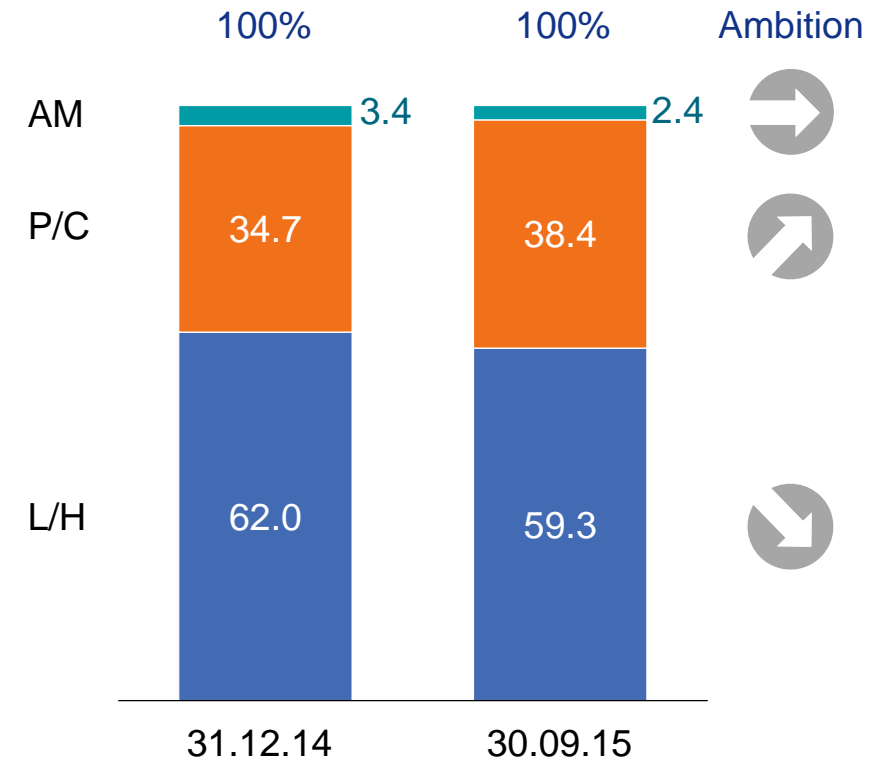


# Capital consumption of L/H and market risk will continue to decline

Risk capital by risk categories



Risk capital by segments



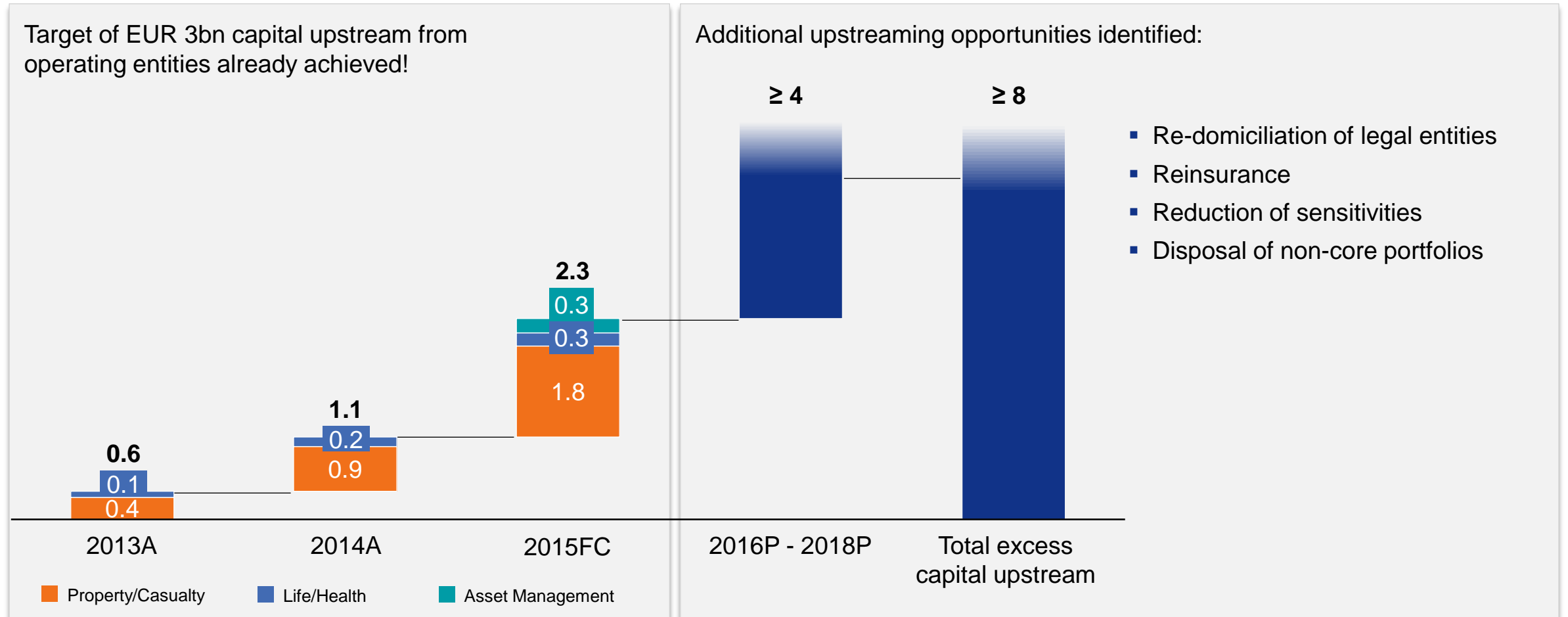
# Disciplined acquisition strategy

	Acquisitions							Disposals	
	Banco Popular	Mensura	Gan Eurocourtage	HSBC	Yapı Kredi	Unipol	TiO	Fireman's Fund	Allianz Swiss Re
Investment	EUR 0.2bn	EUR 0.1bn	EUR 0.5bn	EUR 0.1bn	EUR 0.7bn	EUR 0.6bn	EUR 0.2bn	EUR -0.4bn	EUR -0.04bn
Rol on track	✓	✓	✓	✓	✓	✓	✓		
Scale		✓	✓		✓	✓	✓		
Distribution	✓		✓	✓	✓	✓	✓		
	2011	2012	2013	2013	2013	2014	2014	2015	2015

▶ Disciplined acquisition strategy is focused on value generation and scaling-up and/or distribution

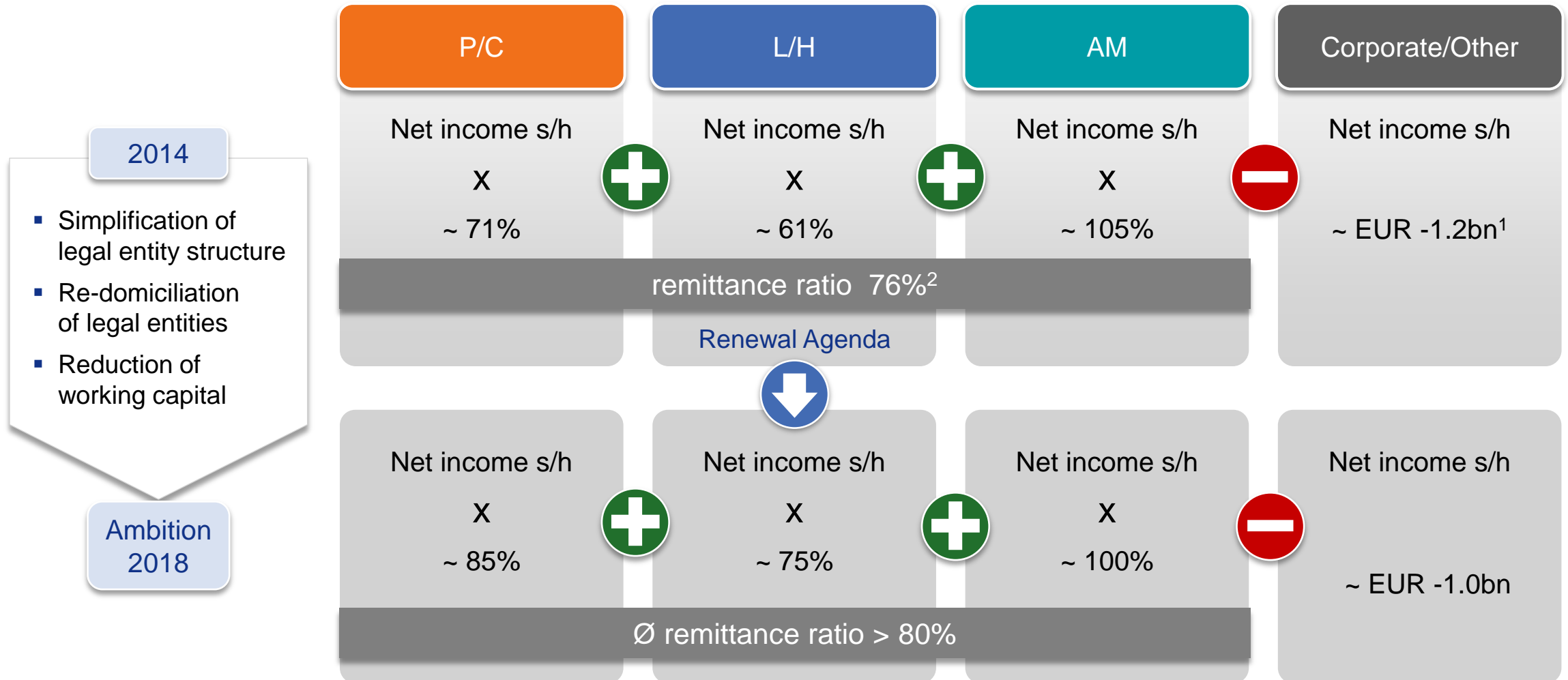
# Ongoing upstreaming of local excess capital to holding

## Excess capital upstream executed/agreed<sup>1</sup> (EUR bn)



1) Excess capital upstream based on Allianz shareholder share and year of capital upstream

# High remittance ratio

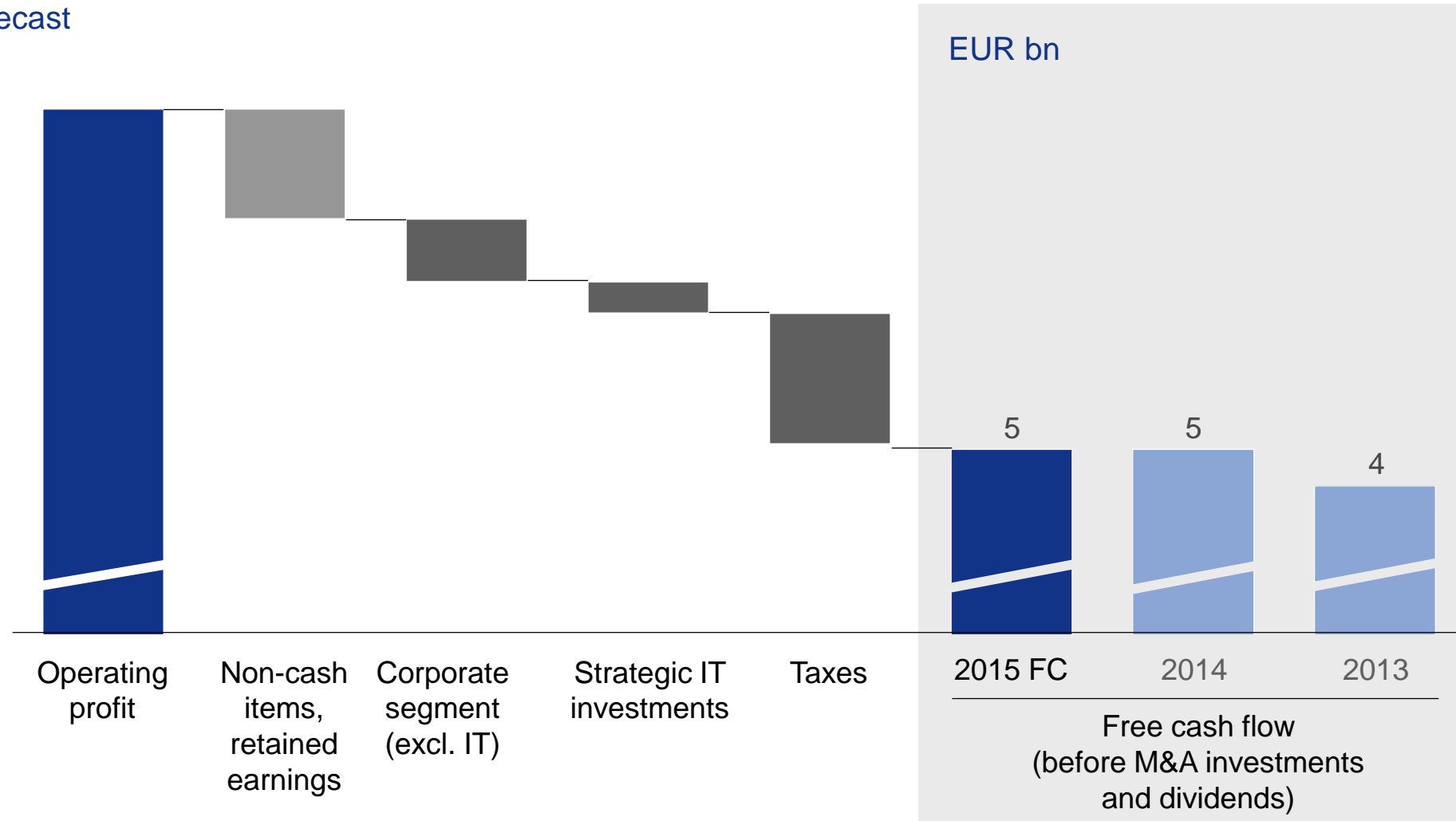


1) Excluding one-off effect from pension revaluation  
 2) Excluding excess capital upstream from operating entities

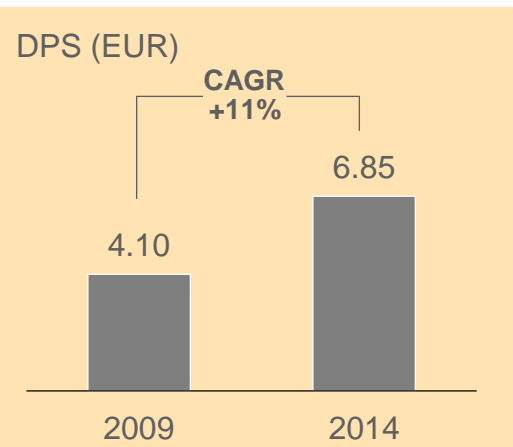
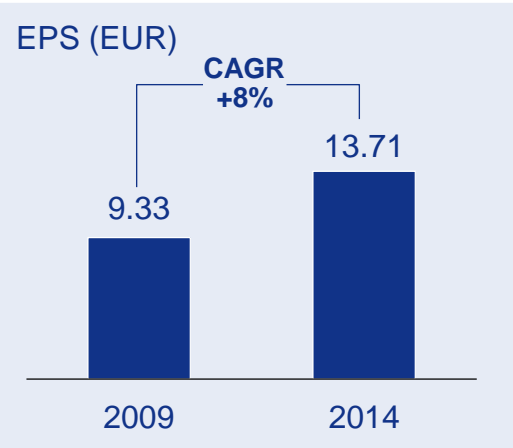


# Strong free cash flow generation

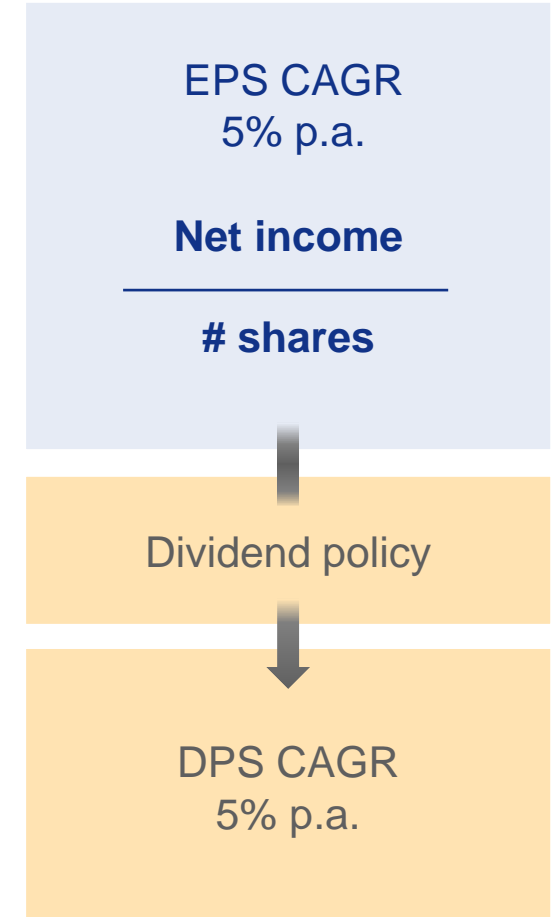
2015 Forecast



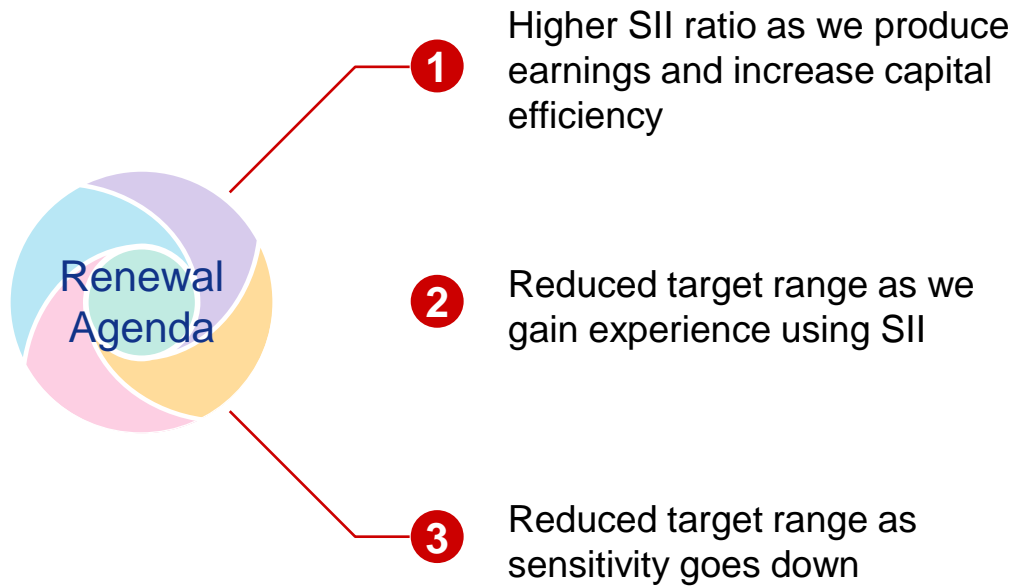
# 5% EPS CAGR ambition based on solid track record ...



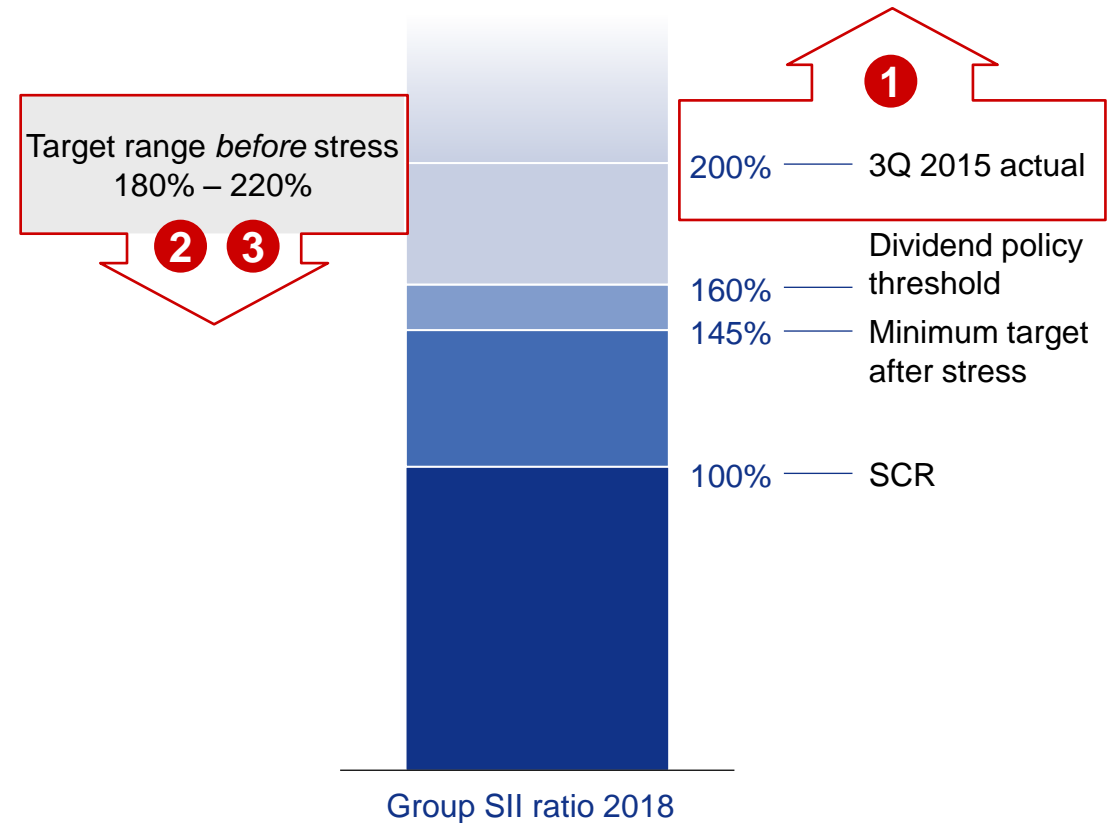
- plus ...
- |   |                    |  |
|---|--------------------|--|
| 1 | Capital efficiency | Potential to free up EUR ~3bn from L/H back-books<br>Shift to capital-light products in new L/H business |
| 2 | Healthy cash flows | EUR ~ 5bn free cash flow after tax 2015e<br>Upstreaming of EUR ≥ 4bn local excess capital                |
| 3 | Attractive RoE     | 13% IFRS RoE 2018e   |



# ... and capital position tending to improve further



Illustrative!



# Glossary

## RoE

### RoE Group

Represents net income attributable to shareholders divided by the average shareholders' equity excluding unrealized gains/losses on bonds (net of shadow DAC) at begin of the period and at end of the period.

### RoE L/H OEs

Represents net income divided by the average total equity excluding unrealized gains/losses on bonds (net of shadow DAC) and excluding goodwill at begin of the period and at end of the period.

$$\text{RoRC}^{\text{NB P/C}} = \frac{\overset{1}{\text{NPE}} - \overset{2}{\text{Expenses}} - \overset{3}{\text{Ultimate claims}} + \overset{4}{\text{Risk-free return}} \overset{5}{* (1 - \text{Tax rate})}}{\underset{6}{\text{Present value of risk capital}}}$$

<b>1</b> NEP	Earned premium is net of reinsurance and premium tax.
<b>2</b> Expenses	Expenses, including commissions and fixed expenses, net of reinsurance (undiscounted).
<b>3</b> Ultimate claims	Incurred claims (accident year), incl. allocated and unallocated expenses, net of reinsurance (undiscounted).
<b>4</b> Risk-free return	Discounting effect on claims and expenses plus investment return on risk capital.
<b>5</b> Tax rate	Corporate tax rate. Same rate used for risk capital tax relief and tax on return.
<b>6</b> PV RC	Present value of all insurance related risk capital on an accident year basis.

$$\text{RoRC}^{\text{NB L/H}} = \frac{\overset{1}{\text{PVFP}^{\text{MA}}} - \overset{2}{\text{O\&G}^{\text{MA}}} + \overset{3}{\text{Risk-free return}}}{\underset{4}{\text{Present value of risk capital}}}$$

<b>1</b> PVFP <sup>MA</sup>	Present value of future profits for new business, after tax, valued under matching adjustment.
<b>2</b> O&G <sup>MA</sup>	Value of options and guarantees embedded in new business, valued under matching adjustment.
<b>3</b> Risk-free return	Investment return on risk capital, after tax.
<b>4</b> PV RC	Present value of risk capital for new business, including market and non-market risks.

## NBM

Value of new business divided by present value of new business premiums.

## RoRC

## Disclaimer

These assessments are, as always, subject to the disclaimer provided below.

### Forward-looking statements

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events) (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the

extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

### No duty to update

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.

## Investor Relations contacts

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<p><b>Reinhard Lahusen</b></p>	<p><b>Christian Lamprecht</b></p>
<p><b>Frank Stoffel</b></p>	<p><b>Stephanie Aldag</b> IR Events</p>
<p><b>Investor Relations</b></p>	<p><b>Internet</b> English: <a href="http://www.allianz.com/investor-relations">www.allianz.com/investor-relations</a> German: <a href="http://www.allianz.com/ir">www.allianz.com/ir</a></p>