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Allianz increases operating profit by 7.1% to 3.8 billion euros

Group affirms full-year outlook

2Q 2023:

- Total business volume surges 5.9 percent to 39.6 billion euros
- Operating profit increases 7.1 percent to 3.8 billion euros; strong performance particularly in Life/Health and Property-Casualty business segments
- Shareholders' core net income jumps by 22.9 percent to 2.5 billion euros

6M 2023:

- Total business volume rises 4.8 percent to 85.6 billion euros
- Operating profit increases 14.9 percent to 7.5 billion euros: primarily driven by Life/Health and Property-Casualty business segments
- Shareholders' core net income up 90.2 percent to 4.7 billion euros
- Excellent Solvency II capitalization ratio of 208 percent, compared with 201 percent at the end of 4Q 2022¹

Outlook:

- 2023 operating profit target confirmed at 14.2 billion euros, plus or minus 1 billion euros²

Other:

- Share buy-back of up to 1.5 billion euros on track: 2.9 million shares acquired for 0.6 billion euros until the end of July 2023

Note: The financial results are based on the new IFRS 9 (Financial Instruments) and IFRS 17 (Insurance Contracts) accounting standards, which have been adopted as of January 1, 2023. Comparative periods have been adjusted to reflect the application of these new accounting standards.

¹ Excluding the application of transitional measures for technical provisions.

² As always, natural catastrophes and adverse developments in the capital markets, as well as factors stated in our cautionary note regarding forward-looking statements may severely affect the operating profit and/or net income of our operations and the results of the Allianz Group.

“Allianz’s excellent results in the first half of 2023 demonstrate the strength of our fundamentals as we capitalize on our global scale and diversified business mix for the benefit of our customers and our shareholders. With our double-digit growth in profits we are well on track to achieving our Group targets for the year.

I am particularly pleased by the strong performance in the Property & Casualty business where we have achieved a strong 92% combined ratio, by the continued volume and profit growth of our Life & Health business, as well as by the resilience of our Asset Management segment, which recorded positive third-party net inflows for the second quarter in a row despite cautious investor sentiment.

Our solid growth is a clear reflection of our customers’ continued trust in us to support them through this agonizing period of inflation and polarization. These trends not only challenge our global economy, but also affect people deeply at an individual financial level. With our results and capital position, we demonstrate that Allianz is a company that unfailingly delivers relevant solutions that people need, especially in our turbulent age.”

- Oliver Bäte, Chief Executive Officer of Allianz SE

FINANCIAL HIGHLIGHTS

Total business volume

2Q 2023: Total business volume rose by 5.9 percent to 39.6 billion euros, driven by the Property-Casualty business segment which benefited from higher prices and volumes while the growth of the Life/Health business segment was primarily linked to strong single-premium volumes in the US. This growth was partially offset by a decrease in AuM-driven revenues in our Asset Management business segment.

Internal growth, which adjusts for foreign currency translation and consolidation effects, was strong at 8.7 percent, driven by the Property-Casualty business segment and supported by the Life/Health business segment.

6M 2023: Total business volume rose by 4.8 percent to 85.6 billion euros, driven by the Property-Casualty business segment, supported by the Life/Health business segment, and partially offset by a decrease in our Asset Management business segment.

Internal growth was strong at 6.4 percent, driven by the Property-Casualty business segment.

Earnings

2Q 2023: Operating profit increased 7.1 percent to 3.8 (2Q 2022: 3.5) billion euros. This is due to a higher result of our US operations in the Life/Health business segment, and a stronger insurance service result in

the Property-Casualty business segment. This was partly offset by the Asset Management business segment due to lower AuM-driven revenues.

Shareholders' core net income was strong at 2.5 (2Q 2022: 2.0) billion euros due to a higher operating profit.

Net income attributable to shareholders was 2.3 (2Q 2022: 2.0) billion euros.

Core earnings per share (core EPS)³ was 11.40 (6M 2022: 5.77) euros.

The annualized core return on equity (RoE)³ was 16.7 percent (full year 2022: 12.7 percent).

6M 2023: Operating profit increased 14.9 percent to 7.5 (6M 2022: 6.5) billion euros. This is due to a higher operating investment result in our Life/Health business segment and a higher operating insurance service result in the Property-Casualty business segment. This was partly offset by the Asset Management business segment due to lower AuM-driven revenues.

Shareholders' core net income was 4.7 (6M 2022: 2.5) billion euros due to a higher operating profit and an improved non-operating result. Non-operating result in the prior year was impacted by a provision related to the AllianzGI US Structured Alpha matter.

Net income attributable to shareholders was 4.4 (6M 2022: 2.5) billion euros.

Solvency II capitalization ratio

The Solvency II capitalization ratio was 208 percent at the end of 2Q 2023 compared with 206 percent at the end of 1Q 2023. Including the application of transitional measures for technical provisions, the Solvency II capitalization ratio was 235 percent at the end of the second quarter of 2023 compared with 232 percent at the end of the first quarter of 2023.

SEGMENTAL HIGHLIGHTS

"Our strong results and consistency of delivery are showing once again the quality of our franchise.

- Growth in total business volume in our Property-Casualty segment was excellent. We achieved strong rate increases and continue to take actions to successfully offset inflation. The performance in commercial lines was outstanding as a result of solid pricing momentum and strong underwriting discipline.
- Operating profitability in our Life/Health business is very strong. Sustained value creation, well supported by growth in PVNBP and a strong new business margin, is evidence of our ability to deliver value to our customers while achieving healthy profitability.

³ Core EPS and core RoE calculation based on shareholders' core net income

- Our Asset Management business continued to achieve positive net inflows in the second quarter as we supported our clients to navigate through a challenging business environment. Third-party assets under management were stable at 1.7 trillion euros compared to the first quarter. This bodes well for future profitability.

We confirm our full-year outlook of operating profit of 14.2 billion euros, plus or minus 1 billion euros.”

- Giulio Terzariol, Chief Financial Officer of Allianz SE

Property-Casualty insurance: Double-digit growth

2Q 2023: Total business volume rose by 8.0 percent to 17.6 (16.3) billion euros. Adjusted for foreign currency translation and consolidation effects, internal growth was strong at 11.4 percent due to a price effect of 7.1 percent and a volume effect of 4.7 percent, slightly offset by a service effect of -0.5 percent. The main contributors to the increase were Allianz Partners, Australia, Latin America and Germany.

Operating profit increased by 10.8 percent to 2.0 (1.8) billion euros, benefiting from a higher operating insurance service result as well as an improved operating investment result.

The combined ratio improved by 0.4 percentage points to 92.2 percent (92.6 percent). The loss ratio improved by 0.4 percentage points to 67.4 percent, benefiting from lower claims from natural catastrophes and a positive discounting impact. This was partly offset by higher claims inflation and a lower run-off result. The expense ratio increased slightly by 0.1 percentage points to 24.8 percent (24.7 percent).

6M 2023: Total business volume surged 9.8 percent to 41.7 (38.0) billion euros. Adjusted for foreign currency translation and consolidation effects, internal growth was very strong at 11.8 percent, supported by a price effect of 6.4 percent as well as a volume effect of 5.4 percent and a service effect of 0.1 percent. While many entities added to that growth, the primary contributors were Allianz Partners, Türkiye, AGCS and Germany.

Operating profit rose 16.3 percent to 3.9 (3.3) billion euros, driven by a significantly higher operating insurance service result and an improved operating investment result.

The combined ratio improved by 1.1 percentage points to 92.0 percent (93.2 percent). The loss ratio improved by 0.9 percentage points to 67.2 percent due to lower claims from natural catastrophes and a favorable impact from discounting. This was partially offset by higher claims inflation and a less favorable run off result. The expense ratio improved by 0.2 percentage points to 24.8 percent (25.0 percent).

Life/Health insurance: Strong operating profit

2Q 2023: PVNBP, the present value of new business premiums, amounted to 17.7 (16.5) billion euros, driven primarily by increased volumes in the United States from fixed index annuities sales promotion. Economic impacts in Germany and Italy, primarily due to discounting, had an offsetting effect.

Operating profit increased to 1.2 (1.0) billion euros mainly driven by a higher result in the United States due to a prior year negative hedge result on variable annuities turning positive. The release of the Contractual Service Margin (CSM) remained stable at 1.2 (1.2) billion euros.

Contractual service margin (CSM) is stable at 52.9 (52.4) billion euros. New business and expected in-force return were offset by the CSM release and economic variances. Normalized growth was 1.5 percent in the second quarter.

The new business margin (NBM) reached 6.2 percent (6.3 percent). The value of new business (VNB) increased slightly to 1.1 (1.0) billion euros.

6M 2023: PVNBP declined to 36.2 (37.6) billion euros, as increases in the United States and Allianz Reinsurance were offset by a lower contribution from Germany and Italy.

Operating profit jumped to 2.5 (1.8) billion euros due to an increase in operating investment result in the United States caused by prior year negative hedge result on variable annuities turning positive. The release of the Contractual Service Margin (CSM) increased slightly to 2.5 (2.4) billion euros and is in line with expectations.

Contractual service margin (CSM) at 52.9 (52.2) billion euros, is driven by strong new business in the United States and Germany, and expected growth due to unwinding. The normalized growth was 2.7 percent.

The new business margin increased to 5.8 percent (5.5 percent), driven by favorable economics across entities. The value of new business remained stable at 2.1 (2.1) billion euros, due to offsetting results in France and Germany.

Asset Management: Stable third-party party assets under management

2Q 2023: Operating revenues were 1.9 billion euros, down 2.0 percent adjusted for foreign currency translation effects. Higher performance fees were more than offset by lower AuM-driven revenues.

Operating profit was 703 (773) million euros, down 9.0 percent from the prior-year period. Adjusted for foreign currency translation effects, operating profit decreased by 7.3 percent. The cost-income ratio (CIR) rose to 62.5 percent (61.7 percent).

Third-party assets under management were 1.662 trillion euros as of June 30, 2023, down by 6 billion euros from the end of the first quarter 2023. Positive net inflows of 2.7 billion euros and favorable market impacts of 2.0 billion euros were offset by negative foreign currency translation effects of 10.5 billion euros.

Total assets under management were 2.163 trillion euros at the end of the second quarter of 2023, down 11 billion euros from the end of the first quarter 2023, including net outflows of 5.9 billion euros.

6M 2023: Operating revenues decreased by 7.5 percent to 3.8 billion euros as a result of lower AuM-driven revenues. Operating profit was 1.4 (1.6) billion euros, down 11.1 percent from the prior-year period. Adjusted for foreign currency translation effects, operating profit was down 11.8 percent. The cost-income

ratio (CIR) rose to 62.3 percent (60.7 percent). Third-party assets under management were 1.662 trillion euros as of June 30, 2023, up by 27 billion euros from the end of 2022.

Allianz Group - key figures 2nd quarter and first half year 2023

		2Q 2023	2Q 2022	Delta	6M 2023	6M 2022	Delta
Total business volume	€ bn	39.6	37.4	5.9%	85.6	81.7	4.8%
- Property-Casualty	€ bn	17.6	16.3	8.0%	41.7	38.0	9.8%
- Life/Health	€ bn	20.3	19.3	5.4%	40.4	39.9	1.3%
- Asset Management	€ bn	1.9	2.0	-6.9%	3.8	4.1	-7.5%
- Consolidation	€ bn	-0.2	-0.2	-9.9%	-0.3	-0.3	-3.5%
Operating profit / loss	€ mn	3,783	3,532	7.1%	7,513	6,536	14.9%
- Property-Casualty	€ mn	1,983	1,790	10.8%	3,855	3,316	16.3%
- Life/Health	€ mn	1,202	981	22.5%	2,521	1,787	41.1%
- Asset Management	€ mn	703	773	-9.0%	1,426	1,605	-11.1%
- Corporate and Other	€ mn	-111	-65	71.7%	-287	-265	8.1%
- Consolidation	€ mn	6	53	-89.2%	-2	94	n.m.
Net income	€ mn	2,486	2,089	19.0%	4,647	2,675	73.7%
- attributable to non-controlling interests	€ mn	150	112	33.8%	278	223	24.5%
- attributable to shareholders	€ mn	2,337	1,977	18.2%	4,369	2,452	78.2%
Shareholders' core net income¹	€ mn	2,517	2,048	22.9%	4,690	2,466	90.2%
Core earnings per share²	€	5.97	4.75	25.6%	11.40	5.77	97.7%
Additional KPIs							
- Group	Core return on equity ³	%	-	-	16.7%	12.7%	4.0% -p
- Property-Casualty	Combined ratio	%	92.2%	92.6%	-0.4% -p	92.0%	-1.1% -p
- Life/Health	New business margin	%	6.2%	6.3%	-0.1% -p	5.8%	0.3% -p
- Asset Management	Cost-income ratio	%	62.5%	61.7%	0.9% -p	62.3%	1.6% -p
					06/30/2023	12/31/2022	Delta
Shareholders' equity⁴	€ bn				54.3	54.4	-0.2%
Contractual service margin (net)	€ bn				32.4	31.7	2.0%
Solvency II capitalization ratio⁵	%				208%	201%	7% -p
Third-party assets under management	€ bn				1,662	1,635	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.

1. Presents the portion of shareholders' net income before non-operating market movements and before amortization of intangible assets from business combinations (including any related income tax effects).
2. Calculated by dividing the respective period's shareholders' core net income, adjusted for net financial charges related to undated subordinated bonds classified as shareholders' equity, by the weighted average number of shares outstanding (basic core EPS).
3. Represents the annualized ratio of shareholders' core net income to the average shareholders' equity at the beginning and at the end of the period. Shareholders' core net income is adjusted for net financial charges related to undated subordinated bonds classified as shareholders' equity. From the average shareholders' equity undated subordinated bonds classified as shareholders' equity and net OCI are excluded. Annualized figures are not a forecast for full year numbers. For 6M 2022, the core return on equity for the respective full year is shown.
4. Excluding non-controlling interests.
5. 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 235% as of 30 June 2023.

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's core business and core markets, (ii) the performance of financial markets (in particular market volatility, liquidity, and credit events), (iii) adverse publicity, regulatory actions or litigation with respect to the Allianz Group, other well-known companies and the financial services industry generally, (iv) the frequency and severity of insured loss events, including those resulting from natural catastrophes, and the development of loss expenses, (v) mortality and morbidity levels and trends, (vi) persistency levels, (vii) the extent of credit defaults, (viii) interest rate levels, (ix) currency exchange rates, most notably the EUR/USD exchange rate, (x) changes in laws and regulations, including tax regulations, (xi) the impact of acquisitions including and related integration issues and reorganization measures, and (xii) 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

Allianz 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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