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# Riding the storm

Goldman Sachs European Financials Conference, Berlin  
11 June 2008

INSURANCE | ASSET MANAGEMENT | BANKING

**Allianz** 

# Riding the storm

**1** **Lessons learnt**

**2** **Staying on course**

# Déjà-vu - issues for Allianz during the last bear market



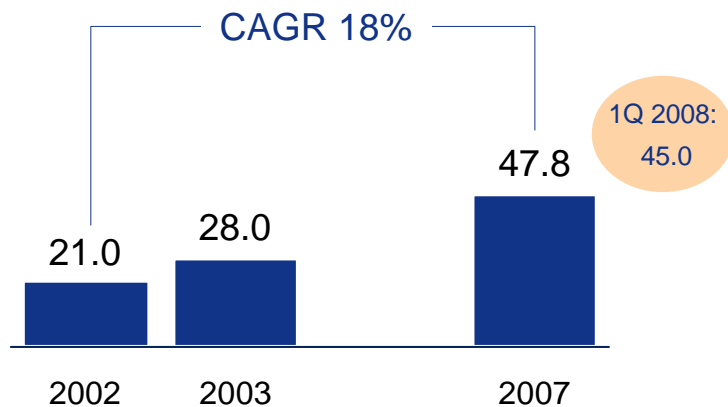
Source: Datastream

- Tight capital position
- High equity gearing
- Low operating profitability
- Numerous turnaround cases
- Complex business portfolio

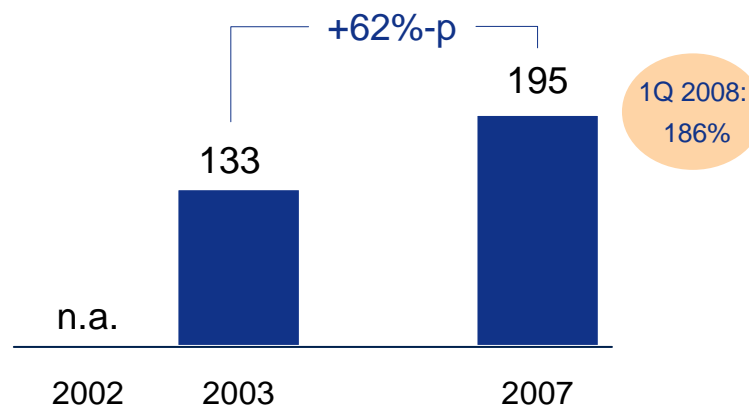
All issues addressed by our “3+ONE program“

# Capital base strengthened and enhanced

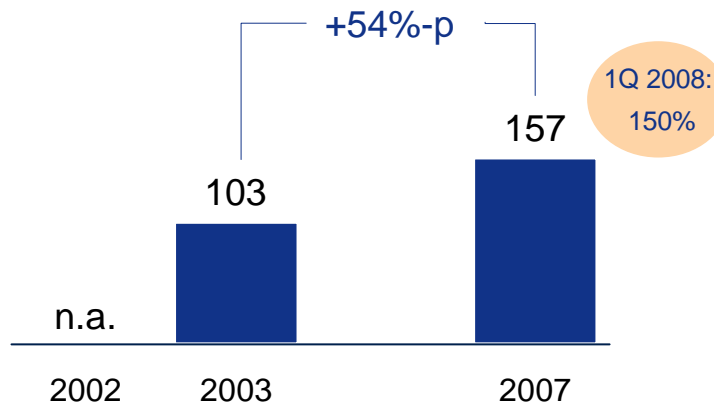
Shareholders' equity (EUR bn)



Risk capital coverage ratio<sup>1</sup> (%)



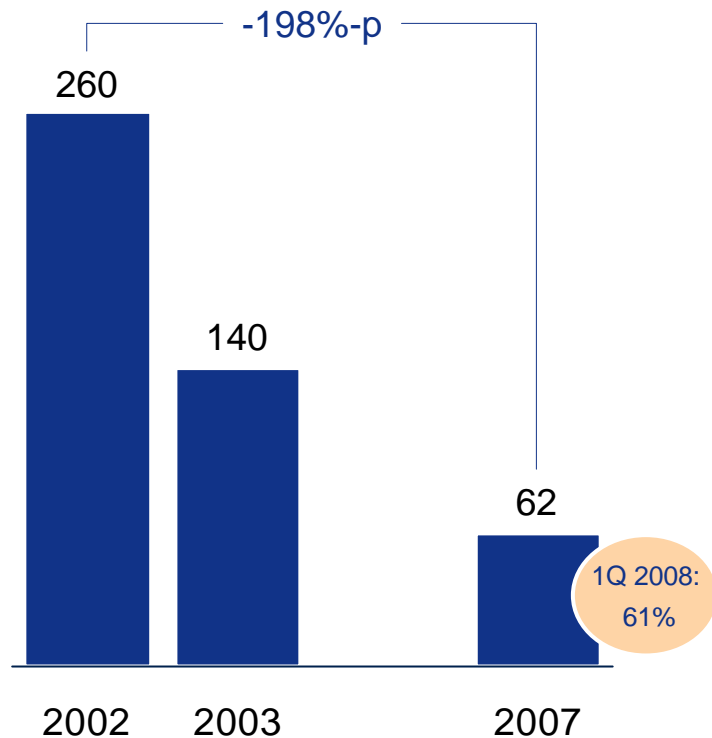
Solvency ratio<sup>2</sup> (%)



1) Available funds in percent of Risk Capital  
 2) Financial conglomerate solvency ratio 2003 pro forma only

# High quality of insurance investments

Equity gearing significantly reduced (%)<sup>1</sup>



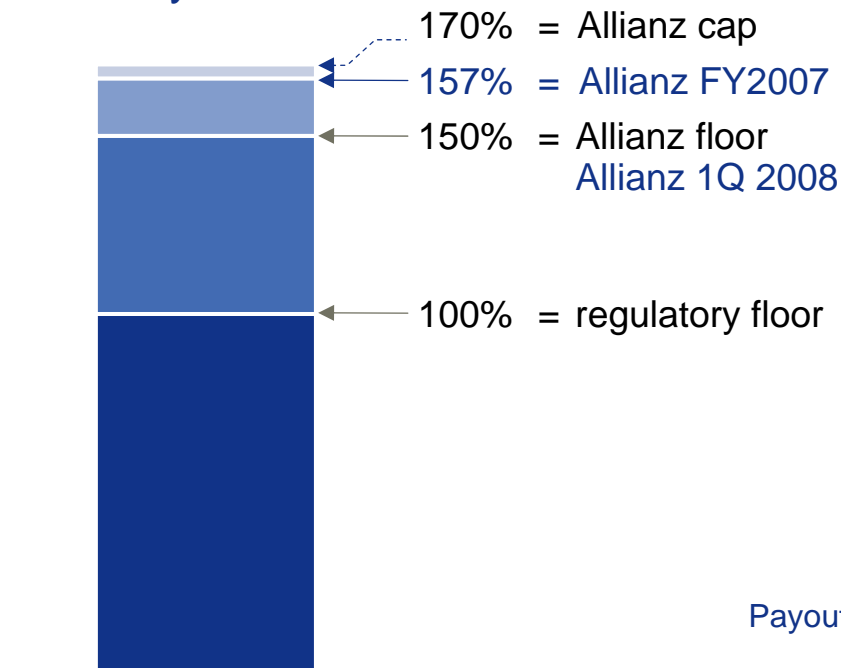
Excellent quality with negligible subprime exposure

Debt Portfolio <sup>2</sup>	EUR	%
Debt Portfolio <sup>2</sup>	EUR 320,556m	100%
thereof:	EUR	
▪ Senior CDO	401m	0.13%
▪ Mezzanine & Equity CDO	146m	0.05%
▪ Securities with subprime exposure	48m	0.01%
▪ Wrapped ABS securities protected by Monoliners	81m	0.03%

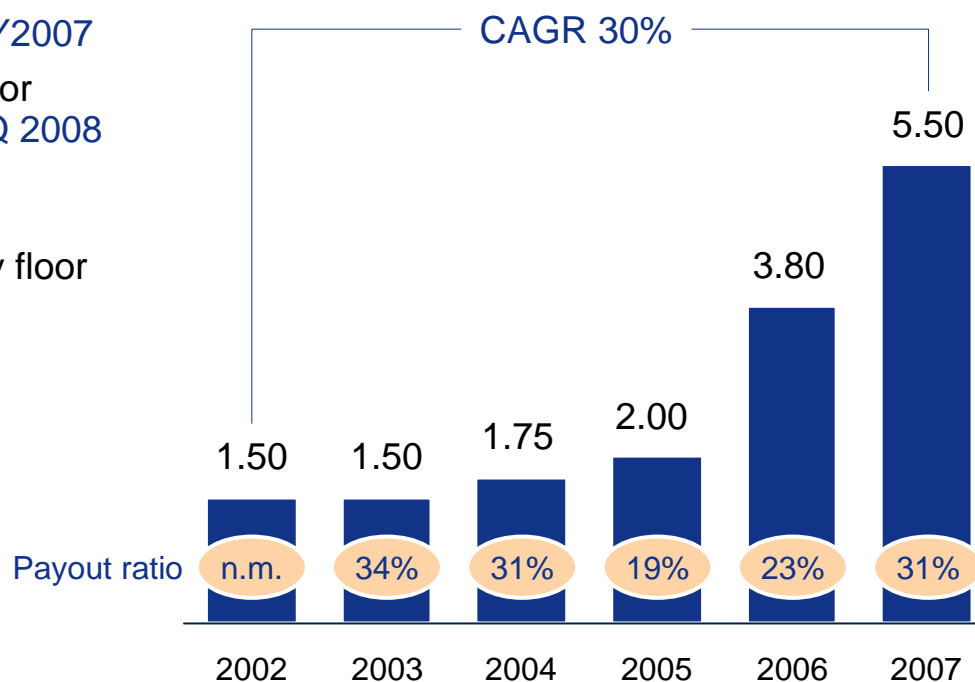
1) Net equity exposure attributable to shareholders divided by net asset value excluding goodwill  
 2) As of 31.3.2008

# Transparent capital management

Solvency ratio in %



Dividend (EUR)



- EUR 42 bn available funds for conglomerate solvency<sup>1</sup>
- Strong rating: AA (S&P)<sup>2</sup>

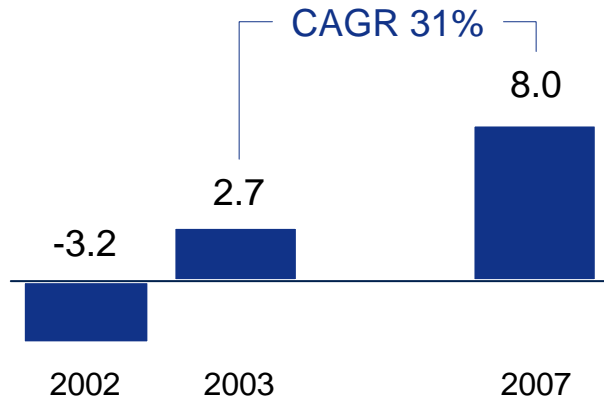
- Sensible payout policy
- Payout ratio target 2008 – in line with peers

1) As of 31.03.08

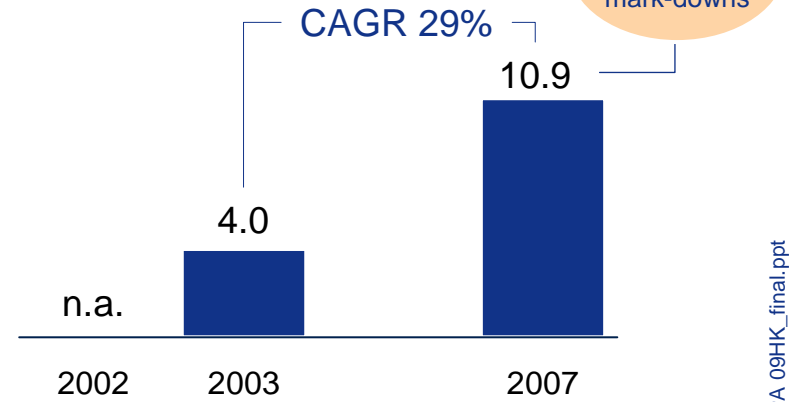
2) Insurer financial strength rating

# Operational discipline improved

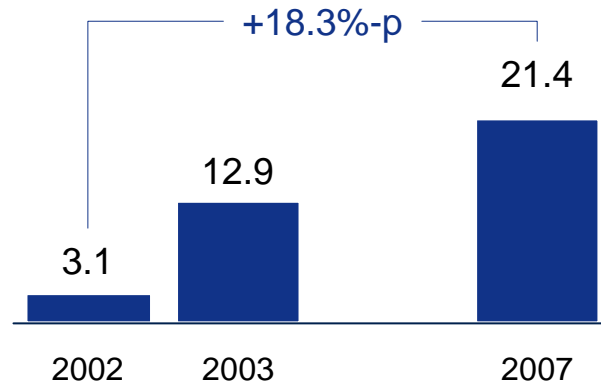
Net income (EUR bn)



Operating profit (EUR bn)

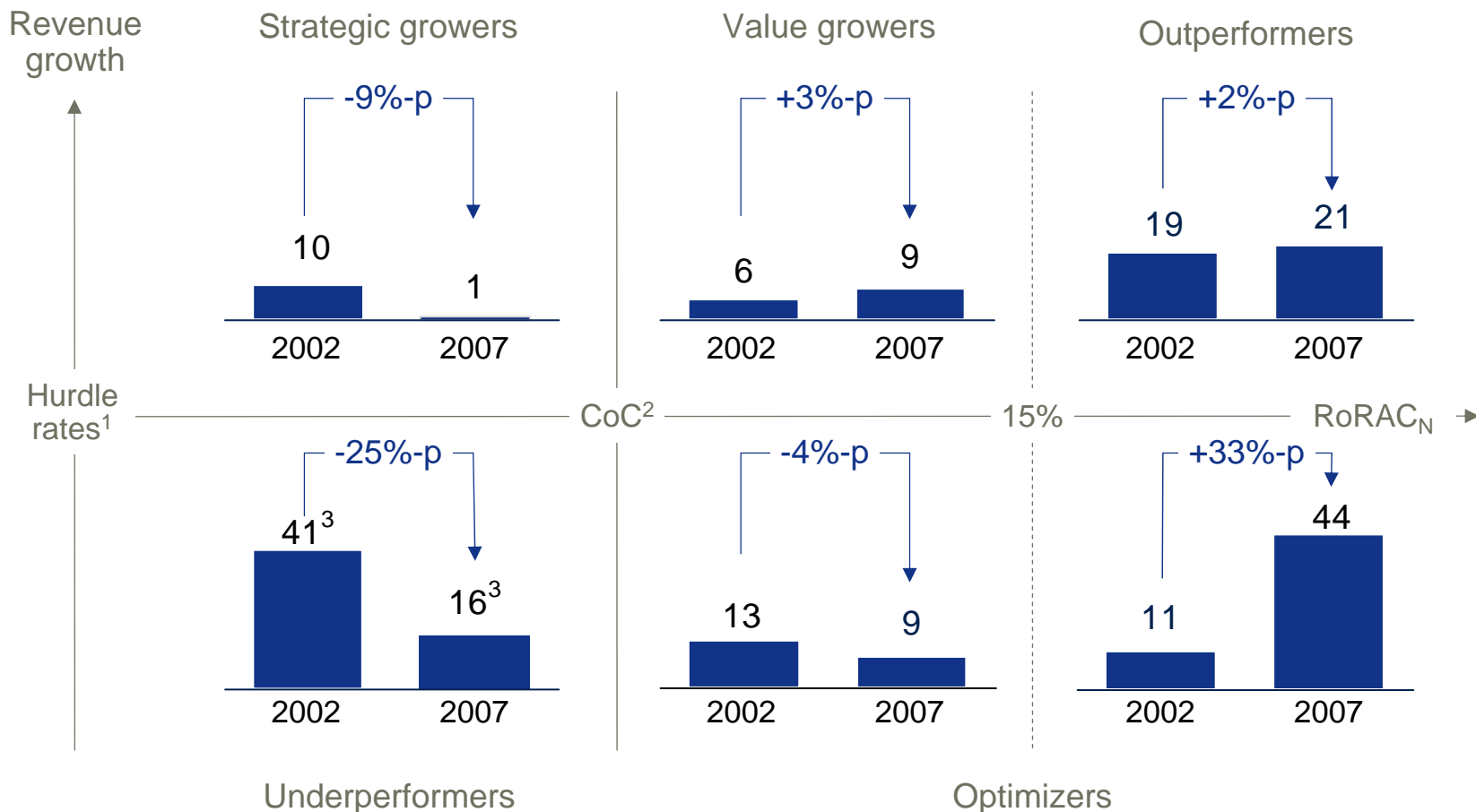


Return on Risk-Adjusted Capital (%)



# Turnaround cases well managed

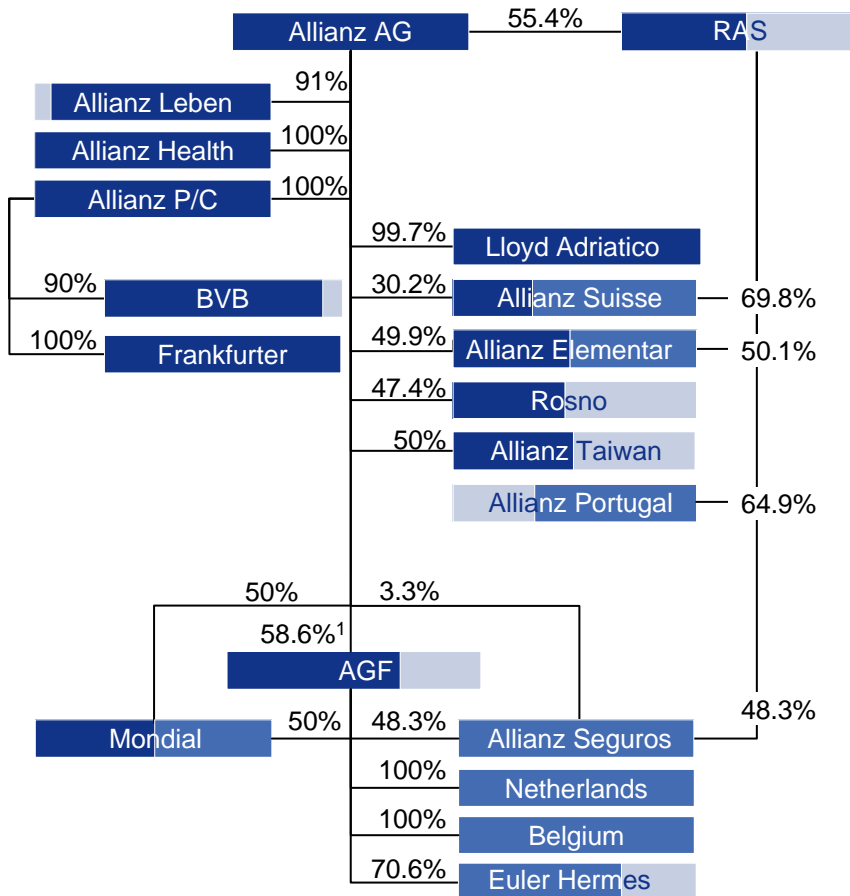
## Split of Risk-Adjusted Capital (%)



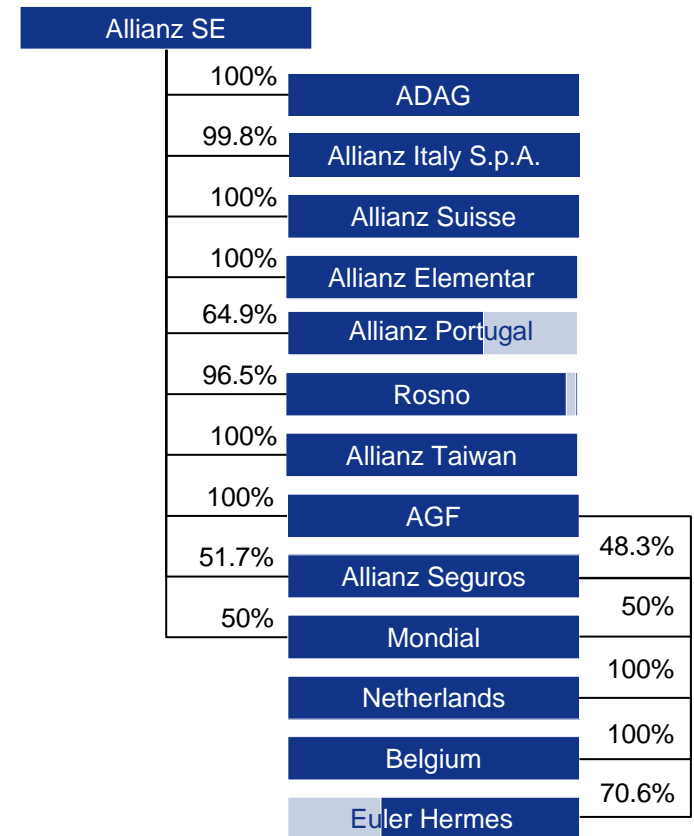
1) Hurdle rates for revenue growth: P/C 2%, L/H 7%, Banking 6%, Asset Management 10%  
 2) CoC: Insurance and Asset Management 7.6%, Banking 8.4%, Growth Markets higher depending on country  
 3) Thereof Dresdner Bank 2002 28%-p, 2007 16%-p

# Complexity reduced

## Starting position



## Today



1) Fully diluted including stock options and treasury shares

## Internal systems: aligned with strategy

### Internal capital market

- Internal dividend model
- Competition for capital
- Balance between capital generation and growth initiatives

### Incentive system

- EVA based management targets and incentives
- Stock based compensation
- Bottom line underwriting targets

### Risk management

- Consistent global risk capital model
- Limit system and stress tests
- Quarterly risk capital monitoring and portfolio review

# Lessons learnt and addressed by 3+One

Progress of 3+One program...

- 1

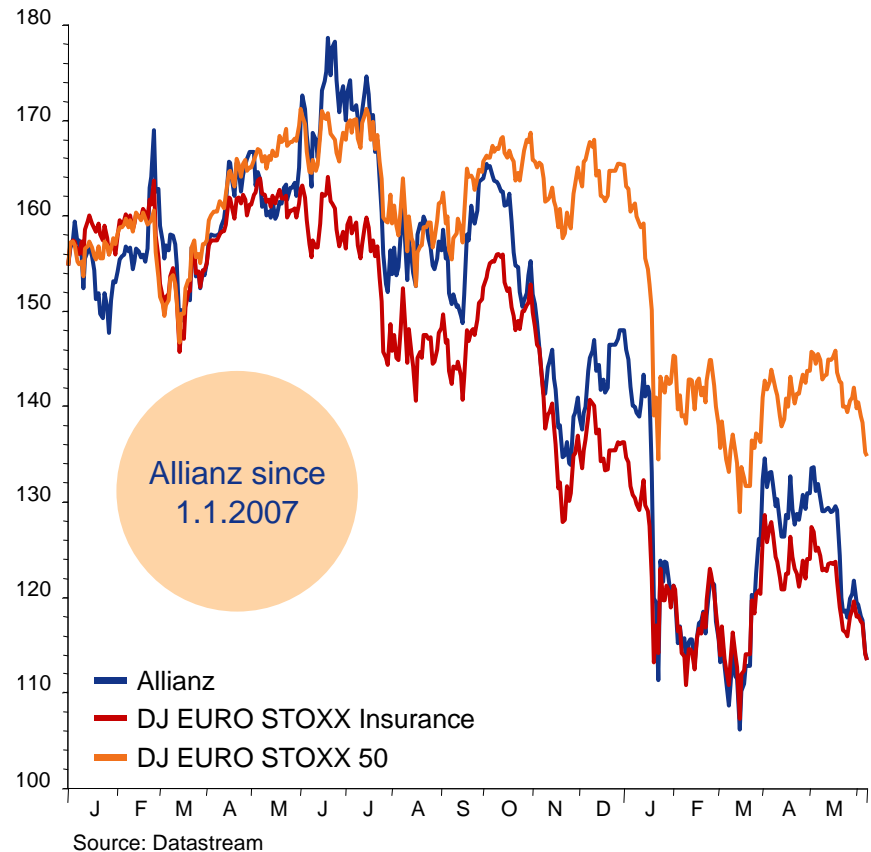
Protect and enhance capital base
✓
  
- 2

Substantially strengthen operating profitability
✓
  
- 3

Reduce complexity
✓
  
- +One

Increase sustainable competitiveness and shareholder value
✓

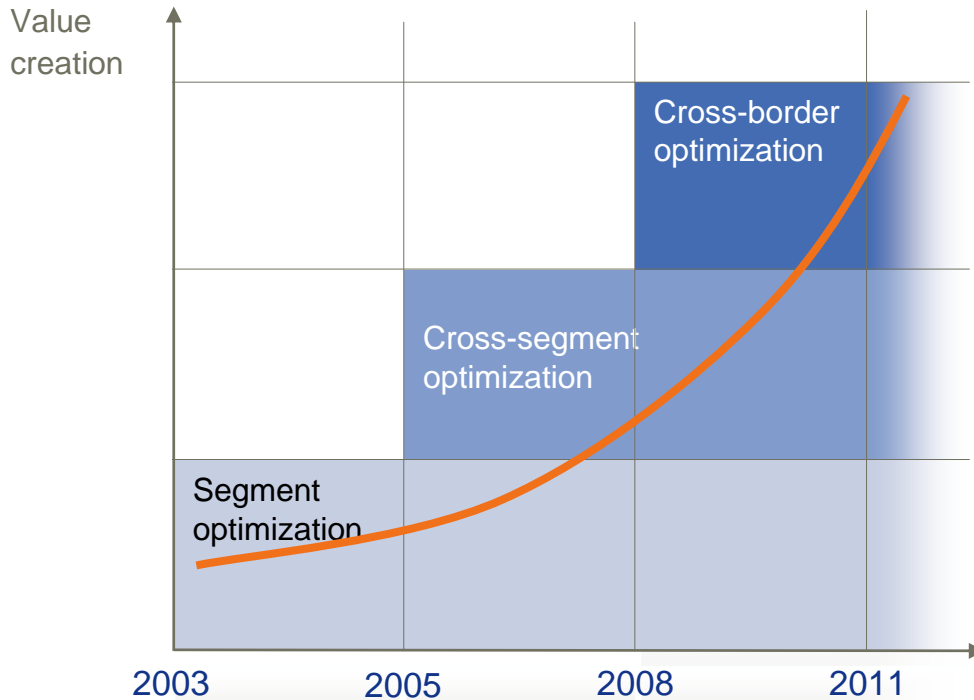
... not yet reflected by our share price



# Riding the storm

- 1 Lessons learnt
- 2 **Staying on course**

# +One: A clear strategy for future profitable growth



Key initiatives	Key initiatives	Key initiatives
<ul style="list-style-type: none"> <li>▪ 3+One</li> <li>▪ Restructuring                             <ul style="list-style-type: none"> <li>- FFIC</li> <li>- Dresdner</li> <li>- AGF</li> <li>- AGR</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>▪ 3+One</li> <li>▪ Sustainability</li> <li>▪ CFI</li> <li>▪ Local TOM</li> <li>▪ Euroefficiency</li> </ul>	<ul style="list-style-type: none"> <li>▪ Cross-border synergies</li> <li>▪ Growth initiatives</li> <li>▪ Global positioning</li> </ul>

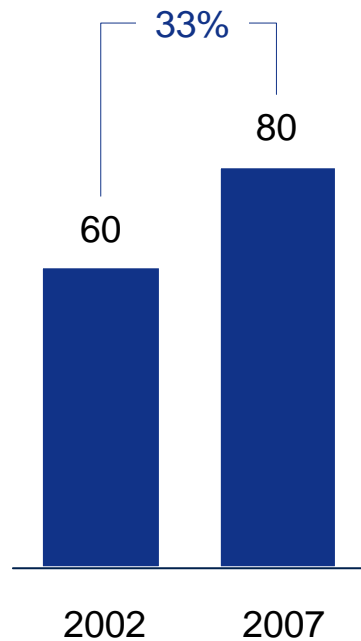
- Industrialization of insurance changes anatomy of value
- Increasing competitiveness over local peers
- Substantial increase in operational leverage
- Improving resilience in adverse market conditions
- Strong capital generation

## +One: Well positioned to exploit mega-trends

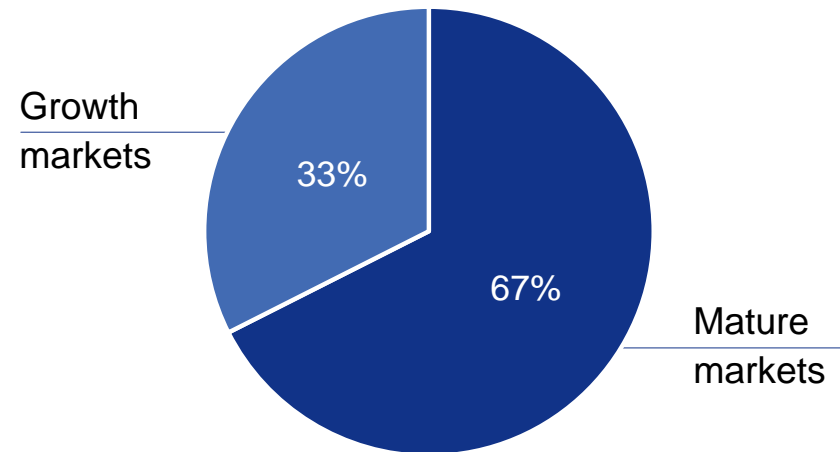
<p><b>Demography</b></p>	<ul style="list-style-type: none"> <li>▪ Private pensions</li> <li>▪ Medical support</li> <li>▪ Long-term care</li> <li>▪ Aging population</li> </ul>	<p>Life, Banking, AM</p> <p>Health insurance</p> <p>Assistance</p> <p>P/C + Assistance</p>
<p><b>Climate change</b></p>	<ul style="list-style-type: none"> <li>▪ Risk coverage and management</li> <li>▪ Investments</li> </ul>	<p>P/C</p> <p>Asset Management</p>
<p><b>Digitalization</b></p>	<ul style="list-style-type: none"> <li>▪ New channels</li> <li>▪ New products</li> <li>▪ Cost reduction</li> </ul>	<p>Direct insurance / Banking</p> <p>E.g. motor: pay-per-use</p> <p>Economies of scale</p>

# +One: Significant economies of scope from our fast growing customer base

Customers (mn)



20 mn new customers in five years



One third of customer base in fast growing markets

## Take aways

- Business model profitable and resilient
- Sound fundamentals
- Well capitalized
- Further improving competitive position
- Well positioned for profitable growth

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

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The statements contained herein may include 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 that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements.

Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, (iii) the frequency and severity of insured loss events, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the euro / US dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) 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.

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