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Allianz 1Q results signal good start into 2018, on track to meet targets

- 1Q 2018 internal revenues grow 4.9 percent
- 1Q 2018 operating profit down 6.0 percent or 176 million euros to 2.8 billion euros, including 142-million-euro negative currency translation effect
- 1Q 2018 operating profit at 25 percent of full-year target-range midpoint
- 1Q 2018 net income attributable to shareholders up 6.8 percent to 1.9 billion euros due to lower tax charge and lower restructuring charges
- Solvency II ratio at strong 225 percent at the end of 1Q 2018 versus 229 percent at end-2017
- 1Q 2018 results put Allianz Group on track to meet its 2018 performance targets

Management Summary: Strong top and bottom lines, operating result eases largely due to currency shifts

Allianz Group had a good start into 2018, posting a 6.8 percent rise in net income attributable to shareholders. **Internal revenue growth**, which adjusts for currency and consolidation effects, was 4.9 percent with positive contributions from all business segments. **Total revenues** increased 0.7 percent to 36.5 (first quarter of 2017: 36.2) billion euros. **Operating profit** decreased 6.0 percent or 176 million euros to 2.8 (2.9) billion euros. The main drivers for the decrease were 142 million euros currency translations and 148 million euros benefit in the prior year related to our corporate pension administration. Operating performance for the quarter is precisely at 25 percent of the Group's full-year operating profit target, signaling that results are well on track.

Net income attributable to shareholders rose to 1.9 (1.8) billion euros, a 6.8 percent increase versus the first quarter of 2017, driven by a higher non-operating investment result, a decrease in restructuring charges and a lower effective tax rate.

Basic Earnings per Share (EPS) rose to 4.46 (4.00) euros. Annualized **Return on Equity (RoE)** was 13.8 percent (full year 2017: 11.8 percent). The **Solvency II capitalization ratio** remained a strong 225 percent at the end of the quarter compared to 229 percent recorded at the end of 2017.

On April 27, 2018, Allianz Group successfully completed the acquisition of Euler Hermes minorities and delisted Euler Hermes' shares from Euronext Paris. This operation marked an important step in Allianz Group's strategy to deploy capital in strategic businesses that deliver solid operating performance, and to strengthen positions in core markets and in Property and Casualty insurance in particular.

Separately, the Group completed its second share buy-back program, which was launched in early 2018, with a volume of 2.0 billion euros and 10.4 million shares in early May.

"Allianz enjoyed a good start into 2018. We had increases in both the top and the bottom lines, even if market volatility was visible at an operating level in the first quarter. This good performance puts Allianz on track to meet its 2018 yearly targets," said Oliver Bäte, Chief Executive Officer of Allianz SE.

Property and Casualty insurance: Robust improvements in underlying business

- **Gross premiums written** increased by 1.1 percent to 17.9 (17.7) billion euros in the first quarter of 2018. Adjusted for foreign exchange and consolidation effects, **internal growth** totaled 4.9 percent, with price and volume effects contributing 1.2 percent and 3.7 percent, respectively. Internal growth came across many countries and lines of business, including AGCS, Germany and Allianz Partners.
- **Operating profit** increased 1.2 percent to 1.3 billion euros compared to the first quarter of 2017, as a higher underwriting result was mostly offset by lower investment income. Claims from natural catastrophes rose, primarily due to European storm Friederike, which caused some 220 million euros in claims. The Group's underwriting result improved nonetheless due to a general improvement in the underlying loss ratio, lower claims from large losses, plus better run-off- and expense ratios.
- The **combined ratio** improved by 0.8 percentage points to 94.8 percent.

"Premium income rose and the combined ratio improved in the quarter, underscoring the health of our Property and Casualty business. Our underwriting result strengthened due to disciplined efforts to improve technical excellence and productivity. We remain on track to meet our target of 94 percent in the combined ratio," said Giulio Terzariol, Chief Financial Officer of Allianz SE.

Life and Health insurance: U.S. dollar weakness dents strong underlying result

- **PVNB**, the present value of new business premiums, rose 1.7 percent in the quarter to 15.0 (14.7) billion euros, mainly due to rising sales of capital-efficient Life products in Germany and of unit-linked products in Taiwan.
- **Operating profit** decreased 7.4 percent to 1.1 (1.2) billion euros reflecting volatile market conditions and foreign currency translation effects in the United States. This was partly offset by higher investment margins in Germany and Spain and increased income from unit-linked business in Italy and Taiwan.

- The **new business margin (NBM)** strengthened to 3.3 (3.1) percent, driven by favorable markets and management decisions to adapt the product mix to the low interest rate environment. This helped lift the **value of new business (VNB)** by 7.9 percent to 489 million euros in the quarter.

“The Allianz Group continued to improve its Life business in the quarter and the segment delivered a strong set of results. The value of new business rose 8 percent. Operating profit was also strong at 1.1 billion euros in the quarter, and we remain successfully on track with our efforts to steer new business toward preferred products,” said Giulio Terzariol.

Asset Management: Third-party net inflows of 20.9 billion euros

- The Asset Management business segment saw strong third-party net inflows of 20.9 billion euros stemming largely from PIMCO’s 19.2 billion euro contribution. Overall **third-party assets under management (AuM)** eased 1.3 percent to 1,429 billion euros compared to December 31, 2017, mainly due to negative foreign currency translation effects.
- **Operating profit** increased by 4.1 percent to 595 (572) million euros, due to higher AuM-driven revenues. Adjusted for foreign exchange effects, operating profit increased a remarkable 16.3 percent.
- The **cost-income ratio (CIR)** improved by 1.4 percentage points to 61.9 percent.

“Customers continued to favor Allianz, placing some 21 billion euros of new net third-party investments with PIMCO and Allianz Global Investors in the quarter,” said Giulio Terzariol. “This comes on top of the 150 billion euros in net inflows seen in 2017. It is a sign of customer confidence and reflects on the strength of the franchise.”

Allianz Group - key figures 1st quarter 2018

| | | 1Q 2018 | 1Q 2017 | Δ | |
|---|---------------------------------|--------------|-------------------|-------------------|----------|
| Total revenues | € bn | 36.5 | 36.2 | 0.7% | |
| - Property-Casualty | € bn | 17.9 | 17.7 | 1.1% | |
| - Life/Health | € bn | 17.1 | 16.9 | 1.1% | |
| - Asset Management | € bn | 1.6 | 1.6 | 0.2% | |
| - Corporate and Other | € bn | 0.1 | 0.1 | -38.1% | |
| - Consolidation | € bn | -0.1 | -0.1 | 101% | |
| Operating profit / loss | € mn | 2,756 | 2,932 | -6.0% | |
| - Property-Casualty | € mn | 1,274 | 1,259 | 1.2% | |
| - Life/Health | € mn | 1,069 | 1,155 | -7.4% | |
| - Asset Management | € mn | 595 | 572 | 4.1% | |
| - Corporate and Other | € mn | -182 | -41 | 343% | |
| - Consolidation | € mn | 1 | -12 | n.m. | |
| Net income | € mn | 2,030 | 1,920 | 5.7% | |
| - attributable to non-controlling interests | € mn | 91 | 104 | -12.2% | |
| - attributable to shareholders | € mn | 1,939 | 1,816 | 6.8% | |
| Basic earnings per share | € | 4.46 | 4.00 | 11.5% | |
| Diluted earnings per share | € | 4.40 | 3.99 | 10.3% | |
| Additional KPIs | | | | | |
| - Group | Return on equity ^{1,2} | % | 13.8% | 11.8% | 1.9% -p |
| - Property-Casualty | Combined ratio | % | 94.8% | 95.6% | -0.8% -p |
| - Life/Health | New business margin | % | 3.3% | 3.1% | 0.2% -p |
| - Life/Health | Value of new business | € mn | 489 | 453 | 7.9% |
| - Asset Management | Cost-income ratio | % | 61.9% | 63.3% | -1.4% -p |
| | | | 03/31/2018 | 12/31/2017 | |
| Shareholders' equity¹ | € bn | 63.3 | 65.6 | -3.4% | |
| Solvency II capitalization ratio³ | % | 225% | 229% | -4% -p | |
| Third-party assets under management | € bn | 1,429 | 1,448 | -1.3% | |

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 1Q 2018 is annualized. For 1Q 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. Allianz Life US included based on third country equivalence with 150% of RBC CAL (Risk Based Capital Company Action Level) since September 30, 2015.

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

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 maybe 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 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. This Quarterly 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 Earnings Release of the Allianz Group. In case of any divergences, the German original is binding.