

Rating Action: **Moody's Ratings affirms Allianz SE's Aa2 insurance financial strength rating, stable outlook**

26 September 2024

Paris, September 26, 2024 – Moody's Ratings (Moody's) has today affirmed the Aa2 insurance financial strength rating (IFSR) of Allianz SE. At the same time, we affirmed all Allianz SE (Allianz), Allianz Finance Corporation and Allianz Finance II B.V.'s long-term and short-term ratings, as well as the Aa2 IFSRs of Allianz Versicherungs-AG, Allianz Lebensversicherungs AG and Euler Hermes SA "Allianz Trade" (Allianz Trade), the A1 IFSR of Allianz Compania de Seguros y Reaseguros, SA (Allianz Seguros) and the A2 IFSR of Allianz S.p.A. The outlooks on Allianz SE, Allianz Finance II B.V., Allianz Versicherungs-AG, Allianz Lebensversicherungs AG, Allianz Trade and Allianz S.p.A remain stable while the outlook on Allianz Seguros remains positive.

Please click on this link https://www.moody's.com/researchdocumentcontentpage.aspx?docid=PBC_1000010286 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and identifies each affected issuer.

RATINGS RATIONALE

The affirmation of Allianz SE's ratings reflects the group's strong performance over the last year and our expectation that the group will continue to benefit from property and casualty (P&C) price increases and higher investment results over the next 12 months. Allianz's capitalisation also remained resilient and we expect sensitivities to equity markets movement to reduce. The ratings also reflect the group's very strong franchise, business and geographic diversification, and very good financial flexibility.

In 2023, Allianz reported a 7% growth in operating profits, reaching €14.7 billion. This growth was driven by a 23% increase in the life segment (€5.2 billion), and a slight improvement in the P&C segment (€6.9 billion). P&C results further improved in the first half of 2024, despite exceptional events such as floods in Germany or riots in New Caledonia, supported by price increases that the group has been implementing since 2022 and continued growth in investment result. Allianz also reported growth in the Contractual Service Margin (CSM, a measure of future profits under IFRS 17), which will further support life profits in future years.

Despite the slightly lower operating profits of the asset management division in 2023, Allianz reported strong net flows, demonstrating that Allianz's franchise has successfully navigated past challenges posed by the Structured Alpha Funds back in 2021 and 2022.

In spite of strong profitability, Allianz's solvency ratio has not grown significantly as the group distributes a high portion of its results to shareholders, either as dividends or share buy-backs. Allianz reported a Solvency II ratio of 206% as at 30 June 2024, at the same level as at YE 2023. Positively, the sensitivities of this ratio to interest rate movements are very low. While Allianz continues to report higher sensitivities to changes in equities value (listed and unlisted equities) than peers, we expect the group to gradually reduce these sensitivities by reducing its reinvestments in this asset class.

Allianz also continues to grow its franchise globally and to diversify its business, as evidenced by the recently announced acquisition of a 51% stake in Income Insurance, the leading composite insurer in Singapore.

Additionally, the group maintains a strong financial flexibility, with an adjusted financial leverage ratio (Moody's calculations) of 21% at YE 2023 and earnings coverage of 10x in 2023. The group also has a strong access to capital markets, as shown by additional Tier 2 issuances this year.

The affirmation of the ratings of Allianz's financing vehicles (Allianz Finance Corporation and Allianz Finance II B.V.) and of its main European subsidiaries mirror the rating action on Allianz SE. These subsidiaries benefit from the financial strength of the entire group. In particular, Allianz Trade, Allianz S.p.A. and Allianz Seguros' ratings incorporate support from their stand-alone credit profile.

OUTLOOK

The stable outlooks on Allianz SE and Allianz Finance II B.V. reflect our expectation that Allianz will continue to report strong results and will maintain a Solvency II ratio above 200%.

The stable outlooks on the German (Allianz Versicherungs-AG and Allianz Lebensversicherungs AG, together "Allianz Deutschland"), and the Italian (Allianz S.p.A.) subsidiaries as well as on Allianz Trade reflect the stable outlook on Allianz SE.

The positive outlook on the Allianz Seguros reflects the positive outlook on the Spanish sovereign and the business and asset exposure of the company to Spain.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Given Allianz SE's very high ratings level, the group's current dividend policy and its exposure to financial risks, we consider that an upgrade of the Aa2 IFSR is unlikely in the next 12-18 months.

Conversely, Allianz SE's ratings could be downgraded if (1) the group's Solvency II ratio (excluding the impact of transitional measures) would fall below 200%, (2) its profitability would sustainably go down from its current level, or if the volatility of its profits would increase materially, (3) its level of diversification would reduce materially, for example following the divestment of a major operation, or (4) its asset quality weakened or its equity risk exposure increased.

There is limited upside potential on the Aa2 ratings of Allianz Deutschland and of Allianz Trade in the absence of an upgrade of Allianz SE.

Downward rating pressure on Allianz Deutschland's ratings could result from (1) a sustainable weakening in operating profitability, (2) a deterioration in Allianz Deutschland's capitalisation (e.g., with a life entity's Solvency II ratio consistently below 250% without transitional measures), (3) a weakening in its asset quality, or (4) a deterioration in the credit quality of Allianz SE.

Allianz Trade's ratings could be downgraded if Allianz SE's ratings were downgraded, or if there was a change in the nature and extent of support expected from Allianz SE. In addition, the following factors could lead to negative pressure on Allianz Trade's standalone credit profile: (1) a material deterioration of earnings and operating performance resulting in a combined ratio in excess of 90%, over a sustained period of time, or (2) a material decline in capital adequacy, including Solvency II capital coverage decreasing below 150% with limited ability to improve capitalisation in the near term, or (3) a significant erosion of the company's market position and franchise.

Allianz S.p.A.'s IFSR could be upgraded in case of an improvement in the credit quality of Italy, as evidenced by an upgrade of Italy's sovereign rating.

Allianz S.p.A. could be downgraded in case of: (1) a deterioration in the credit quality of Italy, as evidenced by a downgrade of Italy's sovereign rating, (2) a change in the strategic importance of the Italian business within the Allianz group, or (3) a material deterioration in the issuer's earnings profile, operating performance or capitalization levels.

The rating of Allianz Seguros could be upgraded in case of an improvement in the credit quality of Spain, as evidenced by an upgrade of Spain's sovereign rating.

Downward rating pressure on Allianz Seguros could result from (1) a deterioration in the credit quality of Spain, as evidenced by a downgrade of Spain's sovereign rating, (2) a change in the strategic importance of the Spanish business within the Allianz group, or (3) a deterioration in the issuer's business profile, such as material loss in market share or a material increase in life or P&C product risk.

PRINCIPAL METHODOLOGIES

The principal methodologies used in rating Allianz SE, Allianz Compania de Seguros y Reaseguros, SA, Allianz Finance Corporation, Allianz Finance II B.V. and Allianz S.p.A. were Property and Casualty Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418354>, and Life Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418351>. The principal methodology used in rating Allianz Versicherungs-AG was Property and Casualty Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418354>. The principal methodology used in rating Allianz Lebensversicherungs AG was Life Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418351>. The principal methodology used in rating Euler Hermes SA "Allianz Trade" was Trade Credit Insurers published in April 2024 and available at <https://ratings.moodys.com/rmc-documents/418357>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of these methodologies.

REGULATORY DISCLOSURES

The List of Affected Credit Ratings announced here are all solicited credit ratings. For additional information, please refer to Moody's Policy for Designating and Assigning Unsolicited Credit Ratings available on its website <https://ratings.moodys.com>. Additionally, the List of Affected Credit Ratings includes additional disclosures that vary with regard to some of the ratings. Please click on this link https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1000010286 for the List of Affected Credit Ratings. This list is an integral part of this Press Release and provides, for each of the credit ratings covered, Moody's disclosures on the following items:

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found on <https://ratings.moodys.com/rating-definitions>.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

The below contact information is provided for information purposes only. For disclosures on the lead rating analyst and the Moody's legal entity that issued the rating, please see the issuer/deal page on <https://ratings.moodys.com> for each of the ratings covered.

The person who approved Allianz SE, Allianz Lebensversicherungs AG, Allianz Versicherungs-AG, Allianz Finance Corporation and Allianz Finance II B.V. credit ratings is Simon Ainsworth, Associate Managing Director, Financial Institutions Group, JOURNALISTS: 44 20 7772 5456, Client Service: 44 20 7772 5454. The person who approved Allianz Compania de Seguros y Reaseguros, SA and Euler Hermes SA "Allianz Trade" credit ratings is Antonello Aquino, MD-Financial Institutions, Financial Institutions Group, JOURNALISTS : 44 20 7772 5456, Client Service : 44 20 7772 5454. The person who approved Allianz S.p.A. credit ratings is Benjamin Serra, Senior Vice President, Financial Institutions Group, JOURNALISTS : 44 20 7772 5456, Client Service : 44 20 7772 5454.

The relevant office for each credit rating is identified in "Debt/deal box" on the Ratings tab in the Debt/Deal List section of each issuer/entity page of the website.

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Benjamin Serra
Senior Vice President
Financial Institutions Group

Moody's France SAS
21 Boulevard Haussmann
Paris
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Simon James Robin Ainsworth
Associate Managing Director
Financial Institutions Group
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

Releasing Office:
Moody's France SAS
21 Boulevard Haussmann
Paris, 75009
France
JOURNALISTS: 44 20 7772 5456
Client Service: 44 20 7772 5454

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