## Company Participants

- Andreas Wimmer, Chief Executive Officer and Member of the Board-Allianz Leben
- Barbara Karuth-Zelle, Chief Operating Officer & Member of the Management Board
- Christopher George Townsend, Member of the Management Board
- Emmanuel Roman, Chief Executive Officer of PIMCO
- Giulio Terzariol, Chief Financial Officer & Member of the Management Board
- Oliver Bate, Chairman of the Management Board & Chief Executive Officer
- Unidentified Speaker

## Other Participants

- Andrew Ritchie
- Dominic O'Mahony
- Michael Huttner
- Peter Eliot
- Thomas Fossard
- Vinit Malhotra
- William Hawkins

## Presentation

### Oliver Bate {BIO 19184930 <GO>}

The theme of my speech is delivery, and that's important. We're going to quickly look at what is actually Allianz's value proposition to investors, and actually beyond investors to the community of stakeholders around that. It's pretty clear that serving investors is our priority, but it only happens if we really outperform the customer interface, if we have highly motivated associates in Allianz and if we play a role in society, and we're going to talk about that.

And particularly, in the second chapter out, how we are going to drive value going forward. And I will summarize at the end, what is our ambition for the next three years, what are we trying to achieve by 2024. Now what is actually the value proposition of Allianz in a nutshell? It's very important for all of us to remind ourselves that we're here because we have a purpose. We spend a lot of time in the last few years to delineate it, and we call it we secure your future.

And it's not just a slogan. It is really driving the essence of what we do every day. It actually is followed by an aspiration. We really want to be the trusted partner for protecting growing your most valuable assets. And assets, we don't think about the car or the house. We're thinking about our health, protecting our family and thinking to help society to develop. Imagine what we are doing on the net zero asset on our alliance in terms of financing the green transition.

Now the aspiration and the purpose can only be to come alive if we have three promises that we deliver on. The first one is a very careful balance across stakeholders. We've talked for many years about stakeholder capitalism. And in Germany, we have been a front runner for these things for a long, long time, but we're going to look at that, how balance across stakeholders is driving more value also for shareholders.

Now the second thing is, we're here because, we need to deliver benchmark results across the enterprise. And because we are so large, we need to prove to you and the world that we're delivering benchmark results at scale that we do not cross-subsidize inside of the enterprise, that we do not have a corporate discount but actually use our strength, our scope and scale to deliver more value than otherwise possible. And last but certainly not least, we're living in a world that is truly transforming and is becoming a lot more volatile. So strong resilience in such a world is super important, and that's the base promise that Allianz always had, and we're going to stick to it.

Now you may find that a bit aspirational. But in reality, Allianz already today is the number one global franchise in our industry. We have more than 120 million customers. We are number one if you take life and health and asset management as a retirement provider together, we are larger than anybody else that claims to be a leader in wealth management or anything else. We're the number one global P&C franchise. We're the number one in assistance. We have the number one global footprint. We have the number one brand. We're the number one on sustainability, the number one in financial strengths and the number one in diversity and inclusions.

And by the way, if you look at total payouts over the last few years, whether it's dividend, share buybacks and value creation, we are the number one. So you're at home with the number one franchise and we'd like to keep it that way.

Now the way we think about that is creating careful balances across our stakeholders, starting with you, our shareholders and those that represent them in generating strong cash, delivering a decade-long track record on dividends. And we've never missed one and we've never missed a beat, but reinvesting that in the future for even stronger value creation and growth. Now that only happens if we're outperforming at the customer interface. We've said that at the beginning of the renewal agenda, this is an industry that has not been in favor with customers. We have companies that are really great, and we've gone a long journey to now be the number one insurance brand in the world and having 58% of our business is in life, in P&C and in health that are loyalty leaders, i.e., the company that gets most recommended to family and friends than anybody else.

So our ambition is, in difference to the last three years where we try to be better than market to now really drive loyalty leadership everywhere. I'm going to talk about that some more. In addition, we need to make sure we serve our other constituents very well. And employees are not just an asset. They are the most important asset in terms of driving customer satisfaction and the success that we've had. And this is not about working harder. It's being more diverse and more inclusive.

And think about an industry like financials, we have been the leader on diversity inclusion and almost any dimension we'll talk about that too. And we really want to contribute to society, not just through providing great products and services, but really being recognized for social engagement and strong governance. And we're winning on price after the other.

Now, I could spend probably half an hour on delivery on targets, whether that was the first three year plan or the second three year plan. What I'd like to talk about the fact that we have created and maintained a very careful balance between the stakeholder groups. And this is what this slide is supposed to say, whether that is on EPS growth, DPS growth, ROE but also Net Promoter Score above market or the motivation of our people. And we are particularly proud of the last one.

In 2021 really achieved again record earnings, record results on customer satisfaction and record support from our people, while actually in the world, things become more difficult. Now the way I would like to summarize what we've been doing and are going to do has something to do with a very simple value creation formula that is based on earnings per share growth.

Whether it's growing the nominator or the denominator are shrinking, i.e. having less capital, all of that translates eventually into the growth of the earnings per share. And we have three sources. First is growing the business. Second is improving our margins. And the third one is managing capital efficiency. And we have done very well across all three levers, which we are pulling at different points in time depending on where the opportunity set is.

Now it's important to notice that our industry has been overall pretty dynamic in terms of growth, particularly the first three years and we're doubling growth to 3% and 4.5% operating profit growth the last three years. And we would really like to accelerate that into the future as we are gaining benefits from scale, and this is the story for today. Now we've not just had very good operating profit delivery despite COVID, despite all the shocks. Now we need to move forward and understand that we have not just grown earnings, but we have improved the quality of the earnings. And I would like to focus for the next minute or so on this one.

It's very important that we are coming out of the world for the last 125 years, and to about five, six years ago 70% of our earnings came from investment income, particularly in property casualty, having high coupons, equity gains that we'd reinvest but not really making money through underwriting if you think about it hard. We have been growing operating profit out of the core underwriting result by 14%, and we've been driving the expense ratio down 1.5 points just the last few years. And again, we continue to drive that as investment income is going to decrease further in the future, and we have to rely on really our own power to drive earnings growth.

The second thing is driving the transformation on the life and health side. Interest rates are now on a real basis, strongly negative in Germany in many places. So it's very important to drive the business mix changes. And we're now almost at 90% of our new business being in preferred. What is not preferred is still recurring premium from the old book. Basically, new business is close to anything other than what we want to do in the future. And our very strong asset management business has had outstanding investment performance, plus driving productivity, something we need to see, by the way, across the enterprise, great underwriting and productivity gains, great transformation in Life and Health, plus driving productivity, as we've seen that in asset management. So the power of Allianz across the three segments is about to be leveraged, not just in the segment by actually getting synergies between the segments, which we're going to talk about.

Now one of the tenets of our renewal agenda has been and continues to be extremely strong discipline in capital management. And we don't want to drive quarterly earnings or quarterly share buy or quarterly dividend announcement. We have a very fundamental strategy that wants to make sure that one thing happens, none of the capital that you own in Allianz sits idle, whether that's through dividends, organic growth, disciplined inorganic growth, and share buybacks. We are going to the use arsenal to maximize value creation in a flexible way, as the market shows, and we are working on long-term improvements, which I'm going to talk about in terms of the partnership that we have announced this morning, this is not again about short-term movements. This is about rethinking our business model for the long run.

Now a couple of points. First, this is what we've done the last few years on M&A. What you see is the commitment that we've made, we have kept. We focus on bolt-on transactions. We clean the portfolio. And we're trying to do three things. First, strengthening the position in the markets that we are in. We have scale, but the industry is still vastly fragmented. So whether that's LV and LNG in the UK, Westpac in Australia, or SulAmerica in Brazil, we are building out strong local franchises, and this was about 50% of what we did.

The second thing, we're building out our Life and Health and Asset Management franchise is that's probably a little bit underrated. And when -- as you see with Aviva, which is a protection business in Poland, with Taikang in China or the bond management stuff from Gurtin, we are building out our Life & Health asset management franchise, exactly where and how we want to build them.

And last but not least, and that's going to grow in importance going forward, we are accelerating the investment and the scalability of our global digital platforms, and I'm going to talk about that. Most importantly, on the claims management side, we believe in a world where frequency is going down in severity is still going massively up, controlling the claims journey in terms of quality for our clients, in terms of payout, and in terms of also quality of repair is essential for future success. By the way, the same will happen on the home side and other parts of our value chain. And we are building the platforms that are going to improve our economics and create own platforms. That all on the back of the promise we made a few years ago, the business model transformation in Allianz is ongoing, and I'm going to give you a couple of examples today and Barbara and others will add to it.

First, remember, the future has to be about high tech and high touch. And the way there is around having fewer, more intuitive products for our clients and no negative surprises. Still the lowest Net Promoter Scores we get on claims that are not being paid. That one has to be better, and COVID was a nice wake-up call that we need to accelerate, and we're doubling down.

The second one is digital by default, not digital on the margin, at the core of what we do. And this is what we are driving now in motor insurance. We're not trying to automate paper processes. We need to really use technology to redefine how services have to work. For that, we need better data and better data analytics. So for example, now 92% of our P&C retail business, we have verified e-mail address and digital information, and that's the essential prerequisite for really moving to a digital model that is totally paper-free.

The other thing is really getting rid of legacy. A little of the lot is we need to systematically wind down and decommission our old processes, products and IT that's very painful, but we are probably the leader in our industry in driving this transformation. It is not ending yet anytime soon, but we are already seeing the benefits of doing that, and I'll give you some example.

This is really what makes Allianz distinctive. We have been putting for over a decade now, products, process and IT into place that we can harmonize across the globe, and we can standardize our processes to get real scale benefits. Think about creating a product for life insurance that you're not reinventing in every market. Think about building a platform for sales support that you don't replicate across markets, but you build once and scale globally.

Now you see that in many parts of the value chain, think about Adobe for marketing purposes, we're going to have the same platforms for the core of our business. And the way we prove it to you, as we've done in the last four years, we consistently increased productivity. So expense ratio is going to go down 30 to 40 basis points on average every year, obviously adjusted for purposes mix, if we grow in profitable lines that have a little bit more expense ratio, but overall productivity gains are starting, they're not ending.

I can spend a lot of time on now how we do that, particularly through the Allianz customer model, we are massively driving the reduction of product variance in the next few years, process variance throughout the world. We're leveraging our IT platform systematically. It's a long journey but it builds exponentially in terms of impact. It's very important to do this in a very granular level and do it globally. When I was the CFO in this company, a long time ago, I didn't even know what the productivity numbers were the local business. Giulio now has that every day. And we're doing it across the enterprise.

The second thing, this is not a back-office issue only. We are driving this now systematically into the distribution side by providing branding and marketing excellence, by driving millions and millions of leads into our sales engines, therefore, driving up sales productivity and technical excellence on over time funding financing in new technology. We are spending EUR3.5 billion every year on technology. This is unmatched. The firepower that Allianz has in terms of tech in our industry is unmatched, and we are harnessing this power as we scale.

Now let me point out to three examples that you know, but people don't really understand the leverage capability we have. With Allianz X, we have created not just an understanding investment return vehicle for investing in digital revolution in our industry, we also have been able to build a strategic portfolio of assets that will allow us to scale, whether it's ControlExpert, GT Motive, the partnership with CLARK and finanzen.de which is one of the best platforms to drive distribution, productivity or unicorn insights, which we have created through partnerships with Lemonade, N26, Stripe and others.

Now we need to increase the scale and the fire power of that even more, and we are planning to it open it for third-party capital because like from aim in the past through Allianz Real Estate, now everybody wants to co-invest. So this is not just a strategic opportunity for us. We can actually leverage it into the asset management space and create more growth and value and more earnings for us on the asset management side. And this is a great example of synergy across the enterprise.

The second example is Allianz Partners, the world leading as a stance and partnership platform for B2B2C enterprises. Amazing to see the strong rebound from the COVID crash, Allianz Partners made a profit last year when almost nobody did despite the implosion on the travel side. And we are back 25% up when revenue this year with very strong profitability.

In parallel, we have been digitalizing the platform, think about that under such a stress and really winning one transaction and partnership after the other. So Uber outside of France is a partner of Allianz of nobody else. And if you think about digital-first transformation, this is how we start and going forward, it is important to understand we are going to have access to many millions of clients that we are going to then bring back to our traditional distribution platforms that still generate enormous margin and value and not just the other way around.

Last but not least, under Allianz Direct, there's always lots of talk but nobody really knows the facts. I know them because I spend a lot of time on them. We have created in two years, actually the first IT platform that is fully live across four markets. When I talk to you about one IT platform, it is one. It is not as similar. It's the same, and it runs seamlessly across four markets. We have been able to not just launch motor, but also home and travel across markets and successfully rebranded. Actually, the biggest beneficiary of the Usain Bolt campaigns have been our local companies because of its resounding success.

Now there are challenges, of course, because when you have COVID and things related to it and there's no new business in motor, the direct platforms suffer the most. So post COVID, we need to start scaling it. But this year already, I can tell you after a massive cleanup in Germany, we're growing 30% in new business despite that with a very nice attachment rate between MOD and Casco, which is really important for profitability. So it will be the platform for the future as we think about what is the operating platform for motor insurance. So all of that, we will scale and Barbara will talk about it some more as we move forward.

Now I would like to remind us that this is not about, again, another three year plan. This is a picture of the last 20 years, if you think about it, how did the last 10 years in detail, every time there is a major event, Allianz continues to power ahead. Even with COVID, you will see by the end of the year with massive flood, by the way, the biggest ever insured events in Germany, Allianz is coming back with strong performance.

Because of the diversification we have and the decisive action we are taking, in light of these unavoidable challenges, nobody could have foreseen really COVID as it happened or the last nat cat or the negative rates, but we're dealing with it very aggressively. And again, in parallel driving the support from other stakeholder groups, not just shareholders.

Now let me tell you now about what we think is going to happen and how we will react to it. The key thing is, when you read everything out there, you need to really get depressed. Because the challenges for our industry are enormous in their building. I talked about investment income being

70% of the earnings not too long ago, it's disappearing, not just in life insurance, but also in P&C. Think about the digital attacks, all the funding you have for start-ups that buy at enormous prices leads and put pressure on distribution costs in our industry. Think about cyber security and cyber pressure. Think about the refinancing of our industry's transformation into the green world and so on and so forth, not to talk about the stress between China and the U.S. building.

So where does that leave as all? Well, it leaves us with an industry under pressure, but with significant upside for those that know how to master this environment, have the scale, the strengths and the resilience that Allianz has. So let me contrast that a little bit. On the growth side, yes, there will be lower growth, particularly in the areas where you don't offer strong customer value. However, those companies, when we see them all, outside of Alliance that have loyalty leadership, that have technical excellence and that leverage global partnership that are growing 2x to 3x what the other guys can do.

In margin, again, we have overcapacity. Inflation is really driving, inflation on the claims side, and we have digital disruption. But you can constantly improve productivity through scaling products, through scaling processes and building our digital platforms. And Allianz is a very long-term plan. Again, we are not doing it overnight. There is no wonder happening, but we systematically rebuild the platform to be digital and scalable.

On the capital efficiency side, you see that unless you are a retail P&C company that has very low cost of capital, the cost of capital in our industry has been growing enormously. People are afraid of large balance sheets. They are afraid of negative rates, they're afraid of ultra-low spreads in the crazy valuations in some parts of the equity market. Think about the Tesla and then nat cat exposure growing massively.

Well, we have fully understood how to transform into a more capital-light lower volatility model with much more tight control of the tails, and systematically leveraging our capital synergies and scale, and access to private capital markets as evidenced with the transaction that we've just announced.

Last but not least, given the rising political instability, there is a risk of higher regulation and political risk for many. That's why we're investing in being the number one brand on this planet into having the highest customer trust, the best people and being a leader on ESG around reinforcing our resilience.

I don't want to talk about in detail, how we have performed an underlying, but it's fair to notice. If you think about the underlying profitability, there are only two models. It's either very focused players in P&C and life or by country, or it is a truly global franchise that can leverage scale and skill. This is what we are, this is what we have been, and this is what we are going to build out. So let me go through the facts in more detail.

For the next few years, we really would like to grow earnings per shares at 5% to 7%. And we're giving us a range because there's lots of interesting things happening outside the space. But we'd like to combine the three sources of value creation in an intelligent way: growing our business, further expanding our margin and driving capital efficiency, like with a partnership that we've announced today around telco in the U.S. with Allianz Life of America.

And it's very important to understand, regardless of what the shocks maybe that come from the outside. We are about to generate EUR23 billion in cumulative cash remittances to the holding and despite that, keeping our ROE at least 30%, if not high.

So let me go into the details. First, one of the most important lever is actually transforming our life and asset management franchise, which we look at together even though we are separately reporting them because they're feeding each other. All our life and health clients benefit from our asset management expertise, because we are delivering outperformance on the investment side, not in the life and health carriers only. And for shareholders, we are creating value twice in the life and health company and in the asset management franchise, and the transaction I'm going to describe is a testament to that.

Now what we have to do is really lift capital out of the Life and Health in-force balance sheets in a systematic way, and take advantage of the very competitively priced private capital that is available for people like us and not for others.

The second one, we need to expand our P&C leadership systematically. We've done it this year, for example, in Italy, and we're systematically doing it across markets. We need to boost growth through scalable platform. By the way, growth doesn't mean just revenues. It also means margin. When we build the claims platform out as we do today, and we went live in Italy, I think last week, we will capture much better margins, because we can steer the cars, not just in our network, but we can leverage the claims platform that we are building to get to much better outcomes in terms of average claims payout, while not lowering service standards to our clients.

Now we need to really drive verticalization and execution agility. Now what does this mean? Sounds very theoretical. It's very practical. Like we've done with AIM, Allianz Investment Management over the last decade, we really need to bring the benefits of our scale to the table, not by replicating locally but by driving things consistently. By the way, it's not centralization. It doesn't mean we're going to settle a claim in Spain out of Munich. It means we're going to have an identical business model, a product and process model globally and drive productivity gains and higher customer satisfaction through that.

Last but certainly not least, we can reinforce capital productivity. It has been pretty good already. But as we see with this transaction, there are ways to leverage private capital much more successfully than in the past, and we're not going to leave any stone unturned in order to find out whether it's better to leverage other capital sources than your shareholder capital in order to produce higher value. Now I can go through the components in detail. In the interest of time, I'm just going to go through one or two of the five themes of value creation.

So in Life and Health, I'm going to give you some detail around the transaction we've announced, so let me skip that for the second. It's very important on the P&C side that we do two things. First, in retail motor, in particular, on non-motor, productivity progress is at the essence. We're still inefficient. We are very good in technical excellence. We are building out claims. We have great in customer satisfaction. Productivity is something that we still need to drive at. There's too much paper floating around sounds obvious, it's not so obvious. So we now have given ourselves the target to really be beating the best in every market that we're in.

The second, and Chris Townsend is going to talk about is grow value in commercial lines, something that is overdue. Now in terms of platforms, I think I gave you most of that. I'm going to talk about claims in a few minutes. And this is where most of our focus is building first in Europe and then globally a leading claim platform for motor and home.

Execution agility is something that's very important. Allianz is a great machine to deliver outcomes. Agility is not yet our strength, and that's something. What do we mean with that? It's not just about speed, but about discipline. And that is what we can do, still a little bit better, and we're working on it every day. And the thing I would like to add to what I said before on capital productivity is the point around resilience. Chris Townsend will talk to you about is not just the fact that we need to improve profitability in commercial lines, we need to bring the volatility of the earnings lower because it's not just about the earnings or the ROE, but how often do we get negative surprises in the business is something that we need to pay more attention to.

So let me give you a couple of details. And let me focus on the transaction that we announced earlier this morning. And we've been working on, by the way, for two years. So this is not a one-off.

This is a signal of a fundamental transformation of the business model, not just for is it Allianz Life of America and our asset management business, but what we are trying to achieve globally.

We have a leading life insurance franchise as Allianz. We have a leading global asset management franchise, and we have a leading investment capability with AIM that is often underestimated. And we would like to transform it into something that is more capital efficient, has more innovative capital-light products. It leverages our active superior asset management capabilities and drives growth through the network. And you're going to see that across retirement, across savings and across wealth management because many of the things that we do are already wealth management, even though we don't cut. Andreas is going to talk about Allianz' AIMS position today, and I'm going to introduce the transaction on the U.S. in just a moment.

Now the first thing I wanted to show you, and this is the numbers that we had a couple of years ago in terms of new business profitability relative to the size of the new business. And we've always aimed to have new business margins north of 3% that translates into north of 15% ROE on an ongoing basis. So this is what happened in the last two years until 2020, we have quite had quite a few improvements. So for example, Germany grew not only but massively improved margins already. The U.S. stayed with the course in terms of volume, but margins actually with declining rates went down, and we have done a fabulous job to transform our Asian business already from capital-intensive to capital light and light protection.

I'd like to point out because I don't have more slides on Asia, is probably one of the most underestimated success stories over the last five years how we've been able to transform the quality of that franchise and the resilience of the franchise of our Asian life colleagues.

Now in Europe, you see that margins have only slightly improved and volume has slightly been going down. So let's look at what's the plan for the next few years. Very importantly, we are going to drive the new business margins across the universe up. In Asia, we need to drive the growth up. And in Germany, as you will see, we are going to increase both margin and volume. Even for core Europe, where margin pressure has been extremely strong because of the shift in business that we've been doing -- been able to do, now also in France, which is probably the toughest market in Europe. We are moving margins to the target level almost everywhere.

Now how can that be if investment income goes down? You see on this slide very nicely that indeed investment income is projected to develop negatively over the next few years just with risk-adjusted returns coming down. So we are not betting the house. We are not going out on the risk curve. In fact, we're driving up technical margin and loading in fees to drive operating profit up. So the quality of the earnings, ladies and gentleman, is going to massively improve over the next few years while we drive more value. And we are one of the few people that can actually do that.

Now let me show you how it works in practice, not just through new business, but taking a very close strategic look at our in-force. Allianz Life of North America is already one of the best life insurance companies in the industry. Everybody said that everybody always wanted to buy it. Well, you don't sell something that is as good as it is. But it has been very capital intensive. So we thought long and hard how can we leverage the power of Allianz Life of America and our asset management franchise to create even more value.

So we have the leading U.S. index annuity provider with strong earnings. By the way, on average, EUR1 billion operating profit, which is 23% of the Life segment and 9% of the group, so it's a big business for us with very good ROEs. It was already 12% over the last few years, but it consumed about EUR8 billion in IFRS capital. By the way, this is the business in Allianz that consumes most of the absolute amounts of capital more than any other. So we knew we had to do something. In addition, we have the leading global active asset management franchise. A lot of people don't know that with EUR2.5 trillion, EUR3 billion operating profit, 24% by the way of the group. So it's a core part of what Allianz is not a side hobby as some people believe. And it has been growing earnings 8% per year. Now a cost to income ratio of 60%, which is the envy of the industry, not only at PIMCO, but also now at AGI and improving the cost to income ratio 80 basis points every year from '18 to '21 on average.

Now what we are doing now is we are creating a partnership together with Talcott and Resolution. And by the way, Resolution is already our partner on the transaction we've done in Switzerland a couple of weeks ago, the first ever large scale back book transaction that Switzerland has ever seen, and we are going to reinsure about EUR30 billion of our FIA reserves. And PIMCO and AGI will become a partner of Six Street and Talcott. And that's very important. So we're not selling a part of the book. We indeed are creating a win-win for both parties, by leveraging the capability and freeing up EUR3.6 billion of capital of Allianz Life, that's 9% ladies and gentleman of our group Solvency II ratio. We're going to receive EUR1.8 billion in ceding commissions post tax, plus we will have a day one effect of EUR450 million on day one.

Now it took us a long time to come to this partnership because for Allianz, it's very important to have a very strong risk management framework in place. The world is becoming more volatile, and we need to make sure that this partnership also holds if there's a shock. Now as we execute this and are building it out and are partnering not just on the reinsurance, but also on the asset management side, let me explain to you what the facts are going to be.

So we are going to have much more efficient capital deployment and the ROE in life is going to move from 12% to 18% in the U.S. The segment will improve at least by 1 percentage points in terms of ROE, while the profit level remains almost unchanged. Can I repeat that? The profit level stays almost the same. Why is that? Because while we lose operating profit in AZ Life, we're making this up through reinforced asset management fee income, particularly for private credit and other olds, which are much more attractive for us and recurring asset management fee income of about GBP60 million in which much higher multiples and much more stability.

So it's a real win-win, and it's the beginning of a journey. It's not a transaction. It's actually a partnership that we'd like to extend both on the existing portfolio of AZ Life, think about variable annuities, think about creating new products, distribute, leveraging private capital and its capital efficiency in a systematic way, and it will not stop at the U.S. board.

Now as we move through this transformation, what are you going to expect? This slide shows you capital intensity on the one axis and increasing profitability. So what we are actually seeing on this page is the current target. We would love to have 13% ROE and we don't have it. And that's why investors have been very cautious in terms of 2020 numbers that says, is this ever going to move with interest rates keep on going down, spreads go and keep on going down, equity market volatility. Well, that is the future of what you're seeing on this page.

The U.S., I just explained to you in terms of capital intensity declining, you see that with a shrinking bubble and ROE jumping to 18%. But also Germany, Andreas will talk about that, will significantly improve ROE and reduce capital intensity through very intelligent measures, for example, on longevity risk, Switzerland, we've already done. We've worked on Benelux, that's underway. And then we have Italy that has massively moved not through back book sales, but renegotiating in-force contracts and moving massively to unit-linked and much more capital-light products. What we now have to work on is the remaining like France and others. And again, we are confident that we can move that over time as well. So a real transformation not a tweaking of the edges.

Now one of the reasons why we can do that because we have a superior ALM function in Munich. And I would like to go out to you and say, reiterate the point how important Allianz Investment Management is for the value creation. If you benchmark us to our core peers, we have had a 40 basis point outperformance ratio on current yields and 90 basis points total performance over the last few years. We had much more resilience, and we have a much stronger generation of alternatives. And I'd like to reiterate the incubation of Allianz Real estate has been super important for PIMCO, think about Allianz Capital Partners in PIMCO. So it's an essential part of what we do plus the driver on ESG is super strong. And you have the facts to match it up.

Again, Allianz Leben is a super strong asset. In the interest of time, I'd like to jump over this slide and just point out that Andreas is going to talk about that in detail. It's the strongest company with double the margin that anybody else has in this country. What is not well understood, it is also highly capital efficient and highly resilient, and we're going to prove that to you.

Now asset management leadership is a story that has been told through the numbers, not just through double-digit asset growth and attractive margins, but all the other items that you should know, again, if you think about that, many think about as traditional trading-oriented asset management is just not true. We have now more than EUR210 billion AUM in Q3 is the number on odds and it's growing 12% a year and is going to grow more with outstanding investment performance and strong improvement in productivity. That is almost unmatched. And Manny Roman will have the pleasure to explain to you the outlook this afternoon.

Now two or three minutes on beating the best in retail P&C because you know we have an outstanding retail franchise, but everybody is always coming back and saying, yes, but you know the mutuals are so much better. Yes, indeed, there are models that are better than the ones we have, if you think about motor only. If you think about the universe of other products, home, home content liability, we are the leader. Now we need to fix some issues in P&C, and we have very granular benchmark in terms of how to do that. The German colleagues have been leading the way.

We have a new comprehensive model to get to best-in-class performance quickly because the competition is not sleeping, and we have extremely precise targets, bringing up new business by 25%, bringing unit costs down by 25% and most importantly, bringing down the loss cost by more than 10%, leveraging our new claims facility.

Chris will talk about commercial lines across AGC&S, mid corp and oiler. He's going to go through, it's very important that we lift operating profit. The ambition is more than EUR0.5 billion in OP uplift, while reducing earnings volatility through intelligent reinsurance, and he's going to talk about that, how we can get this done.

Now, one of the things, again, we believe are totally underassessed and undervalued is the platforms that we've been building around travel, mobility, health, finance and home over the last few years. And that's not just about claims that I've just mentioned or health, we're extremely strong with NEXtCARE, Allianz Care, Vivian others, but also around finance, I think, for example, (inaudible) in Germany's totally underestimated in terms of its capability because it starts first with usage then driving customer satisfaction and eventually boosting sales per client. So don't underestimate what's coming and we're building them out systematically as we are doing it on the home platforms that we have that are now extremely strong. So, as it stands through all the platforms we have, but last but not least, transforming the way we are doing travel insurance globally where we are the market leader and we are going to strengthen our capabilities even further.

Now, let me move on to claims, I think it's super important for you to understand that a lot of people are worried about, well, Google will offer auto insurance and take all the margins on Amazon. Yes, customer access and customer access as reasonable cost is super important. Underwriting engines and algorithms, customer data is super important. Let's not kid ourselves, but we are the number one brand, people come to us. What is more important and where you can build a competitive advantage is to have claims platforms that the big tech guys cannot replicate. It's very, very hard to organize physical networks the way we are able to do that. And with control expert GT Motive and more assets to come, which we will announce in a couple of weeks, systematically going through telematics world-class digital notification of laws, AI-based damage assessment, segmentation and steering in real time fraud analytics and automated payouts. The journey is just beginning. And we are offering the platforms to our competitors. Why? Because the scale benefits of driving down cost and increasing revenue for the platform really, really makes this available for other insurers as well. Maybe not the biggest of our competitors, but many other out there.

Verticalization, when you think about Allianz, people say you are multi-local company. The reality is, when you think about our brand, it's all totally global. The way we do websites, it's totally global. The way we do partnerships already, totally global. The next step, first on the digital and then in the physical world, of course adapted to local customs and customer requirements has to have One Allianz experience. And the One Allianz experience has to be the loyalty leader experience and we're driving that.

In terms of customer access, we have relied, by the way think about the pharma industry being the same because of regulation, mostly on local networks and distribution, we have to add global partnerships and platforms that feed each other's successfully. And we're going to talk a lot over the next few years of how that's going to happen. We have been offering and harmonizing global motor products with minimal local tailoring. It's time we scale that and get the in-force business there as we have been able to do that on the investment side for a long time. And we've had local or regional operations teams that we are now adding global utilities with our dealership program. Barbara is going to talk about it. IT and infrastructure is global and will be even more global.

Last but not least, the balance sheet has always been global, but we have more efficiency to drive. And when you look at the verticalization, the largest amount of work that still to be done is actually in P&C, because this is where all the people on the local processes are in the legacy and it's also true for old life systems. So this is where I have to move on platform asset management, reinsurance AIM treasury, we're already where we need to be.

This is not the last slide but it's probably for me still, as I started six years ago, the most important. I'm not worried about Amazon only because of its scale and power and financial power because it has the highest net promoter score, the highest customer satisfaction. So we have been moving aggressively on the brand. We have been grooving massively on voice of customer on getting marketing excellence to the digital world, but the future is really one thing that we need to do. We have to be the loyalty leader in everything we do, because it comes with 3 times the growth and 3 times less churn. And we need to put the numbers and the performance behind that with the way we are now doing digitally, it is going to come.

Talent and development. Very few companies talk about the most important asset to get this all done. That is actually our people. So everybody in Allianz has very strong targets on leadership and we've consistently been achieving or outperforming them. And the other things that people consider to be yes, a site concession like having equal pay for everybody across genders, well, by the end of this year we have done it.

We have 30% of our businesses run now by women. Okay, let me repeat that when I started as a CEO there was none, there was no female CEO. We had one female Board member, now we have three and everybody is following. So, as we move forward, it is very important we understand the power of diversity rather than it being a site constrained and we're getting recognized every day across many of these things that go beyond gender and other items and it is training.

So, let me go quickly to the summary of how we are trying to lift our ambitions even higher. This is what we are trying to achieve over the next few years. Drive value creation to 5% to 7%, 3% to 4% through growing the business, 1% to 2% on margin expansion and 1% to 2% on capital efficiency. And we're trying to drive the top line of the company probably north of 160 billion, if the world doesn't fall on our heads. And there's further optionality built into this case, building global platforms at scale, think about the transaction we announced this morning, imagine that we scale this across our portfolio, think about capital productivity and even better and more successful M&A, and making sure that our global digital platforms are not just driving productivity but also customer growth.

This is the Allianz that we have in mind that we have dreamed about, that we have built and that we are now driving to get there while being the loyalty leader and what we really need to do, we have a new baseline that we are putting in. So, we want to bring loyalty leadership to more than 50% on a rebase level, that's driving it up, very strongly, keeping the (inaudible) also 75% and being there clear leader in sustainability and diversity in our industry and beyond.

And with that, I thank you for your attention. I'm very much looking forward to your questions in a little while now and I'm going to very soon hand over to Giulio.

## Giulio Terzariol {BIO 17125489 <GO>}

Thank you, Oliver and good morning to everybody. You heard from Oliver about our strategy for the next three years. And now I'm going to talk about how the strategy is reflected into our numbers. But now you know our targets, you also know that targets and plays are as good as the some sure that you put into it and also as good as the confidence that management has to deliver on those targets. And I can tell you that, I have a healthy degree of confidence that we can deliver on this target, being finance guy, I also have always the needed amount of paranoia and I think as you go into the future, having the right balance between confidence and paranoia is the best way clearly to be successful.

As we talk about confidence, I'd like to share with you our new dividend policy. We made basically few changes. The first change is we reduced the level at which we might revisit our dividend policy from 160% to 150%. The second change is why we are maintaining our payout ratio 50% on the net income. We have introduced the possibility to change the net income for volatile items that's in response also to the change coming from IFRS 9 and 17, the change of IFRS 9 and 17 is going to introduce a little bit of volatility, not a big amount of volatility, but there will be a little bit more volatility in our numbers. So, we want to adjust for the volatility. And also we take the opportunity to adjust a net income for extraordinary effects.

The last change is the most important one. As you know as of now, our dividend the policy as a ratchet. So the dividend of a given year to know below what in the dividend or the preceding period. Now we want to have basically a policy where we say the dividend of a given area has to be at least 5% higher than the dividend or the precedent here. So I think this is a strong sign of confidence from our side. That's basically the bottom line 5% to 7% EPS growth 13% plus ROE and increasing dividend by at least 5%, there will be but clearly there is a narrative and on this bottom line and now I'm going to go through the narrative. But before I go into the future, I would like to take a step back and reflect about our journey over the last three and six years.

Usually, I don't like to do that , I believe finance is about looking forward, but I believe that looking back in this case is going to give you a sense of the quality of our delivery. And I think you can extrapolate this quality also into the future. Second, I always talk to you on quarterly results when we compare quarter over quarter but you don't measure strategy in quarters, you measure strategy on longer time horizon so that's the opportunity for me also to put numbers strategy clearly together.

Let's start from property casualty. The property casualty you can see a journey of improvement. You can see a growth in premium over the last six years. And if you focus on the last three years, you can see even an acceleration of growth and this despite the COVID impact in our travel business or in our credit insurance business. When you look at the combined ratio, you can see a clear trajectory of a reduction in the combined ratio, and if you adjust for the NatCat load which in 2021 is clearly higher compared to what we had in 2018 or '15. You see respectively an improvement of 2.5% versus the 2015 level and 1.5% versus the 2018 level. So, definitely an improvement in combined ratio.

The operating profit is flat, but if you adjust for the NatCat impact, you can see an increase in reality of 4% per annum and think that we have today as Oliver was referenced before, EUR500 million less investment income compared to six years ago. So, definitely a solid improvements of underwriting performance was the story of accelerating growth on the revenue line and adjusted for the NatCat in 2021, you can definitely see growth in our profit. But it's also very good in my opinion, this improvement has been widespread that's basically showing the improvements in combined ratio, adjusted for NatCat and run-off in our operation. You basically see almost all entities having improvement over the last six years. So this is the reflection really on this attempt to get better across the Board and try to beat the market.

So that's the story on the P&C side in my opinion, very strong story. And now we can go into what I think is even better story. And I'm very proud of our life franchise. As you know, we have a background more on the life side, I spend a lot of time in Minneapolis. I always believed when I was in Minneapolis, and I was not thinking just about Allianz Life, I was thinking about our life operation that we have a very good skill set on the life side. And I believe this trajectory is definitely showing that. Look at evolutions or the value of the business over time. And also look at our ability to keep in the last three years, the new business margin at about 3% level despite interest rates which have negative in Europe.

Also and there was very important in 2021, we have been successful with our transformation. So we see that we can achieve a nice new business margin and on the same time we get the production that we need to get. Look at the RoE trajectory, the RoE is going up. I believe a few years ago there was more than (inaudible) RoE margin flat, nor the RoE is going up and now in 2021 we are basically at 12%. And I would like to highlight that's an RoE without leverage. So that's also very important. So when you put the leverage, we can say this segment is contributing to the 13% RoE that we have as a target at group level.

And now also look at the trajectory of the operating profit, which is going up over time. So also here, maybe few years ago, the notion was our operating profit might go down. Now, you can see there is an increase in operating profit. The 4.9 is just to talk now about the forecast is a little bit elevated compared to normalized level and that's because Allianz Life due to the low volatility is very, very good 2021. But even if I adjust the number for that and my normalized number will be more about 4.7 there's still a number which is better compared to the targets we gave ourselves in the Capital Market Day of 2018 and there's also better compared to the outlook 4.4 billion that we had for 2021. So very nice progress on the life side.

And here again, we can see how this progress has been widespread and this is the picture of the RoE by entity. And the blue dots are the companies with a RoE about 10%, the red dots are the companies with an ROE below 10%. You can see that basically, as of now we have only five entities with an ROE below 5%. I tell you three entities are going to be about 10% next year and the two company which are not going to be about the 10% next year are very low just to give an idea the capital location to these two companies is EUR50 million each. So basically we're speaking around it. So we can say all our entities are now delivering ROE which are going to be in excess of 10% and I think that's a really powerful picture.

Now, we turn to asset management, in asset management, we have also nice trajectory. You can also see how this trajectory has been accelerating over the last three years. You can see these in the development of the assets under management. You can see that in the development of the cost income ratio, you can see that also in the development of the operating profit. We are clearly well aware that the market have been benign, so from that point of view, there was definitely at least coming also from the market conditions, but we also strongly believe that our entities have been performing very nicely in these environments. We are very proud of the franchise that we have both the PIMCO and AGI. For PIMCO, you're going to listen to Manny in a few moments. For the AGI, I can tell you they're going to have an operating profit well in excess of EUR800 million and I did a benchmark in just a few weeks ago and they can tell you that in 2021, they're beating the competition basically on all dimensions. So it's not just markets, it's also a lot of hard work got into delivering these numbers.

And I don't know if you remember but in 2018, we had a couple of cost income target that we gave to our set both for PIMCO and for AGI. In the case of PIMCO, the idea was to keep the cost income ratio below the 60% level. You don't see the numbers in these slides, but you can see that, we've been keeping the cost income ratio very stable. And if I were to put the numbers in the slide, the cost income ratio for PIMCO, it's about 59%. In the case of AGI, we gave us the target of below 67%. And if I were to put a number on the blue dots on the right hand side, the number will be 63%. So from that point of view, really an achievement due also to the intense restructuring that AGI has done in 2020.

Even more important despite this restructuring, which was also restructured on the investment platform, AGI is producing record flows this year. So that's the important part of the story because sometimes with your restructuring, you lose on some other value drivers. In this case, is basically something very positive that we see record inflows at AGI also in 2021.

So a very good story on the asset management side and now clearly when you add this kind of operating performance, this finds its way also in the Solvency II calculation. And here you can see that over the last three years, our organic capital generation on average has been about 9 percentage point and this despite clearly the challenging conditions that we had in 2020 because of COVID. So if we were just to normalize with it and consider normal year, the capital generation would have been 10 percentage points for sure.

But the real part of the story in this slide is the business evolution and especially the contribution of life to the business evolution. And you can see basically that the life business is not really adding to our ACR on an organic basis. Clearly since rates went down, we had to put more solvency to capital because of the market movement by the ongoing generation on the life side is basically zero, which means the capital efficiency of the new product is such that basically the capital we need to put for them is compensated by the release of capital that we get from the in-force. And then don't forget that we are developing a business, which is helping their own fan. So, I think that's a very powerful story especially as we project about thinking into the future.

And now, this is about remittances one thing is capital, one thing is the cash that you get into the holding company, the two things are related, but they are not equal. You can see that we had about EUR20 billion of cash remittance, net of holding cost and interest payment in the period 2019 to 2021. That's a little bit lower compared to the level that we had in the last -- in the previous three year period. That was because in 2016, we had about EUR10 billion remittances coming from our entities that was clearly very high number. I think there was a welcoming gift for Oliver, who was the new CEO. So but in overall, you can see that we have a very high remittance on average about 95% and the 91% level is a very good levels for the company, which is growing, we are not shaking.

And now when you look at the payout to shareholder, you can see about EUR30 billion plus over the last six years. Clearly you see a little bit more buyback in the period '16-'18, little bit less in '19-'21 because we had more M&A activity. We always said as we're going to pay buyback in M&A in a tactical and strategic way over time, on average you can expect the average of those numbers. What is nice is the outcome is the same because as Oliver showed before, we had a 6% EPS growth in the period '16-'18 and we expect to have adjusted for effect also EPS growth of 6% in the period 2019-'21. So we have this kind of flexibility and clearly you can assume that we are going always to keep in mind what our targets are and do our best to achieve our targets. So that's the story I think is a very compelling story from a delivery and I will say the quality and consistency of the delivery that you saw in the last three or six years is the same quality and consistency that we want to bring also into the future.

So now let's talk about the next three years. You heard from Oliver before, you saw my slides before that our target for EPS growth is 5% to 7%. So I choose basically the midpoint of the 5% to 7% using 6 as a reference point. And we assume the two-third of the 6% growth is going to come from operating profit development and one-third is coming from capital management. Just to give you a sense about the baseline for the operating profit. I'm assuming a EUR13 billion starting point. Don't be surprised if our operating profit might be a little bit higher at the end of 2021, but I think for the sake of this argument, it's good to start with the EUR13 billion around the number for operating profit and for the EPS, I'm assuming normalized EPS of 2021 for 2021. So, that's the reference point that we are using as we go into this conversation.

Now, starting for the operating profit, we're targeting 4%, which means basically at least EUR14.5 billion of operating profit by 2024, I know you are very good (inaudible). So if you add the numbers are the same as in 2024, you're going to see operating profit more 14.8. So I would say clearly our expectation is that we're going to exceed 14.5 in order to get to a very solid 4% growth in operating profit.

Now, I'd like to go with you through the segment development. Let's start from property casualty where we expect our operating profit to go up by about EUR1 billion. And when you do the composition between underwriting results and investment income, we are expecting basically EUR1.2 billion, a very solid EUR1.2 billion of additional underwriting results, which means a growth of 7%. On the other side, we still are going to have some drag coming from the operating investment results that's about minus 1%. So, when you put all together anyway, the plus 6% growth in our operating profit for property casualty. On the operating investment results, we also expect that this drag is going to reduce overtime. So as we are going to add the next Capital Market Day in 2024, I expect that the numbers not going to be a negative anymore.

Now, talk to you about the underwriting results. We are assuming 3% to 4% of growth and we are assuming a reduction of the combined ratio to 92%. I think that's a very realistic expectation. Part of the improvements going to come from retail. I can tell you right away that in retail, if you're adjusting for the NatCat load, we are basically right now at 92%. So it doesn't take us a lot to get into the range of 91% to 92%. So from that point of view, we feel very confident about our ability to get into that range.

And when we look at commercialized, we are a little bit closer to the 95%. If we adjust from NatCat, we get closer to the 94% plus, so also in that case, we have a little bit of an improvement, but that's definitely an improvement that we feel we can achieve and Chris is going to talk later about this. Also the expense ratio, we want to bring down the expense ratio. So now we are close to the 27% level. The idea is to try to push it down towards the 26%. I don't know whether we're going to get precisely to 26%, but the idea is definitely taking three years down the road when we talk about our expense ratio we are going to talk of something that resemble '26 and not '27. So, if you ask me, this is not an aspiration, this is not an ambition, is a very realistic plan and I think is good to have a plan, you're supposed to have aspirations or ambitions.

Next one is about the plausibility check on the life side. Let's start first from the EUR4.9 billion operating profit in 2021. And that's indeed the (inaudible) level. Because as I was saying before, yes, we need to normalize down for Allianz Life, which is having very good year. But on the other side, we know that we add an acquisition. So from that point of view, that's a good baseline and then we expect to achieve a growth of 3% over the next three years. What we see here is a strong contribution coming from our preferred lines and we have a double-digit growth expectation for OP in a protection unitlinked and we have a high single-digit growth expectation on our capital efficient products. And when you look at the contribution of the operating profit coming from the capital efficient lines, we are basically more to 70% of operating profit coming from those lines. If you look at the contribution on a very new businesses even higher obviously.

On the other side clearly, we are going to run-off. Basically, the guaranteed savings and annuity business, so that's for you see the minus 3% coming through. Now, 3% might not look like a glamorous growth, but think that's part of the back-book transaction there, that we are doing also like the back-book transaction that we did in Switzerland, that tracked a little bit from an operating profit point of view. But the point is, you get the capital efficiency. So there's more also of an ROE place not just in operating profit play, you saw that reflected also in the slides of Oliver with the

13% ROE target for 2024. So when you consider the package of a growth in operating profit and improvement in ROE, I think that's a solid package again, that's not an ambition, that's not an aspiration, that's a plan.

And now coming to asset management, we have an expectation of 5% growth over the next three years, 3% is coming -- 3% growth is coming from growth in the assets under management and 2% is coming from margin and efficiency. Now, starting from the assets under management growth, a 3% growth in assets under management is I would say pretty solid to achieve in this sense just in net flows. If you look at our net flows history, you need to do an average because net flows can be higher or lower depending on the market condition. You get easily to 2% to 3% of net flows contribution to our assets under management. So we are not relying on market performance basically to get to these kind of numbers.

Clearly market performance of this location are very favorable market, they can create a sensitivity around these numbers, but you can get pretty comfortable with the idea that the 3% growth in assets under management is a very moderate growth for the business. And then on the fee margin we assume a stable fee margin that's also the experience that we are currently doing -- that we have been doing in the last quarters. Also from performance fees, we are assuming stable performance fees and we still want to achieve some improvement in the cost to income ratio. So again, here you can see, we don't need to make a heroic assumption to get to a 5% growth in our profitability in asset management.

So that's the story on our operating performance and clearly all these numbers somehow find a way into Solvency II. Solvency II is a little bit of a different account you may trade but there is a link clearly between the two. So overall, we are expecting an organic generation after tax of EUR30 billion then we're going to invest about EUR4 billion to growth, which is basically the capital consumption coming from the growth in P&C. Then we have an assumption of about EUR14 billion of dividends over the next three years, which means we have an excess capital generation of EUR12 billion cumulative over the next three years. And in the language that we use during our regular course business basically 10 percentage points capital generation per annum.

And then the translation from capital to cash, we need always to account for some non-cash item, there is even always with some leakage if you want in the system, this lead us to a EUR9 billion of excess cash generation cumulative, which is about EUR3 billion per annum if you remember the Capital Market Day of 2018, we had EUR2.5 billion per annum. So overall is way more than 10% increase in our excess cash generation. And then the stick is also relevant. So if we keep the leverage cost that we would have additional EUR2 billion of hybrid capacity to support both cash and capital generation by setting this aside, just organically without even accepting a reduction of the leverage ratio, we would have EUR9 billion of excess generation and EUR5 billion of excess capital generation.

Now, if you look at the evolution of the next three years compared to the last three years, you can see that our organic generation is significantly higher compared to what we had in 2018-2021. Here, we should adjust it 2018-2021 period for the COVID situation, but even adjusted for that, the number is higher than on the remittances you can see definitely a push with EUR23 billion of remittances. Again, net of holding cost and net of interest payment compared to EUR20 billion for the period 2019 and 2021. So the remittance ratio I think you are familiar with this number, is higher than 80%. That's the number that we always like to present when we set our targets in front of you and clearly we're going to try to come up with other ideas in the next 2-3 years, how to even lift this number to well above 80%.

And as we speak about ideas and capital optimization, these are a few of the things that we did over the last 2, 3 years, we did the Belgian translation, we did the Spanish translation, France -- the reclassification is basically we put pension business from Solvency II into Solvency I and also as you know we are making transfer of products from the legacy business if you want to into new business. On Italy, we are doing a negotiation the contract just a few weeks ago, we had an announcement transaction in a (inaudible). So you can see there is a lot of activity going on and the sum of all these activities have produced about EUR1 billion of capital release. And then clearly we always look at new ideas and one is basically the transaction that we have announced just today. This is where our comfort level cash that we are going to -- we are in a very good trajectory to achieve a 13% RoE in the life side by 2024 and again, this is an RoE without leverage.

Now let's talk about the transaction in the U.S. Oliver has already talked about the strategic rationale of the transactions, so I'm not going to go into that. I can just speak about a few numbers, EUR3.6 billion of capital upstream. And if you split these EUR3.6 billion, you have EUR1.8 billion coming from capital release and EUR1.8 billion is basically the ceding commission after tax, which means is a 2 times book value. Now in the fixed index annuity space public market, I believe the evaluation of one-time book value, so one-time versus two is a big difference. Now, it's true that our counterpart is value drivers that we cannot deploy maybe our traditional competitors, I cannot deploy, but stay between 1 and 2 price to book value, there is a big gap and this is a clear indication that there is a fundamental underestimation quality of the earnest that we have in the fixed index annuity (inaudible) that I want you to reflect upon because the difference is very staggering.

You can see that we are going to lose EUR150 million dividend in the next per annum. What is important that's not a perpetuity is EUR150 million for a few years and then clearly since this is a book designed the EUR50 million going to drop off. So this gives you a little bit idea of the attractiveness or the transition then as Oliver was saying before there is basically no impact on anything and that's also because of the different treatment of other insurance commission between local accounting and IFRS accounting. And there you can see a very nice lift of the solvency ratio by 9 percentage points.

So that's a very strong transaction, clearly very valuable for us, but I think also the hidden message about the quality of awareness is that I don't want you to miss it. So this is a proof of our strict capital management. I would say it's not just strict, it's also active, I think we are very active. You saw we did a lot of transaction and that's where basically the COVID is cause we're going to keep this RoE of 13 plus. I don't know if you remember but in the Capital Market Day of 2018, I told you when we say 13 plus, we don't mean 13.01, we mean a robust 13 plus RoE and this commitment clearly stays also as we think about the next three years.

Now the elephant in the room is what might happen with IFRS 9 and 17, I can tell you that the headline is maybe the most important thing to take away. We don't display major changes. Now, on this one, I would always put some paranoia because as long as it is not done, you never know, but I can tell you we did a lot of parallel runs we did a few runs, we even tested the plane based on IFRS 9 and 17 and we don't see a major change in profitability. We also don't see a direction sometimes, the profit might be a little bit higher, sometimes a little bit lower fundamentally we don't see any major change of pace of the best knowledge that we have today. We can tell you, we should not expect this to change, basically the conversation that we are having today.

But I always reserve the right to say you never know in life. The only thing I can tell you volatility is going to be a little bit higher and that's not because of IFRS 17, is more because of IFRS 9. There are some assets that have to be booked at fair value through the P&L. And so we're going to have to leave a little bit with this volatility, which is going to be very transparent, very easy to explain and I said before we're going to adjust for this volatility as we set our dividend. So no major issues so far coming from IFRS 9 and 17 that's our expectation.

So bottom-up was to sum it up, I am confident about the fact that we can deliver on this plan. The confidence is coming from our bottom-up planning. We went through a lot of planning dialogues in the last two weeks, three weeks. We know we are an international company, but we are based in Germany and we like planning so we did a lot of thorough planning. I think the track record is something that you saw reflect in the last three years or six years. So we're going to carry the same attitude in order to deliver also into the future. You have a great team as we go through the planning dialogues, we look at the numbers, we look at initiative, we also look at our people and I can tell you we have really great people in our subsidiaries.

And then I believe we have a strong culture and cash is important, because let's be serious we are embarking on a journey for three years and who knows what could come our way. But if you have a great team and if you have a strong culture, I think you can cope with the challenges that we might face that we don't even know what they could be as we speak to this. So all these kinds of things give me confidence about our ability to deliver as we have been doing in the past. And now as we move forward, this was more of a high-level description of what we want to do from a numbers point of view.

Barbara is going to talk about ACM and double transformation, Chris is going to talk about commercial and the opportunity that we are there, Andreas is going to talk about reliability about the liability of Allianz Leben with a 5% per annum dividend growth is dynamic liability something that as a CFO, I like a lot and then Emmanuel is going to speak about PIMCO when you speak about PIMCO, you always speak about performance.

So now we're going to have a break and we are going to reconvene in about 15 minutes. And I want to thank you for your attention, so to see you in 15 minutes.

## Barbara Karuth-Zelle {BIO 19492614 <GO>}

A warm welcome also from my side to our digital Capital Markets Day. I'm very happy to talk to you about our digital transformation, a little bit more in detail. And what we saw throughout the pandemic, that all our customers in all age groups dramatically increase the digital capabilities. Luckily (inaudible) started already our digital transformation quite some time ago and it didn't even stop throughout the pandemic, because we want to meet our customers anywhere, anytime is a simple intuitive offering and then I will explain you more entire concept on an expect.

So Oliver already talked about it. We want to create One Allianz global customer model that means we start with the products to be a global to be harmonized then also go into the processes that becomes together with the product. And if we have the global product and the global process is harmonized, we can also massively simplify the underlying technology. We call that it in all the business master platform that contains not only the processes and the product but also the IT because also show you that it is scalable throughout the home and also has space in the sustainability components.

Why are we already enabled to do so? Because if you go to the next page, you can see that we have one big advantage because we have one of the biggest captives within the financial service industry, we have a technology captive and consists as of today out of 12,000 IT experts. These 12,000 IT experts around the globe are not only responsible to build a new but also taking care to run the all. And at the same time, we do the transformation and of course, you can imagine as a constant target, we need to of course have our systems available, secure and resilient 24/7. We combine that also with another capability that is very important. It is the business process analytics over that we have already also in a global team. And it helps us also when they affect prices because then we can make sure that we can use the entire community around the globe that makes us much more resilient.

All over this team is actually working with (inaudible) 2 billion, which is roughly 40% change 60%. Now you need to imagine that at the moment of course, we have a double run, because we are in the process of transforming. Also important to mention that we do the entire transformation out of this budget. So we did not increase, this is the budget we have at hand to do the new (inaudible). Another very important area is that we understood quite earlier that if you are data driven company, if you are technology at your heart, you have to have an absolute stable infrastructure. So we invested very, very early in simplifying our infrastructure. This is what you already see in the infrastructure total costs going down.

And also as a side effects, you could substantially reduce the amount of incidents. Also on the data center, we went down from 144 data centers into 6 strategic data centers around the globe and we have already moved 66% of our infrastructure into the cloud. What was very, very useful throughout the pandemic was that we already started early to virtualize our work places. So we had already in 2018, 80,000 employees on a virtual workplace and we brought it up to 121 in the year 2021. That of course may be possible that we head throughout the pandemic 90% of the workforce working from home. And that was also the reason why we did not stop our transformation even through the pandemic. So these are the capabilities that you need, but what is most decisive in our transformation journey is of course, the product -- the product and the process.

So what do you need to do is to make sure we have a global and harmonized product and that was done because we understood that especially in P&C 90% of the product functionalities are very similar across markets. So what we say is we actually designed a product laboratory where everybody can fairly easy to adopt its product design and then it is space on a common framework. So before I explain to you, I think it makes much more sense. We look into this little movies can extend it much better.

(Audio-Video Presentation)

This was a common effort of many, many OEs and already by today many OEs are using that and now I would like to give you the examples, because of it sounds like into your we want to see that it really works. So, what is the benefit here? What you see is for once we have a tendency to product offers in various markets, so this is already proving that we can sell the same product in various markets, customer feedback is take very high. Another thing that we did is also simplifying the underwriting process. So making it much easier for our customers to connect with us. So if you look into (inaudible) for instance events from 40 to maximize eight clicks to codes, but it is not everything. I think, what is also extremely important that you clean the product portfolio, what you see, what was done in -- to (inaudible) really massively decreasing the product combinations and also the old product families and bringing them into one. So that is happening and this is very important because it's the product that actually makes the difference, whether you can fully simplify according -- along the entire value chain, this also into the technology and as I will show you.

But before we talk about the technology, we need to first look into processes. Also mentioned the Oliver because this is very few theories and this is also where we will achieve (inaudible) the continuous improvement of expense ratio. So how do we do that? We look into the overall processes and it is nothing really new. Because this is what you're doing this business process, reengineering and everybody who ever worked in operations and he knows that. The thing is what we are using is new tools in the market that allow us to do that much faster. Because in the past it is that mandatory and now we can do this with the solutions that gives you this in a very short period of time and analysis of your processes and inefficiencies and effectiveness in your processes.

Then you need to decide how you would like you to be processed to be to paste that into the system and then I think this is also very important, you combine that also what is out there in the market with automation, is artificial intelligence and also with robotics. And then we also combine this with the strategic asset that you bought from the market Oliver gave you the example of claims, which I just briefly now will reiterate for you, but exactly there is -- so we need to make sure that also from an architectural point of view, we need to have the architecture in a way that we can easily also connect to all the partners that is out there in the market to help us to increase the offering to our customers.

So if you quickly go to the next page and you look into claims, Oliver explained to you, it's just to make sure it's on the mobile of the customer. So we want to make sure that from the very first moment, we have successful notification of loss. We use what is out there in terms of tools to do the upload photo on the smartphone to do the immediate artificial intelligence based loss assessment to work together with GT Automotive on the cost estimates and more important also for our customers we do have to clean straight, a very customer can see 24/7 real-time the status update on this claim.

So this is on the product and on the process continued simplification, if you do that, of course, that needs to be reflected in the underlying technology. So, let's look into the new. What do we want to do new? So on the new, of course we want to mark this unit use the platform that we go to the next page. And you see we want to come from multiple e-platform that we have around the globe into one look and feel globally. On the customer front end so already be massively decrease the amount of customer front end we have out there and the advantage is not only cost and productivity but the advantage is also that you can scale much faster innovation, because you have the same underlying platform.

In the global master platform, you need to mention we have 80% core layer, which has the functionality to serve all the business, is not less for P&C but also their target for the other and then you have per country, because of local regulation roughly 10% local customization and on the country they are -- which is then the same in the country for your operating entity to finance an additional 10. And why would this work? Because we understood when we analyze in depth the product that the product has like 85% to 90% commonality. So, this is absolutely achievable. And, of course, you can imagine, if you manage all of that one productivity enhancements and even.

So the most secure thing and also that was mentioned by Oliver, of course how to get rid of the old. So what did we do? We are also here we started quite early and we now gain some expertise and experience to do that because you can imagine we are not the new company. So we have some systems that are around since some 30 years or so. So therefore, it's very important that you understand what you are doing. So up to now we see commission already 600 applications and we have 600 more to come until 2025 and then we will do the rest. This already gives circa 250 million run-rate saving until 2027.

Now again nice what you're telling us but do you have an example where it all comes through is that really scalable. So we took an OE very far from Europe and we go to the next page and we go to Australia. In Australia, we said, okay, let's see whether this is working, whether it's working that we simplify the product through the customized with an underlying processes harmonized and IT platform. So we have 1500 clients, we generated the product with the product that is used all this one service generation, very important also, again build another legacy. And on the new website, the results quite interesting for the first month we see the call center converged rate up by fifty. Then new business gross written premium up by 40 and new business contracts up by 30 and the online conversion rate up by 20.

So, looks promising, and I would say now we start harvesting, what we started already a couple of years ago. Digitalization is not everything what we absolutely also need to have a key focus on is and that becomes the next slide sustainability also mentioned already by Oliver is a very crucial topic for us. And especially being such company, we need to absolutely carefully understand how we use energy. So we do have a target of greenhouse gas emission reduction of 30% by 2025. So, by using and increasing continuously our digital collaboration and this is what you see between here and where is the also something concerning from the U.S. We have a hybrid setting today and this is absolutely a need because by this we can possibly reduce business travel.

In addition, of course, we use every lever that you can use as a -- in the area of technology for instance talking about the flexible capacity usage by the cloud. In the area of electricity another thing that we do. We want to have 100% renewable electricity by 2023 and already as of today we have four out of six of our data centers run by renewable energy and for the others, we are actually working together with colleagues around the globe to increase the supply side to be able to also make a step forward here.

Another very interesting thing focusing not only on sustainability, but also on productivity is of course paper use. Paper this communication is for us, absolutely marks to make life easier for our customers, to the get productivity up but also in terms of sustainability. And the last but not least, to mention here in the area of claims -- area of claims, we started already now to understand whether our customers would accept that we go into the peer instead of replace and I can tell you this very much accepted. So we want to have by 2024 already 62% of the claims really with car parts instead of replacement.

So I think with that, I could give you an overview also, how be it must be still work on sustainability. And before I am giving the stage to my dear colleague Chris Townsend, I would like to quickly summarize how we want to come to the P&C expense ratio that with the decrease of 30 basis points per year. And I think the answer is simple -- the answer is simple and scalable.

And with that, I thank you very much and I would give the stage to Chris.

## Christopher George Townsend {BIO 17625797 <GO>}

Thank you, Barbara and good afternoon. I want to take the opportunity now to talk you through our commercial P&C segment and through the house with the deployment of our global businesses and our global platforms. We're going to both expand our margin and drive profitable growth to support the strategy that both Oliver, Giulio and Barbara have spoken about.

So if I can show you first of all please the global commercial business, overall, I think this is probably the first time you've seen it in this sort of setup and I'd say right from the outset, it's a portfolio constructs, which is both balanced and one that we're very comfortable with. All of the component parts are complementary to each other and a number of the skills are fairly intertwined. So it consists of four businesses. First of all, our large commercial business which we go to market there is AGCS, secondly the mid-corporate business, then the credit insurance business and finally a modest-sized third-party reinsurance business.

Collectively, it's about EUR20 billion of premium, which makes us one of the largest global commercial insurers. And it's about 35% of our overall P&C premium. The rest of the P&C premium being made up of our traditional retail business, our SME Allianz partners and our fleet business. We believe that there are a number of factors which can help us to drive growth in this business, the more macro factors driven by obviously the economic recovery, digitalization, the infrastructure renewal and then broadly, the green transition and all of these help from a well-placed commercial insurer to drive growth through the portfolio.

So, what I'll do now is go through each of the four component parts and show you how we're going to do this. First off for AGCS. This business has gone through a ton of change in the last two years. We've got a whole new executive team in place led very ably by Joe Mueller who's put in place a real clear strategy and clear direction for the business and we've invested heavily in terms of technical excellence to improve the portfolio. Let me give you some examples.

So we now have 80% of the premium underwritten and priced on contemporary much more appropriate pricing tools. We have 1/4 of our business individually case underwritten by a price actuarial. We've also exited some unprofitable business. We've exited about EUR700 million of unprofitable business and that business was performing well north of 100% combined ratio. And just by taking that out, we can improve the loss ratio between 2019 and 2021 by about 3.5%.

We've also been making a significant change on the expense side of the equation. We've reduced headcount over the period by 7%. But we've also been driving a much simpler, more sensible global structure and have been investing in the key areas we need to. So again, for instance, we've improved and increased the number of our professionals in the areas of pricing, portfolio management and actuarial by 50 people over the last two years. Whilst we've been doing all this rate is clearly being our friend. We've generated effective rate changes on our renewal business by about 26% in 2020 and 15% year-to-date this year. And both of those are obviously well north of loss cost inflation. We think going forward, the rate increase will continue into 2022, all built on a more muted level, but again an excessive loss cost inflation.

So with that, we've also been taking the opportunity to build much greater resilience into the portfolio as Oliver mentioned to reduce the tail risk of the business. So to give you a couple of data points here, the overall aggregate exposure of our business in AGCS over the last two years has reduced by 32% for a corresponding change in terms of premium by only 7% reduction.

Another example would be on financial lines where we've reduced the aggregate exposure by 33%, but actually increased the premium from that by 13%. So just think about what that can do to the overall shape of the portfolio, it's a significant improvement. We've also optimized the reinsurance, when I started on the first of January this year, our maximum per risk net exposure for the group for business written by AGCS was EUR150 million. In June, we took it down to EUR75 million and also the first of January next year, it'll be EUR50 million. So that's 1/3 net per risk across the 12-month period, again a very significant change in the shape of the portfolio.

The business also benefits from a range of other reinsurance protections and we got quota shares on most of the lines of business and we've really dampened down the volatility. So as Giulio mentioned in the third quarter earnings call, we're drawing a line under the remediation effort now and the aim going forward is to drive profitable growth. So that will come in a number of different areas. But our focus for the moment will be on the captive and multinational business, which is clearly in demand given the market situation, it'll be on property soft occupancy where we will not significantly increase our cat exposure and will be on some specific areas around the specialty business and around financial lines.

And the last piece I'll give you on AGCS before we go on to the numbers, is just from an NPS perspective, our customers really trust what we're doing and the scores have been super positive for us in terms of both our claims skills and our risk engineering, which are clearly super valuable to our customers.

So, in terms of output on the next slide please, you can see the journey we've been on from over the last couple of years. We believe the actions we've been taking will allow us to deliver a 98 combined ratio this year and move forward to 95 over the next three years. And that 3 points of difference will come from both loss ratio 2% and 1% from the expense ratio, so we're driving both margin and positive impact to the loss ratio.

Now, the key thing here is really about volatility. So we think the actions you've taken around pricing, reinsurance, terms and conditions and the like will basically drive down that corridor of volatility to plus or minus 3% through the cycle, which is a significant improvement on what it was before.

Okay, let's move on please now to the mid-corporate business. First of all, what is it? It's a business, which sits between the SME sector and the large core business and by its very nature of the SME is much more standardized and automated and the large core business in the mid-corporate business is more individually underwritten, needs much more human intervention and much more bespoke in nature. So, the mid-corporate business is about EUR7 billion of premium, spread across 40 different operating entities, two-thirds of that is in our European heartland. And then from a line of business perspective, the largest line is property but we've also a really healthy spread of the other lines of business, which comes at a much higher margin for us.

Today 40 OEs are not all made equal the largest as you'd expect is right here in Germany, which is EUR1.7 billion of premium and the smallest is only EUR4 million of premium. So you've got to have an operating model which supports both of those, but also brings the value of the global corporation to bear. So we've changed the operating model on the 1st of July this year and we've created an organization called Global Commercial on the next slide please.

And what this does basically is allow us to have a consistent global strategy with a consistent risk appetite across the board and enables us then to basically drive through the use of global tools around pricing, portfolio management and risk assessment, so we've got the benefit of scale right to the local entity very, very quickly.

We're also in the process of pooling all of our data globally. So by the end of next year, we'll have the majority of our core lines of business on one global data platform, which will enable us to make much better data led insights into a portfolio and drive a better outcome for the shareholders longer term. And then also just in terms of the fact that not all OEs are made equal, we're driving a hub and spoke model for some of the more emerging and developing markets. So that again we can bring those capabilities to bear super quickly.

Now, this business at the moment runs at a 97 combined ratio and our aim going forward, on the next slide please, is to drive a 4 points improvement and is to bring that down to a 93 combined ratio. We'll do that in three areas; one is profitability, one is growth and one is productivity or margin expansion. The profitability will largely come from the deployment of these cloud-based pricing portfolio management and risk assessment tools, but will also deprioritize property growth and emphasize more growth in the other higher margin lines of business, which are clearly in demand by our customers. The growth will come from our European Heartland, but will also come through a lot of the hubs around the world. And then from a product capability or product perspective, we've been told by our customers, that very much in demand our industry packages, many multinationals, the financial lines of business and renewable energy all of which were eminently well placed to provide.

And finally, to talk to the point that Barbara mentioned before about global platforms, we believe strongly that the lower part of the mid-corporate business we should tell much more into a flow business, where human intervention is only where required and where it can add value. So to that end, we're in the process of developing a harmonized front-end platform that will give us automated connectivity to our distribution partners, will pull together all of those tools I mentioned before which will really increase the speed to market and the efficacy of our capability to our customers and to our distribution partners.

So we think overall, but actually been really well placed to take advantage of this mid-market opportunity, given a few factors. First of all, our global scale I've mentioned at EUR7 billion already. Secondly, the brand that Oliver referenced earlier. Third, our distribution reach and then fourth, a lot of the global IT platform. So collectively, we believe this will drive that 4 point margin improvement.

Moving on now to Euler Hermes, our third part of the segment. This is a really cool global business. Number one in the highly profitable trade credit insurance market, 25% market share and the best NPS in the industry. It has super high barriers to entry for new entrants and I think our own competitive modes is built around 3 core things, is built around credit assessment, credit underwriting and then the real secret sauce actually is in the claims and collection capability.

So, in terms of credit assessment, over the years, we've built up a database now that exist for. So we have credit data on 80 million companies globally. And through the deployment of a range of artificial intelligence tools which we've developed over the last five or six years, we can make automated buy decisions on 80,000 customers per day, 80,000 thousand customers per day, no one touches that business at all. Okay. It's a remarkable set up. This is underpinned by 600 credit analysts, which give a super-strong service to our customers. Then, as I say the real at the real quality at the end of the process is our claims and collections capability and over the five years pre-COVID, this team -- they're spread all around the world were able to bring down the initial amount of a claim by 40% through their actions, which obviously gives a great benefit to the client and also great for us in terms of loss ratio.

So this is a data-driven tech-enabled business led by market and credit experts and one which we are -- we're rightly very proud of. So, in terms of output, this business has over the last 20 years run this an average combined ratio of 83%. And for the four years since we've owned the last part of the minority state, it's generated a cumulative operating profit of EUR1.4 billion.

As you can see here there's been numerous shocks and challenges economically. And what's great about this business is that they can really flex their underwriting approach, risk appetite and product super quickly to protect the business. The slightly elevated number there in 2020 is as a result of the state and support schemes, which were only in Europe, all of those were off now as of the 30th of June and the business has returned to a much more normalized run rate of profitability. Okay.

So the -- to the fourth -- sorry, also beg your pardon, growth, yes, we should grow this business as well obviously. So the profitable growth given the track record of history we've got, the growth we want from this business is 6% going forward. So you want to grow this business at a CAGR of 6%. That's double what it's been historically. Two-thirds of that growth will come from our traditional trade credit business, but with a particular emphasis on the U.S. where the market is being underpenetrated for a good period of time.

The other third of the growth will come from some specialty trade credit business plus also focused on surety given some of the unique credit skills we have got in the business already. In order to bring the business in line with the group across the board, we will be rebranding this under the Allianz brand going forward into the first quarter 2021--'22, beg your pardon.

And the final piece of Euler Hermes is that, as I mentioned before, a lot of these businesses are fairly intertwined. So what we've done here is to use those credit and data capabilities to enhance our business elsewhere. For instance, we use the credit skills for Euler Hermes now to help us under right D&O in AGCS.

Okay, the final piece now, we'll move to is the reinsurance, which is an internal reinsurance vehicle, helping us to manage both capital and risk across the organization. It's also the entity which purchases our NatCat retro program but the core business as I say is about managing capital and risk across the group. It does this via writing quota share business of all of our operating entities and over the period shown here, it's generated over EUR7 billion in cash benefit for the organization. It does this by taking advantage of the diversification benefits of the group and that also enables us to write third-party reinsurance again because of the diversification benefit.

Now, we write a modest portfolio, it's about EUR1 billion give or take, but it runs at a 94 combined, a 15% ROA and is very low in terms of volatility. So never in this period has it been about a 100% and most of the business is low volatile structured reinsurance. So you should not think we're going to grow this business significantly going forward, we literally will flex it up and down with the market, but will be very focused in terms of value around both that combined ratio and the RoE.

So let me just briefly touch on the NatCat program. On the right hand side of the slide here, you can see the performance of the program over the past decade. It's been super resilient through some very difficult cat years. So overall, it runs at a cost to us of 1.9% of net premium earned and on the left hand side, you can see the actual setup for the current program. So this shows you the 2021 program is being as I say, resilient in a pretty difficult cat year and you can expect us to continue with a similar program going forward. We've just actually tested in the market, but given the resilience and given the performance over a long period of time, we'll stick with this program, but you should expect us to increase the aggregate protection going forward and we're in the market now to do that from 11.

This NatCat structure, this referee structure is very conservative compared to our peers on the number of levels, not least of which the percentage of operating profit exposed or the percentage of group equity at risk as a result of this. So it's a super strong program.

So before I hand across to Andreas, let me try to pull this together in terms of the ambition for commercial going forward. I firmly believe that the actions we're taking on AGCS, the work we're doing on the mid-corporate and the profitable growth from Euler Hermes will enable us to generate an additional EUR500 million of operating profit by 2024. This will come by taking the combined ratio of AGCS from 98 down to 95, mid-corporate from 97 to 93. And most of the profit growth will come from those areas, but also strong growth and profit from Euler Hermes as well. So that's really the story for the commercial business.

And with that I'll hand across to my good friend and colleague, Andreas Swimmer for the life sector. Thank you.

## Andreas Wimmer {BIO 21256220 <GO>}

Hello, everybody and good afternoon. Oliver Bate has already outlined in his presentation, our strong position in life, the strategic transformation and the convergence to asset management. I want to show how Allianz Leben is implementing this strategy, building a very strong value proposition for policyholders and shareholders. A value proposition that is based on capital light products and reliable steady growing dividends.

Now, let's start with some key facts. You can see that Allianz Leben is a core part of the life and health segment with an operating profit of EUR1.2 billion around 25% of the operating profit of the segment and the value of the new business. In the German market, we are the clear market leader, by size and number of customers, but very important we are highly profitable with a return on equity of 13% and EUR700 million of dividends and a healthy Solvency II ratio of 270%.

Now Allianz Leben is focusing on three strategic pillars. The first one continuous adaptation of the business model to the low-interest environment. So Allianz Leben is focusing strongly on capital efficient products, which are really balancing the returns and the potential for the customer and stability and security and we will grow our share of protection and health products.

Second, shareholder value. We want to ensure shareholder value by again steady growing dividends. Risk management and capital management is a key to that. And again, stabilizing the Solvency II operation.

And the third one is the part of the Allianz ecosystem. And we are happy to have a steady inflow, net inflow for asset management, for our asset managers.

Allianz as a long-term strategic investor can really have to unlock the opportunity of alternative assets to the group and thereby at the same time embracing our targets for sustainability in investments and we will further continue to build up digital platforms, which can be used as shared assets in the group. Very important part of all that is looking at our in-force portfolio. And, let's see that on the next chart, there you can really see how we match the in-force business, the guarantees, how we manage that.

Now, let's have a closer look, what you can see here is over a period of 30 years, in every year, the net income, the current income of fixed income assets and real assets are higher than the cash flows from guarantees. What you can also see if you do this over even longer time period, till 2018, there is a huge buffer left of EUR100 billion, a buffer that is available on the one hand for policyholder participation, but also for shareholder return. And the very nature of this buffer is that it absorbs volatility. So, this market volatility does not meet anything harm or harm the company. Also very important, all guarantees are matched and fully funded -- comfortably funded. We match duration of assets and liabilities and also very important, our average guarantees are about to decline strongly in the next years, for instance to 2040 -- 2025 to 0.9% and 2030 to 0.5%. But most important, this in-force book is as already mentioned highly profitable.

The return on reserves is 44 basis points. To compare it with the German industry without Allianz, it's about 20 to 25 basis points. So you see the superior profitability. Now, this strength -- this financial strength enables us to invest in a very attractive asset allocation. That's what you can see here, we have invested over EUR100 billion in alternative assets, infrastructure, real estate, private equity and private debt. Now, here also we come to very close with our asset managers, Allianz and PIMCO and you can see that we generate a lot of asset management fees, but most important we create the uplift in our current yield of 40 basis points, a really impressive number. And this helps us to drive product innovation, to shape the market, but also to drive conversions of asset management and life.

So, let's have a closer look at our products and market approach. Product innovation is a key for Allianz Leben and we have really introduced several new product categories with reduced guarantees who have a higher expected return, white at the same time offering stability and security to our customers. And our ambition is till 2022 to have a protection level of 80% in the new business. So 80% of premiums paid in.

Now, when it comes to the business mix, we also try to increase the share of protection and health products. If you look only at life, the average is about 15% in our new business. But we work very closely with our colleagues also from the Allianz private (inaudible) to generate integrated solutions for private customers and corporate customers. If you would include also the health business in this portfolio few, we would be close to 30%. So I think this is also very interesting and relevant number. And again, investment strategy this is really adapted to the very low interest rate environment, we constantly improve and increase the share of alternative assets giving us this uplift when it comes to our investment returns. So our ambition is for 2024 to have a new business margin above 3.5%.

Now, let's look a little bit closer to this evolution of our product innovations. What do you see here in this chart is this how we have managed this transformation in the last years. We come from a world with traditional products with guarantees and only investing in our general account. Now, we have switched to modern innovative, products with reduced or no guarantees, really balancing returns for our customers and security and stability. What are the advantages for the customers, this more flexible asset allocation helps them to generate higher returns. While we still can offer downside protection and very important as a USP for industry lifelong income. And we can combine that with attractive riders.

For the shareholder, very important, these products are self-financing. That means from the moment they are sold, they are contributing strongly and very positively to our Solvency II ratio. So, what we can do is we drive self-financing growth. And we are generating high annuity business margins with this innovative hybrid products. These products are also the basis for international factory, the product factory from Stuttgart to other countries. We have been already delivered products to Italy and Spain and we will go to other European countries.

Now also very important is how we bring that to our customers and in the next chart, you can see like a little screen from our digital advisory truth and I really liked it because what you can see here is that customers can learn and understand how they can balance returns and guarantees. In this example, it's InvestFlex one of our hybrid solutions. The customer for instance can enter the guarantee level here 90% and then he sees what the part of the portfolio which really goes into equity investments for instance is in this case 30%. Now if he is changing the guarantee level, for instance, now to 60%, you can see how this is increasing to 55%, he's taking much better opportunities for higher returns. It has been really a journey to bring that to the market, but we have been very successful with that approach.

So, let's have a look to the next part, to our dividend. And this is in the core of this presentation. What I want to show is that given all the strength you have looked at, our in-force management, the average guarantees going down, stable investment returns on the other hands and this is very important growing and growing expense and risk results which really balances and stabilizes our gross surplus, which we then can transform into dividends. And this is all highly resilient. Why? I have shown this enormous buffers that keeps away market volatility from the shareholder returns. These buffers helps to stabilize that, even in an extreme stress scenario as seen in 2008. So reliable steady growing dividends are in the center of this value proposition.

Now, let's summarize that a little bit. I have already mentioned that we really focus on sustainable value creation for policyholders and shareholders and we are doing this on the one hand, we're building on the core strength of the company, financial strengths, investment strengths, technical excellence. But we are also doing that by making usage of a unique collective business model, a business model where buffers from -- and funds from policyholders help us to grow their business. They enable us these buffers to invest in attractive asset allocation, closing the loop of convergence of asset management and life and this investment approach is also a core of our value proposition for our customers.

In this way, we can increase our dividend base while at the same time, limiting or reducing our risk exposure. Therefore, I think Allianz Leben has a strong value proposition for the group, for growing life business, for growing protection and health business and for growing our asset management business.

In this way, I want to hand over to Emmanuel Roman and the high-performance team of PIMCO, but before I'm doing this, I really want to thank the team of Allianz Leben for their technical excellence, for their know-how, for them driving innovation that really makes the difference. Thank you very much and Manny, it's your turn.

## **Emmanuel Roman** {BIO 2112297 <GO>}

Good afternoon. My name is Manny Roman and I am the CEO of PIMCO. We are celebrating our 50th anniversary in 2021. We started in Newport Beach somehow by luck and we are still there. We manage more than $2.1 trillion in asset and we have clients all over the world. Someone told me, it's more than 50 different countries and regardless of where our clients are we have provided our clients with best-in-class investment solution and services. And I think part of our success is our client-centric culture and the fact that we have an investment process, which really hasn't changed over the past 50 years. We have an investment committee where we meet three times a week. We discuss macro trend, we discuss the Fed, we discuss emerging market, we discuss real estate, we discuss many different things which are relevant to making the right investment decision. And it's one firm, it's one view and it's one drive to deliver alpha to our clients.

If you look at the next slide, you could see that our investment returns from our clients has been the foundation of a growth engine. And we think constantly about risk management. 2020 had its many challengers in terms of what to do in the COVID epidemy. We try to find customer solution for our clients and we want to deliver long-term act performance to our clients. You can see that 91% of our assets are above the benchmark over the past five years, which is a sign of alpha and 96% of fund are above our peers.

If you look at the next slide, the industry has benefited from market better. And if you look at any equity manager, you could see that the rise of the equity market has dropped sorry, the inflows that they could get. We have grown organically and we have grown, seeing strong client demand via net inflows. And if you look at the last three years, the market returns have driven 75% of the industry growth in terms of assets under management while for PIMCO, we had experienced a 40% higher growth rate from client inflows relative to the industry.

If you look at the next slide, you can see the resiliency to our business and the fact that we have a long history of serving clients in both retail and institutional markets across the globe. We have tried to build an offering where we think of the bias needed for clients, but also the various sorts of alpha in every region of the world and as emerging market grows and as the world become bigger and bigger, where you find a new source of alpha. And I think it's important as someone who's been in this business for 35 years to think that we constantly need to strive for new source of alpha because at the end of the day, the ability to outperform is what make an asset manager special.

It also enables PIMCO to quickly adapt to growth area and opportunity, but also to continue to provide solution and deliver on client needs. We have clients all over the world. They have complicated issue in terms of delivering solution to the own retiree and benefit of the plans, we're here to help them.

If you look at the next slide, you can see that we have had a pretty good five years. Scale and diversification and of course outperformance of returns have translated into strong business result. And you can look assets under management and revenue and they have grown 1.4 times since 2016. While our profit -- our operating profit have grown 1.5 times. And I think it's a testimony to the fact we run a tight ship and the fact that we have a declining cost to income ratio.

It's been in 2021 another positive year for PIMCO. Our projection for the full year remain in the range and of course, we are subject to a number of valuable including performance fee that one crystallize until the end of the year and of course, currency and market value until the 31st of December.

When you look at the next slide, you could see that our strategy start with our clients. Our clients have problems, they have needs and or initiative what we decide to invest in are shaped by what our clients want. We focus on building on next-generation solution with alternative and private credit, ESG and of course, retirement across the globe and to do this, we need to keep on hiring people, we need to invest in technology and analytics and we need to invest in digitization.

So we're transforming and adopting an organization into the future. And what's really important is because human capital matter so much, we have to instill a culture of inclusion and diversity as well as innovation. We need to be able to hire the best people, make them feel welcome and feel that PIMCO is the place where they want to be. I always think that the strength of an organization are the 25 to -- 20 to 35 year old people that will be here 20 years from now. I would also say that what makes us special is a strong partnership with Allianz.

Let me talk about alternative for one second. The PIMCO alternative asset under management are 4 times larger than it was five years ago, and I think it's been trying to expand from our existing core competency in public fixed income into private credit, real estate, hedge fund, but also solution for the retail market which are integral fund and (inaudible) fund. And we've seen a lot of opportunities in 2020. The market got dislocated and we've been able to put to work a lot of assets in the private side.

You can see also on the next slide that has been really important to invest significantly in building a technology and being able to invest into the transformation of our core business, enhancing our investment process with analytics, providing best-in-class client experience with our digital client perform better. So sometimes going on the outside and doing partnership and digging stake in companies such as Beacon and Hub. And I think we need to be open to sometimes look at the evolution on the outside with blockchain and what else we can do in terms of finding way to optimize the efficiency of PIMCO.

Let me say a few words about our strong relationship with Allianz, which is the next page in the presentation as a parent, as a client and as a partner, and it's been a key element of a successful growth, but also the execution of our business opportunity. And for the long time, of course, PIMCO has united with the Allianz Life Partners to product development and distribution across various regions and life products. But it's more than this, it's also about us being able to have learned from a parent. We run a really good financial institution group. We manage money for a lot of other insurance company than Allianz and being able to learn from Allianz has made us better manager for other people and that has been a really good and productive relationship which start with a friendship between Oliver Bate and myself.

If you look at the next slide, you're going to see that the industry has experienced a big difference between leaders and lagers. And the capital markets are pricing a premium to leading asset manager that showcase breadth, scale, the ability to trend and diversify strategy mix. So, that is really important to keep in mind. We are looking all the time at the public market. We know what the public market rewards and we also try to focus on places where we can add value and we can add value to clients knowing what we know how to do and what we don't know how to do.

So as we look forward expanding our ESG and retirement platform are two important topics for PIMCO and for Allianz. We look toward event the next wave of solution for clients in this space. But of course, one crucial ingredient is to keep on hiring the best people and the total commitment to a culture of inclusion and diversity and we strongly believe that the best talent leads to the best thinking and the best outcome from our clients and our business. And I think our inclusion diversity strategy is to attract, develop, retain, and gets top talent in a diversified and global manner.

So, PIMCO continues to actively pursue investment excellence, while seeking to evolve and to meet different needs from a client in the context of very dynamic markets and policy environment where to be honest nothing is cheap and we will need to navigate this for the years to come. This is a special year for PIMCO, as we celebrate another milestone in a history and we look forward for the many opportunities to serve our clients for the next 50 years.

## Questions And Answers

### A - Oliver Bate {BIO 19184930 <GO>}

(Question And Answer)

### A - Unidentified Speaker

Welcome back to the Allianz Capital Markets Day 2021. We will now have our Q&A session. (Operator Instructions) Finally, please keep in mind that this conference including your contribution is being streamed live on allianz.com and YouTube and the recording will be made available shortly after the event.

All right. That's all from my side for now, and we will now take your questions. And we will take the first question from Peter Eliot, Kepler Cheuvreux. Peter, please go ahead.

Peter Eliot, Kepler Cheuvreux. Peter, please go ahead.

### Q - Peter Eliot {BIO 7556214 <GO>}

Thank you very much indeed, Oliver, and thank you for presentations and the good news yesterday evening and this morning. I got you all three questions, please. I guess, if I've understood correctly, you still got nearly EUR6 billion back in the U.S. business. And I'm probably being greedy here after the update, but I'm just wondering, is the scope to do even more in the future?

And, secondly, I'm wondering, if you could just talk a little bit more generally about the backbook market, which is the reinsurance deal, but is also since there are a lot more sellers, I mean, you said private capital now is more available than before. And I'm just wondering if that's sort of being driven partly by the healthcare market? Yes, may be if you can focus about that would be great.

And finally, you mentioned that the 40 basis points yield uplift at Allianz Leben, I guess most of that is coming from private equity. I'm just wondering if you could, just mention to what extent you feel as additional risk involved there and how manageable that is? Thank you very much.



## A - Oliver Bate {BIO 19184930 <GO>}

Yes, Peter, Oliver Bate here, let me address your first two questions. And then I hand over to Andreas for the question on Allianz Leben, because it's perfectly suited to address that. So indeed, what we have announced this morning is not a deal, Peter. It is the beginning of a transformation of not just the AZ Life business model to an asset light and asset gathering model, but we'll continue to look at opportunities. As I said earlier, we have a VA blocks that we're looking at. We're looking at other pods to enhance capital efficiency, even maybe with new products that we are currently not selling, because they are so capital consumptive. So it's a shift in strategy, not a transaction and that's very important.

Second, yes we are looking at it beyond the U.S. Please as a reminder, our partners, particularly, resolution we've already done the first Swiss transaction from Switzerland directly to Bermuda ever, EUR5 billion that is going to move, Switzerland's ROE in life, think about that 13% and a bit above. So, it's a part of what we're trying to do so, yes, the answer is there is no more room. And yes, now we look at it in terms of value, if they are offers like, we have a frenzy at the moment, then we will crystallize it, if the value creation opportunities are not better than what we can do ourselves.

The second one, Peter, that is very important why it's a partnership and not the deal? Because, we want to work with partners that supplement their capabilities with ours and particularly growing the asset management side. Manny Roman's said that earlier, the idea is really, really to not just reduce capital consumption and bring up ROE in AZ Life, but also bring more business to our outstanding asset managers and bring and grow their private capital capabilities and the whole old space. So this has double synergies in that respect.

So this is not about taking capital out and redistributing it, we want to use it to grow the business, in particular, in a capital efficient way, and we're going to do that systematic. But again, the U.S. Peter is what has been very much pronounced, because there have been many transactions. The market is very efficient. There is strong competition. So it's very clear where the value is, and how do we partner to capture it. In other markets, like in Europe, it's not yet that developed. There's more of a sell market rather than a reinsurance market for many, many reasons.

Now another thing I wanted to say is, we spend a lot of time preparing this actually almost two years because the risk management component of this infection is super important. In difference to other shorter opportunistic deals, we've established the risk management framework that make sure even under severe shocks, both parties do understand what is going to happen? What is the collateral going to look like? How does capitalization looks like? So we want to build something that's survives shocks and can survive shocks rather than that is opportunistic.

Now with that, I hand over to Andreas.



## A - Andreas Wimmer {BIO 21256220 <GO>}

Yes. Thank you for the question, Peter. I think if you look at the asset class is really all of them mentioned are really contributing to this uplift. So besides, yes, private equity is important but also private debt and real estate is also big part of this uplift. Now the volatility and that's why we like alternative assets so much. It's really limited here, I mean that's the nice thing about the in counting principle here, and Allianz Leben is a really long-term investor, can have this asset classes very, very well. So I would even say that alternative assets have to reduce the volatility when it comes to our investment returns.

## A - Oliver Bate {BIO 19184930 <GO>}

Yes. And maybe, Peter, just to add, even though Andreas said it all. What is very important though, the reason why we and others cannot do this is three-folds. The first is access to investment opportunity. We've been growing the old space for more than a decade. The second one is we get the higher margin. Yes, you can call an investment bank and say I also want to have real estate assets, but you're paying a lot of the value now on the acquisition side. We do that together with our asset manager, so we don't have to over pay in generating the assets and we get a higher quality.

But the third one is super important. Allianz Leben has depending on how you not run the numbers 2x or 3x the buffers and its balance sheet. So it's not just a matter of what the absolute resilience is, but also relative to others. We are much more resilient and much more efficient, because we build the policyholder results to a level that we are a lot more shock resistance than we really show. So when Andreas showed the Solvency II numbers, these are before transitionals. If you look at the transitionals, which are hard capital in the stress scenario, we're north of 300, I don't know what Giulio [ph] present. So really comfortable to be able to withstand shocks that others cannot manage.

## A - Andreas Wimmer {BIO 21256220 <GO>}

Maybe just one point from the product. You will know that we already have launched a product, it's called Private Finance Police, where you can directly invest in this alternative asset classes, and we have seen that since 2000, EUR21 billion has been invested in this with no guarantees, but also saying that this is providing stability to this, let's say, wealthy investors.

## A - Oliver Bate {BIO 19184930 <GO>}

I hope that answers your question, Peter. Thank you very much.

## Q - Peter Eliot {BIO 7556214 <GO>}

Thank you.

## A - Unidentified Speaker

Thank you, Peter. We will take our next question from Andrew Ritchie. Andrew, your line should be open now. Go ahead. Sorry, my (inaudible) click to know on the button. Give it a try again Andrew, now you should -- your line should be open. There we are.

## Q - Andrew Ritchie {BIO 18731996 <GO>}

Hello. Can you hear me?

## A - Unidentified Speaker

Yes.

Thank you.

## Q - Andrew Ritchie {BIO 18731996 <GO>}

Hi, couple of questions. First of all, Oliver, in the last sort of planning cycle, you spent roughly the same amount on buybacks as on bolt-on M&A roughly. Is that a good rule of thumb? I guess I'm surprised -- I'd be surprised if it was given the risk is if you keep doing more buybacks that as complexity and you've told us today at length impressively about the group's in-house capabilities. So I guess that's the first question.

Second question, is the short one. There's an uplift in asset management fees from the U.S. deal, which I think implies that the asset management business wasn't getting commercial terms, free the deal. So is there is some kind of uplift to a shift to commercial terms, because what was it in-house client becomes an external client?

The third question is for PIMCO. I'm just curious to understand, I think we are telling us as you're very happy with your existing alternatives capability. There's been a lot of your competitors aggressively buying alternatives, particularly private equity capability, is that's something I think they're saying you don't -- you feel you've got it in-house linked to the expected growth in alternative use in private. Do you then expect the overall fee margin, the PIMPCO to be higher in 2024 than today? Thanks.

## A - Oliver Bate {BIO 19184930 <GO>}

Okay. As usual, Andrew, thank you for your smart questions. Let me start out with the first component, it's very hard to make a prediction on exactly the mix between acquisition share buyback or other capital measures. I want to reiterate the foundation is the growing dividend, because that is what investors can rely on and indifference to the path we want to make sure people understand our confidence is so strong that we cannot just keep the last year, but we raised it every year, 5% regardless, whether that means in a flat year, raising payouts or in another year that's the minimum. That's one. And that's much stronger than it was three years ago, because we have now a lot more control we believe around our own ability to generate cash and value.

The second one is to your point on M&A, it's very lumpy. Remember, initially, we didn't to much, we sold Korea. We really help to stabilize with Manny's arrival to stabilize PIMCO. When I became CEO, we had EUR15 billion a week in terms of outflows. So it depends on where you are in the cycle. We will do whatever maximizes value for our shareholders. As you know, we have very, very hard criteria for M&A. Giulio is making sure that we don't really waste our money. Sometimes, it's hard to explain something, because people look at value price to NAV. We think that's wrong. We need to really look at price to earnings that we are paying and relative to the synergies, think about Poland and building the cash.

So the answer is yes, we want to have a balanced approach, but at any point in time, it can be lumpy. As long as our share price or share is the best investments, we obviously prefer that. And to invest in our own share and we're going to do that as long as that makes sense. Over the long run, we want as we said to grow the company more. I think if you do excessive share buybacks, what we are basically doing is putting the company mentally and then capitalize into run off. So, we need to get the balance right between maximizing return on invested capital and that we don't need send that back. But if we can invest in profitable growth, we really believe we should do that and we have been doing it.

It will not be with transformation and deals that I would like to reiterate, same story 2015 as '18, a lot of money is wasted in very large transactions. So, we're focusing on systematically building the franchise, whether that is in P&C, that's been in life or in asset management. And I hand over to Manny now, it's not like we are not looking at investments in this kind of frenzy that people are seeing. We haven't found a transaction yet that would fulfill our return criteria. I think Manny is the better person to talk to.

## A - Emmanuel Roman {BIO 2112297 <GO>}

Thank you, Oliver. Andrew, thank you for your question. Let me just give you the framework. So right in the U.S. have 142 when I left my desk this morning and most of our clients, whether they're public fund or whether they're insurance company needs to deliver returns above 7%. So the bottom line is, they do need private solution to be able to deliver the returns that the stakeholders want. And so there is a big opportunity in private credit for both pension plan and for insurance company to actually purchase long lock up structure.

And as you correctly pointed out, the margins on this product are higher, obviously performance is all what matter. And so if we perform they will come and if we don't perform, they won't come. Every time PIMCO look at the market, we have two option. Option one, do it in-house and high people. Option two, buy from the outside and try to do an add-on transaction. What I can promise you is every single transaction we have looked at from outside and tentative manager makes no sense from a shareholder standpoint. And I think we've came pretty quickly to the conclusion that we much better off hiring people and building in-house or capabilities and growing a business accordingly.



## A - Oliver Bate {BIO 19184930 <GO>}

Yes. Thank you, Manny. I missed the question, Andrew, on the question of fees and market -- at market or not. I think the -- this is the quick solution if you look at it superficially sorry to say, but the point is we also having different asset mandates. So consistent with what we just heard from Manny, the new asset allocation will be more focused on alternatives on more sophisticated products. So we always use market benchmarks to say, if you are replicating an index that's the fee that we would get from anybody and PIMCO like everybody else is held to the same accountability as others. But as we all add more value, as we move into more of the alternative space as we create higher risk-adjusted returns, also, the fees paid out of our life funds to PIMCO and others will go up for the right reason, because they're adding more value and are creating more risk-adjusted returns.

So the good answer is over the long period not just for in (inaudible) resolution partnership, but across the universe as we are scoping out and building out alternatives, the fee income for our asset managers, because we can outperform for our policyholders as much as we can for our shareholders will go up. So the earnings power and asset management will be more stable and much higher.



## Q - Andrew Ritchie {BIO 18731996 <GO>}

Okay. Great. Thank you.

## A - Unidentified Speaker

All right. Thanks, Andrew. We will take the next question from Vinit Malhotra. Vinit, please go ahead.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Yes, good afternoon. Can you hear me please?

## A - Unidentified Speaker

Could you speak up a little bit Vinit, please. Thank you.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. Can you hear me now? Is that better?

## A - Unidentified Speaker

Yes.

Yes, that's better.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. That's better. Thank you very much. So, my first question is on -- I've got three questions, please, Life, PIMCO and P&C. On life, really the question is -- two question, if I can, one is that the bancassurance framework that I keep hearing about in the regulation of the banking world, things that made it more attractive for banks to get involved and compete with insurance companies. Oliver, what do you think, is it the real risk or is it that you expect the banks to think of the partnership that you think they should think of? So I just want to understand a little bit of that topic?

Then on the life side, I just wanted to ask Andreas, if just before COVID hit, there was some focus in the market and not going back to '19 about new perspective of products, which would be needed to push the company further on in this actual delivery mode. Is there some effect, is that just get suspended conversations that just -- so that's the life topic.

PIMO, just Manny, the Slide 122, please. I think -- to think that there's a lot of Allianz real estate coming in here, which might have helped this slide to look like it is. I mean, could you help us understand that minus that effect -- and if that effect is there and minus that effect, how much has been really the underlying sort of push in alternative assets then?

And last question please for Chris on commercial, the MidCorp, which is one of the important topics in your slide show is quite a popular area, isn't it? I mean you've heard one of your competitors few weeks ago also talk about MidCorp and I've heard several other insurance talk about MidCorp. I mean how are we going to differentiate, or is it they're taking a different lines or so some comment on competition in MidCorp please? Thanks very much.

## A - Oliver Bate {BIO 19184930 <GO>}

Yes, Vinit, I'll start with the first question that you asked. I call it the French banking (inaudible) dream, which is that it's called the perpetuation of the Danish compromise, which is been proposed in the background to be perpetuated. By the way, will be decided in a year-and-a-half, right? So, I'm surprised including from your bank to see that now everybody has a strategy to do that. Now let me explain for the broader audience what they mean. It basically means double leveraging capital, which is defrauding policyholders particularly in the French market by double leveraging capital from the bank and insurance.

Now, since the banks are 60%-70% of the market, it's actually pertains to only two big ones. And now the idea is to export that into other countries, we have a little bit in Italy with one large bank that does a two but by and large is a phenomenon. Now, our industry by the way also our policy maker will make sure that none of that happens, because it basically means that the banks that are showing 14% or 12% called Tier 1 capital ratios. Actually have about EUR10 billion or EUR7 billion less capital one they claim they have.

Can you really believe that the ECB, the strategic -- European strategic risk board, our regulators will allow people to deprive policyholders of better protection by the way, just after they moved the corporate tensions from Solvency II to back to Solvency I, which means half of the capital, I can't believe that. So good luck with that assumption and good luck for people that are building a strategy on double leverage and capital arbitrage. I have in my life, never seen that prevail, but it may happen and then we'll deal with that if needed in the course and I'm serious.

The second one, that your question is pertaining to is very important on the product side and I hope I understood the question, because it was not very, very clear. We have already moved almost all of our new business into the target product. What do you see as recurring premium really from all the products that is still in old products. So new business in anything that is not target is very quickly evaporating. And we are on the back book, as you saw deploying a plethora of leavers, whether that is selling books, reinsuring book, renegotiating, or actually redeploying infos business by talking to the distributors and clients and moving them from one product generation into another one.

The reason why we do this strategically the way we do that, because we don't have a problem, like others have that have to sell at a lot. By the way, we have one in Korea, but we fixed that five years ago. We have made promises to people and we're not going to go and say now we sell you to somebody else unless we absolutely have to, and the only place where we have to was in Korea. So it's very important to maintain the customer trust, to maintain the trust of the regulators, while we're moving into a capital light product. And by the way, the way we measure our success is not just ROE, but net crediting rates and benefits to policyholders is very important, and we're going to talk about that some more in the future. The reason why we are going to be successful is not just we drive the NPS but comparative crediting rate. So when you go to Germany or Italy, Allianz not just offers the best returns for shareholders, but also the best value to policyholders, only when that happens, then you can win and you can grow market share.

Now with that, I hand over to Chris on the commercial lines.

## A - Christopher George Townsend {BIO 17625797 <GO>}

So. The question around MidCorp, I think, I sort of touched on this, on the slide earlier on. The competitive advantage we've got is around our brand, it's around our distribution reach, and it's obviously around our global platforms as well. So brand sort of speaks for itself, distribution -- the differentiator for us on distribution is our agency force. So our business is about 50/50 between broker and agency force and number of our competitors don't have the quality of agency force. We've got in Europe, which really helps our business.

Then the third piece in terms of the global IT platform, I don't think about that, as purely IT, but think about it, please in terms of the cloud based pricing, portfolio management, and risk assessment tools, which we can bring to bear very quickly in every market so that technical excellence will help us drive down the loss ratio overall, and it's for that reason that we believe will be successful in that market.

## A - Emmanuel Roman {BIO 2112297 <GO>}

Yes. Let me answer the question on real estate. So they are three buckets. Bucket number one, opportunistic real estate, where the target return is 15% to 20%. If you do a quick search on PIMCO, you'll see that we recently taken private a REIT called Columbia. This segment of the market we've been doing for the past 15 years. We have private fund with long lockup, where we try to deliver this returns. I think we're quite active, and we had a pre-existing team.

The second bucket is prime and core real estate, Oliver and I have talked quite a bit about where we should house ARE business. We talked with Gunther and we decided because of the synergy that you can make a very strong case for shareholder, that the Allianz Real Estate business should be housed in PIMPCO, where we can expand our capability and especially of synergy with the third bucket, which is the real estate lending business. This is something we've done for quite a long time. We are a fixed income house, we think we understand the risk in real estate lending quite well.

It's quite a big market in the U.S. We have dedicated private fund doing drills that we thought that having a better and bigger footprint in COVID estate would enhance our capability to be able to expand this business and we have. And so when you look at our offering, it's of course work in progress, but it's incredibly strategic for us but the next five years and I think quite exciting.

## Q - Vinit Malhotra {BIO 16184491 <GO>}

Okay. Thanks very much, everybody. Thank you.

## A - Unidentified Speaker

Thank you, Vinit. Okay. We will take the next question from William Hawkins. Will, go ahead please.

### A - Oliver Bate {BIO 19184930 <GO>}

Hello, Will, go ahead.

### Q - William Hawkins {BIO 17918548 <GO>}

Hey, you can hear me? Can you?

### A - Unidentified Speaker

Yes.

### A - Oliver Bate {BIO 19184930 <GO>}

Yes.

### Q - William Hawkins {BIO 17918548 <GO>}

Thank you.

### A - Oliver Bate {BIO 19184930 <GO>}

We cannot see you.

### Q - William Hawkins {BIO 17918548 <GO>}

Slide 73, when you talk about your IT budget. Sorry, I've got feedback. I'll try and get out the way. Slide 73, you've got the EUR4.2 billion IT budget, which is split 40/60. That's been quite constant for a while. And I'm thinking when you look out to the end of this business plan or the end of 2030, are there going to be any material changes?

And I suppose the question Oliver, really is, I appreciate the importance of the profit guidance that you're sticking with. But, you could take a small hits of profits substantially to accelerate your investment in the change process. I'm kind of wondering, why you don't think more about investing more aggressively in the change part of the IT budget?

Secondly, could you see clear again on your definition of excess capital? You're very clear that you will repatriate excess capital, but it's quite hard to think about how we quantify that statement? And as a small detail, why have you decreased -- why have you decreased the flow for Solvency II to 150% from 160%. It feels to me like an unnecessary detail given outcomes to be capitalized you all?

And then lastly, please. With regards to this current planning cycle, have you examined whether the asset management business should run with more risk capital? The $1 billion that's currently allocated? And I apologize to this tinted nature of those questions.

### A - Oliver Bate {BIO 19184930 <GO>}

No. It's very good. We can hear you loud and clearly. Thank you very much. So Barbara can spend probably some time on it, but I'll do it quickly in the interest of time. This is a little bit like drinking good wine. If you drink too much of good wine, you get a headache. So we believe in technology, we're spending a lot of money and it's exactly right what you have said. We need to spend more money on change and less on run. So what Barbara has described is, we need to move the budget from maintaining legacy platforms into creating competitive advantage front to back both in customer-facing technology in the intermediate layer and then, in the back end system if and when that is right. So you've outlined it.

And the only way it works is we need to retire and decommission old business models, old products, processes and with them all the applications. And we have a very ambitious decommissioning plan to shift the balance. Can we do better? Absolutely, we can still do a lot better on this one.

With that, I hand over to Giulio for some of the questions on how the numbers work.

## A - Giulio Terzariol {BIO 17125489 <GO>}

Thank you, Will. So, starting from the question regarding asset management and allocation of capital test management. No, we're not going to physically allocate more capital towards the management. And by the way, there are clear requirements of capital for us the management. So we're going to stick to the requirements.

Now, if you ask me to think more complicated, I tell you, at the end of the day, we are holding EUR40 billion this year in total, so it's a big number, and I don't know -- it doesn't look like we have a problem EUR40 billion this year, where we also keep a nation top to have enough capital for sustaining all kind of risk that we might say. So but the answer is clearly we're not going to allocate physical capital to asset management, because what we're going through.

On the excess capital definition, I would say that 180% is our solvency ratio, where we say that's the target level. So, fundamentally you could say all the capital on top of that is excess capital, but then clearly you have also other parameter that you need to consider. For the sake of what we presented today, we are just talking about the change in the excess capital. So when we speak about the EUR12 billion, that's the change in the excess capital, so that's what you need to keep in mind.

And then you had another question then 160% versus 150%, look, that's a little bit body language in the sense of we are really not concerned about the volatility of Solvency II, right? And the point is sometimes and we saw that also during the COVID, people get very scared, because the Solvency ratio is moving up and down and I would say we should not be scared about the volatility of Solvency II. I tell you something as we start the meeting and we go and we finish the meeting, the Solvency ratio might move by a couple of percentage points, because rates can move up and down, sometimes by 10 basis point and our message is, we shouldn't be scared by some volatility of the Solvency II ratio, that's what we can tell you from our side. We are comfortable with the volatility and we hope that you're going to be comfortable with some volatility too. So, that's more a body language we say, that's part of the equation, but we have enough capital liquidity to sustain these volatility.

## A - Unidentified Speaker

Okay. Thanks, Will.

## A - Oliver Bate {BIO 19184930 <GO>}

Thank you, William.

## A - Giulio Terzariol {BIO 17125489 <GO>}

Then we have the question about the IT budget.

## A - Oliver Bate {BIO 19184930 <GO>}

I did that.

## A - Giulio Terzariol {BIO 17125489 <GO>}

You did that. Okay.

## A - Unidentified Speaker

Okay. Very good. Then we will take the next question from Dominic O'Mahony from Exane BNP Paribas. Dominic, your line should be open.

## Q - Dominic O'Mahony

Hi, everybody, and thank you for taking our questions. Just two really for me, both new context of the broader point that you're making about shifting the business towards capital light, both organically and through the strategic partnerships. And the first is, is really just on the ROE targets. And I put together, but at the beginning of the strategic partnerships that you've laid out, the organic shift to capital light as well as the margin expansion in your growth targets.

I might have thought that actually that would be positive ROE and it's you might be able to afford to set an ROE target above that 13%. Is this just you being conservative than I am going in the right direction or there are other factors in the equation that we need to think about that might not be taking into account?

And then the second question is, one point is being put to me by investors is, while the board shift to capital light is to be welcomed. There is a risk that this also roads margins. And actually, there the big question is, do the insurers have battle distribution capabilities to protect that? And Chris you mentioned the advantage in agency distribution mostly in Europe, which is very good. Thank you for explaining that. I wonder if you could explain maybe for some of the other markets, other product lines, where you see your distribution advantages and indeed, how you're dealing with some of the descriptions that you see in the market, for instance, the increased share captured by aggregators? Thank you.

## A - Giulio Terzariol {BIO 17125489 <GO>}

(inaudible) start with the ROE question, so on the 15% plus. As I said before, the idea is to have a very robust 15% plus. Now clearly the question you're posting is, can we go to 14%, that's something that we are clearly going to have it as a sort of ambition. But I want also to tell you something, let's take the life, business where we are at 12% ROE and we know that the translation that we did we announced today is going to give us about 1 percentage point of ROE, so you can see already 13%, but can also tell you, we did the Aviva transaction, and the Aviva translation clearly at the beginning is going to be a little bit dilutive on ROE, but that's what I like to say.

We are building also for the Capital Market Day of 2024 to 2027. So you need to put together all the elements. And clearly, if you adjust focus on lifting the ROE, as much as you can in the next three years, you can get to 14% very easily. But as you think also about really building up franchise and so on, there are clearly steps that you need to do in between that can to trust a little bit from the RoE.

And I like to think sometimes in AVA. When I joined Allianz, in other words this concept of AVA. So, at the end of the day, if you achieve a 13% -- robust 13% of ROE on a bigger basis sometimes can be better than every 15% on a very, very light basis. But the answer to your question, is sure we are positive, we're going to work on that both, they are going to add, but the Aviva translation, for example, is something that is impacting our ROE for the next three years by about 50 basis point. But then clearly, as we go down the road, you're going to see an ROE lift coming eventually also from that transaction.

And the other question was on distribution, I understand. I was not sure about the question. So, I think it was about distribution, whether where we have a distribution advantage on the life side. But I'm not sure I got that question properly.

## Q - Dominic O'Mahony

Sure. The question is, Chris talked about the advantage that you have in commercial distribution in P&C in Continental Europe. I was wondering if you could comment on some of the other products and markets where you see your advantage when it comes to distribution?

## A - Christopher George Townsend {BIO 17625797 <GO>}

Yes, Dominic. I think -- it's Chris Townsend. So you touched on that in relation to the MidCorp business and then you referenced aggregators. Obviously, aggregators in the commercial business are not really affect their -- the concept of a man and the van right at the bottom end of the SME market is starting to play out in some of the direct and aggregator business, but nothing more sophisticated than that. So from an aggregator market, we're well placed in the markets that matter, for instance, the U.K., we've got a very strong proposition in the LV business, which is a super strong business in the U.K. We've just launched a new capability actually on the aggregators in the U.K. Just exactly account of the changes that you're coming with the FCA review on the 1st of January, there to make sure we could protect that business as well as our direct business, but we're not seeing it on a broader basis across the commercial business.

## A - Oliver Bate {BIO 19184930 <GO>}

Okay. Dominic, is that all or did we miss something?

## Q - Dominic O'Mahony

That's very helpful. I just wondered whether in other product lines, for instance, in life for instance where clearly the agency course as I know it's very strong in your core markets, any comments or color on those would be helpful?

## A - Christopher George Townsend {BIO 17625797 <GO>}

Well, I think in general, the distribution part in Allianz Life is extremely strong. It's as you have seen in the U.S. it's really fantastic this year. I think in Germany, we have really made a huge swift from traditional products as mentioned to capital light, which helps us to fuel the growth also, for our asset managers. We can grow much more efficient and also our agents in Germany are working extremely well in life and asset management this year. And I see the same in other countries. So I would say, we are very, very well positioned, for instance, take Italy, when it comes to the life distribution. Actually I think that this is one of our really strong assets as Allianz group to having this distribution part.

## A - Oliver Bate {BIO 19184930 <GO>}

Yes. Very well balanced. We always tend to forget Asia, because we sit here in the core of Germany. When you look at the new business value growth in Asia, it's been one of the strongest that you see in even amongst peers. So while the enforce look stronger, if you look at new business market shares, we're now the market leader in Indonesia, we're overtaking many competitors. So that is one thing in addition. And the vast majority of that is coming again like in Europe through a diversified set of distribution channels, very, very strong agency distribution. We're working very much with focused regional banks, where we have complementary skills, and we're building out other capabilities as well. So we don't really rely on any of those. Even in Germany now, the brokers are the more relevant sales channels in terms of volume than our agents and very few people do understand that.

## Q - Dominic O'Mahony

That's very helpful. Thank you.

## A - Oliver Bate {BIO 19184930 <GO>}

Thank you, Dominic. Next one. We have about eight minutes to go.

## A - Unidentified Speaker

Yes. We will take our next question from Michael Huttner from Berenberg. Please go ahead, Michael.

## Q - Michael Huttner {BIO 21454754 <GO>}

Fantastic. Thank you. Thanks for lovely presentation. And I have two questions. One is the elephant in the room. I think you mentioned the word, and I thought well, that's a nice introduction and I just wondered if you can actually speak a little bit. Because the impression I have is that topic, which occupies I think a lot of our investors minds, is so small for you that you kind of it's almost like, it doesn't feature in the three-year plans. I just wanted, if you can speak about that.

The second question is on the -- for Giulio, last time in life from a 3% growth you achieved 6%, this time you again was promising 3%. I just wonder why you love 3%, 12% and 6%, it seems to me that you can easily beat that you mentioned the Aviva (inaudible) and stuff. So I just wondered, why is that? If this is kind of reluctance maybe. And then the final question is a little bit tiny bits. You ask us to adjust for natural catastrophes as a finishing point of starting point. I just want to see if you can say a little bit more about that because I always worry, if it still has grown commercial lines, you obviously grow your exposure to more volatile business. And I just wondered, if it's something that might put some investors offer. I just wonder, if you can give us a little bit more comfort on that? Thank you.

## A - Giulio Terzariol {BIO 17125489 <GO>}

Maybe I take these questions. So from the first question, I really tell you, I'm ready for coming but there is no match again say on the first question. So we go straight to the second question, which I was expecting, what 3% on the life side and more and that's the point. We are also doing backbook transactions. So from that point of view this backbook transaction are taking away some profit. I can just tell you, the backbook translation that we did in Switzerland, (inaudible) operating profit of backbook translation, that's very small in France is only 5. But when you add up at the end of the day is going to detract a little bit from growth, but on the other side, you see how we are going up and maybe there we're going to surprise you on the upside, but think about is an ROE play not just in operating profit play.

And then on the last one on the normalization net cat, your point is very valid. So we feel good about normalizing 2021 for the net cat level, because we think is really excessive compared to what we should expect. This said, we are very careful about this point. And as we think about our planning for 2024, we have a little bit more of an allowance for net cats. So from that point of view, we are now just saying everything is perfect and let's forget about net cat. We think, is fair at this point in time as we present your number -- the numbers for 2021 to making a normalization in order that you can see the progress over time. But clearly, as we think about the future, we are clearly going to monitor the situation very carefully. We have a little bit of a high allowance for net cat. And as Chris said before anyway our program is, it's pretty strong. So from that point of view, I think we are describing the situation in a fair way regarding the current performance and we are very careful as we move forward into the next three years.

## Q - Michael Huttner {BIO 21454754 <GO>}

Can you give a figure on the budget for net cat?

## A - Giulio Terzariol {BIO 17125489 <GO>}

At the end of the day, we are listed it up by 20, 30 basis point, which doesn't look like a big number, but it's -- it is a move and then we are going to monitor the situation as we will get more experience in 2022 and beyond.

## A - Christopher George Townsend {BIO 17625797 <GO>}

And also I just add that the commercial growth is spoken about is not intended to significantly increase the net cat exposure. So it's in loan net cat areas of the business.

## A - Oliver Bate {BIO 19184930 <GO>}

Michael, by the way, the issue has not been in the past net cat if I may just add finally, because you addressed the question has been large losses from property, which across Europe has been underperforming also in terms of rates relative to technical requirements and we are systematically continuously clean the portfolios mostly by the way broker distribution. So it's our own fault, yes. So it's about discipline. And as Chris has said, we also re-emphasize tail risk management, i.e., having proper limits aggregates and reinsurance protection. So it's all about being disciplined not about being lucky.

## Q - Michael Huttner {BIO 21454754 <GO>}

Fantastic. Thank you.

## A - Oliver Bate {BIO 19184930 <GO>}

All right. One more.

## A - Unidentified Speaker

Yes. Thanks, Michael. As we have to finish this event at 3 p.m. We can take one more question. And give me a second. We will take this question from Thomas Fossard from HSBC. Thomas go ahead, please.

## Q - Thomas Fossard {BIO 1941215 <GO>}

Oh, yes, good afternoon everyone. First question will be on the group 72 sensitivity. I was wondering, if you had already quantified the potential benefits of the U.S. by book range from this deal. That was the first one. Maybe a second question when I can squeeze it, Oliver, I remind you commenting and maybe complaining a bit on the return on equity of the commercial lines versus retail. Could you potentially indicate how much the gap would have been closed by 2020 -- by 2024? Thank you.

## A - Giulio Terzariol {BIO 17125489 <GO>}

So I can say, the first question. There is no impact in reality on the Solvency II sensitivity, coming from this transaction because as you know, we are including Allianz life with the equivalence. So they are coming to our numbers with the local RBC model. And the RBC model, the fixed index annuity is not really sensitive to interest rates or credits play. And there is no equity components put this way from (inaudible) account point of view. So basically, this sensitivity from a group point of view are not affected positively or negatively from transaction. Just a level is affected by 9 percentage points.

## A - Oliver Bate {BIO 19184930 <GO>}

Is that okay within the question, Thomas.

## Q - Thomas Fossard {BIO 1941215 <GO>}

Yes, it is.

## A - Oliver Bate {BIO 19184930 <GO>}

Very good. Then I would like to use the last 90 seconds if I may is another one open.

## A - Giulio Terzariol {BIO 17125489 <GO>}

There was another one.

## A - Oliver Bate {BIO 19184930 <GO>}

(Multiple Speakers) ROE.

### A - Giulio Terzariol {BIO 17125489 <GO>}

Sorry, I didn't get what's the ROE. Couldn't hear you. That's also my question. So there is difference between ROE in personal lines and commercial lines. And I tell you, personal lines, the ROE is north of 15%, well, north of 15% in retails. And in commercial lines we are -- we need to differentiate a little bit, we are about to add I think is a little bit better. But we need to work on the ROE with (inaudible) a little bit. The reason for the different ROE between personal lines and commercial lines is one that the combined ratio tends to be a little bit higher but we see also different capital intensity, so between the two lines. So but fundamentally think about well north of 15% on retail and I will say double-digit, low double-digit in commercial lines. But clearly, we would try to get to a little bit of a better outcome in the next three years.

### A - Oliver Bate {BIO 19184930 <GO>}

Yeah, so that's it. We are a little bit over time. I would like to use the opportunity to thank you very much for your interest and attendance. I hope it was worth your while, because we spend some of -- few hours of your time. We were very excited to present our new plan to you. We as a team, feel that Allianz is exactly going in the right direction. I'd like to use the opportunity to thank my fellow colleagues here on the Munich and Newport Beach, and somewhere else in the off, and take the opportunity to thank how our spectacular team was prepared and run the show from behind the scenes, you are making Allianz successful. We are just the faces. You are the engine room. Thank you very much and enjoy the weekend.

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