Full Year and Quarterly Earnings Release 2017

Allianz delivers strong 2017 results, proposes 5 percent dividend increase

- 2017 total revenues rise 3.0 percent to 126.1 billion euros
- 2017 operating profit up 0.4 percent to 11.1 billion euros
- 2017 net income attributable to shareholders down 2.3 percent to 6.8 billion euros
- OLB sale, U.S. tax changes, foreign exchange, and natural catastrophes have one-off impact on 4Q results
- Third-party net inflows reach record 150 billion euros in 2017, lifting third-party assets under management to 1,448 billion euros
- Solvency II capitalization ratio 229 percent at end-2017 compared to 218 percent at end-2016
- Management Board proposes dividend increase of 5.3 percent to 8.00 euros per share, compared to 7.60 euros per share for 2016
- Allianz on track to deliver its three-year Renewal Agenda targets
- 4Q 2017 total revenues rise 5.6 percent to 31.7 billion euros, operating profit down 8.0 percent to 2.8 billion euros

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Management Summary: Strong business growth, high Solvency ratio in 2017

Allianz Group reported strong results for the full year 2017 due largely to higher performance in Asset Management and Life and Health. Total revenues for the Group rose 3.0 percent to 126.1 billion euros (2016: 122.4 billion) for the year, driven by improvements in all business segments. Operating profit edged 0.4 percent higher to 11.1 (2016: 11.1) billion euros in 2017, squarely in the upper half of the Group's announced target range of 10.3 to 11.3 billion euros. The Property and Casualty segment saw operating profit fall by 7.5 percent due primarily to higher natural catastrophe claims in 2017, the costliest year ever for the insurance industry. Claims stemming from California wildfires, hurricanes Harvey, Irma and Maria plus European storms and other natural catastrophes rose to 1.1 (2016: 0.7) billion euros for the year. Net income attributable to shareholders edged 2.3 percent lower to 6.8 (6.96) billion euros in 2017, influenced by the one-off impact of U.S. tax changes and effects from the sale of Oldenburgische Landesbank (OLB).

Basic Earnings per Share (EPS) was 15.24 (15.31) euros for the year. The Solvency II capitalization ratio rose to 229 percent at end-2017 compared to 218 percent at end-2016. The Board of Management will propose raising the dividend by 5.3 percent to 8.00 euros per share for 2017 compared to 7.60 euros per share for 2016.

Allianz again improved customer loyalty and experience measures in 2017, with the share of Group businesses whose Net Promoter Score (NPS) outperformed local markets rising 5 percentage points globally to 60 percent. The Inclusive Meritocracy Index (IMIX), which measures leadership, performance and corporate culture, rose 2 percentage points in 2017 to 72 percent, the three-year target level for 2018. These measures reflect Allianz's efforts to serve customers and engage employees.

"The Group met its performance targets, maintained an extraordinary level of capital strength and returned three billion euros to shareholders through share buybacks in 2017. These successes are largely due to the impressive efforts of Allianz employees and their pursuit of the goals we set out in our Renewal Agenda," said Oliver Bäte, Chief Executive Officer of Allianz SE.

"Allianz also made important strategic strides, including an insurance joint venture in the United Kingdom with LV=, and continued expansion into fast-growing markets like Africa. We also increased our stake in Euler Hermes to over 90 percent, fortifying our engagement in property and casualty insurance," Oliver Bäte said.

The fourth quarter was affected by one-off factors even as underlying performance measures continued to strengthen. Total revenues increased 5.6 percent on the year to 31.7 (fourth quarter of 2016: 30.0) billion euros, mostly driven by improvements in the Life and Health business segment. Operating profit in the quarter declined to 2.8 (3.0) billion euros, due in part to a 0.2 billion euro rise in claims from natural catastrophes, a rise in other weather-related claims, and lower investment results. Net income attributable to shareholders decreased to 1.4 (1.8) billion euros, affected by the one-off impact of U.S. tax changes and the sale of Oldenburgische Landesbank, which had a negative 210 million euro impact. Fundamental performance measures strengthened in the quarter, with the New Business Margin improving to 3.6 (2.9) percent compared to one year ago. In the Property and Casualty segment, the attritional loss ratio, which excludes volatility caused by natural catastrophes and run-off results, improved. The Asset Management segment saw its best operating result in four years in the fourth quarter.

"Hurricanes, storms and wildfires hit the insurance industry hard in 2017, making it the costliest natural catastrophe year ever for the insurance sector," said Oliver Bäte. "We worked quickly to help our customers get back on their feet. This is the most fulfilling part of our business. For natural catastrophes alone, we paid out some 1.1 billion euros in customer benefits."

Chief Financial Officer of Allianz SE, Giulio Terzariol, said: "The Group entered 2018 at cruising speed, placing our three-year performance targets within reach. We are confident that Allianz is well positioned to deliver strong financial results again this year. The Group aims to achieve an operating profit of 11.1 billion euros in 2018, plus or minus 500 million euros, barring unforeseen events."

Property and Casualty insurance: Natural catastrophes overshadow improvements

- Gross premiums written rose to 52.3 (51.5) billion euros in 2017. Adjusted for foreign exchange and consolidation effects, internal growth totaled 2.3 percent, with price and volume effects contributing 1.2 percent and 1.1 percent, respectively.
- Operating profit decreased by 7.5 percent to 5.1 billion euros in 2017 compared to the previous year, driven mainly by higher losses from natural catastrophes.
- As a consequence, the combined ratio rose 0.9 percentage points to 95.2 percent.

"Natural catastrophes, storms and weather-related losses played a big role in 2017. But underlying performance measures remain strong and we remain committed to our goal of improving the combined ratio to a sustainable 94 percent by the end of 2018," said Chief Financial Officer of Allianz SE, Giulio Terzariol.

In the fourth quarter of 2017, gross premiums written increased slightly to 11.3 (11.2) billion euros. Adjusted for foreign exchange and consolidation effects, internal growth amounted to 5.1 percent, with price and volume effects contributing 1.8 percent and 3.3 percent respectively. Operating profit declined by 9.6 percent to 1.3 billion euros compared to the same period of the prior year due to a lower investment result and higher natural catastrophe claims. Adjusted for natural catastrophe claims, the combined ratio improved by 1.1 percentage points in the quarter to 91.7 percent.

Life and Health insurance: New business value growing strongly

- Statutory premiums in 2017 increased 4.1 percent to 67.3 (64.6) billion euros resulting from higher sales of capital-efficient products in Germany and growth in unit-linked premiums in Italy and Taiwan. Adjusted for foreign exchange and consolidation effects, statutory premiums increased by 7.0 percent.
- Operating profit rose 3.1 percent to 4.4 (4.3) billion euros in 2017. The value of new business (VNB) grew 29.9 percent to 1.9 billion euros in 2017.
- The new business margin (NBM) strengthened to 3.4 (2.7) percent in 2017.

"Growth in the Life and Health business accelerated in 2017 along with the shift to more capital-efficient products. This approach is rewarding customers and shareholders alike," said Giulio Terzariol, Chief Financial Officer of Allianz SE.

In the fourth quarter of 2017, operating profit decreased 13.5 percent to 1.1 (1.2) billion euros. Statutory premiums rose 8.3 percent to 18.6 billion euros. The new business margin rose to 3.6 (2.9) percent. As a result, the value of new business (VNB) increased 30.9 percent to 550 million euros compared to the fourth quarter of 2016.

Asset Management: Record third-party net inflows

- Compared to the end of 2016, third-party assets under management (AuM) grew by 87 billion euros to 1,448 billion euros. Highest ever yearly third-party net inflows of 150 billion euros and positive market effects outweighed negative foreign currency impact.
- In 2017, operating profit rose 10.6 percent to 2.4 (2.2) billion euros, mainly driven by increased average third-party assets under management at PIMCO and at Allianz Global Investors, which led to higher net fee and commission income.
- The cost-income ratio (CIR) improved 1.5 percentage points to 61.9 percent in 2017, as revenue growth outpaced the increase in expenses.

"The year 2017 marked a milestone for the Asset Management segment. Third-party net inflows hit a record 150 billion euros for the year as customers were drawn to top performing funds," said Jacqueline Hunt, Member of the Board of Management of Allianz SE responsible for Asset Management and U.S. Life Insurance.

In the fourth quarter of 2017, operating profit grew by 8.4 percent to 697 million euros, mainly due to higher assets under management driven revenues. Strong third-party net inflows of 45 billion euros and positive market effects outweighed negative foreign currency effects, resulting in 1,960 billion euros of total assets under management – an increase of 89 billion euros compared to year-end 2016. The cost-income ratio improved by 1.0 percentage point to 60.2 percent.

Technical Notes: Prior-year figures have been adjusted due to an updated operating profit definition and an accounting policy change, as already described in the first quarter of 2017.

Allianz Group - preliminary key figures 4th quarter and fiscal year 2017

			4Q 2017	4Q 2016	Δ	12M 2017	12M 2016	Δ
Total revenues		€ bn	31.7	30.0	5.6%	126.1	122.4	3.0%
- Property-Casualty		€ bn	11.3	11.2	1.5%	52.3	51.5	1.4%
- Life/Health		€ bn	18.6	17.1	8.3%	67.3	64.6	4.1%
- Asset Management		€ bn	1.7	1.7	5.7%	6.4	6.0	6.4%
- Corporate and Other		€ bn	0.2	0.2	-0.5%	0.6	0.6	1.9%
- Consolidation		€ bn	-0.1	-0.1	8.3%	-0.4	-0.3	9.5%
Operating profit / loss[1,2,3]		€ mn	2,760	2,998	-8.0%	11,097	11,056	0.4%
- Property-Casualty[2]		€ mn	1,309	1,448	-9.6%	5,053	5,464	-7.5%
- Life/Health[1,2,3]		€ mn	1,060	1,226	-13.5%	4,412	4,277	3.1%
- Asset Management[2]		€ mn	697	642	8.4%	2,440	2,206	10.6%
- Corporate and Other[2]		€ mn	-307	-302	1.6%	-783	-868	-9.8%
- Consolidation		€ mn	1	-16	–	-24	-23	6.7%
Net income[1]		€ mn	1,524	1,918	-20.5%	7,207	7,329	-1.7%
- attributable to non-controlling interests		€ mn	97	82	18.3%	404	367	10.0%
- attributable to shareholders[1]		€ mn	1,427	1,836	-22.3%	6,803	6,962	-2.3%
Basic earnings per share[1]		€	3.24	4.04	-19.7%	15.24	15.31	-0.5%
Diluted earnings per share[1]		€	3.24	4.03	-19.7%	15.23	15.18	0.3%
Dividend per share		€	–	–	–	8.00 [4]	7.60	5.3%
Additional KPIs								
- Group	Return on equity[1,5,6]	%	–	–	–	11.8%	12.3%	-0.4% -p
- Property-Casualty	Combined ratio	%	94.5%	94.0%	0.5% -p	95.2%	94.3%	0.9% -p
- Life/Health	New business margin[7]	%	3.6%	2.9%	0.7% -p	3.4%	2.7%	0.7% -p
- Life/Health	Value of new business[7]	€ mn	550	420	30.9%	1,882	1,448	29.9%
- Asset Management	Cost-income ratio[2]	%	60.2%	61.2%	-1.0% -p	61.9%	63.4%	-1.5% -p
						12/31/17	12/31/16	
Shareholders' equity[1,5]		€ bn	–	–	–	65.6	67.1	-2.3%
Solvency II capitalization ratio[8]		%	–	–	–	229%	218%	11% -p
Third-party assets under management		€ bn	–	–	–	1,448	1,361	6.4%

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 Prior year figures have been adjusted in order to reflect the impact resulting from an accounting policy change to measure the Guaranteed Minimum Income Benefit (GMIB) liability at fair value for our life business.

2 In light of the new operating profit definition, restructuring charges are reported outside of operating profit unless shared with policyholders. Prior year figures have been adjusted accordingly.

3 From the classification of our Korean life business as "held for sale" in 2Q 2016 until its disposal in 4Q 2016, the total result was considered as non-operating.

4 Proposal.

5 Excluding non-controlling interests.

6 Excluding unrealized gains/losses on bonds net of shadow accounting.

7 Current and prior year figures are presented excluding effects from the Korean life business.

8 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 (Risk Based Capital Company Action Level) since September 30, 2015.

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About Allianz

The Allianz Group is one of the world's leading insurers and asset managers with more than 86 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 650 billion euros on behalf of its insurance customers while our asset managers Allianz Global Investors and PIMCO manage an additional 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 revenue 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 quarterly 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 2017 will be released on March 9, 2018 (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.