

## Allianz delivers 2.4 billion euros operating profit in 2Q

Total revenues down 2.5 percent to 29.4 billion euros in 2Q; internal revenue growth of 0.4 percent in 2Q, adjusted for currencies and consolidation / 2Q operating profit down 17.2 percent to 2.4 billion euros, impacted by natural catastrophes and exceptional effects / 2Q operating profit in Asset Management stabilizing, assets under management up versus 1Q / Value of new business in Life/Health up 62.2 percent in 2Q, new business margin up to 2.6 percent / Net income attributable to shareholders down 46.0 percent to 1.1 billion euros in 2Q, driven by 352 million euros impact from the expected disposal of South Korea / Solvency II capitalization ratio resilient at 186 percent as of June 30, 2016 / Operating profit outlook for 2016 confirmed within target range of 10.5 billion euros, plus or minus 500 million euros

Munich, Aug 05, 2016

### Allianz on track for full-year target

Allianz Group produced a solid result in the first half of the year that reflected difficult market conditions and intensified efforts to increase capital efficiency. Earnings were burdened by claims from natural catastrophes, higher large and weather-related losses and lower returns on investments due to market turbulence. The group successfully advanced a shift in its life insurance segment toward capital efficient products, which led to a decline in total revenues but marked a rise in profitability in new business. Asset Management performed in line with expectations and reported an increase in third-party assets compared to the end of 2015. The expected sale of the group's South Korean operations will lead upon closing to a stronger capital base but had a significant, one-off impact on net income, as indicated.

"Allianz is transforming itself into an organization that is closer to its customers, is more capital efficient, enjoys higher profitability, and we're doing this in a difficult environment. The second quarter in particular was shaped by markedly higher damages from heavy floods and storms in Europe this spring. We were happy to support our customers in those difficult times," said Oliver Bäte, CEO of Allianz SE.

"The good earnings growth in Life and Health insurance business could not fully offset the decline in the Property and Casualty segment. In Asset Management, operating profit remained almost at the level of the previous year and the net outflows at PIMCO have slowed, but we have not yet reached our goals," said Oliver Bäte.

### Group: solid first half-year

#### 1H 2016

Operating profit for the first half year of 2016 decreased by 10.3 percent to 5.1 billion euros. The difference is largely due to higher claims from natural catastrophes and the comparatively high level of income one year ago due to the net gain from the sale of the Fireman's Fund personal insurance business. The non-operating result was mainly impacted by the classification of the South Korean business as held for sale. Total revenues in the first half of the year decreased 4.7 percent to 64.8 billion euros. Overall, net income attributable to shareholders fell by 14.5 percent to 3.3 billion euros.

#### Revenues down 2.5% in 2Q

Total revenues in the second quarter of 2016 fell by 2.5 percent to 29.4 (previous year: 30.2) billion euros on the year, driven by all business segments, in particular by Life and Health.

#### Operating profit € 2.4bn in 2Q

Operating profit decreased by 17.2 percent to 2.4 billion euros. Operating profit growth in the Life and Health segment could not fully compensate for the decline in operating profit from the Property and Casualty segment. In the Asset Management segment, operating profit was stable compared to the second quarter of 2015.

#### Annualized return on equity 12% in 6M

The non-operating result was impacted by the classification of the Life and Health business in South Korea as held for sale. Net income attributable to shareholders fell by 46.0 percent to 1.1

billion euros in the second quarter of the year. Basic Earnings per Share (EPS) amounted to 2.40 (4.44) euros. The group posted an annualized Return on Equity (RoE) of 12 percent for the first half of the year (full year 2015: 12.5 percent). Annualized figures are not a forecast for full year numbers.

#### **Solvency II capitalization ratio 186% at 30.6.2016**

Solvency II capitalization ratio held steady at 186 percent at the end of the second quarter, the same as at the end of the first quarter, demonstrating the resilience of the group despite ultra-low interest rates.

#### **Management assessment**

“Barring any unseen events or unexpected turbulence in the capital markets, we confirm our goal of achieving an operating profit of 10.5 billion euros, plus or minus 500 million euros, for the entire year. We remain strongly capitalized and our carefully managed risk profile allows us to withstand market shocks,” said Oliver Bäte.

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## Property and Casualty insurance: natural catastrophe events weigh on operating profit

### **1H 2016**

In the first six months of 2016, gross premiums written declined slightly to 28.9 (29.2) billion euros. Adjusted for foreign exchange and consolidation effects, internal growth was 3.1 percent, with Turkey, Germany and Allianz Global Corporate & Specialty (AGCS) driving the majority of this increase.

Operating profit fell by 16.2 percent to 2.5 billion euros compared to the first half of 2015, due to a lower underwriting result and lower investment income. The prior-year result was also supported by the net gain from the sale of the Fireman’s Fund personal insurance business. The combined ratio worsened by 0.8 percentage points to 94.9 percent.

#### **Gross premiums written down 2.0% in 2Q**

Gross premiums written decreased by 2.0 percent to 11.6 billion euros in the second quarter of 2016, due to negative foreign-currency effects as well as due to the sale of the Fireman’s Fund personal insurance business last year. Adjusted for foreign exchange and consolidation effects, internal growth was strong at 3.7 percent, largely driven by Turkey and Argentina. Price and volume effects contributed 0.7 percent and 3.0 percent respectively.

#### **Combined ratio 96.4% in 2Q**

Operating profit fell by 37.0 percent to 1.1 billion euros in the second quarter of 2016. The underwriting result was negatively impacted by a strong increase in claims from natural catastrophes as well as higher large and weather-related losses, partly offset by elevated run-off. In addition, operating profit in the same quarter one year earlier benefited from the net gain from the sale of the Fireman’s Fund personal insurance business. The combined ratio amounted to 96.4 (93.5) percent.

#### **Management assessment**

“Internal growth was strong in the second quarter, demonstrating the strength of our business. However, operating profit was burdened by European floods and storms, wildfires in Canada, hailstorms in the United States, as well as lower investment income,” said Dieter Wemmer, CFO of Allianz SE.

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## Life and Health insurance: stable profitability despite the tough market conditions

### **1H 2016**

In Life and Health insurance, operating profit for the first six months of 2016 was stable at 1.9 billion euros. Statutory premiums for the first half year amounted to 33.0 billion euros, a decrease of 7.2 percent. The new business margin for the first six months reflects the targeted shift toward capital-efficient products, bringing it to 2.6 (1.5) percent. As a result, the value of new business (VNB) increased by 49.7 percent to 710 million euros compared to the first half year of 2015.

#### **Statutory premiums down 2.6% in 2Q**

Statutory premiums in the second quarter decreased by 2.6 percent to 16.3 (16.7) billion euros due to lower traditional and unit-linked single premiums. The increased fixed-indexed annuity sales in the United States and the growth in the German business from capital-efficient products partly compensated for this development. Adjusted for foreign exchange and consolidation effects, statutory premiums fell by 1.3 percent.

#### **Operating profit €1.0bn in 2Q**

Operating profit increased by 18.3 percent to 1.0 billion euros compared to the prior-year quarter. This was mainly driven by a higher investment margin as a result of positive impacts from fixed income derivatives in Germany. Consideration of the South Korean result as non-operating in the second quarter of 2016, following classification of the business as held for sale, also supported this development. Adjusting for South Korea, operating profit growth amounted to 6.6 percent.

#### **VNB €341mn and NBM 2.6% in 2Q**

The value of new business (VNB) increased by 62.2 percent to 341 million euros in the second quarter. As a result of changes in product strategy, premiums shifted to capital-efficient

products. New business margin rose 1.0 percentage point to 2.6 percent.

#### Management assessment

The life segment is witnessing a fundamental transformation, with growth in sales of capital-efficient products that has led to increasing profitability in a highly challenging interest rate environment," said Dieter Wemmer. "The benefits of this new product mix demonstrate our ability to adapt quickly to a low interest rate environment."

## Asset Management: improved cost-income ratio

### 1H 2016

Operating profit in the Asset Management segment declined in the first half of 2016 by 9.3 percent to 961 million euros, primarily caused by net outflows, leading to lower average third-party assets under management. However, lower operating expenses partly mitigated the decrease.

#### Operating profit €498mn in 2Q

Asset Management quarterly operating profit eased 1.4 percent on the year to 498 (505) million euros but rose 8 percent when compared to the first quarter of this year. Operating revenues declined due to lower average third-party assets and a decreased margin on these assets.

#### CIR at 65.4% in 2Q

The cost-income ratio (CIR) improved from 67.4 percent to 65.4 percent compared to the year-earlier quarter, due to a strong decrease in operating expenses.

#### 3P net outflows at €19bn in 2Q

Third-party assets under management increased by 65 billion euros to 1,307 billion euros in the second quarter of 2016. This was driven by market, consolidation and foreign-currency translation effects, partly offset by net outflows. The latter amounted to 19 billion euros, which is a slight improvement compared to 23 billion euros in the second quarter of 2015. Third-party net outflows mostly occurred at PIMCO.

#### Management assessment

"Operating profit in Asset Management stabilized in the quarter, partly due to successful cost management," said Dieter Wemmer.

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