

# Full Year and Quarterly Earnings Release 2018

## Allianz delivers as promised

- Internal revenue growth of 6.1 percent in 2018
- 2018 operating profit of 11.5 billion euros in the upper end of our 2018 target range
- 2018 net income attributable to shareholders grew 9.7 percent to 7.5 billion euros
- Solvency II capitalization ratio of 229 percent at end-2018, unchanged compared to end-2017
- Board of Management proposes a dividend of 9 euros per share, up 12.5 percent
- Renewal Agenda 1.0 successfully implemented
- Operating profit target for 2019 is 11.5 billion euros, plus or minus 500 million euros, barring unforeseen events
- 4Q 2018 internal revenue growth of 4.4 percent, 4Q 2018 operating profit up 0.4 percent to 2.8 billion euros; 4Q 2018 net income attributable to shareholders up 18.9 percent to 1.7 billion euros
- New share buy-back program of up to 1.5 billion euros announced

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

Allianz Group had a successful year in 2018 meeting its performance targets in all segments and maintaining a high level of capital strength. The achievement of our Renewal Agenda objectives has laid the foundation for this very good performance. Based on preliminary figures **internal revenue growth**, which adjusts for currency and consolidation effects, amounted to 6.1 percent, and was supported by all operating business segments. **Total revenues** grew 3.5 percent to 130.6 (2017: 126.1) billion euros. With the increase of 3.7 percent, the **operating profit** of 11.5 (11.1) billion euros is in the upper end of the Group's announced target range of 10.6 to 11.6 billion euros and the highest in our history. Operating profit growth was mostly attributable to our Property-Casualty business segment, which reported a strong rise in operating profit of 13.3 percent. This was due to an improved expense ratio, lower claims from natural

catastrophes, and premium growth. Our Asset Management business segment also saw an increase in operating profit due to a rise in assets under management (AuM) driven revenues. As a result of a lower investment margin amidst higher financial market volatility, our Life/Health business segment operating profit decreased.

**Net income attributable to shareholders** grew 9.7 percent to 7.5 (6.8) billion euros. An increased operating profit and lower income taxes more than offset the decline in our non-operating result.

**Basic Earnings per Share (EPS)** increased 14.4 percent to 17.43 (15.24) euros for the year 2018. **Return on Equity (RoE)** amounted to 13.2 percent (11.8 percent). The **Solvency II capitalization ratio** amounted to 229 percent at end-2018, unchanged compared to end-2017. The Board of Management will propose a dividend of 9 euros per share for 2018, up 12.5 percent compared to 2017.

Allianz continued to improve customer experience in 2018. 74 percent of businesses worldwide achieved a **Net Promoter Score (NPS)** above market average compared to 60 percent in the previous year. The **Inclusive Meritocracy Index (IMIX)**, which measures leadership and performance culture, was at 71 percent in 2018 close to our target level of 72 percent. These measures reflect Allianz's efforts to serve customers and engage employees in the best possible way.

Allianz completed two share buy-back programs in 2018 with a total volume of 3.0 billion euros. All repurchased shares have been cancelled. A new share buy-back program of up to 1.5 billion euros has been announced on February 14, 2019.

"I am very proud of the global Allianz family for delivering such a great set of results. We reached the highest net income of the past ten years despite strong market volatility, especially in the fourth quarter," said Oliver Bäte, Chief Executive Officer of Allianz SE. "Our customers continue to rely on us, and it's with them in mind that we are focusing on simplicity in the next iteration of our strategy."

In the **fourth quarter** of 2018 **operating profit** amounted to 2.8 (2.8) billion euros: a higher operating profit from our Property-Casualty business segment was mostly offset by a decline in our Life/Health and Asset Management business segments. The increase in the operating profit from our Property-Casualty business segment was mostly due to a higher investment result. Our Life/Health business segment operating profit declined mainly due to a lower technical margin in France. The decrease in operating profit from our Asset Management business segment was mostly driven by lower performance fees. **Net income attributable to shareholders** increased by 18.9 percent to 1.7 (1.4) billion euros in the fourth quarter of 2018 due to an improved non-operating result and lower income taxes.

"Allianz achieved excellent results in 2018 with operating profit of 11.5 billion euros, reaching the upper end of the Group's announced target range of 10.6 to 11.6 billion euros," said Giulio Terzariol, Chief Financial Officer of Allianz SE. "Our healthy and well-diversified business makes us confident that we will continue to deliver a strong financial performance again this year. The Group looks to generate an operating profit of 11.5 billion euros in 2019, plus or minus 500 million euros, barring unforeseen events."

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

- **Gross premiums written** amounted to 53.6 (52.3) billion euros in 2018. Adjusted for foreign currency translation and consolidation effects, **internal growth** totaled 5.7 percent. Volume and price effects

contributed 4.0 percent and 1.7 percent, respectively. For internal growth, AGCS, Germany, and Allianz Partners were the main growth drivers.

- **Operating profit** increased by 13.3 percent to 5.7 billion euros in 2018 compared to the previous year. This increase was mainly due to a strong underwriting result, driven by a lower expense ratio, the absence of high severity losses from natural catastrophes, and to a lesser extent premium growth. Our operating investment result also contributed positively.
- The **combined ratio** improved by 1.2 percentage points to 94.0 percent.

“I am pleased by our strong internal growth and our good operating performance in the Property and Casualty business segment,” said Giulio Terzariol. “We reached our goal of a 94 percent combined ratio by our consistently disciplined underwriting and moreover by a substantially improved expense ratio.”

In the **fourth quarter** of 2018, gross premiums written increased to 11.7 (11.3) billion euros. Adjusted for foreign currency translation and consolidation effects, internal growth amounted to 5.1 percent, with volume and price effects contributing 2.8 percent and 2.3 percent respectively. Operating profit increased by 14.0 percent to 1.5 billion euros compared to the same period of the prior year due to a higher investment and underwriting result. The combined ratio for the fourth quarter of 2018 improved by 0.4 percentage points to 94.1 percent.

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## Life and Health insurance: Continued profitable growth in new business

- **PVNB<sup>1</sup>**, the present value of new business premiums, increased to 58.5 (55.5) billion euros in 2018. This was mainly due to higher sales of capital-efficient products in the German life insurance business, in our business with fixed-indexed annuities in the United States, as well as in most lines of business in Italy.
- The **new-business margin (NBM)** strengthened in 2018 to 3.6 (3.4) percent supported by favorable market conditions. The **value of new business (VNB)** grew to 2.1 (1.9) billion euros in 2018, driven by the increase in sales and the continued shift to capital-efficient products.
- **Operating profit** decreased to 4.2 (4.4) billion euros, the mid-point of our outlook range, which shows the resilience of our business amidst increased financial market volatility. The latter caused a decline of our investment margin through a combination of higher impairments, lower realizations and a decreased trading result in our German and U.S. life businesses.

“The continued growth in new business in the Life and Health business segment reflects the success of our products designed also for the low interest rate environment,” said Giulio Terzariol. “This shows that our customers want the quality and stability Allianz can offer.”

In the **fourth quarter** of 2018 PVNB went up to 16.1 (15.2) billion euros driven by the increased sales of fixed-indexed annuities in the United States. Operating profit decreased to 1.0 (1.1) billion euros mainly due to a lower technical margin in France. NBM strengthened to 3.9 (3.6) percent causing the VNB to increase to 631 (550) million euros.

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

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## Asset Management: Operating profit increases 4 percent despite difficult markets

- **Third-party assets under management (AuM)** decreased by 12 billion euros to 1,436 billion euros compared to the end of 2017. Hereby, the positive effects from foreign currency translation were not able to compensate for the negative market effects, mainly attributable to the market downturn in the fourth quarter. Net outflows of 3 billion euros made a minor contribution to the decrease. **Total assets under management** were stable at 1,961 billion euros.
- The **cost-income ratio (CIR)** rose by 0.5 percentage points to 62.4 percent in 2018. The ratio's rise was due to the inclusion of Allianz Capital Partners and investments in business growth.
- **Operating profit** increased by 3.7 percent to 2.5 (2.4) billion euros. This was due to growth in operating revenues, mostly driven by higher average third-party AuM, and an increase in third-party AuM-driven margins, at both PIMCO and Allianz Global Investors. This positive development was only partly offset by increased expenses.

"Asset Management revenues and operating profit increased in a challenging environment in 2018," said Giulio Terzariol. "Volatility in financial markets, especially in the fourth quarter, led to net outflows. However, the expansion of our margins clearly shows the good health of our business."

In the **fourth quarter** of 2018, operating profit went down by 9.1 percent to 633 million euros, mostly due to lower performance fees and higher expenses. The cost-income ratio increased by 3.4 percentage points to 63.6 percent. Third-party AuM decreased by 51 billion euros: negative market effects of 40 billion euros and third-party net outflows of 31 billion euros could not be offset by favorable effects from foreign currency translation of 19 billion euros.

**Allianz Group - preliminary key figures 4th quarter and fiscal year 2018**

		4Q 2018	4Q 2017	Delta	12M 2018	12M 2017	Delta	
<b>Total revenues</b>	€ bn	<b>32.7</b>	<b>31.7</b>	<b>3.3%</b>	<b>130.6</b>	<b>126.1</b>	<b>3.5%</b>	
- Property-Casualty	€ bn	11.7	11.3	3.2%	53.6	52.3	2.6%	
- Life/Health	€ bn	19.4	18.6	4.5%	70.4	67.3	4.7%	
- Asset Management	€ bn	1.7	1.7	-0.5%	6.7	6.4	5.1%	
- Corporate and Other	€ bn	0.1	0.2	-58.7%	0.3	0.6	-51.1%	
- Consolidation	€ bn	-0.2	-0.1	50.9%	-0.5	-0.4	48.8%	
<b>Operating profit / loss</b>	€ mn	<b>2,770</b>	<b>2,760</b>	<b>0.4%</b>	<b>11,512</b>	<b>11,097</b>	<b>3.7%</b>	
- Property-Casualty	€ mn	1,493	1,309	14.0%	5,725	5,053	13.3%	
- Life/Health	€ mn	955	1,060	-9.9%	4,152	4,412	-5.9%	
- Asset Management	€ mn	633	697	-9.1%	2,530	2,440	3.7%	
- Corporate and Other	€ mn	-243	-307	-20.9%	-831	-783	6.2%	
- Consolidation	€ mn	-68	1	n.m.	-64	-24	160.9%	
<b>Net income</b>	€ mn	<b>1,758</b>	<b>1,524</b>	<b>15.3%</b>	<b>7,703</b>	<b>7,207</b>	<b>6.9%</b>	
- attributable to non-controlling interests	€ mn	61	97	-37.7%	241	404	-40.3%	
- attributable to shareholders	€ mn	1,697	1,427	18.9%	7,462	6,803	9.7%	
<b>Basic earnings per share</b>	€	<b>4.01</b>	<b>3.24</b>	<b>23.7%</b>	<b>17.43</b>	<b>15.24</b>	<b>14.4%</b>	
<b>Diluted earnings per share</b>	€	<b>3.93</b>	<b>3.24</b>	<b>21.2%</b>	<b>17.30</b>	<b>15.23</b>	<b>13.6%</b>	
<b>Dividend per share</b>	€	<b>-</b>	<b>-</b>	<b>-</b>	<b>9.00</b> <sup>1</sup>	<b>8.00</b>	<b>12.5%</b>	
<b>Additional KPIs</b>								
- Group	Return on equity <sup>2,3</sup>	%	-	-	13.2%	11.8%	1.4% -p	
- Property-Casualty	Combined ratio	%	94.1%	94.5%	-0.4% -p	94.0%	95.2%	-1.2% -p
- Life/Health	New business margin	%	3.9%	3.6%	0.3% -p	3.6%	3.4%	0.2% -p
- Life/Health	Value of new business	€ mn	631	550	14.7%	2,087	1,882	10.9%
- Asset Management	Cost-income ratio	%	63.6%	60.2%	3.4% -p	62.4%	61.9%	0.5% -p
					12/31/2018	12/31/2017		
<b>Shareholders' equity<sup>2</sup></b>	€ bn	<b>-</b>	<b>-</b>	<b>-</b>	<b>61.2</b>	<b>65.6</b>	<b>-6.6%</b>	
<b>Solvency II capitalization ratio<sup>4</sup></b>	%	<b>-</b>	<b>-</b>	<b>-</b>	<b>229%</b>	<b>229%</b>	<b>0% -p</b>	
<b>Third-party assets under management</b>	€ bn	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,436</b>	<b>1,448</b>	<b>-0.8%</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\_ Proposal.
- 2\_ Excluding non-controlling interests.
- 3\_ Excluding unrealized gains/losses on bonds, net of shadow accounting.
- 4\_ 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 92 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 around 673 billion euros on behalf of its insurance customers. Furthermore our asset managers PIMCO and Allianz Global Investors 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 2018, over 142,000 employees in more than 80 countries achieved total revenues of 131 billion euros and an operating profit of 11.5 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 2018 will be released on March 8, 2019 (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.

## **Privacy Note**

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