Allianz Capital Markets Day

Simplicity wins

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Ivan de la Sota, CBTO Allianz SE

Telephone Conference for Journalists
November 30, 2018
Agenda

Taking stock
Bäte

Simplicity wins
Bäte

Simplicity at scale
De la Sota

Capital Management
Terzariol

Targets and outlook
Bäte

2016 - 2018
Outperform, transform, rebalance

Allianz Customer Model

Generating value

2019 - 2021

Generating value
## Allianz to deliver on its ambitious targets

<table>
<thead>
<tr>
<th>Target</th>
<th>Actual¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>3y EPS CAGR</td>
<td>7.1%</td>
</tr>
<tr>
<td>RoE</td>
<td>13.8%</td>
</tr>
<tr>
<td>Businesses with NPS above market Ø</td>
<td>~71%</td>
</tr>
<tr>
<td>Inclusive Meritocracy Index</td>
<td>71%</td>
</tr>
</tbody>
</table>

- **P/C CR 94%**: 94.0%
- **PIMCO CIR 60%**: 58%
- **L/H share of preferred lines 80%**: 82%
- **Alternative assets EUR 110bn**: 127bn
- **L/H NBM 3.0%**: 3.4%
- **SII interest rate sensitivity <11%-p**: 7%-p
- **L/H OEs with RoE ≥10% at 100%**: 93%
- **Launched digital products 100%**: 96%

¹ 9M 2018 or annualized, if appropriate

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While customer satisfaction and growth improve, productivity gains materialize

Customer loyalty
(businesses with NPS above market Ø)

2016 2017 2018e
55% 60% ~71%

Internal growth rate (P/C)

2016 2017 9M 2018
3.1% 2.3% 5.9%

Expense ratio (P/C)

2016 2017 9M 2018
28.7% 28.7% 27.9%

IT spend EUR 3.5bn p.a.

2016 2017 9M 2018
5.9% 4% 5.9%
Result: outstanding total shareholder return

Total shareholder return\(^1\) in %
Indexed to 100

1) Period 01.01.2016 - 23.11.2018
Source: Bloomberg
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Groundwork done, real transformation next

2015 - 2018: foundations

- AM: PIMCO back to top performance
  AllianzGI strengthened

- L/H: Business model restructured

- P/C: 94% CR and growth

2019 - 2021ff: transformation

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Our strategic priority: “simplicity wins”

Objectives

- **2016 - 2018**
  - Foundations
  - **2019ff**
    - Outperform
    - Transform
    - Rebalance

Focus

- Groundwork
  - Productivity
  - Scalability through ACM
  - Capital allocation & new businesses incl. EDP

Tools

- **Renewal Agenda 1.0**
  - “Simplicity wins” – Renewal Agenda 2.0
    - Customer
    - Digital
    - Excellence
    - Growth
    - Meritocracy

1) Allianz Customer Model
2) European Direct Platform

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Renewal Agenda to be continued and accelerated

New incentives and skills
- Aspiration to become best practice
- Inclusive leadership / mobilization

Loyalty leadership
- Simple and intuitive products
- Empathic service and frontline empowerment

Focus on profitable growth and new platforms
European direct platform (EDP) and digital ventures and partnerships (Allianz X)

Allianz Customer Model (ACM)
Continuous productivity gains through simplification, harmonization and legacy reduction

Superior data analytics
Leveraging of Artificial Intelligence (AI) especially in retail, SME and Allianz Investment Management (AIM)
Transform: turn complexity into superior scale ...

- **SIMPLE**: Fewer, intuitive products
- **DIGITAL**: Enhanced data analytics, Trouble-free processes without legacy
- **SCALABLE**: Harmonized products and processes, Cost and revenue synergies
... now moving from institutional to retail lines
Simplicity at scale

Allianz Customer Model
Transform the core

European Direct Platform
Develop new models at scale

SIMPLICITY!
“Which ONE thing bothers you most about insurance?”

Survey with 500 participants; conducted in October 2018 in Germany
Transform: the Allianz Customer Model

Allianz Group

- Organic growth\(^1\) > 2%
- Profitability\(^2\) 94% CR
- Customer satisfaction\(^3\) n.a.

Allianz Customer Model (ACM)
- Simplification and harmonization -

OE1

OE2

OE3

OE4

Allianz best practice

- Organic growth\(^1\) > 5%
- Profitability\(^2\) < 92% CR
- Customer satisfaction\(^3\) > 20%

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1) P/C CAGR internal growth 2017/2015
2) Combined ratio 9M 2018
3) P/C absolute NPS 2017. Group: KPI not calculated on aggregated basis

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Transform: simplicity potential even in best practice OEs

Allianz best practice retail motor legacy book

- **Share in revenues**: 3%
- **Share in IT costs**: 18%

Disproportional savings potential

Accelerated migration of legacy books and systems

1) Third product generation and older
Demystifying products, enhancing service and performance

Master product

- Designed for the customer...
  - Simple
  - Intuitive
  - Comprehensive

- ...and innovative
  - One logic
  - Data-driven
  - Mobile first
Products are already the same

Potential commonalities¹

1) Commonalities (e.g. technical components, covers or technical items) among at least 2 out of the 3 OEs (resp. 3 out of the 5 OEs for SME) that participated in mapping

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Rebalance: putting scale to work

Archetypes of direct businesses

- Attackers
- Innovation at scale
- Laggards
- Specialists

Customer centricity & innovation

Scale at low costs

- Allianz European Direct Platform

Scope: Initially European
Brand: Allianz Direct
Platform: ABS and new cloud-based micro-services architecture for best in class cost and agility
Offering: ACM master product and process design

Most InsurTechs
Customers only one click away from buying insurance online

Share of customers by distribution approach (Germany)

- Hybrid\(^1\), ROPO\(^2\) ~70%
- Pure online ~25%
- Pure offline ~5%

1) Information online and/or offline, purchase online, but still preference for personal formats (e.g., for claims handling)
2) Research online, purchase offline

Source: GfK, McKinsey
Global and disruptive

Design principles

- One brand
- One common platform
- One master product
- One insurance carrier
- One steering

Wave 1

- Germany
- Netherlands
- Italy
- Spain

Later waves

- France
- Switzerland
- Austria
- ...

Capital Markets Day 2018
Ambitious targets to get to the top

<table>
<thead>
<tr>
<th>Metric</th>
<th>2017</th>
<th>Mid-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claims paid in 24h</td>
<td>90%</td>
<td></td>
</tr>
<tr>
<td>Exclusions</td>
<td>≤5</td>
<td></td>
</tr>
<tr>
<td>Market leading expense ratio</td>
<td>~12%</td>
<td></td>
</tr>
<tr>
<td>Claims rejected</td>
<td>&lt;1%</td>
<td></td>
</tr>
<tr>
<td>Straight-through processing</td>
<td>95%</td>
<td></td>
</tr>
<tr>
<td>Handovers during process</td>
<td>0</td>
<td></td>
</tr>
</tbody>
</table>

Our ambition (GPW in EUR)

- ~1bn
- 3-5bn

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Capital Markets Day 2018

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  - Bäte
  - 2016 - 2018

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  - Allianz Customer Model

- Capital Management
  - Terzariol
  - Generating value
  - 2019 - 2021

- Targets and outlook
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Discipline generates optionality

Hurdles

Internal growth

External growth

Share buy-back

Strategic fit
Quality

Cash
Rol
SII

Capital allocation

Rol
SII
Cash
Selective portfolio optimization

Transaction volume\(^1\) (EUR)

- **Bought Σ 4bn**
  - Euler Hermes
  - LV=
  - Allianz X investments
  - Multiasistencia
  - Zurich Maroc
  - Allianz Irish Life minorities
  - Aegon Commercial NL
  - Janashakthi General Insurance
  - ADAC JV
  - Gurtin
  - PWC ECA
  - PNB Life
  - Rogge Global Partners
  - DAS Switzerland/Slovakia/Lux.
  - Moneyfarm
  - Ensure Nigeria
  - Saudi Fransi
  - Distribution:
    - HypoVereinsbank (Germany)
    - Standard Chartered (Asia)
    - UniCredit (CEE)

- **Sold Σ 1bn**
  - Allianz Life Korea
  - AGF Insurance UK
  - AllianzGI Korea
  - Allianz Taiwan life portfolio
  - OLB

\(^1\) Net loss in case of disposals with negative P&L impact

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Result: strong solvency *and* attractive payout

Cash returned to shareholders (EUR)

Solvency II

- 2013: 194%
- 2014: 191%
- 2015: 200%
- 2016: 218%
- 2017: 229%
- 9M 2018: 229%

Σ 7.5bn x 2 = Σ 16bn

Tight capital management – delivered as promised
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<th>KPI</th>
<th>Targets¹ (2019 - 2021)</th>
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<tbody>
<tr>
<td>Earnings growth</td>
<td>EPS CAGR 5% plus o/w 4% plus organic</td>
</tr>
<tr>
<td>Profitability²</td>
<td>RoE 13% plus</td>
</tr>
<tr>
<td>Capital strength</td>
<td>SII ratio 180% plus</td>
</tr>
<tr>
<td>Customer centricity³</td>
<td>NPS &gt; market 75% plus</td>
</tr>
<tr>
<td>Employee commitment</td>
<td>IMIX 73% plus</td>
</tr>
</tbody>
</table>

1) Actual results, performance or events may differ materially from these forward-looking statements. The company assumes no obligation to update any information or forward-looking statement contained herein.
2) RoE calculation excludes unrealized gain/losses on bonds, net of shadow DAC.
3) Percent value refers to share of businesses measuring retail NPS.
## From discount to premium valuation

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<tr>
<th>Allianz valuation</th>
<th>Discount</th>
<th>Neutral</th>
<th>Premium</th>
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<tbody>
<tr>
<td>until 2015</td>
<td></td>
<td>2016 - 2018</td>
<td>2019 - 2021</td>
</tr>
<tr>
<td>Resilience</td>
<td></td>
<td>✔️</td>
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<tr>
<td>Profitability</td>
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<tr>
<td>Capital management</td>
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<tr>
<td>Organic growth</td>
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<tr>
<td>Productivity</td>
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<td>Simplicity</td>
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<td>✔️</td>
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<tr>
<td>Scalability</td>
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<td>✔️</td>
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These assessments are, as always, subject to the disclaimer provided below.

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

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