

## Quarterly Earnings Release

# Allianz delivers 2.4 billion euros operating profit in 2Q

- Total revenues down 2.5 percent to 29.4 billion euros in 2Q; internal revenue growth of 0.4 percent in 2Q, adjusted for currencies and consolidation
- 2Q operating profit down 17.2 percent to 2.4 billion euros, impacted by natural catastrophes and exceptional effects
- 2Q operating profit in Asset Management stabilizing, assets under management up versus 1Q
- Value of new business in Life/Health up 62.2 percent in 2Q, new business margin up to 2.6 percent
- Net income attributable to shareholders down 46.0 percent to 1.1 billion euros in 2Q, driven by 352 million euros impact from the expected disposal of South Korea
- Solvency II capitalization ratio resilient at 186 percent as of June 30, 2016
- Operating profit outlook for 2016 confirmed within target range of 10.5 billion euros, plus or minus 500 million euros

### QUARTERLY AND HALF YEAR RESULTS

		three months ended 30 June			six months ended 30 June		
		2016	2015	Change from previous year	2016	2015	Change from previous year
Total revenues	€ bn	29.4	30.2	-2.5%	64.8	67.9	-4.7%
Operating profit	€ bn	2.4	2.8	-17.2%	5.1	5.7	-10.3%
Net income attributable to shareholders	€ bn	1.1	2.0	-46.0%	3.3	3.8	-14.5%

## Allianz on track for full-year target

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Allianz Group produced a solid result in the first half of the year that reflected difficult market conditions and intensified efforts to increase capital efficiency. Earnings were burdened by claims from natural catastrophes, higher large and weather-related losses and lower returns on investments due to market turbulence. The group successfully advanced a shift in its life insurance segment toward capital efficient products, which led to a decline in total revenues but marked a rise in profitability in new business. Asset Management performed in line with expectations and reported an increase in third-party assets compared to the end of 2015. The expected sale of the group's South Korean operations will lead upon closing to a stronger capital base but had a significant, one-off impact on net income, as indicated.

"Allianz is transforming itself into an organization that is closer to its customers, is more capital efficient, enjoys higher profitability, and we're doing this in a difficult environment. The second quarter in particular was shaped by markedly higher damages from heavy floods and storms in Europe this spring. We were happy to support our customers in those difficult times," said Oliver Bäte, CEO of Allianz SE.

"The good earnings growth in Life and Health insurance business could not fully offset the decline in the Property and Casualty segment. In Asset Management, operating profit remained almost at the level of the previous year and the net outflows at PIMCO have slowed, but we have not yet reached our goals," said Oliver Bäte.

## Group: solid first half-year

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1H 2016

*Operating profit* for the first half year of 2016 decreased by 10.3 percent to 5.1 billion euros. The difference is largely due to higher claims from natural catastrophes and the comparatively high level of income one year ago due to the net gain from the sale of the Fireman's Fund personal insurance business. The non-operating result was mainly impacted by the classification of the South Korean business as held for sale. *Total revenues* in the first half of the year decreased 4.7 percent to 64.8 billion euros. Overall, *net income attributable to shareholders* fell by 14.5 percent to 3.3 billion euros.

Revenues down  
2.5% in 2Q

*Total revenues* in the second quarter of 2016 fell by 2.5 percent to 29.4 (previous year: 30.2) billion euros on the year, driven by all business segments, in particular by Life and Health.

Operating profit  
€ 2.4bn in 2Q

*Operating profit* decreased by 17.2 percent to 2.4 billion euros. Operating profit growth in the Life and Health segment could not fully compensate for the decline in operating profit from the Property and Casualty segment. In the Asset Management segment, operating profit was stable compared to the second quarter of 2015.

Annualized return  
on equity 12%  
in 6M

The non-operating result was impacted by the classification of the Life and Health business in South Korea as held for sale. *Net income attributable to shareholders* fell by 46.0 percent to 1.1 billion euros in the second quarter of the year. *Basic Earnings per Share (EPS)* amounted to 2.40 (4.44) euros. The group posted an annualized *Return on Equity (RoE)* of 12 percent for the first half of the year (full year 2015: 12.5 percent). Annualized figures are not a forecast for full year numbers.

Solvency II  
capitalization  
ratio 186% at  
30.6.2016

*Solvency II capitalization ratio* held steady at 186 percent at the end of the second quarter, the same as at the end of the first quarter, demonstrating the resilience of the group despite ultra-low interest rates.

Management  
assessment

“Barring any unseen events or unexpected turbulence in the capital markets, we confirm our goal of achieving an operating profit of 10.5 billion euros, plus or minus 500 million euros, for the entire year. We remain strongly capitalized and our carefully managed risk profile allows us to withstand market shocks,” said Oliver Bäte.

## Property and Casualty insurance: natural catastrophe events weigh on operating profit

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1H 2016

In the first six months of 2016, *gross premiums written* declined slightly to 28.9 (29.2) billion euros. Adjusted for foreign exchange and consolidation effects, internal growth was 3.1 percent, with Turkey, Germany and Allianz Global Corporate & Specialty (AGCS) driving the majority of this increase. *Operating profit* fell by 16.2 percent to 2.5 billion euros compared to the first half of 2015, due to a lower underwriting result and lower investment income. The prior-year result was also supported by the net gain from the sale of the Fireman’s Fund personal insurance business. The *combined ratio* worsened by 0.8 percentage points to 94.9 percent.

Gross premiums  
written down  
2.0% in 2Q

*Gross premiums written* decreased by 2.0 percent to 11.6 billion euros in the second quarter of 2016, due to negative foreign-currency effects as well as due to the sale of the Fireman's Fund personal insurance business last year. Adjusted for foreign exchange and consolidation effects, internal growth was strong at 3.7 percent, largely driven by Turkey and Argentina. Price and volume effects contributed 0.7 percent and 3.0 percent respectively.

Combined ratio  
96.4% in 2Q

*Operating profit* fell by 37.0 percent to 1.1 billion euros in the second quarter of 2016. The underwriting result was negatively impacted by a strong increase in claims from natural catastrophes as well as higher large and weather-related losses, partly offset by elevated run-off. In addition, operating profit in the same quarter one year earlier benefited from the net gain from the sale of the Fireman's Fund personal insurance business. The *combined ratio* amounted to 96.4 (93.5) percent.

Management  
assessment

"Internal growth was strong in the second quarter, demonstrating the strength of our business. However, operating profit was burdened by European floods and storms, wildfires in Canada, hailstorms in the United States, as well as lower investment income," said Dieter Wemmer, CFO of Allianz SE.

## Life and Health insurance: stable profitability despite the tough market conditions

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1H 2016

In Life and Health insurance, *operating profit* for the first six months of 2016 was stable at 1.9 billion euros. *Statutory premiums* for the first half year amounted to 33.0 billion euros, a decrease of 7.2 percent. The *new business margin* for the first six months reflects the targeted shift toward capital-efficient products, bringing it to 2.6 (1.5) percent. As a result, the *value of new business (VNB)* increased by 49.7 percent to 710 million euros compared to the first half year of 2015.

Statutory  
premiums down  
2.6% in 2Q

*Statutory premiums* in the second quarter decreased by 2.6 percent to 16.3 (16.7) billion euros due to lower traditional and unit-linked single premiums. The increased fixed-indexed annuity sales in the United States and the growth in the German business from capital-efficient products partly compensated for this development. Adjusted for foreign exchange and consolidation effects, statutory premiums fell by 1.3 percent.

Operating profit  
€1.0bn in 2Q

*Operating profit* increased by 18.3 percent to 1.0 billion euros compared to the prior-year quarter. This was mainly driven by a higher investment margin as a result of positive impacts from fixed income derivatives in Germany. Consideration of the South Korean result as non-operating in the second quarter of 2016, following classification of the business as held for sale, also supported this development. Adjusting for South Korea, operating profit growth amounted to 6.6 percent.

VNB €341mn and  
NBM 2.6%  
in 2Q

The *value of new business (VNB)* increased by 62.2 percent to 341 million euros in the second quarter. As a result of changes in product strategy, premiums shifted to capital-efficient products. *New business margin* rose 1.0 percentage point to 2.6 percent.

Management  
assessment

“The life segment is witnessing a fundamental transformation, with growth in sales of capital-efficient products that has led to increasing profitability in a highly challenging interest rate environment,” said Dieter Wemmer. “The benefits of this new product mix demonstrate our ability to adapt quickly to a low interest rate environment.”

## Asset Management: improved cost-income ratio

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1H 2016

*Operating profit* in the Asset Management segment declined in the first half of 2016 by 9.3 percent to 961 million euros, primarily caused by net outflows, leading to lower average third-party assets under management. However, lower operating expenses partly mitigated the decrease.

Operating profit  
€498mn in 2Q

Asset Management quarterly *operating profit* eased 1.4 percent on the year to 498 (505) million euros but rose 8 percent when compared to the first quarter of this year. Operating revenues declined due to lower average third-party assets and a decreased margin on these assets.

CIR at 65.4%  
in 2Q

The *cost-income ratio (CIR)* improved from 67.4 percent to 65.4 percent compared to the year-earlier quarter, due to a strong decrease in operating expenses.

3P net outflows at  
€19bn in 2Q

*Third-party assets under management* increased by 65 billion euros to 1,307 billion euros in the second quarter of 2016. This was driven by market, consolidation and foreign-currency translation effects, partly offset by net outflows. The latter amounted to 19 billion euros, which is a slight improvement compared to 23 billion euros in the second quarter of 2015. Third-party net outflows mostly occurred at PIMCO.

Management  
assessment

“Operating profit in Asset Management stabilized in the quarter, partly due to successful cost management,” said Dieter Wemmer.

## Allianz Group - key figures 2nd quarter and 1st half year of 2016

		2Q 2016	2Q 2015	Δ	6M 2016	6M 2015	Δ	
<b>Total revenues</b>	€ bn	<b>29.4</b>	<b>30.2</b>	<b>-2.5%</b>	<b>64.8</b>	<b>67.9</b>	<b>-4.7%</b>	
- Property-Casualty	€ bn	11.6	11.8	-2.0%	28.9	29.2	-1.1%	
- Life/Health	€ bn	16.3	16.7	-2.6%	33.0	35.5	-7.2%	
- Asset Management	€ bn	1.4	1.5	-7.0%	2.8	3.1	-9.4%	
- Corporate and Other	€ bn	0.1	0.1	9.8%	0.3	0.3	0.7%	
- Consolidation	€ bn	-0.1	-0.1	5.6%	-0.2	-0.2	-6.0%	
<b>Operating profit / loss<sup>1</sup></b>	€ mn	<b>2,353</b>	<b>2,842</b>	<b>-17.2%</b>	<b>5,109</b>	<b>5,697</b>	<b>-10.3%</b>	
- Property-Casualty	€ mn	1,099	1,745	-37.0%	2,539	3,030	-16.2%	
- Life/Health <sup>1</sup>	€ mn	1,009	853	18.3%	1,936	1,957	-1.0%	
- Asset Management	€ mn	498	505	-1.4%	961	1,060	-9.3%	
- Corporate and Other	€ mn	-249	-230	8.5%	-323	-331	-2.3%	
- Consolidation	€ mn	-5	-32	-86.1%	-5	-19	-75.3%	
<b>Net income</b>	€ mn	<b>1,185</b>	<b>2,112</b>	<b>-43.9%</b>	<b>3,479</b>	<b>4,048</b>	<b>-14.1%</b>	
- attributable to non-controlling interests	€ mn	95	94	0.5%	194	209	-7.0%	
- attributable to shareholders	€ mn	1,090	2,018	-46.0%	3,284	3,839	-14.5%	
<b>Basic earnings per share</b>	€	<b>2.40</b>	<b>4.44</b>	<b>-46.0%</b>	<b>7.22</b>	<b>8.45</b>	<b>-14.6%</b>	
<b>Diluted earnings per share</b>	€	<b>2.35</b>	<b>4.38</b>	<b>-46.3%</b>	<b>7.04</b>	<b>8.45</b>	<b>-16.6%</b>	
<b>Additional KPIs</b>								
- Group	Return on equity <sup>2,3</sup>	%	7.9%	12.5%	-4.6% -p	12.0%	12.5%	-0.5% -p
- Property-Casualty	Combined ratio	%	96.4%	93.5%	2.9% -p	94.9%	94.1%	0.8% -p
- Life/Health	New business margin <sup>4</sup>	%	2.6%	1.5%	1.0% -p	2.6%	1.5%	1.0% -p
- Life/Health	Value of new business <sup>4</sup>	€ mn	341	210	62.2%	710	474	49.7%
- Asset Management	Cost-income ratio	%	65.4%	67.4%	-2.0% -p	66.0%	66.0%	0.0% -p
					<b>06/30/16</b>	<b>12/31/15</b>		
<b>Shareholders' equity<sup>2</sup></b>	€ bn	-	-	-	<b>67.7</b>	<b>63.1</b>	<b>7.3%</b>	
<b>Solvency II capitalization ratio<sup>5</sup></b>	%	-	-	-	<b>186%</b>	<b>200%</b>	<b>-14% -p</b>	
<b>Third-party assets under management</b>	€ bn	-	-	-	<b>1,307</b>	<b>1,276</b>	<b>2.4%</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.

<sup>1</sup> Total 2Q 2016 result of the South Korean business considered as non-operating since it has been classified as held for sale.

<sup>2</sup> Excluding non-controlling interests.

<sup>3</sup> Excluding unrealized gains/losses on bonds net of shadow DAC. Return on equity for 2Q 2016 and 6M 2016 is annualized. For 2Q 2015 and 6M 2015, the return on equity for the full year 2015 is shown. Annualized figures are not a forecast for full year numbers.

<sup>4</sup> Current and prior year figures are presented excluding effects from the South Korean business.

<sup>5</sup> Risk capital figures are group diversified at 99.5% confidence level. Allianz Life US included based on third country equivalence with 150% of RBC CAL since September 30, 2015. Changed regulatory tax treatment of German life sector reduced year-end SII capitalization ratio from 200% to 196% on January 1, 2016.

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

### **About Allianz**

Together with its customers and sales partners, Allianz is one of the strongest financial communities. More than 85 million private and corporate customers insured by Allianz rely on its knowledge, global reach, capital strength and solidity to help them make the most of financial opportunities and to avoid and safeguard themselves against risks. In 2015, around 142,000 employees in over 70 countries achieved total revenues of 125.2 billion euros and an operating profit of 10.7 billion euros. Benefits for our customers reached 107.4 billion euros.

This business success with insurance, asset management and assistance services is based increasingly on customer demand for crisis-proof financial solutions for an aging society and the challenges of climate change. Transparency and integrity are key components of sustainable corporate governance at Allianz SE.

### **Cautionary note regarding forward-looking statements**

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.

Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including 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 including the euro/US-dollar exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

### **No duty to update**

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed 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.