Figures in this presentation are illustrative and no forecast!
Summary: fundamentals unchanged, disclosure improved

1. Limited economic impact
   - Solvency II
   - Cash flow
   - Dividend

2. Strong fundamentals
   - Operating profit
   - Net income
   - S/h equity
   - CSM\(^1\)
   - RoE

3. Improved disclosure
   - Transparency
   - Comparability
   - Simplicity
   - Profitability

1) Contractual service margin
The new accounting at a glance

**IFRS 9**
Financial instruments
- Principles for asset classification
- P&L measurement rules
- Impacts ~90% of investments

**IFRS 17**
Insurance contracts
- Valuation principles
- Timing of profit recognition
- Impacts ~90% of liabilities

Balance sheet (simplified)
IFRS 9: new classification of investments…

Investment portfolio
(Illustrative)

- Fixed income incl. loans\(^1\): ~78%
- Public equities\(^1\): ~5%
- Non-consolidated funds\(^2\): ~7%
- Real estate / participations: ~5%
- Other\(^3\): ~4%

Highlights

- Valuation at fair value
- Market value changes for >95% of debt portfolio booked in equity, but for debt instruments with special features\(^4\) booked through P&L
- Forward-looking impairment model with earlier recognition of credit deterioration
- Valuation at fair value
- Market value changes and impacts from disposal booked in equity
- Valuation at fair value
- Market value changes booked through P&L
- Valuation mostly at fair value; remaining assets at amortized cost
- Market value changes for assets accounted at fair value booked through P&L
- No material change

1) Non-consolidated funds shown in separate item
2) Non-consolidated funds without look-through
3) Cash and derivatives
4) Debt instruments that do not pass the SPPI test (solely principal payment and interest), e.g. subordinated bonds with equity features
...changes P&L impact

Asset classification and measurement

(Illustrative)

<table>
<thead>
<tr>
<th></th>
<th>Current IFRS</th>
<th>IFRS 9/17</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value through P&amp;L</td>
<td>~6%</td>
<td>~18%</td>
</tr>
<tr>
<td>Amortized cost / at equity</td>
<td>~19%</td>
<td>~1%</td>
</tr>
<tr>
<td>Fair value through OCI with P&amp;L recycling¹</td>
<td>~75%</td>
<td>~76%</td>
</tr>
<tr>
<td>Fair value through OCI without P&amp;L recycling¹</td>
<td>0%</td>
<td>~5%</td>
</tr>
</tbody>
</table>

Highlights

- New: non-consolidated funds² and debt instruments with special features³ as well as real estate, JV and associates mostly for participating business
- Higher share of FVTPL⁴ assets in P/C increases volatility of non-OP result
- Mainly real estate, JV and associates for non-participating business
- Plain-vanilla debt instruments
- New: loans (currently valued at amortized cost)
- New: default category for public equities
- Harvesting result booked in equity without P&L impact

1) Recycling: realized gains/losses from disposals are shown in P&L. No recycling: realized gains/losses from disposals are booked within equity
2) Without look-through
3) Debt instruments that do not pass the SPPI test (solely principal payment and interest), e.g. subordinated bonds with equity features
4) Fair value through P&L (see appendix)
IFRS 17: liabilities comparable to Solvency II

Balance sheet liabilities (Illustrative)

Current IFRS
- Technical reserves
- Risk adj.
- CSM
- Equity

IFRS 9/17
- Technical reserves
- Technical reserves
- Risk adj.
- CSM
- Equity

Highlights

- Technical reserves more consistent with Solvency II technical provisions
- Risk adjustment reflects non-financial risks not captured by best estimate
- Comparable to Solvency II risk margin, but slightly lower level
- CSM represents future profits (similar to VNB) of in-force business
- Disclosure of movement, projected release and sensitivities
- Contains retained earned profits
- Other comprehensive income (OCI) to include new items, e.g. impact of change in interest rates for discounted P/C reserves of past periods
Comprehensive s/h capital includes net CSM

**Group balance sheet equity**
(Illustrative)

- **Current IFRS**
  - ~80bn
- **IFRS 9/17**
  - ~95bn

- **S/h equity**
  - ~80bn
- **CSM (net)**
  - ~35bn
- **S/h equity**
  - ~60bn

**Highlights**

- Future profits captured in contractual service margin (CSM)
- Comprehensive shareholder capital: shareholders’ equity plus net\(^2\) CSM
- S/h equity converges towards equity currently used for RoE calculation
- Difference versus current IFRS mainly driven by OCI; shareholder margin on unrealized gains for direct participating business moves to CSM
- Less volatility from interest rate changes
- Compared to Solvency II own funds, s/h equity plus net CSM is higher\(^3\)
- Leverage considers s/h equity plus net CSM, reducing the leverage ratio

---

1) Senior debt and subordinated bonds divided by the sum of senior debt, subordinated bonds, shareholders' equity and, for IFRS 9/17, net CSM
2) After reinsurance, non-attributable cost, tax and minorities
3) IFRS 9/17 equity plus net CSM with different scope, e.g. treatment of goodwill / intangibles, surplus funds, Tier 2 subordinated liabilities or entities with third country equivalence under Solvency II
Operating profit on similar level

Operating profit
(Illustrative)

Highlights

- Group operating profit on similar level
- Better reflection of economic changes, particularly interest rates

- Operating profit on similar level
- Short-term positive impact on underwriting result from rising interest rates, offset by correspondingly lower investment result in the mid-term

- Operating profit on similar level
- Moderate volatility (dampening effect of CSM)
- Transparent presentation of profit emergence (CSM release)

- No material impact
Net income on similar level

<table>
<thead>
<tr>
<th>Shareholders’ net income IFRS 9/17 (Illustrative)</th>
<th>Highlights</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit</td>
<td>On similar level – short-term upside in P/C from rising interest rates</td>
</tr>
<tr>
<td>Non-operating items</td>
<td>More volatile</td>
</tr>
<tr>
<td>Realized gains/losses and impairments(^1)</td>
<td>New: excludes net harvesting result for public equities which is booked in equity</td>
</tr>
<tr>
<td>Market value change of FVTPL assets(^2)</td>
<td>Higher volatility due to increased share of FVTPL assets(^2)</td>
</tr>
<tr>
<td>Other(^3)</td>
<td>No material change</td>
</tr>
<tr>
<td>Income taxes</td>
<td>No material change</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>No material change</td>
</tr>
</tbody>
</table>

**Shareholders’ net income**

**Similar level – somewhat more volatile**

---

1) Contains expected credit losses on fixed income from new impairment model
2) Applicable for P/C and L/H non-participating business
3) E.g. interest expenses from external debt, restructuring and integration expenses, amortization of intangible assets
Content

- Group
- Property Casualty
- Life Health
- Summary
P/C balance sheet with discounted reserves

**Highlights**

For 99% of P/C business the simplified Premium Allocation Approach (PAA) is applied\(^1\), leading to only small conceptual changes versus current IFRS.

- Lower level subject to extent of reserve discounting; valuation curve\(^2\) for each period will be locked in, i.e. change in interest rates for past periods booked in OCI, not impacting P&L; annual unwind of reserves shown as negative item in investment result.
- Loss component: small; losses from onerous contracts booked at inception of contract as explicit position within insurance liabilities.
- Risk adjustment: Explicit add-on for non-financial risks to best estimate reserves; assumptions broadly consistent with SII risk margin.
- On similar level as in current IFRS.
- Impact of interest rate changes for past periods booked in OCI.

---

1) Based on GPW; premium allocation approach only applicable for short-term business
2) Derived from bottom-up approach: risk-free rates plus illiquidity premium.
Underwriting result
(Illustrative)

| Current IFRS | ~3bn | +0.6bn – 0.9bn | +/- | +/- |
| IFRS 9/17 | 3.6bn – 3.9bn |

Highlights

| Underwriting result | Impact from discounting depends on interest rate level |
| Loss component | Approach similar to current premium deficiency reserve; some short-term noise possible |
| Risk adjustment | Broadly neutral; increase in AY reserves offset by release of risk adjustment for prior periods in run-off |

1) Valuation curves based on risk-free rates plus illiquidity premium; valuation curves are locked in, changes in future periods are booked within shareholders equity (OCI), not impacting P&L

Operating insurance service result replaces underwriting result under current IFRS
P/C combined ratio in detail

Combined ratio (Illustrative)

<table>
<thead>
<tr>
<th>Loss ratio</th>
<th>Expense ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>~67</td>
<td>~27</td>
</tr>
<tr>
<td>~67-68</td>
<td>~25-26</td>
</tr>
</tbody>
</table>

Similar or lower level\(^1\) ~94

~94-93 ~93-94

Current IFRS

IFRS 9/17

Highlights

New topline: CR calculation based on gross instead of net premiums earned

- Favorable impact from gross instead of net view as well as discounting of reserves
- Unfavorable impact from integration of reinsurance result
- Some noise driven by loss component – overall neutral
- Overall neutral impact from risk adjustment – shift between AY and PY

- Lower ER following move from net to gross view
- Includes non-attributable cost, i.e. same cost basis as under current IFRS

---

\(^1\) Based on current interest rate environment
P/C investment result lower

Operating investment result (Illustrative)

Current IFRS

-3bn

+/-0

-0.4bn – -0.6bn

IFRS 9/17

2.4bn – 2.6bn

Highlights

Operating investment result

Consistent with operating investment result under current IFRS (interest & similar income minus investment expenses)

Investment income

Negative impact from unwind of discounted loss reserves; size of unwind depends on interest rate levels of prior years

Interest accretion

Operating investment result

IFRS 9/17 @ ALLIANZ
## P/C operating profit on similar level

### Operating profit IFRS 9/17

<table>
<thead>
<tr>
<th>Category</th>
<th>Description</th>
<th>IFRS 9/17 @ ALLIANZ Contribution (Illustrative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total business volume</td>
<td>Corresponds to total revenues under current IFRS (GPW+fee income)</td>
<td></td>
</tr>
<tr>
<td>Insurance revenues</td>
<td>Similar to gross premiums earned under current IFRS</td>
<td></td>
</tr>
<tr>
<td><strong>Op. insurance service result</strong></td>
<td>New: discounted reserves, risk adjustment and loss component</td>
<td><strong>3.6bn – 3.9bn</strong></td>
</tr>
<tr>
<td><strong>Op. investment result</strong></td>
<td>New: includes unwind from reserve discounting</td>
<td><strong>2.4bn – 2.6bn</strong></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Unchanged versus current IFRS</td>
<td><strong>small</strong></td>
</tr>
<tr>
<td><strong>Operating profit</strong></td>
<td>Similar level, short-term upside potential driven by interest rates</td>
<td><strong>6.0 – 6.5bn</strong></td>
</tr>
</tbody>
</table>

1) Operating insurance service result includes non-attributable cost, i.e. same cost base as under current IFRS
Content

Group

Property Casualty

Life Health

Summary
L/H balance sheet shows future profits

L/H balance sheet liabilities
(Illustrative)

Insurance liabilities → Present value of future cash flows (PVFCF) → Market valuation of liabilities

Current IFRS

• PVFCF
  • represents discounted expected cash flows to policyholders and attributable expenses

• Explicit add-on for non-financial risks to best estimate reserves
• Conceptually similar to Solvency II risk margin
• Release of risk adjustment contributes to operating profit

• CSM comprises deferred discounted future profits of in-force business
• Part of insurance liabilities, thereby reducing equity
• Disclosure of movement, projected release and sensitivities
• CSM release key driver for operating profit

• Under current IFRS unrealized gains/losses included in equity (OCI)
• Under IFRS 9/17 shareholders’ share of unrealized gains/losses for participating business included in CSM until release into P&L

Equity

CSM

IFRS 9/17 @ ALLIANZ

1) Present value of future cash flows (see appendix)
**Contractual service margin movement** (Illustrative)

<table>
<thead>
<tr>
<th>CSM (beginning of period)</th>
<th>~55bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>+4 – 5bn</td>
<td></td>
</tr>
<tr>
<td>+1.5 – 2.5bn</td>
<td></td>
</tr>
<tr>
<td>+/-</td>
<td></td>
</tr>
<tr>
<td>-4.5 – 5.0bn</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>CSM (end of period)</th>
<th>54 – 60bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>-21 – 23bn</td>
<td></td>
</tr>
</tbody>
</table>

| CSM (net) | 33 – 37bn |

**Highlights**

<table>
<thead>
<tr>
<th>Future profits beginning of period as shown in balance sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSM@inception Future profits from new business production</td>
</tr>
<tr>
<td>Expected in-force return Unwind from discount plus normalized investment over-returns from in-force book above valuation rate</td>
</tr>
<tr>
<td>Experience &amp; assumption changes Volatile element containing the impact from market and assumption changes of in-force book on future profits</td>
</tr>
<tr>
<td>CSM release Profits “earned” in respective period released to P&amp;L; crucial component for operating profit</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Future profits end of period as shown in balance sheet</th>
</tr>
</thead>
<tbody>
<tr>
<td>Reinsurance, non-attributable cost, tax and minorities Adjustment for shareholders’ share after reinsurance, fully loaded cost, tax and minorities</td>
</tr>
</tbody>
</table>

**Future profits net**

1) After reinsurance, non-attributable cost, tax and minorities
L/H new business value higher

Value of new business
(Illustrative)

<table>
<thead>
<tr>
<th>SII VNB</th>
<th>~4%</th>
<th>~2.5bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBM</td>
<td>~+1bn</td>
<td></td>
</tr>
<tr>
<td>+0.2 – 0.3bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>+0.4 – 0.6bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0 – +0.2bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>IFRS 9/17 VNB</th>
<th>~5-6%</th>
<th>4 – 4.5bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBM</td>
<td>~+0.4bn</td>
<td></td>
</tr>
<tr>
<td>~+0.6bn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>~+0.2bn</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| IFRS 9/17 CSM@inception | 4 – 5bn |

Highlights

Current KPI for new business value; basis for NBM

<table>
<thead>
<tr>
<th>Tax / minorities</th>
<th>IFRS 9/17 view is before tax and minorities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk adjustment</td>
<td>Slightly higher diversification benefit under IFRS 9/17 versus SII risk margin</td>
</tr>
<tr>
<td>Valuation curve</td>
<td>Mainly driven by illiquidity premium (portfolio specific under IFRS 9/17)</td>
</tr>
<tr>
<td>Other</td>
<td>Differences in financial assumptions (e.g. cash flows or contract boundaries)</td>
</tr>
</tbody>
</table>

New KPI for new business value; basis for NBM

| Non-attr. cost / reinsurance | CSM@inception is before non-attributable cost and reinsurance, which are separate OP line items |
| Scope | Investment contracts as well as PAAA business not in scope of IFRS 17 (= no CSM) |

KPI for CSM movement

1) Premium allocation approach (see appendix)
L/H operating profit on similar level

Operating profit IFRS 9/17

- **CSM release**: Release of earned profits from in-force business
- **Release of risk adjustment**: Release of risk buffer
- **Loss component and variances**: Minor impact
- **Non-attributable cost**: Expenses not directly attributable to insurance portfolios
- **Investment result**: Only relevant for OEs without direct participating business
- **Other**: Minor impact
- **Operating profit**: Similar level to operating profit under current IFRS

**Operating profit contribution**

<table>
<thead>
<tr>
<th>Element</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>CSM release</td>
<td>4.5 – 5.0bn</td>
</tr>
<tr>
<td>Release of risk adjustment</td>
<td>~0.5bn</td>
</tr>
<tr>
<td>Loss component and variances</td>
<td>small</td>
</tr>
<tr>
<td>Non-attributable cost</td>
<td>~-1bn</td>
</tr>
<tr>
<td>Investment result</td>
<td>0 – 1bn</td>
</tr>
<tr>
<td>Other</td>
<td>small</td>
</tr>
<tr>
<td>Operating profit</td>
<td>4.5 – 5.0bn</td>
</tr>
</tbody>
</table>

1) Variances only applicable for non-VFA business
2) Includes investment result for indirect or non-participating business as well as hedging result net of interest accretion on reserves
3) Includes e.g. reinsurance result, profits for IFRS 9 investment contracts as well as fee income / expenses
Summary: fundamentals unchanged, disclosure improved

## Limited economic impact
- **Solvency II**: Not impacted
- **Cash flow**: Not impacted
- **Dividend**: No change, still based on adjusted net income

## Strong fundamentals
- **Operating profit**: No major change, slightly higher in the short-term
- **Net income**: Similar level; somewhat more volatile
- **S/h equity**: Significantly less volatile; adjusted for OCI slightly lower
- **CSM**: Strong pool of future profits
- **RoE**: Slightly higher

## Improved disclosure
- **Transparency**: Additional KPIs and balance sheet items
- **Comparability**: Common set of valuation principles across the entire industry
- **Simplicity**: Central assumptions similar to Solvency II
- **Profitability**: Better reflection of market and interest rate impact

Impact from NatCat, financial markets, regulatory action and litigation, F/X and global economic developments not predictable
Timeline

2022
- October
- November
- December

- Conference call (Introduction)
  - IFRS 9/17 @ Allianz
  - Main KPIs
  - Illustrative figures
  - November 22, 2022

2023
- January
- February
- March
- April
- May
- June

- FY 2022 results (Current IFRS)
  - Outlook based on IFRS 9/17
  - February 17, 2023

- Annual report (Current IFRS)
  - IFRS 9/17 opening balance sheet (as of 01.01.2022)
  - March 03, 2023

- 1Q 2023 results (IFRS 9/17)
  - 1st IFRS 9/17 reporting incl. FY 2022 results
  - May 12, 2023
Appendix
# Investment accounting and profit recognition

<table>
<thead>
<tr>
<th>Asset class</th>
<th>Criterion</th>
<th>Measurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed income</td>
<td>SPPI-test: Simple debt definition met?</td>
<td>Fair value through other comprehensive income with P&amp;L recycling</td>
</tr>
<tr>
<td>Derivatives</td>
<td>no</td>
<td>Fair value through P&amp;L</td>
</tr>
<tr>
<td>Non-consolidated funds(^1)</td>
<td>no</td>
<td>Allianz default choice</td>
</tr>
<tr>
<td>Public equity</td>
<td>Application of FV through OCI option?</td>
<td>Fair value through other comprehensive income without recycling</td>
</tr>
<tr>
<td>Real estate / cash / other</td>
<td>Not directly impacted by IFRS 9</td>
<td>Valuation mostly at fair value through P&amp;L; remaining assets at amortized cost</td>
</tr>
</tbody>
</table>

---

1) Without look-through
2) SPPI (solely payment of principal and interest); bond features determine how to account for a fixed income asset

---
P/C at a glance

KPIs

<table>
<thead>
<tr>
<th>Growth</th>
<th>Total business volume¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>Combined ratio</td>
</tr>
<tr>
<td>Earnings</td>
<td>Operating profit</td>
</tr>
</tbody>
</table>

Profit signature

<table>
<thead>
<tr>
<th>Expected OP level</th>
<th>~ / ▲²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected OP volatility</td>
<td>~</td>
</tr>
<tr>
<td>Expected net income volatility</td>
<td>▲</td>
</tr>
</tbody>
</table>

Simplified P&L

- Insurance revenues (similar to GPE)
- Gross claims
- Gross expenses
- Reinsurance result
- Operating insurance service result
- Operating investment income
- Interest accretion
- Operating investment result
- Other
- Operating profit
- Non-operating result
- Net Income

Measurement model³ (% of GPW)

- PAA ~99%
- VFA / BBA ~1%

Investment portfolio⁴ (% of book value)

- FVTOCI⁵ (debt) ~70%
- FVTPL (debt) ~1%
- FVTOCI⁵ (publ. equity) ~2%
- FVTPL (other) ~10%
- Amortized cost ~12%
- Cash/Other ~4%

1) Corresponds to total revenues under current IFRS (i.e. gross premiums written plus fee income)
2) Positively impacted in the short-term from increase in interest rates
3) See appendix for a detailed explanation of the measurement models
4) See appendix for abbreviations
5) With recycling
6) Without recycling
### L/H at a glance

#### KPIs

<table>
<thead>
<tr>
<th>Growth</th>
<th>VNB / CSM (new business) (in-force)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profitability</td>
<td>New business margin</td>
</tr>
<tr>
<td>Earnings</td>
<td>Operating profit</td>
</tr>
</tbody>
</table>

#### Profit signature

<table>
<thead>
<tr>
<th>Expected OP level</th>
<th>~</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected OP volatility</td>
<td>~</td>
</tr>
<tr>
<td>Expected net income volatility</td>
<td>~</td>
</tr>
</tbody>
</table>

#### Simplified P&L

- CSM release
- Release risk adjustment
- Variances
- Loss component
- Non-attributable cost
- Reinsurance result
- Investment result (non-VFA)
- Other

**Operating profit**

**Non-operating result**

### Measurement model

<table>
<thead>
<tr>
<th>( % of LRC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>VFA</td>
</tr>
<tr>
<td>BBA / modified BBA</td>
</tr>
<tr>
<td>PAA</td>
</tr>
</tbody>
</table>

### Transition approach

<table>
<thead>
<tr>
<th>( % of CSM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retrospective appr.</td>
</tr>
<tr>
<td>Fair value approach</td>
</tr>
</tbody>
</table>

---

1) See appendix for a detailed explanation of the measurement models
2) Liability for remaining coverage
IFRS 17 measurement models

For each contract one measurement model is applicable based on contractual features

<table>
<thead>
<tr>
<th>Type of business</th>
<th>IFRS 17 measurement model</th>
</tr>
</thead>
</table>
| Pure non-participating risk business (short-term or long-term) | • Liability cash flows independent from assets  
• E.g. 99% of P/C, simple term life, fixed annuities, long-term care (LTC)  
• Premium Allocation Approach (PAA) or Building Block Approach (BBA)  
  • Liability interest accretion booked in P&L, based on locked-in interest rates  
  • Valuation difference from discount with locked-in and with current rate booked in OCI  
  • Difference between asset & liability development reflected in OCI or P&L, not CSM  
• Modified Building Block Approach (mod BBA)  
  • Liability interest accretion booked in P&L, based on “adjusted crediting rate” to align expected and actual crediting in reaction to market performance of assets  
  • S/h share of asset performance reflected in P&L (investment income)  
• Variable Fee Approach (VFA)  
  • Conceptually like investment management: s/h charges a variable fee for servicing the contract  
  • S/h share of asset performance reflected in CSM with release over life of contract, p/h share booked in PVFCF |
| Indirect participating business                      | • Liability cash flows depend on asset performance, but sharing mechanism not contractually fixed  
• E.g. US fixed indexed annuities (FIA), US registered index-linked annuities (RILA), selected portfolios in Belgium and Thailand  
• Modified Building Block Approach (mod BBA)  
  • Liability interest accretion booked in P&L, based on “adjusted crediting rate” to align expected and actual crediting in reaction to market performance of assets  
  • S/h share of asset performance reflected in P&L (investment income) |
| Direct participating business                        | • Liability cash flows depend on asset performance, with contractually or legally binding mechanisms  
• E.g. most European participating business, all UL, classic VA business, accident insurance with premium refund (APR) in P/C  
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  • Liability cash flows depend on asset performance, with contractually or legally binding mechanisms  
  • E.g. most European participating business, all UL, classic VA business, accident insurance with premium refund (APR) in P/C  
  • Variable Fee Approach (VFA)  
  • Conceptually like investment management: s/h charges a variable fee for servicing the contract  
  • S/h share of asset performance reflected in CSM with release over life of contract, p/h share booked in PVFCF |
## Glossary

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BBA</td>
<td>Building block approach – measurement model, details see previous page</td>
</tr>
<tr>
<td>Modified BBA</td>
<td>Modified building block approach – measurement model, details see previous page</td>
</tr>
<tr>
<td>CSM</td>
<td>Contractual service margin – balance sheet liability, containing deferred discounted future profits of in-force business</td>
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<tr>
<td>CSM@inception</td>
<td>Contractual service margin at inception – contribution to CSM from new business production</td>
</tr>
<tr>
<td>Net CSM</td>
<td>Contractual service margin after reinsurance, non-attributable cost and tax</td>
</tr>
<tr>
<td>Fair value</td>
<td>Price that would be received for an asset in an orderly transaction between market participants at the measurement date</td>
</tr>
<tr>
<td>FVTOCI</td>
<td>Fair value through other comprehensive income – change in fair value shown in OCI</td>
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<tr>
<td>FVTPL</td>
<td>Fair value through P&amp;L – change in fair value shown in P&amp;L</td>
</tr>
<tr>
<td>LC</td>
<td>Loss component – balance sheet liability, booked for onerous contracts</td>
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<tr>
<td>Onerous contracts</td>
<td>Contracts for which the unavoidable costs of meeting the contractual obligation outweigh the expected benefits</td>
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<tr>
<td>OCI</td>
<td>Other comprehensive income – component of equity, includes revenues, expenses, gains, and losses not shown in net income</td>
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<tr>
<td>PAA</td>
<td>Premium allocation approach – measurement model, details see previous page</td>
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<tr>
<td>PVFCF</td>
<td>Present value of future cash flows – discounted expected cash flows to policyholders and attributable expenses</td>
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<tr>
<td>RA</td>
<td>Risk adjustment – additional reserve for non-financial risks</td>
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<tr>
<td>Recycling</td>
<td>Realization of gains / losses booked in P&amp;L instead of in OCI</td>
</tr>
<tr>
<td>SPPI</td>
<td>Solely payments of principal and interest – criterion determining whether fixed income assets are measured at FVTOCI or FVTPL</td>
</tr>
<tr>
<td>VFA</td>
<td>Variable fee approach – measurement model, details see previous page</td>
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</tbody>
</table>
Cautionary note regarding forward-looking statements

This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward-looking statements. Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz’s core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) adverse publicity, regulatory actions or litigation with respect to the Allianz Group, other well-known companies and the financial services industry generally, (iv) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (v) mortality and morbidity levels and trends, (vi) persistency levels, (vii) the extent of credit defaults, (viii) interest rate levels, (ix) currency exchange rates, most notably the EUR/USD exchange rate, (x) changes in laws and regulations, including tax regulations, (xi) the impact of acquisitions including and related integration issues and reorganization measures, and (xii) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

No duty to update

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