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Allianz SE

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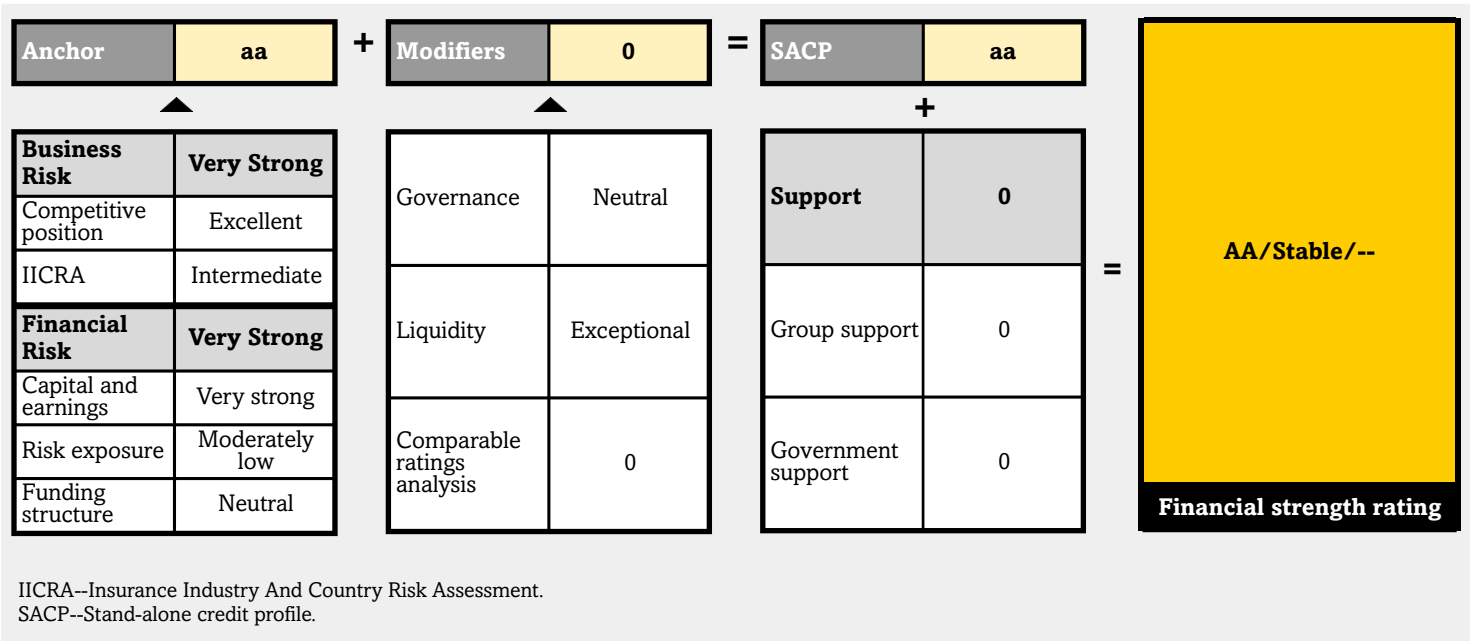
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Allianz SE



Credit Highlights

Overview	
Strengths	Risks
One of leading global insurance companies with an outstanding brand.	Uncertain and potentially material financial impact of ongoing U.S. investigations.
Capacity and willingness to strengthen capitalization based on our capital model.	Depressed investment results due to prevailing low interest rates.
Diversified income streams, particularly from profitable asset management business.	Meaningful investment exposure to the Italian economy.

Allianz SE is recognized as a globally diversified leading insurance group. As a global player with an excellent brand, Allianz benefits from its market leading position in its domestic market, Germany, as well as sound diversification across business lines and sectors, including Allianz Global Corporate & Specialty (AGCS) and trade-credit insurance via Euler Hermes. Furthermore, Allianz continues to benefit from its complimentary business of asset management. We expect Allianz will maintain its standing as a leading global insurance group.

We expect Allianz to generate healthy profits, although the U.S. investigations and potential fines loom large. We view Allianz's diversified earnings streams, supported by its asset-management business (including PIMCO), as a key rating strength compared with other global insurance groups. Its very strong first-half (H1) earnings across all business lines even somewhat exceed our expectations for 2021. Nonetheless, we note that the ongoing U.S. investigation into Allianz Global Investors' Structured Alpha Funds could materially affect the group's financials.

We expect Allianz's capitalization to strengthen by 2021. Backed by its very strong earnings capacity, we expect capital adequacy, as per our risk-based capital model, to recover to the very strong range by year-end 2021. Furthermore, we acknowledge the group's commitment to improve its capitalization and its ability to issue hybrid capital when needed.

Outlook: Stable

The stable outlook is based on our expectation that the group's capitalization will recover to the 'AA' range by end-2021, according to our risk-based model. We also expect that, over the next two years, Allianz will maintain its excellent brand and reputation and continue to benefit from robust diverse income streams from its various global business activities.

Downside scenario

We could lower the ratings within the next 24 months if, contrary to our expectations, Allianz's capitalization according to our capital model does not improve to the 'AA' level. This could happen, for example, due to substantial costs or provisions associated with the investigation into Allianz Global Investors' Structured Alpha Funds. Furthermore, we might consider lowering the ratings if the group's earnings and, in particular, the contribution from asset-management earnings, substantially weakened for a prolonged period.

Upside scenario

We regard an upgrade as a remote possibility, mainly because the group's capitalization is clearly deficient relative to the 'AAA' confidence level.

Key Assumptions

- We forecast GDP of 5.1% in the eurozone in 2021 and 4.5% in 2022. For the U.S., we expect real GDP growth of about 5.7% and 4.1% in 2021 and 2022, respectively.
- Low interest rates remain a key risk to EMEA-based insurers, with eurozone 10-year government bond yields of about 0.1% in 2021 and 2022, based on our economic estimates. The U.S. 10-year Treasury rate is also low, at around 1.5% in 2021 and 2.1% in 2022.

Allianz SE--Key Metrics

(Mil. €)	2023f	2022f	2021f	2020	2019	2018	2017	2016
Gross premiums written	>86,500	>85,000	>83,500	82,986	82,919	77,824	77,345	76,331
Net premiums written	>79,000	>78,500	>77,000	76,234	77,372	72,683	72,433	71,430
Net income (Excluding Min Int)	~8,000	~8,000	~8,000	6,807	7,914	7,462	6,803	6,962
Return on shareholders' equity (%)#	~9	~9	~9	8.8	11.8	11.6	10.4	10.8
P/C net combined ratio (%)**	93-96	93-96	93-96	97.3	96.4	94.5	96.2	95.5
Net investment yield (%)	~2	~2	~2	2.5	2.7	2.5	2.9	3.0
Return on revenue (%)	>10	>10	>10	9.8	11.3	11.6	11.0	11.5
Return on assets (%)	~1.0	~1.0	~1.0	1.0	1.2	1.3	1.2	1.3
Fixed-charge coverage (x)	>9	>9	>9	10.6	11.0	10.4	9.7	9.7
Financial leverage (%) **	<40	<40	<40	30.0	30.0	33.9	28.0	27.6

Allianz SE--Key Metrics (cont.)

(Mil. €)	2023f	2022f	2021f	2020	2019	2018	2017	2016
Financial obligations to EBITDA	~3	~3	~3	3.2	2.8	2.8	2.9	2.7
S&P Capital Adequacy	Very Strong	Very Strong	Very Strong	Strong	Very strong	Very strong	Extremely strong	Very strong

f--S&P Global Ratings forecast *Includes premium refunds. **Calculation changed as per 2018 following the criteria update of the insurance rating methodology as per July 1, 2019. #Calculated according to S&P Definitions Wording for capital adequacy scores for 2018 and earlier based on insurance criteria which was superseded in July 2019. S&P Capital adequacy is an estimate for the year 2019.

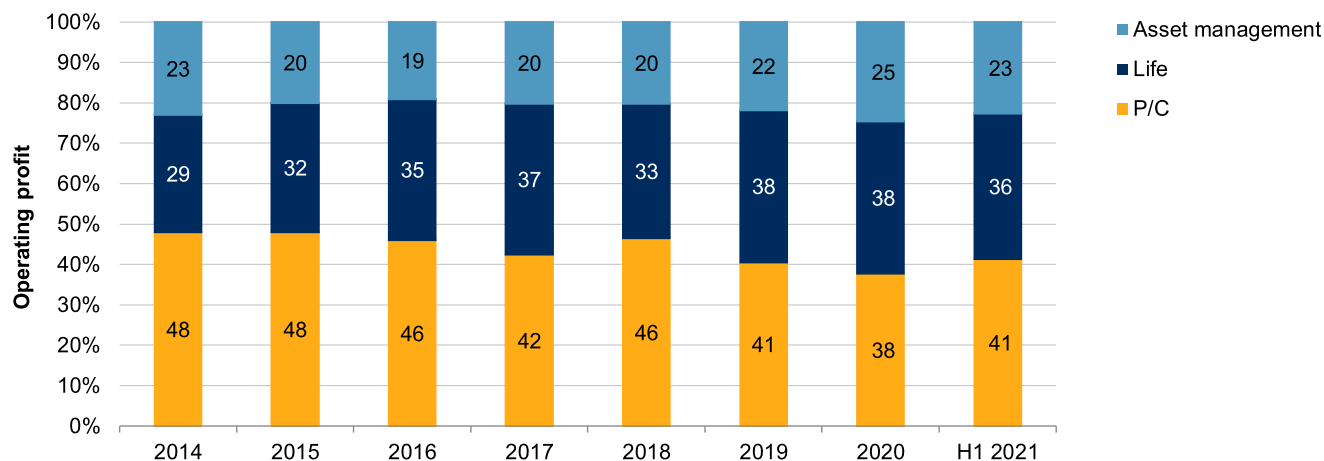
Business Risk Profile: Very Strong

As a leading global multi-line insurer, Allianz benefits from a broad international footprint, widely recognized reputation, and top market positions in key European insurance markets such as Germany, France, and Italy.

In our view, Allianz's competitive position benefits from its diversified operating activities in property and casualty (P/C), and life and health, which contribute to the group's robust revenue and earnings. Furthermore, Allianz's asset management business, which ranks among the top 10 global asset managers, provides a significant source of business and profit diversification (see charts 1 and 2).

Chart 1

Asset Management Is An Important Earnings Contributor



P/C--Property/casualty. Source: S&P Global Ratings.

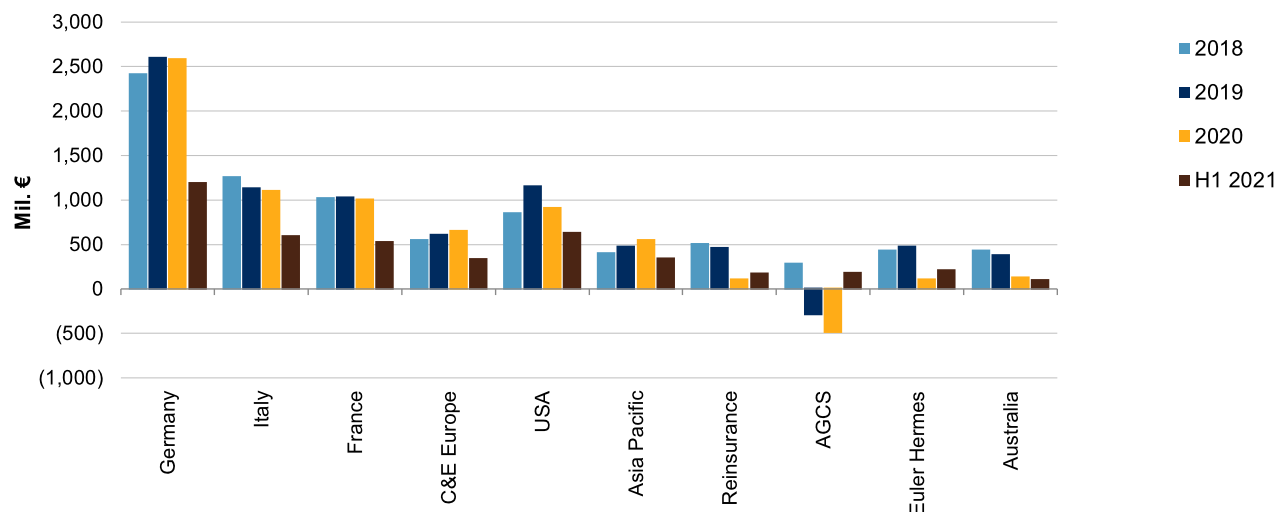
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In H1 2021, Allianz delivered strong operating profit of €6.6 billion, fueled by improved underwriting performance, including a combined ratio of 93.4% and limited additional COVID-19-related losses. We acknowledge AGCS' recovering performance, with a combined ratio of 97.8% in H1 2021 after 115.5% in 2020 owing to COVID-19 and additional reserve strengthening. We expect that Allianz group will remain highly committed to AGCS and its industrial

lines business.

Chart 2

Diversified Income Streams (Operating Profit P/C And Life/Health)



P/C--Property/casualty.Source: S&P Global Ratings.

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Financial Risk Profile: Very Strong

We expect Allianz's capital adequacy, measured by our risk-based capital model, will recover to the very strong range by year-end 2021, where it was before the pandemic. We acknowledge the group's sound earnings capacity, as indicated by its healthy earnings of €4.8 billion in the first six months of 2021. We also note the group's ability to access financial markets following its issuance of restrictive Tier 1 hybrids of roughly €2.3 billion last month.

While there remains uncertainty regarding the timing and financial impact of the U.S. Department of Justice's ongoing investigation into Allianz Global Investors' Structured Alpha, we believe that Allianz has various resources to conserve or restore capital in the event of outsized losses. However, at this stage, we cannot rule out any negative impact on the ratings or component scores.

We base our prospective view of capitalization on the forecast of annual net income of around €8 billion, a return on equity of about 9%, a combined (loss and expense) ratio of 93%-96%, and annual dividend payout of €4.0 billion-€4.5 billion. This is unchanged from our views earlier this year. While we continue to include in our forecast acquisitions or additional share buyback of about €2 billion for 2021-2023, we acknowledge the inherent cushion to offset potential adverse scenarios, including costs or provisions linked to the U.S. investigations.

Amid the ongoing low interest rate environment, we believe that the group is exposed to interest rate risk as the

back-book remains dominated by guaranteed products. Nevertheless, we acknowledge Allianz's clear focus on capital-light savings products, as well as its protection and unit-linked business, which somewhat mitigate this. The group also actively manages the back-book. For example, it recently announced that Allianz Suisse Life will transfer the market and insurance risks of its legacy portfolio of individual life products, with a reserve volume of roughly CHF4 billion, to Resolution Re.

In our view, the group's asset mix is somewhat balanced, with a significant portion in investment-grade bonds. Its portfolio consists of about 86% in fixed-income investments and an equity share of about 9%. Allianz reported alternative investments of €176.5 billion. We view most of the alternative investment portfolio as rather high-risk, which could lead to volatility in investment results.

In our view, the group's investment in Italian government bonds of about €19.8 billion exposes it to market and credit risk. However, we believe that this is a potential source of volatility and possible constraint to its credit quality.

Allianz has a track record of accessing the capital markets, as demonstrated through its recent hybrid debt issuance. We forecast that the group's leverage ratio will remain below 40% and its fixed-charge coverage above 9x over the next year.

Other Key Credit Considerations

Liquidity

We expect Allianz's liquidity to remain exceptional, owing to the strength of available liquidity sources, mainly premium income, and a highly liquid asset portfolio relative to liabilities.

Factors specific to the holding company

We rate Allianz in line with the core operating companies of Allianz Group. This reflects our view of Allianz's various and material business activities and income streams from reinsurance, asset management, and treasury. It also reflects ample liquidity at the holding company level.

Environmental, social, and governance

We believe Allianz's exposure to environmental and social risk factors are in line with the wider insurance industry and other global multiline peers, such as AIG, AXA, and Zurich. Allianz's exposure to environmental risk factors largely stems from concerns that climate change could increase the frequency and severity of claims for damage because of extreme weather.

The insurer's investment portfolio also carries some risk, because changes in climate-related policy or public opinion could increase the volatility of asset valuations. Allianz has a sophisticated risk-management framework through which it identifies, models, and controls risk. Overall, we consider the group well protected against extreme natural catastrophe events, as it demonstrated in 2017 when it reported limited losses following hurricanes Harvey, Maria, and Irma. Natural catastrophe losses after reinsurance were less than €400 million, while its overall claims stood at €31 billion. Shareholder equity was €65 billion in 2017.

Allianz offers a wide range of life insurance products, including savings products and annuities. We regard the group's

exposure to social factors as comparable with that of other life insurance companies. For example, demographic developments are causing an increase in longevity, a trend that will increase insurance liabilities.

While we view Allianz's governance in general as sound, we will closely follow the outcome of the current investigations into the group's U.S. investment business. We will monitor to what extent the findings could affect the group's wider governance practices. In general, we regard the group's clear internal processes and a deeply embedded risk culture as beneficial.

Accounting considerations

Allianz prepares its consolidated financial statements under International Financial Reporting Standards. In assessing the group's capital adequacy, we adjust reported shareholders' equity, mainly for:

- Credit for life value-in-force business;
- Inclusion of free and unallocated policyholder bonus reserves in life insurance; and
- Risk capital requirements for quantitative credit for the group's economic capital model.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Insurance | General: Insurers Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- Criteria | Insurance | General: A New Level Of Enterprise Risk Management Analysis: Methodology For Assessing Insurers' Economic Capital Models, Jan. 24, 2011
- Criteria | Insurance | General: Refined Methodology And Assumptions For Analyzing Insurer Capital Adequacy Using The Risk-Based Insurance Capital Model, June 7, 2010

Related Research

- Allianz 'AA' Ratings Affirmed On Recovering Capitalization; Outlook Stable, Oct. 13, 2021
- Global Multiline Insurer Allianz SE's Undated Restricted Tier 1 Deeply Subordinated Notes Rated 'A', Sept. 9, 2021
- Allianz SE: U.S. Authorities' Probe Into Asset Management Activity Could Hamper Future Group Financial Results, Aug. 2, 2021
- Strong First-Quarter Results See Allianz's Strengths Shine, May 12, 2021
- Allianz SE, April 16, 2021

Appendix

Allianz SE--Credit Metrics History				
Ratio/Metric	2020	2019	2018	2017
S&P Global Ratings capital adequacy	Strong	Very strong	Very strong	Extremely strong
Total invested assets	938,076	897,343	796,165	792,644
Total shareholder equity	84,594	77,364	63,679	68,602
Gross premiums written	82,986	82,919	77,824	77,345
Net premiums written	76,234	77,372	72,683	72,433
Net premiums earned	75,714	75,914	71,472	71,426
Reinsurance utilization (%)	8.1	6.7	6.6	6.4
EBIT	10,274	11,781	11,276	10,884
Net income (attributable to all shareholders)	6,807	7,914	7,462	6,803
Return on revenue (%)	9.8	11.3	11.6	11.0
Return on assets (including investment gains/losses) (%)	1.0	1.2	1.3	1.2
Return on shareholders' equity (reported) (%)	8.8	11.8	11.6	10.4
P/C: net combined ratio (%)	97.3	96.4	94.5	96.2
P/C: net expense ratio (%)	26.8	27.5	28.0	28.7
P/C: return on revenue (%)	7.9	8.5	10.8	9.0
Life: Net expense ratio (%)	28.6	25.6	23.7	26.7
Net investment yield (%)	2.5	2.7	2.5	2.9
Net investment yield including investment gains/(losses) (%)	3.1	3.4	2.9	3.7
EBITDA fixed-charge coverage (x)	10.6	11.0	10.4	9.7
EBIT fixed-charge coverage (x)	10.3	10.8	10.1	9.5
Financial obligations/EBITDA adjusted	3.2	2.8	2.8	2.9
Financial leverage including pension deficit as debt (%)	30.0	30.0	33.9	32.0

Wording for capital adequacy scores for 2018 and earlier based on insurance criteria which was superseded in July 2019.

Business And Financial Risk Matrix								
Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bbb-	bb-/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bbb-	bb+/bb	bb-/b+
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bbb-	bbb-/bbb-	bb+/bb-	b+/b
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	bb-/b+	b-/b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-/b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of October 29, 2021)*

Operating Company Covered By This Report**Allianz SE**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	AA/Stable/A-1+
Commercial Paper	
<i>Local Currency</i>	A-1+
Junior Subordinated	A
Junior Subordinated	A+

Related Entities**AGCS Marine Insurance Co.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--

Allianz Australia Insurance Ltd.

Financial Strength Rating	
<i>Local Currency</i>	AA-/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA-/Stable/--

Allianz Banque

Issuer Credit Rating	AA-/Stable/A-1+
Commercial Paper	
<i>Local Currency</i>	A-1+
Senior Unsecured	AA-

Allianz Elementar Lebensversicherungs AG

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--

Allianz Elementar Versicherungs - AG

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--

Allianz Fire and Marine Insurance Japan Ltd.

Financial Strength Rating	
<i>Local Currency</i>	AA/Negative/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Negative/--

Allianz France

Issuer Credit Rating	
<i>Local Currency</i>	A+/Stable/A-1
Junior Subordinated	BBB+

Ratings Detail (As Of October 29, 2021)*(cont.)

Allianz Global Corporate and Specialty South Africa Ltd.

Financial Strength Rating

Local Currency

BB+/Stable/--

Issuer Credit Rating

Local Currency

BB+/Stable/--

South Africa National Scale

zaAAA/--/--

Allianz Global Corporate & Specialty SE

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Allianz Global Risks U.S. Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Allianz IARD

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Insurance PLC

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Allianz Lebensversicherungs AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Life Insurance Co. of New York

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Life Insurance Co. of North America

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz PLC

Financial Strength Rating

Local Currency

AA-/Stable/--

Ratings Detail (As Of October 29, 2021)*(cont.)

Issuer Credit Rating	
<i>Local Currency</i>	AA-/Stable/--
Allianz Private Krankenversicherungs - AG	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Re Dublin DAC	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Reinsurance America, Inc.	
Financial Strength Rating	
<i>Local Currency</i>	AA-/Stable/--
Allianz Risk Transfer AG	
Financial Strength Rating	
<i>Local Currency</i>	AA-/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA-/Stable/A-1+
Financial Enhancement Rating	
<i>Local Currency</i>	AA-/--/--
Allianz Risk Transfer (Bermuda) Ltd.	
Financial Strength Rating	
<i>Local Currency</i>	AA-/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA-/Stable/--
Financial Enhancement Rating	
<i>Local Currency</i>	AA-/--/--
Allianz SpA	
Financial Strength Rating	
<i>Local Currency</i>	A/Positive/--
Issuer Credit Rating	
<i>Local Currency</i>	A/Positive/--
Allianz Suisse Lebensversicherungs - Gesellschaft	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Allianz Suisse Versicherungs - Gesellschaft	
Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--

Ratings Detail (As Of October 29, 2021)*(cont.)

Allianz Underwriters Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Allianz Versicherungs AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Allianz Vie

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

American Automobile Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Chicago Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Euler Hermes North America Insurance Co.

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/--

Euler Hermes Reinsurance AG

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/--

Euler Hermes S.A.

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

AA/Stable/A-1+

Fairmead Insurance Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Issuer Credit Rating

Local Currency

AA-/Stable/--

Ratings Detail (As Of October 29, 2021)*(cont.)

Fireman's Fund Insurance Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Highway Insurance Co. Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

Interstate Fire & Casualty Co.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Liverpool Victoria Insurance Co. Ltd.

Financial Strength Rating

Local Currency

AA-/Stable/--

National Surety Corp.

Financial Strength Rating

Local Currency

AA/Negative/--

Issuer Credit Rating

Local Currency

AA/Negative/--

Domicile

Germany

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