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25 April 2014

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**Re: EFRAG Draft Comment Letter on ESMA's consultation paper on Guidelines on Alternative Performance Measures**

Dear Françoise,

We appreciate the opportunity to comment on the EFRAG Draft Comment Letter on the ESMA Consultation Paper Guidelines on Alternative Performance Measures and fully support the views expressed by EFRAG in the Draft Comment Letter. We have significant concerns on the ESMA proposal notably due to the scope of its application – in terms of definition of Alternative Performance Measures (APMs) and the number of public documents it would refer to. ESMA suggests that any numerical measure of historical, current or future financial performance not defined under IFRS would be considered as an APM. This would be a very long list for our industry. We do not share the view of ESMA that the reporting of all quantitative information not defined by the applicable financial reporting framework should result in additional, in our view excessive, disclosure requirements. In addition to the views expressed by EFRAG in its draft Comment Letter we would like to emphasize the following points:

We share EFRAG's view expressed in paragraph 3 that ESMA has not provided evidence on why the existing CESR Recommendations on Alternative Performance Measures do no longer provide adequate guidance. While we comply with the existing CESR Recommendations, we are not convinced to adjust our current reporting practice for APMs because the feedback we receive from analysts and institutional investors clearly shows that they are satisfied with the level and way of disclosure of our APMs. There is no indication that analysts or investors do not feel adequately informed by the APMs we use. On the contrary, we believe that the expansion of APM disclosure requirements following the proposed ESMA guidelines might decrease the readability and understandability of provided information about APMs due to excessive descriptions and reconciliations. In our view this could consequently result in a significant decrease of APMs made publicly available which may impact the overall quality and quantity of financial information provided. This may be contra-productive towards the desired transparency.

We therefore share EFRAG's position expressed in paragraph 20 that ESMA should clearly define the objective of the guidelines in a way that focuses on the usefulness of the resulting information for users.

Furthermore, as an insurance company we are highly regulated and have to comply with supervisory regulation, such as Solvency II, which requires us to publish numerous additional reports and financial indicators in the near future. We would therefore be particularly affected by the ESMA guideline that would require us to report even more disclosures that are not useful. We therefore support EFRAG's view in paragraph 23 that in the light of the ongoing debate about length and complexity of disclosures, ESMA should avoid introducing requirements that may inadvertently result in boilerplate disclosures.

With regard to the increased disclosure requirements for APMs, we would like to highlight that Allianz reports a number of non-IFRS measures (e.g. operating profit and revenues) in its consolidated financial statements. For these measures we already comply with the requirements of the ESMA guideline as we provide in our consolidated financial statements a reconciliation with IFRS figures and explain why we disclose these measures. In addition, we provide explanations for any changes in these non-IFRS measures and also comparative figures. However, some of our reported financial indicators are not necessarily reconcilable to IFRS. This is especially true for the life insurance business, where the analysis of the performance of a life insurer is focused on the long-term value creation capabilities of this business. These capabilities are measured by forward-looking Key Performance Indicators (KPIs) like the New Business Margin and the Value of New Business, which cannot be reconciled with the IFRS figures Allianz produces in its consolidated financial statements. Furthermore, the accounting of insurance companies will fundamentally change when IFRS 4 Phase II will become effective, which will be based on a current value reporting.

We also would like to note that, insurers perform very different business models (life, non-life, asset management) with a wide variety of products. Different business models require different KPIs. And consistency in defining KPIs across industries is unrealistic and not useful. We are fully aware of the complexity this adds to the investment decision and try to reduce this as far as possible. But we do not regard the ESMA guidelines as the right tool to bring this process forward. In addition, we would like to stress that displaying APMs with less prominence, emphasis or authority than IFRS measures as required by paragraph 32 of the ESMA guidelines will result in providing less useful information to users of financial statements. Therefore, we support the view expressed in paragraph 18 of the EFRAG Draft Comment Letter that these requirements would result in putting a ceiling on the amount of voluntary disclosures.

A feasible compromise could be that insurance companies produce a document which contains the definitions – and where possible without undue efforts also a reconciliation to the financial statements - of the most prominent and widely used APMs and make this document available to all interested parties, e.g. via the company's webpage. Paragraph 8 of the ESMA guidelines already proposes permitting press releases to include the required disclosures by reference to other documents. This option to incorporate the required disclosures by reference to a publicly available document should apply in principle. To reduce the administrative burden on issuers, it should be allowed to disclose the necessary APM information on the homepage of the issuer and incorporate such information by reference. The users' interest in transparency is not affected by such an incorporation of a publicly available document.

Yours sincerely,



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