IFRS 9/17 @ALLIANZ

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Munich
November 22, 2022

Disclaimer

Figures in this presentation are illustrative and no forecast!

Content

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Summary: fundamentals unchanged, disclosure improved

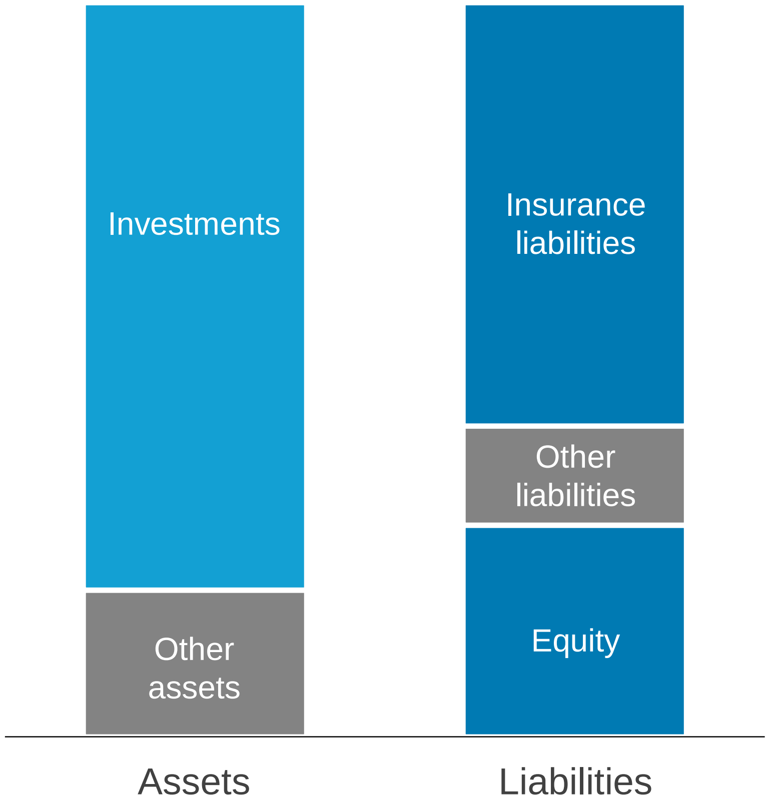
1	Limited economic impact	• Solvency II • Cash flow • Dividend
2	Strong fundamentals	• Operating profit • Net income • S/h equity • CSM[1] • RoE
3	Improved disclosure	• Transparency • Comparability • Simplicity • Profitability

1) Contractual service margin

The new accounting at a glance

IFRS 9
Financial instruments
- Principles for asset classification
- P&L measurement rules
- Impacts ~90% of investments

Balance sheet
(simplified)



IFRS 17
Insurance contracts
- Valuation principles
- Timing of profit recognition
- Impacts ~90% of liabilities

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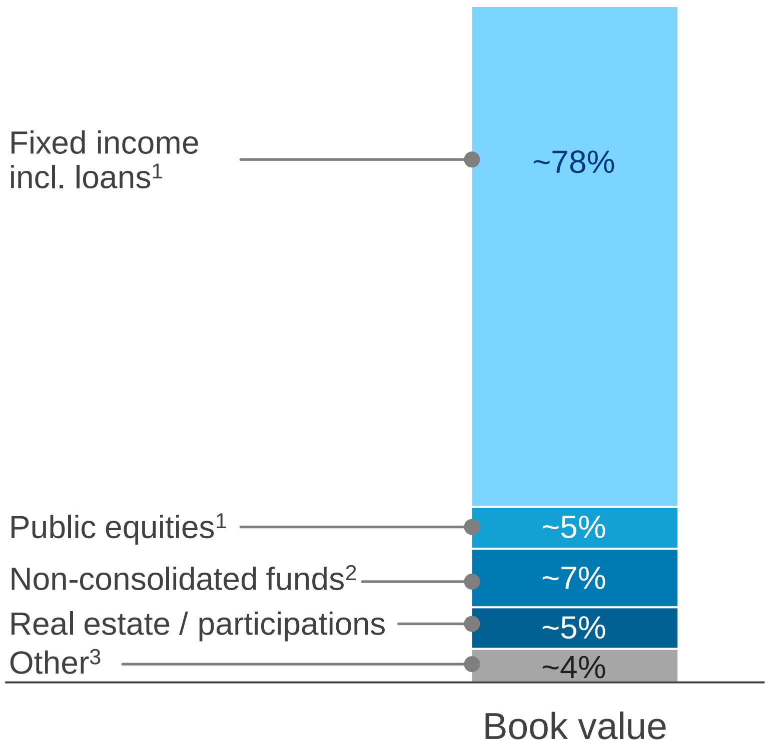
IFRS 9: new classification of investments…

Investment portfolio

(Illustrative)



Highlights

- Valuation at fair value
- Market value changes for >95% of debt portfolio booked in equity, but for debt instruments with special features[4] booked through P&L
- Forward-looking impairment model with earlier recognition of credit deterioration

- Valuation at fair value
- Market value changes and impacts from disposal booked in equity

- Valuation at fair value
- Market value changes booked through P&L

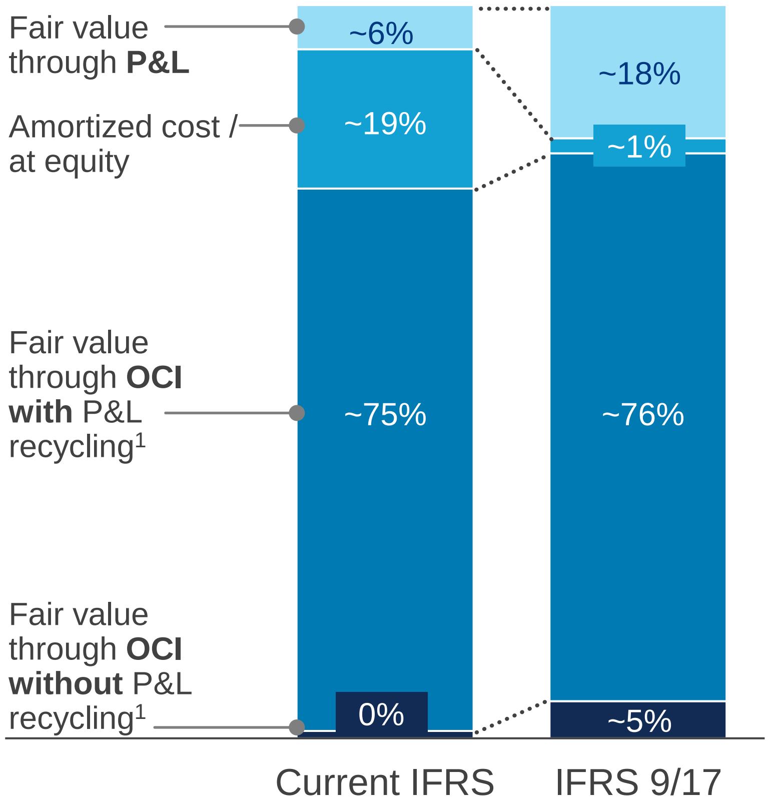
- Valuation mostly at fair value; remaining assets at amortized cost
- Market value changes for assets accounted at fair value booked through P&L

- No material change

1) Non-consolidated funds shown in separate item
2) Non-consolidated funds without look-through
3) Cash and derivatives
4) Debt instruments that do not pass the SPPI test (solely principal payment and interest), e.g. subordinated bonds with equity features

…changes P&L impact

Asset classification and measurement
(Illustrative)



Highlights

- New: non-consolidated funds[2] and debt instruments with special features[3] as well as real estate, JV and associates mostly for participating business
- Higher share of FVTPL[4] assets in P/C increases volatility of non-OP result

- Mainly real estate, JV and associates for non-participating business

- Plain-vanilla debt instruments
- New: loans (currently valued at amortized cost)

- New: default category for public equities
- Harvesting result booked in equity without P&L impact

1) Recycling: realized gains/losses from disposals are shown in P&L. No recycling: realized gains/losses from disposals are booked within equity
2) Without look-through
3) Debt instruments that do not pass the SPPI test (solely principal payment and interest), e.g. subordinated bonds with equity features
4) Fair value through P&L (see appendix)

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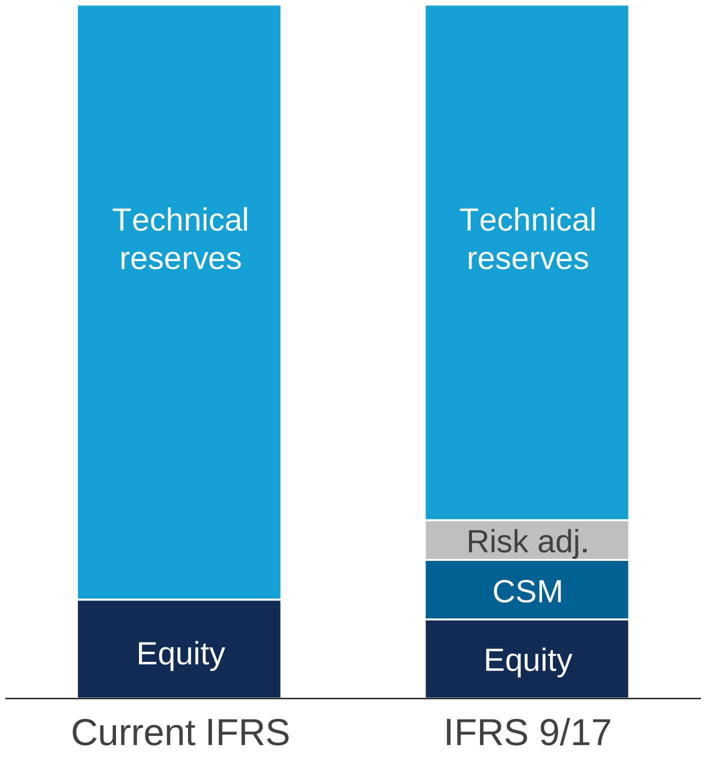
IFRS 17: liabilities comparable to Solvency II

Balance sheet liabilities
(Illustrative)



Highlights

- Technical reserves more consistent with Solvency II technical provisions

- Risk adjustment reflects non-financial risks not captured by best estimate
- Comparable to Solvency II risk margin, but slightly lower level

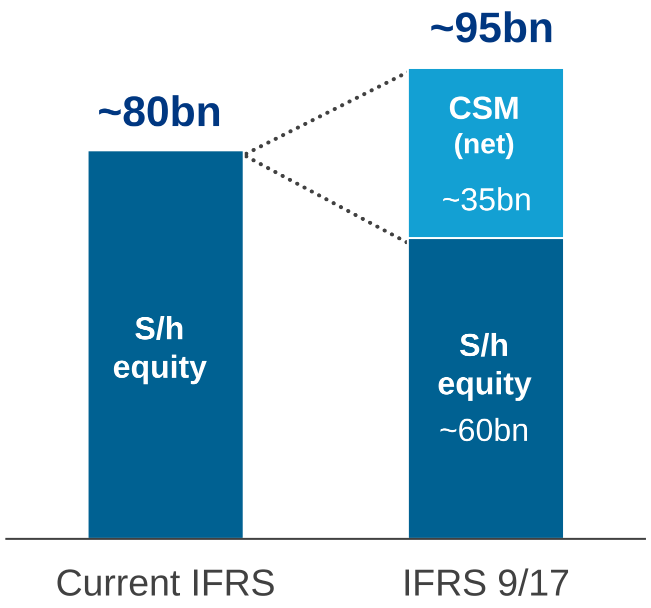
- CSM represents future profits (similar to VNB) of in-force business
- Disclosure of movement, projected release and sensitivities

- Contains retained earned profits
- Other comprehensive income (OCI) to include new items, e.g. impact of change in interest rates for discounted P/C reserves of past periods

Comprehensive s/h capital includes net CSM

Group balance sheet equity

(Illustrative)



Financial leverage[1]	~26%	↘	**~23%**

Highlights

- Future profits captured in contractual service margin (CSM)
- Comprehensive shareholder capital: shareholders' equity plus net[2] CSM

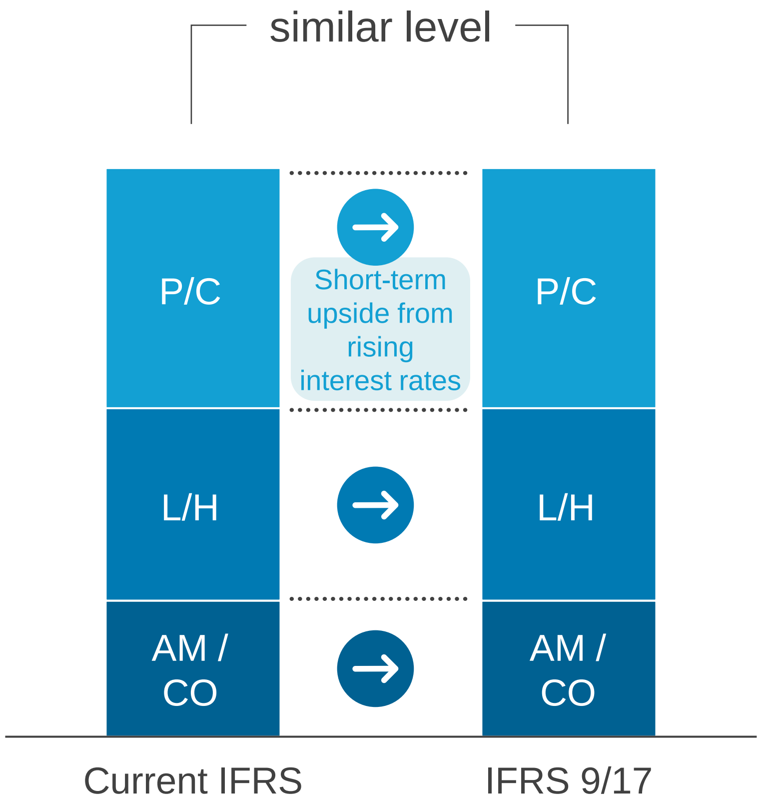
- S/h equity converges towards equity currently used for RoE calculation
- Difference versus current IFRS mainly driven by OCI; shareholder margin on unrealized gains for direct participating business moves to CSM
- Less volatility from interest rate changes
- Compared to Solvency II own funds, s/h equity plus net CSM is higher[3]

- Leverage considers s/h equity plus net CSM, reducing the leverage ratio

1) Senior debt and subordinated bonds divided by the sum of senior debt, subordinated bonds, shareholders' equity and, for IFRS 9/17, net CSM
2) After reinsurance, non-attributable cost, tax and minorities
3) IFRS 9/17 equity plus net CSM with different scope, e.g. treatment of goodwill / intangibles, surplus funds, Tier 2 subordinated liabilities or entities with third country equivalence under Solvency II

Operating profit on similar level

Operating profit
(Illustrative)



Highlights

- Group operating profit on similar level
- Better reflection of economic changes, particularly interest rates

- Operating profit on similar level
- Short-term positive impact on underwriting result from rising interest rates, offset by correspondingly lower investment result in the mid-term

- Operating profit on similar level
- Moderate volatility (dampening effect of CSM)
- Transparent presentation of profit emergence (CSM release)

- No material impact

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Net income on similar level

Shareholders' net income IFRS 9/17 (Illustrative)	**Highlights**
⊕ **Operating profit**	On similar level – short-term upside in P/C from rising interest rates
Non-operating items	More volatile
Realized gains/losses and impairments[1]	New: excludes net harvesting result for public equities which is booked in equity
Market value change of FVTPL assets[2]	Higher volatility due to increased share of FVTPL assets[2]
Other[3]	No material change
⊖ Income taxes	No material change
⊖ Non-controlling interests	No material change
⊜ **Shareholders' net income**	**Similar level – somewhat more volatile**

1) Contains expected credit losses on fixed income from new impairment model
2) Applicable for P/C and L/H non-participating business
3) E.g. interest expenses from external debt, restructuring and integration expenses, amortization of intangible assets

Content

Group

Property Casualty

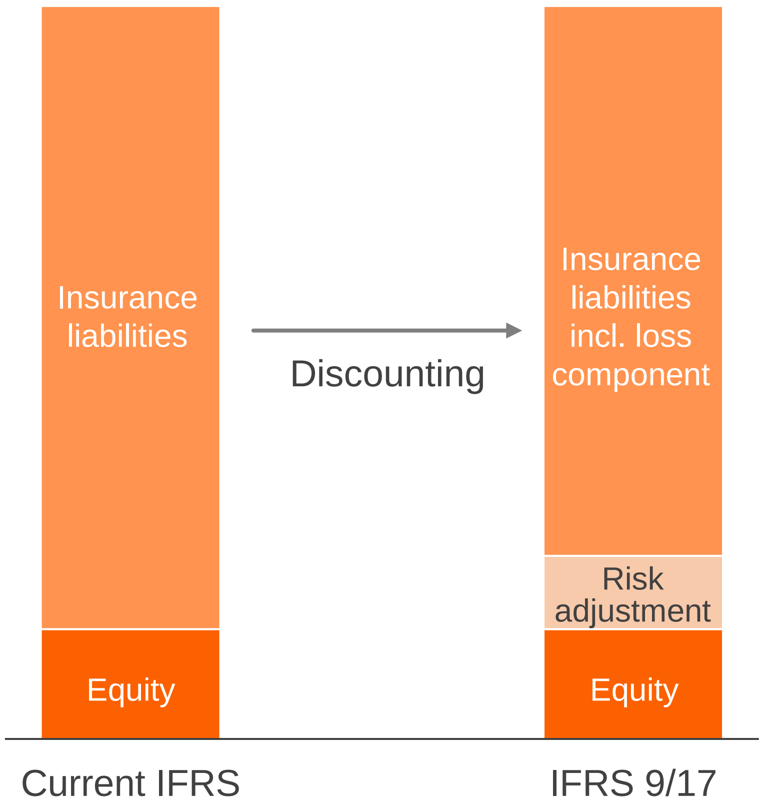
Life Health

Summary

P/C balance sheet with discounted reserves

P/C balance sheet liabilities

(Illustrative)



Highlights

For 99% of P/C business the simplified Premium Allocation Approach (PAA) is applied[1], leading to only small conceptual changes versus current IFRS

- Lower level subject to extent of reserve discounting; valuation curve[2] for each period will be locked in, i.e. change in interest rates for past periods booked in OCI, not impacting P&L; annual unwind of reserves shown as negative item in investment result
- Loss component: small; losses from onerous contracts booked at inception of contract as explicit position within insurance liabilities

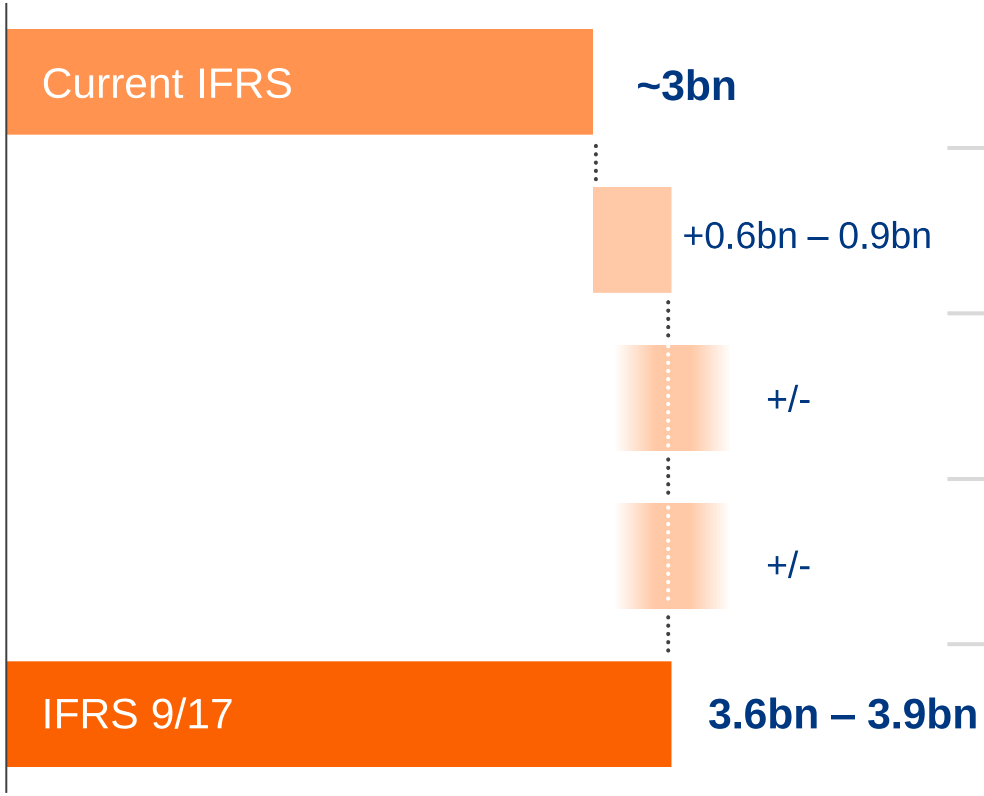
- Risk adjustment: Explicit add-on for non-financial risks to best estimate reserves; assumptions broadly consistent with SII risk margin

- On similar level as in current IFRS
- Impact of interest rate changes for past periods booked in OCI

1) Based on GPW; premium allocation approach only applicable for short-term business
2) Derived from bottom-up approach: risk-free rates plus illiquidity premium

P/C underwriting result higher

Underwriting result
(Illustrative)



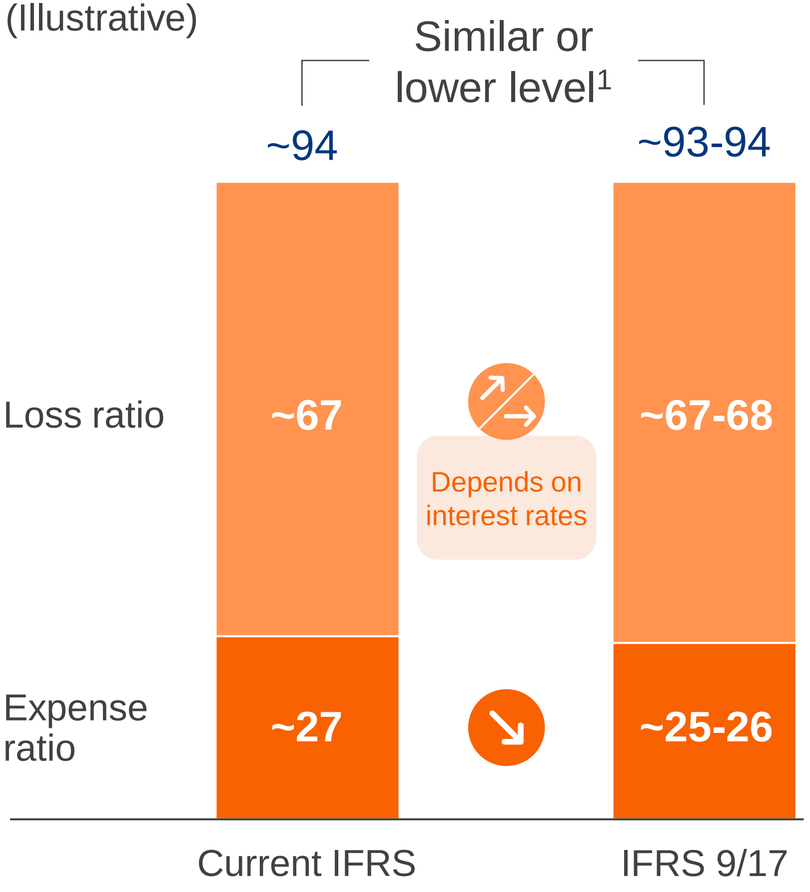
Highlights

	Underwriting result
Discounting	Impact from discounting[1] depends on interest rate level
Loss component	Approach similar to current premium deficiency reserve; some short-term noise possible
Risk adjustment	Broadly neutral; increase in AY reserves offset by release of risk adjustment for prior periods in run-off
	Operating insurance service result replaces underwriting result under current IFRS

1) Valuation curves based on risk-free rates plus illiquidity premium; valuation curves are locked in, changes in future periods are booked within shareholders equity (OCI), not impacting P&L

P/C combined ratio in detail

Combined ratio
(Illustrative)



Highlights

New topline: CR calculation based on gross instead of net premiums earned

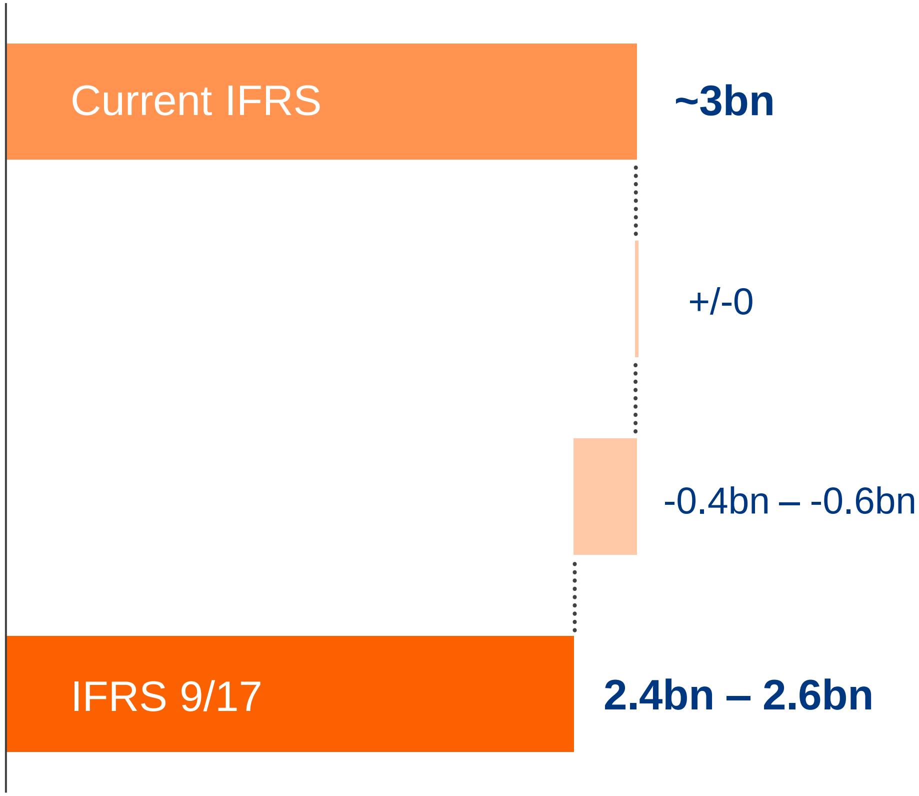
- Favorable impact from gross instead of net view as well as discounting of reserves
- Unfavorable impact from integration of reinsurance result
- Some noise driven by loss component – overall neutral
- Overall neutral impact from risk adjustment – shift between AY and PY

- Lower ER following move from net to gross view
- Includes non-attributable cost, i.e. same cost basis as under current IFRS

1) Based on current interest rate environment

P/C investment result lower

Operating investment result
(Illustrative)



Highlights

	Operating investment result
Investment income	Consistent with operating investment result under current IFRS (interest & similar income minus investment expenses)
Interest accretion	Negative impact from unwind of discounted loss reserves; size of unwind depends on interest rate levels of prior years
	Operating investment result

P/C operating profit on similar level

Operating profit IFRS 9/17		Operating profit contribution (Illustrative)
Total business volume	Corresponds to total revenues under current IFRS (GPW+fee income)	
Insurance revenues	Similar to gross premiums earned under current IFRS	
+ Op. insurance service result[1]	New: discounted reserves, risk adjustment and loss component	3.6bn – 3.9bn
+ Op. investment result	New: includes unwind from reserve discounting	2.4bn – 2.6bn
+/– Other	Unchanged versus current IFRS	small
= **Operating profit**	Similar level, short-term upside potential driven by interest rates	6.0 – 6.5bn

1) Operating insurance service result includes non-attributable cost, i.e. same cost base as under current IFRS

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Content

Group

Property
Casualty

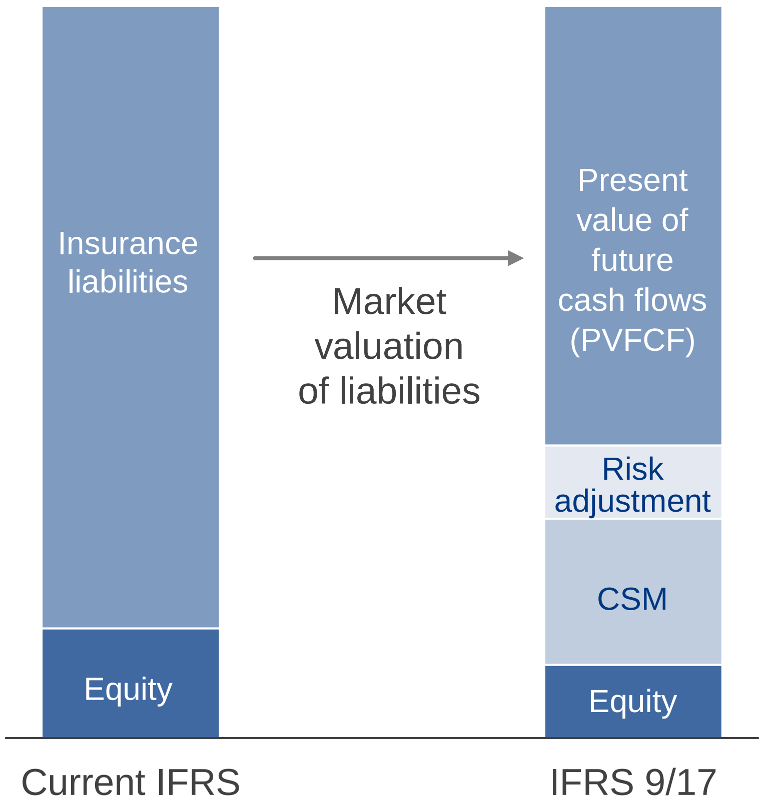
Life
Health

Summary

L/H balance sheet shows future profits

L/H balance sheet liabilities

(Illustrative)



Highlights

- PVFCF[1] represents discounted expected cash flows to policyholders and attributable expenses

- Explicit add-on for non-financial risks to best estimate reserves
- Conceptually similar to Solvency II risk margin
- Release of risk adjustment contributes to operating profit

- CSM comprises deferred discounted future profits of in-force business
- Part of insurance liabilities, thereby reducing equity
- Disclosure of movement, projected release and sensitivities
- CSM release key driver for operating profit

- Under current IFRS unrealized gains/losses included in equity (OCI)
- Under IFRS 9/17 shareholders' share of unrealized gains/losses for participating business included in CSM until release into P&L

1) Present value of future cash flows (see appendix)

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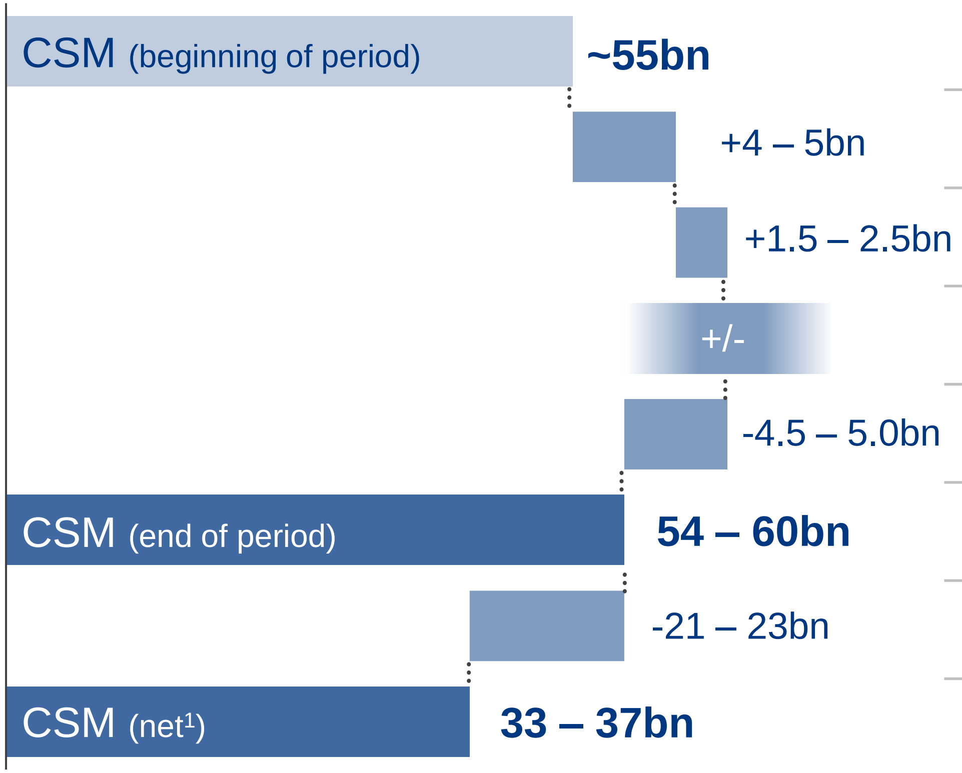
L/H CSM movement integral part of disclosure

Contractual service margin movement

(Illustrative)



Highlights

	Future profits beginning of period as shown in balance sheet
CSM@inception	Future profits from new business production
Expected in-force return	Unwind from discount plus normalized investment over-returns from in-force book above valuation rate
Experience & assumption changes	Volatile element containing the impact from market and assumption changes of in-force book on future profits
CSM release	Profits “earned” in respective period released to P&L; crucial component for operating profit
	Future profits end of period as shown in balance sheet
Reinsurance, non-attr. cost, tax and minorities	Adjustment for shareholders’ share after reinsurance, fully loaded cost, tax and minorities
	Future profits net[1]

1) After reinsurance, non-attributable cost, tax and minorities

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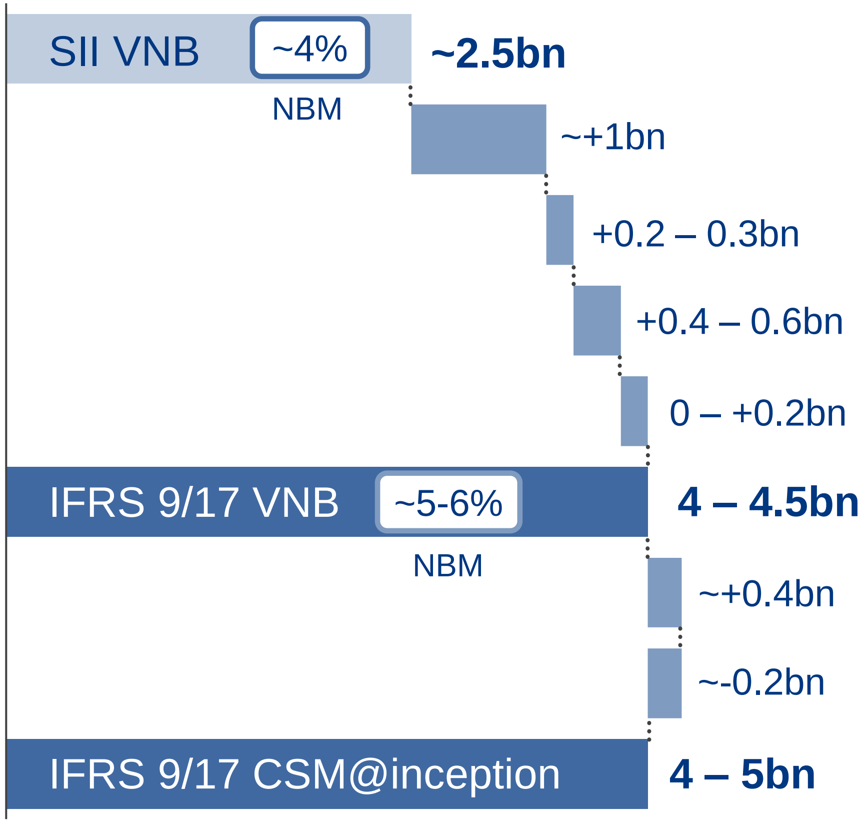
L/H new business value higher

Value of new business
(Illustrative)



Highlights

	Current KPI for new business value; basis for NBM
Tax / minorities	IFRS 9/17 view is before tax and minorities
Risk adjustment	Slightly higher diversification benefit under IFRS 9/17 versus SII risk margin
Valuation curve	Mainly driven by illiquidity premium (portfolio specific under IFRS 9/17)
Other	Differences in financial assumptions (e.g. cash flows or contract boundaries)
	New KPI for new business value; basis for NBM
Non-attr. cost / reinsurance	CSM@inception is before non-attributable cost and reinsurance, which are separate OP line items
Scope	Investment contracts as well as PAA[1] business not in scope of IFRS 17 (= no CSM)
	KPI for CSM movement

1) Premium allocation approach (see appendix)

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L/H operating profit on similar level

Operating profit IFRS 9/17		Operating profit contribution (Illustrative)
CSM release	Release of earned profits from in-force business	4.5 – 5.0bn
Release of risk adjustment	Release of risk buffer	~0.5bn
Loss component and variances[1]	Minor impact	small
Non-attributable cost	Expenses not directly attributable to insurance portfolios	~-1bn
Investment result	Only relevant for OEs without direct participating business[2]	0 – 1bn
Other[3]	Minor impact	small
Operating profit	Similar level to operating profit under current IFRS	4.5 – 5.0bn

1) Variances only applicable for non-VFA business
2) Includes investment result for indirect or non-participating business as well as hedging result net of interest accretion on reserves
3) Includes e.g. reinsurance result, profits for IFRS 9 investment contracts as well as fee income / expenses

Content

Group

Property
Casualty

Life
Health

Summary

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Summary: fundamentals unchanged, disclosure improved

1	**Limited economic impact**	**Solvency II**	Not impacted
		Cash flow	Not impacted
		Dividend	No change, still based on adjusted net income
2	**Strong fundamentals**	**Operating profit**	No major change, slightly higher in the short-term
		Net income	Similar level; somewhat more volatile
		S/h equity	Significantly less volatile; adjusted for OCI slightly lower
		CSM	Strong pool of future profits
		RoE	Slightly higher
3	**Improved disclosure**	**Transparency**	Additional KPIs and balance sheet items
		Comparability	Common set of valuation principles across the entire industry
		Simplicity	Central assumptions similar to Solvency II
		Profitability	Better reflection of market and interest rate impact

Impact from NatCat, financial markets, regulatory action and litigation, F/X and global economic developments not predictable

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Timeline

today

2022

October | November | December

2023

January | February | March | April | May | June

Conference call (Introduction)

IFRS 9/17 @ Allianz

Main KPIs

Illustrative figures

November 22, 2022

FY 2022 results (Current IFRS)

Outlook based on IFRS 9/17

February 17, 2023

Annual report (Current IFRS)

IFRS 9/17 opening balance sheet (as of 01.01.2022)

March 03, 2023

1Q 2023 results (IFRS 9/17)

1st IFRS 9/17 reporting incl. FY 2022 results

May 12, 2023

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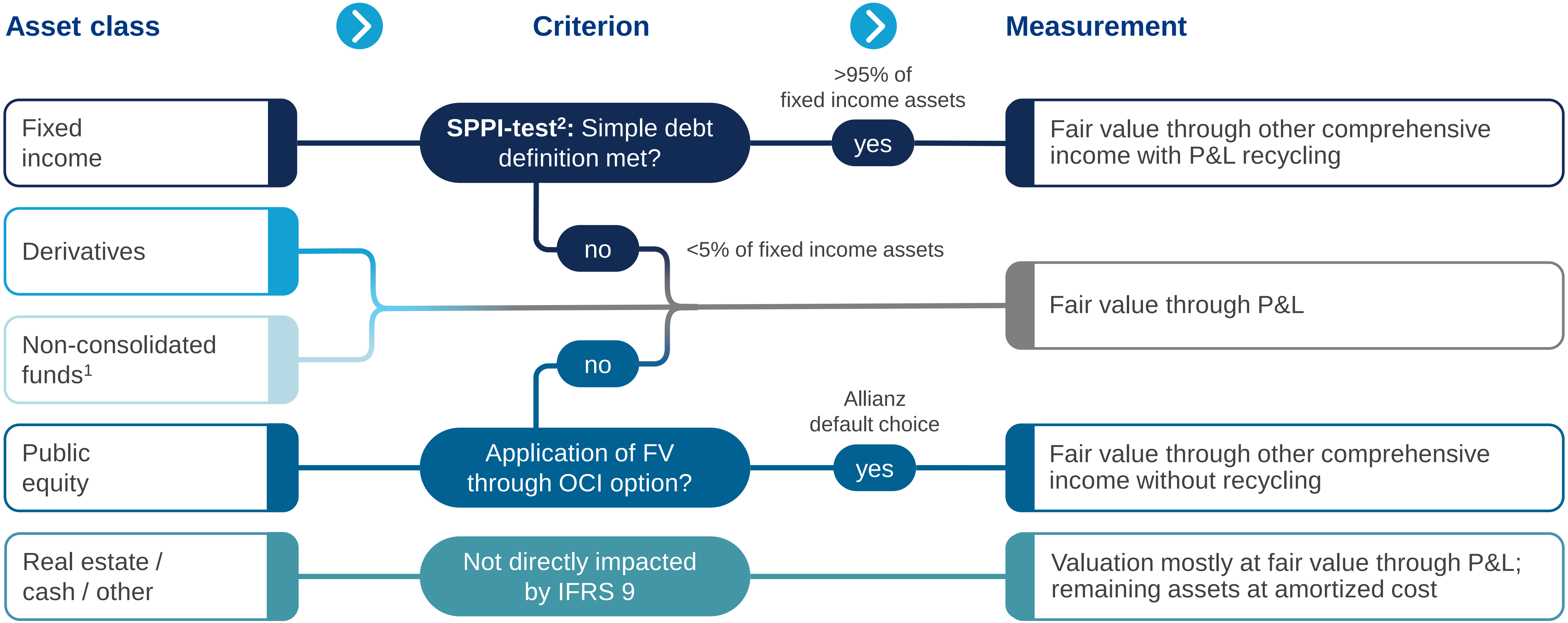
Investment accounting and profit recognition



1) Without look-through
2) SPPI (solely payment of principal and interest); bond features determine how to account for a fixed income asset

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P/C at a glance

KPIs

Growth	Total business volume[1]
Profitability	Combined ratio
Earnings	Operating profit

Profit signature

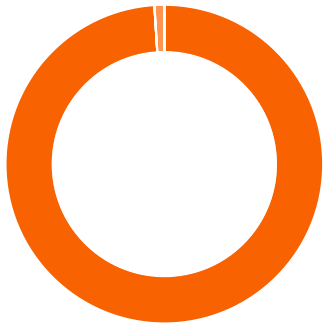
Expected OP level	~/▲[2]
Expected OP volatility	~
Expected net income volatility	▲

Simplified P&L

- Insurance revenues (similar to GPE)
- Gross claims
- Gross expenses
- Reinsurance result
- **Operating insurance service result**
- Operating investment income
- Interest accretion
- **Operating investment result**
- **Other**
- **Operating profit**
- Non-operating result
- **Net Income**

Measurement model[3]

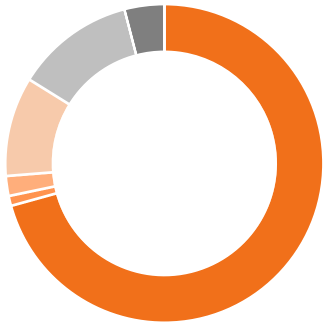
(% of GPW)



- PAA ~99%
- VFA / BBA ~1%

Investment portfolio[4]

(% of book value)



- FVTOCI[5] (debt) ~70%
- FVTPL (debt) ~1%
- FVTOCI[6] (publ. equity) ~2%
- FVTPL (other) ~10%
- Amortized cost ~12%
- Cash/Other ~4%

1) Corresponds to total revenues under current IFRS (i.e. gross premiums written plus fee income)
2) Positively impacted in the short-term from increase in interest rates
3) See appendix for a detailed explanation of the measurement models
4) See appendix for abbreviations
5) With recycling
6) Without recycling

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L/H at a glance

KPIs

Growth	VNB / CSM (new business) (in-force)
Profitability	New business margin
Earnings	Operating profit

Profit signature

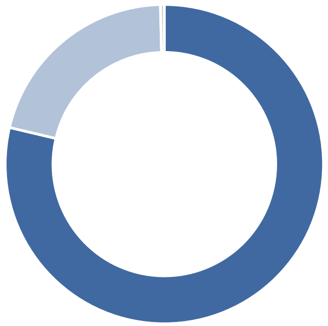
Expected OP level	~
Expected OP volatility	~
Expected net income volatility	~

Simplified P&L

CSM release
Release risk adjustment
Variances
Loss component
Non-attributable cost
Reinsurance result
Investment result (non-VFA)
Other
Operating profit
Non-operating result
Net Income

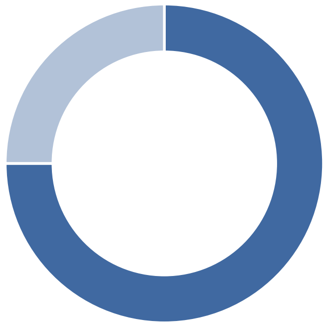
Measurement model[1]

(% of LRC[2])



Transition approach

(% of CSM)



1) See appendix for a detailed explanation of the measurement models
2) Liability for remaining coverage

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IFRS 17 measurement models

For each contract one measurement model is applicable based on contractual features

Type of business	IFRS 17 measurement model
Pure non-participating risk business (short-term or long-term) • Liability cash flows independent from assets • E.g. 99% of P/C, simple term life, fixed annuities, long-term care (LTC)	**Premium Allocation Approach (PAA) or Building Block Approach (BBA)** • Liability interest accretion booked in P&L, based on locked-in interest rates • Valuation difference from discount with locked-in and with current rate booked in OCI • Difference between asset & liability development reflected in OCI or P&L, not CSM
Indirect participating business • Liability cash flows depend on asset performance, but sharing mechanism not contractually fixed • E.g. US fixed indexed annuities (FIA), US registered index-linked annuities (RILA), selected portfolios in Belgium and Thailand	**Modified Building Block Approach (mod BBA)** • Liability interest accretion booked in P&L, based on “adjusted crediting rate” to align expected and actual crediting in reaction to market performance of assets • S/h share of asset performance reflected in P&L (investment income)
Direct participating business • Liability cash flows depend on asset performance, with contractually or legally binding mechanisms • E.g. most European participating business, all UL, classic VA business, accident insurance with premium refund (APR) in P/C	**Variable Fee Approach (VFA)** • Conceptually like investment management: s/h charges a variable fee for servicing the contract • S/h share of asset performance reflected in CSM with release over life of contract, p/h share booked in PVFCF

Glossary

BBA	Building block approach – measurement model, details see previous page
Modified BBA	Modified building block approach – measurement model, details see previous page
CSM	Contractual service margin – balance sheet liability, containing deferred discounted future profits of in-force business
CSM@inception	Contractual service margin at inception – contribution to CSM from new business production
Net CSM	Contractual service margin after reinsurance, non-attributable cost and tax
Fair value	Price that would be received for an asset in an orderly transaction between market participants at the measurement date
FVTOCI	Fair value through other comprehensive income – change in fair value shown in OCI
FVTPL	Fair value through P&L – change in fair value shown in P&L
LC	Loss component – balance sheet liability, booked for onerous contracts
Onerous contracts	Contracts for which the unavoidable costs of meeting the contractual obligation outweigh the expected benefits
OCI	Other comprehensive income – component of equity, includes revenues, expenses, gains, and losses not shown in net income
PAA	Premium allocation approach – measurement model, details see previous page
PVFCF	Present value of future cash flows – discounted expected cash flows to policyholders and attributable expenses
RA	Risk adjustment – additional reserve for non-financial risks
Recycling	Realization of gains / losses booked in P&L instead of in OCI
SPPI	Solely payments of principal and interest – criterion determining whether fixed income assets are measured at FVTOCI or FVTPL
VFA	Variable fee approach – measurement model, details see previous page

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