

Quarterly and Half-Year Earnings Release

Allianz achieves 2.6 billion euros operating profit in 2Q 2020

- 2Q 2020 operating profit of 2.6 billion euros
- 2Q 2020 net income attributable to shareholders down 28.6 percent to 1.5 billion euros
- 6M 2020 total revenues stable at 73.5 billion; in 2Q 2020 total revenues decreased by 6.8 percent to 30.9 billion euros
- 6M 2020 operating profit of 4.9 billion euros
- 6M 2020 net income attributable to shareholders decreased 28.8 percent to 2.9 billion euros
- Good Solvency II capitalization ratio of 187 percent

Management Summary: resilient performance in difficult environment confirms the solidity of our strategy

The COVID-19 crisis caused one of the most severe economic and financial market turmoils. While financial markets have rallied in the second quarter of 2020, the economic recovery remains fragile. However, Allianz with its well-diversified business portfolio and robust balance sheet has continued to successfully navigate through the current crisis and has achieved solid results in the second quarter of 2020. Due to the continuing uncertainties we currently do not give an updated operating profit outlook for 2020.

Internal revenue growth, which adjusts for currency and consolidation effects, amounted to -7.7 percent in the second quarter of 2020, mostly driven by the Life/Health business segment. **Total revenues** decreased 6.8 percent to 30.9 (2Q 2019: 33.2) billion euros in the second quarter of 2020. **Operating profit** decreased 18.8 percent to 2.6 (3.2) billion euros in the second quarter of 2020. In our Property-Casualty business segment, operating profit dropped due to COVID-19-related losses, as well as a lower operating investment result. Operating profit from our Life/Health business segment was resilient and decreased mostly due to a favorable one-off profit in 2019. Our Asset Management business segment recorded a solid albeit lower operating profit mainly driven by lower performance fees. **Net income attributable to shareholders** decreased 28.6 percent to 1.5 (2.1) billion euros in the second quarter of 2020 largely mirroring the development of operating profit.

Basic Earnings per Share (EPS) decreased 27.6 percent to 7.07 (9.76) euros in the first half-year of 2020. Annualized **Return on Equity (RoE)** amounted to 10.0 percent (full year 2019: 13.6 percent). The **Solvency II capitalization ratio** was at 187 percent at the end of the second quarter of 2020¹, compared to 190 percent at the end of the first quarter 2020.

In the **first half-year** of 2020, total revenues were stable. **Operating profit** fell by 20.5 percent to 4.9 (6.1) billion euros, with COVID-19 having a significant negative impact on our insurance businesses' operating profit. Property-Casualty recorded a lower underwriting and operating investment result. Our Life/Health business operating profit decreased due to a favorable one-off profit in 2019 and a lower investment margin. Higher AuM-driven revenues led to an increase in operating profit from our Asset Management business. The decrease in **net income attributable to shareholders** was largely driven by the drop in operating profit.

"The pandemic continues to be a challenge for all industries. Nevertheless, Allianz has achieved robust results and shown a remarkable resilience in the first six months of 2020. It makes us confident that we will see a solid financial performance also in the second half of 2020," said Oliver Bäte, Chief Executive Officer of Allianz SE.

Property-Casualty insurance: operating profit pressured by COVID-19 pandemic

- **Total revenues** remained largely stable at 13.5 (13.4) billion euros in the second quarter of 2020. Adjusted for foreign currency translation and consolidation effects, **internal growth** totaled -1.6 percent, mainly driven by a COVID-19 driven negative volume effect of 5.3 percent and a positive price effect of 4.5 percent. Allianz Partners, United Kingdom, and Italy were the main contributors to this negative development. Positive internal growth particularly at AGCS, Germany, and Asia-Pacific partly offset this result.
- **Operating profit** decreased by 17.4 percent to 1.1 billion euros in the second quarter of 2020 compared to the second quarter of 2019. The underwriting result was strained by impacts of the COVID-19 pandemic, a rise in large losses as well as a lower contribution from run-off. These effects were partly offset by an improvement in our expense ratio. In addition, the operating investment income declined considerably.
- The **combined ratio** rose by 1.2 percentage points to 95.5 percent in the second quarter of 2020.

"The impact of COVID-19 on Property-Casualty business segment revenues has been more pronounced in the second quarter of 2020 but our franchise has proven resilient in terms of revenue growth," said Giulio Terzariol, Chief Financial Officer of Allianz SE. "Adjusting for the impacts of COVID-19, the underlying performance remains strong with a normalized combined ratio of less than 94 percent as our focus on technical excellence and productivity gains pays off."

In the **first half-year** of 2020, **total revenues** rose to 33.8 (32.9) billion euros. Adjusted for foreign currency translation and consolidation effects, **internal growth** totaled 0.3 percent, mostly driven by AGCS, Asia-Pacific, and Germany. As particularly the underwriting result decreased sharply due to higher claims from natural catastrophes and a severe impact of COVID-19 amounting to -0.8 billion euros, the **operating profit** deteriorated by 23.4 percent to 2.2 billion euros compared to the same period of the prior year. This negative development was partly offset by a strong improvement in our expense ratio. Overall, the **combined ratio** for the first half-year worsened by 2.7 percentage points to 96.7 percent.

¹ Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio amounted to 217 percent.

Life/Health insurance: operating profit of 1.0 billion euros

- **PVNB²**, the present value of new business premiums, decreased to 11.5 (15.2) billion euros in the second quarter of 2020, impacted by COVID-19 in almost all countries. The largest volume decreases were seen in Germany with lower sales of capital-efficient products and in the United States with a decline in sales of fixed index annuity products.
- The **new business margin (NBM)** declined to 3.1 (3.6) percent due to the impact of lower interest rates in the second quarter of 2020, largely offset by improved products and a better business mix including the continued shift to preferred lines of business. The **value of new business (VNB)** decreased to 357 (544) million euros in the second quarter of 2020 driven by a combination of lower volumes and decreased margins.
- **Operating profit** decreased to 1.0 (1.2) billion euros in the second quarter of 2020. This was mainly due to a favorable one-off profit in the United States in the second quarter of 2019. Further contributing factors were higher hedging expenses in the U.S. variable annuity business, and the disposal of Allianz Popular in Spain.

"I'm pleased by the quality of our sales in our life and health business segment in the second quarter of 2020 as shown by our robust new business margin," said Giulio Terzariol. "Our operating profitability remains strong and is well supported by our active risk management measures."

In the **first half-year** of 2020, the **PVNB** decreased to 29.6 (32.9) billion euros largely because of the lower sales in the German and U.S. life insurance business. **Operating profit** went down to 1.8 (2.3) billion euros driven mainly due to a favorable one-off profit in the United States in the second quarter of 2019. A lower investment margin due to higher impairments in the first quarter of 2020, higher hedging expenses in the United States, and the disposal of Allianz Popular in Spain also contributed to this development. The **new business margin** decreased to 2.9 (3.5) percent bringing the **value of new business** to 851 (1,153) million euros.

Asset Management: third-party assets under management increased by 6.5 percent

- **Third-party assets under management (AuM)** increased by 101 billion euros to 1,658 billion euros in the second quarter of 2020, compared to the end of the first quarter of 2020. This development was driven by positive market effects of 102.3 billion euros and net inflows of 25.8 billion euros. Both drivers represent a strong recovery from the first quarter of 2020 which was heavily impacted by COVID-19. Unfavorable foreign currency translation effects of 28.5 billion euros had an offsetting impact.
- **Total assets under management** increased to 2,250 billion euros in the second quarter of 2020.
- **Operating profit** decreased by 5.7 percent to 640 (678) million euros in the second quarter of 2020 following lower performance fees. In addition, operating expenses increased. As a result, the **cost-income ratio (CIR)** went up 1.7 percentage points to 62.8 percent in the second quarter of 2020 compared to the second quarter of 2019. Adjusted for foreign currency translation effects, operating profit decreased by 7.2 percent.

"Strong net inflows in a challenging environment clearly show that our Asset Management business segment is in good shape," said Giulio Terzariol. "Even in times of high uncertainty we are well positioned to continue to deliver a healthy operating performance and to contribute to mid- and long-term value creation of our Asset Management franchise."

² PVNB² is shown after non-controlling interests, unless otherwise stated.

In the **first half-year** of 2020, operating revenues grew by 5.2 percent to 3.5 billion euros, driven by higher AuM-driven revenues. Our **cost-income ratio** remained almost unchanged at 62.2 (62.3) percent. **Operating profit** rose by 5.4 percent to 1,319 (1,251) million euros. On an internal basis, operating profit increased by 3.0 percent. Net outflows, unfavorable market effects, as well as negative foreign currency translation effects resulted in **third-party assets under management** of 1,658 billion euros – a decrease of 28 billion euros or 1.7 percent, compared to year-end 2019.

Allianz Group - key figures for the 2nd quarter and first half year of 2020

		2Q 2020	2Q 2019	Delta	6M 2020	6M 2019	Delta	
Total revenues	€ bn	30.9	33.2	-6.8%	73.5	73.5	0.0%	
- Property-Casualty ¹	€ bn	13.5	13.4	0.3%	33.8	32.9	2.6%	
- Life/Health	€ bn	15.8	18.1	-12.6%	36.4	37.4	-2.8%	
- Asset Management	€ bn	1.7	1.7	-1.4%	3.5	3.3	5.2%	
- Corporate and Other	€ bn	0.1	0.1	-15.9%	0.1	0.1	-6.0%	
- Consolidation	€ bn	-0.1	-0.1	-12.7%	-0.3	-0.3	-8.9%	
Operating profit / loss	€ mn	2,565	3,159	-18.8%	4,869	6,121	-20.5%	
- Property-Casualty	€ mn	1,143	1,383	-17.4%	2,175	2,838	-23.4%	
- Life/Health	€ mn	991	1,231	-19.5%	1,810	2,327	-22.2%	
- Asset Management	€ mn	640	678	-5.7%	1,319	1,251	5.4%	
- Corporate and Other	€ mn	-204	-131	55.3%	-432	-296	45.9%	
- Consolidation	€ mn	-5	-2	121.5%	-3	1	n.m.	
Net income	€ mn	1,618	2,265	-28.6%	3,101	4,316	-28.1%	
- attributable to non-controlling interests	€ mn	90	125	-28.1%	174	207	-16.0%	
- attributable to shareholders	€ mn	1,528	2,140	-28.6%	2,927	4,109	-28.8%	
Basic earnings per share	€	3.71	5.11	-27.4%	7.07	9.76	-27.6%	
Diluted earnings per share	€	3.68	5.10	-27.8%	6.94	9.75	-28.8%	
Additional KPIs								
- Group	Return on equity ^{2,3}	%	10.5%	13.6%	-3.1% -p	10.0%	13.6%	-3.5% -p
- Property-Casualty	Combined ratio	%	95.5%	94.3%	1.2% -p	96.7%	94.0%	2.7% -p
- Life/Health	New business margin	%	3.1%	3.6%	-0.5% -p	2.9%	3.5%	-0.6% -p
- Life/Health	Value of new business	€ mn	357	544	-34.3%	851	1,153	-26.2%
- Asset Management	Cost-income ratio	%	62.8%	61.1%	1.7% -p	62.2%	62.3%	-0.1% -p
					06/30/2020	12/31/2019		
Shareholders' equity³	€ bn				72.1	74.0	-2.5%	
Solvency II capitalization ratio⁴	%				187%	212%	-26% -p	
Third-party assets under management	€ bn				1,658	1,686	-1.7%	

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.

- Total revenues comprise gross premiums written and fee and commission income.
- Represents the annualized ratio of net income attributable to shareholders to the average shareholders' equity excluding unrealized gains/losses on bonds, net of shadow accounting, at the beginning and at the end of the period. Annualized figures are not a forecast for full year numbers. For 2Q 2019 and 6M 2019, the return on equity for the respective full year is shown.
- Excluding non-controlling interests.
- Risk capital figures are group diversified at 99.5% confidence level. Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio is 217% as of 30 June 2020.

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About Allianz

The Allianz Group is one of the world's leading insurers and asset managers with more than 100 million retail and corporate customers in more than 70 countries. 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 766 billion euros on behalf of its insurance customers. Furthermore, our asset managers PIMCO and Allianz Global Investors manage 1.7 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 2019, over 147,000 employees achieved total revenues of 142 billion euros and an operating profit of 11.9 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. 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.

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