

# Press

## First half-year 2009: Clients seek security

- **Allianz clients make provisions for their future: Revenues on the rise**
- **Capital markets and non-recurring effects impact profits**

With the market environment still difficult, clients are seeking security. This is also beneficial to Allianz Deutschland AG. CEO Gerhard Rupprecht views Allianz's financial strength as the reason: "We're on a very sound foundation, we have international expertise in the capital markets, and our risk management remains consistent."

For the first time, Allianz Deutschland AG is also reporting on its new segment for the banking business. This includes Oldenburgische Landesbank AG (OLB), which has been a part of Allianz Deutschland since April 2009, and Allianz Bank, which was established in June 2009 as a branch of OLB. To provide a clearer picture, the development of the banking business is reported from January 1, 2009. The comparable figures from last year do not include the banking business.

### **Increase in revenues**

**Revenues** at Allianz Deutschland AG and its subsidiaries increased by 2.5 percent in the first six months of the year, to 14.3 billion euros (14.0 billion euros), primarily because of the good performance of life insurance and the company's first reporting of operating income from OLB.

In **property and casualty insurance**, premium income decreased by 1.1 percent to 5.7 billion euros (5.8 billion euros). The main reason for the decrease is the overheated competition in automotive insurance, which prohibits sustainable pricing in some segments. In this market situation, Allianz is pursuing a profit-oriented underwriting policy. In total, premium income in automotive insurance decreased by 3.9 percent to 2.3 billion euros (2.4 billion euros). But premium income in other insurance lines was above last year's level by 0.8 percent.

Premium income in **life insurance** gained 3.9 percent to reach 6.9 billion euros (6.7 billion euros). In today's capital market situation, clients primarily want classic retirement insurance. But Allianz Rente IndexSelect also sold very well – a product in which the client can choose each year between the usual profit participation or a participation which is based on the development of the Dow Jones EURO STOXX 50<sup>®</sup> index. In addition, disability insurance recorded high growth rates.

In private health insurance, **premium income** was up by 1.9 percent, to 1.6 billion euros (1.6 billion euros). Apart from premium adjustments, the increase is also the result of strong business in full-coverage insurance at the end of 2008; most of those policies did not take effect until the new year. Sales of supplemental insurance also grew – not least of all because of the KKH-Allianz cooperation..

In the **banking business**, the operating profit at the end of the first six months of this year was 130 million euros, up by 0.6 percent from the comparable figure last year. Although net interest income increased significantly, net commission income was down because of the trend in the securities markets.

### **Operating profit down**

The **operating profit** decreased by 42.7 percent, to 646 million euros (1,126 million euros). The primary reason for the sharp decrease in the operating profit was that last year's figure included large gains on the sale of owner-occupied real estate. Further factors this year were lower net investment income, and the start-up costs for Allianz Bank.

As a company operating in the capital market, Allianz cannot escape the impact of the financial crisis. **Net investment income** decreased by 10.3 percent, to 3.8 billion euros (4.2 billion euros). Here current income decreased because of lower interest rates and dividends. The **investment portfolio** in the insurance business gained 3.7 percent against the end of last year, to reach 177.1 billion euros (170.8 billion euros) In combination with the banking business, financial assets at mid-year amounted to 179.0 billion euros.

**Administrative expenses** (gross) for the insurance business were up by 1.0 percent, to 710 million euros (703 million euros). Operating expenses in the banking business amounted to 205 million euros. Of this figure, 94 million euros went towards the start-up of Allianz Bank. **Gross acquisition expenses** grew by 10.3 percent to 1.3 billion euros (1.2 billion euros). This increase is attributable to investments in the sales network and an accounting adjustment of capitalized acquisition expenses.

In property and casualty insurance, the **combined ratio** – the ratio of claims and expenses to premiums earned – increased to 100.6 percent (98.9 percent, because of a higher expense ratio. This was especially due to the high cost of growth initiatives for the sales network. "However, we expect the combined ratio to improve again in the second half of the year," says Rupprecht.

The **net profit for the half** decreased by 64.4 percent, to 521 million euros (1,465 million euros). The main reason was lower realized profits from capital investments.

All in all, however, Allianz's far-sighted and conservative investment policy has clearly proved its worth in the financial crisis. Standard and Poor's **AA rating** for Allianz Deutschland AG's insurance companies is currently the best score of any German primary insurer. One contributing factor here is Allianz Leben's high valuation reserves of 5.0 billion euros.

### **Allianz Bank off to a successful start**

**Allianz Bank** was launched in early June, under the umbrella of OLB. Some 350,000 clients that Allianz agents had previously recruited to Dresdner Bank actively chose to transfer to the new financial institution, bringing with them a total business volume of nearly 3.1 billion euros. "We are consistently expanding our proven integrated approach to providing insurance, old age provision and asset management from a single source," the CEO explains.

### **Sales capacity expanded**

In the first half of 2009, the **sales organization** hired some 2,000 new staff members – an important prerequisite for further growth. It also continued to differentiate the company's market presence with a variety of agency formats. These include "center" agencies with a professional full-time office staff who handle administrative tasks for multiple agents, as well as agencies that have specialized in serving clients who have immigrated to Germany in their native languages.

### **Outlook**

"The economic environment will remain difficult in the second half of 2009," says Rupprecht, but he sees a positive aspect here for Allianz: "We are a reliable partner for our clients – also thanks to our financial strength. Therefore, I am convinced that ultimately we will emerge stronger than ever from the crisis."

By this fall, Allianz Deutschland AG expects to realign its Internet business in auto insurance, and define its product offerings more clearly.

The new "Allianz auto.online service" is aimed at clients who want to take out insurance over the Internet, but also want the personal service of an Allianz agent in the event of a claim. Allianz agents will offer this product on their agencies' Web sites.

Following the example of other Allianz companies in Europe, outright direct business, in which the client prefers to do without any agent service, will soon be available online under a second brand, "Allsecur."

<b>Allianz Deutschland AG</b>			
<b>Key figures for H1 2009 (consolidated figures)<sup>1</sup></b>			
<b>EUR</b>	<b>6/30/2009</b>	<b>D in %</b>	<b>6/30/2008</b>
<b>Revenues</b>	14.3 bn	2.5	14.0 bn
- Property and casualty insurance	5.7 bn	-1.1	5.8 bn
- Life insurance	6.9 bn	3.9	6.7 bn
- Private health insurance	1.6 bn	1.9	1.6 bn
- Banking business	130 m	0.6	129 m
<b>Net investment income</b>	3.8 bn	-10.3	4.2 bn
<b>Operating profit</b>	646 m	-42.7	1,126 m
<b>Net profit for the half</b>	521 m	-64.4	1,465 m

<sup>1</sup> Due to consolidation effects, segment figures do not always add up exactly to the consolidated figures.

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**Don't miss the interview with CFO Rainer Schwarz about the release of the first-half figures, on our Web portal at [www.allianzdeutschland.de/presse](http://www.allianzdeutschland.de/presse). You can find more press releases from Allianz Deutschland AG there.**

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