Allianz Group
Fiscal Year 2014
Investments

Maximilian Zimmerer
Chief Investment Officer Allianz SE

Financial Press Conference
February 26, 2015

Based on
preliminary figures

Allianz

Agenda

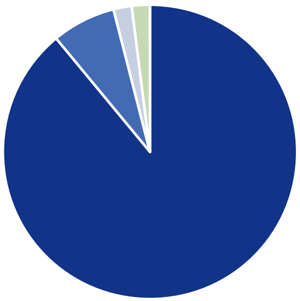
Allianz

High quality investment portfolio

Asset allocation[1]

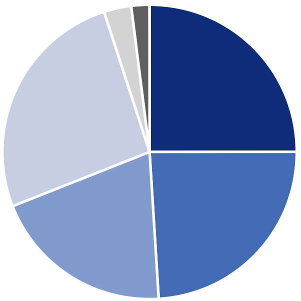
Total: EUR 614.6bn
(2013: EUR 536.8bn)

Debt instruments	89%	*(90%)*
Equities	7%	*(7%)*
Real estate[2]	2%	*(2%)*
Cash/Other	2%	*(2%)*



Debt instruments by rating[3]

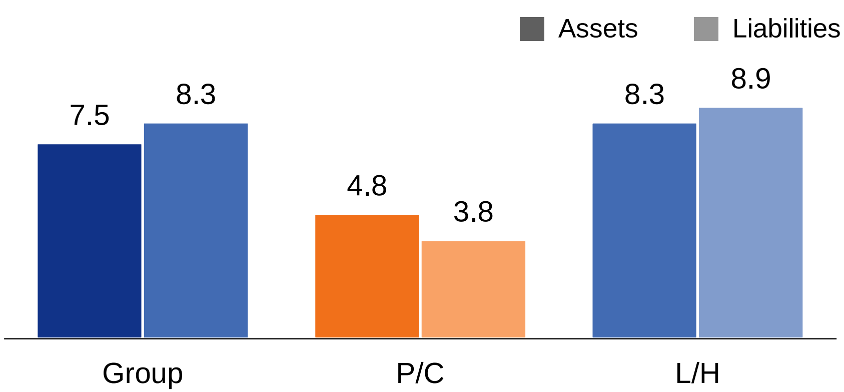
AAA	25%
AA	24%
A	20%
BBB	26%
Non-investment grade	3%
Not rated[4]	2%



By segment (EUR bn)

	Group	P/C[5]	L/H[5]
Debt instruments	549.8	84.3	419.6
Equities	41.2	6.3	32.2
Real estate[2]	11.3	3.1	8.0
Cash/Others	12.2	3.3	5.5
Total	**614.6**	**97.0**	**465.4**

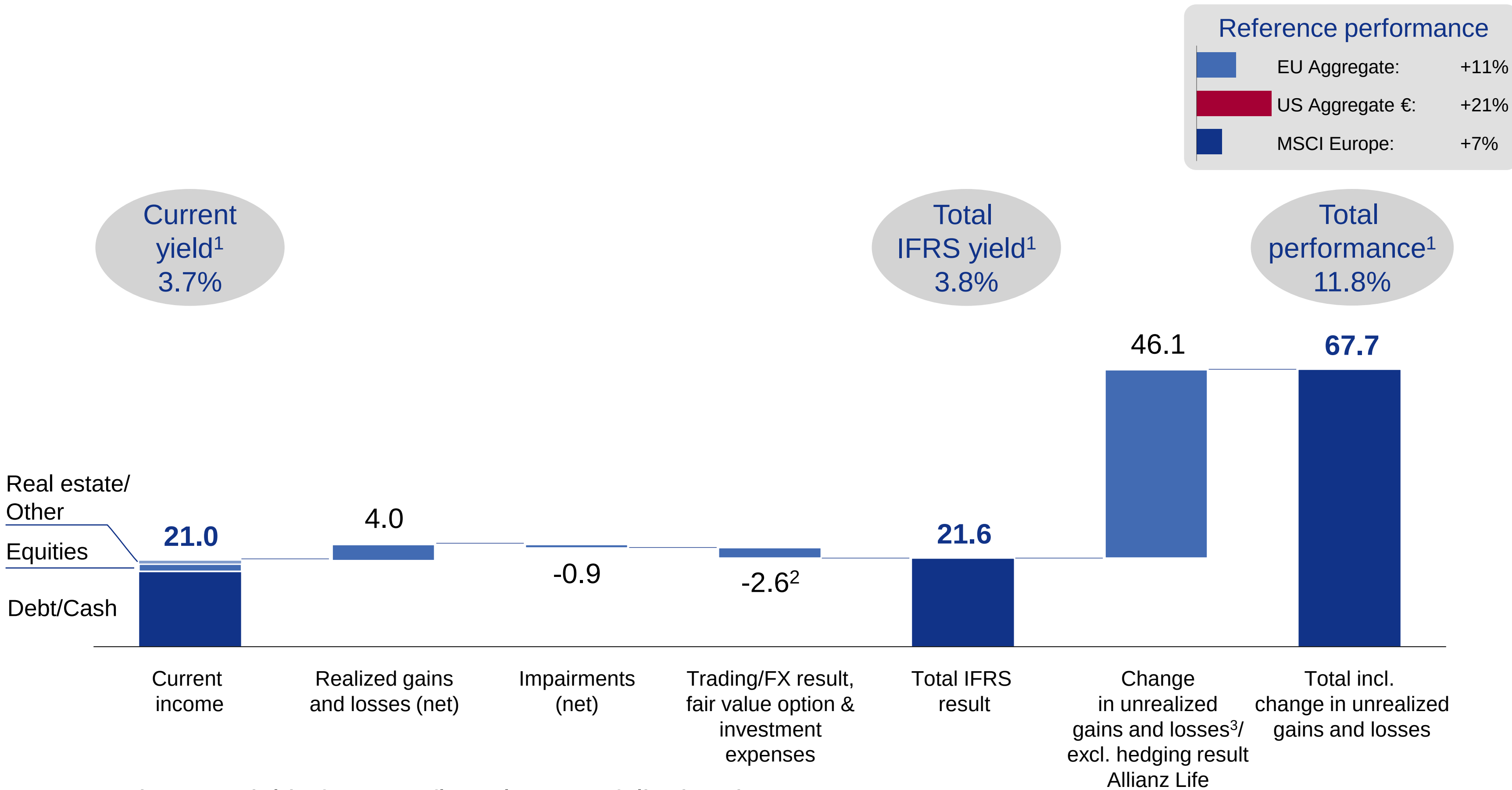
Duration[6]



1) Prior year figures have been restated to reflect the retrospective application of the amended standard IFRS 10
2) Excluding real estate held for own use and real estate held for sale
3) Excluding seasoned self-originated private retail loans
4) Mostly mutual funds and short-term investments

5) Consolidated on Group level
6) For the duration calculation a non-parallel shift in line with Solvency II yield curves is used from 1Q 14 onwards. Data includes internal pensions for Group, while excludes internal pensions residing in P/C and L/H segments

Investment performance 2014 driven by interest rates
(EUR bn)



- Current income yield of 3.7% reflects long portfolio duration
- Lower interest rates lead to price increase of bonds

1) Yield calculation is based on the average asset base (IFRS)
2) Includes hedging result from fixed index and variable annuities fully offset in insurance P&L
3) Includes AFS equity and debt, held-to-maturity investments as well as loans and advances to banks and customers acc. to IFRS, not included FX-effect on non-EUR denominated insurance portfolios

Ongoing active increase of real assets and further diversification of fixed income

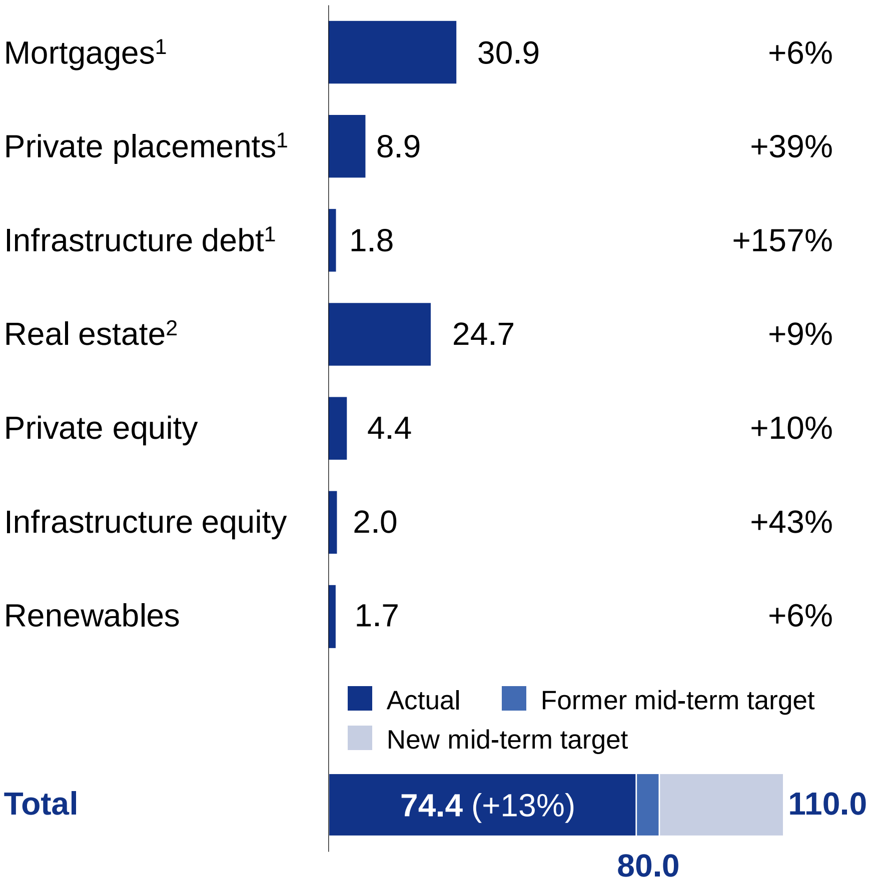
	Selected portfolio measures	Active changes in 2014[1] (EUR)	
Increase in real assets	**Equity:** active increase of traded equity	+3.7bn	
	Private equity, infrastructure and renewables: expansion continues	+1.1bn	+ new commitments 1.3bn
	Real estate: selective growth ongoing	+2.1bn	+ new commitments 1.2bn
Fixed income diversification	**Alternative debt:** focus on infrastructure, mortgages and private placements	+5.2bn	
Increase in efficiency	**Cash:** reduced cash quota in investment portfolio	-2.5bn	

1) Based on portfolio transactions without market movements

Real asset-based financing – sustainable growth to continue

Current volume (vs. 2013)

EUR bn



Investment examples

Porterbrook (railway rolling stock leasing)

- One of the three major rolling stock leasing companies in the UK rail industry
- It offers rolling stock equipment to the majority of passenger and freight operating companies across the UK
- Business model based on long-term contracts leading to stable income

Nice Etoile

- Acquisition of a dominant inner-city shopping center in Nice
- Fully let to a diversified tenant base of 97 retail units including Hollister, Maisons du Monde, C&A, etc.
- Partner is best-in-class operator Hammerson

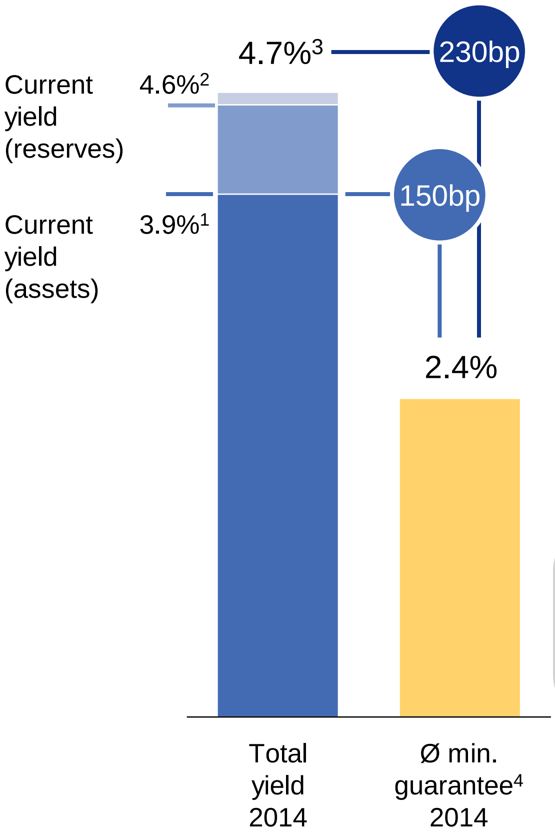
Aberdeen Bypass Road

- Second financing of a road project in Scotland
- 30-year fixed interest financing on terms that were attractive to the borrower relative to short-term bank financing
- Attractive match with long-term insurance liabilities

1) Not including unrealized gains of EUR 3.5bn (mortgages EUR 3.0bn, private placements EUR 0.4bn, infrastructure debt EUR 0.1bn)
2) Market value of real estate assets including EUR 20.1bn directly held real estate assets (e.g. held for investment, held for own use) and EUR 4.6bn indirectly held real estate assets (e.g. associates and joint ventures, available-for-sale investments)

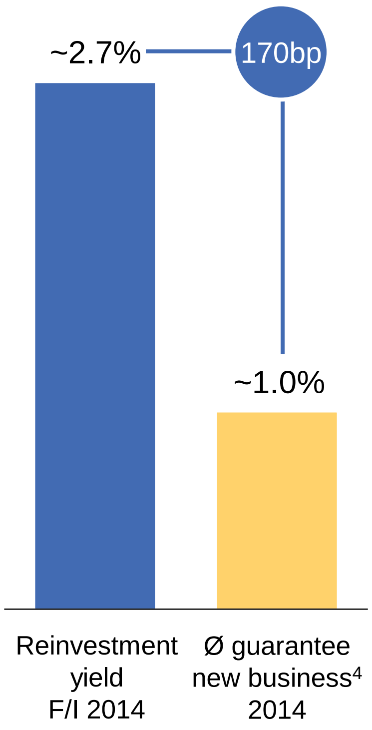
Strong buffers and resilient margins in L/H

Business in force



+ strong buffer
EUR 25bn of RfB equal 6.5% of aggregate policy reserves

New business



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

Underlying trends 2014 and Allianz' strategic response

2014 | 2015 | 2016

- Strong **decrease of interest rates** in EUR, less pronounced in the US
- **Heterogeneous** stock market performance
- Different approach to **structural issues** in peripheral Europe
- **Euro devaluation** against USD and most emerging markets currencies

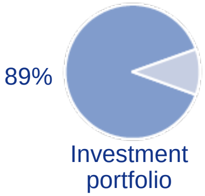
\+

- **Geopolitical** tensions continue to drive **volatility** → Differentiation and diversification key
- Weak Euro and low oil price **support European prospects**; **decoupling of US rates** → Manage duration in light of rates environment
- **Extremely loose monetary policy** exacerbates risk-taking in financial markets → Expansion of direct financing with high quality collaterals

Agenda

1 Allianz Investment Management 2014

2 **Portfolio information**

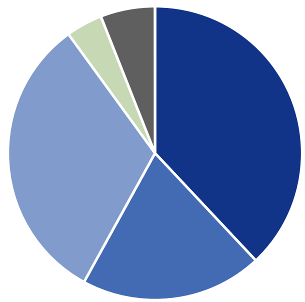


High quality fixed income portfolio

By type of issuer

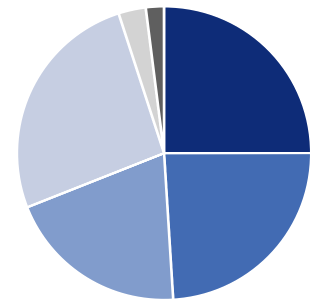
Government	38%
Covered	20%
Corporate	32%
thereof Banking	*6%*
ABS/MBS[1]	4%
Other[2]	6%

Total
EUR 549.8bn



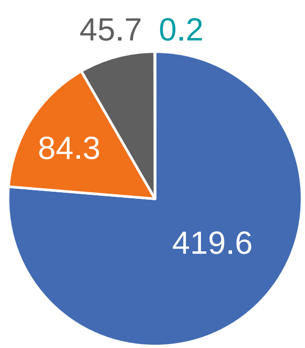
By rating[3]

AAA	25%
AA	24%
A	20%
BBB	26%
Non-investment grade	3%
Not rated[4]	2%



By segment (EUR bn)

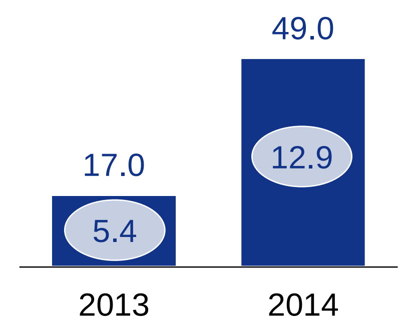
L/H	76%
P/C	15%
Corporate and other	8%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

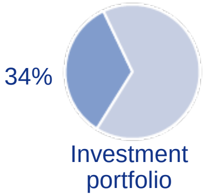
Gross unrealized gains/losses

Net unrealized gains/losses[5]



1) Including U.S. agency MBS investments (EUR 3.4bn)
2) Including seasoned self-originated private retail loans and short-term deposits at banks
3) Excluding seasoned self-originated private retail loans
4) Mostly mutual funds and short-term investments
5) On-balance sheet unrealized gains/losses after tax, non-controlling interests, policyholders and before shadow DAC

Allianz

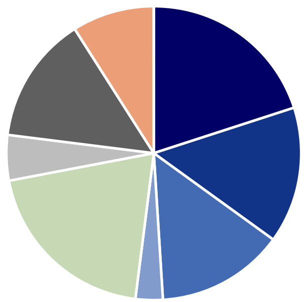


Government bond allocation concentrated in EMU core countries

By region

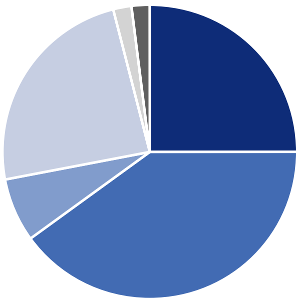
France	20%
Italy	15%
Germany	14%
Spain	3%
Rest of Europe	20%
USA	5%
Rest of World	14%
Supranational	9%

Total
EUR 209.3bn[1]



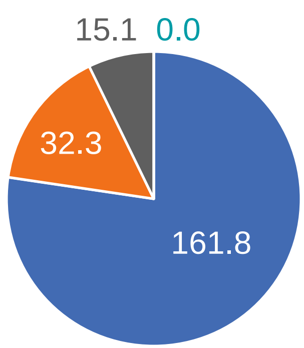
By rating

AAA	25%
AA	40%
A	7%
BBB	24%
Non-investment grade	2%
Not rated	2%

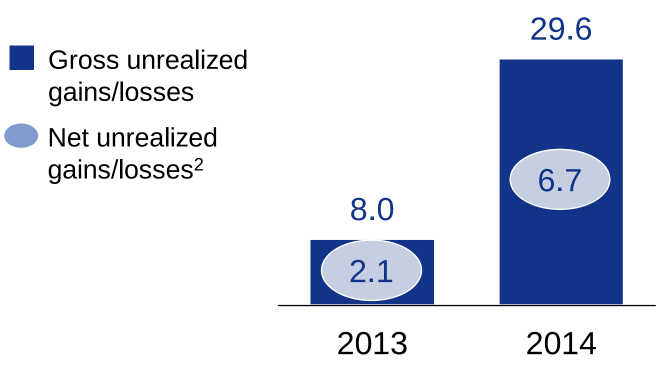


By segment (EUR bn)

L/H	77%
P/C	15%
Corporate and other	7%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

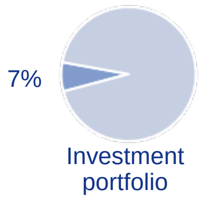


1) Government and government related (excl. U.S. agency MBS)
2) On-balance sheet unrealized gains/losses after tax, non-controlling interests and policyholders, and before shadow DAC

Allianz

Details sovereigns
(EUR bn)

	Group			L/H			P/C		
	Book value	% of F/I	thereof domestic	Book value	% of F/I (L/H)	thereof domestic	Book value	% of F/I (P/C)	thereof domestic
France	40.8	7.4%	20.6	34.1	8.1%	17.8	4.7	5.6%	2.6
Italy	31.4	5.7%	17.3	26.4	6.3%	14.3	3.6	4.3%	2.5
Germany	28.4	5.2%	25.3	20.0	4.8%	18.0	3.4	4.0%	2.4
Supranational	19.1	3.5%	0.0	15.6	3.7%	0.0	1.8	2.1%	0.0
USA	11.4	2.1%	9.4	7.9	1.9%	7.4	2.5	3.0%	2.0
Austria	7.9	1.4%	0.5	6.8	1.6%	0.3	0.7	0.8%	0.1
Belgium	7.7	1.4%	3.9	6.3	1.5%	3.5	0.8	1.0%	0.5
South Korea	7.6	1.4%	7.2	7.5	1.8%	7.2	0.1	0.1%	0.0
Spain	6.1	1.1%	3.0	4.8	1.2%	2.7	1.0	1.1%	0.3
Switzerland	5.9	1.1%	5.9	4.6	1.1%	4.6	1.3	1.6%	1.3
Netherlands	4.6	0.8%	0.3	2.9	0.7%	0.2	0.7	0.9%	0.1
Australia	2.6	0.5%	2.5	0.0	0.0%	0.0	2.6	3.0%	2.5
Thailand	2.5	0.5%	1.7	2.4	0.6%	1.7	0.1	0.1%	0.0
Finland	2.3	0.4%	0.0	1.8	0.4%	0.0	0.3	0.3%	0.0
Poland	2.3	0.4%	0.6	1.6	0.4%	0.2	0.7	0.8%	0.4
Slovakia	1.8	0.3%	0.8	1.4	0.3%	0.6	0.4	0.4%	0.2
Brazil	1.8	0.3%	0.6	1.1	0.3%	0.0	0.7	0.8%	0.6
Ireland	0.6	0.1%	0.0	0.4	0.1%	0.0	0.1	0.2%	0.0
Russia	0.4	0.1%	0.1	0.3	0.1%	0.1	0.1	0.1%	0.0
Portugal	0.2	0.0%	0.2	0.1	0.0%	0.1	0.1	0.2%	0.1
Greece	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0
Ukraine	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0
Other	23.7	4.3%	n.a.	15.8	3.8%	n.a.	6.8	8.0%	n.a.
Total 2014	**209.3**	**38.1%**	**n.a.**	**161.8**	**38.6%**	**n.a.**	**32.3**	**38.3%**	**n.a.**
Total 2013	**179.6**	**37.4%**	**n.a.**	**133.1**	**37.5%**	**n.a.**	**30.9**	**38.8%**	**n.a.**

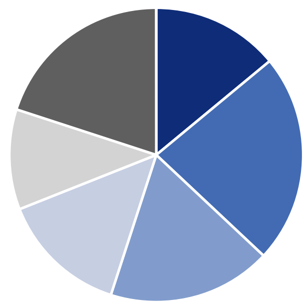


Equity portfolio

By region

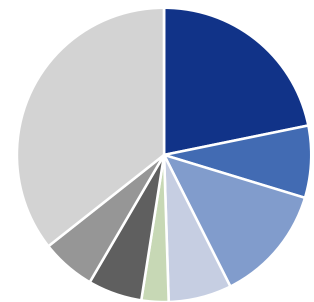
Germany	14%
Eurozone ex Germany	23%
Europe ex Eurozone	18%
NAFTA	14%
Rest of World	11%
Multinational[2]	20%

Total
EUR 41.2bn[1]



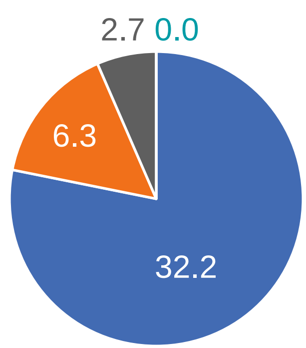
By industry

Consumer	22%
Banking	8%
Other Financials	13%
Basic materials	7%
Utilities	3%
Industrial	6%
Energy	6%
Funds and other[3]	36%



By segment (EUR bn)

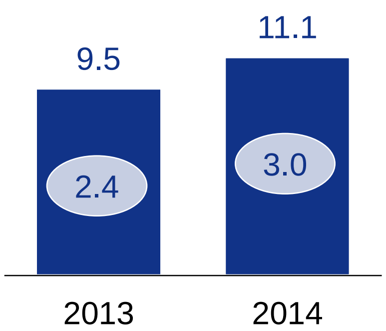
L/H	78%
P/C	15%
Corporate and other	6%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

Gross unrealized gains/losses

Net unrealized gains/losses[4]



1) Incl. non-equity retail funds (EUR 0.1bn), excl. equities designated at fair value through income (EUR 1.8bn)
2) Incl. private equity limited partnership funds (EUR 4.4bn) and mutual stock funds (EUR 3.2bn)
3) Diversified investment funds (EUR 3.4bn); private and unlisted equity (EUR 6.6bn)
4) On-balance sheet unrealized gains/losses after tax, non-controlling interests and policyholders, and before shadow DAC

2%[1]

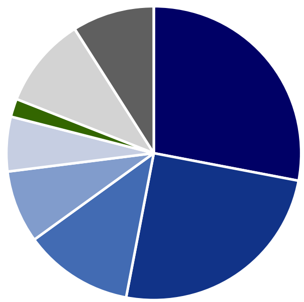
Investment portfolio

Real estate portfolio
(market value)

By region

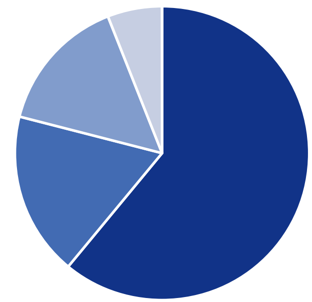
Total EUR 24.7bn[2,3]

France	28%
Germany	25%
Switzerland	12%
Italy	8%
USA	6%
Poland	2%
Rest of Eurozone	10%
Rest of World	9%



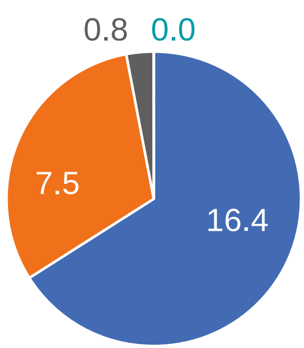
By sectors

Office	61%
Retail	18%
Residential	15%
Other/mixed	6%



By segment (EUR bn)

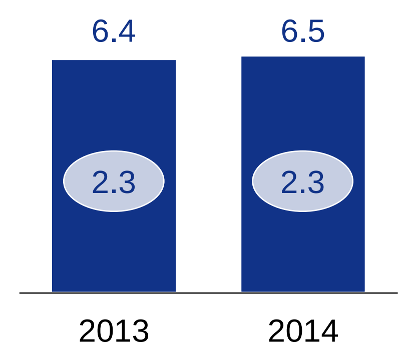
L/H	66%
P/C	30%
Corporate and other	3%
Asset Management	0%



Unrealized gains/losses (EUR bn)[3]

Gross unrealized gains/losses

Net unrealized gains/losses[4]



1) Based on carrying value, 3rd party use only
2) Market value of real estate assets including EUR 20.1bn directly held real estate assets (e.g. held for investment, held for own use) and EUR 4.6bn indirectly held real estate assets (e.g. associates and joint ventures, available-for-sale investments)
3) Associates and joint ventures as well as available-for-sale indirectly held real estate investments are also part of the equity portfolio and fixed income portfolio
4) Unrealized gains/losses after tax, non-controlling interests, policy holders and before shadow DAC, based on external and internal real estate valuations

Allianz

Excursus Solvency II – standard model
Allianz applies internal model

	Capital charges[1]	Solvency II framework	Economic implications
Government bonds	0% for EU member states[2]	▪ Sovereign debt crisis not reflected	▪ Sovereigns become preferred asset class
Corporate bonds and loans (AAA rating, 1 - 10 yrs. duration)	0.9% - 7.0%	▪ Loans treated like bonds ▪ Equal treatment of all industry sectors	▪ More limited financing possibilities, esp. for banks ▪ Increased pressure to shorten liability duration
Covered bonds (AAA rating, 1 - 10 yrs. duration)	0.7% - 6.0%	▪ Charges too high compared to corporate bonds	▪ Reduced refinancing possibilities for banks
"Securitization" (AAA rating, Type 1, 1 - 10 yrs. duration)	2.1% - 21%	▪ Very high charges for Type 1 ▪ Type 2 charges: >4 times higher (up to 100%)	
Equities	39% - 49%	▪ In combination with IFRS 9, high charges drive insurance sector more and more out of this asset class	▪ Role of insurance industry as equity investor becomes less important ▪ Shrinking yields for privately financed pension savings
Real estate	25%	▪ Proposed charges calibrated to UK market (traditionally high volatility – unlike many markets in continental Europe)	▪ Attractiveness of real estate investments decreases ▪ Less inflation protection in private pension savings

1) As in the "Delegated Acts Solvency II" (October 2014). Before diversification, not taking into account interest rate risk. Equities without participations
2) Includes also other institutions like the European Central Bank or, e.g., multilateral development banks

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.