Investments

Maximilian Zimmerer
Member of the Board of Management
Allianz SE

Analyst conference call
February 19, 2016

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Investments

1 **Allianz Investment Management 2015**

2 Portfolio information

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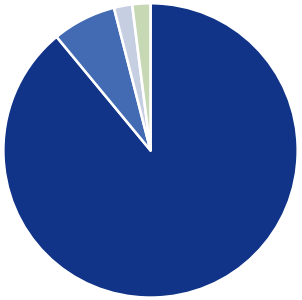
High quality investment portfolio

Asset allocation

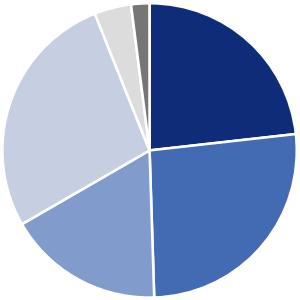
Total: EUR 638.3bn
(2014: EUR 614.6bn)

Debt instruments	89%	*(89%)*
Equities	7%	*(7%)*
Real estate[1]	2%	*(2%)*
Cash/Other	2%	*(2%)*



Debt instruments by rating[2]

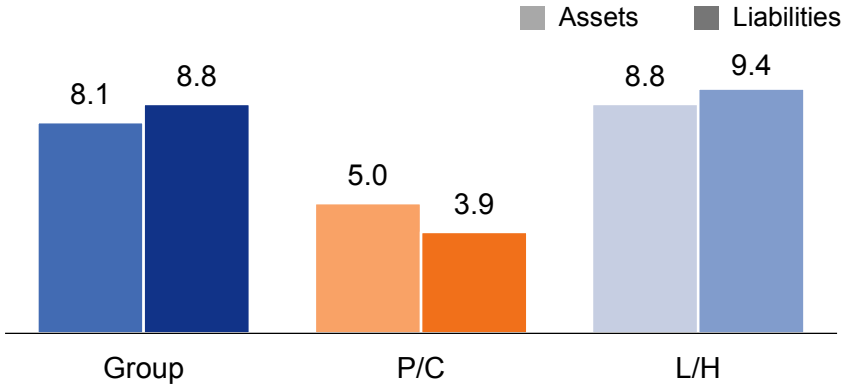
AAA	23%
AA	26%
A	17%
BBB	27%
Non-investment grade	4%
Not rated[3]	2%



By segment (EUR bn)

	Group	P/C[4]	L/H[4]
Debt instruments	568.1	85.6	435.1
Equities	45.7	6.7	36.0
Real estate[1]	12.0	2.9	8.7
Cash/Others	12.5	3.6	6.0
Total	**638.3**	**98.8**	**485.9**

Duration[5]



1) Excluding real estate held for own use and real estate held for sale
2) Excluding seasoned self-originated private retail loans
3) Mostly mutual funds and short-term investments
4) Consolidated on Group level
5) For the duration calculation a non-parallel shift in line with Solvency II yield curves is used. Data includes internal pensions for Group, while excludes internal pensions residing in P/C and L/H segments

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Increased capital efficiency enables Allianz to increase its investments in alternative assets

Declining yields

+

Duration extension

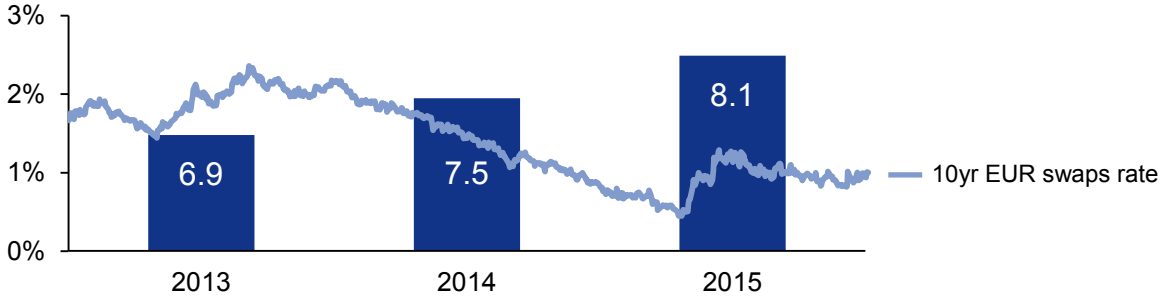
=

Stable solvency ratio

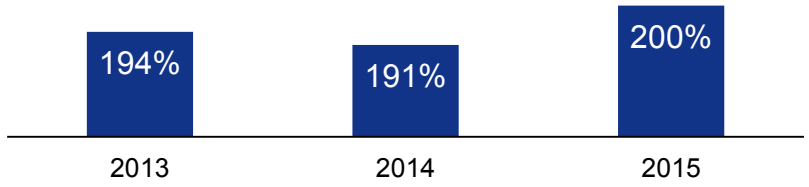
enables

Increase in Alternative Asset portfolio

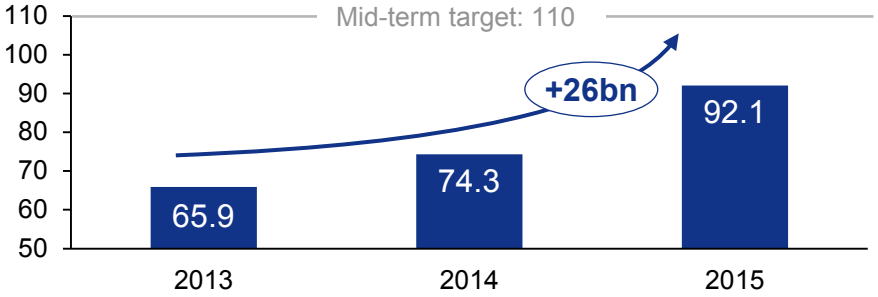
Duration of Allianz asset portfolio



Solvency II capitalization



Alternative Asset investments (in EUR bn)



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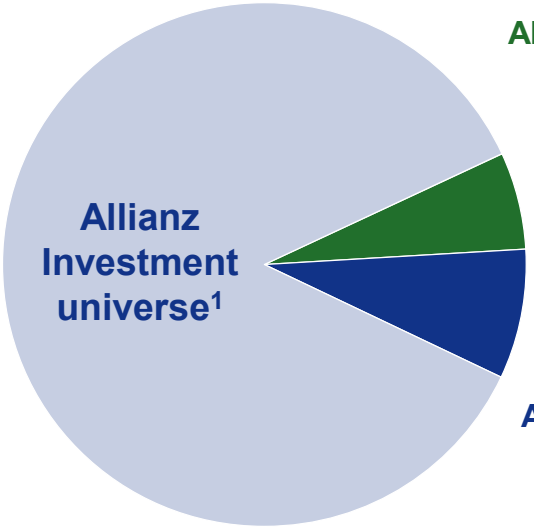
Alternative asset quota currently at 14% – up from 11% in 2014

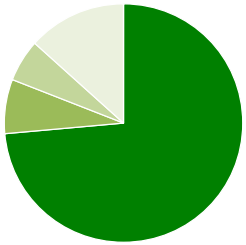
Alternative investment portfolio		
2015:	EUR	92 bn
Mid-term target:	EUR	110 bn

Total
EUR 666bn[1]



Alternative equity
6%

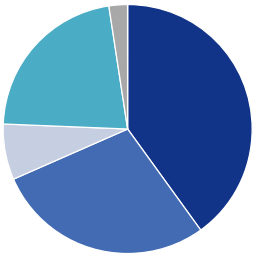
EUR 40bn



Alternative equity	Avg. expected return
Real estate	4-6%
Infrastructure equity	5-8%
Renewable energy	5-6%
Private equity	10-12%

Alternative debt
8%

EUR 52bn



Alternative debt	Avg. expected return
Non-commercial mortgages	1.5-2%
Commercial mortgages	1.5-2%
Infrastructure debt	3%
Private placements	2-4%
Other	6-8%

1) Based on economic view. Compared to accounting view it reflects a volume increase due to switch from book to market values (real estate and loan exposure) and changed asset scope (e.g. including FVO, trading, real estate own-use and alternative assets). Also changes in classification are made related to economically focused investment management

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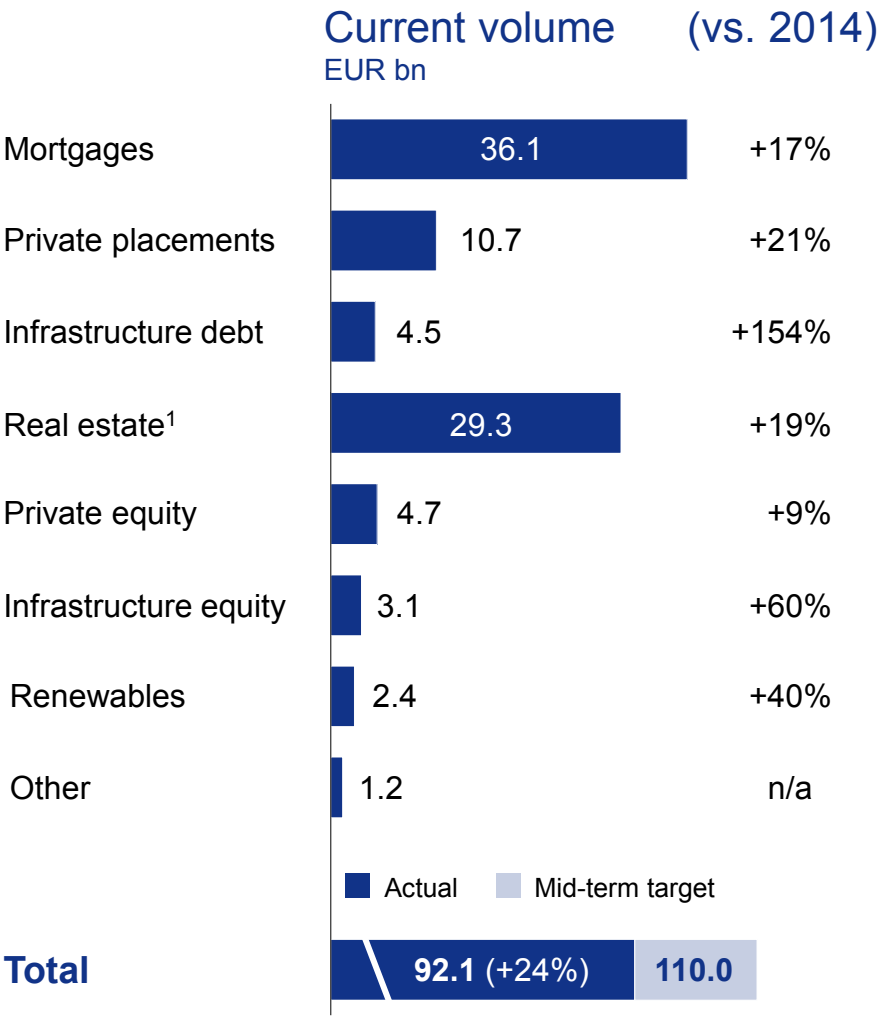
Strong growth of 24% and increased diversification within alternative assets



Investment examples

Shopping Center Dublin

- EUR 900mn investment in real estate portfolio close to Dublin. It includes *Dundrum Town Centre*, Ireland's pre-eminent shopping and leisure destination with ca. 18 million visitors p.a.

Tank & Rast

- Germany's largest and leading owner and concessionaire of a network of motorway service areas providing essential services to 500 million visitors each year.

Wind energy USA

- Onshore windfarms located in New Mexico as attractive opportunity for diversifying Allianz' US investment portfolio

1) Market value of real estate assets including EUR 22.5bn directly held real estate assets (e.g. held for investment, held for own use) and EUR 6.9bn indirectly held real estate assets (e.g. associates and joint ventures, available-for-sale investments)

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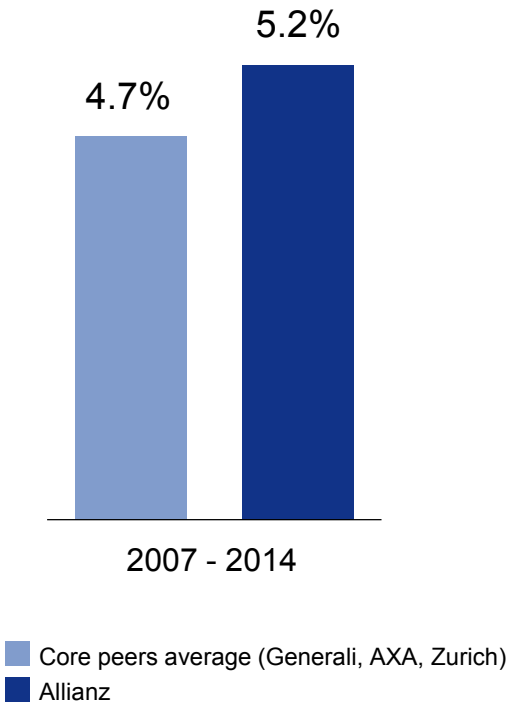
Superior investment management within peer group

IFRS investment performance p.a.[1] amongst core peers 2007 - 2014



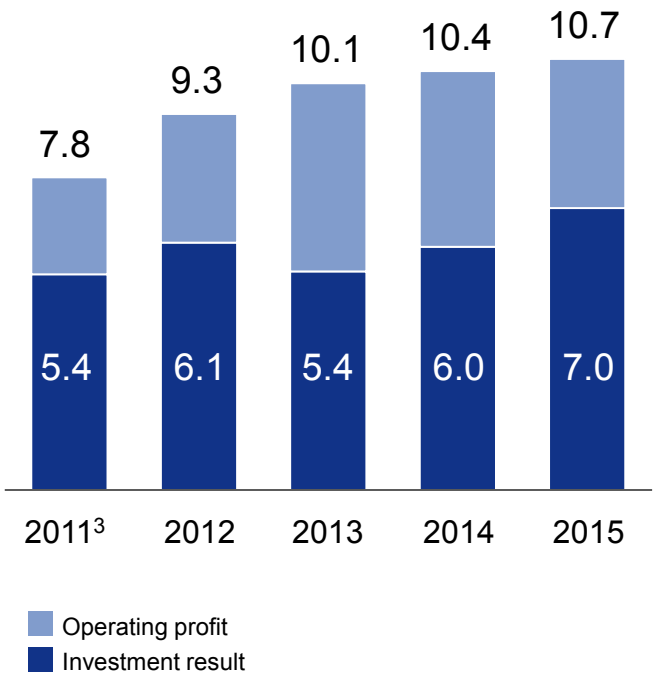
Allianz with high credit quality and low expected loss compared to peers

Current yield of Allianz above all core peers

Professional in-house asset management with continuous outperformance

Strict focus on diversification: best diversified sovereign portfolio vs core peers

Allianz Group operating profit and thereof investment result[2] (EUR bn)



1) IFRS investment performance per annum: including current income, realized gains and losses (net), impairments (net), trading/FX result, fair value option, investment expenses, and change in unrealized gains and losses
2) Investment result: insurance business only (P/C and L/H)
3) L/H investment margin in 2011 is restated for the new reporting format of operating profit sources introduced in 2012

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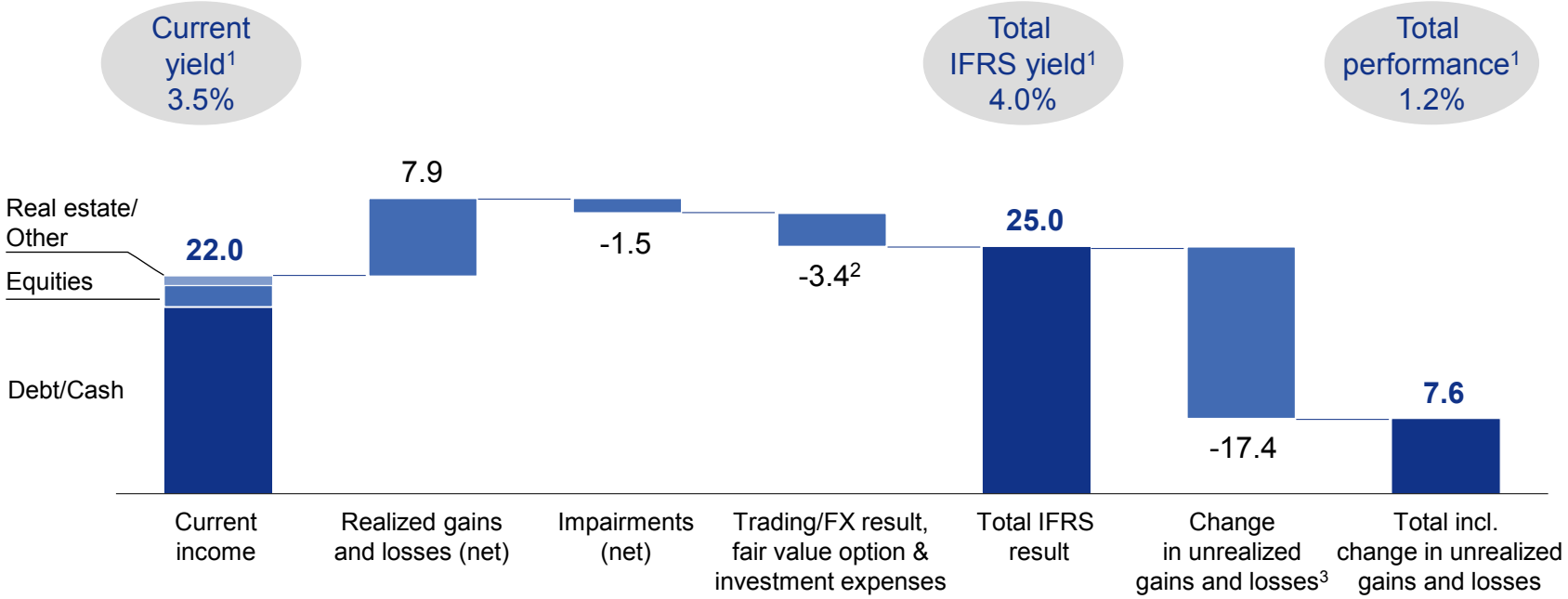
4% total IFRS yield provides strong basis for distribution to stakeholders



- Current income yield of 3.5% reflects long portfolio duration
- Unrealized gains negatively affected by increases in rates and spreads by end of 2015

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

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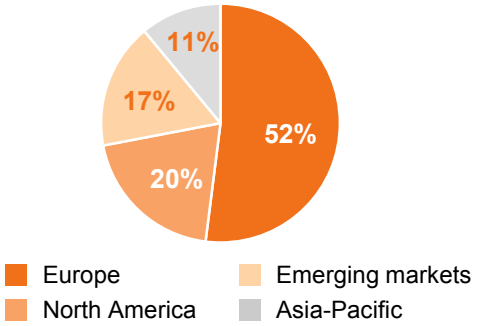
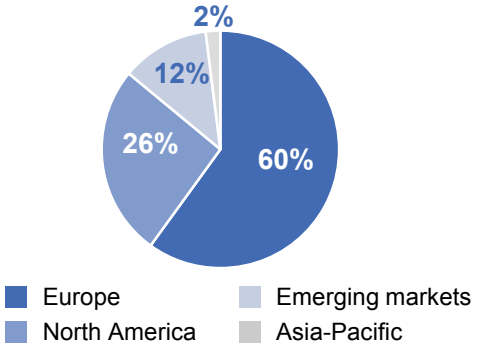
New investment yields 2015

P/C	New F/I investments	Yield	Maturity (in years)
Government [1]	52%	2.4%	8
Covered	16%	1.3%	6
Corporate	29%	2.3%	7
ABS/MBS	3%	3.4%	5 [2]
Total F/I 2015	**100%**	**2.2%**	**7**

Regional allocation



L/H	New F/I investments	Yield	Maturity (in years)
Government	49%	2.3%	17
Covered	16%	2.3%	12
Corporate	32%	2.8%	13
ABS/MBS	4%	3.4%	8 [2]
Total F/I 2015	**100%**	**2.5%**	**15**



Group	New investments (in EUR bn)	Current Yield
Real assets	6.8	~4%

1) Treasuries and government related
2) Based on time to expected maturity

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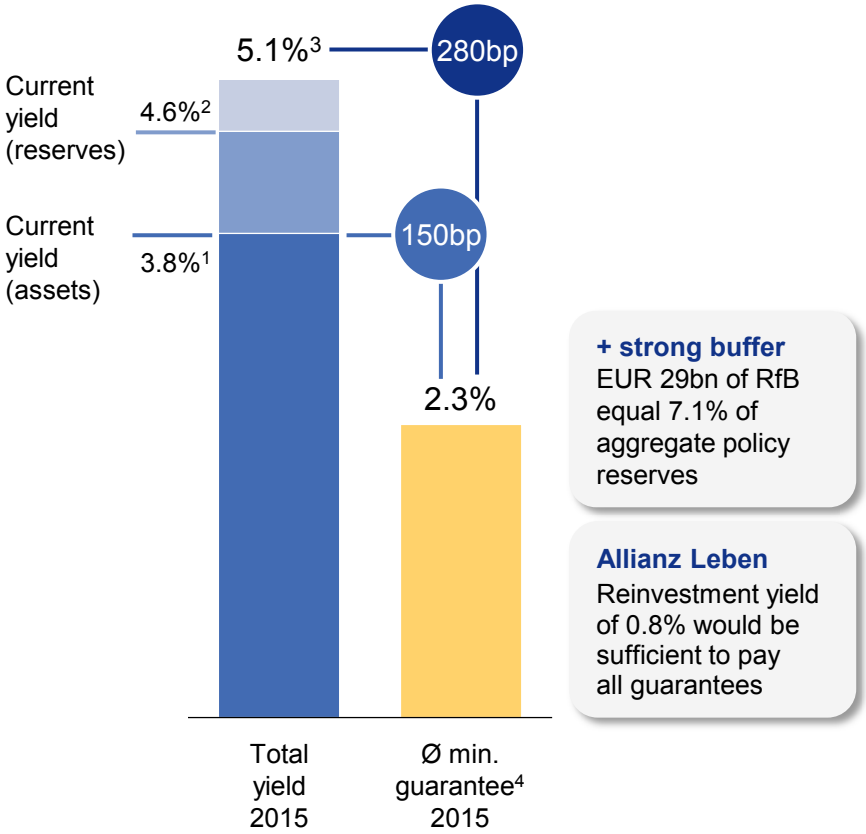
Strong buffers and resilient margins in L/H

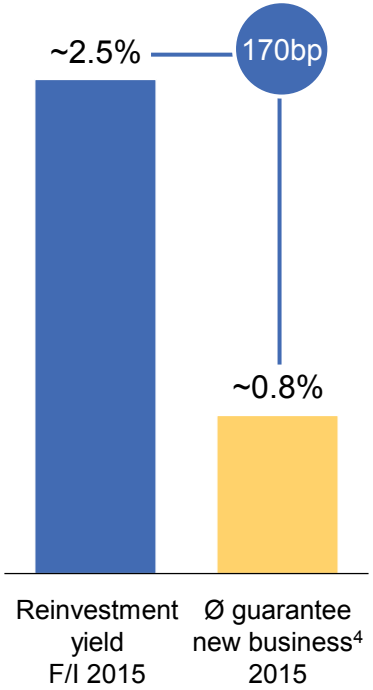
Business in force



+ strong buffer
EUR 29bn of RfB equal 7.1% of aggregate policy reserves

Allianz Leben
Reinvestment yield of 0.8% would be sufficient to pay all guarantees

New business



1) IFRS current interest and similar income (net of interest expenses) relative to average asset base (IFRS) which excludes unit-linked, FVO and trading
2) IFRS current interest and similar income (net of interest expenses) relative to average aggregate policy reserves
3) IFRS current interest and similar income (net of interest expenses) + net harvesting and other (operating) relative to average aggregate policy reserves
4) Weighted by aggregate policy reserves

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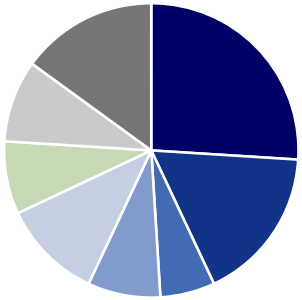
Exposure to Oil and Gas sector – 2% of investment portfolio

Fixed income by region

USA	26%
UK	17%
France	6%
Italy	8%
Rest of Eurozone	11%
Rest of Europe	8%
Asia-Pacific	9%
Rest of World	15%

Total
EUR 10.7bn

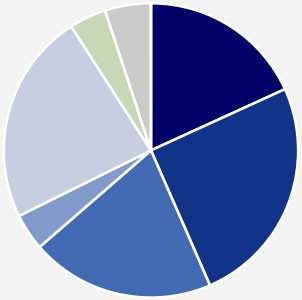


Gross unrealized gains and losses : EUR -0.7bn

Equity by region

USA	18%
UK	25%
France	20%
Italy	4%
Rest of Eurozone	23%
Rest of Europe	4%
Asia-Pacific	5%
Rest of World	0%

Total
EUR 1.6bn

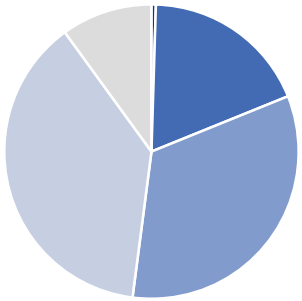


Gross unrealized gains and losses : EUR +0.0bn

Fixed income by rating

AAA	0%
AA	18%
A	33%
BBB	38%
Non-investment grade	10%
Not rated	0%

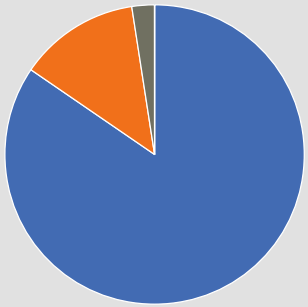
Total
EUR 10.7bn



Fixed income and equity by segment (EUR bn)

L/H	84%
P/C	13%
Corporate and other	2%
Asset Management	0%

Total
EUR 12.3bn



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Underlying trends 2015/16 and Allianz' strategic response

Trends and market environment

Geopolitical tensions continue to drive volatility

Slowing growth in China puts pressure on global financial markets

Weak Euro and cheap oil price support European growth prospects while being negative for some emerging markets

Globally low yield levels despite diverging monetary policies

Investment strategy

Distinguish between temporary fluctuations and long-term developments

Differentiation and active portfolio management is key

Diversification via high quality alternative asset portfolio

Manage duration and products in light of rates environment

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Investments

1 Allianz Investment Management 2014

2 **Portfolio information**

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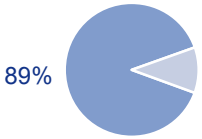
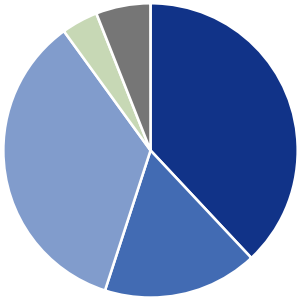


High quality fixed income portfolio

By type of issuer

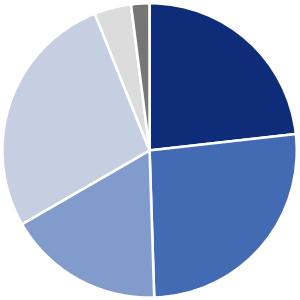
Government	38%
Covered	17%
Corporate	35%
thereof Banking	*6%*
ABS/MBS[1]	4%
Other[2]	6%

Total
EUR 568.1bn



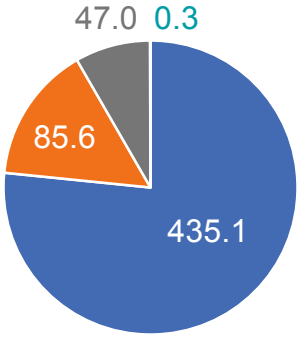
By rating[3]

AAA	23%
AA	26%
A	17%
BBB	27%
Non-investment grade	4%
Not rated[4]	2%



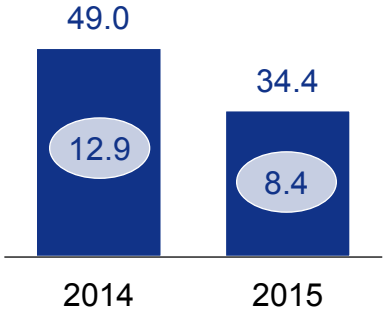
By segment (EUR bn)

L/H	77%
P/C	15%
Corporate and other	8%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

- Gross unrealized gains/losses
- Net unrealized gains/losses[5]



1) Including U.S. agency MBS investments (EUR 3.9bn)
2) Including seasoned self-originated private retail loans and short-term deposits at banks
3) Excluding seasoned self-originated private retail loans
4) Mostly mutual funds and short-term investments
5) On-balance sheet unrealized gains/losses after tax, non-controlling interests, policyholders and before shadow DAC

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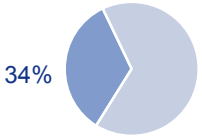


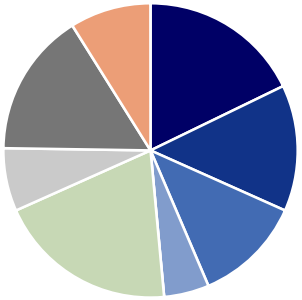
Investment portfolio

Government bond allocation concentrated in EMU core countries

By region

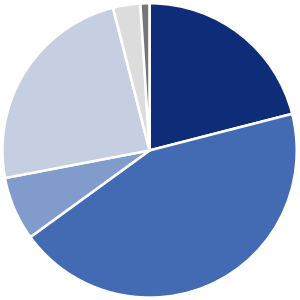
Total
EUR 217.5bn[1]

France	18%
Italy	14%
Germany	12%
Spain	5%
Rest of Europe	20%
USA	7%
Rest of World	16%
Supranational	9%



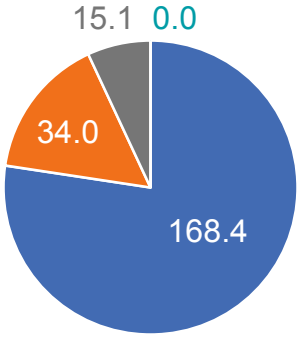
By rating

AAA	21%
AA	44%
A	7%
BBB	24%
Non-investment grade	3%
Not rated	1%



By segment (EUR bn)

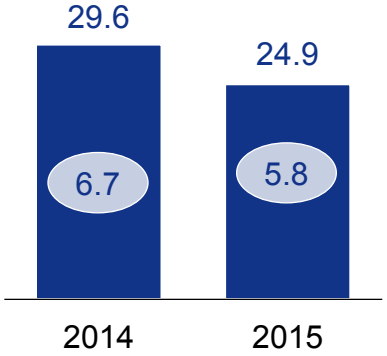
L/H	77%
P/C	16%
Corporate and other	7%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

Gross unrealized gains/losses

Net unrealized gains/losses[2]



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

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Details sovereigns
(EUR bn)

	Group			L/H			P/C		
	Book value	% of F/I	thereof domestic	Book value	% of F/I (L/H)	thereof domestic	Book value	% of F/I (P/C)	thereof domestic
France	39.2	6.9%	19.5	32.7	7.5%	17.0	4.3	5.1%	2.4
Italy	29.3	5.2%	16.4	24.9	5.7%	14.0	3.5	4.0%	2.3
Germany	26.4	4.6%	23.5	19.8	4.5%	18.0	3.0	3.5%	2.0
Supranational	19.6	3.4%	0.0	16.2	3.7%	0.0	1.8	2.1%	0.0
USA	15.2	2.7%	13.3	10.9	2.5%	10.3	3.7	4.3%	3.0
Spain	9.9	1.7%	3.0	7.6	1.8%	2.7	1.1	1.3%	0.3
South Korea	9.2	1.6%	8.7	9.0	2.1%	8.7	0.1	0.1%	0.0
Belgium	9.0	1.6%	3.9	7.4	1.7%	3.4	0.9	1.1%	0.5
Austria	7.5	1.3%	0.4	6.4	1.5%	0.3	0.6	0.7%	0.1
Switzerland	6.3	1.1%	6.2	4.9	1.1%	4.9	1.3	1.6%	1.3
Netherlands	4.0	0.7%	0.3	2.5	0.6%	0.2	0.7	0.8%	0.1
Australia	3.2	0.6%	3.0	0.0	0.0%	0.0	3.2	3.7%	3.0
Mexiko	3.1	0.5%	0.4	2.6	0.6%	0.0	0.5	0.5%	0.1
Thailand	2.8	0.5%	2.2	2.7	0.6%	2.2	0.1	0.1%	0.0
Poland	2.4	0.4%	0.6	1.6	0.4%	0.2	0.7	0.8%	0.4
Malaysia	1.8	0.3%	1.1	1.2	0.3%	0.6	0.6	0.7%	0.5
Finland	1.8	0.3%	0.0	1.2	0.3%	0.0	0.3	0.3%	0.0
Ireland	1.4	0.2%	0.1	0.9	0.2%	0.0	0.3	0.3%	0.1
Russia	0.4	0.1%	0.2	0.3	0.1%	0.1	0.1	0.1%	0.0
Portugal	0.2	0.0%	0.2	0.0	0.0%	0.0	0.1	0.2%	0.1
Greece	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0
Ukraine	0.0	0.0%	0.0	0.0	0.0%	0.0	0.0	0.0%	0.0
Other	25.0	4.4%	n.a.	15.5	3.6%	n.a.	7.3	8.5%	n.a.
Total 2015	**217.5**	**38.3%**	**n.a.**	**168.4**	**38.7%**	**n.a.**	**34.0**	**39.7%**	**n.a.**
Total 2014	**209.3**	**38.1%**	**n.a.**	**161.8**	**38.6%**	**n.a.**	**32.3**	**38.3%**	**n.a.**

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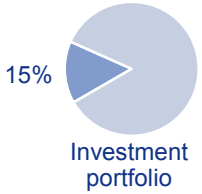
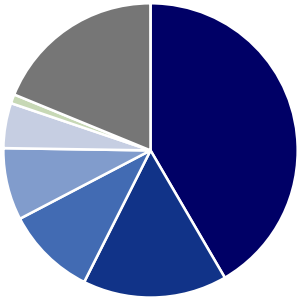


Fixed income portfolio: covered bonds

By country

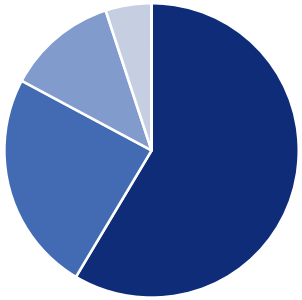
Total
EUR 98.7bn

Germany	42%
France	16%
Spain	10%
Italy	8%
UK	5%
Ireland	1%
Rest of World	19%



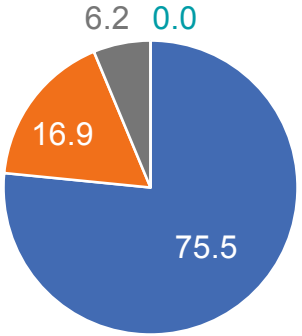
By rating

AAA	58%
AA	24%
A	12%
BBB	5%
Non-investment grade	0%
Not rated	0%



By segment (EUR bn)

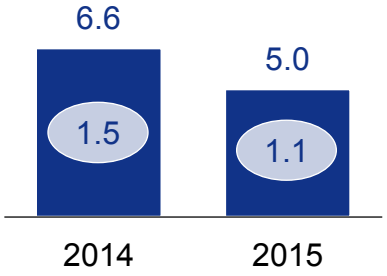
L/H	77%
P/C	17%
Corporate and other	6%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

Gross unrealized gains/losses

Net unrealized gains/losses[1]



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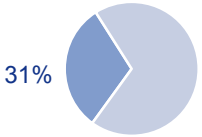
1) On-balance sheet unrealized gains/losses after tax, non-controlling interests and policyholders, and before shadow DAC



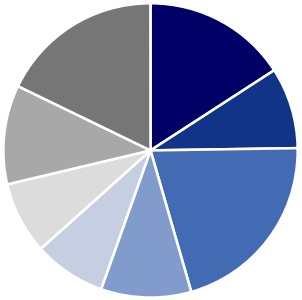
Investment portfolio

Fixed income portfolio: corporates

By sector

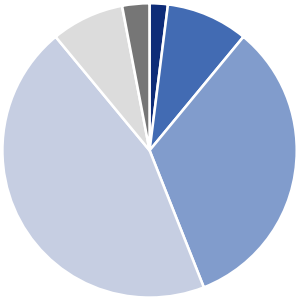
Total
EUR 196.2bn

Banking[1]	16%
Other financials	9%
Consumer	21%
Communication	10%
Energy	8%
Industrial	8%
Utility	11%
Other	18%



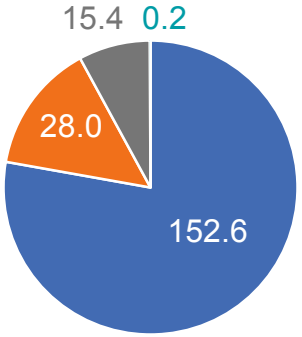
By rating

AAA	2%
AA	9%
A	33%
BBB	45%
Non-investment grade	8%
Not rated[2]	3%



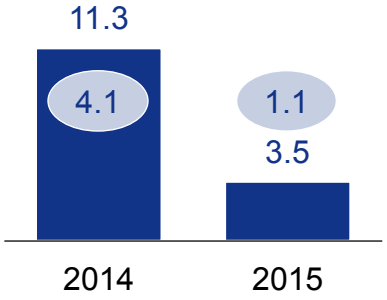
By segment (EUR bn)

L/H	78%
P/C	14%
Corporate and other	8%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

- Gross unrealized gains/losses
- Net unrealized gains/losses[3]



1) Including EUR 4.6bn subordinated bonds (thereof EUR 0.3bn Tier 1)
2) Including Eurozone loans/ bonds (1%)
3) On-balance sheet unrealized gains/losses after tax, non-controlling interests and policyholders, and before shadow DAC

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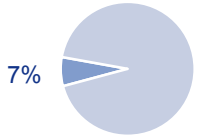


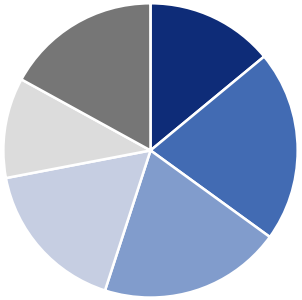
Investment portfolio

Equity portfolio

By region

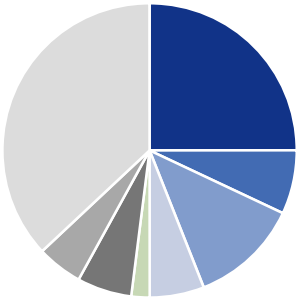
Total EUR 45.7bn[1]

Germany	14%
Eurozone ex Germany	21%
Europe ex Eurozone	20%
NAFTA	17%
Rest of World	11%
Multinational[2]	17%



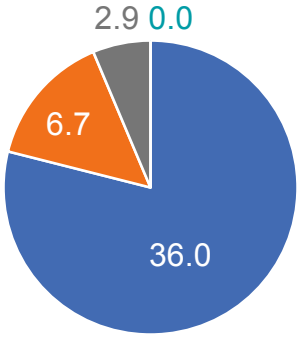
By industry

Consumer	25%
Banking	7%
Other Financials	12%
Basic materials	6%
Utilities	2%
Industrial	6%
Energy	5%
Funds and other[3]	37%



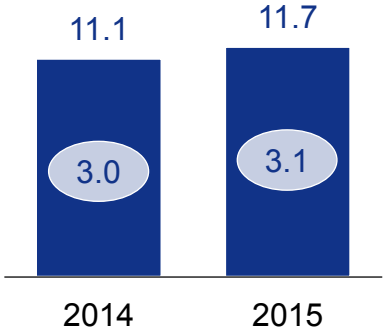
By segment (EUR bn)

L/H	79%
P/C	15%
Corporate and other	6%
Asset Management	0%



AFS unrealized gains/losses (EUR bn)

- Gross unrealized gains/losses
- Net unrealized gains/losses[4]



1) Incl. non-equity retail funds (EUR 0.0bn), excl. equities designated at fair value through income (EUR 2.4bn)
2) Incl. private equity limited partnership funds (EUR 4.3bn) and mutual stock funds (EUR 2.8bn)
3) Diversified investment funds (EUR 3.0bn); private and unlisted equity (EUR 7.2bn)
4) On-balance sheet unrealized gains/losses after tax, non-controlling interests and policyholders, and before shadow DAC

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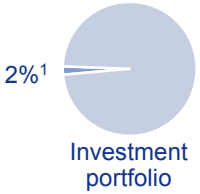
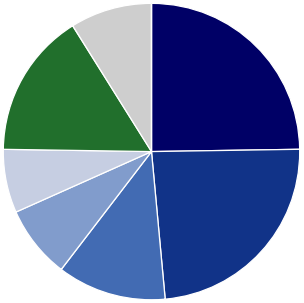


Real estate portfolio (market value)

By region

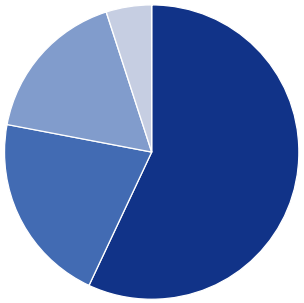
Total EUR 29.3bn[2,3]

France	25%
Germany	24%
Switzerland	12%
USA	8%
Italy	7%
Rest of Eurozone	16%
Rest of World	9%



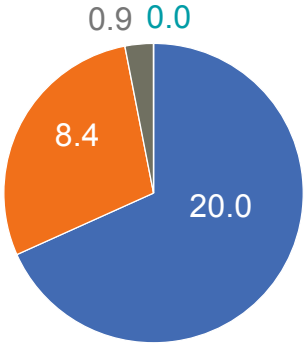
By sectors

Office	57%
Retail	21%
Residential	17%
Other/mixed	5%

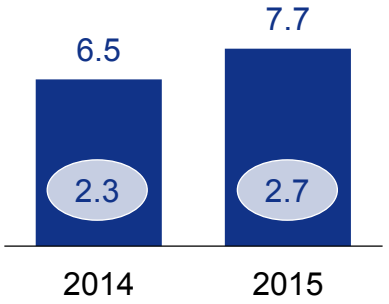


By segment (EUR bn)

L/H	68%
P/C	29%
Corporate and other	3%
Asset management	0%



Unrealized gains/ losses (EUR bn)



1) Based on carrying value, 3rd party use only
2) Market value of real estate assets including EUR 22.5bn directly held real estate assets (e.g., held for investment, held for own use) and EUR 6.9bn indirectly held real estate assets (e.g., associates and joint ventures, available-for-sale investments)
3) Associates and joint ventures as well as available-for-sale indirectly held real estate investments are also part of the equity portfolio and fixed income portfolio
4) Unrealized gains/losses after tax, non-controlling interests, policy holders and before shadow DAC, based on external and internal real estate valuations

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