Allianz

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Allianz Investor Relations

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Analyst conference call

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Presentation

Andrew Ritchie [00:01]

Ladies and gentlemen, welcome to the Allianz conference call on the Allianz Group financial results for the third quarter 2026. For your information, this conference call is being streamed live on Allianz.com and YouTube. A recording will be made available shortly after the call. At this time, I would like to turn the call over to your host today, Claire-Marie Coste-Lepoutre, Chief Financial Officer of Allianz SE. Please go ahead, Claire-Marie.

Claire-Marie Coste-Lepoutre [00:29]

Thank you very much, Andrew, and good afternoon, everyone. So I'm very pleased to report a strong quarter and an excellent nine months performance for the Allianz Group. You can see that our sustained deliveries throughout the year has allowed us to raise our full-year outlook. From my perspective, the third quarter was an excellent demonstration of the value of our diversified business model. We absorb a higher level of weather events and as well a higher level of capital market volatility, while still we are delivering a strong level of profitability across every segment. For the nine months, every segment is ahead of its pro-rata operating profit outlook midpoint, which demonstrates the quality and the resilience of our performance. You will see more of that as we are going to go through the further pages.

Let me start on page A3, and here I'd like to highlight some points, starting with the top line, where you can see that our total business volume at the end of the third quarter is up around 4% on an internal growth basis. We continue to see good growth in P&C and very strong momentum in asset management, while Life is matching a high prior-year level, which included some large single premium contracts. From my perspective, it's also interesting to see that when you look at the diversified nature of our business, the total business volume entails different underlying dynamics to guide towards the profit. As an example, we have a lower weight of the asset management, which has a significantly higher profit margin versus revenue. If you move to the operating profit side, we see there a strong growth to the nine months, which is up 8%, supported by profit growth from all segments. And as already mentioned, the third quarter included an elevated level of natural catastrophes and severe weather claims, which impacted the European insurance industry overall. We have seen a strong underlying profitability in P&C, a good profit delivery in Life, and an excellent profitable growth from asset management, which all together contributing to significantly offset this natural catastrophe effect. So we are today in a position to raise the upper end of our operating profit target range to around EUR 18.6 billion, with the usual caveats for year end. So if we deliver at that level, we would see another year of a very healthy growth in this key metric, which I am clearly very happy with. Moving to net income at the bottom left of

this page, you can see here that the year-on-year comparison still includes a net positive impact from the disposal of our Indian JVs that we have booked in the first quarter, and you also may remember that we plan to have that neutralized by year end with offsetting restructuring and reinvestment measures. Adjusting for these, our core net income increased around 7%, and 8% on a per share basis in line with the operating profit. And this 8% is fully in line with our capital market day ambition of 7% to 9%. On the same basis, our core ROE is running at an excellent 19%, well ahead of our target of at least 17% that we had communicated in the Capital Market Day, and also ahead of the full-year 2025 level, which was at 18%. And also for me, what is really pleasing is the fact that all segments are improving versus the 2025 run rate. If you look at the Solvency Ratio on the bottom right side, you can see that we achieve a high level of Solvency Ratio at 219%. In the third quarter, we have seen very strong level of capital generation, which also has allowed us to absorb two effects: the market volatility and as well the fact that we have been deploying capital into increasing our ownership of PIMCO. So overall, clearly an excellent nine months with delivery across all segments.

Let's move to P&C on page A4. And here, starting on the left-hand side, you can see that our internal growth of 5% continues to be strong. Growth is higher in retail lines at 7%, while commercial overall reflects prudent management of the market environment, which still allows for selective growth within our diversified portfolio. For example, in the underlying of the +3%, we have 7% growth in MidCorp and 5% growth in Trade. We continue to observe a wide range of pricing dynamics between countries and lines of business in our portfolio that is very diversified, as you know. Conditions are stable in retail, with a year-to-date renewal rate change of 5%, including 7% in retail motor, and in commercial, large-ticket continues to soften. However, MidCorp and the Allianz Partner commercial business, as an example, continue to deliver rate increases and remain much more resilient. This results in an overall commercial renewal rate change that is almost stable year-on-year. Looking at retail in more detail, we continue to focus on improving the organic growth rate of the business. The volume growth was lower in the third quarter. As you know, the third quarter is not a significant renewal quarter, so we should clearly not overinterpret it. We have also been cautious in the current environment of balancing growth with managing inflation uncertainties, especially in a couple of operating entities. Overall, including price effects, many operating entities deliver very healthy internal growth in retail. For example, we are at +7% in Germany, +7% in CEE, and 9% in retail at Allianz Partners. Looking into profitability in the middle, you can see that our combined ratio is running at the low end of our 92% to 93% range. Our underwriting profitability remains very strong, and it's supported by both commercial and retail. The NatCat claims were benign in the first half of the year, but have been elevated in the third quarter, mostly from a series of European hailstorm events. Year to date, NatCat is still within our normalized assumption of around three percentage points, but 1.4 percentage points higher than it has been in the first nine months of 2025. The very resilient combined ratio has been supported by a higher level of run-off, and as well our ongoing focus on productivity, which lowered the expense ratio by 30 bps also year to date. The underlying attritional loss ratio is higher in the third quarter, as it includes elevated large and weather-related losses,

and as well a higher impact from subsidence claims, in particular stemming from the UK. Overall, these items were about one percentage point above normal in the quarter. Given our cautious stance in the inflation outlook, which I think is very important in terms of resilience, we have kept unchanged the inflation buffers that we have booked in the first half of the year as well. Our operating profit growth on the right-hand side of this chart is at 3% year-to-date, somewhat understating the underlying performance given the higher level of NatCat. Just to give you a sense of that, the approximately €200 million increase in operating profit comes in a period where the NatCat claims alone were around €900 million higher compared to last year. Year on year, the growth in commercial operating profit is particularly impacted by higher Cat losses given the fact that we have the booking of Intra-Group reinsurance that is coming into the commercial segment. Our operating investment result is up 16% year-to-date, benefiting from growth in the asset base, higher reinvestment rates and inflation linkers. So overall, if you look at P&C, here we see a continued delivery of excellent profitability and growth, despite the cyclical and inflation uncertainties and the NatCat volatility. And this we are doing without impacting resilience. Our inflation buffers are increased year-to-date and also growth is carefully managed, as you can clearly see also if you are looking at the further material that is provided in this document. Meanwhile, the investment results benefit from the interest rate backdrop and also the tactical accelerated reinvestment we have undertaken earlier in the year that were fuelled by the Bajaj gains.

Let's move to Life on page A5. Starting from the left-hand side as well, here you can see that our life new business momentum has continued to improve over the course of 2026 in line with our expectations. While the headline growth numbers reflect the impact of divestments that took place last year, also the FX effect and some large contracts booked last year, the new business volume increased by 4% in the third quarter on a standalone basis, with value of new business broadly stable. We continue to prioritise an attractive business mix and level of profitability. Just to give you a sense also of what has happened at 9M, over 50% of our new business value is generated by unit-linked and protection and health, and our overall new business margin is at a very healthy 5.5%, even slightly higher 5.6% for the third quarter on a standalone basis and also well ahead of our capital market day ambition of at least 5%. We see a strong growth across a broad spread of Life businesses beyond Germany and US Life. In the third quarter standalone, for example, we had 55% of the value of new business that was generated outside of Germany and the US, growing 13% year-on-year and broadly spread across Europe, CEE and Asia-Pacific. For the German Life business, the growth rates are impacted by a large single premium ticket that was booked in the third quarter last year. As you know, those large single premium tickets tend to be lumpy. Also, our General Health business continued to deliver an excellent double-digit growth, and in the US we target maintaining a strong level of profitability in a competitive market. Moving to CSM in the middle of that chart, our normalised CSM growth year-to-date is at 3.7%, adjusted for a correction we had to undertake, which means we are running close then to our full-year expectations of 5% normalised CSM growth. Growth in the third quarter is a little slower, reflecting the usual seasonality of new business, and the overall CSM has been impacted a little by market volatility as absolutely logical, and also in line with our disclosed sensitivities.

Our life operating profit on the right-hand side is developing well. We are up 5% like-for-like and slightly above the midpoint of our outlook. Unit-linked, protection and health account for just under half of the segment profit, up 11% year-to-date. Overall, health and protection, including that reported in P&C, is up 14%, well on track for our capital market day targets as well. So overall, we see a good underlying performance in Life and Health and an improving headline number picture as prior-year comparison FX fade as expected. Growth is good in our preferred lines with a clear focus on maintaining strong new business profitability.

Let's move to asset management on page A6. Here you can see that the third quarter was another excellent quarter for flows at both our asset managers. Year-to-date, we have seen €132 billion of net flows, including €47 billion in the third quarter on a standalone basis, against stemming from both PIMCO and AGI. So clearly, I'm very happy with this performance. This is equivalent to an annualised organic growth rate of 9%, achieved in a volatile market environment, especially for fixed income. Net flows in the third quarter significantly mitigated the impact of market movements, leaving the third-party asset under management close to the level of 6M. This brings our asset under management up 8% year-to-date, or up 12% versus the average level of the full year 2025. Flows continue to be supported by our strong investment performance and as well our broad product ranges and strategies, which cater for varying investor preferences and also for allocation shifts. Revenue growth was strongly supported by higher average asset under management, higher performance fees as well and a slight increase in the recurring fee margin, which was helped by a mixed effect such as a higher share of mutual funds, equities and multi-assets. Performance fees can, of course, be volatile, but at 5% of revenues year-to-date, they are well within the historic range as well. The operating leverage is clearly evident if you look at the operating profit on the right-hand side, which is growing by over 20% year-to-date, FX adjusted, the highest nine-month operating profit ever for the segment. Our strong focus on productivity alongside revenue growth, results in a two percentage point fall in the cost income ratio, landing slightly below 59%, clearly an excellent level, ahead of our full year assumptions of below 61%. The discrete third-quarter cost income ratio in particular was extremely low, including some benefit from one-offs. For the rest of the year, the market environment creates some short-term uncertainty on asset under management and revenues, and we anticipate a rather higher cost income ratio in the fourth quarter on a standalone basis versus third quarter, allowing for elements such as seasonality in variable compensation to come further through. As a reminder, during the quarter we have completed the acquisition of just over half of the outstanding M units, which will increase our participation in PIMCO's net results by 5% from the fourth quarter onwards. So overall, clearly an excellent year so far in both asset growth and profitability, delivered by both AGI and PIMCO. The environment creates many opportunities for our asset managers, supported by their strong track records and also their broad capabilities, on which they have been investing both. Our capital deployment into the M units and also the acquisition of the UOB asset management in Singapore will further support a healthy and growing contribution of asset management to our Group profits in 2027 and beyond, and I'm very happy with that. So, moving to page A7 and having a look at the development of the solvency ratio, you can

see that our operating capital generation in the third quarter was similar to the one we have seen earlier in the year, which is bringing the year-to-date to a strong 18 percentage point operating capital generation. The third quarter has seen some market volatility, especially in government spreads, swap rates and inflation expectation. That said, the outcome is clearly very, very well manageable. We also acquired the PIMCO M units, which impacted Solvency by around four percentage points, but with an immediate expected positive impact on future earnings. Overall, the strong capital generation and the well contained market effects mean that we ended the quarter at a very strong Solvency level of 219%, even after the capital deployment we have undertaken. Our sensitivities stay well contained and broadly unchanged on the right-hand side. As you may remember, one of our objectives that we had set at the Capital Markets Day back in 2024 was to achieve a higher and more consistent operating capital generation, and our year-to-date performance is in line with that. For the full year, we set out an expectation of at least 22 percentage points, with a plan to further improve in 2027. As always, aside from the market volatility, the final quarter can bring some effects from model updates and restructuring expenses as well. So, overall, we are in a very good position, both in terms of the absolute level of Solvency, but as well the sensitivity of our capitalisation and our ability to generate capital through our business portfolio. This further, from my perspective, underpins the strength of our resilience, as we have been able to demonstrate as things are as an organisation overall.

Let me wrap up on page A8. Clearly, our nine months performance puts us very well on track for our 2026 guidance, and it's very pleasant to see the strong performance that we have achieved across all our segments. The diversification of our business within and across segments is for me a critical source of resilience, as it was well demonstrated in the third quarter, where we delivered strong profitability despite the higher incidence of severe weather events. Turning to the outlook for this year, we are in a position now to raise the upper end of our operating profit target range to around €18.6 billion, bearing the unforeseen significant natural catastrophes or capital market events. And also thinking about your end, I would like to highlight a couple of considerations for the fourth quarter on a standalone basis. First, in P&C, we are clearly confident in our balance sheet position, which has been further strengthened year-to-date. Like previous years, we could use the opportunity of a strong year to build further resilience. This would mean that our full year combined ratio will likely be slightly higher than the first nine months. Secondly, our corporate centre typically has some catch-up effects in the fourth quarter versus the run rate of recent quarters, mainly related to seasonality of expenses. And finally, in asset management, we will likely have some catch-up effects in compensation bookings in the fourth quarter. That all said, we are clearly very confident in the full year outcome and in delivering a strong and sustainable level of profit for year end. This gives us an excellent base from which to progress into the final year of our Capital Markets Day cycle and achieve our targeted levels of profitability, ROE and capital generation. With that, I thank you all for your attention, and I'm looking forward to your questions. And I hand over back to you, Andrew.

Andrew Ritchie [20:50]

Thank you, Claire-Marie. Okay, so it's now time for your questions. Just to remind you how to do that, if you came in via the web, I think there's a talk request button. If you came in via phone, I believe it's star five to request, and make sure your line is unmuted. And if you have any other issues, you can reach us on other metrics, email, Bloomberg, et cetera. Okay, so our first question is from Michael, Michael Huttner of Berenberg. Go ahead, Michael.

Q - Michael Huttner [21:29]

Fantastic. Congratulations, and well done for the outlook upgrade. Add to the really kind of very silly, the Bajajs, what's left? And can you give us a hint on what you'll do with the money? And the second thing is, you mentioned the performance fees being kind of high but in line. Can you kind of give us a feel for, well, I suppose the Q4 number, but that's unfair, but just because it does feel like a number which might have been a touch high. That's it. Thanks.

A - Claire-Marie Coste-Lepoutre [22:11]

Always. Sorry, I think it's there. Sorry. Can you hear me well? Yes. Yeah, okay, very good. So thanks a lot for the kind words. It's always very nice to hear. So you may remember that the pre-tax gain we have generated from Bajaj was 1.3 billion. Out of that, we have already booked at the end of the nine months 0.8 billion, so 800 million, which will leave something like approximately 500 million still to come in the fourth quarter. This is clearly still the plan, as I have already mentioned, and I cannot tell you yet how this is going to be spent, but you should expect that we are very diligent in the way we are assessing the value that is going to be created going forward from those restructuring or deployment actions. We clearly continue to expect double-digit return on those deployment, clearly. On the performance fees, so as you know, it's always volatile, so it's indeed difficult to give you a good guide of what will happen, right? But as I was thinking about that, what I would indicate is that in the fourth quarter 2024, we were around 277, something like that, million euro of performance fees. The fourth quarter 25 was around 200. So I think I will maybe take something like the average of the two as a sort of guidance for the fourth quarter this year.

Andrew Ritchie [24:00]

Thanks, Michael. The next question is from William, William Hardcastle from UBS. Go ahead, Will.

Q - William Hardcastle [24:10]

Thank you. The first one is just on the retail internal growth in P&C. It looks like there's a little bit of reduction in volume growth quarter on quarter. Just a little bit more detail on what's perhaps stalled the momentum. You mentioned a couple of country-specific actions, which countries and why? The second one is just thinking about this cost-income ratio and the operational leverage that's come through with the higher AUM. You've touched on some seasonality on comp to come as well. It's sort of wondering, really bigger picture, whether with all of this operational leverage, would you be guiding us towards a structurally lower cost-income ratio below that 61%? I'm looking beyond just this year, really, just thinking about the larger AUM, or would you still persist with the previous guide? Thank you.

A - Claire-Marie Coste-Lepoutre [25:01]

Yeah, thank you very much. Let me start with the retail P&C. So first of all, I'd like to highlight the fact that the internal growth in retail is still strong. We are at 7% at 9M. We are at 5% in the third quarter. But indeed, you're right that the volume growth in the third quarter, which, again, is not a very significant renewal quarter, clearly was a bit lower. And this number was driven by some caution around inflation. And as already mentioned in the third quarter as well, churn rate is still a bit too high and we are still working on that dimension as well. We have some markets where we are clearly prioritizing profitability over volumes. That's typically the case, and if you look in the details, you will see that clearly that will be France, that will be Spain, that will be UK as an example, where we prefer to be cautious and to navigate the environment from that angle. On the other hand, so I think the portfolio is quite divided in terms of volume growth as well. We see good volume growth as an example in Germany, in Central Europe, at Partners in Retail or in Italy as well, which is also clearly demonstrating that some of the actions we are taking in terms of building the toolbox to tap into all the dimensions we have highlighted as part of the growth triathlon are also starting to pay off. So all in all, I would say there was clearly some deliberate decision that has been taken in some of the portfolio to grow less given the environment. Plus there are some items where we are working hard so that this truly deliver as we expect as we move as well into the last year of the Capital Markets Day. Then on your cost income ratio question, I think it's too early for me to give you a clear indication. I think I will give you a better indication as we are going to discuss the full year outlook as part of the year-end numbers. But as a tendency, you are right that the cost income ratio is improving also given the very clear operating leverage we are seeing into the numbers, and the fact that both asset managers are doing a very good job as well in tapping into new technologies to further improve their delivery capacity. At the same time, some of the growth we have seen is also clearly related to the fact that they are investing. They are investing in new products. They are also investing into new distribution channels, to put it this way. And this is clearly paying off as well in terms of performance. But while it's a bit too early, I will say maybe directionally, you can think around 60 is a good direction, so clearly strictly below 61% we had announced previously.

William Hardcastle [28:15]

That's great, thank you.

Andrew Ritchie [28:17]

Okay, thanks, Will. The next question is from Andrew Baker from Goldman Sachs. Go ahead, Andrew.

Q - Andrew Baker [28:26]

Great, thank you for taking my questions. First one on the life and health CSM release. Are you able to just give a bit more detail on the IFRS transition correction in 3Q? And I guess just any impact that we should think about going forward, or whether it was a one-off, what drove it, anything there would be helpful. And then secondly, on reinsurance. Are you able to give a bit more detail on the tactical reinsurance part of your program, and specifically any expectations on aggregate covers? And I guess whether, if you were to change any aggregate covers, you would expect that to come through the Lloyd structure that you set up, or more on the traditional side. Thank you.

A - Claire-Marie Coste-Lepoutre [29:06]

Thanks, Andrew. So indeed, you are right, fully pointing out to the fact that this transition correction is creating quite some noise in the Life and Health numbers, not only on the CSM side, by the way, but also in the profit sources, so up to the operating profit. So what happened is for one of our portfolios, there was a wrong measurement model that was selected back at the time where we did the IFRS 17 transition, and we had to correct for that effect. So bottom line, and I think it's very important you have that in mind, the operating profit impact is absolutely minimal. It's around minus 26 million, so it's super small, but it's disturbing the overall flow of our numbers later on in the document. So we had to recognize in the third quarter an increase of 226 million into the CSM, and we had to release a significant portion of that immediately out of the CSM release. So this is fictitiously, if you want, increasing the CSM release. And then we had some further noise in the profit sources, so we had a higher level of claims variances and we had also— sorry, yeah, of negative claims variances, and we had also a negative effect in the operating investment results. So if you adjust for all that effect, which I think is very important, our CSM growth is at 0. 9%, which is very well in line with what you would see in a typical third quarter, and which means also that overall, at this point in time, we will be trending at 3. 7% normalized CSM growth, which again is very well in line with the 5% normalized CSM growth we are aiming for at year end. So, yeah, and I think it's actually also very important that this minor effect is definitely a clean-up. It's really a one-off. That's a pure correction. Moving to your question on the

reinsurance program. So, as you know, our reinsurance program has been in place for quite some years now. We like our reinsurance program. It's a well-calibrated one on the natural perils side. Our level of retention as well had been recalibrated post-COVID. Since then, the level of retentions have not been moved, which also means that the economic value of our retention has increased for us, decreased for reinsurer. And clearly, we expect, as market is very much softening, to get better terms and conditions as well as part of this reinsurance program. Tactically, we are also considering to add certain type of cover. So you are right that aggregate covers are things we are looking at, but it's clearly too early to say anything about that. We have started the conversations and the negotiations with reinsurers, so we will see where things are bringing us as part of those renewal conversations.

Andrew Ritchie [32:33]

Okay, thanks, Andrew. Next question is from Kamran Hossain from J.P. Morgan. Go ahead, Kamran.

Q - Kamran Hossain [32:44]

Two questions for me. The first one is on your Lloyd's business, but not the Oaktree one. Just obviously the headlines have come out about you opening a Lloyd's business from the beginning of 2027. Can you maybe just talk through kind of what you think this brings you? Clearly, you know, you're very well diversified. You've got businesses across the world. What does opening a Lloyd's business bring you? And the second question is just thinking about a significant renewal quarter in German motor coming up early next year. What are your expectations for kind of pricing in German motor for next year? Thank you.

A - Claire-Marie Coste-Lepoutre [33:28]

Thank you, Kamran. So starting with your question on the new Lloyd's syndicate, so you are right, Allianz Commercial AGCS has created, has established a new syndicate, Syndicate 1893, which is clearly intended to complement our existing business, and it's adding, I would say, a tool in the toolbox of Allianz Commercial and AGCS. The idea is that we are going to focus on selected specialty and commercial insurance opportunities that are only available or easy to attract within the Lloyd's environment. Over time, we are also considering to leverage this solution for certain type of multinational business, but also for possibly some portfolio transfers where Lloyd's could provide either operational advantages or also capital advantages, which is, you are right, pretty rare in our environment because we get this very strong level of diversification already within our own portfolio, not only within the AGCS business, but with the AGCS business as part of the overall Allianz Group portfolio. So it's only in specific cases that this is creating some advantages. What we expect, which I can share with you, is that we will start underwriting on the 1st of January 2027, subject to the final

approvals we are still waiting to get, and we are aiming to generate something like maybe 100 to 150 million GBP in the first year, so in 2027, and we will go with a very poised growth. So the idea is not to build something like a one-off big thing, but rather sort of slowly and sustainably profitably growing syndicate as a complementary tool as part of the AGCS toolbox. I think on the German renewal rate, so first of all, if you look at where we are standing for German motor right now, is that we are very happy with the development we are seeing in our portfolio. We have a good level of profitability. We have a very good level of growth, and we are growing ahead of market. So I would say there is no reason that the trend is going to change as part of the upcoming renewal. But we are also cautious in this overall environment, right, because there are multiple sources of inflation, and also, yeah. So we will see how things develop, and I cannot really say much more on rates development.

Andrew Ritchie [36:37]

Okay, thanks, Kamran. Next question is from William, William Hawkins from KBW. Go ahead, William.

Q - William Hawkins [36:47]

Hi, Claire-Marie, thanks for taking my questions. First of all, I'm sure you know your friends at AXA recently introduced a book value growth metric to their KPIs. I'm wondering what Allianz's view is of that concept, please. And then based on that, how you feel about the fact that your book value metrics fell this quarter, even though your earnings are absolutely huge. And then secondly, the fee margin for asset management, you've talked about the mixed benefit on that, so I get it, and it's really good to see. I mean, how sustainable do you think the 3Q figure is? Because you've got this 40.4 basis points in the third quarter. You know, last year it was 38, and previous couple of quarters have been 37 to 39. I know that doesn't sound like much of a difference, but it's quite impressive that it's a high number and it seems to be going up. But I don't know whether mix effects can suddenly reverse quite quickly. So how do you feel about the sustainability of the ordinary fee margin in asset management, please?

A - Claire-Marie Coste-Lepoutre [37:48]

Thanks, William. Let me start with the question on fee margin, which is indeed, I mean, like, it's always a bit tricky to give you a precise answer, right? Because there is always an effect of mix that is coming into the fee margin. But if you look at the fundamentals, I think first of all, over a long period of time, it's very clear that both PIMCO and AGI have been very good at managing their overall fee margin in quite a sustainable manner, and also compared to the overall asset management competition, I would say. So, very strong ability of our asset managers to generate a good positioning from that angle. Secondly, they have worked on producing good mix of offerings, and also there is a tendency towards having more mutual

funds, which are also contributing to higher fee margin. That being said, in the underlying, clearly what we have seen is that there is quite an appreciation of the equity, which have contributed positively to the increase of fee margin. I think something like 1% of positive contribution coming from that effect. So there is a bit of volatility. So I will say I'm very confident that on the fundamentals of the asset management business, we are going to keep our ability to deliver at the right level. So maybe at a slightly lower level versus what we have seen, because right now we are also boosted by some market effect, let's put it this way, into the fee margin. So I think on your question on the AXA book value metric, so I will not comment on the exact definition of the AXA book metric. What we are looking on our side will be multiple elements, right? There is one which is first, ROE we consider is extremely important when it comes to value creation. And secondly, I would agree with your perspective that there was some noise this quarter in our overall equity, which is related to the OCI development, right? So I will not generalize this situation, and I will really look in a very targeted manner at what has happened into the OCI. Most of it is related to the sensitivity to interest rate very clearly. And we have, despite the fact that if you look at IFRS 17, we normally partially stripped out all interest rates sensitivity, we do have some, and it's related to the shareholder assets on the one end and on the second end to the non-VFA life books. And what has happened in this quarter is that we have seen a higher level of sensitivities compared to the published sensitivities, which is also linked to the development universe, if I may put it this way, of interest rate development. The U.S. has seen a sharper increase of interest rates compared to the average of our book, and that has contributed as well to this skewing effect. So we have seen a higher level of sensitivity due to our non-VFA life books, and this is linked to two types of mismatches that we are seeing, one related to an accounting mismatch and the second one is a timing mismatch. And both of those mismatches are actually non-economic in nature. So I will really not read anything fundamental into those developments, and I will also look very, I mean, also at the very good value creation we are generating in terms of also additional metrics.

Andrew Ritchie [42:22]

Thanks, William. Next question is from Vinit, Vinit Malhotra from Mediobanca. Go ahead, Vinit.

Q - Vinit Malhotra [42:31]

Yes, good afternoon, everyone. Good afternoon, Andrew. Thank you. My two questions. First one would be on the P&C underlying loss ratio, where you've helpfully flagged the weather losses. I also see some comment on UK subsidence — maybe that's on top. But I'm just curious that, on a clean basis now, one or two quarters at least, we've seen, let's say, a flattish, slightly upward trajectory here. Could you just remind me also what's your ambition for that metric going forward? Are you happy to grow a bit more, let it stay stable-ish, slash likely upward trending, or would you like to push a bit harder and get that to go down? Second

thing is just on PIMCO flows. So congratulations to PIMCO for that number. My query is more in September. Could you indicate what happened? Because it must have taken quite a bit of inflow in PIMCO when the industry data was quite negative to get that kind of flow data for the quarter. So I'm just curious about flows at PIMCO in September. And of course, if you can update us on recent months, that'd be great, or October. But September is my main focus. Thank you.

A - Claire-Marie Coste-Lepoutre [43:56]

Yeah, thank you. So, on the P&C underlying loss ratio, maybe like a few considerations when you look first at the third quarter and also where we are standing at 9M. So, on the undiscounted attritional loss ratio in the third quarter, we are at something like 71.6. And this is then on a year-on-year comparison, this is looking a bit worse than prior year. But what we have in that number is that we have in the third quarter, we had, besides the higher level of natural catastrophes, we have also seen an elevated level of weather and large losses. And on top, we have the UK subsidence claims, which are actually booked within the attritional loss ratio. If we adjust for those extraordinary effects, actually, you need to remove something like one percentage point from the disclosed attritional loss ratio. And then we are actually fully in line with prior year level. So, I'm very happy actually with the underlying performance and I continue to see in the portfolio. And pretty similarly, actually, if you look at 9M, you get the same picture because you have two effects that you need to have in mind. The first one is that we have booked until 9M an excess inflation reserve that represents something like 60 to 70 bps impact. So, if you take the 9M undiscounted attritional loss ratio, which is at 71. 4, then you are below the 71%, which I had provided as guidance in terms of outlook assumptions for the attritional loss ratio. So, we are fully in line with what we had communicated in the guidance, in the fundamental, if you want. So, that's very important from my perspective. And then if you do the year-on-year comparison, we have an additional effect, which you may remember, we had this non-distinct investment component, which is creating noise. And for this one at 9M, you need to correct by 30 bps. So, if you correct by an additional 30 bps for that effect and you do the year-on-year comparison, actually, we are also very, we are trending very much in line with last year. And I'm also very happy with the underlying performance. So, on your question, it's again, I think it's too early for me to give you a guidance for next year, but I will really think that in terms of attritional loss ratio, the approximately 71% is really a good reference level. And for me, as we had mentioned, right, we are not aiming in our P&C business to further increase margin, but clearly we are aiming at growing from the very strong level of margin we are already generating today. It could even be, and that's why I cannot really give you a clear allocation, that as we are making further progress on the expense ratio side, we may also decide to further reinvest some of the expense ratio into fueling the growth that may translate itself also into some of the loss ratio component. So, sorry, that was a long answer, but I hope it was clear and it's helpful. And then I think you were asking on what is the situation in terms of PIMCO flows in the, since—

Andrew Ritchie [47:43]

Sorry, Vinit, was your question September flows?

Q - Vinit Malhotra [47:46]

So September was a big move in rates, a big move up. So just curious how PIMCO managed to get

A - Andrew Ritchie [47:54]

I mean, September flows were around 11 billion, I think, of net flows. So the flow was pretty broadly spread across the quarter.

Vinit Malhotra [48:05]

Okay, thank you. That's useful.

Andrew Ritchie [48:11]

Okay, thanks, Vinit. Next question is from Ben, Ben Cohen from RBC. Go ahead, Ben.

Q - Ben Cohen [48:21]

Good afternoon, everyone. I had two questions on the P&C side. Firstly, on the runoff ratio in the quarter, that looked like that was sort of quite a high number. I just wondered if you could comment on that, and maybe in the context of, I think you were indicating maybe at the end of your prepared remarks, or certainly IR had been indicating that, you know, you might actually look to take a slightly more conservative approach to reserving when it came to the fourth quarter. So just the balance between those two. And the second question was the big step up in the reinvestment yield in P&C in the third quarter. Can we sort of extrapolate that just earning through in a fairly regular way over the duration of the assets, or was there anything sort of one-off in there that you would call out that might give us rise for a bit more caution? Thank you.

A - Claire-Marie Coste-Lepoutre [49:16]

Yeah. So I think, like, on the run-off ratio, there was—I mean, first of all, I think we have been, in general, I mean, we are really looking at the level of resilience of the balance sheet very strongly, so there has not been any reduction of resilience in our balance sheet at the end of the third quarter. So most of the run-off ratio that came through is very natural run-off that emerged from good prior year experience in many of our OEs. Actually, some of our OEs had been fairly cautious in the way they booked, and then this is what we see is emerging quite naturally in the third quarter. So a typical example of that will be Italy, where certainly you will have seen that there is a very high level of run-off. That's really fueled by this past experience, in particular in motor, that came out much less adverse versus what was anticipated. So that's just what came through. In addition to that, and you know, I think when you have such a development, we also will leverage that clearly, but in that case, that was very natural development. In the fourth quarter, we will continue to take a conservative approach when it comes to resilience, also continuing as well from an inflationary perspective that we are mindful of at this juncture. And clearly, I think there is volatility around us from that angle, and we likely expect further inflation to come through that we would like to further reflect clearly. I cannot tell you what we are going to do, but you can see over the last two years how we have been operating, so we will feel comfortable as well to take a strong stand when it comes to the development of the runoff ratio. So I think then on your question on the reinvestment yield, I think there is actually no one-off in that number. So we would really expect that this is also something you can also further use as part of your further analysis, your projection, I would say.

Ben Cohen [51:49]

Great, thank you very much.

Andrew Ritchie [51:51]

Okay, thanks, Ben. Next question is from Andrew, Andrew Crean from Autonomous. Go ahead, Andrew.

Q - Andrew Crean [51:59]

Good afternoon, everyone. Two questions. Firstly, that inflation buffer: under what circumstances would you be releasing that, which you put in earlier in the year? And then secondly, in answer to the question around the attritional loss ratio, you said that there was sort of elevated elements which didn't come into the NatCat to about a point, both in the third quarter and at the nine-month stage. Just to be clear, are there anything in the previous quarter and previous nine months of 2025 which would militate against that? So that, I mean,

is it just a clean it was worse by one point this year than last, or is there stuff in 2025 which we should think of to balance off against that?

Claire-Marie Coste-Lepoutre [53:08]

So I'm just not fully sure I understand, Andrew, your question on the preview. So you are asking if in last year's experience in the attritional loss ratio there were some specific one-offs that we should take into account in the year-on-year comparison, right?

Q - Andrew Crean [53:23]

Yes, exactly. It's about, there's always every quarter.

A - Andrew Ritchie [53:30]

Andrew, the weather and large losses is about a point higher above normal, and it happens to be about a point higher year on year as well. So between 90 basis points and 100 basis points, it's there or thereabouts.

A - Claire-Marie Coste-Lepoutre [53:44]

So I would say, so it's pretty clean from my perspective when you look at it like that. And then on the inflation buffer, I mean, it's an assessment we do, and the way we do this assessment is both bottom-up and top-down. And so what we do is that we estimate, given the inflation trends we see, the structure of our portfolio, the expected structure of our losses, we do compute how much we think we need, given what we have already in the reserves. And we also ask, so that is something that is performed by the central team, and then we ask the local team to do more granular analysis, to also do their own assessment, and then to post their own inflation buffer at that level. And actually, we are pretty good at having those two numbers matching each other. So then, to your question, what we expect is that this inflation buffer is going to be used and to be released over time, together with the runoff of the reserves, right? And if you look at the previous inflation buffers that was built as an example associated with the COVID and the post-COVID environment, this one was super clear how it has changed nature. It moved from being more of a short-tail reserve into being more of a long-tail reserve. And now we see the steady runoff of part of that historical inflation buffer.

Andrew Ritchie [53:30]

Okay, thanks, Andrew. Next question, it's a follow-up question from Michael, Michael Huttner of Berenberg. Go ahead, Michael.

Q - Michael Huttner [55:42]

I'm going to cheat. Three. So the question, which I think Vinit did ask, but we didn't—I'm not sure the October, if you have a feel for October inflows. The second is, you mentioned in the opening remarks, I think or no was in the answer to the first question, the churn was still high, and that's part of your try kind of project to improve the growth in P&C. And I just wondered, can you give us a little bit of an update here of what you're doing or what has happened? And then the last point, which is a really kind of really stupid question, because I can't actually find all the numbers, but 2025 you grew operating profit by 9%. If we assume—and it's probably wrong—but if we assume that you reach the top end, it'll be 7% this year, and I think your target is 5 to 7, so you're clearly running above target. So here the question is, does it mean that 2027 you have a nice long siesta, you don't have to do much because you've actually achieved your targets? Or can we also say, well, on top of 2026, then we still have to grow at, you know, 6 to 8% or something? Thank you.

A - Claire-Marie Coste-Lepoutre [56:55]

So, yeah. So thanks a lot, Michael. I think clearly on your last point, right, what we want to do is definitely not to rest, and so we are aiming to land the 2026 year at a level that is going to give us a good base for which to grow sustainably, to grow sustainably in 2027, but also beyond 2027. So that's clearly the mindset we do have associated with our year-end landing. Then when it comes to churn, what we do, I mean, this is we are doing multiple things, right? So we do have a very large toolbox of activities and actions, and many of them are very much related to the specificities of each and every country. But maybe I can give you some elements which are clearly, as an example, related to... So we do, first of all, a lot when it comes to prevention, because prevention is the best way to avoid also price increase and also to provide higher level of customer satisfaction. So an example of that is at the head of certain type of events, we will proactively communicate to customers, and for that we have proprietary tools that are actually working very well. So a very good example of that is what Spain has done related to the wildfires, where we were able to proactively address many of our customers ahead so that they are well protected. So that's one example of what we do. The second example of what we do is that we work a lot on the product offering. So, I mean, we have very modular products and we have enhanced the modularity of our product. That's one dimension. That's, as an example, something that currently Italy is using a lot that is working very well. But we also have other example, and there I will need more time, so, but I will be happy to explain that to you in more details, is that we also are working with what we call steered products, which are products where customers are trusting us, and then they agree that we will be providing entirely ourselves the claims journey to solve the problem of

the customer. And by doing so, typically in motor, as an example, we can tap into all the elements we do have as part of, you know, the SolvD assets. And if we do so, typically we are able to reduce the premium we are offering to customers. So, as an example, Allianz Direct is currently leveraging that in Germany. They are on average reducing premium by 17% for the customers that want to go with steered product, and the level of margin is actually very high for those products. So it's a win-win both for the customers and for us as well. So that's another example of what we are doing. And then we have also a full palette of simpler things which are related to proactively addressing customers, calling back customers, even if customers have moved. Then we also keep the relationship and those type of things, which is also proving quite helpful. And we see clearly meaningful progress in some of the KPIs of OEs that are leveraging also the full toolbox. And then I think you were asking the questions on the asset management inflows. So clearly we are seeing a lot of volatility in the current market and also in the interest rate environment. So this overall situation is creating some movements. But as things stand, we are in a low single-digit net inflows at both asset managers. And if you discuss as well as part of this interest rate environment together with PIMCO in particular, clearly we are extremely constructive when we look at the midterm outlook, right? Because both the level of rates, but also the level of dividends which are produced in that interest rate environment are also very much supportive of the PIMCO environment.

Andrew Ritchie [1:01:22]

Super, thank you so much. Thanks, Michael. And our final question today is from Iain, Iain Pearce from BNP Paribas. Go ahead, Iain.

Q - Iain Pearce [1:01:34]

Thank you. Just want to come back on this point on the undiscounted attritional loss ratio. As I remember, you do assume a level of weather losses in the attritional, and from memory I think that was about a percentage point. Are you just trying to say that Q3 was sort of normal level of weather losses in the attritional, and that Q3 last year was particularly favourable? I'm just trying to understand if there's been a deviation versus expectations in the quarter. And the second one was just on the health combined ratio that looks very strong at 94%. Can you just give us some guidance on sort of where that was last year and how that's trended this year, and also if you view this level as sort of an level from which you expect to improve? I know some of your peers are trying to guide to improvement in their health combined ratios, or if this is sort of a stable level we should be assuming going forwards. Thank you.

A - Claire-Marie Coste-Lepoutre [1:02:41]

So first of all, on your questions on the undiscounted attritional loss ratio and the point on whether maybe I was not clear. Actually, this is extremely elevated in the third quarter on a standalone basis. So together, all effects — I don't have the exact split, but we can come back to you, Iain, if you want that. But together, the further elevation of the weather, of the large losses and the higher UK subsidence claims, all of that together represents one percentage point more of attritional loss ratio. And so we will come back to you if you want the further split. And then on your question on the combined ratio for health and protection together for last year, I also don't have that on top of my mind.

Andrew Ritchie [1:03:44]

What was the question again on health and protection? What was last year? Combined ratio.

Q - Iain Pearce [1:03:50]

It was elevated. I mean, the expectations are around that level. So the 94% level, what level you're expecting that to get to? Are you expecting that to improve going forwards?

A - Andrew Ritchie [1:04:00]

The short term had some noise from some of the accounting effects as well, so that's a bit on the high side, I would say.

A - Claire-Marie Coste-Lepoutre [1:04:15]

Yeah, if you want, because I think you were asking for the exact one last year that I don't know, but I think the right direction for this is like mid to lower 90s should be sustainable. I would say for the short-tail part, that's the way you should think about it, but so slightly below versus what we have seen at 9M, so it's more a bit lower.

Iain Pearce [1:04:37]

Okay, perfect. Thank you very much.

Andrew Ritchie [1:04:42]

Thanks. Great, that's all the questions. Thank you very much for your interest. This concludes today's analyst call and our 3Q 2026 results. Thank you for your participation and goodbye.

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