

Quarterly and first nine months Earnings Release

Allianz achieves an operating profit of 3 billion euros in the third quarter of 2018

- Internal revenue growth of 9.8 percent in 3Q 2018
- 3Q 2018 net income attributable to shareholders grew 23.6 percent to 1.9 billion euros
- Solvency II ratio of 229 percent
- 9M 2018 operating profit up 4.8 percent to 8.7 billion euros, representing 79 percent of the full year target midpoint
- Allianz full-year 2018 operating profit outlook confirmed at 11.1 billion euros, plus or minus 500 million euros

Management Summary: Strong growth of revenues, operating profit and net income

Internal revenue growth, which adjusts for currency and consolidation effects, amounted to 9.8 percent and was supported by all business segments. **Total revenues** increased by 7.9 percent to 30.5 (third quarter of 2017: 28.3) billion euros. **Operating profit** grew 20.6 percent to 3.0 (2.5) billion euros, mostly driven by our Property-Casualty business, which experienced lower claims from natural catastrophes, a better underlying claims development and a decreased expense ratio, as well as strong premium growth. An increase in assets under management (AuM) driven revenues and higher performance fees led to an increase in the operating profit from our Asset Management business segment. Our Life/Health business segment operating profit decreased slightly but remained at a good level. **Net income attributable to shareholders** was up 23.6 percent to 1.9 (1.6) billion euros, mainly driven by the increased operating profit.

Basic Earnings per Share (EPS) increased 12.0 percent to 13.42 (11.98) euros in the first nine months of 2018. Annualized **Return on Equity (RoE)** amounted to 13.8 percent (full year 2017: 11.8 percent).

Solvency II capitalization ratio amounted to 229 percent at the end of the quarter compared to 230 percent recorded at the end of the second quarter of 2018.

In the **first nine months** of 2018 **operating profit** grew 4.8 percent to 8.7 (8.3) billion euros, due to a higher underwriting result from our Property-Casualty business, as well as increased operating revenues (primarily AuM-driven) from our Asset Management business. Life/Health business segment operating profit declined slightly as a result of less favorable foreign currency translation effects and a normalization of the investment margin in the United States. **Net income attributable to shareholders** increased to 5.8 (5.4) billion euros: a negative impact from the sale of our traditional life insurance portfolio in Taiwan was more than offset by the increase in operating profit and lower income taxes.

Allianz completed its latest share buy-back program in September 2018 with a volume of 1.0 billion euros. All repurchased shares have been cancelled.

“During the first nine months of 2018 Allianz showed a strong performance across the board, now also supported by substantial productivity gains,” said Oliver Bäte, Chief Executive Officer of Allianz SE.

“Especially in challenging times, customers are looking for a financially solid partner for their insurance and investment needs. Allianz has been that reliable partner year after year. And we are very confident to reach our targets also for this year.”

Property-Casualty insurance: Operating profit up 44.6 percent

- **Gross premiums written** amounted to 12.0 (11.5) billion euros in the third quarter of 2018. Adjusted for foreign exchange and consolidation effects, **internal growth** totaled 6.1 percent, with volume and price effects contributing 4.3 percent and 1.8 percent respectively. Internal growth was mostly driven by positive developments at AGCS, in Germany, and at Credit Insurance.
- The **combined ratio** improved to 93.1 (96.9) percent in the third quarter of 2018, mainly due to three factors: losses from natural catastrophes went down to a normal level, a better underlying claims development, and a decreased expense ratio.
- **Operating profit** increased to 1,503 (1,039) million euros.

“Our Property and Casualty business had a successful third quarter of 2018 supported by strong results in our core markets,” said Giulio Terzariol, Chief Financial Officer of Allianz SE. “After the first nine months of the year the combined ratio is in line with our Renewal Agenda target of 94 percent, and we are pleased with the overall development of the segment.”

In the **first nine months** of 2018, gross premiums written increased to 41.9 (40.9) billion euros. Adjusted for foreign exchange and consolidation effects, internal growth amounted to 5.9 percent: AGCS, Germany, and Allianz Partners were the main growth drivers. As a result of a higher underwriting result operating profit grew by 13.0 percent to 4,232 million euros compared to the same period of the prior year. The combined ratio improved by 1.4 percentage points to 94.0 percent.

Life and Health insurance: Favorable new business development

- **PVNB¹**, the present value of new business premiums, increased to 13.4 (12.0) billion euros in the third quarter of 2018, mainly due to higher sales of fixed-indexed annuities in the United States and of capital-efficient products in the German life insurance business. This was partly offset by lower sales in Asia.
- The **new business margin (NBM)** strengthened to 3.5 (3.4) percent due to a favorable business mix and favorable economic conditions in the United States. The **value of new business (VNB)** increased to 476 (410) million euros in the third quarter driven by strong sales of capital-efficient products.
- **Operating profit** decreased slightly to 1,052 (1,069) million euros.

“Our Life and Health insurance segment is performing well and generates growing revenues and good margins,” said Giulio Terzariol. “The value of new business grew by 16 percent in the third quarter of 2018, and the new business margin increased to 3.5 percent.”

In the **first nine months** of 2018 PVNB¹ increased to 42.4 (40.3) billion euros largely because of the higher sales of our capital-efficient products in the German life business. Operating profit decreased slightly to 3,197 (3,351) million euros as a result of less favorable foreign currency translation effects and a normalized level of investment margin in the United States compared to the first nine months of 2017. This was partly offset by the increased income from unit-linked business in Italy and Taiwan. The NBM increased to 3.4 (3.3) percent bringing the VNB to 1,456 (1,332) million euros.

Asset Management: Total AuM reached the 2 trillion mark for the first time

- **Third-party assets under management (AuM)** grew by 23 billion euros (1.6 percent) to 1,487 billion euros compared to the end of the second quarter of 2018. Thereby, we recorded third-party net inflows of 15 billion euros after net outflows in the second quarter of 2018. Market, foreign currency and other effects also added to the positive development. **Total AuM** reached a record level of 2,015 billion euros.
- The **cost-income ratio (CIR)** increased by 0.6 percentage points to 62.5 percent in the third quarter of 2018 compared to last year’s respective quarter due to one-off expenses and investments in business growth.
- **Operating profit** increased by 10.6 percent to 650 (588) million euros in the third quarter of 2018 compared to the third quarter of 2017. This was due to an increase in AuM-driven revenues, supported by both higher average AuM and a slightly improved margin, as well as an increase in performance fees.

“Our Asset Management business once again achieved excellent results. Both, Allianz Global Investors and PIMCO recorded net inflows, adding up to 15 billion euros in the third quarter,” said Giulio Terzariol. “With a double digit operating profit growth, the Asset Management segment has again made an important contribution to the profitability of Allianz.”

In the **first nine months** of 2018, operating revenues increased by 7.2 percent to 5.0 billion euros, mainly driven by increased average third-party AuM and an increase in third-party AuM-driven margins at both

¹ PVNB¹ is shown after non-controlling interests unless otherwise stated.

PIMCO and Allianz Global Investors. Operating revenue growth was also supported by higher performance fees at Allianz Global Investors. The cost-income ratio improved by 0.6 percentage points to 62.0 percent, as revenue growth outpaced the increase in expenses. Operating profit rose 8.8 percent to 1,897 (1,743) million euros. Third-party AuM increased by 40 billion euros compared to year-end 2017, as third-party net inflows and favorable foreign currency effects outweighed negative market effects.

Allianz Group - key figures third quarter and first nine months 2018

		3Q 2018	3Q 2017	Delta	9M 2018	9M 2017	Delta	
Total revenues	€ bn	30.5	28.3	7.9%	97.8	94.5	3.6%	
- Property-Casualty	€ bn	12.0	11.5	3.6%	41.9	40.9	2.5%	
- Life/Health	€ bn	16.8	15.1	11.4%	51.1	48.7	4.8%	
- Asset Management	€ bn	1.7	1.5	12.3%	5.0	4.7	7.2%	
- Corporate and Other	€ bn	0.1	0.1	-52.0%	0.2	0.4	-48.4%	
- Consolidation	€ bn	-0.1	-0.1	43.5%	-0.4	-0.3	47.9%	
Operating profit / loss	€ mn	2,988	2,477	20.6%	8,742	8,337	4.8%	
- Property-Casualty	€ mn	1,503	1,039	44.6%	4,232	3,744	13.0%	
- Life/Health	€ mn	1,052	1,069	-1.6%	3,197	3,351	-4.6%	
- Asset Management	€ mn	650	588	10.6%	1,897	1,743	8.8%	
- Corporate and Other	€ mn	-210	-211	-0.2%	-588	-476	23.7%	
- Consolidation	€ mn	-7	-8	-13.6%	4	-26	n.m.	
Net income	€ mn	1,921	1,670	15.0%	5,946	5,683	4.6%	
- attributable to non-controlling interests	€ mn	-15	104	n.m.	181	307	-41.1%	
- attributable to shareholders	€ mn	1,936	1,566	23.6%	5,765	5,376	7.2%	
Basic earnings per share	€	4.55	3.53	29.1%	13.42	11.98	12.0%	
Diluted earnings per share	€	4.54	3.52	28.8%	13.36	11.98	11.5%	
Additional KPIs								
- Group	Return on equity ¹²	%	14.2%	11.8%	2.3% -p	13.8%	11.8%	1.9% -p
- Property-Casualty	Combined ratio	%	93.1%	96.9%	-3.8% -p	94.0%	95.4%	-1.4% -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	476	410	16.0%	1,456	1,332	9.3%
- Asset Management	Cost-income ratio	%	62.5%	61.9%	0.6% -p	62.0%	62.6%	-0.6% -p
					09/30/2018	12/31/2017		
Shareholders' equity¹	€ bn	-	-	-	60.1	65.6	-8.3%	
Solvency II capitalization ratio³	%	-	-	-	229%	229%	0% -p	
Third-party assets under management	€ bn	-	-	-	1,487	1,448	2.7%	

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 3Q 2018 and 9M 2018 is annualized. For 3Q 2017 and 9M 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 First Nine Months 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 and first nine months Earnings Release of the Allianz Group. In case of any divergences, the German original is binding.

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