Allianz Australia

Niran Peiris, Member of the Board of Management Allianz SE
Munich, June 28, 2019
Australia at a glance

Key data 2018

- Population: 24.8mn
- GDP (AUD): 1.89tn
- GDP/capita (AUD): 75,096
- Inflation: 2.0%
- Insurance penetration\(^1\): P/C 2.1%, Life 2.2%
- Country rating (S&P): AAA
- FX rate: AUD 1 = EUR 0.62

Market specifics

P/C

- High market concentration: top 4 insurance companies control 70% of the market
- Overall market growth despite negative one-off impact from regulatory changes on compulsory third party insurance (CTP) in 2017
- Continued growth in volume and rates in particular in short-tail, e.g. motor (excl. CTP) and property
- Growth opportunities in underinsured commercial classes like SMEs (e.g. cyber, business interruption)

Market size and growth (GPW, AUD bn)\(^2\)

<table>
<thead>
<tr>
<th>Year</th>
<th>CAGR +4.6%</th>
<th>CAGR +8.3%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>35</td>
<td>52</td>
</tr>
<tr>
<td>2016</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>37</td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>40</td>
<td></td>
</tr>
<tr>
<td>2021e</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Market shares (GPW)

<table>
<thead>
<tr>
<th>Company</th>
<th>P/C(^3)</th>
<th>Combined ratio (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>IAG</td>
<td>23.6%</td>
<td>85%</td>
</tr>
<tr>
<td>Suncorp</td>
<td>20.9%</td>
<td>91%</td>
</tr>
<tr>
<td>QBE</td>
<td>12.1%(^4)</td>
<td>89%</td>
</tr>
<tr>
<td>Zurich</td>
<td>11.9%</td>
<td>96%</td>
</tr>
<tr>
<td>Chubb</td>
<td>3.4%</td>
<td>99%</td>
</tr>
<tr>
<td>Real</td>
<td>3.2%</td>
<td>88%</td>
</tr>
</tbody>
</table>

1) GPW in % of GDP (2018), source: Allianz Research - Insurance Markets
2) Estimate calculated on earned basis, source: Finity Optima General Insurance Insights 2018
3) FY 2018, source for combined ratios and market shares: Australian Prudential Regulatory Authority (APRA)
4) Small term life portfolio written by Allianz Australia (GPW AUD ~24mn in 2018) included in P/C
Allianz Australia (1)

Revenues (AUD bn)

- CAGR +3.5%
- 2016: 4.6
- 2017: 4.7
- 2018: 4.9

Operating profit (AUD mn)

- CAGR +14.0%
- 2016: 527
- 2017: 515
- 2018: 685

Combined ratio (%)

- 2016: 93.6
- 2017: 93.9
- 2018: 89.8

RoE1 (%)

- 2016: 19.9
- 2017: 16.5
- 2018: 23.4

Highlights

- Integrated multi-channel and multi-line insurer serving more than 3mn customers
- Improvement to #3 market position (+1)
- Allianz commits itself to transform holistically to a more simple and digital end-to-end business model
- Productivity gains y.o.y with significant reinvestment in the transformation program and in risk and compliance capabilities
- Strong RoE across the business consistently exceeding Allianz Group targets
- Consistent recipient of industry and employer of choice awards

Milestones

- 2000 Name change to Allianz Australia
- 2006 License to sell life insurance under Allianz Australia Life Insurance Ltd.
- 2014 Purchase of general insurance business of TIO (Territory Insurance Office) in the Northern Territory
- 2018 Launch of Allianz Retire+ retirement solutions by combining Allianz and PIMCO expertise

1) Excl. unrealized gains/losses on debt securities (net of shadow DAC) and goodwill
Allianz Australia (2)

Product mix (GPW)¹

- Motor 38%
- Household 27%
- Other 9%
- CTP 27%

Distribution mix (GPW)¹

- Direct 18%
- Dealer 40%
- Brokers & agencies 18%
- Financial institutions 24%

Retail¹
AUD 2.7bn

- Other 9%²
- Household 27%
- Motor 38%
- CTP 27%

Commercial¹
AUD 1.6bn

- Other 30%³
- MidCorp 20%⁵
- SME 27%⁴
- Workers comp 24%

1) GPW excluding fronting, fire service levy and life
2) Includes portfolio with underwriting agencies and consumer credit insurance
3) Includes dealer and fleet packages and portfolio with underwriting agencies
4) Includes motor, farm and other packages
5) Includes industrial special risks, fleet, liability, professional indemnity and construction & engineering
6) Includes brokers, underwriting agencies, workers compensation
Allianz Australia transformation program

**Challenge**
- Need to change and simplify business model to meet new customer expectations
- Ongoing regulatory changes present significant costs and risks to intermediated business

**Strategy**
- Rebalance portfolio
- Prioritize consumer and SME segments
- Simplify and re-platform the business (ACM / Allianz Customer Model)
- Build end-to-end digital model across direct and intermediated channels
- Design and build for customer experience and new value propositions

**Transformation**
- Adopt both ACM and IT master platform
- During transformation
  - Minimize investment in current business model and legacy IT
  - Continue execution of culture, conduct, risk and compliance programs
  - Further enhance compliance standards

**Target** (mid-term, 3-5 years)
- 100% digital end-to-end business model
- Double direct market share
- Large direct business and leadership in intermediated business
- Participate in pension opportunity
- Customer-driven with ‘pull’ products and services
Allianz Life

Bill Gaumond, CFO
Munich, June 28, 2019
**Key data 2018**

- Population: 325mn
- GDP (USD): 20,494bn
- GDP/capita (USD): 62,996
- Inflation: 2.4%
- Life insurance penetration\(^1\): 3.2%
- Country rating (S&P): AA+
- FX rate: USD 1 = EUR 0.87

**Market specifics**

**Fixed indexed annuity (FIA)**
- Distributed by IMOs\(^2\) with increasing sales from B/Ds\(^3\) and wirehouses
- Typically double-digit RoE, stable earnings and capital pattern

**Indexed variable annuity (IVA)**
- Primarily distributed by independent B/Ds and banks
- RoE and earnings / risk profile consistent with FIA

**Variable annuity (VA)**
- Main distribution channels are B/Ds and captives followed by wirehouses and banks
- Significant de-risking post-crisis. Potentially higher RoE, but volatile earnings and capital pattern

**Fixed annuity (FA)**
- Mainly distributed via banks and captives
- Single-digit RoE, not MCEV friendly

---

**Annuity market size and growth (statutory premiums, USD bn)**

<table>
<thead>
<tr>
<th>Year</th>
<th>FIA</th>
<th>Traditional VA</th>
<th>IVA</th>
<th>FA/SPIA(^4)/DIA(^5)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>132</td>
<td>54</td>
<td>4</td>
<td>18</td>
</tr>
<tr>
<td>2016</td>
<td>102</td>
<td>59</td>
<td>7</td>
<td>14</td>
</tr>
<tr>
<td>2017</td>
<td>99</td>
<td>55</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>2018</td>
<td>99</td>
<td>70</td>
<td>11</td>
<td>18</td>
</tr>
<tr>
<td>2019e</td>
<td>89</td>
<td>70</td>
<td>14</td>
<td>18</td>
</tr>
<tr>
<td>2020e</td>
<td>86</td>
<td>80</td>
<td>8</td>
<td>66</td>
</tr>
</tbody>
</table>

### Annuity market share (2018, statutory premiums)

**FIA**
- Athene: 13.5%
- Nationwide: 9.8%
- AIG: 7.5%
- Great American: 7.1%
- Single Premium Income Annuity: 6.6%

**IV**
- AXA: 35.0%
- Brighthouse: 28.9%
- Lincoln: 18.8%
- CUNA: 8.3%
- Single Premium Income Annuity: 7.4%
**Allianz Life (1)**

**Revenues (USD bn)**

- **2016:** 13.1
- **2017:** 11.4
- **2018:** 12.9

CAGR: -1.0%

**Operating profit (USD mn)**

- **2016:** 1,061
- **2017:** 1,179
- **2018:** 1,003

CAGR: -2.8%

**Value of new business (USD mn)**

- **2016:** 343
- **2017:** 369
- **2018:** 438

CAGR: +13%

**RoE (%)**

- **2016:** 13.2%
- **2017:** 11.7%
- **2018:** 11.9%

CAGR: -1.0%

**Highlights**

- Market leader in fixed indexed annuities for 39 consecutive quarters
- Product levers allow for active profitability management on both new and inforce business
- Outstanding financial strength with AA S&P rating

**Milestones**

- **1896:** North American Casualty was founded
- **1912:** North American Casualty merged with North America Life Association to form North American Life and Casualty (NALAC)
- **1979:** NALAC acquired by Allianz AG
- **1993:** Company renamed Allianz Life Insurance Company of North America (Allianz Life)
- **1999:** Allianz Life merged with Life USA to form today’s company

---

1) As reported in the respective year
2) Excl. unrealized gains/losses on debt securities (net of shadow DAC) and goodwill
3) Based on statutory GPW
Inside Allianz Series: Allianz Life

Allianz Life (2)

Product mix (GPW)
- Life 9%
- FIA 91%
- USD 10.1bn

Variable account products
- Traditional VA 11%
- Hybrid VA ("Index Advantage") 89%
- USD 2.4bn

Distribution mix (GPW)
- Banks 4%
- Regional/wires 5%
- Independent B/D 27%
- Independent agents 64%
- USD 10.1bn

Reserves (USD bn)
- 2016: 91.5, 97%, 3%
- 2017: 99.7, 96%, 4%
- 2018: 104.1, 96%, 4%

- 2016: 32.3, 8%, 48%, 45%
- 2017: 35.0, 14%, 45%, 41%
- 2018: 32.2, 21%, 42%, 36%
Key messages

The US retirement market continues to present enormous opportunity as demographics shift, government solutions erode and the need for protection and income grows.

We have a strong, established position in the retirement market, differentiated through product innovation, multi-channel distribution, financial strength, risk management and global capabilities.

Our core business generates stable earnings and dividends, with levers built into the product to allow for active profitability management.

We are committed to driving disciplined growth, both in the US and across the globe.
Allianz Partners

Ulf Lange, CFO
Munich, June 28, 2019
## The Allianz Partners market

### Market specifics

#### Allianz Travel
- Air travel to double within next 15 years\(^1\)
- Low penetration of travel insurance in most key markets

#### Allianz Assistance
- Growing demand for repair-in-kind solutions
- Further growth in roadside assistance market driven by continuing growth in number of cars

#### Allianz Care
- 97 million expats as potential customers for private medical insurance globally\(^2\)
- 6.2% expected market growth per year until 2022\(^2\)

#### Allianz Automotive
- New mobility eco-system: connected, autonomous, electric, shared vehicles

### Allianz Partners unique in size and geographical presence (2018)

<table>
<thead>
<tr>
<th></th>
<th>Allianz Partners</th>
<th>AIG</th>
<th>AXA</th>
<th>Bupa</th>
<th>Cigna</th>
<th>CVS Health</th>
<th>Generali</th>
<th>Mapfre</th>
<th>Munich Re</th>
<th>Zurich</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Travel</strong></td>
<td>Allianz(^3)</td>
<td>AIG</td>
<td>AXA</td>
<td>Bupa</td>
<td>Cigna</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EUR 2.1bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Assistance</strong></td>
<td>Allianz(^3)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EUR 1.3bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Care / International Health</strong></td>
<td>Allianz(^3)</td>
<td>AXA</td>
<td>Bupa</td>
<td>Cigna</td>
<td>aetna</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>EUR 1.8bn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1) Source: IATA  
2) Source: Finaccord  
3) 2017

- Limited or no presence in this space
Allianz Partners (1)

1) New revenue definition including service fee income
2) Does not include the Automotive business written on AZ OE books (IFRS):
   - GPW 2016: EUR 2,813mn; 2017: EUR 2,706mn; 2018: EUR 2,617mn;
3) Automotive reinsurance, extended warranty and cost center
4) Excluding Automotive, adjusted for capital upstreamed end of 2017 and 2018

© Copyright Allianz SE
Allianz Partners (2)

Product mix (revenues)

- **Allianz Partners Travel**
  - TPA = third party administrator
  - IGO = inter-governmental organization / NGO = non-governmental organization
  - Travel: EUR 2.1bn
    - Complete travel coverage 58%
      - Other travel & leisure 1%
      - Medical assistance 6%
      - Trip cancellation 34%

- **Allianz Partners Assistance**
  - Health & lifecare coverage
  - Assistance: EUR 1.9bn
    - Roadside assistance 62%
      - Appliance protection 6%
      - Health & lifecare 8%
      - Home 25%

- **Allianz Partners Care / International Health**
  - Medical assistance
  - Health: EUR 1.8bn
    - Corporates 35%
      - Nextcare TPA 3%
      - Individual & small groups 7%
      - Partnerships & affinity 13%
      - Nextcare Re 16%
      - IGO, NGO & governmental organizations 25%
    - Americas 53%
      - APAC 12%
      - Europe 36%
      - Americas 10%
      - APAC 13%
      - Europe 77%
      - Americas 7%
      - APAC 11%
      - MEA 36%

  - Coverage breakdown:
    - Complete travel coverage 58%
    - Roadside assistance 62%
    - Other travel & leisure 1%
    - Medical assistance 6%
    - Trip cancellation 34%

© Copyright Allianz SE

1) TPA = third party administrator
2) IGO = inter-governmental organization / NGO = non-governmental organization
Allianz Partners – a unique asset within Allianz Group

#1 player in the B2B2C sphere
- Four lines of business: Travel, Assistance, Care and Automotive

Strong and global footprint
- Global network across 78 countries
- Further harmonization via ongoing rollout of GBM1 (GBM = ACM for B2B2C)

Innovation center of AZ Group
- **Allianz Travel**
  - Digital traveler – e.g. automated reimbursement in case of flight or train delay
- **Allianz Assistance**
  - Smart Home, repair-in-kind services
- **Allianz Care**
  - 24/7 tele-health services via video consultations
- **Allianz Automotive**
  - MyMobility – first truly multi-modal mobility coverage including insurance and service

Significant growth engine
- +9% revenue CAGR 2016-2018
- Continued growth expected for the next three years

Ability to improve profit margins
- +15% operating profit CAGR 2016-2018
- Continued growth expected for the next three years

---

1) GBM = Global Business Model of Allianz Partners; ACM = Allianz Customer Model
Allianz Technology – main tasks

1. Management of Group IT budget
2. Protection against cyber risks
3. Implementation of ACM
## 1. Management of Group IT budget

<table>
<thead>
<tr>
<th>Goals</th>
<th>KPIs</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Optimization of digital assets</td>
<td>More than 55 countries</td>
<td>Implementation and running of Group IT architectural blueprint solutions</td>
</tr>
<tr>
<td>Group-wide IT harmonization</td>
<td>EUR 3.6bn IT budget</td>
<td>&gt;40 OEs already consolidated in global infrastructure and security transfer</td>
</tr>
<tr>
<td>Bundling of purchasing power and efficient allocation of budget</td>
<td>EUR 1.9bn service fees</td>
<td>Sustainable use of resources; 97% green energy</td>
</tr>
<tr>
<td>Bundling of global IT competencies</td>
<td>&gt;7,500 IT FTEs</td>
<td>Skilled workforce in IT including niche products</td>
</tr>
</tbody>
</table>
2. Protection against cyber risks

Goals

- Protection of hardware against physical perils
- Protection of data against theft, loss and corruption
- Maximization of system availability and resilience

KPIs

- ~18,000 servers
- >82,000 virtual workplaces
- 6 strategic data centers

Examples

- Consolidation of data centers from 140 to 6 strategic data centers
- Other than enhanced cost efficiency, the modern hardware provides a state-of-the-art environment for our data
3. Technical implementation of Allianz Customer Model (ACM)

<table>
<thead>
<tr>
<th>Goals</th>
<th>KPIs</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group-wide implementation of “simple” IT master platform</td>
<td>Share of legacy systems in costs ~6x higher than share in revenues</td>
<td>Scalable and fast implementation for Africa region</td>
</tr>
<tr>
<td>Development and running of core and country layers for all LoBs</td>
<td>Standardized API(^1) management for integration of assets, partners, distribution channels</td>
<td>Various go-lives within next 12 months, e.g. in Italy, Australia, Spain</td>
</tr>
<tr>
<td>Decommissioning of legacy IT</td>
<td>Zero internal/external vulnerabilities, less then 90 toxic components</td>
<td>Started e.g. in Germany, France, Turkey</td>
</tr>
</tbody>
</table>

\(^1\) API = application programming interface
This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures, or events may differ significantly from those expressed or implied in such forward-looking statements. Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz Group's core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates, most notably the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions including and related integration issues and reorganization measures, and (xi) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

No duty to update

The Allianz Group assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose by law.