

# Full Year and Quarterly Earnings Release 2019

## Allianz reports 11.9 billion euros operating profit in 2019 – the eighth consecutive increase

- Internal revenue growth of 5.9 percent in 2019
- 2019 operating profit of 11.9 billion euros in the upper half of the 2019 target range
- 2019 net income attributable to shareholders up 6.1 percent to 7.9 billion euros; basic earnings per share (EPS) increase 8.4 percent to a record 18.90 euros; very strong return on equity (RoE) of 13.6 percent
- Solvency II capitalization ratio of 212 percent at end-2019, an increase of 10 percentage points compared to the end of the third quarter 2019
- Board of Management proposes a dividend of 9.60 euros per share, up 6.7 percent and the seventh increase in a row
- New share buy-back program of up to 1.5 billion euros announced
- 4Q 2019 internal revenue growth of 5.5 percent, 4Q 2019 operating profit stable at 2.8 billion euros; 4Q 2019 net income attributable to shareholders up 9.5 percent to 1.9 billion euros
- 2020 operating profit target of 12.0 billion euros up 4.3 percent compared to previous target, plus or minus 500 million euros – barring unforeseen events, crises or natural catastrophes
- Allianz on track to deliver its Renewal Agenda 2.0 targets

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### Management Summary: Operating profit highest in Allianz' history

Allianz Group achieved outstanding results in revenues, operating profit and net income in 2019 despite a further decline in interest rates. **Internal revenue growth**, which adjusts for currency and consolidation effects, amounted to 5.9 percent, driven by all business segments. **Total revenues** increased 7.6 percent to

142.4 (2018: 132.3) billion euros. **Operating profit** grew 3.0 percent to 11.9 (11.5) billion euros and is in the upper half of the Group's announced target range of 11.0 to 12.0 billion euros. Operating profit growth was mostly driven by our Life/Health business segment due to a higher investment margin, a positive one-off profit in the United States, and volume growth. Our Asset Management business segment also reported a strong increase in operating profit due to higher average third-party assets under management (AuM) and positive foreign currency translation effects. Our Property-Casualty business segment was negatively impacted by lower run-off, due to a strengthening of reserves at AGCS, and lower operating investment income. This was partly compensated by the improved expense ratio. **Net income attributable to shareholders** grew 6.1 percent to 7.9 (7.5) billion euros mostly due to the increased operating profit and improved non-operating result, as well as a lower tax rate.

**Basic Earnings per Share (EPS)** increased 8.4 percent in 2019 to a record 18.90 (17.43) euros. **Return on Equity (RoE)** grew to 13.6 percent (13.2 percent), the highest level of the last ten years. The **Solvency II capitalization ratio** amounted to 212 percent at end-2019, compared to 229 percent at end-2018. The Board of Management will propose a dividend of 9.60 euros per share for 2019. This is 6.7 percent higher than last year's dividend of 9 euros and the seventh increase in a row.

Allianz completed its fourth share buy-back program on July 30, 2019, with a total volume of 1.5 billion euros and 7.3 million shares. All repurchased shares have been cancelled. On February 20, 2020, Allianz has announced a new share buy-back program of up to 1.5 billion euros that is to be completed by the end of the year.

70 percent of businesses worldwide achieved a **Net Promoter Score (NPS)** above market average compared to 74 percent in the previous year. The **Inclusive Meritocracy Index (IMIX)**, which measures leadership and performance culture, was at an all-time high of 73 percent in 2019.

"2019 was another successful year with record results for the Allianz Group. This reflects the trust of customers and shareholders and the engagement of our excellent people. Allianz continued to make important strategic strides in 2019 like our acquisitions in the UK and Brazil and being awarded the first fully foreign-owned insurance holding in China. We also contribute to society: As one of the initiators of the newly launched UN-convened Asset Owner Alliance we committed to transition our own investment portfolios to net-zero by 2050," said Oliver Bäte, Chief Executive Officer of Allianz SE.

In the **fourth quarter of 2019, operating profit** amounted to 2.8 (2.8) billion euros. Reserve strengthening at AGCS led to a lower operating profit from our Property-Casualty business segment, which was mostly offset by an increase in our Life/Health and Asset Management business segments. Our Life/Health business segment operating profit increased mostly as a result of an improved investment margin. The strong increase in operating profit from our Asset Management business segment was mainly attributable to a rise in assets under management (AuM) driven revenues and performance fees. **Net income attributable to shareholders** grew 9.5 percent to 1.9 (1.7) billion euros in the fourth quarter of 2019 due to an improved non-operating result.

"Allianz had a successful financial year 2019, with operating profit of 11.9 billion euros in the upper half of the Group's announced operating profit target range," said Giulio Terzariol, Chief Financial Officer of Allianz SE. "Active risk management led to a strong Solvency II capitalization ratio of 212 percent, showing the Group's resilience in today's negative interest rate environment and providing a safe haven to our customers and shareholders. We look to generate 12 billion euros in operating profit in 2020, plus or minus 500 million euros – barring unforeseen events, crises or natural catastrophes."

## Property-Casualty insurance: Strong internal growth, ongoing productivity gains, reserve strengthening at AGCS

- **Total revenues** rose to 59.2 (55.4) billion euros in 2019. Adjusted for foreign currency translation and consolidation effects, **internal growth** totaled 4.7 percent, driven by a positive price effect of 2.6 percent and a positive volume effect of 2.0 percent.
- **Operating profit** decreased by 11.9 percent to 5.0 billion euros in 2019 compared to the previous year. This development was foremost driven by our underwriting result, due to a strengthening of reserves at AGCS, partly offset by an improved expense ratio. Operating investment income also declined.
- As a consequence, the **combined ratio** deteriorated by 1.5 percentage points to 95.5 percent.

"Our Property-Casualty business segment performed below expectations in 2019, following a disappointing reserve strengthening at AGCS that overcompensated for a solid accident year, underwriting and productivity gains," said Giulio Terzariol. "Most of our operations have been performing very well. We remain committed to our goal of improving the combined ratio to 93 percent by the end of 2021."

In the **fourth quarter of 2019**, **total revenues** increased to 13.1 (12.1) billion euros. Adjusted for foreign currency translation and consolidation effects, internal growth amounted to 5.6 percent, with price and volume effects contributing 2.9 percent and 2.8 percent respectively. **Operating profit** decreased by 42.3 percent to 861 million euros compared to 2018 due to a lower underwriting result, mainly driven by the aforementioned reserve strengthening at AGCS. The **combined ratio** for the fourth quarter of 2019 worsened by 5.5 percentage points to 99.6 percent.

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## Life/Health insurance: Operating profit up 13.4 percent in 2019

- **PVNB<sup>1</sup>**, the present value of new business premiums, increased to 67.0 (58.5) billion euros in 2019. This mainly resulted from the higher sales of our capital-efficient products in the German life business, and in our business with non-traditional variable annuities in the United States.
- The **new-business margin (NBM)** decreased in 2019 to 3.2 (3.6) percent due to the impact of lower interest rates, which was partly offset by management actions and a more favorable business mix. The **value of new business (VNB)** grew to 2.2 (2.1) billion euros in 2019, driven by the increase in sales and the continued shift to preferred lines of business outweighing the negative effects from the worsening of the interest rate environment.
- **Operating profit** rose to 4.7 (4.2) billion euros, mainly due to an improved investment margin, driven by lower impairments and higher realizations predominantly in France and Germany. Other contributing effects included a change in the deferred acquisition cost amortization period for fixed index annuities in the United States, as well as higher volume growth in the German and U.S. life business, and in the Asia-Pacific region.

"While the interest rate environment remained challenging, we managed to increase our value of new business by 3.8 percent in 2019. I am optimistic about our business prospects. We continue to take management actions and adapt our product offering for the benefit of our stakeholders as shown by the strong operating profit," said Giulio Terzariol.

In the **fourth quarter of 2019**, **PVNB** grew to 18.1 (16.1) billion euros due to the sales growth in our capital-efficient products in the German life business. **Operating profit** increased to 1.3 (1.0) billion euros predominantly due to an improved investment margin in France and in the United States. **NBM** dropped to 2.9 (3.9) percent, causing the **VNB** to decrease to 519 (631) million euros.

<sup>1</sup> PVNB is shown after non-controlling interests, unless otherwise stated.

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## Asset Management: Third-party assets under management at an all-time high at the end of 2019

- **Third-party assets under management (AuM)** increased by 250 billion euros to 1,686 billion euros compared to the end of 2018, marking an all-time high. All influencing effects were positive: we recorded positive market effects of 138.6 billion euros and net inflows of 75.8 billion euros; positive foreign currency translation amounted to 24.6 billion euros and consolidation effects added another 11.0 billion euros to the increase. Total assets under management increased to 2,268 billion euros.
- The **cost-income ratio (CIR)** decreased slightly by 0.2 percentage points to 62.3 percent in 2019 due to higher operating revenue growth compared to a lower increase in operating expenses.
- **Operating profit** increased by 6.9 percent to 2.7 (2.5) billion euros. This development was mostly driven by higher average third-party AuM, mainly at PIMCO, due to strong market effects and net inflows, supported by positive foreign currency translation effects.

“Our Asset Management business segment finished a very good year with outstanding growth in third-party assets under management,” said Giulio Terzariol. “Strong net inflows are a testimony for the attractive value proposition to our customers and make our Asset Management business segment a strong pillar to achieve our performance targets.”

In the **fourth quarter of 2019**, **operating profit** increased by 18.5 percent to 750 million euros, mostly due to higher AuM-driven revenues and performance fees. The **cost-income ratio** went down by 1.0 percentage points to 62.7 percent. Third-party AuM increased by 5 billion euros: third-party net inflows of 19.7 billion euros and positive market effects of 17.2 billion euros were burdened by negative effects from foreign currency translation of 32.1 billion euros.

## Allianz Group - preliminary key figures 4th quarter and fiscal year 2019

		4Q 2019	4Q 2018	Delta	12M 2019	12M 2018	Delta
<b>Total revenues</b>	€ bn	<b>35.5</b>	<b>33.2</b>	<b>7.0%</b>	<b>142.4</b>	<b>132.3</b>	<b>7.6%</b>
- Property-Casualty <sup>1</sup>	€ bn	13.1	12.1	7.5%	59.2	55.4	6.8%
- Life/Health	€ bn	20.5	19.4	5.9%	76.4	70.4	8.5%
- Asset Management	€ bn	2.0	1.7	15.4%	7.2	6.7	6.4%
- Corporate and Other	€ bn	0.0	0.1	-22.4%	0.2	0.3	-12.9%
- Consolidation	€ bn	-0.2	-0.2	-6.9%	-0.6	-0.6	7.3%
<b>Operating profit / loss</b>	€ mn	<b>2,751</b>	<b>2,770</b>	<b>-0.7%</b>	<b>11,855</b>	<b>11,512</b>	<b>3.0%</b>
- Property-Casualty	€ mn	861	1,493	-42.3%	5,045	5,725	-11.9%
- Life/Health	€ mn	1,298	955	35.8%	4,708	4,152	13.4%
- Asset Management	€ mn	750	633	18.5%	2,704	2,530	6.9%
- Corporate and Other	€ mn	-158	-243	-35.0%	-602	-831	-27.6%
- Consolidation	€ mn	0	-68	-99.8%	0	-64	n.m.
<b>Net income</b>	€ mn	<b>1,954</b>	<b>1,758</b>	<b>11.2%</b>	<b>8,302</b>	<b>7,703</b>	<b>7.8%</b>
- attributable to non-controlling interests	€ mn	96	61	58.1%	387	241	60.7%
- attributable to shareholders	€ mn	1,858	1,697	9.5%	7,914	7,462	6.1%
<b>Basic earnings per share</b>	€	<b>4.46</b>	<b>4.01</b>	<b>11.3%</b>	<b>18.90</b>	<b>17.43</b>	<b>8.4%</b>
<b>Diluted earnings per share</b>	€	<b>4.44</b>	<b>3.93</b>	<b>13.2%</b>	<b>18.83</b>	<b>17.30</b>	<b>8.9%</b>
<b>Dividend per share</b>	€	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.60</b> <sup>2</sup>	<b>9.00</b>	<b>6.7%</b>
<b>Additional KPIs</b>							
- Group Return on equity <sup>3,4</sup>	%	-	-	-	13.6%	13.2%	0.4% -p
- Property-Casualty Combined ratio	%	99.6%	94.1%	5.5% -p	95.5%	94.0%	1.5% -p
- Life/Health New business margin	%	2.9%	3.9%	-1.0% -p	3.2%	3.6%	-0.3% -p
- Life/Health Value of new business	€ mn	519	631	-17.6%	2,167	2,087	3.8%
- Asset Management Cost-income ratio	%	62.7%	63.6%	-1.0% -p	62.3%	62.4%	-0.2% -p
					12/31/2019	12/31/2018	
<b>Shareholders' equity<sup>4</sup></b>	€ bn				<b>74.0</b>	<b>61.2</b>	<b>20.9%</b>
<b>Solvency II capitalization ratio<sup>5</sup></b>	%				<b>212%</b>	<b>229%</b>	<b>-17% -p</b>
<b>Third-party assets under management</b>	€ bn				<b>1,686</b>	<b>1,436</b>	<b>17.4%</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.

1\_ Total revenues comprise gross premiums written and fee and commission income.

2\_ Proposal.

3\_ Represents the ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning and at the end of the year.

4\_ Excluding non-controlling interests.

5\_ 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 100 million retail and corporate customers in more than 70 countries. 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 around 754 billion euros on behalf of its insurance customers. Furthermore, our asset managers PIMCO and Allianz Global Investors manage almost 1.7 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 2019, over 147,000 employees achieved total revenues of 142 billion euros and an operating profit of 11.9 billion euros for the group.

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

## Cautionary note regarding forward-looking statements

This document includes forward-looking statements, such as prospects or expectations, that are based on management's current views and assumptions and subject to known and unknown risks and uncertainties. Actual results, performance figures or events may differ significantly from those expressed or implied in such forward-looking statements. Deviations may arise due to changes in factors including, but not limited to, the following: (i) the general economic and competitive situation in the Allianz Group's core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) the frequency and severity of insured loss events, including those resulting 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, most notably the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions including and related integration issues and reorganization measures, and (xi) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

## No duty to update

The Allianz Group assumes no obligation to update any information or forward-looking statement contained herein, save for any information we are required to disclose 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. Information is based on preliminary figures. Final results for fiscal year 2019 will be released on March 6, 2020 (publication of the Annual Report).

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

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