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## **Allianz Group in the second quarter of 2008: Operating profit of 2.1 billion euros achieved**

**Net income of 1.5 billion euros – Half-year operating profit of 4 billion euros – Diekmann: "We have delivered a solid performance despite the tough market environment."**

Allianz Group continued to weather difficult market conditions during the second quarter of 2008. Total revenues decreased to 22.0 billion euros, compared to 24.3 billion euros in the same period of 2007. Operating profit decreased by 36 percent to 2.1 billion euros, from 3.3 billion euros in second quarter 2007. Quarterly net income amounted to 1.5 billion euros, or 28 percent less than 2.1 billion euros in second quarter 2007. For the first half-year of 2008, Allianz Group delivered an operating profit of 4 billion euros. Half-year net income reached 2.7 billion euros.

The capital market crisis negatively affected revenue development in the Life insurance business, and in particular unit-linked life insurance products. In addition, net dealing income in the Banking segment was negative. However, the operating profit of the insurance and asset management business proved resilient during the second quarter of 2008. A robust fixed-income business supported the Asset Management segment. The Property & Casualty business, with a combined ratio of 93.5 percent, was on target.

Allianz Group's capital base remains strong with a solvency ratio of 145 percent and shareholders' equity amounting to 40.5 billion euros on June 30, 2008.

Michael Diekmann, CEO of Allianz SE, said: "The tough market environment has exerted pressure on our second quarter results. However, the fundamentals of our business remain strong and we were able to deliver a solid performance. In addition, given our solvency ratio we feel very comfortable with our capital position."

The **Property and Casualty** business remained on target in the second quarter of 2008, with 1.7 billion euros operating profit compared to the historical peak of 1.9 billion euros in the second quarter of 2007. Gross premiums written amounted to 9.8 billion euros and were at the same level of the previous year's second quarter. Revenue growth, adjusted for exchange rates and consolidation effects, was 3.1 percent. The combined ratio, at 93.5 percent, was again in target range and only slightly above the 92.9 percent level of second quarter 2007. The six-month expense ratio improved to 26.7 percent, compared to 28.3 percent in the first half-year of 2007.

"With 3.2 billion euros operating profit in Property & Casualty insurance for the first half-year of 2008, we are precisely at the record level of the previous year. This is the good result of our selective underwriting, pricing discipline and improved efficiency," said Helmut Perlet, CFO of Allianz SE.

In the **Life and Health** business, total premium income decreased by 10.9 percent to 10.7 billion euros, compared to 11.7 billion euros in second quarter 2007. Sales of unit-linked products decreased in light of the weak stock markets by 19 percent on a year-on-year basis. However, premiums from traditional life products grew year-on-year by 8 percent. Germany, Switzerland, Spain and Belgium achieved above-average growth. In Spain, sales continued to benefit from tax advantages for insurance products. Segment operating profit decreased, due to a decline in the investment result, by 7.3 percent to 703 million euros, from 758 million euros in the second quarter of 2007.

"An operating profit of 703 million euros in our Life and Health business in this tough market environment attests to our strong underlying fundamentals. We are still earning very competitive margins and are well-positioned to achieve higher profits under normal market conditions," said Helmut Perlet.

**Dresdner Bank** was clearly affected by the weak markets. Operating revenues amounted to 635 million euros, compared to 1.8 billion euros in the second quarter of 2007. The strong decline was almost entirely based on negative net dealing income of the investment bank amounting to 627 million euros. Positive net dealing income of 351 million euros was achieved in the same period of 2007. Direct effects of the financial markets crisis, such as markdowns on the ABS trading book amounting to 286 million euros in the second quarter of 2008, are included in this loss. Net interest income remained stable at 703 million euros, compared with 701 million euros in the second quarter of 2007. Net fee and commission income decreased by 22.3 percent, from 718 million euros in the previous year's second quarter to 558 million euros.

As a result, operating profit decreased to -566 million euros, from 427 million euros in the second quarter of 2007. A robust performance by the private & corporate clients division contributed to an operating profit of 121 million euros. Operating expenses decreased to 1.14 billion euros, from 1.28 billion euros in the previous year's second quarter.

In **Asset Management**, third-party assets under management amounted to 740 billion euros, compared to 765 billion euros at December 31, 2007. Internal growth of third-party assets under management was 2.7 percent year-to-date. The three-year compound annual growth rate for third-party assets under management, at 9.4 percent, is within target. Third-party net inflows for the first half-year of 2008 amounted to 33 billion euros. This was mainly driven by Allianz Global Investors' robust fixed-income business. Operating profit decreased by 13.5 percent, from 325 million euros in the previous year's quarter to 281 million euros. Adjusted for exchange rate effects, this corresponds to a decrease of 3.1 percent. The cost income ratio reached 61.9 percent.

"Almost 80 percent of third-party assets, managed by Allianz Global Investors, outperformed their benchmark. Our investment performance, equally strong in the fixed income and equity business, should be the basis for profitable growth in the years to come," said Helmut Perlet.

## **Outlook**

"Further deteriorating markets also affect Allianz although our underlying fundamentals remain healthy. We expect this difficult market environment to continue to 2009, therefore our 2006 long-term operating profit growth target of 10 percent CAGR until 2009 cannot be maintained. Due to expected market conditions accurate earnings predictions, especially for Banking, are not feasible. But underlying operating profitability in Insurance and Asset Management is stable enough to generate a run rate before Banking of 9 plus billion euros in 2008 and 2009," said Michael Diekmann.

**Allianz Group - Key figures 2nd quarter and 1st half year of 2008**

Euro bn	2Q 2007	2Q 2008	Δ	6M 2007	6M 2008	Δ	
<b>Total revenues</b>	<b>24.3</b>	<b>22.0</b>	-9.5%	<b>53.7</b>	<b>49.7</b>	-7.4%	
<b>Operating profit</b>	<b>3.288</b>	<b>2.104</b>	-36.0%	<b>6.158</b>	<b>3.960</b>	-35.7%	
- Property-Casualty	1.894	1.683	-11.1%	3.161	3.162	0.0%	
- Life/Health	0.758	0.703	-7.3%	1.508	1.292	-14.3%	
- Banking	0.448	-0.568	-	1.148	-1.024	-	
thereof Dresdner Bank	0.427	-0.566	-	1.104	-1.019	-	
- Asset Management	0.325	0.281	-13.6%	0.637	0.522	-18.1%	
- Corporate	-0.010	0.005	-	-0.111	-0.071	-36.0%	
- Consolidation	-0.127	0.000	-	-0.185	0.079	-	
<b>Income before income taxes &amp; minority interests</b>	<b>3.198</b>	<b>2.186</b>	-31.6%	<b>7.754</b>	<b>4.088</b>	-47.3%	
Income taxes	-0.858	-0.552	-35.7%	-1.825	-1.226	-32.8%	
Minority interests in earnings	-0.200	-0.092	-54.0%	-0.549	-0.172	-68.7%	
<b>Net income</b>	<b>2.140</b>	<b>1.542</b>	-27.9%	<b>5.380</b>	<b>2.690</b>	-50.0%	
- Property-Casualty	1.380	1.822	32.0%	2.560	2.879	12.5%	
- Life/Health	0.479	0.425	-11.3%	1.032	0.877	-15.0%	
- Banking	0.411	-0.552	-	1.036	-1.090	-	
thereof Dresdner Bank	0.395	-0.545	-	1.007	-1.058	-	
- Asset Management	0.134	0.120	-10.4%	0.233	0.198	-15.0%	
- Corporate	-0.008	-0.058	625.0%	0.373	-0.157	-	
- Consolidation	-0.256	-0.215	-16.0%	0.146	-0.017	-	
<b>Earnings per share (basic) (Euro)</b>	<b>4.85</b>	<b>3.44</b>	-29.1%	<b>12.32</b>	<b>5.98</b>	-51.5%	
<b>Ratios:</b>							
- Property-Casualty	Combined ratio	92.9%	93.5%	0.6% -p	94.8%	94.1%	-0.7% -p
- Life/Health	Statutory expense ratio	9.6%	12.2%	2.6% -p	8.4%	10.5%	2.1% -p
- Dresdner Bank	Cost-income ratio	72.4%	178.7%	106.3% -p	69.4%	169.6%	100.2% -p
- Asset Management	Cost-income ratio	59.2%	61.9%	2.7% -p	59.6%	64.4%	4.8% -p
<b>Euro bn</b>				<b>12/31/07</b>	<b>06/30/08</b>	<b>Δ</b>	
<b>Shareholders' equity</b>	-	-	-	<b>47.8</b>	<b>40.5</b>	-15.3%	
<b>Third-party assets under management</b>	-	-	-	<b>765</b>	<b>740</b>	-3.3%	

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

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**No duty to update**

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