Bloomberg US Dynamic Balance Index II

(R-6/2019)

Allianz Life Insurance Company of North America

An allocation option with a **balanced approach**

A closer look at the Bloomberg US Dynamic Balance Index II allocation option with Allianz 222® Annuity

As you approach retirement, you may need a retirement strategy to help protect a portion of your assets from market volatility.

Allianz 222 Annuity offers traditional fixed index annuity (FIA) benefits such as tax deferral, guarantee of principal against market downturns, and the opportunity to earn credited interest. While Allianz Life Insurance Company of North America (Allianz) offers a unique selection of index allocations to choose from, let's take a closer look at one particular index that may help you combat market volatility – the Bloomberg US Dynamic Balance Index II.

Index overview

The Bloomberg US Dynamic Balance Index II reflects the performance of an index strategy that uses the S&P 500® Index and the Bloomberg Barclays US Aggregate RBI® Series 1 Index. The S&P 500® Index is a well-established benchmark for U.S. equity markets. The Bloomberg Barclays US Aggregate RBI® Series 1 Index is designed to track the Bloomberg Barclays US Aggregate Bond Index – a well-established benchmark for the U.S. bond markets.

Every day, the Bloomberg US Dynamic Balance Index II dynamically allocates between the S&P 500® Index and the Bloomberg Barclays US Aggregate RBI® Series 1 Index based on their historical realized volatility (a measure of the magnitude of daily movements, regardless of direction, of an index). In general, when the S&P 500® volatility is low, the balance shifts more toward the S&P 500®.

And vice versa: When volatility is high, the balance shifts toward the Bloomberg Barclays US Aggregate RBI® Series 1 Index. The balancing of risk every day helps stabilize index performance over time.

Index mechanics

Realized volatility is calculated for the S&P 500® Index and the Bloomberg Barclays US Aggregate RBI® Series 1 Index over 20 days and 40 days.

- For the S&P 500® Index, the greater of the 20- or 40-day realized volatility is used to determine the weighting.
- Realized volatility for the Bloomberg Barclays US Aggregate RBI® Series 1 Index is calculated based on historical daily returns over the corresponding period of 20 or 40 days.

These realized volatilities are used to determine the final weight allocation daily.[1]

For all that's ahead.®

Allianz

[1] Weighting allocation can change up to 3% daily.

Must be accompanied by the Allianz 222 Annuity consumer brochure (CB95352-1) or appropriate variation and corresponding insert (CB95352-B).

Product and feature availability may vary by state and broker/dealer.

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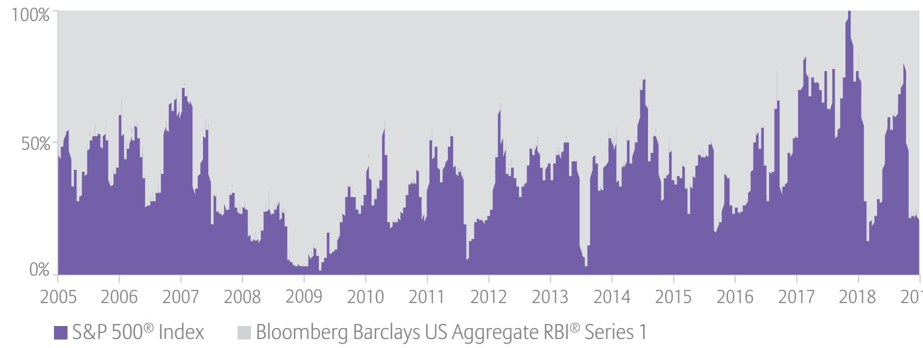
About hypothetical historical depictions

This index was launched on August 14, 2015. All information presented prior to this launch date is hypothetical (back-tested), and back-tested performance is not actual performance. The back-tested performance is based on the methodology and mechanics of the index retroactively applied to historical market data, as if the index had previously existed, to generate hypothetical performance during the periods of time depicted. This back-tested performance for any constituent that makes up the index may have actual performance and history, and it will also have back-tested data for any period prior to its inception. Back-tested performance may not be a reliable indicator of future results. Prospective application of the methodology and mechanics of the index may not result in performance commensurate with the back-tested returns shown.

Hypothetical historical weighting

Here is a hypothetical chart showing how the last 14 years of weighting between the two underlying indexes would have looked, had the Bloomberg US Dynamic Balance Index II existed (the index came into existence on April 14, 2015). As you can see, in periods like 2008 when volatility was high, the index would have shifted to be nearly all in the Bloomberg Barclays US Aggregate RBI® Series 1 Index.

Bloomberg US Dynamic Balance Index II hypothetical historical index weights 2005 – 2019



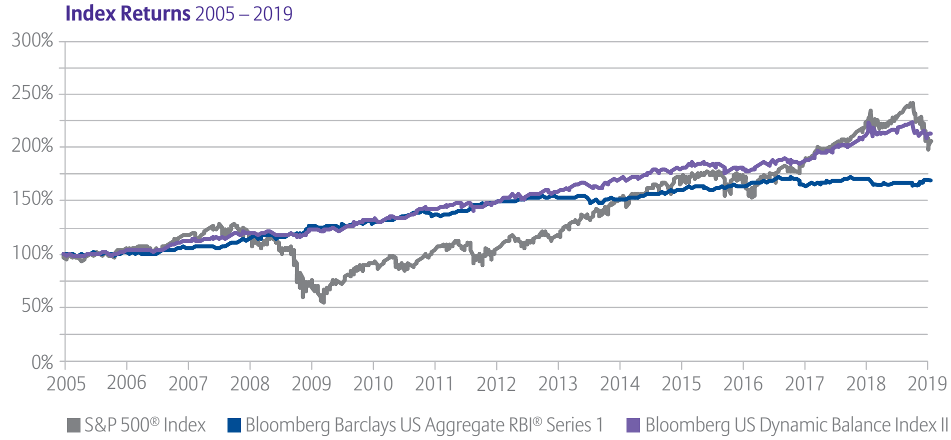
This hypothetical chart is provided to show how the indexes would have been balanced during the period shown. It is no guarantee of return or future performance.

The 14-year period shown reflects the longest common period of historical data available for each of the indexes that comprise the Bloomberg US Dynamic Balance Index II.

Hypothetical historical returns

Let's see how the Bloomberg US Dynamic Balance Index II would have looked relative to its components (the S&P 500® Index and the Bloomberg Barclays US Aggregate RBI® Series 1 Index) over the last 14 years. Again, in periods like 2008 when the S&P 500® Index dropped significantly, the weighting would have shifted to the bond index, which would have helped keep the Bloomberg US Dynamic Balance Index II from a significant drop, as well.

Index Returns 2005 – 2019



Showing the index comparison doesn't necessarily indicate how much interest would have been credited to a fixed index annuity over that time period. Actual contract results would depend on crediting method chosen, and caps and spreads in place during that time period. Past results are not a guarantee of future results.

How does Bloomberg US Dynamic Balance Index II work within the Allianz 222® Annuity?

The Bloomberg US Dynamic Balance Index II allocation is available on the Allianz 222 Annuity with an annual point-to-point crediting method that has either a cap or spread – it's up to you. It resets annually, which provides you with the opportunity to receive interest every year the index rises.

The chart highlights the last 14 years of hypothetical historical returns in the Bloomberg US Dynamic Balance Index II, and the interest that Allianz would have credited after applying a cap or spread.

It assumes the Allianz 222 was issued on 1/1/2005 and was available during this time period, which it was not. The Bloomberg US Dynamic Balance Index II return reflects hypothetical historical data from 12/31/2004 to 12/31/2018 using current caps and spreads. Remember, this chart represents past hypothetical results only. Actual caps or spreads that could have been applied over this time frame would have been different from the figures in this example and in some cases, may have been dramatically higher or lower, depending on a number of factors. Actual results will vary depending on market conditions, index allocation choice, caps, and spreads. No single crediting method consistently delivers the most interest under all market conditions.

CONTRACT YEAR	Bloomberg US Dynamic Balance Index II return	Allocation indexed interest at 3.85% spread	Allocation indexed interest at 2.75% cap
2005	2.04%	0.00%	2.04%
2006	10.31%	6.46%	2.75%
2007	6.63%	2.78%	2.75%
2008	3.49%	0.00%	2.75%
2009	5.26%	1.41%	2.75%
2010	8.38%	4.53%	2.75%
2011	4.19%	0.34%	2.75%
2012	5.99%	2.14%	2.75%
2013	8.28%	4.43%	2.75%
2014	6.07%	2.22%	2.75%
2015	-1.33%	0.00%	0.00%
2016	4.25%	0.40%	2.75%
2017	14.31%	10.46%	2.75%
2018	0.40%	0.00%	0.40%

In an index scenario with flat or negative results, the LOWEST possible indexed interest rate is 0%. This is not intended to project or predict future results.

To learn more about the Bloomberg US Dynamic Balance Index II allocation and the Allianz 222 Annuity that has this allocation choice, contact your financial professional.

The indexes available within the contract are constructed to keep track of diverse segments of the U.S. or international markets, or specific market sectors. These indexes are benchmarks only. Indexes can have different constituents and weighting methodologies. Some indexes have multiple versions that can weight components or may track the impact of dividends differently. Although an index may affect your interest credited, you cannot buy, directly participate in or receive dividend payments from any of them through the contract.

The Bloomberg US Dynamic Balance Index II is comprised of the Bloomberg Barclays US Aggregate RBI® Series 1 Index and the S&P 500® Index and shifts weighting daily, up to 3%, between them based on realized market volatility. The Bloomberg Barclays US Aggregate RBI® Series 1 Index is comprised of a portfolio of derivative instruments plus cash that are designed to track the Bloomberg Barclays US Aggregate Bond Index. The Bloomberg Barclays US Aggregate Bond Index is comprised of Bloomberg Barclays US investment-grade, fixed-rate bond market securities, including government agency, corporate, and mortgage-backed securities.

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The S&P 500® Index is comprised of 500 stocks representing major U.S. industrial sectors. The Dow Jones Industrial Average is a popular indicator of the stock market based on the average closing prices of 30 active U.S. stocks representative of the overall economy.

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