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Allianz achieves 2011 operating profit target despite difficult environment

- **Revenues of 103.6 billion euros again surpass mark of 100 billion euros**
- **Stable operating profit of 7.9 billion euros, within target range**
- **Net income of 2.8 billion euros impacted by impairments from Greek sovereign bonds and financial sector investments**
- **Capital position remains strong with solvency ratio of 179 percent**
- **Proposed dividend of 4.50 euros per share remains stable at high level**

Allianz Group achieved its operating profit target for the 2011 business year, despite volatile financial markets and an unusually high level of natural catastrophes. Revenues reached 103.6 billion euros, within 2.7 percent of the record year 2010 which achieved 106.5 billion euros. The 2011 operating profit of 7.9 billion euros was within the target range of 8.0 billion euros, plus/minus 0.5 billion euros. Compared to the 2010 operating profit of 8.2 billion euros, this is a decrease of 4.6 percent.

The Property and Casualty insurance business increased its revenues while also maintaining its profitability amid record claims from earthquakes, floods and storms. Life and Health insurance earned an operating profit on target despite adverse financial market conditions. Asset Management, in turn, booked another successful year, continuing its strong performance.

Net income for 2011 was 2.8 billion euros, compared to 5.2 billion euros the year before. The decline of 46.2 percent was mainly due to very conservative non-operating impairments of 1.9 billion euros from Greek sovereign debt and investments, particularly in financials.

Allianz Group further improved its strong capital position in 2011: Shareholders' equity rose to 44.915 billion euros from 44.491 billion euros. The solvency ratio increased to 179 percent at the end of 2011, compared to 173 percent the year before.

The Board of Management will propose to the Supervisory Board of Allianz SE a dividend of 4.50 euros per share, unchanged from the year before. This proposal reflects the fundamental operating earnings power and capital strength of Allianz Group.

"2011 was a tough year. But we maintained our stability throughout. That's an extraordinary achievement," said Michael Diekmann, CEO of Allianz SE. "These results show the true strength of the Allianz business model."

Property and Casualty insurance showing healthy growth

Gross premiums written in Property and Casualty insurance rose to an all-time high of 44.8 billion euros. This is an increase of 2.0 percent from 2010 and 2.3 percent in internal terms, adjusting for foreign exchange and consolidation effects. Revenues in the UK, South America, Australia and in the credit insurance business increased significantly. In key markets such as Germany, France and Italy, revenues remained stable.

Operating profit remained at a high level, despite the costliest year in the history of Allianz for natural catastrophes. These included not only earthquakes in Japan and New Zealand but also floods in Australia and Thailand as well as tornados in the US. Even with these impacts, operating profit came in at 4.2 billion euros, only 2.5 percent lower compared to the previous year's result of 4.3 billion euros. In 2011, Allianz Group reserved or paid out 1.8 billion euros to its customers for natural catastrophe damages, 0.5 billion euros more than in 2010.

The combined ratio for 2011 rose to 97.8 percent from 97.2 percent for 2010. Natural catastrophes contributed 4.4 percentage points to this, compared to 3.2 percentage points the year before. The expense ratio for the year fell to 27.9 percent in 2011 from 28.1 percent in 2010.

The operating investment result for 2011 improved 5.5 percent to 3.4 billion euros from 3.2 billion euros the previous year. The average asset base for the segment expanded by 3.7 percent to 96.3 billion euros from 92.9 billion euros in 2010.

"This year we made significantly higher payments to our customers for natural catastrophes than in 2010, which was already a difficult year," said Oliver Bäte, Chief Financial Officer of Allianz SE. "And yet, our Property and Casualty insurance segment remains robust. Selective underwriting and cost discipline have protected the profitability of this segment."

Life and Health insurance remains on high level

In a challenging market environment, the Life and Health insurance business achieved 52.9 billion euros in statutory premiums, the second-highest level in the company's history. This was 7.4 percent lower than the exceptionally high level for 2010 of 57.1 billion euros. The decline reflects lower sales of market-sensitive investment-oriented products in order to maintain profit margins. Premiums for traditional life insurance products remained at a similar level as the year before.

The increase in the new business margin of 2.3 percent from 2.2 percent the year before shows the consistent focus on profitable new business. The value of new business of 940 million euros for 2011 decreased from 993 million euros due to lower volumes.

The average asset base grew 7.1 percent in 2011 to 357.8 billion euros from 334.2 billion euros. The lower investment result due to adverse market conditions accounted for a majority of the decline in operating profit to 2.4 billion euros in 2011 compared to 2.9 billion euros the previous year.

"The 2011 results clearly demonstrate the underlying strength of our Life and Health insurance business," said Oliver Bäte. "Despite the immense market turmoil, operating profit is well within our target range. We focused on business with good margins and protected profitability and capital. Our capital strength and ability to deliver on the promises we make to our customers differentiates us in times like these."

Asset Management delivers excellent result

The year 2011 saw another outstanding performance in Asset Management. Total assets under management grew 9.2 percent to 1,657 billion euros. Third-party assets under management continued to grow to 1,281 billion euros from 1,164 billion euros in 2010.

Net fee and commission income also continued its upward rise, ending at 5.5 billion euros for 2011, 11.0 percent higher than 4.9 billion euros in 2010. This amounted to a 15.3 percent increase on an internal basis, adjusted for currency exchange and consolidation effects.

Operating profit for the segment increased to 2.3 billion euros in 2011, a rise of 9.5 percent from the previous year's level of 2.1 billion euros. Internal growth adjusted for foreign exchange effects amounted to 14.0 percent. The cost income ratio of 59.0 percent for the year was virtually unchanged from 58.7 percent in 2010 and well below the 65 percent target, indicating continued operational efficiency despite significant investments into growth.

"Asset Management remains a success story, again reaching a new record of assets under management and net earnings of 1.3 billion euros. It is a key component of Allianz' balanced portfolio which enabled us to effectively weather such a challenging year as 2011," said Oliver Bäte.

Outlook 2012

"We are expecting similar global economic conditions in 2012 with a moderate improvement in the second half of the year. The first steps to stabilize the euro zone have already been implemented successfully," said Michael Diekmann. "In this environment, our ability to plan for risks and generate earnings will once again serve our customers, shareholders and employees well. We are confident about our strong business opportunities in 2012. Therefore, we are raising the operating profit outlook to 8.2 billion euros, plus/minus 0.5 billion euros."

Allianz Group - Preliminary key figures 4th quarter and fiscal year 2011

		4Q 2010	4Q 2011	Δ	12M 2010	12M 2011	Δ	
Total revenues	€ bn	26.0	25.0	-3.7%	106.5	103.6	-2.7%	
Operating profit / loss	€ mn	2,154	2,000	-7.1%	8,243	7,866	-4.6%	
- Property-Casualty	€ mn	1,323	1,093	-17.4%	4,304	4,195	-2.5%	
- Life/Health	€ mn	554	519	-6.3%	2,868	2,420	-15.6%	
- Asset Management	€ mn	557	663	19.0%	2,060	2,256	9.5%	
- Corporate and Other	€ mn	-266	-236	-11.3%	-942	-897	-4.8%	
- Consolidation	€ mn	-14	-39	179%	-47	-109	132%	
Income before income taxes	€ mn	1,545	1,102	-28.7%	7,173	4,846	-32.4%	
Income taxes	€ mn	-364	-542	48.9%	-1,964	-2,042	4.0%	
Net income / loss	€ mn	1,181	560	-52.6%	5,209	2,804	-46.2%	
- Property-Casualty	€ mn	804	790	-1.7%	3,104	2,812	-9.4%	
- Life/Health	€ mn	268	267	-0.4%	1,849	1,198	-35.2%	
- Asset Management	€ mn	292	381	30.5%	946	1,312	38.7%	
- Corporate and Other	€ mn	-184	-854	364%	-885	-2,501	183%	
- Consolidation	€ mn	1	-24	-	195	-17	-	
Net income	€ mn	1,181	560	-52.6%	5,209	2,804	-46.2%	
- attributable to non-controlling interests	€ mn	46	68	47.8%	156	259	66.0%	
- attributable to shareholders	€ mn	1,135	492	-56.7%	5,053	2,545	-49.6%	
Basic earnings per share	€	2.52	1.09	-56.7%	11.20	5.63	-49.7%	
Diluted earnings per share	€	2.49	1.06	-57.4%	11.12	5.48	-50.7%	
Dividend per share	€	-	-	-	4.50	4.50 ¹	0.0%	
Ratios								
- Property-Casualty	Combined ratio	%	94.9%	97.6%	2.7% -p	97.2%	97.8%	0.6% -p
- Life/Health	Margin on reserves ²	bps	54	50	-4 bps	73	58	-15 bps
- Asset Management	Cost-income ratio	%	60.9%	58.6%	-2.3% -p	58.7%	59.0%	0.3% -p
					12/31/10	12/31/11	Δ	
Shareholders' equity³	€ bn	-	-	-	44.5	44.9	1.0%	
Conglomerate solvency ratio⁴	%	-	-	-	173%	179%	6.0% -p	
Third-party assets under management	€ bn	-	-	-	1,164	1,281	10.1%	

¹ Proposal

² IFRS operating profit (annualized) divided by average IFRS net reserves

³ Excluding non-controlling interests

⁴ Including off-balance sheet reserves (12/31/11: € 2.2bn, 12/31/10: € 2.1bn). The solvency ratio excluding off-balance sheet reserves amounts to 170% as of 12/31/11 and 164% as of 12/31/10

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

Cautionary Note Regarding Forward-Looking Statements

The statements contained herein may include 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 that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. In addition to statements which are forward-looking by reason of context, the words "may", "will", "should", "expects", "plans", "intends", "anticipates", "believes", "estimates", "predicts", "potential", or "continue" and similar expressions identify forward-looking statements. Actual results, performance or events may differ materially from those in such statements due to, without limitation, (i) general economic conditions, including in particular economic conditions in the Allianz Group's core business and core markets, (ii) performance of financial markets, including emerging markets, and including market volatility, liquidity and credit events (iii) the frequency and severity of insured loss events, including from natural catastrophes and including the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the Euro/U.S. Dollar exchange rate, (ix) changing levels of competition, (x) changes in laws and regulations, including monetary convergence and the European Monetary Union, (xi) changes in the policies of central banks and/or foreign governments, (xii) the impact of acquisitions, including related integration issues, (xiii) reorganization measures, and (xiv) 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. The company assumes no obligation to update any forward-looking statement.

No duty to update

The company assumes no obligation to update any information contained herein.