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A.M. Best Affirms Ratings of Allianz Societas Europaea and Its Main Subsidiaries

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FOR IMMEDIATE RELEASE

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A.M. Best Co. has affirmed the financial strength rating (FSR) of A+ (Superior) and the issuer credit rating (ICR) of "aa" of **Allianz Societas Europaea** (Allianz SE) (Germany) and its main subsidiaries. The outlook for all ratings is stable. (See below for a complete listing of companies and debt instruments.)

The ratings of Allianz SE reflect its very strong business position and strong capitalisation. Financial performance deteriorated significantly in 2008; however, underlying operating performance remained robust considering the prevailing market conditions.

Allianz SE reported a significant decline in operating profit of approximately 28% to EUR 7.4 billion (USD 9.3 billion) in 2008. Non-life business is likely to remain the main profit contributor to the company's operating profit in 2009. A.M. Best believes that Allianz SE's combined ratio is likely to be in the range of 94% to 97% in 2009 as several of the personal lines markets experience stagnating demand, while the current economic environment will continue to depress the profitability of creditor business written by its specialist subsidiary, Euler Hermes. Similarly, life operating profits, which declined sharply in 2008, are unlikely to recover in 2009. A.M. Best believes that life financial performance will be relatively stable in 2009, with the main drivers likely to be further losses in the U.S. variable annuities book, capital losses on the company's equity portfolio and the potential for positive adjustments on its bond book. The remaining businesses of Allianz SE are likely to have reduced impact on the company's financials in 2009. Pre-tax results are likely to return to profitability in 2009 following the significant loss recorded in 2008, which was due to the write-downs associated with the Dresdner sale.

These losses posted by Allianz SE, combined with the sharp decline in value of in-force business (VIF) and the dividend payment of EUR 1.6 billion, have resulted in significant reduction in economic capital. However, risk-adjusted capitalisation remains in line with the current ratings following the disposal of Dresdner. Financial flexibility remains good, given that the sale is also de-leveraging the group (though the appetite of investors for providing additional capital or debt to insurers at the present moment remains uncertain). The current market conditions are likely to further depress VIF and the value of German bonus reserves, thus further reducing the level of economic capital. However, A.M. Best believes that it is Allianz SE's dividend policy and investment performance that are likely to be the main drivers of the company's capitalisation during 2009.

Allianz SE has a very strong business position, mainly in Continental Europe and especially in Germany, Italy and France. The decline in equity prices in 2008 resulted in significant decline in demand for unit-

linked products; however, this was partly compensated by the increased demand for traditional life products and growth in some of the emerging markets. Non-life premiums remained relatively stable in 2008 as the decline in many mature markets was offset by increasing premiums in South America, Asia Pacific and New Europe. Assets under management have remained relatively stable at the company's fixed income specialist (PIMCO). In A.M. Best's opinion, reported life (IFRS) premiums are likely to continue growing in 2009 due to continuing demand for products with embedded guarantees and healthcare covers. While some non-life business lines are likely to experience rate increases, A.M. Best believes that continuing depression in most economies is likely to result in a diminishing demand for insurance, mainly in industrial and commercial lines.

The FSR of A+ (Superior) and ICRs of "aa" have been affirmed for the following main subsidiaries of **Allianz SE**:

- **Allianz Lebensversicherungs-AG**
- **Allianz Versicherungs-AG**
- **Allianz Private Krankenversicherungs-AG**
- **Euler Hermes Kreditversicherungs-AG**
- **Assurances Generales de France IART**
- **Assurances Generales de France Vie**
- **Allianz Insurance Plc**
- **Allianz S.p.A.**
- **Allianz Global Corporate & Specialty AG**
- **Allianz Global Corporate & Specialty France**
- **Allianz Global Risks US Insurance Company**
- **Allianz Underwriters Insurance Company**

The rating of "aa" on the following senior unsecured debt issued by Allianz Finance II B.V. and guaranteed by Allianz SE have been assigned:

- EUR 1.5 billion 5.0% senior unsecured bonds, due 2013

The ratings of "aa-" on the following subordinated debt issued by Allianz Finance II B.V. and guaranteed by Allianz SE have been assigned:

- EUR 800 million 5.375% undated subordinated bonds
- USD 500 million 7.25% perpetual subordinated bonds

The ratings of "aa" on the following senior unsecured debt issued by Allianz Finance II B.V. and guaranteed by Allianz SE have been affirmed:

- EUR 0.9 billion 5.625% senior unsecured bonds, due 2012
- EUR 1.5 billion 4.0% senior unsecured bonds, due 2016

The ratings of "aa-" on the following subordinated debt issued by Allianz Finance II B.V. and guaranteed by Allianz SE have been affirmed:

- EUR 2 billion 6.125% senior subordinated bonds, due 2022
- EUR 1 billion 6.5% senior subordinated bonds, due 2025
- EUR 1.4 billion 4.375% undated junior subordinated bonds

The rating of "aa-" on the following subordinated debt issued by Allianz SE has been assigned:

- USD 2 billion 8.375% undated subordinated bonds

The rating of "aa-" on the following subordinated debt issued by Allianz SE has been affirmed:

- EUR 1.5 billion 5.5% perpetual junior subordinated bonds

The ICR has been upgraded to "aa" from "a" for Assurances Generales de France SA.

The ratings of the following subordinated debt issued by Assurances Generales de France SA have

been upgraded to "aa-" from "a-":

- EUR 0.225 billion 6.625% subordinated bonds, due 2020
- EUR 0.225 billion 2.896% subordinated bonds, due 2020

The rating of the following junior subordinated debt issued by Assurances Generales de France SA has been upgraded to "a+" from "bbb+":

- EUR 0.4 billion 4.625% junior subordinated bonds, due 2015

For Best's Debt Ratings, all other Best's Credit Ratings, an overview of the rating process and rating methodologies, please visit [Best's Ratings & Analysis](#).

The principal methodologies used in determining these ratings, including any additional methodologies and factors, which may have been considered, can be found at [Best's Credit Rating Methodology](#).

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