Allianz in the low yield environment

Giulio Terzariol
CFO Allianz SE
London, November 26, 2019
### Agenda

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<td>Well balanced with high quality</td>
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<td>Profitable growth despite low yields</td>
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</table>
Investments: well balanced with high quality

Allianz Group investment portfolio EUR 673bn (2018)

- **86%** Debt investments
- **94%** Investment grade
- **3.2%** Current yield
- **5bps** Impairments

**BBB credit risk**
- 81% held in L/H with PHP
- EUR 15.6bn net unrealized gains³

**Illiquidity risk**
- Diversified
- Managed by PIMCO
- Low share in BBB-

**Well balanced, no intention to add further credit risk**

**Illiquidity premium still attractive, opportunistic expansion**

- Alternative debt (55%)
  - 89% investment grade⁴
  - 3.5% current yield
  - EUR 3.6bn net unrealized gains
  - Vast majority LTV⁶ <60%

- Alternative equity (45%)
  - 69% real estate
  - 6.5% current yield
  - EUR 15.6bn net unrealized gains

---

1) Debt instruments
2) Debt instruments; 5y average
3) As of 3Q 2019
4) EUR ~67bn, excl. EUR ~4bn not rated investments
5) Non-traded assets, fair value
6) Loan-to-value ratio
2 Life business: profitable growth despite low yields

Group (EUR bn): Successful margin management

<table>
<thead>
<tr>
<th>In-force</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statutory premiums</td>
<td>66.9</td>
<td>70.4</td>
</tr>
<tr>
<td>OP</td>
<td>3.8</td>
<td>4.2</td>
</tr>
<tr>
<td>RoE</td>
<td>10.9%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>New business</th>
<th>2015</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBM</td>
<td>2.1%</td>
<td>3.6%</td>
</tr>
<tr>
<td>VNB</td>
<td>1.2bn</td>
<td>2.1bn</td>
</tr>
<tr>
<td>Share of pref. lines</td>
<td>64%</td>
<td>82%</td>
</tr>
<tr>
<td>Capital intensity¹</td>
<td>6.6%</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Example Switzerland (retail business): Successful margin management in negative yield environment

Principal protection <100%

- “Balance invest”
  - Ø 67% guarantee²
    - (-4%-p vs. PY)

Unit-linked business

- Share in new business³
  - 67% 53% NBM
  - 9% 13% NBM

Product innovation

- “Flex saving”
  - Savings and riders
    - -1% guarantee⁴

1) 6.6% refers to risk capital over in-force business reserves (2018), 2.7% refers to PV of risk capital over PV of reserves for new business written in 2018
2) 67% of principal guaranteed; new business 6M 2019
3) Based on PVNBP
4) -1% technical interest per year + profit participation (set annually)
**Net income: resilient**

Impact of 100bps lower yields\(^1\) on 2021 shareholders’ net income

<table>
<thead>
<tr>
<th>P/C</th>
<th>L/H</th>
<th>AM</th>
<th>Corporate</th>
<th>∑ net</th>
</tr>
</thead>
<tbody>
<tr>
<td>-0.1bn</td>
<td>-0.0bn</td>
<td>+0.0bn</td>
<td>+0.0bn</td>
<td>-0.0bn – -0.1bn</td>
</tr>
</tbody>
</table>

- Lower reinvestment yield
- Largely cash-flow matched
- Higher AuM base mostly offset by lower returns
- Lower costs for debt
- 2021 vs. plan

**Lever and approx. impact on net income (EUR)**

- **P/C**
  - … -0.5%-p CR
  - … +1% growth p.a.
  - +0.2bn

- **L/H**
  - … +1% p.a. result from loadings and technical margin
  - +0.1bn

- **AM**
  - … -1%-p CIR
  - +50mn

---

1) Compared to plan announced in 2018
Solvency II: comfortable

**Solvency II ratio**

- **September 30, 2019**: 202%
- **Equities -30%**: 190%
- **Interest rates -50bps**: 192%
- **Credit spreads +50bps**: 195% (Gov), 206% (Corp)
- **Rating migration 1 notch down¹**: 191%
- **Growth +1%-p²**: 201%

**Things to keep in mind**

- **SII operating earnings post tax / post dividend**: +8 – +10%-p p.a. going forward
- **LV= / L&G transactions (4Q 2019)**: SII ratio ~-2%-p
- **Santander / Popular settlement (1Q 2020)**: SII ratio ~+2%-p
- **UFR reduction -15bps (1Q 2020)**: SII ratio ~-1 – -2%-p
- **SulAmérica (2Q/3Q 2020)**: SII ratio ~-2 – -3%-p
- **Combined stress (before mgt. actions)**: SII ratio ~140% even in extreme stress scenario³

---

¹ 1 notch (e.g. AA to AA-) downgrade of all fixed income exposures, including government bonds
² Additional 1%-p growth in P/C NPE and 1%-p growth in L/H PVNBP, 1% growth for 3rd party AuM
³ Scenario includes IR -50bps, equities -30%, credit spreads 0 - +200bps, real estate -5%, NatCat EUR 1bn above plan, credit rating migration (half of 2008/09 credit crisis scenario) capturing all internal model OEs and AZ Life
AGCS: portfolio restructuring

Key messages
- 9M 2019 rate increase of 8.7% (renewals and new business)
- Reserve strengthening in 4Q 2019 following review
- Portfolio restructuring initiated
- 2021 CR expected to be <100%

GPW by LoB (2018: EUR 8.2bn)

- ART¹
- Liability
- Property
- MidCorp
- Marine
- Financial lines
- Engineering
- Aviation
- Energy
- Entertainment
- Other

AGCS operating profit (EUR mn)

- 2015: 102.9%
- 2016: 101.6%
- 2017: 105.2%
- 2018: 101.5%
- 9M 2019: 101.2%

Contribution to Group OP
- 2015: 3.9%
- 2016: 3.4%
- 2017: 1.4%
- 2018: 2.4%
- 9M 2019: 2.7%

GPW by region (2018, excluding ART¹)

- North America: 43%
- CEE: 7%
- London: 15%
- Mediterranean: 19%
- Asia: 14%
- South America: 1%
- Africa: 1%

1) Alternative Risk Transfer
The UK at a glance

Key data 2018

- Population: 66.4mn
- GDP (GBP): 2,140bn
- GDP growth: 1.4%
- GDP/capita (GBP): 32,216
- Inflation: 2.5%
- P/C insurance penetration¹: 2.0%
- Country rating (S&P): AA

Market specifics

- Largest European insurance market
- Highly competitive in P/C
- Changes to the Ogden discount rate have distorted recent market performance
- Regulatory environment continues to evolve quickly with particular focus around fair pricing

P/C market size² and growth (GPW in GBP bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>GPW (GBP bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>38</td>
</tr>
<tr>
<td>2015</td>
<td>38</td>
</tr>
<tr>
<td>2016</td>
<td>42</td>
</tr>
<tr>
<td>2017</td>
<td>44</td>
</tr>
<tr>
<td>2018</td>
<td>44</td>
</tr>
<tr>
<td>2021e</td>
<td>46</td>
</tr>
</tbody>
</table>

CAGR +3.6%

<table>
<thead>
<tr>
<th>Year</th>
<th>GPW (GBP bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>38</td>
</tr>
<tr>
<td>2015</td>
<td>38</td>
</tr>
<tr>
<td>2016</td>
<td>42</td>
</tr>
<tr>
<td>2017</td>
<td>44</td>
</tr>
<tr>
<td>2018</td>
<td>44</td>
</tr>
<tr>
<td>2021e</td>
<td>46</td>
</tr>
</tbody>
</table>

Market shares and combined ratios (2018, GPW, %)

<table>
<thead>
<tr>
<th>Company</th>
<th>Market Share</th>
<th>Combined Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aviva</td>
<td>9.2%</td>
<td>104.0%</td>
</tr>
<tr>
<td>DLG³</td>
<td>7.3%</td>
<td>104.0%</td>
</tr>
<tr>
<td>AXA</td>
<td>6.3%</td>
<td>104.0%</td>
</tr>
<tr>
<td>RSA</td>
<td>5.2%</td>
<td>104.0%</td>
</tr>
<tr>
<td>Admiral</td>
<td>4.7%</td>
<td>104.0%</td>
</tr>
<tr>
<td>Zurich</td>
<td>4.5%</td>
<td>104.0%</td>
</tr>
<tr>
<td>AIG</td>
<td>3.9%</td>
<td>104.0%</td>
</tr>
<tr>
<td>LV GIG</td>
<td>3.6%</td>
<td>104.0%</td>
</tr>
<tr>
<td>Ageas</td>
<td>3.6%</td>
<td>104.0%</td>
</tr>
<tr>
<td>Pro-forma</td>
<td>4.7%</td>
<td>104.0%</td>
</tr>
</tbody>
</table>

¹ GPW as % of GDP
² Excluding accident & health insurance
³ Direct Line Group

Sources: Global Data, peers' company reports, S&P

Legal & General Insurance Limited
Liverpool Victoria General Insurance Group
Allianz

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Allianz Insurance in the UK (1/2)

Revenues (EUR bn)
- CAGR -4.3%
- IG CAGR +1%\(^1\)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018 Pro-forma(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues (EUR bn)</td>
<td>2.6</td>
<td>2.5</td>
<td>2.4</td>
</tr>
</tbody>
</table>

Operating profit (EUR mn)
- CAGR -0.5%

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018 Pro-forma(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit (EUR mn)</td>
<td>155</td>
<td>72</td>
<td>153</td>
</tr>
</tbody>
</table>

Combined ratio (%)
- +0.2%-p

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018 Pro-forma(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Combined ratio (%)</td>
<td>96.1</td>
<td>100.4</td>
<td>96.3</td>
</tr>
</tbody>
</table>

NPS vs. market\(^3\) (%-p)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018 Pro-forma(^2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPS vs. market(^3) (%-p)</td>
<td>21.7</td>
<td>13.1</td>
<td>16.9</td>
</tr>
</tbody>
</table>

Highlights
- #2 P/C insurer in the UK due to acquisitions of LV GIG\(^4\) & LGIL\(^4\) from 2020 onwards
- Market leader in pet insurance with loyalty leadership in 2019
- Second best commercial broker NPS
- #1 in engineering with loyalty leader position

Setup
- 1905 Establishment of Cornhill Insurance plc
- 1986 Acquired by Allianz Group
- 2007 Renamed Allianz Insurance plc
- 2017 Announcement of LV GIG\(^4\) joint venture
- 2019 Acquisition of LGIL\(^4\) and 100% ownership of LV GIG\(^4\)

Notes:
1) Internal growth CAGR based on GPW
2) Pro-forma data combines Allianz Insurance plc, 100% of Liverpool Victoria General Insurance Group and L&G Insurance Ltd.
4) LV GIG = Liverpool Victoria General Insurance Group
LVGIL = Legal & General Insurance Ltd. Deals due to complete in December 2019 subject to regulatory approval

© Allianz SE 2019
Allianz Insurance in the UK (2/2)

2018

Product mix (GPW)

Pro-forma¹

Distribution mix (GPW)

Pro-forma¹

Market shares (GPW)

1) Pro-forma data combines Allianz Insurance plc, 100% of Liverpool Victoria General Insurance Group and L&G Insurance Ltd.

2) Corporate partners include affinity deals
New Allianz set-up in the UK: $1 + 1 + 1 > 3$

**Market position**
- Quantum leap in market position to #2 from #6
- Premiums double to GBP 4bn
- Number of customers increases to 12mn from 5mn

**Product portfolio**
- Complementary strengths
- Commercial and pet insurance (Allianz), retail (LV GIG and LGIL)

**Distribution**
- Complementary strengths
- Broker channel (Allianz), direct (LV GIG) and partnership / affinity business (LGIL)

**Customer centricity**
- LV= “the UK’s most recommended insurer”\(^1\)
- Allianz as loyalty leader with Petplan

**Targets**
- 2025 GPW of GBP 5bn
- 2025 CR < 93%

\(^1\) YouGov
Allianz Leben

Alf Neumann
Member of the Board of Management
Allianz Lebensversicherungs-AG
London, November 26, 2019
Key data 2018\(^1\)

- Population: 83mn
- GDP (EUR): 3,344bn
- GDP/capita (EUR): 40,339
- Inflation: 1.75%
- Insurance penetration\(^2\): 6.0%
- Country rating (S&P): AAA

Market specifics

- Trend towards capital-efficient products and single premium business
- High buffers, in particular more than EUR 65bn ZZR\(^4\); average industry SII ratio at 491%\(^5\)
- Government subsidized pension savings products (corporate pension, Ruerup-pension and Riester-pension)
- Actuarial interest rate (0.9% since 2017) expected to be lowered

Life market size\(^3\) and growth (GPW in EUR bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>GPW (bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>88</td>
</tr>
<tr>
<td>2016</td>
<td>87</td>
</tr>
<tr>
<td>2017</td>
<td>87</td>
</tr>
<tr>
<td>2018</td>
<td>89</td>
</tr>
<tr>
<td>2019e</td>
<td>~97</td>
</tr>
</tbody>
</table>

CAGR +0.3%

Market shares (2018, GPW, %)

<table>
<thead>
<tr>
<th>Company</th>
<th>Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Generali</td>
<td>24.6%</td>
</tr>
<tr>
<td>R+V</td>
<td>11.1%</td>
</tr>
<tr>
<td>Talanx</td>
<td>6.6%</td>
</tr>
<tr>
<td>Debeka</td>
<td>4.9%</td>
</tr>
<tr>
<td>ERGO</td>
<td>4.1%</td>
</tr>
<tr>
<td>Zurich</td>
<td>4.0%</td>
</tr>
<tr>
<td>AXA</td>
<td>3.7%</td>
</tr>
<tr>
<td>VBK</td>
<td>3.5%</td>
</tr>
<tr>
<td>Alte Leipziger</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>2.9%</td>
</tr>
</tbody>
</table>
Allianz Leben

Revenues (EUR bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>18.9</td>
<td>21.1</td>
<td>22.5</td>
</tr>
<tr>
<td>CAGR</td>
<td>+9.2%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Operating profit (EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>1,260</td>
<td>1,155</td>
<td>1,125</td>
</tr>
<tr>
<td>CAGR</td>
<td>-5.5%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

New business margin (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>3.4%</td>
<td>3.8%</td>
<td>4.1%</td>
</tr>
<tr>
<td>+0.7%-p</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Value of new business (EUR mn)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>542</td>
<td>639</td>
<td>764</td>
</tr>
<tr>
<td>CAGR</td>
<td>+18.7%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Highlights

- Market leader
- Comprehensive portfolio of capital-efficient and protection products
- Outstanding financial strength and high buffers, e.g., EUR 8.0bn free RfB and EUR 12.5bn ZZR
- Low lapse rate (1.4%), low reduction in yield and best-in-class productivity (82bps¹)
- Operating profit decline 2016-2018 due to lower net harvesting
- RoE 16.6%², SII ratio 478%

Setup

- 1922 Foundation of Allianz Lebensversicherungs-AG
- 1990 Takeover of East German state insurance authority’s life business as subsidiary Deutsche Lebensversicherungs-AG
- 2002 Transfer of Vereinte Lebensversicherungs-AG into Allianz Lebensversicherungs-AG
- 2006 Foundation of Allianz Deutschland AG as new holding company of Allianz Lebensversicherungs-AG

1) Administration and acquisition expenses related to AuM
2) Excl. unrealized gains/losses on debt securities (net of shadow DAC) and goodwill
Well diversified investment portfolio with attractive yield

Allianz Leben investment portfolio (EUR, 2Q 2019)

- **286bn** 1
- of which **59bn** non-fixed income

<table>
<thead>
<tr>
<th>Category</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity</td>
<td>2.5%</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.8%</td>
</tr>
<tr>
<td>Real estate</td>
<td>2.9%</td>
<td>2.8%</td>
<td>2.7%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Infrastructure &amp; renewables</td>
<td>4.7%</td>
<td>4.4%</td>
<td>4.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Government bonds industrialized markets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Government bonds emerging markets</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Covered bonds &amp; other securitized debt</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Mortgages</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

Total yield vs. guarantee (local GAAP)

1) Market value
2) Based on book value of investments (local GAAP)
3) Zinszusatzreserve (ZZR): reserves for low interest rate environment
In-force business: cash flow matched for 30 years with sufficient buffers beyond

Years 1 - 30
Cash flows

Portfolio duration matched 2Q 2019
- Assets 11.7
- Liabilities 11.7

Years 1 - 60

Cash flows (2Q 2019)
- Fixed income instruments and premiums
- Covered minimum guarantees and expenses
- Surplus
- Deficit

Available as buffer and bonus to policyholders

1) Market value as of 30.06.2019
Simple and modular product portfolio with modern guarantees
Create the most efficient pan-European insurer with customer obsession at its core:

<table>
<thead>
<tr>
<th>Feature</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intuitive proposition</td>
<td>Clear coverage, no negative surprises</td>
</tr>
<tr>
<td>Transparent, modular pricing</td>
<td>Attractive price with full transparency</td>
</tr>
<tr>
<td>Outstanding service</td>
<td>Easy, hassle-free and seamless digital experience</td>
</tr>
<tr>
<td>Personalized by data</td>
<td>Innovative data-driven products and services</td>
</tr>
<tr>
<td>Harmonized and simple</td>
<td>One brand, one platform and one product cross-border</td>
</tr>
</tbody>
</table>
Key design principles

Customer view

- Simple authentication
- Uniform processes
- Personal service
- Never ask twice!
- Notified in advance
- Delivered digitally

IT view

- One platform
- Best-practice architecture
- Market standard only and re-use of Allianz assets
- Cloud-based
- Single instance
- Multilingual
92% harmonized coverage across countries

MTPL packages

+2 packages

Add-ons

New-/purchase price cover
No claims discount
Free choice of repair shop
Security pack
Protection right redress
Active legal protection
Personal accident

Mobility services

Accident (embedded in DE, ES, NL)
Mobility package Single car
Mobility package Family
Ambitious timeline

Wave 1
October 2019
Oct 19

Process refinement

Wave 2
February 2020
Dec 19

Restructuring, decommissioning, SLA\(^1\) adjustments

Homeowners
1st half 2020
Feb 20

Target structure, scaling

September 2020
Sep 20

Home, travel, personal liabilities
(Introduction depending on market)

Dec 20

Ready.

Set.

Go.

[1] SLA = service level agreements
Outlook

KPIs

- Claims paid in 24h: 90%
- Exclusions: ≤5
- Market leading expense ratio: ~12%
- Claims rejected: <1%
- Straight-through processing: 95%
- Handovers during process: 0

GPW in EUR

- 2018: 1.1bn
- Mid-term: 3-5bn

1) Direct P/C operations in Germany, The Netherlands, Spain and Italy only
Disclaimer

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.