Allianz reports strong second quarter results and confirms full year outlook

- Total revenues rise 10.0 percent to 29.46 billion euros
- Operating profit climbs 17.1 percent to 2.77 billion euros
- Net income attributable to shareholders up 10.5 percent to 1.76 billion euros
- Shareholders’ equity grows by 9.8 percent to 55 billion euros vs. year-end 2013
- Allianz confirms operating profit outlook for 2014 of 10.0 billion euros, plus/minus 0.5 billion euros – upper end of target range in reach

Allianz Group achieved strong results in the second quarter of 2014. Total quarterly revenues increased 10.0 percent to 29.46 (second quarter of 2013: 26.78) billion euros. Operating profit climbed 17.1 percent to 2.77 (2.37) billion euros. Net income attributable to shareholders amounted to 1.76 (1.59) billion euros, an increase of 10.5 percent.

In the first half of the year, Allianz Group reported the highest total revenues in the company’s history. Total revenues rose 7.8 percent to 63.42 (58.82) billion euros. Operating profit climbed 6.4 percent to 5.49 (5.16) billion euros, while net income attributable to shareholders advanced 3.0 percent to 3.40 (3.30) billion euros in the first six months of the year.

In the second quarter, the segment Property and Casualty insurance again contributed roughly half to Allianz Group’s operating profit. The impact from natural catastrophes was lower compared to the high level of the second quarter of 2013 and the underwriting result improved. In the Life and Health insurance segment, new life insurance sales continued their momentum and statutory premiums in the quarter climbed more than 20 percent. Operating profit of the segment reached a new historic high. Asset Management continued to perform within expectations.

The conglomerate solvency ratio rose 3 percentage points to 185 percent as of June 30, 2014, from 182 percent at the end of 2013. Shareholders’ equity grew over the same period by 9.8 percent to 54.979 billion euros from 50.084 billion euros.

“The market environment continues to present challenges for customers and financial service providers. Our well-diversified business model as well as new solutions for customers...
enabled us to achieve already 55 percent of the midpoint of the outlook range in the first six months of 2014”, said Michael Diekmann, Chairman of the Board of Management of Allianz SE. “In view of these good half-year results, we maintain our outlook for the operating profit for 2014 of 10 billion euros, plus or minus 500 million euros, but expect the upper end of the target range to be in reach. As always, this forecast is under the caveat that natural catastrophes and capital market turbulence do not exceed expected levels.”

Second quarter in detail:

**Property and Casualty insurance operating profit up by 14.2 percent**

Gross premiums written in Property and Casualty insurance reached 10.85 (10.75) billion euros, an increase of 0.9 percent. Unfavorable foreign exchange effects continued in the second quarter. Excluding foreign exchange and consolidation effects, internal growth stood at 2.6 percent.

Allianz United Kingdom recorded strong internal growth of 15.5 percent across all business lines. Premiums of Allianz Germany grew by 6.0 percent on an internal basis, benefiting from positive developments in motor and commercial non-motor. Allianz Worldwide Partners and Allianz Global Corporate & Specialty saw positive growth as well. On the other hand, the businesses in Brazil, Russia and Turkey faced challenges which weighed on top-line performance.

The segment’s operating profit climbed 14.2 percent to 1.35 (1.18) billion euros. An improved underwriting result of 516 (357) million euros drove operating profit, supported by a benign natural catastrophe environment. Impact of natural catastrophes in the second quarter amounted to 172 (549) million euros, stemming mostly from storm “Ela” which hit Belgium, France and Germany in June.

The quarterly combined ratio improved by 1.4 percentage points to 94.6 (96.0) percent. The loss ratio decreased by 1.1 percentage points to 66.2 (67.3) percent. The expense ratio improved 0.3 percentage points to 28.4 (28.7) percent.

"Our Property and Casualty business has seen another successful quarter helped by a comparatively low impact from natural catastrophes and a strict underwriting discipline,” said Dieter Wemmer, Chief Financial Officer of Allianz SE.

**Life and Health insurance revenues and profits advance**

In the second quarter, statutory premiums in Life and Health insurance climbed 20.1 percent to 16.96 (14.13) billion euros. Excluding foreign exchange and consolidation effects, internal growth stood at 20.9 percent.
The main contributors to premium growth came from the US, Germany and Italy. Allianz Life in the US almost doubled its premiums to 3.35 (1.79) billion euros thanks to strong sales of fixed-indexed annuities. Premiums in Italy rose 17 percent to 3.1 billion euros. The success of the life insurance product "Perspektive" in Germany continued, with a share in retail business via agents rising to 27 percent. Single premium products were in high demand in Germany, Italy, Switzerland, Asia-Pacific, and the US.

The new business margin grew 0.7 percentage points in the second quarter of 2014 to 2.4 (1.7) percent. Over the same period the value of new business doubled to 380 (190) million euros. Operating profit in Life and Health insurance jumped 47 percent to 984 (669) million euros, a new historic high.

"We see a continued momentum to buy life insurance products serving the need for old age provisions," said Dieter Wemmer. "While life insurance still is burdened by increased regulation and the low interest environment, Allianz has reacted with innovative products reflecting the current challenges and these products are in high demand."

Asset Management remains on track

In the second quarter of 2014, Asset Management recorded operating revenues of 1.61 (1.82) billion euros, a decline of 11.5 percent. Operating profit decreased by 16.0 percent to 675 (804) million euros for the quarter. These developments include the negative impact of a transfer of entities to other business segments and unfavorable foreign exchange effects. Without these effects, operating revenues would have declined by 5.8 percent while operating profit would have decreased by 9.7 percent.

Total assets under management rose 4.4 percent to 1,814 billion euros at the end of the second quarter of 2014 from 1,738 billion euros at the beginning of 2014. Over the same period, third-party assets under management grew 3.3 percent to 1,373 billion euros from 1,329 billion euros.

The development in assets under management was supported by market value increases, which outweighed third-party net outflows of 17.2 billion euros in the second quarter of 2014, compared to third party net inflows of 6.0 billion euros in the previous year’s second quarter.

"Asset Management performed within expectations," said Dieter Wemmer. "With 3.2 billion euros, Allianz Global Investors recorded the highest quarterly third-party net inflows of its history, while outflows at PIMCO continued to slow. The key for future results is the investment performance, which is at a very high level: 89 percent of PIMCO's assets under management outperformed their benchmarks on a three-year basis."
Investor Relations Release

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