Allianz Capital Markets Day

Asset Management & Allianz Life

New York, July 21, 2011
Allianz Asset Management – a success story

Joachim Faber
Member of the Board of Management
Allianz SE

New York, July 21, 2011
1 How we built Allianz’ asset management business
2 Drivers of success
3 Looking forward
Allianz is one of the leading asset managers worldwide …

Highlights

- One of the world’s largest active asset managers
- Strong presence in all major markets worldwide
- Complete range of products and styles
- 89% outperforming assets under management
- Strong brands: AGI, PIMCO, RCM, AGIC, NFJ
- Contributing 22% to Allianz Group’s operating profit

<table>
<thead>
<tr>
<th>Year</th>
<th>Total AuM (EUR bn)</th>
<th>Operating profit (EUR mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>971</td>
<td>1,276</td>
</tr>
<tr>
<td>2007</td>
<td>970</td>
<td>1,322</td>
</tr>
<tr>
<td>2008</td>
<td>920</td>
<td>904</td>
</tr>
<tr>
<td>2009</td>
<td>1,178</td>
<td>1,362</td>
</tr>
<tr>
<td>2010</td>
<td>1,499</td>
<td>2,013</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>Total net inflows (EUR bn)</th>
<th>Net income (EUR mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>44</td>
<td>395</td>
</tr>
<tr>
<td>2007</td>
<td>11</td>
<td>470</td>
</tr>
<tr>
<td>2008</td>
<td>0</td>
<td>369</td>
</tr>
<tr>
<td>2009</td>
<td>91</td>
<td>510</td>
</tr>
<tr>
<td>2010</td>
<td>121</td>
<td>918</td>
</tr>
</tbody>
</table>

1) Figures related to end of 2010. Figures in the diagrams – as on forth following slides – related to AGI only
2) Excluding Corporate / Other
3) 3-year outperformance
4) Net income attributable to shareholders
5) “AGI” refers to “Allianz Global Investors” and / or the Allianz Global Investors group of companies
A. Allianz Asset Management – a success story

... built on acquisitions at the beginning and strong organic growth in recent years

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Integration</th>
<th>Internal growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>3rd party AuM¹:</td>
<td>23</td>
<td>30</td>
</tr>
</tbody>
</table>

1) In EUR bn as at year-end
2) Segment Asset Management
3) 3rd party AuM in EUR bn as at closing date

- **+ EUR 228 bn³**
  July 23, 2001
  Allianz Asset Management

- **+ EUR 291 bn³**
  May 5, 2000
  PIMCO

- **+ EUR 36 bn³**
  January 31, 2001
  Nicholas Applegate

- **+ EUR 291 bn³**
  January 31, 2001
  Dresdner Bank

- **+ EUR 46 bn³**
  January, 2009
  cominvest
Strategic rationale: asset management as integral part of Allianz’ business model ...

Contribution to Allianz Group's key financials

Rationale for AM business

- Added value for insurance assets
- Complementary solutions for pension market
- Attractive financial returns to shareholders with strong growth
- Access to first class investment management skills with deep capital market expertise
- Natural hedge to Life insurance business

AGI’s operating profit share

<table>
<thead>
<tr>
<th>Year</th>
<th>AGI’s operating profit share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>n/a¹</td>
</tr>
<tr>
<td>2005</td>
<td>15%</td>
</tr>
<tr>
<td>2009</td>
<td>19%</td>
</tr>
<tr>
<td>2010</td>
<td>24%</td>
</tr>
</tbody>
</table>

AGI RoRAC²

<table>
<thead>
<tr>
<th>Year</th>
<th>AGI RoRAC²</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>24%</td>
</tr>
<tr>
<td>2005</td>
<td>47%</td>
</tr>
<tr>
<td>2009</td>
<td>55%</td>
</tr>
<tr>
<td>2010</td>
<td>65%</td>
</tr>
</tbody>
</table>

¹ Operating profit introduced in 2002
² Return on risk adjusted capital; for 2001 estimated figure for Asset Management segment
... enabling Allianz to manage majority of assets in-house

AuM Allianz Group (EUR bn, 2010)

- AGI manages ~98% of Allianz’ 3rd party assets
- AGI manages ~66% of Allianz’ own assets, making Allianz AGI’s largest client
- 81% of AGI assets managed by PIMCO
- Other Group assets predominantly managed through other Allianz entities, e.g. Allianz Capital Partners, Allianz Real Estate

1) EUR 1,208bn 3rd party and Group assets managed by PIMCO (including fixed income Germany)
Result: leading position in terms of regional presence\(^1\), …

A. Allianz Asset Management – a success story

### Simplified overview

- **Allianz Global Investors Germany**
- **Allianz Global Investors Ireland**
- **Allianz Global Investors Luxembourg**
- **Allianz Pension Partners risklab**

### # of investment professionals\(^4\)

- **in USA**: ~430
- **in Europe**: ~430
- **in Asia Pacific**: ~160

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1. Simplified, as full legal name of entities may vary
2. Virtual unit, consisting of AGI France SA, AGI Italia SGR SpA and AGI Europe GmbH (Zurich branch)
3. Joint Venture (50% held by Allianz SE and 50% by AGI Asia Pacific GmbH)
4. As at December 2010
A. Allianz Asset Management – a success story

... in terms of scale, ...

AuM ranking of world’s largest asset managers (EUR bn)

End of 2001

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>AuM (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>State Street</td>
<td>871</td>
</tr>
<tr>
<td>2</td>
<td>Barclays GI</td>
<td>869</td>
</tr>
<tr>
<td>3</td>
<td>Fidelity¹</td>
<td>830</td>
</tr>
<tr>
<td>4</td>
<td>Deutsche AM²</td>
<td>817</td>
</tr>
<tr>
<td>5</td>
<td>AXA AM</td>
<td>790</td>
</tr>
<tr>
<td>6</td>
<td>AGI</td>
<td>753</td>
</tr>
<tr>
<td>7</td>
<td>Vanguard¹</td>
<td>652</td>
</tr>
<tr>
<td>8</td>
<td>Merrill Lynch IM</td>
<td>597</td>
</tr>
<tr>
<td>9</td>
<td>Mellon AM</td>
<td>571</td>
</tr>
<tr>
<td>10</td>
<td>Citigroup AM</td>
<td>494</td>
</tr>
</tbody>
</table>

End of 2010

<table>
<thead>
<tr>
<th>Rank</th>
<th>Company</th>
<th>AuM (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>BlackRock GI</td>
<td>2,654</td>
</tr>
<tr>
<td>2</td>
<td>AGI</td>
<td>1,499</td>
</tr>
<tr>
<td>3</td>
<td>State Street GA</td>
<td>1,491</td>
</tr>
<tr>
<td>4</td>
<td>Vanguard³</td>
<td>1,311</td>
</tr>
<tr>
<td>5</td>
<td>Fidelity</td>
<td>1,188</td>
</tr>
<tr>
<td>6</td>
<td>AXA AM</td>
<td>878</td>
</tr>
<tr>
<td>7</td>
<td>BoNY Mellon AM</td>
<td>825</td>
</tr>
<tr>
<td>8</td>
<td>J.P. Morgan AM⁴</td>
<td>756</td>
</tr>
<tr>
<td>9</td>
<td>Capital Group³</td>
<td>743</td>
</tr>
<tr>
<td>10</td>
<td>Amundi</td>
<td>710</td>
</tr>
</tbody>
</table>

1) Only U.S. mutual fund AuM
2) AuM from asset and wealth management business
3) Only mutual fund AuM
4) Excluding AuM from private banking business

Source: Asset figures ("AuM") for this ranking are derived from several sources incl. publicly available company reports / information and own analysis.

Allianz / AGI: AuM related to the engagement as manager of the Federal Reserve’s MBS purchase program have been excluded from analysis; exchange rates as at end of 2001 applied: GBP/EUR 0.60905, USD/EUR 0.88623; exchange rates as at end of 2010 applied: USD/EUR 1.34155
… and in terms of financial success

EUR mn, 2010¹

<table>
<thead>
<tr>
<th>Company</th>
<th>Net revenues</th>
<th>Operating profit</th>
<th>CIR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BlackRock GI</td>
<td>6,110</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGI</td>
<td>4,879</td>
<td>2,013</td>
<td>59</td>
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<tr>
<td>Franklin</td>
<td>2,855</td>
<td>1,623</td>
<td>43</td>
</tr>
<tr>
<td>Amundi</td>
<td>1,517</td>
<td>610</td>
<td>60</td>
</tr>
<tr>
<td>AXA AM</td>
<td>3,051</td>
<td>602</td>
<td>80</td>
</tr>
<tr>
<td>Morgan Stanley AM</td>
<td>2,105</td>
<td>594</td>
<td>72</td>
</tr>
<tr>
<td>BoNY Mellon AM</td>
<td>2,021</td>
<td>574</td>
<td>72</td>
</tr>
<tr>
<td>Invesco</td>
<td>1,899</td>
<td>443</td>
<td>77</td>
</tr>
<tr>
<td>Schroders</td>
<td>1,161</td>
<td>427</td>
<td>63</td>
</tr>
<tr>
<td>UBS Global AM</td>
<td>1,492</td>
<td>370</td>
<td>75</td>
</tr>
<tr>
<td>Legg Mason</td>
<td>1,537</td>
<td>314</td>
<td>80</td>
</tr>
<tr>
<td>Deutsche AM</td>
<td>1,701</td>
<td>265</td>
<td>84</td>
</tr>
</tbody>
</table>

1) Peer figures occasionally adjusted for one-offs / extraordinary items
1 How we built Allianz’ asset management business
2 Drivers of success
3 Looking forward
During its first decade AGI’s profit more than quadrupled …

Business performance indicators
(2001 = 100)

AGI’s first 10 years

- Allianz started its asset management business as a collection of unrelated acquisitions
- Through the evolution in the last decade, AGI now serves as an effective and profitable asset management franchise for Allianz
- Result: AGI more than quadrupled operating profit while reducing headcount
A. Allianz Asset Management – a success story

... and the productivity per employee more than quintupled

Key productivity indicators (2001 = 100)

- Operating Profit/FTE
- Rev/FTE
- AuM/FTE

AGI’s first 10 years

- Our business is an intellectual capital business, with people being our most important resource
- A key driver of success has been the allocation of human capital to priority activities
- Over the decade total headcount has been reduced by 16%
- Investment management headcount increased by 16%
- Result: continually increasing productivity in the top quartile of our peer group
Success driver “strategy”: a client centric business model …

On average, **80% of 3rd party assets out-performing** over the last decade

- **Passed EUR 2bn operating profit** mark
- **Passed EUR 500bn cumulated net inflows** in the last decade

- **“To become the pre- eminent global asset manager by protecting and enhancing our clients’ wealth”**
- **2nd largest asset manager with AuM at EUR 1.5tn**
- **Client trust**
- **Quality**
- **Profitability**
- **Size**

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... and strong investment managers

Allianz’ investment managers

- Preservation and strengthening of unique investment cultures
- Entrepreneurial, autonomous investment teams supported by leading-edge infrastructure and central service functions
- Products cover all major equity and fixed-income investment styles, as well as balanced products and investment solutions
Success driver “performance”: an extremely strong track-record …

3rd party account-based asset-weighted outperformance¹ (%)

¹ AGI account-based, asset-weighted 3-year investment performance of third party assets vs. benchmark including all accounts managed by equity and fixed income managers of AGI. For some retail equity funds the net of fee performance is compared to the median performance of an appropriate peer group (Morningstar or Lipper; 1st and 2nd quartile mean out-performance). For all other retail funds and for all institutional accounts performance is calculated gross of fees using closing prices (revaluated) where appropriate and compared to the benchmark of each individual fund or account. Other than under GIPS (Global Investment Performance Standards), the performance of closed funds/accounts is not included in the analysis. Accounts at AllianzGI Investments Europe, Zurich Branch and Joint-Venture GTJA China and in parts WRAP accounts are not considered. Not included until 3Q 2009: AllianzGI Taiwan, AllianzGI Singapore, AllianzGI Korea, AllianzGI Investments Europe Paris, AllianzGI Investments Europe Milan and Allianz Netherlands Asset Management.

² 1-year performance benchmark

³ Established regular investment performance reporting for fixed income at AGI FR and AGI IT only recently and retroactively since 4Q08
A. Allianz Asset Management – a success story

... resulting in record net inflows and AuM growth ...

Total AuM development (EUR bn)

AuM drivers

- Consolidation effects
- Market effects
- Net inflows
- F/X effect

AuM by region

- Asia Pacific
- CAGR
- US
- Europe

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>971</td>
<td>47</td>
<td>44</td>
<td>57</td>
<td>53</td>
<td>129</td>
</tr>
<tr>
<td>2007</td>
<td>970</td>
<td>53</td>
<td>121</td>
<td>93</td>
<td>55</td>
<td>129</td>
</tr>
<tr>
<td>2008</td>
<td>920</td>
<td>121</td>
<td>55</td>
<td>129</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>2009</td>
<td>1,178</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
<tr>
<td>2010</td>
<td>1,499</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
<td>53</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>73</td>
<td>436</td>
<td>462</td>
<td>552</td>
<td>772</td>
</tr>
<tr>
<td>2007</td>
<td>74</td>
<td>430</td>
<td>466</td>
<td>543</td>
<td>598</td>
</tr>
<tr>
<td>2008</td>
<td>59</td>
<td>416</td>
<td>445</td>
<td>598</td>
<td>772</td>
</tr>
<tr>
<td>2009</td>
<td>83</td>
<td>552</td>
<td>598</td>
<td>772</td>
<td>772</td>
</tr>
<tr>
<td>2010</td>
<td>129</td>
<td>772</td>
<td>772</td>
<td>772</td>
<td>772</td>
</tr>
</tbody>
</table>

CAGR: +15% (Asia Pacific), 7% (US), +15% (Europe)
A. Allianz Asset Management – a success story

… driving performance fees and revenues …

Major revenue drivers
Other net fee and commission income in bps of total AuM

Net fee and commission income (EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Performance fees</th>
<th>Other net fee and commission income</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2,874</td>
<td>512</td>
<td>+14%</td>
</tr>
<tr>
<td>2007</td>
<td>3,060</td>
<td>419</td>
<td>+48%</td>
</tr>
<tr>
<td>2008</td>
<td>2,813</td>
<td>201</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>3,515</td>
<td>83</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>4,832</td>
<td>512</td>
<td></td>
</tr>
</tbody>
</table>

Performance fees in % of revenues
Average 2002-2010: 5.8%

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Performance fees</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>3.6</td>
</tr>
<tr>
<td>2007</td>
<td>6.3</td>
</tr>
<tr>
<td>2008</td>
<td>2.9</td>
</tr>
<tr>
<td>2009</td>
<td>11.6</td>
</tr>
<tr>
<td>2010</td>
<td>10.5</td>
</tr>
</tbody>
</table>
... supported by decreasing share of B-unit costs

Key figures

<table>
<thead>
<tr>
<th>Key figure</th>
<th>EUR mn</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>1,276</td>
<td>1,322</td>
<td>904</td>
<td>1,362</td>
<td>2,013</td>
<td></td>
</tr>
<tr>
<td>B-unit expenses</td>
<td>523</td>
<td>488</td>
<td>278</td>
<td>403</td>
<td>440</td>
<td></td>
</tr>
<tr>
<td>Net income(^2)</td>
<td>395</td>
<td>470</td>
<td>369</td>
<td>510</td>
<td>918</td>
<td></td>
</tr>
</tbody>
</table>

B-unit expenses in % of operating profit

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>41%</td>
<td>37%</td>
<td>31%</td>
<td>30%</td>
<td>22%</td>
</tr>
</tbody>
</table>

B-units outstanding

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>125,332</td>
<td>105,233</td>
<td>79,179</td>
<td>56,224</td>
<td>30,129</td>
</tr>
</tbody>
</table>

Remaining expenses: ~400mn\(^1\)

B-unit expenses in % of net income\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>132%</td>
<td>104%</td>
<td>76%</td>
<td>79%</td>
<td>48%</td>
</tr>
</tbody>
</table>

---

1) Estimate 2Q11 until end of program; estimate subject to assumptions, in particular regarding operating profit growth, USD/EUR development and B-unit repurchase schedule
2) Net income attributable to shareholders
Result: AGI weathered the financial crisis, exceeded pre-crisis profitability levels already in 2009 …

**EUR mn**

**Operating profit**

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Profit</th>
<th>Net Income</th>
<th>CAGR</th>
<th>CIR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,276</td>
<td>395</td>
<td>57.3</td>
<td>CAGR</td>
</tr>
<tr>
<td>2007</td>
<td>1,322</td>
<td>470</td>
<td>58.4</td>
<td>CIR (%)</td>
</tr>
<tr>
<td>2008</td>
<td>904</td>
<td>369</td>
<td>67.9</td>
<td>CAGR</td>
</tr>
<tr>
<td>2009</td>
<td>1,362</td>
<td>510</td>
<td>62.2</td>
<td>CIR (%)</td>
</tr>
<tr>
<td>2010</td>
<td>2,013</td>
<td>510</td>
<td>58.7</td>
<td>CIR (%)</td>
</tr>
</tbody>
</table>

**Net income**

- **2006**: 395 EUR mn (CAGR 57.3%)
- **2007**: 470 EUR mn (CIR 58.4%)
- **2008**: 369 EUR mn (CAGR 67.9%)
- **2009**: 510 EUR mn (CIR 62.2%)
- **2010**: 918 EUR mn (CIR 58.7%)

Thereof PIMCO: 78%

1) Net income attributable to shareholders
2) Excluding Corporate / Other
... and delivered against targets

- Added value for insurance assets
  AGI in the meantime managing approx. EUR 354bn / 66% of Allianz Group assets

- Complementary solutions for pension market
  Progressively effective collaboration between AM and Life segment

- Attractive financial returns
  Operating profit EUR 2bn, net income shy of 1bn in 2010
  Trend confirmed in 1Q 2011

- Exceed market growth
  World’s second largest asset manager with persistent strong organic growth
1 How we built Allianz’ asset management business
2 Drivers of success
3 Looking forward
Challenges – and opportunities!

1. Active vs. passive
   Focus on active management capabilities

2. Traditional vs. alternative
   Focus on solutions

3. Emerging markets
   Focus on strong global presence

4. Absolute return
   Focus on risk-management capabilities
We will continue to build on our key strengths

Continuing success will require

- Having the right investment strategies with sustainable alpha
- Providing competitive investment and retirement solutions
- Increasing investment in technology in all aspects of our business
- Adapting to increasingly demanding clients
- Maintaining discipline in expense management and resource allocation
- Be the employer of choice for the best talent

Strategic positioning

- Performance Plus
  - Global capabilities & client reach
  - Investment & retirement solutions provider
  - Thought leadership
- Sustainable alpha through active management
- Clients
Strategic priorities (1/2)

**U.S.**
- Build Allianz / AGI brand in the U.S. and strengthen position in the U.S. retirement market in cooperation with Allianz Life
- Enhance PIMCO’s delivery of value to clients and market standing
- Align set-up of U.S. retail sales and client service organization to client requirements

**Europe**
- Grow cost-efficiently by penetrating new channels and product areas
- Further increase organizational efficiency across Europe (governance and legal structure, product portfolio)
- Expand PIMCO’s ability to serve clients

**Asia Pacific**
- Enhance positioning in the Greater China region
- Selectively capture growth opportunities in emerging / non-core markets
- Expand PIMCO’s ability to serve clients

**Allianz**
- Broaden service offer to our largest client Allianz to maintain positioning as provider of choice for managing Allianz’ insurance assets
Strategic priorities (2/2)

1. Investment management and solutions
   - Further broaden PIMCO’s investment solutions and offerings across the capital structure
   - Capture opportunities from shifting demand towards global and emerging markets and absolute return/outcome-oriented strategies
   - Harness new opportunities for product innovations arising from regulatory changes (esp. UCITS III, IV)
   - Enhance AGI’s positioning as investment and retirement solution provider

2. People and resources
   - Further position AGI as an employer of choice
   - Ensure flexibility and efficiency of business set-up
Our aspiration for the future: continuing excellence in all dimensions

Achievements 2001 – 2010 (in %)

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td>28</td>
<td>31</td>
<td>8</td>
<td>11</td>
<td>13</td>
</tr>
</tbody>
</table>

Over a full market cycle

- 68%
- 64%
- 62%
- 62%
- 61%

AGI aspiration (over full cycle)

- Operating profit growth 5% – 10% p.a.¹
- CIR ≤ 65%
- 3-year asset weighted outperformance ≥ 70%
- Ø 3rd party net inflows ≥ 5%

¹ Operating profit growth excluding f/x impact
Key takeaways

- One of the world’s largest active asset managers
- Integral part of Allianz’ business model
- Proven ability to outperform
- Best in class efficiency
- Contributing 22% to Allianz Group’s operating profit\(^1\)
- 5% – 10% annual operating profit growth aspiration\(^2\)

Well prepared for continuing excellence!

---

1) 2010
2) Over full cycle; excluding f/x impact
Backup
## B-unit program

### Key terms of B-unit program

<table>
<thead>
<tr>
<th>Timing, status quo and outlook</th>
<th>Drivers of B-unit expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>▪ 150,000 B-units issued between 2000 and 2005</td>
<td>▪ OPAD development</td>
</tr>
<tr>
<td>▪ 17,429 units outstanding end of 1Q11</td>
<td>▪ Put / call treatment</td>
</tr>
<tr>
<td>▪ Allianz may have bought all B-units until 2016</td>
<td>▪ Number of outstanding units</td>
</tr>
<tr>
<td>▪ Expected remaining P&amp;L expenses: ~EUR 400mn¹</td>
<td>▪ Investment performance</td>
</tr>
<tr>
<td></td>
<td>▪ USD/EUR development</td>
</tr>
</tbody>
</table>

### Background

- At the time of the PIMCO acquisition in 2000, PIMCO MDs had a right in 45% of operating profit available for distribution (OPAD)
- Allianz aimed to reduce the OPAD profit sharing to 30% and securitized the remaining 15% earnings stream as B-units
- B-units were issued to PIMCO MDs and represent their priority claim on 15% OPAD
- B-units can be acquired via put (PIMCO MDs) / call (Allianz) agreement

---

¹ Estimate 2Q11 until end of program; estimate subject to assumptions, in particular regarding operating profit growth, USD/EUR development and B-unit repurchase schedule
## M-unit program

### Key terms of M-unit program

#### Timing, status quo and outlook
- 157,279 options outstanding and 3,651 M-units issued as per end of 1Q11
- If OPAD increases by ~85% until 2017
  - P&L expenses for options on M-units will amount to low triple digit million amounts annually
  - minority interests triggered by M-units will reach roughly 8.5%

#### Major drivers of M-unit expenses
- OPAD development
- Number of outstanding units
- USD/EUR development

#### Background
- Additional equity incentive plan for PIMCO senior investment / sales staff. Program started in 2008 via granting of options on M-units
- After vesting period options translate into M-units only in case of OPAD growth, otherwise options expire worthlessly
- As equity, M-units represent a share in PIMCO and are held in perpetuity
- Maximum program size are 250,000 M-units and options outstanding
## PIMCO

### Facts and figures (as at 31.12.2010)

<table>
<thead>
<tr>
<th>Key Points</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets under management: EUR 967bn</td>
</tr>
<tr>
<td>Year founded: 1971</td>
</tr>
<tr>
<td>1,308 employees, thereof 320 investment professionals</td>
</tr>
<tr>
<td>PIMCO is one of the leading fixed-income managers world-wide</td>
</tr>
<tr>
<td>PIMCO has recently launched the first strategy in its new active equity lines</td>
</tr>
<tr>
<td>In addition to its fixed income expertise, PIMCO is a leading provider of investment solutions across asset classes and risk exposures</td>
</tr>
<tr>
<td>PIMCO’s Total Return Fund is the largest mutual fund in the world, with over USD 240bn AuM</td>
</tr>
</tbody>
</table>

### Investment strategies

- Absolute return
- All asset
- Alternatives
- Commodity real return
- Investment grade corporates
- Diversified income
- CBO / CLO
- Emerging markets
- Equities
- Global
- High yield
- Long duration
- Low duration
- Moderate duration
- Asset allocation
- Money market
- Mortgages
- Municipals
- Real return
- StocksPLUS
- StocksPLUS TR
- Total return
- Enhanced cash
- Stable value
- Real estate real return

### Inv. vehicles

- Separate accounts
- Mutual funds
- Private funds
- ETF’s

### Management

- Mohamed El-Erian (CEO / co-CIO)
- Bill Gross (co-CIO)

### Offices

- Newport Beach (HQ)
- Tokyo
- Singapore
- New York
- Toronto
- London
- Munich
- Sydney
- Amsterdam
- Zurich

### Contact

Pacific Investment Management Company (PIMCO) LLC
840 Newport Center Drive Suite 300
Newport Beach CA 92660, USA
www.pimco.com

### Investment philosophy and approach

**3 key principles**

1. Making superior shifts in portfolio strategy based on long-term or secular trends
2. Avoiding extreme swings in either maturity or duration in fixed income portion of business to achieve a consistent investment performance
3. Gaining added value through a combination of multiple, diversified strategies with volatility analytics and adjustments to traditional variables

### Tactical asset allocation

#### Top-down techniques

- Duration
- Volatility
- Yield curve
- Sector

#### Value-added

- Credit analysis
- Quantitative research
- Issue selection
- Cost-effective trading

#### Bottom-up techniques
We believe that by generating and exploiting an information advantage, we will be able to drive superior and consistent investment results for the benefit of our clients. A philosophy we call “RCM Informed”

It is a philosophy that we apply to all areas of our company, from investment management to our commitment to engage proactively and dynamically with clients in partnership

The result is a company with many distinctive features, including:
1. A truly global structure
2. An emphasis on innovative proprietary research
3. A boutique culture

### Facts and figures (as at 31.12.2010)
- Assets under management: EUR 98bn
- Year founded: 1970
- 477 employees, thereof 270 investment professionals
- RCM is a global asset manager operating from six international offices with a range of investment solutions spanning the market cap and style spectrum for institutions and individual clients

### Investment strategies
- Regional / country equity strategies
- Global equity strategies
- Emerging markets equity
- Thematic and sector strategies
- Total return and multi asset

### Management
- Udo Frank (Global CEO), Andreas Utermann (Global CIO), Raymond Chan, Neil Dwane, Jacques Garmier, Robert Goldstein, Michael Hooper, Mark Kony, Scott MigliorI, Roger Miners, Herold Rohweder

### Offices
- San Francisco
- London
- Hong Kong
- Sydney
- Frankfurt
- Tokyo

### Contact
- RCM
  555 Mission Street
  San Francisco, CA 94105, USA
- London office: 155 Bishopsgate, 1F
  London EC2M 3AD, UK
- www.rcm.com

---

1) Assets reported under the brand name RCM
# Allianz Global Investors Capital

## Facts and figures (as at 31.12.2010)

- **Assets under management:** EUR 37bn
- **Year founded:** 2010
- **272 employees,** thereof 92 investment professionals
- **AGI Capital** will deliver clarity and reliability through the deliberate design of our organizational structure, investment processes, talent development and support functions
- **The hallmark of our business structure is entrepreneurial, autonomous investment teams,** supported by leading-edge infrastructure
- **We aim to be best-in-class, not only in investment innovation and execution, but also in oversight and service functions** such as risk management and client reporting

## Investment strategies

- Alternatives
- Growth equity
- Income and growth
- NFJ value equity
- Non-US equity
- Systematic equity

## Management

- Marna Whittington (CEO)
- Horacio Valeiras (CIO)
- Barbara Claussen (MD)
- Ben Fischer (MD)
- Geoff Mullen (MD)

## Offices

- San Diego (HQ)
- Dallas
- New York
- London

## Investment philosophy and approach

- AGI Capital will deliver clarity and reliability through the deliberate design of our organizational structure, investment processes, talent development and support functions
- The hallmark of our business structure is entrepreneurial, autonomous investment teams, supported by leading-edge infrastructure
- We aim to be best-in-class, not only in investment innovation and execution, but also in oversight and service functions such as risk management and client reporting

## Products

- Absolute return
- Portable alpha
- Tail-risk hedging
- Long / short equity
- Large cap growth
- Mid cap growth
- Small cap / SMID growth
- Micro / ultra micro growth
- High yield
- Convertibles
- Emerging markets systematic
- Large cap value
- Mid cap value
- Small cap value
- Non-US / global value
- Global growth
- Non-US growth
- Non-US small cap growth
- Large/mid/small/SMID systematic
- Growth / core systematic
- Non-US / global systematic

## Contact

- **Allianz Global Investors Capital LLC**
- 600 W. Broadway
- San Diego
- CA 92101, USA
- [www.allianzgic.com](http://www.allianzgic.com)
## Key figures AM segment
(P&L in EUR mn / AuM in EUR bn)

<table>
<thead>
<tr>
<th>Key figures AM segment</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q11</th>
<th>Δ 1Q11/10 (%)</th>
<th>ΔFY 10/09 (%)</th>
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<tbody>
<tr>
<td>Net fee and commission income</td>
<td>2,924</td>
<td>3,133</td>
<td>2,874</td>
<td>3,590</td>
<td>4,927</td>
<td>1,256</td>
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<td>206</td>
<td>83</td>
<td>421</td>
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<td>-59</td>
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<td>- Split US/DE/EU ex DE/AP/other (% / Δ%-p)*</td>
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<td>56/15/15/8/5</td>
<td>59/12/17/7/4</td>
<td>59/14/16/8/3</td>
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<td>62/11/15/10/2</td>
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<td>+3/-2/1/+2/-1</td>
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<td>- Split institutional/retail clients (% / Δ%-p)</td>
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<td>74/26</td>
<td>68/32</td>
<td>66/34</td>
<td>66/34</td>
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<td>-2/+2</td>
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</table>

*) PGAs allocated to respective regions
Key figures AGI
(P&L in EUR mn / AuM in EUR bn)

<table>
<thead>
<tr>
<th>Key figures AGI</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q11</th>
<th>Δ 1Q11/10 (%)</th>
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<tr>
<td>Net fee and commission income</td>
<td>2,874</td>
<td>3,060</td>
<td>2,813</td>
<td>3,515</td>
<td>4,832</td>
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<td>419</td>
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<td>-278</td>
<td>-403</td>
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<td>510</td>
<td>918</td>
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<td>106</td>
<td>80</td>
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<td>Cost income ratio (% / Δ%-p)</td>
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<td>67.9</td>
<td>62.2</td>
<td>58.7</td>
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<td>14</td>
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<td>54</td>
<td>-51</td>
<td>-</td>
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<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)*</td>
<td>60/16/15/9</td>
<td>59/16/16/9</td>
<td>62/13/18/8</td>
<td>61/14/17/8</td>
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<td>63/11/15/10</td>
<td>+1/-2/-1/+1</td>
<td>+2/-3/-1/+2</td>
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<td>- Split institutional/retail clients (% / Δ%-p)</td>
<td>62/38</td>
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<td>67/33</td>
<td>67/33</td>
<td>-1/+1</td>
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<td>Total AuM (e.o.p.)</td>
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<td>920</td>
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</tr>
<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)*</td>
<td>45/28/20/8</td>
<td>44/28/20/8</td>
<td>45/27/21/6</td>
<td>47/26/20/7</td>
<td>51/21/19/9</td>
<td>51/21/19/8</td>
<td>+3/-4/0/+1</td>
<td>+5/-5/-1/+2</td>
</tr>
</tbody>
</table>

*) PGAs allocated to respective regions
Key figures AGI business lines  
(P&L in EUR mn / AuM in EUR bn)

### Fixed income

<table>
<thead>
<tr>
<th>AGI / business line fixed income*</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q11</th>
<th>Δ 1Q11/10 (%)</th>
<th>ΔFY10/09 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>776</td>
<td>838</td>
<td>798</td>
<td>1,186</td>
<td>1,735</td>
<td>461</td>
<td>22</td>
<td>46</td>
</tr>
<tr>
<td>Cost income ratio (% / Δ%-p)</td>
<td>50.4</td>
<td>50.3</td>
<td>52.8</td>
<td>49.9</td>
<td>48.7</td>
<td>49.7</td>
<td>1.7</td>
<td>-1.1</td>
</tr>
<tr>
<td><strong>3rd party AuM (e.o.p.)</strong></td>
<td>560</td>
<td>559</td>
<td>574</td>
<td>766</td>
<td>989</td>
<td>969</td>
<td>13</td>
<td>29</td>
</tr>
<tr>
<td>- Net flows</td>
<td>31</td>
<td>12</td>
<td>10</td>
<td>91</td>
<td>114</td>
<td>17</td>
<td>-53</td>
<td>25</td>
</tr>
<tr>
<td>- Market effects</td>
<td>20</td>
<td>39</td>
<td>-25</td>
<td>82</td>
<td>64</td>
<td>9</td>
<td>-55</td>
<td>-22</td>
</tr>
<tr>
<td>- Conso effects</td>
<td>0</td>
<td>-2</td>
<td>2</td>
<td>34</td>
<td>-3</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- f/x effects</td>
<td>-49</td>
<td>-50</td>
<td>27</td>
<td>-15</td>
<td>49</td>
<td>-47</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Share of outperforming AuM** (% / Δ%-p)</td>
<td>91</td>
<td>87</td>
<td>48</td>
<td>83</td>
<td>90</td>
<td>92</td>
<td>4</td>
<td>7</td>
</tr>
<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)**</td>
<td>65/12/14/10</td>
<td>65/11/15/9</td>
<td>66/9/17/8</td>
<td>66/9/17/8</td>
<td>68/6/16/10</td>
<td>68/7/16/10</td>
<td>0/-1/0/+1</td>
<td>+2/-2/1/+2</td>
</tr>
<tr>
<td>- Split institutional/retail clients (% / Δ%-p)**</td>
<td>66/34</td>
<td>69/31</td>
<td>79/21</td>
<td>70/30</td>
<td>68/32</td>
<td>68/32</td>
<td>-2/+2</td>
<td>-2/+2</td>
</tr>
<tr>
<td><strong>Total AuM (e.o.p.)</strong></td>
<td>763</td>
<td>767</td>
<td>801</td>
<td>1,026</td>
<td>1,323</td>
<td>1,303</td>
<td>15</td>
<td>29</td>
</tr>
<tr>
<td>- Net flows</td>
<td>32</td>
<td>14</td>
<td>18</td>
<td>106</td>
<td>121</td>
<td>18</td>
<td>-54</td>
<td>14</td>
</tr>
<tr>
<td>- Market effects</td>
<td>21</td>
<td>42</td>
<td>-11</td>
<td>98</td>
<td>72</td>
<td>8</td>
<td>-69</td>
<td>-26</td>
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<tr>
<td>- Conso effects</td>
<td>2</td>
<td>-2</td>
<td>1</td>
<td>35</td>
<td>54</td>
<td>3</td>
<td>-</td>
<td>-53</td>
</tr>
<tr>
<td>- f/x effects</td>
<td>-50</td>
<td>-51</td>
<td>26</td>
<td>-15</td>
<td>50</td>
<td>-50</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)**</td>
<td>47/25/19/8</td>
<td>48/25/19/7</td>
<td>47/26/21/6</td>
<td>49/23/20/7</td>
<td>54/18/19/8</td>
<td>54/19/19/8</td>
<td>+3/-3/0/+1</td>
<td>+5/-5/-1/+2</td>
</tr>
</tbody>
</table>

### Equities

<table>
<thead>
<tr>
<th>AGI / business line equities*</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>1Q11</th>
<th>Δ 1Q11/10 (%)</th>
<th>ΔFY10/09 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating profit</strong></td>
<td>135</td>
<td>147</td>
<td>64</td>
<td>14</td>
<td>126</td>
<td>34</td>
<td>30</td>
<td>810</td>
</tr>
<tr>
<td>Cost income ratio (% / Δ%-p)</td>
<td>71.9</td>
<td>72.0</td>
<td>84.0</td>
<td>96.2</td>
<td>74.1</td>
<td>73.5</td>
<td>-3.6</td>
<td>-22.2</td>
</tr>
<tr>
<td><strong>3rd party AuM (e.o.p.)</strong></td>
<td>162</td>
<td>165</td>
<td>98</td>
<td>136</td>
<td>156</td>
<td>151</td>
<td>3</td>
<td>15</td>
</tr>
<tr>
<td>- Net flows</td>
<td>6</td>
<td>0</td>
<td>-11</td>
<td>-8</td>
<td>-1</td>
<td>-3</td>
<td>-</td>
<td>-90</td>
</tr>
<tr>
<td>- Market effects</td>
<td>19</td>
<td>13</td>
<td>-56</td>
<td>28</td>
<td>17</td>
<td>3</td>
<td>-46</td>
<td>-38</td>
</tr>
<tr>
<td>- Conso effects</td>
<td>-4</td>
<td>0</td>
<td>-2</td>
<td>18</td>
<td>-1</td>
<td>-1</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- f/x effects</td>
<td>-8</td>
<td>-9</td>
<td>2</td>
<td>-1</td>
<td>5</td>
<td>-4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Share of outperforming AuM**</td>
<td>70</td>
<td>79</td>
<td>62</td>
<td>63</td>
<td>63</td>
<td>68</td>
<td>7</td>
<td>0</td>
</tr>
<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)**</td>
<td>45/30/20/6</td>
<td>38/32/21/8</td>
<td>39/33/20/7</td>
<td>33/43/16/8</td>
<td>34/43/13/10</td>
<td>36/42/12/10</td>
<td>+2/-2/2/2</td>
<td>+1/0/-3/+2</td>
</tr>
<tr>
<td>- Split institutional/retail clients (% / Δ%-p)**</td>
<td>48/52</td>
<td>50/50</td>
<td>53/47</td>
<td>56/44</td>
<td>56/44</td>
<td>56/44</td>
<td>-1/+1</td>
<td>-2/+2</td>
</tr>
<tr>
<td><strong>Total AuM (e.o.p.)</strong></td>
<td>207</td>
<td>203</td>
<td>118</td>
<td>152</td>
<td>176</td>
<td>171</td>
<td>4</td>
<td>15</td>
</tr>
<tr>
<td>- Net flows</td>
<td>11</td>
<td>-3</td>
<td>-18</td>
<td>-14</td>
<td>0</td>
<td>-4</td>
<td>-</td>
<td>-98</td>
</tr>
<tr>
<td>- Market effects</td>
<td>26</td>
<td>15</td>
<td>-67</td>
<td>31</td>
<td>20</td>
<td>3</td>
<td>-42</td>
<td>-36</td>
</tr>
<tr>
<td>- Conso effects</td>
<td>-7</td>
<td>-6</td>
<td>-1</td>
<td>18</td>
<td>-1</td>
<td>0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- f/x effects</td>
<td>-8</td>
<td>-10</td>
<td>2</td>
<td>-1</td>
<td>5</td>
<td>-4</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>- Split US/DE/EU ex DE/AP (% / Δ%-p)**</td>
<td>35/39/20/6</td>
<td>31/39/22/8</td>
<td>33/37/23/7</td>
<td>30/45/17/8</td>
<td>31/45/15/9</td>
<td>30/46/16/8</td>
<td>+2/-6/+2/+2</td>
<td>+1/0/-3/+2</td>
</tr>
</tbody>
</table>

*) Divisional view for financials, lines of business view for AuM-related data  
***) 3-year 3rd party account-based asset-weighted outperformance  
**** PGAs allocated to respective regions
RCM and AGI Capital as successful entities in AGI’s universe

Andreas Utermann
Member of the Board of AGI and Global Chief Investment Officer RCM

New York, July 21, 2011
AGI’s¹ investment management platforms around the globe² …

RCM global investment platform
(Frankfurt, London, San Francisco, Hong Kong, Tokyo³)
Global investment manager with presence in major markets

AGI Capital
(Dallas, New York, San Diego⁴)
Multi-strategy investment management firm with a focus on the U.S.

AGI Investments Europe
(Paris, Milan, Zurich)
Scalable European production platform

AGI Asia Pacific
(Seoul, Taipei, Shanghai, Singapore)
Primarily local production

1) “AGI” refers to “Allianz Global Investors” and / or the Allianz Global Investors group of companies
2) Excluding PIMCO
3) Additional distribution office in Sydney
4) Additional distribution office in London
B. RCM and AGI Capital as successful entities in AGI's universe

... with a sizeable presence in all major markets\(^1\)

Regional split, 1Q 2011

<table>
<thead>
<tr>
<th>Region</th>
<th>AuM</th>
<th>Investment professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>68%</td>
<td>52%</td>
</tr>
<tr>
<td>U.S.</td>
<td>19%</td>
<td>27%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>13%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Total: USD 398bn

Total: 624 FTE

1) RCM, AGI Capital, AGI Investments Europe, AGI Asia Pacific
2) Excluding German fixed income assets
AGI with broad investment capabilities meeting client demands

<table>
<thead>
<tr>
<th>Investment platform</th>
<th>Key characteristics and strengths</th>
<th>Strategies / capabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>RCM</td>
<td>▪ Global asset manager</td>
<td>Country / regional equity</td>
</tr>
<tr>
<td></td>
<td>▪ Strong fundamental orientation</td>
<td>Global / non-U.S. equity</td>
</tr>
<tr>
<td></td>
<td>▪ Emphasis on innovative proprietary research – GrassrootsSM¹ research</td>
<td>Emerging markets equity</td>
</tr>
<tr>
<td></td>
<td>▪ Generating information advantage as a cornerstone of the investment process (RCM Informed)</td>
<td>Themes and sector strategies</td>
</tr>
<tr>
<td></td>
<td>▪ Strong equity and multi-asset capabilities</td>
<td>Multi asset total return</td>
</tr>
<tr>
<td></td>
<td>▪ Over 270 investment professionals globally</td>
<td>Investment solutions spanning a wide market cap and style spectrum</td>
</tr>
<tr>
<td></td>
<td>▪ USD 133bn assets under management</td>
<td></td>
</tr>
<tr>
<td>AGI Capital</td>
<td>▪ Multi-strategy investment management firm</td>
<td>U.S. equity</td>
</tr>
<tr>
<td></td>
<td>▪ Entrepreneurial, autonomous investment teams supported by leading-edge infrastructure</td>
<td>Global / non-U.S. equity</td>
</tr>
<tr>
<td></td>
<td>▪ Pursuit of sustainable alpha coupled with disciplined risk management</td>
<td>Systematic equity</td>
</tr>
<tr>
<td></td>
<td>▪ Rooted in equity markets</td>
<td>Alternatives</td>
</tr>
<tr>
<td></td>
<td>▪ NFJ as a strong value platform</td>
<td>Absolute return</td>
</tr>
<tr>
<td></td>
<td>▪ 92 investment professionals</td>
<td>Covered call</td>
</tr>
<tr>
<td></td>
<td>▪ USD 53bn assets under management</td>
<td>Market neutral</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Portable alpha</td>
</tr>
</tbody>
</table>

¹) GrassrootsSM research is a division of RCM. Research data used to generate GrassrootsSM research recommendations is received from reporters and field force investigators who work as independent contractors for broker-dealers. Those broker-dealers supply research to RCM and certain of its affiliates that is paid for by commissions generated by orders executed on behalf of RCM’s clients.
AGI’s capabilities and performance well recognized in the market

Corporate awards 2010 / 2011 (highlights)

- RCM – “Equities Manager of the Year 2011” – European Pensions
- RCM – “European Equity Manager of the Year” – Global Investor
- “Best Asset Manager” and “5-star rating” – Capital magazine (Germany)
- “Best Asset Manager” in Germany 2010 – Thomson Reuters Extel Surveys
- “Best Asset Manager - Bonds” in Germany and Austria – Feri Awards
- Morningstar Fund House Awards in Europe:
  - “Favourite Asset Manager” for institutional clients in France
  - “Best Large FI Fund House” and “Best Multi Asset Fund House” in Switzerland
  - “Best Large FI Fund House” in the U.K.
- “Best International Fund Group” – International Fund and Product Awards
- “Excellence in Institutional Asset Management in Europe 2010”, “Best Asset Manager” in Germany and Italy – Financial News Awards

Product awards 2010 / 2011 (highlights)

- Euro Finanzen Awards: 41 fund awards
- FONDSprofessionell: 16 fund awards in Germany, 13 fund awards in Austria
- Lipper Fund Awards: 38 fund awards in 8 countries in Europe and Asia
- Morningstar Fund Awards: 6 fund awards in Europe 1st places for “Allianz RCM Euroland Equity Growth” and “Allianz Euro High Yield R”
- EUROSIF: “Allianz RCM Global Sustainability” and “Allianz Euroland Equity SRI” awarded for European SRI Transparency Code
- Grand prix de l’Agefi: 1st place in “HY Bonds” for AGI Investments Europe fund “Allianz Euro High Yield”, 1st place in “U.S. Equity” for “Allianz RCM U.S. Equity Fund”
- 11 4/5-star Morningstar rated funds in the U.S.
Future areas of focus for AGI Capital and RCM

AGI Capital

Focus on high performing strategies
- Convertibles
- Dividend value
- Emerging growth / micro cap
- High yield
- International small cap growth
- International value
- Small cap growth
- Structured alpha

RCM

Strengthen capabilities in major growth areas
- Global emerging market
- Sustainability
- Global multi asset
- Global alternatives (e.g., long-short strategies)
- Fixed income (on ad hoc basis)
Specific products illustrating the diversity and strength of AGI’s offering

1. AGI Capital value strategies
2. AGI Capital U.S. High Yield
3. RCM China
4. RCM Global Technology

B. RCM and AGI Capital as successful entities in AGI’s universe
AGI Capital / NFJ Dividend Value – overview

Key characteristics

- Established product with a proven track record (i.e. consistent alpha over a full market cycle)
- Team of experienced investment professionals (17 years experience on average)
- Contrarian investment philosophy based on a disciplined investment process emphasizing on dividends, attractive valuations and rigorous risk management
  - Diversified portfolio of dividend-paying companies with low relative and absolute valuations
  - Analysis of facts is the best way to outperform in efficient markets

Investment objectives

- Outperformance of Russell 1000 Value
- Dividend Value invests into value stocks of the biggest U.S. corporations

Target customer

Retail
- Wirehouses and broker / dealers
- DC platforms
- Fund of funds

Institutional
- Corporate pension funds
- Sovereign wealth funds
- Foundation and endowments
- Insurance

AuM development

(in USD mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>April 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>7,414</td>
<td>7,766</td>
<td>9,746</td>
<td>10,913</td>
</tr>
</tbody>
</table>

CAGR +18%

© Allianz SE 2011
NFJ as a contrarian equity management team with a disciplined and consistent value investment process

NFJ's investment process

<table>
<thead>
<tr>
<th>Initial screening</th>
<th>Fundamental research</th>
<th>Portfolio construction</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary screen</strong></td>
<td>Financial analysis</td>
<td>Buy discipline</td>
</tr>
<tr>
<td>▪ Dividend yield</td>
<td>▪ Balance sheet</td>
<td>▪ Low valuations</td>
</tr>
<tr>
<td>▪ Valuation ranking</td>
<td>▪ Cash flow</td>
<td>▪ High dividend yield</td>
</tr>
<tr>
<td><strong>Negative screens</strong></td>
<td>▪ Earnings</td>
<td>▪ Diversification across industries</td>
</tr>
<tr>
<td>▪ Price momentum</td>
<td>▪ Dividends</td>
<td>▪ Additional metrics</td>
</tr>
<tr>
<td>▪ Earnings revision</td>
<td>▪ Additional fundamental metrics</td>
<td></td>
</tr>
<tr>
<td>▪ Insider trading</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Diversification</strong></td>
<td>Risk assessment of portfolio candidates</td>
<td>Sell discipline</td>
</tr>
<tr>
<td>▪ Categorize stocks by industry and rank by valuation</td>
<td></td>
<td>▪ Absolute valuation</td>
</tr>
</tbody>
</table>

Alpha potential

Ongoing universe screening
1. Investment process reflected in a portfolio of dividend-paying companies with low valuations

AGI Capital / NFJ Dividend Value relative to benchmark and market
September 1989 through March 2011

- Lower price to earnings ratio
- Higher dividend yield

Source: FactSet
Adherence to a deep value philosophy sets the dividend value strategy apart

AGI Capital / NFJ Dividend Value – composite returns

1) Composite inception February 1989. Performance of less than one year has not been annualized; performance shown above is gross and does not reflect the deduction of investment advisory fees. Source: Allianz Global Investors Capital.
AGI Capital U.S. High Yield – overview

Key characteristics

- Consistent long-term track record and superior ranking in the U.S. high yield peer group
- Stable and experienced team following a disciplined, fundamental bottom-up investment process with focus on issuers exhibiting improving fundamentals, minimum credit statistics and highest visibility of operating performance
- High yield: an attractive asset class with impressive performance results, equity-like returns at lower risks
- The higher coupons and equity-like nature of high yield bonds provide higher income and total return potential as well as diversification benefits compared to other bonds

Investment objectives

- Downside protection, upside capture
- Strategy is predicated on maximizing information flow to identify and minimize credit risk, avoid defaults and target upgrade candidates
- The portfolio is designated to improve income, diversification benefits and total return potential

Target customer

Retail
- Wirehouses and broker / dealers
- DC platforms
- Distribution via retail channels in Europe and Asia
- Fund of funds

Institutional
- Corporate pension fund
- Sovereign wealth fund
- Foundation and endowment
- Insurance

AuM development

(in USD mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>AuM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>375</td>
</tr>
<tr>
<td>2009</td>
<td>457</td>
</tr>
<tr>
<td>2010</td>
<td>546</td>
</tr>
<tr>
<td>April 2011</td>
<td>556</td>
</tr>
</tbody>
</table>

CAGR +18%
### High yield sector provides portfolio risk diversification and favorable risk / reward profiles

<table>
<thead>
<tr>
<th></th>
<th>ML High Yield Master II Index</th>
<th>S&amp;P 500 Index</th>
<th>MSCI World Index</th>
<th>MSCI AC Pacific Ex Japan Index</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>10 year cumulative</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>returns</td>
<td>124.1%</td>
<td>38.3%</td>
<td>58.8%</td>
<td>284.8%</td>
</tr>
<tr>
<td><strong>10 year annualized</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>returns</td>
<td>8.4%</td>
<td>3.3%</td>
<td>4.7%</td>
<td>14.4%</td>
</tr>
<tr>
<td><strong>10 year annualized</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>volatility</td>
<td>11.1%</td>
<td>16.0%</td>
<td>16.8%</td>
<td>22.1%</td>
</tr>
</tbody>
</table>

The high yield bond market has consistently delivered returns comparable to equities with less volatility.
AGI Capital U.S. High Yield strategy shows consistent outperformance over the last ten years

AGI Capital U.S. High Yield – composite returns\(^1\)
% gross of fees, as of March 31, 2011

<table>
<thead>
<tr>
<th>Time Period</th>
<th>AGI Capital U.S. High Yield</th>
<th>Bank of America Merrill Lynch HY Master II Index</th>
<th>Bank of America Merrill Lynch BB-B Constrained</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q 2011</td>
<td>4.1</td>
<td>3.9</td>
<td>3.6</td>
</tr>
<tr>
<td>1 year</td>
<td>15.7</td>
<td>14.2</td>
<td>13.6</td>
</tr>
<tr>
<td>3 years</td>
<td>12.8</td>
<td>12.7</td>
<td>10.7</td>
</tr>
<tr>
<td>5 years</td>
<td>9.8</td>
<td>9.0</td>
<td>7.9</td>
</tr>
<tr>
<td>10 years</td>
<td>8.8</td>
<td>8.4</td>
<td>7.7</td>
</tr>
<tr>
<td>Since inception</td>
<td>9.8</td>
<td>7.9</td>
<td>N/A</td>
</tr>
</tbody>
</table>

1) Composite inception April 1994. Performance of less than one year has not been annualized; performance shown above is gross and does not reflect the deduction of investment advisory fees.

Source: Allianz Global Investors Capital
RCM China – overview

Key characteristics

- Benchmark: MSCI China
- Focus on H-shares and red-chips
- Bottom up stock selection
- Concentrated portfolio of 25 – 45 stocks
- Focus on companies in a turn-around situation
- Relatively high non-benchmark exposure
- Low turnover

Investment objectives

- Consistently outperform the benchmark 3 – 5% per annum with a tracking error of 5 – 10%
- To rank in the top quartile of peer group over the long-term

Target customer

Retail
- Distribution via Commerzbank within Germany
- Private banking / private wealth management
- Family office / IFA

Institutional
- Corporate pension fund
- Sovereign wealth fund
- Foundation and endowment
- Insurance

AuM development

<table>
<thead>
<tr>
<th>(in USD mn)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>April 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR</td>
<td>163</td>
<td>777</td>
<td>1,228</td>
<td>1,248</td>
</tr>
<tr>
<td>+139%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
**RCM China – RCM’s local and global resources combined in a disciplined investment process**

<table>
<thead>
<tr>
<th>Company analysis growth and quality</th>
<th>Valuation</th>
<th>Security selection</th>
<th>Portfolio construction</th>
<th>Controls</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business growth, management quality</td>
<td>Enterprise value / EBITDA, free cash flow, total return, relative P/E ROE</td>
<td>Voting process portfolio manager, country specialists, and Grassroots⁶</td>
<td>25 – 45 stocks portfolio</td>
<td>Portfolio review and client guidelines</td>
</tr>
</tbody>
</table>

**Active coverage: 150-200 stocks**

- Grassroots⁶ research
- Country specialists / sector analysts
- Country / macro analysis and secular / cyclical reviews
- Quantitative screening

**Sector analysts / country specialists**

**HK investment team, RCM AP office**

**Lead PM**

**CIO, Asia Pacific**
Grassroots research extremely valuable in less efficient markets of China, adding to superior performance

RCM China – composite returns

% gross of fees, as of March 31, 2011

1) Composite inception January 1998. Performance of less than one year has not been annualized; performance shown above is gross and does not reflect the deduction of investment advisory fees

Source: RCM
4 RCM Global Technology – overview

Key characteristics

- Diverse product offering
- Target 50 – 80 companies
- Global product – up to 50% outside the U.S.
- Diversified across regions and industries
- All cap universe with mid-cap emphasis, benchmarked against the S&P North America Technology Index, which is a market weighted benchmark
- Excellent portfolio management team: over 60 years of collective experience, together for over 25 years
- Consistent investment philosophy / process since inception of product
- Excellent long-term performance

Investment objectives

- Long-term capital appreciation by investing globally in innovative companies with outstanding business models
- Control for risk and reduce volatility typical in sector-focused portfolios by diversifying across sub-industries, market cap, valuation, and global exposure

Target customer

**Retail**
- Distribution via AGI Distributors
- Fund of funds
- Private banking / private wealth management
- Family office / IFA

**Institutional**
- Corporate pension fund
- Sovereign wealth fund
- Foundation and endowment
- Insurance

AuM development

(in USD mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>AuM</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>1,772</td>
</tr>
<tr>
<td>2009</td>
<td>3,026</td>
</tr>
<tr>
<td>2010</td>
<td>3,631</td>
</tr>
<tr>
<td>April 2011</td>
<td>4,014</td>
</tr>
</tbody>
</table>

CAGR +42%
Portfolio management team: global and local resources following a consistent investment philosophy

RCM Global Technology – setup

Investment philosophy
- Identifying major growth trends within technology
- Building an intimate knowledge of portfolio companies
- Investing in superior companies with outstanding business models within each growth segment
- Applying risk control through portfolio diversification across many attributes
- Utilizing high levels of cash and derivatives to dampen volatility of investment returns

<table>
<thead>
<tr>
<th>Global policy council</th>
<th>Country specialists technology</th>
</tr>
</thead>
<tbody>
<tr>
<td>GrassrootsSM research</td>
<td>United States</td>
</tr>
<tr>
<td>Derivatives specialist</td>
<td>Europe</td>
</tr>
<tr>
<td></td>
<td>Asia</td>
</tr>
</tbody>
</table>

Global sector fundamental research
- Consumer
- Financial services
- Health care
- Industrials
- Technology
- Telecom / media
RCM Global Technology exhibits excellent long-term performance track record

RCM Global Technology – composite returns\(^1\)
\%
, gross of fees, as of March 31, 2011

\[\begin{align*}
&1Q 2011 & 9.2 & 4.3 \\
&1 year & 39.2 & 14.7 \\
&3 years & 14.6 & 8.5 \\
&5 years & 9.8 & 5.8 \\
&10 years & 8.2 & 2.8 \\
&Since inception & 15.4 & 7.8
\end{align*}\]

1) Composite inception January 1996. Performance of less than one year has not been annualized; performance shown above is gross and does not reflect the deduction of investment advisory fees

Source: RCM
Key takeaways

- AGI’s investment management platforms\(^1\) with a strong and sizeable presence in all major markets
- Broad investment capabilities focusing to meet client demand
- Strong investment culture and performance
- Well positioned to capture future growth opportunities
- Significant contributor to AGI’s operating profit (10% in 2010\(^1\))

1) RCM, AGI Capital, AGI Investments Europe, AGI Asia Pacific
1 Strategic positioning

2 Key data

3 Multiplier of Allianz expertise

4 Our goal: Life and Asset Management convergence

5 Drivers of growth: convergence products
## Strategic positioning

<table>
<thead>
<tr>
<th></th>
<th>Direct</th>
<th>D + A blend</th>
<th>Advisory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Affluent</strong></td>
<td><em>no demand</em></td>
<td>• FIDEURAM</td>
<td>• UBS</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• ALLIANZ BANK</td>
<td>• CREDIT SUISSE</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• BANCA GENERALI</td>
<td></td>
</tr>
<tr>
<td><strong>Mass affluent</strong></td>
<td>• FINECO</td>
<td>• MEDIOLANUM</td>
<td>• AZIMUT</td>
</tr>
<tr>
<td></td>
<td>• ING DiBa</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• CHE BANCA</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Retail</strong></td>
<td></td>
<td></td>
<td><em>MiFID impact on traditional banks</em></td>
</tr>
</tbody>
</table>
1  Strategic positioning
2  Key data
3  Multiplier of Allianz expertise
4  Our goal: Life and Asset Management convergence
5  Drivers of growth: convergence products
Allianz Bank: key data

400,000 customers
C. Customer and distribution view

Allianz Bank: key data

100,000 high value customers
Allianz Bank: key data

24,000 mn

AuM EUR
Allianz Bank: key data

11,000 mn

AM products AuM EUR
Allianz Bank: key data

9,500 mn
Life products AuM EUR
Allianz Bank: key data

4,500 mn

convergence Life & AM EUR
Allianz Bank: key data

2,000

Financial Advisors
Allianz Bank: key data

500 employees
Allianz Bank: key data

250 integrated financial centers
1 Strategic positioning
2 Key data
3 Multiplier of Allianz expertise
4 Our goal: Life and Asset Management convergence
5 Drivers of growth: convergence products
C. Customer and distribution view

Life

Asset Management

Banking Services

Distribution
Life AuM constantly growing …
(EUR bn)

AuM evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Life</th>
<th>Asset Management</th>
<th>Banking</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.9</td>
<td>10.3</td>
<td>4.2</td>
<td>21.4</td>
</tr>
<tr>
<td>2009</td>
<td>8.1</td>
<td>11.2</td>
<td>3.9</td>
<td>23.2</td>
</tr>
<tr>
<td>2010</td>
<td>9.5</td>
<td>11.7</td>
<td>3.5</td>
<td>24.7</td>
</tr>
</tbody>
</table>

+7.4%

AuM Life

<table>
<thead>
<tr>
<th>Year</th>
<th>Traditional life products</th>
<th>Unit linked</th>
<th>CAGR</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>2.0</td>
<td>4.9</td>
<td>4.2</td>
</tr>
<tr>
<td>2009</td>
<td>3.0</td>
<td>5.1</td>
<td>3.9</td>
</tr>
<tr>
<td>2010</td>
<td>5.1</td>
<td>5.1</td>
<td>3.5</td>
</tr>
</tbody>
</table>

+17.3%
C. Customer and distribution view

... also versus peers

2010 peer review mix

<table>
<thead>
<tr>
<th>Bank</th>
<th>Life</th>
<th>Asset Management</th>
<th>Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>DB FF</td>
<td>64%</td>
<td>19%</td>
<td>7%</td>
</tr>
<tr>
<td>Azimut</td>
<td>86%</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>Banca Generali</td>
<td>42%</td>
<td>29%</td>
<td>7%</td>
</tr>
<tr>
<td>AZ Bank</td>
<td>47%</td>
<td>39%</td>
<td>14%</td>
</tr>
<tr>
<td>Mediolanum</td>
<td>40%</td>
<td>40%</td>
<td>27%</td>
</tr>
<tr>
<td>Banca Fideuram</td>
<td>55%</td>
<td>19%</td>
<td>26%</td>
</tr>
</tbody>
</table>

Source: Assoreti Report
1. Strategic positioning
2. Key data
3. Multiplier of Allianz expertise
4. **Our goal:**
   Life and Asset Management convergence
5. Drivers of growth:
   convergence products
C. Customer and distribution view

- Lever on the EXPERTISE of Allianz Group
- Involvement of the SALES FORCE
- Analysis of COMPETITION
simple

modular

scalable

accessible
Few, simple rules, the same for every TEAM
<table>
<thead>
<tr>
<th>Competition</th>
<th>Performance</th>
<th>Open platform</th>
<th>Closed system</th>
<th>Clear rules</th>
</tr>
</thead>
</table>

... on a level playing field
simple

modular

scalable

accessible
Our platform: freedom of choice for clients

FLEXIBLE APPROACH
- Money Market
- Formula 15
- Formula 30
- Formula 70
- Formula 100
- PIMCO Authority
- Formula SRI

ALL STAR
- Open TEAM
  - Open TEAM Talent
  - Open TEAM Equity
  - Open TEAM Long Short

ARTIFICIAL INTELLIGENCE
- QStone
  - QSelection

CHAMPIONS LEAGUE
- TEAM

Teams:
- Allianz Global Investors
- BlackRock
- Morgan Stanley
- J.P. Morgan Asset Management
- Carmignac Gestion
- Pictet
- Pimco
- Schroders
Allianz ... ... as referee
simple
1

modular
2

scalable
3

accessible
4
Exporting and adapting onto insurance agents

Allianz Bank
Financial Advisors

Allianz
Global Investors

BLACKROCK
Morgan Stanley
J.P.Morgan Asset Management
SWISS & GLOBAL
CARMIGNAC GESTION
PICTET
PIMCO

Financial advisors

CHAMPIONS LEAGUE
TEAM

ORIZZONTI SICURI
ORIZZONTI SICURI

Unit linked
SQUADRA VINCENTE

Conventional with-profits
VITARIV

Insurance agents

© Allianz SE 2011

C 28
simple
1
scalable
3
modular
2
accessible
4
On intranet and on mobility

one page fits all

60 seconds with …
Your mobile office: News. Video. E-mail.
Clients: always with you.
1 Strategic positioning
2 Key data
3 Multiplier of Allianz expertise
4 Our goal: Life and Asset Management convergence
5 Drivers of growth: convergence products
From advisors to agents

2009: Financial advisors
Darta saving
Cumulated new business
EUR mn

2011: Insurance agents
Orizzonti sicuri
Cumulated new business
EUR mn

TEAM

<table>
<thead>
<tr>
<th>Team</th>
<th>AuM: 1,800mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIMCO</td>
<td>33%</td>
</tr>
<tr>
<td>RCM</td>
<td>4%</td>
</tr>
<tr>
<td>AGI¹</td>
<td>1%</td>
</tr>
<tr>
<td>MORGAN STANLEY</td>
<td>15%</td>
</tr>
<tr>
<td>CARMIGNAC</td>
<td>12%</td>
</tr>
<tr>
<td>SCHRODERS</td>
<td>11%</td>
</tr>
<tr>
<td>BLACK ROCK</td>
<td>10%</td>
</tr>
<tr>
<td>PICTET</td>
<td>8%</td>
</tr>
<tr>
<td>JP MORGAN</td>
<td>3%</td>
</tr>
<tr>
<td>SWISS &amp; GLOBAL</td>
<td>3%</td>
</tr>
</tbody>
</table>

Asset mix
EUR mn; %

<table>
<thead>
<tr>
<th>Team</th>
<th>AuM: 45mn</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIMCO</td>
<td>46%</td>
</tr>
<tr>
<td>AGI</td>
<td>11%</td>
</tr>
<tr>
<td>MORGAN STANLEY</td>
<td>16%</td>
</tr>
<tr>
<td>BLACK ROCK</td>
<td>15%</td>
</tr>
<tr>
<td>PICTET</td>
<td>12%</td>
</tr>
</tbody>
</table>

1) “AGI” refers to “Allianz Global Investors” and/or the Allianz Global Investors group of companies
Focus: PIMCO

Cumulated new business
EUR mn

A.M. Asset Mix
EUR mn; %

- PIMCO total return bond fund
- PIMCO GMAF
- PIMCO unconstrained bond fund
- PIMCO low AVG duration fund
- PIMCO global inv. grade credit fund
- PIMCO others

3,700mn

27%
45%
5%
7%
13%
3%
Allianz Life
Strength and commitment

Jay Ralph
Member of the Board of Management
Allianz SE

New York, July 21, 2011
1 Overview
2 Allianz Life’s performance
3 Priorities and strategic outlook
Allianz Life is a solid contributor to Group revenue and profit

Highlights

Financial performance provides solid foundation for growth

AA (stable outlook) financial rating by Standard & Poor’s (August 2010)

High-quality investment portfolio and strong liquidity position to support policyholder obligations and business needs

Product, distribution and marketing focused on the retirement opportunity, supported by strong fundamentals

2010
Total revenues
- Total EUR 106.5bn
- AZL EUR 8.2bn

Life/Health revenues
- Total EUR 57.1bn
- AZL EUR 8.2bn

Total operating profit
- Total EUR 8.2bn
- AZL EUR 360mn

Life/Health operating profit
- Total EUR 2.9bn
- AZL EUR 360mn

New business value
- Total EUR 993mn
- AZL EUR 158mn

Allianz Life (AZL)
Group
Strong and experienced executive leadership team

Gary C. Bhojwani  
Chief Executive Officer  
Years with Allianz: 7  
Years within industry: 21

Giulio Terzariol  
Chief Financial Officer  
Years with Allianz: 14  
Years within industry: 16

Neil McKay  
Chief Actuary  
Years with Allianz: 21  
Years within industry: 27

Tom Burns  
Chief Distribution Officer  
Years with Allianz: 5  
Years within industry: 32

Nancy Jones  
Chief Marketing Officer  
Years with Allianz: 3  
Years within industry: 28

Walther White  
Chief Administrative Officer  
Years with Allianz: 3  
Years within industry: 23

Axel Zehren  
Chief Investment Officer  
Years with Allianz: 26  
Years within industry: 26

Suzanne Zeller  
Chief Human Resource Officer  
Years with Allianz: 1  
Years within industry: 35

Maureen Philips,  
Deputy General Counsel  
Years with Allianz: 4  
Years within industry: 30

As of April 2011
Rich history with evolving focus from control to create

1896
North American Casualty was founded

1912
North American Casualty merged with North America Life Association to form North American Life and Casualty (NALAC)

1979
NALAC acquired by Allianz AG

1993
Company renamed Allianz Life Insurance Company of North America (Allianz Life)

1999
Allianz Life merged with Life USA to form today’s company

2007
Gary Bhojwani joined AZL

Reputation
- Improved media rating
- Settled lawsuits

Suitability
- Recognized by regulators and industry for leading suitability process

Product & pricing
- Pricing and product overhaul
- VA rider suspension in 2Q09; launch of new VA riders in 3Q09

Product & distribution
- Establish foundation of fixed product sales through registered channels
- Expand broker/dealer relationships

Segmentation
- Implement new distribution model: all products in all channels
- Launch “Allianz Preferred” program
Allianz Life is a key retirement partner ...

Company profile

2010

- Manufacturer and distributor of retirement products: annuities and life insurance
- GPW USD 10.8bn
- Total assets USD 98.5bn
- Total employees 2,061
- Total customers ~995,000

97% retirement products¹

- FIA² 57%
- Life 1%
- LTC⁵ 1%
- VA⁴ 31%
- FA³ 9%
- Others <1%

¹ Based on IFRS reserves as of 31.12.2010
² Fixed indexed annuities
³ Fixed annuities
⁴ Variable annuities
⁵ Long-term care
### **D. Allianz Life - Strength and commitment**

... and leading annuity carrier in the U.S. market

<table>
<thead>
<tr>
<th>Rank</th>
<th>Carrier</th>
<th>VA sales 1Q 11 USD bn</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Prudential</td>
<td>6.82</td>
<td>17%</td>
</tr>
<tr>
<td>2</td>
<td>MetLife</td>
<td>5.86</td>
<td>15%</td>
</tr>
<tr>
<td>3 1</td>
<td>Jackson</td>
<td>4.55</td>
<td>11%</td>
</tr>
<tr>
<td>5 1</td>
<td>Lincoln</td>
<td>2.35</td>
<td>6%</td>
</tr>
<tr>
<td>6</td>
<td>Sun America/VALIC</td>
<td>1.84</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>Nationwide</td>
<td>1.79</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>AXA</td>
<td>1.68</td>
<td>4%</td>
</tr>
<tr>
<td>9</td>
<td>Ameriprise</td>
<td>1.60</td>
<td>4%</td>
</tr>
<tr>
<td>10</td>
<td>Aegon/Transamerica</td>
<td>1.20</td>
<td>3%</td>
</tr>
<tr>
<td>11</td>
<td>Allianz</td>
<td>0.96</td>
<td>2%</td>
</tr>
</tbody>
</table>

**Total VA sales**: 39.16 USD bn

<table>
<thead>
<tr>
<th>Rank</th>
<th>Carrier</th>
<th>FIA sales 1Q 11 USD bn</th>
<th>Market share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Allianz</td>
<td>1.51</td>
<td>21%</td>
</tr>
<tr>
<td>2</td>
<td>American Equity</td>
<td>1.17</td>
<td>16%</td>
</tr>
<tr>
<td>3</td>
<td>Aviva</td>
<td>0.84</td>
<td>12%</td>
</tr>
<tr>
<td>4</td>
<td>North American</td>
<td>0.40</td>
<td>6%</td>
</tr>
<tr>
<td>5</td>
<td>ING</td>
<td>0.38</td>
<td>5%</td>
</tr>
<tr>
<td>6</td>
<td>Lincoln</td>
<td>0.38</td>
<td>5%</td>
</tr>
<tr>
<td>7</td>
<td>Midland</td>
<td>0.34</td>
<td>5%</td>
</tr>
<tr>
<td>8</td>
<td>Jackson National</td>
<td>0.33</td>
<td>5%</td>
</tr>
<tr>
<td>9</td>
<td>Great American</td>
<td>0.31</td>
<td>4%</td>
</tr>
<tr>
<td>10</td>
<td>National Western</td>
<td>0.22</td>
<td>3%</td>
</tr>
</tbody>
</table>

**Total FIA sales**: 7.14 USD bn

#7 ranking in U.S. individual annuity market

1) TIAA-CREF not included as only sells VAs through captive sales force and targeted consumer market

Source: VA market: Morningstar/MARC; FIA market: advantage index report & internal analysis
1 Overview
2 Allianz Life’s performance
3 Priorities and strategic outlook
D. Allianz Life - Strength and commitment

Sustainable development of key financials …

- Added value for Life insurance
- Focus on sustainability under volatile market conditions
- Attractive financial returns to shareholder with strong growth
- Access to first class product development and hedging skills

### Gross premium written (USD bn)

- 2001: 4.7
- 2002: 9.1
- 2003: 9.7
- 2004: 14.0
- 2005: 13.9
- 2006: 10.9
- 2007: 9.5
- 2008: 8.8
- 2009: 9.0
- 2010: 10.8

CAGR 2001-2010: +10%

### Operating profit (USD mn)

- 2001: n/a
- 2002: 247
- 2003: 474
- 2004: 421
- 2005: 532
- 2006: 527
- 2007: 593
- 2008: 472

### AuM (USD bn)

- 2001: 15
- 2002: 23
- 2003: 31
- 2004: 42
- 2005: 53
- 2006: 62
- 2007: 68
- 2008: 62
- 2009: 77
- 2010: 87

CAGR 2001-2010: +21%

---

1) Operating profit introduced only in 2002
D. Allianz Life - Strength and commitment

... and a solid capital position

<table>
<thead>
<tr>
<th>S&amp;P rating</th>
<th>A.M. Best rating</th>
</tr>
</thead>
<tbody>
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<td>AAA</td>
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**AA (stable outlook) affirmed August 2010**

**A (stable outlook) affirmed February 2011**

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Allianz Life is leveraging asset management capabilities …
… and providing retirement expertise to Group companies

Know-how transfer

AZL

Global hedge platform

AIM\(^1\) uses know-how globally

Product development

Annuity product expertise
Example: Allianz Korea

Brand management

Center for U.S. brand management

1) Allianz Investment Management
1 Overview
2 Allianz Life’s performance
3 Priorities and strategic outlook
Going forward: 2011 priorities

Foundational
- Reputation and financial excellence

Priorities
- Operational excellence
- Employee development and leadership
- Retirement and distribution leadership
Allianz Life is well prepared for the new suitability model, supported by sustainable financials

Reputation
- Smooth transition into suitability model regime
- Address outstanding litigation and regulatory changes
- Enhance awareness of Allianz to key constituencies

Financial excellence
- Capital self-funding status
- Resilient margins despite difficult interest rate environment
- Grow business profitably and manage expenses
Service metrics showing improvements despite expense controls

Operational excellence
- Improved service levels
- Lowering expense base
- Improving efficiencies
- Differentiated service based on producer segmentation

Efficiency indicators of Allianz Life

(2003 = 100)
Internal focus on retention and development is showing improved results

Employee development and leadership
- Voluntary turnover significantly reduced
- Open positions filled internally
- Employee development hours increased
- Senior leadership offsite meeting on empowerment, control and create, and execution

Employee engagement survey results

1) Allianz internal online survey performed by independent service provider and designed to collect the views from employees, managers, and board members regarding Allianz’ core values. 83% represents overall employee engagement.
Allianz Life’s presence in retirement is growing ...

Ranking in total U.S. individual annuity market¹

1) Source: LIMRA
… to capture the retirement opportunity

Retirement

Solutions to help grow and protect retirement income

Aging U.S. population requires guaranteed income products

AZL is well positioned

AZL and AGI¹/PIMCO joint efforts
- Product development (ProV1; stand-alone living benefit)
- Wholesaling collaboration
- Retirement branding

“Allianz is uniquely positioned in retirement”²

1) Allianz Global Investors
2) CEO of one of the largest independent distributors of annuities in the U.S. on Allianz as provider of guaranteed income products and managed asset portfolios under one roof
Key takeaways

- Top player in the annuity market
- Solid contributor to Allianz Group financial metrics
- Successful navigation through financial crisis
- Normalized statutory free surplus generation of USD 100 - 200mn p.a.
- Solid capital base; dividend paid in 2010, ongoing payments planned
- Strategy, product, distribution and marketing focus on the retirement opportunity
- Aspiration for next 3 yrs (USD): grow AuM 5 - 10% p.a. and operating profit ~10% p.a.
Retirement. Rethink what’s ahead.

Gary C. Bhojwani
President & CEO
Allianz Life

New York, July 21, 2011
1 Evolving retirement expectations
2 The risks we don’t talk about
3 Retirement income guarantees
4 Opportunity for change
5 From History to the Future
6 Allianz Life’s Opportunity
7 Key takeaways

Please note:
Presentation slides suspended for competitive reasons.
For content please refer to White Paper shown in the appendix.
We appreciate your understanding.
Rethinking what’s ahead in retirement

by Gary C. Bhojwani
Gary C. Bhojwani is president and chief executive officer of Allianz Life Insurance Company of North America, which has been keeping its promises since 1896. Today, it carries on that tradition, helping Americans achieve their retirement income goals with a variety of annuities and life insurance products. Mr. Bhojwani currently serves on the boards of the Insured Retirement Institute, the American Council of Life Insurers, and Allina Hospitals & Clinics. He is a member of the Financial Services Roundtable and the Young Presidents Organization.
Rethinking what’s ahead in retirement

Rethinking what’s ahead in retirement
Americans face an era of transformation with a new emphasis on guaranteed income as they prepare for retirement.

By Gary C. Bhojwani

Introduction – the new reality

The world of retirement planning is on the precipice of a new reality. The era of retirees being rewarded with a gold watch and lifetime pension after 35 years of work with a company has virtually disappeared. A combination of unpredictable markets, the erosion of defined benefit plans, the uncertainty about Social Security, and longer life expectancies means a new paradigm is emerging in retirement planning, challenging long-held beliefs in financial planning. This shift creates an opportunity to help Americans redefine how they plan for retirement and generate guaranteed income for life, a benefit unique to annuities.

The financial crisis is not the only driver of this shift. The sense of insecurity also comes from the worrisome state of the government retirement system in the United States, which reached an unsettling milestone in 2010. For the first time since 1983, Social Security payouts exceeded the amount paid in by workers.1 Individuals are also coming to terms with the decline of the defined benefit plan, a once-common source of guaranteed lifetime income. During the last 30 years, it appears that most employers have determined that a defined benefit plan is too costly and carried too much long-term financial risk for the company. They moved instead to tax advantaged savings plans (e.g., 401(k) plans) for their workers, thereby shifting the responsibility for retirement security and longevity risk from corporations to their employees. Unfortunately, most Americans have not yet truly comprehended this new risk that they now own.

As 76 million baby boomers enter or are near retirement, they are coming to realize more than ever that they must learn how to convert assets into guaranteed retirement income. Many people have no idea where to find guarantees in the financial marketplace. Options do exist, so boomers will need to learn as much as they can about new forms of insured retirement income offered in the private sector, and begin taking action.

The depth of fear about Social Security and retirement funding should startle both financial leaders and policymakers. But this should not be considered a polarizing political issue. It’s a math problem that will only get worse if left unanswered. When more than half of Americans who are just 15-20 years from retirement believe they are more likely to be hit by lightning than to receive their full due from the government, the need to act and educate is irrefutable.2

The evolution of retirement

The mindsets and buzzwords that characterize how a generation views saving and investing for retirement have evolved from one generation to the next. These mindsets are built on the personal experiences of that generation, imprinted deeply on their psyches, with each generation typically emphasizing one aspect of the retirement question over another.

As we look back in time, we see that all approaches and beliefs about retirement are not equal. Today’s generation of baby boomers is experiencing a confluence of factors that are forcing them to readjust their financial beliefs and expectations, including:

- A realization that they will soon need to replace their paycheck with other sources of income.
- The severity of the financial crisis and Great Recession – and the significant hit on their retirement nest eggs – that undermined their once-steady faith in the equity markets as a solution to their retirement problems.

A confluence of factors is forcing boomers to readjust their financial beliefs.

A series of challenges – e.g., a lack of savings and guaranteed income – that are forcing the next generation of retirees to look for solutions different from those that worked for their parents.

Financial professionals have helped their clients accumulate wealth in preparation for retirement, something still important for younger baby boomers and subsequent generations. The fact remains, however, that a vast group of people in their late 50s and early 60s are now reaching the retirement income planning phase when they now must rely on their investment assets for income.

Looking back at attitudes about retirement during the past 70 years, three broad shifts in mindset have occurred.

The first wave – “guarantees” and “safety”

Shaped by lifetime events such as the Great Depression and World War II, the so-called “greatest generation” generally took a cautious approach to financial planning, investing, and preparing for retirement. The buzzwords for this generation were “guarantees” and “safety.”

This sense of caution and concern is not surprising, given that attitudes toward investing were greatly informed by a series of momentous events:

- The 1929 stock market crash that led to the creation of the Securities and Exchange Commission and new securities laws to regulate investment markets.
- The financial collapse and insolvency of banks (where people lost their savings) that led to the creation of the Federal Deposit Insurance Corporation in 1935 to protect bank savings.
- The inception of Social Security in 1935 to provide a base level of financial support in retirement.
These government interventions and the insecurity about markets in general led many of this generation to want rock-solid guarantees and safety in both their financial planning and career choices. The high unemployment of the Great Depression led many to value a job for a lifetime, and be attracted to companies that offered a defined benefit (DB) plan in the form of an employer-sponsored pension to provide their retirement security.

This is the generation that may have stayed at a company for 35 years and received the gold watch at retirement. Whether they knew it or not, the result of their choices was a formula for retirement income known as the “three-legged stool.” One-third was derived from Social Security, another third from employer plans, and one-third from personal savings. This model worked fairly well for 30-40 years.

Their generally cautious attitude and the guarantees underlying two-thirds of their retirement income (Social Security and defined benefit plans) led members of the greatest generation to stay away from equity markets. In 1952, long after the great stock market crash of 1929, stockholders represented only 4% of the American population, a number that increased to just 13% by 1980, in the midst of the era when baby boomers entered the workforce.

By avoiding the stock market and mutual fund investing, this generation was less interested in having control of their retirement assets and instead was comfortable allowing the government (in the form of Social Security) and their employer (in the form of pension plans) to provide the guarantees and security that they preferred. In addition, the third leg of the stool (i.e., personal savings) often took the form of bank savings, certificates of deposit, and fixed annuities that provided either FDIC insurance on savings or a guaranteed rate of return. Guarantees and safety oriented their decision-making, and banks and life insurers provided the bulk of their retirement planning products.

Rethinking what's ahead in retirement

The second wave – “rate of return” and “control”

Like many things they touched in society, the baby boomers approached the management of their assets in a decidedly different way from their parents. Growing up in primarily favorable economic times and energized by solid economic growth for most of their early working years, baby boomers were mostly fearless and emboldened as investors. Instead of seeking guarantees and safety, the buzzwords for this generation were “rate of return” and “control.”

For the better part of the 1980s, 1990s, and 2000s, boomers focused on maximizing their rate of return in order to accumulate more wealth. They wanted more say in how their money was invested. Significant advances in information technology enabled this sense of control. Technology provided new ways to track investments virtually instantaneously and execute personal financial transactions at amazing speed and low cost.

With the cost of commissions down, day trading became prevalent. Many boomers felt empowered that they could create long-term financial security better than the government or those managing pension assets.

This was also the era when new self-directed retirement savings vehicles, such as employer-sponsored defined contribution (DC) plans (typified by the 401(k) plan and started by law in 1981) and IRAs (modified and made more relevant beginning in 1981), began to assume prominence in the marketplace. DC plans allowed employers to shift the retirement plan’s longevity risk and responsibility from their balance sheet to the employee, while still attracting talent via a match of what an employee contributed to the plan.

Outside of these plans, IRAs empowered individuals to invest in nearly any type of investment for their own personal retirement, giving control to the individual.

With the help of employers who educated their staff about DC plan options, mutual funds became the investment of choice for baby boomers. As seen in the chart below, household ownership of mutual funds rose dramatically from 5% in 1980 to nearly 48% in 2001. Though down from that point, the number remains at 43% even at the end of 2009. Mutual fund ownership in the country now tops $11.5 trillion.¹

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As the trend toward greater personal control took hold, employers cut back on defined benefit plans. In 1980, 38% of employees were covered at least in part by a traditional pension plan. Over the next three decades, the DB-based guaranteed pension plan eroded significantly, in part due to accounting rule changes, with only 13% covered in 2006. The risk of building sufficient savings (through a workplace plan) to meet a major portion of retirement income needs shifted from the employer to employees. This has created a gap in longevity protection for individuals that is still not widely recognized by Americans today. Perhaps even more worrisome is the fact that the percentage of Americans who are not covered by either a DB or DC plan has remained constant at around 54-56%.

The next wave – “lifetime income” and “guarantees”

In the wake of the 2008 financial collapse, the next wave of retirement is emerging. As in the past, the shift in attitudes is happening because of powerful and compelling experiences that have hit the American psyche. Memories of the Great Recession will not fade quickly (especially as many are still feeling its effects) just as the greatest generation never let go of beliefs formed from their experiences of the Great Depression.

Having taken on greater personal responsibility for retirement and with the era of retirement bearing down on them, boomers are seeing a new, harsh reality – controlling one’s investments can result in greater uncertainty about the future in terms of income, the value of one’s portfolio, and longevity risk.

This reality hit home in the first decade of the new millennium. Most baby boomers began investing after the last dramatic and sustained market decline, the 43% drop that occurred in 1973 and 1974.1 After that point, particularly between 1982 and 1999, stocks enjoyed an unprecedented level of growth. In this case, uncertainty was welcome as most saw their portfolios accumulate faster than the historical

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1) Stock Trader's Almanac, 2011.
Twice in a decade, the tables turned dramatically. From 2000 to early 2003, the stock market (as measured by the S&P 500) lost 41% of its value. Then, after recovering from that drop and reaching new heights, the market lost 51% of its value, this time in a span of 17 months (October 2007 to February 2009). This was a seminal moment for those nearing retirement, who had a good portion of their nest egg invested in the stock market. As a result, many were forced to scale back their expectations or even delay retirement in order to rebuild their lost savings.

Prior to the financial crisis, it is doubtful that many consumers would have questioned the benefits of a “buy-and-hold” strategy. It was taken as gospel that equities would gain in value if held for more than a few years. Yet for a two-year stretch dating back to 2008, the 10-year average annual return of the S&P 500 has been in negative territory. Likewise, most boomers assumed they would be able to sell their home if they wished for a tidy profit. That notion has also changed.

What has occurred is nothing short of a decisive shift in the financial mindset for all Americans, but especially for those in or near retirement. According to The Allianz Reclaiming the Future Study (conducted in May 2010), 54% of those aged 44 to 49 said they feel unprepared for retirement. Among the entire baby boomer group surveyed, a desire to lock in guarantees, in lieu of higher returns, has emerged. According to this survey, if given a choice, 80% of baby boomers would select an investment with a 4% return and a guarantee against losses compared to one that paid 8% interest, but was subject to market downturns.

In short, the new buzzwords for aging baby boomers are “lifetime income” and “guarantees.”

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Rethinking what's ahead in retirement

2 Potential land mines dotting the retirement landscape

How many Americans are prepared to fund their retirement for this length of time?

The risks that lie ahead for new and pending retirees are often ones not talked about, though they have been on the radar for some time. Taken as a whole, they add to the sense of urgency about finding targeted solutions to help overcome the challenges. Yet, many boomers have not been fully educated about them.

Here are some key risks Americans need to prepare for as they finalize plans for retirement.

**Longer life expectancies**

In 1939, before America entered World War II, life expectancy was just over 59 for men and slightly above 63 for women. This means that when Social Security was implemented with an eligibility age of 65, the average American would not live long enough to access the benefit.

Today, males have a life expectancy of 75 years, while women’s life expectancy has reached 80.

These numbers represent a remarkable triumph for our society, as it may be the fastest increase in life expectancy in the course of human history. It also means, however, that retirement will last much longer than just a few decades ago.

Life expectancy remains unpredictable in an age when new medical technologies may extend life even longer than today. What we do know, however, are the actuarial probabilities to help us measure life expectancy in the aggregate. So for a married couple age 65, a 50% chance exists that at least one of the two will reach age 89; a 25% chance exists that one will survive to age 94.

In other words, that couple faces a one-in-four chance that one of them will be in retirement for three decades or longer.

### Retirement will last longer

Probability of 65-year-olds surviving to select ages

![Graph showing life expectancy probabilities for males, females, and either gender.](chart.png)

Note: "Either assumes lives are independent. Source: LIMRA, "Retirement Income Reference Book," 2009, 71."
Rethinking what’s ahead in retirement

The sustainability of Social Security as we know it

As individuals plot out their potential sources of retirement income, the annual statement from the Social Security Administration provides an estimate of monthly benefits for which they will qualify depending on the age at which they begin drawing on Social Security. If one reads the news on Social Security, questions are increasing as to whether these estimates will remain valid.

As noted previously, when Social Security was created in the 1930s, the average person was not even expected to reach the full retirement age of 65. Though life expectancies have grown dramatically since then, the age at which benefits are paid out of Social Security has not risen to a comparable degree.

Moreover, the system may not be able to support beneficiaries as it did in the past. Most notable is that the ratio of workers paying into the system to support each beneficiary has declined dramatically since 1950, and will continue to decline into the future.

With the balance between contributors and recipients shifting so dramatically, changes to the system seem inevitable. The result could be that government support of retirement may be less than many expected through increases in eligibility age, a reduction in benefits, or a combination of both. This is supported by The Allianz Reclaiming the Future Study, which found that nearly half of 44 to 49 year olds feel they have a better chance to be struck by lightning than get their full due from Social Security.

Regardless of what happens to the system, Americans need to factor into their planning the idea that Social Security may pay out differently from what is projected today.

Fewer workers to support retirees

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Rising health care costs

While wages have generally kept up with modest overall inflation during the last decade, at least one area of the economy has experienced far more significant cost increases—health care.

Compared to the 29% increase in the Consumer Price Index from 1999 through 2008, health care expenses rose 119%. The harsh reality for baby boomers is that health care expenses tend to become more significant as they grow older. This is adding a notable cost factor for retirees.

Despite the rising awareness of escalating health care costs, solutions have yet to be found. Even the far-reaching health care reform legislation enacted in 2010 failed to address the two largest drivers of rapid inflation in health costs—obesity and smoking. Recent trends are likely to continue.

Health care can have a dramatic effect on retirement

Cumulative changes in health insurance, inflation, and workers’ earnings

The hidden risk—how sequence of returns affects a portfolio

One of the tantalizing and more easily understood concepts for investors is the average rate of return (either for the market as a whole or for specific investments). For example, the average annual return of the S&P 500 from 1990 to 2009 was 8.23%.\(^1\) Yet the range of returns varied dramatically from 37.6% in 1995 to -37.0% in 2008. Averages do not account for the variability of investment performance.

This is not an issue for consumers focused on accumulation who do not draw down on their investments. They can weather the volatile times and ultimately achieve the average return for any given holding period, assuming the dollars stay invested. But for those drawing down assets or taking income from their holdings, the variability of performance can have a huge impact.

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\(^1\) “The Callan Periodic Table of Investment Returns,” Callan Associates, 2011

Rethinking what’s ahead in retirement

Consider the case of a retired couple with a $1 million nest egg and plans to withdraw 5% per year ($50,000), adjusted for inflation (3.5%) each year. If the portfolio generates a steady annualized return of 6% per year, the couple could count on their distributions lasting for 30 years.

The operative word is “steady,” which we know does not happen with markets. What this couple’s portfolio will actually reflect is a series of returns, with the sequence of those returns having a large impact on how long the assets will last.

So what happens if the portfolio moves up and down every year? As an example, we can still keep the 6% average return over 30 years, but add four distinct rate-of-return values cycling every four years to see what would happen. The four values would show the portfolio earning 27% in year one, 9% in year two, 7% in year three, and -15% in year four. The rotation begins applying these market returns to the portfolio while withdrawing $50,000 per year until the value hits zero. We then compare that result with the reverse sequence rotation starting with -15%, then 7%, 9%, and 27%. The chart below shows that the different sequencing of returns represents a 13-year difference in how long the money will last.

What we see is that the money could run out much more quickly than anticipated, or could be extended if investments perform better in the early years. The problem is the unpredictability of variable investments in the short run. While it is hard enough to accurately project an average annual return over an extended period of time, it is essentially impossible to project specific returns each year and determine how they will affect a distribution strategy.

No matter how accurate one may be in projecting an “average” return, it provides little assurance that retirement income goals will be met if the sequence of returns happens to work in an unfavorable way.

This is a hypothetical example and is not intended to project the performance of any specific investment. If this were an actual product, the returns may be reduced by certain fees and expenses.
Searching for guarantees in retirement income

The bulk of personal assets right now do not come with GUARANTEES.

A long-standing era in retirement planning may be coming to an end. This is the era of the famed “three-legged stool” referred to earlier, the generally equal mix of income generated by three sources:

- Government (via Social Security)
- Employers (through defined benefit plans)
- Individual savings and investments

The first two legs are becoming increasingly wobbly, while the third – personal assets – is by necessity taking a bigger role in keeping the stool upright. Unfortunately, unlike the other two legs of the stool, the bulk of these assets right now do not come with guarantees.

Social Security

Given strong anti-tax sentiment, a quick fix of Social Security does not appear likely. Without a fix, the Social Security system is estimated to exhaust its trust fund (another word for “surplus”) in 2037.1 After that, the system will rely entirely on the direct payments of workers to fund beneficiaries, and it is assumed that some reduction from current benefit levels will occur.

In fact, the trend worldwide and even at the state level within the United States is for government cutbacks to retirement programs. Pension reform and increases in the retirement age are taking hold across many parts of Europe. Germany will increase its retirement age over time from 65 to 67 by 2029. France is struggling to move that age from 60 to 62; Greece is moving the retirement age for women from 60 to 65, with financial penalties on early retirement and pensions frozen until 2012. The International Monetary Fund has urged Spain to increase its retirement age from 65 to 67. The United States last raised its retirement age in 1983 from 65 to 67 for all Americans born after 1960.2

Domestically, the state of New Jersey may be setting a precedent by rolling back increases in pension benefits to public employees. With about $46 billion in unfunded liabilities, New Jersey has passed laws rolling back a 9% increase in pension benefits and barring part-time workers from enrolling in the state pension system.3

Rethinking what’s ahead in retirement

Employer plans

The era of big corporate defined benefit plans also appears to have ended, with little likelihood that corporations will change course and begin reinstating such plans, especially as accounting rules now require the funding status of pension plans to appear on corporate balance sheets. Like government, employers are looking for ways to reduce costs. CEOs cannot print money to pay bills, but instead must prove to shareholders that they are good stewards of the company’s money. This pressure is unlikely to boost interest in guaranteed retirement income benefits for employees at most firms.

Individual investments

Individuals now have to accept greater responsibility for their own retirement security. The market downturn linked to the Great Recession gave pre-retirees a first-hand “feel” for the pitfalls of a non-guaranteed retirement as well as a powerful motivation to rethink how they position their assets for retirement. From the market peak to its low point during the severe bear market of 2008 – 2009, the value of equity holdings in defined contribution, defined benefit, and household nonpension assets declined by 57%. In dollar terms, these portfolios lost more than $12 trillion.¹ Investment vehicles and diversification strategies intended to help people achieve their retirement goals failed to protect them. Many who spent as many as 40 years accumulating wealth saw much of it evaporate almost overnight.

The losses were most significant for those closest to retirement – a logical outcome given that these people tend to have accumulated the most money. Consumers aged 55 to 64 generally experienced losses of 25% to 30% in their 401(k) plans (from the end of 2007 to January 2009). Thus, the ones most in need of a stable nest egg were the most negatively affected and at precisely the worst time in their retirement trajectory.

Americans have begun to come to grips with a striking reality: It is nearly impossible to feel secure about retirement income if most of it is not guaranteed.

Change in average 401 (k) account balances from 1/1/2008 to 3/2/2009 among 401 (k) participants²

![](image)

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² Based on account balances as of 12/31/2007. EBRI estimates based on tabulations from EBRI/ICI Participant-Directed Retirement Plan Data Collection Project 2008 and 2009 Account Balances.
Rethinking what’s ahead in retirement

The rise of the insured retirement solution

What are boomers looking for as they prepare to enter the next stage of life? The answer, as suggested earlier, is lifetime income and guarantees.

Many in the industry have typically followed a strategy of adjusting an asset allocation mix based on the person’s age. That allocation process often overlooked the concept of devoting a portion of assets to products that provide guarantees.

Only recently has a new focus been placed on finding a source of income that is guaranteed for life. As boomers enter retirement and try to personally secure new sources of reliable income that will be sustainable regardless of how long they live, they are increasingly interested in insured retirement solutions.

Among the alternatives currently being considered—such as systematic withdrawal plans or tactics using target date funds—there is a strong and growing interest in products that provide guarantees. What is being missed is the insulated retirement solution based on annuities that allow people to create their own form of a defined benefit pension plan using their own assets. A fundamental activity an insurance company undertakes is to “pool” risk—and it can be risks of all types, such as the risk of having one’s property damaged or stolen or the risk of dying too soon, while protecting one’s family financially.

In the case of retirement, insurers are in a unique position to pool overall longevity and financial risk and are thus able to give people the opportunity to guarantee a stream of income that can last throughout retirement, even if they live beyond age 100 (there were more than 92,000 centenarians in America in 2008).

Only insurers that offer annuities can pool and thereby eliminate the biggest risk of retirement—outliving one’s assets. Insurers offer lifetime income guarantees. Mutual fund companies or brokerage firms, on the other hand, cannot do this and in fact are required by regulators to avoid using the word “guarantee” when connected to their investment offerings. Though banks offer FDIC-insured products that guarantee a rate of return, they cannot offer ways of guaranteeing a stream of income for life.

The easiest way to understand this concept with respect to retirement is to see how insurers pool risk in the world of auto insurance. Americans who own cars pay for insurance to protect against loss. If an owner of a $50,000 car buys no insurance and wants to take on the exposure alone, he or she is liable for the entire $50,000 of any potential loss. If two people take on the risk, each is willing to pay $25,000 if one car is lost. Spreading the risk among 10 people reduces the exposure to $5,000. If 20 drivers pool their risk, each is on the hook for just $2,500 if one of those 20 autos should be lost.

The concept of pooling risk to protect retirement is the same. In this case, the risk is the possible exhaustion of personal savings before the end of life.

If we look at existing models of accessing a portfolio for 20 years of income in the chart below, we see that there’s an income gap that exists when a person reaches 85 years of age. The bright blue zone in this chart is the unfunded area of retirement that occurs when the assets are fully depleted. At this point, the consumer must rely almost exclusively on what Social Security provides.

If we then look at pooling risk to take away that longevity risk for the consumer, we see that the insurer is able to cover the gap of living beyond age 85. With a guaranteed benefit, for those who die before they’ve received 20 years of income, their annuity contract value will go to their beneficiaries. For those who live longer, the pooled assets in the insurer’s general account provide for a longer benefit.

This is how insurers can guarantee income for life. They pool the risk of a large group of people to help pay for the people who live longer.¹

There may be no greater financial threat facing consumers today than the risk of outliving one’s assets. More than ever, Americans have been left to their own devices to resolve this challenge. Annuities offer a similar level of protection for retirement that auto insurance does for a car owner.

1) Please note: This is for demonstration purposes only. Surrender charges may play a larger role in funding guaranteed lifetime income than account values forfeited by lifetime annuitants who die after receiving only a few payments.

Rethinking what’s ahead in retirement

4 New attitudes – new opportunities

The IDEAL FINANCIAL PRODUCT that consumers want is, in fact, what an annuity has to offer

Baby boomers are increasingly becoming aware of the risk of outliving one’s assets. In The Allianz Reclaiming the Future Study, boomers indicated that their greatest fear in retirement is not death, but the risk of outliving their assets. While 39% feared the grim reaper, 61% said “outliving my money in retirement” was a bigger fear.

This fear is not only gripping older boomers who are near retirement and may be dealing with severe portfolio shock just when they need to start tapping their savings. The study also shows that the concern is even more pronounced for the youngest of the boomers who may still have 20 years of work and wealth accumulation ahead of them. For those aged 44 to 49 who are married and with dependents, the fear of outliving assets more than death jumps to 82%.

Boomers are not alone in this desire to know more about how to maintain income for life. Financial professionals now recognize the need to make adjustments. According to a 2009 survey of 1,200 financial professionals conducted for the Life Insurance Marketing Research Association (LIMRA), advisors indicated that the top three primary areas about which they want to be more informed are:

1. Strategies to guarantee income in retirement (76%)
2. Strategies to minimize the risk of outliving assets (74%)
3. Techniques to protect against market volatility (70%)

In short, the ideal financial product that consumers want is, in fact, what an annuity has to offer – even if they do not realize that these are the attributes of annuities. Also noteworthy is that the lowest-rated of the 15 characteristics was “the opportunity to participate in market upside.”

Which do you fear most?

- 61% Outliving my money in retirement
- 39% Death

Annuities by another name

Change is clearly under way in the world of financial planning for retirement. Individuals, financial professionals, and government regulators are publicly stating a desire for guaranteed retirement income solutions, with annuities playing a central role. The problem, however, is that the word “annuity” continues to have a negative perception in the general public based on attitudes formed about the products 10 to 20 years ago.

The Allianz Reclaiming the Future Study found that of the 15 different attributes of financial products that survey respondents were asked to rate, the top five most important were:
1. Stable, predictable retirement standard of living
2. Guaranteed income stream for life
3. Guaranteed not to lose value
4. Protection against market downside
5. Don’t need to think about it, stable, and predictable

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In short, the ideal financial product that consumers want is, in fact, what an annuity has to offer – even if they do not realize that these are the attributes of annuities. Also noteworthy is that the lowest-rated of the 15 characteristics was “the opportunity to participate in market upside.”
Rethinking what's ahead in retirement

The demand and need for guaranteed lifetime income planning and long-term security will only grow in coming years.

The problem, however, is that misperceptions about annuities continue to dominate. The Allianz Reclaiming the Future Study also showed that 54% of consumers expressed distaste for the word “annuities,” even though they described the exact features and benefits of annuities as what they were looking for. Just when consumers might be interested to learn about and benefit from annuities, uttering the word itself could be comparable to letting the air out of a balloon.

Most consumers admit that their biased view against annuities is based on information from 10 to 20 or more years ago. One in four said they determined their perception of annuities more than 20 years ago. In addition, 64% admit they have never researched to learn more about annuities since forming their views. These negative views may be reinforced by commentators in the media who have reflexively attacked annuities, often without understanding them.

Happiness is an annuity owner

For those who have a knee-jerk reaction against annuities, a surprising fact from the Allianz study is that an informed owner of an annuity is a happy consumer:

- 80% of annuity owners are happy with their purchase because of the safety, security, and protection they benefit from. This ranks second-highest in satisfaction among all financial products.
- Yet 46% of respondents say their financial professional has not presented an annuity as an option.
- Another 19% are not certain whether an annuity was ever recommended.

Conversations about annuities often have to start with the basic benefits the product provides rather than discussing the name itself. All too often, retirement planning discussions never start because the financial professional’s visceral reaction against the word “annuity” preempts the conversation. This has to change, if only to allow the consumer education process to continue so that a fully informed decision may be made about guaranteeing lifetime income.

New ways of describing an annuity are emerging that better reflect what the product can provide consumers. “Longevity insurance” and “retirement insurance” are just two that are increasingly used to help consumers more easily understand the benefits of this product set. Consumers also need to be reminded that taking no action is not an option, given the dramatic new pressures building up on retirement systems. The model of retirement that they may have adopted and fully believed in just a few years ago may not be appropriate in the future. Since guarantees from the government or employers have been reduced, consumers need to be made aware of other sources of guaranteed income, which is a long-term education process.

Lastly, it is important to emphasize that annuities are not the only solution and may not be appropriate for every financial challenge a consumer faces today. Many of the negative impressions of annuities were created by those who oversold the product or tried to portray it as something it was not. Achieving a healthy understanding of the role an annuity plays in an overall portfolio is the appropriate step consumers need to take.

The world of retirement planning has changed. The fundamental perceptions of how best to prepare for retirement in an increasingly uncertain economy and world have also changed. Whether or not consumers, educators, politicians, the media, government officials, or business leaders want to accept or acknowledge this structural change, one thing is certain – the demand and need for guaranteed lifetime income planning and long-term security will only grow in coming years.
About Allianz

Any financial product is only as strong as the company behind it. And as a leading provider of retirement solutions, Allianz Life Insurance Company of North America (Allianz) has the strength and stability to always remain true to our promises.

**We serve millions of customers,** with over 2.2 million policies issued for wealth management products that include fixed and variable annuities, and universal life insurance. Founded in 1896, Allianz Life Insurance Company of North America provides innovative financial solutions for wealth accumulation, predictable retirement income, and protection of assets.

**We’re part of a global financial powerhouse.** Our parent company, Allianz SE, is the world’s 20th largest company¹ and the world’s third largest money manager.² Allianz SE serves nearly 75 million customers in 70 countries.
The Allianz SE family of companies in North America, includes Fireman’s Fund®, a premier property and casualty insurance company for more than 140 years; and Allianz Global investors, a network of companies that includes PIMCO (Pacific Investment Management Company LLC), one of the world’s leading fixed-income money managers.

**We have a conservative investment management philosophy** designed to weather all market conditions and achieve long-term results, based on diversification across asset types; high credit rating requirements; a high level of liquidity; and strong risk modeling. By monitoring and controlling risks in real time, we have the potential to hedge against both general market turbulence and financial crises.

**We’ve earned consistently high financial ratings** from independent rating agencies including Standard & Poors, A.M. Best, and Moody’s.³ In fact, we were never downgraded during the recent market crash.

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3) These independent agency ratings are based on an analysis of financial results and an evaluation of management objectives and strategies. The ratings do not indicate approval by the analysts and are subject to change.

Guarantees are backed by the financial strength and claims-paying ability of Allianz Life Insurance Company of North America. Variable annuity guarantees do not apply to the performance of the variable subaccounts, which will fluctuate with market conditions.

Products are issued by Allianz Life Insurance Company of North America. Variable products are distributed by its affiliate, Allianz Life Financial Services, LLC, member FINRA, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. www.allianzlife.com
Product design and risk management

Neil McKay
Chief Actuary
Allianz Life

New York, July 21, 2011
# Key products

<table>
<thead>
<tr>
<th>Fixed indexed annuities</th>
<th>Variable annuities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>USD 6.9bn</strong></td>
<td><strong>USD 3.2bn</strong></td>
</tr>
<tr>
<td><strong>2010 sales</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Structure</strong></td>
<td></td>
</tr>
<tr>
<td>Spread-based – backed by general account</td>
<td>Fee-based – contract value backed by separate accounts; guarantees backed by general account</td>
</tr>
<tr>
<td>▪ Principal protection</td>
<td>▪ Market participation</td>
</tr>
<tr>
<td>▪ Capped participation in market growth</td>
<td></td>
</tr>
<tr>
<td>▪ Lifetime income guarantees</td>
<td></td>
</tr>
<tr>
<td>▪ Death benefit protection</td>
<td></td>
</tr>
<tr>
<td>▪ Tax deferral</td>
<td></td>
</tr>
<tr>
<td><strong>Benefits / features</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Market size USD 32bn(^1)</td>
<td></td>
</tr>
<tr>
<td>▪ 10-year CAGR 20%</td>
<td></td>
</tr>
<tr>
<td>▪ AZ Life Market share 21%(^2)</td>
<td></td>
</tr>
<tr>
<td>▪ Rank #1(^2)</td>
<td></td>
</tr>
<tr>
<td><strong>Market</strong></td>
<td></td>
</tr>
<tr>
<td>▪ Market size USD 138bn(^1)</td>
<td></td>
</tr>
<tr>
<td>▪ 10-year CAGR 0%</td>
<td></td>
</tr>
<tr>
<td>▪ AZ Life market share 2.5%(^2)</td>
<td></td>
</tr>
<tr>
<td>▪ Rank #11 (#7 non-captive)(^2)</td>
<td></td>
</tr>
</tbody>
</table>

\(^1\) Based on 2010 annual sales  
\(^2\) Based on 1Q 2011  
Source: VA market: Morningstar / MARC; FIA market: Advantage index report & internal analysis
Portfolio overview (31.12.2010)

Business in-force (IFRS reserves)

- FIA: 57% / 49bn
- VA: 31% / 27bn
- Other: 12% / 10bn

Total: USD 85bn

New business (statutory premiums)

- FIA: 64% / 6.9bn
- VA: 30% / 3.2bn
- Other: 6% / 0.7bn

Total: USD 10.8bn
### Products – fixed annuities in general

#### Primary product types

<table>
<thead>
<tr>
<th>Type</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Traditional fixed annuities (FA)</td>
<td>Annuity contract whereby the policyholder is credited with a fixed rate of interest during the accumulation stage on funds placed in the contract; policyholder principal is not at risk(^1)</td>
</tr>
<tr>
<td>Fixed indexed annuities (FIA)</td>
<td>Annuity contract whereby the policyholder is credited interest based on movements in stated equity or bond market indices; policyholder principal is not at risk(^1)</td>
</tr>
</tbody>
</table>

#### Fixed indexed annuities

- Policyholder has the option to elect how indexed interest will be calculated, including annual point-to-point, monthly sum, monthly average, etc.
- Indexed interest is typically credited annually and may not be negative
- Index returns are subject to a:
  - Cap: the maximum index performance that will be credited to the policyholder in a specified period
  - Participation rate: the percentage of index gains off which the indexed interest is based
- Increasingly, FIAs are including guaranteed living withdrawal benefits which provide for lifetime withdrawal of stated percentage of benefit base, regardless of accumulation value

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\(^1\) Surrender charge may result in partial loss of principal; guarantees are backed by the financial strength and claims-paying ability of the issuing company
**MasterDex X overview**

<table>
<thead>
<tr>
<th>Basics</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Launched in 2008 – largest selling FIA product in industry for past two years¹</td>
</tr>
<tr>
<td>- Limited flexible premium deferred FIA</td>
</tr>
<tr>
<td>- Premium bonus</td>
</tr>
<tr>
<td>- 10-year surrender charge schedule</td>
</tr>
<tr>
<td>- Allianz purchases duration-matched bonds while purchasing derivatives to hedge/fund the liability option</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Crediting</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Annual point-to-point – indexed interest calculated based on change in index values from first day of policy year to last day of policy year, limited by an annual cap</td>
</tr>
<tr>
<td>- Monthly sum – indexed interest calculated based on change in index values in each policy month and adding the 12 monthly returns over the policy year, limited by a monthly cap</td>
</tr>
<tr>
<td>- Monthly average – indexed interest calculated by comparing average index value for preceding twelve months with index value at beginning of year, limited by an annual spread</td>
</tr>
<tr>
<td>- Rates, caps and spreads are declared annually in advance of the policy year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indices</th>
</tr>
</thead>
<tbody>
<tr>
<td>- S&amp;P 500, NASDAQ 100, EURO STOXX 50</td>
</tr>
<tr>
<td>- Blended (Dow Jones, BCAG¹, EURO STOXX 50, Russell)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Simple Income III rider</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Optional rider providing guaranteed withdrawal benefit; available for a fee</td>
</tr>
<tr>
<td>- Benefit base is equal to the highest of the accumulation value or an annual increase (rollup)</td>
</tr>
<tr>
<td>- Lifetime income payments are age-based and include 3 optional payment patterns:</td>
</tr>
<tr>
<td>- Level payments over remaining lifetime</td>
</tr>
<tr>
<td>- Lower initial payments that increase with any interest credited</td>
</tr>
<tr>
<td>- Lower initial payments that increase with CPI² growth</td>
</tr>
<tr>
<td>- Election of lifetime income is available from policy issuance</td>
</tr>
</tbody>
</table>

1) Source: Advantage Compendium  
2) Barclays Capital US Aggregate Bond Index  
3) Consumer Price Index  
Note: must be accompanied by MasterDex X disclosure within section
F. Product design and risk management

FIA provides accumulation and protection

MasterDex X illustration¹ (USD)

- Assumes USD 100k single premium
- Assumed product features:
  - Premium bonus = 8%
  - Rollup = 8% simple
  - Annual cap = 4.25%²
- Benefit base only available in form of withdrawal benefit
- Withdrawal benefit limited to fixed percentage of benefit base annually based on policyholder age at election
- Benefit base stops growing³ after income election

Interest potential with insurance protection for longevity risks

1) Assumes product was available and issued on 01.01.01; indexed interest based on actual index results from 31.12.00 to 31.12.10; does not take into consideration the surrender charges in effect for the first 10 years
2) Annual point-to-point crediting 100% allocated to S&P 500 index; cap guaranteed to never be less than 0.50%
3) By the 8% simple rollup rate
Note: Must be accompanied by MasterDex X disclosure within section
The premium bonus becomes vested over a 10-year period at 10% on each contract anniversary. None of the bonus is vested during the first contract year. If the contract is surrendered during the 10-year vesting period, the client will lose the portion of the bonus that is unvested. Since this is a bonus annuity, it may include higher surrender charges, longer surrender charge periods, lower interest rates, lower caps, higher spreads, or other restrictions that are not included in similar annuities that don’t offer a premium bonus. During the first 10 contract years, a surrender charge starting at 10% will apply if the contract is partially or fully surrendered. The same would apply if annuitization begins prior to the sixth contract year, or for fewer than 10 contract years. These charges may result in a loss of vested and unvested bonus, any earned interest, and a partial loss of principal.

Past interest crediting is not a guarantee of future results.

Multiple crediting methods and index allocations are available. No single crediting method or index allocation consistently delivers the most interest under all market conditions.

The contract purchaser is not buying shares of stock, a bond, or shares of an index fund, and FIAs do not directly participate in the returns of any stock, bond, or other investment underlying the index.

The purchase of an annuity is an important financial decision. You should have a full discussion with your financial professional before making any decision.

C52575 and R91077-01 and state variations are issued by Allianz Life Insurance Company of North America, 5701 Golden Hills Drive, Minneapolis, MN 55416-1297. 800.950.1962 www.allianzlife.com

Standard & Poor’s 500® index (S&P 500®) is comprised of 500 stocks representing major U.S. industrial sectors. “Standard & Poor’s®,” “S&P 500,” “Standard & Poor’s 500,” and “500” are trademarks of The McGraw-Hill Companies, Inc. and have been licensed for use by Allianz Life Insurance Company of North America. The product is not sponsored, endorsed, sold, or promoted by Standard & Poor’s and Standard & Poor’s makes no representation regarding the advisability of purchasing the product.

Product, rider, and feature availability may vary by state.
## Products – variable annuities in general

### General

<table>
<thead>
<tr>
<th>Variable annuity</th>
<th>Annuity contract whose value fluctuates based on performance of an underlying investment portfolio (i.e., subaccounts); benefit payouts will vary based on account value of the contract</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment options</td>
<td>Policyholders allocate funds to equity/bond subaccounts segregated from the assets of the insurer, and in some cases may allocate to a fixed account</td>
</tr>
<tr>
<td></td>
<td>Subaccount funds vary by investment strategy, risk profile, etc. and may be limited depending on whether any VA guarantees are elected</td>
</tr>
</tbody>
</table>

### VA guarantees

<table>
<thead>
<tr>
<th>GMWB / GLWB</th>
<th>Guaranteed minimum/lifetime withdrawal benefit – provides for annual or lifetime withdrawal of stated percentage of benefit base, regardless of contract value</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMDB</td>
<td>Guaranteed minimum death benefit – provides for a minimum payout upon death, regardless of contract value</td>
</tr>
<tr>
<td>GMIB</td>
<td>Guaranteed minimum income benefit – provides for return of minimum value through annuitization, regardless of contract value</td>
</tr>
<tr>
<td>GMAB</td>
<td>Guaranteed minimum accumulation benefit – provides for minimum account value available for withdrawal/surrender after a stipulated waiting period</td>
</tr>
</tbody>
</table>

### Top selling products in 2010 (Vision)

- **Income Protector**: 78%
- **Investment Protector**: 19%
- **No rider**: 3%

---

1) Allianz Vision variable annuity was the only VA product being sold in 2010
## Allianz Vision variable annuity

<table>
<thead>
<tr>
<th>Contract</th>
<th>Mortality and expense risk charge¹</th>
<th>Withdrawal charge (for each purchase payment)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base</td>
<td>1.40%</td>
<td>7 years</td>
</tr>
<tr>
<td>Short withdrawal charge</td>
<td>1.65%</td>
<td>4 years</td>
</tr>
<tr>
<td>No withdrawal charge²</td>
<td>1.75%</td>
<td>None</td>
</tr>
<tr>
<td>Bonus³</td>
<td>1.70%</td>
<td>9 years</td>
</tr>
</tbody>
</table>

1) The Mortality and expense risk charge is based on the net asset value of the investment options.
2) Must select an optional rider at issue: Income Protector or Investment Protector.
3) 6% bonus on all purchase payments received before the older owner’s 81st birthday. Bonus vesting based on complete years since receipt of purchase payments: 0 years = 0%, 1 year = 35%, 2 years = 70%, and 3 years = 100%. Purchase payment subject to a three-year vesting schedule. As with all bonus annuities, please understand that they may carry higher fees and charges than variable annuities without the bonus feature. Product and feature availability may vary by state and broker/dealer.
Primary VA product – Vision

**Vision VA**

<table>
<thead>
<tr>
<th>Income Protector (GLWB)</th>
<th>Investment Protector (GMAB)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offers protected retirement income through an optional guaranteed lifetime withdrawal benefit (GLWB feature)</td>
<td>Provides for a level of principal protection through a target value (GMAB feature optional)</td>
</tr>
<tr>
<td>Benefit base – equal to the highest of quarterly anniversary value, an annual increase, or current contract value; this is used to calculate lifetime income payments when elected</td>
<td>- Target value initially equal to principal payments with future gains locked in on each contract anniversary</td>
</tr>
<tr>
<td>Lifetime income payments – age-based and can increase after election depending on contract performance and attained age</td>
<td>- Initial waiting period of at least 10 years</td>
</tr>
<tr>
<td>Election of lifetime income is available from policy issuance</td>
<td>- Also provides traditional or enhanced GMDB feature</td>
</tr>
<tr>
<td>Also provides traditional or enhanced GMDB feature</td>
<td>Investment allocation options are limited with this guarantee</td>
</tr>
<tr>
<td>Investment allocation options are limited with this guarantee</td>
<td>Automated rebalancing to more conservative allocations occurs over the life of the contract based on remaining time until target date and contract performance</td>
</tr>
</tbody>
</table>

The Income Protector and Investment Protector are optional riders available for an additional fee. The current individual/joint fee is 1.05%/1.20% for Income Protector and 0.9% for Investment Protector, and these fees can increase to a maximum of 2.50%/2.75% and 2.50%. The Vision variable annuity has a maximum surrender charge starting at 8.5% which reduces to 0% in the ninth contract year.

To obtain a prospectus for the Vision contract and underlying Investment Options, call (800) 542-5427. The prospectuses contain important information about product features, objectives, risks, charges, and expenses, which should be read thoroughly and carefully before investing or sending money.
VA provides market upside with income benefits

F. Product design and risk management

Vision (Income Protector) illustration (USD)

- Assumes USD 100k single premium
- Assumed product features:
  - Rollup = 8% simple with a quarterly reset and step-up to account value
  - Illustrated with full allocation to PIMCO Total Return fund
- Benefit base only available in form of withdrawal benefit
- Withdrawal benefit limited to fixed percentage of benefit base annually based on policyholder age at time of election (e.g., 4.5%)
- Benefit base stops growing after income election

This hypothetical example is provided to show conceptually how the 8% Annual Increase, automatic quarterly reset feature, and single Lifetime Plus Payments might work in a down market. It does not predict or project the actual performance of Allianz VisionSM Variable Annuity or its investment options. These examples assume the Income Protector is selected at issue, and no withdrawals (other than Lifetime Plus Payments) or partial annuitizations are taken. Please note that an annual maximum mortality and expense risk charge of 1.40% for the Base contract, an average investment option expense of 1.05%, and a maximum rider charge of 2.50% for the Income Protector (as a percentage of the Benefit Base) are reflected in the values shown. The current rider charge of 1.05% (subject to change) is not reflected.

The historical returns for the Pimco Total Return Fund were at 6/30/11: 1yr: -5.38%, 5yr: 4.15%, 10yr: 3.53%; figures reflect deduction of actual expense of each listed Investment Option and an annual contract maintenance charge of $ 50 at end of each year. Also included are the maximum potential charges and expenses of 3.15% with a withdrawal charge that begins at 8.5% and declines to 0% over 7 years.
Allianz Vision Variable Annuity

- VAs are long-term investments designed for retirement purposes.
- They offer tax deferral, the potential for accumulation based upon changes in select variable investment options, and the opportunity for an income stream that can’t be outlived.
- VAs involve market risk, and it is possible to lose money; however, clients can purchase optional riders that offer guarantees to income or investment growth.
- VAs involve insurance-related fees & charges, such as M&E risk charges, and investment and administrative fees.
- Withdrawals from VAs are subject to income taxes, and if taken prior to age 59-1/2, an additional 10% federal tax penalty.
## Allianz Vision™ Variable Annuity

<table>
<thead>
<tr>
<th>Minimum purchase payment</th>
<th>0-80</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue ages</td>
<td>Base (7 years)</td>
</tr>
<tr>
<td>Contract</td>
<td>1.40% – $50 annually (waived for contract values of $100,000 or more)</td>
</tr>
<tr>
<td>Mortality and expense risk charge and contract maintenance charge</td>
<td>7 years (6.5%, 8.5%, 7.5%, 6.5%, 5.0%, 4.0%, 3.0%, 0%)</td>
</tr>
<tr>
<td>Withdrawal charge (for each purchase payment)</td>
<td>N/A</td>
</tr>
<tr>
<td>Bonus – As with all bonus variable annuities, please understand that they may carry higher fees and charges than variable annuities without the bonus feature.</td>
<td>N/A</td>
</tr>
<tr>
<td>Death benefit</td>
<td>Choose between two death benefits. The Quarterly Value Death Benefit is available for an additional 0.30% M&amp;E charge. In order to select the optional Quarterly Value Death Benefit, the client must select either the optional Income Protector or Investment Protector rider at issue.</td>
</tr>
<tr>
<td>Investment options</td>
<td>Over 50 investment options from more than 10 highly respected money managers. If the Income Protector is selected, allocation rules apply and we will automatically rebalance clients’ assets every quarter to maintain the most recent allocation instructions for future purchase payments.</td>
</tr>
<tr>
<td>Annual operating expense of investment options</td>
<td>Minimum Net/Gross</td>
</tr>
<tr>
<td>Payout options</td>
<td>• Life</td>
</tr>
<tr>
<td>Optional Income Protector rider</td>
<td>• Income Base (deducted quarterly) and is subject to change on each quarterly anniversary, but will never be less than the minimum (0.5%) or greater than the maximum (5.0% for single, 2.5% for joint). The rider charge cannot increase/decrease more than 0.50% in any 12-month period.</td>
</tr>
<tr>
<td>Growth opportunities</td>
<td>• Allocate money among investment options from professional money managers in multiple asset class categories. Allocation rules apply. These rules may help protect income by limiting allocations of the contract value against aggressive investment options. This may limit the downside risk and the upside potential to the contract.</td>
</tr>
<tr>
<td>Building the Benefit Base</td>
<td>• Quarterly Anniversary Value: On each contract quarterly anniversary, the current contract value is automatically locked in if it’s higher than the previously locked-in value. The contract value may be higher between quarterly anniversaries, but will not be locked in.</td>
</tr>
<tr>
<td>Automatic reset: On a quarterly basis, the 8% Annual Increase will automatically reset, prior to the older covered person’s age 91. If the contract value on a quarterly anniversary is higher than the current 8% Annual Increase, we will set the 8% Annual Increase to equal the contract value, if higher.</td>
<td></td>
</tr>
<tr>
<td>When they want it</td>
<td>Lifetime Plus Payments can be chosen at any time following the younger covered person’s 60th birthday. Single Lifetime Plus Payments are guaranteed for the life of the covered person. Joint Lifetime Plus Payments are guaranteed for the life of the covered person and their spouse. The initial annual maximum Lifetime Plus Payment will be based on the client’s Benefit Base, multiplied by the payment percentage based on the younger covered person.</td>
</tr>
<tr>
<td>Age</td>
<td>Payment %</td>
</tr>
<tr>
<td>60-64</td>
<td>4.6%</td>
</tr>
<tr>
<td>How they want it</td>
<td>Lifetime Plus Payments are guaranteed for life and the client can choose to receive the maximum payment with opportunities for income payment increases.</td>
</tr>
<tr>
<td>Annual payment increase: Every year, prior to the older covered person attaining age 91, if they took their maximum payments for the year, next year’s annual maximum payment will increase if their contract value increases. On each benefit anniversary, we compare the current contract value to the contract value from the previous benefit anniversary. If the current contract value is higher, the Lifetime Plus Payment and Benefit Base will increase by the same percentage as the increase between the two contract values.</td>
<td></td>
</tr>
</tbody>
</table>
| Moving into a higher payment percentage: Every year, prior to the older covered person attaining age 91, we compare the payment percentage based on the younger covered person’s current age and contract value to the current payment. If this results in a higher maximum payment, we will set the Benefit Base equal to the current contract value and increase their annual maximum payment.
### Income Protector in a down market

<table>
<thead>
<tr>
<th>Year</th>
<th>End-of-year contract value</th>
<th>Benefit Base</th>
<th>Lifetime Plus Payments</th>
<th>Surrender Value</th>
<th>Death Benefit Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulation 1</td>
<td>$95,042</td>
<td>$108,000</td>
<td>NA</td>
<td>$86,542</td>
<td>$100,000</td>
</tr>
<tr>
<td>2</td>
<td>$90,005</td>
<td>$116,000</td>
<td>NA</td>
<td>$81,505</td>
<td>$100,000</td>
</tr>
<tr>
<td>3</td>
<td>$79,872</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$72,372</td>
<td>$94,200</td>
</tr>
<tr>
<td>4</td>
<td>$69,982</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$63,482</td>
<td>$88,044</td>
</tr>
<tr>
<td>5</td>
<td>$60,331</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$55,331</td>
<td>$81,477</td>
</tr>
<tr>
<td>6</td>
<td>$50,911</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$46,911</td>
<td>$74,427</td>
</tr>
<tr>
<td>7</td>
<td>$41,718</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$38,718</td>
<td>$66,796</td>
</tr>
</tbody>
</table>

This hypothetical example reflects an initial purchase payment of $100,000 and a gross aggregate investment option return of 0.00% in the first seven years. All values reflect the net rate of return of -6.50%, which takes into consideration an annual maximum mortality and expense risk charge of 1.40% for the Base contract, and an average investment option expense of 1.05%. The net rate of return also considers the maximum rider charge of 2.50% for the Income Protector (single Lifetime Plus Payments), which is a percentage of the Benefit Base. The current rider charge of 1.05% (subject to change) is not illustrated, and values reflected would be higher.
This hypothetical example reflects an initial purchase payment of $100,000 and a gross aggregate investment option return of 8.00% in the first seven years. All values reflect the net rate of return of 2.44%, which takes into consideration an annual maximum mortality and expense risk charge of 1.40% for the Base contract, and an average investment option expense of 1.05%. The net rate of return also considers the maximum rider charge of 2.50% for the Income Protector (single Lifetime Plus Payments), which is a percentage of the Benefit Base. The current rider charge of 1.05% (subject to change) is not illustrated, and values reflected would be higher.

<table>
<thead>
<tr>
<th>Year</th>
<th>End-of-year contract value</th>
<th>Benefit Base</th>
<th>Lifetime Plus Payments</th>
<th>Surrender Value</th>
<th>Death Benefit Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accumulation 1</td>
<td>$102,815</td>
<td>$108,000</td>
<td>NA</td>
<td>$94,315</td>
<td>$102,815</td>
</tr>
<tr>
<td>2</td>
<td>$105,580</td>
<td>$116,000</td>
<td>NA</td>
<td>$97,080</td>
<td>$105,580</td>
</tr>
<tr>
<td>3</td>
<td>$102,862</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$95,362</td>
<td>$102,862</td>
</tr>
<tr>
<td>4</td>
<td>$99,997</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$93,497</td>
<td>$99,997</td>
</tr>
<tr>
<td>Distribution 5</td>
<td>$96,976</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$91,976</td>
<td>$96,976</td>
</tr>
<tr>
<td>6</td>
<td>$93,790</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$89,790</td>
<td>$93,790</td>
</tr>
<tr>
<td>7</td>
<td>$90,431</td>
<td>$116,000</td>
<td>$5,220</td>
<td>$87,431</td>
<td>$90,431</td>
</tr>
</tbody>
</table>
This hypothetical example reflects an initial purchase payment of $100,000 and a gross aggregate investment option return of 8.00% in the first seven years. All values reflect the net rate of return of 2.15%, which takes into consideration an annual maximum mortality and expense risk charge of 1.40% for the Base contract, and an average investment option expense of 1.05%. The net rate of return also considers the maximum rider charge of 2.50% for the Income Protector (single Lifetime Plus Payments), which is a percentage of the Benefit Base. The current rider charge of 1.05% (subject to change) is not illustrated, and values reflected would be higher.

<table>
<thead>
<tr>
<th>Year</th>
<th>End-of-year contract value</th>
<th>Benefit Base</th>
<th>Lifetime Plus Payments</th>
<th>Surrender Value</th>
<th>Death Benefit Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$110,845</td>
<td>$112,200</td>
<td>NA</td>
<td>$102,345</td>
<td>$110,845</td>
</tr>
<tr>
<td>2</td>
<td>$105,248</td>
<td>$121,000</td>
<td>NA</td>
<td>$96,748</td>
<td>$105,248</td>
</tr>
<tr>
<td>3</td>
<td>$115,773</td>
<td>$133,100</td>
<td>$5,445</td>
<td>$108,273</td>
<td>$115,773</td>
</tr>
<tr>
<td>4</td>
<td>$107,023</td>
<td>$133,100</td>
<td>$5,989</td>
<td>$100,523</td>
<td>$107,023</td>
</tr>
<tr>
<td>5</td>
<td>$91,196</td>
<td>$133,100</td>
<td>$5,989</td>
<td>$86,196</td>
<td>$91,196</td>
</tr>
<tr>
<td>6</td>
<td>$98,492</td>
<td>$143,748</td>
<td>$5,989</td>
<td>$94,492</td>
<td>$98,492</td>
</tr>
<tr>
<td>7</td>
<td>$86,027</td>
<td>$143,748</td>
<td>$6,468</td>
<td>$83,027</td>
<td>$86,027</td>
</tr>
</tbody>
</table>

Income Protector in fluctuating market
## Key risks: FIA

### Risk

<table>
<thead>
<tr>
<th>Interest rate environment</th>
<th>Decreasing rates reduce investment yields and may cause spread compression</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Higher rates may cause increase in lapse activity</td>
</tr>
<tr>
<td></td>
<td>Defaults on fixed income investments can cause pressure on earnings</td>
</tr>
<tr>
<td>Equity market environment</td>
<td>Credited amounts are driven by equity market performance</td>
</tr>
<tr>
<td></td>
<td>Changes in market volatility may impact hedging costs</td>
</tr>
<tr>
<td>Policyholder behavior</td>
<td>Deviation from expected policyholder behavior such as lapse rates, etc. may impact expected profitability</td>
</tr>
<tr>
<td>Longevity</td>
<td>Longer life expectancies due to mortality improvements may impact benefit costs</td>
</tr>
</tbody>
</table>

### Mitigation

1. Product design
2. Product management (new and inforce)
3. Hedging
4. ALM (asset / liability management)
Key risks: VA

<table>
<thead>
<tr>
<th>Risk</th>
<th>Mitigation</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Interest rate environment</strong></td>
<td></td>
</tr>
<tr>
<td>Lower interest rates can lead to higher value/cost of guaranteed benefits</td>
<td>1 2 3</td>
</tr>
<tr>
<td><strong>Equity market environment</strong></td>
<td></td>
</tr>
<tr>
<td>Negative market performance and volatility can increase value/cost of guaranteed benefits</td>
<td>1 2 3</td>
</tr>
<tr>
<td><strong>Policyholder behavior</strong></td>
<td></td>
</tr>
<tr>
<td>Deviation from expected policyholder behavior such as lapse rates, etc. may impact expected profitability</td>
<td>1 2</td>
</tr>
<tr>
<td><strong>Longevity</strong></td>
<td></td>
</tr>
<tr>
<td>Longer life expectancies due to mortality improvements may impact benefit costs</td>
<td>1 2</td>
</tr>
</tbody>
</table>

1. Product design
2. Product management (new and inforce)
3. Hedging
4. ALM (asset / liability management)
FIA product economics

Illustrative FIA structure¹ (new business)

<table>
<thead>
<tr>
<th>Yield²</th>
<th>Excess above guarantee</th>
<th>Minimum guarantee</th>
<th>Spread before expenses³</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.5% - 5.0%</td>
<td>1.75% - 2.0%</td>
<td>0.25% - 0.5%</td>
<td>2.5% - 3.0%</td>
</tr>
</tbody>
</table>

Product management

<table>
<thead>
<tr>
<th>New business</th>
<th>Inforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Credited rates</td>
<td>1. Credited rates</td>
</tr>
<tr>
<td>2. Index caps</td>
<td>2. Index caps</td>
</tr>
<tr>
<td>3. Income guarantees</td>
<td>3. Income guarantees</td>
</tr>
<tr>
<td>4. Rider charges</td>
<td>4. Rider charges</td>
</tr>
<tr>
<td>5. Contract value guarantees</td>
<td>5. Contract value guarantees</td>
</tr>
<tr>
<td>6. Commissions</td>
<td>6. Commissions</td>
</tr>
<tr>
<td>7. Premium bonus</td>
<td>7. Premium bonus</td>
</tr>
</tbody>
</table>

Target profitability

| IRR | 13-14% |
| NBM | ~2.5% |
| Payback period | 7-8 years |

---

¹ Based on reserves
² Earned rate (book) on assets backing reserves
³ Reflects yield in excess of interest credited to the policyholder to cover expenses, non-interest policyholder benefits (bonus, rider guarantees), taxes, and a targeted level of profitability
### VA product economics

#### Illustrative VA structure\(^1\) (new business)

<table>
<thead>
<tr>
<th></th>
<th>Mortality &amp; expense fees (M&amp;E)</th>
<th>Fund fees</th>
<th>Rider fees</th>
<th>Cost of guarantees</th>
<th>Margin before expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.9% - 1.2%</td>
<td>0.4% - 0.6%</td>
<td>2.0% - 2.3%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.9% - 1.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.4% - 1.7%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Product management

<table>
<thead>
<tr>
<th></th>
<th>New business</th>
<th>Inforce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Fees (rider, M&amp;E)</td>
<td>1. Rider fees</td>
<td></td>
</tr>
<tr>
<td>2. Income guarantees</td>
<td>2. Funds</td>
<td></td>
</tr>
<tr>
<td>3. Contract value guarantees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Funds</td>
<td></td>
<td>NBM/IRR</td>
</tr>
</tbody>
</table>

#### Target profitability

- IRR: 13-14%
- NBM: ~2.5%
- Payback period: 5-6 years

---

1) Based on account value

---

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Addressing tail risk

- Product design considers both IRR and MCEV as well as worst case scenarios for policyholder behavior and market risks
- Products designed to achieve targets as well as stay within defined limits for these tail scenarios
- Tail risk analysis thus is an integral part when defining key product attributes
  - Features
  - Guarantees
  - Levers

VA tail risk (annualized VNB<sup>1</sup>)

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Value (USD mn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>PH efficiency</td>
<td>-100</td>
</tr>
<tr>
<td>Vola +10%</td>
<td>-100</td>
</tr>
<tr>
<td>Mgmt action</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
</tr>
</tbody>
</table>

Product design and risk management

1) Non-market risks
2) Market risk
3) Management actions

- Policyholder efficiency: Most efficient policyholder behavior for persistency and fund allocation
- Market volatility: 10%-p higher volatility level going forward
- Exercise product levers:
  - Move to max fee level by year 4
  - Reduce equity fund exposure by 10%

Tail risk managed through product design and product levers

1) Impacts based upon 2010 VA sales level of USD 3.2bn
F. Product design and risk management

FIA product management example

Weekly NBM¹ – FA / FIA

- Strong actions taken during 2010
- Ability for management of profitability on products through a very low interest rate environment
- 2010 NBM: 2.1%
- 2010 VNB: USD 152mn

Profitable margin preserved through 2010

Product management example

1) Excludes illiquidity premium from calculation of new business margin
2) Guaranteed minimum value

<table>
<thead>
<tr>
<th>Index cap changes</th>
<th>Previous level</th>
<th>New level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Sept 2010: reduced MasterDex X bonus</td>
<td>10%</td>
<td>8%</td>
</tr>
<tr>
<td>2. Oct 2010: rider fee charged to GMV²</td>
<td>Not charged</td>
<td>Charged</td>
</tr>
<tr>
<td>3. Dec 2010: reduced MasterDex X bonus</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>4. Dec 2010: increased Simple Income rider fee</td>
<td>60bps</td>
<td>75bps</td>
</tr>
</tbody>
</table>

1) Excludes illiquidity premium from calculation of new business margin
2) Guaranteed minimum value
VA product management example

**Actions taken**
- Living benefit riders suspended 1Q 2009
- Launch of new riders in 3Q 2009
  - Higher fees
  - Lower benefits
  - Reduced fund volatility
- Focus on sustainability under volatile market conditions
- Enhanced ability to make timely product changes
- 2010 NBM\(^1\): 2.2%
- 2010 VNB\(^1\): USD 68mn

**Significant de-risking of product**

<table>
<thead>
<tr>
<th>VA management levers</th>
<th>Old products</th>
<th>New products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rider fees</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Funds</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Bonus rates</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Rollup rates</td>
<td>✗</td>
<td>✓</td>
</tr>
<tr>
<td>Pay-out rates / age bands</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>

1) Before expense overrun
### F. Product design and risk management

#### Sufficient levers to protect targeted returns

<table>
<thead>
<tr>
<th>FIA</th>
<th>VA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Business in force</strong></td>
<td><strong>New business</strong></td>
</tr>
<tr>
<td>Portfolio yield</td>
<td>Required yield to earn target profitability</td>
</tr>
<tr>
<td>2.7%</td>
<td>4.0%</td>
</tr>
<tr>
<td>2.8%</td>
<td>2.7%</td>
</tr>
<tr>
<td><strong>New business</strong></td>
<td>Required yield to earn target profitability</td>
</tr>
<tr>
<td>New money yield</td>
<td>2.9%</td>
</tr>
<tr>
<td>2.0%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

**Fund lineup**
- Separate accounts at 40-50% equity fund allocation
- Have changed fund lineup to reduce volatility
- Ability to reduce equity exposure within certain funds

<table>
<thead>
<tr>
<th>Current rider fee</th>
<th>Max rider fee (post-issue)</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.9% - 1.2%</td>
<td>2.5 - 2.75%</td>
</tr>
</tbody>
</table>

**Legend**
- Product spread
- Average minimum guarantee
- Interest credit / option to policyholder
## Hedging overview

<table>
<thead>
<tr>
<th></th>
<th>FIA</th>
<th>VA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Primary products</strong></td>
<td><strong>MasterDex, Endurance</strong></td>
<td><strong>Vision</strong></td>
<td><strong>Altery, Rewards, Valuemark</strong></td>
</tr>
<tr>
<td><strong>Benefit type</strong></td>
<td>Annual indexing credits</td>
<td>GMWB, GMAB</td>
<td>GMIB, GMWB</td>
</tr>
<tr>
<td><strong>Account value at 31.03.11 (USD bn)</strong></td>
<td>39.0</td>
<td>9.5</td>
<td>9.7</td>
</tr>
<tr>
<td><strong>Hedged risks</strong></td>
<td>Delta, gamma, vega</td>
<td>Delta, gamma(^1), rho(^2)</td>
<td>Delta, gamma(^1)</td>
</tr>
<tr>
<td><strong>Unhedged risks</strong></td>
<td>Rho (immaterial)</td>
<td>Vega</td>
<td>Vega, rho</td>
</tr>
<tr>
<td><strong>Hedge instruments</strong></td>
<td>Futures, vanilla options</td>
<td>Futures, total return swaps, interest rate swaps, options</td>
<td>Futures, total return swaps, options</td>
</tr>
</tbody>
</table>

*Hedging governed by stringent monitoring and risk limits*

---

1) Introduction of VA gamma hedging in 2Q 2011
2) Rho hedge applies to Vision business issued after 8/2009
F. Product design and risk management

ALM matching enables maintenance of spreads and liquidity

Allianz Life cash flow (USD bn)

Effective duration trend (in years)

- Quarterly monitoring of asset and liability durations
- Changes to strategic asset allocation recommended where necessary

Liability values are represented as the average of 200 stochastic MCEV (ALIM) scenario sets each for base case, and up/down 100bp shocks
## Regular monitoring of key risks

<table>
<thead>
<tr>
<th>Risk Category</th>
<th>Daily</th>
<th>Weekly</th>
<th>Monthly</th>
<th>Quarterly</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIA hedge effectiveness</td>
<td>✓</td>
<td></td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>VA hedge effectiveness</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Hedge exposure limits</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product financial sensitivities</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>Policyholder behavior</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>VA basis risk</td>
<td>✓</td>
<td></td>
<td></td>
<td>✓</td>
</tr>
<tr>
<td>Investment performance</td>
<td></td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Counterparty collateral</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Liquidity</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New business IRR by product</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
<tr>
<td>New business NBM by product</td>
<td></td>
<td></td>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>
Summary

- Products provide customer value through both accumulation and income
- Strong risk management framework
- Levers are available to manage new business and inforce profitability
- Allianz Life has a proven track record of managing product profitability and risk
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G. Financial performance

Financial highlights (1/2)

Statutory premiums (USD bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>VA</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>62</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>2007</td>
<td>68</td>
<td></td>
<td>68</td>
</tr>
<tr>
<td>2008</td>
<td>62</td>
<td></td>
<td>62</td>
</tr>
<tr>
<td>2009</td>
<td>77</td>
<td></td>
<td>77</td>
</tr>
<tr>
<td>2010</td>
<td>87</td>
<td></td>
<td>87</td>
</tr>
</tbody>
</table>

Operating profit¹ (USD mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>VA</th>
<th>Other</th>
<th>Corp.²</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>532</td>
<td></td>
<td></td>
<td>532</td>
</tr>
<tr>
<td>2007</td>
<td>527</td>
<td></td>
<td></td>
<td>527</td>
</tr>
<tr>
<td>2008</td>
<td>593</td>
<td></td>
<td>-117</td>
<td>476</td>
</tr>
<tr>
<td>2009</td>
<td>472</td>
<td></td>
<td></td>
<td>472</td>
</tr>
<tr>
<td>2010</td>
<td>510</td>
<td></td>
<td>123</td>
<td>633</td>
</tr>
</tbody>
</table>

AuM (USD bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>AuM (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>62</td>
</tr>
<tr>
<td>2007</td>
<td>68</td>
</tr>
<tr>
<td>2008</td>
<td>62</td>
</tr>
<tr>
<td>2009</td>
<td>77</td>
</tr>
<tr>
<td>2010</td>
<td>87</td>
</tr>
</tbody>
</table>

¹ Operating profit retrospectively adjusted in 2008/09 for accounting policy change
² Corporate line consists primarily of investment income earned on surplus assets
Financial highlights (2/2)

G. Financial performance

Expense ratio\(^1\) (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Expense Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>27.6</td>
</tr>
<tr>
<td>2009</td>
<td>26.5</td>
</tr>
<tr>
<td>2008</td>
<td>24.8</td>
</tr>
<tr>
<td>2007</td>
<td>21.8</td>
</tr>
<tr>
<td>2006</td>
<td>19.2</td>
</tr>
</tbody>
</table>

Statutory RBC ratio (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Statutory RBC Ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>297</td>
</tr>
<tr>
<td>2009</td>
<td>277</td>
</tr>
<tr>
<td>2008</td>
<td>206</td>
</tr>
<tr>
<td>2007</td>
<td>276</td>
</tr>
<tr>
<td>2006</td>
<td>294</td>
</tr>
</tbody>
</table>

MCEV (USD bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>MCEV (USD bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.903</td>
</tr>
<tr>
<td>2009</td>
<td>5.903</td>
</tr>
<tr>
<td>2008</td>
<td>3.903</td>
</tr>
<tr>
<td>2007</td>
<td>4.203</td>
</tr>
<tr>
<td>2006</td>
<td>4.803</td>
</tr>
</tbody>
</table>

1) Expense ratio equal to internal expenses divided by operating revenues (defined as investment income net of interest credited plus fee revenues)
G. Financial performance

1Q 2011 highlights
(USD mn)

Statutory premiums

<table>
<thead>
<tr>
<th></th>
<th>1Q 2009</th>
<th>1Q 2010</th>
<th>1Q 2011</th>
<th>Δ 1Q11 / 1Q10</th>
</tr>
</thead>
<tbody>
<tr>
<td>FIA</td>
<td>1,120</td>
<td>1,421</td>
<td>1,507</td>
<td>+6.1%</td>
</tr>
<tr>
<td>VA</td>
<td>1,222</td>
<td>698</td>
<td>958</td>
<td>+37.2%</td>
</tr>
<tr>
<td>FA</td>
<td>313</td>
<td>44</td>
<td>65</td>
<td>+47.7%</td>
</tr>
<tr>
<td>Other</td>
<td>121</td>
<td>121</td>
<td>125</td>
<td>+3.3%</td>
</tr>
<tr>
<td>Total</td>
<td>2,776</td>
<td>2,284</td>
<td>2,655</td>
<td>+16.2%</td>
</tr>
</tbody>
</table>

Operating profit

<table>
<thead>
<tr>
<th></th>
<th>1Q 2009</th>
<th>1Q 2010</th>
<th>1Q 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-134</td>
<td>141</td>
<td>126</td>
</tr>
</tbody>
</table>

- Strong premium development following re-launch of VA riders in 3Q 2009
- Solid operating profit result in 1Q 2011; 1Q 2010 positively impacted by one-off effects
- NBM of 3.0% in 1Q 2011
Development of variable annuity block

VA account value: new business versus legacy book\(^1\) (% of AV)

- Legacy book to drop to ~50% by 2013
- Profitability expected to be positively impacted by build-up of new business
- Profitability potentially accelerated based on market conditions (e.g., interest rates)

<table>
<thead>
<tr>
<th>Year</th>
<th>New business</th>
<th>Legacy book</th>
</tr>
</thead>
<tbody>
<tr>
<td>10A</td>
<td>11%</td>
<td>89%</td>
</tr>
<tr>
<td>11e</td>
<td>25%</td>
<td>75%</td>
</tr>
<tr>
<td>12e</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>13e</td>
<td>47%</td>
<td>53%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total AV USD</th>
<th>10A</th>
<th>11e</th>
<th>12e</th>
<th>13e</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>26bn</td>
<td>28bn</td>
<td>30bn</td>
<td>32bn</td>
</tr>
</tbody>
</table>

1) Based on current business plan
2) VA business issued starting 3Q 2009
**Variable annuity overview**
(31.12.2010, USD mn)

### VA guarantees (GMxB)

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Account Value</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMDB</td>
<td>1,414</td>
<td>6%</td>
</tr>
<tr>
<td>GMIB</td>
<td>7,437</td>
<td>30%</td>
</tr>
<tr>
<td>GMAB</td>
<td>9,013</td>
<td>37%</td>
</tr>
<tr>
<td>GMWB</td>
<td>6,623</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>24,487¹</td>
<td>100%</td>
</tr>
</tbody>
</table>

1. Reflects account value for VA where a rider has been purchased / selected; excludes account value with no rider

### VA net amount at risk²

<table>
<thead>
<tr>
<th>Benefit</th>
<th>1Q 08</th>
<th>4Q 08</th>
<th>4Q 09</th>
<th>4Q 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>GMDB</td>
<td>1,030</td>
<td>4,554</td>
<td>2,364</td>
<td>1,497</td>
</tr>
<tr>
<td>GMIB</td>
<td>1,214</td>
<td>4,341</td>
<td>2,631</td>
<td>1,800</td>
</tr>
<tr>
<td>GMAB</td>
<td>498</td>
<td>1,498</td>
<td>1,059</td>
<td>785</td>
</tr>
<tr>
<td>GMWB</td>
<td>654</td>
<td>2,888</td>
<td>1,708</td>
<td>1,220</td>
</tr>
</tbody>
</table>

Max net amount at risk³

<table>
<thead>
<tr>
<th></th>
<th>1Q 08</th>
<th>4Q 08</th>
<th>4Q 09</th>
<th>4Q 10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>1,363</td>
<td>5,213</td>
<td>3,132</td>
<td>2,191</td>
</tr>
</tbody>
</table>

### VA GMxB in-the-money (% of AV)

![Graph showing trend](image)

**Significant recovery since end of 2008**

1. Represents the sum of the most valuable benefit for each product; products generally offer more than one benefit while only one benefit can be elected

2. The net amount at risk is the undiscounted difference between the current benefit base and the account value. Accessing the benefit base may require taking lifetime payments or payments over a period of time, lowering actual exposure

© Allianz SE 2011
G. Financial performance

Product actions have had significant impact on margin improvement

New business margin
(VNB in % of PV of NB premiums)

PV of NB premiums
(USD bn)

Value of new business
(USD mn)

Adjusted NBM\(^1\)

Adjusted VNB\(^1\)

1) Adjusted for illiquidity premium, EIOPA yield curve extrapolation and change of cost of capital charge
MCEV development

MCEV driven by strong contribution from inforce and new business

1) Starting value reflects annual adjustments, including adjustment for illiquidity premium, EIOPA yield curve extrapolation and change of cost of capital charge
2) Includes impact of movement from VNB point of sale to 31.12.2010 market conditions
## Embedded value and VNB sensitivities¹ (USD mn)

<table>
<thead>
<tr>
<th>Economic factors</th>
<th>Non-economic factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>Base case</td>
<td>-100bp</td>
</tr>
<tr>
<td>Drop in equity value by 10%</td>
<td></td>
</tr>
<tr>
<td>Embedded value (MCEV)</td>
<td>5,938</td>
</tr>
<tr>
<td>Value of new business (VNB)</td>
<td>207</td>
</tr>
</tbody>
</table>

¹ Adjusted for illiquidity premium, EIOPA yield curve extrapolation and change of cost of capital charge
Tight expense management

Expense ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Expense Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>27.6%</td>
</tr>
<tr>
<td>2007</td>
<td>26.5%</td>
</tr>
<tr>
<td>2008</td>
<td>24.8%</td>
</tr>
<tr>
<td>2009</td>
<td>21.8%</td>
</tr>
<tr>
<td>2010</td>
<td>19.2%</td>
</tr>
</tbody>
</table>

Insurance expenses (USD mn):
- 2006: 489
- 2007: 494
- 2008: 481
- 2009: 458
- 2010: 456

CAGR: -1.7%

Operating revenues (USD mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>Operating Revenues</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>1,771</td>
</tr>
<tr>
<td>2007</td>
<td>1,864</td>
</tr>
<tr>
<td>2008</td>
<td>1,942</td>
</tr>
<tr>
<td>2009</td>
<td>2,102</td>
</tr>
<tr>
<td>2010</td>
<td>2,374</td>
</tr>
</tbody>
</table>

CAGR: 7.6%

Efficiency improvement expected to continue

1) Expense ratio equal to internal expenses divided by operating revenues (defined as investment income net of interest credited plus fee revenues, etc.)
G. Financial performance

Asset growth through strong flows and returns

Assets backing reserves (USD bn)

31.12.2009

- Inflows: +10.8
- Outflows: -6.3

31.12.2010

- Interest & similar income, other: +4.0
- Total: +11.2%

Positive net policyholder flows throughout the financial crisis

1) Includes surrenders, death claims, and annuitizations; excludes expenses/commissions

© Allianz SE 2011
Generating free surplus to fund growth and dividends

### 2009-2010 statutory free surplus¹ (USD bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>YE 2008 free surplus</th>
<th>In-force</th>
<th>New business</th>
<th>YE 2009 free surplus</th>
<th>In-force</th>
<th>New business</th>
<th>YE 2010 free surplus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>-0.3</td>
<td>+0.7</td>
<td>-0.4</td>
<td>0.0</td>
<td>+1.0</td>
<td>-0.5</td>
<td>+0.5</td>
</tr>
</tbody>
</table>

- 2009-2010 returns above average due to market performance but impact offset by higher requirements
- A normalized statutory free surplus generation of 2-4%² of available capital translates to approximately USD 100-200mn annually
- Approximately USD 90mn of dividends in the past nine months
- Planning to continue to pay dividends in 2011 and future years

---

1) Based on statutory available capital less required rating agency capital
2) Assumes consistent annual new business levels and related strain
G. Financial performance

Capital sensitivities well managed

Statutory risk-based capital (RBC) ratio (USD bn)

<table>
<thead>
<tr>
<th></th>
<th>31.12.10</th>
<th>31.03.11</th>
</tr>
</thead>
<tbody>
<tr>
<td>Available capital</td>
<td>4.8</td>
<td>4.8</td>
</tr>
<tr>
<td>Statutory required capital</td>
<td>1.6</td>
<td>1.5</td>
</tr>
<tr>
<td>RBC ratio</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

+11%-p

294%  305%

Estimated sensitivity

- Ratio as of 31.03.11: 305%
- Interest rate +200bps: 299%
- Interest rate -150bps: 309%
- Equity markets -30%: 292%

Ratings:

<table>
<thead>
<tr>
<th>Rating agency</th>
<th>Rating</th>
<th>Rating notch</th>
</tr>
</thead>
<tbody>
<tr>
<td>S&amp;P</td>
<td>AA</td>
<td>3rd</td>
</tr>
<tr>
<td>AM Best</td>
<td>A</td>
<td>3rd</td>
</tr>
<tr>
<td>Moody’s</td>
<td>A2</td>
<td>6th</td>
</tr>
</tbody>
</table>

1) Company action level
Investment portfolio (31.03.2011)

**Investment mix**

- Corporate: 57%
- CMBS: 14%
- Comm’l Mtg: 8%
- MBS/CMO: 7%
- Municipal: 4%
- ABS/CDO: 4%
- Treasuries: 3%
- Cash/short term: 2%
- Other: 1%

Total USD 67.2bn

**Unrealized gains (USD bn)**

- 31.12.10: 2.9
- 31.03.11: 2.7

**Quality**

- AAA: 26%
- AA: 13%
- A: 28%
- BBB: 26%
- BB: 2%
- Below BB: 2%
- Not rated: 3%

**Comments**

- Portfolio focused on credit assets driven by product design
- General account portfolio managed by PIMCO
- Market value of all asset classes greater than book value

---

1) Reflects IFRS market values of general account assets; other includes real estate owned, partnerships and Pfandbriefe. Cash / short term excludes USD 600mn securities lending collateral and USD 123mn net investment payable.
2) Fixed income portfolio
Corporate bonds
(31.03.2011)

Investment mix

- Industrial: 57%
- Financial: 27%
- Utility: 14%
- Other: 2%

Total USD 38.6bn

Unrealized gains (USD bn)

- 31.12.10: 1.9
- 31.03.11: 1.7

Quality

- AAA: 1%
- AA: 13%
- A: 39%
- BBB: 40%
- Below BBB: 3%
- Not rated: 4%

Comments

- Average rating: A-
- Corporate portfolio experienced no defaults in 2010, minimal 2009
- Overall portfolio quality consistent with its market benchmarks
- Approximately 5% of holdings are private placements
CMBS
(31.03.2011)

Credit support¹

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Total USD 9.6bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>30%+</td>
<td>65%</td>
</tr>
<tr>
<td>25-30%</td>
<td>30%</td>
</tr>
<tr>
<td>20-25%</td>
<td>3%</td>
</tr>
<tr>
<td>&lt;20%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Unrealized gains (USD bn)

- 31.12.10: 0.7 USD bn
- 31.03.11: 0.7 USD bn

Quality

<table>
<thead>
<tr>
<th>Credit Rating</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>AAA</td>
<td>78%</td>
</tr>
<tr>
<td>AA</td>
<td>9%</td>
</tr>
<tr>
<td>A</td>
<td>13%</td>
</tr>
<tr>
<td>BBB</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

Comments

- CMBS portfolio > 30% credit support
- Debt service coverage ratio² > 1.5
- MV/BV performance > 25% since 2008

1) Percentage of subordinate class balances versus total deal balance; equates to percentage of bondholders that would experience 100% loss before AZ Life experiences any credit loss
2) Cash flow available to meet interest and principal requirements
Commercial mortgages (31.03.2011)

Investment mix

- Warehouse: 36%
- Multi-family: 30%
- Office: 20%
- Retail: 10%
- Medical office: 4%
- Total USD 5.3bn

Loan-to-value (LTV)

- <60%: 53%
- 60-70%: 32%
- 70-80: 15%
- Other: <1%

Region

- Pacific: 46%
- WS Central: 13%
- S Atlantic: 11%
- Mountain: 10%
- EN Central: 9%
- WN Central: 5%
- New England: 3%
- Mid Atlantic: 3%

Comments

- Average LTV < 60%, all first lien
- After slow production periods in 2009 - 2010, increasing asset allocation in rationalized market in 2011
- History of strong underwriting led to minimal losses during crisis, only three foreclosures
- No exposure to worst performing assets: construction, hotels, land development, mezzanine
Outlook: profitable growth

3yr aspiration (USD)

<table>
<thead>
<tr>
<th>AuM</th>
<th>Operating profit</th>
</tr>
</thead>
</table>

Success factors

- Capturing opportunity in the retirement market
- Product management levers available to achieve targets
- Caveat: market conditions can have a positive or negative impact on both asset and operating profit growth
Positioning our clients to benefit from the multi-speed world

Mohamed A. El-Erian
PIMCO CEO & Co-CIO

New York, July 21, 2011
Outline

- What is the outlook for the global economy and markets?
- What does it mean for our clients?
- What does it mean for the investment management industry?
- How is PIMCO responding?
- What lies ahead for PIMCO as an integral part of the Allianz Group?
The context: previously unthinkables have become thinkable

- S&P negative outlook for U.S. AAA rating, and …
- Persistently high unemployment that is increasingly structural in nature
- Eurozone peripheral debt crisis
- Junk credit ratings for Greece (worse than Pakistan), Ireland and Portugal
- Contamination of the ECB’s balance sheet and of stronger economies
- etc, etc, etc …

The bumpy journey to a New Normal

In addition …
- Middle East uprisings
- Triple calamities in Japan
In sum, a changing global paradigm

Which influences …

… investment positioning

… client servicing

… product design

… thought leadership and intellectual / framework agility

… staffing and investing for the future
Secular outlook themes: navigating balance sheets

Global economy is in the midst of major multi-year realignments at both the national and global levels.

It is operating with remarkable multi-speed dynamics and facing unusual structural challenges.

Coming off the “great age” of leverage, debt and credit entitlement, balance sheets continue to matter…a lot.

Countries, sectors and companies will respond in different ways, with consequential implications for investors.

To navigate all this well for clients, it is not just about what you think; it is also about how you think.
Secular outlook themes: multi-speed growth dynamics

Emerging Markets versus G-7 real GDP growth, 2001 – 2011

Source: Haver Analytics, IMF
Secular outlook themes: the changed patterns of surpluses and deficits

Current Account (% of global GDP)

Source: Penn World Table
Secular outlook themes: the U.S. economy coping with a challenging stock and flow disequilibrium

- With over USD 14 trillion of federal government debt owed to its creditors and USD 1 trillion plus annual fiscal deficits, the U.S. government’s credit standing may come under pressure
- Massive use of the printing press, while a viable short-term response, involves significant costs and risks

**Offsetting factors**

- The U.S. Dollar as the reserve currency and other global public goods
- Access to deep, well-functioning, liquid financial and capital markets
- The U.S.’ rule of law and contract enforcement

Source: World Bank, IMF
Secular outlook themes: the structural side of the U.S. unemployment issue

U.S. long-term unemployment

U.S. teen unemployment

Source: Haver Analytics
Secular outlook themes: within the five choices, advanced economies are pursuing different approaches to balance sheet rehabilitation

With growth prospects muted …

Financial repression and inflation

Austerity

Peripheral Europe

Restructuring

… in the process, look for several historical “contracts” to be revised, some in an orderly process and some in a disorderly process
Secular outlook themes: emerging economies face a different (and better) set of challenges

- Managing success
- Avoiding overheating
- Dealing with massive capital inflows
- Managing wealth
- Managing a challenging “middle income transition,” including empowering the middle class and striking a better balance between producers and consumers
- Will the world accommodate EM growth and the related breakout dynamics?
Structural issues require structural solutions…
Yet, so far, policymakers have kicked the can(s) down the road

Not a can, but a snowball

**US**

Four structural impairments
- Housing
- Credit intermediation
- Public finances
- Labor markets

**QE2**

Intention and consequences
Wedge between valuations and fundamentals – balancing “benefits, costs and risks”

**Europe**

A liquidity approach to a solvency problem
- Piling new debt on top of excessively high old debt
- Failure to deal with fundamental issues – debt stock and growth dynamics
- Situation now worse, in relative and absolute terms
- Contagion – ECB now part of problem instead of solution
Possible outcomes:
New Normal baseline, with fatter tails on both sides

Baseline: Multi-speed growth in the context of multi-year balance sheet reforms, tendencies for increased inequality within countries, and continued convergence in income and wealth dynamics between advanced and emerging economies

- **Right tail scenario (i.e., baseline too pessimistic)**
  Two of three grand bargains come true to unleash non-inflationary global growth
  - “Sputnik moment”
  - “Moment of truth”
  - “Unleashing” the Chinese consumer

- **Left tail (i.e., baseline not pessimistic enough)**
  Disorderly end of the balance sheet shell game

Importantly … a flatter distribution of outcomes, and with fatter tails
Implications: we must help position investors for both the bumpy journey and the evolving destination

- Global economy has cyclically recovered but remains structurally impaired
- Global growth is now slipping and balance sheet issues, which will be in play for years, are heating up
- Advanced economies are hobbling along
- Emerging economies are in development breakout phase, but must continue to manage well success, and the world must accommodate their success
- Several parameters becoming variables
- Getting all this right is crucial for seizing opportunities and minimizing risks
Some implications of a changing global paradigm for delivering high value to clients

<table>
<thead>
<tr>
<th>Six illustrative principles</th>
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<tbody>
<tr>
<td>Framework / intellectual agility</td>
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<td>Evolving conventional wisdom, including the underpinnings of benchmark and guidelines</td>
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<tr>
<td>Expectation management</td>
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<tr>
<td>Understanding the changing set of global opportunities and risks</td>
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<tr>
<td>Greater differentiation within asset classes</td>
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<tr>
<td>Managing the tails</td>
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</table>
Some implications of a changing global paradigm for the investment management industry

Key question: who seizes the first mover advantages for their clients?

How do firms respond to clients’ evolution to outcome oriented solutions rather than just products?

How do firms respond to the more fluid regulatory environment?

What form does industry consolidation take?
For PIMCO, it is about delivering on what we control and responding well to what we do not control

Committed to delivering on what we control

- Outstanding investment performance
- First class client servicing
- Responsive solutions and product line up
- Recognized thought leadership
- Forward-looking business management

Do not control but committed to respond well

- Asset allocation trends
- Demography
- People are doubtful and looking for guarantees
- Market valuations
PIMCO’s focus is on delivering long-term and sustainable value to our clients – superior investment performance is always a must

PIMCO’s investment performance:
Percentage of discretionary assets outperforming the portfolio benchmark.

Period ending May 31, 2011 (Net of Fees)

<table>
<thead>
<tr>
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<th>1 year</th>
<th>3 year</th>
<th>5 year</th>
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<tr>
<td>90%</td>
<td>90%</td>
<td>92%</td>
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</table>
To continue to serve our clients well, PIMCO will adapt and evolve in line with (and ahead of) global economic and market realities.

- Investment strategies and portfolio positioning
- Product design and creation of vehicles to fully optimize these changes (journey and destination)
- Technology and analytics
- Client servicing
- Thought leadership

Our heritage: The Authority on Bonds

Our future: Your Global Investment Authority
We have developed a more global platform, and will continue to grow our presence in non-U.S. markets.

**AuM (December 31, 2000): USD 216bn**
- Americas: 94%
- Asia Pacific: 4%
- Europe: 2%

**AuM (May 31, 2011): USD 1,399bn**
- Americas: 73%
- Asia Pacific: 11%
- Europe: 16%
We have continued to evolve in a focused yet dynamic fashion-building on what we do very well, and we will continue to do so.

AuM (December 31, 2000): USD 216bn

AuM (May 31, 2011): USD 1,399bn
Continuing to strengthen capabilities across the capital structure and across the world …

… to be our clients’ preferred providers of global investment solutions
So much for the “what” Now for the “how”: “One PIMCO” is a competitive differentiator

- **Investment process and solutions**
  - Continue to evolve and enhance features of our investment process, to reflect the transitioning nature of global economic growth and investment opportunity
  - Combine well top down and bottom up insights

- **Local presence and strong PIMCO culture**
  - Continue to invest in our local resources while maintaining consistency in our culture, to ensure “One PIMCO” throughout our offices around the world
  - Cultivate and enhance value of brand equity on a global basis, further developing our local thought leadership

- **Organic growth**
  - Measured and deliberate … team / individual based vs. acquisitions which can be costly, distracting, and dilutive of culture and standards of excellence
Reflecting all this in responsive facts on the ground

- Solutions
- Tail hedging
- Advisory
- ETFs
- Equities
- PIMCO Investments
- NY portfolio management platform and continuing our globalization
- Working with AZ Life and AZ to all become a recognized leader in retirement space
Managing the transformation: challenges and risks

| Resilience | We are operating in an environment of change; our success depends on our ability to anticipate and adapt to evolving client needs, investment opportunities, economic developments, and regulation |
| Culture    | We must maintain and enhance the key elements of our success as we grow across regions and capabilities |
| Reputation | We have built our brand into an incredibly valuable asset, and must protect it at all cost |
| Governance | We must continue to evolve our internal governance |
| Talent management | We must maintain our efforts, emphasizing forward-looking skills, diversity and orderly transition |

In sum we must remain “constructively paranoid”
Talent management and succession: we have continued to develop a broader group of senior managers, to help enable PIMCO’s long-term success

The pool of MDs has been refreshed and expanded to recognize the experience and contributions of a broader group of individuals

Since 2006:
- the total number of MDs has increased from 28 to 44 (+57%)
- 30 new MDs have been appointed
- 14 MDs have retired or left the firm
- have hired MDs from the outside

The current group of MDs has an average of 20 years of investment experience

1) Denotes numbers of years as an MD of the firm; 2011 shown as of May 31st
Building on our historical success, PIMCO’s best days are still ahead of us

- Living the values that have driven PIMCO’s success for 40 years
  - Clients come first
  - People are our most valuable asset
  - Professional discipline drives us
  - Integrity, always

- Responding to our clients’ evolution from products to solutions

- Applying PIMCO quality and thought leadership throughout the value-added chain

- Building resilience by making targeted investments in enablers of future business success
  - Human capital
  - Technology & analytics
  - Completing our multi-year evolution from “just bonds” to “more than bonds” to “our clients provider of global investment solutions”

- Deepening and broadening our successful interactions within the Allianz Group
Reinforcing and extending eleven great years of partnership with Allianz

By enabling and supporting PIMCO, Allianz has been instrumental to our ability to serve well our clients, shareholders, and stakeholders … … and therefore thrive as a company

Looking forward, PIMCO as an integral member of the Allianz Group is committed to…

- … continuing to enhance the Group’s Asset Management business line
- … continuing to manage well Group assets entrusted to us
- … advancing with profitable cross fertilization initiatives (e.g., retirement)
- … continuing to deliver solid growth in operating earnings and net income … that is relatively high, relatively stable, and lowly correlated with other sources of earnings for the Group
- … continuing to assist in thought leadership and other strategic Group initiatives
- And thus, continue to deliver large and growing value to shareholders, clients, and other stakeholders
In conclusion, our continued success depends on our ability to anticipate and adapt the needs of our clients in an evolving world.

- Economies and markets are in the midst of consequential national and global re-alignments.
- We must position PIMCO to continue to serve well clients’ needs in the midst of a consequential paradigm change.
- The ability to understand, anticipate, respond and adapt is key.
- We will maintain and enhance key elements of our historic success: versatility and innovation, absorption and agility, defense and offense.
- Together with continued strong support from – and expanding collaboration with Allianz – we will continue to position PIMCO as our clients’ provider of choice in the global investment management industry, today and tomorrow.
- If we succeed, and we fully intend to, PIMCO’s best days are ahead of us.
H. Positioning our clients to benefit from the multi-speed world
Past performance is not a guarantee or a reliable indicator of future results. Performance figures are presented net of management fees (described in PIMCO’s form ADV, part II) commissions, other expenses, and the deduction of actual investment advisory fees; but do not reflect the deduction of custodial fees. The “net of fees” performance figures above also reflect the reinvestment of earnings.

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