

Quarterly and Half-Year Earnings Release

Allianz reports strong results for the second quarter of 2018 and confirms full-year outlook

- Internal revenue growth of 6.5 percent in 2Q 2018
- 2Q 2018 operating profit grew 2.3 percent to 3.0 billion euros
- 2Q 2018 net income attributable to shareholders down 5.2 percent to 1.9 billion euros due to the previously announced negative impact from the sale of a life portfolio in Taiwan
- Solvency II ratio increased to 230 percent
- Allianz Group is on track to meet its 2018 operating profit target

Management Summary: All segments record strong internal revenue growth

After a successful start into 2018, Allianz Group continued to achieve good performance in the second quarter. Indicators remained close to or exceeded the second-quarter 2017 levels, despite burdens from geopolitical instabilities and currency fluctuations. **Internal revenue growth**, which adjusts for currency and consolidation effects, was 6.5 percent with all business segments recording strong growth. **Total revenues** grew 2.9 percent to 30.9 (second quarter of 2017: 30.0) billion euros. **Operating profit** increased 2.3 percent to 3.0 (2.9) billion euros. In the Asset Management business segment the operating profit grew due to higher revenues, which were driven by higher assets under management (AuM) and improved margins. This more than compensated for the decline in operating profit from our Life/Health business segment. Our Property-Casualty business operating profit was stable. **Net income attributable to shareholders** decreased slightly to 1.9 (2.0) billion euros: a negative impact from the sale of our traditional life insurance portfolio in Taiwan was only partially offset by lower income taxes.

Basic Earnings per Share (EPS) increased by 5 percent to 8.86 (8.45) euros in the first half-year of 2018. Annualized **Return on Equity (RoE)** increased to 13.8 percent (full year 2017: 11.8 percent). Allianz maintained its strong capitalization, with the **Solvency II capitalization ratio** of 230 percent at the end of the quarter compared to 225 percent recorded at the end of the first quarter of 2018.

In the **first half-year** of 2018 **operating profit** decreased 1.8 percent to 5.8 (5.9) billion euros, mostly driven by our Life/Health business segment due to a normalization of the investment margin and due to unfavorable foreign exchange. Operating profit in the Asset Management business grew thanks to higher AuM-driven revenues. The Property-Casualty operating profit increased slightly compared to prior year results. Overall, the operating profit for the first six months is slightly above the mid-point of our full-year target range. Lower income taxes compensated for the lower operating profit and non-operating result: **net income attributable to shareholders** was therefore stable at 3.8 (3.8) billion euros.

On 2 July 2018, Allianz Group announced a new share buy-back program, with a volume of up to 1.0 billion euros. The program shall be finalized by 30 September 2018 and all repurchased shares will be cancelled.

"We remain on track to meet our 2018 operating profit target. I am thankful for everyone on the Allianz team for making this happen across countries and companies. This makes me confident that we will achieve our three-year Renewal Agenda targets," said Oliver Bäte, Chief Executive Officer of Allianz SE.

Property-Casualty insurance: Strong internal growth and good operating performance

- **Gross premiums written** amounted to 12.1 (11.7) billion euros in the second quarter of 2018. Adjusted for foreign exchange and consolidation effects, **internal growth** totaled 7.3 percent, with price and volume effects contributing 2.2 percent and 5.1 percent respectively. AGCS, Allianz Partners, and Germany were the main growth drivers.
- The **combined ratio** rose to 94.1 (93.7) percent in the second quarter of 2018 reflecting a higher claims ratio from higher large losses and higher weather-related events, partly offset by an improved expense ratio.
- **Operating profit** was stable at 1,455 (1,446) million euros.

"The good results in property and casualty show the underlying strength of our business. We have made progress with our productivity initiative as shown by the expense ratio. We remain on track to meet our target of 94 percent in the combined ratio," said Giulio Terzariol, Chief Financial Officer of Allianz SE.

In the **first half-year** of 2018, gross premiums written increased slightly to 30.0 (29.4) billion euros. Adjusted for foreign exchange and consolidation effects, internal growth amounted to 5.9 percent, mostly driven by positive developments at AGCS, in Germany, and at Allianz Partners. Operating profit improved slightly by 0.9 percent to 2,729 million euros compared to the same period of the prior year due to a higher underwriting result. The combined ratio for the first half-year improved by 0.2 percentage points to 94.4 percent.

Life and Health insurance: New business further improved

- **PVNB**, the present value of new business premiums, increased to 14.0 (13.6) billion euros in the second quarter of 2018, mainly due to higher sales of capital-efficient products in the German life insurance business.

- The **new business margin (NBM)** strengthened slightly to 3.5 (3.4) percent due to a favorable business mix and a slightly higher interest rate level. The **value of new business (VNB)** increased to 491 (469) million euros in the quarter driven by the continued shift to capital-efficient products.
- **Operating profit** decreased by 4.6 percent to 1,075 (1,128) million euros due to a lower investment margin in Spain and in our German life business. Negative foreign currency translation effects mainly from the United States due to the weakening US Dollar also contributed to the decrease.

“The positive results of our ongoing product mix shifting to capital-efficient products demonstrate our ability to adapt to a highly challenging interest rate environment. Our new business margin of 3.5 percent is well ahead of target and the value of new business increased to 491 million euro in the quarter, showing a good quarterly growth of five percent,” said Giulio Terzariol.

In the **first half-year** of 2018 PVNBP increased to 29.0 (28.4) billion euros largely because of the higher sales of our capital-efficient products in the German life business and of our unit-linked insurance products without guarantees in Taiwan. Operating profit dropped to 2,144 (2,282) million euros as a result of less favorable market conditions and unfavorable foreign currency translation effects in the United States. The NBM increased to 3.4 (3.3) percent bringing the VNB to 980 (922) million euros.

Asset Management: Continued growth in revenues and operating profit – Total assets under management at highest level ever

- **Third-party assets under management (AuM)** grew by 35 billion euros (2.5 percent) to 1,464 billion euros compared to the end of the first quarter of 2018. This increase was driven by favorable foreign currency translation effects. Third-party net outflows amounted to 9.2 billion euros. **Total AuM** reached a record 1,993 billion euros.
- The **cost-income ratio (CIR)** improved by 0.9 percentage points to 61.6 percent in the second quarter of 2018, as the increase in revenues outpaced an increase in expenses.
- **Operating profit** increased by 11.6 percent to 652 (584) million euros in the second quarter of 2018. This was driven by an increase in operating revenues, supported by both higher average AuM and an improved margin. Adjusted for foreign currency translation effects, operating profit was 18.8 percent higher.

“The combination of higher assets under management, higher margins and a lower cost-income ratio lead to a double-digit profit growth. While we had net outflows for the quarter, we recorded inflows for the months of June and July. We are very pleased with the performance of our Asset Management business,” said Giulio Terzariol.

In the **first half-year** of 2018, operating revenues grew by 4.6 percent to 3.3 billion euros, mainly due to increased average third-party AuM at PIMCO and an increase in third-party AuM-driven margins at both PIMCO and AllianzGI. As operating expenses only went up 2.7 percent, the CIR decreased by 1.2 percentage points to 61.7 percent. Operating profit rose 7.9 percent to 1,247 (1,156) million euros. Furthermore, favorable foreign currency effects and third-party inflows, outweighed negative market effects resulting in third-party AuM of 1,464 billion euros – an increase of 17 billion euros compared to year-end 2017.

Allianz Group - key figures 2nd quarter and first half year of 2018

| | | 2Q 2018 | 2Q 2017 | Delta | 6M 2018 | 6M 2017 | Delta | |
|---|--------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|----------|
| Total revenues | € bn | 30.9 | 30.0 | 2.9% | 67.3 | 66.2 | 1.7% | |
| - Property-Casualty | € bn | 12.1 | 11.7 | 3.4% | 30.0 | 29.4 | 2.0% | |
| - Life/Health | € bn | 17.1 | 16.7 | 2.6% | 34.2 | 33.6 | 1.8% | |
| - Asset Management | € bn | 1.7 | 1.6 | 9.0% | 3.3 | 3.1 | 4.6% | |
| - Corporate and Other | € bn | 0.1 | 0.1 | -54.1% | 0.1 | 0.3 | -46.5% | |
| - Consolidation | € bn | -0.1 | -0.1 | 15.2% | -0.3 | -0.2 | 49.7% | |
| Operating profit / loss | € mn | 2,997 | 2,928 | 2.3% | 5,753 | 5,860 | -1.8% | |
| - Property-Casualty | € mn | 1,455 | 1,446 | 0.7% | 2,729 | 2,705 | 0.9% | |
| - Life/Health | € mn | 1,075 | 1,128 | -4.6% | 2,144 | 2,282 | -6.0% | |
| - Asset Management | € mn | 652 | 584 | 11.6% | 1,247 | 1,156 | 7.9% | |
| - Corporate and Other | € mn | -196 | -224 | -12.4% | -378 | -265 | 42.7% | |
| - Consolidation | € mn | 11 | -5 | n.m. | 12 | -18 | n.m. | |
| Net income | € mn | 1,995 | 2,093 | -4.7% | 4,025 | 4,013 | 0.3% | |
| - attributable to non-controlling interests | € mn | 104 | 99 | 5.5% | 196 | 203 | -3.6% | |
| - attributable to shareholders | € mn | 1,891 | 1,994 | -5.2% | 3,830 | 3,810 | 0.5% | |
| Basic earnings per share | € | 4.41 | 4.45 | -1.0% | 8.86 | 8.45 | 4.9% | |
| Diluted earnings per share | € | 4.38 | 4.45 | -1.5% | 8.78 | 8.44 | 4.0% | |
| Additional KPIs | | | | | | | | |
| - Group | Return on equity ¹² | % | 13.7% | 11.8% | 1.9% -p | 13.8% | 11.8% | 2.0% -p |
| - Property-Casualty | Combined ratio | % | 94.1% | 93.7% | 0.3% -p | 94.4% | 94.6% | -0.2% -p |
| - Life/Health | New business margin | % | 3.5% | 3.4% | 0.1% -p | 3.4% | 3.3% | 0.1% -p |
| - Life/Health | Value of new business | € mn | 491 | 469 | 4.7% | 980 | 922 | 6.3% |
| - Asset Management | Cost-income ratio | % | 61.6% | 62.5% | -0.9% -p | 61.7% | 62.9% | -1.2% -p |
| | | | | | 06/30/2018 | 12/31/2017 | | |
| Shareholders' equity¹ | € bn | - | - | - | 60.3 | 65.6 | -8.0% | |
| Solvency II capitalization ratio³ | % | - | - | - | 230% | 229% | 1% -p | |
| Third-party assets under management | € bn | - | - | - | 1,464 | 1,448 | 1.2% | |

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_ Excluding non-controlling interests.

2_ Excluding unrealized gains/losses on bonds, net of shadow accounting. RoE for 2Q 2018 and 6M 2018 is annualized. For 2Q 2017 and 6M 2017, the return on equity for the full year 2017 is shown. Annualized figures are not a forecast for full year numbers.

3_ Risk capital figures are group diversified at 99.5% confidence level.

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About Allianz

The Allianz Group is one of the world's leading insurers and asset managers with more than 88 million retail and corporate customers. 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 over 660 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage more than 1.4 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 2017, over 140,000 employees in more than 70 countries achieved total revenues of 126 billion euros and an operating profit of 11 billion euros for the group.

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

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 EUR/USD 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 and Half-Year Earnings Release is not an Interim Financial Report within the meaning of International Accounting Standard (IAS) 34. PVNBP is shown after non-controlling interests unless otherwise stated.

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

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