

# Quarterly and First Nine Months Earnings Release

## Allianz achieves 2.9 billion euros operating profit in 3Q 2020

- 3Q 2020 net income attributable to shareholders up 5.9 percent to 2.1 billion euros
- 3Q 2020 total revenues decreased by 6.1 percent to 31.4 billion euros, 9M 2020 total revenues slightly down at 104.9 billion euros
- 9M 2020 operating profit of 7.8 billion euros, rising to 9.1 billion euros excluding COVID-19 impact
- 9M 2020 net income attributable to shareholders decreased 17.6 percent to 5.0 billion euros
- Solvency II capitalization ratio of 192 percent at the end of 3Q 2020

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### Management Summary: Operating profit strong

After a short period of economic recovery, the recent increase in infection rates has led many governments to intensify containment measures again to limit the spread of COVID-19. As the challenging socio-economic conditions persist, Allianz Group demonstrated its resilience again in the third quarter of 2020 and recorded a solid performance in all business segments nine months into the year.

**Internal revenue growth**, which is adjusted for currency and consolidation effects, declined 6.0 percent in the third quarter of 2020, mostly driven by our Life/Health business segment. **Total revenues** decreased 6.1 percent to 31.4 (3Q 2019: 33.4) billion euros in the third quarter of 2020, whereas **operating profit** decreased merely 2.6 percent to 2.9 (3.0) billion euros. Our Life/Health business segment operating profit increased, supported by an improved investment margin. In our Property-Casualty business segment, operating profit fell only slightly despite further COVID-19-related losses and a lower contribution from run-off. Our Asset Management business segment's operating profit decreased following declining operating revenues. **Net income attributable to shareholders** increased 5.9 percent to 2.1 (1.9) billion euros in the third quarter of 2020 due to a higher non-operating investment result, partly offset by higher restructuring and integration expenses as well as the lower operating profit.

**Basic Earnings per Share (EPS)** increased 7.2 percent to 5.01 (4.68) euros in the third quarter of 2020. Annualized **Return on Equity (RoE)** amounted to 11.3 percent (full year 2019: 13.6 percent). The **Solvency II capitalization ratio** was at 192 percent at the end of the third quarter of 2020, compared to 187 percent at the end of the second quarter 2020.<sup>1</sup>

In the **first nine months** of 2020, **total revenues** declined by 1.9 percent. **Operating profit** dropped by 14.6 percent to 7.8 (9.1) billion euros, mostly due to the adverse impacts from COVID-19 amounting to 1.3 billion euros. Our Property-Casualty operating profit fell as a result of both a lower underwriting result and operating investment result. After a favorable one-off profit in 2019 and pressure on the investment margin, the operating profit in our Life/Health business decreased. On the other hand, operating profit from our Asset Management business increased due to higher AuM-driven revenues. The overall decrease in operating profit led to a drop in the **net income attributable to shareholders**.

In light of the ongoing economic uncertainties related to the Covid-19 pandemic, the Board of Management of Allianz SE has decided to discontinue the previously suspended Share Buyback Program 2020 and to no longer execute the outstanding part of the program amounting to EUR 750 million.

"We have delivered solid results in an environment that will remain challenging. Not just our financial performance has been resilient, but we have also enjoyed strong support from our fantastic staff around the world. And Allianz has once again been recognized by Interbrand as #1 insurance brand globally," said Oliver Bäte, Chief Executive Officer of Allianz SE. "Therefore, we remain confident to not just weather the COVID-19 crisis well, but to build an even stronger Allianz for the benefit of all stakeholders."

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## Property-Casualty insurance: Operating profit still impacted by the COVID-19 pandemic and a lower run-off result

- **Total revenues** declined by 1.8 percent to 12.9 billion euros in the third quarter of 2020. Adjusted for foreign currency translation and consolidation effects, **internal growth** declined 4.1 percent, driven by a negative volume effect of 9.0 percent and a positive price effect of 5.6 percent. The main contributors to this decline were Allianz Partners, AGCS, and Euler Hermes, whereas Germany, Turkey, and China recorded positive internal growth.
- **Operating profit** was broadly unchanged at 1.3 (1.3) billion euros in the third quarter of 2020. The underwriting result was affected by the COVID-19 pandemic and a clearly lower contribution from run-off. These effects were largely offset by lower claims from natural catastrophes.
- As a result, the **combined ratio** rose slightly by 0.2 percentage points to 94.5 percent in the third quarter of 2020.

"I am pleased by the resilience of our underwriting profitability," said Giulio Terzariol, Chief Financial Officer of Allianz SE. "Excluding COVID-19 effects, we see good underlying improvements in the combined ratio. We have strong underwriting discipline and technical excellence embedded in our culture and continue to focus on productivity improvements."

In the **first nine months** of 2020, **total revenues** increased to 46.7 (46.1) billion euros. Adjusted for foreign currency translation and consolidation effects, **internal growth** fell 0.9 percent, driven by Allianz Partners, Euler Hermes, and Italy. In particular due to a significantly lower underwriting result, heavily impacted by COVID-19, as well as a lower operating investment result, the **operating profit** deteriorated by 16.6 percent to 3.5 billion euros compared to the same period of the prior year. This decline was partly offset by a strong

<sup>1</sup> Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio amounted to 224 percent at the end of the third quarter of 2020 (217 percent at the end of the second quarter of 2020).

improvement of our expense ratio. On the whole, the **combined ratio** worsened by 1.9 percentage points to 96.0 percent.

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### Life/Health insurance: Strong operating profit of 1.1 billion euros

- **PVNBP<sup>2</sup>**, the present value of new business premiums, decreased to 12.9 (16.1) billion euros in the third quarter of 2020, impacted by COVID-19 and by a changed business mix. The largest volume decreases were recorded in the United States with a decline in sales of fixed index annuity products and in Germany with lower sales of the product "Perspektive".
- The **new business margin (NBM)** declined to 2.9 (3.1) percent due to the strong decline of interest rates, also in the third quarter of 2020. This was largely offset by innovative products and an improved business mix. The **value of new business (VNB)** dropped to 371 (494) million euros in the third quarter of 2020 driven by a combination of lower volumes and decreased margins.
- **Operating profit** increased to 1,119 (1,083) million euros in the third quarter of 2020. This was mainly due to an improved investment margin in the United States and in the Asia-Pacific region.

"The quality of our sales remains high as an increasing share of life products in our preferred lines has helped to offset the impact of lower interest rates on the new business margin," said Giulio Terzariol. "We continue to innovate our product range to maintain an attractive value proposition for our customers and a sound operating profitability of our Life/Health business segment."

In the **first nine months** of 2020, the **PVNBP** decreased to 42.5 (49.0) billion euros largely due to lower sales in the U.S. and German life insurance business. **Operating profit** went down to 2.9 (3.4) billion euros mainly due to a favorable one-off profit in the second quarter of 2019 and higher hedging expenses predominantly in the first half of 2020 in the U.S. variable annuity business. Further contributing factors included the disposal of Allianz Popular in Spain and a lower investment margin in France. The **new business margin** decreased to 2.9 (3.4) percent bringing the **value of new business** to 1.2 (1.6) billion euros.

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### Asset Management: Third-party net inflows of 26 billion euros

- **Third-party assets under management (AuM)** grew by 13 billion euros to 1,670 billion euros in the third quarter of 2020, compared to the end of the second quarter of 2020. The development was driven by positive market effects of 40.2 billion euros and net inflows of 25.6 billion euros as well as negative foreign currency translation effects of 53.1 billion euros.
- **Total assets under management** amounted to 2,271 billion euros. Positive market effects and net inflows offset negative foreign currency translation effects resulting in an overall stable development in the third quarter of 2020.
- **Operating profit** was on a very good level in the third quarter of 2020, despite a decrease of 3.7 percent to 677 (703) million euros following declining operating revenues due to lower performance fees as well as AuM-driven revenues. Declining operating expenses had an offsetting impact. Overall, the **cost-income ratio (CIR)** barely changed from 61.7 percent in the third quarter of 2019 to 61.9 percent in the third quarter of 2020. Adjusted for foreign currency translation effects, operating profit increased by 0.1 percent.

"Our Asset Management business segment has shown remarkable resilience with healthy net inflows and good operating profitability", said Giulio Terzariol. "I am pleased by the trust customers put in us. We continue

<sup>2</sup> PVNBP is shown after non-controlling interests, unless otherwise stated.

to broaden our product offering and customer reach, while investing in technology and improving our productivity.”

In the **first nine months** of 2020, operating revenues rose by 2.2 percent to 5.3 billion euros, driven by higher average third-party AuM. Our **cost-income ratio** was unchanged at 62.1 (62.1) percent. **Operating profit** increased by 2.2 percent to 1,996 (1,954) million euros (on a nominal and internal basis). Favorable market effects, net inflows, as well as negative foreign currency translation effects resulted in **third-party assets under management** of 1,670 billion euros – a decrease of 16 billion euros or 0.9 percent, compared to year-end 2019.

## Allianz Group - key figures third quarter and first nine months 2020

		3Q 2020	3Q 2019	Delta	9M 2020	9M 2019	Delta	
<b>Total revenues</b>	€ bn	<b>31.4</b>	<b>33.4</b>	<b>-6.1%</b>	<b>104.9</b>	<b>106.9</b>	<b>-1.9%</b>	
- Property-Casualty <sup>1</sup>	€ bn	12.9	13.2	-1.8%	46.7	46.1	1.4%	
- Life/Health	€ bn	16.8	18.5	-9.4%	53.1	55.9	-5.0%	
- Asset Management	€ bn	1.8	1.8	-3.2%	5.3	5.2	2.2%	
- Corporate and Other	€ bn	0.1	0.1	-14.1%	0.2	0.2	-9.1%	
- Consolidation	€ bn	-0.2	-0.2	-11.7%	-0.4	-0.5	-10.0%	
<b>Operating profit / loss</b>	€ mn	<b>2,907</b>	<b>2,984</b>	<b>-2.6%</b>	<b>7,776</b>	<b>9,105</b>	<b>-14.6%</b>	
- Property-Casualty	€ mn	1,315	1,347	-2.4%	3,490	4,184	-16.6%	
- Life/Health	€ mn	1,119	1,083	3.4%	2,930	3,410	-14.1%	
- Asset Management	€ mn	677	703	-3.7%	1,996	1,954	2.2%	
- Corporate and Other	€ mn	-203	-148	36.9%	-634	-444	42.9%	
- Consolidation	€ mn	-2	-1	98.6%	-5	0	n.m.	
<b>Net income</b>	€ mn	<b>2,131</b>	<b>2,032</b>	<b>4.9%</b>	<b>5,232</b>	<b>6,348</b>	<b>-17.6%</b>	
- attributable to non-controlling interests	€ mn	68	84	-19.2%	242	292	-16.9%	
- attributable to shareholders	€ mn	2,063	1,947	5.9%	4,990	6,056	-17.6%	
<b>Basic earnings per share</b>	€	<b>5.01</b>	<b>4.68</b>	<b>7.2%</b>	<b>12.07</b>	<b>14.44</b>	<b>-16.4%</b>	
<b>Diluted earnings per share</b>	€	<b>4.89</b>	<b>4.66</b>	<b>4.9%</b>	<b>11.86</b>	<b>14.39</b>	<b>-17.6%</b>	
<b>Additional KPIs</b>								
- Group	Return on equity <sup>2,3</sup>	%	14.5%	13.6%	0.9% -p	11.3%	13.6%	-2.3% -p
- Property-Casualty	Combined ratio	%	94.5%	94.3%	0.2% -p	96.0%	94.1%	1.9% -p
- Life/Health	New business margin	%	2.9%	3.1%	-0.2% -p	2.9%	3.4%	-0.5% -p
- Life/Health	Value of new business	€ mn	371	494	-25.1%	1,222	1,648	-25.9%
- Asset Management	Cost-income ratio	%	61.9%	61.7%	0.2% -p	62.1%	62.1%	0.0% -p
					09/30/2020	12/31/2019		
<b>Shareholders' equity<sup>3</sup></b>	€ bn				<b>74.6</b>	<b>74.0</b>	<b>0.9%</b>	
<b>Solvency II capitalization ratio<sup>4</sup></b>	%				<b>192%</b>	<b>212%</b>	<b>-20% -p</b>	
<b>Third-party assets under management</b>	€ bn				<b>1,670</b>	<b>1,686</b>	<b>-0.9%</b>	

**Please note:** The figures are presented in millions of Euros, unless otherwise stated. Due to rounding, numbers presented may not add up precisely to the totals provided and percentages may not precisely reflect the absolute figures.

1. Total revenues comprise gross premiums written and fee and commission income.

2. Represents the annualized ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning and at the end of the period. Annualized figures are not a forecast for full year numbers. For 3Q 2019 and 9M 2019, the return on equity for the respective full year is shown.

3. Excluding non-controlling interests.

4. Risk capital figures are group diversified at 99.5% confidence level. Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio is 224% as of 30 September 2020.

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## About Allianz

The Allianz Group is one of the world's leading insurers and asset managers with more than 100 million retail and corporate customers in more than 70 countries. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance. Allianz is one of the world's largest investors, managing around 774 billion euros on behalf of its insurance customers. Furthermore, our asset managers PIMCO and Allianz Global Investors manage 1.7 trillion euros of third-party assets. Thanks to our systematic integration of ecological and social criteria in our business processes and investment decisions, we hold the leading position for insurers in the Dow Jones Sustainability Index. In 2019, over 147,000 employees achieved total revenues of 142 billion euros and an operating profit of 11.9 billion euros for the group.

These assessments are, as always, subject to the disclaimer provided below.

## Cautionary note regarding forward-looking statements

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.

## Other

The figures regarding the net assets, financial position and results of operations have been prepared in conformity with International Financial Reporting Standards. This Quarterly Earnings Release is not an Interim Financial Report within the meaning of International Accounting Standard (IAS) 34.

This is a translation of the German Quarterly Earnings Release of the Allianz Group. In case of any divergences, the German original is binding.

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