

# Capital management

Dieter Wemmer  
Chief Financial Officer

London, November 30, 2017

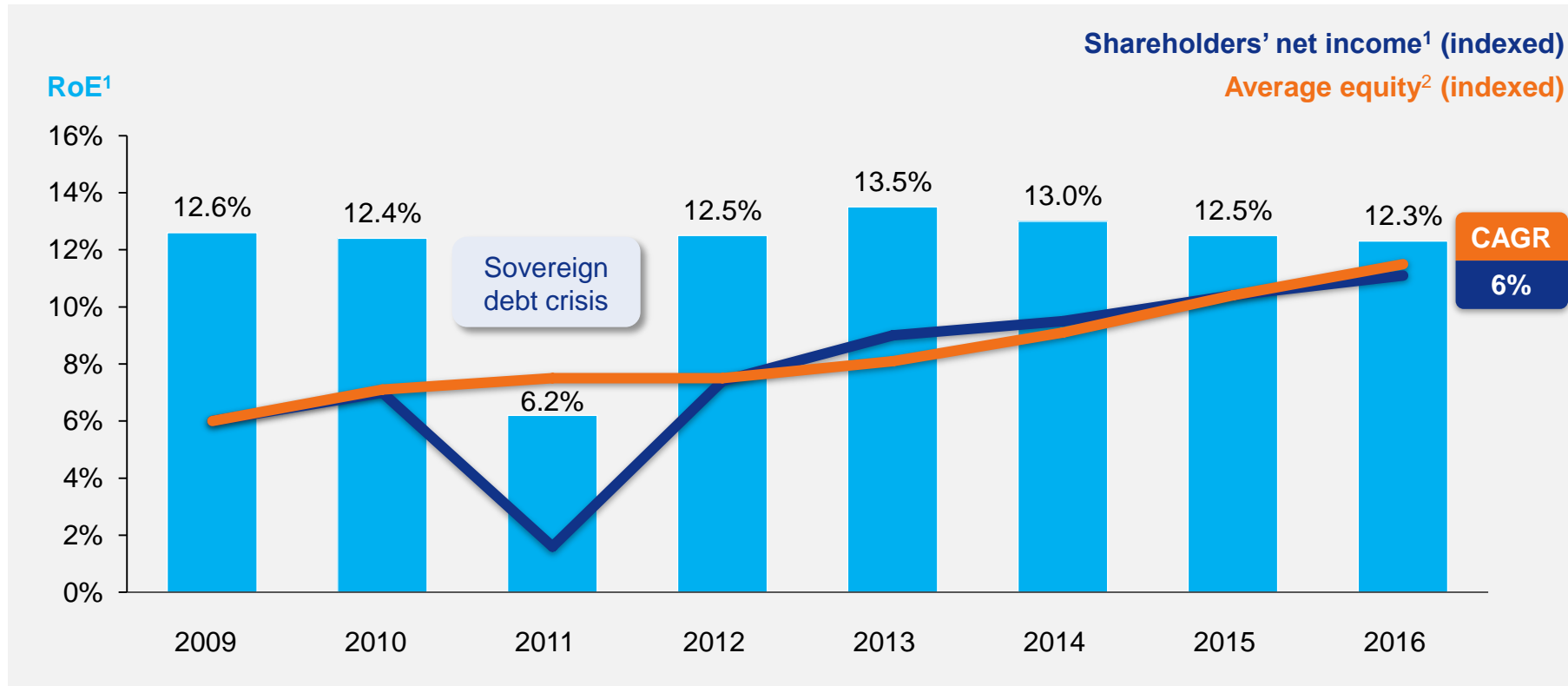
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# Agenda

|   | <b>Topics</b>               | <b>Facts</b>                          |
|---|-----------------------------|---------------------------------------|
| 1 | RoE Group                   | Stable, net profit growing            |
| 2 | RoE L/H                     | Strongly improved to 12.6%            |
| 3 | Retention                   | Strong cash flow                      |
| 4 | Capital and cash generation | Excellent level                       |
| 5 | L/H business mix shift      | Profitable growth and capital release |
| 6 | US tax reform               | Positive impact in the medium-term    |
| 7 | Solvency II                 | Effective management levers           |
| 8 | Offer for Euler Hermes      | EPS accretion                         |
| 9 | IFRS 17                     | Increasing transparency               |

# 1 Stable RoE, growing shareholders' equity and net income



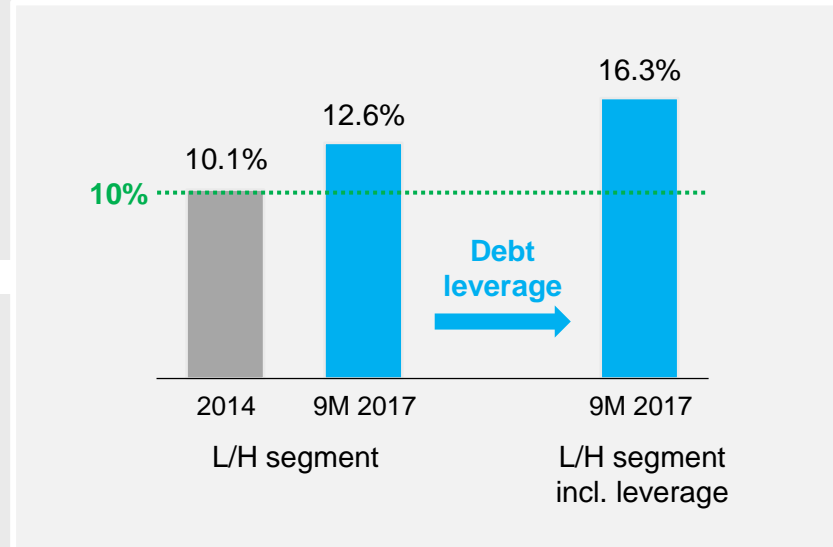
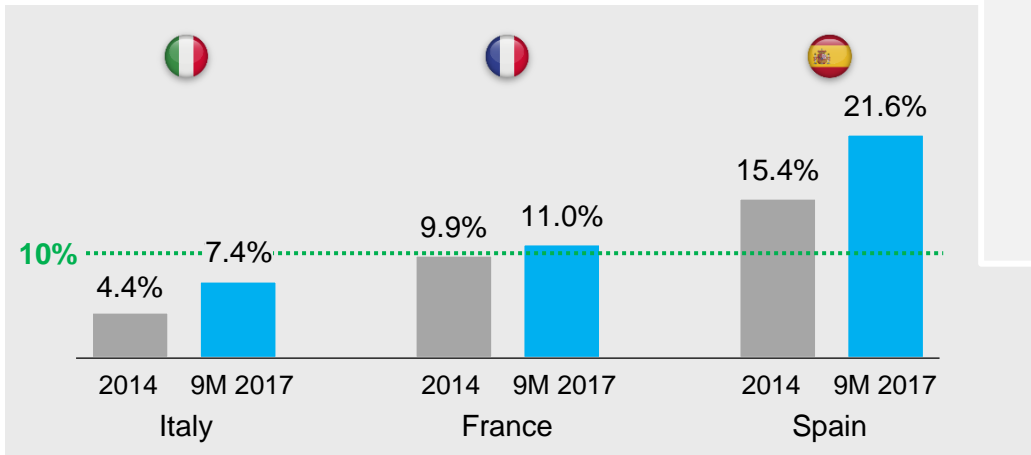
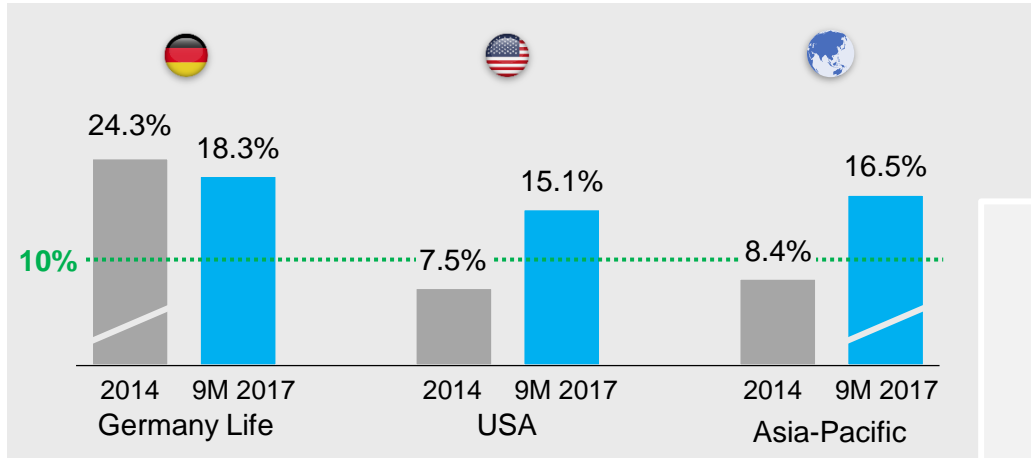
RoE  
9M 2017 ann.  
**12.4%**

RoE  
2018e  
**13%**

1) 2016 figures have been restated for changed accounting policy. RoE excluding unrealized gains/losses on bonds net of shadow accounting  
 2) Average shareholders' equity excluding unrealized gains/losses on bonds net of shadow accounting

## 2 L/H RoE – improved to healthy 12.6%<sup>1</sup>

RoE 2014/2017 (9M annualized)

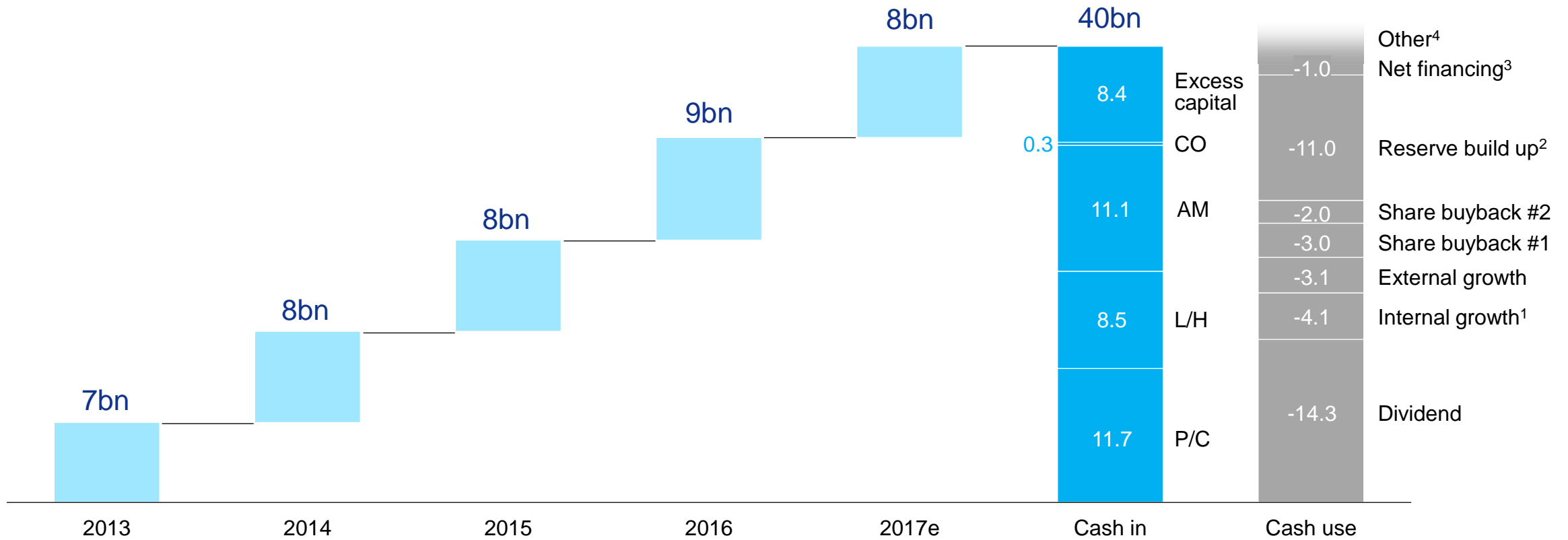


Successful  
**in-force  
management**

Leveraged  
**RoE  
at 16.3%**

1) Annualized

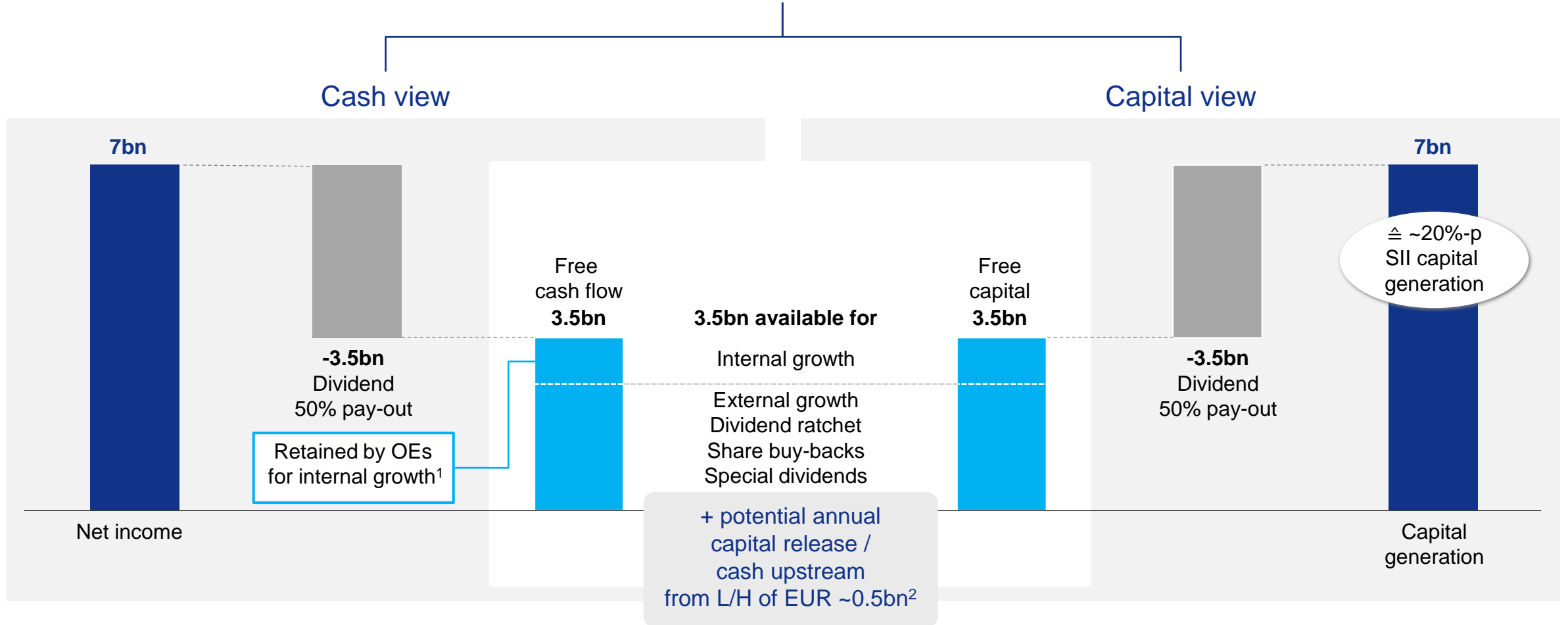
### 3 Cash repatriated to Allianz SE – EUR 40bn over the last 5 years (in EUR)



1) Capital for internal growth provided by Allianz SE into OEs, i.e. excl. internal growth capital retained by OEs  
 2) Including strategic liquidity reserve  
 3) Including external and internal financing  
 4) Holding costs, including interest expenses on external debt

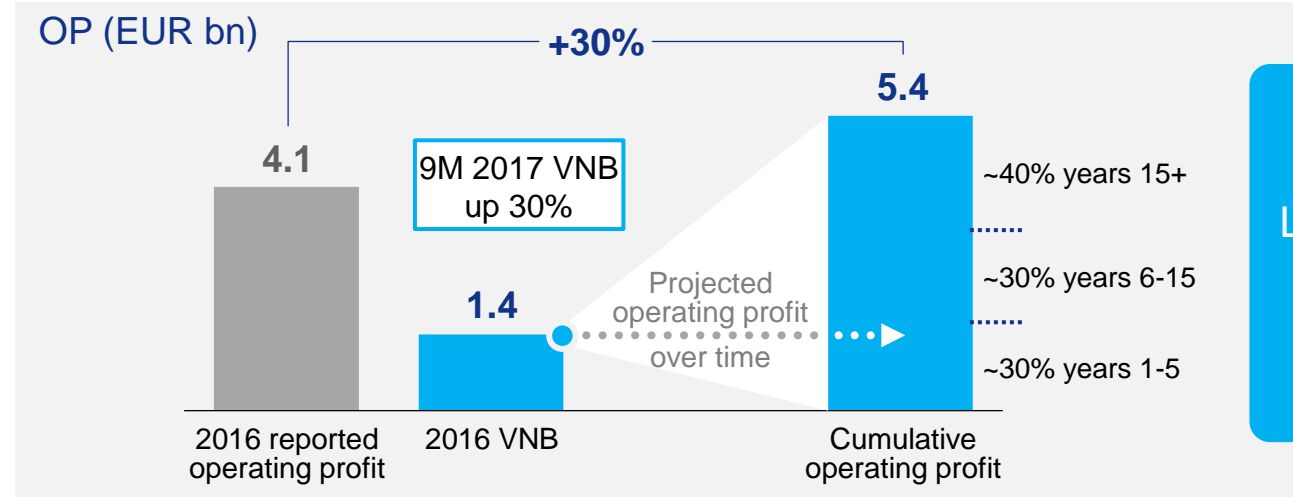
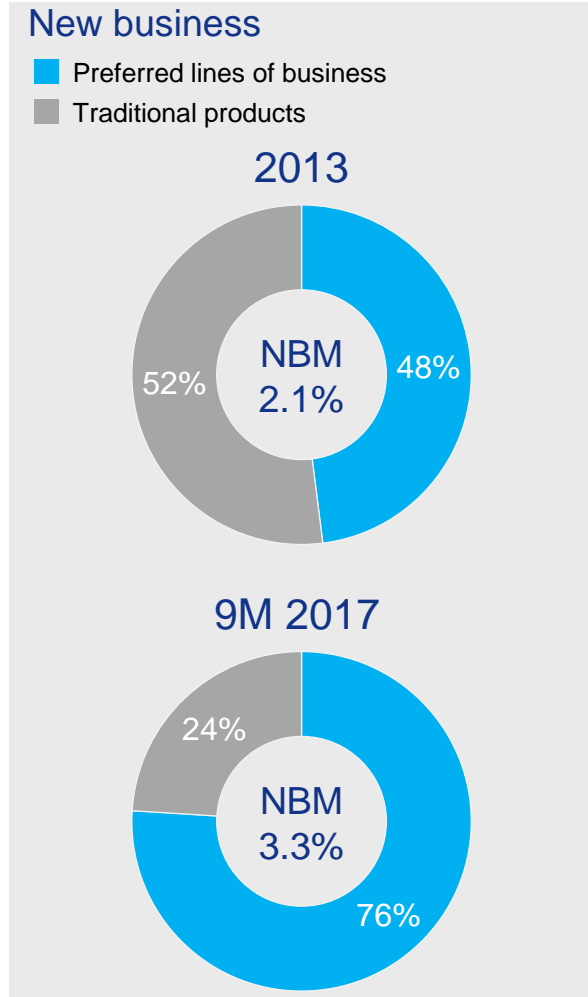
## 4 Capital and cash generation – excellent

Assuming net income EUR 7bn

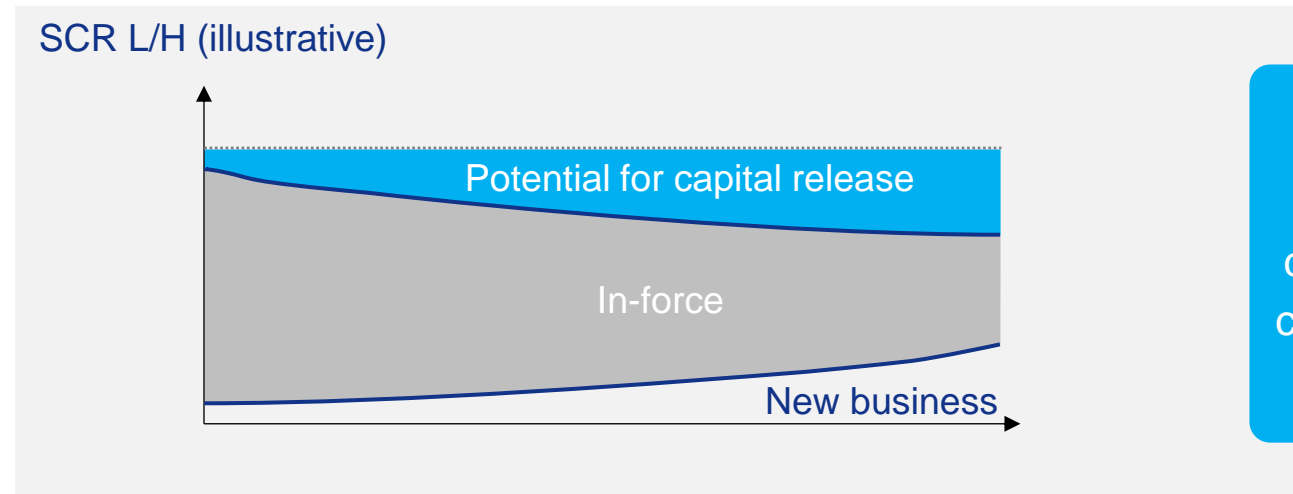


1) OEs to remit 100% of net income. Net remittance ratio is reduced by amount allocated for internal growth. Target net remittance ratios (w/o excess capital repatriation): P/C 80-85%, L/H 80%, AM 100%  
 2) Timing may be impacted by up-streaming restrictions

## 5 L/H – profitable growth and capital release



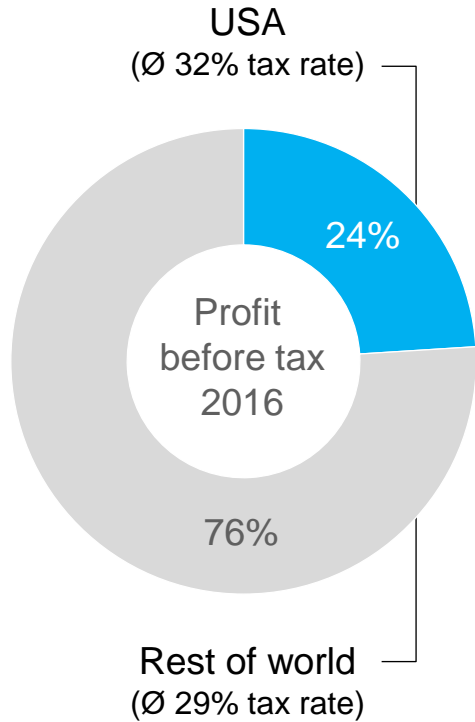
Potential L/H EPS<sup>1</sup> growth of **3% - 5% p.a.**



Potential for annual capital release / cash upstream of **EUR ~0.5bn<sup>2</sup>**

1) No forecast, includes positive impact from reduced capital intensity as a result of improved business mix  
2) Timing may be impacted by up-streaming restrictions

## 6 Current status of US tax reform – mid-term impact positive



### Profit (Allianz USA)

$$\text{Tax payment} = \text{tax rate} \downarrow \times \text{tax base} \uparrow$$

- ≈ 6% adverse impact on expected tax rate from DTA write-off in 2017 or 2018
- 20% nominal tax rate 2019 ff. after 35% in 2017
- ≈ USD 0.4bn annual tax savings 2019 ff.

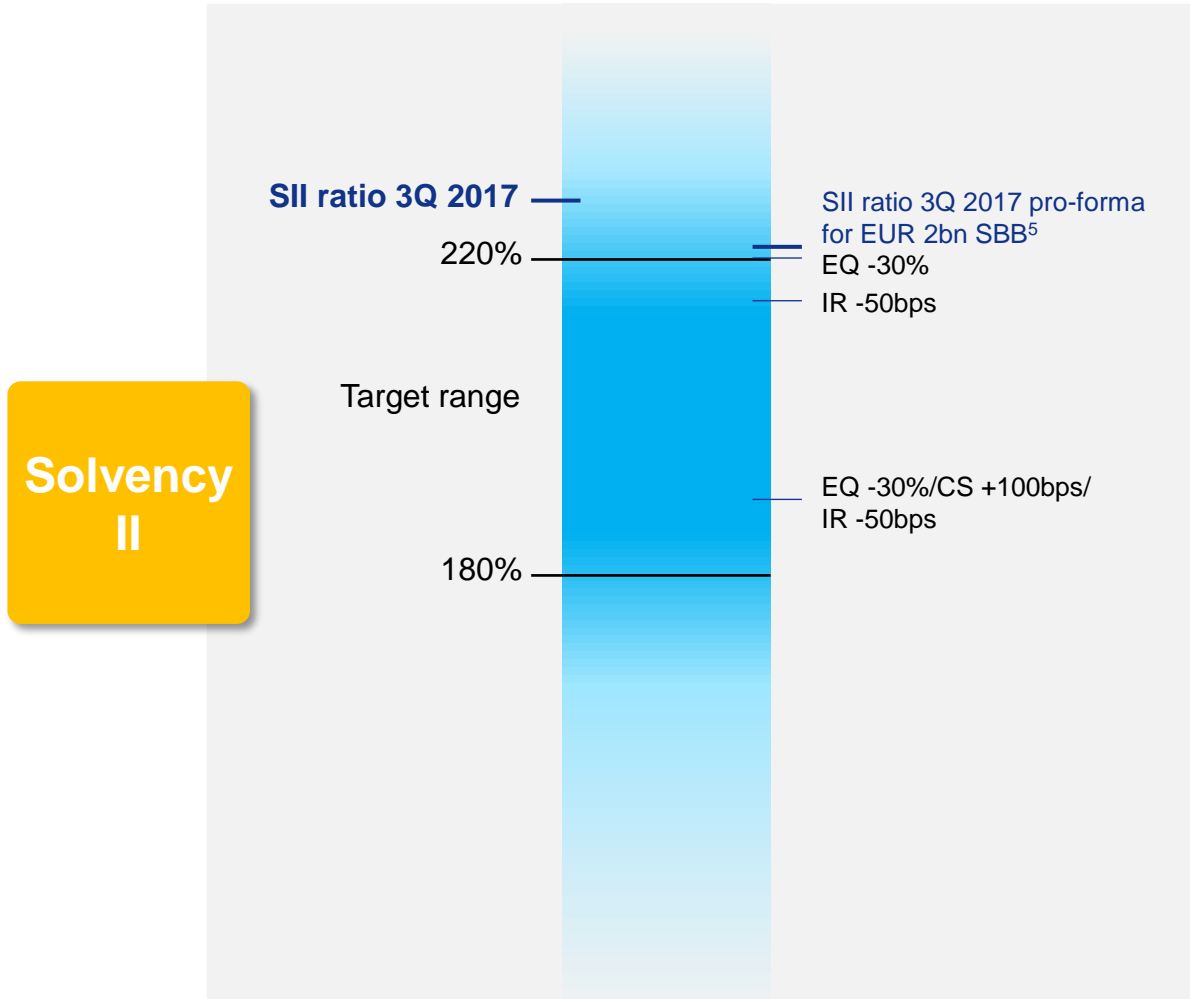
### Capital (Allianz Life)

$$\text{RBC ratio} = \frac{\text{available capital} \downarrow}{\text{required capital} \uparrow}$$

- Available capital down due to lower net DTAs
- Required capital up due to tax impact on risk factors
- Reinstatement of 330% target RBC ratio would require USD 1.2bn retained dividends (worst case)



## 7 SII – effective management actions available to support ratio



**SII ratio excellent above upper end of target range**  
Strong levers to support our SII ratio

- ▶ 20% equity derisking<sup>1</sup> +4-5%-p
- ▶ Closing of ALM mismatch<sup>2</sup> +3-5%-p
- ▶ EUR 1bn sub debt issuance<sup>3</sup> +3%-p
- ▶ Credit derisking<sup>4</sup> +1-2%-p

1) Decrease exposure in traded equities by 20% or by EUR 8-10bn notional  
 2) After 50bps interest rate shock  
 3) Indicative only. No indication of actual sub debt limit

4) Reduction in exposure to BBB-rated bonds by EUR 10bn  
 5) As announced on November 9, 2017

## 8 Euler Hermes cash tender offer – an EPS accretive investment

### Euler Hermes basics

- ▶ World's largest credit insurer with strong market position
- ▶ Allianz already owned 63% and 74.34% following purchase of 11.34% of Euler Hermes' share capital through share purchase agreements concluded with two large Euler Hermes shareholders on November 24, 2017
- ▶ Market cap EUR 4.2bn (pre announcement)<sup>1</sup>, net income 2016 EUR 287mn / 9M 2017 EUR 228mn

### Transaction/ financials

- ▶ Cash offer price: EUR 122 per share; 20.7% premium on closing price day before announcement
- ▶ 2018e P/E of ~16x<sup>2</sup>; immediately ca. 1% EPS accretive
- ▶ Allianz SII ratio ~-4%-p, less than half of our expected annual SII operating capital generation
- ▶ No impact on current EUR 3bn and already announced EUR 2bn share buy-back programs

### Strategic rationale/ timing

- ▶ Profitable deployment of capital in a strategic business with solid operating performance
- ▶ Strengthening of our positions in our core markets with low execution risks
- ▶ Tender offer expected to be filed within the next weeks; closing of tender offer expected in 1Q 2018
- ▶ A squeeze-out is intended in the event our holding reaches 95%

1) Excluding treasury shares  
2) Bloomberg consensus  
Source market data Bloomberg

## 9 IFRS 17 – increasing transparency



### Major changes

#### General

- New modern insurance accounting standard
- Replacement of IFRS 4
- Effective 2021

#### Balance sheet

- Insurance liabilities to be held at current values
- Discounting of loss reserves and explicit risk adjustment
- Expected future L/H profits shown in contractual service margin (CSM)

#### P&L

- Consistent revenue definition for P/C and L/H without deposit components
- No front loading of profits, but recognition over coverage period
- Split between underwriting and investment result



### Benefits & advantages

- Better peer comparability through harmonization of accounting practice, assumptions and presentation
- Transparency about underlying profitability and assumptions
- Full economic reflection of options and guarantees
- Higher compatibility with Solvency II
- Will render non-GAAP measures such as MCEV partially redundant
- Broad acceptance in Continental Europe, Canada and Asia

# Allianz Italy

Giacomo Campora  
CEO Allianz Bank Italy /  
CEO elect Allianz Italy

London, November 30, 2017

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# Italy at a glance

## Key data 2016

- Population<sup>1</sup>: 60.6mn
- GDP (EUR)<sup>1</sup>: 1,681bn
- GDP/capita (EUR): ~28,000
- Inflation<sup>1</sup>: -0.1%
- Insurance penetration<sup>2</sup>: P/C 2.2%, Life 7.1%
- Country rating (S&P): BBB- (BBB in 2017)

## Market specifics

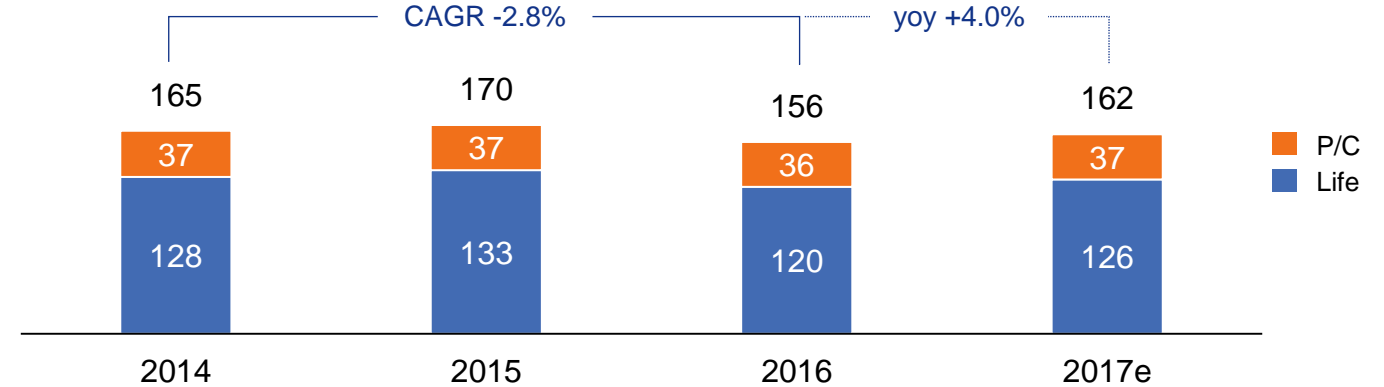
### P/C:

- Mature market, highly concentrated (top 3 players have 49% market share) with distribution dominated by agents (72%)
- Motor market suffering from prolonged downward pressure on average premium (“new normal”)
- Lower non-motor insurance penetration vs. EU peers<sup>2</sup>

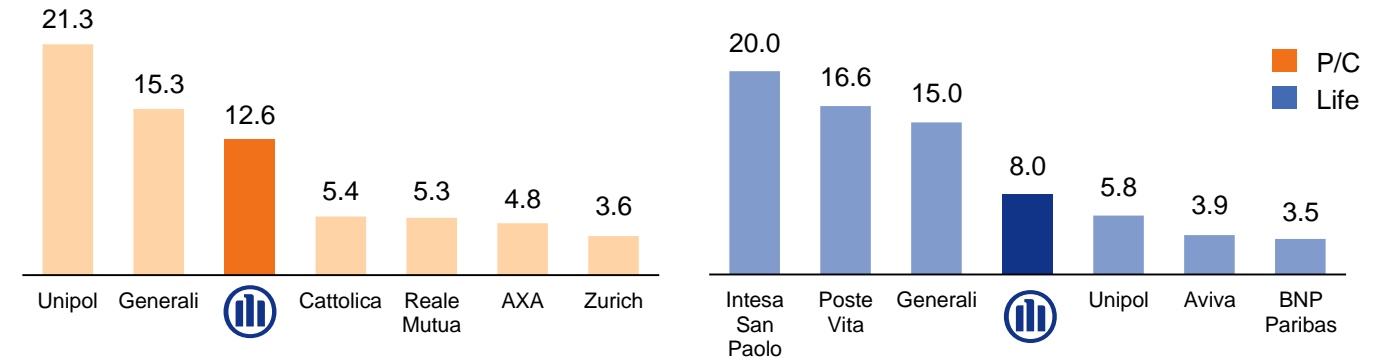
### Life:

- Strong presence of banks (46%) and post office (17%) thus very volatile
- Challenging business environment due to volatile financial markets and low interest rates
- Market trend towards capital-light products

## Market size and growth (GPW, EUR bn)<sup>3</sup>



## Market shares 2016<sup>4</sup> (GPW, %)



1) Source: Istat

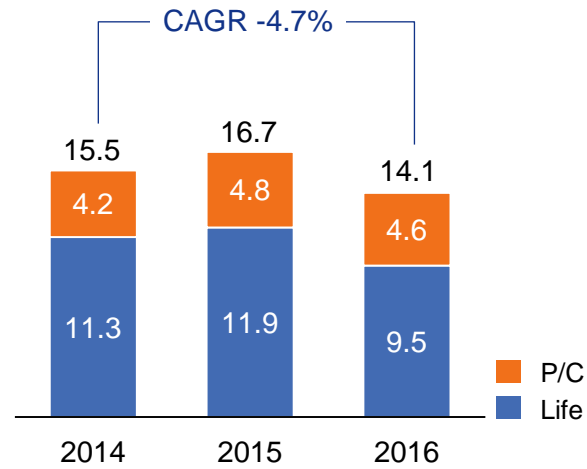
2) GPW in % of GDP (2016)

3) 2017e Allianz estimate

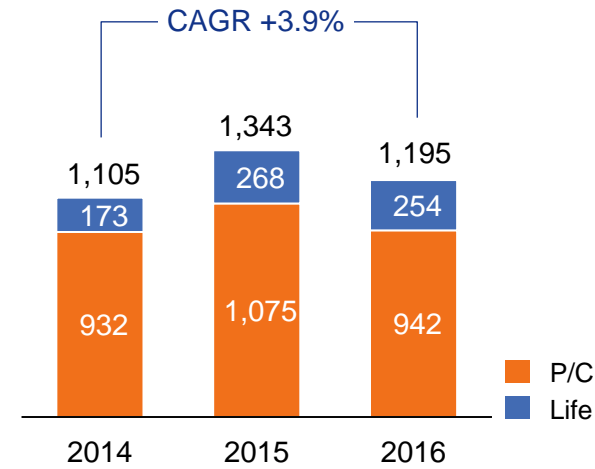
4) Market shares for Allianz Italy excluding AGCS, Euler Hermes and Allianz Assistance (which add additional 1.0% P/C market share in 2016)

# Allianz Italy (1)

## Revenues (EUR bn)



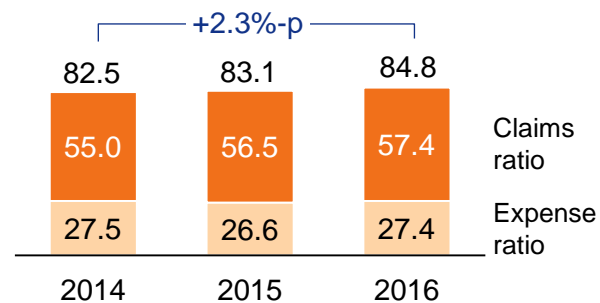
## Operating profit<sup>1</sup> (EUR mn)



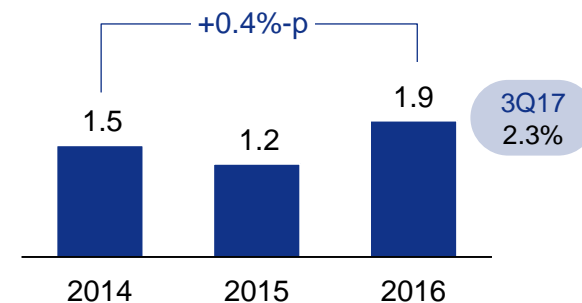
## Highlights

- Solid contributor to Group operating profit: 2<sup>nd</sup> in P/C, 4<sup>th</sup> in Life in 2016
- Successful multichannel distribution platform (2016):
  - Large agent network: ~2,700 agents with ~18,000 secondary salesforce, ~3,800 bank branches and ~2,300<sup>2</sup> FAs
  - Direct channel #1 with ~31%<sup>3</sup> market share
  - Long lasting and successful Bancassurance agreement: CreditRas Assicurazioni #3 in BA P/C<sup>4</sup> and CreditRas Vita #3 in BA Life market
- Front runner in digitalization and product innovation
- 7.2mn customers in 2016
- A rating from S&P in 2017

## Combined ratio (%)



## New business margin Life (% , w/o look through profits)



## Key milestones

- 1966 Allianz enters the Italian market
- 1987 Allianz buys a majority stake in RAS
- 1995 Allianz buys Lloyd Adriatico and Unione Subalpina
- 2006 RAS Holding merges with Allianz, forming Allianz SE
- 2007 Merger of RAS, Lloyd Adriatico and Allianz Subalpina gives birth to Allianz Spa
- 2014 Acquisition of 725 Milano/Sasa (MiSa) agencies from UnipolSai

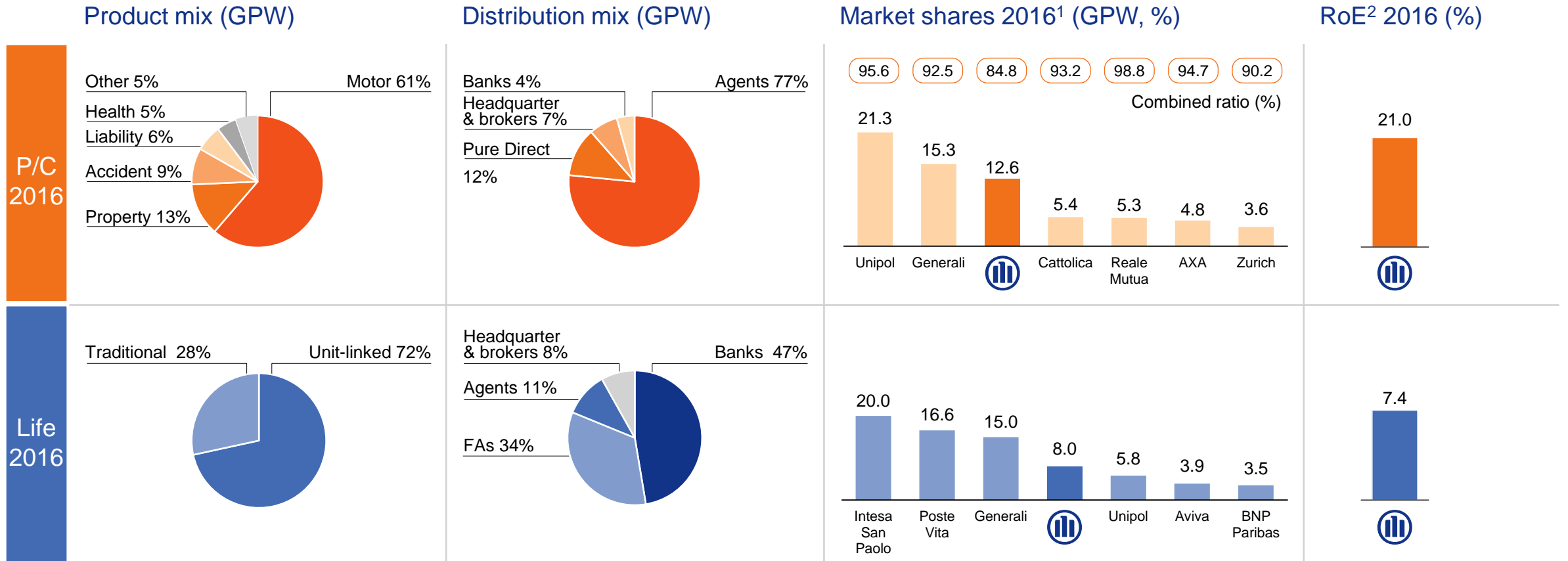
1) Operating profit from insurance business (excluding Allianz Bank and Investitori SGR, which generated additional operating profit of EUR 22mn in 2016, 34mn in 2015 and 9mn in 2014)

2) FAs as at April 2017 (direct FAs and indirect (agency based))

3) Direct channel market share (sum of P/C direct companies)

4) Pure BA P/C ranking, excluding Assimoco

# Allianz Italy (2)



1) Market shares for Allianz Italy excluding AGCS, Euler Hermes and Allianz Assistance (which add additional 1.0% P/C market share in 2016)

2) Excl. unrealized gains/losses on debt securities (net of shadow DAC) and goodwill; Life RoE refers to Life and Health

# Allianz Central and Eastern Europe

Petros Papanikolaou  
CEO Central and Eastern Europe

London, November 30, 2017

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# Central and Eastern Europe at a glance

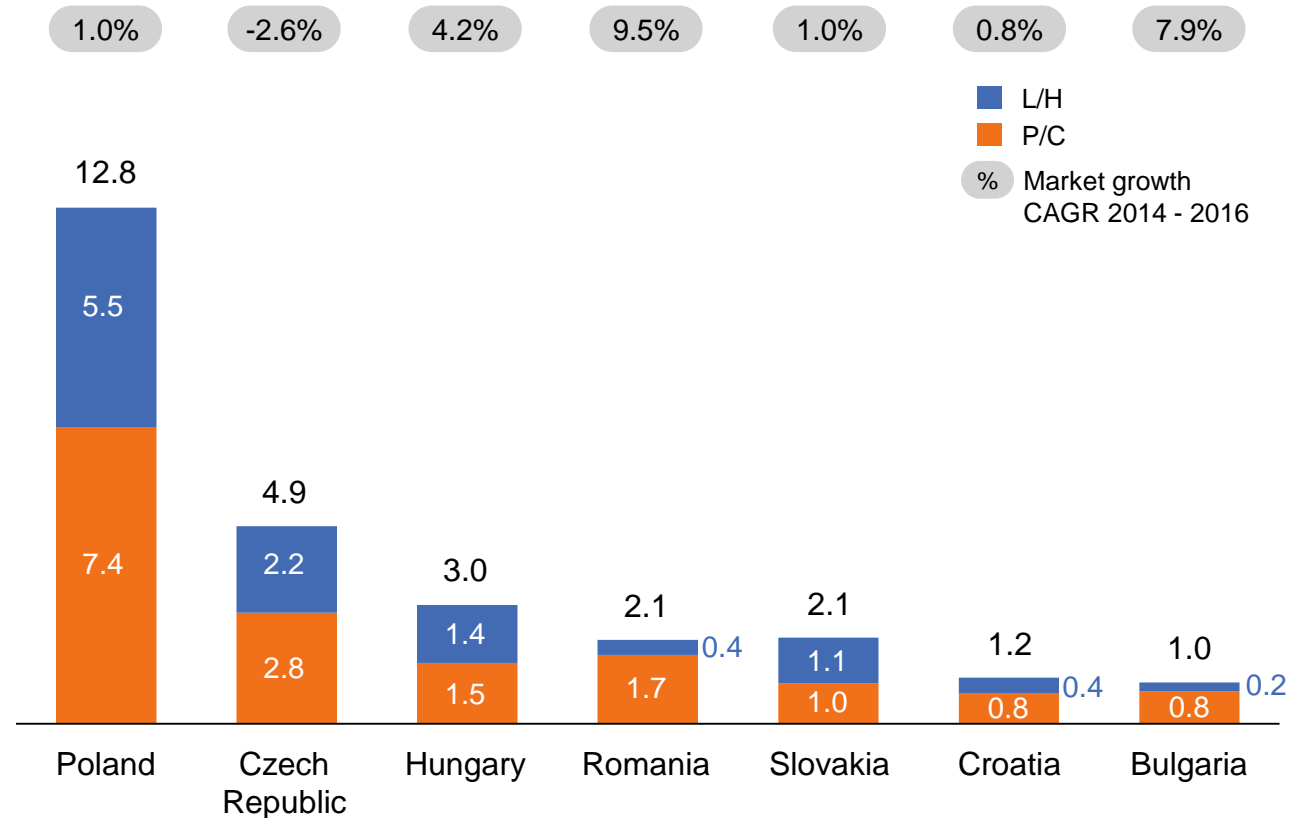
## Key data (CEE 7<sup>1</sup>)

- Large **population of ~95mn**
- Economic **growth restarted**, upside expected
- Insurance market **GPW above EUR 27bn**
- Compared to Western Europe, low level of insurance density and penetration presents a **long-term growth potential**

## Market specifics

- Mostly small markets with differing profitability, growth impacted by regulation and decreasing demand especially in Life (e.g. PL, CZ)
- Competitive landscape: Fragmented markets with many sub-scale players
- Overall attractive growth outlook:
  - **P/C**: Market to continue with solid growth, however, margin pressure in some markets
  - **L/H**: Market relatively underdeveloped but with long-term growth potential

GPW by country (EUR bn)<sup>2</sup>

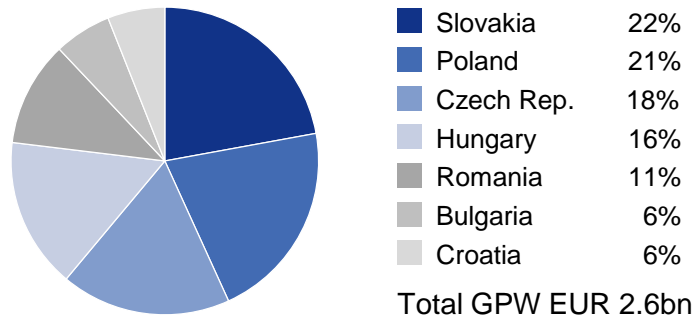


1) CEE 7 incl. Poland, Czech Republic, Hungary, Romania, Slovakia, Croatia, Bulgaria

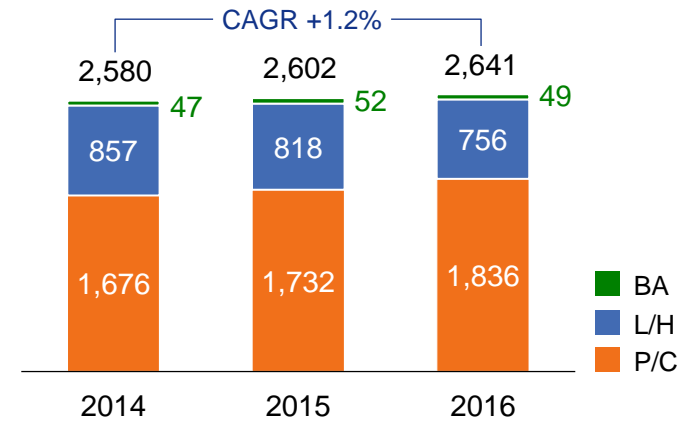
2) Internal data based on publicly available sources

# Allianz in Central and Eastern Europe (1)

Revenues by country (2016, %)



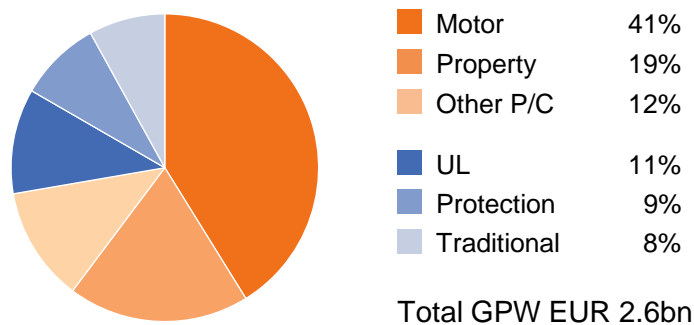
Revenue trend (EUR mn)



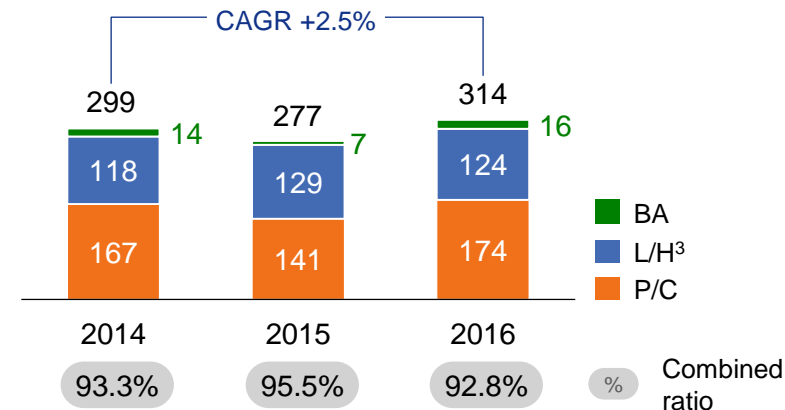
## Highlights

- Serving **~7.4 million** customers in the region<sup>1</sup>
- Strong position (top 3 overall) in all markets except in Poland<sup>2</sup>
- Long-term benefits expected from realization of regional transformation with focus on harmonization of products, processes and organization
- NBM 2016: 6%

Revenues by segment (2016, %)



Operating profit trend (EUR mn)



Financial figures new OEs<sup>4</sup>

| 2016    | GPW (EUR mn) | OP (EUR mn) | CR (%) |
|---------|--------------|-------------|--------|
| Austria | 1,397        | 101         | 94.1   |
| Russia  | 189          | 26          | 97.9   |
| Ukraine | 4            | 0           | 101.1  |

1) As of October 2017 (CEE 7)  
 2) Internal data based on publicly available sources; legal entities consolidated based on group ownership

3) L/H including asset management and pension fund business  
 4) New OEs become part of CEE region as of January 1<sup>st</sup>, 2018

## Allianz in Central and Eastern Europe (2)

| 2016           | P/C          |                 |                 |                 |                                      |          | L/H & Corporate <sup>2</sup> |                 |                 |                 |                                      |          |
|----------------|--------------|-----------------|-----------------|-----------------|--------------------------------------|----------|------------------------------|-----------------|-----------------|-----------------|--------------------------------------|----------|
|                | Revenues     |                 | OP <sup>1</sup> |                 | Market share / position <sup>4</sup> |          | Revenues                     |                 | OP <sup>1</sup> |                 | Market share / position <sup>4</sup> |          |
|                | EUR mn       | Δ% <sup>3</sup> | EUR mn          | Δ% <sup>3</sup> | %                                    | #        | EUR mn                       | Δ% <sup>3</sup> | EUR mn          | Δ% <sup>3</sup> | %                                    | #        |
| Bulgaria       | 104          | 3               | 14              | 9               | 14                                   | 1        | 107                          | 1               | 29              | 41              | 26                                   | 1        |
| Croatia        | 76           | -11             | 6               | -27             | 10                                   | 3        | 72                           | 2               | 19              | -5              | 19                                   | 1        |
| Czech Republic | 361          | 14              | 28              | -16             | 13                                   | 3        | 110                          | -4              | 16              | 13              | 7                                    | 4        |
| Hungary        | 304          | 12              | 29              | 23              | 21                                   | 1        | 113                          | -2              | 13              | 0               | 8                                    | 7        |
| Poland         | 403          | -1              | 23              | -               | 6                                    | 5        | 136                          | -30             | 22              | -19             | 3                                    | 12       |
| Romania        | 249          | 16              | 17              | 19              | 15                                   | 2        | 26                           | 7               | 11              | 15              | 7                                    | 4        |
| Slovakia       | 340          | 1               | 67              | 21              | 34                                   | 1        | 243                          | -2              | 35              | 2               | 21                                   | 2        |
| <b>Total</b>   | <b>1,836</b> | <b>6</b>        | <b>174</b>      | <b>23</b>       | <b>11</b>                            | <b>4</b> | <b>805</b>                   | <b>-7</b>       | <b>140</b>      | <b>4</b>        | <b>7</b>                             | <b>5</b> |

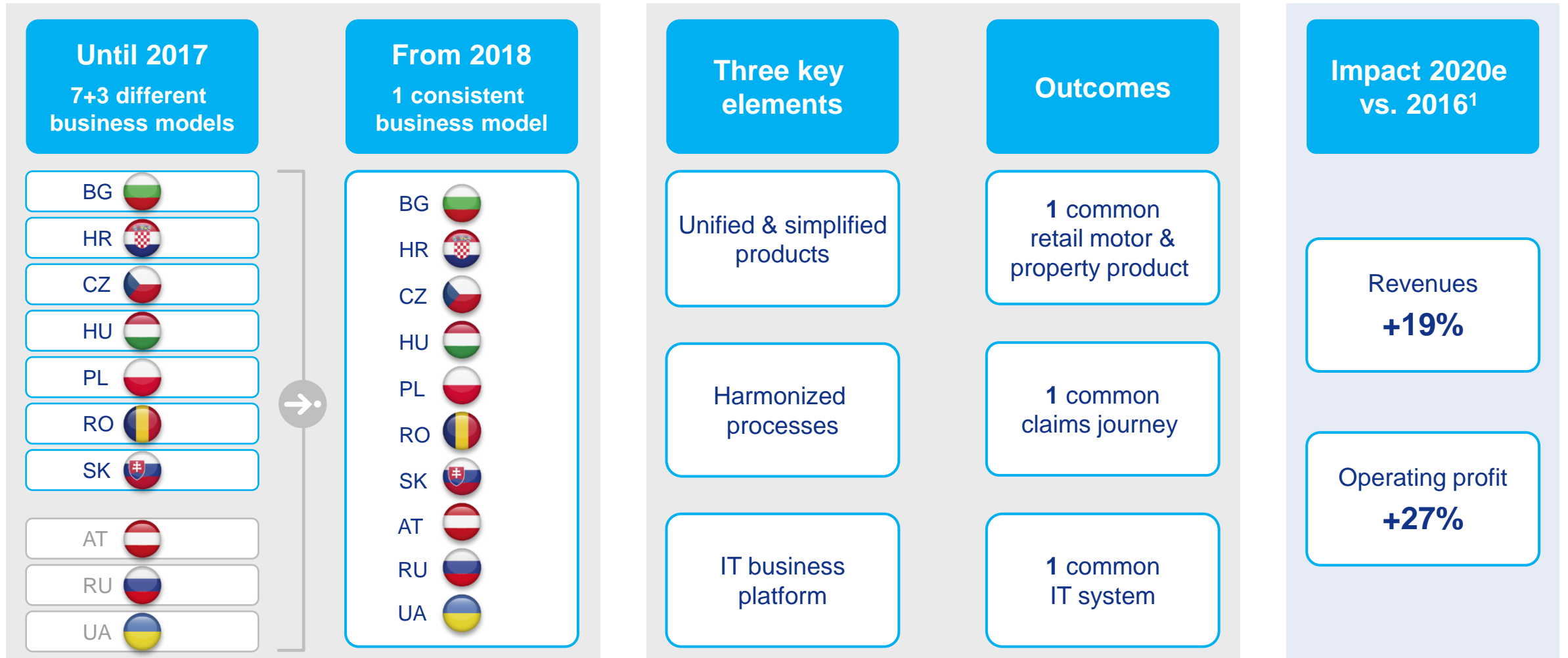
1) Total OP incl. regional holding

2) L/H including asset management and pension fund business, Corporate representing banking activities

3) Compared to 2015

4) P/C and L/H. Internal data based on publicly available sources; legal entities consolidated based on group ownership; Czech Republic incl. regular premium life market only

# CEE – value creation through regional operating model



1) Estimated absolute growth

# Allianz Asia Pacific

George Sartorel  
CEO Allianz Asia Pacific

London, November 30, 2017

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# Asia Pacific at a glance

## Highlights region

- World's fastest-growing insurance market, accounts for 60% of global insurance growth
- Formidable insurance growth, premiums +17% in 2016 (vs. +0.2% in Western Europe and +5% LatAm)
- Unprecedented demand in Asia stems from low penetration, rapid urbanization and rising middle-class/affluence
- Ageing demographics and rising out-of-pocket medical costs presents clear protection gap
- Exponential life insurance penetration uplift occurs when GDP/capita reaches 15k: Asia markets are approaching this "lift-off" point – particularly in Southeast Asia, China

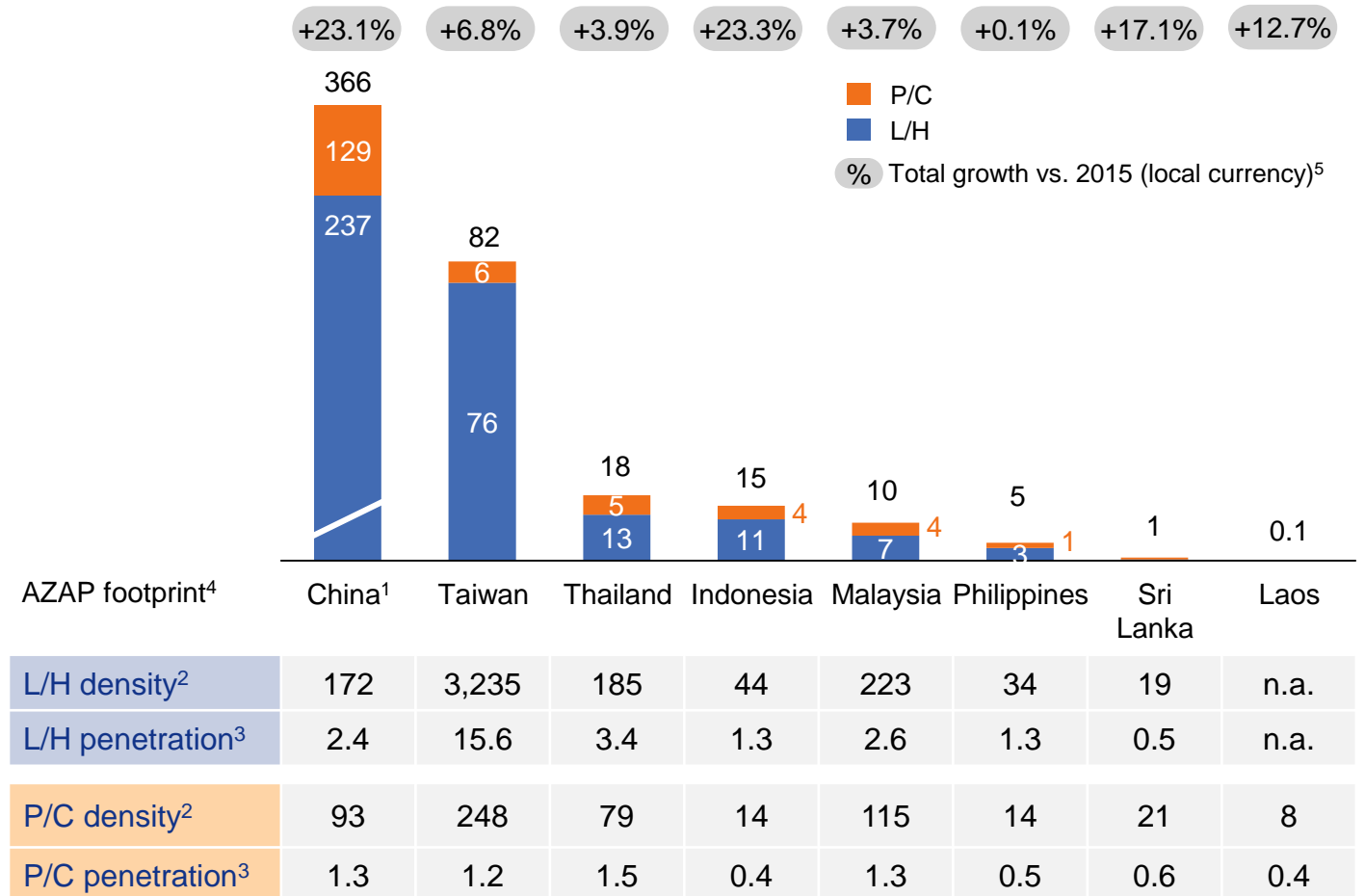
## Allianz in Asia

- Wide footprint, present in 9 markets<sup>4</sup>
- Offers Life, Health & P/C protection across Asia's fastest-growing markets
- Top 5 Life/Health insurers in Indonesia, Malaysia & Thailand
- Leading P/C insurer in Malaysia and Laos
- Diversified channels across agency, banks, direct and digital platforms

1) Limited access for foreign firms; excluding health business  
 2) Insurance density = premiums per capita (EUR)  
 3) Insurance penetration = premiums as % of GDP

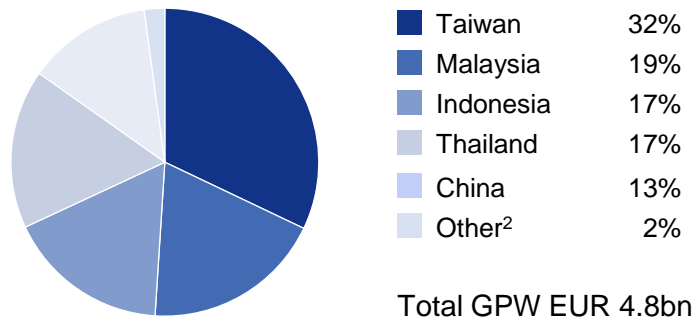
4) The 9<sup>th</sup> market is Japan (run-off company)  
 5) Source: Allianz Research Database

## 2016 GPW by countries (EUR bn)

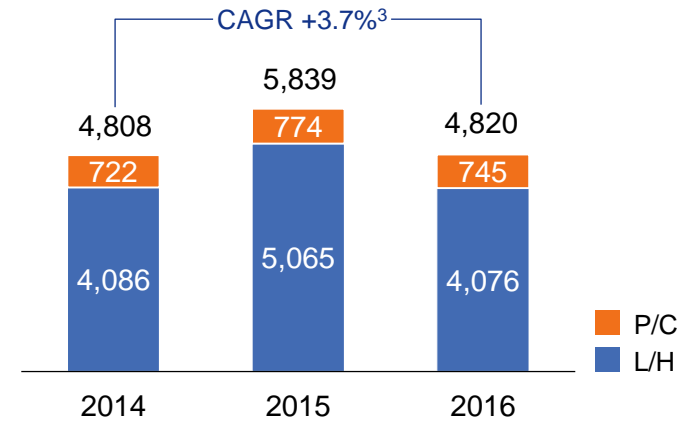


# Allianz in Asia Pacific (1)<sup>1</sup>

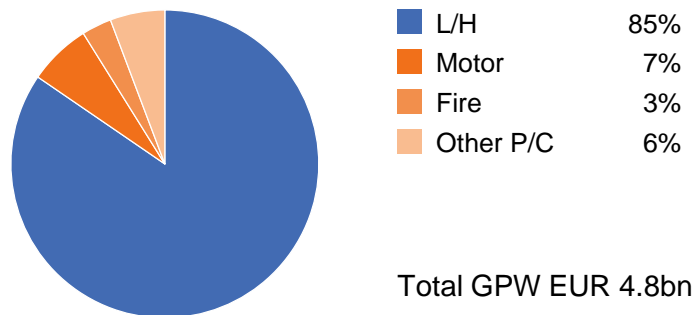
Revenues by country (2016, %)



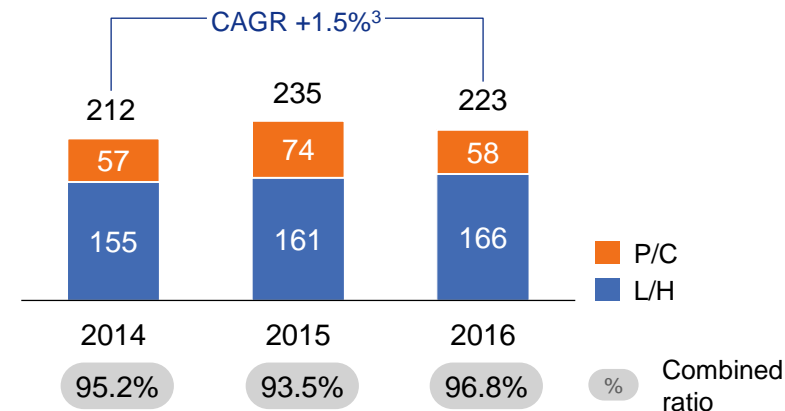
Revenues trend (EUR mn)



Revenues by segment (2016, %)



Operating profit trend (EUR mn)



## Highlights

- 2016 has been a **year of transition** with investments made into expanding partnership networks and digital platforms. We laid the **foundation for growth and value creation**
- Asia is currently **#3 new business value contributor** within Allianz Group
- In Southeast Asia, we **grew faster than key competitors<sup>4</sup>**. We aspire to expand our strong presence and grow market share in our preferred segments
- Solid value creation with double-digit volume growth in most entities
- L/H – active product shift to **protection & health** for a more resilient portfolio; **NBM consistently higher** than Group levels
- P/C – good progress in **product diversification** in growing entities (Indonesia, Thailand and China)

1) Excluding South Korea and India  
2) Includes Laos, Sri Lanka and the Philippines

3) Local currency  
4) 2014-2016; AZAP CAGR +7% APE and +12% VNB; Asian peers include Prudential, AIA, Great Eastern

## Allianz in Asia Pacific (2)<sup>1</sup>

| 2016                     | P/C        |                 |           |                          |                         |          | L/H          |                 |            |                 |                  |             |                  |                         |                         |          |
|--------------------------|------------|-----------------|-----------|--------------------------|-------------------------|----------|--------------|-----------------|------------|-----------------|------------------|-------------|------------------|-------------------------|-------------------------|----------|
|                          | GPW        |                 | OP        |                          | Market share / position |          | GPW          |                 | OP         |                 | NBM <sup>3</sup> |             | VNB <sup>3</sup> |                         | Market share / position |          |
|                          | EUR mn     | Δ% <sup>2</sup> | EUR mn    | Δ% <sup>2</sup>          | %                       | #        | EUR mn       | Δ% <sup>2</sup> | EUR mn     | Δ% <sup>2</sup> | %                | Δ%-p        | EUR mn           | Δ% <sup>2</sup>         | %                       | #        |
| China                    | 129        | +2.5            | -8        | n.m.                     | 0.1%                    | 42       | 499          | +16.9           | 11         | n.m.            | 4.1              | -0.2        | 28               | +23.9                   | 0.1%                    | 55       |
| Indonesia                | 74         | -11.6           | -3        | n.m.                     | 1.8%                    | 13       | 748          | +5.6            | 89         | +20.6           | 7.5              | +1.1        | 58               | +34.4                   | 6.6%                    | 4        |
| Laos                     | 41         | +42.7           | 3         | -22.6                    | 64%                     | 1        | -            | -               | -          | -               | -                | -           | -                | -                       | -                       | -        |
| Malaysia                 | 455        | -4.8            | 71        | 0.0                      | 11.9%                   | 1        | 458          | +7.9            | 26         | +34.5           | 6.7              | +1.8        | 26               | +45.2                   | 6.1%                    | 6        |
| Philippines              | -          | -               | -         | -                        | -                       | -        | 29           | n.m.            | -5         | n.m.            | -2.7             | n.m.        | -0.4             | n.m.                    | 1.5%                    | 10       |
| Sri Lanka                | 28         | +30.7           | 0         | -89.1                    | 6.0%                    | 5        | 6            | +10.8           | 1          | n.m.            | -                | -           | -                | -                       | 1.6%                    | 9        |
| Taiwan                   | -          | -               | -         | -                        | -                       | -        | 1,546        | -42.3           | 10         | +82.0           | 2.8              | +0.0        | 43               | -41.7                   | 1.7%                    | 11       |
| Thailand                 | 18         | n.m.            | -2        | n.m.                     | 1.1%                    | 26       | 789          | +7.6            | 75         | -11.3           | 5.2              | -2.0        | 23               | -20.9                   | 5.5%                    | 7        |
| <b>Total<sup>4</sup></b> | <b>745</b> | <b>-1.3</b>     | <b>58</b> | <b>-13.9<sup>5</sup></b> | <b>-</b>                | <b>-</b> | <b>4,076</b> | <b>-18.4</b>    | <b>166</b> | <b>+6.7</b>     | <b>4.7</b>       | <b>+0.6</b> | <b>177</b>       | <b>-5.0<sup>5</sup></b> | <b>-</b>                | <b>-</b> |

1) Main markets, all data excluding South Korea

2) Local currency; GPW: internal growth

3) After minorities

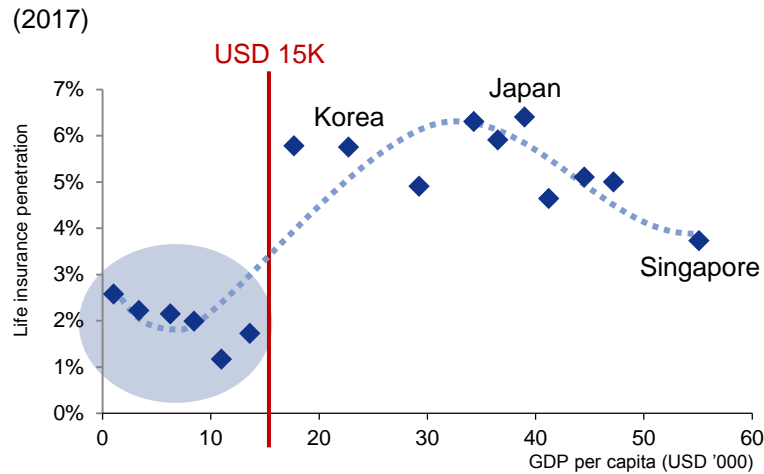
4) Total includes AZAP holding costs

5) At constant currencies

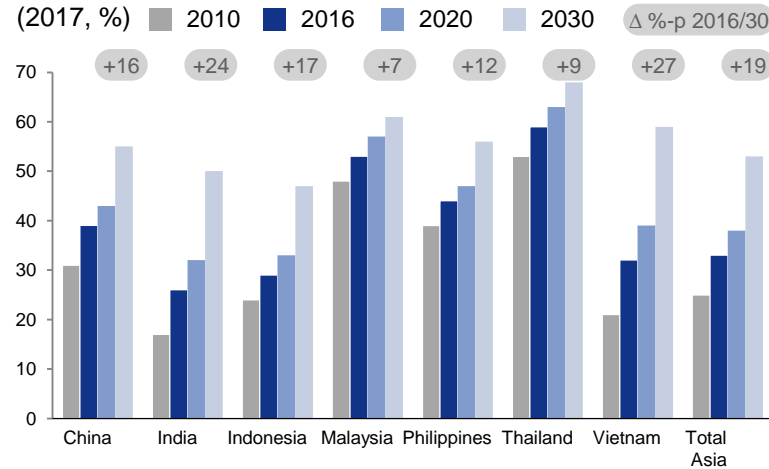


# Promise of Asia demands a different business model

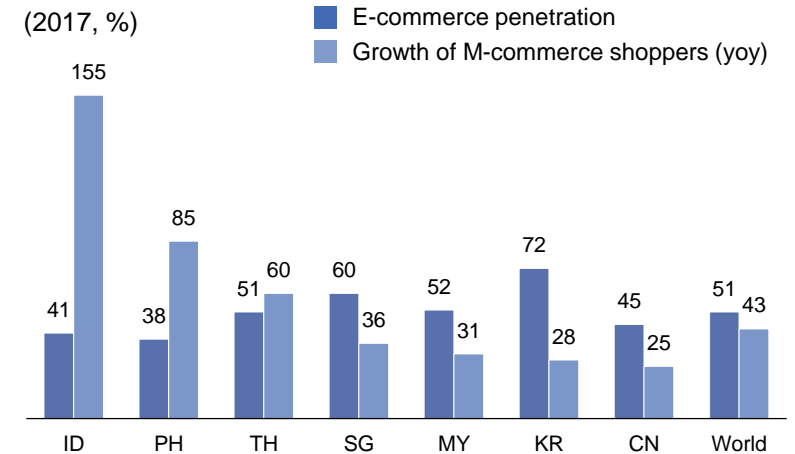
## Asia insurance penetration vs. GDP per capita<sup>1</sup>



## Share of population in middle class Asia<sup>2</sup>



## E-commerce and M-commerce growth Asia<sup>4</sup>

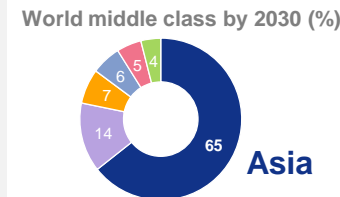


### Asia remains biggest contributor of global growth (~60%)

- Exponential life insurance penetration uplift occurs when GDP per capita reaches USD 15k - **several Asian markets are approaching this "lift-off" point**
- Many Southeast Asian markets belong to this potential zone – Thailand, Malaysia, Indonesia, the Philippines

### Rise of middle class in Asia

- Higher propensity for Asia's emerging middle class to purchase life insurance. Middle class population growth from 2016 to 2030 will be impressive (from +30% in China to +107% in Vietnam)
- 65% of world middle class will come from Asia by 2030, followed by Europe (14%)<sup>3</sup>



### Mobile commerce grows at higher speed

- M-commerce consumption growing significantly faster in Asia than global average
- Asia-Pacific predicted to account for half of global B2C E-commerce sales by 2021<sup>5</sup>
- Market rewards highly digital attackers, who are fully onboarded in mobile commerce markets
- Recent examples - ZhongAn IPO USD 1.5bn / valuation at USD 10bn (2017); Softbank USD 12.5bn profit / market cap USD 99bn

1) Source: Autonomous and Asian Development Bank; life insurance penetration: policyholder in % of population  
 2) Source: Autonomous and Asian Development Bank; middle class defined as daily income of USD 4-20  
 3) Source: Brookings Institution

4) Source: "Hootsuite" and "We are Social"; penetration: % of population who bought something online in the past month, M-commerce defined as making this purchase via phone  
 5) Source: PR Newswire CISION

# Our Asia strategy

## Get fit

- ✓ **Solve legacy book Korea**
  - Group solvency uplift of 9%-p
- ✓ **Transform agency model**
  - Digital agency set up in Taiwan, Thailand, Malaysia, Indonesia
- ✓ **Build regional capabilities**
  - Recruited Asia CXOs for strategy execution, built up succession
- ✓ **Institutionalized Asia regional executive board**
  - For joint leadership and execution

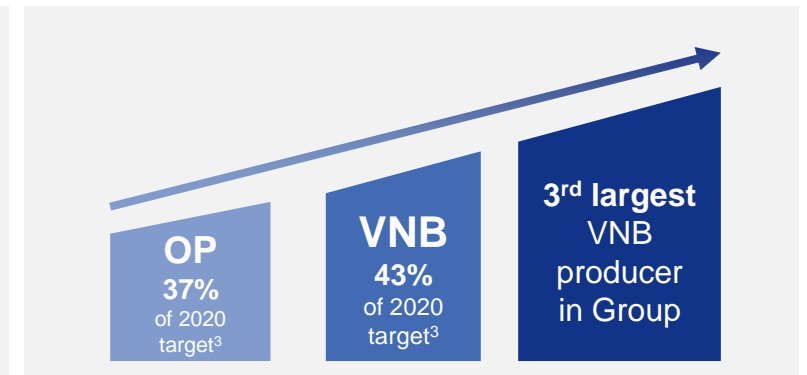
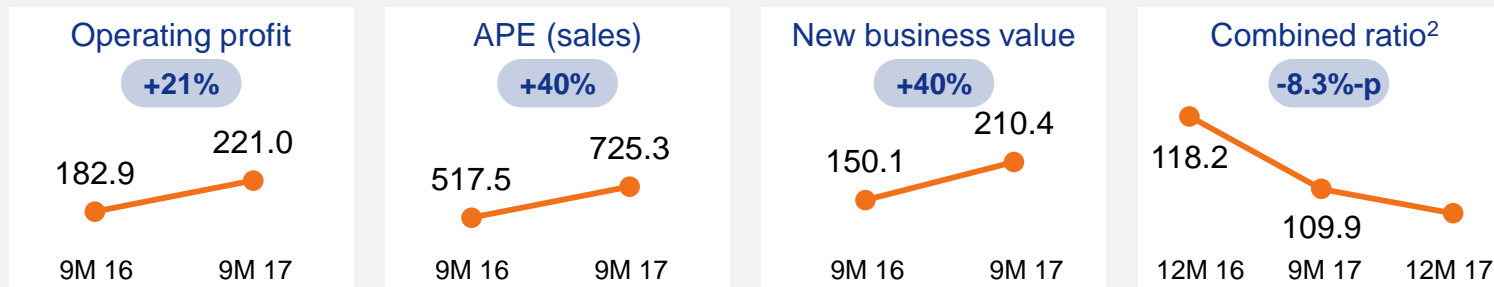
## Transform

- ✓ **Restructure P/C**
  - Roll out of common platform in region
- ✓ **Life products transformation**
  - Healthy product mix with ~30% in protection, ~45% in unit-linked, NBM 5%
  - Successful product shift in China, Taiwan
- ✓ **Retail digital model**
  - >16 digital partnerships to access large customer pools (eg, Uber, Go-Jek)
  - Digital Banca model
  - Allianz-as-a-Service – via data science + API<sup>4</sup>

## Regional franchise

- **One Customer, One Allianz view**
  - Joint go-to-market for customer growth, and integrated development
  - Response to changing customer needs
- **Digital attacker strategy**
  - Simplicity, modularity, speed-to-market
  - Build financial ecosystem beyond insurance
  - Opportunities – health, direct, P/C
- **Smart productivity; regional scale**
  - Leverage regional synergies
  - Invest productivity dividends in future growth

## Asia 9M/2017 – top-quartile results<sup>1</sup>



1) Based on peer group sample incl. key Asia peers. OP, APE and VNB in EUR mn; CR in %; data excludes South Korea

2) Excluding Malaysia (2016: CR 90.4%) and Laos (2016: CR 82.0%)

3) Share of the cumulated value over 2015-2020 already achieved at 9M 2017

4) API = Application Programming Interface

## 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

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